

TONOPAHA TOWN BOARD
BUDGET WORKSHOP MINUTES

APRIL 04, 2013

Town Board Chairman Horace Carlyle called the workshop to order at 8:03 a.m. Also present were Duane Downing, Ron Kipp, and Javier Gonzalez. There were six other people in attendance.

1. Public Comment

No action taken by the Board.

2. Budget Workshop; All Town Departments/Tonopah Public Utilities

James Eason explained that the numbers before the Board today are all out of the draft audit from Daniel McArthur. He noted that Chris Mulkerns and Jocelyn Holly are going back and forth over some of the numbers to make sure they are in the correct accounts.

James Eason noted that Mr. Carlyle had three items on the agenda last week. The first dealt with asking for the legal opinion which ties into the budget numbers. The next agenda items dealt with future plans and projects for the Town and TPU. He noted that the tentative budget is due to the State by April 15, 2013. He would like to set up a meeting for two Board members to sit down with Staff and lay out a plan for the Town, TPU Water and TPU Sewer to present to the rest of the Board. He asked that the other Board members submit their ideas to Staff. The Library Board is in the process of replenishing the Gravillivich Trust Fund.

James Eason explained that at the last workshop, the Board had a discussion about the sewer rate going from \$22.50 to \$23.00. There is a unique trend occurring. Even though the rates are going up, there is less sewer income. He noted that the water budget is basically set for the next five years.

The Board began with the TPU Water Administration budget. Chris Mulkerns explained that she added the proposed COLA increase for Salaries and Benefits. For operating supplies, everything remained the same except for those items increased at the last workshop. Office supplies remained at \$2,000. Dues remained at \$1,000. Postage remained at \$1,000. Operating supplies remained at \$500. Professional fees was increased from \$9,500 to \$15,000 to level these costs out across the three departments. Travel remained at \$400. Training remained at \$1,000. Telephone remained at \$350. Building repair and maintenance remained at \$500. Equipment repair and maintenance remained at \$400. Refunds remained at \$200. The total budget for Administration is \$55,099 with COLA and \$54,625 without COLA.

The Board moved to the Water Operations budget. Salaries and Benefits show the COLA increase. Operating supplies was increased from \$8,000 to \$12,000. Safety supplies remained at

\$1,750. Vehicle fuel remained at \$15,000. General insurance increased from \$6,700 to \$10,000 to even out costs across the three departments. Travel remained at \$1,000. Training remained at \$2,000. Telephone remained at \$500. Garbage remained at \$500. Propane remained at \$2,500. Building repair and maintenance remained at \$1,000. Equipment repair and maintenance remained at \$8,000. The total with COLA is \$289,970 and the total without COLA is \$283,301.

The Board moved to the Wells budget. Operating supplies remained at \$2,000. Sample monitoring increased from \$8,500 to \$11,500. This will increase for a bit with the new wells. Power remained at \$25,500. Chris Mulkerns explained that this did not increase because expenditures have not come close to the budgeted amount. Power should be coming down. Equipment repair and maintenance remained at \$1,500. The total budget request is \$40,500.

The Board moved to the Water Transmissions budget. Operating supplies remained at \$2,200. The budget for Power dropped from \$107,000 to \$100,000. This is based on past expenditures and as a way to bring the total Water budget within \$490,000 O & M. Propane remains at \$3,000. Equipment repair and maintenance remains at \$2,500. The total budget request is \$107,700.

The Board moved to the Water Distribution budget. Operating supplies remained at \$9,000. Power remained at \$19,500. Equipment repair and maintenance remained at \$15,500. Permit fees remained at \$8,500. The total budget request is \$52,500.

Total expenditures for O & M with the COLA increase are \$545,769. Total expenditures for O & M without COLA are \$539,247. Chris Mulkerns explained that in this budget year, if there is \$490,000 in O & M, it would put the Water budget into the Ending Fund Balance by \$23,476. The current requested budget would be into the Ending Fund Balance for \$28,476. James Eason explained that the budgets for General Insurance, Sample Monitoring, and Contracts have increased. He noted that the Town has been picking up the additional costs for General Insurance and Contracts. Staff is trying to get everything back inline instead of having the Town continue to support the additional costs. He explained that the End-of-Year projection is to spend everything. There is money that is being carried forward but that is not calculated. He noted that TPU does not spend everything budgeted. Chris Mulkerns explained that on July 1, 2011, the Beginning Fund Balance for Water for FY 2012 was \$855,425. The Ending Fund Balance so far for FY 2012 is \$582,354. She noted that collections for Water will surpass what is budgeted by about \$200,000. For the end of the current fiscal year, if everything that is budgeted is spent and only what is budgeted is collected, the Ending Fund Balance will be \$705,926. Horace Carlyle noted that TPU is operating well within the Water budget.

