



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
Steve Driscoll

**SPARKS CITY COUNCIL MEETING
BUDGET WORKSHOP
8:30 A.M., Monday, February 25, 2019
Sparks City Hall, Lower Level, 431 Prater Way, Sparks, Nevada**

1. Call to Order

The regular meeting of the Sparks City Council was called to order by Mayor Ron Smith at 8:30 a.m.

2. Roll Call

Mayor Ron Smith, Council Members Donald Abbott, Ed Lawson, Paul Anderson, Charlene Bybee, Kristopher Dahir, Acting City Manager Neil Krutz, and Acting City Clerk Lisa Hunderman, PRESENT. City Attorney Chet Adams, ABSENT. Acting City Attorney Shirle Eiting joined at 8:45am.

3. Pledge of Allegiance

The Pledge of Allegiance was led by Acting City Manager Neil Krutz.

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.

Motion: Move to approve the agenda as submitted.

Moved by: Council Member Lawson

Seconded by: Council Member Dahir

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

No: None

Abstain: None

Vote: Motion passed unanimously, 5-0.

6. Review of current fiscal estimates for the 2018/2019 and 2019/2020 fiscal years, and consideration and possible direction on fiscal policies to be utilized for the 2019/2020 fiscal year budget. (FOR POSSIBLE ACTION)

An agenda item from Financial Services Director Jeff Cronk who provided an overview of

current fiscal estimates and other fiscal considerations relating to the 2018-2019 and 2019-2020 fiscal years. Acting City Manager Krutz requested input on council policies and gave an overview of current discussion points such as current budget status. The 2019-2020 Final Budget will be prepared based on input and direction received and will be filed with the State by June 1, 2019 as required. 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 22, 2019.

Financial Services Director Jeff Cronk added that the Tentative Budget will be prepared based on direction received today and filed with the State by April 15, 2019 as required. Additionally, State law requires a public hearing on the tentative budget to be held by the governing body not sooner than the third Monday in May and not later than the last day of May. This year's public hearing on the fiscal 2019-2020 Tentative Budget is scheduled for May 28, 2019. The City currently intends to present the 2019-2020 Final Budget to the City Council and Redevelopment agency also on May 28, 2019 immediately following the public hearing on the 2019-2020 tentative budget. The Final Budget must be submitted by June 1, 2019.

An overview of fiscal policies was given by Mr. Cronk and Mr. Krutz with discussion throughout. Discussion included: Biggest total revenue generators include CTAX, property taxes, and business licenses and permits; staff needs; health insurance; PERS; employee contracts; fire apparatus; leases; workers compensation and general liability claims; heart and lung claims; travel and training; expiring grants; sewer rate study; marijuana licensing; and GERP. Mr. Krutz asked for consideration that if the policy defaults and stays with the current 8.3% budget, the top two priorities should be first responders and dispatch center, and a river clean-up team. Mr. Krutz expressed that a change to 6% will allow for more room to expand the budget to other areas of consideration such as additional support staff.

Council took a break at 9:30 a.m.; Council reconvened at 9:42 a.m.

Mr. Cronk then went into more specific detail with discussion about each fiscal policy.

Fiscal Policy 1: Achieve a General Fund minimum unrestricted ending fund balance equal to 8.3% of expenditures. The City adopted a policy of 8.3% minimum ending fund balance in 2011, however the past few years have been at the 6% to 6.4% range. Mr. Cronk reminded that the goal is 8.3%, however Council may authorize higher or lower. Council asked what 1% represents; Mr. Cronk estimated \$500,000. Council sought clarification on the advantage of a higher ending-fund balance. Mr. Cronk explained it is to help manage the ups and downs of cash flow in local government. Mr. Cronk gave an example of property tax installments and the counterbalance of the interfund loan process.

Council Member Dahir gave support for 6.4% ending fund balance stating that with proposed growth a 6.4% budget would allow for money to be used for needs that may have been benched in past budget discussions. Mayor Smith supported 6% ending fund balance.

Mr. Krutz sought clarification on the impact to fiscal policy 5 if the budget stays at 6% and funds are dedicated to personnel and to recurring new needs events such as adding someone to payroll. Fiscal policy 5 maintains that personnel costs do not exceed 78% of the General Fund total revenues. Mr. Cronk explained that currently policy 5 is at about 75%, and with policy 1 funds incorporated the budget will still fall just under the 78% mark.

Additional policy 1 discussion included; law enforcement and fire personnel needs; quality of life improvements; public safety; traffic cameras on legislative bill. Council Member Dahir suggested a small discretionary fund of \$25,000 - \$35,000 for Mayor and Council to be used for community engagement purposes.

Mr. Krutz went on to discuss that 4 million dollars in new needs funds were requested for the fiscal year and consideration in new-needs budget expenditures. He also reminded that support staff continue to play a pivotal role in city operations and must also remain a consideration as part of the new-needs list. Mr. Krutz expressed gratitude to all staff for their hard work for being able to have budget discussions to increase staffing verses imposing budget cuts.

Motion: I move to approve a General Fund minimum unrestricted ending fund balance equal to 6% of expenditures in the fiscal 2019-2020 budget.
Moved by: Council Member Dahir
Seconded by: Council Member Lawson
Yes: Council Members Abbott, Lawson, Anderson, Bybee, Dahir
No: None
Abstain: None
Vote: Motion passed unanimously, 5-0.

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. Initially funds would come from the specific department in need, and then budget authority transferred to that department. Mayor Smith clarified that in cases of emergency, funds may be used and then presented to Council. 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.

Since there were no changes to this fiscal policy, acting City Attorney Eiting recommended that Council motion for approval of all policies upon finalization of review.

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. The policy ensures the City continues to invest in infrastructure and technology needs as detailed in the City's 5-Year Capital Improvement Plan. Mr. Cronk noted that Council may choose to change electric and gas franchise fee allocations annually. Council Member Dahir questioned if the current 2% allocation to the road fund meets financial needs, Mr. Krutz explained it does not. Mr. Dahir requested an update to make an educated decision on this policy. Mr. Martini stated he would work with the City Engineer and City Manager to provide an updated figure. Mayor Smith also suggested

discussion with Washoe County pertinent to any maintenance funding that is possibly being withheld.

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. This fund was last used during the recession and has been slowly rebuilt. 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 stated the recommendation is to keep this percentage as is. 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.

Motion: I move to adopt the budget policies for fiscal year 20 as presented by staff including an approximate ending fund balance of 6 percent and adopt policies 1-6 with explanation to be provided by staff for road expense needs.

Moved by: Council Member Dahir

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

7.2 Comments from the Council and City Manager

Council Member Dahir and Mayor Smith thanked everyone for their hard work and time. Mayor Smith requested an update on funding and project progression for the downtown bollards.

8. Adjournment

Council was adjourned at 11:00 a.m.

RONALD E. SMITH, Mayor

ATTEST:

LISA HUNDERMAN, Acting City Clerk

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