

April 4, 2019

The tentative budget meeting of the Yerington City Council was held in the Council Chambers at 10:00 a.m. with the following present:

Mayor George Dini
Council Members Selena Catalano, John Garry, Larry Reynolds and Terceira Schunke
Chief of Police Darren Wagner (arrived @ 10:30 a.m.)
Public Works Director Jay Flakus
Administrative Director/Interim City Clerk Sheema D. Shaw

Guests: Amy Alonzo of the Mason Valley News

Budget Workshop

Mayor Dini stated that no action would be taken today. Today's workshop is a review of the Tentative Budget before it is presented to Council at the April 8, 2019 regular meeting. Any suggestions, additions or corrections can be made before that meeting.

City Manager Switzer stated that the deadline to have the approved tentative budget to the Department of Taxation is April 15th. Before we can send it to the Department of Taxation it must be approved by Council at the April 8th regular meeting. The final budget is not due to the Department of Taxation until June 3rd; which gives us time to make any final changes the council would like to see before the May 28th council meeting for approval.

City Manager Switzer stated that there are five factors that affect the budget:

1. PERS Adjustments.

City Manager Switzer stated that every odd year PERS comes forward with any adjustments to governmental, municipal, county, state employee's contribution rates.

City Manager Switzer stated that this year the board has mandated that on July 1, 2019 a regular employee will have their PERS contribution rate go from 28% to 29.25%. Public Safety employees, Fire & Police will go from 40.5% to 42.5%.

City Manager Switzer stated that NRS 286.421 requires that with a change in contribution rates the employer absorb half on that rate increase and the employee absorb the other half. If we give no increase to our employees all regular employees will take a .625% hit, in other words a salary reduction. If the police do not receive an increase of at least 1%, they will lose 1%.

2. Employee wage increase.

City Manager Switzer stated that in this budget he is proposing a 2.0% increase for regular employees. The employee's contribution portion of .625% and the effective salary increase will be 1.37%. For our public safety employees he is proposing 2.375% increase. 1% for the employee contribution portion and the effective salary increase will be 1.375%.

Mayor Dini asked about Police Association negotiations. City Manager Switzer stated

that he has had a meeting with the union representative; however, they have not discussed PERS at this time. City Manager Switzer stated that the proposed changes in the agreement are mainly to do with language that needs to be clarified. City Manager Switzer stated that he has contacted legal counsel for a review of those proposed changes.

Mayor Dini asked if all employees would receive a step increase at this time also. City Manager Switzer stated that he is not sure how many employees will be coming up on step increases; however, that is something he will look into and bring back to Council.

3. Water and sewer project.

City Manager Switzer stated that this project will begin in September. It will be a major disruption and road repairs will be needed. City Manager Switzer stated that he has budgeted \$9-million on the water and \$9-million on the sewer for this budget year for initial construction. City Manager Switzer stated that we will receive reimbursement from the USDA for each dollar we spend. This will be on a long term loan, 40 years, with the USDA.

4. RTC Funds.

City Manager Switzer stated that currently there is a balance of approximately \$760,000 of funds that have been accumulating over time. These are funds that originate in fuel tax that are passed down from the state the county. The county distributes those funds at their discretion. City Manager Switzer stated that he is calculating about half of that for the street patches that we will be doing as the water and sewer project get underway.

5. Building Activity.

City Manager Switzer stated that it is his understanding that there will be an increase in building activity and he has increased our building permit fees. This fiscal year we had budgeted \$207,000, we will not come close to that. In this proposal it has been budgeted for \$142,000.

Councilwoman Catalano asked if the remaining RTC funds could be used for the Vac truck. City Manager Switzer stated that, if approved, that we could use those funds; however, in his opinion we should take that cost from fixed assets. Councilwoman Catalano stated that we should also look into grants. City Manager Switzer agreed.

City Manager Switzer stated for clarification a Vac truck was not part of this proposal. Councilwoman Catalano stated that the City does not need a Vac truck tomorrow; however, it would be a great asset down the road.

Mayor Dini asked if a Vac truck was one of the items on the 10-year replacement list. City Manager Switzer stated that he has not seen such a list. Administrative Director/Interim City Clerk Shaw stated that she recalls seeing such a list and will research it.

