



February 25, 2019 Budget Workshop

Fiscal Review and Policy Discussion

FY20 Budget Preparation



February 25, 2019 Council Budget Workshop Agenda Item Topics

General Fund Fiscal Review

- FY17 Through FY20 Summary
- FY19 & FY20 Assumptions & Expectations
- FY20 Key Budget Items

Fiscal Policy Review

- Current Fiscal Policies
- Payments to Other Governments
- Fiscal Policy Considerations & Direction for FY20 Budget

Other Fiscal Items for Reference

- General Fund FY19 & FY20 Summary Causes of Change
- Redevelopment Agency Fiscal Summary
- Debt Overview



General Fund Fiscal Review

City of Sparks General Fund Summary (amounts listed in \$000's)
FY17 Results Through FY20 City Manager Recommended Budget

	FY17 Actuals	FY18 Actuals	FY19 Budget	FY19 Estimates	FY20 Budget
<u>Resources (excluding beginning fund balance)</u>					
Total Revenues	\$61,658	\$68,671	\$71,105	\$73,038	\$76,576
Transfer-In From Vehicle Fund (Assume No Usage, Budget Matches Contingency)	\$0	\$0	\$1,000	\$0	\$1,000
Transfers-In, Other	\$306	\$0	\$0	\$0	\$0
Total Resources	\$61,964	\$68,671	\$72,105	\$73,038	\$77,576
<i>% Change in Total Revenues (excl. transfers) =</i>	2.1%	11.4%	3.5%	6.4%	4.8%
<i>% Change in Total Resources =</i>	2.6%	10.8%	5.0%	6.4%	6.2%
<u>Uses</u>					
Total Expenditures	\$61,260	\$61,947	\$66,945	\$66,743	\$72,785
Total Transfers-Out	\$3,997	\$2,622	\$4,931	\$5,081	\$5,805
Contingency (FY19 Assume No Usage; Budget Matches Trans-In from Vehicle Fund)	\$0	\$0	\$1,000	\$0	\$1,000
Total Uses	\$65,258	\$64,569	\$72,876	\$71,824	\$79,590
<i>% Change in Total Expenditures (excl. transfers & contingency) =</i>	7.4%	1.1%	8.1%	7.7%	9.1%
<i>% Change in Total Uses =</i>	7.3%	-1.1%	12.9%	11.2%	10.8%
Net Resources/(Uses)	(\$3,293)	\$4,101	(\$771)	\$1,214	(\$2,015)
<u>Fund Balance</u>					
Unrestricted Beginning Fund Balance	\$6,007	\$2,714	\$5,066	\$6,815	\$8,029
Unrestricted Ending Fund Balance	\$2,714	\$6,815	\$4,295	\$8,029	\$6,015
Unrestricted Ending Fund Balance as a % of Exp's (Less Capital Outlay)	4.4%	11.0%	6.4%	12.0%	8.3%
Unrestricted Ending Fund Balance Amount Over/(Short) of 8.3%	(\$2,200)	\$1,550	(\$1,150)	\$2,300	\$0

FY19 & FY20 Assumptions and Expectations - General Fund

FY19 Estimates

FY20 Tentative Budget

Revenues

CTAX & Fair Share (42% of total rev)	6.5% increase over FY18	4.4% increase over FY19 Estimates
Property Taxes (32% of total rev)	5.7% increase over FY18	5.5% increase over FY19 Estimates
Licenses & Permits (20% of total rev)	6.6% increase over FY18	4.2% increase over FY19 Estimates
Total Revenues	6.4% increase over FY18	4.8% increase over FY19 Estimates

Transfers-In & Contingency Usage

Transfer-In from Motor Vehicle Fund	\$0	\$1M
Contingency Budget	\$0	\$1M

Expenditures & Transfers-Out

Staffing Vacancies	Captures savings from all vacancies already realized thru December 2018 and assumes similar vacancy savings will be achieved in the remainder of FY19 for a total FY19 vacancy savings of \$1.1M	Assumes no vacancies
New Needs	Includes FY19 budgeted New Needs	Includes emergency communications and River Clean-Up Team
Salaries	Includes all negotiated contract changes with all employee groups and Hay study impacts	Includes all negotiated contract changes for employee groups who have settled contracts, no contract changes for Municipal Court employees, and includes FY20 Hay study impacts
Health Insurance	3% rate increase	1.5% rate increase (preliminary estimate)
PERS Contribution Rates	Public Safety 40.5%; Regular 28.0%; Judicial 22.0% (no change)	Public Safety 42.5% (2.0 % points); Regular 29.25% (1.25% points); Judicial 22.5% (0.5 % points)
Fire Apparatus & Equipment Replacement Plans	Assumes full funding (\$850K) of contribution to Motor Vehicle Fund	Assumes full funding (\$850K) of contribution to Motor Vehicle Fund

FY19 & FY20 Assumptions and Expectations - General Fund

FY19 Estimates

FY20 Tentative Budget

Expenditures & Transfers-Out, continued...

