

City of Elko)
County of Elko)
State of Nevada)

SS March 23, 2010

The City Council of the City of Elko, State of Nevada met for a special meeting beginning at 2:00 p.m., Tuesday, March 23, 2010.

This meeting was called to order by Mayor Michael J. Franzoia.

ROLL CALL

Mayor Present: Michael J. Franzoia

Council Present: Councilman Jim Conner
Councilman Jay Elquist
Councilman Chris Johnson
Councilman John Rice

City Staff Present: Curtis Calder, City Manager
Delmo Andreozzi, Assistant City Manager
Alan Kightlinger, Fire Chief
Don Zumwalt, Police Chief
Dawn Stout, Administrative Services Director
Eric Howes, Parks & Recreation Director
James Wiley, Parks Superintendent
Trent Moyers, Airport Director
Rick Hofheins, Airport Security Manager/Assistant Director
Ryan Limberg, Utilities Director
Dennis Strickland, Public Works Director
Mike Hecht, Deputy Chief/Fire Marshal
Jared McEntire, Facilities Superintendent
Fritz Sawyer, WRF Superintendent
Phil Snyder, Lab Manager
Antonio Mendive, Water/Sewer Superintendent
Darren Skelton, Public Works Superintendent
Joel Vega, Fleet Maintenance Superintendent
Jared McEntire, Electrical/Facilities Superintendent
Mike Hess, Landfill Superintendent
Brian Mickels, Golf Course Superintendent
Ted Schnoor, Building Official
Dawn Leyva, Recreation Services Manager
Scott Wilkinson, Development Manager
Nikki Moore, Swimming Pool Manager
Jessica Johnson, Human Resources Manager
Ed Wynes, City Planner
Jeremy Draper, Civil Engineer
Lorraine Martinez, Accounting Supervisor

City Council
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Karen Walther, Animal Control Supervisor
Linda Buffington, Recording Secretary

I. FISCAL YEAR 2010/2011 BUDGET WORKSHOP

- A. Review, consideration, and direction to Staff regarding the Fiscal Year 2010/2011 budget, inclusive of the General and Governmental Funds, and matters related thereto. **ACTION ITEM**

Administrative Services Director Stout reviewed various changes following the last presentation, reviewed the current numbers and presented various options for the Council's consideration; see exhibit 'A'.

General Fund Option #1 –

- Workman's Compensation increased \$20,000.00 due to the heart/lung liability for police and fire.
- \$443,000 reduction in revenues since 3/9/2010
- Staff recommends cutting community support by 50%
- Transfers in increased by \$450,000
- Additional resources of \$43,311 needed for balanced budget of 8.3% as required

General Fund Option #2 –

- Per council direction at previous meeting. Difference is transfers in and out
 - Transfers in equal \$800,000
 - Transfers out equal \$24, 930
- \$312,262 short of balanced budget; which equates to:
 - Reduction of 4 General Fund positions or
 - 3% wage across the board wage reduction and reduction of 1 General Fund position or
 - 4% across the board wage reductions for every employee in the General Fund
 - Reductions to date reviewed (see Exhibit 'A')
 - 50% reduction in community service donations
- Reviewed various possible funding options (see Exhibit 'A')

Ms. Stout advised staff is also recommending a franchise fee to the water and sewer departments for the various different lines that are in the city streets.

Ms. Stout indicated if we don't do the revenue enhancements we would be looking at service level cuts.

Councilman Rice questioned how the franchise fees would work.

Ms. Stout advised it would be the same as any other franchise fee we currently have i.e. power and gas; it is based on a percentage of gross revenues.

Ms. Stout noted the Revenue Stabilization Fund has a current balance of \$460,000 should the council choose to transfer either half or that entire fund. The Capital Equipment Replacement Fund will have an estimated ending fund balance of \$336,000; based on a transfer \$600,000 to the General Fund and funding Staff's top four priorities.

Councilman Elquist questioned if the Capital Equipment Replacement Fund had limitations on what we can spend it on. Councilman Elquist believed we were over-funding this account and under-funding the Facilities Fund.

Ms. Stout noted the council could choose to transfer one-time monies out to the general fund or choose to reallocate the property tax portion of this fund to the Facility Fund.; there is \$0.08 that comes into this.

Ms. Stout addressed the Recreation Fund and noted \$240,000 is budgeted for capital projects, the annual transfer out to the General Fund of approximately \$234,000; we have additional available for transfer to the General Fund in the amount of \$200,000. Ms. Stout noted this fund also addresses the debt service on the California Interpretive Center Bond, Airport Bond and the reserve for the California Interpretive Center Bond. The top three priorities include sand filters for the pool, Phase 1 of the picnic shelters and design for various parking lots and facilities.

