

**MINUTES
CITY OF FALLON
55 West Williams Avenue
Fallon, Nevada
October 17, 2017**

The Honorable City Council met in a regularly scheduled Council meeting on the above date in the Council Chambers, 55 West Williams Avenue, Fallon, Nevada.

Present:

Mayor Ken Tedford
City Councilman, Robert H. Erickson
City Councilwoman, Kelly Frost
City Councilman, James D. Richardson
City Engineer, Michael E. Miller
Police Captain, Kris Alexander
City Clerk, Gary C. Cordes
City Attorney, Michael F. Mackedon
Deputy City Clerk, Elsie M. Lee
Deputy Public Works Director, Ryan A. Swirczek
Deputy Public Works Director, Brian A. Byrd

The meeting was called to order by Mayor Tedford at 7:00 p.m.

Mayor Tedford led the Pledge of Allegiance.

Mayor Tedford inquired if the agenda had been posted in compliance with NRS requirements.

City Clerk Cordes advised that the agenda was posted in compliance with NRS 241.

Approval of Warrants

- A) Accounts Payable
- B) Payroll
- C) Customer Deposit

Mayor Tedford inquired if there were any comments regarding the accounts payable, payroll and customer deposit warrants.

No comments were noted.

Councilwoman Frost motioned to approve the accounts payable, payroll and customer deposit warrants and authorize the Mayor to sign the same; seconded by Councilman Erickson and approved with a 3-0 vote by the Council.

Public Comments

Mayor Tedford inquired if there were any public comments. He noted that comments are to be general in nature, not relative to any agenda items. No action may be taken on a matter raised under this item until the matter has been specifically included on an agenda as an item upon which action will be taken.

No public comments were noted.

Discussion on Community Development Block Grant Projects for 2018

City Engineer Miller explained that the City proposes to submit one or more Community Development Block Grant (CDBG) applications for 2018. This agenda item seeks public input for proposed projects to be submitted, as required by CDBG application guidelines. This is the second of three required meetings. Public input has been requested through public notice in the Lahontan Valley News. A possible project submitted to date is for pass through grant assistance to nonprofit organization Fallon Food Hub – Fallon Food Hub Dedicated Facility Phase 2, Design in the amount of \$63,180. He added that another potential project could be Front Street. That would consist of Front Street from Maine Street to Humboldt Street and then the side streets for a rehabilitation or modernization of those streets to bring them up to compliance and add in utilities. We are still working out details for this project.

Mayor Tedford inquired as to where in the process the Front Street project is and what is the time frame for when it needs to be completed.

City Engineer Miller advised that we are still in the planning phase and we still need to do design on that and then this grant cycle would be awarded, if successful, July 1, 2018.

Mayor Tedford asked if submittals were due July 1, 2018.

City Engineer Miller stated that submittals are due January 16, 2018.

Mayor Tedford stated that was what he was looking for. So plans would have to be designed and drawn by January 16, 2018.

City Engineer Miller replied affirmatively.

Mayor Tedford inquired if there were any other possible submissions besides those two.

City Engineer Miller replied not at this time.

Mayor Tedford inquired if the Council had any comments or questions.

No comments were noted.

Mayor Tedford inquired if there were any public comments or questions.

No comments were noted.

Mayor Tedford wanted to add to the record: City Engineer Miller used the term pass through grant. There is an audit requirement on these grants that the Council needs to be aware of. To the best of his knowledge, it has not been discussed in the Council Chambers before. Even though these seem to be a pass through from the State, we do a lot of work in-house to get these prepared. They come in, we make sure they are put together correctly and then they are sent to the State. Then, when awarded, the State sends money to us and we then send it to the entity. So it seems like just a pass through. We have an audit requirement for each of those grants that we pay for so there is an out of pocket cost that could run in excess of \$10,000. He wanted the Council to know that this is not a simple pass through; there is a substantial cost for us for us to administer this program in the audit process. Before, our administrative work was in-house which was never an issue, we are here anyway, and we just did it. But this is a check

we write to an audit company for all these grants that probably runs in excess of \$10,000. That does not mean he wants to stop the program – it is a good program, but he wanted the Council to be aware of this and put it in the record so it is more transparent than it has been in the past; there is an audit requirement for each of these grants.

Councilwoman Frost asked about the fiscal impact, through Federal Single Audit Procedures, would that be an additional audit that would be received over the \$750,000 threshold.

City Clerk Cordes advised that all the revenues of the City of Fallon will be subject to audit. Once we exceed a threshold, then the auditors are required to do supplemental work and test compliance with all the bells and whistles of each grant that is received. That is when extra bills come from the auditors for these grants.

