

CARSON CITY BOARD OF SUPERVISORS
Minutes of the Special January 27, 1988, Meeting
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A special meeting of the Carson City Board of Supervisors was held on Wednesday, January 27, 1988, at the Community Center Sierra Room, 851 East Williams Street, Carson City, Nevada, beginning at 6:30 p.m.

PRESENT:	Dan Flammer	Mayor
	E. M. "Doc" Scrivner	Supervisor, Ward 4
	Ron Swirczek	Supervisor, Ward 1
	Tom Fetic	Supervisor, Ward 2
	Marilee Chirila	Supervisor, Ward 3
STAFF PRESENT:	L. H. Hamilton	City Manager
	Alan Glover	Clerk-Recorder
	Paul McGrath	Sheriff
	Gary Kulikowski	Internal Auditor
	Michael Rody	Deputy City Manager
	Walt Sullivan	Community Development Director
	Mary Walker	Finance Director
	Tom Duncan	Golf Course Manager/Pro
	Steve Kastens	Parks and Recreation Director
	Ron Wilson	Purchasing Agent
	Charles P. Cockerill	Chief Deputy District Attorney
	Jeanette Sullivan	Administrative Assistant--City Manager
	Margaret Robinson	Administrative Assistant--Public Works
	Tom Kunkle	Golf Course Superintendent
	Bill Madigan	Traffic Engineer
	Katherine McLaughlin	Recording Secretary

(B.O.S. 1/27/88 Tape 1-0001)

Mayor Flammer called the meeting to order at 6:30 p.m. by leading the Pledge of Allegiance. Roll call was taken and a quorum was present as noted.

REVIEW, DISCUSSION, AND ACTION CONCERNING THE GRAND JURY REPORT AND CITY STAFF RESPONSES (1-00015) - Procedures were discussed. Due to the volume and magnitude of the report, Sections 1, 2, and 5 were to be discussed this evening with adjournment at 10 p.m. February 16th at 6:30 p.m. was scheduled for the Senior Citizen Center portion. February 2nd at 6:30 p.m. was scheduled for the Golf Course and Arrowhead EPA Grant. Mr. Hamilton was to read each question and staff's response into the record followed by any discussion.

Clarification noted that the Board could not respond to questions related to the Grand Jury's inquiry, however, could respond to questions of knowledge on specific items.

(1-0348) Mr. Hamilton then outlined the procedures used to generate the responses. Under this procedure a committee was established comprised of himself, Deputy City Manager Michael Rody, Finance Director Mary Walker, Parks and Recreation Director Steve Kastens, Golf Course Superintendent Tom Kunkle, Purchasing Agent Ron Wilson, Treasurer Ted Thornton, Internal Auditor Gary Kulikowski, Community Development Director Walt Sullivan, Golf Course Manager/Pro Tom Duncan, Administrative Assistant--Public Works Margaret Robinson, and Public Works Director Dan O'Brien. From this committee sub-committees were established to address each

field and prepare written responses.

At Supervisor Scrivner's request, Chief Deputy District Attorney Charles P. Cockerill expounded on Supervisor Swirczek's comments related to the type of questions which the Board could answer. Questions from nonjurors which are similar to those asked by the Grand Jury could be answered.

Supervisor Swirczek requested the record include the following:

GENERAL CONCLUSIONS AND RECOMMENDATIONS OF THE GRAND JURY

"The data in this report heavily relates to the areas listed in the petition asking for the establishment of a Grand Jury.

It is our conclusion that over the years some activities undertaken by City management have had minimal supervision and could have been more efficiently managed.

The array of problems related to the construction and proposed operation of the new golf course were caused by not having one knowledgeable and skilled person to orchestrate planning, construction and fiscal integrity. Authority for management lies solely in the hands of the Board of Supervisors and they are responsible for (1) maintaining fiscal control, (2) knowledge of and compliance with laws that impact City activities and (3) the safety and welfare of Carson City's citizens.

Some examples pointing to gross mismanagement of funds were due in large part to the former and present Board of Supervisors' and Manager's flagrant disregard of the City Charter (Chapter 213, Section 3.075) requiring an internal auditor. This position has been vacant since July 1985.

It is concluded that a full time internal auditor would have been a very positive force to enhance fiscal management. Although the hiring of a full time internal auditor was addressed by providing fiscal resources in the 1987-88 budget for that purpose, there is no evidence one has been hired. The Carson City Charter regulations have for many years mandated that an internal auditor be a member of the City Staff.

The major problem regarding construction of the new senior citizen center facility without direction from the responsible elected officials appears to lie mainly with the Board of Supervisors. Control and management by the Board are necessary to assure construction of a facility within budget limitations.

Since the impanelment of the Grand Jury, a number of problems have been addressed and solved by City Management and we applaud their effort to overcome a very serious fiscal deficit.

There are other areas of concern and the Grand Jury has prepared a comprehensive list of recommendations for City Management to review and implement as time, personnel and fiscal resources allow.

The Grand Jury is cognizant of the fact that there will be a time lag between the draft of this report, the final printing and the release of the report to the public. During this time period, some problems might be solved by City Management that are closely related to the recommendations. We hope that this will occur and that a number of the recommendations will be after the fact."

