

**City of Carson City
Request for Board Action**

Date Submitted: 02/05/13

Agenda Date Requested: 02/14/13

Time Requested: 60 minutes

To: Mayor and Supervisors

From: Nick Providenti, Finance Director
Lawrence A. Werner P.E., P.L.S., City Manager

Subject Title: For Possible Action: Presentation, discussion and possible direction regarding assumptions staff will use to prepare Carson City's Budget for FY 2013-2014.

Staff Summary: Staff needs direction from the Board on assumptions for building the FY 2013-2014 Budget for Carson City.

Type of Action Requested: (check one)

☐ Resolution

☐ Ordinance

☒ Formal Action/Motion

☐ Other (Specify)

Does this action require a Business Impact Statement: () Yes (X) No

Recommended Board Action: Presentation and discussion with staff only, no action required.

Explanation of Recommended Board Action: See Staff Summary.

Applicable Statute, Code, Policy, Rule or Regulation: N/A

Fiscal Impact: N/A

Explanation of Impact: N/A

Funding Source: N/A

Alternatives: None

Supporting Material: Memo dated January 25, 2013 from Larry Werner to Board.

Prepared By: Nick Providenti

Reviewed By:

(Department Head)

(City Manager)

(District Attorney)

(Finance Director)

Date:

Date:

Date:

Date:

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

MEMORANDUM

TO: Mayor and Board of Supervisors

FROM: Lawrence A. Werner, P.E., P.L.S.
City Manager

DATE: January 25, 2013

SUBJECT: Pre-Budget Preparation Items

Board, below are several items that, at some point, I will need your decision to include in the FY13/14 Budget. The purpose of this memo is to get the dialog started. I will need specific direction on these items in February.

To frame the discussion, the following are our initial estimates for revenues and expenditures for the General Fund.

Property Tax: In FY 2013 the decision was made to levy the maximum allowable tax rate. With this action, the City was able to continue service delivery without additional staff reductions and expense elimination. Because the Sierra Forest Fire Protection District has a 10 cent rate, the maximum rate for the majority of the City was \$3.56/\$100 assessed value. In the upcoming fiscal year, we are eliminating the fire protection district which will bring the rate throughout the entire City to \$3.56/\$100 assessed value. This potentially leaves a 10 cent rate that could be assessed if necessary.

Consolidated Tax: Consolidated tax revenues are tracking our projections, actually slightly higher. We are projecting that the F Y 14 consolidated taxes to be 3% greater than this year's actual revenues.

Franchise Fees. All the projections that we've done over the last 5 years has included taking all the franchise fees to the maximum allowable as set by State law. The impacted utilities are Charter Communications, Southwest Gas, and NVEnergy. The allowable fee is 5% of the revenue collected by the utility. Charter Communication and Southwest Gas are at the maximum and NVEnergy is at 4.5%. I am recommending that we take NVEnergy to 5%. Assuming an \$80.00 winter monthly electrical bill, this would add \$0.40 and increase the total fee to \$4.00.

Charges for Services: The area of concern is the failure of landfill revenues to meet expectations. The revenues are off by about \$500,000 for this year and we are projecting the same reduction for next year. As near as we can determine, the loss comes from not receiving as much construction and debris waste from Douglas County and South Lake

Tahoe, partly because of regulations regarding recycling in the California portion of South Lake Tahoe. We may propose an increase in the compacted municipal solid waste (MSW) as the majority of this charge would go to Waste Management. Historically Waste Management has increased the fees to their customers regardless of whether the City's fees have increased or not.

Labor Contracts: We have reached the time when the contract increases come into play. The proposed budget for next year will contain the following contractual increases:

- Deputy Sheriffs – 3% contract adjustment (the contract does not have separate merit or cost of living adjustments).
- Sergeants – 5% contract adjustments
- Lieutenants – 3% contract adjustment
- Firefighters – 2% COLA and eligible for merit
- Chief Firefighters – 2% COLA and eligible for merit
- Carson City Employees Association – assumed a 2% COLA (contract needs to be negotiated) and eligible for merit.

Unclassified Employees – although there are no contracts, the benefits obtained by CCEA are offered to the unclassified employees.

Capital Improvements and Maintenance: Currently 5 cents of the property tax goes to fund capital improvements. If possible, the amount of funding for capital and facility maintenance should be increased. There will be a presentation on this – we may want to hold a separate workshop. We should talk about the necessity of using the incremental increase that will be available in the property tax rate for this item.

Current Financial Policy for excess revenues:

To designate any excess unrestricted general fund balance, at the end of a given year, to be used in the following priority order:

1. Reserve Funds – maintain an Ending Fund Balance at a minimum of 5% of annual expenditures with a goal of 8.3% of expenditures.
2. Contingency – \$500,000 annually.
3. Infrastructure Repair – minimum of \$600,000 or 1% of annual expenditures. The amounts may differ annually based upon need
4. Fleet/Equipment Replacement – up to 2.5% of operation expenditures.
5. Stabilization Fund – as allowed by NRS 354.6115 at a level equal to 10% of expenditures from the general fund for the previous fiscal year, excluding any federal funds expended.
6. Operating Expenses – justifications for new expenses must be related to actual service performance.

The only change I would suggest to the above is to build the capital improvement plan a little before we take the Reserve Funds to the full 8.3%. Right now, we are maintaining the 5% level.

Water, Sewer and Storm Drainage -- the strong possibility exists that we may need to increase rates in all three for capital improvements. Again, we will have a discussion on this item as part of the capital planning workshop.