

Monday, January 27, 2014

The annual retreat of the Humboldt County Board of Commissioners was called to order on Monday, January 27, 2014 at 9:00 a.m. at the Winnemucca Events Complex Exhibit Hall, Winnemucca, Nevada. Those present were Chairman Dan Cassinelli, Commissioners Garley Amos Jr., Mike Bell, Jim French and Marlene Brissenden, District Attorney Michael Macdonald, Administrator Bill Deist and Clerk of the Board Tami Rae Spero.

**PUBLIC COMMENTS:** Chairman Cassinelli asked for public comments. None were offered.

**COMMISSIONER'S RETREAT/PLANNING SESSION:**

**OPENING COMMENTS:** Administrator Deist reviewed the time line for the retreat and thanked the County Commission for continuing to hold the retreat. District Attorney Macdonald offered comments on the past year, the authority of local governments, requirements of the Open Meeting Law, concerns expressed by the Attorney General as to quorum and subcommittee type meetings and the ability of the Commission to act as a quasi-judicial body.

**ROAD MATTERS/REVIEW/DISCUSSION/PROPOSALS:** Road Superintendent Ben Garrett appeared before the Commission and reviewed issues for the retreat including gravel road maintenance, pavement maintenance, options for the restoration of Cordero Road, options for maintenance for Herschell Road, Cyanco Road, Thompson Road and Pedroli Road, status of Federal Land Policy and Management Act right-of-ways, status of Manual for Uniform Traffic Control Device standards for signs, bridge maintenance, equipment issues including a five year equipment replacement and purchase plan and surface treatment options and projects for roads in the County. Discussion occurred regarding the percentage of roads that the County is responsible for that are far away from gravel sites and the sites that have been secured for use, the funding that is available through Regional Transportation Commission, Cordero Road issues and the possible effect on the road of a project on the Oregon side as well as the status of the bridge, road maintenance issues for Herschell, Cyanco, Thompson and Pedroli, funding concerns with PILT and the impact loss of PILT would have on the road department's budget, equipment issues and needs, the previous transfer of PILT funding to cover equipment costs, cattle guards for replacement including use of State surplus and costs for purchase, right-of-way issues including South Jackson Creek Ranch Road which is included in the DeLong legal action and the prior cooperative agreement between the County and the Forest Service related to road maintenance and issues that had occurred with that agreement. District Attorney Macdonald asked for an update on the State of Nevada turning roadways over to the County. Superintendent Garrett indicated that both parties must be in agreement for that to occur.

**COMMISSION DIRECTION:**

1. If roads are paved, keep that way
2. If needed, to look at cuts elsewhere in the budget to keep roads funded.

Discussion occurred regarding water sources.

**COMMUNICATION/IT CONSOLIDATION:** Assessor Jeff Johnson and IT personnel JD Ames and Brad Rathbun appeared before the Board. Commissioner Bell commented on what he would like to see including the IT department being a stand alone department dealing with all network issues; he noted the need for expansion of the department. Commissioner French concurred with the need for expansion and suggested the department should be combined under a director. Assessor Johnson noted that he is not opposed to the idea but does want to understand the proposal and wants to make sure that the department continues to help everyone, that he agrees that the department should not be under an elected official but that it is very important that the director be a community builder not an empire builder. Administrator Deist agreed that the department would need to serve all. Commissioner French asked if the proposal was to have the Communications Department and the IT Department combined. Commissioner Bell spoke in support of keeping the departments separate. Discussion occurred regarding keeping services in-house unless there is a real need not to, the need to avoid duplicating duties/services and the need to get away from doing work independently.

**COMMISSION DIRECTION:**

1. If change IT be separate department
2. That IT be available to all equally.

Mr. Ames and Mr. Rathbun addressed the Board regarding an upcoming need to replace the desktop computers used by the County due to a change in the operating system support and the budget impact of that change. Mr. Rathbun commented on server issues, changes to e-mail management including archiving & calendaring and requirements for backups. Assessor Johnson commented on issues related to the video conferencing and bridges & bandwidth. Library Director Sheri Allen noted the need for wireless connectivity at the library. Mr. Rathbun suggested different options that could be explored.