Discussion of the Grand Jury report then ensued with Mr. Hamilton reading into the record the Grand Jury recommendation and staff response, followed by Board, staff, and public comments.

(1-0595) SECTION I - WATER AND SEWER ISSUES

1. Provide a comprehensive follow-up to assure that the State of Nevada pays its fair share of sewer user fees. Response from Public Works: Fair share sewer bills have been issued to State Agencies, and payment rendered, as of January 1, 1987, in accordance with Assembly Bill No. 497, adopted during the 1985 Legislative Session.

After January 1, 1987, the fair share billings have been paid as billed. Many meetings had been held with the State in an attempt to obtain a fair share payment before the Legislature adopted the Bill in 1985.

(1-0735) In response to Richard Waiton's question, it was explained that the State's use was metered the same as any other water/sewer user in the City. Buildings on the State water system are metered at the State treatment plant.

2. Undertake a comprehensive follow-up to assure that the past debt be retired and current sewer user fees collected from the Carson Indian Colony. Response from City Clerk Ted Thornton: An agreement has been approved and adopted by the City, the Washoe Tribal Council, and the Washoe Utility Authority. An inventory of users hooked to the system has just been completed and the process of billing is ready to take place.

(1-0803) Discussion noted that the agreement was implemented in October and that the Tribe had agreed to pay the delinquency.

3. A definitive policy should be established to handle delinquent water and sewer accounts. Response from City Clerk Ted Thornton: A more definitive policy on delinquent accounts needs to be established and is being looked at. Areas that need to be more clearly defined are foreclosures, Chapter 11 bankruptcies, Chapter 7 bankruptcies, and the lien process. An analysis of the entire utility billing system has been completed by the Automation Department.

Mr. Cockerill explained the legal problems encountered when attempting to collect from bankruptcies.

4. A long range plan should be established to purge the system of unauthorized hookups. Response from Public Works: Carson City will propose (1) utility ordinance modifications establishing a penalty for connection without benefit of connection fee payment; (2) establishment of a smoke program to systematically test for illegal utility connections; (3) establish the means to determine the past due use fees required on illegal connections; and, (4) establish an amnesty period wherein property owners may pay for illegal connections at an established rate, without penalty and past use fees.

(1-0954) Unauthorized hookups are found monthly. Sometimes they are discovered when the property owner calls to have the line cleaned. They are then assessed according to when it was felt the connection had been made and the rate at that time. The amount lost in this fashion was felt to be small. TV monitors, which are used to clean the line, detect unauthorized hookups. Laterals to which a property owner could connect are marked and checked monthly to be sure this does not occur. The new lines are constantly monitored. The problem area is with the lines installed during the early 1960s. Reasons for the illegal connection appear to be circumstantial or due to a

lack of knowledge. The last ten years indicates that the current developers do not appear to be the ones making the connections. The main reason for the unauthorized connections during the 1960s was due to the fact that connection fees had not existed prior to 1964. The smoke program was explained and had been used in 1980. The current City program requires the property owner's permission to inject dye into the line in the house.

(1-1224) Dick Waiton questioned reasons for the Grand Jury to investigate this area as it was not included in the original request. Mr. Cockerill explained that water and sewer issues were part of the original request. Due to the time involved in completing the investigation, the Grand Jury had recognized the fact that some of its recommendations would have already been implemented or resolved.

(1-1293) Jim Otte explained a customer who has a private well, uses rain water during the winter averaging period, and is billed only the minimum amount. During the summer she is a heavy user. She is legally connected to the sewer line. Ms. Robinson felt that the customer was hurting herself as the minimum use is 7,000 which may be more than she normally uses.

(1-1365) Earl Milliken suggested the title companies or real estate firms be requested to notify the City when a sale occurs so that a check could be made. Also, when remodeling or enlarging, checks could be made. Mr. Waiton expressed his feeling that this could be determined at the time a listing is given, however, individuals not using a real estate firm could not be checked. Supervisor Scrivner felt that if the connection is noted on the deed of trust, a title search could reflect this information. Mayor Flammer directed Mr. Hamilton to check into the suggestion.

5. There should be an annual review of water and sewer user rates and hookup fees. Response from Public Works: Sewer and water ordinance revisions in 1982 provided for annual review of rates. The Public Works Director did accomplish this review with the preparation of each fiscal year budget.

Sewer rates were actually increased in 1982, 1983, 1985, and 1986. Sewer connection fees were increased in 1980 and again in 1986.

Water rate increases were approved in 1982, 1983, and 1986. Water connection fees were raised in 1982 and again in 1986.

Mr. Hamilton noted that when the rates were increased in 1986, the ordinance included an annual review. In response to Gary Hutter's question it was stated that the City was in compliance with this requirement. The 1987 review had been started and had carried over into 1988 due to a need to further evaluate the financial data.

Clarification noted that both Public Works and the Treasurer were involved in the rate study. Supervisor Swirczek felt that a recommendation should have been made from the Treasurer and Internal Finance Committee.

