

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

SS March 16, 2010

The City Council of the City of Elko, State of Nevada met for a special meeting beginning at 4:00 p.m., Tuesday, March 16, 2010.

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

ROLL CALL

Mayor Present: Michael J. Franzoia

Council Present: Councilman Jim Conner arrived @ 4:50 p.m.
Councilman Jay Elquist
Councilman Chris Johnson

Council Absent: Councilman John Rice

City Staff Present: Curtis Calder, City Manager
Delmo Andreozzi, Assistant City Manager
Alan Kightlinger, Fire Chief
Don Zumwalt, Police Chief
Shanell Owen, City Clerk
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
Antonio Mendive, Water/Sewer Superintendent
Darren Skelton, Public Works Superintendent
Joel Vega, Fleet Maintenance Superintendent
Jared McEntire, Electrical/Facilities Superintendent
Mike Hess, Landfill Superintendent
Ted Schnoor, Building Official
Dawn Leyva, Recreation Services Manager
Scott Wilkinson, Development Manager
Nikki Moore, Swimming Pool Manager
Ed Wynes, City Planner
Jeremy Draper, Civil Engineer
Tony Ferguson, Sr. Engineering Technician
Ben Mangeng, Sr. Computer Technician
Lorraine Martinez, Accounting Supervisor
Karen Walther, Animal Control Supervisor

I. FISCAL YEAR 2010/2011 BUDGET WORKSHOP

- A. Review, consideration, and direction to Staff regarding the Fiscal Year 2010/2011 budget, general funds, and matters related thereto. **ACTION ITEM**

Administrative Services Director Stout advised the latest update from the Department of Taxation indicated the property tax assessed valuation decreased but the most critical is their revenue projections for the sales tax portion of our revenue which was down over \$400,000. Those projections resulted in the changes being presented tonight; see Exhibit 'A'.

Ms. Stout reviewed the process to date; for the General Fund we estimated a \$3.5 million beginning balance and our revenues were estimated to be \$14.9 million and our expenses to be \$16.9 million. Transfers in were estimated at \$536,000; transfers out \$400,000. Our contingency of 1.5% was estimated to be \$255,000; giving us the required 8.3% ending balance of \$1.4 million. Ms. Stout indicated staff was off on the estimation of the beginning fund balance by \$500,000 and our projected revenues have since gone down to \$14.5 million; decreased revenues are approximately \$1.1 million. Staff has made cutbacks in our expenditures to offset the differences on the revenue. Transfers in are currently estimated to be \$406,000; transfers out are estimated at \$400,000, and we have taken the contingency out. Our ending fund balance going forward is \$1.8 million.

Ms. Stout advised this is basically what was presented on March 9th; obviously we have had changes since then. Expenditure cutbacks this year to offset the decreased revenue projections total \$1.2 million which is more than the reduced revenues were at that point in time. Ms. Stout noted on the benefits side staff's estimate for health insurance was high so we have some savings there; and there was a decrease in the subsidy we pay for our retirees that are on the PEBS plan.

Ms. Stout advised at the last presentation for the 2010/2011 budget staff projected an estimated \$1.8 million beginning fund balance, revenues at \$14,645,909; expenses at \$15,639, transfers in at \$995,000, and transfers out \$399,930. Ms. Stout indicated transfers in represent using all the Revenue Stabilization Funds, as well as the one-time transfer out of the Capital Equipment Fund of \$300,000. With that we still needed \$135,000 to have a balanced budget going forward.

Ms. Stout advised the latest revenue projections from the state will add to this situation by \$435,000; instead of \$135,000 we will now be at approximately a \$670,000 deficit.

Ms. Stout advised between last year and this year staff has cut approximately \$2.0 million out of our overall expenditures to try and make this work.

Ms. Stout continued and outlined various options for the Council's consideration.