Chris Mulkerns explained that the Water budget is based on the funding projections for the next five years compiled by Susan Dudley. The recommendation is \$490,000 for O & M and Staff recommends sticking really close to that. Chris Mulkerns explained that there is an amount set aside in the Arsenic Debt fund where payments will start coming out of on Friday. A year's worth of debt payments are already set aside in the account. An amount can be transferred into this account so the Ending Fund Balance is not showing in the red. He noted that total expenditures for O & M are trending about \$390,000. He explained that sampling costs are going

to be increasing because of the new water project. Joe Westerlund explained that a worst case scenario is a cost of \$60,000.

Chris Mulkerns explained that on the Water side, the audited numbers for Capital Projects includes Grant Depreciation, Capital Projects, and what TPU has spent on the new water project. James Eason explained that the numbers not in question are the O & M numbers. Chris Mulkerns explained that Staff always goes back and forth with the auditor on the draft so they understand how things are input.

Horace Carlyle wanted to know if the increase in Sampling costs was the result of a new requirement. Chris Mulkerns explained that it is the result of an interpretation of what the requirement should be. TPU has done what NDEP has asked twice and the samples have passed both times. However, NDEP is saying the IOC and VOC tests need to be done quarterly for the first year because it is a new project. They are testing the water source, which will not change. James Eason explained that traditionally, there was a single point of contact at the Rye Patch Tank where everything blends together for taking samples. The most recent interpretation is that because there are six wells and no contact tank where everything is blending, samples should be taken from each tank. The interpretation is to run those tests quarterly on every well.

Chris Mulkerns explained that the Set Aside expenditures are what the Surcharge pays. It includes Short Lived Assets, Debt Service, Debt Reserve, the New Debt for arsenic and Capital Projects. The total Set Aside Expenditures are \$259,775. The Total for all expenditures is \$805,545. The projection for revenue from water sales is \$515,200. This is based on the projections for Debt Payment for Phases II and III. Interest and penalties remained the same. She noted that this is increasingly just penalties. Miscellaneous decreased from \$10,000 to \$5,000 based on how the billing system is now putting deposit transfer money into water sales. Total additional revenue is \$28,000. Total projected revenue is \$721,300. The total revenue less expenditures is \$84,245 in the red. James Eason noted that based on this budget, the Ending Fund Balance would drop to \$621,681. Chris Mulkerns noted that this is based on spending everything budgeted and collecting only what is budgeted.

The Board moved to the TPU Sewer Administration budget. Chris Mulkerns noted that she added columns showing the budget with the COLA increase. The budgets for Administration Operations did not change. Total expenditures with the COLA increase are \$154,533 and without the COLA increase is \$152,603. The Board agreed to give the COLA increase.

The Board moved to the Operations budget. The budget for General Insurance increased from \$6,700 to \$10,000. Everything else stayed the same. Total expenditures with the COLA increase are \$216,034.

The Board moved to the Treatment Plant budget. Operating supplies increased from \$3,000 to \$3,700 based on the recommendation from the Paul Winkelman for the Reuse project. Sample monitoring remained at \$5,000. Power remained at \$10,000. Equipment repair and maintenance remained at \$5,000. Permit fees remained at \$10,000. Total expenditures for Treatment Plant are \$33,700. Total expenditures for Sewer O & M are \$404,426. Sewer debt remains at \$34,000.

Capital projects comes from the \$2.50 charged per customer every month. It also includes \$0.10 per gallon for customers who dump at the drying beds at the Airport. The budget is to collect \$12,000 for Capital Projects. To date collections are \$8,485. The draft numbers show a collection of \$13,510. The budget for Short Lived Assets is \$15,000. Total expenditures are \$465,267. James Eason explained that there are certain line items, such as General Insurance, that will be done 100% right away. Chris Mulkerns noted that the exception to that is the auditor, which goes under Contracts.

Chris Mulkerns noted that the rate increase occurred between FY 08/09 and FY 09/10. Revenue from Charges for Service have continued to drop from that point. She noted that the draft number for collections is lower than what Staff has. The auditor has explained that they have to account for the accounts that were not paid at the end of the year. James Eason explained that with the way the collection period is, there should be one month at the old rate and eleven months at the new rate. Staff recommendation is to stay with the same blue print and allow the rate to increase to \$23.00. James Eason feels that there is some conservation occurring with the commercial customers.