6. A Depreciation Fund for sewer plant parts replacement should be implemented and kept as a separate and untouchable fund. Also, replacement funds should be established for sewer and water lines and be kept as separate and untouchable funds. Response from Finance Director Mary Walker: During the 1986 sewer rate study, the Board of Supervisors designated \$250,000 per year to be set aside for replacement of the sewer system. The 1986 sewer rates were effective October 1, 1986. Since that time, the amount designated by the Board is being reserved specifically for replacement purposes. Therefore, a separate accounting for these monies is being maintained. A reserve for water replacement was also implemented effective December 1, 1986, when the new water rates were implemented.

These funds are "untouchable" in the fact that they cannot be used for any other purpose. The funds are now needed for replacement of many sewer and water assets.

7. Implement a definitive policy on the costs of hookups for both water and sewer and consistently carry out this policy. Response from Public Works: Water and sewer connect fees are established by ordinance.

Discussion indicated that the response had been short due to the inability to respond to the term "definitive policy". Supervisor Feticc felt that the point was "consistently" in carrying out the policy. Staff explained that only the Board could change the fee structure. Staff suggested that the concern may be with line extensions due to the consideration given to "benefits to the community". Additional information was needed before a correct response could be given. Discussion noted that the Board and Staff would have to respond to the recommendations as "best they could" as they could not request a clarification from the Grand Jury. Supervisor Swirczek felt that the comment was related to the 1982 citizen's fact sheet indicating that if the water bond sheet passes, hookups would go up from \$1300 to \$2500, which had not happened. This was a policy determined by the Board and not staff. Therefore, he felt that this recommendation had been directed at the Board and indicated that the Board lacked a policy, had been inconsistent in establishing the fees and allocating those funds. Staff was presently working on the allocations.

8. The Board of Supervisors should review the manpower needs of the Public Works Department and increase as necessary. Response from Public Works: Staff concurs and this item will be addressed during the budget process.

No discussion occurred on this recommendation.

9. An explanation of winter averaging for utilities should be provided in language easily understood by the general public. Response from Public Works: The "winter average" assessment for sewer use fees applies to residential sewer customers only. Information cards will be included in the May utility bills, each year, with the following explanation: "Residential sewer customers are billed on the winter averaging system. This system assigns the average of the lowest consecutive five months of water consumption from the six month averaging period each year, beginning with November and ending with the April water meter readings. This average is then applied to the sewer billing in May of each year and will remain on the bill through the following April. Each winter, the averaging process is repeated with the new average becoming effective in May.

Those customers who are connected to sewer but are not on City water are assigned a monthly sewer average of 7,000 gallons per month."

The programming error, which was corrected in October 1986, had charged whichever was less--the average or actual usage--when the meters were read. A test of 50 households had been used to establish the 7,000 gallons as a standard. In the 1970s the average had been 12,000. The 7,000 gallons is checked periodically to be sure it is a realistic figure. Complaints are checked and corrected if an error is found. Discussion indicated that the average may be increased soon as verification indicated a more realistic winter average was 8,000 gallons.

(1-2574) Mr. Otte questioned the number of units in 7,000 gallons. The sewer meter deals in units of 1,000 which was clarified as being gallons.

(1-2628) Mr. Milliken explained the Santa Rosa fee was \$7,000 and required a \$100,000,000 bond. He suggested that a connection to sewer and water lines be mandated due to concern about leach field contamination. Present ordinance requirements and State Statutes were explained. Discussion ensued concerning whether residential wells were tested. The national consumption average for a three bedroom, two bath home is 9 to 14,000 gallons of water.

10. Update the automation section of the Utility Billing Department to streamline both the billing and collection process. Response from Public Works: The system must be completely redesigned. A "needs study" has been completed; and based on this study, Automation Services will develop the new system as time permits.

As the list of priorities had not been established by the Data Processing Committee, Mr. Rody could not estimate when this item would be addressed. Supervisor Swirczek felt this was another example of having the wrong Department respond. He felt that the Treasurer and Automation Services should have been included in the response.

Discussion among the Board members indicated the need to maintain a list of those items which would need to be have other staff members present to discuss further or to provide a written response. (1-3001) Internal Auditor Gary Kulikowski explained a tour of North Las Vegas' accounting systems facility with the Treasurer. Some ideas would be presented to the Board for consideration in the future. As the Internal Auditor, he would audit this system in February with a report to follow in March.

(2-0032) Ralph Capurro explained his feeling that Question 6 related to two separate funds--one for sewer plant parts replacement which is an EPA requirement and one for replacement of the sewer and water lines. He questioned whether there were one, two, or three funds and the amount of each. Supervisor Swirczek expressed his feeling that the term "funds" as defined in the General Accounting Standards was inappropriate. He felt that the concern should be whether identifiable monies have been reserved for these purposes and the amounts. Ms. Walker explained that in 1986 the Board allocated \$250,000 for replacement. According to Kafoury Armstrong's report the water fund had \$164,000. These funds have been reserved. An additional sum has been allocated to the sewer fund for the eight month period of 1987 plus the entire \$250,000 for 1988 as indicated in the sewer study. She then explained that the water and sewer rate study was attempting to develop a replacement policy which would cover equipment and facility replacement. Reasons were elaborated. Clarification indicated there was \$437,000 allocated for the sewer. Mr. Capurro was invited to go to the Finance Department and review the documents. None of the funds for replacement have been spent.

