



AGENDA SUMMARY PAGE
SPECIAL CITY COUNCIL MEETING OF: MARCH 31, 2008

DEPARTMENT: FINANCE AND BUSINESS SERVICES

DIRECTOR: MARK R. VINCENT

Consent Discussion

SUBJECT:

Discussion and possible action regarding the Fiscal Year 2009 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 2009 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 after meeting Hardcopy of PowerPoint Presentation by John Restrepo and hardcopy of PowerPoint Presentation by staff

Motion made by OSCAR B. GOODMAN to Approve with direction to staff as follows:

1. The City Manager and Director of Finance report back to Council on 10/1/2008 the results of a fundamental review of City operations, programs and services that are neither tied to the City key priorities nor fundamental operation functions. Such report shall prioritize or rank those programs and services and identify the performance matrix, labor and other costs of the review and then identify the aggregate savings if one or more of the programs were terminated;
2. Review what benefits the City employees currently receive and how they can be addressed in future collective bargaining sessions given changes in prosperity and MR. RESTREPO'S description of why benefits are more substantial in the public than private sector; evaluate whether those evaluations are still valid given changes in the image of Las Vegas from Sin City to the Entertainment Capital of the World;
3. Research consolidation of services and MR. RESTREPO'S statements about the inability to grow, the cost of land, the lack of industrial land, despite the Manhattantization of growth. As

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Southern Nevada goes, so goes Nevada and as Las Vegas goes, so goes the rest of the Valley; City health is very tied to Clark County, North Las Vegas and Henderson. Evaluation of a regional government, despite resistance to consolidation by other entities, is necessary to think differently; less territorial and abandon fiefdoms. Discussions should take place with managers of other entities and presentations held with elected officials regarding the different times and looking at how things have been done in the past that may no longer be relevant;

4. Protect the stabilization fund; prevent it being from being grabbed by the State and proceed diligently, as the City Manager has in the past, to protect the City and its constituents in order to provide services. This will take significant study and briefings so that the Councilmembers' philosophical positions can be documented.

Passed For: 7; Against: 0; Absain: 0; Did Not Vote: 0; Excused:
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)

Minutes:

MAYOR GOODMAN made a statement about the transparency of government and the difficulties being experienced as a result of the current financial situation. The City has been blessed with prosperity over the past eight years, but today's reality is that the situation has changed. The situation may not be as dire as previously feared, but staff briefings to Council have outlined the need for additional cuts and service reductions. Every member of the Council appreciates the suggestions, efforts and dedication of staff at every level of the City. He directed DR. SELBY and MARK VINCENT, Director of Finance and Business Services, to conduct an evaluation of all City services and within six months make recommendations as to adjustments that can be made to address the anticipated 2010 budget shortfall.

CITY MANAGER SELBY agreed that this is an interesting time for the City of Las Vegas, but it has also revealed how the organization comes together in difficult times. Focus has been placed on good rational decisions today in order to prepare for the future. Management has met with City staff to identify priorities, future projections and questions about job security. Staff at all levels has been bringing forward and sharing ideas in an effort to meet the budget challenges.

Despite the number of briefings, this is the first combined meeting where staff can receive feedback in order to prepare a good budget for the hearing on May 20.

He introduced JOHN RESTREPO and summarized his knowledge and background to set the stage for his report on the economic environment.

COUNCILMAN BROWN requested that prior to the end of the meeting the Mayor's directive be made more specific. He confirmed with CITY MANAGER SELBY that there would be an opportunity to meet again if that were necessary before May 20.

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MAYOR GOODMAN announced for the record that each member of Council was briefed by City staff as well as MR. RESTREPO. He expressed his appreciation to MR. RESTREPO for those briefings.

MR. RESTREPO disclosed his membership with a professional organization and a recent appointment by the Governor. He reviewed in detail a PowerPoint presentation defining inflation, recession and depression. He outlined the consumer confidential index and that the current decline is at the lowest level in 15 years. The cost of living in Las Vegas has changed over the last few years, representing an overall nine percent higher than the national average. From 1990 through 2007 employment grew at approximately six percent per year and government employment a little higher than that. Overall this represents an average nine percent higher than the national average of three percent. Overall wage comparison of government staff versus public sector reflects a fairly consistent difference in the twenty percent range.

