

EUREKA COUNTY BOARD OF COMMISSIONERS
August 12, 2015 – Budget Meeting

STATE OF NEVADA)
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COUNTY OF EUREKA)

CALL TO ORDER

The Board of Eureka County Commissioners met pursuant to law on August 12, 2015. Present were Chairman J.J. Goicoechea, Vice Chairman Michael Sharkozy; Commissioner Fred Etchegaray; District Attorney, Ted Beutel; and Commissioner Clerk, Jackie Berg. The meeting was called to order at 9:00 a.m. and began with the Pledge of Allegiance. The interactive video conferencing system was connected and utilized between Crescent Valley and Eureka for the entire meeting.

APPROVAL OF AGENDA

Commissioner Sharkozy motioned to approve the August 12th agenda; Commissioner Etchegaray seconded the motion; motion carried 3-0.

PUBLIC COMMENT

Chairman Goicoechea called for public comments; there were none.

CURRENT & LONG TERM BUDGET PLANNING

Current Expenditures: The Board conducted a cursory review of current expenditures, including contracts. Contracted services include professional consultants, network and IT services, auditing, Human Resources, medical/clinical services, and legal services. Many contracts have been eliminated or reduced in recent years and the Commissioners will continue to evaluate contracts to decrease costs wherever possible.