Introduction of Bill No. 779: An Ordinance Designated by the Short Title “2017 Electric Revenue Bond Ordinance”; Providing for the Issuance by City of Fallon, Nevada of its Electric System Revenue Bond, Series 2017; Providing the Form, Terms and Conditions of the Bond, the Use of its Proceeds and Providing for the Sale Thereof; Securing its Payment by a Pledge of Revenues Derived from the Electric System of the City; Ratifying Action Previously Taken Toward the Issuance of the Bond; Providing for Adoption as if an Emergency Exists, and Providing Other Matters Relating Thereto

Mayor Tedford noted that Legal and Administrative Director Erquiaga was not present so he asked City Attorney Mackedon to present this agenda item.

City Attorney Mackedon advised that this proposed bill needs an introduction before it proceeds to action. This is for a loan to be repaid from revenue in the electrical department. The many terms and conditions have been worked through by Legal and Administrative Director Erquiaga. The plan is to improve the electrical system and its reliability and in order to do that we are going to have to borrow this money. The City believes the work to be done is essential to the utility and the way to do it is through borrowing. Staff recommended that this be introduced. If Council agrees that we have a project, then there is only one way to pay for it and that is through borrowing and the borrowing that is in place here is adequate. It will be repaid through revenue.

Mayor Tedford noted that this item and the next two items are related. This item is the introduction; the next is the public hearing, and then consideration and possible adoption of the bill. If a Council member is willing to introduce the bill, then we can have the public hearing and discussion of the bill.

Councilman Erickson introduced Bill No. 779, which will provide for the City of Fallon to procure low income bond accommodations in an amount not to exceed \$7 million.

Public Hearing on Bill No. 779: An Ordinance Designated by the Short Title “2017 Electric Revenue Bond Ordinance”; Providing for the Issuance by City of Fallon, Nevada of its Electric System Revenue Bond, Series 2017; Providing the Form, Terms and Conditions of the Bond, the Use of its Proceeds and Providing for the Sale Thereof; Securing its Payment by a Pledge of Revenues Derived from the Electric System of the City; Ratifying Action Previously Taken Toward the Issuance of the

Bond; Providing for Adoption as if an Emergency Exists, and Providing Other Matters Relating Thereto

Mayor Tedford stated that we have been in discussions with TriSage Consulting, our electric consultant, for several months, going back into last year, of the proposition of borrowing this money.

The items that we felt were necessary are:

- 4th electrical distribution substation to be located in or near the New River Business Park, near the wastewater treatment plant or the water treatment plant
- Electric meter replacement project
- Replacement of direct buried electrical services, mostly in Ward 2
- Emergency spare electrical distribution substation transformer, we would like to keep one of those in stock because the lead time is long and cannot be bought off the shelf

Mayor Tedford noted that these projects will total around \$6.25 million. The 4th electrical distribution substation will create more efficiency in our system and will cut down on line loss and provide more reliability. Centennial substation provided more reliability than we had in the past and this would do the same for the rest of the City. The electric meter replacement will be done over a course of time; we will draw down money as we replace the meters so probably an 18 month period; but we will see how that project goes. Direct burial is an interesting thing and he learned about it when he was first on the Council; in the early to mid 1970s there was a wire touted throughout the nation for all utilities that was so stable that it did not need to be placed in conduit and could be buried directly in the ground. At the time, his house was being annexed into the City and he had cable tv, telephone and was getting City electric and all of it was directly buried into the ground over in that end of town. This direct bury wire did not work and it was determined that it really had to be in conduit, it was subjected to many things from animals burrowing into it, to water contact, and different types of soil throughout the country. We still have some left in the City that we would like to fix. Those are the four major projects that we would like to do. That is how we come to borrowing almost \$6.25 million. We hired consultants to help us locate funding and we narrowed it down with some discussion amongst staff and our consultants to get this recommendation to Council. He believed it was a good plan and one that we need to do. We have been very good about keeping our system upgraded over the years and he was comfortable with this plan. He asked if Councilman Erickson had anything to add since he has been involved in this.

Councilman Erickson added that this has been an historic business model for the City for the last 30 years. We would design major capital projects in all of our systems and tackle them in given years, trying to stay ahead of growth and improve the efficiencies and reliability of the projects. We made a major borrowing for the electrical department in 2006 and we completely retired that debt last December. So the logical step is to make our next major capital expenditure in the system, improving the efficiency and providing for growth and accommodating some of the growth that we have had in the system in the last few years at this time. He thinks what has been outlined by our consultant under the advice of City Engineer Miller, Legal and Administrative Director Erquiaga, Deputy Public Works Director Swirczek, and Deputy Public Works Director Byrd regarding the needs of the system and we are accomplishing that, and by his estimation, there will not be a need for additional capital expenditures in the electrical

