



MAYOR
Geno Martini

CITY COUNCIL
Julia Ratti, Ward I
Ed Lawson, Ward II
Ron Smith, Ward III
Mike Carrigan, Ward IV
Ron Schmitt, Ward V

CITY ATTORNEY
Chet Adams

SPARKS CITY COUNCIL WORKSHOP MINUTES

8:30 A.M., Tuesday, February 25, 2014

Truckee Meadows Water Reclamation Facility
(Training Room adjacent to the Warehouse)

8500 Clean Water Way (off East McCarran, between Greg and Mill) - Reno, NV

1. **Call to Order** (Time: 8:30 a.m.)

The workshop of the Sparks City Council was called to order by Mayor Geno Martini at 8:30 a.m.

2. **Roll Call** (Time: 8:30 a.m.)

Mayor Geno Martini, Council Members Julia Ratti, Ed Lawson, Ron Smith, Mike Carrigan, Ron Schmitt, City Manager Shaun Carey, Acting City Attorney Shirle Eiting and City Clerk Teresa Gardner, PRESENT.

ABSENT: None

Staff Present: Ed McDonald, Trish Sebastian, Armando Ornelas, Chris Cobb, John Martini, Neil Krutz, Jeff Cronk, Adam Mayberry, Bob King, Chris Syverson, Tom Garrison, Michael Drinkwater, Dan Marran, Chris Jones, Stacey Hemmerling, Shirle Eiting, Tracy Domingues, Steve Driscoll, Brian Allen, Brian Miller, Kathy Clewett, Brian Cason, Chris Maples, Andy Koski, Jennifer Parmenter, Heidi Shaw, Donna DiCarlo.

Comments from the Public (Time: 8:31 a.m.) - None

3. **Review and discussion of the Capital Improvement Plan, including priorities and needs. (FOR POSSIBLE ACTION)** (Time: 8:31 a.m.)

An agenda item from Capital Projects Manager Chris Cobb reviewing and discussing the Capital Improvement Plan, including priorities and needs. City staff has been working to identify and utilize appropriate funds available to maximize capital improvement within the city. An overview of the proposed capital improvement projects categorized by fund/funding source, the vehicle replacement plan for Fiscal Year 2013-2014, and a draft of the five year plan were provided. Projects slated for Fiscal Year 2015 have been referenced by Project Number. Please note that all projects listed are subject to the City Manager's recommendations and City Council approval of the final budget.

Capital Projects Manager Chris Cobb provided a high level overview with key projects and a draft copy of the five-year plan. Mr. Cobb's presentation and discussion included:

- Slurry seal

- Traffic improvements
- Sign compliance
- Utilities, including storm and sewer
- TMWRF projects
- Storm drain systems
- Dams, ditches, floods
 - Washoe County will direct water so that it can enter the Sparks ditch safely. Council Member Schmitt said he will object to the La Posada ditch work until Washoe County commits to and completes their project that affects the ditch. Mr. Cobb said he will work with Washoe County to complete the project.
- North Truckee Flood Project
- Facilities, including IT improvements and maintenance
- City hall upgrades
- Potential structural improvements at fire stations
- Ad valorem funds are available from the state; about \$180k per year; funds are restricted
- Voice-over Internet
 - Financial Services Director Jeff Cronk will address this topic at a later date.
- Parks projects, with special reference to Golden Eagle Regional Park (GERP)
- Victorian Square enhancements
- Park district maintenance
- Community Development Block Grant (CDBG) funds may be used for the area south of City Hall
- Municipal Court building
- Motor vehicle replacement
- Council Member Smith said RTC staff has been asked to communicate with Washoe County regarding the collection of sales tax which is to be redistributed for maintenance road work throughout the county, Sparks and Reno. There have been no distributions since 2011. Mr. Smith and others are working to get back approximately \$1.3 million.
- Council Member Carrigan referred to Park District Improvements and said the Sparks City Council may want to work to change the Nevada Revised Statutes to reflect making park maintenance fund distribution at the discretion of the City Council.

Action Items:

- Mr. Cobb will forward the Nevada Revised Statute that specifies how the 1405 fund dollars are to be spent to Council Member Schmitt.
- Parks and Recreation Director Tracy Domingues will send a copy of the “light fees” payment policy for GERP to Council Member Lawson
- Ms. Domingues will provide additional information on GERP funding and maintenance policies at the April meeting.
- City Manager Shaun Carey said his office will follow up the request to initiate changing the Nevada Revised Statutes regarding Park District Improvements expenditures.

