



AGENDA SUMMARY PAGE
SPECIAL CITY COUNCIL MEETING BUDGET WORKSHOP OF: MARCH 14, 2007

DEPARTMENT: FINANCE AND BUSINESS SERVICES

DIRECTOR: MARK R. VINCENT

Consent Discussion

SUBJECT:

Discussion and possible action regarding the Fiscal Year 2008 City of Las Vegas operating and capital project budget requests.

Fiscal Impact:

No Impact

Augmentation Required

Budget Funds Available

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

Discussion and review of the Fiscal Year 2008 City of Las Vegas operating and capital project budget requests. The Budget Workshop is a public meeting focused on review of projected revenues and City Council guidance relative to appropriation levels and resource priorities.

RECOMMENDATION:

None

BACKUP DOCUMENTATION:

Submitted at Meeting PowerPoint presentation (Strategic Planning and Budget Workshop)

Motion made by GARY REESE to Approve direction to staff

Passed For: 6; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 0

OSCAR B. GOODMAN, STEVE WOLFSON, LOIS TARKANIAN, LARRY BROWN, GARY REESE, STEVEN D. ROSS; (Against-None); (Abstain-None); (Did Not Vote-None); (Excused-None)

Minutes:

MAYOR GOODMAN announced CITY MANAGER DOUG SELBY'S absence, as he was in attendance at the annual Congressional City Conference held in Washington, DC. The Mayor emphasized that this is one of the most important budget meetings because the consolidated tax (c-tax), which the City utilizes to provide services to its constituents, has decreased. As a result, the City has to look at alternatives in addressing this issue; in essence, doing more with less. MAYOR GOODMAN clarified that this is not a state of emergency, but prudence dictates that the City must look at its plans based on the current economic structure.

On behalf of CITY MANAGER DOUG SELBY, DEPUTY CITY MANAGER STEVE HOUCHEM gave opening remarks on the annual review of the budget workshop. Following

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this workshop, staff will make the necessary adjustments and/or revisions proposed to incorporate Council's input, then present a final budget in a formal budget hearing on May 15, 2007. City staff has been working on determining staffing requirements, accessing program needs, defining capital projects and establishing annual maintenance requirements to support the city's growing population. In addition, the Finance Department has been closely monitoring key revenue indicators to forecast the City's ability to fund the many requests. MR. HOUCHENS emphasized the continued lack of growth with the consolidated tax (c-tax). The lack of growth is largely due to a slow down in the residential housing market, after a few years of an extreme frenzy in building and buying properties. Staff is concerned because the c-tax represents over half of the General Fund revenues, and these revenues pay for a majority of City operations, including public safety, public works, maintenance and operations, and a wide variety of programs that the City provides to its citizens. As a result of continuous efforts to operate more efficiently, to date, the City has not spent as much as in the past. Department heads were directed to tentatively forego any new programs or initiatives, even though they may have been included in last year's budget. These actions, combined with a critical review in evaluating the justification for filling vacant employee positions, will allow the City to finish the current fiscal year with some degree of comfort and a positive balance.

Staff remains optimistic, as do members of the business and investment communities, that there should be a recovery in the coming year with revenues returning a stable growth pattern. There are many positive indicators, such as strong growth jobs, upcoming new resort properties, continued growth in tourism, and increased investment interest from financial markets. Yet, staff is approaching next year's budget with a large degree of conservatism and frugality. Service will demand a further increase by the construction of many projects, such as are found in the developing communities in Summerlin, Kyle Canyon and others within the City. The City will continue to provide programs and services to the citizens of Las Vegas and honor its contractual relationships with employees, vendors, suppliers and consultants. New programs will be initiated, particularly those that show a potential to generate revenue or reduce operating costs. A major challenge will be to open several new facilities scheduled to come on line during this fiscal year and to assume management of the operations of Floyd Lamb Park. In addition, until revenues are recovered, staff will be challenged in providing the level of service that citizens deserve and have come to expect.

There are initiatives, such as performance management training and public/private partnerships, that will assist through this temporary budget challenge. There are two aspects to the budget process: One is the dollars and cents in balancing the budget and insuring that the City retains its financial stability and integrity during these challenging times. The other key component of the budget process is the strategic business planning that is vital to the success of the organization, be it public or private. Staff's strategic plan calls for the creation of a performance based budgeting process. That involves the coordination of the components of a working grading performance plan that accurately and meaningful measures the operational success of an organization. The City has engaged key departments in the creation and development of Performance Plus, which is a program that provides City staff with tools to manage for positive results.

