

**MINUTES OF THE
FERNLEY CITY COUNCIL
BUDGET WORKSHOP**

January 25, 2012

Mayor Pro Tem Curt Chaffin called the meeting to order at 4:08pm at Fernley City Hall, 595 Silver Lace Blvd, Fernley, NV.

1. ROLL CALL.

Present: Mayor LeRoy Goodman (Not voting), Councilman Curt Chaffin, Councilman Roy Edgington, Councilman Cal Eilrich, Councilwoman Kelly Malloy, City Attorney Brandi Jensen (Not voting), Interim City Manager/Community Development Director Fred Turnier (Not voting), Administrative Services Manager Daphne Hooper (Not voting), City Treasurer Mel Drown (Not voting), City Engineer Shari Whalen (Not voting), City Clerk Lena Shumway (Not voting). Councilman Don Parsons arrived at 4:16pm. **Absent:** Mayor LeRoy Goodman

2. APPROVAL OF THE AGENDA.

Interim City Manager no changes, this is just a workshop. **Motion:** MOVE TO APPROVE THE AGENDA. , **Action:** Approve, **Moved by** Councilman Eilrich, **Seconded by** Councilman Edgington. **Vote:** Motion carried by unanimous roll call vote (**summary:** Yes = 4). **Yes:** Councilman Chaffin, Councilman Edgington, Councilman Eilrich, Councilwoman Malloy. **Absent:** Councilman Parsons.

3. PUBLIC INPUT.

There was none.

4. PRESENTATION AND DISCUSSION REGARDING FISCAL YEAR 2012/2013 BUDGET INCLUDING BUT NOT LIMITED TO: BUDGET PROCESS, TIMELINES, EXISTING BUDGET, ASSESSMENT AND GOALS FOR THE NEXT YEAR.

Interim City Manager Fred Turnier said it had been a tough couple of years for Fernley, the state and country. Although Fernley has seen some positive indicators related to business and employment in their core strength areas, manufacturing and logistics. Economic Development is getting a lot of attention from the state and local communities. The City was focusing on it as well. Economic Development was identified as a top priority in the recent Community Assessment. To aid employment the City has been hosted several job fairs at City Hall in the last few months which have resulted in many people from Fernley being hired.

Councilman Parsons arrived at 4:16pm

Interim City Manager Turnier gave a PowerPoint presentation (Attachment 1) giving a snapshot of the FY11/12 budget expenditures. He reviewed staff trends and stressed the importance of staff per capita (2.7 per 1,000 residents) as it affected levels of service; making it necessary for Staff to fulfill a number of duties not just those specifically identified with their individual positions. Cross training is required in order to provide services across Department boundaries and ensure adequate coverage in times of absence. Interim City Manager Turnier said this budget workshop was to look at broad range items and larger scale goals. The City Council sets the policy as to how the budget should look, i.e. service levels. It was up to the Chief Operating Officer (City Manager) to determine how to put those policies into action. As the City Manager, he had given Department Heads direction that any expenditure over \$1,000 required justification. He felt the City was fostering a culture of money conscious employees, Staff was already making decision and taking actions that saved the City money. This was evident in the \$800,000 savings being seen in the General Fund.

Interim City Manager Turnier showed a timeline for budget preparation. The tentative budget was scheduled to be submitted to the State between April 2nd and April 16th. He anticipated having a Council workshop on April 30th to discuss the tentative budget. The public hearing for the final budget was scheduled for May 15th.

An overview of the three major funds was then provided. A brief discussion took place regarding deferring capital items and what the consequences of delaying those items may be. The biggest issue for the City in the current fiscal year dealt with debt service payments for the water bonds. The payment for the bond was \$4.72 million, while operating expense totaled \$2.86 million. The Water Fund was realizing \$5 million, therefore the Council enacted an \$18 per month residential assessment and \$36 per month commercial assessment for all utility customers. This added revenue approximately with the savings from the General Fund made up the shortfall. Without looking at the water bond payments, the City was solvent and actually creating a surplus in the General Fund. The City is operating with less people, less resources, and continues to constantly look at how to save money.

Paying the water bond debt is the City's major issue. To address the water bond debt payments Staff was proposing a series of solutions: Review of Water Assessment for Residential and Commercial Users, Refinancing the Bond Debt, Expansion of the Utility Service Area, and Analyze Possibly Selling the Water Treatment Plant and Distribution System.

Mayor Pro Tem Chaffin noted that Councilman Parsons was in attendance, he had arrived at the beginning of the presentation. He then opened the floor to Council comment. Councilman Eilrich congratulated Staff for again tightening their belts and saving where ever they can. The City actually had to hire more people to operate the water distribution and wastewater systems and still continued to save money overall. He understood the need for the General Fund to subsidize the Water Enterprise Fund, but it bothered him that the City was not maintaining roads and infrastructure. He felt the budget preparation for the upcoming year was about the community and trying to find solutions to get through tough times. At this point all options are on the table, he wanted to review everything as he didn't know where Staff could make any additional cuts.