Councilwoman Catalano asked if there was any type of funding for the Goldfield and Main Street four-way stop. City Manager Switzer stated that Public Works Director Flakus is installing cameras at that location at this time and should not cost more than \$1,000.

City Manager Switzer stated that an error occurred in the budget and he has reprinted the first four pages for council. \$200,000 in capital assets did not pull over to the summary pages and therefore those pages have been reprinted.

City Manager Switzer stated that this budget contains five governmental types with estimated expenditures of \$2.137-million. The new page has \$2.237-million.

City Manager Switzer stated that our tax rate remains the same at 0.4044 of assessed property valuation of \$74,598,100, which is an increase of about \$4.5-million from the current fiscal year. This increases our property tax revenue, currently at \$290,293, which is an increase of \$17,049 from the current fiscal year. Consolidated tax revenue is made up of five different tax monies. This is passed through revenue from the state into the city. It is based on a number of factors. One of those factors is property tax valuation, but also includes items such as cigarette tax and alcohol tax.

City Manager Switzer stated that the consolidated tax revenue, which goes into our general fund, will increase about \$49,000 from this fiscal year for a total of \$499,512. The net result is about a \$66,000 increase into our general fund. City Manager Switzer stated our ending fund balance is \$252,015.

Fixed Asset

City Manager Switzer stated that the Police Department is in need of new Tasers. The Tasers that the Police Department currently own are about 6 to 7 years old and Chief Wagner has received notification from the company that manufactures the Tasers that they will no longer be serviceable and no longer make replacement parts after the end of this year. City Manager Switzer stated that he thought it was prudent for us to begin the purchasing in this fiscal year. The \$2,000 in the budget will only replace two Tasers and it will take a couple of years to replace all. Mayor Dini stated that we should plan to replace 3. City Manager Switzer stated that he will make that change.

City Manager Switzer stated that the next item for consideration is the Police computer upgrade. Microsoft support for windows 7 is going away. We risk security issues and support issues after January 1, 2020. At this time we are looking to replace 8 to 10 computers for a total cost of \$30,000.

City Manager Switzer stated that the next item for purchase would be a mini excavator at a total cost of \$68,000. This would include a trailer to haul the excavator.

Public Works Director Flakus stated that the City of Yerington has a large area to cover for water and sewer services. With the addition of the trailer, we would be able to haul the excavator behind a truck without having to drive it down our roadways.

Councilwoman Schunke asked if there would be training on how to use the equipment. Public Works Director Flakus stated that there would be training provided.

Councilman Garry asked who would do repair work if needed. Public Works Director Flakus stated that we would not do any repairs on the excavator so long as it was under warranty.

Councilwoman Catalano asked if we would do some price comparing before we actually purchased. Public Works Director Flakus stated that we would.

Summary of Operations (page 3)

City Manager Switzer stated that this page is a budget summary of our operations. It is a statement of our policies and the direction we want to go forward with. City Manager Switzer stated that page 4 is a continuation of page 3.

City Manager Switzer stated that on page 5 are the numbers that are sent to us by the State of Nevada and set in stone. On February 15th and March 15th the state sends each city and county its assessed value, property tax rates and expected revenues. Population figures are based on the State Demographers office. The City of Yerington went from 3,360 to 3,424.

City Manager Switzer stated that page 6 is the property tax rate. This is where we get our figures for our property tax revenue that we will be receiving.

City Manager Switzer stated that page 7 is a summary of estimated revenues coming in for our general fund.

City Manager Switzer stated that page 9 is a summary recap of the proposed budget for the proprietary funds. Items such as Crystal Clear have been absorbed into the city fund which leaves us with two funds; the water and sewer funds.

City Manager Switzer stated that one problem we have is that we have taken on other systems, such as Crystal Clear, we have taken on a higher level of depreciation expense. Depreciation expense is for replacement and repair costs. For a city of our size our depreciation expense should have been around \$350,000 a year; however, we will have to budget \$735,000 on our water fund.

City Manager Switzer stated that we do have a substantial amount of cash in the bank. City Manager Switzer stated that in future meetings he will discuss investing these funds.

