

Minutes of the Meeting
COMMITTEE ON LOCAL GOVERNMENT FINANCE
April 25, 2018, 9:00 a.m.

The meeting was held at the Legislative Counsel Bureau, 401 S. Carson St, Room 2135, Carson City, Nevada, and video-conferenced to the Legislative Counsel Bureau, Grant Sawyer State Office Building, 555 E Washington Ave, Room 4412, Las Vegas, Nevada. This meeting was also part of a teleconference.

COMMITTEE MEMBERS PRESENT:

Marvin Leavitt, Chairman
Marty Johnson
Beth Kohn-Cole
Jessica Colvin
Alan Kalt
Jeff Cronk
Tom Ciesynski
Jeff Zander
Jim McIntosh
Christine Vuletich

MEMBERS OF THE PUBLIC PRESENT:

Name	Representing
Lorinda A. Wichman	Nye County Hospital District
Savannah Rucker	Nye County
Diane Bartholomew	City of N. Las Vegas
Linda Poleski	City of N. Las Vegas
Cori Knauss	City of N. Las Vegas
Darren Adair	City of N. Las Vegas
Nikki Thorn	City of N. Las Vegas
Debbie Barton	City of N. Las Vegas
John Jay Lee	City of N. Las Vegas
Vinson Guthreau	NACO
David Jones	City of Carlin
Michael Pelham	Nevada Taxpayers
Deborah Lauchner	City of Reno
Anne Langley	Storey County
Robert Morris	Storey County
Hugh Gallagher	Storey County
Russell Klein	Lander County School District
Mona Lisa	MJ Patients
Samuelson	City of Henderson
Rosa Reynolds	Clark County School District
Andrew Feuling	Clark County School District
Jason Goudie	Clark County School District
Darette Kuque	Clark County School District
Christine Thomas	Clark County School District
Shelly Hughes	Clark County School District
Millie Sura	Clark County School District
Jeng Kenya	Clark County School District
Ryann Juden	City of N. Las Vegas

COUNSEL TO COMMITTEE

Peter Keegan

DEPT OF TAXATION STAFF PRESENT:

Bill Anderson
Jeff Mitchell
Kelly Langley
Penny Hampton
Erik Rowley
Susan Lewis
Keri Gransbery
Stephanie Klapstein
Christina Griffith

ITEM 1. ROLL CALL AND OPENING REMARKS

Chairman Leavitt called the meeting to order at 9:01 a.m. Member Walker was absent.

Kelly Langley, with the Department of Taxation (Department), introduced Bill Anderson, Executive Director of the Department. Mr. Anderson stated he is honored to be with the Department and commended the staff. He looks forward to working with the Committee on Local Government Finance.

Chairman Leavitt announced this is Member Kalt's last meeting, commending Member Kalt's service to the rural communities and adding he has been an asset to the Committee. He enjoyed working with him and he will be missed. Member Kalt thanked Chairman Leavitt for his wisdom and guidance over the years. He enjoyed his time on this Committee. He announced Gina Rackley, from Humboldt County, will replace him and will also be a voice for the rural areas.

Chairman Leavitt noted Member Zander is nearing the end of his service also. Member Zander replied that he is willing to continue if the School Board Association extends his term.

Chairman Leavitt mentioned the Technical Committee of the Economic Forum. He let the members know if they are interested in serving on that committee, to let him know after the meeting. He explained that committee handles mine revenues in the State of Nevada.

ITEM 2. PUBLIC COMMENT

Mona Lisa Samuelson, commented that she is Nevada's very first medical marijuana patient advocate and community activist. She mentioned the need for regulations to protect medical marijuana patients and that people's health is in danger. Her written testimony is in the record.

ITEM 3. FINANCIAL CONDITION REPORTS BY THE DEPARTMENT; CONSIDERATION AND POSSIBLE ADOPTION OF RECOMMENDATIONS AND ORDERS

(a) For Possible Action: Discussion and Consideration of School Districts reporting a 4th Year of Decline in General Fund Ending Balances pursuant to NRS 387.3045:

1. Report by Lander County School District

Kelly Langley and Keri Gransbery appeared on behalf of the Department. Nan Ancho and Russ Klein appeared on behalf of Lander County School District (LCSD).

