

CARSON CITY UTILITY FINANCIAL OVERSIGHT COMMITTEE

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A meeting of the Carson City Utility Financial Oversight Committee was scheduled for 1:00 p.m. on Monday, September 26, 2016 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Andrea Engleman
Vice Chairperson Michael Bennett
Member Randy Bowling
Member Bruce Scott
Member Mike Spell

STAFF: Darren Schulz, Public Works Department Director
David Bruketta, Utility Manager
J. Daniel Yu, Deputy District Attorney
Kathleen King, Chief Deputy Clerk

NOTE: A recording of these proceedings, the committee's agenda materials, and any written comments or documentation provided to the Clerk during the meeting are part of the public record. These materials are available for review, in the Recording Secretaries Division of the Carson City Clerk's Office, during regular business hours.

1 - 2. CALL TO ORDER AND ROLL CALL (1:02:30) - Chairperson Engleman called the meeting to order at 1:02 p.m. Ms. King called the roll; a quorum was present.

3. PUBLIC COMMENT (1:03:41) - Chairperson Engleman entertained public comment; however, none was forthcoming.

4. POSSIBLE ACTION ON APPROVAL OF MINUTES - March 15, 2016 (1:03:04) - Chairperson Engleman introduced this item, and entertained suggested revisions to the minutes. When no suggested revisions were forthcoming, Chairperson Engleman entertained a motion. **Member Bowling moved to approve the minutes. Member Scott seconded the motion. Motion carried 5-0.**

5. REVIEW AND DISCUSSION OF RESOLUTION NO. 2013-R-45A, A RESOLUTION FORMALLY ESTABLISHING THE CARSON CITY UTILITY FINANCIAL OVERSIGHT COMMITTEE, AND POSSIBLE ACTION TO DIRECT STAFF TO MAKE PROPOSED CHANGES AND BRING BACK A DRAFT DOCUMENT FOR COMMITTEE REVIEW IN OCTOBER (1:04:03) - Chairperson Engleman introduced and provided background information on this item. At Chairperson Engleman's request, Mr. Yu reviewed proposed revisions to the resolution, as included in the agenda materials. In response to a question, Mr. Yu explained that proposed paragraph seven "doesn't really have a specific relationship to the substantive scope of this body's authority. That new provision actually just speaks to providing additional authority for the members of this body to provide additional recommendations to the Board [of Supervisors] in terms of ... wanting to expand its inherent authority." In response to a further question, Mr. Yu expressed the belief that a topic such as connection fees "already properly falls under the review of water, sewer, and stormwater utility rates." He suggested further revising the language in the second "whereas" clause "to make it ... more succinct in terms of ... what it means to monitor compliance with the financial policies of the City ..." Mr. Yu reiterated that proposed paragraph seven "would just be providing this body with additional authority to provide recommendations to the Board [of Supervisors] with respect to if you wanted to make any additional changes to the existing provisions of the resolution."

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Chairperson Engleman entertained comments of the committee members. Member Scott suggested that the committee serves as the “water, sewer, and storm drain … oversight group” and expressed the hope “that we don't need anything more … to carry out that.” He expressed the opinion that the committee should carefully consider broadening its scope. He described the committee as “a fairly narrowly focused group that has a specific mission.” Mr. Yu clarified that proposed paragraph seven “is not intended to actually expand the powers of this [committee] but to make it so that this … committee would be able to make those recommendations to the Board of Supervisors if further refinement was deemed to be necessary.” Member Scott cautioned against “creating a cumbersome process to do what we're doing. We're supposed to be short-timers without too much … investment in time.” Member Scott expressed concern over “get[ting] ourselves into a bureaucratic circle where the resolution isn't strong enough to do what we think we're supposed to be doing.” With regard to the provisions of paragraph 4, Member Scott suggested considering whether termination of the committee should be stricken from the resolution, “and that … the committee continues at the pleasure of the Board …”