General Fund Outlook Option #1: This shows the changes since the meeting of March 9th. Beginning balance differences are due to additional savings by the Fire Chief in this budget year; revenues are down by \$443,000 and community donations have been cut by 50% which results in an \$18,000 savings. Transfers in show an increase from the Recreation Fund which includes an additional \$150,000 to help offset the revenue shortfall; the Capital Equipment Fund transfer

originally showed \$300,000 and we are now proposing \$600,000; transfer from the Revenue Stabilization remains at \$460,000. We have transfers out to the Airport Fund for the ongoing litigation expenses and the Golf Fund to cover the administrative costs. Our contingency is 1.5% of our total expenditures at \$233,391. Our ending fund balance is projected to be \$1.2 million which is about \$21,000 short of what we need but still over an 8% ending fund balance.

Ms. Stout advised the budgets proposed for the General Fund are basically in maintenance mode i.e. keeps the lights on and keep things running; it gives us no wiggle room. If the revenues continue to fall we are going to have more difficult decisions to make as the year goes on.

Ms. Stout noted 66% of general fund revenue is sales tax revenue; a decrease in those numbers affects us tremendously.

General Fund Outlook Option #2: As requested by Councilman Johnson this option does not include any one-time transfers in to the general fund; it does include the normal Recreation Fund transfer. Transfers in are reduced by \$760,000 which increases the additional resources required to make this a balanced budget.

Reductions could include:

- 1) 15 General Fund positions or
- 2) 5% across the board wage reduction and a reduction of ten General Fund positions **or**
- 3) 10% across the board wage reduction and reduction of five General Fund positions

General Fund Outlook Option #3: This option includes taking the airport transfer out. This requires additional \$856,326 resources to make this a balanced budget which would equate to:

- 1) Reduction of 10 General Fund positions or
- 2) 5% across the board wage reduction and reduction of 5 General Fund positions **or**
- 3) 10% across board wage reductions

The removal of the \$375,000 transfer from the General Fund to the Airport Fund would be replaced by an inter-fund loan to one of the enterprise funds.

General Fund Outlook Option #4: We have restored expenses by \$300,000; that makes our expenses \$15.8 million. Revenues remain the same. Transfers in are \$1.7 million which includes adding \$200,000 from the Recreation Fund transfer, putting the Revenue Stabilization transfer back in; the Capital Equipment transfer would now have to be \$900,000 to offset that additional \$300,000 expenses in the General Fund. Transfers out would be to the Airport Fund and the Golf Fund. Our contingency would now be \$237,891. Ending fund balance would be \$1.3 million which is the 8.3% required by state statute.

This option:

- 1) Restores \$300,000 to services and supplies
- 2) Transfer from the Recreation Fund increased by \$200,000
- 3) Transfer from Capital Equipment would be \$900,000
- 4) Results in a balanced budget

Mayor Franzoia advised the risk with this option is the Recreation Fund is dependent upon room taxes.

Ms. Stout agreed; this year's estimate shows we are down 7% from the prior year. For the 2010/2011 staff adjusted for another 5% decline. Staff has tried to be as conservative as possible on the estimations.

General Fund Outlook Option #5: Restored expenses of \$300,000. Recreation Fund transfer has been reduced back to the original amount. The Revenue Stabilization Fund and Capital Equipment Fund transfers are included; we have taken out the Airport Fund transfer. This option requires additional resources of \$126,100 in to make this a balanced budget.

That equates to:

- 1) Restores \$300,000 to services and supplies
- 2) Transfer from Capital Equipment Fund of \$600,000
- 3) Reduction of 1 General Fund position and ½% across the board wage reduction
- 4) Removal of \$375,000 transfer from General Fund to Airport Fund replaced by an inter-fund loan from enterprise fund

General Fund Outlook Option #6: The fire department has recommended an option for additional revenues in the General Fund; cancellation of the agreement with Elko County and we go into the primary ambulance business. Staff estimates, conservatively, this would generate approximately \$200,000; more recent information puts that amount at \$250,000 and possibly more.

Ms. Stout noted all options presented do not include fee increases; if approved that would generate approximately \$100,000. This option decreased the Revenue Stabilization Fund transfer to \$230,000 and restored services and supplies to \$300,000. The Airport Fund and Golf Fund transfers are included. This would require \$831,000 additional revenues to make this a balanced budget.