Ms. Gransbery stated the School District reported a 4th year decline in general fund balance. She noted net proceeds impact the districts revenue. The 2018 augmented budget shows an increase in the ending fund balance.

Ms. Ancho introduced Mr. Klein, Superintendent for LCSD. He briefly explained his experience and noted \$800,000 was cut from next year's budget. They built new buildings in the last four years. Measures are in place and they have not committed to spend net proceeds next year.

Chairman Leavitt noted they continually see net proceeds being relied on when they shouldn't be. He does not want to see LCSD again for this reason. Mr. Klein stated he came in person to assure the Committee steps were taken to show they are headed in a different direction.

Chairman Leavitt requested if they get to this point again, they contact their budget analyst. The budget analyst will contact the Committee to try to keep this from happening. Mr. Klein is confident they can work closely together.

Chairman Leavitt asked for clarification on the funding of the new schools. Mr. Klein explained they are paid for, and the school district does not have any debt.

Member Ciesynski asked if they are monitoring cash flow. Mr. Klein responded that in his first three days they created a budget for next year, and he will be aware of their cash flows.

(b) For Possible Action: Discussion and Consideration of the City of North Las Vegas Financial Condition:

1. Update on the proposed SB78 Reduction Plan

2. Impact of SB78 Reduction Plan on the Tentative FY 18/19 Budget & 5 year forecast

3. Review of Cash Flow Projections for the General Fund, Sewer & Waste Water Enterprise Funds

Kelly Langley appeared on behalf of the Department. Darren Adair, Cori Knauss, and Ryann Juden appeared on behalf of the City of North Las Vegas.

Ms. Langley noted the City of North Las Vegas provided a 5 year forecast reflecting the SB78 plan. The 2018 estimated actuals anticipate a one-time reduction of the enterprise draw of \$18 million, the tentative 18/19 budget would have another one time reduction of \$9 million; all other years have a 3.3% reduction. Staffing reflects approximately a \$4 million increase in salaries for tentative 18/19. She noted good news releases regarding staffing and a FITCH report presentation done in February.

Mr. Juden thanked the Department for their work. He noted their presentation includes suggestions and directions this committee provided in prior meetings. He referred to a letter outlining the changes recommended. They are asking for approval of the plan. Ms. Langley noted that letter was not in the packet, and asked him to provide it to her for the next Agenda. Mr. Juden offered Mr. Adair could highlight the letter. They believe they included direction from the committee and are consistent with the legislation under SB78.

Member Kohn-Cole asked if the city will adjust transfers if expenditures are less than budgeted on the 5 year plan. Mr. Adair explained the one-time reduction due to vacancy savings is not sustainable. Recurring excess from operational savings will be used to add staffing. The City implemented an "invest and reinvest" strategy presented to the Department in the tentative budget. It includes a minimal amount of funding to increase salaries and add staff. Savings will be used to meet the city's immediate needs.

Member Kalt asked for confirmation that the items mentioned in the letter, and what has been presented, were included in the tentative budget. Mr. Adair confirmed.

Member Colvin questioned if they budget the positions expecting vacancy savings or if they have a vacancy factor. Mr. Adair explained vacancy savings were previously used to provide a cushion between insolvency and financial receivership; they do not expect those savings to continue and plan to stop that practice. Member Colvin agreed vacancy savings should only be used for one time expenditures in the future and asked if the 3.6% year over year change includes a vacancy factor. Ms. Knauss replied that vacancy savings have not been factored in. They have agreements with Fire, IAFF and teamster unions and followed COLA across the board to follow up with the same negotiations as the unions.

Member Colvin asked how this forecast compares to their 5 year capital plan, if they will be able to meet the cities needs or if additional debt is contemplated. Mr. Adair stated they dipped into the general operating fund and there is potential to refinance their bonds. They are looking at lowering the costs. The City is getting where it can approach the capital markets for additional financing and refinance existing bonds to lower their debt service. He noted they are on the edge in this budget, but it is balanced. Member Colvin recommended vacancy savings be designated to their one time capital plan. Mr. Adair agreed.

Member Ciesynski asked if the policy will be presented to council yearly and how much flexibility they have to change it. Mr. Adair replied it could only be changed every 5 years, not annually.

