

# Nevada Business

THE DECISION MAKER'S magazine

The Evolution  
of Medical  
Education  
in Nevada

p9

Dr. Barbara  
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SPECIAL REPORT

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# Divisive and Fear Mongering

## Harry Reid's Legacy

While I'm sure we can all breathe a sigh of relief that the negative back and forth of this election is finally over, the outcome has brought out the worst in many Americans. On one side we've seen crying snowflake millennials upset we won't have a woman president and "protestors" storming Trump Tower demanding the president-elect's head. On the other side are smug Donald Trump-supporters gloating their win and, in some cases, using it as an excuse to belittle and degrade other Americans. To say that this nation is, at the moment, divided is an understatement.

What is desperately needed for America is for our leaders to stand and declare their intentions to work together for the good of our people. That's exactly what we've gotten from president-elect Trump who, in his victory speech, said, "I pledge to every citizen of our land that I will be president for all Americans ..."

Outgoing President Obama has also been working with Trump and his team to ensure the smooth transfer of power which has been so necessary to the U.S. since it's foundation. In his remarks after the election, referring to Donald Trump, Obama said, "We are now all rooting for his success in uniting and leading the country."

Even Hillary Clinton, Trump's bitter rival, urged support for the new president in her concession speech. She said, "Donald Trump is going to be our president. We owe him an open mind and the chance to lead."

So if these three, all having been on different sides at one point or another, can come together for the good of all Americans, we should expect our other leaders to do the same as well, right? After all, the goal is to make sure we remain a UNITED States of America. Unfortunately, not everyone in the public's light has worked for this necessary healing.

Senator Harry Reid, who (thankfully) is soon to retire, wanted to get one last parting shot in before he faded into the night. While he could have left his legacy on a high note, he instead chose, as one of his last acts in leadership, to denigrate Trump and his supporters. Reid released a statement three days after the election that encouraged Americans to be fearful and condemns a Trump presidency to failure before it's even begun.

In his statement Reid concludes with, "Winning the electoral college does not absolve Trump of the grave sins he committed against millions of Americans. Donald Trump may not possess the capacity to assuage those fears, but he owes it to this nation to try."

Those are harsh accusations to lay at the door of a man who will be our country's leader and plans to help America have a successful future. I understand people don't agree and that this uncertainty has led many to be fearful but the way forward is not to encourage fear and deviousness. Our leaders need to be a uniting - not a dividing-force. Shame on you Harry Reid, I look forward to the day we no longer have your damaging leadership guiding our state and our nation.

**Call to Action:** We must come together as Americans. Whether you love or hate Trump, he will be our president. It's our duty to give him the opportunity that he has fought for and won. We are a nation of great opportunity and incredible accomplishments and it's past time we remember that and work towards a prosperous future together. Let's "Make America Great Again." 

**2 Chronicles 7:14 (NKJV)** "If my people who are called by My name will humble themselves, and pray and seek My face, and turn from their wicked ways, then I will hear from heaven, and will forgive their sin and heal their land."



**Lyle E. Brennan**  
Publisher

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**By Whose Authority?**

For more information on my Commentary and to see some of my backup research, or if you wonder why I take the position I take, go to [www.LyleBrennan.com](http://www.LyleBrennan.com).

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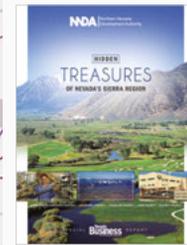
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# The Evolution of Medical Education in Nevada

*By Jennifer Rachel Baumer*

**IN** November, the University of Nevada, Las Vegas (UNLV) School of Medicine began accepting applications and interviewing students who will start their medical school education in summer 2017.

That sounds like good news – and it is – because of Nevada’s severe shortage of

physicians. However, it’s only one step by Nevada healthcare professionals to help the state catch up. According to a biennial report from University of Nevada School of Medicine in May, there are 5,726 physicians licensed to practice or in residency in Nevada.





Dr. Thomas Schwenk

University of Nevada, Reno School of Medicine

That sounds like a lot, but 69.8 percent are in Clark County, and 22.4 percent in Washoe County, leaving less than 8 percent practicing in the rural counties. In addition, doctors 60 years or older account for 27 percent of Nevada physicians.

“We have a tremendous shortage [of physicians] and in nearly all specialties,” said Dr. Thomas Schwenk, dean, University of Nevada, Reno (UNR) School of Medicine. The problem is compounded by the fact that, “until recently we’ve had a limited system of public medicine education leading to residency education and into practicing physicians,” he said.

Dr. Schwenk, along with the dean of UNLV’s forthcoming School of Medicine, Dr. Barbara Atkinson and the deans of Touro and Roseman Universities are working to repair Nevada’s dismal numbers. Nevada ranks 48th in U.S. states for the number of physicians per capita, 50th for the number of primary care physicians, 51st for registered nurses, 47th for psychiatrists and 41st for psychologists. The number of pediatric doctors is 9.6 per 10,000 children in Nevada while the rest of the country is at 15 per 10,000.

The good news is that, anywhere from 50 to 80 percent of physicians remain where they’ve performed their residency, and Nevada ranks eighth in the U.S. for physicians remaining after residency training.

## Keeping Up with the Demand

That good news remains good news as long as there are enough residencies to train and keep the doctors going through them. Unfortunately, at the moment, Nevada doesn’t have enough residencies and

the state isn’t unique in that. There doesn’t seem to be enough residency or fellowship programs across the country.

“There’s no question there’s demand all over the country [for residency programs],” said Mark Penn, dean, College of Medicine, Roseman University of Health Sciences. “There’s lots of individuals that want to become physicians but we don’t have enough spots for all of them.” Which means if the state can create residency programs, there is the possibility of attracting students from other states, who just might stay.

The Legislature and the Governor, with the deans of new and existing medical schools, are now recruiting doctors, creating residencies and looking to put together medical fellowships in order to train specialists. After four years of medical school and three to five years of residency, fellowship training for specialties is another three to seven years.

“We have to support that scope by training so we have enough cardiologists, enough pulmonologists, enough cancer doctors and that’s done with fellowship training,” said Dr. Anthony Slonim, CEO, Renown Health. A fellowship program takes years to build, which is one reason Renown has partnered with Stanford University. The organization hopes to entice some of their specialists to Nevada while building programs.

Deans of Nevada medical schools are working together, combining strengths rather than competing. There are enough hopeful medical students to go around, and more applicants for residency slots than there are slots. In early 2016, there were 138 first year residency positions and the state’s medical schools included UNR and Touro.



Mark Penn

Roseman University of Health Sciences



Dr. John Dougherty

Touro University Nevada

“So at that moment in time, Nevada is a net exporter of medical students who have to go somewhere else to train,” said Dr. John Dougherty, dean, Touro University Nevada.

## The Making of a Medical School

In September 2013, the University of Nevada Board of Regents decided to expand medical education in Nevada. In January 2014, it decided on a new medical school at UNLV. Dr. Atkinson was recruited as dean and began the numerous steps involved in creating a school of medicine.

“I spent the first six months meeting with people in the community, talking to the people at University of Nevada, Reno School of Medicine and people in Las Vegas, really planning the curriculum and what the future should look like,” said Atkinson. “My goal was to make sure the school was what the community needed: to provide physicians to the state.”

In January the Liaison Committee on Medical Education (LCME), the accrediting body for the U.S. and Canada, reviewed the accreditation materials. In July, they performed a site visit. In October, the school was approved to accept the first class.

For the 60 openings, 800 applicants requested notification and the pool of qualified students is 2,000 to 3,000 strong.

Meanwhile, Roseman is in the second phase of the accreditation process. Documentation was submitted to LCME in June, 93 elements taken into account, and 92 approved.

Accreditation was denied over questions of adequate funding. “It’s not uncommon to have some bumps in the road,”

explained Penn. When fully accredited, Roseman expects to have 60 students in the school's first class.

## The Making of a Physician

Those 800 aspiring medical students eyeing Nevada's schools come from across the country. But while Atkinson said there's no mandate to accept only Nevada residents, qualified Nevadans and students with ties to the state are first choice.

"We want to be sure to choose people who are going to want to stay," said Atkinson. "The issue is obviously to pick them from people who are already here, who have family here and who are most likely to stay here."

To that end, the curriculum is tied to the Las Vegas community, "so they'll really understand our community and the diversity of our community," added Atkinson.

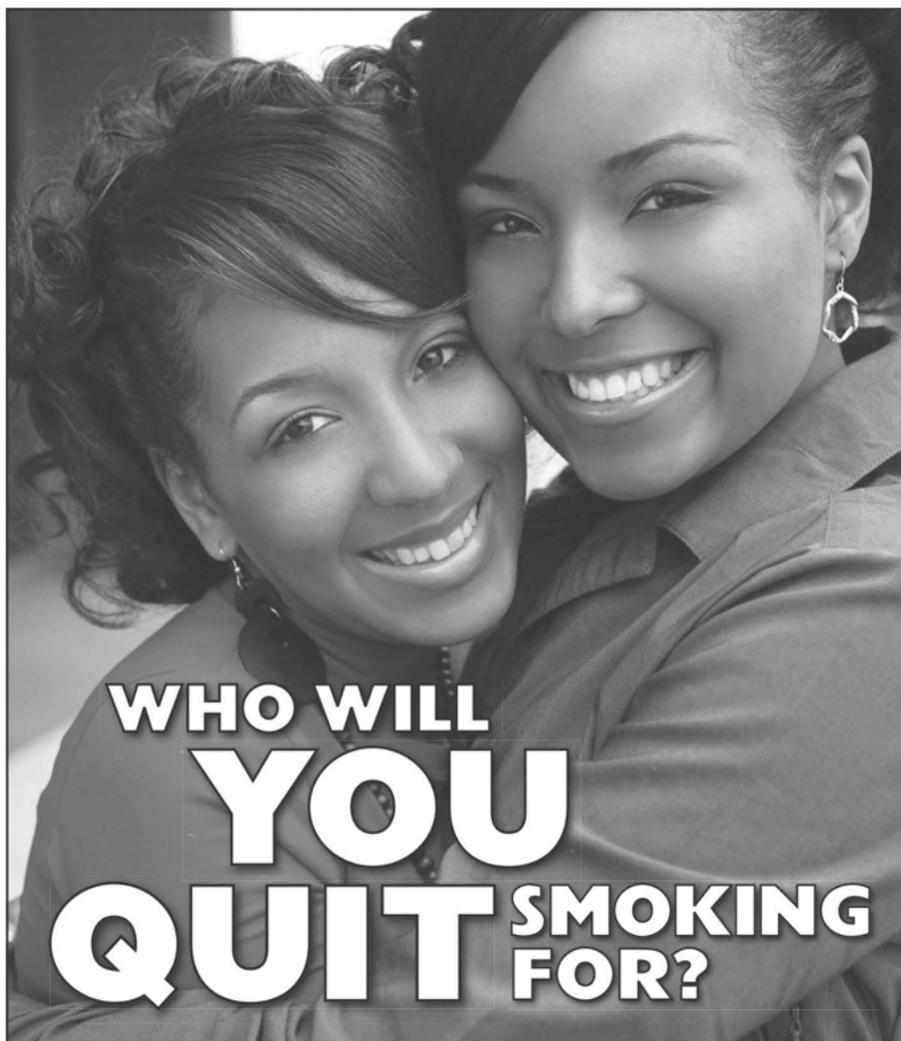
Once the students are in the state, the next step is to build residency programs, because 80 percent of graduates who do both medical school and residency in the same place tend to stay.

"Our problem in Nevada is we don't have many of the residency programs that students like to take," said Atkinson. That means a number of students automatically leave the state, which is why medical schools, local hospitals and medical practices are working together to build residencies in all the specialties.

## The Making of Residencies

Partnerships are the backbone of residencies. Medical students must do rotations in both hospitals and outpatient practices. That means, across the state, residency partnerships are forming for the good of the community.

