

**MINUTES OF THE
FERNLEY CITY COUNCIL
BUDGET MEETING
APRIL 3, 2017**

Mayor Edgington called the meeting to order at 5:00 pm at Fernley City Hall, 595 Silver Lace Blvd, Fernley, NV.

1. INTRODUCTORY ITEMS

1.1. Roll Call

Present: Mayor Roy Edgington, Councilwoman Sue Seidl, Councilwoman Shari Whalen, Councilman Stan Lau, Councilwoman Fran McKay. City Manager Daphne Hooper, City Attorney Brandi Jensen, Public Works Director Dave Whalen, City Treasurer Denise Lewis, City Clerk Kim Swanson, Senior Planner Tim Thompson, City Engineer Derek Starkey, Building Official Rick Kabele. Councilman Dan McCassie arrived at 5:15.

1.2. Public Comment

There were none.

1.3. Approval of the Agenda

Motion: MOVE TO APPROVE THE AGENDA AS PRESENTED, **Moved by** Councilwoman Sue Seidl, **Seconded by** Councilman Stan Lau. **Vote:** Motion carried by unanimous roll call vote (**summary:** Yes = 4). **Yes:** Councilman Dan McCassie, Councilman Stan Lau, Councilwoman Fran McKay, Councilwoman Sue Seidl.

Absent: Councilman Dan McCassie. **Action:** Approve.

2. Discussion And Possible Action Regarding Fiscal Year 2017/18 Proposed Budget Including But Not Limited To; All Funds Including The Water Enterprise Fund, Sewer Enterprise Fund And General Fund; The Capital Improvement Program; All Departments; The Budget Process: Timelines; The Existing Budget; Assessment; Staffing Levels Across All Departments, And Goals For The Next Year.

City Manager Hooper explained the new format for the Budget. She explained the sections presented tonight the Enterprise Funds and Capital Improvement Funds.

City Manager Hooper explained the City completed the Water and Sewer Rate Study. City Council will discuss the Commercial portion of the Water and Sewer Rate Study on Wednesday, April 5th. She explained the study established the base line to move forward with the budget. She stated the Enterprise Funds are based upon fees rather than tax revenue. She explained changes in the budget for this year include tying the Strategic Plan to the goals. She stated the goal for this year is to develop an Action Plan. She explained some goals have Performance Measures attached to them.

City Manager Hooper explained the Storm Water Enterprise Fund stating last year City Council approved to establish this separate fund. The intend was to come back with a process for collecting fees to make this fund self-sustaining. She stated the funds to this account are found in the Streets and Storm Drains section of the budget. She explained work will continue on this in terms of what the fees will be and how they are collected.

Councilwoman Whalen disclosed that she is married to Public Works Director Whalen. She felt the items presented tonight were not a clear case of disqualifying conflict of interest so she will deliberate and vote on the items presented.

Councilman McCassie Arrived 5:15

City Manager Hooper explained the Position Control Document will be formalized after the General Fund Portion of the budget is review. She stated included in the Position Control is a 2% increase for the employees for discussion purposes. Union negotiations

are still moving forward. She explained a 15% increase for health benefits was also included. The numbers are still being finalized.

ENTERPRISE FUNDS

Public Works Director Whalen stated there are not any requests for Capital Expenditures in this budget. He explained the budget request is to proceed with the projects that were identified in the Water and Sewer Rate Study as critical.

Public Works Director Whalen explained the functions of the departments within Public Works.

WATER DISTRIBUTION

Director Whalen highlighted the functions of Water Distribution. He explained the proposed budget for this year includes a request for a seasonal worker to replace the temporary worker from last year. He explained operating expenses remain the same. Director Whalen explained the Capital Improvements that are being proposed are based on the Water and Sewer Rate Study adding they are the stop gap measures to get the department by this first year

UTILITY DEPARTMENT

Director Whalen highlighted the functions of the Utility Department. He reviewed the accomplishments of the department including in-house billing. He explained the operating expenses remain the same as the prior Fiscal Year. He proposed hiring a seasonal worker instead of the temporary worker that was approved last year. He explained not all the items presented in the Capital Improvement section are Capital Improvement. After discussions with Finance, not all of these items meet the criteria for capitalization.

WATER TREATMENT

Public Works Director Whalen reviewed the functions of the Water Treatment Department. He requested retaining the unfunded utility operator position for future development.