Councilman Parsons agreed the largest obstacle was the water bond debt payment. He saw three options that were not discussed in the presentation. Tighten up budgets even more, look for inefficiencies and make cuts in non-essential areas in every department. He thought some operations could be privatized to create some overhead savings. The facts were that without alternatives in 18 months the City will not have the money to make the debt service payment. The bond holders can then seize the all the assets of the City of Fernley to pay for the Water Treatment Plant. The City would be required to perform statutory operations, but that would be it unless the State of Nevada steps in and helps to mitigate the debt with the bond company. Councilman Parsons did not think it was in the best interest of the residents to sell the Water Treatment Plant. The City needed to find some other way to pay the bills. Discussion followed related to the assessment for multi-family housing and RV parks, and possibly assessing the fee per ERC to all properties that are connected to water whether or not it is being used. It was estimated that hook-ups for 466 homes was needed to pay the bond payment. Last year there weren't any residential hook-ups. Another option was to look at forming a 318 District to pay off the debt. Staff was doing the best they could, but they need to tighten more and figure out ways to get out of this financial situation. The City won't have \$800,000 to transfer to the Water Fund. He developed two pages of alternatives to save money and thought they should be discussed.

Councilman Edgington felt it was important to look for consensus on which alternatives to explore in order to not overwhelm Staff. He too asked to reevaluate the commercial assessment and possibly include vacant residential lots in the residential assessment, perhaps at a reduced rate.

Councilwoman Malloy appreciated the comments, but wanted to see something done. The fact that the bond payment is coming up and that the City doesn't have revenue flows to cover it. She said that people often criticize previous Councils for making the decisions that put the City in this predicament. She felt this Council was repeating the same mistakes by not being given enough information to make educated decisions. She asked the Finance Director how short the City would be for the next payment. City Treasurer/Finance Director Mel Drown replied that by February 2013, the City will not be able to make the payment. The City will be \$500,000 to \$700,000 short assuming no changes in the existing structure. Councilwoman Malloy asked for zero based budget; the Council should be setting the priorities and asking Staff to follow them. She was seeing a consensus that the bond payments must be made. Decisions had to be made in regard to what service levels the Council wants to provide. She took issue with the phone answering service and questioned if the City was sacrificing roads in order to provide good customer service. Raising rates and the assessment fee will only cause more issues with the residents. Cutting Staff will mean there will not be employees to handle the increased visitors to City Hall because of the increase. If the Council wants the bond paid and thinks infrastructure is important that might equate to people not getting phone calls answered or maybe not having City Hall open five days a week. The Council needed to make those kinds of decisions.

Interim City Manager Turnier suggested the Council focus on areas that will have the largest impact. Staff has met with someone recently about refinancing the City's bond. They had also talked to the Tahoe-Reno Industrial Center (TRIC) about expanding the City's service area. He dispelled the thought that the City would file for bankruptcy, it was not an option. Should the City default on the payments, the State will come in and determine what needs to be done to pay off the bond. Any cuts in the General Fund, meant cutting services or service levels. This would have a ripple effect as department lines are pretty blurred right now.

Discussion followed regarding possible expansion of the City's utility service area. There was clarification that should the City decide to expand the service area to the west, it was not the selling of water to other entities. Nor would it entail constructing pipeline. Interim City Manger Turnier said discussions were very preliminary. This was an area Staff could explore to help provide water to the largest industrial center in Nevada, while generating revenue to help pay the water bond debt.

Councilman Parsons commented that providing water to TRIC wouldn't solve the problem of having enough revenue for the payment due in February 2013. If an agreement was made, it would still take two or three years to see any money. Discussion followed regarding how the water would be supplied. City Engineer Shari Whalen said TRIC would become a customer, the same as any other customer in Fernley. Interim City Manager Turnier said there were a lot of steps that would need to be worked out, but before proceeding to look at the option any further, he needed to know if the City Council wanted Staff to continue to look into the option. Councilwoman Malloy asked if the agreement would be similar to what the City had arranged with the Pyramid Lake Paiute Tribe (PLPT). Interim City Manager Turnier explained the City would be expanding the service boundary, so that everyone within that expansion could potentially become a customer.

