

**SPECIAL NORTH LAS VEGAS
CITY COUNCIL MEETING MINUTES**

February 12, 2002

CALL TO ORDER: 4:30 P.M. City Hall
2200 Civic Center Drive, North Las Vegas, Nevada

ROLL CALL COUNCIL PRESENT:

Mayor Michael L. Montandon
Mayor Pro Tempore William E. Robinson
Councilwoman Stephanie S. Smith
Councilman Shari Buck
Councilman Robert Eliason

STAFF PRESENT:

City Manager Kurt Fritsch
Assistant City Manager Gregory Rose
Assistant City Manager Dan Tarwater
City Clerk Eileen M. Sevigny
City Attorney Sean McGowan
City Treasurer Clarence Van Horn
Budget Officer Mario Garcia
Public Works Director Jim Bell
Director of Human Resources Vincent Zamora
Acting Director of Development Services Jim Stubler
Parks & Recreation Director Ken Albright
Community Services Director Jacquelin Risner
Library Director Anita Laruy
Administrative Services Director Eric Dabney
Fire Chief Robert Dodge
Acting Chief of Police Joseph Forti
Chief of Detention Services Ken Ellingson
Public Information Officer Brenda Johnson
Assistant City Clerk Karen L. Storms

VERIFICATION: Eileen M. Sevigny, CMC, City Clerk

BUSINESS:

1. MID-YEAR BUDGET REVIEW (Exhibit A)

City Manager Kurt Fritsch stated the mid-year budget review gave a positive picture of the financial state of the City.

City Treasurer Clarence Van Horn stated this was the fourth year for the mid-year budget review. The beginning balance for the fiscal year ended June 30, 2001 was \$10,315,853 which was the same as the actual balance. Budgeted revenues were \$82,354,700 with actual revenues of \$83,059,679. This greater than expected balance came from higher than budgeted revenues from license and permit fees. Budgeted expenditures were \$82,776,012 and the actual expenditures were \$78,337,738. This represented approximately 3.2% less expenditures than budgeted. The budgeted ending unreserved fund balance was \$9,894,541 and the actual amount was \$13,271,133.

Treasurer Van Horn then reviewed the Water/Sewer Utility Fund and stated the budgeted beginning balance was \$25,807,845 with actual expenses being the same. The budgeted revenues were \$51,462,000. The actual amount was \$51,778,001. The revenues were .6% greater than budgeted and the expenditures were 13% less than budgeted. Treasurer Van Horn stated the savings were realized in salary and benefits (\$1.2 million), water purchases (\$2.4 million), sewer treatment costs (\$1 million), pumping costs (\$100,000), services and supplies (\$1.4 million) and inter-fund administrative costs (\$700,000). These amounts, totaling \$6.7 million were the difference between the budgeted amount and the actual ending fund balance.

Treasurer Van Horn reviewed special revenue funds. He stated those funds were comprised of the Community Development Fund, Public Safety Tax Fund, Special Purpose Revenue Fund, Library District Fund, Redevelopment Agency Fund, Street Maintenance, Parks, and Fire Stations Fund, Land Fund, and the Equipment Replacement Fund. The beginning balance was budgeted at \$17,949,007. The revenues were budgeted at \$25,609,500. Expenditures were budgeted at \$31,174,000. This left an ending unreserved fund balance of \$12,384,507. The actual beginning balance was the same as the budgeted amount. Revenues were \$25,615,803 and expenditures were \$21,883,293. An encumbrance at the end of the year totaled \$388,179. The actual ending unreserved fund balance was \$21,293,338, or 71.9% over the budgeted amount.

Councilman Buck asked where the savings were realized. Treasurer Van Horn responded the savings represented less than budgeted ending balances as follows:

Community Development funds - \$100,000
Public Safety Tax fund - \$600,000
Special Purpose Revenue Fund - \$5 million
Judicial administrative assessment fees - \$800,000
Park District fees - \$800,000
Library District - \$100,000

Redevelopment Agency Fund - \$1.7 million
Street Maintenance, Parks, and Fire Stations Fund - \$1.6 million
and Equipment Replacement Fund - \$100,000

Treasurer Van Horn pointed out of the \$5 million savings in Special Purpose Revenue Fund, approximately \$1.6 million, was Windsor Park bonds funds that had not yet been spent.