**BUDGET/FISCAL ISSUES:**

**TREASURER'S MONTHLY REPORT AND INVESTMENTS:** Provided to the Board for review was the Treasurer's Accounting Fund Balance Summary through 01/2014 and a Portfolio Composition/Investment Analysis. Humboldt County Treasurer Gina Rackley appeared before Board and explained the Accounting Fund Balance Summary and discussed the County's current investments and interest earning. Discussion occurred regarding how the interest earnings were handled, the County's

involvement in the Local Governments Investment Pool (LGIP) and PILT. The Board agreed that they preferred the investment analysis format that had been used at this meeting and requested that the same format be used in the future.

**AUDIT COMMITTEE:** Andree Rose and Tara Larson of Drake, Rose & Associates LLC appeared before the Board. Mrs. Rose explained what an audit committee is and how it differs from the current practice; she explained the makeup of the committee, the reasons this suggestion had come about and what would need to be done if the audit committee is adopted by the County. Commissioner French noted the importance of anything that can be done to improve communication related to budgets and the benefits of this practice in other counties; he noted his willingness to serve on the committee. Chairman Cassinelli agreed that the committee was okay with him. Commissioner Brissenden volunteered to serve on the committee. Administrator Deist noted possible issues with Commissioners serving on a subcommittee. District Attorney Macdonald suggested that the Committee would need to comply with the Open Meeting Law as to agendas but stated that he would look at the issue. Mrs. Rose commented on the need for continuing communication with individual departments. Discussion occurred regarding how the process to create the committee would work.

**COMMISSION DIRECTION:**

1. To go forward with exploring an audit committee and what it would be

**FY 2014-2015 BUDGET DISCUSSION AND DIRECTION:** Administrator Deist reviewed the memo related to FY 2014 - 2015 budget discussion that had been provided to the Board (see attached) including job losses in the community, concerns related to gold prices, the difficulty in controlling revenues, the ability to control expenditures, concerns about Net Proceeds and consolidated taxes, the potential for the need to reimburse on the amounts paid in FY 2012 for Net Proceeds and the potential change to how Net Proceeds are handled. Administrator Deist suggested that the budget process utilized over the past few years continue and noted that his assumption, based on the prior year's directions, would be that the Commission would want taxes to remain at their current level, that the Commission would wish to allocate tax dollars the same as in the past, the ending fund balance should be protected as much as possible, that requests should equal revenue projections as close as possible and that the Commission would have some priorities. Administrator Deist reviewed the following priority commitments identified based on expenditures in the current year: the communications system, the possible change in dispatch operation and a recreational center i.e. boys & girls club; he noted his belief that the Commission cannot afford to address all of the issues related to the communication study in one fiscal year. Administrator Deist continued discussing the ending fund balance of the Building Reserve Fund, issues with the Road

Fund, concerns about PILT in relation to that fund and possible other funding sources for that fund including the possible transfer of revenue from other funds such as the Winnemucca Events Complex Fund, the Library Fund and/or the Sixth Judicial District Fund. Andree Rose of Rose, Drake noted that the CTX allocation is discretionary but that the Net Proceeds allocation is not. Discussion occurred regarding the possible refund of Net Proceeds and the fund balances of the Events Complex Fund, the Library Fund and the Sixth Judicial Fund. Commissioner Amos noted that with last year's budget the Commission had been very generous and not made any real cuts but because this year things look bleak and much different he would like to ask the Department heads to go into a "maintenance mode" and budget accordingly. Commissioner French concurred. Discussion occurred regarding the tax cap.

**COMMISSION DIRECTION:**

1. Same process as in past
2. Same assumptions as identified in the memo
3. Request that department heads go into maintenance mode

**PLANNING ISSUES:** Betty Lawrence, Senior Planning Technician for the Planning Department appeared before the Board. Chairman Cassinelli stated that discussion would occur on item E4 first as the representatives from the State were not yet present.

**RPC AGENDA AND PACKET ON THE WEB FOR PUBLIC ACCESS BUT NOT NECESSARILY FOR RPC USE:** Mrs. Lawrence noted that there had been a request from a Planning Commission member for the agenda/packet being placed on the web for public access. Commissioner Brissenden noted the benefit as to government transparency. Discussion occurred regarding the cost of the proposal and the number of items included in the Planning Commission packet.