At the conclusion of the presentation, Mr. Cobb announced his last day working for the City of Sparks would be April 1, 2014 and thanked the Mayor, City Council and City Manager for the opportunities and benefits he and his family have experienced as a result of his career at the City of Sparks.

4. Presentation, discussion and possible direction on budget priorities for FY14-15 (FOR POSSIBLE ACTION) (Time: 9:09 a.m.)

An agenda item from Financial Services Director Jeff Cronk recommending Council provide direction on the FY14-15 budget priorities.

Mr. Cronk reviewed the budget schedule:

- April 14 – present the City Manager’s recommendations for the final budget
- April 15 – file the tentative budget
- May 20 – public hearing on the tentative budget; present final budget for approval

Mr. Cronk reviewed the city’s fiscal policies.

1. General Fund unrestricted ending Fund Balance not lower than 6.6% and up to 8.3% of expenditures for FY15
2. Establish a General Fund Contingency amount up to 3% of total expenditures in the annual budget
3. Transfer an annual amount equal to 2.5% of total revenues from the General Fund to the Capital Projects Fund.
4. Commit a portion of annual business license receipts to the Stabilization Fund up to the maximum Fund balance allowed within NRS 354.6115.
5. Reduce General Fund Personnel costs so that they do not exceed 78% of General Fund Total Revenues
6. Report the annual obligation for the Other Post Employment Benefit (OPEB) existing net liability and determine annually whether to establish an irrevocable trust fund or pay-as-you-go
 - Council Member Schmitt cautioned against the “pay-as-you-go” employee insurance funding policy.

Mr. Cronk provided a summary of revenues, transfers in and out, expenditures and trends:

- Revenues are trending up
- Property taxes were flat in FY14; expecting a 3% increase for FY15
- CTax is trending higher than budget expectations
- Property tax receipts should increase by 2-3% over the next several years. If values continue to rise, the abatement will stay static or continue to grow.
- Mr. Cronk expects December CTax figures to be large; numbers are expected this week.
- Licenses and permits are trending up, although it has been slow. Estimates are flat for FY14/15.
- Health insurance expenses are down for FY2014; \$9.3M is projected for FY2015, with a 28% total expense increase. This covers approximately 1,100 employees and retirees at a fee of about \$8,200 per insured.
- Services and supplies are up approximately 5.6% in FY14 and up 4% in FY15.
- Transfers to capital expenditures are down about \$400,000; some will be transferred back to cover IT expenses as identified by the WIG.
- RDA#2 subsidy should zero out by FY15 pending the 10.2-acre land sale.
 - Council Member Schmitt suggested not putting the land sale into the budget.

- City Planner Armando Ornelas said the sale transaction documents are being finalized and will be presented at the March 10 council meeting.
- RDA#1 has been flat or down by a small percentage, pending assessments.
- Ending fund balance (EFB) is tracking close to budget at 6.6%.

Mr. Cronk's budget presentation continued with:

- Distribution of a spread sheet format for budget
- A Cause of Change worksheet that demonstrated the major drivers for expenditures
- By state law, the city's general fund is required to support the health insurance fund.
 - Council Member Carrigan mentioned the health insurance plan, the \$1M increase, and questioned why the city needs to spend \$9M on employee health insurance.
 - Mr. Cronk confirmed Council Member Schmitt's observation that approximately 10% of the city's budget is devoted to employee health care funding.
 - Senior City Attorney Shirle Eiting said not funding health care will constitute a breach of contract with the unions and a breach of fiduciary duty to the health fund and is not recommended.
 - Council Member Schmitt cautioned about health care expenses and the trend to worsen without radical changes to the health care program.

Mr. Cronk presented how the city got from a projected \$3.9M shortfall to a where we are now at a \$1.2M shortfall:

- CTax was more favorable
- Property taxes were greater than expected
- License and permits were better than expected

One-time items recommended include:

- Reduce the CIP transfer from \$1.3M to \$240K
- Pull out of municipal insurance fund contributions this and next fiscal year

City Manager recommended actions and adjustments include:

- \$662k for the recommended IT WIG
- \$280k for new needs
- Position reclassifications
- Reduce Wellness Program by \$50k
- Under-spend assumption of \$500k
- Fire reduction in overtime
- Lapse time in filling positions created by retirement and other attrition
- Adjust funding source for 3 customer service counter employees
- Vacant positions that may not be filled

Dignitary Service funding was discussed. The cost for police protection increases in election years.

City Manager Shaun Carey said he is hopeful Council will embark on the 3-year plan of examining city services and fine tuning for a fiscal future with reduced expenditures, given the revenue structures available.