Following discussion, Vice Chairperson Bennett requested input from Public Works Department staff. Mr. Schulz expressed agreement with previous suggestions to revise the termination clause in paragraph 4. With regard to the committee's role, Mr. Schulz commended the existing relationship between the committee and Public Works Department staff. He agreed with previous comments that the Board of Supervisors are pleased with “how it's been going.” Mr. Schulz advised that “there are times when we go to the Board of Supervisors for a particular item within the utility and, once in a while, it's asked of us, 'Was this item brought before the Utility Financial Oversight Committee?' … we always reply aye or nay depending on the item. … sometimes we say, 'No.' And they say, 'Well, why wasn't it?' And our response is that this doesn't fall under … the current guidelines of the Utility Financial Oversight Committee.” Mr. Schulz conveyed his impression that the Board of Supervisors wants to make sure “that we're being as transparent as possible with our information. … our meetings, twice a year, we put a lot of information in those two meetings, especially to do with the budget. It's all there but it's a very complicated process.” Mr. Schulz cautioned against involvement that would hinder the day-to-day operation of the water, wastewater, and stormwater utility, but expressed openness “to any sort of thing that would bring more transparency to Carson City, our Board of Supervisors.”

Following discussion, Mr. Schulz suggested scheduling quarterly meetings. He explained that staff “would bring … not a lot more for action items than you currently have, but more of an update of where we are for that quarter in terms of how things are looking, contracts to be awarded, where we're focusing our energy, and also topics that are on the horizon … in terms of rates, weather patterns, all those things that affect our day-to-day operations. And we could just provide an update … and get some input back from you in terms of thoughts on the matter. … and, then if you saw something that … is a key item …, we could have that discussion …”

Chairperson Engleman expressed agreement with quarterly meetings, and entertained discussion of the committee members. Member Scott expressed a preference for “the idea of … get[ting] … a little bit ahead of the curve as opposed to reacting.” He expressed agreement with quarterly meetings. Member Bowling expressed agreement, and discussed the importance of having the opportunity “to review the direction that Public Works … is going … Plus, it provides us an opportunity to provide support to staff as to where you want to go to better serve the public.”

Member Spell expressed the opinion that the committee's scope, as outlined in the resolution, “is pretty broad. And then we go to the actual City financial policies and we've got problems within the policies. … we have a study of two utilities that drove this whole thing and then we drag in storm water with it.

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These are all things that need to be clarified ... to really give us our scope, give the agency the scope; what are they supposed to provide us so that we can provide the Board [of Supervisors]?" Member Spell expressed support for "progress meetings on a budget ..., especially now that we have huge capital improvement projects going. ... Then, when we come down to the budget, we have a lot better knowledge of what we're seeing in front of us and what has happened. So, these are all little issues that we have to ... get clarified. And ... I think it's going to be ongoing. Every time. And that's where this [paragraph] seven does give us that ability. ... something else within what we feel is our purview has popped up. Let's get better clarification on what we should be doing with it, especially if we want this committee to go beyond the planned termination date."

Chairperson Engleman agreed with Member Spell's comments. In response to a question, Vice Chairperson Bennett advised that he shares many of Member Spell's opinions. Vice Chairperson Bennett expressed hesitancy over the committee having "a huge expansion in role. I don't want to be overbearing to the Public Works Department, but ... it's very difficult to get the fire hose of information in February and digest it and try to recap what happened over the last twelve months and ... try to understand what the prediction over the next twelve months is going to be in that one February meeting and then summarize that again in March." Vice Chairperson Bennett expressed agreement with quarterly meetings, and for the meetings to include progress reports on capital improvements. He expressed confusion over the committee's scope to provide recommendations to the Board of Supervisors about the capital improvement plan. "... we do for the budget and the budget includes the capital improvement plan. So, by default, are we making recommendation on that? It's those types of questions. ... the [resolution] language is very vague. But, I think the Board's intent for us was to be more of the sounding board and have more of that public discussion with regard to how the utility funds are spent and reinvested into infrastructure and into operations and so on. And then for us to make recommendation to the Board of Supervisors without them having to hear all of that at their level. ... that's my opinion." Chairperson Engleman agreed.

In reference to Mr. Schulz's comments, Member Scott inquired as to "things that staff feels we should be reviewing and, among those things, ... the resolution we're working on, does that address the kinds of things you think this committee would be helpful for from a staff perspective?" Mr. Schulz expressed the opinion that having the committee review contracts would be an irrelevant step "because we've already agreed that the work is part of our plan, it's budgeted, it needs to be done." He expressed the further opinion that "these other, more ... regional ... oversight-type of issues or programs that are underway, it seems like that would be more appropriate to ... get some feedback and also have the public opportunity to come and hear it, listen to it before it, ultimately, ... would go before the Board of Supervisors." Chairperson Engleman advised of having been requested by Board of Supervisors members to have the committee review contracts and that she politely declined. "There's no way that this committee has that time nor ... the purview." Chairperson Engleman expressed the opinion that reviewing the budget, by project, will make things clearer.

