



# Mesquite City Council

## Special Meeting

### Mesquite City Hall

### 10 E. Mesquite Blvd.

### Tuesday, May 17, 2016 - 3:00 PM

Minutes of a scheduled Special Tentative Budget Meeting of the City Council held on Thursday, May 17, 2016, at 3:00 P.M. at City Hall. In attendance were Mayor Allan S. Litman, Council members W. Geno Withelder, George Rapson, Kraig Hafen, Rich Green and Cynthia "Cindi" Delaney. Also, in attendance were; City Manager Andy Barton, Finance Director David Empey, Assistant Finance Director Dodie Melendez, City Liaison Aaron Baker, Public Works Director Bill Tanner, Fire Chief Kash Christopher, City Attorney Robert Sweetin, City Clerk Tracy Beck, other city staff and approximately 5 citizens.

Mayor Litman called the meeting to order at 3:00 P.M. (NOTE: This meeting has been tape-recorded and will remain on file in the office of the City Clerk for four years for public examination.)

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Below is an agenda of all items scheduled to be considered. Unless otherwise stated, items may be taken out of the order presented on the agenda at the discretion of the Mayor and Council.  
Public comment is limited to three minutes per person and may only address items that are not on the meeting's agenda.

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## **Public Comments**

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*During the Public Comment portion of the agenda comments must be limited to matters within the authority and jurisdiction of the City Council. Items raised under this portion of the Agenda cannot be deliberated or acted upon until the notice provisions of the Nevada Open Meeting Law have been met. If you wish to speak to the City Council at this time, please step up to the podium and clearly state your name. Comments are limited to 3 minutes in length.*

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### 1. Public Comments

[3:01 PM] Minutes:

Mayor Litman opened up the meeting to Public Comment. There were none.

## **Administrative Items**

2. Summary of the discussions and amendments to the May 11 and 12, 2016 Budget Work Sessions on the FY 2016-2017 Tentative Budget.
  - Public Hearing
  - Discussion and Possible Action

[3:01 PM] Minutes:

Mayor Litman read this item by its title and opened up this item to Public Hearing. There were no comments.

[3:01 PM] Minutes:

Mayor Litman closed the Public Hearing.

[3:02 PM] Minutes:

Mr. Empey: Before you, you have a page of adjustments that were made to the Tentative Budget. It's a two-sided page. On the front page are the changes that were discussed last Wednesday on the 11<sup>th</sup> of May, and on the following page you have the adjustments to the Tentative Budget that were discussed on Thursday, May 12<sup>th</sup>. The net change to the General Fund Budget was on the 11<sup>th</sup>, there was decrease in expenses of \$37,000 and an increase in revenue estimates of \$187,000, so net positive change of \$224,248. Then on May 12<sup>th</sup>, there was an increase of expenses of \$57,000 and a decrease of \$20,000, for a net change as was discussed last Thursday of \$37,000, a net minus to the General Fund. The \$37,000 from the 12<sup>th</sup> of May against the net increase to the General Fund balance, if you will, \$224,000, I can't do the math very well in my head, but it's a net positive to the General Fund of those actions that were taken to make changes to the budget.

Then I might point out for those that are here in the audience, we have additional copies of this tentative budget. You will notice that it has a date showing on here as of the 17<sup>th</sup> of May. What we wanted to do is provide you with this Tentative Budget at this Public Hearing and leave it in your good care, and then come back on next Tuesday night at the regularly scheduled Council meeting and recommend adoption of the budget as it is now or if there are changes to be made at that point and time, they can also be discussed and reflected in a modified, tentative budget for Council adoption.

[3:04 PM] Minutes:

Council member Rapson: For those of us who are not good at math, I got my abacus out and I came up with \$187,000 favorable change in our ending deficit. Does that sound about right?

[3:05 PM] Minutes:

Mr. Empey: That sounds pretty darn close, Council member. Let me find a page number that I can draw your attention to that will specifically answer that question. It is found on page 18. You will notice down the left-hand side, the very last line that is printed Revenues Over/Under Expenditures-Budget Gap. You will see on the last 3 columns. You will see where we started. The Original Budget Gap of \$2.7 million. Then the Tentative Budget Gap which was the gap that we were talking about last Wednesday/Thursday \$239,000. At this point, after those two days of work sessions, the gap is now \$21,000.

[3:06 PM] Minutes:

Council member Rapson: Thank you. That is very clear. This does not reflect any potential savings in the insurance negotiations.

Mr. Empey: No, it does not.

Council member Rapson: Which we just spent all day talking about. We could actually have a positive.

[3:06 PM] Minutes:

Mr. Empey: That is possible.

[3:06 PM] Minutes:

Council member Green: On the changes that were made on Thursday, I understand the decrease in expense from moving the \$20,000 Sick Leave Vacation Buyout to the Fund, but that is exactly offset by an increase in the City Clerk Travel and Training. Can you explain that to us?

[3:06 PM] Minutes:

Ms. Melendez: That's not City Clerk Travel and Training. Sorry, that's Fund 97, the Vacation Sick Accrual. That's how it's printed now.

[3:07 PM] Minutes:

Council member Green: So that \$20,000 comes through as a favorable change. Has that been properly booked, because it is titled General Fund City Clerk, and when you run the numbers -

[3:07 PM] Minutes:

Mr. Empey: I think that description is incorrect. I think if you look at Fund 97.

