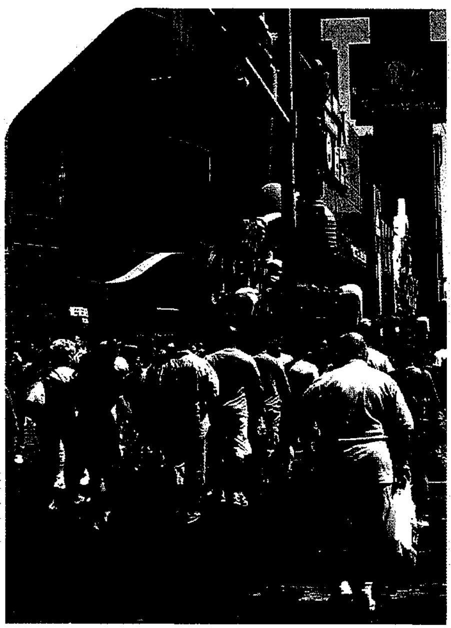
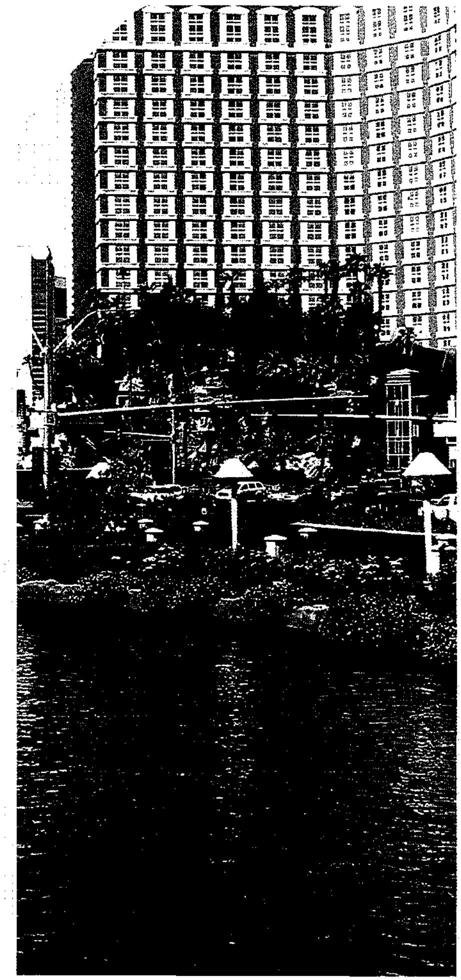
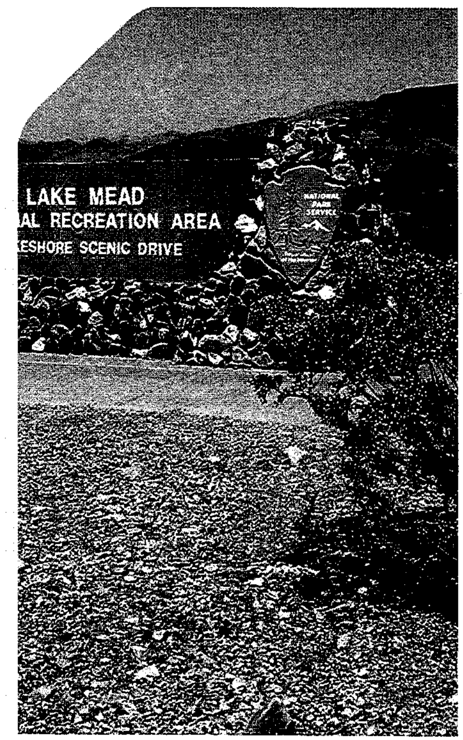
Clark County Monitoring Program

Q3 2008

Indicator Brief







Economic | Fiscal | Public Health and Safety | Environmental | Demographics

Submitted at City Council
Date 1/7/09 Item #40


HILTON

CLARK COUNTY MONITORING PROGRAM

The Indicator Brief is a publication of the Clark County Monitoring Program. The Monitoring Program was developed to provide a foundation for on-going policy discussions and a baseline from which economic, fiscal or social changes could be monitored over time.

As a briefing document, the Indicator Brief is not intended to be comprehensive. Rather, this summary is intended to highlight the salient findings of the research conducted during the 3rd quarter of 2008. It is subdivided into the program's five core study areas: economic, fiscal, public health and safety, environmental and demographics. Substantial additional information is available on the Monitoring Program's webpage www.monitoringprogram.com.