Council Member Ratti said she supports increasing property taxes to the maximum allowed by law, providing approximately \$250k in revenues for the city. Council Member Schmitt cautioned that some of the recommended expense cuts are likely to return after the next fiscal year.

Police Chief Brian Allen explained the amount of overtime driven by shift minimums and the filling of vacancies. Council Member Ratti mentioned significant city and regional events that were unplanned and that the financial team has managed to provide for through contingencies. Mayor Geno Martini commented on how well the city's budget has been managed and said there is always a chance that an unplanned catastrophe could occur that would affect the budget.

Council Member Lawson said the health care issue is eating us up every year. He said the day of reckoning will come and that no one wants to give up health care but that the city cannot continue to add \$700k to OPED every year. Assistant City Manager Steve Driscoll said as a self-funded agency, state law requires that our retirees are provided the same plan active employees receive. He said the option is to ask all retirees to pay their full share of subsidies and personal spending outside the plan.

Mr. Cronk said if the Council elects to proceed with the City Manager's recommendations, it would leave an approximate \$500,000 shortfall. He asked if that was adequate and pointed to risks and opportunities.

Council Member Carrigan said he supports following the City Manager's recommendations and allowing the ending fund balance to drop. Council Member Schmitt agreed. Council Member Ratti said she supports raising the property tax, as it affects few constituents. Council Member Schmitt said he disagrees with raising the property tax because it is a one-time fix.

A motion was made by Council Member Ratti, seconded by Council Member Carrigan, to accept the City Manager's recommendations, increase the property tax rate to the maximum allowed and reduce the ending fund balance to 5.5%, noting that public safety is a priority. Council Members Ratti, Carrigan, YES. Council Members Lawson, Smith, Schmitt, NO. Motion failed 2-3.

A motion was made by Council Member Ratti, seconded by Council Member Lawson, to accept the City Manager's recommendations, reduce the ending fund balance, increase the property tax rate to the maximum allowed and to increase the garbage franchise fee from 5% to 8%. Council Members Ratti, Lawson, YES. Council Members Smith, Carrigan, Schmitt, NO. Motion failed 2-3.

A motion was made by Council Member Schmitt, seconded by Council Member Smith, to accept the City Manager's recommendations and reduce the ending fund balance to 5%. Council Members Smith, Schmitt, YES. Council Members Ratti, Lawson, Carrigan, NO. Motion failed 2-3.

A motion was made by Council Member Carrigan, seconded by Council Member Ratti, to accept the City Manager's recommendations, increase the property tax rate to the maximum allowed and allow the ending fund balance to float as needed. Council Members Ratti, Carrigan, YES. Council Members Lawson, Smith, Schmitt, NO. Motion failed 2-3.

A motion was made by Council Member Smith to accept the City Manager's recommendations, raise the garbage franchise fee from 5% to 8%, and reduce the ending fund balance to 5%. Motioned died to due to a lack of a second.

Mayor Martini reviewed the possible options, looking for consensus.

A motion was made by Council Member Carrigan, seconded by Council Member Lawson, to accept the City Manager's recommendations, increase the property tax rate to the maximum allowed, increase the garbage franchise fee from 5% to 8% and allow the ending fund balance to float as needed. Council Members Ratti, Lawson, Carrigan, YES. Council Members Smith, Schmitt, NO. Motion carried 3-2.

Mr. Cronk said his department will:

- Notify the Department of Taxation that Sparks will raise the property tax rates to the maximum allowed by law to 3.66%.
- File the tentative budget and bring back to Council for final budget consideration
- Adopt an ending fund balance of approximately 5.5% or greater

Mr. Cronk said revenue sources will be increased by garbage franchise fees and property tax rates. Mayor Martini cautioned that the Council has raised the tax before and in the final stages it did not get passed. Council Member Lawson noted EDawn was reduced to \$50,000 and that they are doing great things for Sparks and deserves to keep their current funding. Deputy City Manager of Community Services Neil Krutz said historically \$30,000 was contributed to EDawn; in FY14 that contribution was raised to \$80,000. A \$50,000 contribution is recommended for FY15.

Mayor Martini called for a five-minute break. Meeting resumed at 11:02 am.

5. Presentation, discussion and possible direction on Council's IT Sustainability Wildly Important Goal (WIG). (FOR POSSIBLE ACTION) (Time: 11:04 a.m.)

An agenda item from Financial Services Director Jeff Cronk recommending Council provide direction on Council's IT Sustainability WIG.