[3:07 PM] Minutes:

Council member Green: I totally understand that. Just throw it against the Vacation Fund, but to get to the \$21,000 that we are looking at negative now, was that --

[3:07 PM] Minutes:

Mr. Empey: That is incorrectly included in the impact on the General Fund.

[3:07 PM] Minutes:

Council member Green: Right. So if that is incorrectly included, now you are telling us that we are \$1000.

Mr. Empey: I'd have to look at the math, but I think that \$21,000 is the key figure.

[3:08 PM] Minutes:

Council member Rapson: I think that at the end of the day, the \$21,119 includes that adjustment and not the offset.

Council member Green: That's what I think.

Council member Rapson: So the math didn't work with \$187,000 benefit, it works with a \$207,000.

[3:08 PM] Minutes:

Council member Green: So basically we are looking at a Balanced Budget subject to the impact on any change in the Insurance Premium.

[3:08 PM] Minutes:

Council member Rapson: I believe we beat up Fire last time, and we approved the budgeted item. It is my understanding that the Chief would like to make a presentation with respect to his budget request. I don't know when it is appropriate to hear that, but I would love to hear it, and I applaud him for doing it like the rest of the department heads that report to us to justify it. Thank you.

[3:08 PM] Minutes:

Chief Christopher: That is news to me.

Council member Rapson: If it is news to you, I am sorry. I was under the impression.

Chief Christopher: No, well, I think – let me rephrase that. Andy did say something.

Council member Rapson: We can do it next meeting, too, if you would like.

Chief Christopher: No, I will do it off the top of my head. I've got 2 or 3 pages back in my office.

[3:09 PM] Minutes:

Council member Rapson: Seriously, this is a big issue. I just want you to be comfortable doing what you are doing.

[3:10 PM] Minutes:

Chief Christopher: It's just top of my head. If it is satisfactory, let me know. When I got here in 2014, before I came here, we had the Riley Report. That was a big report regarding what was the state of the Fire Department, what it was before I came here, and what was raising alarms with Mayor and Council. Within 6 months, I took the issues that were in the Riley Report, which was the standardized training, these guys working off the same sheet of music, a lack of a safety program, which we do have now. We also have standardized training throughout the department, meaning if one shift trains this way, this shift trains the same way, and that shift trains the exact same way. The reason we had this is pretty simple. It does standardize. It gives us 120 hours of training that they are required to do every year, and we ensure that we are all working on the same sheet of music. My big issue is this. If you are working in a Fire Department and you have got three different shifts doing three different things, and they work overtime, and they are working with another shift that does something totally different, that's just unacceptable. So that was the first thing. Same sheet of music when it comes to training. Standardized training through the State of Nevada's Fire Marshall's Office. Like I said I am winging this.

The second thing we took care of was the Safety Program. We did not have any Safety Programs whatsoever at Mesquite Fire and Rescue. So I implemented 16 work instructions that would actually cover all the topics that you are supposed to have in accordance with OSHA. OSHA will tell you the type of uniforms you're supposed to wear, what you do on the job, having a safety officer, an Infectious Control Disease Officer on what they are supposed to do in case you do have something, health, wellness, smoke cessation. Those are just to name a few. We had nothing there. Nothing that was written. So I made sure we had that as well.

Hazmat Safety Officer, if we do something that is out there that is unsafe, we address the issue right there. We talk about it. We brief it out. Also with the Safety Program, we did put in a Safety Committee. What happens there is the Safety Committee gets together at least every 6 months to go over the Safety Issues. It is a departmental thing that they are supposed to do in order for them to report it back to me and say, hey, Chief, here is the issue we are having. Our protective equipment is not being cleaned up. This is another issue we had with gloves, extrication gloves. They let me know about it, and then as the Chief, I will handle it, because once again, it's not going to do us any good if we are not taking a safe attitude on the fire grounds. So that was another one.

We standardized safety. We standardized training. Communication within the department as well. Another issue that they had within the Riley Report was the

three shifts were not talking to the Fire Chief and vice versa, the Fire Chief was not talking to them. I don't know if it happened before. It may not have. I don't know. I just read the report. So that is not a jab at any Fire Chief that was in the position before me. Okay. So what I did was in my first couple of months, I met with them on a weekly basis so they could understand, hey, this is where I come from. This is how I am doing the job. If my door is open, I do have an open door policy. However, if you are coming in to complain to me about anything that is going on, the first thing I am going to ask you is did you use your chain of command. I also sat down with every firefighter individually and made sure they understood that from top to bottom.

Other programs that we put in place, Swift Water Rescue. We are just going to get the equipment, but after that we have a Swift Water Rescue Team. We are going to go ahead and partner up with Bunkerville and Scenic and Beaver Dam, because if something happens on that Virgin River, we need to have something in place to ensure that we can do the best job we can to get somebody out of there, because from what I was told and from what people briefed me out, we have had 5 deaths in the past 10 years. One that was so bad that we actually had to upgrade the communication, which Chief Tanner took care of with PD, which we worked in conjunction with him as well to make sure that happened.