COUNCILMAN WOLFSON questioned why government employees have been paid more. MR. RESTREPO responded that significant job growth and the need to attract employees has driven the difference. There had been a stigma because of the perceptions regarding schools and lifestyles in Las Vegas. This created a catch-up situation for government.

After adjustment, both private and public jobs have been stagnant and flat. This is very important because of the increase of the local cost of living. The ratio of government employees versus population has also stayed relatively flat. He displayed a slide which demonstrated a favorable comparison of public jobs in Clark County versus the United States. This translates to efficient operations in Clark County. Next he demonstrated that in 1978 seven active members in the Public Employees' Retirement System of Nevada (PERS) supported each retiree. The ratio in 2007 was three active members supporting each retiree in PERS.

In 1991 there were \$32,000 of retail taxable sales per employee which is projected to grow to \$44,000 in 2012. Another indicator is the commercial, office and industrial vacancy rates. Unemployment rate in late 2007 exceeded the national average for the first time in a long time, primarily because of the downturn of the residential development market. There has also been a downturn on the median price of a home.

COUNCILMAN BARLOW asked about the unemployment rate. MR. RESTREPO explained that construction always drove the local unemployment rate to be much lower than the national average. The housing meltdown caused the dramatic reversal. Foreclosures are four times higher locally than the national average.

COUNCILMAN ROSS asked about studies on the foreclosures and that many of those impacted are investors not living in the properties. MR. RESTREPO advised that fifty percent of foreclosures are vacant and about a third of the foreclosures were purchased by investors. There is a mixture of why people are in foreclosure, including the manner of financing, buyers over reaching and those misled by lenders.

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COUNCILMAN BARLOW inquired as to where the greatest number of foreclosures have occurred. MR. RESTREPO responded that speculators mostly purchased new homes rather than resale properties. Those living in their homes also purchased new homes. Consequently, there is a spike in the foreclosure rate within new northwestern developments. This occurred less in Summerlin because of the greater control Summerlin exercises within its developments.

MAYOR GOODMAN discussed with MR. VINCENT the consolidated tax, which includes real estate tax, and the thirty percent drop that has impacted the overall consolidated tax base. MR. RESTREPO explained why the impact of that real estate transfer tax is so immediate. Next people stop buying things, thus causing a drop in sales tax as well. The slower decline is in the consumer related activity.

COUNCILMAN WOLFSON asked if the same number of people is moving to Las Vegas as have done in the past and if so, where are they going. MR. RESTREPO verified that the number has dropped and those moving in are occupying rental properties and apartments. The retiree population relocating to Las Vegas has not substantially decreased.

MR. RESTREPO displayed the affordable housing chart to illustrate a drop in the value of houses that still are not categorized as affordable. This situation has occurred previously but has been exacerbated by the drop in lending standards. The impact on credit will probably continue for another five years or so. However, resort industry investments continue on into the future through 2010. MAYOR GOODMAN asked what happens to the rest of the country without this advantage. MR. RESTREPO replied that while other cities might not have seen the great boom, they also have not seen the great downturn. But the resort industry investments should allow for a shorter and less painful economic recovery.

The employment forecast is projected at four percent, slower than in the past locally but still greater than the national average. The average wage showed a significant increase which was substantially offset by the growth in cost of living. MAYOR GOODMAN confirmed that the average wage did not reflect benefits. COUNCILMAN BARLOW questioned the effect in calculating the benefits paid by the City. MR. RESTREPO explained that the chart included both private and public jobs, neither of which incorporated benefits. He would not think the small number of government jobs would substantially change the overall data.

Median family income growth projections through 2012 predicts that it will remain flat when adjusted for cost of living. The City's five-year revenue history reflected much of what had already been discussed. The percentages of that revenue history remained fairly consistent and unchanged as to overall ratio. The gaming revenue for the City has been fairly flat since 2002 with no large resort openings.

He demonstrated the commercial, office, industrial and residential permits applied for as an indicator of the economic growth. The lack of land creates a disadvantage for the City compared to other entities in the Valley. Industrial uses are very sensitive to the cost of land and have dropped to almost nothing over the last few years.

