CITY OF LAS VEGAS
NEVADA

FUNDAMENTAL SERVICE REVIEW

Fundamental Service Review – Where we have been

- Took aggressive actions beginning in FY08 until today
  - Cut more than $46M in spending
  - Holding more positions vacant (over 5%)
  - Eliminated the equivalent of over 300 positions
  - Created a Revenue Stabilization Fund
  - Worked with Labor Unions to reduce growth in wages
  - Retained our AA bond rating
  - Preserved a healthy fund balance

Fundamental Service Review – Where we have been

- Took aggressive action in FY10
  - Implemented a Voluntary Separation Program(s)
  - Expanded reviews of city programs and services up to a 12% target

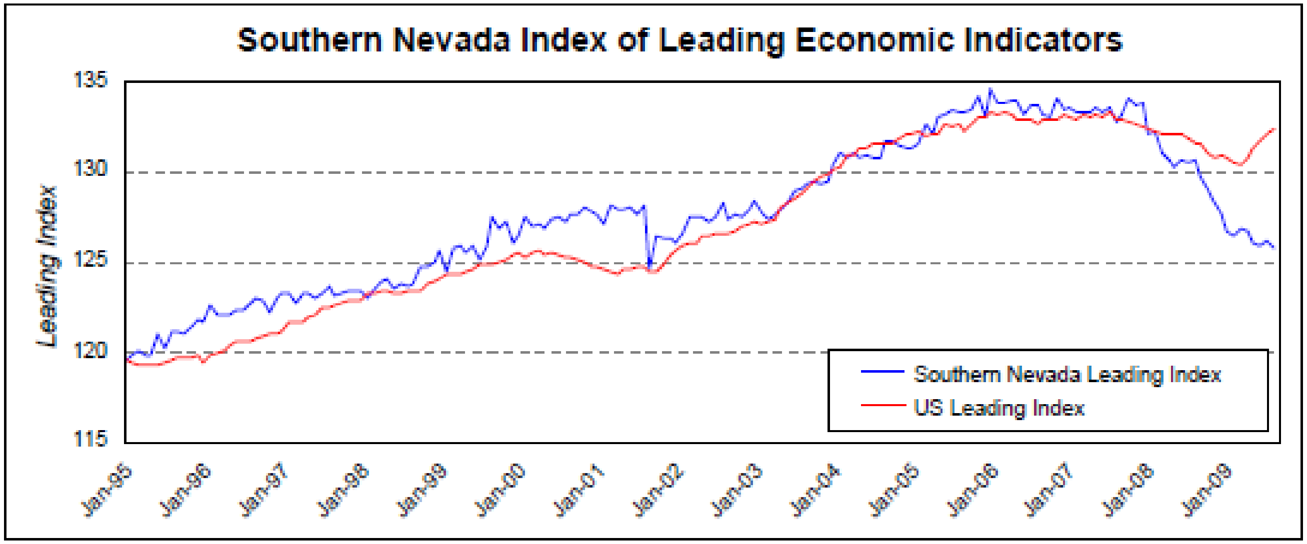
Fiscal Forecast Model - Update

So. Nevada Economy

- Construction was 12%-15% of local economy… now all but gone
- Commercial foreclosures are coming; expect 50% decline in commercial assessed value
- Recovery of gaming and tourism is dependent upon changes in travelers' spending habits

Index of Leading Economic Indicators

31-Oct-09



So. NV still in decline

CLARK COUNTY SERIES	DATE	UNITS	LATEST PERIOD	CHANGE PREVIOUS PERIOD	CHANGE YEAR AGO	CONTRIBUTION TO INDEX*
Residential Building Units Permitted	Aug-09	# Units Permitted	774	56.68%	-51.53%	0.014%
Residential Building Permit Valuation	Aug-09	Dollars	$62,332,248	14.03%	-69.58%	0.031%
Commercial Building Permits	Aug-09	# Units Permitted	24	0.00%	-68.42%	-0.016%
Commercial Building Permit Valuation	Aug-09	Dollars	$13,194,014	-40.57%	-84.07%	-0.087%
Taxable Sales	Aug-09	Dollars	$2,239,397,937	0.59%	-26.06%	-0.080%
McCarran Airport	Aug-09	Passengers Enplaned/ Deplaned	3,495,522	-1.74%	-9.84%	-0.053%
Gallons of Gasoline	Aug-09	Thousand Gallons	65,471,464	-2.26%	-3.22%	-0.061%
Gross Gaming Revenue	Aug-09	Dollars	$708,130,123	-2.98%	-6.73%	-0.044%
Visitor Volume	Aug-09	People	3,092,403	-2.79%	-3.70%	-0.071%
Conventions Held Attendance	Aug-09	People	235,841	-5.55%	-58.93%	-0.017%
Overall Change in Leading Indicator**	Oct-09		125.77	-0.39%	-3.73%	-0.39%

Financial Oversight Committee

					Estimate	Forecast				
	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Consolidated Tax	264.3	263.2	250.9	220.0	196.0	196.0	201.9	214.0	226.8	240.4
	11.01%	*-0.38%*	*-4.69%*	*-12.33%*	*-10.89%*	*0.00%*	*3.00%*	*6.00%*	*6.00%*	*6.00%*
Property Taxes										
Operating Rate	94.9	104.6	114.0	120.9	115.1	100.7	103.7	108.9	116.6	124.7
FSI Override	11.2	11.8	13.0	13.8	13.1	11.5	11.8	12.4	13.3	14.2
	106.1	116.4	127.0	134.7	128.2	112.2	115.5	121.3	129.8	138.9
	10.20%	*9.79%*	*9.08%*	*6.04%*	*-4.81%*	*-12.50%*	*3.00%*	*5.00%*	*7.00%*	*7.00%*
License Fees										
Business Fees	23.5	25.3	25.3	23.9	23.2	23.4	24.1	25.1	26.1	27.2
Franchise Fees	51.5	56.9	59.0	58.1	58.0	59.4	61.2	63.6	66.2	68.8
Other Permits	5.3	5.0	2.9	1.6	1.5	1.5	1.5	1.5	1.6	1.6
	80.3	87.2	87.1	83.6	82.6	84.3	86.8	90.2	93.8	97.6
	5.02%	*8.61%*	*-0.06%*	*-4.03%*	*-1.22%*	*2.03%*	*2.97%*	*3.98%*	*3.98%*	*3.98%*
Other Revenues	53.4	53.7	61.7	64.4	66.6	68.5	70.6	72.7	74.8	77.0
	10.92%	*0.52%*	*14.93%*	*4.41%*	*3.48%*	*2.50%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Total Revenues	504.0	520.6	526.8	502.7	473.5	461.0	474.8	498.2	525.3	554.0
	9.83%	*3.29%*	*1.19%*	*-4.57%*	*-5.81%*	*-2.63%*	*2.99%*	*4.94%*	*5.44%*	*5.46%*

May 2009 Revenue Forecast

May Workshop

	FY10	**FY11**	**FY12**	**FY13**	**FY14**
Ctax	214.6	225.4	236.6	250.8	265.9
Prop	128.2	115.3	121.1	129.6	138.7
Lic/Fran	84.6	86.7	91.1	95.6	100.4
Other	70.1	72.5	72.6	74.8	77.0
TI	1.5	1.5	1.5	1.5	1.5
	499.0	501.4	522.9	552.3	583.4

November 2009 Revenue Forecast

November Update

	FY10	FY11	FY12	FY13	FY14	FY15
Ctax	196.0	196.0	201.9	214.0	226.8	240.4
Prop	128.2	112.2	115.5	121.3	129.8	138.9
Lic/Fran	82.6	84.3	86.8	90.2	93.8	97.6
Other	66.6	68.5	70.6	72.7	74.8	77.0
TI	1.7	1.5	1.5	1.5	1.5	1.5
	475.2	462.5	476.3	499.7	526.8	555.5