Also we are looking at a Hazmat team that is going to be regional. We are going to start working the issues. I sent two guys up to the Hazmat conference in Baltimore. It's a grant that has been supplied by Clark County, and what they are going to do is make sure that when we get this in place, it will be a Type 3 team, so when we do have something here in Mesquite or in Overton or in Moapa, or if we have it over here in Beaver Dam and Scenic, that we have a regional response to it instead of us calling back and making sure that Las Vegas Fire and Rescue, which may or may not respond, will come out here. Those are some other things. Also the EMS, the Cost Recovery, I looked at jobs that we were actually doing that we were not getting credit for, so we put in Critical Care. Did we send the paperwork up this week?

Deputy Chief Resnick: Yes, it's approved.

Chief Christopher: It is approved. Congratulations. We are now Critical Care Certified. I have two people that are going to go test. I have two that passed, two that are going to go test. We are the only Fire Department in Clark County that is Critical Care Certified. Once again, first of all, the main reason we do anything in that Fire Department is to ensure that the residents of Mesquite get the best care that they can. And that's what we do. 88% of our call volume is EMS related. So that is now in place. That's year one.

Shall I continue? Year #2, pretty much focused on Emergency Management. Now, the previous way of doing things was called, from what I was told, EOC in a box, meaning we can take the stuff out, we can throw it anywhere we want,

and we can get it started. Granted, that is nice in theory; however, that is not how you do business, especially when you have an area that is right behind here that is perfect. In there we have the Emergency Operation Center. We have a policy council. We have this area right here that we can utilize. When we get an emergency, we can utilize every part of this. The only problem that we are having and could be an issue, is that if we do get something catastrophic, 1) I don't know if anybody is going to be here, because we are going to go home and take care of business, but 2) If we do get something, I was joking about that, we will be there, of course we will. The second part though is if we have something that happens, we are really short on manpower. So I might, and I am looking at Dodie, Dodie might have four different emergency support functions if Dave is not here. The problems we also have is if we do get something that is fire related, me and Rick will probably be out on scene, either jacking hose or doing something with the scene. We do have other procedures in place with Beaver Dam and Bunkerville to help us out.

However, we have taken steps this past year to make sure that this City is a little more prepared to take care if anything happens, to include an emergency operation that we had back in February with our friends at the Casa. We utilized their tent. We had a band. There was an issue that was there. It was one that caught everybody off guard, which was somebody gave out bad Ecstasy and we had a mass casualty. We are probably going to have another one. No, not probably. We are going to have another one. It's probably going to be in October. This City is constantly going to be growing towards that to where we can actually come on scene and get ready to go. Or if we come in here, everybody has their job and ready to go.

Now, I have got the Emergency Operation Plan that is just about done. I trimmed it from 480 pages down to 78. Why? Because I had the State come in, and it was Bill Elliot from the State, come in and look at our program, so he can have an idea when he goes back to Carson City to tell them what is going on. So he came down here. I sent the email to Andy. Andy said this is a great operation. I said, yeah, not bad for a rural, and he said, who said anything was a bad operation for rural? It is a good operation. He did give us a glowing review. He suggested a few things, but he said you guys are well on your way. Even when I went to the Emergency Operation Workshop in Carson City, they asked some of the bigger cities – one of the smaller cities up there, some other towns asked Arlene, one of them down there in Las Vegas, hey, can you help us out with our Emergency Operation Center. She pointed right at us. Go see him. You should see his. He's got a great operation. It will be perfect for what you have here.

So those are some of the things I have done in the past two years. There is a lot more things on my plate. There are some things I didn't even cover, okay, but I will say this. It is public record. I don't get to do those things if I don't have those guys and gals that work in the department, that take extra duties, on top of going on about 10 or 12 calls a day, which is not easy, take care of those things.

Not only are they taking care of these things on duty, but they are doing a lot of it off duty. Okay. Have we got a long way to go? Sure, but with every job when you do it, you always have a long way to go. But I will say in the two years that I have done this job, I want to make sure that it is a better product than when I received it, and I think I can say that. And that's just off the top of my head.

[3:20 PM] Minutes:

Council member Rapson: I just want to thank you for that, although it was clearly not prepared –

Chief Christopher: I forgot to say I am pretty good at speaking.

Council member Rapson: I mean, it was a good presentation. I think it fairly represents the strides that you guys have made at the Fire Department, and I certainly get it, that you are not a vacuum, you got a lot of help, and you guys do a good job. I want to thank you for that.

[3:20 PM] Minutes:

Chief Christopher: Not only is it the men and women of the Fire Department, but it is all the department heads when I did this. To be honest, I have been doing a lot more emergency management than anything else because I want to make sure that everybody – because when it comes to something like this, everybody has to chip in. That includes you guys. It's all hands on deck. That includes the CERT Program getting people involved in Mesquite to come out and help us out, which for them is primarily to train. The police have been great. We have a great relationship with our Mesquite police. Billy over in Public Works, great relationship with them. Those are just a few examples. When we had the emergency outage here, we turned out. We didn't have to. We could have done it by phone, but that's not what I get paid for. So that's why we flipped it up. There are still a few things we have to adjust, but it was a great – I wanted that to be a jumping off point to say okay, this is what we need to do. And this is where we're heading. Spencer is great. He's been a great help.

[3:21 PM] Minutes:

Council member Withelder: I want to thank you and Rick, obviously, for doing what you have done the last couple of years. It certainly is a lot better than when you found it. Thank you.