"We have an explosion of interest, with Mountain View Hospital developing a system and Valley Health committed to do the same," said Schwenk.



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## MEDICAL EDUCATION

That's something like 200 to 250 new residency slots. UNLV is also set to continue UNR's strong partnership with the University of Southern California. The system is also adding new partnerships with Renown Health and expanding others with the VA Sierra Nevada Health Care System. There's even talk of adding rural residencies in places like Elko. Rural providers are especially in demand.

"The growth we're experiencing right now [in medical education] means the graduate education side is critically important," said Dougherty. With Mountain View, Valley Health and Dignity looking to start residencies between 2017 and 2019, the number of residency slots should rise from 135 to closer to 300. "It's massive change, and it's wonderful. Technically, now Nevada is going to be a net importer of students into training programs."

Residency programs can provide better healthcare now for Nevada residents. Medical students spend their first two years in lectures, listening to people talk about medicine, said Dougherty. They spend the next two years as active learners, in hospitals and medical practices.

"When you have a residency training program with the students, the students get a better education," said Dougherty. "Residents are active learners and will challenge and engage the medical students. The two are synergistic and the impact they have on the attending physician is positive. Because you never want to be shown up by a 24-year-old kid, as a physician, you work a little harder to keep up on stuff," Dougherty said.

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Dr. Linda  
**Johnson**  
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vada, partnering with University of Nevada Schools of Medicine and Touro.

“Basically we’re doing what I call collaboration,” said Dr. Linda Johnson, senior medical director, provider of clinical education, Southwest Medical. Whether a student is training to be a practical nurse, a physician’s assistant or a doctor, he or she has to do clinical rotations.

“We don’t have specific programs where they’re doing their training only with us because we’re collaborating with other institutions in the community to provide the site,” said Johnson.

Southwest Medical’s program recently brought in six students to spend the majority of their clinical year training in the facilities, before going to work for the practice by graduation. Southwest will also be the clinical site for Universal Health Systems (UHS) approved Family Practice and Internal Medicine residency, producing 60 new family practice doctors and 120 internal medicine interns and residents.

In Northern Nevada, Renown Health’s residency program with UNR School of Medicine offers internal medicine and family practice and, because of the shortage of physicians in Nevada, they’re also the clinical training program for the new physician assistant program at UNR.

Because training new physicians is a 10-year process, and recruiting them from other states won’t fill all Nevada’s needs, medical professionals are looking for creative solutions to implement in the short term. That includes training practical nurses and physician assistants.

“We’re thinking creatively about options with which to enhance physician supply beyond training, recruiting and advising physicians,” said Slonim. “We have to think about providers who can reach into the community.” Physician assistants and advanced practice nurses can do that, which enhances the role physicians play in the community by providing services to people.”



Dr. Anthony Slonim  
Renown Health

These solutions don’t answer all of Nevada’s healthcare challenges. There may be a large pool of medical school appli-

cants to draw from (the four states Nevada schools of medicine draw most from are Texas, Florida, California and Utah), but the pipeline to medical schools isn’t strong.

“One challenge for us in state is that we don’t have a robust college environment,” said Dougherty. “Most states have a network of colleges and universities, either private or public.” Nevada has fewer than 10, and they’re located primarily in the metro areas.



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Working to fill that pipeline, Roseman University of Health Sciences gives presentations in junior highs, high schools and community colleges, to motivate students to explore the health professions, said Penn.

## Patient Care Requires Patients

It may sound like a strange challenge, but Nevada also doesn't have enough patients. There's a lack of critical mass when it comes to patients in specific disciplines, said Schwenk. When creating residencies and fellowships, the number of patients needing specialized care must be considered. There's a reason why major metropolitan areas and coastal cities with large populations traditionally offer more training in more specialized disciplines.

"It's hard in Reno, for example, to do a neurosurgery residency, because there's not the breadth and volume, but we're thinking orthopedic surgery in Reno," said Schwenk. While Reno might be able to sustain a cardiology fellowship, a subspecialty might require partnering with an institution like Stanford.

"The main issue with many subspecialty programs is they require a strong research component," said Schwenk. "We would have to invest heavily in research, so what's required is money and investment with hospitals and other healthcare facilities."

In October, the Graduate Medical Education Task Force recommended distribution of \$10 million approved in the executive budget during the 2015 legislative session. The funds will be awarded to both University of Nevada Schools of

Medicine, Touro University and to Valley Health Hospital System and Mountain View Hospital in Southern Nevada, both of which are forming new residency programs. The lion's share, however, was directed toward expanding primary care residencies in the state.

"We need to fill the specialties," said Atkinson. "I'm hoping that by the next legislative session we will have been so successful that we'll be getting additional funds for both primary care and specialties."

There's a need to fund residencies like dermatology and ophthalmology, and there's also a need for fellowships in areas like pediatrics. To create some of these, UNLV is working with University Medical Center (UMC), Sunrise Hospital and the VA, where current UNR School of Medicine residencies are.

"We're working with them to expand," said Atkinson. Or to begin. Dignity Health

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hospitals, for example, have never had residencies, but are working to create them.

## Short-Term Solutions

Growing physicians isn't a short-term goal. In 2014, the decision was made to create the UNLV School of Medicine. Financial support began in 2015. Accreditation was obtained in October for the first class, which starts summer 2017, and graduates 2021. Residencies last at least three years, and four or five for many specialties, meaning specialists will be working in their fields in Nevada – provided they stay – in 2025.

"From the year the legislature approved support for UNLV [School of Medicine], that's 10 years before we have a new doctor," said Schwenk. "That's discouraging for some people, but it just means it's taking us a while to catch up."

## Looking Ahead

"The most exciting thing is just being able to see the difference it's going to make in the care of patients and in seeing the young medical students blossom in this exciting curriculum," said Atkinson.

The new medical schools and residency programs will provide a shot in the arm for Nevada's economy. According to Penn, a recent study showed the economic impact of medical schools within a state can be upwards of \$1 billion.

"That's everything. It's the new people you bring on, the impact into the community, with all kinds of other services that grow and come out of that," said Penn. Looking at that research, he believes Roseman's College of Medicine will probably have an impact between \$500 million and \$1 billion. "UNLV talks about over \$1 billion. The numbers are pretty huge. I think together the two new schools

coming on could have a collective impact of anywhere from \$1.5 to \$2 billion," he added.

Technology plays a part in the new medical education too. Electronic medical records, telemedicine to care for rural patients and robotic surgery are all innovations in the medical field, but today's medical students will go into practice never having not known about them.

"We have to continue to evolve and meet the needs of the practicing world because we're trying to prepare our students for that world," said Penn.

It's a collective effort that's underway to do just that. Penn said, "That's one thing when we as deans [of the medical schools], get together and discuss. How do we do it? Some things you have to do separately because you have to, but there is a 'greater good' phenomenon you have to consider. How do we work together to make this a better place for all of us?" added Penn. 🌱



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M O N E Y

# *Mastery*

The Key to Successful Wealth  
Management in Nevada

*By Jeanne Lauf Walpole*

**MONEY** may indeed be the “root of all evil”, but when the rubber meets the road it also “makes the world go round”. The challenge for many is to effectively manage assets through the various stages of life so that accumulated wealth can help meet needs along the way. While previous generations may have saved for a rainy day by stuffing money in a mattress or, more recently, may have provided for retirement through a traditional pension fund, successful wealth management today isn’t that simple.

“Wealth management is far more than just managing money,” said Bob Martin, regional president of BNY Mellon Wealth Management in Nevada. “Wealth managers look at the total picture.”

## The Lay of the Land

The total picture for wealth management is a life-long holistic plan that includes such things as insurance, philanthropy, estate planning, trust documents and succession plans in addition to long-term financial planning. Today’s wealth managers advise clients on a continuing basis about how all these elements (and more) can work together to build and maintain meaningful wealth while also providing for reliable transfer of assets at the time of death. The key lies in developing a personalized plan that clients and managers can work with on a long-term basis.

“There’s this mystery about the business. We need to keep our clients on the path we’ve set to be successful,” Martin said. “What our clients want is proactive advice. The most important thing is for us to talk to them.”

As the economy and societal events ebb and flow over time, wealth managers need to be cognizant of these changes so they can best serve their clients. Over and above that, however, certain principals of sound financial management seem to stay in place. Owning asset classes that are not correlated over the long-term is a very common practice, for example.



Bob  
**Martin**

BNY Mellon Wealth  
Management

“Everything we do is on a diversification basis and we’re always favoring quality,” said Brian Cuning, vice president and se-

nior wealth advisor at Nevada Wealth Advisors at Nevada State Bank.

Other traditional practices include:

- Rebalancing over-performing and under-performing assets on a periodic basis.
- Strategically locating a mix of after-tax and tax-deferred assets to improve the after-tax rate of the portfolio.



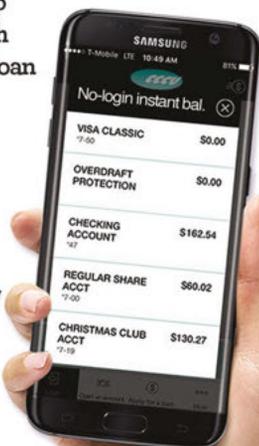
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Brian  
**Cuning**  
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"People are living longer and they need forward planning," Cuning added.

Although these principals can provide a calm sea for investment most of the time, investment boats can periodically be precipitously rocked by unforeseen events. As with almost every other factor of life, financial planning and wealth management were seriously impacted by the economic recession that crashed down less than a decade ago. The cushy days of high returns disappeared, leaving investors to scramble for safe yield-producing asset classes.

"It seemed that in 2008 and 2009 the market was running really good and you could get a 10 percent return," Martin said. "The mind shifted later to more capital preservation."

### Safe and Sound

With investment fear and anxiety running high in recent years, wealth managers and their clients have had to adjust their thinking, but at the same time not abandon sound investment principals.

"Since the financial crisis in 2007, expectations for market returns have changed. There's been a sharp decline

in interest rates," said Greg Kaplan, director of fixed income for City National Rochdale, a subsidiary of City National Bank's Wealth Management Division. "We have a low-rate environment and more people are needing income for retirement. The backbone revolves around diversification. Treasury yields are quite low and you run the risk of taking on risk you might not understand. Interest and dividends are still good sources of income. We look at alternative investments as a complement to the portfolio," he said. Traditional asset types could be bonds and bank loans while alternative types could be railcar leasing or reinsurance contracts.

Overall, the climate of fear has caused many clients, as well as professional wealth managers, to pull in their horns.

"Clients are more conservative, but also more diversified," said Martin. "We try to



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eliminate the peaks and valleys. We need to keep the ride smoother. We need to buffer the downside of the market.”

Although retired people may have greater fears about preserving their capital, younger investors have feelings of uncertainty as well.

“There’s a great deal of fear and anxiety even among people who are working as to what’s coming down the pike,” said Steve Hollingworth, partner at the law firm of Solomon, Dwiggin & Freer who specializes in tax planning and trusts among other practices.

“People are more risk adverse. They want to pay off their debt and be very liquid. They are not open to longer term higher risk investments; you need to find that sweet spot in the middle. Other people are looking at higher dividend paying stocks. Stocks can be less secure, however. Chasing yield can be a moving target,” he added.

Another important component to successful wealth management is staying the course, according to Martin. “We need to keep our clients fully invested. We don’t want to buy more of the high-price assets and sell more of the low-price stuff,” he said.

With the help of a professional wealth manager, investors are less likely to panic with the ups and downs of the market. The job of the manager is to keep the ship sailing on course for the long term.

In addition to the economic atmosphere, wealth management has also been greatly impacted by technology and the plethora of information available to everyone on the Internet. “There’s a lot more information out there that wasn’t there before,” said Cunningham. “It could overwhelm people. They need help.”