Joe Westerlund explained that flows in the Treatment Plant are going down slightly. This could be in part due to the new recorder. The old recorder would read every five minutes. The new recorder reads every five seconds. The spikes are higher and the lows are lower. The low is about 60,000 gallons at one time and the high at times is around 900,000 gallons. James Eason explained that the report done in 2000 shows the recordings and the flows are still around the same. He noted that the residential customers have not changed. Chris Mulkerns explained that there are 1,170 utility customers. Horseshoe Heights is all septic so they do not pay sewer. Joe Westerlund explained that the difference between the water and sewer is because the industrial water users are not being charged sewer. Chris Mulkerns noted that of the 1,170 utility customers, 1,034 are charged sewer. With the new rate increase of another \$0.50, there should be additional revenue of \$6,000 per year.

Chris Mulkerns explained that according to the resolution the Board approved for the reuse rate, if the amount allowed by the permit is maxed out at 660,000 gallons per months, there is the potential to sell 7,920,000 gallons per year. This is potential revenue of \$23,760 per year. Staff is of the opinion that this will be a real slow start up. The recommendation is to not include this in the revenue at this time. Horace Carlyle wanted to know if there is a requirement on any of the loan documents to show revenue as compared to expense for the first year. James Eason explained that this is a revenue projection. Chris Mulkerns noted that the operating costs for the new facility are already included under the Treatment Plant budget. Duane Downing suggested adding a line item for that revenue with a budget of \$500.

Horace Carlyle feels sewer income will only come out to \$405,749 for FY 12/13. He does not feel sewer collections will reach the \$424,926 and feels this is on the high side. James Eason noted that the revenue projection could be based on a lower number of utility customers. Chris Mulkerns noted that there are only about 950 to 970 residential customers and revenue projections could be based on that. James Eason explained that the revenue projections are based on the number of customers. Chris Mulkerns noted that with 900 customers, the projected

revenue increase is \$4,885. James Eason explained that staff is aware of the trend down in Sewer revenue. Chris Mulkerns noted that the budget could be decreased to the \$405,748 which will most likely be collected by the end of this year and add the \$0.50 increase to that number. James Eason noted that starting with FY 08/09, when the rate increase occurred, the baseline projections may have been skewed. He wanted to know if the Board would have a problem with seeing a net neutral on the projection. Chris Mulkerns explained that the ending fund balance for FY 11/12 is \$961,234. If TPU spends and collects everything projected, the ending fund balance at the end of FY 12/13 will be \$1,013,808. James Eason explained that TPU cannot get to a point where there is that much money built up without allocating it.

The Board recessed at 9:16 AM.

The Board returned at 10:03 AM.

The Board moved to the Town budgets.

Horace Carlyle wanted to know where the \$174,000 in Capital Projects went. James Eason noted that it went to the Convention Center roof. Chris Mulkerns explained that this was the budget augmentations of \$98,300 and \$76,000. Horace Carlyle noted that the Board has previously discussed the idea of pay-as-you-go work on the Convention Center.

Duane Downing wanted to know where the increase on gas tax is coming from. Chris Mulkerns explained that it is probably based on the number of people coming through Town. This is a number from the Department of Taxation. This is a pass through account. What the Town collects in revenue is paid right back to Nye County Public Works.

James Eason explained that with the new numbers, there is a huge spike in Property Tax. Even when the Town assumed the Hospital's tax rate, there was never much of an increase because of the abatements. He explained that the recommended budget for Room Tax is around the normal recommendation of \$260,000 even though Room Tax will be higher. Duane Downing noted that once the construction projects are done, Room Tax will drop back to its normal level. Consolidated Tax is up but the recommendation is to keep that low even. He noted that the Town traditionally spends less than it takes in.

The budget for Property Tax is \$260,750. Business Licenses remain at \$16,000. County liquor remains at \$1,800. County gaming remains at \$16,000. Consolidated Tax remains at \$240,000. Horace Carlyle does not feel the budget for County Gaming should be \$16,000 when to date collections are \$4,883. Chris Mulkerns explained that in past years the County has not gotten around to receipting that in until closer to the end of the year. Pool fees remain at \$6,000. A line has been added for the rent for the Old Firehouse. The budget is set at \$7,560. Convention Center rent was increased to \$10,000. It was dropped to \$5,000 last year because of the construction. The assumption was that the revenues would decrease because of that. Fairgrounds remained at \$450. Joe Friel increased to \$2,000 because that has been consistent for the last few years and at least that amount will be collected from the School District. Court Fines remained at \$20,000. Rescue Runs decreased from \$400 to \$200. This amount is the 20% Administration Fee the Town pulls off the bills for out-of-towners who have an accident. Interest decreased to \$6,000.