6 Month Change Revenue Forecast

Net Change

	FY10	**FY11**	**FY12**	**FY13**	**FY14**	**Total**
Ctax	(18.6)	(29.4)	(34.7)	(36.8)	(39.0)	(158.6)
Prop	0.0	(3.2)	(5.6)	(8.3)	(8.9)	(25.8)
Lic/Fran	(2.0)	(2.4)	(4.3)	(5.4)	(6.5)	(20.6)
Other	(3.5)	(4.0)	(2.0)	(2.1)	(2.2)	(13.7)
TI	0.2	-	-	-	-	0.2
	(23.8)	(38.9)	(46.6)	(52.6)	(56.6)	(218.5)

Financial Model

- The 5-Yr revenue forecast reduction of $218M effectively doubles our previously forecasted structural deficit to $430M
- The immediate structural deficit for FY 2011 is $69M
- Absent other corrective actions, an FY 2011 budget cut of about $60M (11.4%) would be necessary to realign expenditures with revenues

Financial Forecast Comparison

	May-09		Nov-09		Net Chg	
	FY10	FY11	FY10	FY11	FY10	FY11
Revenues	$ 499.0	$ 501.4	$ 475.1	$ 462.4	$ (23.8)	$ (39.0)
Labor	$ 286.6	$ 282.7	$ 268.7	$ 280.5	$ (17.9)	$ (2.1)
Metro	$ 138.7	$ 144.9	$ 141.1	$ 146.1	$ 2.4	$ 1.2
Non-Labor	$ 105.0	$ 109.6	$ 102.3	$ 105.0	$ (2.7)	$ (4.6)
Target Cut	$ -	$ (18.7)	$ -	$ (60.5)	$ -	$ (41.8)
	$ 530.3	$ 518.4	$ 512.0	$ 471.1	$ (18.3)	$ (47.3)
Surplus / (Deficit)	$ (31.3)	$ (17.0)	$ (36.9)	$ (8.6)	$ (5.6)	$ 8.4
Fund Balance	$ 64.9	$ 47.9	$ 55.8	$ 47.2	$ (9.1)	$ (0.7)

Fundamental Service Review
FY 2010 and FY 2011

Fundamental Service Review Principles

- Maintain financial integrity
- Sustain critical services
- Preserve jobs

Fundamental Service Review Process

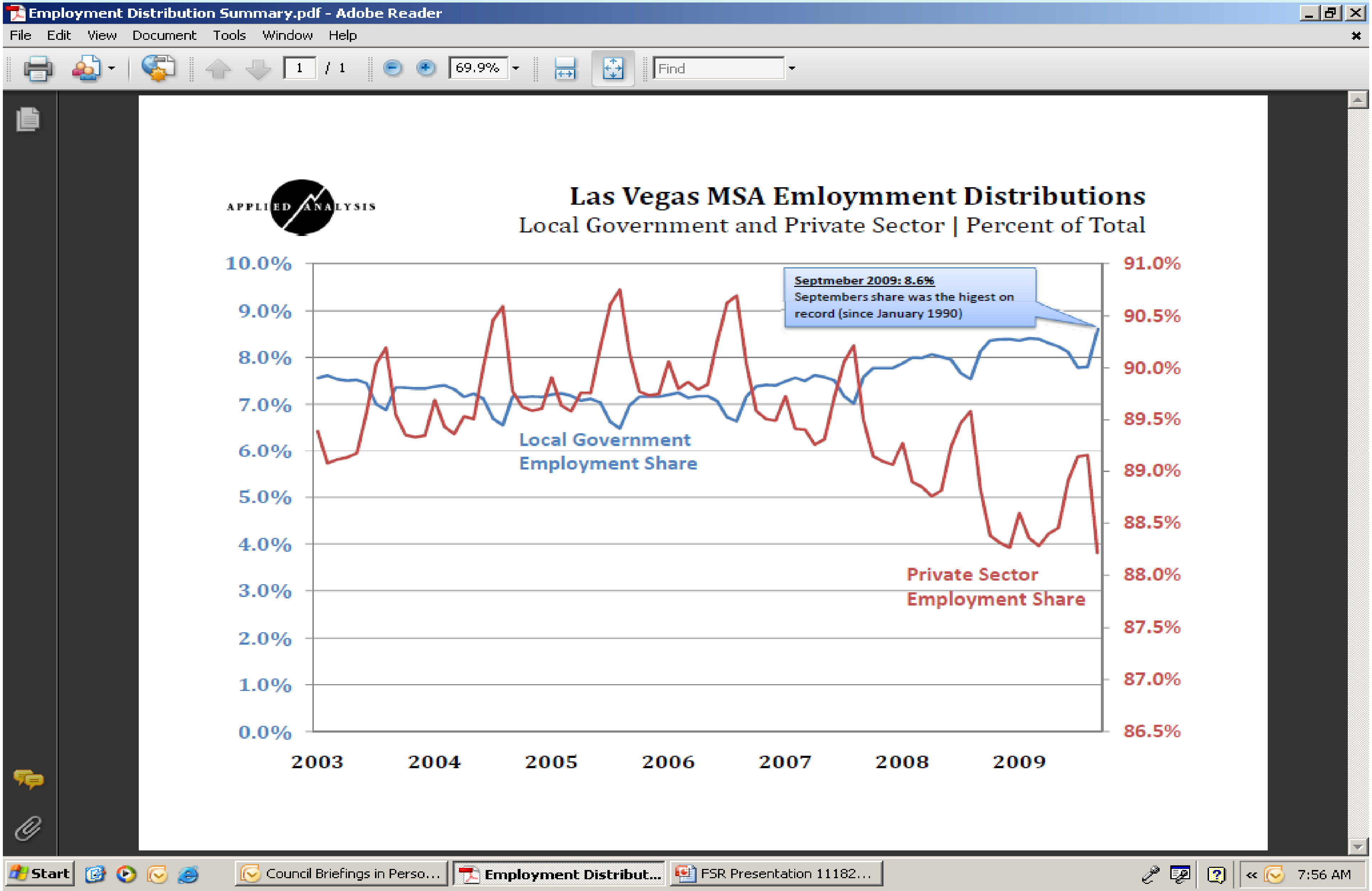
- Requested 12% budget reduction options from Departments
- Surveyed the community to identify expectations
- Conducted Focus Panels to refine survey data
- Identified options and prioritized recommendations

Fundamental Service Review Process

- Prioritized options based on:
  - City Council Priorities
  - FSR Goals
  - Community Survey Data
  - Impact statements provided by Department Directors

FY10 Correction Action Plan

Fundamental Service Review



Corrective Action Plan

- FY 10 Actions
  - Impacts minimal service reductions to the community
  - Options remaining from original FSR approved actions

FY10 Savings – Approximately $7,779,242

Employee Impacts:

17 full-time and 2 part-time employees separated

Corrective Action Plan

General Fund						
Budget Cut Summary - Tier 1						
				% of FY10	**FY10**	**FTE**
Department	**DEPT (ORG**	**FY10**	**FY11**	**Budget**	**Budget**	**Reduction**
City Council	1000	235,000	235,000	6.5%	3,640,041	-
City Manager	2000	677,410	766,660	9.9%	7,757,141	3.48
City Attorney	3000	215,290	215,290	2.6%	8,327,496	3.00
City Clerk	4000	162,740	162,740	6.2%	2,604,427	2.00
Human Resources	5000	114,000	114,000	2.1%	5,393,250	-
Finance & Business Services	6000	591,899	591,899	4.7%	12,714,713	3.00
Planning & Development	7000	411,585	444,685	7.1%	6,233,737	4.00
Internal Audit	8000	22,970	22,970	2.0%	1,166,384	0.48
Information Technologies	9000	754,619	754,619	7.3%	10,370,168	5.00
Municipal Court	11000	390,294	390,294	1.8%	21,714,901	4.23
Fire & Rescue	13000	Tier 2	Tier 2	0.0%	117,162,060	-
Detention & Enforcement	14000	203,360	203,360	0.3%	65,492,826	2.00
Public Works	15000	1,321,958	1,894,490	5.0%	37,631,013	18.70
Leisure Services	16000	950,040	1,084,690	3.9%	27,905,645	11.00
Neighborhood Services	18000	83,320	83,320	0.9%	9,751,214	1.00
Field Operations	19000	1,644,757	1,718,575	6.4%	26,781,867	16.48
		7,779,242	8,682,592	2.4%	364,646,883	74.37

