

**MINUTES
CITY OF FALLON
55 West Williams Avenue
Fallon, Nevada
December 17, 2018**

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 Councilman, James D. Richardson
City Councilwoman, Kelly Frost
Deputy Public Works Director, Ryan A. Swirczek
Police Captain, Kristopher Alexander
Deputy Public Works Director, Adrian Noriega
Deputy City Attorney, Leonard E. Mackedon
Legal & Administrative Director, Robert Erquiaga
Deputy City Clerk, Elsie M. Lee
Director of Tourism & Special Events, Jane Moon
Public Works Director, Brian A. Byrd
Marketing & Communications Coordinator, Kaitlin Ritchie
Deputy City Attorney, Trent deBraga

The meeting was called to order by Mayor Tedford at 9:00 a.m.

Mayor Tedford led the Pledge of Allegiance.

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

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

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.

Mr. Brent Groover of 1033 Deena Way stated his property is directly adjacent to 4.18 county acres owned by Mr. Mike Ryle of Dream Spas & Pools, located on South Taylor Street. He was here to bring to light a project that Mr. Ryle is conducting on his property that directly effects his City neighbors; those neighbors being property owners on Deena Way, the church and Dairy Queen, as well as a section of Highway 95. Mr. Ryle told him that it was his plan and

intention to backfill his property up to six feet to mitigate the high cost of flood insurance. Mr. Groover understood that such a project requires plans and permits and perhaps an impact study by Churchill County and City engineers. He stated that he was not an expert, but he knew that water, should there be a flood, seeks the path of least resistance. To date, there have been well over 100 large dump truck loads of dirt and concrete dumped directly adjacent to those properties and continues now today. If this plan proceeds forward, he wanted it to be open with both Churchill County and the City well aware of the actions and the consequences. He stated that he understood that action would not be taken on public comment. He thanked the Mayor and Council for the opportunity to speak today.

Mayor Tedford thanked Mr. Groover for coming today and making the City aware of his concern. We are aware that is county property and it is a difficult thing when there are county properties that abut city properties, and that is out of our jurisdiction, but certainly one that we can look into for him.

Mr. Groover thanked the Mayor again.

Mayor Tedford inquired if there were any further public comments.

No comments were noted.

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.

Approval of City of Fallon June 30, 2018 Audited Financial Statements

Ms. Teri Gage, partner with Eide Bailly in the Elko office, was pleased to present the City of Fallon June 30, 2018 Audited Financial Statements. She stated that she would go over some of the significant changes from current year to prior year and answer any questions.

Mayor Tedford confirmed that the bound copy of the audit report that was received today was the same as the copy received with the Council meeting agenda packet.

Ms. Gage confirmed that it was. She referred to Page 8, the Independent Auditor's Report. It is the Independent Auditor's Report on the audit for the City of Fallon and she was pleased to say that the City has received a clean opinion that says the financial statements were presented fairly in all material respects in relation to the financial statements as a whole. So, an unmodified opinion is a clean opinion; the highest level you can have on your financial statements. The second and third paragraph refer to a couple changes this past year. One was related to GASB No. 75, which is accounting and financial reporting for post-employment benefits other than pensions. She will go further into that in a few minutes, but the City did have a prior period adjustment for the impact of GASB No. 75. The third paragraph refers to the