Parks and Recreation Director Howes advised the Parks and Recreation Advisory Board reviewed the priorities list and recommend the sand filters as the highest priority. They also recommended any projects that may be impacted by the final outcome of the master plan be deferred until that is complete.

As previously requested by the council Ms. Stout presented a slide showing how the calculations for the transfers to various funds from the Recreation Fund occur; see Exhibit 'A' page twenty.

Ms. Stout now addressed item B.

- B. Review, consideration, and direction to Staff regarding the Fiscal Year 2010/2011 budget, inclusive of the Enterprise Funds, and matters related thereto. **ACTION ITEM**

See Exhibit 'A'.

Water Fund –

- Franchise fees could apply here and would go back to General Fund
- No anticipated increase in rates this year.

Sewer Fund –

- Franchise fees could apply here and would go back to General Fund
- No anticipated increase in sewer rates this year
- Metered rate change is being considered

Sewer rate change –

- Issue is high sewer rate for high consumption residential water users who are on a water meter.
 - 3 options reviewed; see Exhibit ‘A’ page twenty-three.

Staff recommends option #3 but is seeking Council direction on which option they feel would be most equitable to city and would encourage water conservation. This is residential only and would not require a business impact statement.

Councilman Elquist questioned whether option #3 could be easily setup.

Ms. Stout verified it could.

Councilman Elquist believed option #2 made sense.

Ms. Stout advised the only issue there is that it doesn’t encourage people to go onto a meter.

Councilman Elquist acknowledged that comment and agreed option #3 made sense.

Council directed Staff to bring option #3 back in resolution format.

Landfill –

Ms. Stout advised the Landfill is proposing to purchase a new 623 paddle wheel scraper; Staff recommends financing that purchase.

Ms. Stout noted the previously mentioned charge out from the General Fund; for that portion of the sanitation parks and streets do, would have an impact on this fund of approximately \$110,000.

Airport Fund –

Ms. Stout noted the issue with this fund is due to the on-going litigation associated with the concrete apron failure. We are also seeing a decrease in revenue from fuel taxes, landing fees, rental car concessions etc.

Golf Fund –

Ms. Stout advised Staff is proposing to purchase a used 106 gallon spray unit.

Upon completion of the budget presentation Ms. Stout reviewed the proposed schedules;

- March 30 – Sales Tax update
- April 13 – Tentative Budget approval
- May 18 – Public Hearing for Final Budget adoption.

Mayor Franzoia called for questions regarding the enterprise funds and there were none.

**** A motion was made by Councilman Conner, seconded by Councilman Elquist to approve the presentation for the Enterprise Funds and direct staff to bring back more information on the Sewer Fund related to option #3 and changes related to metered rate for sewer use.**

Motion passed unanimously.

The Council now continued discussion pertaining to the General Fund Budget.

Mayor Franzoia noted previously the council requested staff bring back various options, through the use of transfers in from the Revenue Stabilization and Capital Equipment Funds. Additional revenues for consideration included; storm water management utility fee, charge out fee for sanitation and increases to business license fees etc.

Mayor Franzoia questioned the franchise fees for the water and sewer funds.

Ms. Stout advised this would be a trial for the first year to see how it affects the whole operation of the fund and how we end up at year end. After the end of the first year staff will determine where we need to go with it; whether we need to pass it on to the customers or what. Ms. Stout advised total franchise fees for the water and sewer funds were estimated at \$450,000 if the council chose to go with the maximum of 5%.

Councilman Elquist questioned whether a franchise fee would apply to the landfill.

Ms. Stout advised it was not; staff would like to charge out the sanitation portion of the streets and parks; that would be a direct charge-out to that fund for those salaries and benefits associated with it.

Councilman Rice referred to the water/sewer franchise fees and questioned whether staff had any estimates on how long that could sustain and at what point in the future the council would have to raise rates.

Ms. Stout advised it is all contingent on what the total expenditures are for the year.

City Manager Calder commented on franchise fees, on the federal level as well as the state level there has been a push to eliminate franchise fees to local governments in general. In the event you did implement franchise fees they could be taken away in the future. It is being actively pursued at the federal level; we could lose all our franchise fees.

Mayor Franzoia requested more discussion and information from the fire department regarding their suggestion for an ambulance service.

Councilman Rice believed the idea from the fire department represents a shift in the way we do business; but it will generate approximately \$200,000 per year in revenues. The challenge with it is we already have agreement in place with Elko County regarding ambulance service and that is something we are going to have to look at. It is one idea presented that has numbers attached to it that provides us a way forward and it should be considered.

Fire Chief Kightlinger advised it is simply a business plan/proposal. Staff was asked to turn over every rock for cost cutting and revenue purposes. Currently within our jurisdiction we are not receiving a share of market; we are proposing that with the same people, same equipment, same expenses with a slight increase in services and supplies because of the volume that we could share in the market along with Elko County within the city limits of Elko. Mr. Kightlinger advised this would require 180 day notification on the current agreement and staff would then take part of the calls, as a primary provider, along with the rotation system along with Elko County Ambulance units.