Corrective Action Plan
Tier 1 Impacts

- Significant reductions in program & priority spending
- Reduced administrative support
- Reduced non-discretionary supplies
- Reduced postage budget
- Staffing reductions where workload is reduced
- Elimination of vacant positions

Corrective Action Plan

- Services for affected employees
  - Separation Incentive Program
  - Connections to Community Programs
  - Informational seminars
  - Resume workshops
  - Job interviewing workshops

Corrective Action Plan

- Freezing all current vacant positions until March 2010
- Delaying all General Fund construction projects, which have not yet started, until further notice
- Freezing all travel and training expenses
- Cutting the top of the executive pay range by 5%

Fundamental Service Review
Next Steps – To Prepare for FY11

- Review further reductions in services - $31M left in potential cuts currently identified
- Continued discussions about the cost of labor
  - Are we right staffed?
  - Are we priced right for that staff?
- Evaluate potential revenue sources
- Review current reserve levels for adequacy
- Take another look at all non general funds: i.e. capital plans, internal service funds and enterprise funds

Fundamental Service Review – Next Steps

- Employee communication
  - Video Messages
  - Regular emails
  - Deputy City Managers in Department staff meetings
  - Employee Town Hall Meetings in January
- Community communication
  - Town Hall Meetings – 2 in each ward
  - City Internet
  - City Facebook/Twitter

Fundamental Service Review Points to Remember

- Southern Nevada is still in a recession
- The City must maintain fiscal integrity
- Organization is very lean - all that is left to cut will have impacts to the community and services
- Good, aggressive fiscal management has enabled the City to maintain AA bond ratings

Fundamental Service Review Next Steps and Timeline

- December 16 – Review of City Council Priorities
- January 7 – Fundamental Service Review Retreat
- January 29 – Final day of separation for affected employees to participate in Separation Incentive Program
- March 10 – Tentative Budget Hearing

Fundamental Service Review
Next Steps and Timeline (Tentative)

Town Hall Meetings
01/11 - Ward 4: Summerlin Library and Performing Arts Center
01/19 - Ward 5: City Council Chambers
01/25 - Ward 4: YMCA Durango Hills
01/27 - Ward 3: East Las Vegas Community Center
02/09 - Ward 6: Centennial Hills Community Center
02/16 - Ward 2: Veterans Memorial
02/18 - Ward 6: Northwest Career and Technical Academy
02/22 - Ward 3: Minker Sports Center Gym
02/24 - Ward 5: Southern Nevada Health District
02/26 - Ward 1: YMCA Meadow Lane
03/01 – Ward 2: Sahara West Library
03/04 – Ward 1: Charleston Heights Arts Center

Questions?

2009 Southern Nevada Economic Briefing

City Council Meeting
November 18, 2009

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The National Economy

This is the kind of recovery that only a statistician can love.

Some Important National Indicators

- **Length of Recession (starting 12/07):**
  - **23 months (through 11/09)**
- **GDP Growth (Q2, 2009 – Q3,2009):**
  - **+3.5%**
- **ISM Manufacturing Index (10/08 – 10/09):**
  - **+43.9% (55.7)**
- **Consumer Conf. Index (9/08 - 9/09):**
  - **+22.9% (47.7)**
- **Personal Savings Rate (9/08 - 9/09):**
  - **+50% (3.3%)**
- **DJIA:**
  - **(11/08 – 11/17/09): +23% (8497 to 10428)**
  - **From low (3/09 – 11/17/09): +59% (6547 to 10428)**

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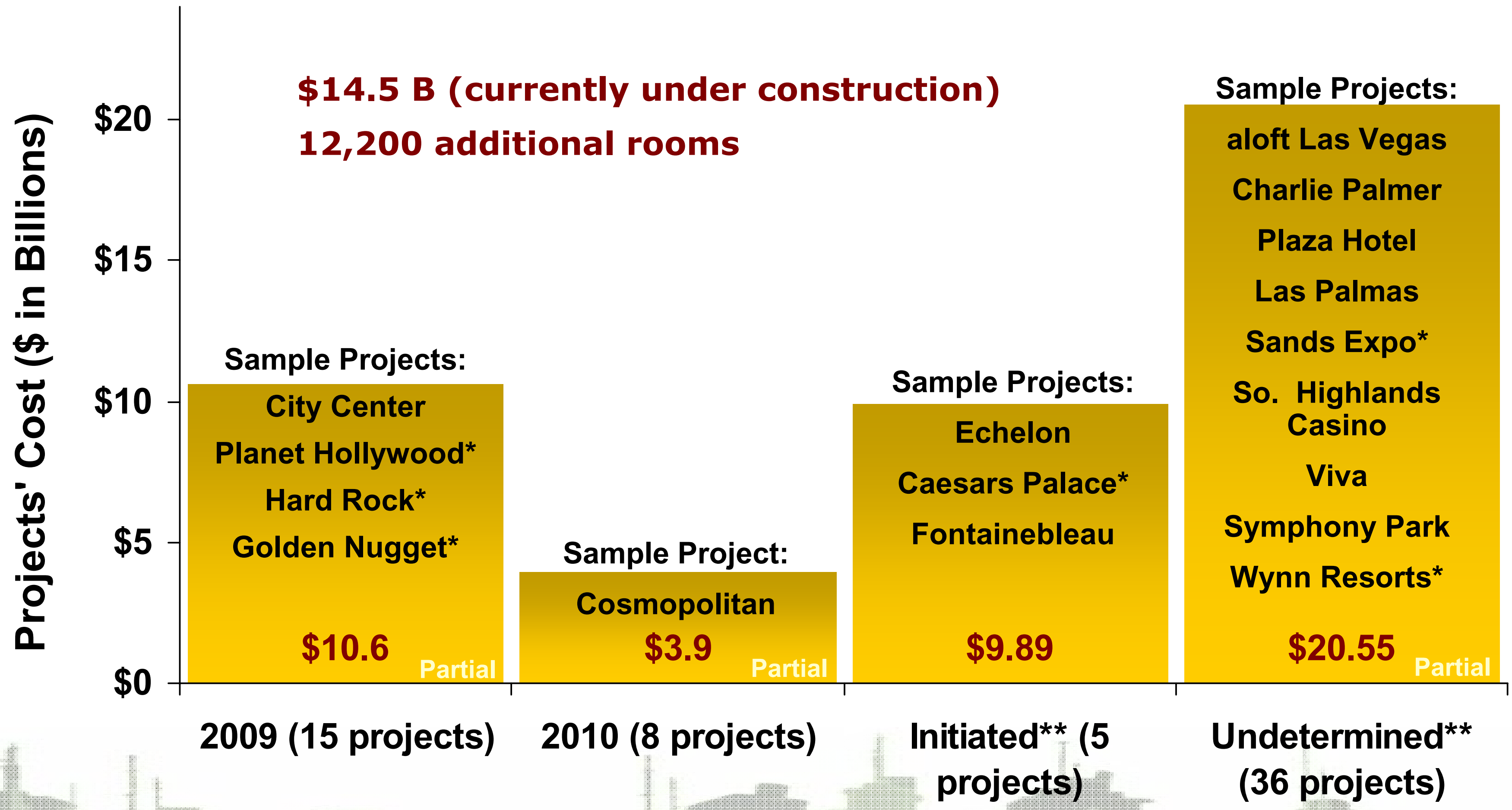
Nevada & Clark County Economies

THE DRIVER: THE RESORT INDUSTRY

Resort Industry Investment: Will They Come?