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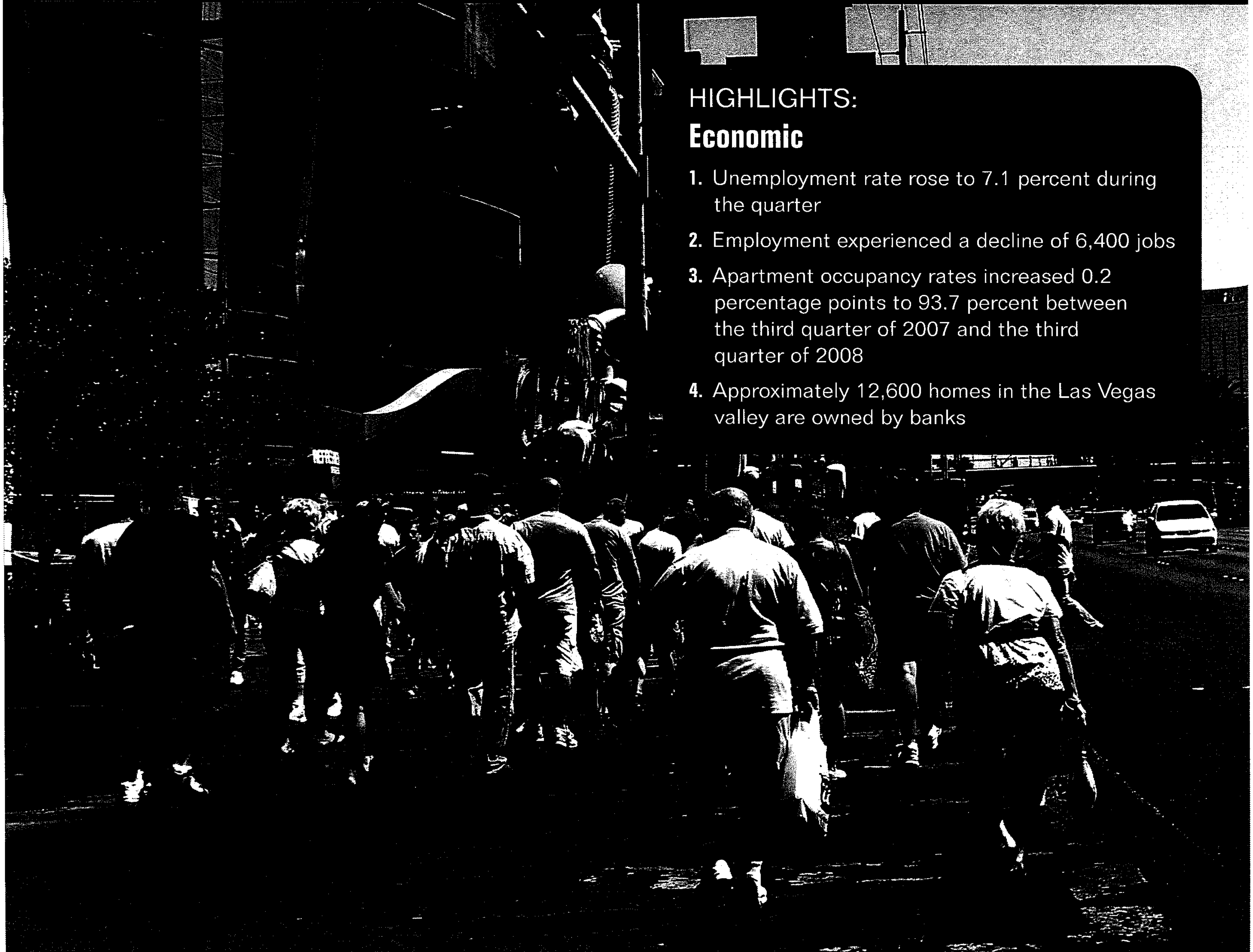
APPLIED ANALYSIS

Urban Environmental Research, LLC



HIGHLIGHTS:

Economic

1. Unemployment rate rose to 7.1 percent during the quarter
2. Employment experienced a decline of 6,400 jobs
3. Apartment occupancy rates increased 0.2 percentage points to 93.7 percent between the third quarter of 2007 and the third quarter of 2008
4. Approximately 12,600 homes in the Las Vegas valley are owned by banks

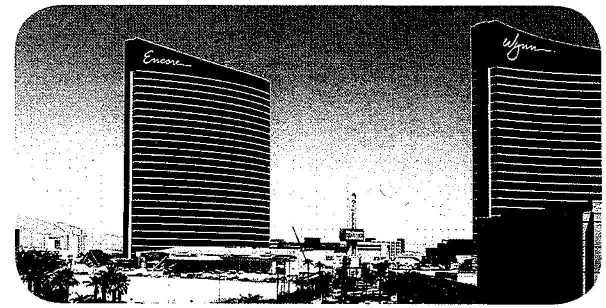
Economic Overview

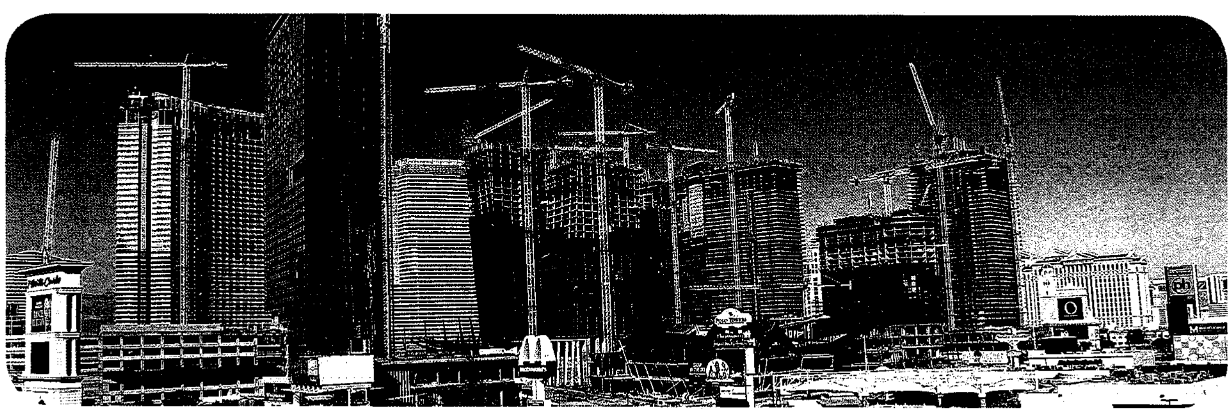
Nevada's economy is arguably at its weakest point in the past 20 years. The state's unemployment rate currently stands at 7.1 percent, a full point higher than the national average; net employment is down 8,500 jobs during the past 12 months; foreclosure activity continues to lead the nation; and residential permitting has dropped to 10-year lows as population in-migration has slowed to levels not seen since the early 1980s. Nevada is not immune to the nation's financial or confidence crises, particularly weak consumer confidence levels and low intent to travel readings that point to a continued deterioration of the region's disposable income-dependent economy.

All this being said, largely absent from the discussion is any measure of balance. Much has been written about the 12,600 residential homes owned by banks today, while little has been written about the more than 500,000 homeowners that remain current on their outstanding obligations. Much has been written about the failures of Silver State Bank and First National Bank of Nevada, with relatively little commentary given to the reality that the vast majority of Nevada's 42 charted financial institutions continue to lend money to home and car buyers as well as businesses. Much has been written about recent double-digit drops in gross gaming revenues, without any discussion of the double-digit gains recorded during most of the past five years or the reality that Las Vegas occupancy rates averaged 89 percent through the first seven months of 2008.