This option equates to:

- 1) Reduction of 10 General Fund positions **or**

- 2) 5% across the board wage reduction and reduction of 5 General Fund positions

General Fund Outlook Option #7: This includes the ambulance fees and restored expenses in the General Fund. The only difference from the last slide is the Airport Fund transfer has been taken out. Additional required resources would be \$456,100.

This option equates to:

- 1) Restored services and supplies \$300,000
- 2) Increased ambulance revenue \$200,000
- 3) Decrease Revenue Stabilization transfer \$230,000
- 4) Removal of \$375,000 transfer from General Fund to Airport Fund replaced by an inter-fund loan from enterprise fund
- 5) Reduction of 5 General Fund positions **or**
- 5) 5% across the board wage reduction

Ms. Stout reviewed the reductions in the 2010/2011 budget; see Exhibit 'A'; page 22. Reductions included 5 positions, removal of educational assistance, all temporary employee services for all departments, Human Resources reduction of employee recognition and recruitment related line items; reduced services and supplies for the police department, fire department, streets, and fleet maintenance as well as a reduction in community support by 50%.

Ms. Stout outlined possible funding options; see Exhibit 'A', page 23. These options included increased charges for services as previously presented, charge out for sanitation pickup; ambulance revenue and implementation of a storm water management fee. Total revenue enhancements as presented are \$510,000 or additional service level cuts.

Councilman Elquist questioned if there was any anticipation of overtime by eliminating temporary employees.

Ms. Stout stated there was not; staff has made a commitment to make this work; it may potentially result in some service reductions to the public. The departments have done an exceptional job of looking at their budgets, both this year and next year and we've made the \$2.0 million cuts; that is about as deep as we can cut without seriously affecting service levels.

Councilman Elquist requested clarification on reductions for streets and fleet maintenance services and supplies of \$400,000; does that mean asphalt and park materials.

Ms. Stout advised it was a combination of items; in the street department part of it is temporary employees, some is asphalt, valley drains and storm gutters; but the main impact was the asphalt.

Councilman Elquist noted the charge-out for sanitation pickup was an interesting concept; where would that be funded.

Ms. Stout advised it would be funded through landfill rates.

Ms. Stout continued the presentation and reviewed the various funds for the Council. Following the presentation Ms. Stout outlined the proposed budget schedule:

- March 23rd @ 2: p.m. Council Workshop – Enterprise Funds & General
- March 30th – Updated information available fro taxable sales and other revenues
- April 13th – Approval of Tentative Budget
- May 18th – Public Hearing to adopt Final Budget.

Under further discussion Councilman Elquist questioned what Revenue Stabilization was projected to be.

Ms. Stout estimated \$460,000 at this time; it is only accumulating interest; we haven't made any contributions for a few years.

Councilman Elquist questioned whether there were guidelines on how we can use it.

Ms. Stout advised the Revenue Stabilization Fund was proposed to help us stabilize revenues in years like this one where it is coming in below what we had anticipated. We can transfer those monies into the General Fund to offset those decreases in the revenues we are seeing.

Councilman Elquist questioned if that was for a budget year or could it be done mid-budget.

Ms. Stout advised it could be done mid-budget if you were in such a severe situation; we could augment the budget to make that happen.

Ms. Stout continued and indicated there are other things we can do; reduce service levels and hours of operation in various departments. Obviously the savings in those departments would be the ones that have mostly part-time employees i.e. pool. In that instance the savings isn't large.

Councilman Elquist referred to the airport issue and the interest; if we borrowed from one of the enterprise fund would we charge an interest rate and would it be recoverable.

Ms. Stout verified we would charge interest; it would be recoverable but would have to come from the airport fund. As previously mentioned, the monies being transferred into the airport fund have been for ongoing litigation expenses; anything we would potentially get from that settlement would have to go toward the interest rate that would be charged on that inter-fund loan. In addition, an inter-fund loan has to be paid back within a twelve month period, including interest; it can be rolling year.

Mayor Franzoia noted staff put in a lot of work to show the various options.

Ms. Stout commented there could potentially be others or a combination of.

