

CARSON CITY UTILITY FINANCE OVERSIGHT COMMITTEE

Minutes of the March 20, 2018 Meeting

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A regular meeting of the Carson City Utility Finance Oversight Committee was scheduled for 1:00 p.m. on Tuesday, March 20, 2018 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

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

STAFF: Darren Schulz, Public Works Department Director
David Bruketta, Utility Manager
Jason Link, Chief Financial Officer
Pamala Ganger, Accounting Manager
Dan 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 Clerk's Office, during regular business hours.

CALL TO ORDER AND DETERMINATION OF A QUORUM (1:01:44) - Chairperson Engleman called the meeting to order at 1:01 p.m. Ms. King called the roll; a quorum was present.

PUBLIC COMMENT (1:02:03) - Chairperson Engleman entertained public comment; however, none was forthcoming.

1. POSSIBLE ACTION ON APPROVAL OF MINUTES - January 29, 2018 (1:02:11) - Chairperson Engleman entertained suggested revisions to the minutes and, when none were forthcoming, a motion. **Member Bowling moved to approve the minutes. Member Scott seconded the motion. Motion carried 5-0.**

2. MODIFICATIONS TO THE AGENDA (1:02:38) - Chairperson Engleman entertained modifications to the agenda; however, none were forthcoming.

3. PUBLIC MEETING ITEMS:

3(A) POSSIBLE ACTION TO RECOMMEND THE BOARD OF SUPERVISORS APPROVE THE TENTATIVE SEWER FUND BUDGET FOR FISCAL YEAR 2019, AND ACKNOWLEDGE THAT IT IS IN COMPLIANCE WITH THE ADOPTED FINANCIAL POLICIES (1:02:50) - Chairperson Engleman introduced this item, and Mr. Spell provided an update on the Citywide financial policies and, specifically, how they represent the enterprise funds. At Chairperson Engleman's request, City staff introduced themselves for the record. Mr. Link reviewed the agenda materials and narrated a PowerPoint presentation, which was displayed in the meeting room and which had been distributed to the committee members, staff, and made available to the public prior to the start of the meeting. Mr. Link, Mr. Bruketta, and Ms. Ganger responded to questions of clarification throughout the presentation.

Chairperson Engleman entertained a motion. **Member Scott moved to recommend to the Board of**

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Supervisors the approval of the tentative sewer fund budget for FY 2019, and acknowledge that it is in compliance with the adopted financial policies. Vice Chairperson Bennett seconded the motion. Chairperson Engleman entertained discussion on the motion and, when none was forthcoming, called for a vote. **Motion carried 5-0.**

3(B) POSSIBLE ACTION TO RECOMMEND THE BOARD OF SUPERVISORS APPROVE THE TENTATIVE WATER FUND BUDGET FOR FISCAL YEAR 2019, AND ACKNOWLEDGE THAT IT IS NOT IN COMPLIANCE WITH THE ADOPTED FINANCIAL POLICIES (1:26:14) - Chairperson Engleman introduced this item, and Mr. Link reviewed the agenda materials in conjunction with a PowerPoint presentation which was displayed in the meeting room. Mr. Link and Mr. Schulz responded to questions of clarification throughout the presentation.

Member Scott commented that the “revenues are woefully short of the needs ... and the situation in water is in a difficult position that I would hope could be addressed in a more comprehensive way by the Board or provide direction to the staff to do so going forward. The sewer fund is in better shape.” **Member Scott moved to recommend the Board of Supervisors approve the tentative water fund budget for FY 2019, and acknowledge that it is not in compliance with the adopted financial policies. Member Spell seconded the motion.** Chairperson Engleman entertained discussion on the motion and, when none was forthcoming, called for a vote. **Motion carried 5-0.**