He reviewed the accomplishments of the department including zero non-compliant samples since 2009. Director Whalen explained the micro-filtration system will last until approximately 2020. He stated the City needs to keep in mind that once the filters need replacing it will be approximately \$500,000 per year in expenditures. He stated this is listed in the 5-year plan.

Director Whalen explained for this proposed budget the operating expenses remain similar to last year although some chemical costs have increased. He requested to retain the seasonal worker that is already included in the budget. He reiterated Capital Improvements are based on the Water and Sewer Rate Study.

Councilwoman Whalen inquired about the increased revenue from the Water and Sewer Rate Study. City Manager Hooper reviewed the Cash Flow Statement on page 99 of the Budget Document. She stated the Water Summary is listed on page 100. She explained there is an anticipated increase in revenue of approximately \$1.5 million from water rates. City Manager Hooper explained the Capital Outlay amount should tie directly to the amount being proposed for the Capital Improvement Projects for the Water Fund. She stated there is a discrepancy and it will be fixed before the final budget is approved.

Legal brief 5:53 – 6:06

The budgeted amount for Connection Fees on page 100 was discussed. City Manager Hooper stated she was going to look into the amount and adjust if needed.

City Treasurer Lewis explained the Cash Flow statement. She reminded City Council that depreciation is not included in the Cash Flow statement.

City Manager Hooper stated after consulting with staff she suggested increasing the Connection Fees line item to \$200,000. She added this shows the average of what is being collected.

The Water Enterprise Fund Cash Flow statement was discussed. City Manager Hooper and City Treasurer Lewis answer questions from the Council.

Motion: MOVED TO INCREASE THE CONNECTION FEES FROM \$91,000 TO \$200,000, **Moved by** Councilwoman Sue Seidl, **Seconded by** Councilwoman Shari Whalen.

Public Works Director Whalen explained that conservative numbers were included in the budgeted amount. He cautioned the City may be banking on more homes than will actually be built. He asked the City Council to stay conservative and lower the ancillary fees as the City moves forward.

Councilwoman Seidl stated if additional money is collected then the money can be used for emergency repairs if needed. City Manager Hooper stated the \$91,000 came directly from the Water and Sewer Rate Study.

Vote: Motion carried by unanimous roll call vote (**summary:** Yes = 4, No = 1). **Yes:** Councilman Dan McCassie, Councilman Stan Lau, Councilwoman Fran McKay, Councilwoman Sue Seidl. **Opposed:** Councilwoman Fran McKay **Action:** Approve.

Councilwoman McKay inquired if the potential for less water being used has been taken into consideration. Director Whalen explained it's a balance. He stated the City had to increase the base rate based on the knowledge that the user would start conserving water.

Councilwoman Whalen inquired about the Water Rights Protection line item increasing by only \$30,000. She was concerned since the grant funding was expiring. City Manager Hooper explained there are two large grants that are expiring. She explained in the Water Rights Protection line item was an \$80,000 contract for legal and an \$80,000 contract for an engineering firm for the functions that were provided to the City. She stated staff looked at the tasks and decided which ones can be done internally and the one that should be contracted out. She stated the legal portion of the contract was doubled to \$160,000. The engineering amount was reduced to \$50,000 because there will be less work that is coordinated specifically for that purpose. She stated this will be manageable for the City.

Councilwoman Seidl stated the Enterprise Funds are being charged \$291,005 for rent for the employees that are in the building. She stated the Enterprise Funds should be managed like a business. She did not feel this was the proper way to spend money. City Manager Hooper explained she is trying to make sure that the costs are shared appropriately and allocated that way.

Motion: MOVED TO ACCEPT THE WATER DISTRIBUTION BUDGET, Moved by Councilwoman Shari Whalen, Seconded by Councilman Stan Lau.

City Manager Hooper asked if the Capital Budget could be heard before a motion is entertained.

Councilwoman Whalen withdrew the motion.

Public Works Director answered questions from the Council regarding the Water Treatment Plant Budget.

Councilwoman Whalen inquired how Capital Project costs are shown in the budget. City Manager Hooper explained they are in the Cash Flow in Capital Outlay. She explained there were some items that were large expenses and because the way the capitalization policy is written if it pertains to engineering or maintenance it is not capitalized. Director Whalen explained the PER for the Ricci Tank and the Sage Booster are larger items and he felt they needed to be discussed with City Council.