Mining Park Donations increased from \$3,500 to \$5,000. Miscellaneous remained at \$2,000. Total revenues are budgeted at \$870,962. The Beginning Fund Balance for FY 12/13 is \$1,587,921. The Beginning Fund Balance for FY 13/14 is \$1,726,538 and the Total General Revenue/Beginning Fund Balance is \$2,597,500. James Eason noted that this is based on the projection of spending everything budgeted.

Chris Mulkerns explained that the Other Revenues are the budgeted amounts the Town puts into the funds. The 5/8th of 1% Room Tax is budgeted at \$20,000. Horace Carlyle wanted to know how much the expenditures for Room Tax grants exceed budgeted amount. Chris Mulkerns explained that the Town budgets to spend everything but in past years the budget has been around \$35,000. Special Capital Projects is normally budgeted at \$35,000 but this has been dropping. Staff believes it will start going back up because it is based on assessed valuation. It is through the Ad Valorem Tax. Capital Projects is the rescue run money collected. Mural Fees remains at \$150. She noted that \$1,000 has been collected but no additional money has come in since. Total additional revenue is \$46,150.

Chris Mulkerns noted that the Board already agreed to grant the COLA increase. The Board also needs to decide which Buyout Plan to choose. Buyout Plan A is 6 months and the retirement of two employees. Buyout Plan B is for one year and the retirement of two employees. Total expenditures for FY 13/14 are \$1,200,603. There is a Contingency fund with a budget of \$15,000. Total General Expenditures are \$1,215,603. The Beginning Fund Balance for 7/1/2011 is \$1,587,921. Projected Revenue is \$996,201. Total Projected Revenue for FY 11/12 is \$2,584,122. Projected Expenditures are \$759,250. The estimated Ending Fund Balance for FY 11/12 is \$1,824,872. The Estimated Ending Fund Balance plus the Projected Revenues for FY 12/13 give a Total Revenue of \$2,564,125. The Projected Ending Fund Balance for FY 12/13 is \$1,410,122. The Beginning Balance as of July 1, 2012 is \$1,824,872. Projected Revenue is \$739,253. The Total Projected Revenue for FY 12/13 is \$2,564,125. The Estimated Ending Balance is \$1,410,122. The Projected Revenue for FY 13/14 is \$870,962. The Total Revenue for FY 13/14/ is \$2,281,084. The Projected Ending Fund Balance for FY 13/14 is \$1,065,481. Chris Mulkerns explained that the Projected Expenditures are calculated on the assumption of spending everything budgeted. James Eason explained that expenses for the current fiscal year are going to be very high because of the roof replacement for the Convention Center.

The Board moved to the budget for Town Administration. Duane Downing noted that Buyout B is budgeting for the worst case scenario but if that does not occur that is a portion of the money that is not spent. Chris Mulkerns explained that Contracts was increased from \$60,000 to \$65,000. James Eason explained that there will be an item on the next agenda for an amendment to the BEC Contract. Chris Mulkerns noted that General Insurance decreased from \$34,000 to \$22,000. James Eason recommended leaving this budget at \$34,000 due to the possibility of increased rates. He explained that at the end of April he and Chris Mulkerns will be attending the Pool/Pact Conference where they go over the members' claims. Chris Mulkerns noted that she did add the 10% increase to power and propane. The total expenditures are \$522,665.

The Board moved to the budget for the Fire Department. Chris Mulkerns noted that the only change to the budget was the 10% increase to the utilities. Everything else stayed the same.

James Eason suggested increasing Salaries/Physicals from \$12,000 to \$20,000. Chris Mulkerns explained that she has had discussions with the auditor on this item. If the intent of this item is for physicals it needs to be changed. By showing it as a budgeted salary amount and not inputting it as salaries, it is skewing the amounts. James Eason suggested setting up a new line item for Physicals and budget \$10,000. Duane Downing wanted to know why there is a \$12,000 budget for salaries when there are no salaries paid. James Eason explained that in the past, this money has been used to cover other things in the department. He suggested budgeting the \$10,000 under Contracts. Total Expenditures is \$112,170.