Councilman Conner arrived at 4.50 p.m.

Mayor Franzoia indicated a full council was needed to make any decision; the issues we have are significant. Mayor Franzoia stated he would like this on the next agenda.

Ms. Stout questioned if there was any preferred option at this time.

Mayor Franzoia advised only three council members have seen the options; it would be difficult to get a clear, concise agreement at this time.

Having been through this process before Mayor Franzoia acknowledged it is going to be difficult. This isn't going to end anytime soon and we need to watch things closely. We will recover it is just a matter of when.

Mayor Franzoia referred to the proposed options; some have less of an impact than others and he supports those that have less impact on the system; especially related to the employment side. The capital equipment can be sacrificed, on a temporary basis, to cover a shortfall; we have done a lot of things with those monies to get us to the twenty-first century with equipment.

Mayor Franzoia believed, as a government, how we do our job equates to how we are going to get the public to support the actions we take. Mayor Franzoia stated ultimately, in our discussions going forward, we are going to be looking at reduction of services in some capacity. Tough decisions will be positive in the long run. Mayor Franzoia supported on-going workshops until the situation is rectified.

Councilman Elquist believed we need to decide what our role is and define the town people want to live in. Studies show that public safety, streets and recreation are key issues; tonight's presentation shows we consider those areas high priority also. It is important we continue to fund those areas as we go into this budget shortfall; all of them will experience cuts; there is no doubt about that. Councilman Elquist encouraged all department heads to look at whatever regulatory requirements there are and question them; is the level of service we are providing great; can we afford great. Councilman Elquist believed we need to do an adequate job with our public safety, streets and recreation; when the dollars are there let's do a great job but we might have to back down to an adequate job; the challenge is to provide the services the best we can. Councilman Elquist wanted to see the highest and best use of our dollars; whatever they are. Don't ask what you need but see what is available to you and make the most of that. We need to stay disciplined within whatever dollars are there.

Councilman Elquist stated we need to look out and recognize trends; address them by making adjustments. Given the current trend we need to look toward the use of volunteers to keep our service level up. Consolidation and collaboration are also ideas as well as public/private partnerships and benchmarking. We want to be able to provide a community we all want to live in; we want it to be sustainable where we can afford to provide the service and we still want to be able to attract people and businesses.

Councilman Elquist identified points in the presentation he liked or did not;

- Facility Fund - A zero dollar fund is not a good idea
- Capital Equipment Fund is over funded based on the last few years; it seems reasonable to pull some funds from there

- Revenue Stabilization dollars - Opposed to use; believe it is designed for the one-time surprise hits. If we can see something coming it is our responsibility to manage to it
- Airport interest – Makes sense to not fund that on the General Fund; it is a one time event, not something we need to do every year.

Councilman Elquist believed we need to look at a long term responsible sustainable model for the community and do the best we can.

Councilman Johnson stated today Council needs to give direction to staff of some of the broader aspects of the budget; 1) is the transfer of funds an option and if so what amount would that be; that is going to answer a lot of questions. Based on what was presented today he saw no solution that wasn't going to involve wage reductions as part of it. If that comes to be an option we need to define what that dollar amount will be; that process is going to take some time. In the mean time we need to continue looking at the operations of the city; what places can the city do better. That process has been started in the changing of the budget but needs to be exhausted more and more from a standpoint to get Council's understanding of the operation to help them make the best decision. Councilman Johnson advised he would also like to continue looking at the General Fund at what inequities are happening there; what can change i.e. fee structure and what will that impact be.

Councilman Conner expressed support of the proposal by the fire department; it is a very serious option to consider.

Mayor Franzoia advised it will change complete policy if we go in that direction; you will be functioning more with that service than the other service.

Councilman Conner strongly believed it was something the council needs to look at.

Mayor Franzoia believed there would be costs associated with it; over and above as presented.

Ms. Stout reminded the council current staffing levels at the City of Elko are the same as they were in 1997.

Ms. Stout referred to sales tax and noted the current rate being charged is 6.85%; of that amount only 13% comes back to the city.