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He outlined projections on the housing slump, consumer confidence, an anticipated two-year recovery period for the residential market, tougher lending standards, strong employment growth and airport capacity and Homeland Security impacts on domestic and foreign tourism.

COUNCILMAN BARLOW discussed with MR. RESTREPO the disconnect between median family income versus median housing prices. The current jobs being created are projected as sixty percent renter versus forty percent buyer. Further, people may be commenting from other local entities. The tougher lending standards will make people renters for a longer period of time.

COUNCILMAN WOLFSON pointed out that there is a shortage of rental products. MR. RESTREPO explained that the rental developers who left the local market based on the cost of housing in the past are returning. There is a sensitivity to a softening in the land market. He projected that there will be more rental projects coming forward in the next year or eighteen months.

Lastly, MR. RESTREPO pointed out that the world economy is intricately tied together and quickly impacts Las Vegas. It was a shocking lesson in securitization must be given to foreign economic activity.

COUNCILMAN WOLFSON commended MR. RESTREPO for a wonderful briefing and presentation. However, now that he has been the governing body a status, what suggestions would he make in recognition of the current local situation. MR. RESTREPO suggested using the private sector more, but the biggest difficulty is that the City of Las Vegas is predominantly built out. That leaves maximizing efficiencies and assets, including real estate assets. He made reference to a study for UNLV identifying the homes and best use of their real estate assets. The City should also look at its labor contracts. There are a variety of options and no single, silver bullet is a solution.

MARK VINCENT, Director of Finance and Business Services, reviewed the schedule for the budget, including a possible date available on April 14 not included in the slide. He confirmed for COUNCILMAN BROWN that the budget can be augmented as needed throughout the year, but only one time with regard to the capital budget. He summarized the economic outlook, the percentage growth rates, housing slump and budget reductions projected into 2012.

COUNCILMAN BARLOW questioned the recovery projected for 2010 but the continued budget reductions through 2012. MR. VINCENT explained the delay when returned revenue will be available for expenditures. COUNCILWOMAN TARKANIAN clarified that the growth would slowly begin in 2010 and not normalize until 2012. MR. VINCENT confirmed for COUNCILMAN BARLOW that everything beyond 2008 is only a prediction. These types of financial difficulties are being experienced by numerous other cities and government entities.

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MR. VINCENT displayed the historical C-tax growth rate and excessive growth which dropped as a result of the credit crunch. While total City revenue is not in the negative, the C-tax revenue is. That is the biggest driver of the City's problem at this time. COUNCILMAN BARLOW requested a list of indicators that the City was in a recession. MR. VINCENT replied that it would be a negative of all revenues. Currently that is not the case, but the revenue growth is less than the growth in expenditures.

The City is addressing the current \$18 million shortfall with budget cuts. In 2010 that is projected to go to \$47 million. There are increasing reductions in other revenue sources that will continue through 2010. The City is carefully monitoring the situation. The additional shortfall in 2009 is being addressed by existing budget cuts, further budget cuts and drawing down the general fund balance. He introduced the stabilization fund concept which would be depleted in 2011 and the impact on the general fund balance. The City must look at what is and project into the future in order to be prepared.

MR. VINCENT displayed slides summarizing the stabilization fund created from capital project funds and other sources such as internal service funds. Las Vegas Convention and Visitors Authority funds could be utilized in 2008 and 2009 for operation and maintenance. The City should use the revenue from the parking garages to pay the debt service for those structures. The higher taxes generated since the Full Bond could also be deployed to cover some of the shortfall. That would create a \$30 million balance.

He reviewed in detail the five-year forecast including transfers from other funds and those items which would remain unfunded. Staff is confident as to the 2009 and 2010 numbers, but simply projecting as to 2011 and 2012. All predictions are for a leveling in 2012 to seven percent for the C-tax and an average of ten percent in 2011 for all state taxes.

As for the labor expenditures, they include major benefits and also reflect the cuts previously outlined. The slide demonstrates that there will be no projected revenue to refund the vacancies. He referred to an upcoming report regarding a new City Hall and the line on this report that would represent a lease payment. Staff projects growth in labor budget in excess of 4.5 percent in 2009 and leveling off at 5.9 percent thereafter.