Treasurer Van Horn reviewed the Capital Projects Funds and stated the fund was comprised of Parks and Recreation Projects, Public Safety Projects, Street Improvement Projects, Library District Projects, and General Government Projects. The budgeted beginning balance for the fiscal year ended June 30, 2001 was \$11,117,593. Budgeted revenues were \$17,165,900 and expenditures were \$25,240,460 with an estimated ending unreserved fund balance of \$3,043,033. Actual revenues were \$8,436,759; approximately 50% less than budgeted. Expenditures were \$12,669,699 which was approximately 49% less than budgeted. Treasure Van Horn explained Parks and Recreation Projects were approximately \$1.3 million less than budgeted. Public Safety Projects were \$9.1 million less than budgeted. Street Improvement Projects were \$2.1 million less than budgeted. Many capital projects were funded by other entities and when the project did not proceed as anticipated, the funds were not received until the project was completed. Treasurer Van Horn explained in those instances, revenues equaled expenditures.

Councilman Buck asked where the funds for projects such as Regional Transportation Commission projects would appear. Treasurer Van Horn stated once projects were completed funds were received and subsequently paid out. Mayor Montandon clarified much of those funds, both revenues and expenditures, were handled as flow through accounts.

Treasurer Van Horn stated in the General Fund, as of December 31, 2001, the adopted budget reflected total revenues and other sources of \$82,924,000 with a beginning fund balance of \$9,894,541. Expenditures and other uses totaled \$88,823,400 with a projected ending fund balance of \$3,995,141. The current year amended budget reflected a beginning fund balance of \$15,037,794. The current year amended budget showed total expenditures and other uses in the amount of \$90,363,600. Treasurer Van Horn explained the reason for this increase was the outstanding encumbrances at the end of last fiscal year that would be paid for in the current fiscal year. The estimated ending fund balance for the current year was \$7,593,194 with total expenditures equaling revenues.

Treasurer Van Horn reviewed the actual year to date figures. He stated current year to date revenues and other sources was \$37,562,439 which represented 45.3% of the

budgeted revenues for the fiscal year. He pointed out the City was in the same position it was in last year at the mid-year budget review. He stated the City did not actually receive some revenues until two months after those funds were reported. There were other revenues that were received on a delayed basis as well such as property tax funds.

In reviewing the actual year to date expenditures, Treasurer Van Horn stated the total amount was \$42,592,159 which represented approximately 47.1% of the budgeted total at 50% of the year. Treasurer Van Horn pointed out there was some delay in expenditures as well. The amount was slightly over the actual amount for the previous fiscal year. He stated the ending General Fund balance as of December 31, 2001 was \$10,008,074 which was higher than projected. It was anticipated that approximately \$7,500,000 would be the actual ending balance for the fiscal year if revenues and expenses were realized as expected.

Treasurer Van Horn reviewed the mid-year status of the Water and Sewer Utility Fund. He stated operating revenues were \$51,644,000 and non-operating revenues were \$400,000 for a resource total of \$52,044,000. He stated operating expenses less depreciation were budgeted to be \$47,811,500. Depreciation was budgeted at \$4,500,000. Non-operating expenses, generally interest, were budgeted at \$3,110,000 and operating transfers out were budgeted at \$849,300. Total expenses were budgeted at \$56,270,800. A net loss of \$4,226,800 was budgeted.

Treasurer Van Horn explained the current amended budget indicated the same operating revenues as the adopted budget. Operating expenses less depreciation were \$49,782,500. Depreciation was \$4,500,000. The non-operating expenses and operating transfers out were the same as the adopted budget. Total expenses were \$58,241,800. The current amended budget amount indicated a net loss of \$6,197,800. Treasurer Van Horn stated the actual year to date figure indicated the revenues were \$28,674,120 which represented 55.5% of the budgeted amount at 50% of the year. The primary reason was the connection fees were higher than budgeted. The non-operating revenues were estimated high for the fiscal year as the actual year to date was only \$47,066 and represented the interest on the remaining bond proceeds not yet spent. It was anticipated the total amount at year end would be closer to \$100,000.

Treasurer Van Horn stated operating expenses less depreciation were at \$17,991,466 which was 36.1% of the budgeted amount at 50% of the year. Depreciation was at \$2,250,000 which was 50% of the budgeted amount. Non-operating expenses were at \$1,683,443; 54.1% of the budgeted amount. Operating transfers out were at \$839,909, or 98.9% of the budgeted amount. Total expenses were \$22,764,818 or 39.1% of the budget. The net income as of December 31, 2001 was \$5,956,368.

