

WASHOE COUNTY AUDIT COMMITTEE

MEETING MINUTES

Friday, June 26, 2015

10:30 a.m.

Commission Caucus Room

Committee Attendees: Dave Stark, Elaine Alexander, Marsha Berkgigler, and John Slaughter
Absent: Keith Romwall
Other Attendees: Alison Gordon, Joey Orduna-Hastings and Mark Mathers.

CALL TO ORDER

The meeting was called to order at 10:30 a.m. and Alison Gordon performed the roll call – those listed above were present.

AGENDA

Ms. Alexander moved to approve the agenda as presented. Ms. Berkgigler seconded the motion, which carried unanimously with Mr. Romwall absent.

PUBLIC COMMENT

There was no one present for public comment.

MINUTES

Ms. Berkgigler moved to approve the minutes as presented. Ms. Alexander seconded the motion, which carried unanimously with Mr. Romwall absent.

BUDGET UPDATE

Mr. Mathers stated the County was required by law to submit their final budget to the State Department of Taxation by June 1st of every year. He said a series of meetings were held with the Board where they were advised about revenue trends and how things were going with both the current Fiscal Year 2015 expenses and revenues and then what was projected for Fiscal Year 2016 and what they estimated for costs. The final budget was adopted on May 19th and was submitted before June 1st. He submitted a table for review to the Committee which showed a high level summary of the current Fiscal Year 2014-15 budget as it was originally proposed and also the 2015-16 budget depicting the changes. Mr. Mathers indicated that he would go over a few highlights and the County would finish fiscal year 2015 in good shape. He noted one of the highlights of the budget was consolidated taxes, which consisted of five revenues but mostly

sales tax that had come in very strong. Last year the County was very conservative in its estimates of consolidated tax and budgeted for 82.5 weeks, but expected to see 86.5 weeks come in for fiscal year 2015. Mr. Mathers stated the sales tax for the last three months came in at double-digits, and they estimated 7 percent for fiscal year 2015. He said there was a good chance to exceed that, but they wanted to be fiscally conservative. He stated everything else was tracking along nicely and they expected to see savings in salaries and wages of roughly 4 to 5 percent per year for the current fiscal year, which included savings due to job vacancies and the associated employee benefits. Mr. Mathers stated the County had barely touched the contingency account, but had drawn \$5,000 of the \$1.5 million from it on June 23rd for a trivial item.

In terms of the fiscal year 2016 budget, Mr. Mathers indicated the property taxes were a little bit low due to the debt component of the property tax, which had to be increased slightly. He explained property taxes for the County tracked at more than a 4 percent increase. There was a 3 percent cap on existing development, but the County would have enough new development to stretch out another 1 percent or so. He felt consolidated taxes would come in strongly based on Tesla, Switch and other residential development, and salaries and wages were ticking up in terms of employee benefits. The County received notification from Nevada Public Employee Retirement System (PERS) of an increased rate for non-safety employees of 2.25 percent and indicated the County would pick up the employees' half, which was still being built into the current budget and was still being negotiated. In terms of employee benefits, health insurance was the big cost item. The County had budgeted a reasonable 6 percent for the Health Maintenance Organization (HMO) plan but the rates had come in much higher. Mr. Mathers explained the County received various proposals from Hometown Health for the HMO, and the proposals came in north of 20 percent. Ms. Orduna-Hastings stated the County was initially at 27+ percent but got Hometown Health down to 22 percent; however, with administrative costs added the costs went back up to 27+ percent. Ms. Orduna-Hastings explained the range of 6 to 8 percent was based upon previous years not realizing that Hometown Health had not provided any increases for the past three years. Mr. Mathers indicated salaries and benefits were a significant portion of the budget.

Ms. Alexander asked Mr. Mathers what the employee count was versus the vacancy count. She noted it appeared a lot of people in the fiscal department had left, and wondered if other departments were experiencing attrition. Mr. Mathers believed during the last three fiscal years a 4.5 percent vacancy factor had been tracked. In terms of the fiscal department, Ms. Orduna-Hastings added there was a combination of retirements and transfers that effected the department, but it was not widespread.

Mr. Mathers stated the 8.3 percent unobligated ending fund balance, which reflected a conservative and stable budget for fiscal year 2016, remained the same. The budget had provided for a number of new positions but one of the things the County did this year versus past years was it experienced an underspending in the services and supplies categories. The underspending created a potential for trade in which departments that reduced their services and supplies budget were able to fill personnel needs with those savings. A total of 19 positions were created through the trades at a total net cost of around \$100,000.

Mr. Stark asked Mr. Mathers to explain what the stabilization account listed on the table was. Mr. Mathers explained it was a legally allowed account that could only be used in two situations: (1) when there was an emergency/natural disaster that the County Board would have to declare; and, (2) when there was a drop in revenues. Mr. Mathers stated upon review of the stabilization account, there was only one time it was drawn down even in the midst of the great recession. The account was there for really extreme situations. There was one accounting change for fiscal year 2015, the County had budgeted for stabilization; whereas, it would be more appropriate to reserve it against the ending fund balance. Mr. Mathers clarified the County did not have to have a stabilization account, but the State allowed it. Mr. Stark asked if it was the percentage of something or a fixed amount. Mr. Mathers answered it used to be 1.5 percent of the budget but after a historical review to see if it was used, it was determined this year the County would go with a flat \$3 million based on a reasonable number that could be budgeted for a natural disaster.