He presented graphics demonstrating the general fund balance projections. The City must maintain an operating balance. The C-tax distribution takes place two months after the sale. Therefore, the City needs to be able to operate for eight weeks using a fund balance. Without taking immediately steps, that balance would drop into a very dangerous five-week range. The stabilization fund helps, pushing the danger zone further out and allows the economy more time to recover.

MR. VINCENT reviewed the ranked costs with a focus on public safety and contractual obligations. Business Development reflects the transfer of the entire function under Redevelopment Agency funding. He summarized the functions addressed in a graded approach. The impact of proposed budget cut impacts were reviewed, including a definition of executive

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and appointive employees and cost of living adjustments, merit raises and bonuses. COUNCILMAN WOLFSON indicated that he will decline the salary increase to take effect after the next election cycle, given that executive and appointive employees will not receive increases and other staff have been laid off. COUNCILMAN ROSS indicated he would also refuse such an increase. COUNCILWOMAN TARKANIAN noted that neither she nor COUNCILMAN BARLOW would be eligible for such a raise. MAYOR GOODMAN emphasized that the next Mayor would be a fulltime position with no outside employment and the person elected would require the full increase as previously approved.

COUNCILMAN BROWN discussed with MR. VINCENT the time frame for the proposed cuts, partially beginning in 2008 and through 2009. He explained the vacancy savings process and close monitoring thereof for the 186 vacant positions. Hourly positions are separately managed. COUNCILMAN BROWN requested a greater breakdown of those positions.

COUNCILMAN ROSS expressed difficulty with and requested clarification of the fee waivers. MR. VINCENT answered that fees are imposed to defray costs versus a full cost recovery. The City wants to help events be successful and the total annually is approximately \$60,000 to \$70,000.

MR. VINCENT discussed the budget cuts breakdown by Department. He will be working with RADFORD SNELDING, City Auditor, regarding the discussion and recommendations of a recent Audit Oversight Committee meeting.

COUNCILMAN WOLFSON questioned the benefit of a buyout of long-term employees via a payment plan. MR. VINCENT admitted that a lump-sum buyout or PERS credit has been used in the past and required vacancies of six months to offset the cost. A deferred program could be researched, but he could not speak to the impact. There are limitations as to how the targeting process could work. COUNCILMAN WOLFSON suggested the research be done.

MR. VINCENT advised that the two significant impact themes will be slower service and an overtime impact. One area specifically asked about was the reduction from 30 to 12 neighborhood clean-ups. The average cost is \$136,000. DEPUTY CITY MANAGER ORLANDO SANCHEZ outlined the resulting empowerment of neighborhoods to cleanup their own backyards and the building of communities within the City.

MR. VINCENT indicated that the program's success has resulted in City staff doing more and more of the work. Republic Services does do large item pickup and staff has researched a more coordinated effort. Another option would be locating dumpsters in the neighborhood for several days. Ultimately, the City should be able to make the cut and still maintain the service in a different form. Likewise, alternatives are being looked at for response to graffiti abatement. COUNCILWOMAN TARKANIAN encouraged the use of volunteer citizens subject to the City providing the paint. CITY MANAGER SELBY confirmed that the focus was on offsetting the

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labor. MR. VINCENT assured her that the paint is made available in a seven-color palate subject to the organization meeting the necessary criteria.

MR. VINCENT indicated that the Fire and Rescue cuts do not represent a loss of service or staffing. He summarized the reductions by Detention and Enforcement, Public Works and Field Operations. As for Leisure Services, there was significant discussion on the need for the meals program for seniors and funding alternatives for the \$30,000 shortfall for the program.

COUNCILMAN REESE responded that many of those utilizing the meal program at the East Las Vegas Center are School District employees. It was clarified that those receiving the meals are qualified seniors who work for the School District. COUNCILMAN BARLOW described the hardship that ending the program at the Las Vegas Senior Center would create. He would support an alternative funding source.