Projects' Cost ($B) by Scheduled Completion Year:
2009 – 2010, Initiated & Undetermined



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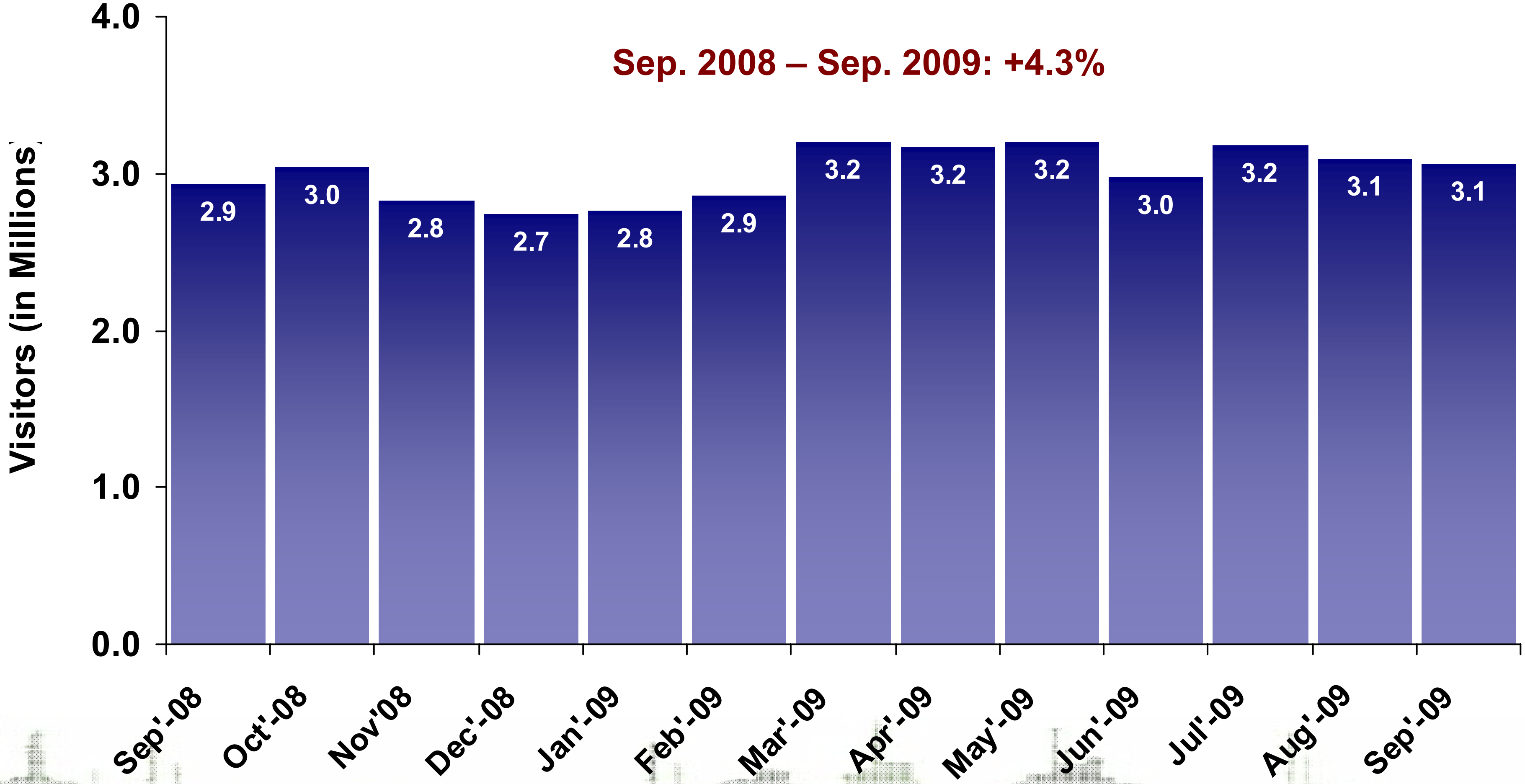
*Expansion/Redevelopment
**Initiated or proposed projects with opening dates to be determined.
Source: Las Vegas Convention and Visitors Authority (11/4/2009).

Las Vegas Valley Visitor Volume: 9/2008 – 9/2009



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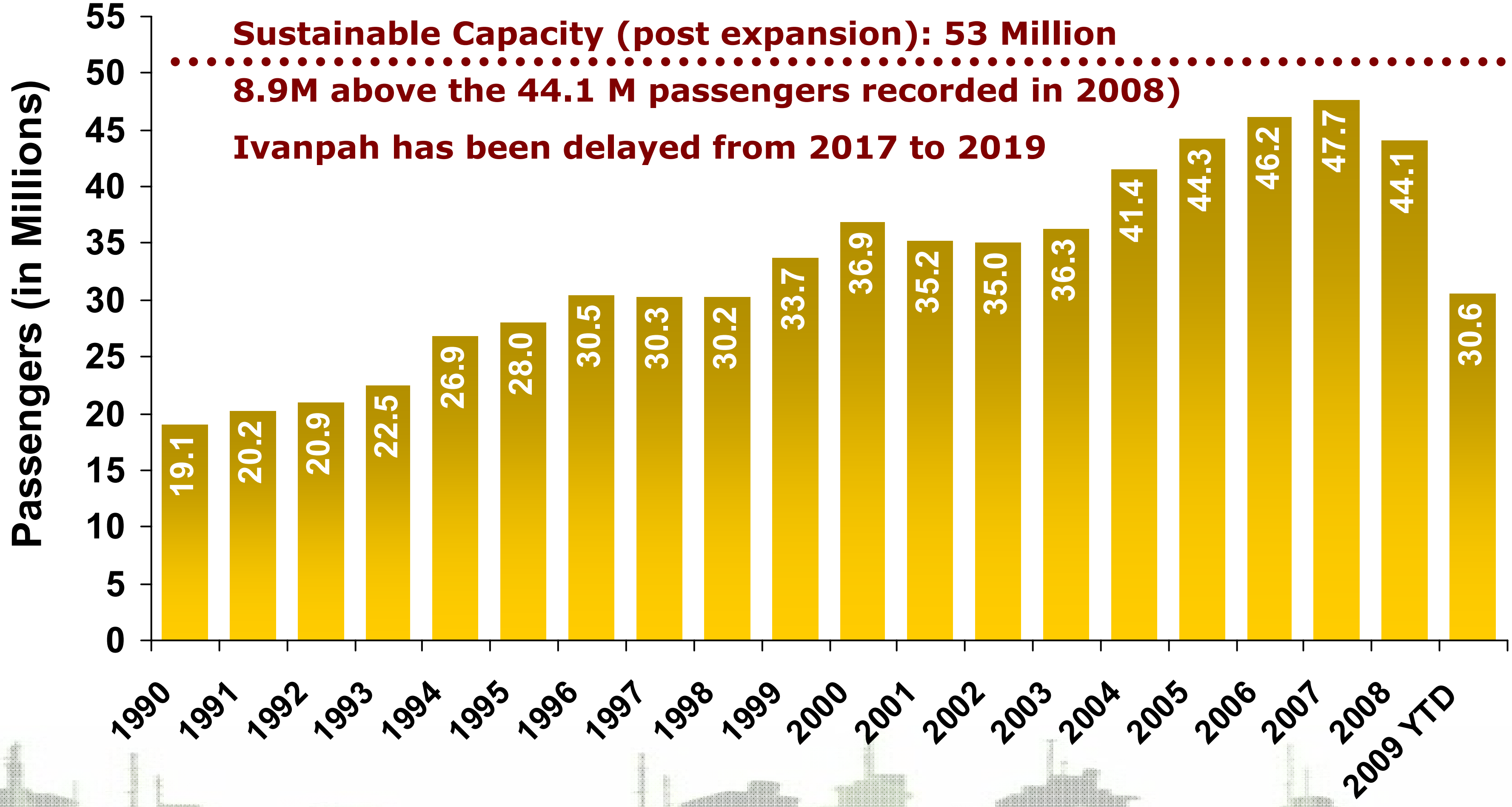
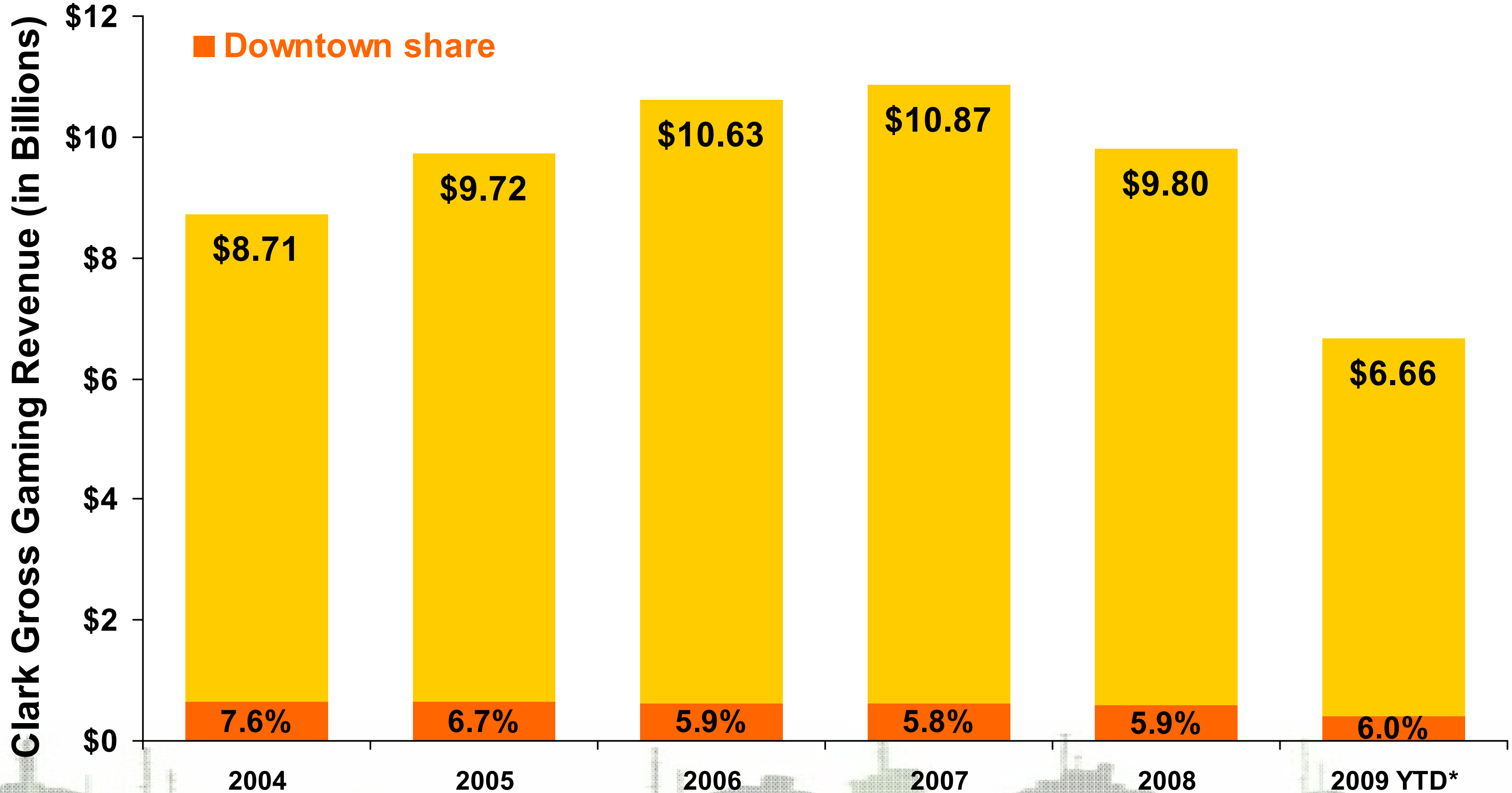
Sources: Las Vegas Convention and Visitors Authority.