department for quite some time. What we have found in the past, with each one of these capital expenditures, we make the system more efficient and because of that efficiency, we eliminate a percentage of the line loss that all systems experience and that improves our profitability because we are billing out more of the electricity that we are purchasing, we do not have as much line loss, which can be substantial. In previous capital investments, we have eliminated a lot of that line loss but this project is particularly important because it will improve the efficiency to our largest customer so we will see some greater profitability as a result of this. The City has a great record of not having many outages. Our outages almost every time are not with our internal system, the one owned by the City, but with our external transmission provided by Sierra Pacific – a failure outside the City system. He believed that was a record that we want to continue. If a major component goes down, the lead time to replace them can be 18 to 24 months. So, if you lose a major component without redundancy, you can have a stressed system for a long time.

Mayor Tedford inquired if the Council had any comments or questions.

Councilman Richardson stated that there are mechanisms in place that would prevent us from building up a stockpile of money under that enterprise fund to pay for projects like this. He remembered the State was putting legislation in place on how much money could remain in enterprise funds.

Mayor Tedford noted that we could never do a project this large without borrowing.

Councilman Richardson concurred; we could never save this amount of money to pay for it. We are actually expanding the system and making it modern. So financing through bonds is the most efficient; he was interested in what the consultants have to say about how this financing came together and if that is the most advantageous for the City.

Mayor Tedford asked Mr. Marty Johnson of JNA Consulting, to come forward to the podium.

Mr. Johnson stated that he was from JNA Consulting, one of the financial advisors for the City, and he addressed Councilman Richardson's comments. He thought the limitation Councilman Richardson was referring to from the State was on transfers out of enterprise funds to support the general fund; and limits have been imposed on that. For the fiscal year 2018 budget, the electric enterprise fund was a zero gain in terms of cash; for all the revenues that came in, that money was going out. That did not reflect the new Utah Associated Municipal Power Systems (UAMPS) electric purchase contract but, if that saves you \$1 million per year it would take you six years to generate all the money to pay for these projects. But in six years, those projects will cost you more than \$6 million so you would be continually behind the game in terms of that. This financing was sent out to about 25 different banks and brokers that do this type of financing. We received five responses, one of which ended up getting pulled back, but two of the responses were excellent. One from BB&T and another from Pinnacle at 2.7% for 15 years financing. This is an appropriate interest rate that fits with the market. Some banks, like Wells Fargo and US Bank, will not lend money for 15 years. This is only paid out of the electrical fund; there is no general fund pledge. Electric revenues come in, the cost of electricity gets paid, the direct O&M costs get paid, and then the bonds get paid. Then, after the bonds are paid, the money can go for the other sources that it goes toward. We have a 2.7% interest rate so the annual payments are approximately \$540,000. As Councilman Erickson mentioned, this is in line with what the City has been used to paying on that financing that just matured.

Mayor Tedford stated that it is kind of a swap from what we just cleared up from 2006. We are just building again. Whoever is here after 15 years when we are done with this will likely build again.

Mr. Johnson agreed, it is like leasing a car, you know you are going to make that payment every month – in this case every year – and every 10 or 15 years we just keep making that payment, then we get the proceeds and we are able to do improvements to the system.

Mayor Tedford inquired if there were any public comments or questions, as this was a public hearing.

No comments were noted.

Consideration and possible adoption of Bill No. 779 as Ordinance No. 760: An Ordinance Designated by the Short Title “2017 Electric Revenue Bond Ordinance”; Providing for the Issuance by City of Fallon, Nevada of its Electric System Revenue Bond, Series 2017; Providing the Form, Terms and Conditions of the Bond, the Use of its Proceeds and Providing for the Sale Thereof; Securing its Payment by a Pledge of Revenues Derived from the Electric System of the City; Ratifying Action Previously Taken Toward the Issuance of the Bond; Providing for Adoption as if an Emergency Exists, and Providing Other Matters Relating Thereto

Mayor Tedford stated that this is the portion where the Council will have deliberations and then we will open to the public and ask them their thoughts. Then we will come back to the Council for a discussion and/or a motion on the adoption of Bill 779.

Mayor Tedford inquired if the Council had any comments or questions.

No comments were noted.

Mayor Tedford inquired if there were any public comments or questions.

No public comments were noted.

Councilman Erickson motioned to adopt Bill No. 779 as Ordinance No. 760: An Ordinance Designated by the Short Title “2017 Electric Revenue Bond Ordinance”; Providing for the Issuance by City of Fallon, Nevada of its Electric System Revenue Bond, Series 2017; Providing the Form, Terms and Conditions of the Bond, the Use of its Proceeds and Providing for the Sale Thereof; Securing its Payment by a Pledge of Revenues Derived from the Electric System of the City; Ratifying Action Previously Taken Toward the Issuance of the Bond; Providing for Adoption as if an Emergency Exists, and Providing Other Matters Relating Thereto; seconded by Councilman Richardson and approved with a 3-0 vote by the Council.

