



MAYOR  
Ron Smith

CITY COUNCIL  
Donald Abbott, Ward I  
Ed Lawson, Ward II  
Paul Anderson, Ward III  
Charlene Bybee, Ward IV  
Kristopher Dahir, Ward V

CITY ATTORNEY  
Chet Adams

CITY MANAGER  
Neil C Krutz, ICMA-CM

**SPARKS CITY COUNCIL BUDGET WORKSHOP  
MINUTES FOR  
MONDAY, FEBRUARY 24, 2020**

1. **Call to Order**  
The Workshop was called to order by Mayor Ron Smith at 9:00 a.m.
2. **Roll Call**  
Mayor Ron Smith, Council Members Donald Abbott, Ed Lawson, Paul Anderson, Charlene Bybee, Kristopher Dahir, City Manager Neil Krutz, Acting City Attorney Shirle Eiting and City Clerk Lisa Hunderman, PRESENT.
3. **Pledge of Allegiance**  
The Pledge of Allegiance was led by Chief Financial Officer Jeff Cronk.
4. **Public Comment**  
None
5. **Agenda**
  - 5.1 **Approval of the Agenda (FOR POSSIBLE ACTION)**  
Consideration of taking items out of sequence, deleting items and adding items which require action upon a finding that an emergency exists.  
  

<b>Motion:</b>	Move to approve the agenda as submitted.
<b>Moved by:</b>	Council Member Lawson
<b>Seconded by:</b>	Council Member Abbott
<b>Yes:</b>	Council Members Abbott, Lawson, Anderson, Bybee, Dahir
<b>No:</b>	None
<b>Abstain:</b>	None
<b>Vote:</b>	Motion passed unanimously, 5-0.
6. **Review of current fiscal estimates for the 2019/2020 and 2020/2021 fiscal years, and consideration and possible direction on fiscal policies to be utilized for the 2020/2021 fiscal year budget.**  
A presentation from City Manager Neil Krutz and Chief Financial Officer Jeff Cronk providing an overview of current fiscal estimates for 2019/2020 and 2020/2021 fiscal years. Direction is being sought relating to Council fiscal policies that are desired to be integrated into the fiscal year 2020/2021 budget. Mr. Krutz opened the workshop by noting what items will be reviewed and encouraging open dialogue.

Financial Services Director Jeff Cronk gave an overview of upcoming budget deadlines. The 2020-2021 Final Budget will be prepared based on input and direction received. The City Manager will direct the creation of the City Manager's Final Budget recommendations which are tentatively scheduled to be presented to the City Council and Redevelopment Agency for further input and approval on April 27, 2020. Public hearing on the fiscal 2020-2021 Tentative Budget is scheduled for May 26, 2020. The City Manager currently intends to present the 2020-2021 Final Budget to the City Council and Redevelopment Agency on May 26, 2020 immediately following public hearing. The Final Budget must be submitted to the State by June 1, 2020.

An overview of General Fund revenues and expenses, fiscal policies, and new needs was given by Mr. Cronk with discussion throughout. The biggest revenue generators are CTAX and Fair Share, property taxes, and licenses and permits. Mr. Cronk explained property tax caps and anticipated increase expected. He also noted FY20 total revenues are expected to exceed FY20 budget by about 1%, roughly \$764,000. The biggest expenditures include salaries and benefits, and services and supplies. Council sought clarification on what falls under services and supplies; Mr. Cronk explained basically anything we use to operate with. Mayor Smith asked if marijuana revenues covered the work at Golden Eagle Regional Park (GERP); Mr. Cronk confirmed yes. Mr. Cronk went on to discuss transfers out which include: capital projects, IT hardware and software replacement plans, GERP turf replacement, Parks and Recreation Operations Fund subsidy, debt service, and workers compensation.

Next Mr. Cronk provided an overview of FY21 Key Budget Items: employee contracts, PERS, health insurance, workers compensation, the General Liability Fund, Marijuana Licensing Revenue Designation, and the Capital Improvement Plan. Mr. Cronk explained there is a \$3 million stop-loss for workers comp claims, and the City must pay the \$3 million before insurance will pay. Council asked about the average amount of claims; Mr. Cronk and Budget Manager Stacie Hemmerling noted finance teams do not see the amount of claims due to privacy laws such as HIPPA. Mr. Cronk commented claims are based on many factors to include the longevity of the illness and lifespan of the sick, when the claim hits versus when a diagnosis is received, and what legislature determines benefits amounts to be. Additional discussion included sustainability as additional claims are made and budget is affected, how other cities and states compare, and medical inclusions and exclusions in workers comp laws.

Mr. Cronk then went into more specific detail with discussion about each fiscal policy. Mr. Cronk noted all fiscal policies are met except: the Ending Fund Balance of expenditures is \$1.5 million below Council policy of 8.3%; new needs are excluded; and the current complement is fully funded.

Fiscal Policy 1: Achieve a General Fund minimum unrestricted ending fund balance equal to 8.3% of expenditures. Mr. Cronk explained the purpose of this policy is to help maintain fiscal stability. The current ending fund balance was voted by Council at 6%; Mr. Cronk noted the current percentage is at 9.2%. Council asked what 1% represents if the property tax increases; Mr. Cronk estimated \$600,000. Council asked about anticipated salary savings; Mr. Cronk estimated an average of \$1.5 million.

Fiscal Policy 2: Establish a General Fund Contingency amount up to 3% of total expenditures in the annual budget. Mr. Cronk explained this establishes a budget of approximately 1 million dollars to be used for unforeseen circumstances. Council must approve usage of funds. Mr. Cronk further explained that this is a contingency budget that is designed with more flexibility of use in mind, versus a stabilization fund which has specific usage restrictions. There were no questions from Council.