In response to Dick Waiton's questions, Ms. Walker explained the study of sewer equipment and attempt to establish a systematic replacement policy including vehicles. In the past vehicles had been replaced through the budget process and at the Department's request.

(2-0253) Mrs. Walker explained for Mr. Otte that the \$180,000 allocation for water replacement was an annual budget. This allocation may change as a result of the study.

BREAK: At 8:10 p.m. a 20 minute recess was called. When the meeting reconvened at 8:30 p.m. a quorum was present.

SECTION 5 - REVIEW CITY POLICY AND PROCEDURE AS RELATED TO FINANCES AND OPERATIONS AND DETERMINE IF POLICY AND PROCEDURE IS BEING FOLLOWED BY CITY PERSONNEL

1. The top priority for the Board of Supervisors is to comply with the Carson City Charter, Section 3.075, and immediately hire a full time internal auditor. This person should be fully versed in computer systems, analysis, automation and integral functions. He/she should be a contributing member of the Data Processing Committee and work closely with the Accounting and Automation Services Departments in pinpointing and prioritizing program needs. Response from Internal Auditor Gary Kulikowski: (response to Questions 1 through 5) On November 9, 1987, the Board of Supervisors hired an Internal Auditor to discharge the responsibilities listed in Carson City Charter, Section 3.075. This individual is a certified public accountant with over 10 years experience in public, private and governmental accounting and auditing. He reports directly to the Board of Supervisors and serves on the Internal Finance Committee. His present audit plan addresses all pertinent sections of the Grand Jury Report dealing with Audits and the Audit function. In addition, the Board has approved a resolution setting forth the Internal Auditor's duties and responsibilities.

2. The internal auditor should fully comply with the job directives required by the Carson City Charter. Response: See No. 1.

3. The internal auditor should be completely independent in operation and investigate each City office on an unannounced scheduled basis. When warranted, this may include desk audits. Reporting only to the Board of Supervisors, he/she should examine all accounts at any time and without interference. Response: See No. 1.

4. The internal auditor should attend meetings of the Financial Review Committee but make recommendations only at the discretion of the Board. Response: See No. 1.

5. He/she should provide checks on the City Manager, Treasurer and Finance Departments in addition to all other City Departments. Response: See No. 1.

These five recommendations were taken together. No discussion occurred on any of them.

6. The Accounting Procedures Manual should be revised to include the NRS 356.200 requirement for prompt deposit of cash exceeding \$100.00. Response from Finance Director Mary Walker: An addendum was made to the Accounting Procedures Manual on May 6, 1982, which was meant to implement standardized deposit procedures and cash receiving and change making procedures. The addendum states: "All deposits will be taken to the bank daily and not accumulated, if receipts are over \$100.00. See NRS 356.200..."

The Finance Department and Internal Auditor will be recommending updates to the Accounting Procedures Manual as staffing permits. When these updates are made, the addendum will be incorporated into the body of the Accounting Procedures Manual.

(2-0410) Ms. Walker requested the record reflect that Mr. Kulikowski and Mr. Thornton had assisted in her responses.

Ms. Walker then explained staffing problems and needs while stressing that the manual was a high priority item. She urged the Board to take steps to allocate funding to address these jobs.

7. For those departments having a shortage of personnel and/or who are consistently lax in making timely deposits, establish a courier service from the Treasurer's Office to pick up

deposits at the same time daily. Response from Finance Director Mary Walker: Because of current severe staffing limitations in the Treasurer's Office, it is currently not feasible to carry out this recommendation. Staff feels it is the responsibility of each department to comply with local and state laws. Therefore, it is the responsibility of the departments that are "lax" in making deposits to make sure the deposits are made in a timely manner in the conformance with NRS 356.200. The Treasurer's Office will put more emphasis on the departments making timely deposits. The Internal Auditor will also make the Board of Supervisors aware of any noncompliance.

(2-0520) Mr. Thornton was more aware of the violations and violators. Notices had been given to the Departments. Supervisor Swirczek suggested that if this problems was related to staffing levels, priorities should be determined so that appropriate steps could be taken to correct the situation in the near future. Mr. Kulikowski explained his auditing procedures which would determine compliance with Statutory and procedural requirements and how his reports would be made to the Board. Steps which could be taken to correct noncompliance were discussed.

(2-0786) In response to Lillian Geddes' question, Ms. Walker explained that the Treasurer maintains a spread sheet indicating daily deposits per Department. Ms. Geddes suggested that a copy of this sheet be given to either Ms. Walker or Mr. Kulikowski so that a determination could be made as to noncompliance. Ms. Walker expressed her feeling that Mr. Kulikowski was reviewing this problem as well as the one created by the number of bank accounts various Departments have outside the normal accounting system.

8. Notify the City Manager and the Financial Review Committee monthly of noncompliance. Action should be taken by the City Manager against offending Department supervisors. If noncompliance continues, this should be noted on the supervisor's personnel record and taken into consideration when the question of additional benefits and raises are considered. Response from Finance Director Mary Walker: This recommendation is being implements.

No discussion occurred.