McCarran Annual Passengers: 1990 – 2008, & 2009 YTD (Sept.)



Source: McCarran International Airport; Deutsche Bank.

Gross Gaming Revenue: Downtown as % of Clark County: 2004 – 2009 YTD (Sept.)



Source: Las Vegas Conventioners and Visitors Authority.

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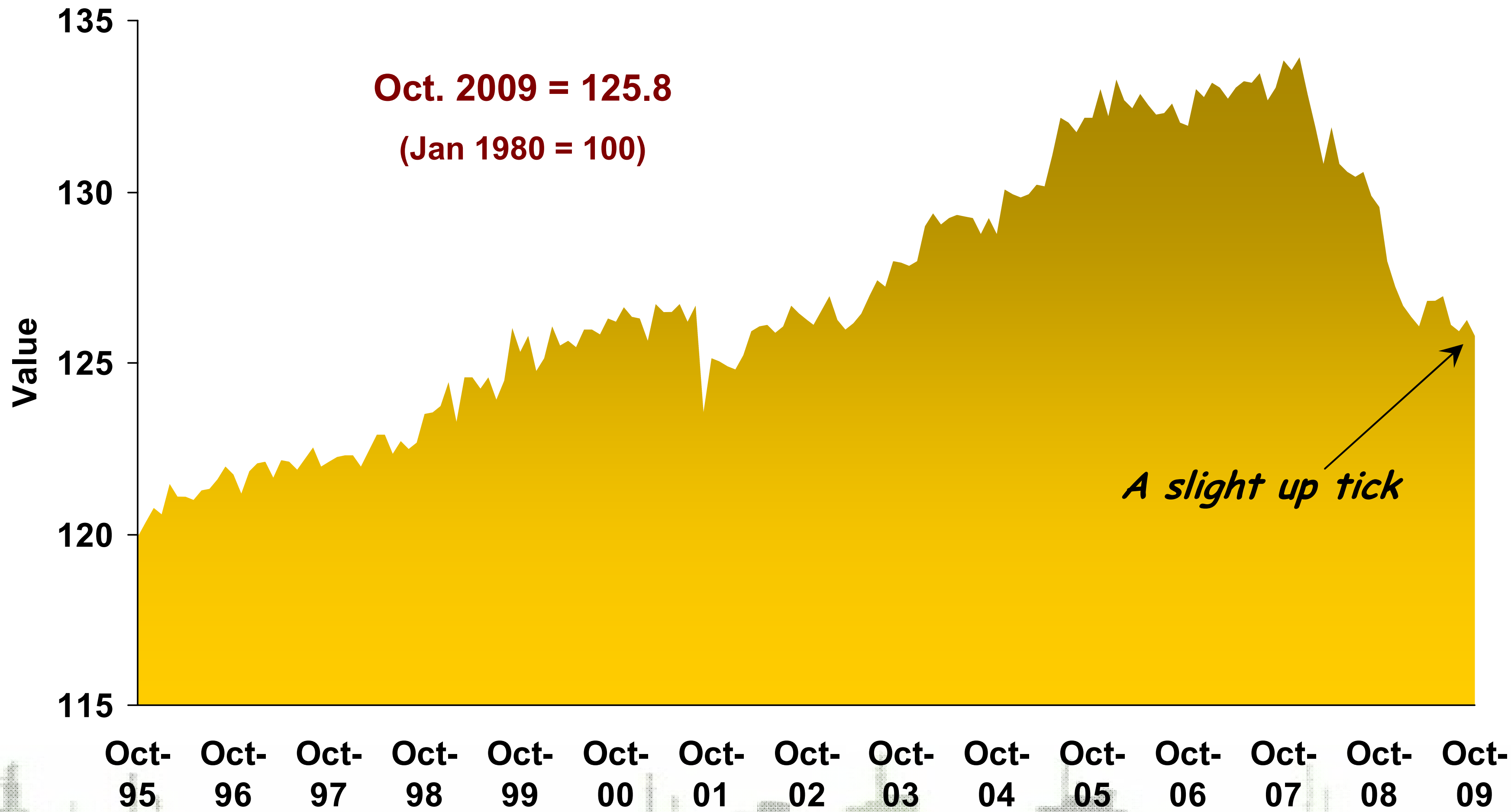
THE JOB MARKET

Southern Nevada Index of Leading Economic Indicators: 10/1995 – 10-/2009



Source: UNLV Center for Business and Economic Research.