Certain expenditures warrant a separate discussion, specifically post-employment benefits and the subsidy for retiree health insurance. A recent actuarial study will be located and provided to the Board for review and this topic will be addressed at a future budget meeting.

Forecasted Revenues: Budget Director, Michael Mears, indicated that the primary sources of revenue for operating expenses are ad valorem taxes (real and personal property) and consolidated tax (CTX). The primary source of revenue for capital projects is net proceeds of minerals tax.

AD VALOREM TAXES: Eureka County has the lowest ad valorem tax rate in the State of Nevada, at a base rate of \$1.7743 (County general rate), far below the State cap of \$3.64. The County has not increased this rate for many years. This rate generates ad valorem revenue for the County (with \$0.17 distributed to the State of Nevada, \$0.75 distributed to the School District, and \$0.8543 retained by the County).

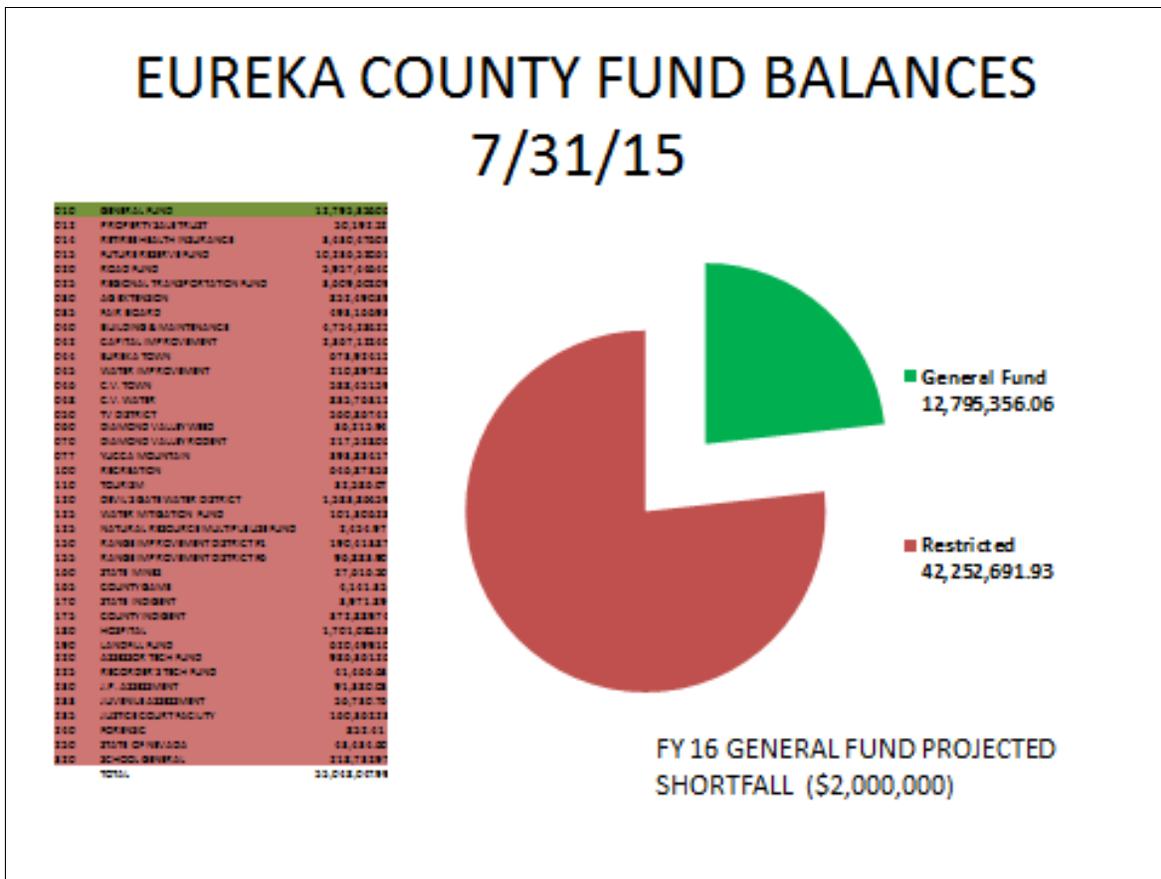
Overall assessed valuation within Eureka County is in decline and this directly affects the amount of revenue received in ad valorem taxes. With no new construction and application of depreciation schedules, this decline will continue. Mr. Mears noted that nearly 60% of all private property in Eureka County is owned by two companies – Newmont Mining and Barrick Gold – so the majority of all taxes are paid by these two entities.