9. Devise secure place for collected monies in each department. Response from Finance Director Mary Walker: The City must maintain a secure place for collected monies in each department. The Internal Auditor will be evaluating the collection of monies throughout the City including security over collected monies.

No discussion occurred.

10. Cash balances must be closely monitored in order to insure that no warrants are drawn unless there are sufficient funds, NRS 244.215. Reasonable departmental budgets must be established and adhered to with full fiscal internal controls. Response from Finance Director Mary Walker: Since December of 1986, the City's General Fund has not had a negative cash balance. It is the Finance Department's policy to closely monitor cash balances in order to insure no warrants are drawn unless there is sufficient cash available.

In addition to this, the City is committed to increasing the General Fund's ending fund balance in order to insure that in lean revenue months, there will be sufficient fund balances available to issue the necessary warrants.

Departmental budgets are reviewed thoroughly by the Internal Finance Committee, Finance Department, and Board of Supervisors. These reviews provide for sound, realistic budgets. Fiscal internal controls are adhered to through the Internal Finance Committee.

No discussion occurred.

11. Fund transfers should only be made in case of dire need. If made, they should be in the form of interfund loans, approved by the Board and repaid with interest within 12 months. Interfund loans must leave an audit trail. Response from Finance Director Mary Walker: Staff concurs with this recommendation.

No discussion occurred.

12. When borrowing is necessary, NRS 233B.040 of the Nevada Administrative Code, Chapters 354.550-600 regarding temporary interfund loans must be followed. Response from Finance Director Mary Walker: The current administration is following all applicable NRS and NAC provisions regarding short-term financing whether it is interfund loans or from other sources.

No discussion occurred.

13. Accurate accounting should take place with information available to the public reflecting exact amounts of money transferred, exact sources within the fund from which transfers are made, and for what purpose the money is used. Response from Finance Director Mary Walker: Fund transfers will only be made in case of dire need; however, when transfers are made, NRS 354.606 is followed. NRS 354.606 state, "The governing body may authorize the transfer of appropriations between funds or from the contingency account, if: (1) The governing body announces the transfer of appropriations at a regular meeting and sets the exact amounts to be transferred and the accounts, functions, programs, and funds affected; (2) The governing body sets forth its reasons for the transfer; and (3) The action is recorded in the official minutes of the meeting."

No discussion occurred.

14. Although official interfund loans were not made, an effort to reimburse for transfers in the past two fiscal years should be undertaken, particularly to Enterprise Funds where user rates have been drastically raised to compensate. Response from Finance Director Mary Walker: Transfers made between funds were for the specific purpose of compensating a particular fund for work performed for another fund. In actuality, it is an internal service charge. Prior to July 1, 1986, these annual transfers were based upon an estimate of the reimbursements required to compensate the fund for work performed. As of July 1, 1986, the City has implemented a cost allocation system whereby monthly reports are submitted to the Finance Department by any department which performed services for another fund. This report details the work performed, the amount of hours worked, and the applicable costs.

These "transfer" were never intended to be "loans". They were charges for work performed.

(2-1030) Supervisor Swirczek felt that the concern indicated in the recommendation was that too much had been

transferred under the estimated cost allocation system from the Enterprise Accounts to the General Fund. Ms. Walker agreed to review the fiscal years 1985 and 1986 determine where the differences were in the 1987 cost allocation system. Her comments noted the time devoted to tracking the cost allocation system. Supervisor Scrivner expressed his feeling that it was not necessary to review the records for 1984, 1985, or 1986. It was more important that the proper corrective measures had occurred.

(2-1175) Ms. Geddes felt that funds taken from one Department for the another was a clear indication that these funds were not necessary; however, if the funds are left with the Department and accrued interest, its budget would be increased. Her example was to use the Fire Department funds for the airport. Ms. Walker acknowledged that the Airport Industrial Park had incurred a deficit due to the time lag involved with reimbursing the City under the EDA grant process. She explained General Fund transfers. There are no interfund loans being made. Ms. Walker explained how interfund loans are made. Mr. Hamilton explained his policy that if a loan cannot be repaid as required by the Statutes, an interfund loan will not be made.

15. State statutory requirements for ending fiscal year balance data should be followed.
Response from Finance Director Mary Walker: The current administration is following this law. Departments are kept under strict budgetary control.

Discussion ensued concerning which Statute the Grand Jury was referring Mr. Cockerill expressed his feeling that there is a Statute requiring an ending fund balance and referred the Board to page 50 of the Grand Jury report. This page indicated the low ending fund balance maintained by the City for the last eight years. Ms. Walker indicated she had received a clarification which related to a deficit ending fund balance. Departments are being monitored to eliminate this occurrence.

16. Expenditures should not exceed budget appropriations, NRS 354.626. Monetary control is essential. Data processing programs and an internal auditor would be invaluable aids in establishing and maintaining this control. Response from Finance Director Mary Walker: NRS 354.626 defines unlawful expenditures of moneys in excess of amounts appropriated. City has implemented several ways to maintain control over departmental overexpenditures. The Finance Department currently submits quarterly accrued financial statements to the Board of Supervisors which more accurately reflects the City's financial status. The Finance Department keeps the Internal Finance Committee abreast of any budgetary problem areas and budgets are monitored throughout the year.