3(C) POSSIBLE ACTION TO RECOMMEND THE BOARD OF SUPERVISORS APPROVE THE TENTATIVE STORM WATER FUND BUDGET FOR FISCAL YEAR 2019, AND ACKNOWLEDGE THAT IT IS NOT IN COMPLIANCE WITH THE ADOPTED FINANCIAL POLICIES (1:37:21) - Chairperson Engleman introduced this item, and Mr. Link reviewed the agenda materials in conjunction with a displayed PowerPoint presentation. Chairperson Engleman entertained questions or comments of the committee members and, when none were forthcoming, a motion. **Member Spell moved to recommend to the Board of Supervisors approval of the tentative stormwater fund budget for FY 2019, and acknowledge that it is not in compliance with adopted financial policies. Vice Chairperson Bennett seconded the motion.** Chairperson Engleman entertained discussion on the motion and, when none was forthcoming, called for a vote. **Motion carried 5-0.** Member Spell thanked the Finance Department staff on a “very easy-to-follow” presentation package. Member Bowling echoed Member Spell’s compliment.

4. STAFF UPDATES - DISCUSSION REGARDING THE DIRECTOR’S REPORT; OVERVIEW OF THE PROPOSED PUBLIC WORKS DEPARTMENT REORGANIZATION (1:43:23) - Chairperson Engleman introduced this item. Mr. Schulz reviewed the agenda materials, and responded to questions of clarification. In response to a further question, Mr. Schulz explained the difference between the FTEs within the Public Works Department divisions and “what’s actually in the budget ... The reason for that is because there are a number of people in Public Works that are charged to multiple different funds ... water, sewer, stormwater, land fill. They’re not all just within that fund. That’s the difference.” As an example, Mr. Schulz discussed the environmental division which reports to Mr. Bruketta. “... that group works on land fill, water, wastewater, and stormwater. So those individuals, they’re going to be shown in [Mr. Bruketta’s] group because that’s where they answer but their time is spent across the divisions.”

In response to a further question, Mr. Schulz discussed the timing and process associated with the proposed reorganization. He anticipates the changes and the reorganization will be effective as of July

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1st. He advised of no anticipation that the matter would be returned to this committee. In response to a further question, Mr. Schulz reviewed the responsibilities of Control Systems Operations Manager James Jacklett and Transportation Manager Lucia Maloney. Mr. Schulz responded to questions of clarification regarding the changes anticipated as part of the reorganization.

Member Bowling commended the proposed reorganization with a caution that “your span of control starts to get pretty broad with seven different sections.” Mr. Schulz acknowledged the point, and advised that he had read about and studied “many, many other organizations. ... we discussed it, at length, with the senior management team in Public Works to figure out what’s best.” Mr. Schulz expressed a preference for less breadth but suggested that a deputy director will help.

Member Scott expressed the opinion that “taking the opportunity now for reorganization is a good step. With half of the FTEs essentially answering [to] ... one division head now, that leaves you with an imbalanced kind of situation, particularly if you have a change or a retirement.” Member Scott expressed the further opinion, “it’s hard to figure which goes to where but it looks to me like the break down here is pretty clean and pretty reasonable given the divisions you’ll be creating and the personnel and their backgrounds who will be involved in the process.” Member Scott assumed that the increase in costs to the water budget are “kind of the equivalent of a true-up in terms of where the people really are who are going to be contributing to those divisions and how their costs should be allocated which, to me, for this committee is another eye-opener in terms of probably a more realistic allocation of where the costs should be applied. ... It’s a tough one. ... In my mind, the reorganization makes a lot of sense. I think Randy’s comment is good and you acknowledged that. ... having a deputy ... can help tremendously in ... managing the same overall operation and having it a little more clearly defined is going to facilitate management ... particularly with a deputy to assist you.”