Fiscal Policy 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. Mr. Cronk explained the main purpose of this policy is to maintain investments in infrastructure and technology. Council asked if the CAD System and Automatic Vehicle Location (AVL) is in this fund; Mr. Cronk confirmed yes. Mr. Cronk reminded Council may choose to change electric and gas franchise fee allocations annually.

Fiscal Policy 4: Commit a portion of annual business license receipts to the Stabilization Fund up to the maximum fund balance allowed within NRS 354.6115. Mr. Cronk explained this fund is intended to stabilize operation of local government and mitigate the effects of natural disasters. The fund may only be used for 2 purposes: if general fund revenues fall below 4%; or a natural disaster is declared. Mr. Cronk stated the recommendation is to continue with this policy as it stands, contributing \$200,000 for the fiscal year. There were no questions from Council.

Fiscal Policy 5: General Fund personnel costs do not exceed 78% of General Fund total revenues. Mr. Cronk commented the purpose of this fund is to help keep everything in balance. There were no questions from Council.

Fiscal Policy 6: Report the annual Other Post Employment Benefit (OPEB), Workers Compensation, and other benefit liabilities and determine strategies to reduce or fund these. Mr. Cronk stated the recommendation is to maintain pay-as-you-go funding of these benefit liability obligations. An alternative payment option includes an irrevocable trust fund, which is not recommended due to lack of practicality and flexibility with accounting laws.

Mr. Cronk concluded fiscal policy review. Council Member Dahir expressed support for the current plan. Council Member Bybee noted she also is comfortable with the current budget and policy, however with fiscal growth comes additional fiscal responsibility to maintain infrastructure and support. Council Member Anderson asked if marijuana fees dedicated to GERP and IT are considered ongoing expenses; Mr. Cronk and Assistant City Manager John Martini confirmed both are accounted for moving forward as ongoing expenses.

Council took a break at 10:10 a.m.; Council reconvened at 10:20 a.m.

Mr. Cronk went on to discuss payments to other governments and non-profit entities. Council Member Bybee asked about the Registrar of Voters Election Services fees doubling from FY19. City Clerk Lisa Hunderman explained same-day voter registration was introduced, and voter registration at the Department of Motor Vehicles is now automatic unless you choose to opt-out. Since the City pays \$0.15 per registered voter a fee increase is anticipated but is not expected to reach the full \$35,000 budgeted. Council Member Dahir asked about Forensic Services funds allocated; Mr. Krutz noted that is typically a pro-rata share and conversations are currently taking place. Updates will be presented as progress is made, but the expectation is for the budgeted amount to be higher than currently anticipated. Mayor Smith asked about funding of \$21,500 dedicated to the Senior Center; the funds are dedicated to pay the front-desk staff. Mr. Cronk discussed Landscape and Maintenance subsidy allocations being indicative that fees collected from Home Owner Associations are not enough to cover fees. Council Member Dahir asked why; Mr. Cronk commented essentially the fees haven't changed but costs are increasing. Mr. Martini confirmed fees should probably increase and it may be time to re-audit with engineer's reports to assess the issue.

Mr. Cronk closed the workshop with a presentation of new needs and FY21 budget direction. Top priorities for new needs requests included: 2 emergency dispatchers, 2 patrol sergeants, 3 police officers, 1 police assistant, East Industrial Area Feasibility Analysis, P25 Radio System, Special

Events Rescue Task Force, 1 police detective, a new agenda system, and maintenance management system cleanup, totaling a FY21 budget impact of \$1,946,024. Mr. Cronk noted in order to include all prioritized items, the Ending Fund Balance would need to be dropped from 6.2% to about 5% and reduce the CIP Fund transfer by \$1.1 million. Mayor Smith asked about funding for the police sergeant and police detective being so high; the amount includes accounting for a new vehicle for every two new officers. Council Member Anderson asked if dropping to 5% is a liability; Mr. Cronk confirmed it is a risk however the finance team looks at managing that risk and believes dropping to 5% is manageable. Mr. Krutz added additional comment that the riskier consideration is the CIP Fund transfer and shouldn't be perpetuated. Council Member Dahir commented future funding will also be required to continue to compensate new growth. Council Member Bybee agreed with the listed priorities as presented and supports recommended funding. Council Member Dahir asked staff to keep Fire Department needs in mind as well as new housing developments are considered and implemented. Mayor Smith confirmed he agrees with the listed priorities and supports funding. Council Members Abbott and Lawson also expressed support for the recommended priorities and budget.

**Motion:** I move to approve fiscal policy adjustments as recommended to fill top priority new needs by reducing the General Fund transfer to the CIP Fund by \$1.1 million, with \$1 million for general purposes and \$132,000 for IT hardware refresh and reduce General Fund Ending Fund balance to 5.0% of expenditures.

**Moved by:** Council Member Lawson

**Seconded by:** Council Member Bybee

**Yes:** Council Members Abbott, Lawson, Anderson, Bybee, Dahir

**No:** None

**Abstain:** None

**Vote:** Motion passed unanimously, 5-0.

**7. Comments**

**7.1 Comments from the public**

Assistant City Clerk Julie Torres read into record public comment received via email from Ann Louhela with the Sierra Nevada Lavender & Honey Festival requesting Rescue Task Force fees for 2020 be waived for the event due to catastrophic financial impact.

**7.2 Comments from the Council and City Manager**

Council thanked staff for their hard work on the budget proposal.

**8. Adjournment**

The workshop was adjourned at 11:00 a.m.

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RONALD E. SMITH, Mayor

ATTEST:

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LISA HUNDERMAN, City Clerk

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