correction of an error in relation to GASB No. 82, which addresses pensions. Last year, GASB No. 82 should have been implemented. The PERS System of the State of Nevada sent a report to all local governments in Nevada that did not properly implement GASB No. 82, so they submitted an updated report in January 2018, after most of the local government audits were complete, so the majority of local governments in Nevada show that correction of the error this year. Ms. Gage advanced to Page 22, Statement of Net Position. This is very similar to a balance sheet; starts off with assets, liabilities, and that difference is net position. Some of the City's significant changes this past fiscal year included an increase in cash in investments of about \$10.6 million; \$6.3 million is the bond issue for the electrical infrastructure upgrade that was not spent this fiscal year, so that is the biggest reason for the increase. Another \$3.6 million is the Fallon Youth Center, the City received funds in advance for that from the William N. Pennington Foundation and Churchill County; that will likely be a 2019/2020 project. Overall, unrestricted cash in investments went up about \$340,000 compared to the previous fiscal year. Ms. Gage moved on to other post-employment benefits, that is GASB No. 75 that was referred to earlier. GASB No. 75 was implemented in this current year and that resulted in an increase of City liabilities of about \$798,000. It impacted the majority of the Post-Employment Benefit (PEB) plan. There are two plans: the City of Fallon plan and the PEB plan. The PEB plan is for those employees that retired prior to September 2008 and the liability related to the PEB plan changed under GASB No. 75, where it used to be based on current year obligation and now it is based on the entire liability to fund PEB for those employees. That resulted in the large increase of the PEB plan and a decrease in the City of Fallon plan of about \$8,000 compared to the previous year. Net pension liabilities, which is the pension under PERS, that liability is listed on Page 23. It was at \$11.2 million last year and this year is at \$12.6 million. When you look at net pension liability plus deferred inflows and outflows; PERS does an actuarial report but it is always a year behind, so you get the net pension liability as of 6/30/2017 versus 6/30/2018. On Page 23 there was also an increase in your estimated liability for landfill closure and post-closure. That liability is \$1.4 million; it went up \$942,000 this past fiscal year. Every four to five years the City does a volumetric survey and you had a new survey this past fiscal year and they used different metrics which made a liability increase. Other post-employment benefits, pension, and landfill are all estimates that are included in your financial statements. This year they might go up, next year, when you add in different factors that go into those estimates, they may go down. But you usually do not budget for those types of items in your governmental funds; you do in your enterprise funds, but they are estimates when we go full accrual in your financial statements that come onto the books. Most do not usually fund those types of liabilities. Some of the City's larger capital asset additions this past fiscal year totaled \$2.5 million in capital assets; the majority of those related to the remodel of City Hall, Police Department communications system, public address system for City Hall, the purchase of land adjoining the public works yard, odor control system at the sewer plant and some additional software for the water treatment plant. The City did incur additional debt this past fiscal year: \$6.33 million for the electrical infrastructure system and \$266,000 for the Police Department communications system. She noted for the record that there is a mistake on Page 23 that she wanted to correct before submission to the State. Listed under Net Position, in the Business Type Activities column, \$38,502,753 is listed as Total Net Position. That number is correct, however, the numbers listed in that column under Net investment in capital assets and Unrestricted are incorrect. The \$6.33 million in your electrical bond is included in Unrestricted dollars and it should be included up in Net investment in capital assets. She apologized for the

mistake; she thought it was corrected, but in the various draft versions it was missed. She will replace the necessary pages and have a fresh copy ready to be submitted by the end of the week. She added that she had reviewed this edit with Councilman Erickson and Legal and Administrative Director Erquiaga. Ms. Gage moved on to Page 3, Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds. These are Water, Sewer, Electric, Water Treatment, and Landfill Funds. Those are run like normal businesses where your rate payers pay for the costs to have those types of services. She pointed out that the majority of these funds did have net income this past fiscal year, however there were a few where the operating expenses were in excess of the operating costs. That occurred in the Water Fund for about \$181,000, Water Treatment Fund for about \$200,000, and Landfill Fund for about \$851,000. That landfill amount reflected the change in the estimate for the volumetric survey. Ms. Gage proceeded to Pages 41 and 42, Notes to Financial Statements. This was Note 2 to the City's financial statements where she would note to the Council any statute noncompliance in this fiscal year. There was one apparent statute violation where one of the funds was over expended. That was the Landfill Fund and it was related to that study that was performed. It was overspent \$804,000. That was from the liability increase from that study that, when the budget was approved, the City was not aware that liability was going to increase by such a substantial amount. Ms. Gage moved on to Page 71, this is the last page of the General Fund and she pointed out that it is the main operating fund of the City. On the bottom of Page 71, the City ended the year with an ending fund balance in the General Fund of about \$833,000. You budgeted to end the year at \$690,000, which was \$142,000 over where you had anticipated you would be. In the governmental arena, we like to see where your ending fund balance is not less than 8.3% of expenditures and that 8.3% is one month, 1/12 is 8.3%. In the governmental world, they like you to have enough cash to be able to pay one month's worth of expenditures. The City is at 9% right now. Ms. Gage advanced to Page 133, Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. She was happy to report that the City of Fallon did not have any significant deficiencies or material weaknesses that they have to report. She commended the Council and City staff for ensuring that they maintain a good internal control system, a well-run City, and no findings in the audit report. She stated that her presentation was complete, and she would answer any questions the Mayor or Council may have.