Contributions to Workers Compensation Self-Insurance Fund	Total funding increased to \$940K (General Fund \$863K)to begin to slow the cash burn	Total funding increased to \$1.5M (General Fund \$1.4M) to further slow the cash burn and maintain a \$1M reserve
Contributions to Municipal Liability Self-Insurance Fund	To remain solvent in FY19, this fund requires the full General Fund contribution of \$578K plus an extra \$300K to replenish for past years of underfunding. Even with the increased contribution, this will be the second year of having no reserves budgeted	To remain solvent in FY20, this fund requires the full General Fund contribution of \$690K plus an extra \$300K to replenish for past years of underfunding. Even with the increased contribution, this will be the third year of having no reserves budgeted
Common Service Charges for Central Services	\$2.7M recovered from other funds representing 23% of total central service costs of \$12.0M	\$3.0M recovered from other funds representing 24% of total central service costs of \$12.5M
* Travel & Training	Assumes budget will be spent (\$543K)	All travel and training requests included (\$494K)
* Professional Services	Assumes budget will be spent (\$2.0M)	All professional service requests included (\$1.8M)
* Software	Assumes budget will be spent (\$796K)	All software requests included (\$725K)
Transfers-Out to Capital Projects Fund for CIP Needs	2.2% of total revenues for General CIP (slightly short of policy goal) + full funding (via marijuana license revenue allocation) of IT Hardware and Software Replacement Plans	2.5% of total revenues for General CIP + full funding (via marijuana license revenue allocation) of IT Hardware and Software Replacement Plans
Transfers-Out to Parks & Rec Capital Projects Fund for GERP turf replacement	\$500K of Marijuana revenues designated for GERP turf replacement	\$883K of Marijuana revenues designated for GERP turf replacement
Transfer-Out to Parks & Rec Operations Fund (1221)	Subsidy of FY19 Recreation Programs (\$1.4M)	Subsidy of FY20 Recreation Programs (\$1.4M)
Debt Service	Debt service fully funded (\$709K)	Debt service fully funded (\$711K)

* A zero-based budget methodology was used to determine FY20 Budget amounts for travel & training, professional services, software, and overtime. This provides a better understanding and accountability of expenditures within these discretionary categories.

FY20 Key Budget Items

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Employee Contracts

- All employee groups excluding Battalion Chiefs and Municipal Court have settled contracts through FY21. The FY20 tentative budget contains a 2.9% Cost of Living Adjustment (COLA) effective 7/1/19 for all settled groups excluding Fire Fighters.
- Fire Fighters will receive a 1.5% COLA effective 7/1/19 and a 1.5% COLA effective 1/1/20.
- Battalion Chiefs are settled through FY20 and will receive a 2% COLA effective 7/1/19.
- This tentative budget includes no COLA for Municipal Court employees
- Settled contract costs are expected to total approximately \$1.4M (General Fund impact \$1.0M) in FY20.

PERS

- FY20 PERS rates for non-public safety employees increase from 28.0% to 29.25%.
- FY20 PERS rates for public safety employees increase from 40.5% to 42.5%.
- FY20 PERS rates for judicial employees increase from 22.0% to 22.5%.

Health Insurance

- 1.5% premium increases included in FY20 tentative budget.
- Total Plan costs expected to be \$11.7M with \$10.5M or 90% representing claims costs.
- FY20 ending fund balance is projected to be \$4.7M, equating to approximately 4.8 months of expenses.

Workers Compensation

- 59% increase in the contributions to this Fund in FY20 to \$1.5M (General Fund impact \$1.4M), reducing, but not stopping the cash drain.
- Cash reserves at the end of FY18 were \$2.3M. Reserves are expected to drop by \$800K to \$1.5M by the end of FY19. With the increased contribution in FY20, the cash drain will slow to \$500K leaving a \$1.0M reserve at the end of FY20. If contributions to the fund don't increase, cash reserves will likely be exhausted in FY23. Financial Services recommends eliminating this cash drain and maintaining a minimum cash reserve during the FY21 Budget cycle.
- Long-term solutions are needed to cover this liability for future Heart, Lung, and Cancer (HLC) claims; however, the HLC benefits are driven by State Legislature.
- Due to the long-term liabilities, there was a *negative ending fund balance of \$4.4M* at the end of FY18.

General Liability Fund

- Cash reserves in this Fund are down to critically low levels, necessitating an extra contribution from the General Fund of \$300K in both FY19 and FY20 to remain solvent. Additional funding will likely be needed in FY21 to secure the financial health of this fund, but simply maintaining solvency is the initial goal for FY20.

Marijuana Licensing Revenue Designation

- Per Council direction for the FY19 Budget, \$500K of Marijuana License revenues were transferred to the Parks & Rec Capital Project Fund for turf replacement at GERP.
- Additionally, per Council direction for the FY19 Budget, \$900K of Marijuana License revenues were transferred to the Capital Projects Fund for IT Hardware and Software Replacement Plans.
- We are seeking Council direction on FY20 Marijuana Licensing Revenue designations.
- The City Manager is currently recommending that FY20 Marijuana License revenues, projected to be \$1.8M, be designated for non-operational uses. The FY20 tentative budget transfers \$883K of these revenues to the Parks and Rec Project Fund for GERP turf replacement and designates the remaining \$917K to fund the IT Hardware and Software Replacement Plans.

Capital Improvement Plan (CIP) Deferral

- In order to file a FY19 budget with an ending fund balance of 6.4%, cuts were made to the capital transfer from General Fund of \$377K. This will be the third straight year where we fell short of Fiscal Policy #3 to transfer 2.5% of budgeted revenues plus IT hardware and software needs to the Capital Projects Fund.
- The FY20 tentative budget includes full policy implementation of 2.5% of revenues (\$1.9M) plus \$917K of designated marijuana license revenue to fund IT hardware needs (\$484K) and IT software needs (\$433K).

Grants Expiring

- COPS Grant, which was funding 40% of 2 police officers, expired 1/30/19. The two police officers are now funded 100% in the General Fund and are included in the FY20 General Fund budget.
- The Victim Advocate Grant expires 6/30/19. The FY20 budget assumes that this grant will not be received in FY20 and therefore the full cost of this position is in the General Fund.