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BETSY FRETWELL, Deputy City Manager, utilized a PowerPoint presentation to explain and discuss Performance Plus, its purpose, the expectations, and the timeline for implementation. The PowerPoint presentation has been submitted for the record. The first three pilot departments include Fire, Human Resources and Finance, and the plans should be completed in April. The allocations provided for these departments will be included in this new Performance Plus budget alignment beginning Fiscal Year. Thereafter, the remaining 10 departments will be staged, and complete implementation should be by 2010.

COUNCILMAN BROWN questioned if MS. FRETWELL and DR. SELBY had spoken with each director regarding the expectations of the Performance Measurement process. MS. FRETWELL responded that each department goes through several days of dialogue regarding the mission and expectations. Staff is finding that the response varies with each department. If staff can get clarity from each department, it will then better define what we are doing and why we are doing it and could possibly result in some reallocation toward its mission critical function. She also noted that with past efforts, strategic planning, business planning and performance management has been done with a top-down approach. This current approach is more inclusive so that staff is hearing from the front line to the top leadership of each department, relative to their mission, what services support that mission and to what end those services provide to the customers, citizens, Council and leadership.

MARK VINCENT, Director of Finance and Business Services, reiterated some of MS. FRETWELL'S comments and noted that the process is labor intensive. COUNCILMAN BROWN confirmed with MR. VINCENT that prior to the analysis, the process will identify whether or not the service and/or program fits the mission of City Hall. MS. FRETWELL added that staff believed the right place to focus their review is at the line of the business level. The impact of expanding or curtailing a program becomes more apparent with this level of detail. Staff currently has pockets of information but needs to have a systematic approach by creating a database, which would allow access to certain information when making decisions relative to the budget, including new programs.

MS. FRETWELL informed COUNCILMAN BROWN that Fire, Detention and Enforcement, Municipal Court, Finance, Information Technologies and Human Resources are the first departments involved with this program. These departments were chosen, as they consist of the largest portion of the City's budget, they deal with public safety and the three internal departments are strategic to the City's success in this process. During this process, she emphasized that the feedback has been nothing but positive.

MS. FRETWELL informed MAYOR GOODMAN that staff intends to have the aforementioned six departments' strategic business plans completed in April; corporate review to take place between April and June; then these six operational budgets into the 2007-2008 budget. Staff desires to begin this process with an additional five departments beginning in July or August with the last group commencing in January or February 2008. Thereafter, all departments should have a Performance Plus strategic business plan based budget for the 2009-2010 budget. MAYOR GOODMAN questioned if there was a reward measurement within Performance Plus. MS. FRETWELL referred to the Employee Performance Management

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component of Performance Plus; staff felt the first priority was to achieve Council's goals and for the employees to have a comfort level in knowing what they are doing and how their jobs fit into the puzzle. MR. VINCENT pointed out that the process also involves communicating expectations, which is why the employees need to be involved during this process. MAYOR GOODMAN noted that he has had the opportunity to speak with employees on the strip and recognized their degree of loyalty is due in part by they felt they were treated right and wanted to excel in their employment. MS. FRETWELL informed the Mayor she believed that the City was one of the few entities utilizing this process, Managing For Results, as it is most appropriate to the City, relative to accountability, management leadership and information. She appreciated and commended the six departments for their willingness to be the first to go through this process.

COUNCILMAN WOLFSON wondered if there were overlapping services between the City and Clark County and perhaps looking at these entities as possible revenue. He desires to see the City take a more proactive approach when dealing with Code Enforcement issues and the man hours involved when levying properties and attempting to recoup costs. He asked if the City can be proactive and file a suit against a property and not wait until the homeowner tries to sell the property. MR. VINCENT responded that there was a change in legislation which will allow for another way to collect those costs quicker. The Councilman agrees with COUNCILMAN BROWN and the need to continue to examine the role of government, perhaps a re-examination of some free programs becoming fee based programs.

Referring to the Revenue Summary, COUNCILMAN WOLFSON noticed a revenue increase under Fine and Forfeits and questioned what is included in this category. MR. VINCENT responded that it primarily entails municipal court related revenues, which can include fines and bail forfeitures. Of the 17 million dollar revenue, \$4,000,000 is the actual amount collected for bail forfeitures. He was unsure if those monies were shared, and the Councilman wondered if this was an avenue to pursue in raising revenue. JIM CARMANY, Court Administrator, responded that there are administrative assessments that are charged and are set by the State. Should the State decide to raise the assessments as previously done, the amount the defendant is required to pay is substantially increased but those monies are applied to the State and not the City. The City receives a construction assessment for payment on the Regional Justice Center (RJC) and there is a specialty code assessment that is applied to the State but a small portion is given to the City. Staff is looking at including in the budget a position for a Traffic Master, as this will enhance traffic fine revenue and the cost for this will be half of what revenue is generated. If implemented, it would not take place until early 2008 calendar year.