Councilwoman Malloy felt a more immediate solution was needed for obstacles facing the City right now, this year. She suggested holding the possibility in abeyance. She calculated that the City would need \$700,000 to meet the debt service payment. One way to collect that was to raise the a \$18 assessment to residential customers by an additional \$9. Refinancing will take time, and in the long term was just delaying the payments and would result in higher costs. She said Staff needed to look at solutions that would have an effect this year. Councilman Edgington felt every avenue should be evaluated. Councilman Eilrich said he was the biggest opponent to selling water rights outside the City, however talking expanding service area was talk about possible collection of in lieu of fees and connection fees. He felt Staff should have support to go forward and see what works out. Mayor Pro Tem Chaffin agreed that everything should be looked at within reason. Councilwoman Malloy stated she didn't want Staff to focus solely on this one option. Councilman Parsons asked for more information in order to have a better understanding of what expanding services would look like and how could it potentially affect will-serves for the rest of the City. He understood there was an immediate dilemma, but the decisions the Council makes today will affect future generations. Water is a precious commodity, it was essential to make wise choices, as once it ran out there was no more. Mayor Pro Tem Chaffin said it appeared that all the Councilmembers were in favor of pursuing the option within reason.

In regard to selling the Water Treatment Plant, unless there was a great change in efficiency to free up operating costs, Mayor Pro Tem Chaffin had trouble seeing the benefit. Councilwoman Malloy agreed. She didn't understand why someone would want to buy a utility that was not

currently solvent. She expressed she was not as interested in looking this option as strongly as others. Councilmen Edgington and Eilrich concurred. Interim City Manager Turnier said there had been some preliminary interest by people outside of the community to come in and make a long term investment. If the system become privately owned it would be regulated by the Public Utilities Commission. Councilman Parsons felt it should only be considered as a last resort. Discussion followed regarding what privatization would entail and the concern about raising rates for residents. There would need to be further discussion to clarify who would own and maintain specific infrastructure and facilities. Mayor Pro Tem Chaffin said he was hearing that it may be an option, but it was low on the priority list.

The next option discussed was possibly refinancing the bond debt. City Treasurer/Finance Director Mel Drown said Staff was still looking at the possibility of refinancing, but didn't have anything concrete; there were many variables up in the air. Once more information was gathered, a presentation would be made to the Council about possibly refunding the bonds that would extend the life of the bonds from seven to ten years. This would lower the debt service up front, but create higher debt service in the end. Discussion followed regarding over committing the City and the measures the City has taken to try to lower the current debt service payments. Councilman Edgington thought it was a bitter pill to swallow, but there was a necessity and it should definitely be considered. Mayor Pro Tem Chaffin thought it was option that should also be pursued. None of the options would be met with much favor as they were not pleasant alternatives. The Council had already talked about reviewing the utility assessment and it had been agreed that it should be looked at again.

Councilwoman Malloy said an option she didn't see was making some budget cuts. She didn't think it was the job of the Council to dictate where the cuts should be made. If it came down to needing \$400,000 to \$750,000 and the assessment had to be increased, she felt it would be easier to for residents to understand if the City made cuts and showed there still was a need for extra revenue. She gave the example of adding \$4 instead of \$9 and then recoup the rest from budget cuts. It may affect the level of service, but it was a reality. City Engineer Shari Whalen explained her department had already have cut too much. The cost of business was going up and in several areas i.e. fuel, materials and supplies, they were over budget. Councilwoman Malloy understood the hardship, but every department needs to look at service levels. No one wants to make cuts or reduce workforce, but it may be necessary.

Councilman Edgington asked to see a description of each of the different functions in individual departments. He thought there might be some misconception and being able to see the functions would be easier for people to see what services the City is providing. It didn't have to be more than a page or two, just a brief description of the function, what services are provided and what is being planned for the future. Interim City Manager Turnier reiterated what he was hearing to make sure the direction was clear. He was hearing that the Council wanted Staff to look at the services being provided, by the different functions i.e. in Community and Economic Development: Grants, Building and Public Works: Street Maintenance, Valve Exercising, etc. He felt it would help the Council decide what services to keep and possibly get rid of if Staff also provided what the consequences would be if the service wasn't provided. He reminded everyone that the discussion would be about functions, not specific people. Councilwoman Malloy suggested Staff also present some ideas on alternative ways to provide services such as consolidation both within the City and outside the City, possibly with Lyon County. She felt there was some inefficiency that could be addressed, but she couldn't make a good decision without having all the information. Councilman Eilrich agreed that he would like to see the function of each department, how many staff members were in each department and what the consequences would be if those functions were not available. It would be helpful to be able to show people what Staff is doing and what the consequences and ramifications would be if some services were lost.

Mayor Pro Tem Chaffin called a recess at 6:14pm. The meeting reconvened at 6:25pm.