Member Scott expressed the opinion that the capital budget is "legitimately in the big picture, maybe part of the budget review process that we do. But, none of us ... anticipated the level of effort to properly review contracts that a commitment to this committee would make." Member Bowling agreed that the committee "should not be an extra layer in getting projects out. We should be here to ... improve and increase the efficiency of staff and what they do. ... We're here to provide oversight and that's a larger picture ..."

Chairperson Engleman discussed concerns over the language of paragraph 2 of the resolution, and discussion took place regarding revision. Chairperson Engleman reviewed the discussion and consensus

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to this point: to schedule quarterly committee meetings and to either delete or revise paragraph 2 of the resolution. In response to a question, Mr. Yu reviewed suggested revisions to paragraph 2. Vice Chairperson Bennett suggested the following language: "The Utility Committee shall be composed of people with relevant knowledge and experience."

Discussion took place regarding the purpose and parameters of the subject agenda item. Member Spell advised that he has "been dealing with the City's financial plan ... and people want some real strict adherence to compliance policy. Some of this stuff will not fit ... because it's so specific to ... water and sewer. ... we've got to figure out, if we want compliance with that policy, where do we put the language?" In reference to previous comments, Chairperson Engleman pointed out that stormwater has been approved in every budget. In response to a comment, Member Spell stated, "The driving force of this resolution was the FCS Study on rates. They did not look at stormwater. They looked at water and sewer. ... when the Citywide financial policies were developed after this study, ... the resolution came about and the financial policies. We came up with specific policy for enterprise funds. Well, the problem of it is there's more than two enterprise funds; more than sewer and water. We had two enterprise funds driving this whole study and the financial plan. But we ... want compliance with these policies that came out of a rate study for water and sewer. They did not look at ... the stormwater. So where does that fit into this situation?"

Following a brief discussion, Mr. Schulz advised that "today, the idea is anything that's in this Resolution 2013-R-45A is on the table and it can be changed, tweaked ... Then, it's my understanding that the next meeting we have, then we would go back at ... the financial policies that support this resolution and we would address those. ... there's a little bit of area that maybe one works with the other. But, as far as today, anything that's here that relates to that and even mentions financial policies, it's on the table for discussion." Mr. Yu cautioned against making recommended changes to the actual financial policies. Member Spell advised of no intent to discuss any change to financial policies at this meeting. "But there are issues that have come up through looking at the financial policies that this committee is very interested in that falls ... under the purview of this compliance with financial policies. And we're having a hard time fitting ... in, staff is, these specific issues into a Citywide policy. So the discussion has been, is it better to put some of those in this resolution which is specific only to water, sewer, and maybe stormwater? ... I think there's some push back on the City central staff that these should not be in a Citywide policy." Discussion followed.

In response to a question, Member Spell advised of "specific debt management policy, capital reserve policy, and operating reserve policy that came out of the [FCS] Study that was presented to the Board as to water and sewer. It had nothing to do with stormwater. And the City policy ... to have a broad City policy to come up with these specific issues, they would fall maybe in a range. Well, that's not what our committee needs. We have specific recommendations. ... they could be in compliance with City policy and not with specific policy from the study which we're also using for our budgets. When you get to our reserves, we have the two percent for capital reserves, two percent of all fixed assets. We have, for water, an operating reserve of 60 to 90 days. We have, for sewer, an operating of only 30 to 45 days because their funds are much more steady than the water. But the City ... can't be that specific on a Citywide financial policy for enterprise funds because there's other enterprise funds besides water and sewer. Stormwater one of them."

Chairperson Engleman suggested the original vision was "a policy that would pertain within Public Works to the water / sewer fund. As far as the stormwater, I went before the Board and told them ... that we were not in compliance ... because we hadn't done anything on stormwater. We hadn't done anything on the rates and so it was not in compliance with the policies. And they nodded and accepted the report. We didn't

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make a recommendation. We, more or less, put a question to them as to what they wanted to do about stormwater. And Darren then got up and explained to them again what had happened and that rates hadn't been adopted ... for stormwater at the time they'd done water and sewer. And I think that's where it's been ever since. I don't think there's been any changes. And so I understand your frustration, Mike, on the financial end of it but ... we're all in the same boat here. ... until the Board says, 'Yes, go adopt some rates ...', we're just sort of going along on the stormwater."