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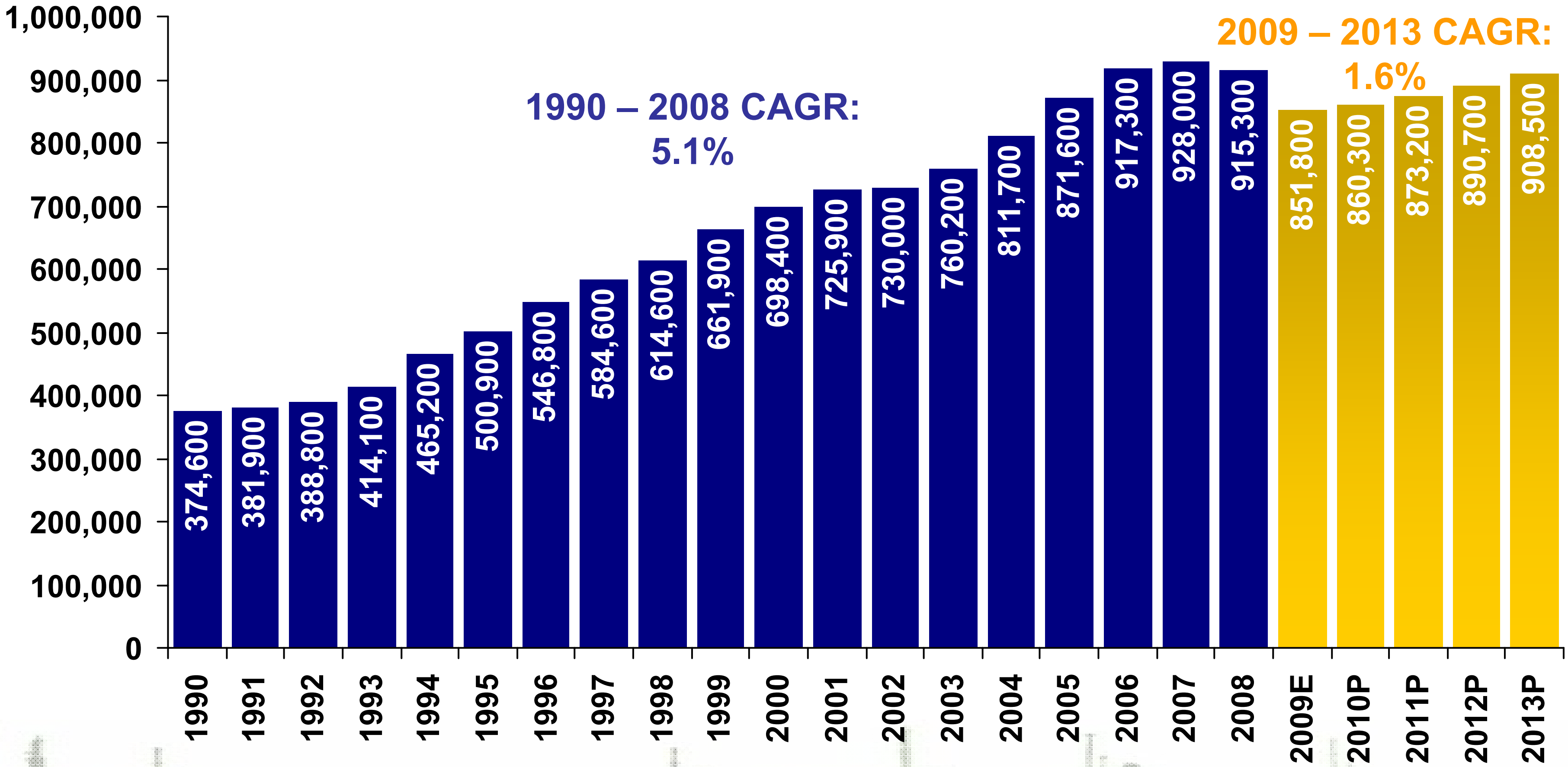
Clark County Employment:
1990 – 2008 Estimates & 2009 – 2013 Projections



Sources: Nevada DETR; RCG.

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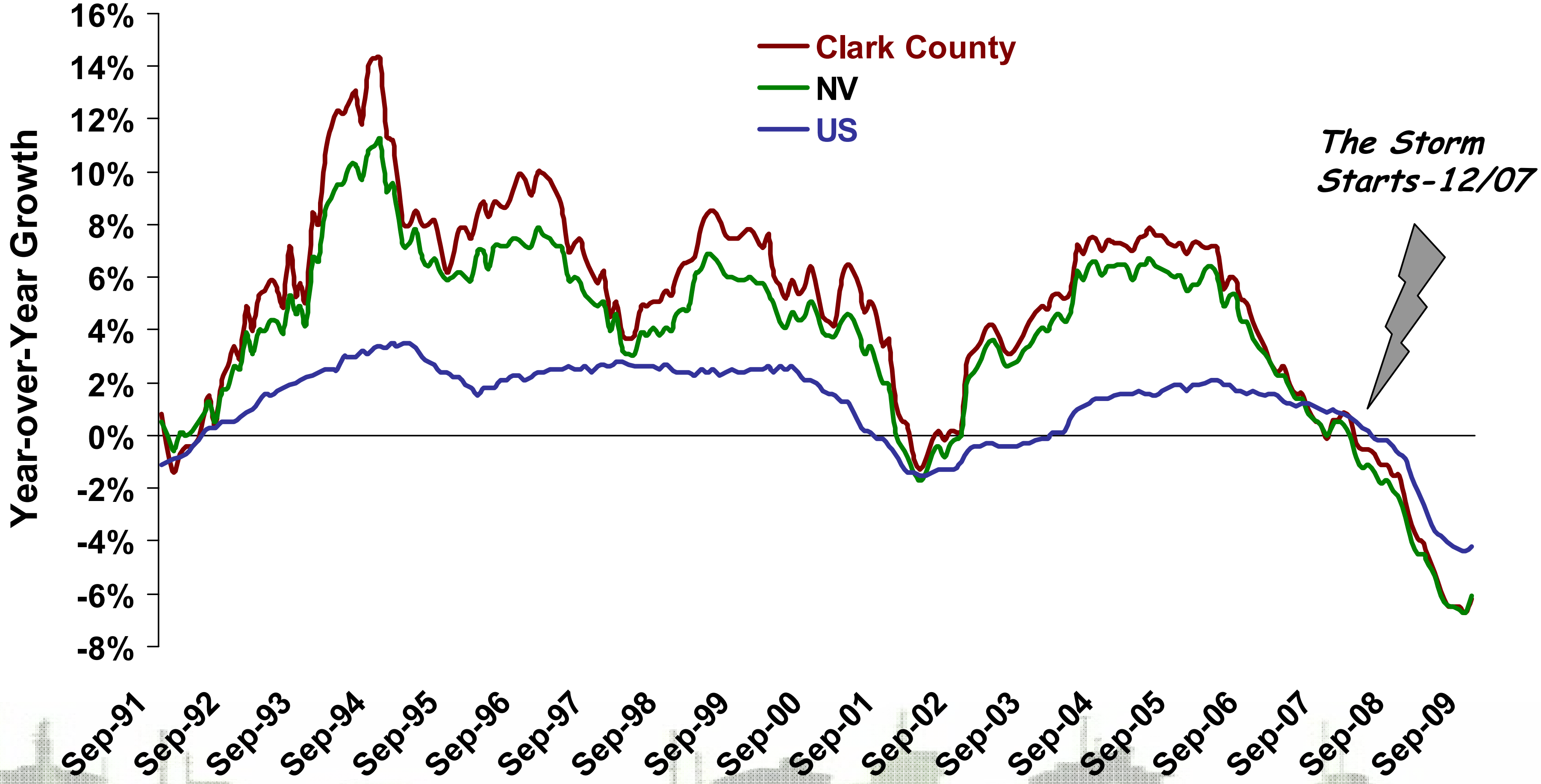
Clark County, Nevada & U.S. Job Growth:
9/1991 – 9/2009



Source: Bureau of Labor Statistics.

