



AGENDA SUMMARY PAGE

SPECIAL CITY COUNCIL MEETING OF: DECEMBER 10, 2007

DEPARTMENT: FINANCE AND BUSINESS SERVICES

DIRECTOR: MARK R. REESE

Consent Discussion

SUBJECT:

Discussion and possible action regarding a financial update report from the Director of Finance and Business Services

Fiscal Impact

No Impact

Augmentation Required

Budget Funds Available

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

To receive a report on (a) the integration of Performance Plus into our annual budget preparation and reporting process, (b) the status of our fiscal year 2008 revenues and their outlook for the future, (c) the impact of past and future legislative bills affecting our revenues, and (d) discussion of possible actions the City may take relative to the financial slow-down and the trigger points that could activate them.

RECOMMENDATION:

To be provided at the Special City Council Meeting.

BACKUP DOCUMENTATION:

1. Submitted at meeting PowerPoint Presentation by Finance and Business Services
2. Submitted after meeting Letter from Charleston Neighborhood Association

Motion made by GARY REESE to Approve to accept the report

Passed For: 7; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 0

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

NOTE: An initial motion by MAYOR GOODMAN to direct staff was subsequently rescinded by MAYOR GOODMAN. Both motions passed unanimously.

Minutes:

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DR. DOUG SELBY stated this item pertained to the downturn in critical revenues and the challenges facing the City. He noted this was an opportunity to look at how the City does business as well as an opportunity to inform the public.

MAYOR GOODMAN stated this item was a way for the City to prepare for thoughtful action in the future.

MARK VINCENT, Director of Finance and Business Services, utilized Power Point Presentation which was made a part of the final minutes. He briefly described how the City previously developed its budget and how budgets would be developed under Performance Plus. MR. VINCENT related the challenges in measuring resulting in his department and noted where improvements could be made.

Using graphs and tables, MR. VINCENT pointed out the City is currently experiencing negative growth in its Consolidated Tax Revenues for Fiscal Years 2007 and 2008. He stated the proposed budget cuts would come from the savings created by leaving vacant positions unfilled.

In response to COUNCILMAN WOLFSON'S question, MR. VINCENT explained that the City budgets very conservatively. By budgeting 100 percent for positions, whether they are filled or not, the City typically saves 3 percent of the budget because the City's expenditures do not exceed its revenues. He further clarified that by saving 5 percent in Fiscal Year 2007 and another 3 percent in Fiscal Year 2008, that would allow the City to retain a fund balance which would cover the anticipated future revenue shortfall. MR. VINCENT pointed out that excess revenues allow the City to fund project with the dedicated funding sources.

COUNCILMAN WOLFSON suggested changing the budgeting timeline for more than five years at a time. MR. VINCENT acknowledged that long range planning can be useful, but expressed his reluctance to forecast the distant future and stated that the economy was anticipated to recover quickly in 2009 and 2010. MR. VINCENT pointed out that labor and benefits alone would cause the City's budget to grow by 6 percent. He added that funding for City facilities should also include money for staff and maintenance and he noted where those expenditures would be calculated in future City budgets. MR. VINCENT also recommended that no new capital projects be funded until the City has recovered from the budget shortfall, noting a new jail facility would be needed in the near future.

In response to COUNCILMAN BARLows question regarding the money available for capital projects in the Fiscal Year 2008, MR. VINCENT explained that the funds in that category are usually presented to the Council with potential projects for funding allocation, but this year, he recommended those funds be saved to cover the expected revenue shortfall.

COUNCILMAN REESE questioned MR. VINCENT regarding the basis of City's projected revenues and MR. VINCENT stated he had consulted his colleagues in neighboring municipalities. He observed that the major construction projects currently taking place throughout the Las Vegas Valley would result in economic growth for the City through demand for employees and housing.

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COUNCILMAN BROWN recognized the need to delay funding capital projects, but cautioned against completely stopping all capital projects. MR. VINCENT explained that capital projects could still be funded by other revenue sources and not funding those projects through the Consolidated Tax revenue was one strategy for addressing the City's budget shortfall.

In response to COUNCILMAN ROSS inquiry, MR. VINCENT listed his sources for the City's project revenue, including investment fund managers and staff from the University of Nevada Las Vegas. COUNCILMAN ROSS observed that the economic numbers are easily available and suggested that the housing market will dictate what is needed and built in the future.