Member Spell pointed out that the reserves are "what this is all about. ... That's why we're here but we don't have any guidelines right now. ... that's why they're amending the City policy." Chairperson Engleman explained that when Member Spell met to discuss the committee's purview with Mr. Schulz and Mr. Bruketta, "the City got interested in looking at it for all the enterprise funds and deciding they wanted a ... Citywide change, bring things up to date. And a lot of this is what we're going to discuss at our next meeting."

In response to a question, Member Spell advised that FCS Group had recommended financial policies, and acknowledged that the Board of Supervisors had adopted the FCS Group recommendations. "But the way they were written up, it was very confusing to the accounting staff ... because it was under the subtitle, Enterprise Funds. And we have more than water and sewer in the enterprise funds. But they got into the specifics, remember the two percent for capital reserves. And then it also talked about the system reinvestment funding. That was a separate area. It made it appear that that was a fund in itself. It's not. ... It's just a funding mechanism for the capital account. And then it also talked about emergency reserves as a separate line item. It appeared like these were all different funds in addition to the capital." Chairperson Engleman explained that Member Spell had presented "an idea on how things could be changed a bit to offer more transparency for the ... budgeting and the funding ... And so, subsequently, he ... met with them and everybody liked his idea so now it's been ... adopted ... but that's supposed to be our next meeting."

In response to a request for further clarification, Member Spell explained that he is "looking for a document that we can have some specific compliance issues to fulfill our requirement. And there's a possibility there won't be a document after the next meeting that has those requirements that are specific as we need them to be." In response to a question, Member Spell expressed the opinion that the FCS guidelines are insufficient for water and sewer in terms of documentation and specifics relative to the committee's oversight role. "Those were a recommendation from an outside group. They have to be codified someplace." In response to a further question, Member Spell advised that the existing financial policies "that are somewhat misstated and confusing" have been used. "They're being cleaned up and, in cleaning them up, there is a push back to be too specific for water and sewer." Member Spell responded to additional questions of clarification. In response to a question, Chairperson Engleman advised that Finance Department staff "would like all the enterprise funds to be the same; to be handled the same and looked at the same. And we want more specificity on the water / sewer than they want citywide."

Mr. Bruketta explained that "the Board-approved financial policies are for all the funds for Carson City. So this is what goes to the Board of Supervisors and they approve it. There are specific policies that FCS recommended unique and specific to water and to sewer that are not incorporated necessarily in the enterprise funds ... because there are other proprietary funds that they have to look at. They're overarching, they're broad. ... because this is for the whole City, it gets very complicated if you want to bring in specific ones to water and sewer. It ... got very, very complicated to try and add that to overarching policies where you have different funds that are enterprise funds." Mr. Schulz further explained that "the problem with the utility funds being specific, then you don't want to create a separate category outside of the enterprise

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funds because they are an enterprise fund so you can't just call them something else and put them in a different category because they fall under what an enterprise fund is. So trying to figure out how those policies, and some of our conversation back and forth, was can we establish these policies as this committee and it doesn't go up and go into the general accounting of what they're looking at. ... we more than meet their qualifications but do we establish a policy, at this committee level, to meet those specific for water, sewer, and ultimately storm drain?"

Chairperson Engleman advised of the intent to recommend that portion to the Board of Supervisors "and then refer the rest of the financial policy of the City to the Board because that's not our purview. ... that we would not recommend the Citywide portion. We would only recommend the part that applied to water and sewer and stormwater ..." Mr. Schulz suggested that "one of the ways this all got started by Mr. Spell was if one of the paths we're going to go down in terms of those specific policies for utilities, should that fall ... within this resolution that we're talking about today. And if it does, if it's just part of this committee and those are specifically what you're looking at, then it would be within this resolution and then accounting policies for enterprise funds would just remain the same. Their Citywide enterprise funds accounting, we fall within that. But if it needs to be more specific for this committee, well then, should it fall within this resolution?"