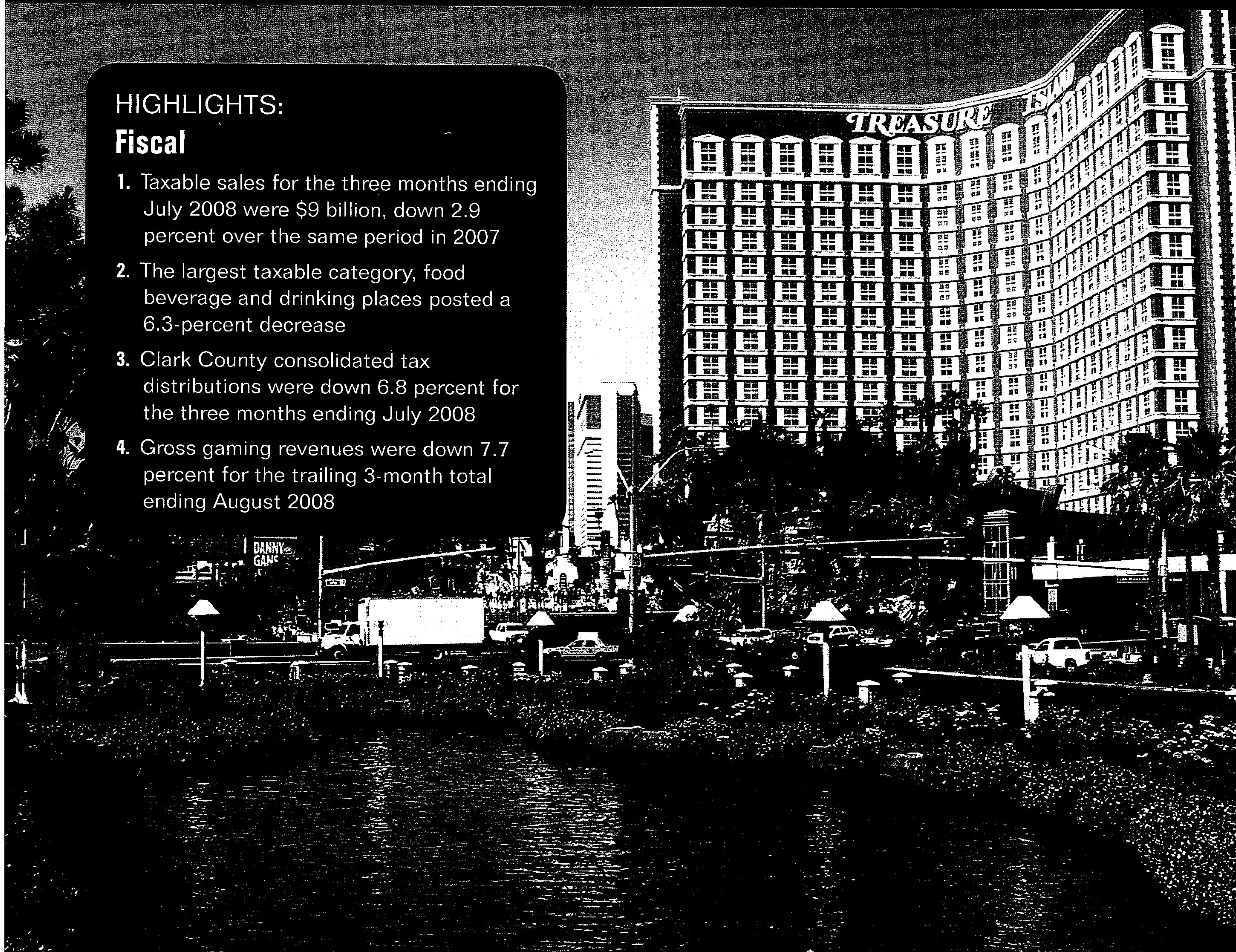
Noting these statistics should be viewed as a matter of perspective and not a lack of concern regarding the state's current economic situation. A review of leading indicators suggests the condition is tenuous and will likely worsen during the next two quarters. Offsetting the positive recent contributions of Congress and the Federal Reserve Bank will likely be increased instability in Nevada's commercial markets and the potential for land price volatility. Office inventories continue to expand even while reporting 17-percent vacancy rates in southern Nevada and 19-percent vacancy rates in northern Nevada. Major anchor retailers are closing underperforming stores, leading to rising vacancies in neighborhood centers and community centers throughout the state. Slower rates of population and employment growth will inevitably translate into softer demand for residential units and commercial space, keeping the rate of economic expansion modest through 2008 and most, if not all, of 2009.

The coming year (2009), however, is not devoid of promise or possibility. The year will begin with the introduction of Wynn's Encore (scheduled to open by New Year's Eve) and will end with the opening of MGM MIRAGE's $9.2-billion CityCenter project. These two developments alone will require more than 20,000 full-time workers. The residential market is also showing preliminary signs of approaching its bottom. Existing home sales have crept up in recent months and existing home prices are falling at a slower pace. After declining for 22 consecutive months, statewide permitting activity increased slightly for the 12 months ending July and August. Current price points remain a formidable barrier for most residential development; however, apartments continue to report occupancy rates of 93.7 percent in the Las Vegas metropolitan area. Lower land prices also bode well for industrial developers, which have reported a dearth of developable property relative to demand, particularly in southern Nevada.





While it has become somewhat of a faux pas to focus on the fundamentals when the nation's economy is reporting such profound weakness, there is a reason why Nevada has led the nation in population, employment and income growth during the past 20 years. The state's pro-business tax structure, proximity to major Western markets, steady stream of new employees and 53.4 million annual visitors provide fertile soil for business growth. Nevada's position as a low-cost haven for working families and retirees was strained with housing prices doubling during the past several years, but today median home prices are rapidly approaching 2003 levels even as per-capita incomes remain higher-than-average. Although no one can say with certainty how long the current economic downturn will persist, it will end eventually. And, when it does, Nevada's relative positioning is likely to resemble more of the past 18 years than the past 18 months.



