

**CITY COUNCIL BUDGET WORKSHOP MINUTES  
1:00 P.M. MONDAY, APRIL 26, 2010**

**City Council Chambers, Legislative Building, 745 Fourth Street, Sparks, Nevada 89431**

**1. \*Call to Order** (Time: 1:02:27 p.m.)

The budget workshop was called to order by Mayor Geno Martini at 1:02 p.m.

**2. \*Roll Call** (Time: 1:02:27 p.m.)

Mayor Geno Martini, City Clerk Linda Patterson, Council Members Julia Ratti, Phillip Salerno, Ron Smith, Mike Carrigan, Ron Schmitt, City Manager Shaun Carey, City Attorney Chet Adams, PRESENT.

STAFF: Pete Etchart, Brian Allen, Steve Keefer, Andy Flock, Heidi Shaw, Judge Barbara McCarthy, Ron Korman, Danny Hamlin, Steve Lemus, Chris McCubbins, Danno Seaton, Dan Carpenter, Casey Bond, Steve Christy, Maurice Holmes, Neil Krutz, Bob King, Kevin Cavanaugh, Dick Kirtley, Stan Sherer, Tracy Domingues, Armando Ornelas, Jeff Cronk, Steve Driscoll, Chris Syverson, Jenny Lewis, Ernie Cisneros, Starlin Jones, Debi Hunt, Mike Kelley, John Thom, Wayne Webber, Tim Thompson, Greg Von Schottenstein, Cindy Boggan, Shawna Liles, Frank Frievalt, Chris Cobb, Tom Garrison, Chris Crawforth, Jeffrey Howes, Gene Rybak.

**\*Comments from the Public** (Time: 1:02:42 p.m.)

Mr. Dan Venters, the union representative for Operating Engineers Local No. 3, noted that their union members have offered to participate in concessions to avoid layoffs and in exchange they are asking for no more layoffs in their bargaining group for one year. He said they want to wait and see if the economic situation improves and that they do not want to negotiate for a future that was uncertain.

Ms. Amy Cocanour, 2226 Libero Drive, Sparks, spoke in opposition to layoffs for the Police Department, stating she felt it would create unsafe conditions for Sparks citizens.

Equipment Mechanic (at the City Garage) Jeffrey Howes said everyone should work together to avoid layoffs.

Fire Battalion Chief Gene Rybak, representing the Sparks Fire Chief Officers Association, stated that the Chief Officers and the Fire Fighters have a signed contract through June 30, 2011, and last year they deferred their 4% Cost of Living Allocations (COLAs) and they have offered to meet the number the City Manager put forward of a 7.5% cut. He said they are under no obligation to negotiate with the City and their offer is contingent on this being a temporary wage concession. He said the City should accept their concessions and let them manage their own budget to meet the numbers the City needs to avoid layoffs and a reduction in services to the citizens of Sparks.

Street Maintenance Worker Dick Kirtley stated he felt the City didn't want to negotiate, they just wanted to lay people off. He said they are down to a skeleton crew now. He said they agreed to

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a 7.5% cut this year and maybe 7.5% next year, if necessary, but they strongly felt that the pay cuts should be temporary and not permanent.

Police Officer Chris Crawforth, representing the Sparks Police Protective Association, said he was not going to discuss current negotiations; however, he wanted to request no layoffs, as this would affect the level of service they are able to provide to the community, and whatever decision the Council makes, the Police Department will continue to protect our citizens.

### 3. Consideration and possible direction of City Manager’s Tentative Budget recommendation for FY 2010-2011 (Time: 1:54:20 p.m.)

Finance Director Jeff Cronk presented the City Manager’s budget recommendations as follows:

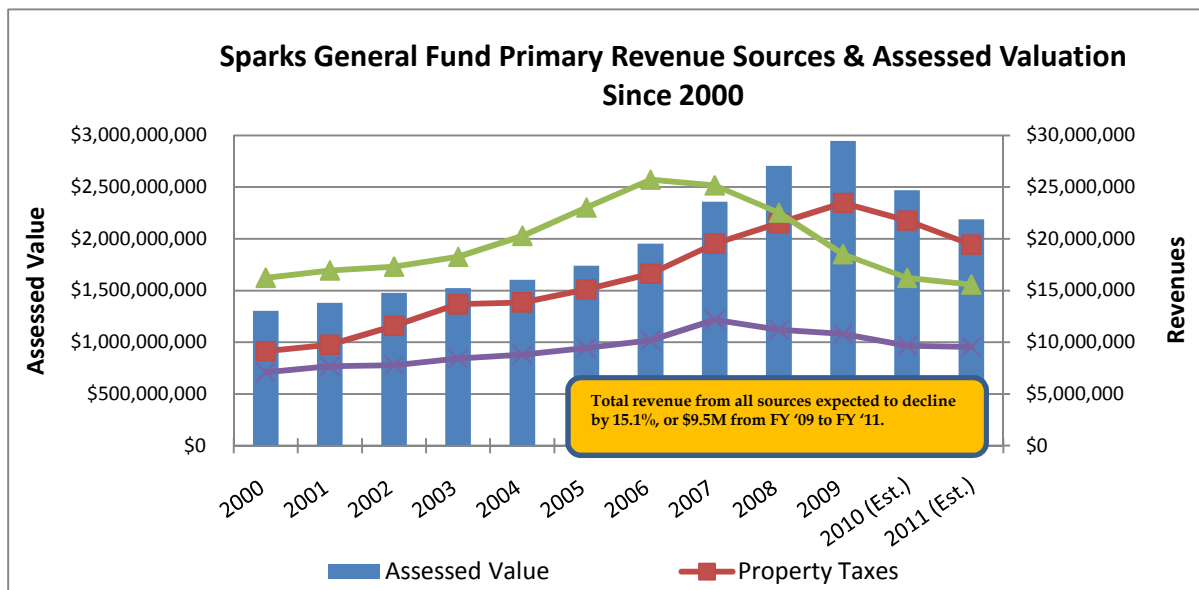
City of Sparks Budget Workshop Presentation - April 26, 2010