MR. VINCENT reminded the Council that the State also has control over the City's revenues and used several graphs to show how State legislative action impacted individual jurisdictions in the Las Vegas Valley. He noted that the City's growth rate was generally flat, explaining that the reason that City's revenues would not recover as quickly as other cities. MR. VINCENT went over in detail which revenues were controlled by the City and which revenues were controlled by the State and the economy.

MAYOR GOODMAN encouraged the City's legislative team to lobby the State to allow the City to be home-ruled and to consider consolidation of the Las Vegas Valley municipalities. When MAYOR GOODMAN drafted a motion to direct staff, CITY ATTORNEY BLAD JERBIC suggested that such action might violate the Open Meeting Law and MAYOR GOODMAN'S subsequent motion to rescind carried unanimously. MAYOR GOODMAN took a poll of the Council and the Council expressed their unanimous support of his suggestions. ATTORNEY JERBIC noted the results of the poll were not final action and any action on the discussion would take place at another City Council meeting.

MR. VINCENT informed COUNCILMAN WOLFSON that the General Fund breakdown does include the City's contribution to the Metropolitan Police Department.

In response to COUNCILMAN BARLOW'S question, MR. VINCENT clarified that some of the figures were confusing because there were discrepancies because the PowerPoint presentation reflected revised figures while his facts were based on the original budget. He promised to provide COUNCILMAN BARLOW with current figures. He noted that the budget for Group A is difficult to trim while Group B could tolerate larger budget cuts. He stressed staff's efforts to revise the budget in a thoughtful and considered manner.

MR. VINCENT described the City's revenue threats and each threat's impact on revenue. He listed several legislative bills with unknown impacts on the City's tax revenue. MR. VINCENT also noted steps already taken to reduce the budget and proposed further steps for Fiscal Years 2008 and 2009. He also highlighted other measures that can be taken if more cuts are needed. MR. VINCENT noted that the savings from the funded but unfilled positions create a significant and negative impact on the departments which continue to operate at full capacity while short-staffed.

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MR. VINCENT informed COUNCILMAN BARLOW and COUNCILWOMAN TARKANIAN that the 3 percent vacancy rate generates 10 million dollars in revenue over 12 months and nearly 20 million dollars over two years. MR. VINCENT noted that using the remaining fund balance on the City's budget rather than new capital projects would help avoid deeper cuts in departmental budgets. Stating his estimates were extremely conservative, MR. VINCENT suggested that all cuts might not be necessary.

COUNCILWOMAN TARKANIAN observed that Group B of the General Fund Expenditures can tolerate more budget cuts than Group A and MR. VINCENT listed a few ways the expenditures for Group A could be reduced.

COUNCILMAN REESE emphasized the City's need to be prepared for actions taken by the State legislature. MR. VINCENT observed that both the City and the State were experiencing revenue difficulties, pointing out the City has less control of its revenues when compared to the State.

TED OLIVAS, Director of the Government and Community Affairs Department, informed MAYOR GOODMAN that his staff were working to arrange a meeting of different jurisdictions regarding plans for the future of the City and the State and the funding for those programs. He promised to keep the Council informed on their progress.

In response to COUNCILMAN WOODWARD's questions, MR. VINCENT explained that the City has the flexibility to prioritize which vacancies are filled and which departments can maintain vacant positions. He noted that the Position Classification Committee considers which positions can be maintained, filled or reprogrammed.

COUNCILMAN BARLOW questioned MR. VINCENT regarding overtime savings and MR. VINCENT explained offering overtime is a cheaper alternative to hiring more people. Using the Fire Department as an example, he stated that in order to eliminate all overtime, the City would be required to hire more than 400 people, which was not reasonable or practical. MR. VINCENT explained that overtime reports are made regularly and he promised to provide an overtime breakdown to COUNCILMAN BARLOW.

MR. VINCENT described the City's options in a worst case scenario which included capital fund projects which have not yet started, no new capital projects and more budget cuts. He noted a reduction in the City's fund balance was a possibility, but pointed out that having a good fund balance policy has served the City well.

In response to COUNCILMAN ROSS questioning, MR. OLIVAS described the City efforts with the State legislature. He noted the City's education efforts to keep the State legislators informed of the City's challenges and highlighted current efforts to work with the State.

COUNCILMAN REESE thanked MR. VINCENT for his report.

MAYOR GOODMAN noted that the City is unique in having budget discussions in public and thanked staff and Council for their efforts.

City of Las Vegas

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