Ms. Berkgigler asked Mr. Mathers if the County was looking at increasing the unobligated ending fund balance for fiscal year 2017 since new legislation allowed for an increase of funds to 25 percent. Mr. Mathers replied it was something the County could consider, and the 8.3 percent represented one month of operational costs, which government and finance officers had recommended two months of reserves. Ms. Berkgigler was concerned counties were not doing something to protect themselves regarding the unobligated ending fund balance, and how the Legislature would decide the funds were not needed if they were not being used. Mr. Mathers stated the prior regulations that capped the fund at 8.3 percent really did serve as a cap since there was not a county that went above the 8.3 percent even though they wanted to, but since the cap had been lifted it was very helpful. Ms. Gordon asked who made that decision and Mr. Mathers stated the County Manager would make the recommendation and the Board would consider it.

AUDIT REPORT

Ms. Gordon stated the Board asked her to complete an audit of the Sheriff's Office Crime Lab due to the concern that the City of Reno owed money to the County for forensic services. Ms. Gordon explained she found an agreement from 1990 that was still in effect, which stated the County and City would exchange County forensic services for City dispatch services. She indicated she completed an analysis to compare the costs based on the value of services rather than who owed who what. She said since 2007 forward the value of forensic services far exceeded the value of dispatch services. One of the reasons for that was over the years, little pieces of the dispatch services came back to the Sheriff's office where initially the City of Reno was doing all of the dispatch. She stated obtaining consistent and reliable data was an issue, especially prior to 2007. She stated the systems that were used had not tracked in the exact same way, so she could not reconcile anything to ensure the numbers she had were reasonable, but she was comfortable with the data from 2007 forward. In regards to the 1990 contract, Ms. Gordon stated the County could keep the contract in place; renegotiate with the City of Reno to set up a different type of contract for the forensic and dispatch services; or the County could terminate the contract, which would require a 90 day notice. The issue with terminating the contract would be the City of Reno telling the County that they were on their own regarding dispatch, which the County may not be prepared for. She mentioned another option the County had was to take a step to regionalize dispatch services and renegotiate forensic services separately. She included the

County had been trying to regionalize dispatch for a number of years and referred to a 2012 report, which recommended regionalizing 9-1-1 calls, and stated in 2007 it was suggested by Matrix Consulting Group for the County to regionalize 9-1-1 calls as well. Ms. Gordon explained the County was almost there in an odd way, referring to the 2012 Shared Services Committee that looked at regionalizing 9-1-1 calls and moved all the dispatchers from the City and County into the same room. She said one of the sticking points of regionalization was how were salaries accommodated since City of Reno staff salaries were a little higher than the County's. She indicated each entity had different benefits and mentioned the structure would have to be reviewed to determine which entity would be in charge of a regionalized dispatch service. She looked at other areas that had regionalized dispatch services, and indicated those areas found various benefits to regionalization, which included improved response times, elimination of duplicate services within the region, increased communication and cooperation with emergency response providers, better utilization of grant funding, across the board implementation of technology advances, and improved training and certification opportunities for dispatchers.

Mr. Stark asked Ms. Gordon about the City of Sparks. Ms. Gordon replied the City of Sparks was highly efficient based on the 2012 Matrix Report and doing rather well. Mr. Slaughter added the City of Sparks communication center was considered the "hot backup" for the County. If either system failed, it automatically rolled 9-1-1 calls to the other. Mr. Slaughter stated the redundancy system had been used in the past.

Mr. Slaughter asked Ms. Gordon if the County had quantified the disparity in salaries and benefits in a document somewhere. Ms. Gordon believed such a document existed and would find it. Mr. Slaughter stated he believed there was a 20 to 25 percent difference in salaries between the City of Reno and the County. Ms. Gordon stated she believed the County's starting salary was higher, but after a year or two the City of Reno's salaries were higher. Ms. Orduna-Hastings added the County provided a 5 percent differential for Spanish speakers; whereas, the City of Reno did not.

Ms. Alexander commended Ms. Gordon for a good job with her report. Ms. Gordon concluded the County, based on the 1990 contract, had cleared up confusion regarding the forensic services; however, citizens of the County still believed the City of Reno owed the County money. She said based on the 1990 contract, the agreement was still valid and there was no money owed, which was confirmed by the District Attorney's Office.

CALENDARING NEXT MEETING

Ms. Gordon suggested another meeting during the first part of September and another one once the Comprehensive Annual Financial Report (CAFR) was issued. Ms. Gordon stated she would send out an email scheduling the meeting.

AUDIT COMMITTEE MEMBER COMMENTS

There were no comments by the Audit Committee Members.

PUBLIC COMMENT

There was no one present for public comment.

ADJOURNMENT

Ms. Alexander moved to adjourn, seconded by Ms. Berkgigler, which motion carried unanimously with Mr. Romwall absent.