[3:22 PM] Minutes:

Council member Green: I have a further question on the budget that I think is going to lead to a motion. If I can move us to page 121, Fund 44, Economic Development Incentive Fund. On Wednesday or Thursday, whenever it was that we went through this Fund, we had a comment from Burton Weiss about the purpose of this Fund was for the City to have a treasure chest of the incentives that we could actually offer to bring the business to Mesquite. I think this fund came about through the report from the Economic Development Incentives

Assisted Committee in 2015, that 25% of the net proceeds from any sale of City owned land be designated for future incentives to attract businesses to Mesquite. I don't believe it was the intent of the Committee, and Mr. Weiss confirmed that as being a member of the Committee, nor the intent of the Council when we accepted their report that we would use this Fund to fund the ongoing Business Development Activity, Economic Development Activities with MRBI. So I would like to move that we eliminate the \$150,000 use of this Fund for Professional and Technical Services, and thus restore the Ending Fund Balance to this Fund to the \$150,000, to recognize the \$150,000 going into the Fund, so that we truly have an Incentive Fund to attract businesses in the future in any manner that we seek.

**Council member Green moved that we eliminate the \$150,000 use of this fund for Professional and Technical Services and thus restore the (unknown) fund balance to \$150,000 to recognize the \$150,000 going into this fund and to truly be an incentive fund to attract businesses in the future in any manner we seek. Council member Rapson seconded the motion.**

[3:23 PM] Minutes:

Council member Green: So that is my motion is that we eliminate, and I have another idea for funding MRBI, but that's my motion that is we eliminate that \$150,000 of expenses shown as Professional and Technical Services Expenses as a disbursement from Fund 44 in our budget.

[3:23 PM] Minutes:

Mayor Litman: We have a motion on the floor.

[3:24 PM] Minutes:

Mr. Empey: Just a follow up to that. If we eliminate that expenditure out of Fund 44, are you proposing to eliminate the expenditure in its entirety, or are you speaking to restoring that expenditure to the Mayor/Council?

[3:24 PM] Minutes:

Council member Green: No, I would not restore that. It would not impact the General Fund. My next motion will be to establish another fund with another fund source to fund MRBI. So, no, I would not be putting it back in the Mayor General Fund where it had been in the past. But I think that the first step is to take the funding out of this Fund, to leave this Fund intact for use for what I consider to be real incentives.

**Passed for 5; Against: 0 Abstain: 0 Absent 0**

[3:25 PM] Minutes:

Council member Green: My next motion recognizes the fact that MRB is very successful in my opinion of bringing new businesses to the area, and we now

need to find the source of longer term funding to ensure their continued liability and future successes. I think they need at least a three-year funding program in the range of something like \$175,000 to \$200,000 annually to fund their operations and to attract and retain a new executive director with appropriate economic development background and experience. So my motion is to establish the Special Purpose Fund for the funding of the activities of Mesquite Regional Business, and to redesignate the amount of \$450,000 shown as Revenue in Fund #45 Miscellaneous Capital Projects and show this instead as Revenue for the newly established MRBI Special Purpose Fund, for lack of another name.

**Council member Green moved to establish a special purpose fund for the funding of the activities of Mesquite Regional Business and to re-designate the amount of \$450,000, shown as revenue in Fund 45 miscellaneous Capital Projects, and shows this as revenue for the newly established MRBI special purpose fund. Council member Delaney seconded the motion.**

[Minutes:]

Council member Hafen: Question for Mr. Empey. Are you good with that? Are you good with the recommendation? That's my first question. The other question is I guess more of a statement. You know, we cut MRBI to \$140,000. I think they have had success at the \$140,000. Do I believe they have done some good? Absolutely. Do I believe a lot of these projects would have come on their own? I believe some of them would have. So if I vote against this, it's because I think they can get by with the \$140,000. I am not really interested in going -- you know, I think the year to year thing to make sure the performance is happening, but it's just my comments.

**Passed for: 4; Against: 1(Hafen); Abstain: 0; Absent: 0**

[3:27 PM] Minutes:

Council member Green: My third motion has to do with the annual funding for the current year. We approved -- Council member Hafen is correct, we dropped the funding from \$190,000 to \$140,000 for the financial year of 2015/'16. That was mainly to reflect the loss of the Executive Director at a salary of approximately \$85,000 per year. I think the funding level at \$150,000 is good for this period where they do not have a new Executive Director and Mr. Gault is functioning in that role. I do believe that we need to step that up for say the last half of this current financial year, so that they can attract a new Executive Director. So I am moving that we establish our Budgeting/Funding for the current financial year last half '16/first half of '17 at \$170,000, and such amount be designated as the Professional and Technical Service Expense in the newly established MRBI Special Purpose Fund.

[3:28 PM] Minutes:

Mayor Litman: Have we looked at the balance sheet of MRBI to see where they are at at this point in the year? Do they have excess funds? I know they gathered \$24,000 this year, I believe. (indiscernible) was a matching amount, correct, and then they \$14,000. Before we put money into it, we should see if there is money in the pot.

[3:28 PM] Minutes:

Council member Green: I think that is a good point. What we are doing now is approving the budget, but before we make any disbursements, I believe MRBI has to come to us with a comprehensive three-year plan as to what are their funding needs. It may be that because of their other fundraising their funding needs are less than the \$170,000 for the next financial year. I do not know, but I think I want to add that to my motion that it would be subject to MRBI presenting a three-year plan of their actual funding needs. At this point, I think we need to have some motion for the budget, and I am establishing that at \$170,000.