With financial television channels running investment advice 24/7, it’s easy for investors to be caught up in the frenzy of chasing the latest and greatest stock tip. Although keeping informed and proactive



Steven E. Hollingworth  
Solomon, Dwiggin & Freer

are positive traits for an investor, it’s important to use that knowledge as part of their overall wealth management plan.

## Labor Department Regulations

As if all these balls are not enough for wealth managers to keep in the air, new Department of Labor (DOL) fiduciary regulations, slated for implementation in April of next year, have created a fire-

CONTINUES ON PAGE 56 ▶

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# Strategy & Strength



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# Industry Focus



## Accountants

**LEFT TO RIGHT ▶** **Connie Brennan**, Nevada Business Magazine • **Glenn Goodnough**, Stewart Archibald & Barney • **Tom Donahue**, Piercy Bowler Taylor & Kern  
**Chris Whetman**, Eide Bailly (formerly JW Advisors) • **Bill Wells**, RSM US • **James Main**, Main Amundsen & Associates  
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baby boomers are exiting and taking money off the table and succession planning. That's one of the items of the succession plan. Also, I think business is getting tougher and status quo is not what's going to make it in the future. With their margins being cut and business becoming tougher, there's some people just exiting in order to move on.

**TOM DONAHUE:** The cyber security issue affects everybody. I've been to a lot of seminars on that. That's an area of our practice we're actually making an investment in to try to get that expertise in house where we can provide some of those consulting services. It's the stuff that keeps you up at night. Just the other day, we had a phishing attack where somebody sent an email and was trying to get our controller to transfer money.

## HOW HAVE NEW REGULATIONS IMPACTED YOUR CLIENTS?

**MAIN:** Some of the DOL (Department of Labor) and overtime issues in our state and the ACA (Affordable Care Act) are two that you constantly get [questions on]. They raise what would be the exempt limit for the salary people that are now subject to double time pay. If you want to keep a good client, you basically have to be their CFO to a certain extent. From the standpoint of our side of things, we have to be prepared for everything that's out there. We're supposed to know everything and it's a tremendous burden.

**RICH:** [Regulations] are a constant annoyance because, with ObamaCare, it was all new reporting requirements last year. Then DOL. Clients do look at us to inform them as consultants. There is a responsibility there that we have. They hold us up there so we have to know everything and inform them. Just this year, what will affect all of us is W-2s are due January 31st, not February 28th. That tightens that requirement. We have to inform

Certified Public Accountants (CPAs) have a unique perspective on the economy having worked with several different industries in various levels of recovery. Although business is up, accountants have exercised caution and often recommend the same for their clients in anticipation of a flattening economy. However, new practice areas are experiencing growth and have opened the doors to more business moving forward. Recently, Nevada CPAs met at the Las Vegas offices of City National Bank to discuss the health of their industry.

Connie Brennan, publisher and CEO 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 ARE SOME EMERGING PRACTICE AREAS?

**JAMES MAIN:** There's going to be trillions of dollars from baby boomers changing hands. The succession and exit planning

and what would be value engineering for businesses is going to be immense. I've seen it take off with the firms here locally. That's where I see a big area of service because whether the businesses are sold, there's an extreme amount of acquisition. There's private equity firms that have obviously been in the market. There's private deals. There's family offices that are buying businesses. There's an immense amount of work for everybody in this room as related to due diligence, transaction planning, tax planning and estate planning so it's an area that I think is a really green pasture for professionals that are trusted by their clients and have a financial background.

**MARK RICH:** Our firm has growth because of specialization, which is a key element of our survival. We have a much bigger practice in forensic and fraud work litigation support, which has picked up the slack, and then some. That's a whole new area we've grown since the recession. We've always done practice in that area, but now it's a big area.

**BILL WELLS:** The services that we see escalating are cyber security with the concern about privacy and security of IT systems. Then merger and acquisition. It's not at the same level as 2015, but it's prominent either because of generational issues where the

the client. If we don't and they miss that date, they'll ask us why we didn't tell them. It's not just on a local level. All of us have clients in just about every state, and also international clients. It's not just what's going on with federal law. It's state and local [law].

**DREANA RESLER:** How do you communicate when you have all these different things that are happening? Do you do a blanket email to all of your clients or do you do it individually?

**RICH:** All of it. Every which way you can. We'll do email blasts. We'll do emails to specific clients if it applies to them. We do a newsletter. We do an annual tax update. We have seminars in our office. We do all of it to keep clients informed.

**MAIN:** It forces you to keep up-to-date, too. It helps your staff from a training and mentoring standpoint that they're actually being brought into that environment.

## IS STAFFING A CHALLENGE IN YOUR INDUSTRY?

**GLENN GOODNOUGH:** It's the biggest challenge, but seems to also be the biggest opportunity. [The opportunity] is to develop experienced professionals and continue to build the capacity of the firm.

**WELLS:** I think the profession challenges a lot of people to stay technically competent, which a lot of people don't want to do. It's an ongoing process. Because of the seasonality of our business, there's real compression of time and some of the younger people's values are not necessarily in line with that. They're looking for different things in quality of life other than what we can offer because the compression of time and busy season.

**DONAHUE:** Staff retention is a continual battle. The next generation expect a little bit more out of the work/life balance situation than what we had as professionals. Sometimes it's hard to marry those two cultures together. We found that, while we do have a pretty good retention rate,



a lot of people who leave our firm end up completely changing career directions altogether. So it's not necessarily our firm, it's just the public accounting grind in general. There are times of the year that things get very compressed and the hours tend to shoot up. It is very challenging. Accountants sometimes have a hard time being creative, but we need to be creative in terms of thinking of ways we can entice our staff to want to stay and figure out how they can get that work/life balance achieved and still be a productive member of the firm.

**GOODNOUGH:** We find that one of the things important to the staff is that we define expectations, we document the expectations, we communicate them and then give them regular evaluations and reviews to let them know how they're doing as compared to those expectations. That's something we hear frequently that is high on their value list. We put quarterly evaluations into place with the understanding that communication is a condition, not an event and we like to just keep that fluid. We find that seems to help a lot with the mentoring process as well.

**DONAHUE:** We've got similar ideas and concepts. We call it the customized work arrangement, which includes remote access or

maybe working from home one day a week. We have clients all over and sometimes it's a long drive. The other thing we're experimenting with is making it a fun place to work. We try to do events for our employees like bowling night over at Red Rock. We get all of our staff together and build that team and build that loyalty to the firm. That goes a long way. Sometimes it's the intangible things that really can motivate somebody to want to stay with a particular organization. Our people are our most important asset and we truly care about every single person that works there. We invest a lot in our people, as we all do. We want to see them succeed and eventually be sitting at one of these roundtables one day talking about their 20 years of experience at the firm. There's a lot of theories and things that are out there. Those are some of the ones that, so far, seem to be working pretty well from the staff feedback that we're getting.

## HOW ARE YOU REACHING OUT TO THE NEXT GENERATION OF CPAS?

**RICH:** We're fortunate to have UNLV (University of Nevada, Las Vegas), which is a world-class business school as far as education goes. We recruit heavily on campus. What's required to get those top students is, you have to be actively involved with Beta Alpha Psi, which is the most active organization for accounting students. We have them come to our office and I speak there and lecture on fraud on campus just so our name is out there. That's really what you have to do to get the best and the brightest. We're all competing for clients and we're equally as competitive for the top students.

**CHRIS WHETMAN:** In order for us to be competitive in the marketplace on recruiting, we start very early. We start in the sophomore year. What we also try to do is make sure it's a good match, so we set expectations early of what it looks like to work for us. After they do take a job with us, we listen to what the

employee would like to do from a flexibility perspective and try to adhere to that. We put a lot of emphasis on culture and we like to design the culture of our office and continue to formulate it based on the personalities of the people in the office so we are listening to them. That provides flexibility in itself. We've tried to establish a mentoring or a culture of empowerment for millennials. We're trying to create more opportunities for them as well.

**DONAHUE:** One of the things that we've started is reverse mentoring so the millennials and tech people can teach. I'm ashamed to admit it, but I'm not good at Twitter and all these things. We have reverse mentoring. If I'm mentoring somebody and I can teach them what I know, they can teach me what they know about social media and all these things that I might not be up to speed on. It's a mutually beneficial mentoring relationship where we both get something out of it.

## WILL WE SEE MORE MERGERS MOVING FORWARD?

**WHETMAN:** We've agreed to merge with Eide Bailly, a large regional firm. They're going to merge their current office in Las Vegas with our office. We're also bringing Bryce Wisan and his practice into our office as well. By year end, we'll be about a 30 person firm. We think this is going to create a lot of opportunity for our existing people and give us the ability to hire and retain people. It's going to give us access to knowledge and expertise that we haven't had previously. Last week, I got a call from a client that needed business valuation services. This is something that we have not done historically and I would normally have to call somebody else, but I was able to reach out with Eide Bailly and find somebody who does this and provide that service to our client.

**DONAHUE:** What you're seeing is a lot of the firms that were founded maybe 20 or 30 years ago, the founders are looking for

an exit plan and you have to take that hard look at your firm. Do you have the next generation of leadership coming up to support the firm or do you have to look to an Eide Bailly or to people who are looking to establish a foothold in the Valley and see if it makes sense to merge. I think that may be what drives the merger activity. It's the aging of the founding partners of firms.

**RICH:** Our firm sees an opportunity right now. We're looking to acquire. The aging firms are either going to close or sell. We're looking presently to acquire firms.

## DO YOU THINK THE ECONOMY HAS IMPROVED IN RECENT YEARS?

**WELLS:** I think it's relatively flat. We've had double-digit growth over the last six years, but the general overall business economy, I don't think we ever came out of the recession. It's all relative. It's what your expectations are and what you were used to. We are seeing a slow-down nationwide in our clients. We expect the next two or three years for the economy overall to slow down significantly. We still pay the price somewhere down the road for not having a diversified economy. The stadium, if it comes to fruition, and the convention center and everything that's happening are fairly compartmentalized in a couple of industries. We just don't have that broad based economy that helps us have a full and meaningful recovery. We're growing, but it's because of different services and different opportunities like cybersecurity and other things like that. It's not necessarily that we've picked up some new clients. The pie isn't getting a lot bigger.

**MAIN:** We hear locally that we came out of the gutter, but we came back up to where our clients are surviving. Some are doing better than others. Overall, it's going to be pretty steady. I talked to a couple people

about if the stadium comes in or if Resort World takes off, you're going to turn around and have \$5 billion worth of construction underway.

**RICH:** You're feeling our reservations as far as the overall economy, not just in Nevada. It could be viewed as a house of cards, which makes it dangerous. If you pull the wrong card out, we could collapse. I think that could happen. I think it's not as solid as I would want it to be.

**GOODNOUGH:** Another interesting effect is the recession hit us so hard that it affected the psyche of the average business owner across the board. It changed how they operated, how they managed risk and opportunities. I think we see that effect. Our firm has also been fortunate to have good, steady growth. In the economy, I agree, it's so industry specific.

**RESLER:** Everybody was a rock star 10 years ago. Now I think, even my client base, are a little more cautious with what they're doing and how they're spending their money.

**RICH:** Part of why those attitudes have changed, though, is our clients are the survivors. [The recession] did affect them. It was traumatic. That's who our clients are and pricing is an issue because of that. Even if things get better, it's their mindset.

**MAIN:** It's like the depression babies. They look at it and say, "We're not going back there." In our society where we sell things to each other, what does that mean? Instead of building malls, we've got guys building Wal-Mart's. When you look nationally, the whole economy is virtually stagnant around the 2 percent growth. We're not going anywhere fast. So our clients and ourselves turn around and expand the services that we have and provide better services for our existing clients. We're more cautious and we're telling our clients to do the same thing. We can't afford to make any big mistakes. 