Discussion continued about looking at functions of individual departments. Interim City Manager Turnier reminded everyone that the discussion was not about individual positions, and there were several areas where there was just one person in that area. Councilman Parsons questioned how the Council could talk about those services then. City Attorney Brandi Jensen said the Council could have a presentation on services, but cannot discuss positions and individuals. A general presentation on the services was allowable. Councilman Edgington expressed grave concerns in regard to the timeline. He thought there ought to be more meetings. There was only one more meeting to hear the tentative budget, followed by another meeting to hear the final budget. He asked each of the Councilmembers to meet individually with the City Manager over the next week or two to go over any budget concerns. He asked to meet more than what was currently scheduled, he was worried about not providing enough input. Interim City Manager Turnier reviewed the timeline and said he was hearing the Council

wanted to have an additional budget workshop to discuss service levels. City Attorney Jensen said scheduling additional the budget meetings as workshops was possible, as long as there are no decision made the Council may have as many as they want. If there was a desire to take action at any of the budget meetings, it would require an agenda item on a future agenda to possibly set those meeting dates. Councilman Parsons said he would like to see two additional workshops. Councilman Edgington asked for another budget workshop toward the end of February. Interim City Manager Turnier stated he was hearing a desire to have up to two more budget workshops. Councilwoman Malloy asked to have one more workshop and also have a budget/meeting at which the Council could vote and make decisions toward the end of February. Councilman Edgington suggested the workshop/meeting be held between April 2nd and 16th, and that a workshop be held before that to decide what services should be kept. Councilman Eilrich suggested having a meeting when the City Manager has a budget it should be presented at a workshop a few weeks before the tentative budget is presented to the State. After the tentative is submitted, the Council should have at least one workshop and one working meeting to actually make decisions once it's known what the Council has to work with.

Councilman Eilrich said he saw a waste of resources with all the copies that were being provided to the Council. He asked if all the information requested by a Councilmember had to be provided to all the Councilmembers. City Attorney Jensen said she would research the question and would get back to the Council. Interim City Manager Turnier said from a practice standpoint, if information is being requested from a Councilman that pertains to an item on an agenda item, it is generally provided to all the Councilmembers so everyone has the same information. He suggested that if there's additional information that Council would like from Staff, they contact the City Manager directly. He wanted to make sure that everyone has the same information, not just one Councilmember having information to ensure everyone has the same resources to make the best decision. Councilwoman Malloy said the Council requested laptops for cost savings, she asked to have any information sent electronically.

Interim City Manager Turnier summarized that the Council was looking for up to two more meetings, one as a workshop and one where the Council can take action. Staff would discuss schedules and get back to the Council with dates.

Director Drown clarified that he had taken notes to look at expenditure reduction (not position related), the possibility of contracting services, brief descriptions at the fund level dropping to

the department level and then by position job duties and responsibilities, rather than the general job descriptions. Councilman Edgington said he was looking for what functions or services are actually provided in each department so that he could have a better understanding of what Staff does. Councilman Parsons agreed, Mayor Pro Tem Chaffin asked to include cross training and what effects would be on other departments if some services were not provided.

Councilman Edgington asked for copy of chart of accounts. Discussion followed regarding using FY11/12 as a base year for future comparison.

Mayor Pro Tem Chaffin open the floor to public input. Mrs. Susan Seidl, Fernley resident, said in the four options presented, none included cutting the General Fund. Then the Council was told they can't talk about positions, which she felt left the only viable option of adding more user fees. Citizens will not respond well. She has cut her own personal household budget to pay those expenses. Yet the City's not making cuts by not touching the General Fund. The Council has raised franchise fees and utility rates, in addition to charging assessment fees. She suggested the Council look at balancing the current budget before even considering next year's budget. Mrs. Seidl felt evaluation of Planning Commission should also be done as a way of cutting expenses. They have canceled several meetings and often have agendas with only one or a few items. She asked if it was possible to temporarily suspend the Commission and let Council act on their behalf for the time being. Mrs. Janice Prichard, Fernley resident, stated her concerns with the size of the agenda packets, saying that it was a lot of money to provide that many copies. She provided her opinions on the four options presented. She also made suggestions to reduce expenses by: reducing PERS contributions by the City, reduce the number of City vehicles provided to employees to take home, and review Planning and Zoning as she felt they had created a deficit of \$1.6 million. She cautioned against any increases to residents.

City Attorney Brandi Jensen wanted to clarify that public input can be about cost savings not about individuals or where they live or the certain job they perform. It's a fine line; the Council can discuss cutting services, but not cutting individuals. She encouraged anyone with questions in regard to what can be discussed and what cannot be discussed to meet with her. Discussion followed about what was allowable during budget discussions.

5. PUBLIC INPUT.

There was none.

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

Councilman Edgington asked for additional workshops. Discussion followed regarding the budget workshop start times. There was a desire to have a set starting time, 5pm.

7. ADJOURNMENT.

There being no further business to come before it, the Fernley City Council meeting adjourned at 7:34pm. Approved by the Fernley City Council on _____, by a vote of:

AYES: _____ NAYS: _____ ABSTENTIONS: _____ ABSENT: _____

Mayor LeRoy Goodman

ATTEST: City Clerk Lena Shumway