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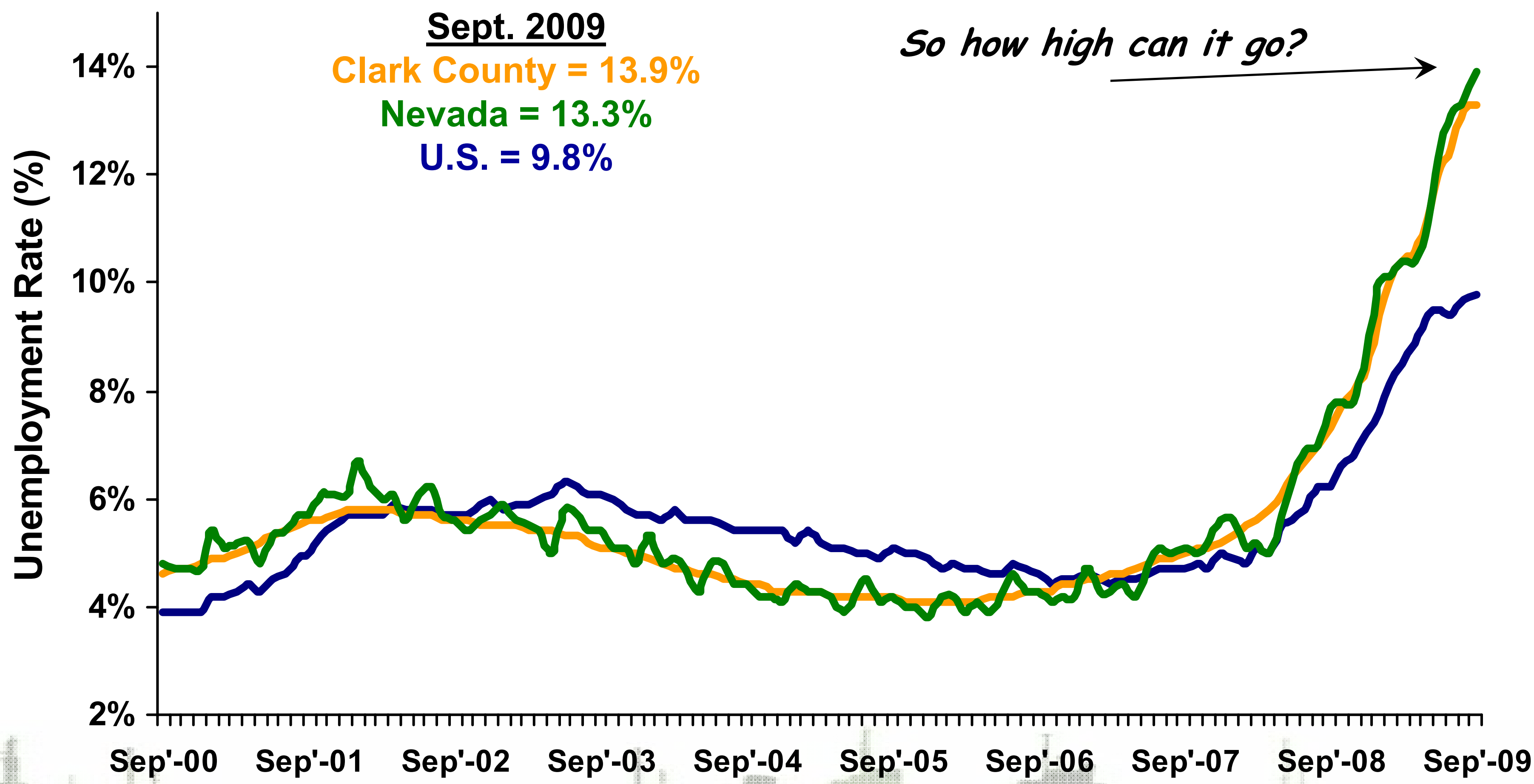
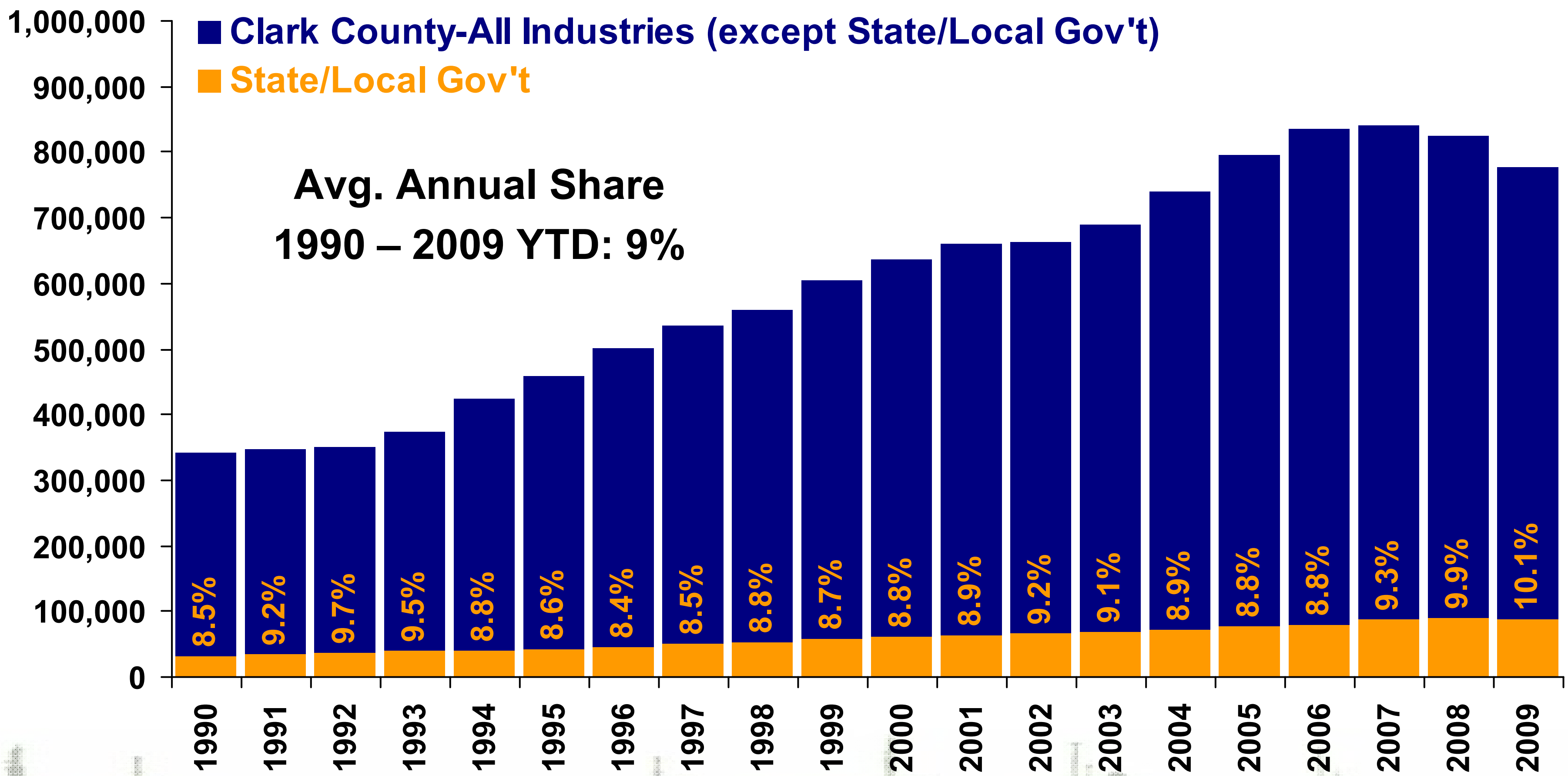
Clark County, Nevada & U.S. Unemployment Rates: 9/2000 – 9/2009



Source: Nevada Department of Employment, Training and Rehabilitation.

STATE & LOCAL GOVERNMENT

Clark County State & Local Jobs % of Total Employment: 1990 – 2009 YTD (Oct.)