Ms. Langley questioned if this committee will approve the plan and provide input every 5 years. Mr. Adair believes the City Council will be able to look at its financial situation every 5 years and evaluate out. They anticipate sharing the documentation and Council's decision with the Committee. The goal is to ensure the percentage allows for responsible operations. They do not contemplate the committee rejecting it, if it meets the requirements between 3-5%.

Member Vuletich questioned where the transfers on the 5 year projection would be going. Mr. Adair explained they are increases in debt service.

Member Kohn-Cole questioned why the increase does not correlate to the actuals in the 2018 estimate to the projected cash flow, and if it was due to transfers that aren't happening. Mr. Adair confirmed, adding the city approved a \$42 million capital improvement project in its utility fund which will consume the cash shown.

Chairman Leavitt is concerned and reluctant about approving a 30 year plan and reluctant to approve it without the ability to look at it based on existing conditions. The Committee agreed. He thinks if they want it approved today, it will need something like that in it.

Mr. Judan understood that was discussed in previous meetings. Those recommendations were included into a plan to bring back to this Committee. A plan has to be adopted before July 2018. He reviewed what went on at the Senate, noting it was passed and signed. He understands and appreciates the Department and Committees concerns. The City is trying to preserve the intent of the legislation and have some sort of certainty. He anticipates the process will continue with whoever occupies the positions, and they will work forward every 5

years. It is important that a concrete plan moves forward to preserve legislative intent and the work that is done.

Chairman Leavitt asked the members how they felt if every 10 years the committee had an opportunity to review and reapprove the plan. Peter Keegan noted that after reading the Senate bill, he understood there would be a review period by CLGF. Other suggestions the Committee made are part of the plan. Per SB78, the term of a plan can be set lower than 30 years, allowing the Committee to review the plan at that completion. A shorter term forecast to allow more accurate review seems reasonable to him.

Mr. Judan agreed, noting they discussed a review period at the last meeting. He clarified a review is different than separate approvals. The Board and Taxation having oversight is consistent with legislative intent. Chairman Parks added separate approvals then withdrew it. The City has no concern with review. The floor and ceiling create time limits on the plan.

Mr. Adair is concerned with the bond market and increasing ratings. The market is focused on SB78. The biggest concern is the fiscal cliff and the ability to pay back bonds. If a plan is only good 5 or 10 years, they only reset the fiscal cliff. In 2011, a 10 year fiscal cliff impaired their bond rating and ability to move forward. The bond rating affects other municipalities in the Valley also. They have no issue with review or reporting and discussing with CLGF.

He noted they did the analysis, and with the current financial picture and staffing levels, they can't exceed 3.5%. The City Council wants to be off this as quickly as it can. He suggests annual review and compliance before this Committee as part of the budget process, and percentage review during the 5 year. The Committee will receive the same information provided to Council. CLGF can monitor the council stays within 3-5%. They need the plan included in the budget.

Mr. Judan referred to the Chairman's previous concern over PILT, and what the plan is. When the original plan was submitted before the legislative session, they accepted the Departments amendment adding language to the bill. The language agreed each plan approved by the CLGF pursuant to subsection 10 is subject to annual review by the Committee. He stressed the difference between review and approval. They believe it is important to have this body approve a plan with annual review, but do not believe the language implies it can be disapproved.

Member Ciesynski appreciates the work the City has done. He agrees with annual review and that yearly approval is not necessary. He also believes if the plan is not working, corrective action may be necessary. Mr. Juden agreed. If the plan adopted today does not work, they will go back to the legislature.

Member Johnson asked about the difference in amounts on the 5 year forecast and the cash flow. Mr. Adair replied that the cash forecasts are not on the same basis as the financial reporting so it creates a gap between them. He would have to discuss it with their finance manager and have her respond. Member Johnson asked if the 5 year forecast is meant to mimic what is in the financial statements, Mr. Adair confirmed.

Member Johnson recalled discussing triggers and asked if the plan mentions that. Mr. Adair noted the only triggers are time and changes of facts and information. He is unsure what triggers they would include. They put together a 5 year plan. The idea is CLGF will review the percentage the City Council approved each year as part of the budget process. The Committee would be able to verify they capped out the transfers. At the end of the year they could see the financials and if obligations were met. On the 5 year review, they would look at what they did, the 5 year forecast, and any growth. They do not want to take the Councils ability to discuss objectives for the city to restore services and growth. They would bring the proposed changes to CLGF.

