



FUNDAMENTAL SERVICE REVIEW

Submitted after meeting
Date 12/3/08 Item # 85

City Council Direction

City Council Direction

- FSR efficiency reductions
 - Eliminate \$4.5M in vacant positions
 - Eliminate \$1.9M in non-labor costs
 - Implement additional \$20M in non-labor budget reductions in FY09
 - Review all non-GF revenues and expenditures
 - Pursue organizational restructuring and strategic service changes with no FTE impacts
 - Suspend 12% fund balance policy
 - Phased implementation of fee increases
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City Council Direction

- Use stabilization fund for three purposes
 - Create a trust for unfunded liabilities
 - Revenue stabilization
 - Maintain 10% GF balance
 - Delay CIP projects to avoid increased labor costs (not more than 2 years)
 - Work with labor units to reduce labor cost growth to be in balance with revenue growth projections
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City Council Direction

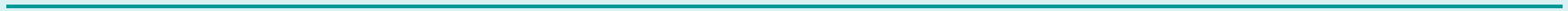
FSR efficiency reductions

- ✓ Eliminate \$4.1M in vacant positions
 - ✓ Eliminate \$1.9M in non-labor costs
 - ✓ Early elimination of paystub distribution - \$15K
 - ✓ Early standardization of office supplies - \$200K
 - ✓ Early implementation of City Manager, Communications, and Business Development reductions - \$2.5M
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City Council Direction

Implemented additional \$20M in non-labor budget reductions in FY09

- ✓ Reductions have been identified and will be removed in January 2009



City Council Direction

Pursue Organizational Restructuring and Strategic Service Changes with no FTE impacts

- ✓ Special Events consolidated in the Cultural Affairs Division
 - ✓ Traffic Signal Repair and Operations Sections consolidated in Public Works
 - ✓ Roadway Lighting and Area Lighting Sections consolidated in Public Works
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Revenue Outlook

Budget Impacts of Actions Taken

Vacancy Management Plan:

Labor Savings	\$ 18.5 M
Non-Labor	2.1 M

Fundamental Service Review:

