



MAYOR
Geno Martini

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

CITY ATTORNEY
Chet Adams

CITY COUNCIL WORKSHOP MINUTES
8:30 A.M., Tuesday February 24, 2015
Council Chambers, Legislative Bldg, 745 4th St., Sparks, 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, Charlene Bybee, City Manager Steve Driscoll, City Attorney Chet Adams and City Clerk Teresa Gardner, PRESENT.

ABSENT: Council Member Ron Schmitt

Mayor Martini requested a moment of silence in honor of all those who serve our country, our state and our city.

Comments from the Public (Time: 8:30 a.m.) - None

3. Review and discussion of the draft Capital Improvements Plan (CIP) for Fiscal Years 2016 through 2020, including priorities and needs. (FOR POSSIBLE ACTION) (Time: 8:31 a.m.)

Capital Projects Manager Brian Cason provided an overview of the proposed capital improvement plan including priorities and needs and said staff has been working to identify and utilize appropriate funds available to maximize capital improvement within the City. Mr. Cason said facilities projects are prioritized based on funding in the following order: 1) Structural Integrity/Life Safety; 2) Electrical/Mechanical; 3) Disability Access/Grants; 4) Functional Remodels; 5) Remodels.

Mr. Cason provided documents with the staff report that include an overview of the proposed capital improvement projects categorized by fund/funding source, the vehicle replacement plan for Fiscal Year 2016-2020, and a draft of the five year plan. All projects listed are subject to the City Manager's recommendations and City Council approval of the final budget.

Mr. Cason reviewed the various funds:

Fund 1401: Transportation Projects \$4,813,625

Fund 1404: Capital Projects \$2,353,920

Fund 1405: Capital Projects \$225,000

Fund 1402: Parks Projects \$1,015,000

Fund 1402: Parks (GERP) \$165,000
Fund 1406, 1407, 1408: Parks Projects \$500,000
Fund 1203: Community Development Block Grant \$300,000
Fund 1208: Municipal Court \$30,000
Fund 1600: Utility Projects \$29,448,993
Fund 1702: \$2,020,470

Council Member Smith requested the corrective and rehabilitation transportation project schedule be made available on the website.

IT Manager Steve Davidek provided an overview of technology improvements, sustainability and innovation accomplished in FY15 and presented the hardware and infrastructure needs for FY16.

City Planner Armando Ornelas discussed the Victorian Square Room Tax (Fund 1415) to be used to advance tourism based on recommendations of the Steering Committee. The amended master plan will be presented to the City Council in 4-5 months.

Deputy City Manager for Community Services Neil Krutz discussed the proposed work on the North Truckee Drain Realignment Phase 3.

Public Works Manager Ron Korman discussed the vehicle replacement capital budget and the increasing deficit from years of deferring replacement.

4. Review of current fiscal estimates for the 2014-2015 and 2015-2016 fiscal years, and consideration and possible approval of fiscal policies to be utilized for the 2015-2016 fiscal year budget. (FOR POSSIBLE ACTION) (Time: 9:16 a.m.)

Financial Services Director Jeff Cronk said the tentative budget should be completed by April 15, 2015, a public hearing and final approval of the tentative budget will be on May 19, 2015 and the final budget is required to be filed by June 1, 2015. If the legislative session causes changes that affect the budget, the budget will be amended.

Budget Administrator Stacie Hemmerling explained the process of preparing the city's budget and reviewed the "New Needs Book". A total of \$2.6 million of new needs requests were submitted. The City Manager is recommending \$924,685 of new needs be approved.

Mr. Cronk reviewed the fiscal policies (adjusted based on comments during October 2014 workshop), strategic goals (1.1 Maintain positive cash balances, in accordance with the city's fiscal policies; 1.2 Achieve balanced spending within the General Fund, in accordance with the city's fiscal policies; 1.3 Establish a strategy to reduce the City's Other Post Employment Benefit (OPEB) and Heart/Lung/Cancer liabilities being implemented after FY16), cash flow needs, revenues, transfers, expenditures, contingencies, and ending fund balance.