Member Johnson clarified triggers to keep them focused on the 5% range more than the 3.5% range. The Committee doesn't want them to continue at 3.5% if they can afford more. Also if they don't meet the plan, it could be more than a year before they could go to the legislature. Mr. Juden clarified the context of the trigger conversation was the city's rudimentary 3.3% a

year plan that was open over 30 years. They discussed every 5 years reassessing the percentage making it subject to a review process, having certainty, and the concept of a ceiling. They then took that back to their governing body.

Mr. Adair stressed the City is substantially understaffed. He assured the Committee if they had excess funds, they would put it back into services and the situation the Committee is concerned about will not happen. He would think CLGF wouldn't want to undercut the reason the city exists.

Chairman Leavitt asked for a copy of the letter. Ms. Langley replied she was trying to get a copy emailed to the building.

Chairman Leavitt asked the members if they were comfortable approving something that does not require or have the ability to be amended over 30 years.

Member Kalt felt with the minimum and ceiling in place, annual review for compliance, and a 5 year evaluation, he would be. It meets the Committees recommendations and addresses the statutory provisions in the approved legislation.

Member Kohn-Cole recognizes the city's ability for funding debt and the bond issue. She would approve the plan. She believes the Committee has other oversight capabilities in their basic oversight above this plan if there is a financial concern.

Member Colvin appreciated Mr. Adair's comments, noting any good finance director will budget conservatively. If they could afford additional reductions from PILT, should they have? She commented that it sounds like the needs that take priority are providing service to the population.

Member Johnson believes the City came back with 99% of what has been talked about. He struggles with what happens if they don't meet it, noting Member Kohn-Cole made a good point; there is fiscal watch. He could live with what the plan is.

Member McIntosh noted he has been on the Committee for some time, and it seems every meeting the City of North Las Vegas has been present. He feels they provided everything they asked for, listened to the Committees advice, and came in good faith. He agrees with a review.

Chairman Leavitt went on to the next agenda item, noting they would return to the City of North Las Vegas. **(Agenda Items (c) and (d) were heard at this time)**

Returning to North Las Vegas, Chairman Leavitt noted a copy of the proposal, stating number 4 doesn't sound like a 30 year plan, it notes that every 5th year the City will review and readopt. Mr. Juden clarified, *"The language is to modify the 3.3% and 5%. Every year there is a five year potential reset. That is the only thing, there would be. No other portion of the plan is intended to be looked at by the Council. Other than the 3.3% and the 5%, if that changes, and what it changes to, and once Council makes that determination it would be brought before the Committee on Local Government Finance for review and discussion."* **(Comment is on record verbatim per Chairman Leavitt's request)**

Chairman Leavitt noted he would accept a motion. Member Johnson motioned to accept North Las Vegas' plan. Member Vuletich seconded. The motion passed.

Mr. Juden noted Mayor John Lee would like to address the Committee. Mayor Lee commended the Committee's leadership noting they will ensure Council understands the intensity taken to be sure the city gets out of that hole. They are transparent and willing to do what it takes. They have respect for the Committee. He thanked the Chairman and the Committee.

Chairman Leavitt wants a discussion at the next meeting of the reconciliation of the cash flow projections related to regular projections, and the final budget. He previously indicated he wants them to give two presentations a year, one on the final budget, and one after the audit report was submitted. After the final budget is submitted, he wants to have an in depth

discussion about it. Mayor Lee stated it would be their pleasure. They are looking forward to the day they are off fiscal watch and not a distraction to the Committee.

(c) For Possible Action: Discussion and Consideration of Nye County Financial Condition:

- 1. Brief update on FY 18/19 Tentative Budget**
- 2. Request Committee Recommendation to the Director of Taxation for removal of Fiscal Watch**

Kelly Langley and Susan Lewis, appeared on behalf of the Department. Savannah Rucker and Lorinda Wichman, appeared on behalf of Nye County.

Ms. Langley noted Nye County requested to be removed from fiscal watch. She stated the conditions that put Nye County on fiscal watch no longer exist. The Department staff recommends they be removed. She explained since the Committee placed them on fiscal watch, the Committee would need to request the Executive Director to remove them.

Chairman Leavitt agreed that Nye County has come a long way and it is time to remove them.