Councilwoman Smith questioned why the budget was adopted showing a deficit. Treasurer Van Horn explained part of the amounts listed were not cash outlays. Depreciation expenses were not a cash outlay. Councilwoman Smith then asked if the Department of Taxation allowed adoption of a budget that anticipated a deficit. Treasurer Van Horn responded as long as there was cash in the account it was acceptable. Mayor Montandon further explained the beginning fund balance was not shown in the exhibit but when the Department of Taxation reviewed it, the beginning balance was taken into consideration. Treasurer Van Horn added there were other documents that indicated there was cash in the fund. This was an enterprise fund that was recorded differently than other governmental funds. Only depreciation for purchased equipment was recorded over the life of the equipment.

Councilman Buck questioned where the operating transfer out was transferred to. Treasurer Van Horn stated a portion went to the General Fund and a portion went to the Self Insurance Fund.

Treasurer Van Horn reviewed a comparison of consolidated tax distribution revenue for the period July through November. It was anticipated the annual budget for consolidated tax distribution would increase approximately 7.4% from fiscal year 2000 - 01. The five month period compared increased 2.6% from what was originally anticipated. Treasurer Van Horn stated they were closely watching the revenues as they were received and there were other funds that were coming in higher than expected for the fiscal year so if the consolidated tax revenues were lower than expected, it was anticipated the budget projections would still be met.

Treasurer Van Horn reviewed the use of the contingency account through January 31, 2002 and stated the beginning balance was \$1,500,000. The following funds had been allocated but not necessary spent:

Lower and replace ceiling - City Clerk	\$ 24,000
Purchase of modular buildings - Information Tech & Building	127,000
Emergency Replacement of Pettiti pool filter & equipment - Parks	30,000
Matching funds for FEMA Wellness & Fitness Grant - Fire Dept.	47,400
Funding of two Court Clerk I positions for Municipal Court	38,300
Contribution to MASH homeless shelter	10,000
Funds for professional fees associated with 7,500 Acre Project	75,000

Construction Change Order - Detention Center	150,000
Funding for temporary warrant service officers - Detention	50,000

Treasurer Van Horn stated the current balance in the Contingency Fund was \$948,300.

City Manager Kurt Fritsch reviewed the Mid-Year Supplemental Budget Augmentation. In the past, a large portion of the greater than anticipated ending fund balance was spent. The City Manager proposed that while the greater than anticipated ending fund balance was \$3.4 million, he suggested that \$933,900 be spent on requested items. (See Mid-Year Supplemental Budget Augmentation February 2002 City Manager's Recommended Items List in Exhibit A)

Councilman Buck recalled a recent renovation for Hartke Park. Parks and Recreation Director Ken Albright stated Hartke Pool had been patched several times, the cool decking had been replaced, as well as the skimmers and the pumps. It was time for a full renovation.

City Manager Fritsch stated the bulk of the supplemental budget requests were one-time expenses with the exception of the personnel audits.

Summarizing, City Manager Fritsch stated the budget review presented a sound picture of the City's financial status. He felt positive going into the 2002-03 fiscal year but budgeting practices would once again be conservative. He felt it was possible to transform the City's good financial position into a better bond rating.

Treasurer Van Horn stated the City had not received the revenue estimates from the State of Nevada. They were due in approximately one week. Those estimates would provide the revenue projections for the consolidated tax distributions and other revenues. It was anticipated there would be an increase in the City's assessed value by approximately 13% from last fiscal year. The individual departments had submitted next year's budgets to the Finance Department and they were in the process of compiling the information. Treasurer Van Horn stated the tentative budget was due to the State by April 15th.

City Manager Fritsch stated this was the strongest financial position the City had been in and it was his intent to build upon that strength. He stated the strong fund balances would provide other opportunities such as building reclamation plants to provide expanded services to the growing community.

Councilman Buck praised the efforts of Finance Director Vytas Vaitkus and his prudent spending practices which allowed the City to be in a sound financial position. City

Manager Fritsch stated with the recent problems with the consolidated tax distribution, it was a welcome fact that the City was still ahead of last year's revenues. He stated he had been working with Finance Director Vaitkus for two years to mitigate the impact on the City.

City Manager Fritsch stated he would bring the supplemental budget requests to the next regular City Council meeting for approval.

PUBLIC FORUM

There were no participants.

ADJOURNMENT

ACTION: THE MEETING ADJOURNED AT 5:27P.M.

MOTION: Mayor Pro Tempore Robinson

SECOND: Councilwoman Smith

AYES: Mayor Montandon, Mayor Pro Tempore Robinson, Council Members Smith, Buck, and Eliason

NAYS: None

ABSTAIN: None

APPROVED: March 6, 2002

/s/ Michael L. Montandon
MAYOR MICHAEL L. MONTANDON

Attest:

/s/ Eileen M. Sevigny
Eileen M. Sevigny, CMC City Clerk