It is the current administration's policy to solve any financial problems throughout the year instead of waiting until year end when it is too late to make any necessary corrections. By this process, departments are made responsible for their budgets and the City will stay on a sound financial footing.

More sophisticated data processing programs would enable staff to more carefully monitor departmental budgets.

Response from the Deputy City Manager Michael Rody: The City staff is in the process of assessing the automation needs of the City and in formulating a plan addressing those needs. In addition, the Board of Supervisors has acquired the services of an Internal Auditor and he will provide appropriate monetary controls.

(2-1504) Mr. Kulikowski explained that the implementation and adherence of internal controls was a management function while his responsibility was restricted to checking and verifying compliance with the controls. There are

some weaknesses within the computer system particularly in attempting to compare readily available financial budget to the actual budget. Quarterly statements are being prepared. Encumbrances are presently not recorded in the budget until funds are spent.

17. Contracts should be well written to benefit the City and change orders closely scrutinized as to whether additional payment is warranted. Response from Purchasing Agent Ron Wilson: I agree with the Grand Jury's statement and believe that the process and procedures recently implemented by the Deputy City Manager for the handling of contracts will provide the objective intended.

(During Mr. Hamilton's review, Supervisor Chirila left the meeting--9:25 p.m. A quorum was still present.) No discussion occurred.

18. Although the Internal Finance Committee reviews monthly department finances, it will take a united City effort to keep effective bare bones spending within budget limits. Tight inventory control, strong grant management, timely deposits, careful scheduling to cut overtime, accurate project estimates in addition to establishing complete internal fiscal control will help keep expenditures within appropriations. Response from Finance Director Mary Walker: Staff concurs with this recommendation. To some degree, staff has already made a concerted, successful effort in turning around the million dollar deficit, but we agree a united effort is important to the success of "cleaning up" past practices.

No discussion occurred.

19. The City Auditor should submit an annual statement of indebtedness to the State Controller on or before the third Monday in July each year as per NRS 354.320. Response from Finance Director Mary Walker: Staff is adhering to NRS 354.320.

No discussion occurred.

20. Board of Supervisor's meetings should be noticed with full information provided before resolutions are adopted by the Board per NRS 354.615. Such resolutions adopted should provide the statutorily required detail regarding appropriations and resources. Responses from Finance Director Mary Walker: The current administration is strictly adhering to NRS 354.615 relating to budget augmentations.

No discussion occurred.

21. It is recommended that statutory requirements regarding competitive bidding for goods and noticing be followed in the purchasing of equipment by the City. Response from Purchasing Agent Ron Wilson: I agree fully with the Grand Jury's statement, but draw your attention to an error on page 52, line 16, "The purchase of computers by the Library and the Justice Court Departments without competitive bidding came to light during the Grand Jury investigation. The District Attorney's office determined that the Justice Court computer was within the law as it was paid for from administrative assessment. The purchase of the Library computer, however, appears to be in violation of the statute according to Kafoury Armstrong."

With respect to the Library computer purchase, this is not totally correct. The initial computer purchase was in fact acquired through formal advertised bidding requirements pursuant to NRS,

Chapter 332. This was accomplished under Bid #8283-7. Further, as provided by NRS, Chapter 332, further enhancements to this equipment, if not available by multiple suppliers, may be declared by the governing body as exempt from the competitive bidding process. Thus, a sole source situation. This is what happened with regards to the Library computer equipment. However, the State Library, begin part of the CLAN users of this equipment, had on one occasion made a verbal commitment to the sole supplier for further enhancements to the equipment. Once known, I took the steps necessary to bring this commitment into compliance. The appropriate Board action was requested, whereby the Library was granted the authority to proceed.

No discussion occurred.

22. An independent third person who is not responsible for cash balances or the General Ledger should perform reconciliations. There should always be a separation of duties which provides checks an balances. Response from Finance Director Mary Walker: According to the Carson City Charter, the Controller will perform reconciliations between cash balances and the General Ledger. Sufficient separation of duties are being provided since the Treasurer's Department maintains the cash balances and the Finance Department maintains the General Ledger. The Internal Auditor will also be periodically auditing the reconciliations. Therefore, in accordance with the City Charter, staff believes current sufficient controls are in place.

No discussion occurred.

23. Set up specific work functions as defined by law for each City staff position. It is the duty of the Supervisors and the City Manager to assure that these functions are performed satisfactorily. Personnel who are properly informed as to their job specifications and do not perform these duties should be removed. Response from City Manager L. H. Hamilton: The City currently has in place job descriptions for all positions, both classified and unclassified, in the City. Those job descriptions set out the duties and responsibilities of each position. Management is currently in the process of setting up a personnel evaluation system that will deal with performance objectives. The Board of Supervisors, in May 1987, established criteria that allows the City Manager to evaluate unclassified personnel and award compensation increases based on performance. It is anticipated that the formal evaluation system will be in place no later than March 1988.

(2-1778) No discussion occurred.

24. The cash balances must be consistently reconciled with the Controller's records accurately on a monthly basis for City budget planning and general fiscal policy to be effective. Data processing program capability should give an instantaneous City fiscal position for those needing such information. Response from Finance Director Mary Walker: Cash reconciliations will be performed monthly.