Mr. Mears stated he was not recommending a tax increase, but should one be considered, most property owners are protected by abatement laws and their taxes cannot increase by more than 3% per year. For those not falling under the abatement, taxes cannot increase by more than 8% per year. This means any increase to the tax rate above \$0.15 would be basically not applicable. A \$0.15 tax hike would result in a minimal increase for the average property owner, but could generate an additional \$1.2 million annually in ad valorem alone, not considering the increase that would be realized from net proceeds.

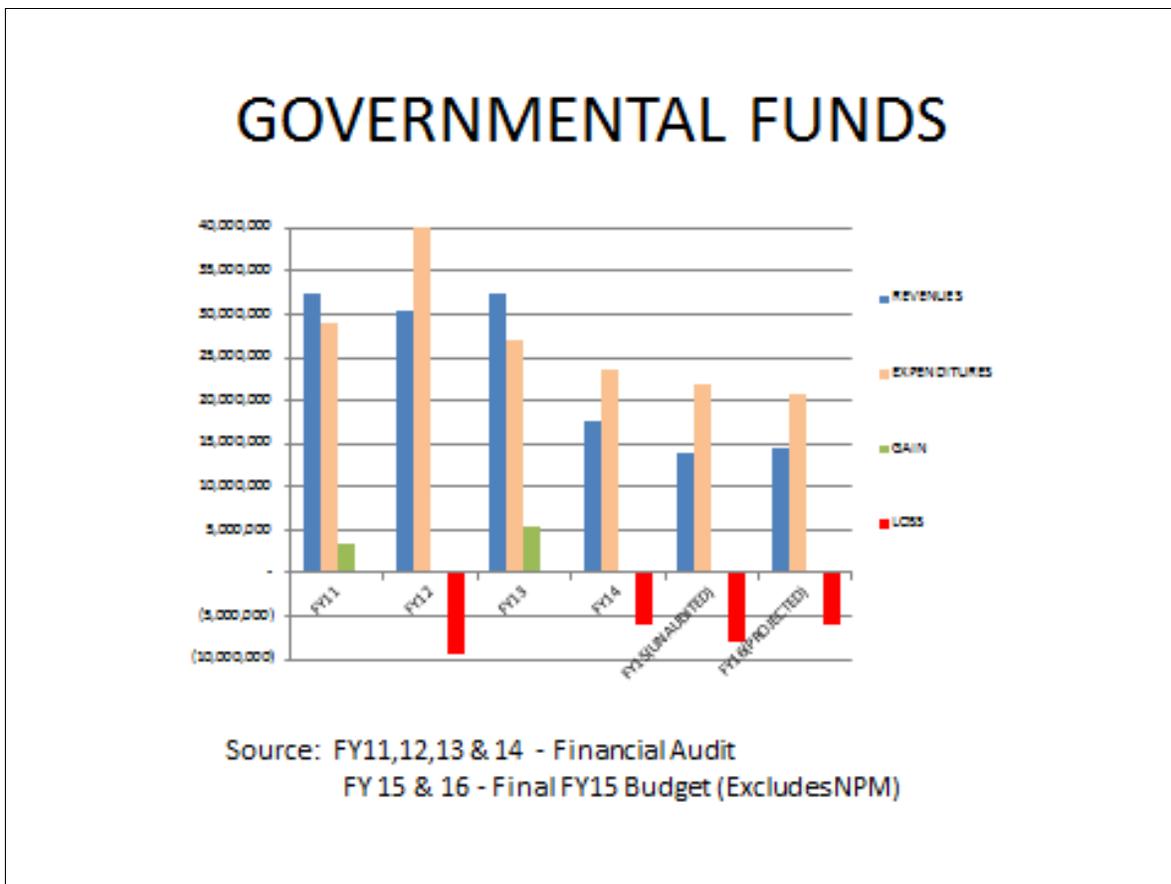
NET PROCEEDS TAX: Mr. Mears explained that the County general rate also applies to net proceeds of minerals. The State has levied a \$5.00 rate for net proceeds. Anything over the County general rate goes to the State (\$3.2257) and the general rate is distributed as follows: \$0.8543 to Eureka County; \$0.75 to the School District; and another \$0.17 to the State of Nevada. Neighboring mining counties have increased their general rate to retain more of the net proceeds levy within their counties. Mr. Mears added that the budget for Fiscal Year 2015-2016 did not include net proceeds revenues because the current market is unpredictable and in decline. Additionally, the County owes a credit for pre-paid net proceeds that were overpaid.

CONSOLIDATED TAX: The other primary revenue stream, consolidated tax, is also in decline. CTX is a combination of sales and other taxes. With falling gold prices, the mining companies are not making large equipment purchases, which in turn generate substantial sales tax for the County. The final distribution for last fiscal year (FY 2014-2015) has not yet been received, but County officials expect a \$1 million shortfall in CTX from what was originally projected by Nevada Department of Taxation. This trend will likely continue with distributions for the current fiscal year (FY 2015-2016).

Presentation: Trends in County Revenues/Expenditures & FY15-16 Forecast: Clerk & Treasurer, Beverly Conley, prepared a PowerPoint presentation showing fund balances in comparison with previous years, employee numbers and costs in comparison with previous years, revenue sources and levels over recent years, and projections for the current fiscal year.