City Manager Switzer stated that the tentative budget is a document that shows the expenses and revenues through June of next year. We do not know everything that will happen, but based on past history and trends as they come across to us we try to forecast what may be coming.

City Manager Switzer stated that the things that are given are the property tax, ad valorem and the consolidated tax revenue.

City Manager Switzer stated that he has budgeted \$350,000 as the RTC shared revenue; however, on the street side it will come out as a capital outlay as a \$350,000 expenditure. City Manager Switzer stated that for the rest of the revenue he has tried to be as conservative as he could.

City Manager Switzer stated that while the airport was closed for re-pavement the sales were down and he is projecting with a full year of operation we should see an increase in fuel sales to \$91,500 for estimated revenue.

City Manager Switzer stated that under building permits he has budgeted \$142,425 and would hesitate to make it much more. Should we receive more it will be unplanned revenue and the City Council is free to decide what they want to do with it. Public Works Director Flakus stated that the building department is very positive at this point in time. There are some large projects coming down the line.

Councilwoman Catalano asked when was the last time that we compared licenses and

permits to other entities. City Manager Switzer stated that it has probably been a while.

Councilwoman Catalano stated that the city does a lot of work on weeds for residents who have not taken care of them. Public Works Director Flakus stated that he is working on rewriting the letter to residents and we will be making the homeowners more accountable. City Manager Switzer stated that it is a common problem.

City Manager Switzer stated that the Collection Summary page shows the beginning fund balance for the General Fund.

City Manager Switzer stated the next page (page 12) is the Mayor, Management and City Hall expenditures. The salaries and wages for the Mayor and Council will not change. If there are any benefits to be paid they will go up due to PERS.

City Manager Switzer stated that he put in a higher number for services and supplies in case council would desire to have functions and incur costs for attending conferences or those types of activities.

City Manager Switzer stated that for City Hall salaries and wages he has increased that number for the proposed wage increase. Benefits will also go up. City Manager Switzer stated that the one cost that has not been finalized is the cost of health insurance. Those fees are still under negotiations; however, we have been told to plan for a 10% increase. We will have numbers before the final budget.

City Manager Switzer stated that under services and supplies for City Hall his proposed budget is \$72,896. City Hall purchases can be spread out between Water, Sewer and the General Fund. City Manager Switzer stated that the function total is \$216,412.

City Manager Switzer stated that under the Municipal Court, he has increased salaries & wages along with benefits due to the increase in PERS and the proposed salary increase.

Mayor Dini asked if this included the attorney fees. City Manager Switzer stated that there is a calculation in our matrix that incorporates those fees. Judge Emm-Smith has approached him regarding the cost for public defense and whether we pay a per hour cost to have a public defender or a contract. We have attempted to approach a few firms on the price for a contract and did not receive any satisfactory answers. Judge Emm-Smith has found a firm that is willing to represent clients on an hourly basis at a favorable rate. City Manager Switzer stated that this tentative budget also includes a small increase for Judge Emm-Smith also.

City Manager Switzer stated that under Public Safety (page 14) there is a proposed increase under salaries and wages as well as benefits for PERS. The reason the estimate on this year's wages are a little lower than what has been trending is we have been short one officer.

City Manager Switzer stated that he has included the hiring of the SRO (School Resource Officer) in this budget. In order to make that work we will need to get funds from the School District. The SRO would need to be available to the City after school hours and during vacation time for the school and would need to serve as a regular patrol officer or in an emergency respond as a patrol officer away from the school.

Mayor Dini stated that it needs to be part of the agreement that the officer is at the city for at least 5 months of the year. Mayor Dini stated that we need to get this moving forward quickly. City Manager Switzer stated that it needs to be written into an inter-local agreement.

Both the funding and time of service need to be addressed in the agreement.

City Manager Switzer stated that in the Public Works funds which includes; streets, airport and buildings. The substantial increase has to do with the \$350,000 for streets. This is the projection for street repairs during our water and sewer project. Wages and salaries are increased as per the proposal.