[3:29 PM] Minutes:

Council member Delaney: Okay, if I am understanding this right, Mr. Green, are you making a motion that changes the current year budget, and is this appropriate time to be doing that?

[3:29 PM] Minutes:

Council member Green: Right now, we don't have any budget, Council member Delaney. We just eliminated the \$150,000 that was coming out of the Economic Development Incentives Fund. We just eliminated that by approval to prior motion, so at this point there is no funding for MRBI. All we have done now is to the second motion is establish the Special Purpose MRBI Fund and put \$450,000 into that without us taking anything out of that. So my motion is we establish in the current year budget \$170,000 as Professional and Technical Services Expense out of the newly established MRBI fund.

[3:30 PM ]Minutes:

Council member Delaney: I thought I had heard you say that we need to look at the end of this year's budget and add money into it. I may have misheard you.

[3:31 PM] Minutes:

Ms. Melendez: MRBI does have money in the budget for this current year. I believe it is under Mayor/Council, and I think it is \$140,000. So there is \$140,000 for MRBI right now in the budget for this year.

Council member Green: I don't think that is the case. I believe that in the '15/'16 budget, of course.

Ms. Melendez: That is what we are talking about, the current budget.

Council member Green: No, I am talking about '16/'17.

[3:31 PM] Minutes:

Ms. Melendez: The \$170,000 for next year?

Council member Green: Right.

[3:31 PM] Minutes:

Council member Rapson: Just for summary, I guess, for public iteration as well, I think the proposal is for the next budget year, the one we are working on tonight. The first six months since Mr. Gault has made a commitment to stick around, and it's going to take some time to get a new Executive Director, so we will keep it consistent at the \$140,000, but half of that since it is a half year \$70,000, and Council member Green's recommendation was to go to approximately \$200,000, I'm rounding up.

[3:32 PM] Minutes:

Council member Green: I think we had \$150,000, George. On the old budget, it is \$150,000.

Council member Rapson: But for the second half of 2016/'17 Budget, he is adding 50% of the \$200,000. So we are getting to – what was your number?

Council member Green: I am going up half of \$190,000.

[3:32 PM] Minutes:

Council member Rapson: So it's \$165,000 give or take something like that. That's how the math works, and that's the reason, because by next year we will have a qualified Executive Director, I hope. We need to commit to a payment that will keep them interested and to get quality help. This is simply budgeting the item in the account, so this isn't committing to any funds at this point. Just like the fire was the other night and so forth. The next step is to have MRB give a presentation, like Chief Christopher, did explaining why they need it, how much they need it, where their fund balances are, where the expenditures are going, where the lifetime donations are coming from, so on and so forth, and justify an amount to us, and at that point we will agree or disagree to the amounts and actually approve an expenditure of some dollar amount. Is that correct, Council member Green?

[3:33 PM] Minutes:

Council member Green: That is exactly correct.

[3:33 PM] Minutes:

Council member Hafen: The other comment is it is kind of like a bid not to exceed. If you set the amount, I can guarantee it is going to be justified with a presentation. Just a comment, so you might as well just award the amount right

now.

[3:33 PM] Minutes:

Council member Rapson: I think that is a valued point. You better come back with good justification.

[3:34 PM] Minutes:

Council member Hafen: It is in the budget.

**Council member Green moved to establish budgeting funding for the current financial year, the last half of 2016, first half of 2017 at \$170,000 and such amount be designated Technical and Professional Services expense in the newly established MRBI special purpose fund subject to MRBI's three year plan of their funding needs. Council member Rapson seconded the motion.**

**Passed for: 4; Against: 1 (Hafen); Abstain: 0; Absent: 0**

[3:35 PM] Minutes:

Mr. Empey: On another item, on Thursday, Council member Green asked about the pay down on the USDA loan. They did call me back this morning, and we can pay it off without being very cumbersome about it.

[3:35 PM] Minutes:

Council member Green: Is there a redemption premium on that?

[3:35 PM] Minutes:

Mr. Empey: No.

[3:35 PM] Minutes:

Council member Green: The 525 bond?

[3:35 PM] Minutes:

Mr. Empey: Yes.

[3:35] Minutes:

Council member Green: There's no redemption premium?

Mr. Empey: Yes, that is what she told me. She gave me the pay off as of October 1<sup>st</sup>.

Council member Green: And we have \$459,000 liability. What is the pay-off?

[3:35 PM] Minutes:

Mr. Empey: That \$400,000 amount that you are seeing in the budget book, I can

refer you to a page number, but that is after four years' worth. We pay that loan in quarterly installments, but right now the payoff is about \$508,000. If we were to pay that off on July 1<sup>st</sup>, for example, that would be \$508,000 plus about \$6800 in accrued interest.

[3:35 PM] Minutes:

Council member Green: That would be saving us \$75,000 Annual Debt Service.

[3:36 PM] Minutes:

Mr. Empey: Yes. That would be a transfer from the General Fund to the Debt Service Fund.

[3:36 PM] Minutes:

Mayor Litman: We need a motion on that item also, I believe, to pay that off.

[3:36 PM] Minutes:

Mr. Empey: It would be approximately \$509,000/\$510,000 less \$75,000, because we already have one year of debt service in Fund 85, so the net amount would be \$430,000 something like that.

[3:37 PM] Minutes:

Council member Rapson: The reason I brought this up is that is the highest interest we have got, but this is a very short term note and we do not have the money to pay it off. I would love to pay it off and be done with it. I mean, that would be ideal.