# NAVIGATING HEALTHCARE

## EVENT SPEAKERS



Lynn Fulstone  
Fennemore Craig



Robert Volkel  
Wells Fargo Insurance Services



Ty Windfeldt  
Hometown Health

By Donna Greene

When it comes to the healthcare system in Nevada, three words are key: quality, access and affordability. The new administration and upcoming legislative session will likely sway these key factors in one direction or another. With 2017 nearly upon us, it comes as no surprise that Nevada executives are eager to know how these changes will affect their businesses.

The Silver State has faced a myriad of challenges with its healthcare system including provider shortages, increasing premiums and complex regulations. Experts are now looking at creative advancements to traditional healthcare to keep up with increasing demand while delivering quality care.

As part of *Nevada Business Magazine's* Business First series, a panel of experts recently gathered in Reno to address

issues pertaining to the healthcare system and answer audience questions on the topic. The panel discussion, held the day after the presidential election, was moderated by Connie Brennan, publisher and CEO of *Nevada Business Magazine*. The breakfast event was hosted by the magazine and sponsored by Fennemore Craig, Hometown Health and Wells Fargo Bank. Panelists included Lynn Fulstone, director

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and healthcare law expert at Fennemore Craig, Robert Volkel, national practice leader for the west region employee benefits at Wells Fargo Insurance Services and Ty Windfeldt, CEO of Hometown Health.

## Repeal and Replace

The most pressing questions in regards to the U.S. healthcare system now revolve around potential changes to the Affordable Care Act (ACA), also known as ObamaCare. During his campaign, President-elect Trump campaigned on the idea of repealing and replacing ObamaCare if elected. Since the election, Trump released a healthcare policy statement which reiterated his goal to repeal the ACA and replace it with a reformed solution.

"I'm not one to make predictions, but something's going to change, especially if you consider how many voted for President-elect Trump because of his promise to change the Affordable Care Act," said Windfeldt. "What we also know is millions of Americans are benefitting from it and 80 percent of those individuals that participate in it are getting a subsidy."

"Our Congress has actually tried to repeal ObamaCare a couple times already," Fulstone added. "Those bills went through

both the House and Senate, then were vetoed by President Obama. Now that we have President Trump, a Republican House of Representatives and a majority of Republicans in the Senate, this may be something that can happen."

While it's almost certain that the healthcare system will change under Trump, since the election, he has agreed that some aspects of the system are valuable and will be kept intact.

## Market Competition

It's hard to say how a change, or complete repeal, of the ACA will affect insured Americans and insurance providers. However, many believe it will lead to increased insurance competition between state lines.

"We agree that competition across state lines is likely to happen," said Volkel, "which makes us question what the state insurance regulators will do in that situation."

"This goes back to the McCarran-Ferguson Act that said the federal government should not get involved with insurance and made our anti-trust laws not applicable to insurance," Fulstone added. "Although it didn't force the states to regulate insurance, it allowed them to. That might have to change if

there is some federal law that allows insurance companies to operate state to state."

While competition between state lines will certainly be a change for insurance providers, it might not affect regional healthcare groups, such as Hometown Health, as much as one would think.

"What I expect to happen is some of the regional plans start to expand in order to compete," Windfeldt said. "Price is driven by your contracts with providers. The regional players are able to secure better contracts with the regional providers just because of their nature."

According to Windfeldt, because regional providers have established relationships with local physicians and hospitals, it's more likely for them to secure contracts versus an outsider from another state coming in to close the deal. Although that approach may work over time, it probably won't work in the Northern Nevada market right away, he added.

## Other Options

While the American healthcare system seems to be in transition, Windfeldt said the trend may be moving towards a single payer system, meaning insurance is controlled by the government, but there are still private doctors and hospitals.

"I think that single payer is going to be Medicare," Windfeldt said, explaining that prices would be set by Medicare rates. "I see more and more people looking to Medicare as the solution. If you look at what Medicare has done over the last couple of years, they've actually been very innovative. From a strategic standpoint, we've got to figure out how to operate our business at a Medicare reimbursement [rate]."

"Medicare has a number of innovative programs with their bundled payments where doctors, hospitals, labs and all healthcare providers have to collectively manage the care," Fulstone said. "That's the goal."

Although there are many different approaches around the world the U.S. could look to get pointers, there is no one flawless system.

"I don't know that there's any other country out there that has the right solution that



we can just go and copy,” Fulstone added. “People may look to Canada who has the single payer system, but there are waiting lists. There are people in Canada who come to the United States for procedures they can’t get right away in Canada.”

Windfeldt agreed and went on to add that waiting times in Canada would not work for the American public. “We want what we want, when we want it,” he said. “Replicate the [Canadian] system in the United States tomorrow and there would be an outcry across the board.”

“The country that has the best healthcare is the United States,” Windfeldt concluded. “We have, by far, the best healthcare. The problem is we have a broken system from a cost and efficiency standpoint.”

## Price of Health Insurance

Affordability of health insurance is of great importance, not only to individuals, but to business owners and those looking for group plan options. Over the last several years, premiums on health insurance plans have gone steadily up. This upwards trend is not expected to stop anytime soon.

“It’s not affordable to have health insurance today,” said Windfeldt. “You look at the average price for a family of four today, it’s hovering around the \$1,200 [per month] price tag. If you fast forward five years from now, at just an average medical trend, you’re looking at over \$2,000 for a monthly premium. That’s not sustainable.”

One concern with repealing the ACA is that insurance companies will be able to raise their rates. “One of the things the ACA did was regulate how much profit or how much of the premium an insurance company can hold,” Windfeldt said. “In today’s market, whether it’s profit, operations or every bill that we have to pay, Hometown Health can only keep 15 percent of the dollar for everything.”

However, Windfeldt said he did not expect that portion of regulation to change. He indicated that if providers began to take less, end users may even see prices begin to drop.

Fulstone expanded on that with, “There’s already a trend in the direction of having providers take less money in terms of managed care and accountable care organizations. There’s some groups that do it very well and others that are just figuring out how to do it,

but that’s really the trend. That’s the direction we’re headed in order to make this whole cost, access, quality thing work.”

Volkel referenced the success of Kaiser Permanente as a successful integrated model in California and how it changed the market. “Kaiser is a force. The key elements are physician and health plan partnerships so it’s a shared risk arrangement,” he explained. “All of the traditional players are creating their Kaiser ‘look-a-likes’. We’re seeing groups replacing Kaiser altogether with networks that offer a similar approach that’s integrated with quality benefits and affordability.”

## Insurance Fraud

Abuse of the insurance and healthcare system is still an issue, although not as prevalent as it was before automated systems and electronic records were introduced.

“I’ve been doing this for almost 35 years starting on the insurance company side,” Volkel said. “I know at that time, we had clear recognition that fraud was in the system.” He added that there was an entire department dedicated to handling fraud at that time.

Technology and infrastructure today makes it much more difficult to game the system, Windfeldt explained. Those who are intentionally looking for ways to commit fraud are having to get more and more creative.

However, Fulstone pointed out that fraud is still happening and she believes its effect is still substantial. "The federal government recouped more than \$4 billion from healthcare providers in False Claims Act prosecutions and prosecuting self-referral law in 2015," she said.

"The problem for providers is the healthcare laws have gotten so complicated and you don't realize, perhaps, when you're violating them," Fulstone explained. As a result she said, "inadvertently, there's a lot of fraud and abuse in the system."

"What concerns us in the government sector," Volkel said, "is it's only been in the past 10 years that they recognized that



fraud was even an issue. Almost like cyber security, to assume it doesn't exist is to be naive. It has to have mechanisms in place to realize it, staff for it and be creative in preventing it."

## Legislation

The next Nevada legislative session is scheduled to open in February and legislation related to healthcare is expected to be on the table. One important need for legislators to address is ensuring Nevada's healthcare networks are meeting the needs of the consumers. Pharmaceutical legislation is another issue that will likely be covered by the governing body.

"You have the pharmaceutical side pushing insurance companies to mandate formularies to make sure certain drugs are covered," Windfeldt said, "and you can only change those formularies once per year."

The insurance carrier side takes a quite different approach. According to Windfeldt, they want pharmaceutical companies to be much more transparent with their pricing and publish these prices for consumers.

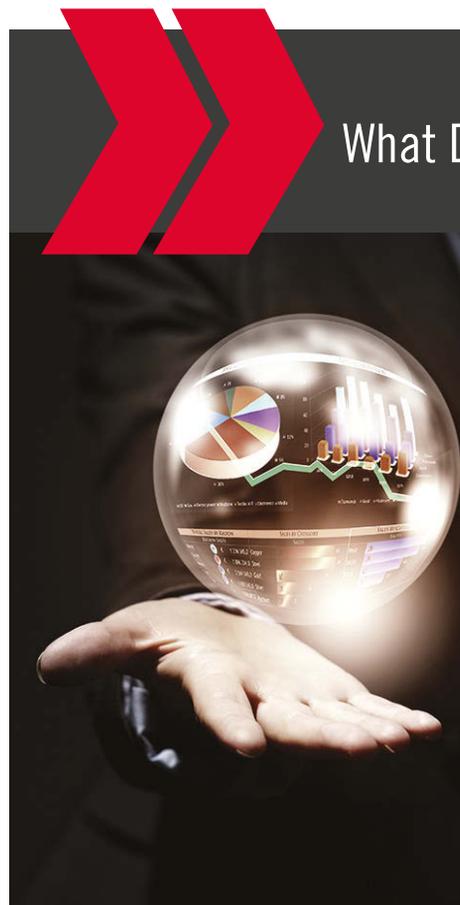
We want to know why they're charging \$1,500 for one pill," he said. The disconnect between the two sides is expected to be a hot topic in the coming session.

Windfeldt also said there will most likely be legislation introduced regarding a cap on reimbursement payment to providers for services. He noted one recommendation for emergency services was to cap reimbursement at 200 percent of the Medicare rate. "There's a high probability you'll see regulations introduced this session," he said. "Whether it passes remains to be seen, but with Democrats taking more control in the state, it has an opportunity to pass."

## Innovative Solutions

Technology holds the potential to advance quality healthcare in Nevada. Many organizations are now looking to creative technologies to bridge the gap in access to healthcare in the rural areas of the state where physicians or hospitals are not readily available. Nevadans can also connect to more specialists through telemedicine.

"In regards to the delivery model, telemedicine is the future," Fulstone said. "Also giving more responsibility or expanding the scope of practice to your family nurse prac-



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itioner and physician assistant. The whole model is changing.”

The standardization of care across the board is another way technology is making its mark on healthcare. Now with detailed electronic medical records, data can be more easily collected and analyzed as far as treatment and outcomes for patients.

“Even three or four years ago, you could go to a doctor and be treated for a diagnosis one way, then go to a different physician within that same medical group and be treated totally differently,” Windfeldt explained. “We’re starting to standardize that using evidence-based medicine to stop duplication of testing and procedures you don’t need.”

“We spent a lot of time in the area of technology to improve efficiency,” Volkel added. “How you communicate with your workforce, especially when you have millennials all the way up to baby boomers and in between, is a direct cost implication to you.”

He explained that many of his clients need help with this part of the puzzle and how demand has expanded.

Joint ventures are another innovative approach to providing healthcare. Just recently, Renown Health partnered with the Regional Emergency Medical Services Authority (REMSA) in Northern Nevada to ease the overcrowding in local emergency rooms.

“What that joint venture does are things such as sending a paramedic to someone’s home instead of having that individual come to our emergency room,” said Windfeldt. “Instead of having that ambulance take them to one of our emergency rooms where the cost is a few thousand dollars, they can actually go to one of our urgent cares where it’s a few hundred dollars. It’s really just trying to do things differently.”

Doing things differently might seem obvious, but is not always easy to execute. In many cases, patients become used to the way they

accessed healthcare and that pattern can be challenging to break. For example, if an individual only went to the emergency room prior to having health insurance, it may be the only option they consider when needing treatment. This does not help the overcrowding situation in Nevada’s emergency rooms.