Member Ciesynski complimented Nye County and their professionalism. He supports the Chairman and believes it is time to move on.

Member Kalt complimented Nye County's staff and motioned to recommend to the Director of the Department of Taxation to remove Nye County from fiscal watch. Member Ciesynski seconded. Motion passed.

Ms. Rucker thanked the Committee for the guidance they have provided.

Chairman Leavitt noted an update on Nye County's budget was not necessary.

(d) For Possible Action: Discussion and Consideration of Nye County Hospital Financial Condition:

- 1. Brief update on FY 18/19 Tentative Budget**
- 2. Request recommendation to the Director of Taxation for removal of Fiscal Watch**

Kelly Langley appeared on behalf of the Department. Savannah Rucker, and Lorinda Wichman appeared on behalf of Nye County Hospital District.

Ms. Langley noted Nye County Hospital District requested to be removed from fiscal watch, commenting that the conditions that put the District on fiscal watch no longer exist. She added that the District has worked with the county, and she believes controls are in place and their concerns have been met. She recommended they be removed.

Member Kalt motioned to recommend to the Director of the Department of Taxation to remove Nye County Hospital District from fiscal watch. Member Ciesynski seconded. Motion passed.

(e) For Possible Action: Discussion and Consideration of Clark County School District Financial Condition:

- 1. Report by the School District on the following matters:**
 - a) Review of the Cash Flow Projections – All Funds**
 - b) Status update on Contract Negotiations**
 - c) Brief update on FY 18/19 Tentative Budget**

Member Kohn-Cole recused herself due to her relationships with the union.

Kelly Langley appeared on behalf of the Department. Jason Goudie appeared on behalf of Clark County School District.

Ms. Langley noted Clark County School District was placed on fiscal watch at the last meeting. She explained the District was requested to submit increased financial reporting, including monthly cash-flow statements for FY17-18 and a historical monthly cash flow report for the General Fund for FY16-17. She added staff has worked with the District, but have been unable to get cash flow projections for solely the general fund.

Mr. Goudie stated they have been providing cash flow information monthly, the cash flow projections which are done on a consolidated basis, and the actuals as they transpired through March with some variances. He updated the Committee on contract negotiations, noting they received the arbitrator decision on CCA, their teacher's labor group. The arbitrator ruled in favor of CCA, a \$13 million impact to the general fund for the current fiscal year. The ESEA arbitration, their support staff labor group, ended a couple weeks ago. They anticipate a May decision. CASA, their administrators union, is scheduled to begin arbitration in June. The two others are smaller, and he believes they are moving to arbitration as well.

They submitted the Tentative Budget to the Board of School Trustees in April. It is a balanced budget but does not consider the CCA arbitration. There are currently no increases for any labor groups built into the budget due to the minimal amounts of revenue increase. The EFB budget is back to a 1.75% level. The 2018 budgeted EFB is about \$18 million, and prior to arbitration they were well within that range. They will present the final budget to the Board of Trustees in May. 2019 revenue increases were about \$34 million. He went over expenses and supply costs, as well as the increase in services to the new schools.

Chairman Leavitt asked what they may know relating to the labor situations when the final budget is filed. Mr. Goudie replied that he doesn't know if they will have the ESEA settlement, but may have some information on it. He does not anticipate having additional information on the other groups either.

Member Ciesynski thanked Mr. Goudie for supplying cash flows. He suggested NAC 354.280 provides that if they take a request to a governing body requesting property taxes in the next fiscal year, they can but it has to be done prior to June 30th. He also asked Mr. Goudie about the arbitrators ruling in terms of what they didn't consider in respect to the 8.3% EFB.

Mr. Goudie stated the decision was long, and the legal arguments unclear, specifically as it related to the ability to pay. The labor group made the point that the EFB was below 8.3%. The arbitrator decision called out use of EFB while citing 354.660 in the same sentence. That is one of the legal basis for the Motion to Vacate filed in State Court by the School Districts Legal team.

Member Ciesynski asked if the cuts made in the FY18 budget help to address the FY19 budget. He knows they are still waiting on final arbitrations, so is unsure if they have pinned down what FY19 looks like yet. Mr. Goudie explained most of the savings from FY18 have to stay in the schools and can't be used elsewhere in the general fund. He mentioned the costs and expenses for building the new schools.