Sewer Rate Study

- On Monday December 10, 2018, City Council approved amendments to title 13 of the Sparks Municipal Code as part of a new rate study.
- Effective January 1, 2019, residential connection fees increased 24%, but will again index to the Engineering News Record Construction Cost Index per Sparks Municipal Code 13.24 each January beginning on January 1, 2020.
- The sewer and storm drain portion of the single-family residential and commercial customer user fee increased 5% effective July 1, 2019 and will increase 5% each year thereafter effective July 1 of 2020, 2021 and 2022. The sewer portion of the multi-family residential user fee was increased to match the single-family rate resulting in a 31% increase effective July 1, 2019. In subsequent years, the sewer and storm drain fees will increase at the same rate as single-family residential. The resulting user fees are as follows:

Sewer User Rates (SMC 13.09.020 & 13.09.030):

User Fees - Monthly						
Effective Date	July 1, 2017	July 1, 2018	July 1, 2019	July 1, 2020	July 1, 2021	July 1, 2022
User Rate: Single Family Residential						
Sewer	\$ 21.76	\$ 21.76	\$ 22.85	\$ 23.99	\$ 25.19	\$ 26.45
Storm	\$ 8.32	\$ 8.32	\$ 8.74	\$ 9.17	\$ 9.63	\$ 10.11
Flood	\$ 5.41	\$ 5.41	\$ 5.41	\$ 5.41	\$ 5.41	\$ 5.41
Total	\$ 35.49	\$ 35.49	\$ 37.00	\$ 38.58	\$ 40.24	\$ 41.98
User Rate: Multi-family Residential						
Sewer	\$ 17.42	\$ 17.42	\$ 22.85	\$ 23.99	\$ 25.19	\$ 26.45
Storm	\$ 8.32	\$ 8.32	\$ 8.74	\$ 9.17	\$ 9.63	\$ 10.11
Flood	\$ 5.41	\$ 5.41	\$ 5.41	\$ 5.41	\$ 5.41	\$ 5.41
Total	\$ 31.15	\$ 31.15	\$ 37.00	\$ 38.58	\$ 40.24	\$ 41.98
User Rate: Commercial (per 1,000 gal)						
Sewer	\$ 4.43	\$ 4.43	\$ 4.65	\$ 4.88	\$ 5.13	\$ 5.38
Storm	\$ 0.98	\$ 0.98	\$ 1.03	\$ 1.08	\$ 1.13	\$ 1.19
Flood	\$ 0.64	\$ 0.64	\$ 0.64	\$ 0.64	\$ 0.64	\$ 0.64
Total	\$ 6.05	\$ 6.05	\$ 6.32	\$ 6.60	\$ 6.90	\$ 7.22



Fiscal Policy Review

CITY OF SPARKS FISCAL POLICIES

1 Achieve a General Fund minimum unrestricted ending fund balance equal to 8.3% of expenditures

	Policy Target	RESULTS	AMOUNT OVER/ (UNDER) Target	STATUS
FY18 Actuals	8.3%	11.0%	\$1,550,000	✔
FY19 Estimates	8.3%	12.0%	\$2,300,000	✔
FY20 BUDGET	8.3%	8.3%	\$0	✔

City Targets		Statutory Targets	
Minimum Budget Target	Cash Flow Target	Must provide corrective action plan to State if under target per NAC 354.650	Removed From Negotiations per NRS 354.6241
6.0%	12.5%	4.0%	25.0%
FY20 Budget \$1.6M Over Target	FY20 Budget \$2.4M Under Target	FY20 Budget \$3.0M Over Target	FY20 Budget \$9.7M Under Target

Purpose of this Fiscal Policy

The purpose of this policy is to help maintain fiscal stability throughout each fiscal year.

Policy Target

City of Sparks formally adopted a policy of an 8.3% minimum ending fund balance in 2011.

Budget Target

In past discussions, Council has stated the minimum budgeted ending fund balance should be no lower than 5% in order to avoid State intervention which begins with budgeted ending fund balance below 4%. For FY19, Council provided direction to prepare a budget with an ending fund balance of 6.4% which was below the policy target, but provided for flexibility in spending throughout the year.

Cash Flow Target

For fiscal health and to meet cash flow needs throughout the year, the City Manager recommends achieving a 12.5% ending fund balance at the end of each year.

Statutory Targets

There are two statutory targets that should also be mentioned:

- Per NAC 354.650, a budgeted ending fund balance of less than 4% requires a city to provide a written explanation to the Department of Taxation that includes the reason for the low ending fund balance and a plan to increase the fund balance.
- NRS 354.6241 excludes a portion of ending fund balance from negotiations, equal to 25.0% of expenditures.

CITY OF SPARKS FISCAL POLICIES

2 Establish a General Fund Contingency amount up to 3% of total expenditures in the annual budget

	GOAL	BUDGET	Contingency Amount	STATUS
FY18 BUDGET	up to 3%	1.6%	1,000,000	✓
FY19 BUDGET	up to 3%	1.5%	1,000,000	✓
FY20 BUDGET	up to 3%	1.4%	1,000,000	✓

Purpose of this Fiscal Policy

The contingency budget was established using the guidelines set forth in NRS 354.608 to provide for expenditures that are one-time, unexpected, and may be of an emergency nature.

Utilization of the contingency budget requires the approval of City Council, and is distinguished from the Stabilization Fund in that the Stabilization Fund is much more restrictive in nature and may only be used for two specific reasons (see details in Policy #4).

In order to maximize flexibility and the City's ability to respond to emergency needs, a transfer into the General Fund from the Motor Vehicle Internal Service Fund will also be included in the budget matching the amount established as the contingency budget. This transfer-in is only expected to be utilized if General Fund resources are insufficient to meet any contingency budget usage. *It must be recognized that a transfer from the Motor Vehicle Fund would damage the fiscal stability of that Fund and should be made only as a measure of last resort.*

Note: Per NRS 354.608, contingency and transfers-out are excluded from the calculation of total expenditures.