“One thing we’ve learned from ObamaCare and having so many more people covered is, just because they have insurance, doesn’t mean it changes how they see it,” Volkel explained. “Merely giving them insurance and expecting they’re going to change where they go for care is just not going to happen.”

He went on to say this is a challenge the younger generations may be able to solve. “The millennial generation is really part of our hope because they look at things very differently,” Volkel said. “The idea of telemedicine and different approaches to a creative solution, they’re much more willing to consider and embrace.”



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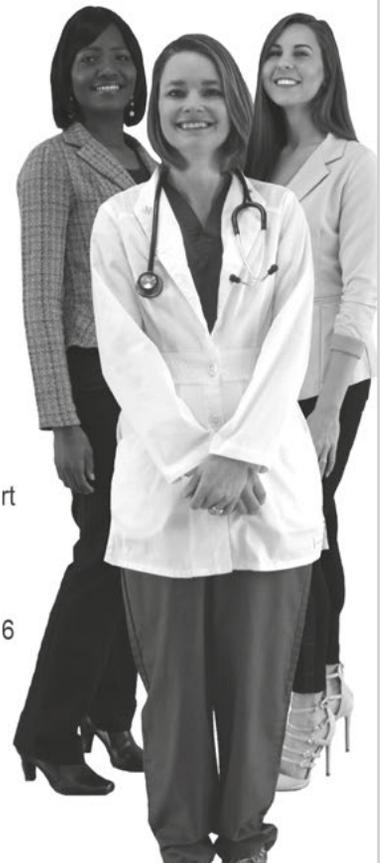
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# Face to Face

MOVERS & SHAKERS

“If you want to lead, learn to be a good follower.”

## RENÉ CANTU JR. PH.D.

Executive Director  
Jobs for Nevada’s Graduates  
(JAG Nevada) *(3 years in NV)*

Type of Business: Non Profit | Hails from: Laredo, Texas  
3 years with company in Nevada | Based in: Las Vegas

### How did you first get into your profession?

During an internship with The College Board, I became interested in connecting high school students, especially those who face the most barriers, with educational opportunities that will help them achieve their own American Dream.

### When you were a kid, what did you want to be?

I wanted to be an artist and travel to Italy and study Michelangelo, DaVinci and other great artists. That creative impulse still drives everything that I do.

### What do you want your legacy to be?

That I have helped those around me, especially young people; that I have made a positive difference in the lives of others. Also that my two sons grow up to be good men of purpose.

### What do you wish you would have learned at the beginning of your career?

I wish I had learned earlier not to be afraid to try. I have learned that our failures are the paving stones of our road to success.

### What is your pet peeve?

Dishonesty and deception are pet peeves. I enjoy people who are real, down-to-earth, with a sense of humor and strong sense of integrity. Our work is too important to waste on unnecessary drama.

### If you could be any fictional character, who would you be and why?

I would have to choose Finn the Human from Adventure Time. He is always very happy, very positive, doing something good with his friends. He is also living a life of great imagination.

### What business advice would you give someone just starting in your industry?

If you want to lead, learn to be a good follower. Learn every job, even the lowliest job in your organization, and do your best at it. You do not need to jockey for recognition; do your best work and you will get noticed for doing excellent work.

### If you could have coined a single phrase of wisdom, what would it be?

“So what?” This short phrase really drives home the point that, what may seem like mountains in our lives, are often just molehills. Even when we make mistakes, it is an opportunity to learn and grow if we wish to do so.

### What is your favorite thing about living in Nevada?

Nature--the desert and the mountains are awe-inspiring.

## First Ever Northern Nevada Construction Career Day a Success

Sponsored by the Nevada Construction Collaborative, the first ever Northern Nevada Construction Career Day was attended by over 600 middle and high school students. Students were bussed in from Washoe, Lyon, Douglas and Carson counties and experienced hands-on demonstrations of various construction trades. The collaborative hosting the event is comprised of Nevada Builders Alliance, the Associated General Contractors of America, Builders Association of Northern Nevada and the Western Apprenticeship Coordinators Association. 🌿

## St. Rose Dominican Receives Five-Star Ratings and Consumer Choice Award

Dignity Health-St. Rose Dominican has received five stars for quality care in four service areas from Healthgrades, an online resource for consumers searching for health-related services. In addition, the hospital group's Siena Campus was given a 2016/2017 Consumer Choice Award from National Research Corporation. The annual award is given to hospitals that consumers have identified as having the highest quality and image. 🌿

## SBA Provides Funding for Export Program

The U.S. Small Business Administration (SBA) has awarded \$283,000 through the State Trade Expansion Program (STEP) to support export growth by Nevada small businesses. According to the SBA, previous STEP awards have generated \$22 in U.S. small business export sales for every \$1 awarded. 🌿

## UNR Research Creates "Smart Metal" Technology

A civil engineering professor and researcher at the University of Nevada, Reno (UNR), Saiid Saiidi, has pioneered a way in which to keep a bridge operational even after a strong earthquake. The super-elastic metals and bendable concrete composites are set to be used for the first time anywhere in downtown Seattle. UNR partnered with the Washington Department of Transportation and Federal Highway Administrative to implement the new technology. 🌿



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# THE FUTURE IS NOW

## PREPARING NEVADA FOR TRANSPORTATION OPPORTUNITIES IN ADVANCED MOBILITY

*Tina Quigley is general manager of the Regional Transportation Commission of Southern Nevada.*

**M**ore than 75 years ago, the first highway, the Pennsylvania turnpike, opened. Fifteen years later, construction of 40,000 miles of interstate highway system was underway. Here in Nevada, over the last five decades, residential subdivisions were with roadways built connecting destinations east and west, north and south. What does all this public infrastructure have in common? It was all designed around the automobile. And, in those 75 years, there has been very little change in how the private vehicle and the public infrastructure interact.

But with emerging technology, traditional automobile transportation systems are rapidly evolving. We are seeing the deployment of autonomous vehicles (a.k.a. self-driving cars), connected vehicles (i.e., cars that use paint markings and sensors to assist drivers), shared mobility (i.e. Lyft, Uber) and intelligent infrastructure (i.e., traffic lights that communicate with cars). All of these advancements in mobility require unprecedented collaboration between organizations that historically have not needed to interact. Automakers, technology companies, policy makers and public infrastructure providers must now work together for these new systems to deliver on their promises of increased safety, capacity and efficiencies.

Luckily for Nevada, we are already collaborating as a state, leading in industry discussions and forging meaningful partnerships. Governor Sandoval and his Office of Economic Development, state agencies, local governments, and the business community are focused on enticing companies to choose Nevada as their startup location for developing and testing transportation technologies that will improve our experience in getting from Point A to Point B.

Through these collaborative partnerships, Nevada offers competitive advantages that have already proven successful in defining our state as a desirable market for technology development. Here are a few of those advantages:

**REGULATIONS:** Nevada was the first state to implement common sense regulations to testing, licensing and regulating autonomous vehicles. In fact, in October, Nevada issued the nation's first autonomous vehicle restricted driver's license

to Nevada resident and former racecar driver Sam Schmidt, who has been paralyzed from the neck down since a racing accident in 2000. And Google has been testing autonomous vehicles here since 2011 because it was too difficult to get authorization in California.

**LOCATION:** Nevada has significantly varying climate and terrain ideal for testing new vehicle technology. Automakers test their systems in the urban core area of Las Vegas in the summer, and in remote high elevation areas of Northern Nevada in the winter. Nevada is easily accessible to the high tech hubs of both northern and southern California.

**ACCESS TO DATA:** For many years, Nevada has led the nation in traffic management and data collection. Las Vegas has one of the first truly integrated Intelligent Transportation System (ITS) operations in the country, making it easier for technology companies to access data and demonstrate products that require connection to traffic signals and monitors.

**ONE CALL, THAT'S ALL:** The Nevada Center for Advanced Mobility (NCAM) provides a one-stop shop for technology companies looking to demonstrate their technology in Nevada. It brings together industry, government and academia to develop and deploy policies and programs to support advanced mobility technology.

**AIR TO GROUND:** Nevada is the only state to be designated as an Unmanned Aerial Vehicle (UAV) Test Site by the Federal Aviation Administration; the other five sites are universities or cities. As a result, tech companies are recognizing synergies that can be gained by aligning the testing of aerial and ground systems.

It is an exciting time in the world of transportation. After 75 years of relatively little change in the relationship between cars and infrastructure, it is clear we are entering an era of disruption and opportunity. Nevada is capitalizing on this opportunity by working together collaboratively and proactively, giving us a significant advantage over other regions to attract and deploy advanced mobility solutions that will make our community more efficient, safe and economically diverse.



# TRANSFERABLE TAX CREDITS

## PRIVATE HANDS IN TAXPAYERS' POCKETS

*Michael Schaus is communications director for the Nevada Policy Research Institute.*

It might be illegal under the Nevada Constitution for the government to give any private business a direct “gift” or subsidy — but since when does the ruling class let little things like constitutional intentions get in their way?

The purpose of the constitutional ban on giveaways and subsidies to private corporations makes sense. Such handouts further an environment that rewards politically-connected firms at the expense of taxpayers and consumers.

For lawmakers looking to cash in on the crony rewards of taxpayer-funded handouts, however, there’s a way around Nevada’s prohibition:

Transferable tax credits.

Not to be confused with normal tax credits or tax abatements, transferable tax credits are a more complex instrument that essentially acts as a coupon — a coupon that can be bought and sold between private companies, and cashed in by any entity.

Take for example the \$20 million in tax credits handed out so far to Tesla Motors as part of Nevada’s “incentive package” for the electric car manufacturer.

The credits were given to Tesla — but since the company has a very limited tax liability in Nevada due to the broad and generous tax abatements included in the agreement, Tesla decided instead to “transfer” the credits.

As it turns out, MGM bought the \$20 million in tax credits for a discounted amount, and applied the credits to its own tax bill.

It was a good deal for MGM, since it bought the credits for less than face value. And clearly Tesla enjoyed the setup, as it received cash for selling credits on a tax liability it didn’t even owe.

The State of Nevada, however, didn’t fare so well. As a result of the transfer, the Silver State didn’t receive \$20 million in gaming fees and taxes when MGM used the credits to offset its liability.

It’s this ability to buy and sell transferable tax credits that sets them apart from other tax incentives.

And as such, transferable tax credits have been used as an underhanded way to give cash to politically-favored firms — without actually handing over a check signed by an officer from state government.

Long before Tesla sold its \$20 million in credits, other firms were already taking advantage of this relatively unknown crony handout.

Passed in 2013, “Nevada’s New Market Jobs Act” sounds like a benign piece of job-creating legislation on the surface.

The goal of the legislation seemed simple enough to lawmakers: Nevada would provide over \$100 million in transferable tax credits to a small group of firms that would then sell those credits for cash. The cash would be used to “invest” in low-income communities and business — thus creating jobs and revitalizing Nevada’s economy.

Ryan Brennan, a director with Advantage Capital Partners (ACP) who lobbied lawmakers on the Act, selling it as “job creation”, told the Senate that his company would “open an office and immediately staff it with full-time lenders in the communities in which we want to invest.”

Those communities, of course, being “low income.”

Firms such as ACP also insisted that the taxes generated by the resulting economic boom would easily offset any cost to the state. Similar programs had already been employed in other states, and lobbyists insisted that “revenue generated by the tax credits programs far exceeded the cost” to the states.

But lawmakers clearly shouldn’t believe everything they’re told by lobbyists.

As it turns out, the “reports” touted in 2013 weren’t actually state audits or official revenue statements — they were reports generated by the very same firms that were pushing for Nevada to adopt similar tax-credit schemes.

And, while ACP has raked in millions of transferable tax credits — and sold them off as planned — its promise to invest in local communities has fallen quite short. The company only has one office in all of Nevada, and it’s on the ritzy north shore of Lake Tahoe: a \$17 million mansion on Lakeshore Blvd, occupied by ACP’s president.