Chairperson Engleman expressed agreement “with much of what the committee has said,” and discussed a brief history of Mr. Schulz’s tenure with the City, starting as the Public Works Department Deputy Director. Chairperson Engleman expressed concern “about a deputy who’s not being trained to ... step into your shoes if you should get another job or if you should leave ... but instead may retire himself. ... Secondly, I’m concerned also about the amount of money that we’re spending on Marathon employees; employees which I thought were people that were used on a short-term basis; that we would hire people who would come in for three months, for instance, in the summer.” Chairperson Engleman discussed concerns over former City employees working continuously for the City since their retirement, through Marathon contracts.

Mr. Schulz advised that Public Works Department Operations Manager Curtis Horton had worked for the City for 32 years. Mr. Horton recently notified Mr. Schulz that he would like to retire. Mr. Schulz stated, “That scared me. That scared all of us. If you ask any of the senior management team in Public Works, they will say they are scared of Curtis walking out the door right now. He has enough knowledge in his head over 32 years that, when that leaves, ... will create an exceptional hole.” Mr. Schulz explained that the proposed reorganization included his idea of Mr. Horton filling the deputy director role “on a short-term basis.” When he broached the subject with Mr. Horton, he committed to slightly longer than one year but wants to retire after that. Mr. Schulz acknowledged “... it doesn’t get me where I want to be, in terms of a director and a deputy working together spreading the load, as fast ...” He explained that the vast majority of the Public Works Department’s senior managers have been with the City for five years or less. “They need knowledge of how we do things and what’s buried there and what happened 20 years ago. ... my thought process was what a better situation ... to be able

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to have Curtis here, start up this new organization. For instance, Fleet [Management] is being moved to the Transportation Manager. The Transportation Manager has never done Fleet before. ... the individual is very intelligent and I'm comfortable she's going to learn it but there's that period of time that it takes to get up to speed. What better than to have the current manager there working with you two offices away? ... And if you look at division by division, Transportation, Water, Wastewater, Operations, this individual has been involved in all of those 32 years. ... that's how I came to that conclusion that that made the most sense. ... it was my idea. It wasn't his and I convinced him that, if this goes forward, that he could stay and help me out and he really does want what's best for Carson City. He believes in the organization. ... It would be temporary. What happens when this individual does, in fact, retire, I don't know. I'll get there when we get there and, once we get this through, then I'll start working on that next step but, ideally, that's how I looked at it."

Mr. Schulz provided an overview of the hourly employees at Public Works, some of whom are from Marathon and ManPower staffing and some of whom are City employees. "To kind of address some of the questions that came up, we have an individual on the list who is the manager of our construction project ... at the Wastewater Reclamation Facility. ... the way we looked at this a number of years ago was, when you take a project that's worth \$40 million-plus and ... you get the money you need to do this improvement, who's going to manage that project? I can't take somebody that has a list of duties that they're doing and say, 'Stop doing everything you're doing. I want you to go manage this project.' ... I didn't have that option and I don't want to hire somebody full time because it's a project. It's going to stop. ... What do I do with that individual that I have here that I no longer have work for? So you have two options. You can either hire somebody on a contract basis, hourly, or you can hire a consultant to provide that person for you to manage the project. So, we cross that bridge all the time with many different projects; whether it's inspections, material testing, that's always something that we're looking at.

"So, for instance, for the Wastewater Reclamation Facility, and for the individual that's listed there, Jim Morris, we brought him in as an hourly employee to manage that project for the City, as a City employee, with the idea that when that project is done, he goes away. So I either had that option to do that or I had the option of hiring a consultant to do that. And so ... in anticipation of questions, we reached out to some consultants and I got an hourly rate for that individual and their expertise and it's right around \$220 an hour. So ... I could do that but I'm not sure we like that direction either. So that's how those types of decisions get made is what's best for the City in terms of that.