In response to a question, Member Spell referenced a document presented to the Board of Supervisors by FCS Group on April 18, 2013. He reviewed the five recommendations therein contained, and suggested that if the language is not specifically incorporated into the resolution, "we have to have it somewhere. And if the City does amend those policies, they're not going to be this specific." Discussion followed and, in response to a question, Mr. Schulz acknowledged that the FCS Study was officially accepted by the Board of Supervisors. Vice Chairperson Bennett suggested that the resolution reference the FCS Study, as accepted by the Board of Supervisors. Mr. Schulz clarified that the FCS Study is "date certain and based on this policy, this review. And it's our intent, in a couple, three, four years ... we will do an updated rate study and that would change. So we'd want to make sure that we'd modify this as well." Mr. Yu provided direction with regard to the placement of substantive revisions to the resolution.

In response to a question, Member Spell advised that the FCS Study recommendations fall within the Citywide financial policies. Mr. Schulz acknowledged that if the committee meets the requirements of the FCS Study, it will, in turn, also meet the requirements of the Citywide policy. Member Scott commended the practical solution, and expressed support for crafting the language in such a way that the FCS Study recommendations are incorporated.

Mr. Schulz acknowledged a requirement for committee members to be Carson City residents and registered voters. Member Scott suggested including corresponding language at paragraph two of the resolution, and discussion ensued. Member Scott suggested revising the language, at paragraph five of the resolution, to accommodate quarterly meetings. Discussion took place to establish the meeting schedule relative to budget time frames. Member Scott expressed concern over the difference between the committee's level of involvement in budgeting and planning and the committee's level of involvement in oversight. "... to some degree, oversight is looking back. ... the January meeting might be an opportunity to look at the ongoing construction projects and see how they're doing as well as maybe a glimpse at what might be potentially on the agenda for the CIP going forward." Member Scott expressed the understanding that the committee's role "is to make sure that the reserves are programmed for the budget going forward, but also to look at what happened last year and how are we doing. ... this year, we're going to be looking at ... a continuation of some of the things we heard last year which is, we're still not where we want to be in terms of being able to meet the reserves but our question is going to be, are we making progress? ... at one level,

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it's dynamic information that's critical time-wise, and at another level, ... we need a more deliberate overview look to be able to assure this is what's happening, these are the areas we still have to work in and, in order for us to report to the Board, ... we're going to have to report ... a factual situation. But, at the same time, ... the progress is really ... what's important." Chairperson Engleman agreed.

Member Spell inquired as to the possibility of getting a budget-to-actual comparison on revenues and expenditures for the first sixth months at the January meeting. Mr. Bruketta explained that the report could be provided, but clarified "a lot of times revenues don't come in. ... we can provide the most up-to-date information we have as of a given time period."

In reference to previous discussion, Member Bowling expressed support for a January committee meeting. "... it's so important, if we're going to be meaningful in our actions when we make a recommendation on the budget, we shouldn't be in a position of having to get a drink out of a fire hose. And with a January meeting, that's going to help us provide something more meaningful."

Chairperson Engleman summarized the discussion to this point: In reference to paragraph five, the meetings will be scheduled approximately quarterly with an additional budget meeting, the first meeting to be held in January of each year. Following a brief discussion, Chairperson Engleman requested to add language that additional meetings may be called at the discretion of the chair. She further requested to add language, where appropriate, that the committee will consider other matters as requested by the Board of Supervisors. Following discussion regarding paragraph six, Mr. Yu offered to review the Policies and Procedures for Boards, Commissions, and Committees to ensure no conflicts. At Mr. Yu's request, the committee granted him leeway to craft the language of the resolution pursuant to the discussion which took place at this meeting.

Chairperson Engleman entertained public comment and, when none was forthcoming, a motion. **Member Scott moved to request the committee's legal counsel to work with staff and the chairperson to incorporate the comments discussed today in a revised resolution to be considered at the October meeting. Vice Chairperson Bennett seconded the motion. Motion carried 5-0.**

6. FUTURE AGENDA ITEMS (2:34:53) - Chairperson Engleman noted this item had been covered in previous discussion. Mr. Schulz reminded the committee members that the next meeting is scheduled for Wednesday, October 19th at 1:00 p.m.

7. PUBLIC COMMENT (2:34:49) - Chairperson Engleman entertained public comment; however, none was forthcoming.

8. ACTION TO ADJOURN (2:35:37) - A motion was made, seconded, and carried unanimously to adjourn the meeting at 2:35 p.m.

The Minutes of the September 26, 2016 Carson City Utility Financial Oversight Committee meeting are so approved this 19th day of October, 2016.

ANDREA ENGLEMAN, Chair