[3:37 PM] Minutes:

Council member Green: I think it has got 19 more years to run, doesn't it, Dave?

Council member Rapson: No, it is only a few more years, I think 2020.

Mr. Empey: It was issued in January of 1995. It is a 40-year bond.

[3:38 PM] Minutes:

Council member Green: With the \$75,000 annual savings, I recognize this would put us into a budgetary gap, but it is because of the additional transfer. I am wondering if we could slow down the buildup of the vacation buy out leave and do that build up over a 5-year period at \$300,000 a year, rather than a 3-year period of \$500,000 a year to mitigate partially this. I think from an economic standpoint, you get one answer; from a balancing the budget standpoint, you get another answer. An economic answer, in my opinion, would be the one that would be most important.

[3:38 PM] Minutes:

Council member Rapson: Math is not my strongest point, so what's the page number of the Bond Summary?

[3:38 PM] Minutes:

Mr. Empey: That's on page 9.

[3:39 PM] Minutes:

Council member Rapson: If we have 20 more years left of this thing at \$75,000, that's \$1.5 million.

[3:39 PM] Minutes:

Mr. Empey: You can see on the top of page 9 on that line. We have annual interest payments of about \$25,000.

[3:39 PM] Minutes:

Council member Green: Those interest payments are funded by General Fund Transfer each year.

[3:39 P] Minutes:

Mr. Empey: Right.

[3:39 PM] Minutes:

Council member Rapson: I'm with Mr. Green. If this is our highest debt service and it is a small amount, we should figure out some way to eliminate the reserve or reduce the reserve for the buyouts and make a significant payment on this, even if it's not the full payment, make a significant payment, and do the same thing next year. If there is no prepayment penalty, I'd presume that we could make a partial pay down of this.

[3:40 PM] Minutes:

Mayor Litman: Is interest rate renegotiable on this?

[3:40 PM] Minutes:

Mr. Empey: No. Generally bonds are fixed.

[3:40 PM] Minutes:

Council member Green: I think Council member Rapson has a good point. If we pay this down in two installments, once this year and one the other year, and we slow down the buildup of that vacation leave from \$500,000 a year to \$300,000 a year, I believe we have considerable flexibility on that, and basically we take that \$200,000 savings and we use it to pay down bonds this year, and we still end up with a balanced budget for this year. Next year, we do the same thing. We pick up \$300,000 for the vacation, but we also pay this down and it's gone. I think the economic answer is very positive here.

[3:41 PM] Minutes:

Council member Hafen: I am curious if Finance folks have any recommendations on that?

[3:41 PM] Minutes:

Mr. Empey: I hate to see us change the funding model for this accrued leave. It's \$1.5 million. We got a limited number of years, and I say that because initially with the structural deficit issues that we face, what we are seeing in this budget are what I believe some fairly aggressive revenue estimates. I hope that those will come to fruition. I am pretty confident that our expenditures will probably be fully realized, so with that combination of underachieving on the revenue side and spending out the appropriated amounts on the expenditure side, we are going to wind up at the end of next fiscal year probably in a fund balance decline. And so over a period of time if that persists then the necessity of this accrued leave fund becomes more imperative. Of course it is Council's choice, but that is just my perspective on it, since you asked. I think it is a good idea to pay down this 40-year bond, but I am not sure we should do it at the expense of reducing the amount of transfers to that leave fund.

[3:43 PM] Minutes:

Council member Rapson: I get Mr. Empey's deal, and I absolutely respect his opinion here, but what we are talking about here, let's just assume for argument's sake that we had this at a 2 or 3% interest rate, we are talking \$10,000 a year difference or \$12,000 or something. It is not a monumental amount that we are paying interest. What raised my interest to begin with was it was a higher interest rate than anything else we've got, which would typically make me trigger a refinance, a rebonding. So that's how I brought this up. In retrospect, it is a small amount. 5% in most terms is not a terrible interest rate and the difference functionally is \$10,000 to \$15,000 a year. That's not going to make or break our budget. Whereas, if we had a wholesale departure of staff, that would break our budget. I think that reserve is probably from a priority standpoint, more important. So I agree with Mr. Empey given the uncertainty of our revenue stream, well the budget part. Given the uncertainty in general of the budgetary process, that I would err on the side of caution and agree with Mr. Empey, I think.

[3:45 PM] Minutes:

Council member Green: I unfortunately don't agree, because I believe we have a clear economic benefit, and we are being swayed against that because of an accounting standpoint. If we provide for 1/5th of that liability, we are providing for 20% of our staff to turnover, to leave already. So I believe building that liability up over 5 years is not a problem. I felt surely there would be a huge prepayment penalty here, because why would a bond holder with a 5.25% bond in the current environment give that bond up at a premium? But if there is none, then we are faced with a very persuasive economic situation to save a huge amount of money by paying these bonds off early, and we are letting the need to build up the liability for a very future distant liability sway our views. That's my opinion.

[3:46: PM] Minutes:

Mayor: Litman: There is 19 years to go on this correct? Personal opinion is if it was me, I would wait one more year, see how this budget works out this year. I understand we are very precarious in this situation right now, and then revisit it next year. It's not going to be that big of an expense over the next year, but it is a priority to look at it next year. If they are not going to charge us a prepenalty this year, they are not going to do it next year, either.