COUNCILWOMAN TARKANIAN confirmed with MR. VINCENT that the previous reduction would just continue versus being increased. MR. VINCENT stressed there is consideration being given to meals for seniors and pool access over the summer for youth. New pool schedules are not reflected in these slides but staff is looking at reduced hours. He will share the rational approach now being proposed by Leisure Services. COUNCILMAN WOLFSON verified that the notice that was going out in April would be updated or revised. He would like to work with MR. VINCENT as soon as possible. There was discussion regarding the hours for the Veterans pool. COUNCILMAN PROSS expressed his gratitude to Leisure Services for their efforts that allow youth to be active and appropriately engaged.

COUNCILMAN REESE discussed with DR. BARBARA JACKSON, Director of Leisure Services, the number of young people using the pool from 6 to 8 a.m. It would appear more beneficial to open later and stay open later. COUNCILMAN BARLOW responded that swim teams use the pools very early and he did not oppose the Sunday closure. DR. JACKSON requested a philosophical direction. COUNCILMAN REESE suggested he wait until his specific briefing, but he would support shifting the operations later in the day and closed on Sunday. DR. JACKSON noted that the hours proposed are those hours most used by the greatest number of the general public.

COUNCILMAN BARLOW indicated doubt that the Cultural Center is actively used on Sundays. DR. JACKSON explained that groups are counted as a group. There is a significant cost to keeping a center open on Sunday, which is historically a slower day, except for certain events. COUNCILMAN BARLOW questioned the placement of Sunday employees. DR. JACKSON replied that they are generally hourly employees and where placement is not available, their hours are cut. Fulltime employees are rescheduled pursuant to contractual requirements.

COUNCILWOMAN TARKANIAN discussed those pool services available at the earlier hours and requested a breakdown of those hours. BILL TYLER, Leisure Services, confirmed that public swim begins after the swim teams, lessons and water ballet during the early hours. MAYOR GOODMAN noted that the swim teams play significant fees for the use. MR.

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VINCENT confirmed that the labor costs are recovered, but not the ever-increasing utility costs for heating the pools.

Staff is researching a non-profit organization to assume running the Mayor's Cup. If 100 percent cost recovery for Corporate Challenge is not viable, the City may want to suspend the event. The cost is \$220,000 with approximately an \$80,000 shortfall after the revenue received. Likewise, the City would provide the venue for the Tennis Channel Open but no longer provide the \$600,000 City funding and approximately \$150,000 in-kind costs. COUNCILWOMAN TARKANIAN confirmed with MR. VINCENT that the notice for the change in funding would have to take place by June 1 and they would then notify the City in the fall whether they would seek another venue.

COUNCILWOMAN TARKANIAN pointed out that the trade-off is cutting costs versus after-school programs. DR. JACKSON summarized the after-school/after-work leisure and work program is solely available for physically- and mentally-challenged 30-40 youth and another 30-40 adults, related costs and it is separate from the traditional safe-key program. The \$40,000 cost is a result of the fieldtrip venues and related transportation. COUNCILWOMAN TARKANIAN suggested seeking another provider for the services. COUNCILMAN WOLFSON agreed that sometimes the cost of a program is worth the services staff answered that reducing the fieldtrips by one trip per week would not diminish the program or the interaction with non-handicapped individuals or the resulting quality of life benefits. MR. TYLER reiterated that there will be no impact on community school programs, although some hourly staff might be reduced. Services would otherwise be unchanged.

MR. VINCENT presented the five-year capital project plan and that the majority of the funding thereof is not general fund monies. In fact, less than five to ten percent of the monies are general fund. He summarized the growth in positions, mostly in public safety positions and recreation related positions. COUNCILMEMBERS ROSS and TARKANIAN commented that the numbers demonstrate the Council's focus on public safety. MR. VINCENT noted that technology has enabled general fund positions to grow slower than the population. Non-represented staff are the Council, executive and appointive positions previously discussed. He stressed that the School District portion of the property tax rate offsets a portion of the State budget.

MR. VINCENT described the property tax abatement pursuant to AB 489. The vast majority of residents will not see an actual reduction in taxes. He explained the difficulty with the Building and Safety Enterprise Fund and the drop off of those fees and retained earnings. This drop resulted in the reduction of 31 employees. Revenues in 2009 are projected to remain below expenditures and, barring some type of change, the City is most likely looking at further adjustments.