In 2015 the incremental tax revenue generated was less than 2 percent of the 2015 tax credits issued. So much for the tax credits “paying for themselves.”

Letting a company keep more of its own money through traditional credits and abatements is one thing. But Transferable Tax Credits amount to more than just simple tax incentives or regulatory favoritism — they are being used in Nevada as a cash-equivalent handout by lawmakers addicted to the culture of cronyism and indifferent to the bad faith involved. So much for Nevada’s constitutional ban on “gifts.”



# BUILDING NEVADA



Dave  
Brown

Land Development  
Associates

Nevada  
**Business**  
THE DECISION MAKER'S MAGAZINE

*Photo By Chris Tucker*

# NEVADA'S INDUSTRIAL FUTURE

## TWO PARKS HOLD GREAT PROMISE FOR THE SILVER STATE

*By Doresa Banning*

“IT was the best of times, it was the worst of times” applies to Nevada’s tale of two industrial parks, one in the north and huge, the other in the south and a fraction of the size. Though the genesis of both took place at about the same time, in the late 1990s, their courses differed radically due to various circumstances of ownership, place and time. Today, the one with 17 years success serves as the model for the other, which now is experiencing momentum.

### Apex Industrial Park

Apex Industrial Park (AIP) holds great potential, experts said. It encompasses 6,000 acres of developable land off of Interstate 15 just north of North Las Vegas. About 20 companies have sites there, including energy producers, manufacturers and distributors. The high-tech presence includes Hyperloop Technologies Inc., which is engineering transportation solutions for cargo and people, and Faraday Future, a developer of intelligent electric vehicles.

“Apex has been put on the map, and so people are really looking at it. There’s

a “Faraday effect” down here,” said Ryann Juden, assistant city manager, City of North Las Vegas, referring to the domino that happens when companies realize the benefits of locating at AIP.

Two additional Fortune 500 companies are expected in the next couple of months to announce Apex as their site of choice, said Dave Brown, president, Land Development Associates (LDA), the development manager for the two largest landholders in AIP. LDA also manages Apex’s master association, comprised of about 200 landowners who own parcels ranging from 10 to 1,500 acres in size.

Additionally, about a dozen businesses are “very serious” about the industrial center and are moving through the process, Juden said.



Ryann  
Juden

City of North Las Vegas

### Projected Statewide and Local Impacts

AIP, as raw land, could generate more than \$193 billion in economic impact to Nevada over a 20-year period, according to the 2014 “Economic & Tax Revenue Impact: Apex Industrial Park Development” report, prepared by various University of Nevada, Las Vegas (UNLV) entities. State and local tax revenues could increase by \$670 million annually.

Now, however, with 1,000 acres absorbed and Faraday there, the estimated overall impact jumps to more than \$240 billion.

The industrial park could create 116,000 jobs—58,000 direct, 30,000 indirect (suppliers from associated industries) and 28,000 induced (impact by increased spending for service sectors)—thereby, decreasing the unemployment rate.

Many more people working there and spending money locally will boost property values and the economies of the state and Southern Nevada, Brown said.

Also, Apex could help diversify the state’s economy by developing its manu-

facturing, aerospace and defense, and logistics and operations sectors.

For the City of North Las Vegas, which was facing bankruptcy in 2014, continued development of Apex would generate the tax revenues it needs to survive and help prevent it from falling off a fiscal cliff looming in 2021. By then, the city has to have stopped using millions of dollars of funds that come from water and sewer upkeep surcharges for its general expenses.

The increased number of diverse, high-wage jobs would provide work for the locals and allow children who grow up there to remain there in adulthood, Juden said.

AIP also solves Southern Nevada's longstanding problem of little to no land available for industrial use.

## Park Goal and Timeline

The goal for AIP is "to fill every square inch with the highest and best use facilities," Brown said. The first phase involves building infrastructure on 3,300 acres. Water, sewer, power, gas and rail, all being designed currently, should be completed by March 2017 and construction of same by second quarter 2018.

In August, NDOT is slated to begin adding a Garnet Valley Highway 93-Interstate 15 interchange and widening Highway 93, finishing by August 2019.

Simultaneously, North Las Vegas, Clark County, economic development agencies and others are recruiting companies actively. They're pursuing specifically high-tech, high wage-paying businesses that fall into the Governor's Office of Economic Development's (GOED) target sectors and a \$2-per-square-foot price for AIP land.

## A Look Back

The U.S. Congress passed the Apex Project Act in 1989 and the Bureau of Land Management (BLM), over ten years, reserved 21,000 land acres for Clark County to buy as needed in order to move heavy industries from the Las Vegas Valley onto the land. Some companies relocated there.



## Lance Gilman

L. Lance Gilman Commercial Real Estate Services

In 1999, the BLM turned the acreage over to Clark County to develop it, but it lacked the money to do so. Instead, it sold the land to a group of men who then sold several parcels to various entities.

After the recession annihilated all development plans, AIP was annexed into North Las Vegas. When Mayor John Lee took office in 2013, he made advancing it a priority, one he and the city have been laser focused on since.

In 2015, Assembly Bill 497 passed, which allowed North Las Vegas to create a tax increment district at AIP and use sales and payroll taxes generated there for costs of water line construction.

Hyperloop announced last December it would conduct its Propulsion Open Air Test and locate its test track and buildings at Apex. A few days later, Faraday Future announced it selected the industrial center for its \$1 billion production facility.

"Faraday's selection is really the turning point for the Apex Industrial Park," Brown said.

Subsequently, in a special session, legislators passed four bills that authorized \$215 million in tax incentives for Faraday and afforded \$120 million in infrastructure improvements in North Las Vegas.

## Hope for the Future

Many parties are rallying for and diligently working toward AIP's success. Lee believes the industrial park will be "the breadbasket for the state." Juden foresees it as a place where enterprise, industry and exporting are done. Brown would like AIP to become the Tahoe Reno Industrial Center (TRIC) of the south.

"We hope that the vision that we see for the AIP is realized in that it becomes the industrial tech center of Southern Nevada, if not the southwest of the United States," Brown said.

## Tahoe Reno Industrial Center

TRIC spans 107,000 acres, a land mass that's larger than those of Reno and Sparks combined, and is situated nine miles east of Reno in Northern Nevada's Storey County. Currently, about 130 companies are located there, including Tesla Motor Co., Wal-Mart Stores Inc., Switch, Alcoa Inc. and PetSmart.

"It's huge. It's unprecedented," said Lance Gilman, referring to TRIC. "The park is just really in motion in a major way." Gilman is principal and director of L. Lance Gilman Commercial Real Estate Services, the brokerage firm for TRIC.

He estimated that contracts for absorption of 4,000 to 5,000 acres will be solidified by year-end.

## Advantages for the Region

TRIC, with Tesla's help, "has put the state, especially Northern Nevada, on a world stage," Gilman said, adding he's been interviewed for multiple global publications and has sold sites to Japanese and Chinese interests.

"That really allows [Nevada] to enjoy now a higher level of industry," he added.

Direct full-time equivalent (FTE) jobs at TRIC number around 5,000, said Pat Whitten, manager, Storey County, including construction workers, about 6,000 FTEs. That employment drives the housing and construction markets.

It's estimated that Tesla and Switch alone will generate over half a billion a year in payrolls. As workers spend money locally, it adds to sales tax revenues and boosts the economies in and around TRIC.

The types of companies moving into the center are becoming more diversified, away from solely a logistics and distribution focus, to manufacturing, high technology and others, Whitten said, which helps the Silver State bolster some of its target sectors.

The companies at TRIC fit into four primary categories: distribution centers (Nature's Way and 1-800-FLOWERS.com); fulfillment centers (Zulily and Jet/Walmart); manufacturing (U.S. Ordnance and Duraflex International Corp.); and data centers (Switch). With Switch developing a 500-mile fiberoptic network connecting Reno, Las Vegas, Los Angeles and San Francisco, the data storage industry in Northern Nevada is likely to burgeon, Gilman said.

"I don't think we can all imagine the positive impacts that will have on the quality of the companies we'll be seeing here," he added.

Monies generated from permit, business license and other fees paid by TRIC companies has taken Storey County from the brink of bankruptcy in 1999 to solvency today, even having excess revenue.

Also, county officials believe housing could benefit TRIC and vice versa, Whitten said, and would like 3,000 to 3,500 homes to get built in Painted Rock, a community west of the park.

## Reasons for Success

The 1999 Storey County Zoning Ordinance pre-approved most types of industrial uses for TRIC, with only a few needing special use permits, Gilman said. It also restricted the county's ability to impose any new development regulations, fees or exactions. These considerations mean a prospective company can obtain a grading permit within seven or fewer days and a building permit in fewer than 30 days. They also minimize or eliminate scheduling risk for company executives, as they know that once they commit to TRIC, their



Pat  
**Whitten**  
Storey County

use won't be denied and difficult or expensive conditions won't be placed on them. This factor, Gilman said, was a key component in Tesla's choosing TRIC.

Storey County officials envision, are focused on and committed to TRIC's success, and this has been and continues to be a critical element. For instance, Dean Haymore, Storey's director of community development, keeps a bed at TRIC so he can sleep there on the nights when concrete is poured so he doesn't delay the construction schedule. Other essential contributors, Gilman said, are Governor Brian Sandoval, various state agencies like the Department of Transportation (NDOT) and Division of Environmental Protection (DEP) and the utility entities.

## How it Began

In 1998, Gilman and partner Roger Norman recognized a shortage of land for sale in Northern Nevada. Ready for a new development project, they purchased, in cash for \$20 million, 107,000 acres of land from Gulf Oil, which had planned to create a hunting preserve there. For the expanse, the two envisioned the largest industrial park of its kind in the world.

"Everybody in the market thought we were cuckoo, way out there in the desert, off the highway," Gilman said.

The first major transaction was Walmart in 2000 which, "set the stage for what was yet to come," Gilman said. The corporation needed its first shipment out to take place within six months of escrow closing. The county and TRIC got it done.

"Once you succeed at that, it's a simple manner of dialing out other bureaucracy and keeping it as business friendly

and streamlined and small as possible," Whitten said.

## What's to Come

An "epic game changer" for TRIC, Whitten said, will be the completion by 2017's end of the extension of the USA Parkway, or State Route 439, by more than 12 miles through Storey and Lyon counties and connection of Interstate 80 to U.S. Highway 50. NDOT estimated the changes will attract about 16,000 workers to the area and reduce commute times by up to 38 percent for people driving between the 50 and 80.

As for other transportation possibilities, talks are ongoing about creating a rail port at TRIC, Gilman said.

What's expected for TRIC over the next 10 years is ongoing buildout.

"If we manage to attain continued, even modest growth at this pace, the future will be very, very bright out there," Whitten said. 🌟



◀ CONTINUED FROM PAGE 19

storm of confusion among those in the financial industry. Typical of government documents, the 300-page epistle outlines a myriad of rules for increased federal involvement in the arena of retirement accounts. Although the DOL was authorized in 1974 through the Employee Retirement

Income Security Act (ERISA) to dabble in the retirement savings pond, involvement at that time was focused on traditional pension plans. Many people in the wealth management industry fear the new regulations are an overreach of federal intervention which could cause higher costs for clients and increased litigation, along with significant changes in the relation-

ship of wealth managers and brokers with their clients.

“One of the challenges is the uncertainty about how it will be interpreted,” said Martin. “It deals with what kind of advice we give clients.”

In anticipation of the new regulations, Bank of America Merrill Lynch recently told its financial advisers to stop selling mutual funds in brokerage retirement accounts. The new DOL regulations will require advisers to put their clients’ interest first for those accounts and outlines a complex contract that would legally require brokers to disclose any conflicts of interest. To help offset the expected loss of revenue from commissions, which will be disallowed by the new regulations, Commonwealth Financial Network will offer short-term loans to its advisers.