#### Financial Goals

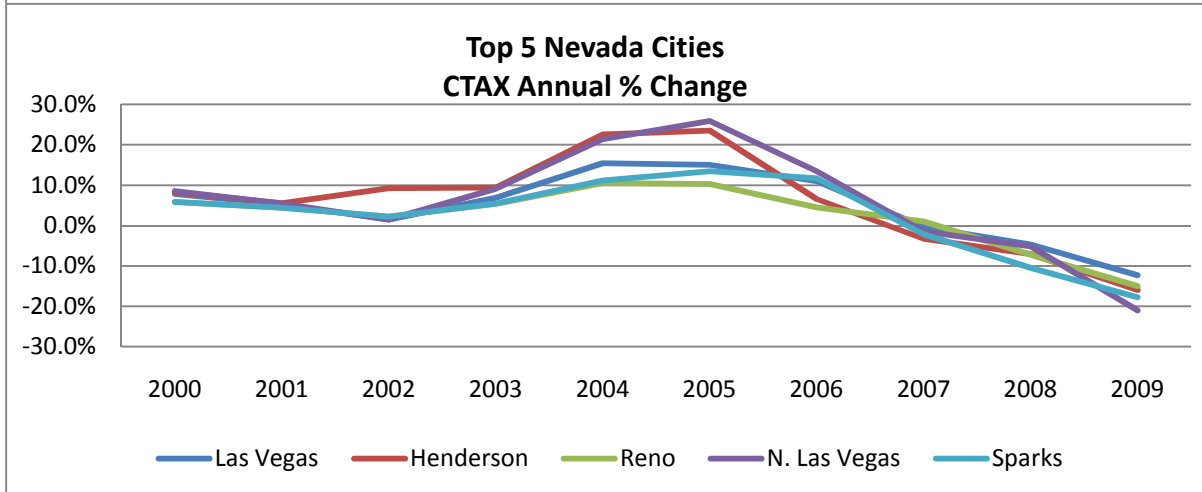
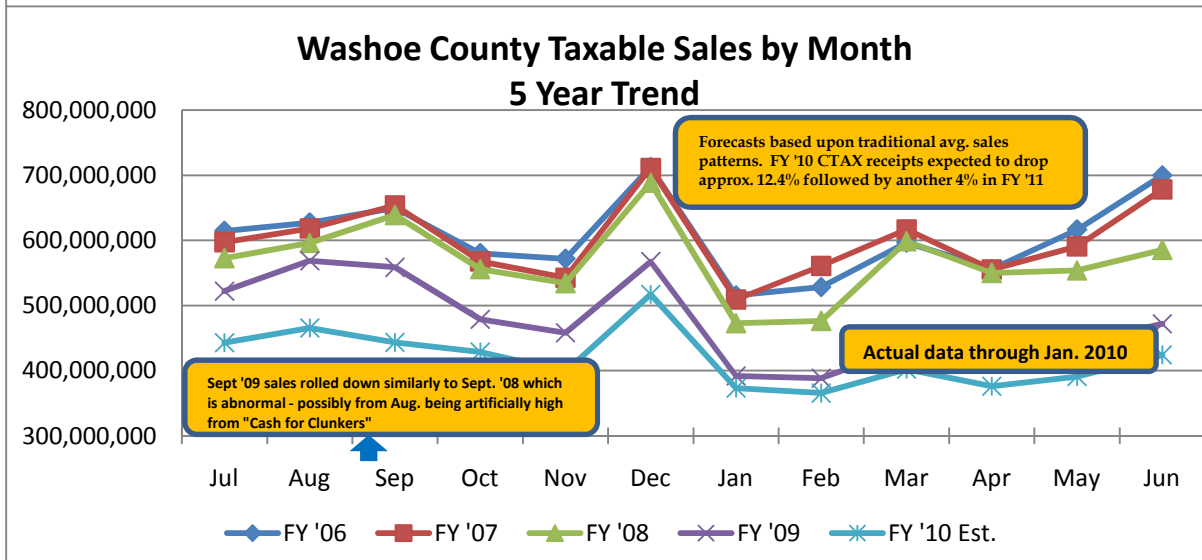
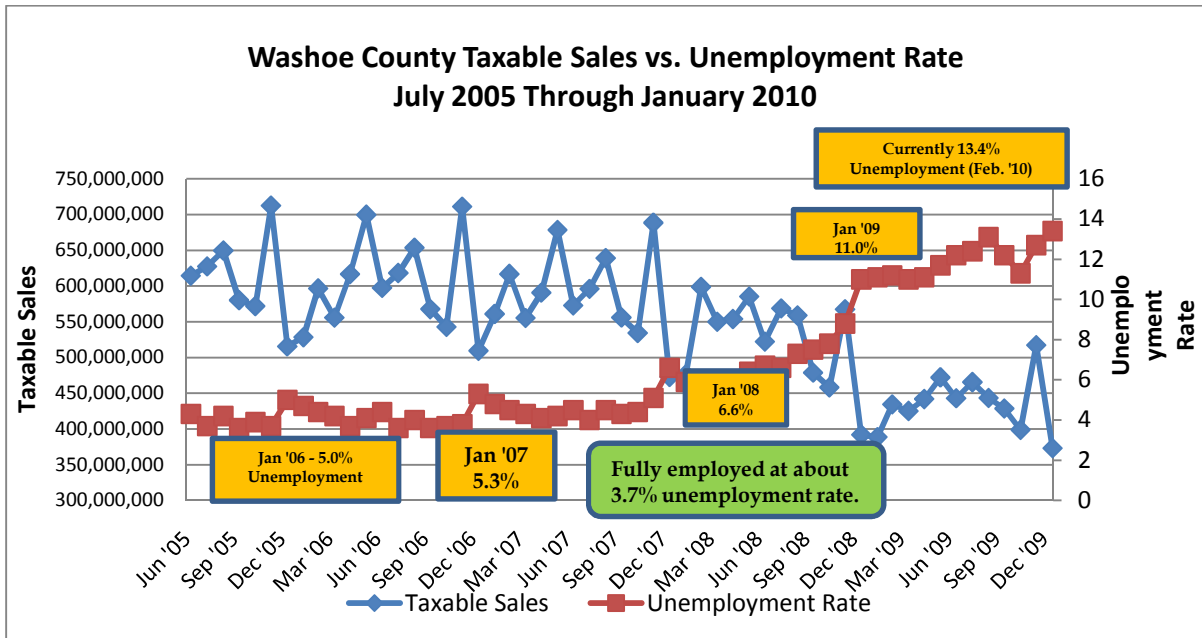
- To maintain an ending fund balance equal to 8.3% of departmental expenditures (NAC 354.660)
  - Temporarily changed by Council to be 5% of dept. exp’s in response to fiscal crisis
- Establish a budget for contingencies in an amount not to exceed 3% of expenditures exclusive of transfers (NRS 354.608)
  - Approx. 1% planned for FY ‘11
- To maintain a Stabilization Fund balance not to exceed 10% of General Fund expenditures (NRS 354.6115)
  - Stabilization Fund was nearly completely emptied in 2009 (a balance of approx. \$29k currently exists)