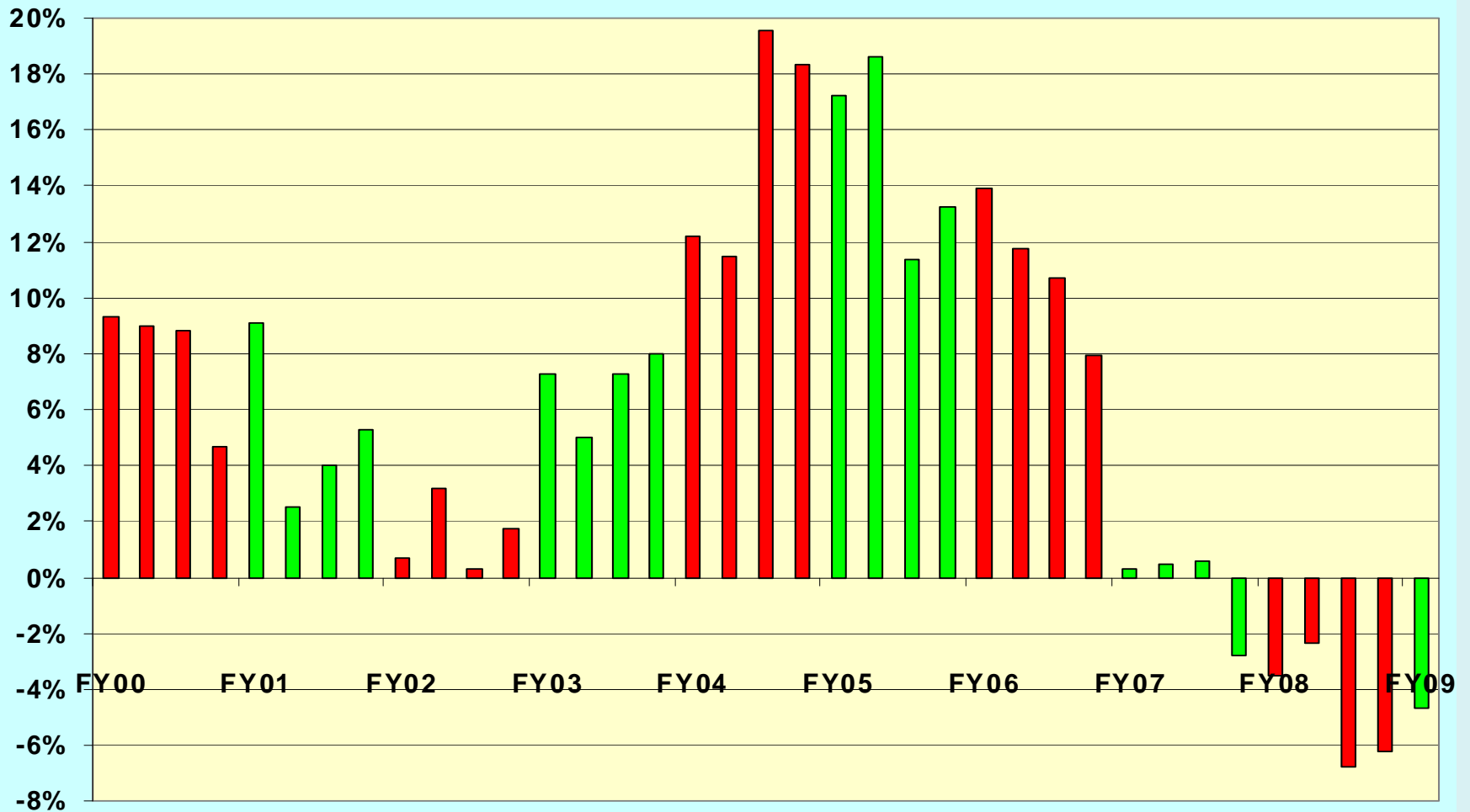
Already Vacant	4.1 M
Non-Labor	1.9 M

Additional Non-Labor reductions	<u>20.0 M</u>
	\$ 46.6 M

(8.4% cost and 7.2% staff reductions based on FY09 baseline budget)

C-tax and Property Tax Update

C-Tax History
(by Quarter, color-coded by FY)

