



AGENDA SUMMARY PAGE
SPECIAL JOINT CITY COUNCIL AND REDEVELOPMENT AGENCY
MEETING OF MAY 20, 2008

DEPARTMENT: FINANCE AND BUSINESS SERVICES

DIRECTOR: MARK R. VINCENT

Consent Discussion

SUBJECT:

Public hearing and possible action regarding Fiscal Year 2009 City of Las Vegas Tentative Budget and Fiscal Year 2009 City of Las Vegas Final Budget, including the Five-Year Capital Improvement Plan.

Fiscal Impact

- No Impact Augmentation Required
 Budget Funds Available

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

The Fiscal Year 2009 City of Las Vegas Tentative Budget was filed with the Nevada Department of Taxation on April 15, 2008. Council will review and possibly amend that Tentative Budget and adopt the revisions as the Fiscal Year 2009 City of Las Vegas Final Budget, including the Five-Year Capital Improvement Plan.

RECOMMENDATION:

Staff recommends adoption of Fiscal Year 2009 City of Las Vegas Final Budget, including the Five-Year Capital Improvement Plan, as amended with guidance from City Council.

BACKUP DOCUMENTATION:

1. Fiscal Year 2009 City of Las Vegas Tentative Budget
2. Submitted after final agenda PowerPoint Presentation by staff for Items 5 and 6
3. Submitted at meeting Endorsement by the Citizens Priority Advisory Committee, Draft Capital Project Budget by staff and written comments by Tom McGowan for Items 5 and 6

Motion made by GARY REESE to Approve as recommended

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)

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Minutes:

MAYOR GOODMAN declared the Public Hearing open for Items 5 and 6.

MARK VINCENT, Director of Finance and Business Services, gave a presentation on the City's and the Redevelopment Agency's budgets for 2009. He utilized a PowerPoint Presentation which was submitted for the record. MR. VINCENT noted the current economic downturn was expected to continue until 2010 with expected budget reductions continuing until 2012.

MR. VINCENT briefly listed the issues raised at the last budget hearing and noted how each had been addressed. The issues included the initiation of the fundamental review of programs, the reinstatement of senior meals by reducing the Council's Ward budgets, reinstating planned neighborhood cleanups by altering the programs execution, developing new Leisure Services centers and following the recommendation of the Audit Committee to reinstate audit funding.

MR. VINCENT noted that the City's budget was growing at a rate of approximately 7 percent, but clarified that the growth was primarily in the Sanitation Fund and the Capital Project fund, not within the General Fund. He stated that the City's population was anticipated to be less than 603,000.

As MR. VINCENT went over the General Fund revenues, he noted that the Consolidated Tax revenues estimated had decreased by 2.6 million dollars. With regards to the General Fund Expenditures, MR. VINCENT pointed out expense reductions of 2.2 million dollars achieved by eliminating merits and bonuses for approximately 100 staff, eliminating Tennis Channel funding and moving some positions out of general fund and placing them in Special Revenue Funds. He added that the Metropolitan Police Department had also reduced their expenditures by approximately one million dollars.

Regarding General Fund expenditures, MR. VINCENT informed the Council that 1.7 million dollars had been transferred out of the General Fund for the Green Building Fund and additional funds had been transferred out for the Atrium Capital Improvement project.

COUNCILMAN BROWN and MR. VINCENT discussed the two positions for the Atrium, an HVAC technician and a property manager, whose costs would be offset by revenues.

MR. VINCENT informed the Council that the Consolidated Tax for the third quarter of 2008 was estimated to be 5 percent lower than previous years. He highlighted the impacts of the budget cuts, including reductions in overtime, no executive salary adjustments, 100 percent cost-recovery on non-City events and deferral of capital equipment replacement. MR. VINCENT also described the budget cuts by function, noting the amount and percent of budget cuts on City's departments.

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Summarizing the General Fund balance, MR. VINCENT noted the budget shortfall for 2009 would be met by drawing the fund balance down to 12 percent, the lowest level permitted by the City's financial policy. With regards to the 2010 budget, MR. VINCENT explained the forecast to be the bottom of the economic downturn and the budget shortfall would be met through a revenue stabilization fund. He clarified that the use of such a fund would need approval from the State legislature and the funds were being frozen until the fund was approved.

In response to COUNCILMAN WOLFSON'S request for clarification, MR. VINCENT explained that the fund balance was the City's only reserve. He noted that the City's policy of retaining 12 percent of the City's budget in the Fund Balance was one of the reasons the City's bond rating was so high.

Using the detailed General Fund forecast, MR. VINCENT pointed out how the budget drawdown fund and reserve funds would be used to meet the City's budget shortfalls in 2009 and 2010. He also pointed out the budget anticipates the lease payments for the new City Hall.

COUNCILMAN BARLOW requested clarification of the expenses forecast for new operations and maintenance and MR. VINCENT explained that those figures anticipated the need to fund staff for fire stations coming on-line in the future. MR. VINCENT also informed COUNCILMAN BARLOW that the Cumulative New Debt Service anticipated the estimated expense of the lease payment for the new City Hall and explained how the purchase of the new City Hall would be financed, funded and bonded as an asset.

COUNCILMAN BROWN observed that the majority of the City's revenue came from the Consolidated Tax (C-Tax) and suggested that the C-Tax rewards development. Mr. VINCENT agreed and noted that State legislation in 2005 had made the C-Tax more responsive to growth. COUNCILMAN BROWN noted that the City's ability to increase its C-Tax revenue in the future was limited because the City would become the first municipality to become landlocked. MR. VINCENT concurred and stressed the importance of the downtown redevelopment and developing upward rather than outward. COUNCILMAN BROWN commented that the Redevelopment Agency (RDA) could become the major source of revenue for the City and MR. VINCENT agreed.