[3:47 PM] Minutes:

Mr. Empey: No, the lady I spoke to spoke of no prepayment pre-penalty. I overlooked to ask her –

Council Mayor Litman: I was going to say get her name and get it in writing.

(Break in taped recording)

Council member Rapson: We do have money out there in our Investment Portfolio many times sufficient to pay off this outstanding debt, and so for that reason we are earning probably an average of 1.05% on that money that is out there, close to \$20 million. Next year, we are going to be paying \$25,000 on interest on that outstanding debt of \$450,000. So for that reason, the interest savings makes total complete sense. Maybe the thing that we maybe need to segregate our thinking in terms of balancing the budget. I think with the \$21,000 gap that we had, which is very close, which we may achieve a balanced budget position once we know more details on the insurance, I think we would all be very happy with that, but I think if we also paid off this \$500,000 note balance, that is a worthwhile endeavor because it debt elimination. It's not for operating expense reasons. If we did have a balanced budget, it would put us \$500,000, you know, give us a gap in the General Fund, because that is where this would be paid from. I think we have achieved in essence a balanced budget if we can eliminate that \$21,000, which I think is a milestone achievement, but I think we could also double the effect of making such an achievement by also paying down high cost debt. Even though we would have a \$500,000 budget deficit because of those General Fund Transfers to pay off the debt, I think that is a win/win.

[3:50 PM] Minutes:

Council member Hafen: One of the reporters in the audience reminded me about unintended consequences. I have been told throughout my life that you measure twice and cut once. I don't think we need to make that decision tonight. We can make that next week. We have some financial people here that can come back and give us some recommendations. There may be something we haven't thought about. We can do it next week. The Mayor talked about a year. This decision can be made next week when we can fully vet this thing and make sure that we haven't sent ourselves somewhere we don't want to.

[3:50 PM] Minutes:

Council member Withelder: Dave, do you actually have a hard copy of this bond, or can we acquire one, so that we know exactly what it is we are talking about? Like this lady says that there is no prepayment penalty. Do we know that's set in concrete?

[3:50 PM] Minutes:

Mr. Empey: I would have to rely on our City Clerk to pull that out of our archives. Again, it was a sign back in January of 1995, so I am sure we do have a copy of such in our archives, but I would have to defer to her. Certainly we can get a copy of that loan document.

[3:51 PM] Minutes:

Council member Withelder: I think it would be pertinent that we actually read it and know exactly what it is we are talking about, and like Mr. Hafen says, we can bring it back next week and vote on it once we know precisely what it is we are going to discuss, rather than hope we are making the right decision.

[3:51 PM] Minutes:

Mr. Empey: What are those points of concern, Council Member Withelder?

[3:51 PM] Minutes:

Council member Withelder: Well, I think the prepayment penalty for one thing and to know exactly our interest rates and just those pertinent points that are obviously going to make sense or nonsense.

[3:51 PM] Minutes:

Mayor Litman: Again, Council member Hafen says a week. Are there any restrictions at any time? We are not ready in a week, but we are ready in a month perhaps to revisit it.

[3:52 PM] Minutes:

Mr. Empey: If this is something Council wants to pursue, we would need to work into the budget for this year. If we work it into the budget and decide not to go forward in the following year, we can still maintain a current quarterly debt service payment until another 19 years, so we have totally flexibility in that regard.

[3:52 PM] Minutes:

Council member Rapson: We have to get it this in the budget one way or the other. We can not do it, but we can't do it once we made the budget. I agree with that. I got to tell you that I am not frankly surprised that there probably is no prepayment. We refunded bonds in the past quite often, and there has not been penalties involved. The LVCVA refunds bonds frequently, and there are no prepayments. I think that is not uncommon. So I would be surprised if there is prepayment penalty, but I think it is important that we actually pull the bond

documents and we could probably go back to our Bond Council and just ask them point blank. They have records of that. It's a quick question.

[3:53 PM] Minutes:

Mr. Empey: I don't think this is one of those debt issues that Bond Council was involved with. It is probably just private party placement making an application. I don't know. Bill, does your recollection go back?

[3:53 PM] Minutes:

Bill Tanner: Yes, my recollection goes way back to 1995. What happened is we built a landfill, but the life expectancy of the landfill was 2015, and we had a loan to 2035. So we started trying to address this Waste Disposal Bond Issue in the early 2000's, and we calculated what the life expectancy of our landfill was, then we increased our debt payment to \$129,000 a year rather than the \$75,000 a year in order to get the Waste Disposal Bond paid down to where it would be balanced out with the life expectancy of the landfill. In 2006/'07, when we started having financial problems, economics were not that great, we cut that back to \$75,000 and paid that debt service, trying to realize the fact that we need to eventually take care of this debt at some time. That some time has not been in the future of the budget for several years. That's what happened. It is a USDA grant, and I recollect last time we looked at that, there is no payment clause. We can pay it off at any time. It is just a matter of paying it off and figuring out how we are going to do it that is feasible for the City.

[3:54 PM] Minutes:

Council member Delaney: Wow, you learn a lot. I think that everybody has had some really good suggestions and ideas, and I like the idea of paying something off in advance if at all possible, but I think that tonight we are not all clear on exactly how we want to proceed, and if we don't have to do it tonight and we can get more information, like where that funding is coming from and how it's going to affect the General Budget, or if we want to look at Council member Green's suggestion in taking part of it out of the money that we were going to place towards vacation pay and buyouts, I think everybody is kind of feeling like we need to digest some things, so it doesn't have to be done today.