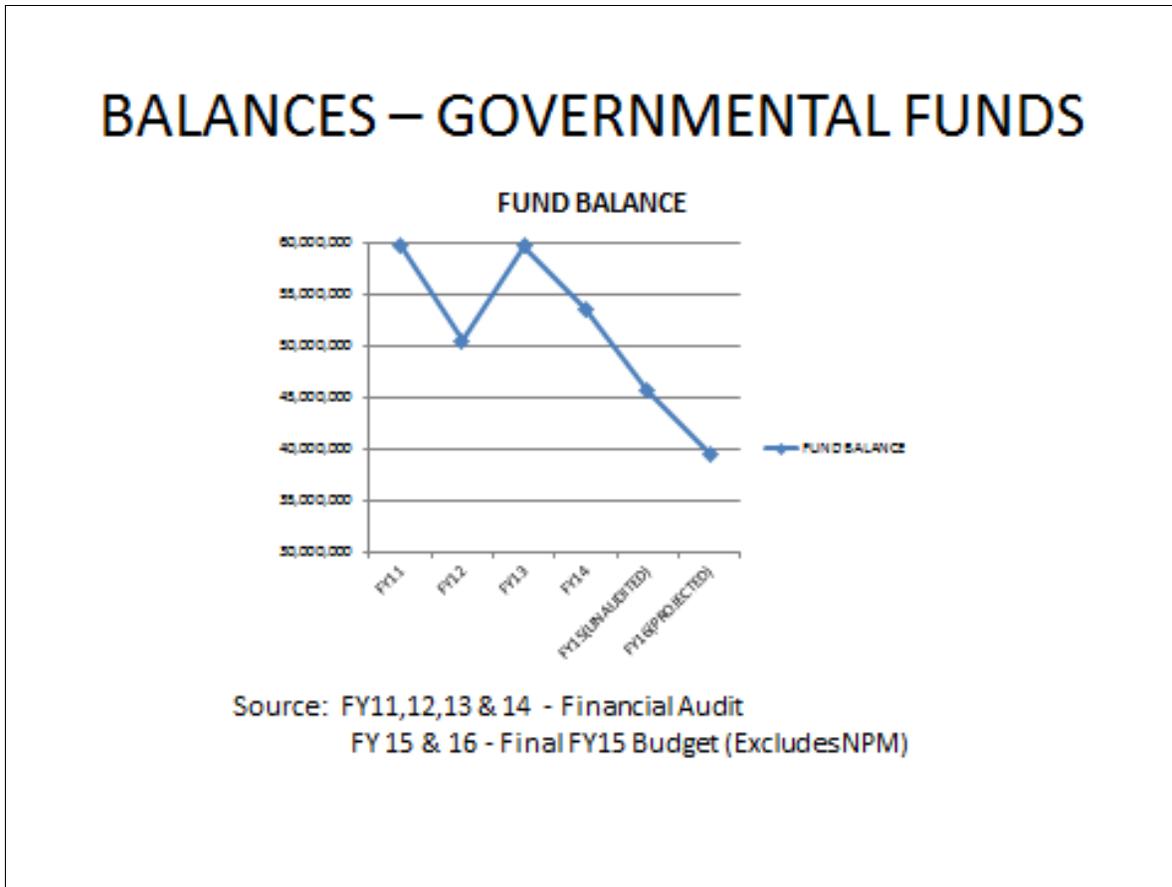


Current overall balance at the end of Fiscal Year 2014-2015 was \$55 million, with all but \$12.8 million of that restricted in some manner. This balance includes a net proceeds prepayment of \$5 million, all or some of which may have to be refunded once the final accounting is received next spring.



A comparison of revenues and expenditures showed a loss in three of the last five years and a projected loss of over \$6 million for Fiscal Year 2015-2016, dropping the overall balance to around \$40 million. Ms. Conley clarified that these are comparisons of governmental funds only and don't include enterprise funds (Eureka Town, Crescent Valley Town, Eureka Water & Sewer, Crescent Valley Water, Devil's Gate GID, and special districts such as the Television

District). Projections don't include net proceeds of minerals because that is an uncertain amount.



EMPLOYEE COST COMPARISON

FY 96	FY15												
TOTAL COUNTY EMPLOYEE COST <u>\$3,583,167.10</u>	TOTAL COUNTY EMPLOYEE COST <u>\$8,764,092.17</u>												
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>ELECTED OFFICIALS</td> <td style="text-align: right;">10</td> </tr> <tr> <td>SUPERVISORS, FULL & PART TIME WITH BENEFITS (10 employees are part time with full benefits)</td> <td style="text-align: right;">74</td> </tr> <tr> <td>CASUAL</td> <td style="text-align: right;">26</td> </tr> </table>	ELECTED OFFICIALS	10	SUPERVISORS, FULL & PART TIME WITH BENEFITS (10 employees are part time with full benefits)	74	CASUAL	26	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>ELECTED OFFICIALS</td> <td style="text-align: right;">10</td> </tr> <tr> <td>SUPERVISORS, FULL & PART TIME WITH BENEFITS (7 employees are part time with full benefits)</td> <td style="text-align: right;">76</td> </tr> <tr> <td>CASUAL</td> <td style="text-align: right;">33</td> </tr> </table>	ELECTED OFFICIALS	10	SUPERVISORS, FULL & PART TIME WITH BENEFITS (7 employees are part time with full benefits)	76	CASUAL	33
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TOTAL COUNTY EMPLOYEE COST INCLUDES: GROSS WAGES, SOCIAL SECURITY MATCH, MEDICARE MATCH, INSURANCE COST (COUNTY), WORKERS' COMP, PERS													