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

Councilman Erickson thanked Ms. Gage and her entire staff for the professional manner in which this audit was conducted. It was very efficient and, as she well knows, audits are disruptive to the normal activities of various departments and that disruption was mitigated very well. He has been on the Audit Committee for a number of years and this is the smoothest audit that we have ever had. City Attorney Mike Mackedon was unable to attend this meeting, but he knew that he concurred with that statement. He wanted to make a couple of comments about the notes. The most important were Note 10, Postemployment Retirement Health Insurance Benefit, Note 11, Defined Benefit Pension Plan, and Note 9, Landfill Closure and Postclosure Care Costs, which caused our exception from the NRS. We had very little control over Notes 10 & 11 because those programs are all mandated by State statute. We have no ability to change how we run those programs, which we are required to run, but they do impact the overview of the financial statements significantly because the numbers are very large, and they are growing. But what needs to be kept in mind is, those numbers are estimates that are done every year, and the

mitigation of them is funded over decades, it is not something that you have to write a check for tomorrow. One Note 9, which is the exception, the same is true. We budgeted for landfill closure costs this year of \$48,000 and that was traditionally what we had budgeted. We had to book the \$942,000, which once again is a balance sheet number spread over a number of years. Remaining life of the landfill is estimated at 85 years at our current rate of filling; so, while it is significant in it triggered an exception, the financial impact on operations is not significant because, taking that number out, the landfill is still in a positive operational stance. He asked Legal and Administrative Director Erquiaga to comment about the process we have in reevaluating the remaining life of the landfill.

Legal and Administrative Director Erquiaga noted that Ms. Gage introduced it well. We undertake a volumetric survey periodically, the prior survey that City Clerk Cordes relied on was done using a different consultant and a little different metric. We used our landfill consultants, Civil and Environmental Consultants (CEC), to do the updated volumetric survey which resulted in this higher number. They used a metric that was based more on actual tonnage tipped at the landfill. In some ways, that is good news, in that we have had an increase in landfill tonnage. In part of our effort to seek new customers and to continue the viability of the landfill, the downside was that it was difficult, if not impossible, to foresee that significant of a change based on the timeline as Ms. Gage alluded to. We certainly now know, with that updated volumetric survey, where we stand currently and have a better idea now and going forward from this baseline. We are also undergoing some effort to expand the footprint of the landfill, which is one of those factors that will affect this number going forward. We are using CEC to do that as well, they have been under contract to proceed with that landfill expansion. It is a lengthy process, but it is one that is making progress, so that will be another factor that City Clerk Cordes will consider as we go forward on this number.

Ms. Gage stated that Legal and Administrative Director Erquiaga was correct; usage is at 27.9% so there are many years left and depending on how those surveys come out, that number can go up and down, but that number is an estimate. She reminded that OPEB and net pension are all estimates as well.

Councilman Erickson noted that he had nothing further, but wanted to extend his thanks to City Clerk Cordes, Deputy City Clerk Lee and the entire staff. He also hoped everything was comfortable for Ms. Gage and her staff while they were at 98 South Carson Street.

Ms. Gage thanked the City and noted that her staff enjoyed coming to Fallon and appreciated their time and effort. She also referred to a letter that was attached to the audit. It is a required communication to the City Council which describes their responsibility as auditors, any findings they had in relation to the audit, the significant estimates which they reviewed, and it discusses any journal entries posted as a result of the audit. She added that no journal entries were required. She commended the staff; she has very few audits that do not require a journal entry. She noted that they did have one item that they did not record; it is called a past journal entry that is not of a significance to record. That was where the bank confirmed a different amount for the Police Department lease for the communications equipment. They confirmed about \$8,000 less than had been recorded. We could not get an answer on what number was correct, so we passed on it and included it here. We have to report any disagreements with management and she was happy to say that they had no disagreements. She again thanked everybody for their efforts.

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

No comments were noted.

Mayor Tedford echoed Councilman Erickson's statements in that auditors can be very disruptive to everyone in City Hall, from a patrol officer to a public works employee, all the way to him, as Mayor. He stated that Ms. Gage and her staff were very good, and in his tenure, that has not always been true with auditors. He applauded her and her staff for going about their work in a very professional and quiet manner. He also commended the efforts of the Audit Committee and City Clerk Cordes and his staff. It takes a lot of people to complete an audit and he appreciated how smoothly this went.