**COMMISSION DIRECTION:**

1. To get the cost for online public review only and for paperless packets.

**GRASS VALLEY WATER ISSUES, ZONING AND RANGE OF ALTERNATIVES:** Alan Tinney, Bureau Chief for the Nevada Division of Environmental Protection, Bureau of Water Pollution Control appeared before the Board. Commissioner French noted Mr. Tinney's involvement in the Water Summit. Mr. Tinney commented on the Water Summit and referred to the maps used for the Water Summit (which were also displayed for the Board) explaining what was included in the databases/wells and what data is still needed. Discussion occurred regarding the maps, nitrate levels, causes, allowable septic tank density, how nitrate levels are reviewed and the Grass Valley area. Commissioner French commented on the concern regarding the levels in the Grass Valley area, how to mitigate the issues and whether allowing more wells/septics is making the situation worse noting the planning issue of how to continue

development in at risk areas. Discussion occurred regarding the number of septic in the area, the amount of growth in the area and the Gold Country and Star City water services, the need to know which way the water is flowing, the effect of sequential parceling on the area, future well installation in the basin and the potential of enacting a Well Head Protection Program. Discussion occurred regarding what would be needed to implement the Well Head Protection Program and whether the County should pursue the program. Discussion occurred regarding the ability of the County to restrict septic/wells in the Grass Valley area, the need for additional data and a protocol for future development not only on future parceling but also on lots already parceled, what the current data provided shows about the area, what the Bureau would currently do in the area if there was a subdivision request and the Bureau's ability to do cursory reviews as to parceling and offer recommendations only, the ability to include the review by the bureau into the policy related to sequential parceling, what alternatives the County and the RPC have to deal with the issue, the need for legal review as to those alternatives and the need to look at what other communities and/or Counties have done once the recommended density is reached.

**COMMISSION DIRECTION:**

1. Well Head Protection Program discussion with NDEP

**PLANNING DIRECTOR:** Commissioner Cassinelli commented on the length of time the County has been without a Planning Director and questioned the need for one. Administrator Deist noted that the City is a partner in the Planning Director position and would need to be involved in any decision to pursue the position. Commissioner French commented on the hiring of a director being an asset not a liability noting the discussion that had just occurred related to water issues in the Grass Valley area and the benefit of a planner who would understand the complexities of the issue as well as being able to represent the County in other ways such as with the sage grouse issue; he continued noting that things are not getting easier with planning/community development they are becoming more complex which is why he sees the need for the position. Commissioner Amos commented that Humboldt County is fortunate to have the County Administrator and the planning staff who are addressing the services adequately and that he does not believe the issue needs to be looked at until the current Administrator retires. Mrs. Lawrence commented on the unique need in a rural area and the knowledge of rural areas that would be required. Discussion occurred regarding prior Planning Directors and prior attempts to hire the position. Commissioner Bell questioned the need for the position at this time and whether there would be enough benefit to offset the cost. Commissioner French commented on the complex issues that are faced in Humboldt County and the skill set required to address those issues; he stated his opinion that the County cannot afford not to hire a Planning Director. Commissioner French stated that he would like to see the

Well Head Protection Program proposal presented to both the City and the County and for discussion to also occur as to the Planning Director position. Discussion occurred regarding succession planning related to the County Administrator.

**COMMISSION DIRECTION:**

1. Keep Planning Director position through the budget process and communicate with the City

**CONDITIONAL USE PERMIT PROCESS AND COMMISSION INVOLVEMENT:** Discussion occurred regarding the current process for conditional use permits including the appeal to the Commission. Mrs. Lawrence suggested that an option would be to publish notice as to conditional use permit applications going to the RPC to provide more public notice. Discussion occurred regarding separating use permit types out with major ones going to the Commission and minor ones going to staff or RPC, issues with that type of separation, concerns about the ability to appeal, the number of CUPs done in a year, the concerns noted in the Cassinelli versus Humboldt County legal action related to ability to appeal, concerns about challenges if permits applications are identified as major/minor, effect such a designation and resulting challenge could have on the District Attorney's workload and the benefit of advertising CUPs to provide more transparency.

**COMMISSION DIRECTION:**

1. Advertise Conditional Use Permits in the paper with appeals continuing to go to the County Commission

**WATER PLANS, MODIFICATION TO THE MASTER PLAN, WELL HEAD PROTECTION ZONES, JURISDICTION, LONG TERM PLANNING IN AREAS OF INFRASTRUCTURE:**

Chairman Cassinelli noted that this item was being moved to the February 3, 2014 Commission meeting agenda.