HIGHLIGHTS:
Fiscal

1. Taxable sales for the three months ending July 2008 were $9 billion, down 2.9 percent over the same period in 2007
2. The largest taxable category, food beverage and drinking places posted a 6.3-percent decrease
3. Clark County consolidated tax distributions were down 6.8 percent for the three months ending July 2008
4. Gross gaming revenues were down 7.7 percent for the trailing 3-month total ending August 2008

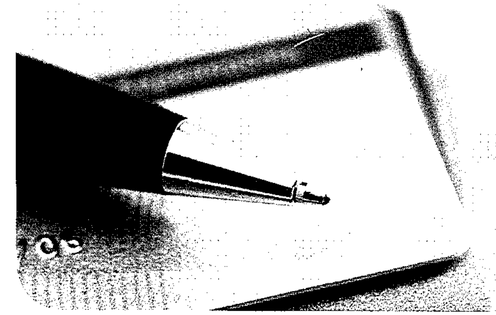
Fiscal Overview

Tax collections for local governments have been negatively influenced by declining taxable sales and gaming revenues, in addition to slowdowns in vehicle registrations, real property transfers, and falling hotel occupancies and average daily room rates. State and local budget cuts have been implemented and reserves have been materially reduced. Many of these cuts, however, utilized one-time funding sources, threatening the state's ability to maintain essential service levels into the next fiscal years when those one-time monies must be replaced with recurring revenue sources. According to the latest statistics released by the Nevada Department of Taxation, taxable retail sales activity totaled $9.0 billion during the trailing three-months ending July 2008. This translated into a 2.2-percent decrease in taxable retail sales for Clark County when compared to the same three-month period in the previous year. The largest retail sales category, food service and drinking places, posted a decrease of 6.3 percent when compared to the same timeframe in the previous year, although collections were impacted by the Nevada Supreme Court's ruling that the "use" portion of the tax is no longer required on "comped" food and beverage. Motor vehicle sales, the second-largest contributor to aggregate retail sales volumes, also reported a 7.9-percent decrease. This is the second lowest reported sales value for this category within the last three years.

Commercial construction, buoyed by significant investments in the hotel-casino sector, continued to bolster taxable sales collections during the quarter. Construction of buildings and specialty trade contractor categories in particular, posted quarterly gains of 45.8 percent and 37.5 percent, respectively, from the same 3-month period previous year.

Inflation-adjusted per-capita spending in Clark County declined by 6.4 percent when compared to the same three months of the prior year (ending July 2007). With current expectations likely to influence the future longer-run sales, we expect per-capita spending growth to remain soft as the housing market continues its current trend and impact on resident spending. In addition, we anticipate expansions in the employment sector to be softer than in previous years, also affecting spending.

Clark County's consolidated tax distributions for the three-month period ending July 2008 (most recent data available) amounted to $225.5 million, representing a 6.8-percent decrease when compared to the same period in 2007. Annual comparisons for Clark County liquor tax revenues were up 0.1 percent when compared to the



same period of the previous year, while cigarette tax collected in Clark County reported a 4.7-percent decrease during the same three-month period.

Motor Vehicle Privilege taxes, which stem from vehicle registration payments, were down 3.9-percent year-over-year. During the past 12-months a total of $106.1 million was collected, representing a 0.7-percent decrease when compared to the $106.7 million collected in the same 12-months of the previous year. Continued declines are expected as less sales activity make vehicle depreciation the stronger force. Real property transfer tax revenues amounted to $7.1 million at the end of second quarter 2008 (latest data available). This represents a significant increase from the previous quarter (18.1 percent); however, substantially less than the collections during the same quarter of the prior year (-27.1 percent).

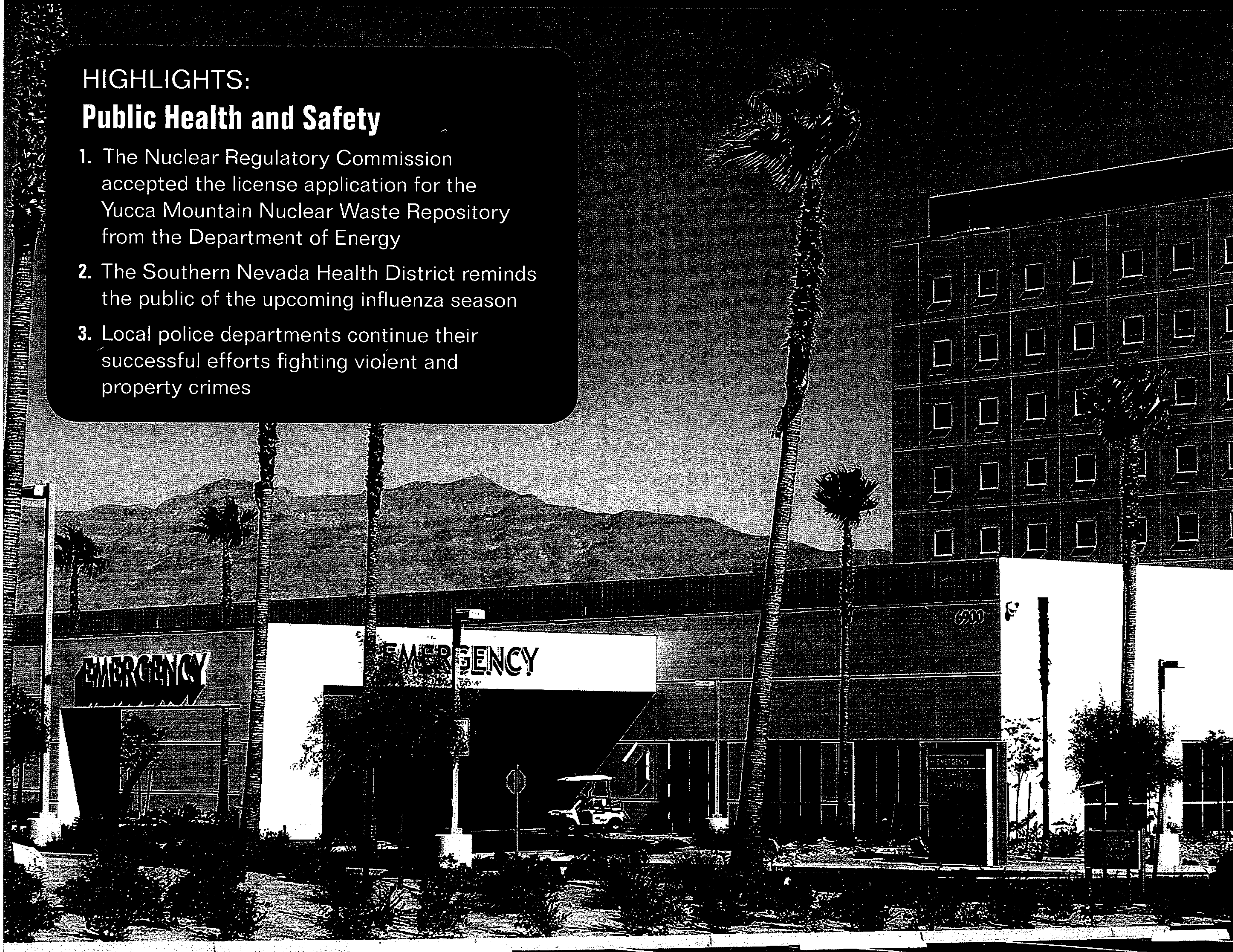
From a gaming perspective, gross gaming revenues for Clark County fell 7.7 percent year-over-year for the trailing 3-months ending August 2008. The Las Vegas Strip, which accounted for 63.1 percent of Clark County gaming revenues during the past twelve months, reported annual declines of 8.8 percent.