CITY OF SPARKS FISCAL POLICIES

3 Transfer a minimum of 2.5% of total General Fund revenues plus full funding of IT Hardware and Software Replacement Plans from the General Fund to the Capital Projects Fund

2.5% of General Fund Revenues	GOAL		RESULTS		STATUS
	%	\$	%	\$	
FY18 Actuals	2.5%	\$ 1,635,000	0.7%	\$ 462,000	✘
FY19 Estimates	2.5%	\$ 1,777,000	2.2%	\$ 1,550,000	⚠
FY20 BUDGET	2.5%	\$ 1,914,000	2.5%	\$ 1,900,000	✔

Full funding of IT Hardware & Software	GOAL		RESULTS		STATUS
	Hardware	Software	Hardware	Software	
FY18 Actuals	\$ 292,108	\$ 429,000	\$ 292,108	-	✘
FY19 Estimates	\$ 399,187	\$ 500,813	\$ 399,187	\$ 500,813	✔
FY20 BUDGET	\$ 483,842	\$ 433,400	\$ 483,842	\$ 433,400	✔

3a. Council Allocation of Electric and Gas Franchise Fees:

	FY18	FY19	FY20
General Fund	2%	2%	2%
Road Fund	1%	2%	2%
Parks & Rec Project Fund	1%	1%	1%
Parks & Rec Project Fund - GERP	1%	0%	0%
Total	5%	5%	5%

3b. Council Designation of Revenue from Marijuana Licensing Fees

	FY18	FY19	FY20
Undesignated	\$ 1,400,000	-	-
GERP Turf Replacement/Maintenance	-	\$ 500,000	\$ 882,757
IT Hardware & Software Replacement Plans	-	\$ 900,000	\$ 917,243
Total	\$ 1,400,000	\$ 1,400,000	\$ 1,800,000

Purpose of this Fiscal Policy

This policy ensures that the City continues to invest in infrastructure and technology needs as detailed in the City's 5 Year Capital Improvement Plan.

The current goal for the FY20 Budget is 2.5% of total revenues (\$1.9M) plus full funding of both the IT Hardware (\$484K) and IT Software (\$433K) Replacement Plans. The tentative FY20 Budget meets this goal and still preserves a minimum level of fund balance as outlined in fiscal policy #1 .

FY19 fell short of the funding goal by \$227K. FY18 funding fell short of the goal by \$1.6M due to a \$1.2M reduction in the general capital projects transfer and the elimination of funding of the IT Software Replacement (\$429K). These reductions were recommended by the City Manager to ensure a minimum level of fund balance was preserved as outlined in fiscal policy #1.

CITY OF SPARKS FISCAL POLICIES

Fiscal Policy #3 Continued...

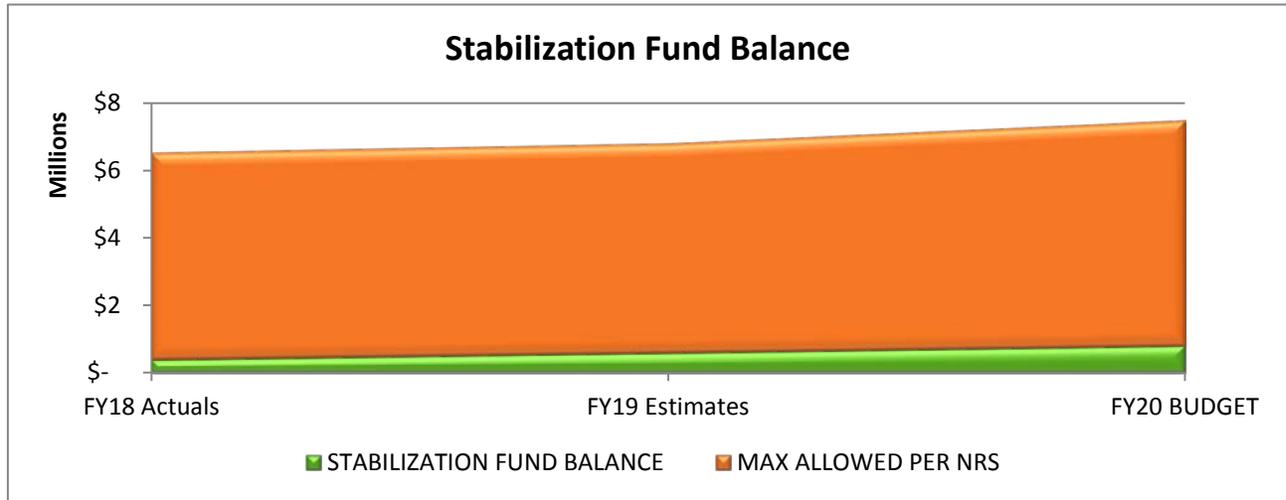
Per Council direction for the FY18 Budget, approximately \$983K of Electric and Gas Franchise fees were re-directed from road maintenance to fund turf replacement at GERP. For FY19, Council directed that the revenues revert back to the Road Fund as originally allocated in FY17 and prior years. Council may choose to change the franchise fee allocations annually.

The City Manager recommended in FY19 that marijuana licensing fees, projected to be \$1.4M, be designated for non-operational uses. The FY19 budget transferred \$500K of these revenues to the Parks and Rec Project Fund for GERP turf replacement and designated the remaining \$900K to fund the IT Hardware and Software Replacement Plans. The tentative FY20 budget projects marijuana licensing fees will be \$1.8M and designates \$883K of that revenue to the Parks and Rec Project Fund for GERP turf replacement and designates the remaining \$917K to fund the IT Hardware and Software Replacement Plans, should Council choose to continue this policy.

