STATE OF NEVADA
COMMISSION ON MINERAL RESOURCES
PUBLIC HEARING
FOR THE AMENDMENT OF REGULATIONS FOR THE BOND POOL
Thursday, May 8, 2014 – 10:00 a.m.
Legislative Counsel Bureau
401 South Carson Street
Room #3137
Carson City, Nevada

CMR Members in Attendance:
Fred Gibson
Richard DeLong
David Parker
John Snow

Also in Attendance:
Mike Visher – NDOM
Bryan Stockton (Deputy Attorney General)
Richard Perry – Secretary/Administrator – NDOM
Valerie Kneefel – CMR/NDOM

I. PUBLIC HEARING – For the purposes of receiving public comment from all interested persons, the Nevada Division of Minerals will hold a public hearing regarding the adoption, amendment or repeal of Regulations for money held in the bond pool as set forth in Chapter 519A.290 of the Nevada Administrative Code.

Fred Gibson called the meeting to order at 10:15 a.m.

COMMENTS BY THE GENERAL PUBLIC – Pursuant to N.R.S. 241, this time is devoted to comments by the public, if any, and discussion of those comments. No action may be taken upon a matter raised under this item on the agenda until the matter itself has been specifically included on a successive agenda and identified as an item for possible action. All public comments will be limited to 5 minutes for each person. **ACTION WILL NOT BE TAKEN.**

There were no public comment requests.

II. AMENDMENT OF REGULATIONS FOR THE POOLING OF RECLAMATION PERFORMANCE BONDS

Mike Visher stated, during the August meeting in Tonopah, a review was completed of transferring money from the bond pool for actual costs incurred by administering the bond pool into the Division of Minerals General Fund. The Commission adopted regulations and requested those regulation changes be pursued. He reviewed the following language that was submitted to the Legislative Counsel Bureau (LCB) in NAC519A.600 (3):

"Administrative expenses to be calculated as 3% of the average total active bond amounts held in the bond pool at the end of each fiscal quarter may be transferred annually from the bond pool to the Division's general budget account."

Mr. Visher stated current regulations do not have a cap on how much money should be transferred, but states only that the bond pool has to be financially sound. The 3% was selected because 3% is the minimum amount a participant pays an annual premium to the Division to cover administrative expenses. Those that are not fully funded, pay on a sliding scale from 5-10% until the bond is sound. Last year, actual costs needed to be demonstrated and shown where those costs fell with respect to the 3%. He reviewed the "Bond Pool Administrative Costs for FY13" chart. Mr. Visher stated $104,800 administrative expenses were incurred in FY13. The 3% calculated at $102,000. He noted budget amounts are set from up to two years prior. The Legislative Counsel Bureau omitted the language in NAC519A.600(1) regarding all of the money in the bond pool and in NAC519A.600(3), the language change does not state the time when the transfer can occur and the last sentence was changed to read:
"The amount transferred must be based on the actual administrative expenses incurred by the Division and may not exceed the amount resulting from the calculations."

Mr. Visher stated there is no impact to any participants, because they are paying 3%. This is an internal mechanism by which the money goes from the bond pool to the general fund for the Division of Minerals. Notice was sent to everyone in the bond pool regarding the change and the required workshop was held regarding this issue, but there was no attendance at the workshop and no written comments have been received.

Richard DeLong asked if the fourth paragraph was added by LCB. Mr. Visher replied yes. Mr. DeLong asked if there will be any affect for a call or forfeiture on the bond. Mr. Visher stated there would be, because that is what will be used for tracking. Mr. DeLong stated that may not be consistent with the language in section four because the non-obligated portion and that portion which has been forfeited may also fall into the amount. Mr. Visher stated it may "muddy" what is done, but it will not restrict what is done and may give a higher value for the 3% calculation.

David Parker asked if there could be a readjustment to capture the actual costs, if the 3% is exceeded. Mr. Visher replied no. He stated the actual admin costs might exceed the 3% cap as it did last year, but it is unlikely in the near future. He provided an example from last year when the paper system only was moved into a database and incurred actual costs were quite high. In FY14, figures are based on premiums that come in throughout the year, which may be removed if someone exits the bond pool before the premium paid for the year is used. This year, the amount may be less than the 3% because the bulk of the work for the database was completed in FY13 and five participants were terminated from the bond pool.

Fred Gibson asked about the accountability for the money that is given. Mr. Visher stated it was pulled from the bond pool and was shown as an allocation off of the budget account. He explained plan operations do not require the entire amount in the bond pool and premium payments are not refunded; an example was provided. He stated the bond pool was set up to assist those that do not have the cash flow or the history to receive assurance by any other means; therefore, that money is not unobligated money, but covers plan operators.

Richard Perry noted there are two types of bonds: 1) notice-level bonds; currently, there are 122 participants who are exploration companies that are bonding for surface disturbance of five acres or less and they bond at 100% of the amount and pay an annual fee; and 2) plan-level bonds, which are operators that are bonding for disturbances above five acres. Currently, there are only six active operators remaining in plan-level bonds.

John Snow asked if auditors reviewed last year's computation or had concerns about tracking. Mr. Visher replied no. A detailed bond reconciliation is completed quarterly with the Controller's Office. Administrative expense is reviewed very closely by the Budget Office. Mr. Snow asked if the approximately $90,000 is the average or could it be less. Mr. Visher stated amounts will decrease as people leave the bond pool, and administrative costs will also decrease.

Richard DeLong stated for the record, in his opinion, they can live with LCB's changes from what was originally approved by the CMR.

<u>**Richard DeLong moved to approve the regulation as presented. David Parker seconded the Motion. Motion carried.**</u>

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There were no public comment requests.

There being no further business, the meeting adjourned at 10:41 a.m.