City Manager Switzer stated that there is an increase in salaries and wages in the building department. The reason for this is that he would like to redirect the process for building permits to City Hall. With this change we would have a point of contact at City Hall for the initial process for anyone that would like to apply for a permit or needing information. City Manager Switzer stated that his thought was to train one of the utility clerks to be certified as a building permit technician. Once certified, that position can issue basic building permits. Plan reviews would be more extensive and we would coordinate with Farr West Engineering to take care of those projects. Councilwoman Catalano asked how many hours a day this would take. Public Works Director Flakus stated that at this time approximately two hours a day. Councilwoman Catalano stated that she thought it was a great idea; however she was trying to figure out how much of an incentive increase that would be. Councilwoman Catalano stated that as the Supervisor and Director, she should be trained as a second contact.

Mayor Dini called for a short break, 10:34 a.m.

Mayor Dini called meeting back to order 10:39 a.m.

City Manager Switzer stated that under Animal Control there is a small increase. Councilwoman Catalano asked if this includes the purchase of dog food. City Manager Switzer stated that it includes everything we purchase.

Public Works Director Flakus stated that we are the facilities operator for the Animal Shelter. YAPS has a lot of things donated; however, we would purchase food if they did not receive donations.

Councilwoman Schunke asked if Lyon County provided food per the agreement. Public Works Director Flakus stated that Lyon County would like to change the nature of the relationship. We need to sit down and have a meeting. Another issue is that state law requires that we cannot release a dog that has come into the shelter unless they have been spayed or neutered. In the past YAPS was raising funds for that; however Public Works Director Flakus stated that he told them that was a city requirement and with the city paying for spaying and neutering they would have more funds available for other things. Public Works Director Flakus stated that the volunteers will pay for items and he will reimburse them.

Councilwoman Catalano asked if the county has a responsibility to pay for dog food or other items. Public Works Flakus stated not to his knowledge. Councilwoman Schunke stated that Public Works Director Flakus had told her that we had an agreement with the county to provide food. Councilman Reynolds asked if Lyon County finds a dog in the county do they bring it to our shelter. Public Works Director Flakus stated that they do not want to do that anymore, but as of right now they do. At this time we keep two slots and a night kennel open for them. Public Works Director Flakus stated that we need a new agreement.

Public Works Director Flakus stated that a meeting with Josh Foli of Lyon County, Administrative Director/Interim City Clerk Shaw, City Manager Switzer, Chief Wagner, Councilwoman Schunke and himself would be a good place to start.

City Manager Switzer stated that under Parks and Recreation (page 17), once again there is an increase in salary & wages proposed.

City Manager Switzer stated that the summary page (page 18) will not change substantially. We may be adjusting our tentative budget based on conversations today. City Manager Switzer stated that he is proposing an ending fund balance of \$252,015 for the General Fund.

City Manager Switzer stated that under the Fixed Asset Acquisition Fund, we do receive revenues. City Manager Switzer stated that he is proposing that we auction \$13,000 to reduce our excess inventory of equipment. We have some electric motors that are brand new and have a value of \$1,800 each. The vehicles listed are planned at scrap value of \$200 each.

Councilwoman Catalano asked if we could donate them to the fire department for training. Public Works Director Flakus stated we could ask them if they would like them.

City Manager Switzer stated that page 20 is the expenditure side of the Fixed Asset Acquisition and he is recommending and he is proposing that we fund the capital purchases out of this fund. If we move forward with those purchases we will have an ending fund balance of \$762,706. The items we will be purchasing are police Tasers, computer upgrade and the suggested mini excavator.

Mayor Dini asked if the full \$30,000 will be needed. City Manager Switzer stated that some of the computers may be upgradeable; however, we are waiting on a final estimate and summary from our IT Company.

City Manager Switzer stated that the Municipal Court administrative assessment and facility fees show a total revenue of \$3,500 which is lower than the trend in the audit; however, we have a few more months remaining in this year. City Manager Switzer stated that he would like to keep that number conservative this year. City Manager Switzer stated that he has no expenditures listed.

City Manager Switzer stated that on Compensated Absence, the previous City Manager's payment for accrued leave was taken from this fund. City Manager Switzer stated that we have an expenditure for \$3,500, on page 24 in case we have someone retire.

City Manager Switzer stated that Page 25 is Grant Funds Revenue. In our audit we had an ending fund balance which is reflected on page 26. We show \$75,000 coming in as Room Tax revenue on page 25 and on page 26, based on historical data that we have paid out from this fund. In this proposed budget the amount remains at \$75,000 leaving the ending fund balance unchanged from that audit year.