It remains clear that consumer spending has significantly cut back when compared to previous quarters. Residents have experienced a decline in their perceived value within their investment portfolios, retirement plans, as well as any real estate properties owned. With that said, consumers are hesitating to spend, and will therefore directly affect the overall fiscal collections and monies collected by the local government.

HIGHLIGHTS:

Public Health and Safety

1. The Nuclear Regulatory Commission accepted the license application for the Yucca Mountain Nuclear Waste Repository from the Department of Energy
2. The Southern Nevada Health District reminds the public of the upcoming influenza season
3. Local police departments continue their successful efforts fighting violent and property crimes



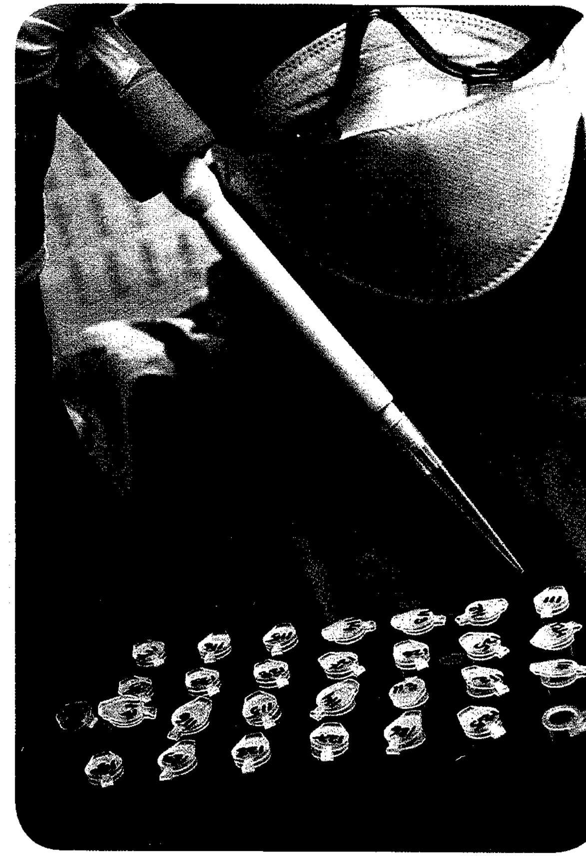
Public Health & Safety Overview

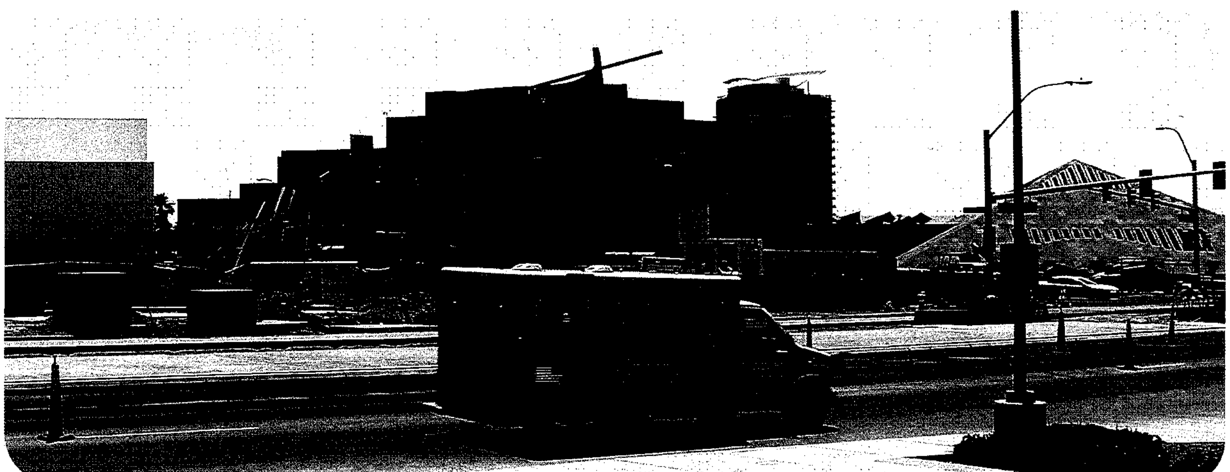
A milestone in the continuing attempts to develop a nuclear waste repository at Yucca Mountain was reached on September 8, 2008 when the Nuclear Regulatory Commission (NRC) accepted the application submitted by the Department of Energy. In its decision statement, the NRC indicated that the application "contains sufficient information for the agency to move ahead to the next stage of formal review." As reported by the Stephens Washington Bureau, this move opens the way for detailed safety studies and hearings on the project, followed by other scientific and administrative reviews, such as a requested study to ensure that radioactive toxins from the site will not leech into the water table, which are expected to last for a period of three to four years. Placement of the 8,600-page license application on the docket followed a 90-day review by NRC staffers and consultants to ensure that it was sufficiently complete to proceed.

Members of the Nevada congressional delegation were quick to point out that the fight against the Yucca Mountain project had not come to a close as a result of the NRC's acceptance. Delegation members noted that there are many obstacles that the application must yet overcome to include scientific, budget, and not the least, political. As noted by Stephens Media, the fate of the project could well lie in the upcoming national elections. While the Republican candidate has indicated that he supports the project if supported by scientific evidence, the Democrat candidate has said he will halt the project if elected.