Councilman Rice believed this in one opportunity that will put dollars back into the General Fund; it can impact the entire organization of city and relieve some of the burden. Councilman Rice stated he does not want to favor one particular department; this is the only idea presented on the revenue side that appears to have the potential to have a positive effect on entire organization.

Mayor Franzoia noted as a business plan/proposal it only shows the income side; it does not show the expense side. Mayor Franzoia expressed concern we just got a backup ambulance and would we now need to get another one for backup.

Chief Kightlinger questioned where the 2nd ambulance came into conversation.

Mayor Franzoia stated if we become primary provider in the city there is risk the county dumps everything on us. We originally assured the county that we would not pursue that avenue.

Chief Kightlinger acknowledged the promise made; but he was challenged with the task of finding revenue for the city. There are no two ambulances; the backup we got from Carlin would be the only backup; it is not being permitted and staff is not proposing that. Mr. Kightlinger advised the ambulance and fire truck go to the 1,600 to 1,800 calls a year anyway so approximately 42% share of the market for an income to the general fund to help balance the budget is what they are proposing. Staff estimates the costs at \$5 to \$7,500 for expendable commodities; they are willing to live with all the equipment they currently have.

Mayor Franzoia indicated the concern was over past statements and assurances made to the county; it is an integrity issue. If we open this can of worms there could be other fallout that affects the budget.

Councilman Elquist agreed it was an integrity issue. He might be biased as he didn't want to get into the ambulance business to begin with. It is a new level of service we are providing but he still believes strongly it should be in a backup role. Councilman Elquist stated rather than think expansion and getting into new business; with our revenue going down he was unsure every rock was turned over on the revenue and expense side.

Councilman Elquist stated he was opposed to the proposal. As the revenue drops off some of our levels of service are going to have to drop off; it just a reality of budgets. Councilman Elquist was opposed to getting away from running a good operation and phoneying up our revenue so we sustain some things. We need to fund things appropriately as we can and do the best we can with what is left over.

Councilman Rice believed this is a different direction we are going. He sees his position on the council as a policy maker not politician; on this board we are more concerned with policy than politics and he is trying to keep this in the realm of policy. Councilman Rice acknowledged we made the agreement but times have changed significantly since we made agreement; it isn't inappropriate to be looking at different ways of going business. Councilman Rice expressed concern we are trying to fix this problem with solutions we developed a long time ago.

Mayor Franzoia advised politics and policy go hand in hand. The concern is; if we do this and change direction then you have to change policy related to that change of direction. Mayor Franzoia questioned whether we are going to be an ambulance service or a fire department. If the function is more to the medical than fire then the policy statement has to be adjusted. Mayor Franzoia also questioned how you would address the fire side if you change your mission statement to become primary to the ambulance service; there are going to be reactions to every step you make going forward on this if done too hastily. If you become primary you could be doing two runs in a period of time that may obligate the staffing levels; what if there is a fire call; how do you respond. The council now has to address that issue; do you increase staff or do you subsidize it with volunteers. If the intent is to make money on one side and save money on the other side you have to be careful not create something that requires more manpower.

Councilman Rice believed the majority of the calls responded to by the fire department are emergency services;

Mayor Franzoia stated if that is the case then perhaps we need to change the policy. Does it increase our manpower if dumped on us by the county; that is the risk?

Councilman Conner believed the ambulance service is something the city should look into but not jump into too quickly; we just made this agreement with county.

Councilman Conner expressed concern it could cost a fortune to provide services that are now done for less if all MOU's come up for review.

Mayor Franzoia advised the county has the obligation already. If they are going to discontinue providing services we are going to know in advance.

Councilman Conner advised he wanted to express the concern related to him by the citizens.

Mayor Franzoia indicated this maybe something for consideration in the future.

Chief Kightlinger indicated if the vote is opposed at this time staff would like to be the first item on the agenda for the upcoming planning meetings this summer. Staff believes this has merit and should be discussed.

Councilman Elquist indicated if it was the majority opinion we should include it we should include the entire thing. Would it be ready in time?

Chief Kightlinger advised the unit could be ready sometime in August.

Mayor Franzoia advised it should come back as a separate item

Councilman Elquist questioned if we are arriving at the number from public record; have we obtained the actual dollar number of what they have received in billing; or is staff looking at call volume and applying a fee to it.

Chief Kightlinger advised staff conducted extensive research; they used national trends with the downturned economy and pulled the records from our current contract with APDI. They did not obtain records from Elko County and were told they were not entitled to them.

Councilman Elquist believed the records were public documents.

City Manager Calder indicated they could make a public records request.