Ms. Conley worked with Acting Recorder/Auditor, Tina Hubbard, to compile a comparison of employee numbers and costs between Fiscal Year 1996 and Fiscal Year 2015. There has been an overall increase in casual employees (non-benefited), but there are only two additional full-time benefited employees in FY 2015 than there were in FY 1996. Employee costs have risen dramatically, but this is more attributable to benefit costs than wages - namely health insurance and retirement.

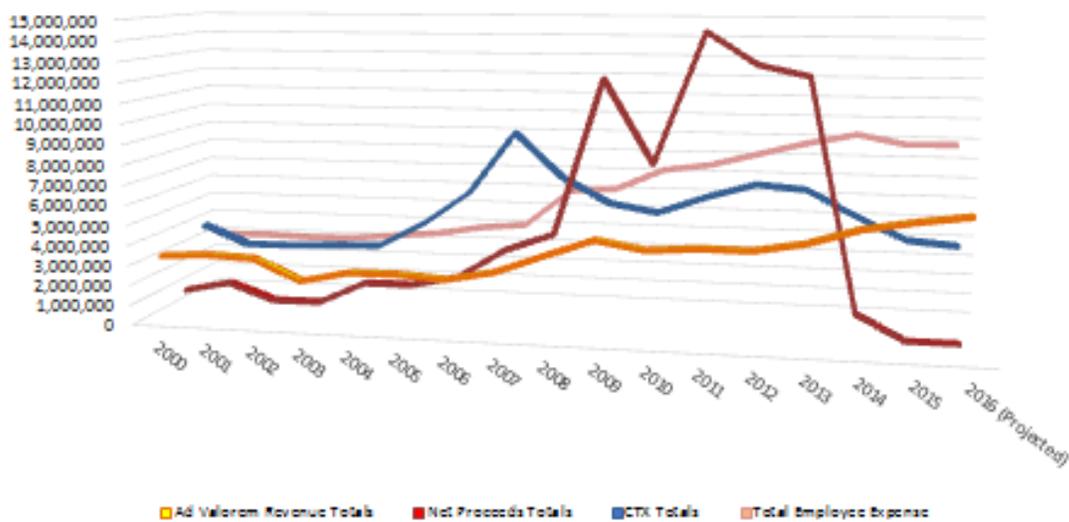
A current employee census was compiled showing average salaries. Ms. Conley explained that the wage estimate for casual employees was high because maximum allowed hours were calculated, but in reality most casuals work far less than the maximum hours.

FY16 EMPLOYEE CENSUS

Department	FTE	CASUAL
COMMISSIONERS	3	
CLERK/TREASURER	4	2
RECORDER/AUDITOR	3.5	1
ASSESSOR	3.5	
PUBLIC WORKS COMBINED	27	18
IT	1	
JUVENILE PROBATION	2	
DISTRICT ATTORNEY	3	
JUSTICE COURT	3	2
SHERIFF	17	
AMBULANCE	3	
SENIOR CENTER	6	6
MUSEUM	1	
ACTIVITIES		1
OPERA HOUSE	2	
NATURAL RESOURCES	2	
AD EXTENSION	2	1
CRESCENT VALLEY TOWN BOARD		1
AGR. DIST, TV DIST, PLAN COMM	1	1
PUBLIC GUARDIAN	1	
GRAND TOTALS	85	33

		AVERAGE SALARY
ELECTED OFFICIALS	9	\$84,880.91
SUPERVISORS	15	\$71,933.57
FULL & PART TIME WITH BENEFITS (7 employees are part time with full benefits)	61	\$33,108.14
CASUAL	33	\$16,093.41

COMBINED CHART FOR NET PROCEEDS, CTX AND AD VALOREM REVENUES PLUS TOTAL EMPLOYEE EXPENSE FROM 2000 TO 2016



Lastly, Ms. Conley reviewed revenues over the past several years from net proceeds, CTX, and ad valorem in comparison to rising employment costs. The past few years have shown a downward trend in overall revenues and Ms. Conley and Mr. Mears don't expect to see that change in the near future. The difference between revenues and operating expenses is significant, with a projected shortfall of \$2 million in the budget for the current fiscal year.