On September 30, 2008, Bob Loux, the executive director of Nevada's Nuclear Projects Agency resigned after 23 years of leading the state's fight against the Yucca Mountain Nuclear Waste Repository. In accepting Loux's resignation, the Nevada Nuclear Projects Commission noted his excellent work over the years on behalf of the State of Nevada. Mr. Loux will remain in his position until such time as a replacement is appointed.

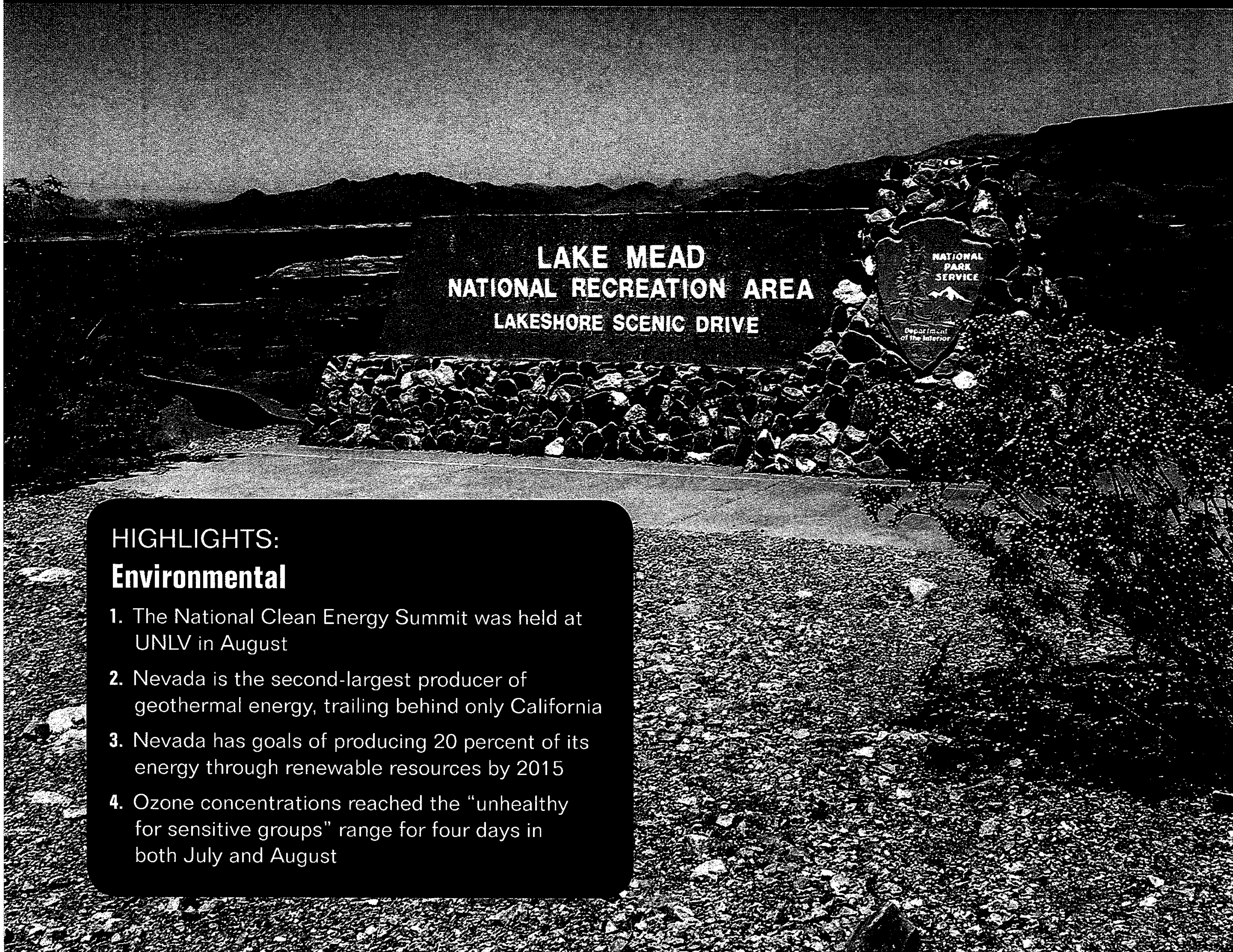
Now available in the public health and safety's health care section of the Monitoring Program are links to the Southern Nevada Health District's Annual Reports to the Community. These reports highlight the work of the District over the years and are comprehensive sources of information. The District staff also reminds the public that their website, www.southernnevadahealthdistrict.org, contains seasonally updated information on public health-related matters.





Currently listed is information on the health risks related to illegal food vendors, mosquitoes, and the annually recurring influenza season that is about to be upon us.

Crime statistics received from our local police departments show a continuing focus on violent and property crimes. In the area of violent crime, sexual assaults head the list of growing concern, while homicides, robberies, and assaults with a gun showed decreases in the third quarter. The three major areas of property crime: burglary, auto burglary, and auto theft, all showed a decrease.



HIGHLIGHTS:

Environmental

1. The National Clean Energy Summit was held at UNLV in August
2. Nevada is the second-largest producer of geothermal energy, trailing behind only California
3. Nevada has goals of producing 20 percent of its energy through renewable resources by 2015
4. Ozone concentrations reached the "unhealthy for sensitive groups" range for four days in both July and August

Environmental Overview

At the recent National Clean Energy Summit held at UNLV in August this year, Nevada Senators asked the federal government to take the lead in "this [nationwide] energy drama." A couple of months later, Governor Jim Gibbons reinforced the idea of furthering Nevada's efforts towards achieving energy independence by strengthening the state's working relationship with federal officials during his August visit to Washington D.C. "With the federal government's majority ownership of Nevada, it's critical that we work together to develop these resources", he said. The statement ties well to his executive order released in June this year to create a second phase of his Renewable Energy Transmission Access Advisory Committee that will further the committee's first efforts of identifying transmission corridors necessary for renewable energy development in Nevada. Clark County and the State of Nevada have been at the forefront of clean energy production in the nation. Nevada is the second-largest producer of geothermal energy after California. On the supply side management (SSM), the state pursues a rigorous Renewable Portfolio Standard, with a target of producing 20 percent of its energy through renewable resources by 2015.