#### Base Revenues

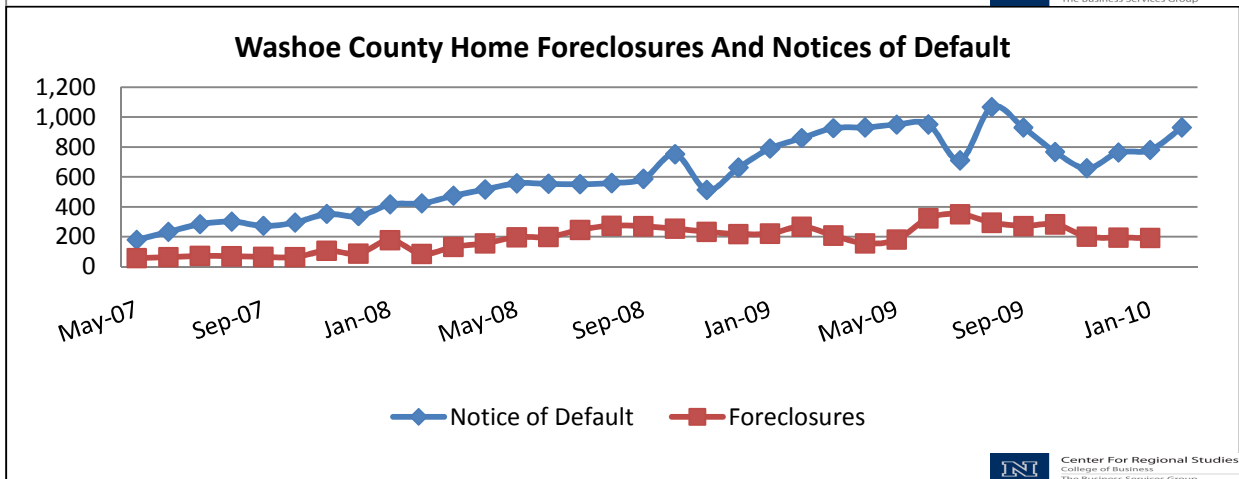
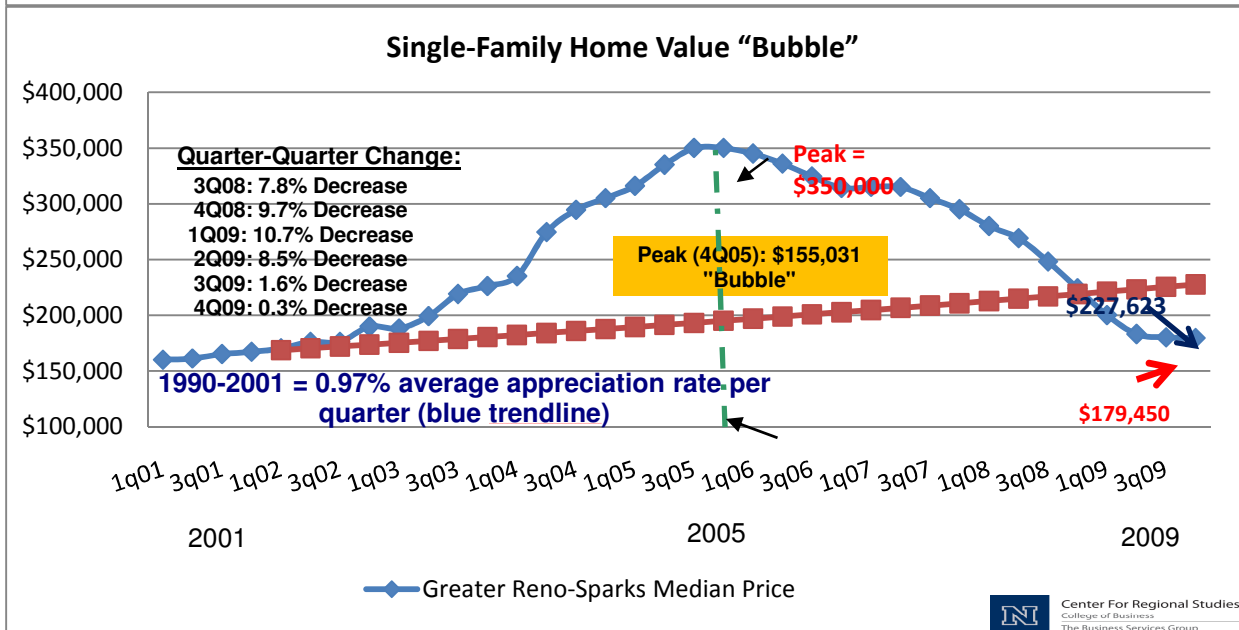
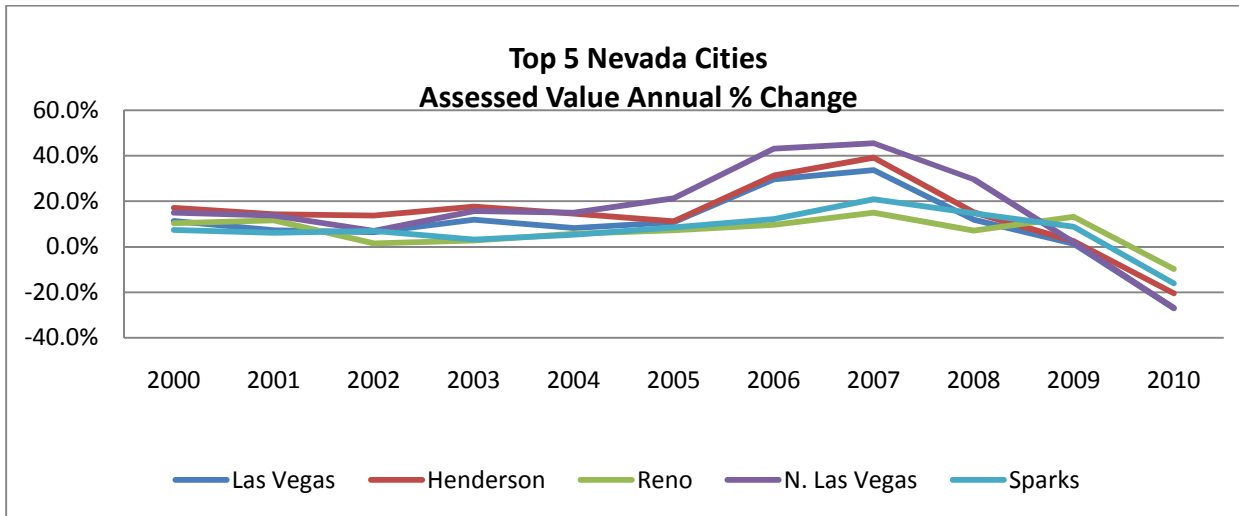
- Revenues from Property Taxes, Consolidated & Fair Share Taxes, and Licenses & Permits made up 86.2% of total General Fund Revenue for FY ‘09
- Property Taxes
  - Expected to decline by 7.3% in FY ‘10 and by another 6.8% in FY ‘11
- Consolidated & Fair Share Taxes
  - Expected to decline 12.4% in FY ‘10 and by another 4.0% in FY ‘11
- Licenses & Permits
  - Expected to decline 10.5% in FY ‘10 and by another 4.0% in FY ‘11