Member McIntosh asked what impact this arbitration will have on the final budget and how it will affect their current year financial statements. Specifically, focusing on EFB, he would like to know what effect that will have on them trying to get back to the 1.75%.

Mr. Goudie noted arbitration this year is approximately \$13 million. They had an unassigned EFB of \$18 million in their FY18 amended budget. They don't have an ability to make drastic changes to reduce those costs. They feel comfortable that they are right there and won't have the same surprises next year. The arbitration decision turned the \$13 million to a \$51 million deficit to the district in FY19. They are coming up with plans to address this with the Board of Directors, and how to address it through the final budget process.

Member Colvin asked, regarding the pending arbitrations, if they have quantified the cost of the Union's request, worst case scenario. He replied they have, but can't discuss it publicly. They discussed the most recent one, and have not entered the arbitration as it relates to the other groups so they do not have a final offer. The amount creates a \$50 million deficit; any amount will increase that deficit and lead to changes.

Member Cronk asked him to elaborate on restricted vs unrestricted EFB relating to the arbitration finding if they are left with an unassigned balance, or if they looked at it that deeply. Mr. Goudie replied that he has focused on unassigned. The restricted or non-spendable is basically supplies and buses. The \$18 million referred to was the unassigned EFB.

Member Johnson asked the reason for not getting cash flow statements for the general fund. Mr. Goudie replied that it is possible, but not easy. Their normal operations are not set up that way, and staff is stretched thin. They track it on a fund by fund basis on the actuals. Member Johnson questioned if they could get actuals then, not projected. Mr. Goudie agreed to.

Member Johnson assumes it's easier to cut expenses at the beginning of a school year. He asked if it has an impact on the final budget, trying to get a higher fund balance in case they are not in the schools favor. Mr. Goudie stated they continually look at that. Based off current funding levels any additional money set aside, or forced to pay, comes out of cuts, 88% of their budget is people. They are being asked to terminate bodies to give other groups higher salaries. They are looking at programs that may not have the greatest cost benefit analysis. They are considering what they may need to do at the next legislative session for more funding, and convince the groups the position they are in and how they can work with them. They all want the same thing, but there are a limited amount of resources.

Chairman Leavitt asked what time period the pending labor proceedings cover. Mr. Goudie replied that they are for the current year and are very late. They are starting negotiations for next year, which are also too late, to build them in. Chairman Leavitt noted the year is almost over before they find out what costs will be. Mr. Goudie confirmed.

Chairman Leavitt outlined what they would like to see from the school district at the next meeting. The beginning balance for the next fiscal year, possible adjustments to the balance due to arbitration if it comes out negative to them, the expenditures for the next fiscal year, and ending balance, things not included in those expenditures that may be possible liabilities. He would like to see where they stand. He also wants an actual cash balance for the general fund as of June 30.

Member Ciesynski noted the general fund also subsidizes their grant funds because they are on a reimbursement basis and to look at those in combination. July and August are low points because of the lag in sales tax, government service tax, and property tax. He reminded the school district of the NAC he recommended to speed things up with property taxes.

Chairman Leavitt expressed concern that the ending fund balance is so low in relation to the expenditures; two or three arbitrations could put them close to negative water. He also wants them to compare their cash balance to their actual ending balance.

(f) For Possible Action: Discussion and Consideration of City of Carlin 2017 Audit and Findings

1. Report by the City of Carlin regarding the 2017 audit findings and corrective action

Kelly Langley and Keri Gransbery appeared on behalf of the Department. David Jones appeared on behalf of the City of Carlin.

Ms. Gransbery noted that the Department granted the city of Carlin a third extension to submit their fiscal year end audit, contingent on supplying numerous requested delinquent filings. Most have been submitted; however the letters of corrective action for 3 consecutive audit years were not brought to the City's Board or the Department until 2 days ago. The Department received a proposed letter of corrective action that has not gone before the City's Board.

Chairman Leavitt noted two problems, one is they are understaffed in the finance area, and second the people they have do not have the necessary knowledge. A lot of this is just a matter of not doing it, or not correctly. Mr. Jones agreed. Chairman Leavitt asked what they can do to solve this, suggesting training. Mr. Jones announced he has opted to seek employment elsewhere, the City will be able to hire a manager that may be better qualified.