[3:55 PM] Minutes:

Council member Green: I agree. Let's just focus on striving for the Balanced Budget and recognize that we may have some good news that Mr. Empey has shared with us, but we need to make sure that we get our arms around it 100%.

[3:55 PM] Minutes:

Council member Rapson: Yes, just to summarize, I think we have several options. 1) Do nothing, change nothing. 2) A partial. We pay off a portion this year, half say. You pay off a portion half next year in the next budget, and instead of funding the full reserve for accrued or unpaid liabilities, you reduce that for two years, and then maybe extend that portion proportionately for

another year. 3) Just pay it off. Keep the reserve the same and create a bigger hit to the General Fund reserves one time, which would be caught up over a period of time at the payment amount that we don't have to make. That is the way I see it. At least three, perhaps there is some combination or permutation of those three, but maybe we can -- and I am asking Dave this, maybe we can get some analysis of each one of those and a recommendation from you at the end of the day. Probably with you and Andy, I would think, that we need some. I don't want to put it all on your shoulders, and maybe Bill Tanner in here, too, and Dodie. I don't know if that is unrealistic or something that can't be done in a short period, but I think that would be helpful to everybody and we can address it next meeting.

[3:57 PM] Minutes:

Mr. Empey: Let me do this. Let me propose that, it sounds to me like Council is of a mind that we would like to pay some of this debt off. All of it would be not great, but maybe we can temper pay down of this debt, maybe not all in one year, but over two years or three years. We can also take a look at the funding for this Accrued Leave Fund, and maybe balance between the both so we can achieve something of a neutrality between the amount that was committed for the accrued leave and redirect some of that funding to this outstanding debt. Is that kind of --

[3:58 PM] Minutes:

Mayor Litman: I think you are hitting it right on the head.

Council member Green: I think it is a good idea and I think you can start Dodie on it right now.

[3:58 PM] Minutes:

Council member Rapson: That fairly summarize my request, and I want to make sure that we consider the impact of all of those combinations or any one of those alternatives on the General Fund Ending Reserve Balance and how that's viewed by outside agencies with respect to the 25% and so forth.

[3:58 PM] Minutes:

Mr. Empey: We will do that.

Mayor Litman: Okay, we have nothing else, I believe, at this point other than to -- we need to make a motion, I believe, to move forward?

Mr. Empey: Maybe just to summarize, as has been the practice last Wednesday and Thursday. I think we have summarized on the debt question and the leave accrual fund issue, but if you will indulge me. Council member Green proposed to eliminate the \$150,000 expenditure that is found on page 121 in Fund 44. Well, ultimately we are going to leave that \$150,000 is the 25% of the Eagles Landing Sales Proceed in Fund 44. We are going to remove that expenditure

from Fund 44, and then if you turn over to page 122, we have land sale proceeds in Fund 45 of \$450,000, which is the 75% of the Eagles Landing Sales Transaction. We are going to then move that \$450,000 in revenue to a newly created fund. So we will reduce the revenue in Fund 45, and that will bring that Fund Balance under \$500,000. In the new fund related to MRBI transactions, we will have \$450,000 in revenue in that fund and offsetting expenditures of \$170,000.

We will go ahead and affect those changes and also bring back the results of our homework on the debt servicing issue, and I think that summarizes the details of what we have spoken about today.

[4:01 PM] Minutes:

Mayor Litman: I would seek a motion to accept tonight's Tentative Budget with the changes.

**Council member Withelder moved to accept the foregoing conclusions that were drawn by Mr. Empey. Council member Delaney seconded the motion.**

**Passed for: 5; Against: 0; Abstain: 0 Absent: 0**

## **Public Comments**

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*During the Public Comment portion of the agenda comments must be limited to matters within the authority and jurisdiction of the City Council. Items raised under this portion of the Agenda cannot be deliberated or acted upon until the notice provisions of the Nevada Open Meeting Law have been met. If you wish to speak to the City Council at this time, please step up to the podium and clearly state your name. Comments are limited to 3 minutes in length.*

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### 3. Public Comments

[4:02 PM] Minutes:

David Ballweg, Candidate for City Council: A couple of things. Chief Christopher talked about the Riley Report. I have publicly and privately requested a copy of that report for several years, and I still have never been able to get one, so I would like to get a copy of that Riley Report on the Fire Department.

Number two, on the MRB funding, I think it is prudent that if our goal is to use MRB as our economic development, that we look at long-term funding. But that's only half of the formula, because when I was still on MRB, I believe that contract is still in force. I was part of the team with all the Council members to get the contract revised. Council member Green, you were one of the people that were pushing for a 90-day cancellation on the contract. Even though you have funding out there, if you can cancel a contract in 90 days, it doesn't give

that insurance to that professional that you're hiring for long-term employment. So I think the contract definitely needs to be looked out to some how come out with a longer-term commitment, but with control, so that's going to be a little bit of a challenge, but that was something that was pushed very hard a couple of years ago, the 90 days. I think you are going to have to definitely revisit that to get that long-term commitment from some professional to come into the City. Thank you.

## **Adjournment**

### 4. Adjournment

[4:03 PM] Minutes:  
Mayor Litman adjourned the meeting.

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Allan S. Litman, Mayor

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Tracy E. Beck, City Clerk