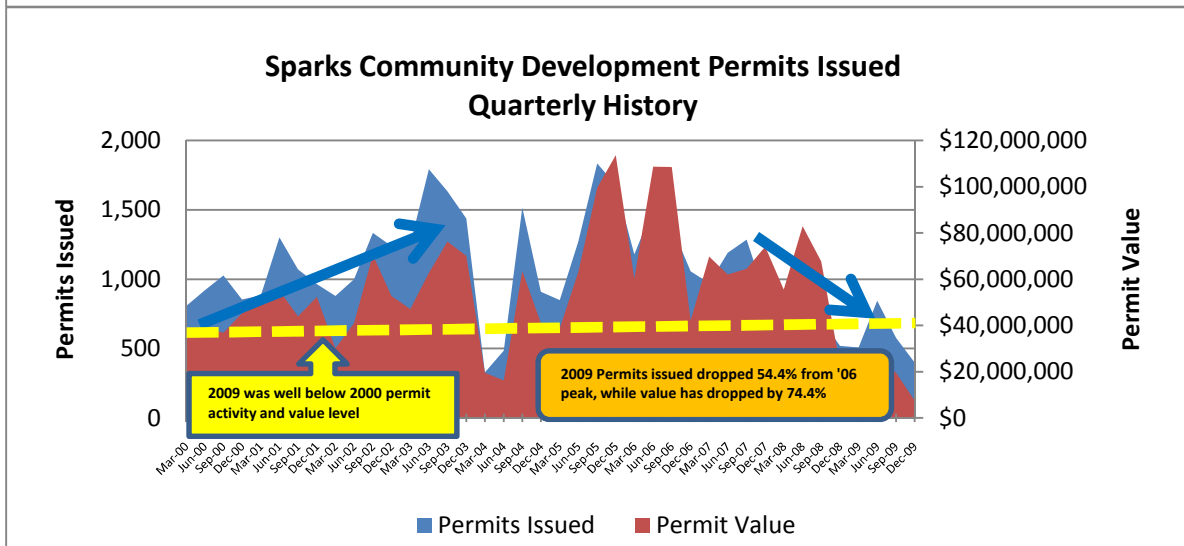
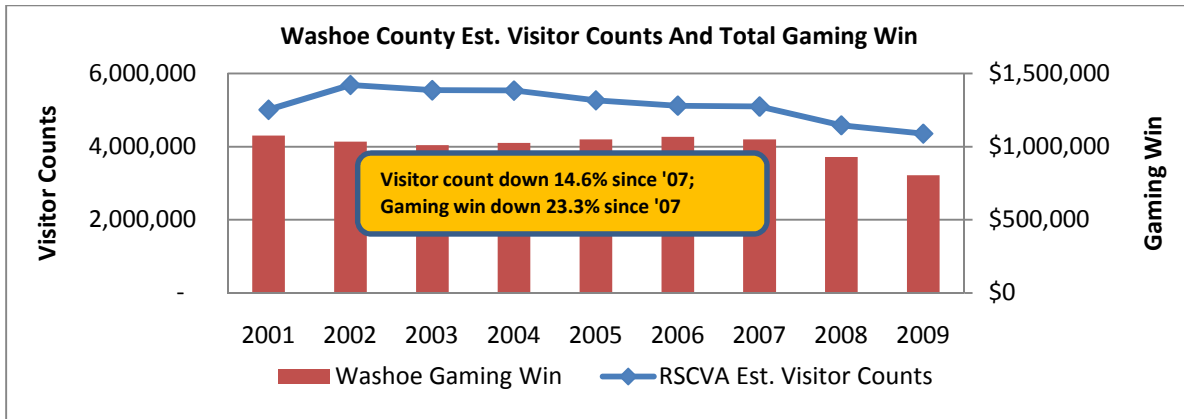
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# Minutes for the City Council Budget Retreat of April 26, 2010