COUNCILMAN ROSS questioned the need for discussion had the Performance Plus Management program been implemented sooner. MS. FRETWELL confirmed yes, as staff does not have control over 91 percent of the resources that come into the City. This effort affords staff the opportunity to focus their efforts on those things that are critically and strategically important and assist in making better decisions when going forward. COUNCILMAN ROSS referred to current efforts in Carson City to diminish the City's ability to continue to provide services to City residents at the accustomed level. He did not agree with some comments made and knows firsthand that every tax payer dollar gets reinvested back into this

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community. He is optimistic in that this too will change.

MR. VINCENT gave a PowerPoint presentation, entailing the General Fund Revenue Review, General Fund Operating Review, Capital Project Fund Review and the Fiscal Year 2008 Issue Points. The PowerPoint presentation has been included for the record. He pointed out that the property tax can be raised to generate revenue, but because of the abatement process, it would be somewhat difficult to collect the monies.

MAYOR GOODMAN asked if our lobbyists were addressing the issue with SB 96, which is the proposed bill that would take away the general services tax from the consolidate tax formula, cuts the tax rate in half and provides that half to the school district. MR. VINCENT confirmed that the bill is presented every year and although the feeling is that it will not pass, staff will, as usual, appear and fight it.

MR. VINCENT discussed other bills in legislation, including SB 246, which considers phasing out franchise taxes over a five year period with implementation beginning 2010. If passed and with full implementation, the bill could cost the City 10 million dollars. Staff does not feel that this bill will pass.

COUNCILMAN WOLFSON asked if the City has a rainy day fund to set aside monies in anticipation of the c-tax revenue being reduced and if this is legal. MR. VINCENT responded that it is legal but the City does not have a rainy day fund. However, there are policies to assist staff in maintaining a general fund balance. Business were being made, but the figures dropped drastically within the last quarter. The Councilman felt that this should be examined to perhaps identify how the City can be shielded from any attack. COUNCILWOMAN TARKANIAN added that previously the City had set aside monies; ultimately, the funds were reduced while lobbying to get additional funding for the school district. MAYOR GOODMAN sensed that one of the reasons the City does not have a rainy day fund is that if one existed, the legislature would consider it as a slush fund and the City would be punished for its prudence. MR. VINCENT also informed MAYOR GOODMAN that some of the taxes are collected locally, paid to the State and the State uses a c-tax distribution formula that takes those revenues and distribute them to the local agencies based on a formula.

Although AB 489 punished the City for being prudent, COUNCILMAN BROWN credited MR. VINCENT and the departments for their conservativeness relative to the General Fund Reserve and some of the policies the City has adopted over the last five years.

COUNCILMAN ROSS asked what drastic bold measures would it take to become self governed. MR. VINCENT was unsure if this would take place. MS. FRETWELL added that Boulder City has a federal charter with much more authority than most other cities throughout the state. There is also a consolidation of Oramsby County and Carson City, so there is blended responsibilities and authorities that the City does not have. Philosophically, if the State controls the destiny of municipalities, then he believed it would be wise to fully support the continued efforts of growing metropolis cities, such as Las Vegas, so that the wonderful services provided can continue.

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MR. VINCENT continued by indicating the property tax revenue is the only bright spot, which is at 10 percent. With AB 489, taxes have grown approximately 9.8 percent over the past three years. The License revenue is stable at three percent; franchise fees should grow with population, as no utility rate increase is forecasted; and the charges for services and fines/forfeits should grow with population.

COUNCILWOMAN TARKANIAN noted that a business owner in Ward 1 was upset because various entities within the City were increasing their fees, such as weights and measures, as it was a means of fundraising. She wondered if this action would interfere with what the City is trying to do. MR. VINCENT responded that staff does not increase fees without bringing the request before Council for approval. The General Fund process does not allow departments to have proprietary fees.