CITY OF SPARKS FISCAL POLICIES

4 Commit a portion of annual business license receipts to the Stabilization Fund up to the maximum fund balance allowed within NRS 354.6115

	MAX ALLOWED PER NRS	STABILIZATION FUND BALANCE	AMOUNT COMMITTED	STATUS
FY18 Actuals	\$ 6,126,043	\$ 390,676	\$ 200,000	✓
FY19 Estimates	\$ 6,194,747	\$ 595,676	\$ 200,000	✓
FY20 BUDGET	\$ 6,674,270	\$ 800,676	\$ 200,000	✓



Purpose of this Fiscal Policy

The Stabilization Fund was established in accordance with NRS 354.6115 to stabilize operation of local government and mitigate effects of natural disasters. Per NRS 354.6115: *"The balance in the fund must not exceed 10 percent of the expenditures from the general fund for the previous fiscal year, excluding any federal funds expended by the local government."*

In June 2011, the City Council adopted the following Stabilization policy in compliance with GASB Statement 54: *"The Council will authorize the use of the Stabilization Fund's resources only if A) the total actual General Fund revenues decrease by 4% or more from the previous year; or B) to pay for expenses incurred to mitigate the effects of a natural disaster (upon formal declaration by the City)."*

In 2009, the City transferred \$625K from the Stabilization Fund to the General Fund in order to help mitigate the steep revenue decline brought about from the effects of the Great Recession. That 2009 transfer essentially eliminated all the reserves within the Stabilization fund, so in 2011 and 2012, the City Council established a fiscal policy goal of re-establishing the Stabilization Fund by gradually committing a portion of the City's business license revenues to the Stabilization Fund.

A transfer from the Stabilization Fund of \$252K was required in FY17 to defray the costs of the 2017 Flood Emergency. While this transfer more than negated the FY17 revenue commitment, the FY18, FY19 and FY20 commitments are expected to grow the Fund balance to approximately \$801K by the end of FY20.

CITY OF SPARKS FISCAL POLICIES

5 General Fund personnel costs do not exceed 78% of General Fund total revenues

	GOAL	RESULTS	STATUS
FY18 Actuals	<=78%	72.7%	✔
FY19 Estimates	<=78%	72.0%	✔
FY20 BUDGET	<=78%	75.9%	✔

Purpose of this Fiscal Policy

The purpose of this policy is to achieve a balanced, sustainable expenditure model. This policy was adopted by Council in FY11 and modified in FY13 based on historical expenditure and fiscal stability trends.

Expanded Dashboard for Historical Comparison

TOTAL USES AS % OF TOTAL REVENUES BY EXPENSE CATEGORY	2 Prior Years (FY16 & FY17) Historical Average	FY18 Actuals	FY19 Estimates	FY20 BUDGET
PERSONNEL COSTS	79%	73%	72%	76%
SERVICES & SUPPLIES & CAP. OUTLAY	18%	18%	19%	19%
TRANSFERS-OUT	6%	4%	7%	8%
*TOTAL	103%	94%	98%	103%

* Total uses as a % of total revenues exceeding 100% indicates that the year experienced greater expenses than revenues.

CITY OF SPARKS FISCAL POLICIES

6 Report the annual Other Post Employment Benefit (OPEB), Workers Compensation, and other benefit liabilities and determine strategies to reduce or fund these

Funding status = Pay-As-You-Go on all of the following

	OPEB OBLIGATION	Workers Comp L/T Liability	Sick Leave Conversion	Compensated Absences	Pension Liability
FY09	\$2,025,422	\$2,252,767	\$3,703,492	\$7,507,629	N/A
FY10	\$4,566,159	\$2,321,000	\$5,148,990	\$9,309,862	N/A
FY11	\$4,958,920	\$3,414,452	\$5,579,918	\$9,169,161	N/A
FY12	\$5,473,423	\$3,206,012	\$5,245,464	\$9,610,125	N/A
FY13	\$6,018,434	\$6,749,369	\$5,010,761	\$10,363,135	N/A
FY14	\$6,680,705	\$9,258,452	\$5,358,051	\$12,315,501	N/A
FY15	\$7,414,353	\$5,068,496	\$5,525,864	\$12,015,239	\$71,650,806
FY16	\$8,058,889	\$6,190,050	\$5,296,356	\$13,200,845	\$77,407,621
FY17	\$9,087,068	\$5,528,459	\$5,143,950	\$13,905,438	\$87,624,211
FY18	\$34,637,555	\$5,244,238	\$4,848,680	\$14,950,456	\$86,625,696

Purpose of this Fiscal Policy

OPEB and Workers Comp obligations (particularly the Heart, Lung and Cancer (HLC) portion) have been identified by Financial Services as two of the greatest financial risks threatening the City's short-term and long-term fiscal sustainability. Other large benefit liabilities worth noting include Sick Leave Conversion, Compensated Absences, and Pension liabilities.

Other Post Employment Benefits (OPEB) - This \$34.6M liability represents post-employment healthcare insurance benefits accrued on both past and present employees.

Specific sources of the liability:

1. NRS 287.023 Nevada Public Employees' Benefits Program (NPEBP) subsidies (option for those retired before 11/29/08)
2. Firefighters and Fire Chief Officers pay reduced health insurance premiums on the City's plan upon retirement
3. Subsidies to certain employees retired after 1992 and before December 2001 (\$5 per month for each year of service)
4. Implied subsidy derived from the fact that retiree loss is pooled with active loss experience for the purpose of setting rates.

The actuarial determined OPEB cost for the year ended June 30, 2017 was \$1.93M. The City's contribution for that year was \$903K, leaving an unfunded amount of \$1.03M which was added to the prior years liability for a total liability of \$9.1M at the end of the fiscal year.

GASB Statement 75, implemented in FY18, changed how the City must report the OPEB liability by requiring the entire unfunded liability to be reported on the City's annual financial statements. ***This resulted in the liability increasing from \$9.1M in FY17 to \$34.6M in FY18.*** For reference, had GASB Statement 75 been implemented in FY17, the reported liability would have been \$31.7M.

There are currently no reserves in the City's Health Insurance Fund designated to mitigate our future health care liability (OPEB).

CITY OF SPARKS FISCAL POLICIES

Fiscal Policy #6 Continued...

Alternate OPEB Funding Option:

Primarily due to 1) the healthcare industry being still very much in a state of flux; 2) GASB Statement 75, which was implemented by the City in FY18 and changed the way the City's OPEB liability was accounted for; 3) the inflexible nature of an irrevocable trust; and 4) inadequate resources, the City Council has decided not to establish an irrevocable trust to fund the City's OPEB liability at this time. However, an irrevocable trust may be considered to be a viable tool in subsequent years.