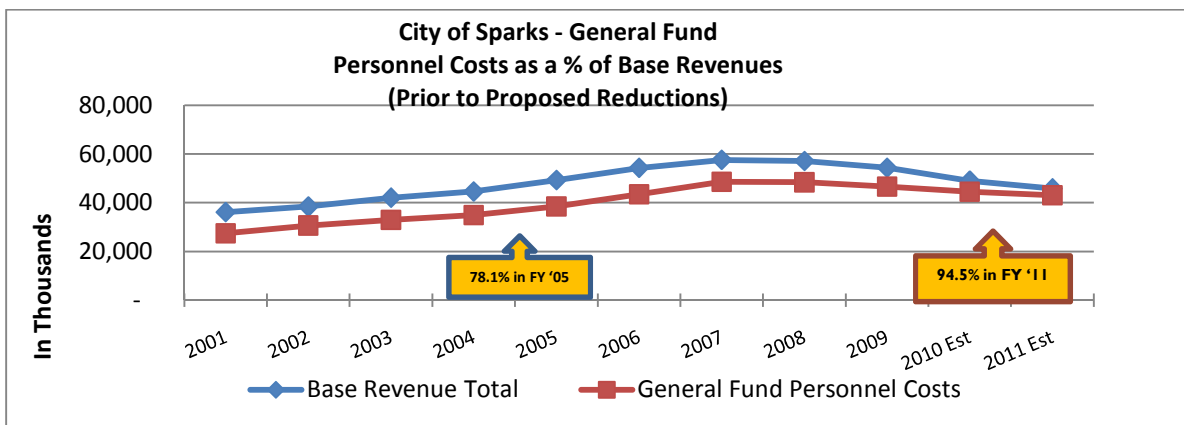


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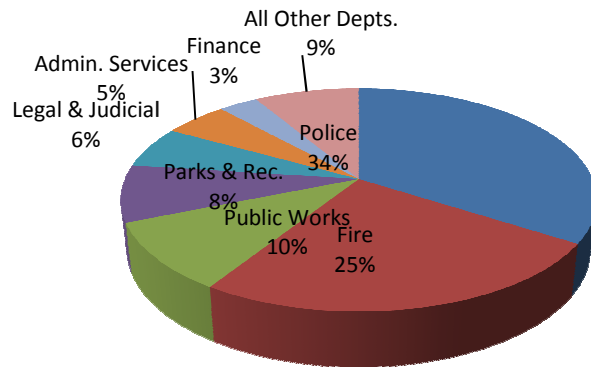
### Department Expenditures

- Before reductions, FY 2011 personnel costs are expected to equal about 94.5% of Base Revenues (compared to 78.1% in FY 2005)
- Changes from FY 2005 to FY 2009:
  - Total Salaries, Wages, & Benefits (SWB's) have increased 20.8%
  - Total Salaries & Wages have increased 24.1% (Base Pay by 26.1%)
  - Benefits have increased 14.6% (Retirement by 41.4%)
  - Services & Supplies have increased 22.9%



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### General Fund Department Expenses FY 2009

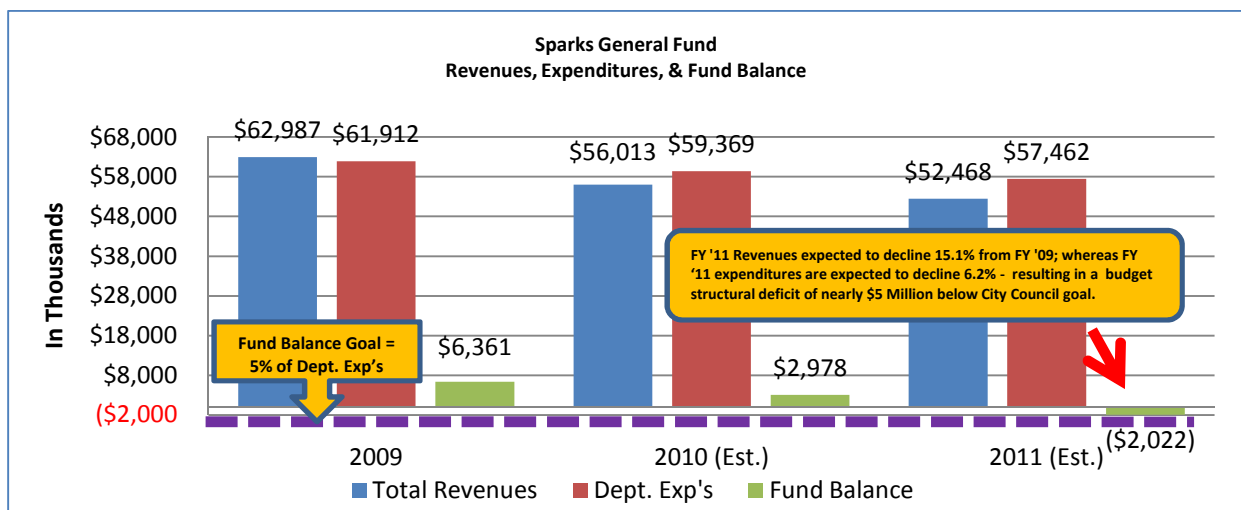


#### Previous Actions

- Since 2007, over 200 positions have been eliminated through VSP programs, freezing positions, layoffs, and retirements – approx. 29% of positions have been removed
- Measured use of non-restricted Fund Balance reserves including nearly emptying the Stabilization Fund (only approx. \$29k remains)
- Wage & benefit concessions in both FY 2009 and FY 2010
  - Approx. 4.25% from most bargaining groups in FY 2010

#### Risks Continue

- Real and commercial property values continue to slide
- February 2010 unemployment rate stands at 13.4% for the Reno/Sparks area
- Consolidated tax revenues are extremely volatile and also continue to decline
  - January 2010 represented the 34th consecutive month of year-over-year declines (there were 23 consecutive months of double-digit declines through November 2009)
- Yet, there are signs (including unemployment, taxable sales, gaming revenue, and housing sales) that indicate that this historic economic downturn is starting to stabilize – an important first step