Councilman Erickson motioned to approve the City of Fallon June 30, 2018 Audited Financial Statements as received with the correction noted on Page 23; seconded by Councilman Richardson and approved with a 3-0 vote by the Council.

At this time, Mayor Tedford asked Deputy City Clerk Lee if there was a Council vote on the warrants; he remembered taking a first and a second motion but could not remember if he called for a vote.

Deputy City Clerk Lee stated that she did not remember or note if a vote was taken.

Mayor Tedford returned to the vote on warrants: 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.

Consideration and possible approval of purchase of real property from James L. O'Brien consisting of approximately 0.130 acres of land located on South Carson Street, Fallon, Nevada (APN #001-537-02) for the total purchase price of Forty-Seven Thousand Dollars (\$47,000)

Deputy City Attorney Leonard Mackedon explained that the property considered for purchase is the southeast corner of the parking lot between First Street and Center Street in the north-south direction and Carson Street and LaVerne Street in the east-west direction. The property is approximately 0.130 acres and the proposed purchase price is \$47,000. For a little bit of history, the City has for many years now, leased this portion of the parking lot to accommodate City parking. Previously, the owner, Mr. O'Brien, had not been interested in selling the property. However, he has now changed his mind. The requested motion would be to approve the purchase and sale agreement and authorize the Mayor to sign the documents and for staff to close the escrow and execute any documents that may be necessary to accomplish that.

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.

Councilman Richardson motioned to approve the purchase of real property from James L. O'Brien consisting of approximately 0.130 acres of land located on South Carson Street, Fallon, Nevada (APN #001-537-02) for the total purchase price of Forty-Seven Thousand Dollars (\$47,000) 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.

No public comments were noted.

Council and Staff Reports

Deputy City Attorney Leonard Mackedon: No comments were noted.

Legal and Administrative Director Erquiaga: Looking forward to the Utah Associated Municipal Power Systems (UAMPS) December meeting coming up in Salt Lake City. Legal and Administrative Director Erquiaga, Councilwoman Frost, Deputy City Attorney Leonard Mackedon, and Deputy City Attorney Trent deBraga will be leaving shortly to attend that meeting.

Police Captain Alexander: No comments were noted.

Deputy City Clerk Lee: No comments were noted.

Tourism Director Moon: No comments were noted.

Marketing & Communications Coordinator Ritchie: Noted that there was a lot of positive feedback after the Mayor, Council, and City staff served lunch at the William N. Pennington Life Center last Friday.

Mayor Tedford noted that the servers usually stay and eat lunch after everyone else finishes their lunch; and for those that did not stay for lunch, it was one of the best lunches that he has had at the Center in a long, long time. It was Chicken Cordon Bleu and scalloped potatoes and it was very good.

Deputy Public Works Director Swirczek: No comments were noted.

Public Works Director Byrd: No comments were noted.

Deputy Public Works Director Noriega: No comments were noted.

Deputy City Attorney deBraga: No comments were noted.

Councilwoman Frost: Merry Christmas and Happy New Year.

Councilman Richardson: Merry Christmas to everyone, great job this year.

Councilman Erickson: Thanked the City for the opportunity to serve lunch to the seniors. It is a wonderful opportunity to see people that you do not see very often. He thoroughly enjoyed it.

Mayor Tedford: Thanked all the City staff that came and helped serve lunch to the seniors. They appreciate it so much. Merry Christmas to everyone. He thanked the Council for their service to the people. We can never go wrong when we remember the people we serve

each and every day and we pass that on to the people who work for us in these different departments and that is why we do a good job because they remember it too.

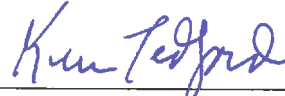
Mayor Tedford added that we are trying to work with Mr. Groover behind the scenes to help him. It is out of our jurisdiction which makes it a little harder, but Mr. Groover had contacted Councilman Erickson, who is also working with Legal and Administrative Director Erquiaga to try to do something there.

Executive Session

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

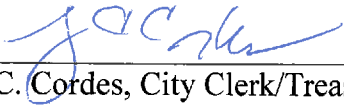
Adjournment

There being no further business to come before the Council, Mayor Tedford adjourned the meeting at 9:41 a.m.



Mayor Ken Tedford

Attest:



Gary C. Cordes, City Clerk/Treasurer