MR. VINCENT pointed out that 75 percent of the budget is labor. MAYOR GOODMAN questioned if an analysis would include the Metropolitan (Metro) Police Department. MS. FRETWELL indicated Metro has been very active in staff's strategic planning efforts but staff has not spoken with them on Performance Plus. Metro provides monthly reports regarding police activity in each ward. Being that the City pays much of their budget, the Mayor believed it was only appropriate to include Metro as part of this process and that they could benefit from it. MS. FRETWELL concurred and added that staff has added a criminal justice committee, which is a good opportunity to focus the efforts in addressing their goals. Relative to the proposed Traffic Master, City Attorney William Clark, MR. CARMANY confirmed for MAYOR GOODMAN that his staff was conservative in their figures and there should be a profit from the revenue. At the Mayor's request, MR. CARMANY testified why a Traffic Master was needed, as it would decrease the number of citations that judges have to deal with and with the increased number of traffic citations, the courts would have to deal with traffic issues. Metro has already implemented an electronic device that produces the citation rather than paper citation which has increased the number of citations the courts deal with. MR. CARMANY explained that with the changes in the department and updated systems, staff felt it was best and cost effective to wait until implementing the Traffic Master until January 2008. He was unsure at this time if the Traffic Master would try cases; if so, MAYOR GOODMAN felt it would bear a savings, in that it would alleviate police officers having to appear in court and endure the waiting process. COUNCILMAN REESE noted that legislation was addressing a proposal to have cameras installed at various intersections, in which he felt would also be beneficial.

MR. VINCENT remarked that there is an estimated 17 million dollars excess that could be used for one-time expenditures, and Council has previously approved six million. Staff is proposing to allocate the remaining monies to Fire Station 48 and 6, Metro Hanger, Metro Area Command (2) and Metro Communication Expansion. There is an interlocal agreement with the County in dealing with future metro sub stations and how they will be funded and incorporating a master agreement. Staff has to meet with Council to decide where the construction tax revenues can be applied to. There are 170 vacant positions: 54 are over six months old and re-allocation is being reviewed.

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MR. VINCENT pointed out an issue with Article 33 and the LVCEA. Although the plan is not to fund any new positions, the settlement included that the City would add seven new positions for operation and maintenance of the upcoming Centennial Hills Community Center. Staff is seeking Council's assistance with respect to the next step but did suggest a temporary plan, which included asking YMCA to perform custodial and minor maintenance and relocate the northwest Senior Center from Lone Mountain to Centennial Hills Community Center upon opening. COUNCILMAN REESE was not comfortable in giving any direction as he has not been involved in this issue. DEPUTY CITY ATTORNEY MORGAN DAVIS commented that any approval is subject to Council approval, Council can decide if the seven new positions can be funded. With this agreement, there was a grievance pending, they settled the agreement in exchange for the seven positions. If not fulfilled, they may want to go back to the grievance. COUNCILMAN BROWN noted that Article 33 has been an issue, aside from the new positions, so he questioned if the agreement should have come before Council. DEPUTY CITY ATTORNEY DAVIS responded that the settlement agreement existed prior to the requirement of having to come before Council for ratification. TOMMY RICKETTS, LVCEA President, noted that the date on the agreement was September 29th. When he signed the agreement, the c-tax was at one percent. The desire is to move forward with this agreement and have the matter resolved. MR. VINCENT clarified for COUNCILMAN REESE that the issue does not have to be resolved at this meeting but relative to negotiation of the maintenance aspect. With this issue having such magnitude, he wished that Council was involved from the beginning. MS. FRETWELL explained that staff believed Council was informed adequately but realized now that there should have been a negotiated discussion. COUNCILMAN ROSS desired to see a follow through with the agreement and not have to return to the grievance process.

COUNCILMAN REESE reiterated he was not comfortable giving a recommendation. COUNCILMAN BROWN supported COUNCILMAN ROSS' recommendation but expressed concern for setting a precedent in a negotiated agreement that Council was not aware of that is tied into new positions that would have priority. He cannot support having the seven positions take priority over what Council had already decided was priority. It is difficult to prioritize public safety issues as it is, but emphasized the issue is to fix Article 33 and not use it as a circumvention.

MR. RICKETTS added that there are some legal issues regarding the settlement, and he believed it was appropriate for Council to give staff direction to continue working with the LVCEA on a solution. COUNCILMAN ROSS noted that Ward 6 is exploding, and he has a huge priority in protecting the citizens. He confirmed with MR. VINCENT that when the c-tax increases, the funding of the seven positions can be a priority. He emphasized to MR. RICKETTS that Council and staff is committed to the LVCEA, relative to labor relations and management. His recommendation was to move forward and direct staff to continue to work with MR. RICKETTS and fill the seven positions as soon as possible. The Councilman concluded that he knows the LVCEA understands the limited dollar revenue, but he will welcome financial guidance, including putting aside other items in his ward if necessary.