Workers Compensation Liability - This \$5.2M liability represents the present value of future claims costs that will be paid on past and present employees for general workers compensation claims and Heart/Lung/Cancer (HLC) claims from Police and Fire personnel. The Liability grew dramatically during the years leading up to FY14. This is due to the increasing number of expected Heart/Lung/Cancer claims from Police and Fire personnel and the benefits that were added by the Nevada Legislature.

The 2015 Legislative session, however, brought changes that significantly reduced this liability. Most impactful was the change to the number of years a retiree is eligible to file a claim once they have separated from employment. Before this change, there was no limit, and a retiree could file a claim any time. The legislative change limited that eligibility period to the number of years the person worked as a police officer or firefighter. The increase in FY16 is due to new information provided by a complete actuarial valuation on all Workers Compensation claims. Past actuarial valuations had only considered HLC claims. FY17's workers compensation long-term liability decreased by \$662K due to a reduction in the retained case reserves as set by our claims administrator. One claim in particular drove this reduction as it neared the \$1.0M retention limit where our stop-loss insurance policy would kick in. FY18 brought another \$284K reduction to the liability based on claims data.

Especially costly is the situation where a public safety employee files a claim before he or she retires and is subsequently granted a permanent disability status. In these cases, the City will be required, in addition to the medical payments, to make indemnity (wage replacement) payments to the employee for the rest of the employee's life and to his or her spouse for the rest of his or her life upon the death of the employee. The actuarial determined liability estimates for these types of claims can run into the millions as evidenced by our Stop Loss policy amount of \$3.0M.

As of June 30, 2018, The Workers Compensation Fund had cash reserves of \$2.3M. We had been seeing cash balance drop by about \$500K per year in FY12 through FY14; however, FY15 saw a \$900K drop, FY16 cash balance dropped \$1.1M, FY17 dropped by \$1.0M and FY18 dropped by \$608K. We expect that cash balance to decrease more dramatically as more heart and lung claims begin to be paid. Due to the potential large dollars associated with heart and lung claims, we are uncertain how long these reserves will last, but current trends show that resources will likely run out by FY23.

Sick Leave Conversion - This \$4.8M liability represents balances available to retirees who elected, per their employment contract, to remain on the City's Health Plan and have their premiums paid from their sick leave bank.

Compensated Absences - This \$15.0M liability represents the current value of all leave balances for every active employee. Examples include sick leave and annual leave.

Pension Liability - Pension liability was first added to the City's balance sheet in FY15 in compliance with GASB Statement 68, representing the City's portion of the total unfunded liability of the Nevada Public Employees Retirement System.

Payments to Other Governments and Non-Profits

Interlocal service agreements, NRS mandates, cost sharing arrangements or Council approved subsidies

	FY18 Actuals	FY19 Estimates	FY20 Budget
State of Nevada			
Nevada Commission on Ethics (Costshare) NRS 281A.270	21,845	19,069	20,336
*Nevada Division of Forestry (WFPP, Wildland Fire Protection Plan)	0	0	25,000
TOTAL PAYMENTS TO STATE OF NEVADA	21,845	19,069	45,336

Washoe County

Regional Training Center	154,935	164,200	155,000
Registrar of Voters Election Services (Expenses occur during election cycles)	0	16,240	0
Regional Emergency Operation Center (EOC)	10,872	15,986	16,785
Regional Emergency Operation Center (EOC) Roof Repair	0	0	18,000
Regional Planning (Fiscal Year 19 Includes \$12K For Servers)	227,420	267,625	255,625
Forensic Services	435,500	489,500	539,500
Sheriff's Office Extraditions (Not to Exceed \$30K)	22,898	23,070	25,000
Senior Center	21,500	21,500	21,500
Base Map Subscription	10,000	10,000	10,000
Sheriff's Work Crew Park Maintenance & Weed Abatement	62,856	66,863	70,557
Accela Annual Subscription	78,177	81,383	90,000
800 Megahertz (MHz) Radio	119,627	117,373	118,637
TOTAL PAYMENTS TO WASHOE COUNTY	1,143,785	1,273,741	1,320,604

City of Reno

**Community Assistance Center	277,384	283,899	290,430
Reional Hazmat Team (TRIAD)	16,000	16,000	16,000
TOTAL PAYMENTS TO CITY OF RENO	293,384	299,899	306,430

Membership Dues and Subsidies

Economic Development Authority of Nevada (EDAWN)	100,000	100,000	100,000
Keep Truckee Meadows Beautiful	0	10,000	10,000
Nevada League of Cities and Municipalities (NLC and M)	20,419	21,136	21,136
National League of Cities	0	8,051	8,051
Western Nevada Development District (WNDD)	5,000	5,000	5,000
Alliance for Innovation	5,100	5,100	5,100
The Chamber	1,362	1,362	1,362
Sparks Heritage Foundation and Museum	5,000	1,000	2,000
Mesa Meadows Landscape Maintenance Subsidy	24,000	39,000	53,364
TOTAL MEMBERSHIPS AND SUBSIDIES	160,881	190,649	206,013

* Nevada Division of Forestry for FY18 & FY19 was paid in FY17 so there are no expenses in FY18 or FY19 for that reason.

Payments will be made again beginning in FY20.