Commitment to a Balanced Budget: Chairman Goicoechea emphasized that the presentation exhibited that in order to live within the budget written for Fiscal Year 2015-2016, \$2 million will have to be expended from the General Fund. He urged department heads to live within their budgets and curtail spending wherever possible so that monies can be returned to the General Fund at the end of the budget year. With an available General Fund balance of approximately \$12 million, Eureka County cannot sustain itself very far down the road with deficit budgets.

The Chairman asked for a commitment from his fellow Board members to write a balanced budget and asked when they felt it was reasonable and feasible to accomplish this task.

Several points were made by the Commissioners. Work towards balancing the budget needs to begin in the current fiscal year. It is unrealistic to write a balanced budget immediately without incorporating layoffs or decreasing services. There are necessary services provided by the County that must continue in varying degrees – medical and emergency services, law enforcement, road maintenance, etc. The Board is committed to not implementing layoffs at this time, but may be forced to consider them in the future.

In considering whether a balanced budget could be achieved by Fiscal Year 2017-2018, the Board discussed how they can continue to provide necessary services, yet live within a budget with severely declining revenues. Departmental budgets have been severely cut over the past couple years, but a deficit between revenues and expenditures remains. The Board agreed it may be time to look into increasing the County's general tax rate in order to take a two-pronged approach to balancing the budget – curtailing spending and increasing revenues.

Commissioner Etchegaray motioned that the Board work to achieve a balanced budget for the fiscal year beginning July 1, 2017; Chairman Goicoechea seconded the motion. Chairman Goicoechea clarified that the Fiscal Year 2015-2016 budget has a \$2 million deficit; the Fiscal Year 2016-2017 budget will also likely have a deficit, but the Board will work to make that gap as small as possible; then the Board will commit to a balanced budget for Fiscal Year 2017-2018. The motion carried 3-0.

Minimum Staffing Reports: The task of a balanced budget will require the Board to identify County services that are required by law or regulation. They asked department heads to complete a written report identifying these essential services and functions, along with the minimum staff and equipment necessary to carry out these duties. Commissioner Sharkozy motioned that all department heads submit a report to the Commissioners, no later than October 12th, identifying their department's mandatory functions, along with the minimum staff and equipment needed to carry out the required tasks. Commissioner Etchegaray seconded the motion. Motion carried 3-0.

Reduced Workforce Plans: The Board asked the department heads to determine how their department will function as staff is reduced through attrition. A second report, identifying how each department will carry out essential functions with reduced staff, was also requested. This may include plans to consolidate duties within the department and/or plans to share duties interdepartmentally within the County. Commissioner Etchegaray motioned that all department heads submit a second report to the Commissioners, by October 12th, indicating how they will carry out necessary functions with a reduced workforce; Commissioner Sharkozy seconded the motion; motion carried 3-0. Chairman Goicoechea added that if a department head has trouble providing both reports by October 12th, the first report is most essential and additional time may be granted for this second report.

Layoff Policy: Chairman Goicoechea indicated that once the requested reports are received from the department heads, the Board may wish to update the layoff policy to better meet the County's goals. He reiterated that the Board hopes to meet these goals through attrition rather than layoffs, but an appropriate policy should be in place and the current policy is inadequate.

Contract Human Resources: The County is currently contracted with Pooling Resources, Inc., through Nevada POOL/PACT, for Human Resources services. District Attorney, Ted Beutel, recommended using these professionals to assist in various tasks as the County works to consolidate the workforce. Commissioner Etchegaray motioned to utilize Pooling Resources, Inc., to assist with additional Human Resources functions including reviewing and updating policy, addressing restructuring, and rewriting job descriptions; Commissioner Sharkozy seconded the motion; motion carried 3-0.