### Attracting Millennials

Wealth managers face additional challenges in keeping up with demographic changes. As more and more millennials become potential wealth management customers, financial institutions are facing marketing and product development challenges. Wealth managers need to take into consideration this generation’s mistrust of financial markets, their lack of financial knowledge, their need for socially responsible investing and their desire to consult social media and their friends for advice.

“This generation of millennials is different,” said Martin. “They might be okay renting rather than buying a house, for example.”

Wealth managers who embrace new technologies to interact with this age group will be ahead of the game. Contemporary business models that reach out to millennials include social investing, which involves sharing investing ideas online through E-communities, as well as institutional websites that provide algorithmic trading suggestions from their wealth manager.

In regards to the performance of investing, the economy looms large as a

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critical factor in any discussion of wealth management. Most financial professionals have said they believe the economy is slowly recovering compared to the darkest days following the crash. Uncertainty still abounds, however, as to how long the recovery will last and what form it will take as well as whether figures released by the government provide the true picture of the economy.

Martin expressed belief that the economy will continue to plod along with recovery in the housing market and growth along The Strip in Las Vegas. Kaplan said the economy in most major U.S. cities is pretty healthy, although slow-growing, but the labor market isn't as good as he would like it to be.

In addition, Hollingworth wondered how long the growth trend will last. "There's been a significant recovery in real estate locally so people can take advantage of that. Not everyone is sure how long it will last. Opinions are across the board," Hollingworth said.

Even though statistics show a remarkable relationship between stock market performance and which political party is in power in Washington D.C., wealth managers said the market reacts to other factors rather than who sits in the White House. "Markets go up and down no matter who is president," Cunning said.

However, S&P 500 market performance charted from 1933-2015 shows annual growth of 4.9 percent with a Democrat Congress and Republican president, 9.3 percent with a Democrat Congress and Democrat president and 15.1 percent with a Republican Congress and Republican president, according to statistics provided by StrategasRP. If those statistics hold true, the results of the recent election should be a boon to growth.

## Investing Advice

If you're wondering how investors can possibly survive and even thrive amidst the challenges they face, wealth managers



Greg  
**Kaplan**  
City National

stick to basic common sense when giving advice.

"Look to keeping your costs down in your investments, including taxes," said Hollingsworth. "Never put all your eggs in one basket. Many people invest based on the moment. Pick investments that you're comfortable with in the long term. Don't trade on public information. Review and adjust periodically."

Kaplan emphasized the importance of using a professional who will assist you in balancing risk, personalizing your plan and helping you to stay the course. Martin

added that it's very important to start saving and planning early, especially in your working years. Don't wait until retirement to chart your course.

Although the path to sound wealth management seems to be filled with potholes, positive opportunities do exist. "There's a tremendous variety of investments available and lots of tools online to help," Hollingworth said. 



*With this issue, Nevada Business Magazine concludes its 30th Anniversary year. Over the years the magazine has published nearly 400 editions and several hundred special reports. The publisher, editors and team extend a heartfelt thanks to our readers and advertisers and look forward to another 30 years of being the "Decision-Makers" magazine.*

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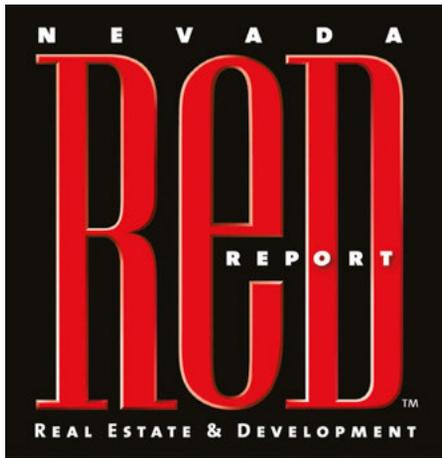


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E

### Sale, Industrial

**ADDRESS** 2485 Marco St., 89115  
**BUYER** Salazar Management Group V, LLC  
**SELLER** Lee Family Trust  
**DETAILS** 8,060 SF; \$1,050,000  
**APN** 140-17-801-006  
**BUYER'S REP** Weichert Realtors – Aspire  
**SELLER'S REP** Sean Zaher of CBRE

H

### Sale, Office

**ADDRESS** 1410 & 1434 E. Lake Mead Pkwy., 89015  
**BUYER** Great Blue Lake, LLC  
**SELLER** Lake Mead Properties, LLC  
**DETAILS** 18,684 SF; \$1,375,000  
**APN** 160-33-411-013 & 160-33-411-014  
**SELLER'S REP** Dean Willmore, SIOR of Colliers International

### Sale, Industrial

**ADDRESS** 855 Wigwam Pkwy., 89014  
**BUYER** GPT Henderson Owner, LLC  
**SELLER** Prologis-Exchange Black Mountain DC3, LLC  
**DETAILS** 232,856 SF; \$25.3 million  
**APN** 178-14-212-006  
**SELLER'S REP** Dan Doherty, SIOR and Susan Borst, CCIM, SIOR of Colliers International

N

### Sale, Multi-Family

**ADDRESS** 5850 Sky Pointe Dr., 89130  
**BUYER** Shopoff Realty Investments  
**SELLER** Eagle Crest, LLC  
**DETAILS** 624 units; \$116,346 per unit  
**APN** 125-27-302-012

### Sale, Land

**ADDRESS** NEC of Maverick St. & La Madre Way, 89130  
**BUYER** D.R. Horton  
**SELLER** Mosaic Land 2, LLC and Investor Equity Homes, LLC  
**DETAILS** 3.9 acres; \$1,111,500  
**APN** 125-35-701-010  
**SELLER'S REP** Mike DeLew, SIOR and Greg Pancirov, SIOR of Colliers International

S

### Sale, Multi-Family

**ADDRESS** 1750 & 1500 Karen Ave., 89169  
**BUYER** Westland Real Estate Group  
**SELLER** Prime Sonoma Shadows, LLC  
**DETAILS** 752 units; \$60,500 per unit  
**APN** 162-11-101-006 & 162-11-101-007  
**SELLER'S REP** Art Carl and Patrick Sauter of NAI Vegas

SW

### Project, Industrial

**ADDRESS** 5650 Badura Ave., 89118  
**CONTRACTOR OF RECORD** Commerce Construction Co. LP  
**DETAILS** Majestic Realty Co. broke ground on a 295,500 square-foot speculative warehouse distribution center at its Beltway Business Park location. The facility will feature 32-foot ceiling clearance, an early suppression fast response (ESFR) sprinkler system and a 130-foot truck courtyard. The project is slated for completion in May 2017.

### Project, Other

**ADDRESS** NEC of Pavilion Center Dr. & Griffith Peak Dr., 89135  
**CONTRACTOR OF RECORD** Gillett Construction  
**DETAILS** Construction is underway on the new practice facility for the Las Vegas NHL expansion team in Downtown Summerlin. The 120,000 square-foot complex will include two full sheets of ice and serve local youth and adult leagues in addition to the professional team. The estimated cost is \$24 million and the facility is scheduled to open by September 1, 2017.

### Sale, Office

**ADDRESS** 7448 – 7530 W. Sahara Ave., 89117  
**BUYER** Houchin Investment Properties, LLC  
**SELLER** Wilkins Family Trust  
**DETAILS** 22,554 SF; \$2,750,000  
**APN** 163-03-411-003  
**SELLER'S REP** Jarrad Katz, SIOR, CCIM and Galit Kimerling of MDL Group

### Sale, Land

**ADDRESS** NWC of Grand Canyon Dr. & Tropicana Ave., 89147  
**BUYER** Grand Canyon Tropical Apartments  
**SELLER** Farhang & Homa Soroosh Rev. Living Trust  
**DETAILS** 10 acres; \$6.1 million  
**APN** 163-19-402-007 & 163-19-402-008  
**SELLER'S REP** Mike Mixer, SIOR of Colliers International

### Lease, Retail

**ADDRESS** 4708 S. Decatur Blvd., 89103  
**TENANT** Option Care Enterprises, Inc.  
**LANDLORD** Sahara 3D, LLC  
**DETAILS** 12,150 SF; \$905,175 for 7 years  
**LANDLORD'S REP** Michael Zobrist and Nelson Tressler of Newmark Grubb Knight Frank

WC

### Sale, Office

**ADDRESS** 8690 Technology Way, 89521  
**BUYER** Intellectual Property Chalet, LLC  
**SELLER** AnnaMarie Stalder Turst  
**DETAILS** 17,701 SF; \$2.1 million  
**APN** 163-090-19

### Sale, Office

**ADDRESS** 9650 Gateway Dr., 89521  
**BUYER** Gateway Realty Holdings, LLC  
**SELLER** Munah and Rola Tarazi  
**DETAILS** 30,536 SF; \$3,425,000  
**APN** 163-061-09

### Sale, Industrial

**ADDRESS** 940 Freeport Blvd., 89431  
**BUYER** Sparks Valley View, LLC  
**SELLER** Gusher 940, LLC  
**DETAILS** 11,844 SF; \$1,225,000  
**APN** 034-094-16

### Sale, Multi-Family

**ADDRESS** 550 Howard Dr., 89434  
**BUYER** Reno Investors I, LLC  
**SELLER** Marina Gardens BDS, LLC  
**DETAILS** 200 units; \$71,250 per unit  
**APN** 037-062-06

O

### Sale, Industrial

**ADDRESS** Multi-Building Portfolio, Reno  
**BUYER** Westcore Properties  
**SELLER** Icon Reno Property Owner Pool 2, LLC  
**DETAILS** 12 buildings; \$54.5 million  
**APN** 034-070-29, 034-151-08, 034-151-16, 034-151-25 – 034-151-27, 034-152-19, 034-153-12, 034-155-03, 034-257-17  
**SELLER'S REP** Anthony Brent and Ryan Martin of HFF





# OFFICE SUMMARY

## THIRD QUARTER 2016

### SOUTHERN NEVADA

Las Vegas Valley's speculative office vacancy rate in Q3, 2016 declined 0.2 points to 20 percent from Q2, 2016. Compared to Q3, 2015, the office vacancy rate is up 0.2 points, from 19.8 percent. Vacancy rates ranged from 15 percent for Class C space to a high of 28.2 percent for Class A space at the end of Q3. In terms of the trend, the Office market continues to improve, albeit slowly.

There was one office completion in Q3 – the Pecos Springs Business Park expansion, a Class C project in the Airport submarket at 8,028 square feet in size. In the last 13 quarters, 11 quarters have seen new space come to market. However, in the 15 quarters before that, only three quarters saw new completions. This also indicates some positive growth. On a year-over-year (YOY) basis, completions stood at 73,409 square feet at the end of Q3. The Valley's spec office inventory remained 43.1 million square feet.

Net absorption for the quarter was at +86,000 square feet. Two of four products had negative absorption over the quarter with Class B office hurting the most at -47,400 square feet in losses. Class A saw -7,800 square feet in losses. Class C and medical, however, posted +97,300 and +43,900 square feet in gains, respectively.

Under-construction office space in Q3 was 260,000 square feet. Three projects comprised this: Phase 2 of Tivoli Village (Class A, 68,000 square feet), the Union Village Medical office building (medical, 150,000 square feet) and Pace Plaza (Class B, 42,000 square feet). Lastly, there were 337,480 square feet of planned office space at the end of the third quarter.

### NORTHERN NEVADA

The good news is vacancy rates are very healthy. Notwithstanding, there was small negative net absorption in Q3 2016. An internal building survey reflects a 12.98 percent overall vacancy and CoStar reflects an 11.2 percent vacancy, yet not registering nearly 10,000 square feet of negative absorption that Dickson Commercial Group discovered.

Downtown is at 10.54 percent vacancy, Meadowood is at 9.57 percent vacancy and South Meadows is at 15.59 percent vacancy. According to CoStar, Class A vacancies are at 12.8 percent, 1.9 percent and 12.2 percent for those respective submarkets.