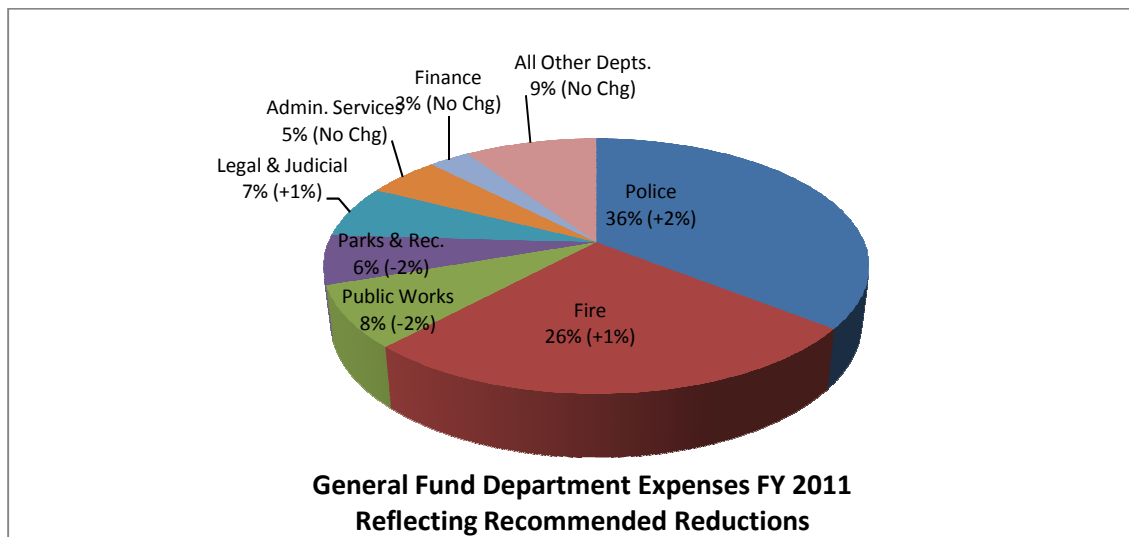


#### City Manager Recommendations to Eliminate \$4.994 Million Deficit

- \$536K in wage and benefit reductions (includes Council one-year reductions and the equivalent of 7.5% wage reductions for City Management and Confidential employees in both FY '11 & FY '12)
- \$3.524M in departmental reductions including the City's workforce by 40 General Funded positions (additional workforce reduction of 16 positions would be required in Non-General Fund positions)

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- \$372K reduction of the Development Services Fund Subsidy
- \$397K reduction of the Parks & Recreation Subsidy
- Funding a net increase of \$261K for new needs
- Draw down the Fund Balance by \$350K, and transfer \$76K from the City's Internal Service Funds
- These actions include reducing the City workforce by 40 General Fund positions and another 16 positions from other Funds
  - Includes a total of 48 layoffs, 2 frozen positions, and 6 Police Officer positions removed from the General Fund and funded by the COPS grant
  - The City Manager is seeking authority to proceed with these recommended layoffs with immediate effect
  - The City Manager is also seeking authority to continue discussions with employee groups with the goal of seeking wage and benefit reductions which could either limit the number of necessary layoffs or possibly re-hire those that were laid off - depending upon when discussions conclude



### Other Budget Considerations

- Employee focus group action items
- Identifying and funding critical capital spending
- Adjustments to remaining workforce resulting from recent and possibly future layoffs and VSP programs
- Proposed recommendation of funding the Regional Community Resources Center (\$100k for FY '11) with equivalent of ½ cent from property tax rate
- Funding to implementing Phase II of Financial Software to integrate HR/PR modules (\$40k in FY '11 & \$210K in FY'12)
- Funding Facilities Maintenance needs resulting from loss of property tax capital funding (\$100k annually) with equivalent of ½ cent of property tax rate
- Technology refresh funding needs (\$200k annually)
- Creation of a policy with the goal of keeping personnel costs between 75%-80% of base revenue (FY '11 is projected to equal approx. 85.8% of base revenue after budget reductions are implemented)
- Stabilization and/or re-integration of the Development Services Enterprise Fund and other Special Revenue Funds
- Seeking long-term solutions to achieve fiscal policies and maintain adequate Fund Balances
- Sustaining core City services if revenues continue to decline

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Council Member Schmitt noted that the projected revenue numbers are provided to the City by the County and State and they have not been conservative enough in the past.

City Manager Carey stated his memorandum outlines his recommendations and staff is asking for direction from Council so that they can create the final budget document accordingly. Staff will ask the Council to approve the final budget document (to be sent to the State) at a meeting on May 18<sup>th</sup>. He stated this has been a difficult year for the City of Sparks and we have to balance our long-term spending against projected revenues. The budget being presented today meets that goal. It is unfortunate we must make reductions in staff, but we do not have the ability to avoid layoffs if we are not able to reach the 7.5% permanent concessions. It is extremely difficult to recommend cuts in public safety, but we do not have the capacity to make further cuts in non-public safety departments. He noted that public safety is in excess of 60% of our budget and we have already cut all other departments.

Mr. Carey stated this cut will affect services; we are forced to lay off employees who provide services to our citizens; however these cuts are necessary and that is why they are being recommended. He recommended that we continue to work with all the bargaining unions to try and find a way to reduce the number of lay-offs; however, we have a budget deadline that is fast approaching and the recommended budget provides the needed financial stability. He stated it is his hope that the scheduled lay-offs can be avoided by achieving the needed structural pay changes.

Council Member Schmitt said that in January the Council gave clear direction to staff to come up with 7.5% in permanent salary reductions in all departments of the City. He commended the bargaining units and management personnel who have already agreed to a 7.5% pay reduction each year for the next two years. He stated he would like to see all the permanent reductions accepted and if a particular department is short on their 7.5% salary reduction goal, that they continue to work to make permanent salary cuts and if they are unable to do so, that the City Manager be authorized to make lay-offs for those departments to achieve the 7.5% salary reduction goal.

Mayor Martini asked if this was a motion. Mr. Schmitt responded that he would make this a motion. Council Member Smith asked Mr. Schmitt to re-state his motion.