Secure Future Utility Infrastructure: As monies get tighter, the Board wanted to ensure that funds are available to continue providing public utilities by specifically earmarking those funds as allowed by statute. Commissioner Etchegaray motioned to designate \$500,000.00 in funding for the necessary long-term upkeep of infrastructure and townsite properties located in Eureka, including 43 USC 718-723 properties; Commissioner Sharkozy seconded the motion; motion carried 3-0.

Independent Budget Director: The position of Budget Director has basically been a full-time job. Mr. Mears indicated that his duties as the elected Assessor must come first and he cannot continue as Budget Director in future years. Chairman Goicoechea felt it would be beneficial for the County to have an independent person review the County's finances in order to make recommendations and he suggested hiring a professional on a short-term basis. Commissioner Sharkozy felt that these duties should be handled by existing staff and officials and was not in favor of spending additional funds to hire an independent person.

Commissioner Etchegaray motioned to approve utilizing the services of an independent Budget Director and authorized Chairman Goicoechea to negotiate with a professional for these services (any agreements will be presented for approval at a future meeting). Chairman Goicoechea seconded the motion. Motion carried 2-1, with Commissioner Sharkozy voting against the motion for the reasons stated.

UPCOMING NACO CONFERENCE

NACO Annual Conference 2015: Due to concerns over funding, especially in the Commissioners' travel budget, Chairman Goicoechea asked that the Board address whether the County should fund registration and travel for County officials and department heads to attend the upcoming NACO Conference. The Chairman was willing to cover his own costs related to the conference. Commissioner Sharkozy felt the County should cover these costs. Commissioner Etchegaray does not plan to attend, but agreed that the County could cover costs as has been done in the past.

Commissioner Sharkozy motioned that the County cover registration and travel costs for Commissioners, elected officials, and department heads to attend the 2015 NACO Annual Conference in Las Vegas, September 29th-October 1st. Commissioner Etchegaray seconded the motion. Motion carried 2-1, with Chairman Goicoechea voting against the motion for the reasons he indicated. The Chairman reiterated that the Commissioners need to be responsible for their own travel budget and there are some urgent issues coming up that will require travel.

CORRESPONDENCE

Correspondence was received from: District Attorney, Ted Beutel (3); Assessor, Michael Mears; EMS Coordinator, Mike Sullivan; Medical Clinics Advisory Committee; Eureka County Economic Development Program Board; Natural Resources Advisory Commission; Eureka Business Network; Crescent Valley Town Advisory Board; Nevada Assoc. of Counties; White Pine County Commission; Allison, MacKenzie, Ltd.; Nevada Health Centers, Inc.; Nevada Dept. of Transportation; Nevada Dept. of Business & Industry; Nevada Deferred Compensation Program; UNR-University Center for Economic Development; Western Energy Alliance; and Western Counties Alliance.

PUBLIC COMMENT

Chairman Goicoechea opened the floor for public comments. Crescent Valley Town Advisory Board Secretary, Nona Kellerman, asked if employees could provide input to their department heads on the requested reports. Chairman Goicoechea responded affirmatively. Ms. Kellerman also noted that the CVTAB meeting for the afternoon of August 12th had been cancelled.

Chairman Goicoechea informed that, following a lunch break, the Commissioners and members of the Natural Resources Advisory Commission would participate in a tour of the Fish Creek Herd Management Area. The tour is open to the public and all parties and vehicles will convene at the Annex/Administration Building for an approximate 1:00 p.m. departure.

ADJOURNMENT

Commissioner Sharkozy motioned to adjourn the meeting; Commissioner Etchegaray seconded the motion; the meeting was adjourned at 10:41 a.m.

Approved by vote of the Board this 4th day of September, 2015.

/s/ J.J. Goicoechea

J.J. Goicoechea, Chairman

I, Jackie Berg, Commissioner Clerk, attest that these are a true, correct, and duly approved minutes of the August 12, 2015, meeting of the Board of Eureka County Commissioners.

/s/ Jackie Berg

Jackie Berg, Commissioner Clerk

I, Beverly Conley, Clerk & Treasurer of Eureka County, acknowledge and accept the attached minutes as approved by the Board of Eureka County Commissioners and attested to by the Commissioner Clerk.

/s/ Beverly Conley

Beverly Conley, Clerk & Treasurer