The Board moved to the budget for Convention Center. The Power did not change. The budget is at \$16,000 but to date expenditures only total \$5,125. Expenses have not been too high the last few years. The 10% increase was added to water. No increase was added to Propane. Everything else remained the same. The total budget with the COLA increase is \$156,108.

The Board moved to the budget for Parks. The 10% increase was added for water and power. James Eason suggested increasing the water budget even more to \$35,000. The total budget is \$44,460.

The Board moved to the budget for the Ballfields. Javier Gonzalez wanted to know what it would cost to turf the fields. James Eason explained that it would be several million to completely turf the fields. There is also maintenance associated and it has to be replaced in 10 years. The water budget increased to \$33,000. The total budget is \$39,075. Chris Mulkerns noted that the audit shows the jump in water expenses because of the seeding for the Parks and Joe Friel. Water for the ballfields is at \$24,000 already and will probably go over budget as the Town has started watering already.

Chris Mulkerns noted that the budget for the fairgrounds did not change. Horace Carlyle wanted to know if there were any ideas for signage for payment. James Eason noted that there needs to be security measures for handling cash.

The Board moved to the Pool budget. The COLA increase is present and the utilities each received a 10% increase. Everything else remains the same. The total budget is \$43,351. Ron Kipp wanted to know why the Town did not offer swimming lessons. Chris Mulkerns explained that there is no one certified to teach lessons. James Eason noted that the pool is 30 years old. He will get a quote to have the pool re-plastered. The Town has been working at fixing other issues. The heaters are new. The roof has been replaced. The deck is being redone. Lines are gradually being replaced. The diving board was removed and an ADA lift was purchased.

The Board moved to the Mining Park budget. The only change is the 10% increase for utilities. With the COLA increase the total budget is \$92,684. James Eason suggested increasing the Buildings/Grounds Maintenance budget to \$20,000. The front doors to the visitor center are wooden and need to be replaced. He does have a quote and will try to get them done in this budget. The roof also needs the epoxy paint coating. The total budget with COLA is increased to \$116,648.

The Board moved to the Maintenance budget. The COLA increase is reflected. There is a 10% increase for utilities. James Eason suggested increasing Building Maintenance/Repair and Equipment Maintenance/Repair by \$5,000. The total budget is \$241,490.

The Total General Budget is \$1,270,803.

The Board moved to the Special Revenue Funds. For the Mural Fund, the projection is to spend everything. James Eason explained that this is an account that is building up and is set aside as more of an emergency fund in case of replacement. For Room Tax, the balance for FY 11/12 was \$130,762. The projection is to collect \$20,002. The total for Year Ending FY 12/13 is \$128,026. The tentative approved budget for FY 13/14 is \$113,026. James Eason explained that there is a 9% room tax as set by the County Commissioners that visitors to Tonopah pay when staying in the hotels/motels. Of that, 8% goes straight to the Town of Tonopah. Of the other 1%, 3/8th goes to the State to fund Nevada Commission on Tourism. The other 5/8th goes to Nye County. The County passed a resolution that this is a pass-through account so the 5/8ths comes back to the Towns to market themselves.

The Board moved to the Capital Projects budget. Chris Mulkerns explained that the \$174,300 was transferred from the Ending Fund into this fund. It was originally to pay for the debt for the Convention Center/Belvada Project. When the Project failed, the Board agreed to use the transfer to help pay for the Convention Center roof. After the expenditures for FY 12/13, the fund balance is \$13,640. Revenues for this account come from Rescue Runs. The estimated budget for this fund for FY 13/14 is \$14,640.

The Board moved to the Special Capital Projects Fund. Chris Mulkerns explained that the revenue budget for this fund is \$25,000 rather than \$35,000. The Ending Fund Balance as of FY 12/13 is \$39,385. The balance for FY 13/14/ is about \$64,000. The projection is to spend all of it.

The Board moved to the Mining Park Capital Projects Fund. The budget has been to spend everything but it has not been spent.

Chris Mulkerns explained that the Tentative Budget can be approved contingent upon changes or suggestions made by Board members regarding future projects.

3. Public Comment

Horace Carlyle noted that there is an issue regarding getting vacant seats filled. He suggested the possibility of sending a letter to the Attorney General asking for a decision.

No action taken by the Board.

4. Adjourn

Workshop was adjourned at 11:42 p.m.

Tonopah Town Board Budget Workshop

April 04, 2013

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Minutes transcribed by:

Mariah Rivero

Approved:

Horace Carlyle, Chairman

Duane Downing, Vice Chairman

Ron Kipp, Clerk

Javier Gonzalez, Member

Vacant, Member