Mayor Franzoia questioned Parks & Recreation Director Howes whether a change in policy by the council would help in how they delivered the product; which in this case is the service. Can the council provide tools to help?

Mr. Howes verified they could as would the proposed fee changes.

Mayor Franzoia now addressed the same question to Police Chief Zumwalt.

Chief Zumwalt indicated policy would help; changes being proposed by Mr. Howes would help the police department enforce the park statutes. Policy and a sense of direction would allow us to do great things; we don't strive for adequate.

Councilman Elquist clarified his statement of adequate; there are many ways a manager can chose to staff their department to meet the needs of the public; as long as the need is met the service may not be A+ but is adequate. Councilman Elquist believed budget cuts make you creative; you find ways to change the way you have always done business; you find new and unique ways to provide service.

Mayor Franzoia expressed his appreciation to staff for all their work on the budget up to this point. To move forward it is critical the full council be involved in the discussion; transfers into the fund from other sources to balance the budget will dictate a lot of other things. Mayor Franzoia indicated he wanted to keep funds for asphalt and also expressed support of an inter-fund loan for issues at the airport; related to legal, was the right direction to go.

Councilman Conner requested clarification on inter-fund loans; can it be done?

Mayor Franzoia verified it could be but repayment has to be within a twelve month period.

Councilman Elquist indicated he was okay with the capital fund but still questioned whether some of it should go into facilities. He was opposed to using the Revenue Stabilization if we see something coming; but if the balance is too high we can move it to an acceptable level for the unforeseen event that may come up i.e. rainy day fund.

Mayor Franzoia advised it is not a contingency fund; it is specific to the budget.

Ms. Stout added if the council chooses, we can budget to balance, but if revenues come in better than anticipated we would not have to make that transfer. That is one of the options.

Councilman Elquist opposed budgeting the entire amount; if we subsidize this year's budget and things stay flat or we do need it that means we are in twice the jeopardy next year.

City Manager Calder advised the fund was established to take highs and lows out of our boom and bust revenue cycle. Last year we had excess revenues; it was always an option to put excess revenues in that stabilization fund for the day when revenues drop; you don't have to make immediate adjustments; it buys you time. We chose to put all of our excess monies into capital one-time purchases i.e. equipment, roads, construction, facilities etc. If you were looking at this in a two-year window you would split it; \$230,000 this year, \$230,000 the subsequent year. That is a decision staff can work with or you can make the decision of not doing anything with it and hold off until you need it next year; or spend it this year. Mr. Calder advised we have a contingency fund as well; if something breaks or we have a problem within the city, those monies are already budgeted and worked into the numbers presented.

Mayor Franzoia commented we could take a portion of that tax rate and put it towards facilities.

City Manager Calder advised although the facility fund is zero this year there has been money there in the past; we have made significant expenditures out of that fund to improve our facilities i.e. new roofs, plumbing, animal shelter improvements, remodels. We have spent those monies down over the last five years making improvements to our facilities and we are now in a good position.

Ms. Stout noted those funds also paid for the Building Department module.

Mayor Franzoia questioned where the revenue for that fund came from.

Ms. Stout advised it does not have a dedicated source of revenues; it comes through the revenue stabilization policy and, if the council so chooses, to transfer monies in from other funds.

Mayor Franzoia referred back to the presentation; proposed transfers in would come from recreation, revenue stabilization and capital equipment.

Ms. Stout verified that was correct.

Mayor Franzoia requested staff come back with an option that shows the minimum transfers in to a maximum of transfers in for further discussion.

Ms. Stout advised with the spreadsheet presented she could input any changes the council requested so they could see what the immediate effect would be.

Mayor Franzoia indicated it was a mute point; we need the full council present to discuss this.

Councilman Johnson disagreed, the more time we spend on it the better chance we have to find the best solution. Staff needs to have some kind of direction; from a general stance of where to head next so we utilize time as much as possible.

Councilman Conner requested more information on the Capital Equipment Fund.

Ms. Stout reviewed the slide which outlined the four critical requests which totaled \$174,000; cuts equaled \$307,919.