** Community Assistance Center funding breakdown

General Fund

Community Development Block Grant (CDBG) Fund

	FY18 Actuals	FY19 Estimates	FY20 Budget
	178,231	161,941	182,550
	99,153	121,958	107,880
Total	277,384	283,899	290,430



Other Fiscal Items for Reference

City of Sparks
General Fund FY19 & FY20 Summary Causes of Change
Report Date: February 25, 2019 (Amounts Listed in \$000's)

<u>Estimated Summary of FY19.....</u>	<u>Fund Balance Amount</u>	<u>Ending Fund Balance % of Expenditures</u>	<u>Comments</u>
FY19 Budgeted Ending Fund Balance	\$4,295	6.4%	
Add: Beginning Fund Balance Higher than Budgeted	\$1,749		FY18 Rev's 0.9% higher & Exp's 1.7% lower than Estimates
<u>Add: Higher Revenues</u>			
Property Taxes Tracking Lower in FY19	(\$100)		
CTAX Revenues Tracking Higher in FY19	\$400		
Business License Fees and Other Revenue Tracking Higher in FY19	\$1,335		Mostly Business License revenue up approx. \$1.1M
Marijuana Fees Tracking Higher in FY19	\$300		
<u>Add: Slightly Lower Expenditures</u>			
Estimate of Hay Compensation Model and Settled Contracts	(\$900)		
Early Estimation of Underspend Savings	\$950		
FY19 Early Estimated Ending Fund Balance	<u>\$8,029</u>		12.0%
<hr/>			
<u>Estimated Summary of FY20.....</u>	<u>Fund Balance Amount</u>	<u>Ending Fund Balance % of Expenditures</u>	
FY20 Beginning Fund Balance	<u>\$8,029</u>	12.0%	
FY20 Total Revenues (About 4.8% Overall Increase)	\$76,576		
FY20 Total Expenditures & Transfers-Out (About 8.4% Overall Increase)	(\$78,590)		
Net Revenues/(Expenditures)	(\$2,015)		
FY20 Ending Fund Balance	<u>\$6,015</u>		8.3%

Sparks Redevelopment Agency Fiscal Summary

Sparks Redevelopment Area #1

(Chief Administrative Officer's FY20 Budget Recommendations)

	FY16 Actuals	FY17 Actuals	FY18 Actuals	FY19 Estimate	FY20 Budget
Revenues	\$2,600,692	\$2,666,289	\$2,940,371	\$3,198,572	\$3,463,572
Land Sale Proceeds	\$934,000	\$1,096,000	\$0	\$0	\$0
Transfer-In From General Fund	\$0	\$0	\$0	\$0	\$0
Expenditures	(\$2,818,415)	(\$2,668,724)	(\$2,970,912)	(\$3,340,469)	(\$2,766,344)
Net Revenues/(Expenses)	\$716,277	\$1,093,564	(\$30,541)	(\$141,897)	\$697,228
Beginning Fund Balance	\$3,301,026	\$4,017,303	\$5,110,868	\$5,080,327	\$4,938,430
Ending Fund Balance	\$4,017,303	\$5,110,868	\$5,080,327	\$4,938,430	\$5,635,658
Less: Restricted for Debt Service	(\$3,134,459)	(\$3,224,870)	(\$3,354,041)	(\$3,464,882)	(\$3,571,148)
Unrestricted Ending Fund Balance	\$882,844	\$1,885,998	\$1,726,286	\$1,473,548	\$2,064,511

Victorian Square Room Tax Cumulative Resources	\$3,439,848	\$4,373,983	\$5,107,401	\$4,264,893	\$5,504,575
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Note: The Victorian Square Room Tax Fund is a City Resource, but is Potentially Available for Victorian Square CIP Needs

** City Issued Debt Partially Paid by RDA #1

RDA #1 Debt Information	Tax Increment Refunding Bonds	2011 CTAX Refunding Bonds	2014 CTAX Refunding Bonds	Total RDA #1 Debt Service
Original Issue Amount	\$22,165,000	\$4,180,000	\$7,330,000	
Issue Date	5/11/2010	5/12/2011	8/14/2014	
Maturity Date	1/15/2023	5/1/2018	5/1/2026	
Interest Rate	4.0% - 5.375%	3.05%	3.09%	
FY19 Principal Payment	\$1,790,000	\$0	\$810,000	
FY19 Interest Payment	\$500,031	\$0	\$223,809	
Total FY19 Debt Service	\$2,290,031	\$0	\$1,033,809	
Total FY19 Debt Service Paid by RDA	\$2,290,031	\$0	\$297,108	\$2,587,139
6/30/19 Debt Outstanding	\$8,105,000	\$0	\$6,433,000	
FY20 Principal Payment	\$1,875,000	\$0	\$838,000	
FY20 Interest Payment	\$415,006	\$0	\$198,780	
Total FY20 Debt Service	\$2,290,006	\$0	\$1,036,780	
Total FY20 Debt Service Paid by RDA	\$2,290,006	\$0	\$297,962	\$2,587,968
6/30/20 Debt Outstanding	\$6,230,000	\$0	\$5,595,000	

** Both CTAX bonds were issued by the City, but about 29% (\$297,962 in FY20) is allocated to RDA #1 for the downtown portion of the original project.

Sparks Redevelopment Agency Fiscal Summary

Sparks Redevelopment Area #2

(Chief Administrative Officer's FY20 Budget Recommendations)

	FY16 Actuals	FY17 Actuals	FY18 Actuals	FY19 Estimate	FY20 Budget
Revenues	\$2,738,444	\$1,317,638	\$2,726,580	\$3,311,400	\$3,478,400
Transfer-In From General Fund	\$0	\$0	\$0	\$0	\$0
Expenditures	(\$2,921,639)	(\$2,415,095)	(\$1,598,671)	(\$1,740,244)	(\$1,637,736)
Net Revenues/(Expenses)	(\$183,195)	(\$1,097,457)	\$1,127,909	\$1,571,156	\$1,840,664
Beginning Fund Balance	\$4,171,442	\$3,988,247	\$2,890,790	\$4,018,699	\$5,589,856
Ending Fund Balance	\$3,988,247	\$2,890,790	\$4,018,699	\$5,589,856	\$7,430,520
Less: Restricted for Debt Service & Note Receivable	(\$3,763,728)	(\$1,565,857)	(\$1,804,665)	(\$2,040,484)	(\$2,281,146)
Unrestricted Ending Fund Balance	\$224,519	\$1,324,933	\$2,214,034	\$3,549,372	\$5,149,374