- Mr. Cronk said no mechanism currently exists to systematically identify IT needs within the city, nor are there funding plans to meet those needs. Departments were asked to look at needs for 5 to 7 years and created the sustainability model presented.
- Option 1 is pay-as-you-go, funding required needs as necessary.
- Option 2 is pay-as-you-go, plus 20% of the subsequent year, providing a jump on future needs as identified in the data base. This would provide the IT department the flexibility to meet needs as they come in and ahead of time.
- Option 3 is a more complex process, with pay-as-you-go, plus 25% of the next four-year cycle. This option would require a new accounting method and structure. He suggested keeping this option on the table, although his department does not necessarily recommend this option.
- Mr. Cronk said the City Manager recommends Option 2. A master data base would be implemented and maintained at approximately \$662,000. This amount includes one additional position and \$75,000 for outside help as needed. The first year of five is a "catch-

up” for hardware and software materials requiring replacement and upgrading to help employees be more productive.

- Assistant City Manager Steve Driscoll said the Innovations Academy is designing a programmatic look at workflow by department. The city will determine priorities. This process has been utilized over the past year to augment business license and sewer billing.

6. Presentation, discussion and possible direction on the Council's Wildly Important Goal (WIG) for Customer Service (FOR POSSIBLE ACTION) (Time: 11:18 a.m.)

An agenda item from Deputy City Manager of Community Services providing an update on the customer service goal.

- Deputy City Manager of Community Services Neil Krutz said he reviewed the status and project plan with each department. The leadership strategy session has been postponed and will be rescheduled. He anticipates customer service training to be rescheduled for end of April.
- City Manager Shaun Carey said Mr. Krutz has led the economic development program through its greatest expansion and contraction and requests that he be allowed the time to implement the program.

7. Consideration and possible discussion on trash collection (FOR POSSIBLE ACTION) (Time: 11:20 a.m.)

An agenda item from Contracts and Risk Manager Dan Marran updating Council on recent activity with the trash collection franchise.

- Contracts and Risk Manager Dan Marran provided a history of events:
 - November of 2012 City of Reno adopted a new franchise agreement.
 - In January 2013 Sparks’ staff was directed to observe what Reno was doing.
 - In September 2013 Council directed staff to start to pursue a franchise agreement similar to City of Reno’s. At that time, staff began discussions with Waste Management.
 - In February 2014 topics of discussion were opened.
 - Reno’s commercial accounts were brought on board November 2013.
 - Reno’s residential accounts are receiving recycle cans now and the program should be implemented in March.
- Mr. Marran said staff requests guidance on these five (5) issues:
 - 1) Rollout of 96-gallon recycle cans to residential customers rather than offering a variety of trash can size options at the onset of the program
 - Council Member Ron Schmitt said there is no incentive to recycle and he would like to see an incentive provided.
 - The option to exchange the 96-gallon recycle can for a 64-gallon recycle unit may be offered after the program is enacted.
 - Consumer pricing has not been established.
 - 2) Concern about elimination of extra bags outside the trash can and the adoption of the sticker/tag program.
 - Council Member Carrigan supports the tag program if it includes four free trips to the transfer station and free fall and seasonal placing of extra bags outside the trash can during specified dates.
 - Assistant City Manager Steve Driscoll verified that Reno residents will be paying higher fees and Sparks’ citizens can expect their fees to go up as well.

- Waste Management's Greg Martinelli said large items like furniture and other services would be charged to individuals on an as-needed basis.
- 3) Establish a senior citizen discount rate
 - Mr. Martinelli said the current program is based on need; currently there are 230 customers.
 - Council Member Ratti suggested the investigation into senior discounts continue.
- 4) Reno commercial agreements have been affected and smaller haulers have been forced from the market, eliminating the open and competitive nature of commercial trash haulers.
 - Assistant City Manager Driscoll will provide data on the businesses out there, what they are doing and their relative associated costs.
- 5) The School District has been negatively impacted at Reno schools as a result of the new agreement. The school district wants the city to negotiate a lower rate for them with the franchisee.
 - Council Member Ratti said she would like to see the various options to offer reduced rates to various entities who may be in need.

8. Comments

8.1 Comments from the Public (Time: 11:49 a.m.) - None

8.2 Comments from City Council and City Manager (Time: 11:49 a.m.) - None

9. Adjournment (Time: 11:49 a.m.)

Council was adjourned at 11:49 a.m.

GENO R. MARTINI, Mayor

ATTEST:

Teresa Gardner, City Clerk

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