Chairman Leavitt asked him if he has been doing the general ledgers, Mr. Jones responded he does a portion of them and he or the City Clerk will sign off on them as a checks and balance system. Chairman Leavitt asked if they have a finance department and if the City does anything regarding annual financial statements. Mr. Jones stated the finance department is a

shared responsibility between the City Clerk and City Manager. He confirmed financial statements are done by the auditors.

Chairman Leavitt asked if they maintain a general ledger. Mr. Jones confirmed, noting they have gone from several pages, to 3 or 3 ½ and are trying to progress. He sought additional training when he realized the problems, and has relied on their computer accounting system. Chairman Leavitt stated the situation will continue without additional staff and training. Mr. Jones agreed.

Ms. Langley questioned if the Board has any intent to hire additional staff, adding the Department requested someone from the Committee to attend, but none did. Mr. Jones replied at the current time he does not believe there is a plan to hire additional staff, the need has been expressed. He added the Board has unofficially looked at reducing administrative staff for the City.

Member Ciesynski asked if they could bring a member of the City Council to the next meeting. He thinks there might be a disconnect between the two.

Chairman Leavitt noted when their accounting records are incorrect they risk being in violation of various statutes and agreed they should have someone from the City Council appear. Ms. Langley stated a letter to appear went out to the chairperson. The Department did not know someone from the Council was not going to appear.

Member Ciesynski noted their finances are in good shape, he believes there is financial ability to get them help, but there needs to be communication with their Council.

Member Kalt suggested they reach out to Eide Bailey for training and other resources available to get staff up to speed. He noted Elko County has talented staff they could possibly meet and work with to bring the knowledge base up. He added it needs to be a priority, financial controls and the financial house need to be in order.

Ms. Langley recommended the staff of the City reach out to the chairperson of their Council this week and have that conversation. Make them aware of the training available and the need for additional staffing to not have these compliance problems again next year. She suggested maybe they can be encouraged to put in their recommendation hiring additional staff, adding maybe that should be a request from this committee.

Chairman Leavitt stated they want them to be successful.

Member Vuletich agreed that would be a good recommendation, adding to the recommendation of additional staff, that the added staff have an accounting or financial background.

Member Colvin offered there may be an accounting firm outside Eide Bailey that could come in monthly or weekly to get a handle on it. Chairman Leavitt asked Mr. Jones if there were. Mr. Jones believes there is. Chairman Leavitt requested another report for the next meeting to see where they stand on these suggestions.

Member Johnson added he would like the Council to provide a list of positions that are responsible for these various reports. They may not know who is responsible and it would allow them to assign someone, and would give the Department a contact name. Mr. Jones responded that the majority of the reports the Department needs come from the City Manager.

Ms. Gransbery pointed out that the City Managers proposed corrective action letter notes that management is looking at hiring an outside firm to perform billing. It sounds like they are trying to work on some of the issues.

Mr. Jones noted they have worked extensively with REMSA, who does outside billing services. They are in place to help with the 2017B finding. They are waiting on approval from the Federal Government. They recognize the need for these corrections.

Chairman Leavitt added they need another person, or persons. If they don't have someone there to do the work daily, it doesn't get done. Mr. Jones noted he understood.

(g) For Possible Action: Discussion and Consideration of Audit Finding in Storey County 2017 Audit Finding # 2017-C

1. Review action taken by Board of County Commissioners regarding deferred income payment, as incentive for doing a good job, in the amount of \$185,000 upon retirement of three employees.

Member Johnson disclosed that he is under contract with Storey County, working on financing sewer and wastewater projects. He added this should have no bearing on that and he intends to participate in this discussion.

Kelly Langley and Susan Lewis appeared on behalf of the Department. Hugh Gallagher and Ann Langer appeared on behalf of Storey County.

Ms. Lewis explained Storey County was asked to appear regarding the audit filing of 2017-C as well as a phone conversation from Hugh Gallagher, the Comptroller for Storey County. She noted the cause of the 2017-C finding was payments made to three employees that retired during the year. The County Manager had noted the payments were incentives for doing good jobs over the years and similar payments had been made in the past.

Chairman Leavitt commented that in reading the documentation and in discussions with the board, among others, there seems to be two parts to this discussion. One is whether the payments were good for the county but he doesn't think that question relates to the Committee. The other is if the City Manager had the authority to make those payments and if they were legitimate payments. Those are the questions he is concerned with.