Council Member Schmitt moved to accept all permanent reductions that have been put in front of the City Council and accept the 5.4% permanent cuts from the Police Department be accepted, with the plan to go back and find the additional 2.1% through layoffs and authorize the City Manager to do layoffs as needed. For departments that have not come up with permanent cuts, to authorize the City Manager to make layoffs in those departments to balance their budgets to equal 7.5% in reductions. Mayor Martini asked if there was a second.

Council Member Smith asked for clarification of the motion, stating he does not want to layoff any police officers and at the most two police assistants. He said he would second the motion if Mr. Schmitt would amend his motion to indicate no lay-offs of police officers. Council Member Schmitt stated that he doesn't want to tell the City Manager who to layoff. Mayor Martini again asked for a second to Mr. Schmitt's motion. There was no second.



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Council Member Smith then made a motion to accept the permanent reductions that were reached and to authorize the City Manager to continue discussions with all bargaining units, but continue with the layoffs, with the exception of police and police assistants (with layoffs of no more than two (2) police assistants). Council Member Carrigan seconded this motion for purposes of discussion, stating that the Council needed to be clearer in their direction.

Mr. Carrigan noted the City Manager's Alternative Recommendation is to not layoff any police officers other than the six that will be rehired under the COPS grant. Mr. Smith clarified that he does not want to layoff any police officers and only two (2) police assistants. Mr. Carrigan noted that if the unions come back with permanent reductions prior to May 18th, the City Manager is authorized to make adjustments to the layoffs. Mr. Carrigan stated that with these clarifications, he would second Mr. Smith's motion.

Council Member Ratti stated that her understanding of the motion is that in accordance with the alternate budget recommendations, we are going to acknowledge the police unions' offers of permanent reductions by not laying off the six police officers, as originally recommended, with an additional recommendation to only lay off two police assistants. She said her concern with this is that the permanent concessions only provided enough of a reduction to not lay off six police officers and when not laying off six of the eight police assistants is added to the mix, this means that six employees from other departments in the city would have to be laid off to make the numbers work. She asked for discussion on which departments would experience additional layoffs to make up for not laying off six police assistants. Council Member Carrigan pointed out that the alternate service impacts were discussed in the budget document.

Mr. Carey noted that the additional layoffs are listed in that budget recommendation as a purchasing tech, a parks & recreation specialist, a park maintenance worker, and a public works facility maintenance worker. These positions amount to approximately the amount needed to retain the six police assistants. He also noted as a caveat, that the Police Chief is very concerned about the layoff of the Evidence Technician and asked for latitude to include this position in the mix to allow the best coverage for service levels at the police department.

Councilman Carrigan noted that Ms. Ratti also had concern about the recreation specialist position, with the latitude for the City Manager to make another cut to retain this position. This additional amendment was accepted by Councilman Smith (who made the motion) and Councilman Carrigan (who seconded the motion).

Council Member Schmitt summarized the discussion, stating that as he understood it, instead of laying off six police assistants, we were going to lay off one full-time maintenance worker, one full-time purchasing agent, one full-time recreational facility worker, one full-time parks maintenance worker II, as well as one unknown at this time position. Mr. Schmitt received confirmation that his understanding was correct and he then stated he was going to vote no on the motion because he felt that this was a departure from the direction given to the City Manager in January. He said he wanted to get away from picking one department over another.

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Council Member Carrigan stated this is a tough position for the Council to be in and he urged the bargaining units to come back by May 18<sup>th</sup> with a 7.5% permanent pay reductions so there would not have to be lay-offs. He said that public safety is a priority with this Council, but at this point there is no option. He said he knows that this is a lot of money, but he has to pay bills too and he has a hard time understanding why it is so hard to give up 7.5% so that someone else can keep working.

Council Member Ratti agreed that this was a very difficult position and she believed that we needed every single employee just to maintain even the most basic levels of service right now. However, she felt that the City has been backed into a corner, because there really was no other option other than a 7.5% permanent wage reduction over a two year period. She urged all the bargaining units to continue negotiations. She recognized the police department for coming up with 5.5% in permanent wage concessions in order to save six police officer positions, but she could not support the motion to keep six police assistants and instead spread those six lay-offs to other departments in the City.

The Council asked to be notified of any further concessions made by the bargaining units. City Manager Carey said that the Council will be notified of any changes in the bargaining groups; however, we need to move forward with the lay-offs because the City needs to use its financial capacity to carry out the costs associated with lay-offs so that we can start the next fiscal year. He assured the Council that any employees that would be laid off as a result of the motion can be quickly restored if the permanent concessions are made.

### **Final Motion:**

*Motion by Council Member Smith, seconded by Council Member Carrigan to accept the permanent reductions that were reached and to authorize the City Manager to continue discussions with all bargaining units, but continue with the layoffs, with the exception of police and police assistants (with layoffs of no more than two (2) police assistants). However, if the unions come back with permanent reductions prior to May 18th, the City Manager is authorized to make adjustments to the layoffs. The additional layoffs if the police officers and six police assistants are not laid off are listed in the alternate budget recommendation as a purchasing tech, one parks and recreation specialist, a park maintenance worker and a public works facility maintenance worker. The City Manager is authorized to work with the Police Chief regarding the layoff of the Property/Evidence Technician versus laying off a Police Assistant instead in order to allow for optimum service levels at the Police Department. The City Manager also has discretion with regard to making an alternate lay-off instead of the recreation specialist position. Council Members Smith, Salerno, Carrigan, YES. Council Members Ratti, Schmitt, NO. Motion Carried.*

#### **4. Consideration and possible direction of Sparks Redevelopment Agency Tentative Budget recommendations for FY 2010-11 (Time: 2:49:09 p.m.)**

Finance Director Jeff Cronk provided an overview of the Redevelopment Agency tentative budget recommendations as follows:

City of Sparks - Redevelopment Agency - Fiscal Year 2011 Budget Workshop - April 26, 2010  
Redevelopment Area #1