COUNCILMAN REESE added that he already does not have sufficient police protection in his ward. His ward is already underserved and should some of the existing marshals from his ward

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be taken to patrol the Floyd Lamb State Park and the upcoming Centennial Hills Community Center, he felt it would create an even bigger problem. He agreed that detailed briefings should take place.

MAYOR GOODMAN reiterated that this issue should have been brought before Council for ratification or approval, as these are real serious issues. He did not feel Council was legally bound but that it was more of a moral issue. MS. FRETWELL explained that the typical process to create a position during the annual budget cycle is that staff presents the recommended operating budget which can include some positions. The Council denies or authorizes the funding or even creates a position without funding. Once authorized and approved for hire, staff works through the recruiting process to hire individuals unless there is an economic condition that precludes staff from doing so. CITY ATTORNEY BRAD JERBIC confirmed that if the tax was at a level of not being comfortable in funding positions, it would be ample justification to vote against new positions; it would be a "force majeure" and it would relieve Council of the obligation. Council has a right to cut back staff or not hire additional staff if there are not revenues to accommodate them.

COUNCILWOMAN TARKANTON desired to continue in support with and fund the positions as soon as possible, although she was not comfortable as she has not been involved in this issue. She also agreed with COUNCILMAN REESE'S comments, and she has a need for additional marshals in her ward.

Regarding Floyd Lamb State Park, MS. FRETWELL noted the Leisure Services request was for two customer service representatives for gate service, admission fee to cover the costs and the use of park ambassadors. MAYOR GOODMAN suggested that many people within the community are interested in becoming volunteers and desired the City Manager's Office to explore this possibility as an alternative means to meet the needs of the community. COUNCILMAN BROWN wondered if there was anything in legislation that differentiated this park from others. MS. FRETWELL responded that the only difference is that the name cannot be changed relative to State law. COUNCILMAN ROSS noted that the park is a City park and has historical significance and value. People from all over the country will be using it. He believed that this was an opportunity to continue the historic nature with the largest park. He supported the current admission fee, six dollars per car, and believed it would alleviate the riff-raff. He did not want to diminish the number of marshals in other wards but felt this park was unique. After further discussion relative to the park and its maintenance, MR. VINCENT added that the biggest concern for this park appears to be its sheer size and the concern for vandalism. The park will operate seven days a week from dawn to dusk. However, for Field Operations to maintain the Floyd Lamb State Park would do more harm than good.

MR. RICKETTS noted that although he was not involved with this issue from the beginning, he agrees that the direction should be to continue moving forward towards a resolution. COUNCILMAN BROWN asked the City Manager's Office to clarify Article 33 and accelerate a resolution of Article 33 as soon as possible, as he could foresee this becoming an issue with other situations. MAYOR GOODMAN requested a copy of Article 33. MR. RICKETTS stated that there has always been a spirit of cooperation and past meetings have been successful.

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COUNCILMAN WOLFSON felt the report given was excellent and the discussion was healthy and productive. He agreed that the City needs more innovative thinking, like the Managing For Results approach, and looks forward to receiving such reports.

MAYOR GOODMAN thanked MR. VINCENT for the presentation.

COUNCILMAN BROWN thanked staff for their presentation and for their tremendous work over the past six years, relative to the changes in budget and the position the City is in today versus what could have been. He requested a mini workshop prior to the next meeting; the capital list for review; express or develop Council policy on how the capital list is affected; the vacant positions list; more detailed information as to how long positions have been open and the recruitment; aside from hiring positions, would like dialogue on programs and services offered, as some may not be needed or appropriate so those positions associated with them could be placed elsewhere; better definition on the purpose of government, as to clarify what is being received from an accountability standpoint.

COUNCILWOMAN TARKANIAN desired a more detailed discussion at the next meeting but appreciated the presentation from today's meeting. With respect to some of the more urban wards, she understands the assistance may differ from what other wards receive. With that, she hopes that the results will be well rounded with respect to how each ward's needs are met.

MAYOR GOODMAN felt the process was worthwhile, giving everyone an opportunity to express their positions, as far as performance management is concerned and what everyone's obligations and responsibilities are. The current reality and certain programs will have to be viewed different than previously. He urged staff to do their best in protecting the City where legislation is concerned.

COUNCILMAN REESE appreciated staff efforts in doing a fantastic job. He recognized the need for patience, as tough decisions are being made. He asked that staff continue to follow Council's direction and that all comments made by Council be incorporated.