Ann Langer, Storey County District Attorney, replied that the Committee received the transcript of what went before the Board. The issues were addressed, and the Board's Decision is contained in the packet.

Chairman Leavitt noted it appeared to him that the Board wanted to establish procedures for the future. Ms. Langer stated they changed the City Manager's job description due to this. Policies have been put into place regarding contracts. The Board followed the recommendations of the Audit committee. They are still looking at the voluntary separation agreement.

Chairman Leavitt asked if the payments made last year, to the best of their knowledge, were made within his authority to make them, if they were legal payments. Ms. Langer asked if he meant if those payments went before the Board. He clarified if he had the authority or not. Ms. Langer stated she can only say what publicly went before the board and what they did. She asked if he was asking if the City Manager misappropriated funds. Chairman Leavitt clarified that if he had made a payment he wasn't authorized to, looks to him like he did something he was not authorized to do so now they are making arrangements to keep it from happening again. She clarified that the Department's issue is that the payments were made. It went before the Board, there was complete transparency, and it was addressed. The Board made a decision.

Chairman Leavitt noted it was on the Agenda to determine if he had a legal right to make a payment, but the Board did not decide on that. Ms. Langer reiterated that the information on what was done at the Board meeting is before the Committee now.

Ms. Langley clarified she believes he had the authority, and the Board is just clearing up any doubt in the future so it will be better documented, also, they did approve the payments for the three individuals, therefore she interprets that it was legal. The audit finding was unclear, so it went to the Board, and they approved the payments.

Ms. Langer stated this was a long process, they worked on this for 7 or 8 months to ensure this type of thing will not be questioned in the future, that it is in writing.

Chairman Leavitt thanked her, noting his appreciation for appearing.

ITEM 4. For Possible Action: SUBCOMMITTEE REPORT REGARDING PROPOSED GUIDANCE LETTER Regarding NRS 354.624, NRS 354.626, and NRS 354.410

Member Beth Kohn-Cole noted the summary on page 199-200 of the subcommittee finding. A letter will go out to local governments and auditors. Ms. Langley clarified it will go to local governments and they can send it to their auditors.

Member Kohn-Cole noted during the discussion they noticed some audit findings are incorrect. It was a short, good meeting. Ms. Langley added there was good attendance and she understands the goal is to get a guidance letter out to address the auditor's confusion.

Member Kohn-Cole motioned to have the Department prepare a guidance letter to the local governments on the noted NRS and NAC's regarding clarification. Member Ciesynski seconded the motion. Motion passed unanimously.

ITEM 5. BRIEFING TO AND FROM THE COMMITTEE ON LOCAL GOVERNMENT FINANCE AND LOCAL GOVERNMENT FINANCE STAFF

a) Report on audit extension requests

Ms. Langley discussed the audit summary noting many of the ending fund balances have improved.

Chairman Leavitt commented that he likes the document, and it is very informative.

Ms. Langley noted the graphs show a visual, but the actual numbers are in it as well. She also clarified that property taxes in this summary are only the property taxes in the general fund.

Member Ciesynski complimented the staff and noted he had suggested last year that the local, state, and federal be broken down, and that information should be available in their CAFR's.

Member Vuletich commended the staff also, noting that this is very helpful.

ITEM 6. REVIEW AND APPROVAL OF MINUTES

For Possible Action: CLGF Committee Meeting – January 30, 2018

For Possible Action: CLGF Subcommittee Meeting – March 8, 2018; Proposed Guidance regarding NRS 354.624, NRS 354.626, and NAC 354.410

Chairman Leavitt requested a motion to approve both sets of minutes. Member Cronk made the motion, Member Ciesynski seconded. All members were in favor.

ITEM 7. FOR POSSIBLE ACTION: SCHEDULE DATE AND REVIEW AGENDA TOPICS FOR THE NEXT MEETING

Chairman Leavitt asked if there were any additional items to add to the next Agenda. Ms. Langley replied that she would like the next meeting to be after June. Chairman Leavitt mentioned he was thinking three months, suggesting the first couple of weeks of August to the middle of September.

ITEM 8. PUBLIC COMMENT

There was no public comment.

ITEM 9. FOR POSSIBLE ACTION: ADJOURNMENT

Meeting adjourned at 12:20 p.m.