City Manager Calder advised time is running out to finalize the budget. He would prefer council give staff some direction as to whether this is a possibility or not. Staff needs to know whether to include it in the numbers or not.

City Manager Calder noted a large portion of the audience was staff members and believed they were anxious of some of the decisions. Whatever deficit number is going to be and involves staff layoff we need to act on it.

Councilman Rice questioned whether we could take a sense of the board in regards to this issue.

Mayor Franzoia advised it was not written on agenda that way.

Councilman Elquist stated based on tonight's presentation he is not in favor of including the proposed ambulance funds on the revenue side. He is not opposed to the \$800,000 but wants to keep the stabilization fund whole; it is important that we have time to manage to our dollar budget and don't need to draw from revenue stabilization. He is not opposed to taking more from the capital account; we have over funded it and done a good job with our capital assets over the last few years; we can pull \$230,000 more from there for this budget cycle. The Franchise fees have merit; 2.5% would bring in \$225,000 which would roughly cover stabilization.

Mayor Franzoia requested verification the \$800,000 transferred in still leaves us \$43,311.00 short.

Ms. Stout advised it leaves us \$312,000 short.

Councilman Elquist requested clarification option #2 is \$312,000 short.

Ms. Stout advised option #2 shows the revenues as they are anticipated; the expenditures are as they are anticipated at the reduced level staff came up with. The Council's direction was to put \$800,000 into transfers in and take out the airport fund transfer; that comes down to a \$312,000 deficit. We would have to find that on the expense side; either a reduction of services or wage reductions.

Ms. Stout indicated on the \$312,000 deficit; if the council chose to do the charge outs to the Landfill Fund for the sanitation services the streets and parks are doing right now it would decrease that amount by \$110,000.

Councilman Elquist supported that idea. Regarding the fee increases; we need to stay at market and not subsidize in those fee areas.

**** A motion was made by Mayor Franzoia, seconded by Councilman Elquist directing staff to look at transfers in of \$800,000 on what we can control at this point in time; which would be in Capital Equipment of \$566,049.00; it would show a deficit of \$312,000. Take the \$312,000 and bring back it back before the council showing what it looks like with salary reductions. Bring back the proposed fee increases or anything discussed that would have a major effect on the budget for further consideration. Have the fees specifically lined out; water and sewer franchise fees related to the city, the storm water issue relate to that function as a utility, the charge outs back to the landfill for sanitation/refuse removal at the parks as well as on the streets. Make them line item specific so we can take action to go that way or kill it completely. Give scenarios; 1) what we have with what we can control; and a what it would take on a salary reduction percentage, 2) show the franchise fees and then reduce the capital equipment transfer in, 3) add back the capital equipment and possibly put some money back into streets.**

Motion passed unanimously.

After the motion and before a vote was taken Mayor Franzoia stated his belief the motion items are the big issues; based on council's discussion. The one thing we have control over right now is strictly the presentation; every thing else is a wish list of fees that have not been specifically identified in any form or fashion on the agenda item. The agenda has to be clear about that.

Mayor Franzoia recommended bringing the main issues back as individual items at the next meeting.

Councilman Rice requested verification the concept of ambulance revenues is not included in that motion.

Mayor Franzoia indicated all topics discussed in general tonight be brought back as individual items for discussion at the next meeting so we can make a decision on it.

Councilman Rice requested verification that included the ambulance.

Mayor Franzoia verified that was correct.

Mayor Franzoia indicated staff has done a good job of balancing the current budget; if it stays true to the sales tax. Mayor Franzoia stated if revenues don't rise to match our requirements we are at a breaking point and there are going to be sacrifices.

Councilman Elquist questioned if this is enough or do we need to make more tough decisions.

City Manager Calder advised this gets us a step closer to where we need to be. At the end of the day staff needs to know what the deficit is going to be after we have considered the fees on the

revenue side and any cutting of expenses; is that deficit going to be \$100,000 or \$300,000 or what; we need to know that; once we get to that point we can tell our employees what impact that is going to have on them. City Manager Calder believed we have all the information; it is just a matter of running the scenarios.

Mayor Franzoia recommended a meeting next Tuesday, March 30th at 6:00 p.m.

II. PUBLIC COMMENT

A. Public comment period. ACTION WILL NOT BE TAKEN

This agenda item is to provide time for the general public to address the City Council regarding items of concern. Action cannot be taken at this time, but a matter can be set on the agenda for a future meeting, as appropriate.

There was no public comment.

Under further comment Councilman Rice advised as we go forward it is his commitment to be working with everyone to do the best thing for the entire community and he encouraged everyone to keep that in mind as we go forward.

There being no further business, Mayor Michael J. Franzoia adjourned the meeting.

Mayor Michael J. Franzoia

Shanell Owen, City Clerk