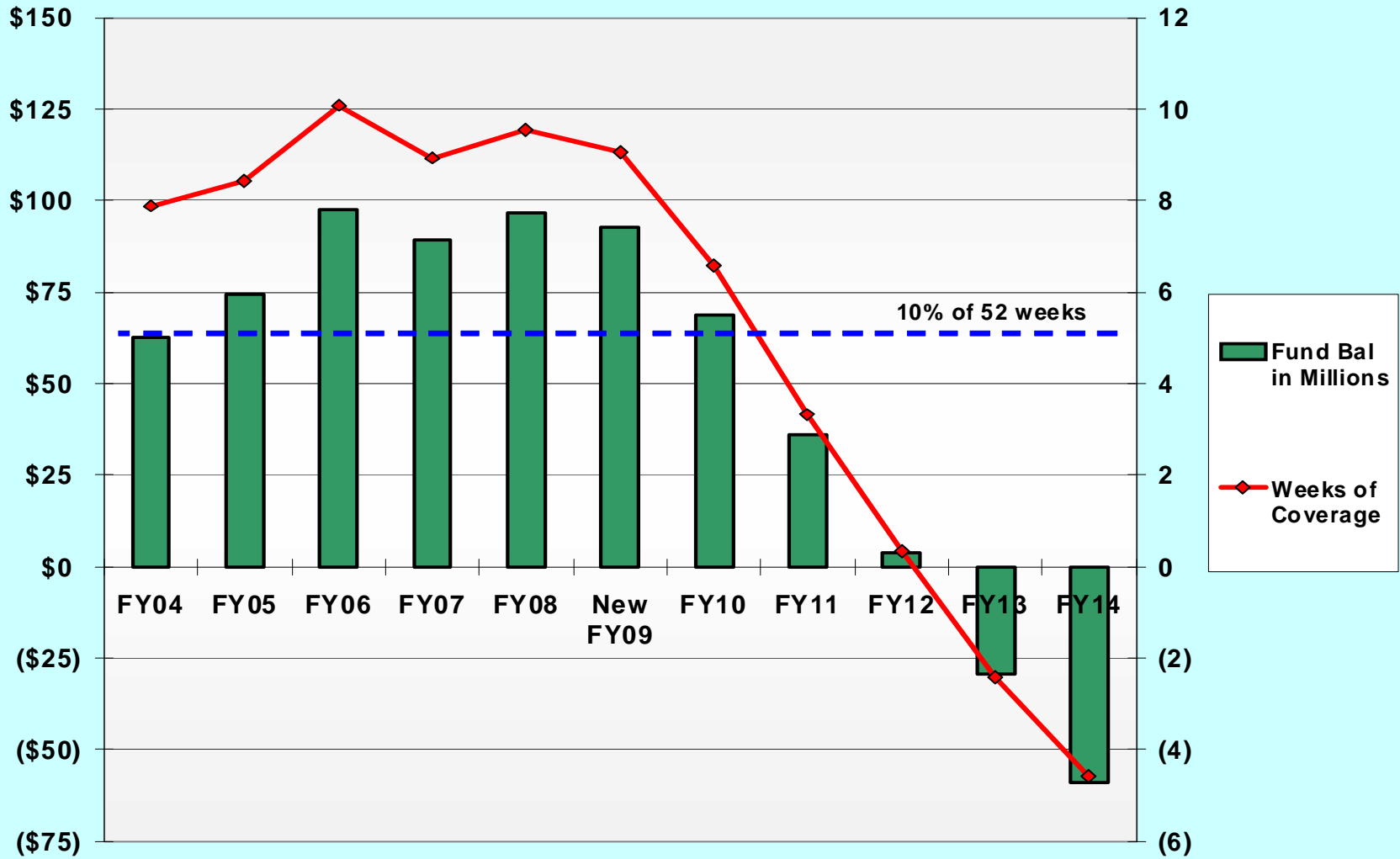


C-tax and Property Tax Update

- September 2009 Home Prices down 31%
 - Las Vegas MSA leads the nation in foreclosures per household (3X US average)
 - Another round of variable rate mortgages (ARMs) are scheduled for rate adjustments in CY09
