Agenda Item No.: **54.**

AGENDA SUMMARY PAGE

CITY COUNCIL MEETING OF: MARCH 4, 2009

DEPARTMENT: CITY MANAGER
DIRECTOR: ELIZABETH N. FRETWELL ☐Consent ☒ Discussion

SUBJECT:
ADMINISTRATIVE:

Report and possible action on the update on progress of the Fundamental Service Review

Fiscal Impact

☐	**No Impact**	☐ **Augmentation Required**
☐	**Budget Funds Available**	

Amount:
Funding Source:
Dept./Division:

PURPOSE/BACKGROUND:
In response to declining general fund revenues, on March 31, 2008, City management was directed by Council members to complete a fundamental review of city operations, programs, and services that are neither tied to the city's key priorities or fundamental operations. City management provided a report on the findings of the Fundamental Service Review, and the City Council provided direction at the October 6, 2008 Special City Council Meeting. Since then, subsequent presentations have been given to Council. Staff will report on progress made on the Councils direction.

RECOMMENDATION:
Receive presentations and direct staff accordingly.

BACKUP DOCUMENTATION:
Submitted after meeting PowerPoint Presentation by Staff

Motion made by GARY REESE to accept the report

Passed For: 6; Against: 0; Abstain: 0; Did Not Vote: 1; Excused: 0
RICKI Y. BARLOW, LOIS TARKANIAN, STEVE WOLFSON, OSCAR B. GOODMAN, GARY REESE, DAVID W. STEINMAN; (Against-None); (Abstain-None); (Did Not Vote-STEVEN D. ROSS); (Excused-None)

Minutes:
CITY MANAGER ELIZABETH FRETWELL gave a brief update on the implementation of the Fundamental Service Review (FSR) recommendations and the Citys current financial position. She noted that the consensus among economists was that the U.S. economy was in a recession which would likely continue until the end of 2009. The City has taken aggressive steps through the efforts of the City Council, management and employees to address the economic downturn and maintain the Citys fiscal integrity.

CITY MANAGER FRETWELL commended the Citys bargaining units for renegotiating benefits in contracts and helping the City with its budget. In addition, the aggressive efforts of the directors and staff to reduce services enabled the City to balance its budget for 2009. One significant source of savings was the elimination of 10 percent of positions and carefully choosing which positions should be filled. Directors also contributed nearly $30 million in additional savings. However, she acknowledged that the Citys efforts to balance its budget may not be sufficient as it continues to experience a significant erosion of key revenue sources. Most notably, Sales Tax, one of the Citys largest revenue sources, is down 18 percent and was not anticipated to return to its previous levels.

In response to COUNCILMAN WOLFSONS question regarding the number of City employees laid off, CITY MANAGER FRETWELL stated 75 positions had been impacted through Reductions in Force (RIF). Many of those employees were placed in other positions with the remainder being held vacant and unfunded. The reductions in services were partially accommodated through decreased demand but the City runs a very efficient organization.

ACTING DEPUTY CITY MANAGER MARK VINCENT pointed out that the City reduced its workforce by approximately 31[illegible] positions through the RIF process, natural attrition or the Voluntary Separation Program (VSP), reducing the Citys labor costs by eight percent. He clarified that a total of four employees had been laid off and three of those employees chose to leave the City rather than take a demotion. Twenty-one employees from the Department of Building and Safety had been placed in other departments, with three employees going to the City Clerks Office as part of the Citys effort to consolidate its records management program.

Using a PowerPoint presentation that was later submitted for the record, ACTING DEPUTY CITY MANAGER VINCENT explained that the budget cuts implemented during Fiscal Year (FY) 2009 resulted in savings of $47 million. Also, the FSR recommendations that had no personnel impacts were implemented, a revenue stabilization fund was established and Capital Improvement Projects were delayed or amended to reduce their operating costs. The considerations granted by three of the City's bargaining units reduced their compensation packages by approximately one percent and would save the City $2 million in FY 2010. Regarding the VSP, 69 employees applied and 50 were approved. The City would recover the costs for the VSP in approximately 12 weeks with savings in FY 2010 of $6.8 million. He noted that the City of Henderson had offered a similar program to its employees and would recover its costs in 10 months.

COUNCILMAN WOLFSON observed that the City has done a great job of avoiding mass layoffs.

ACTING DEPUTY CITY MANAGER VINCENT noted that 57 percent or 61 of the 106 FSR recommendations were implemented, resulting in savings of approximately $4 million. He pointed out that further reorganization efforts were underway and would reflect significant savings in the future.

Regarding the revised FY2009 Revenue Forecast, the Consolidated Tax (C-Tax) had fallen by 10 percent, as it was not anticipated that December retail sales would fall by 17 percent, leading to the discrepancies between the original and revised forecasts. The Financial Oversight Committee, economic advisors from the private sector, had reviewed and approved the Citys original forecast, and the Committee would be reconvened to re-examine the Citys financial projections in preparation for the upcoming budget hearings. The City had anticipated a budget shortfall of $22 million, but through its cost-cutting efforts, the budget for FY2009 would reflect a reduced shortfall.

ACTING DEPUTY CITY MANAGER VINCENT informed the Council that a four percent drop in property tax revenues was anticipated which would be reflected in the tax revenues for FY2010. That estimate was based on the information provided by the Clark County Tax Assessor which predicted a three percent reduction for Las Vegas. He acknowledged that the number of property tax reassessment appeals had been greater than anticipated, but the amounts had not yet been determined.

COUNCILMAN STEINMAN commended staffs cost-cutting efforts which enabled the City to successfully cope with the precipitous drop in tax revenues. ACTING DEPUTY CITY MANAGER VINCENT stated that management and the Council had taken the appropriate action in response to the evidence of the economic downturn. CITY MANAGER FRETWELL added that the City has taken a very conservative fiscal approach and would continue to do so until the economy recovers. While the City had reduced its budget, ACTING DEPUTY CITY MANAGER VINCENT pointed out that City could not sustain its current level of expenses. CITY MANAGER FRETWELL explained that all of the Citys cost-cutting efforts had bought an additional year of funding and more time to react to the changing economic climate. She stated that staff would present strategies for coping with the FY 2010 budget at the upcoming budget hearing.

ACTING DEPUTY CITY MANAGER VINCENT summarized the Citys actions going forward which included filling some critical vacant positions, possible additional negotiations with the Citys labor units and targeting additional program reductions.