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- Area #1 FY '11 Revenues & Fund Balance
  - Property Taxes expected to decline by 3.9% from FY '10
  - Motor Vehicle Privilege Taxes set by statute at \$177,572 annually – no change expected
  - Other Revenue includes property rentals, façade loan collections, and interest revenue; expected to remain flat in FY '11
  - FY '11 Unreserved Ending Fund Balance is expected to equal approximately \$2.0M
- Area #1 FY '11 Expenditures
  - Common Service Charges decreasing by 39.7% – to \$350,958 – from FY '10
  - Inter-fund Services Provided decreasing by 11.3% – to \$160,000 – from FY '10
  - Special Events Revenue net of expenditures decreasing by 7.2% – to \$195,320 – from FY '10
- Area #1 FY '11 Debt Service
  - FY '11 debt service is \$2,290,000 for 2000 debt issuance, which matures in 2023
    - This includes estimated savings of approximately \$275k from refunding these bonds which will be brought before the Agency during today's meeting
  - Transfers-Out of \$311,448 for FY '11 are the Agency's portion of debt service for \$13,635,000 in bonds issued by the City in 2007
- Area #1 Debt Obligations

	<b>2010 Tax Increment Refunding Bonds *</b>
Original Issue Amount	\$21,640,000
Issue Date	05/11/2010
Maturity Date	1/15/2023
Interest Rate	3.0 – 5.0%
FY '11 Debt Service	\$2,290,000
6/30/2011 Expected Principal Balance	\$20,050,000

\* Preliminary numbers subject to change based upon final pricing

- Area #1 Unreserved Ending Fund Balance
  - FY '10 - \$1,701,443
  - FY '11 - \$2,008,639\*
    - Any FY '11 discretionary projects would be funded from this amount
- Area #1 Potential FY '11 Projects

<b>Potential Project</b>	<b>FY '11 Estimated Cost</b>
C & 10 <sup>th</sup> parking garage repairs	\$350,000
Continuation of ped/bike Vic Sq to Marina Route (striping)	\$20,000
Parking program study	\$75,000
Century Theaters X/D auditorium	\$95,000
Code enforcement officer	\$83,000
Retail and/or housing developer incentives	
Total (without developer incentives)	\$623,000

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City Planner Armando Ornelas stated there is a potential ending fund balance for Area #1 of just over \$2 million. There are a number of projects that need to be done and staff is recommending that the Agency conduct a workshop to focus on what the Agency wants to accomplish in Redevelopment Area #1 for the remainder of this redevelopment district.

Council Member Schmitt asked if any of the potential projects were built into this budget. Mr. Ornelas stated no, they were not. He clarified that the projects that were built into the current year budget have been accounted for and are not reflected in the projected FY 2011 ending fund balance. Mr. Schmitt asked about the Century Theaters X/D auditorium project on the list of potential projects. Mr. Ornelas stated that this is simply a request that has been made and it would be brought forward for consideration by the Agency, but it is not budgeted or approved at this time. He emphasized that having the project on a list of potential projects in no way obligates the Agency to carry through or approve the request for funding.

City Manager Carey stated staff is not seeking approval of these projects today. With only 13 years left remaining in this district, what is important is that the Agency set goals regarding how they want to use the remaining capital capacity to achieve those goals. He stated it is important that the revenues be budgeted in order to carry out the Agency's goals.

Council Member Carrigan said he felt that any potential projects should not be discussed until there is an opportunity to discuss them in a workshop.

Council Member Salerno asked how much money was still outstanding on the façade loans that were made quite a few years ago. Mr. Cronk said he did not have those figures, but he could find out and get back to Mr. Salerno and the Agency Board with those numbers.

Council Member Ratti emphasized that the list was simply a "heads up" regarding anything that has been discussed in the past year and anything that staff has been asked to look at, so that the other Agency Members had an idea of what was there and they were not intended to be approved as part of the budget.

Mayor Martini asked if any Redevelopment Agency funding was associated with the lay-offs that the City Council just approved. Mr. Cronk stated no, they did not, and whether the Agency authorized the projects or not, it would not affect the need for lay-offs.

The presentation for Redevelopment Area 2 then continued as follows:

### Redevelopment Area #2

- Area #2 Revenues & Fund Balance
  - New development within Area #2 sufficiently offset valuation declines so FY '11 Property Taxes will be relatively flat compared to FY '10
  - No bond issuances expected in FY '11
  - Fund balance expected to decrease by approximately \$945k or 34.2%
- Area #2 Expenditures
  - FY '11 Debt Service expected to increase by approximately \$815K from FY '10
  - FY '11 Common Service Charges expected to decrease 32.6% – to \$294,569 – from FY '10
  - Transfers-Out of \$1,069,544 are the Agency's portion of debt service for bonds issued by City in 2007

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- Area #2 Debt Obligations

	<b>2008 Tax Increment Bonds</b>	<b>2009 Tax Increment Bonds</b>
Original Issue Amount	\$12,700,000	\$7,230,000
Issue Date	7/30/2008	11/24/2009
Maturity Date	6/01/2028	6/01/2029
Interest Rates	6.4% - 6.7%	5.0% - 7.75%
FY '10 Debt Service	\$835,060	\$270,079
FY '11 Debt Service	\$1,230,060	\$689,938
6/30/11 Expected Principal Balance	\$12,305,000	\$7,060,000

- Area #2 Unreserved Ending Fund Balance
  - FY '10 - \$2,764,157
  - FY '11 - \$1,819,154\*
    - Any FY '11 discretionary projects would be funded from this amount
- Area #2 Potential FY '11 Projects

<b>Potential Project</b>	<b>FY '11 Estimated Cost</b>
Code enforcement officer	\$83,000
Oddie Boulevard development strategy	
Oddie Boulevard area infrastructure improvements	
Southwest Industrial (aka Conductor Heights) area infrastructure improvements	
Developer incentives	

***Motion by Council Member Ratti, seconded by Council Member Smith, to accept the budgets for Redevelopment Areas 1 and 2 as presented. Council Members Ratti, Salerno, Smith, Carrigan, YES. Council Member Schmitt, NO. Motion Carried.***

**5. Discussion of city council meetings, communications and opportunities to work together (Time: 3:05:30 p.m.)**

None.

**6. Comments:**

**6.1 \*From the Council and City Manager (Time: 3:05:55 p.m.)**

None.

**7. \*Adjournment (Time: 3:06:03 p.m.)**

There being no further business, the meeting was adjourned at 3:06 p.m.

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Mayor

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City Clerk

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