Dissecting the vacancy rates also produces opportunity. In order to attract and retain prime employers from an office environment perspective, the market is in need of quality. Companies such as ClearCapital and Grand Rounds entered this office market demanding facilities and building improvements corresponding to their company's culture, client expectations and business model.

Capitalizing on that trend, Downtown won a new tenant in the female owned regulatory compliance software company, CAEK, Inc. CAEK leased approximately 13,000 square feet in Arlington Towers. The repositioning of the 2nd floor of this mixed-used property by Reno Engineering, et al, has proved to be rewarding.

Lastly, as renovated projects flourish, 1 E. Liberty Street; a Class A 6 story office building located in Downtown Reno has been taken to the market for sale. The 98 percent leased building is anchored by US Bank and Starbucks and is listed for \$21,485,000. 🌱

## OFFICE THIRD QUARTER

TOTAL MARKET	SOUTHERN	NORTHERN
Total Square feet	43,094,105	7,549,202
Vacant Square Feet	8,604,716	979,886
Percent Vacant	20.0%	12.98%
New Construction	8,028	0
Net Absorption	85,982	(8,304)
Average Lease SF/MO (NNN)	\$2.02	\$1.72
Under Construction	260,000	0
Planned	337,480	40,000

### CLASS A

Total Square Feet	6,379,602	4,252,989
Vacant Square Feet	1,796,836	646,454
Percent Vacant	28.2%	15.20%
New Construction	0	0
Net Absorption	-7,807	17,012
Average Lease SF/MO (NNN)	\$2.45	\$1.87
Under Construction	68,000	0
Planned	0	40,000

### CLASS B

Total Square Feet	14,023,953	1,949,248
Vacant Square Feet	3,104,053	245,605
Percent Vacant	22.1%	12.60%
New Construction	0	0
Net Absorption	-47,422	-7,797
Average Lease SF/MO (NNN)	\$1.98	\$1.55
Under Construction	42,000	0
Planned	58,480	0

### CLASS C

Total Square Feet	15,516,927	1,270,648
Vacant Square Feet	2,334,937	229,987
Percent Vacant	15.0%	18.10%
New Construction	8,028	0
Net Absorption	97,266	-0
Average Lease SF/MO (NNN)	\$1.75	\$1.25
Under Construction	0	0
Planned	155,000	0

### NEXT MONTH: RETAIL

#### ABBREVIATION KEY

MGFS:	Modified Gross Full-Service
SF/MO:	Square Foot Per Month
NNN:	Net Net Net

Southern Nevada analysis and statistics compiled by RCG Economics, Northern Nevada analysis and statistics compiled by Dickson Commercial Group.

U.S. real gross domestic product (GDP) for the third quarter of 2016 expanded at a 2.9 percent annualized growth rate based on the advanced estimate. This unusual and surprising jump after three quarters of sluggish growth reflects a surge in agricultural (soybean) exports and a rebound in business inventories, which bring doubt about continued strong growth in the fourth quarter. U.S. nonfarm employment added 161,000 jobs in October. In addition, the recent average hourly earnings experienced the largest (i.e., 2.8 percent) year-over-year gain since the recession ended. Retail sales increased by 2.7 percent from a year ago, while auto and truck sales fell by 1.8 percent from September 2015. September housing starts posted a significant 11.9 percent year-over-year loss, but housing prices in the U.S. continued ticking upward. These positive economic data raise the probability that the Fed will raise the federal funds rate at its December meeting.

The Nevada economy posted strong signals on its continued economic recovery. Although seasonally adjusted statewide employment lost 1,500 jobs in September, it still exceeded its pre-recession peak. Gaming revenue in September rebounded after a notable year-over-year loss from last month, up by 3.5 percent from last year. Taxable sales in August experienced a remarkable growth from a year ago, climbing by 10.6 percent, while gasoline sales (in gallons) rose slightly by 1.1 percent during the same period. Total air passengers exhibited a strong 7.7 year-over-year increase.

The most recent data on the Clark County economy provide positive signals about the economy. The unemployment rate was down to 5.5 from 6.0 percent from August to September due to a large loss of the labor force. Visitor volume and gaming revenue experienced year-over-year gains, increasing by 3.5 and 3.6 percent, respectively, from last year. Total McCarran passengers increased strongly by 7.3 percent on a year-over-year basis. Taxable sales and gasoline sales exceeded their levels compared to a year ago by 6.1 and 0.4 percent, respectively. Residential housing permits finally jumped by 28.1 percent year-over-year after three consecutive months of declines. Commercial permits dropped by 30.8 percent to its lowest level since December 2014.

Washoe County saw distinctly favorable signs on local economic growth. The unemployment rate decreased to 4.8 from 5.1 percent in September, lower than the national rate. Taxable sales showed a robust year-over-year growth, up by 7.5 percent. Gasoline sales increased month-over-month by 3.5 percent and year-over-year by 2.7 percent. Residential housing permits continued its significant gain, rising by 77.5 percent compared to a year ago.

Stephen M. Miller, Director  
Jinju Lee, Economic Analyst  
UNLV Center for Business  
and Economic Research

*The views expressed are those of the authors and do not necessarily represent those of the University of Nevada, Las Vegas or the Nevada System of Higher Education.*

### NEVADA

	DATE	UNITS	DATA			GROWTH		COMMENTS
			LATEST	PREVIOUS	YEAR AGO	RECENT	YEAR AGO	
Employment	2016M09	000s, SA	1299.6	1301.1	1265.3	-0.1%	2.7%	Up Over Year Ago
Unemployment Rate*	2016M09	%, SA	5.8	6.3	6.6	-0.5%	-0.8%	Reduced
Taxable Sales	2016M08	\$billion	4.619	4.460	4.177	3.6%	10.6%	Up Strongly
Gaming Revenue	2016M09	\$million	948.96	861.19	916.47	10.2%	3.5%	Increased
Passengers	2016M09	million persons	4.413	4.482	4.098	-1.6%	7.7%	Up Over Year Ago
Gasoline Sales	2016M08	million gallons	105.77	106.47	104.65	-0.7%	1.1%	Recent decrease

### CLARK COUNTY

Employment	2016M09	000s, SA	943.6	948.0	923.3	-0.5%	2.2%	Up Over Year Ago
Unemployment Rate*	2016M09	%, Smoothed SA	5.5	6.0	6.6	-0.5%	-1.1%	Reduced
Taxable Sales	2016M08	\$billion	3.264	3.264	3.077	0.01%	6.1%	Up Over Year Ago
Gaming Revenue	2016M09	\$million	808.83	724.78	780.49	11.6%	3.6%	Significant Increase
Residential Permits	2016M09	units permitted	729	692	569	5.3%	28.1%	Significant Increase
Commercial Permits	2016M09	permits	18	41	26	-56.1%	-30.8%	Low and Volatile
Passengers	2016M09	million persons	4.053	4.098	3.779	-1.1%	7.3%	Up Over Year Ago
Gasoline Sales	2016M08	million gallons	71.42	72.63	71.13	-1.7%	0.4%	Recent Decrease
Visitor Volume	2016M09	million persons	3.915	3.899	3.783	0.4%	3.5%	Up Over Year Ago

### WASHOE COUNTY

Employment **	2016M09	000s, SA	224.2	222.5	213.0	0.8%	5.3%	Up Over Year Ago
Unemployment Rate*	2016M09	%, Smoothed SA	4.8	5.1	6.0	-0.3%	-1.2%	Reduced
Taxable Sales	2016M08	\$billion	0.657	0.663	0.611	-0.9%	7.5%	Up Over Year Ago
Gaming Revenue	2016M09	\$million	74.02	70.15	71.45	5.5%	3.6%	Up Over Year Ago
Residential Permits	2016M09	units permitted	284	364	160	-22.0%	77.5%	Up Strongly From Year Ago
Commercial Permits	2016M09	permits	25	41	12	-39.0%	108.3%	Low and Volatile
Passengers	2016M09	million persons	0.326	0.350	0.297	-6.9%	9.6%	Up Over Year Ago
Gasoline Sales	2016M08	million gallons	16.04	15.49	15.62	3.5%	2.7%	Increased
Visitor Volume	2016M09	million persons	0.474	0.464	0.443	2.1%	6.9%	Up Over Year Ago

### UNITED STATES

Employment	2016M10	million, SA	144.952	144.791	142.595	0.1%	1.7%	Up Over Year Ago
Unemployment Rate	2016M10	%, SA	4.9	5.0	5.0	-0.1%	-0.1%	Reduced
Consumer Price Index	2016M09	82-84=100, SA	241.0	240.3	237.5	0.3%	1.5%	Up Over Year Ago
Core CPI	2016M09	82-84=100, SA	248.6	248.3	243.2	0.1%	2.2%	Up Over Year Ago
Employment Cost Index	2016Q3	05.12=100, SA	126.6	126.0	123.6	0.5%	2.4%	Up Over Year Ago
Productivity Index	2016Q2	2009=100, SA	106.7	105.9	106.8	0.8%	-0.1%	Down From Year Ago
Retail Sales Growth	2016M09	\$billion, SA	459.8	457.0	447.9	0.6%	2.7%	Up Over Year Ago
Auto and Truck Sales	2016M09	million, SA	17.66	16.91	17.98	4.4%	-1.8%	Down From Year Ago
Housing Starts	2016M09	million, SA	1.047	1.150	1.189	-9.0%	-11.9%	Significant Decrease
Real GDP Growth***	2016Q3	2009\$billion, SA	16702.1	16583.1	16454.9	2.9%	1.5%	Year-Over-Year Growth
U.S. Dollar	2016M10	97.01=100	122.886	121.778	119.143	0.9%	3.1%	Recent Increase
Trade Balance	2016M09	\$billion, SA	-36.440	-40.462	-41.072	-9.9%	-11.3%	Year-Over-Year Deficit Decrease
S and P 500	2016M09	monthly close	2126.15	2168.27	2079.36	-1.9%	2.3%	Recent Decrease
Real Short-term Rates*	2016M09	%, NSA	-2.11	-2.20	-2.73	0.1%	0.6%	Increased
Treasury Yield Spread	2016M10	%, NSA	1.43	1.34	2.05	0.1%	-0.6%	Recent Increase

\*Growth data represent change in the percentage rate, \*\*Reflects the Reno-Sparks MSA which includes Washoe and Storey Counties, \*\*\*Recent growth is an annualized rate

Sources: 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

“The challenge is to demand that our leaders refocus their energy on creating solutions. The candidates spent months telling us what was wrong with America; now they must guide us on how to make things right”

**Howard Russell** | Managing Partner  
Weinberg Wheeler Hudgins Gunn & Dial

“I feel the biggest challenge that our country faces is confidence! We need to be self-confident, we need to have confidence in our leaders and we need to find confidence in unity!”

**Weena Powell** | Human Resource  
Manager, Back Office Remedies

“Despite our differences and disagreements on issues, our number one challenge is that we can’t lose focus that we live in the best country in the world. We are all blessed.”

**Alex De Castroverde** | Managing  
Partner, De Castroverde Law Group



With the elections behind us, what do you feel is America’s number one challenge?



**Jason Otter** | Director  
Logic Commercial Real Estate

“Anti-Patriotism. We live in the most wonderful and diverse country in the world. Its time citizens take pride in our country again and bond together while showing respect for the people that currently serve or have died to ensure we have our freedoms.”



**Brian Williams** | President  
Five Star Economy

“America’s number one challenge is to get back to the work of continuing America’s history of being the leading example in the world for prosperity and happiness while putting in place humane ways to protect America’s citizens from increasing incidents of terrorism.”



**John P. Desmond** | Member  
Dickinson Wright-Reno

“Economic stability and predictability. Our policies should continue to focus on growing quality jobs. There have been positive trends over the last few years, but we need widespread feelings of stability and predictability to move the economy forward.”



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