**SAGE GROUSE INVOLVEMENT IN 2014:** Cooperative Extension Agent Brad Schultz appeared before the Board and reviewed the comments he has prepared for the Nevada and Northeastern California Greater Sage Grouse, Draft Land Use Plan Amendment and Environmental Impact Statement. Commissioner French commented on discussion the Nevada Association of Counties had with Senators Reid and Heller regarding the matter. It was noted that Mr. Schultz would be submitting the comments and then providing a copy to the County Commission for review.

Administrator Deist informed the Board of a call he had just received related to the Pine Forest Wilderness Bill and changes being made by the Chairman of the Subcommittee; he stated that he would contact Jim Jeffress to discuss what was occurring and would keep the Commission informed.

**RECAP OF DAY'S ACTIVITIES:** Administrator Deist recapped the Commission's direction on the



**MEMORANDUM**

TO: County Commissioners

FROM: County Administrator

DATE: January 22, 2014

SUBJECT: FY 2014 - 2015 Budget Discussion

As we prepare for this discussion we like to look at what we see happening in the community and how that may affect us as we move forward. What we are seeing is not as promising as we have seen in prior years. Over the last six months or so we have seen the loss of several jobs. With those we know of and are told may occur in the near future we believe that there has been a loss of approximately 500 jobs. As we prepare this memo gold sets at \$1237.20 on the spot market and \$1241 in London. The price of gold is up slightly over the last thirty days but down by over \$300 per oz. in the last year. This picture does not promise a robust economy. One analogue I have heard is that we are on a teeter totter and as the economy begins to improve elsewhere, our end of the teeter totter goes down as our economy declines.

Last year I shared with you a quote from Carol Vilardo which I believe is still important to keep in mind. The quote is "The issue is stabilizing expenditures, when we usually talk about stabilizing the revenue, but stabilizing expenditures and being able to show that the level of expenditures you are proposing is something that you've looked at to see if you should be able to continue to support for five or six years down the road is what we're looking at in stabilizing expenditures." As we noted above regarding the price of gold and as we will discuss in a minute, revenues are hard if not impossible to control. On the other hand you can better control expenditures to a point by making hard decisions and saying no.

As we have discussed at length over the last few years we have two large revenue sources which are not reliable. One of those is net proceeds of mines



and the other is the consolidated taxes. On January 7, 2014 the Treasurer received an e-mail from the Department of Taxation informing us that the CY2012 Net Proceeds accounts receivable had a credit balance of \$4,750,243.36. This amount may be applied to the CY 2013 Net Proceed annual year end billing. However, if the CY2013 Year end billing is less than the CY 2012 credit balance, there is a possibility your county may be required to refund the balance. We hope and believe that the CY 2013 will cover the credit. What it does mean is we will not receive at the level we have in the past if we receive any at all. As you will recall I did inform you of a meeting we had with Newmont when they had warned us this might occur. Also November of this year the people will vote on taking the net proceeds provision out of the Constitution and I believe it will be approved. At that point the Legislature will decide how mining is taxed. It appears that in the future not only will net proceed not be reliable, it will not exist. As it relates the CTX has been a roller coaster since at least June. Our taxable sales are up one month and down the next. While at the end of October, remember the reporting runs two months behind, we were up for the year to date. I do not believe that will continue. The mines have cut back on expenditures, construction has declined dramatically, room tax is down, and I don't see anything pointing to an increase in CTX. I may be wrong, it wouldn't be the first time, but I don't see the promise.

I would suggest that the budget process we have utilized for the last several years continue. It has worked well, buy in has occurred, it is efficient and much less time consuming than previous processes.

I am going to make some assumptions based on prior year directions. Those assumptions are that you want taxes to remain at their current level, that you wish to allocate tax dollars the same as in the past, you want to protect ending fund balance as much as possible, you want requests to equal revenue projections or as close as possible and you do have some priorities. If these assumptions are incorrect please let me know.