COUNCILMAN BARLOW questioned whether the general fund balance reserve should be increased from the current twelve percent to perhaps fifteen percent to protect against reductions in force. MR. VINCENT explained that NRS 354 prohibits a stabilization fund for Building and

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Safety, but it would be a possibility for the general fund. COUNCILMAN BARLOW expressed concern that the future budget situation could be worse than that projected. Can the Council today put in a buffer to prepare for that type of worse-case situation? COUNCILMAN BROWN answered that it was the City foresight in adopting the twelve percent balance that prevented a greater crisis at this time. Unfortunately creating too large a balance leaves the City open to a criticism it is holding money for no good reason. The twelve percent was very conservative given acceptable government operations. MR. VINCENT added that the City has been conservative to create a cushion and that in the past the cushion has been used to fund one-time projects. However, that is no longer possible at this time. The stabilization fund would then carry the City, should 2010 and 2011 be as harsh as expected. CITY MANAGER SELBY added that when possible, in the future, he would urge replenishing the fund for periods of economic downturn. COUNCILMAN BARLOW stressed his desire to see creative efforts. MR. VINCENT also suggested looking at legislative changes to allow for a larger stabilization fund and greater flexibility in its use.

MR. VINCENT referenced the recap slide and urged creation of a fund with \$10 million to carry through 2010 and 2011. MAYOR GOODMAN encouraged that the fund be protected in order to prevent the State from absorbing it. The City should not be penalized for its prudence. COUNCILMAN ROSS encouraged greater home rule efforts to provide greater control over revenue creation.

MR. VINCENT requested direction on whether projects, internal funds and other sources to be frozen or be transferred into a stabilization fund. Second, staff would request direction on creation of a stabilization fund, identifying an alternative or seeking a legislative change for such a fund. And lastly, direction to continue looking at program and services in order to prepare for 2010 and 2011 should they prove worse than projected.

COUNCILMAN BROWN confirmed that the capital program would be to freeze new projects for a period of eighteen months. MR. VINCENT noted that Slide 8 are those proposed to be frozen. Those funded and underway would continue. He identified two handouts and advised that all those projects are funded with limited or no general fund monies. The fire stations deferred were under the original plan and, subject to adjustment, the plan may change somewhat.

COUNCILMAN BROWN outlined the Catch-22 where the City is trying to be very conservative and careful, but now is the time that contractors are hungry for work. Perhaps the City should look at small bonding amounts to enhance the balance. He would like to see priority projects to ensure the comprehensive list is appropriate. Has Redevelopment Agency funding for a new City Hall been researched? MR. VINCENT replied that there will be a report on April 2 regarding a City Hall component to the Live/Work project. In addition, the first hotel/casino downtown in many, many years would have a very positive impact. It would also make available a significantly valuable land asset of the City free for sale.

COUNCILMAN BROWN agreed that the City has no industrial, little office and very little commercial land available. Therefore, the downtown core will be key to funding the City for

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years to come. MR. VINCENT stressed that when the Redevelopment Agency sunsets, currently scheduled for 2031, the tax benefit will go back to all the entities. The consultant aspects with that project are not yet factored in.

COUNCILMAN BROWN placed on the record the function of the City Auditor, as well as its independence, the savings it has realized for the City and the need to protect, preserve or enhance those functions during economic difficulties. The Chairman wanted those thoughts brought to the Council. He encouraged CITY MANAGER SELBY to look at the audit reports done in the past where cost savings have not been pursued. In addition, there was a study by Management Partners Review that also identified some areas worth a second-look.

COUNCILMAN WOLFSON expanded the idea that planning into the future ten to fifteen years should be carried out to identify what services should and should not be offered. The prosperity of the past will never occur again and scaling back is critical. He added that consideration could be given to consolidating Departments. The vast expense of government's labor and there has to be a way to address that to ensure good and prudent government.

COUNCILWOMAN TARKANIAN suggested cooperating with the County. She has discussed this with the Mayor and some County Commissioners. For example, there may be a way to avoid duplicating some Leisure Services programs and functions.

MAYOR GOODMAN thanked everyone working in a collective effort to address these very difficult economic times.