City Engineer Starkey directed the attention to page 136. He reviewed the Capital Projects for Water Enterprise. He added one project that has not been brought forward is the Train Depot Sewer Main Design. This will complete the design for the sewer main to cross the highway up to the Depot. This is funded with CDBG Funds. He stated his Department has seen construction costs increase. City Engineer Starkey reviewed active projects including Hardie Lane, Well 4 replacement, fire hydrant replacement, pipe bridge rehabilitation, as well as the Well 9 shaft replacement, PER for the Ricci Tank, and the Sage Ranch Booster Pump Station.

Councilwoman Whalen inquired about the Peach Tank Demolition. She asked if staff did not have time to do it with Hardie Lane consuming a lot of time. City Engineer Starkey acknowledged that was part of the issue. Councilwoman Whalen stated if the Engineering Department needs support for development reviews, City Council has the ability to provide it.

Motion: MOVED TO ACCEPT THE TENTATIVE BUDGET FOR THE WATER ENTERPRISE FUND INCLUDING WATER DISTRIBUTION, WATER TREATMENT AND THE WATER ENTERPRISE CAPITAL PROJECT FOR FISCAL YEAR 17/18 WITH THE REQUEST THAT CITY COUNCIL SEES WHAT THE CURRENT COSTS ARE THE FOR THE PEACH TANK, AND ADDITIONAL DISCUSSIONS REGARDING POSITIONS AND SALARY AT A FUTURE DATE, **Moved by** Councilwoman Shari Whalen, **Seconded by** Councilwoman Sue Seidl. **Vote:** Motion carried by unanimous roll call vote (**summary:** Yes = 5). **Yes:** Councilman Dan McCassie, Councilman Stan Lau, Councilwoman Fran McKay, Councilwoman Sue Seidl, Councilwoman Fran McKay **Action:** Approve.

Break

WASTEWATER

Public Works Director Whalen reviewed the functions of the Wastewater Department. Director Whalen stated the budget request remains the same or similar to the prior budget year. He explained the Capital Improvements are based on the Water & Rate Study. Director Whalen answered questions from the City Council. Future updates to the Land Use Plan/Master Plan was discussed.

City Engineer Starkey reviewed the Capital Improvement Projects, including the Highway 50 Bypass upgrade. He stated the budgeted amount on page 137 for the Hardie Lane Sewer Line Design & Construction is listed at \$69,200 it should be \$72,500. He explained the East Lift Station Bypass repair was added at the last minute will cost approximately \$125,000. He answered questions from City Council. Councilwoman Whalen inquired about the Cedar Street Sewer Line Design and Construction and how that looks for the

storm drains and the roadways. City Engineer Starkey stated those would be a future project. Councilwoman Whalen expressed concern regarding the condition Cedar Street and stated the City has not given this area the attention it deserves.

Motion: MOVED TO ACCEPT THE TENTATIVE BUDGET FOR OPERATIONS IN THE WASTE WATER ENTERPRISE FUND AND THE WASTEWATER ENTERPRISE FUND CAPITAL PROJECTS WITH THE ADDITION OF THE EAST LIFT BYPASS FOR \$125,000 AND THE MODIFICATION FOR THE 18/19 BUDGET FOR FARM DISTRICT LIFT STATION REHABILITATION INCLUDING THE ODOR ISSUE BEING ADDRESSED FOR THAT PROJECT AND THE HARDIE LANE SEWER LINE DESIGN AND CONSTRUCTION FOR \$72,500. **Moved by** Councilwoman Shari Whalen, **Seconded by** Councilwoman Sue Seidl. **Vote:** Motion carried by unanimous roll call vote (**summary:** Yes = 5). **Yes:** Councilman Dan McCassie, Councilman Stan Lau, Councilwoman Fran McKay, Councilwoman Sue Seidl, Councilwoman Fran McKay
Action: Approve.

City Manager Hooper reviewed the Ancillary Water Fee on page 164 which shows the methodology used to identify what the specific rate will be. She stated previously the rate was \$31.08. This year City Council will not vote on a rate. She stated the City will move forward with the methodology that the City Council approved during the rate study.

City Manager Hooper stated the next Budget hearing will be held on Monday, April 10th at 5pm. The General Fund projects will be discussed then.

3. PUBLIC COMMENT

There was none.

4. ADDRESS REQUEST(S) FOR FUTURE AGENDA ITEMS.

There were none.

ADJOURNMENT

There being no further business to come before it, the Fernley City Council meeting adjourned at pm. 8:47 pm

Approved by the Fernley City Council on May 17, by a vote of:

AYES: 5 NAYS: 0 ABSTENTIONS: 0 ABSENT: 0



ATTEST: City Clerk Kim Swanson



Mayor Roy Edgington