COUNCILMAN WOLFSON stated that 75 percent of the City's costs are labor and noted the City's labor expenses were forecast to increase by 6.7 percent for the next several years. He pointed out that the fundamental review of City services does not include a separate review of labor cost issues. CITY MANAGER SELBY explained that the fundamental review would examine how services are provided, how they are staffed and the cost of staffing. He stated that any changes to wages and benefits would have to be done through collective bargaining. CITY MANAGER SELBY explained that the class and compensation study would assist the City in determining whether employees were being reasonably compensated and would be incorporated

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in the City's contract negotiations. With regards to long-term contracts not open for negotiation, CITY MANAGER SELBY stated that the collective bargaining unit would have to agree to re-open the contracts early if the City found itself in a position where it could not meet its obligations. He noted that the City's control was limited to reducing the amount of labor and there was no control over the cost of labor.

CITY MANAGER SELBY informed COUNCILMAN WOLFSON that several different kinds of meetings and various newsletters were being utilized to keep City employees informed and educated regarding the City's budget. He stated the City's workforce is its most important asset in an economic downturn when resources are limited and expectations remain high.

MR. VINCENT added that one reason the City of Vallejo was forced to file for bankruptcy was the reluctance of the collective bargaining units to reopen contract negotiations.

COUNCILMAN WOLFSON stated that City should not have the expectations of current employees, but suggested that the expectations for future employees should be different and the focus of the City's efforts.

COUNCILMAN ROSA requested more information on what happened between the City of Vallejo and its collective bargaining units. He recognized CITY MANAGER SELBY'S efforts to keep the City's workforce informed. COUNCILMAN BROWN noted that Performance Plus enables the City to function like a business and stated the City is setting the example for the rest of the State.

COUNCILMAN BROWN stated the City needs to protect employees currently in the system and noted a new kind of public employee would need to be created because issues with retirement funds were beginning to arise. He encouraged the City work with the unions to find long-term solutions. He suggested that the benefits package for appointive employees could be the basis of the package for the collective bargaining units and he encouraged the City to begin a dialogue so the Council has discretion while the unions are protected.

COUNCILWOMAN TARKANIAN recollected that different benefit packages for new City employees had been discussed and wondered if any progress had been made. CITY MANAGER SELBY explained that any changes to benefits would be subjected to negotiations with the collective bargaining units. He agreed that the different benefits and compensation for new employees was a realistic solution to the increasing laborious issue.

MAYOR GOODMAN stated that the Council is responsible for ensuring that the City's future remains sustainable and that future Councils should not be punished by this Council's inaction.

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MR. VINCENT added that the City's most significant financial outlays are related to post-employment liabilities and noted that those liabilities and their impact on the City and the State would have to be examined.

In response to COUNCILWOMAN TARKANIANS question, MAYOR GOODMAN confirmed that the City and the unions would have to take action now to address ballooning benefit and compensation costs. He commented that the City would have to take a pragmatic approach and adjust to the changing times to ensure the City's future is protected.

COUNCILMAN WOLFSON observed that the City no longer has difficulty attracting employees and emphasized that the expectations of new employees should be different from those of current employees.

MR. VINCENT pointed out the significant budget shortfall if funds were not frozen and applied differently. He also explained that the Fund Balance acts as a buffer and reserve because most of the City's revenue streams are disbursed at irregular intervals. He stated that without the reserve, the City would be forced to layoff employees.

MR. VINCENT informed COUNCILMAN BROWN that the City is not statutorily required to have a fund balance and explained that a negative fund balance would never happen.

MR. VINCENT highlighted the few changes in the Five Year Capital Project Plan which included an increase of two hundred thousand dollars. He stated the increase was driven by the decision to issue additional RDA bonds to fund RDA projects and the capitalization of the lease/purchase for the new City Hall.

MR. VINCENT also pointed out that the Redevelopment Agency (RDA) balance was nearly 25 million dollars, noting that the RDA has had a 22.4 percent average rate of growth in tax revenue in the last five years. He noted that the tax revenue reflected the City and Council's successful efforts in redevelopment. MR. VINCENT added that the RDA's debt service would be reduced by 3.7 million dollars as some old debt would be retired and briefly described how the bond proceeds and carry-over funding would be used.

MR. VINCENT concluded by noting the Citizens Priority Advisory Council had approved the City and RDA final budgets and he submitted a copy of that approval for the Mayor's signature. He also stated the City's tentative budget had been accepted by the Nevada Department of Taxation and the final budget would be filed on June 1.

COUNCILMAN BARLOW stated that Kansas City was experiencing challenges collecting money regarding tax increment financing and wondered what provisions the City of Las Vegas had to prevent a similar situation. SCOTT ADAMS, Director of the Office of Business

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Development, explained that safeguards are built into the system and he briefly described how those monies would be collected. MR. VINCENT added that the RDA has a sunset clause and explained that as that sunset approaches, tax increment financing would become less useful. He stated that once the RDA goes away, those tax revenues will be distributed back to all overlapping agencies.

In response to MAYOR GOODMAN'S question, MR. VINCENT stated the RDA housing set-aside funds had not been expended and noted several projects were being considered for those funds. STEVE HARSIN, Director of Neighborhood Services, concurred with MR. VINCENT'S remarks and added that the money had to be spent on affordable housing. He stated he would be giving a report on what the RDA funds will be spent on at an upcoming meeting. MAYOR GOODMAN suggested using the funds to purchase foreclosed homes and selling the homes as affordable housing.

TOM MCGOWAN, Las Vegas resident, stressed the importance of total quality management and the importance of applying the principles of total quality of management to both management and employees.

MAYOR GOODMAN declared the Public Hearing closed for items 5 and 6.