No discussion occurred.

25. It is imperative that full internal fiscal control be established and maintained. Response from Finance Director Mary Walker: Staff is working towards the above goal and holding departments responsible for internal fiscal controls, with the help of the Finance Department, Internal Finance Committee, and the Internal Auditor.

No discussion occurred.

26. All facets of issues must be explored by the City Staff and the Board of Supervisors regarding original or supplemental contracts, interest on debt, City Debt Service Account interest, City finances at the time and projected City projects. Response from Finance Director Mary Walker: Staff concurs. This philosophy is currently being adhered to. For example, all contracts are reviewed by the applicable departments relating to the particular contracts before they are submitted to the Board of Supervisors.

No discussion occurred.

27. Only after full consideration should decisions on spending considerable sums of money such as the early payoff of Terry Ranch Water Rights be made. Response from Finance Director Mary Walker: All efforts are being made to evaluate all aspects of a contract.

Response from Deputy City Manager Michael Rody: Before any future early payoffs are made, they will be reviewed by the Internal Finance Committee and appropriate staff to determine if it is in the best financial and/or economic interest of the City.

(2-1854) Discussion explained the Terry Water Rights Agreement and its early payoff.

28. When new problems are encountered in which experience is lacking, such as those in the Lakeview flooding, it behooves the City and its employees to seek expertise to complement their own knowledge. This aid may come from contact with professional societies, the University of Nevada or other governmental entities. It does not have to necessarily be contracted engineering services, rather an exchange of ideas or research. Response from Public Works: The expertise level of on-board staff has improved since the development of the first high elevation subdivision. The current governing body has been more receptive to staff requests for outside assistance in those areas where staffing levels fall short in manpower and/or expertise.

No discussion occurred.

29. When a "public good" action is taken which invades another individual's or group's rights, such as the Lake Glen Manor sewer invasion, public hearings should be held that are thoroughly noticed. Full investigation with accompanying documentation should be made to justify such actions and they should come before the Board for vote. Response from Public Works: The use, for public purposes, of any privately owned facility or property must receive permission from the owner. If permission is not granted by the owner, and it is not determined that the facility or property is needed for the "public good", then the necessary public hearings and notifications must be conducted. If property is taken for this "public good", then reasonable compensation shall be required in conformance to all local and state regulations.

No discussion occurred.

30. If further storm drain hookups at Lake Glen Manor are considered, such as those discussed concerning the proposed "C" Hill subdivision, in the interest of public health careful engineering studies should be undertaken regarding the sewer manhole and its passage over the storm drain. Response from Public Works: The sewer main is encased in steel pipe and

concrete at its point of passage over the storm drain, alleviating any possibility of storm water contamination at this point.

No discussion occurred.

31. We must not burden the City and ultimately the taxpayers with additional costs that are the result of development such as the Newman and Stafford agreements. New growth should bear its own expense. Response from Public Works: Each development is reviewed on the basis of its contribution and impact on Carson City.

(2-2005) Discussion explained the Newman and Stafford agreements. Mr. Cockerill felt that the recommendation would provide written indication of the present benefits in relationship to its cost which would indicate that the cost was not more than the benefit. Supervisor Feticc expressed his support for this suggestion.

(2-2131) Mr. Waiton questioned the exchanges which would be received for "C" Hill and Shenandoah Heights. "C" Hill developers had agreed to provide storm drainage. Shenandoah Heights storm drain facility had been bonded. The bond had been called due to his failure to produce. The funds are in a City bank account and accruing interest. Plans are being prepared so that a contract can be awarded and the drainage channel constructed. Clarification noted that even if this developer had filed Chapter 7 or 11 bankruptcy, the bond would not be affected. Supervisor Swirczek explained Developer Art Hannafin's retention ponds which would alleviate the storm drain problem for the "C" Hill condominiums complex. Mr. Waiton questioned the wisdom of this plan and who would be liable if it fails. Supervisor Feticc explained that until the drainage problem has been satisfactorily addressed and 150 percent bonding provided, development could not occur.

32. The City has made a step forward with the Water Consortium Study. Carson City should avail themselves of help offered by the U. S. Geological Survey and the State Department of Natural Resources. The State Water Computer Model that addresses water quantity should be utilized. Response from Public Works: Carson City has contract with U.S.G.S. for development of a water model for Carson City's use.

(2-2425) For the record, Mr. Hamilton noted that both the State Water Engineer and the U. S. Geological Survey have permanent seats on the Water Management Board. If they attend the meetings, they will be aware of the City's efforts.

33. Employees, be they Supervisors, Department Heads or other employees, should distance themselves from special interest groups and base their decisions on the ability to obtain, finance and deliver water. Response from Community Development Director Walter Sullivan: This department shall prepare for the City Manager, the Planning Commission/Growth Management Commission and the Board of Supervisors, recommendations which will be based on professional and independent judgment. It is our duty to present objective scenarios regarding development and allotments to those making the decisions.