Water Fund (Page 27)

City Manager Switzer stated that once again Salaries & Wages reflect the proposed increase along with the increase in Benefits. Services & Supplies has been increased to cover the cost of living. On the operating & expense side we are showing that we will have a negative income. Depreciation and Amortization, \$735,000 is quite high. This cost is directly related to the systems we have collected over the years.

City Manager Switzer stated that under non-operating revenues & expenses they remain

the same as they were in previous years. There is an additional entry for the USDA water line project. This proposal shows an expenditure of \$9-million and revenue of \$9-million which are off setting entries.

City Manager Switzer stated that we have a contract with Willow Creek and some miscellaneous income. City Manager Switzer stated that based on the last audit he did put in a lower amount. City Manager Switzer stated that the bottom line is a negative income of \$167,570. This is predicated on the new water rates. It is an estimate of the user fees. To the extent that comes in more than that, then the net income will fall to the extent that we will not reach that figure, we will have a higher negative net income. We do have cash to cover that; however, we do not want to continue to operate in that form. City Manager Switzer stated that it is his cautionary note is that we monitor this closely. If need be we may need to come back next year and revisit our water rates.

City Manager Switzer stated that ideally we should be operating our utility as a business, but not with a profit motive. Once we do that the number will be zero. We do not want to continue showing a negative number.

Mayor Dini asked if the depreciation will go down over time. City Manager Switzer stated that it will go down over time. A city of this size should have depreciation of \$300,000.

Cash Flow Statement (page 28)

City Manager Switzer stated that this is a statutory requirement and we have a healthy bottom line of \$6.86-million at the end of June 30, 2020.

Sewer Fund (page 29)

City Manager Switzer stated that user fees have increased, anticipated revenues, and Salaries & Wages was increased. Services & Supplies are trending at \$230,000; however, this year it is increased to \$239,000 to \$240,000 for anticipated expenditures. Depreciation & Amortization is a lot less on the sewer side, \$180,000. City Manager Switzer stated that the USDA sewer line project has \$9-million in and \$9-million out. The net income looks healthy

City Manager Switzer stated that we have begun negotiations to take on the sewer for Weed Heights and the \$830,000 is an estimate of connection fees for that service. This number was added in anticipation of receiving that funding.

Cash Flow for Sewer Fund(page 30)

City Manager Switzer stated that this is a statutory requirement. It shows we have a healthy cash flow on the sewer side. \$3.6-million is our cash equivalent.

City Manager Switzer stated that pages 31 through 36 are not included as they have no financial impact on this proposed budget. City Manager Switzer stated that he is not planning on transferring any funds.

City Manager Switzer stated that the last page is a schedule of our existing contracts and anticipated expenditures.

City Manager Switzer stated that he will go back and make changes as recommended by council today. Should the Council approve the tentative budget at the April 8th meeting we will

still have approximately six weeks to make final changes recommended by the Council.

Councilwoman Catalano asked on page 17 of the budget, under Parks & Recreation, if that would include new playground equipment. City Manager Switzer stated that the funds there were for maintenance only. If we wanted to replace equipment at the parks, it would be expensive, it would be an expense out of the Capital Asset Fund.

City Manager Switzer stated that we have a healthy ending fund balance of \$252,015 of General Fund. What you have to have in your ending fund balance before the Department of Taxation becomes concerned is a certain percentage of your previous years General Fund expenditures. For the City of Yerington that will be about \$90,000. Council should have the discretion to spend out of the General Fund. The budget is as much a policy statement as a financial statement.

Councilwoman Catalano stated that Mountain View Park is a big gathering place for the community and we need to have things our community can enjoy. Public Works Director Flakus stated that it would be nice to have an ADA compliant park. We may need to look for grant opportunities.

City Manager Switzer stated that once the new council is in place he would like to meet with them over a one to two day period and do some strategic planning for the future.

City Manager Switzer stated that at the April 8th meeting Council will have the proposed budget for approval.

This meeting concluded at 11:35 a.m. with no votes taken.

There being no further business the meeting was adjourned.

Mayor of the City of Yerington

ATTEST:

Administrative Director/Interim City Clerk