On the Yucca Mountain nuclear repository front, the Department of Energy submitted a proposal to the Nevada Bureau of Land Management to extend their withdrawal of 4,255 acres of public land for the Yucca Mountain project for an additional 12 years to 2022. The public lands are withdrawn from leasing under the mineral leasing laws in order to maintain the physical integrity of the subsurface environment at Yucca Mountain. Site characterization activities will be used to determine the suitability of Yucca Mountain for a permanent nuclear waste repository. These lands were initially withdrawn in 1990 by Public Land Order 6802 for 12 years. A second withdrawal for an additional eight years was granted by Public Land Order 7534 in 2002. That withdrawal will expire in 2010.

The Groundwater Development Project undertaken by the Southern Nevada Water Authority (SNWA) to develop and convey up to 200,000 acre-feet per year of groundwater from six hydrographic basins in northern Clark, central Lincoln and eastern White Pine Counties continues to progress. This progress includes the preparation of an Environmental Impact Statement by the Bureau of Land Management for the project. In addition, the Nevada State Engineer will conduct an administrative hearing on the SNWA's applications for un-appropriated groundwater in Snake Valley in 2009.

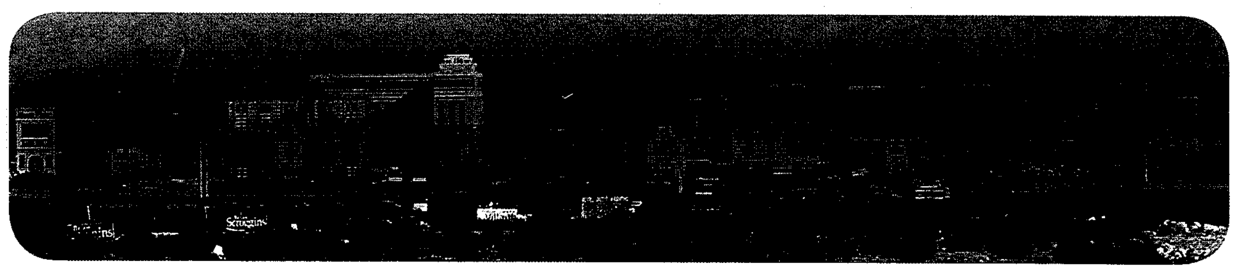
SNWA's largest water conservation program, Water Smart Landscapes (WSL) provides financial incentives to convert turf grass to water efficient landscaping. As of the end of September, WSL had facilitated conversion of more than 117.4 million square feet of turf, translating into more than 6.5 billion gallons per year in savings, since the program's inception. To date the program has provided over $122 million for 32,996 projects in the area. Due to the aggressive efforts of SNWA and other local water agencies in the region to conserve water, southern Nevada reduced its consumptive water use by nearly 15 billion gallons between 2002 and 2007, despite the addition of 400,000 new residents and nearly 40 million annual visitors in 2007. These conservation efforts continue, as the SNWA currently plans to achieve a conservation goal of 250 gallons per capita per day (GPCD) by 2010, and 245 GPCD by 2035. Progress toward this goal is estimated annually. The SNWA reported GPCD for 2007 is 255 gallons.

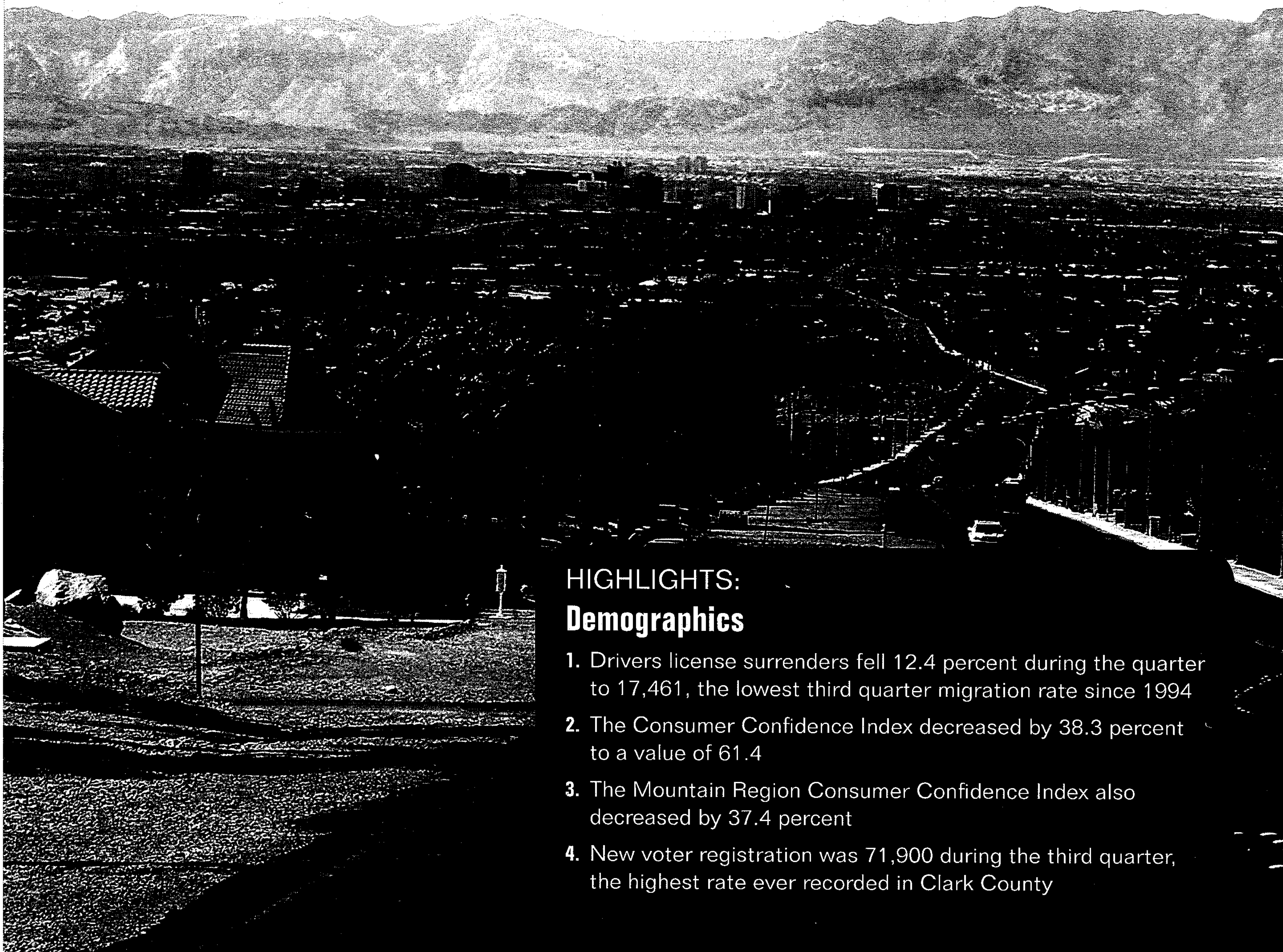
A look at the 2006 water consumption patterns in the valley shows that the residential sector was responsible for 59 percent of all water consumption in the Valley, 44 percent by single-family residences and 15 percent by multi-family residences.