Mr. Hamilton noted that all City employees deal daily with special interest groups. If the Grand Jury was indicating that these dealings were of questionable ethics, then the individual should be questioned about these acts. Supervisor Swirczek then explained that in some communities if a builder or developer approach an elected official for any reason before the public hearing on his item, he was violating the law. He then suggested this approach be considered. Mr. Hamilton noted that in some communities it is a violation of law for a Supervisor to attend Planning Commission meetings as his vote was to be based solely on the information presented at the Supervisor's meeting. Mayor Flammer expressed his feeling that this would unduly restrict the Board. He cited

examples of potential commercial and industrial developers who needed to discuss their desire to relocate or construct a new business in the City and the City's rules and regulations.

(2-2696) Mr. Waiton expressed his feeling that the Board could not ignore potential business interests or public comments. He felt that the Board should allow "its conscious to be its guide".

Supervisor Scrivner expressed his reluctance to enact an ordinance as proposed. Supervisor Fetic explained his feeling that the Code of Ethics ruled in this case. Supervisor Scrivner continued to explain that the attempt was not to stop communication but rather to limit the project to the merits as discussed in a public forum. He cited examples of individuals seeking his vote prior to meetings on several items whom he finally felt compelled to inform that if they pursued the discussion further he would take the information to the District Attorney's office. Supervisor Scrivner expressed his feeling that lobbyist need to be able to communicate with legislators. At no time during his activities as a lobbyist did a legislator ever indicate dedicated support. They would simply terminate the discussion with a statement that they will consider it. This is the same position the Board should take rather than to be stifled by ordinances. (3-0025) Discussion indicated that the Grand Jury must have felt there was undue influence. Mayor Flammer pointed out that a lobbyist is a respected individual and function in Washington, D.C.

(3-0043) Ms. Geddes supported Supervisor Swirczek's position.

34. There should be a greater water reserve for fire, drought and equipment failures than the two day supply presently available. Response from Public Works: Staff agrees and has set aside two-thirds of the anticipated production from Well 41 to provide a 1,000 gallon per day* safety factor. The total system safety factor is to be determined by the consultant team.

(*See clarification at end of No. 36.)

No discussion occurred.

35. Orderly growth is a viable part of Carson City, limited only by its resources and utility services. Further development of these resources or obtaining water from outside our area should not present more of a burden financially on existing residents than it already has. Response from Public Works: The administration is addressing this matter in its current water rate study.

No discussion occurred.

36. Water rights should be mandatory for the approval of new subdivision building plans and to obtain building permits. The cost of obtaining, developing, purifying, and delivering this additional water over and above that required for existing residents should be borne by new development. The same is true for the cost of replacing existing facilities due to new development. Water hookup fees should not be deferred for those bringing water rights unless the water amount is over and above the amount needed for the development project. Response from Public Works: This must be addressed by the Board of Supervisors through policy statement. Public Works is recommending variations to the current policy in the water rate study.

Response from Community Development: On July 2, 1987, the Board of Supervisors passed Bill 122, Ordinance 1987-25, which amended Section 17.09.010 of the Municipal Code regarding

parcel map approvals. This amendment requires, prior to approval and recordation of a second parcel map within one year of approval, their recordation of the first map that the applicant filed and receive approval of a tentative subdivision map and final public improvement plans.

No discussion occurred.

*Discussion reverted to No. 34 concerning the amount diverted from Well 41 and whether 1,000 gallon per day was adequate. Clarification indicated this should be 1,000 gallon per minute.

37. A complete and accurate breakdown of City matching funds from Water Bonds, Sewer Bonds, construction hookup and user fees used on the Arrowhead project should be disclosed. In the future such accounting should be exact stating the amounts from each of the individual sources and their disposition to specific project areas. Response from Public Works: The Kafoury Armstrong and Company Special Report, dated June 23, 1987, details the total transfers from the Sewer (510) and Water Construction (520) Funds which supported the Airport Industrial Park Fund (532).

All income derived from connection fees, bond proceeds and grant reimbursements are receipted to their respective construction fund.

User fees, which are receipted to their respective Water and Sewer Operation Funds, did not support any portion of the Arrowhead Drive Project developed under Fund 532.

Discussion indicated the feeling this should be discussed in more detail than the time available at this hearing.

38. Unused EDA Carson Airport Industrial Project monies should be returned to the Water and Sewer Funds on a pro-rata basis. Response from Finance Director Mary Walker: Proposals for the return of the unused portion of the airport Industrial Park Project will be submitted to the Board of Supervisors for their review and approval.

Supervisor Swirczek suggested this be the starting point for the next meeting.

Mayor Flammer thanked the audience for attending and reminded the Board that the next meeting on the Grand Jury recommendations was scheduled for Tuesday. Mr. Hamilton requested the Board members call any staff members on any questions which may arise on staff's response. Supervisor Fettic then moved to adjourn. Supervisor Swirczek seconded the motion. Motion was voted and carried 4-0. Mayor Flammer adjourned the meeting at 9:55 p.m.

A tape recording of the proceedings is on file in the Clerk-Recorder's Office. This tape is available for review and inspection during the normal business hours.

The Minutes of the Special Carson City Board of Supervisors January 27, 1988, meeting

ARE SO APPROVED ON ___October_20___, 1988.

_____/s/_____

Dan Flammer, Mayor

ATTEST:

/s/ _____
Alan Glover, Clerk-Recorder