RDA #2 Debt Information			
	2016 TIF	2014 Tax	Total RDA #2
	Refunding Bonds	Increment Bonds	Debt Service
Original Issue Amount	\$9,660,000	\$7,285,000	
Issue Date	9/26/2016	8/14/2014	
Maturity Date	6/1/2028	6/1/2029	
Interest Rate	2.33%	3.25%	
FY19 Principal Payment	\$759,000	\$405,000	
FY19 Interest Payment	\$196,675	\$184,706	
Total FY19 Debt Service	\$955,675	\$589,706	\$1,545,381
6/30/19 Debt Outstanding	\$7,682,000	\$5,280,000	
FY20 Principal Payment	\$775,000	\$415,000	
FY20 Interest Payment	\$178,991	\$171,547	
Total FY20 Debt Service	\$953,991	\$586,547	\$1,540,538
6/30/20 Debt Outstanding	\$6,907,000	\$4,865,000	

City of Sparks & Redevelopment Agency Issued Debt and Long-Term Employee Benefit Liabilities

City of Sparks & Redevelopment Agency Issued Debt

NAME OF BOND OR LOAN	Term (years)	Original Amount of Issue	Final Payment Date	Interest Rate	Outstanding Principal Balance 6/30/19	Outstanding Principal Balance 6/30/20	FY20 Interest Due	FY20 Principal Due	FY20 Debt Service (P&I)
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City General Obligation (G.O) Bonds and Notes Payable

<i>The City currently has no General Obligation debt outstanding with the exception of the Sewer and Effluent G.O. debt</i>	N/A	N/A	N/A	N/A	0	0	0	0	0
Subtotal City G.O Bonds & Notes Payable		\$ -			\$ -				

City Issued Revenue Bonds

CTAX Bonds Series 2014 (partially funded (29%) by RDA1)	12	7,330,000	5/1/2026	3.09%	6,433,000	5,595,000	198,780	838,000	1,036,780
Sr. Sales Tax Anticipation Revenue Bonds Series 2008A	20	83,290,000	6/15/2028	6.5%-6.75%	63,425,000	59,490,000	4,271,350	3,935,000	8,206,350
Subordinate Sales Tax Anticipation Revenue Bonds Series 2008A (Balances are estimates subject to sales tax collections)	20	36,600,000	6/15/2028	5.75%	28,714,979	26,094,979	1,732,342	2,620,000	4,352,342
Subtotal City Issue Revenue Bonds		\$ 127,220,000			\$ 98,572,979	\$ 91,179,979	\$ 6,202,472	\$ 7,393,000	\$ 13,595,472

City Issued Tax Allocation Bonds

Local Improvement District #3, Ltd Obligation Improvement Bonds (refinanced in FY2017 for lower interest rate)	10	13,498,290	9/1/2027	3.830%	7,091,668	6,374,680	257,882	716,988	974,870
Subtotal Tax Allocation Bonds		\$ 13,498,290			\$ 7,091,668	\$ 6,374,680	\$ 257,882	\$ 716,988	\$ 974,870

City of Sparks & Redevelopment Agency Issued Debt and Long-Term Employee Benefit Liabilities

City of Sparks & Redevelopment Agency Issued Debt

NAME OF BOND OR LOAN	Term (years)	Original Amount of Issue	Final Payment Date	Interest Rate	Outstanding Principal Balance 6/30/19	Principal Balance 6/30/20	FY20 Interest Due	FY20 Principal Due	FY20 Debt Service (P&I)
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City Issued Sewer & Effluent G.O. Bonds - SRF Loans

Enterprise Debt SRF 2016B (refinance of the 1996 - 2010A SRF loans)	13	27,099,691	7/1/2029	1.250%	19,508,338	16,312,885	233,941	3,195,453	3,429,395
Sparks portion of SRF Water Pollution bonds, Series 2004 & 2005 issued by City of Reno for TMWRF Expansion (12/16 Reno refi for lower interest rate)	8	12,029,831	1/1/2024	1.604%	4,218,271	3,470,222	64,940	748,049	812,989
Flood Control Bonds Series 2016	10	18,010,000	3/1/2026	2.0%-5.0%	13,330,000	11,620,000	391,750	1,710,000	2,101,750
Subtotal Sewer & Effluent G.O. Bonds - SRF Loans		\$ 57,139,522			\$ 37,056,609	\$ 31,403,107	\$ 690,631	\$ 5,653,502	\$ 6,344,134

Redevelopment Issued Debt

Redevelopment Agency #1 Tax Increment Refunding Revenue Bonds, Series 2010	14	22,165,000	1/15/2023	4%-5.375%	8,105,000	6,230,000	415,006	1,875,000	2,290,006
Redevelopment Agency #2 Tax Increment Revenue Bonds, Series 2014	15	7,285,000	6/1/2029	3.249%	5,280,000	4,865,000	171,547	415,000	586,547
Redevelopment Agency #2 Tax Increment Revenue Bonds, Series 2016 (refinance of 2008 Series for lower interest rate)	12	9,660,000	6/1/2028	2.33%	7,862,000	7,087,000	178,991	775,000	953,991
Subtotal Redevelopment Issued Debt		\$ 39,110,000			\$ 21,247,000	\$ 18,182,000	\$ 765,544	\$ 3,065,000	\$ 3,830,544

TOTAL CITY & REDEVELOPMENT ISSUED DEBT		\$ 478,115,624			\$ 163,968,256	\$ 147,139,766	\$ 7,916,529	\$ 16,828,490	\$ 24,745,019
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Long-Term Employee Benefit Liabilities as of 6/30/18

Sick Leave Conversion	4,848,680
Compensated Absences	14,950,456
Workers Compensation	5,244,238
Other Post Employment Benefits (Net OPEB)	34,637,555
Net Pension Liability (PERS)	86,625,696
Total	\$ 146,306,625

Note: These balances are determined at end of audit each year