Mayor Tedford thanked Councilman Erickson, City Attorney Mackedon, City Clerk Cordes, Legal and Administrative Director Erquiaga, Deputy City Attorney Leonard Mackedon, Deputy Public Works Director Swirczek, and Deputy Public Works Director Byrd. Everyone worked really hard on this and spent a lot of time and he appreciated all their efforts.

Presentation of the Police Department Report for August 2017

Captain Alexander presented the August monthly report. He added that the August incidents and activities were primarily in line with previous months with no exceptional variances.

- Officers attended several hours of training.
- Detective Shyne conducted an indoctrination lecture for newly stationed Navy personnel.
- Through the welfare assist account, we provided three bus tickets and one person with lodging.
- The Explorers have been active with training and planning activities.

- The citizen survey results were positive.

Mayor Tedford inquired as to the reason Explorer's last names are not used; was it illegal to use their last names. The Council should know exactly who is down there; they need to know who is in the building.

Captain Alexander explained that is how the department refers to them. The Boy Scouts of America administers the Explorer program and they generally use just first names as well.

Mayor Tedford suggested that the department provide the Council with a separate report on Explorer activities. Maybe it does not need to be in the public report.

Captain Alexander will follow up on that suggestion.

Mayor Tedford inquired if the Council had any comments or questions.

Councilman Erickson stated that the Explorer program is a good program. He was glad to see it prosper.

Captain Alexander agreed; the Explorers helped out during the recent drive-through flu shot clinic and 308 people were served that day.

Councilwoman Frost inquired as to the number of Explorers in the program.

Captain Alexander replied that there are currently eight members and they will start actively recruiting more.

Mayor Tedford thanked Captain Alexander for the report.

Public Comments

Mayor Tedford inquired if there were any public comments.

No public comments were noted.

Council and Staff Reports

City Attorney Mackedon: No comments were noted.

City Clerk Cordes: No comments were noted.

Captain Alexander: No comments were noted.

City Engineer Miller: No comments were noted.

Deputy City Clerk Lee: No comments were noted.

Deputy Public Works Director Swirczek: No comments were noted.

Deputy Public Works Director Byrd: No comments were noted.

Councilwoman Frost: No comments were noted.

Councilman Richardson: No comments were noted.

Councilman Erickson: No comments were noted.

Executive Session

Mayor Tedford tabled the executive session, as it was not needed at this time.

Adjournment

There being no further business to come before the Council, Mayor Tedford adjourned the meeting at 7:47 p.m.



Mayor Ken Tedford

Attest: 

Gary C Cordes, City Clerk/Treasurer

Handwritten text at the top of the page, possibly a header or title, which is mostly illegible due to the low quality of the scan.

Handwritten text, possibly a date or a reference number, located in the upper right quadrant.

Handwritten text in the middle section of the page, appearing to be a list or a set of notes.

Handwritten signature or name, possibly "K. M. ...", located in the middle-left area.

Handwritten signature or name, possibly "J. ...", located in the middle-right area.

Ken Tedford, Jr.
MAYOR



Robert H. Erickson
Councilman

James D. Richardson
Councilman

Kelly Frost
Councilwoman

MEMORANDUM

TO: Gary C. Cordes
City Clerk/Treasurer

FROM: Robert Erquiaga RE
Legal and Administrative Director

DATE: July 26, 2017

RE: Proposed Electric Utility Capital Improvement Projects

Over the past several months, City staff has discussed several proposed electric utility capital improvement projects. The projects are listed in order of priority as follows:

1. 4th electrical distribution substation to be located in or near the New River Business Park - estimated cost \$4,115,600.00;
2. Electric meter replacement project - quoted cost \$1,217,184.98;
3. Replacement of direct buried electrical service in Ward 2 - estimated cost \$630,000.00; and
4. Emergency spare electrical distribution substation transformer - estimated cost \$276,000.00.

The estimated total for the proposed projects is \$6,238,784.98. The estimated costs of the 4th substation, replacement of direct buried service and spare transformer were prepared by Tri Sage Consulting. Although we are confident in Tri Sage Consulting and the process that developed these estimated costs, please keep in mind that, with the exception of the quoted electric meter replacement project cost, these are estimates only.

I would be happy to discuss the necessity and priority of these projects at your convenience. Please feel free to contact me if you have any questions or need any further information.

cc: Ryan Swirczek, Brian Byrd, Michael Miller