 - Commercial properties facing foreclosure / bankruptcy due to 30+% reduction in retail sales
 - Current AB489 tax abatement could be eliminated in FY10 or FY11
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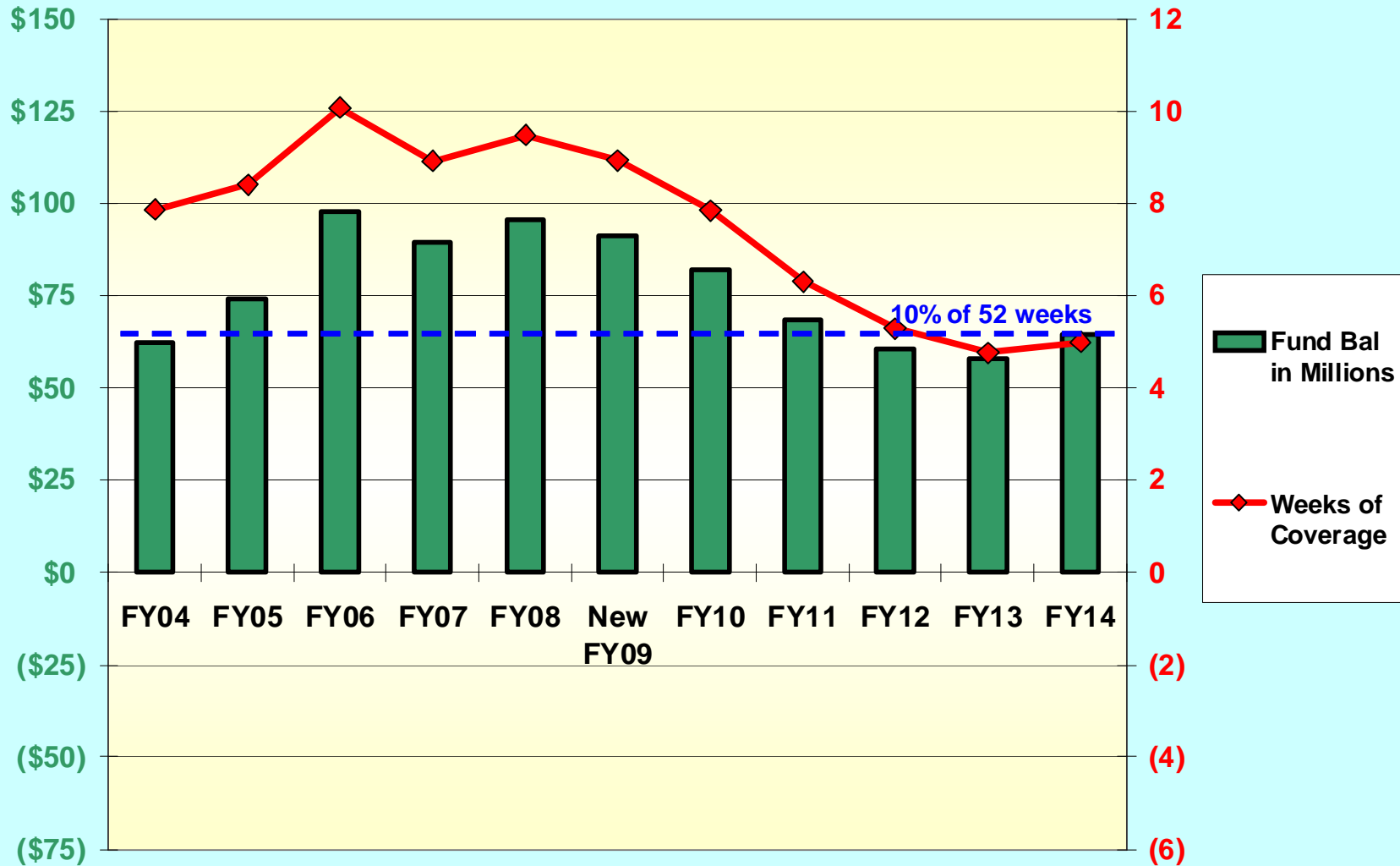
Baseline Model