"In regards to ... the past Public Works Director, ... as this Department moves forward, the various funds, the various utilities, the various divisions, from time-to-time, there's things that come up that need to be researched and, generally, a white paper needs to be written. ... When questions like that come in, we look around, who has time to do that right now? Who doesn't? So then your options, again, are do you hire a consultant to do a little study for you or do you look at an hourly employee to do a little study for you? In this case, the previous Public Works Director comes with a lot of knowledge of Carson City and Public Works. So when I have a little study that needs to be done, rather than hiring somebody, spending time and money to get them up to speed, do the report, put them out the door, I can get there much quicker, much cheaper with this individual. So, he's worked on a number of different projects. He was the one who did our land fill master plan over the last year. So, we looked at hiring a consultant to do that, got some rough numbers of what it could cost, looked and said, 'Hey, what if we do it in-house with this person individually, hourly, and ... this is about 30% of the cost.' So those are decisions that I'm making and using moving forward." In response to a

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question, Mr. Schulz advised that the former Public Works Department Director averages 12 to 15 hours every two weeks. Mr. Schulz responded to additional questions of clarification and discussion followed.

Vice Chairperson Bennett suggested that taking “the Marathon discussion out of context, it’s alarming.” He advised that he works as a consultant and confirmed the accuracy of Mr. Schulz’s statements. “The person of the caliber that would be managing, at least in my firm, a \$40 million construction project, we’re billing him at quite a high rate. ... I think it’s the right thing to do. Again, out of context, there’s some questions, there’s some eyebrows that would raise but when you look at what it’s doing for the City, the benefit it’s adding, ... it’s absolutely the right thing to do.”

Member Bowling expressed agreement with Vice Chairperson Bennett’s description of consultant billing rates. “If you bring in a consulting firm, you’ve got overhead that you have to pay for in addition to maybe a skill set that might be more than a specific project may need. But still, it’s going to be not as economical as the current arrangement. Another comment, ... I think the concept of building your new organization and having somebody with 32 years’ experience stay on for an additional year so that that individual can mentor the section heads, ... there’s a lot of merit to it. I would offer, as a suggestion, lay out a plan ahead of time as to what the mentoring is going to be so you don’t get to the twelfth month” and wish you had more time. Member Bowling expressed overall agreement with everything Mr. Schulz had presented.

In response to a comment, Mr. Schulz clarified that “the year time frame” associated with Mr. Horton’s promotion to deputy director “is loose. Nobody is signing a contract. The year time frame is loose but that’s approximately what we’re looking at. No, my anticipation is not to reorganize ... in the next year or two or three.” In response to a question, Mr. Schulz explained “the reason that water is taking a hit of over \$100,000 is because I am establishing a water manager that just oversees water which we’re currently not doing and I don’t think that’s a good thing. I think we need to get out in front of some of these initiatives that are coming with regards to water and just get a better hold of it. It’s a very, very valuable asset but there’s a lot of things we could be doing, looking into the future, that we’re currently not really doing very well and I’m looking forward to accomplishing that.” Chairperson Engleman entertained additional committee member questions or comments; however, none were forthcoming.

5. MEMBERS’ ANNOUNCEMENTS AND REQUESTS FOR INFORMATION (2:23:15) - Chairperson Engleman entertained announcements or requests for information; however, none were forthcoming.

5(A) DISCUSSION REGARDING A LIST OF CURRENT CONTRACTS AND STAFFING HIRED THROUGH TEMPORARY STAFFING AGENCIES THAT IMPACT THE WATER, SEWER, AND STORM WATER FUNDS - Previously covered.

6. DISCUSSION ONLY REGARDING FUTURE AGENDA ITEMS

7. PUBLIC COMMENT (2:23:21) - Chairperson Engleman entertained public comment; however, none was forthcoming.

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8. ACTION TO ADJOURN (2:23:27) - Vice Chairperson Bennett moved to adjourn the meeting at 2:23 p.m. Member Scott seconded the motion. Motion carried.

The Minutes of the March 20, 2018 Carson City Utility Finance Oversight Committee are so approved this 22nd day of May, 2018.

ANDREA ENGLEMAN, Chair