Councilman Johnson wanted to see a \$500,000 transfer into the General Fund along with a \$375,000 in depletion of the transfer out to the airport.

Ms. Stout adjusted Option 2 for Councilman Johnson; this showed we need \$590,277 for a balanced budget; expenditures and revenue stay the same.

Councilman Elquist requested clarification the fee requests are not included in the options.

Ms. Stout advised they were not.

Councilman Elquist questioned based on information presented what services are we okay with cutting; is that a conversation we want to have or do we just set the budget.

City Manager Calder advised we aren't there; we haven't identified where in the General Fund you would make those service reductions in staff. The police contract is under negotiation so we can't do anything to impact those negotiations. That leaves the remainder of the General Fund in play. City Manager Calder stated we are at 1997 staffing levels; if you are looking at reduction in employees anywhere within the General Fund you are going to have a service level reduction.

Mayor Franzoia still expressed support of full council attendance for budget discussions.

City Manager Calder suggested viewing this on a one year or two year basis; it will guide a lot of the decisions.

Mayor Franzoia supported splitting the transfers in over two years; that is an option for further discussion.

Ms. Stout indicated over the past five years we have put \$5.5 million from the General Fund into the street department budget; potentially we could take one year off and just be in a maintenance mode.

Mayor Franzoia referred to option three; what if we transferred in \$800,000?

Ms. Stout advised we would still need in excess of \$300,000 to balance.

Councilman Elquist believed during the last budget downturn we went into maintenance mode and some maintenance was deferred which resulted in distress to the streets.

Mayor Franzoia advised that was not the case.

Councilman Elquist believed the point is work was deferred and we have been in catch up mode since then. If this is trend and it continues we will create the same legacy we had to over allocate later. What is a responsible tempered way to do this and make a tougher decision today to leave the right legacy for future councils?

Assistant City Manager Andreozzi reviewed historical street maintenance for everyone's understanding.

**** A motion was made by Mayor Franzoia, seconded by Councilman Conner to plug in for further consideration and discussion \$800,000 into transfers in; which is inclusive of all things in there. Also, have detail on the Street Department for what the plans are for their budget for any road work next year. Bring back info on how the Equipment Fund is set up to be so the Council can have that in front of them for discussion. The proposal, based on the submission here related to the ambulance needs to be discussed further and needs to be included in future presentations; not that we are going to agree with it. Want to look further at the part related to the parks that is a transfer in; what equates to the \$231,000 and changes as well as other things that are left over so that we have detail on that so if we make decisions to transfer more money in or take out, what it affects on those sides; we'll be able to see how it affects recreation and capital equipment and see if there is any concerns we have that the street department may have additional resources or maybe some roads that need to be fixed etc. that we don't have right here, now. Keep what you have now with the reductions proposals because it has to be understood how it affects everything else. Staff is to provide Councilman Rice with a copy of tonight's presentation so he is aware of the options and can provide his input. We need to move this to the next step; it may get modified because of Councilman Rice's inclusion in this discussion; we also need his thoughts on the fire department. We can't plug in the projected numbers on any fee increases because we can't take action tonight; we can put that as a sidebar it needs to be**

there so we can see it so we can balance what we possibly could do against the reality of what we already have and such.

**** Mayor Franzoia amended the motion to include that we take the money for the airport litigation as an inter-fund transfer, Councilman Conner's second stood.**

Motion passed unanimously.

Councilman Johnson recognized the final process is a majority vote of the council; that is the direction; however we get there. When are we going to discuss this again?

Mayor Franzoia commented it was imperative to know Councilman Rice's schedule first before scheduling any future meetings.

Councilman Elquist supported reducing the options.

Mayor Franzoia also supported fewer options.

Councilman Elquist questioned whether staff was looking for more tonight.

City Manager Calder advised there is a budget hearing next week before the council meeting; staff can come back with a presentation for tonight's requests and alternatives for bridging the gap.

Mayor Franzoia noted the next meeting is scheduled for March 23rd.

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 at this time.

Under further discussion it was decided all future workshops will be held at 5:30 p.m.

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

Mayor Michael J. Franzoia

Shanell Owen, City Clerk