Presently, southern Nevada gets nearly 90 percent of its water from the Colorado River, and only 10 percent from groundwater. Currently, about 40 percent of the annual water usage in the Las Vegas Valley is reclaimed and either reused at the golf courses or returned to Lake Mead for return flow credits, and about 60 percent is used consumptively for outside irrigation, evaporative losses from pools and artificial lakes, distribution system losses, etc.

According to the Bureau of Reclamation, Lake Mead elevation at the end of September 2008 was about 1106 feet above sea level, 5 feet lower than in September 2007.

Clark County Department of Air Quality monitors key pollutants at 18 sites across Clark County, 14 of which are located in the Las Vegas Metropolitan Area. Monitored pollutants include particulate matter of 10 microns and 2.5 microns size (PM-10, and PM 2.5). Ozone, which is a photochemical oxidant and the main component of smog at the ground level is also measured along with carbon monoxide. Each pollutant is measured using the Air Quality Index, with an AQI rating of 100 corresponding to the concentration of the federal standard for that pollutant. Finally, for ease of monitoring, all AQI values are normalized over a five-point scale of "good," "moderate," "unhealthy for sensitive groups," "unhealthy", "very unhealthy" and "hazardous." In the last quarter, ozone concentrations reached the "unhealthy for sensitive groups" range for four days in July and four days in August. PM-10 reached the "unhealthy for sensitive groups' range" for 1 day in July. Carbon Monoxide and PM 2.5 levels stayed in the "good" to "moderate" range throughout the quarter.





HIGHLIGHTS:

Demographics

1. Drivers license surrenders fell 12.4 percent during the quarter to 17,461, the lowest third quarter migration rate since 1994
2. The Consumer Confidence Index decreased by 38.3 percent to a value of 61.4
3. The Mountain Region Consumer Confidence Index also decreased by 37.4 percent
4. New voter registration was 71,900 during the third quarter, the highest rate ever recorded in Clark County

Demographic Overview

Economic uncertainty prevails across the country, a factor which is materially impacting population migration patterns. Employment and retirement are the two largest motivating factors for people moving into southern Nevada. A weakening economy, a general sense of uncertainty and an unprecedented number of households that are tethered to homes where they owe more than the home is worth, is increasing downward pressure on in migration. During the third quarter of 2008, 17,461 drivers' licenses were surrendered, representing a 12.4 percent decrease from the 19,925 surrendered during the same quarter in the previous year. The twelve month rolling total ending September 2008 was also down 11.6 percent, after being down 8.5 percent during the same period of 2007. It is important to note that the third quarter historically is the largest in migration rate experienced during the year. Current conditions represent the lowest third quarter total in migration rate reported since 1994.

Current conditions continue to exhibit weakness. The national Consumer Confidence Index ("CCI") decreased during the third quarter of 2008 when compared to the same quarter in the previous year. During September (the last month of the quarter), the index decreased by 38.3 percent to an index value of 61.4, a change attributable to both the deterioration in consumer attitudes toward their present situation (down 49.6 percent) and decreased hopes in their future expectation (down 27.6 percent). It is important to note that future expectations when compared to the previous month have increased, showing a current belief of improvement on the horizon.

The Mountain Region CCI (which includes Nevada) experienced a similar trend decreasing 44.9 points to an index value of 75.0 at the close of the third quarter. This translated into a 37.4-percent decrease when compared to the same quarter in the previous year, and represented the second largest quarterly decrease experienced within the last five years. It is important to note that although annual comparisons have declined, when the current quarter is compared to the most previous quarter the future expectation has increased by 24.3 points or 51.9 percent. Surveys indicate that although current conditions have not improved, consumers believe there are positive changes on the horizon.

With the general election only weeks away, the third quarter of 2008 also saw a dramatic increase in voter registration activity. Approximately 71,900 residents of Clark County registered to vote during the third quarter,

a 24.9-percent increase from the same quarter in 2004, the quarter prior to the most previous general election. The Democratic Party is receiving the lion's share of registrations, with 49.5 percent of new voters; 22.4 percent registered Republican and 22.4 percent registering non-partisan.

As of September 30, 2008, Clark County was comprised of 370,068 (47.2 percent) active registered Democrats, 255,865 (32.6 percent) active registered Republicans, and 119,936 (15.3 percent) active registered non-partisan voters. The balance of active registered voters (4.9 percent) was registered to other parties. It is estimated that approximately 61 percent of the eligible Clark County population is registered to vote, and only 49 percent of the eligible population is an active registered voter. Active is defined as having not moved, and are current with their registration. This does not necessarily mean that all of those who are "active" are actually turning out to the polls.

Investor attitudes toward current economic downturn speculations, congressional investment into the private sector and new presidential hopefuls will continue to have a steady effect on consumer confidence indices, private investments, and even in-migration rates. As these influences, coupled with many other factors, continue to fluctuate we can expect to see key indicators vary as well.

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Applied Analysis
10100 West Charleston Blvd.
Suite 200
Las Vegas, Nevada 89135
Telephone: 702.967.3333
Facsimile: 702.314.1439
Web: www.appliedanalysis.com

Urban Environmental Research, LLC

Urban Environmental Research, LLC
1120 Town Center Drive
Suite 100
Las Vegas, Nevada 89144
Telephone: 702.254.0306
Facsimile: 702.254.0036
Web: www.uerlv.com