Fiscal Policy No. 1 General Fund unrestricted ending Fund balance equal to 12.5% of expenditures beginning in FY16. For fiscal health, to meet cash flow needs throughout the year, Financial Services recommends achieving a 12.5% ending fund balance at the end of each year.

Fiscal Policy No. 2 Establish a General Fund Contingency amount up to 3% of total expenditures in the annual budget. The contingency budget was established using the guidelines set forth in NRS 354.608 to provide for expenditures that are one-time, unexpected, and usually of an emergency nature. Utilization of contingency budget requires the approval of City Council. The contingency budget is distinguished from the Stabilization Fund in that the Stabilization Fund is much more restrictive in nature as it may only be used for specific reasons.

Fiscal Policy No. 3 Transfer a minimum of 2.5% of total General Fund revenues plus full funding for IT Hardware & Software Replacement Plans from the General Fund to the Capital Projects Fund. 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 goal was increased in FY16 in an effort to revive our commitment to technology investment. The new goal is 2.5% of total revenues (\$1.4M) plus full funding of both the IT Hardware (\$284k) and IT Software (\$188k) Replacement Plans.

Fiscal Policy No. 4 Commit a portion of annual business license receipts to the Stabilization Fund up to the maximum Fund balance allowed within NRS 354.6115.

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 54: "The Council will authorize the use of the Stabilization Fund's resources only A) if 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 \$625,000 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. 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 when appropriate. Recent past had expenditures higher than revenues and Council did not choose to put funding in this restricted fund, rather to put funds towards personnel. The Stabilization Fund currently has a \$230,000 balance. Mr. Cronk anticipates FY17 may be the appropriate time.

Fiscal Policy No. 5 General Fund personnel costs do not exceed 78% of General Fund total revenues. The purpose of this policy is to achieve a balanced, sustainable expenditure model. Funding the full complement would represent 79.2%; PERS and health insurance increases raise the percentage for personnel costs.

Fiscal Policy No. 6 Report the annual Other Post Employment Benefit (OPEB) and Workers Compensation liabilities and determine strategies to reduce these liabilities. OPEB and Workers Heart and Lung obligations have been identified by Financial Services as two of the greatest financial risks threatening the City's short and long-term fiscal sustainability.

Under the current Pay Go funding model, the Net OPEB Obligation is expected to grow \$600,000 to \$700,000 per year. There are currently no reserves in our Health Insurance fund designated to mitigate our future health care liability (OPEB). GASB will be requiring the city record the PERS net unfunded liability estimated at approximately \$60-\$70 million for Sparks. It is not required to fund, but must be recorded on the books.

Over the past couple of years, the workers compensation liability has grown dramatically. This is due to the increasing number of expected Heart/Lung/Cancer claims from Police and Fire personnel and the benefits that have been added recently by the Nevada Legislature.

As of June 30, 2014, The Workers Compensation Fund had cash reserves of \$6M. We are currently seeing that cash balance drop by about \$500k per year, however, we expect that 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. The liability is anticipated to be approximately \$9 million in FY14.

City Manager Steve Driscoll said the 2015 Legislature is addressing the workers compensation liability and time limitations of claims being "presumptive" to work environment.

Mr. Cronk provided a high level overview of the current FY15 budget, as well as the FY16 tentative budget, reviewing the primary causes of change in revenues & transfers in; salaries & benefits; and services & supplies and transfers out. Council Member Bybee said she would like to see health care costs reduced. Council Member Lawson said employee salary increases are affected by high health care costs.

Council Member Smith recommended an irrevocable trust be established for OPEB contributions, and funds do not have to be committed to the trust at this time; it can be reviewed towards the end of the fiscal year to decide if funding should be deposited.

Council Member Ratti said it seemed Council supported a 5% ending fund balance for the tentative budget. Staff will file the tentative budget, review the City Manager Budget Recommendations with Council mid-April, and then prepare the final budget for Council approval on May 19, 2015.

5. Comments

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

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

6. Adjournment (Time: 11:11 a.m.)

Council was adjourned at 11:11 a.m.

ATTEST:

GENO R. MARTINI, Mayor

Teresa Gardner, City Clerk

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