AS it relates to priorities I believe that there are a few areas where you have made a commitment based on expenditures this year. These would be the communication system (consultant currently conducting a study to the tune of approximately \$100,000), possible change in dispatch operation (consultant working on the second phase of the study currently) and recreational complex, i.e. Boys and Girls Club plus (you contributed \$15,000 for the study). All three of these have the potential for major expenses in the next budget. I do not believe that you can afford to address all of the issues which may be raised by the communication study in one fiscal year. I believe you will be asked to, but you will need to look at priorities in this area and I will be discussing this with the consultant in February. It may be that you have to spread this expenditure over two or three years. Depending on the final report regarding the Dispatch Center

we may have major changes in the management of that function. The management model chosen may (most likely) require additional resources. The final item will be presented in the not to distant future. If the direction is to proceed then you will be asked to join with partners for the construction of the building or other facilities. I believe you will be forced to make some hard decisions as to what are your priorities in the coming year.

I would like to end by discussing a couple of funds in particular. The first is the building reserve fund. As you are aware the construction of the Dispatch Center has reduced this fund dramatically. At the end of last fiscal year we recognized this reduction and recommended the transfer of \$2,000,000 to this fund, a recommendation you agreed to implement. In the past you have identified areas where you wanted money placed or reserved in this fund. The first was for a Performing Arts Center (\$500,000), second, a shop at the Winnemucca Events Complex (\$50,000 seed money), and a records building/buildings and grounds shop (\$200,000). Over the years these have dropped off the priorities or the money has been required for other projects. As we discussed during the last budget cycle we may need money to provide additional court facilities. With the retirement of Judge Wagner, both Judges may be working out of Winnemucca and if that occurs we will need to provide additional room for that Judge and his/her staff. As a result you may not have the money for things you wanted to do in the past or you may have to find alternatives.

The second area is the road fund. As you are aware PILT has played a major role in the funding of this operation. We have set a policy that we do not plan for the use of PILT until it is in our hands. We proposed this and you agreed because we felt that the day might come when PILT would go away and we needed to be prepared. That day may be here. We do have a fund balance in the PILT fund which will help, but we need to look to other resources for the future. As you will recall we did make a \$1,000,000 transfer into the road fund at the end of last fiscal year for the purpose of equipment purchases. We did so if we did need to reduce expenditures the equipment would be relatively new and be usable for a number of years into the future. We have looked at possible different funding sources for the road fund. As you will recall during the audit we discussed the increasing fund balance in the library fund and did we want to look at channeling some of the revenue to another area in the future. We have also looked at two other funds which have seen their fund balances grow over the last few years. These are the WEC fund and the 6<sup>th</sup> Judicial Fund. Attached is a chart which shows the change in ending fund balance in these funds for FY 2009 to FY 2013. We also show how much of each funds revenue was net proceeds and how much was CTX. Finally we show what the expenditures were in each of the funds. It may be possible to reduce the amount of CTX going to some or all of these funds and utilize that as a funding source for the road fund. As we have discussed CTX is not a reliable revenue source; however it is much

more so than net proceeds as we discussed above. I would recommend that you look at this data and spend time discussing how you wish to proceed.

I am looking forward to this discussion and the direction you will provide.

UNOFFICIAL

## Fund Balance and Consolidated Tax Revenue Report

<b>FISCAL YEAR</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Wmca Events Complex</b>					
Fund Balance	485,180	578,781	955,996	1,443,059	1,959,068
Consolidated Tax Revenue	133,433	122,370	152,743	165,564	208,277
CTX % of Total Revenue	20.24%	14.21%	13.35%	12.96%	14.40%
Net Proceeds of Mines	142,502	153,253	176,968	251,128	300,569
Total Expenditures	694,389	767,338	766,548	790,680	927,141
<b>Library</b>					
Fund Balance	1,190,744	1,428,031	1,925,681	2,697,674	3,676,451
Consolidated Tax Revenue	343,691	315,195	393,430	426,452	536,472
CTX % of Total Revenue	21.50%	24.39%	26.91%	23.99%	26.76%
Net Proceeds of Mines	338,443	363,977	420,299	596,428	713,850
Total Expenditures	871,275	1,055,272	964,440	1,005,801	1,015,305
<b>6th Judicial District</b>					
Fund Balance	1,277,623	1,617,644	2,233,559	3,552,247	4,936,301
Consolidated Tax Revenue	566,079	519,144	648,002	702,391	883,600
CTX % of Total Revenue	16.23%	13.95%	15.97%	14.71%	16.91%
Net Proceeds of Mines	666,612	716,076	834,404	1,184,068	1,417,181
Total Expenditures	3,187,554	3,375,379	3,437,828	3,662,842	3,809,544