GF Reserves (\$000,000) vs. Number of Weeks Coverage



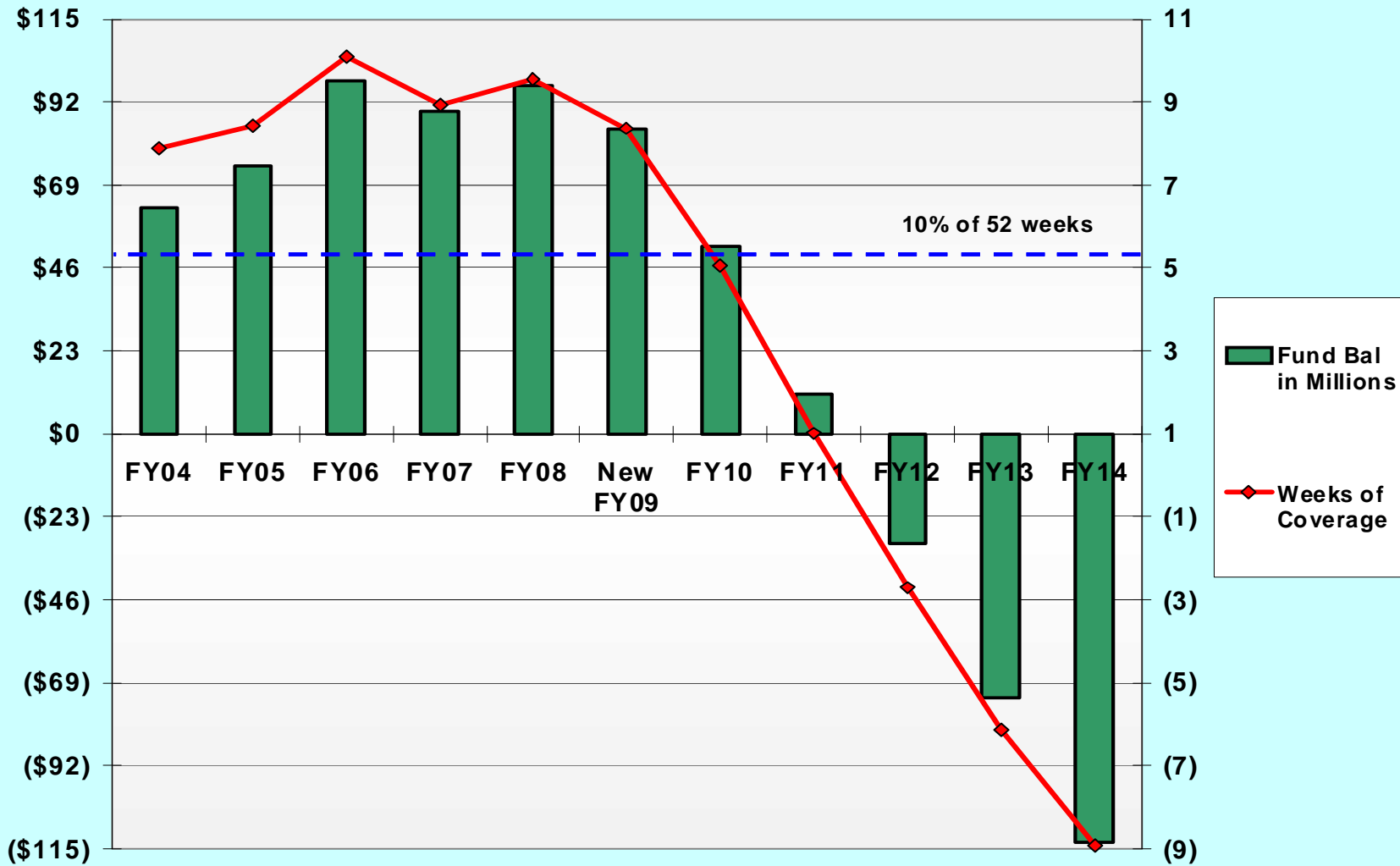
CMO Recommendation – October 6

GF Reserves (\$000,000) vs. Number of Weeks Coverage



1st Quarter FY09 Review

GF Reserves (\$000,000) vs. Number of Weeks Coverage



Triggers for Corrective Action

- Balance continued monitoring against tendency to overreact with minor changes
 - Review monthly, report quarterly, revise Action Plan semi-annually if:
 - Reductions to total revenue exceed 2% of the previous official modeling, or
 - Such reduction exceeds 50% of the available Stabilization Fund balance
 - Conversely, total revenue increase over 2% could reduce or delay corrective actions
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City Council Direction

Revenue Stabilization Fund

- ✓ We will provide a resolution for Council consideration to create a Revenue Stabilization Fund using language from BDR

Fund Balance Policy

- ✓ 12% fund balance policy will be suspended to allow for a 10% target given the creation of a Revenue Stabilization Fund
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City Council Direction

Phased Implementation of Fee Increases

- ✓ Council briefings starting this month
- ✓ Phase in over 3 to 5 years
- ✓ Business Impact Statements where appropriate
- ✓ Target implementation starting July 2009
 - Fee studies in progress for Departments of Building & Safety and Leisure Services

Note: Expired Permit Reissuance Program

City Council Direction

Delay CIP projects (not more than two years)

- ✓ Reviewing the Fire and Rescue 10 year plan
 - ✓ Attempting to mitigate the impact of new SNPLMA projects with existing staffing
 - ✓ Will bring revised CIP list for Council consideration in early Spring
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City Council Direction

Work with labor units to reduce labor costs

- ✓ Regular discussions with CEA leadership
 - ✓ Informal meetings with PPA, POA, and IAFF leadership
 - ✓ All requested financial data has been delivered to CBAs
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FY10 Corrective Action Plan

- Fill only critical vacant positions
 - Eliminate all non-critical vacant positions in FY10 budget
 - Implement targeted Voluntary Separation Incentive Program by February 15
 - Integrate negotiated labor reductions into the FY10 budget, including commensurate reductions in Metro funding
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FY10 Corrective Action Plan

- Implement modified FSR layoffs after March 1, 2009 to remedy the remaining gap
 - Pursue organizational restructuring and strategic service changes with FTE impacts before May 2009
 - Identify any additional program and service reduction areas necessary to fill any remaining revenue/expense gaps
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Fundamental Service Review Update

Summary of Recommended Actions

- Bring forward Fee Schedules
 - Accept triggers for modifying Corrective Action Plan based on financial modeling
 - Bring forward Revenue Stabilization Resolution
 - Continue to work with bargaining units
 - Follow staff's recommendation to implement the FY10 Corrective Action Plan
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