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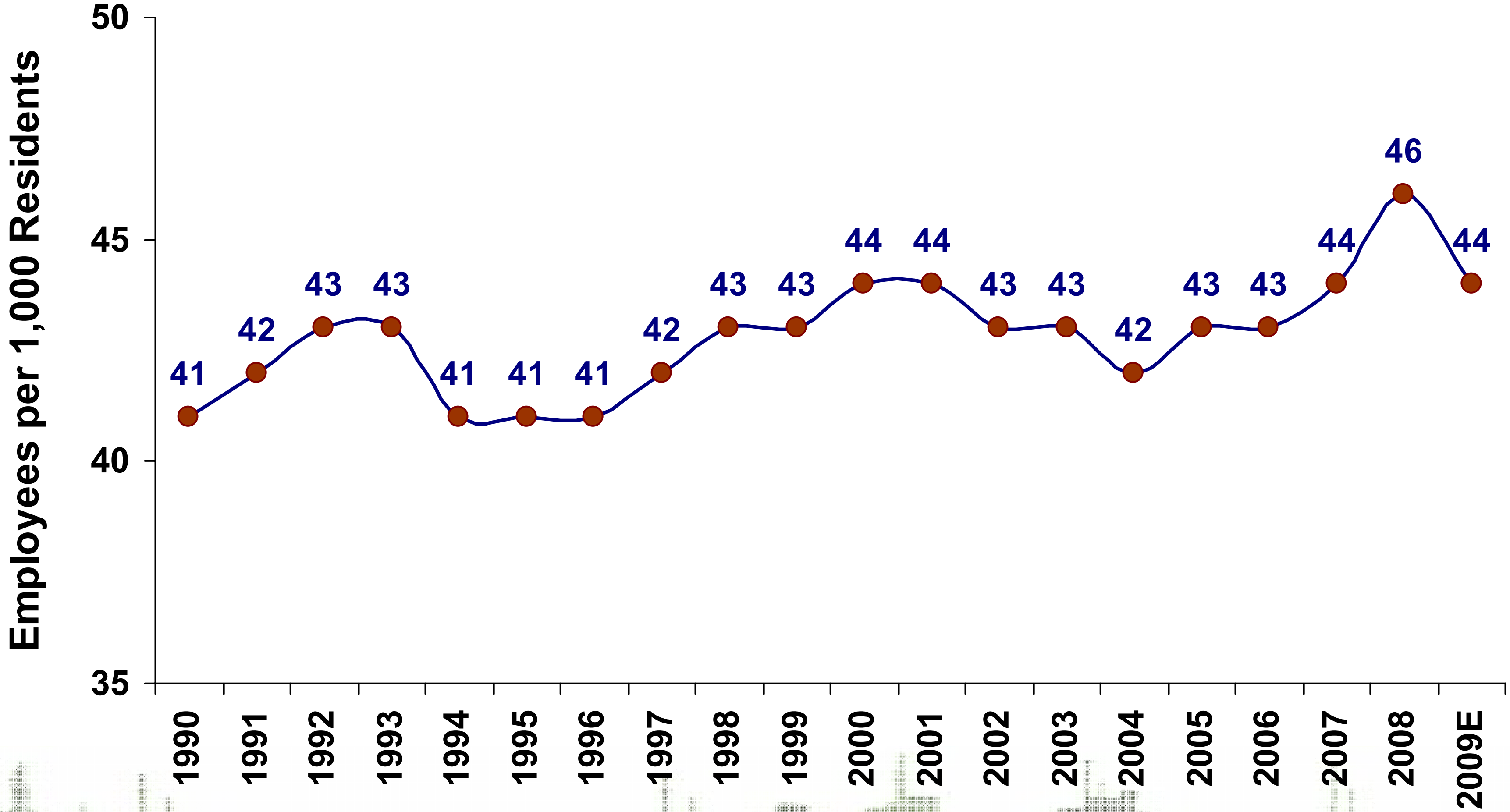
Sources: Nevada Department of Employment, Training and Rehabilitation; U.S. Bureau of Labor Statistics.

Clark County State & Local Employees per 1,000 Residents: 1990 – 2009E



Sources: Nevada Department of Employment, Training and Rehabilitation.

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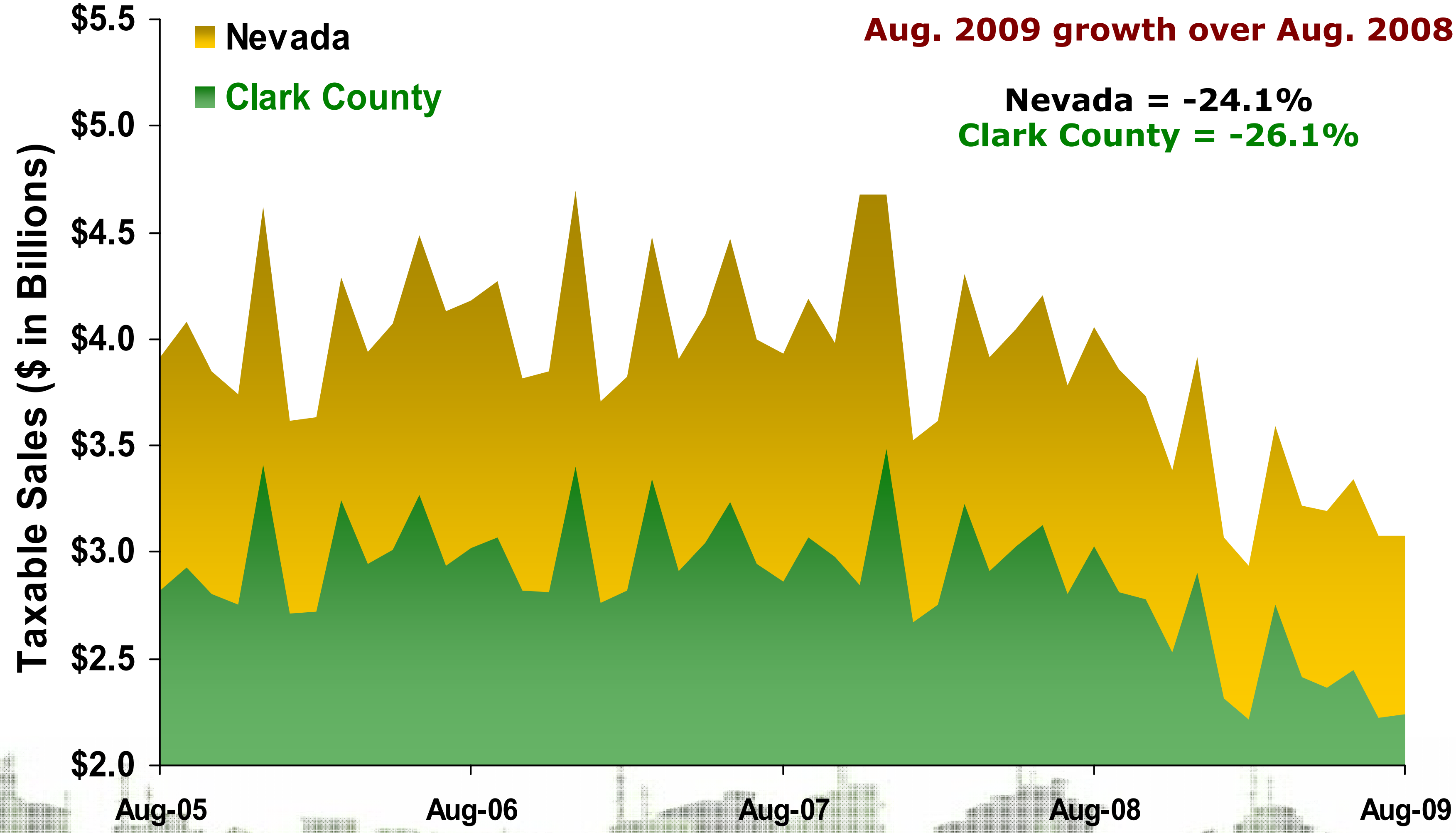
TAXABLE RETAIL SALES

Clark County & Nevada Taxable Sales
8/2005 – 8/2009



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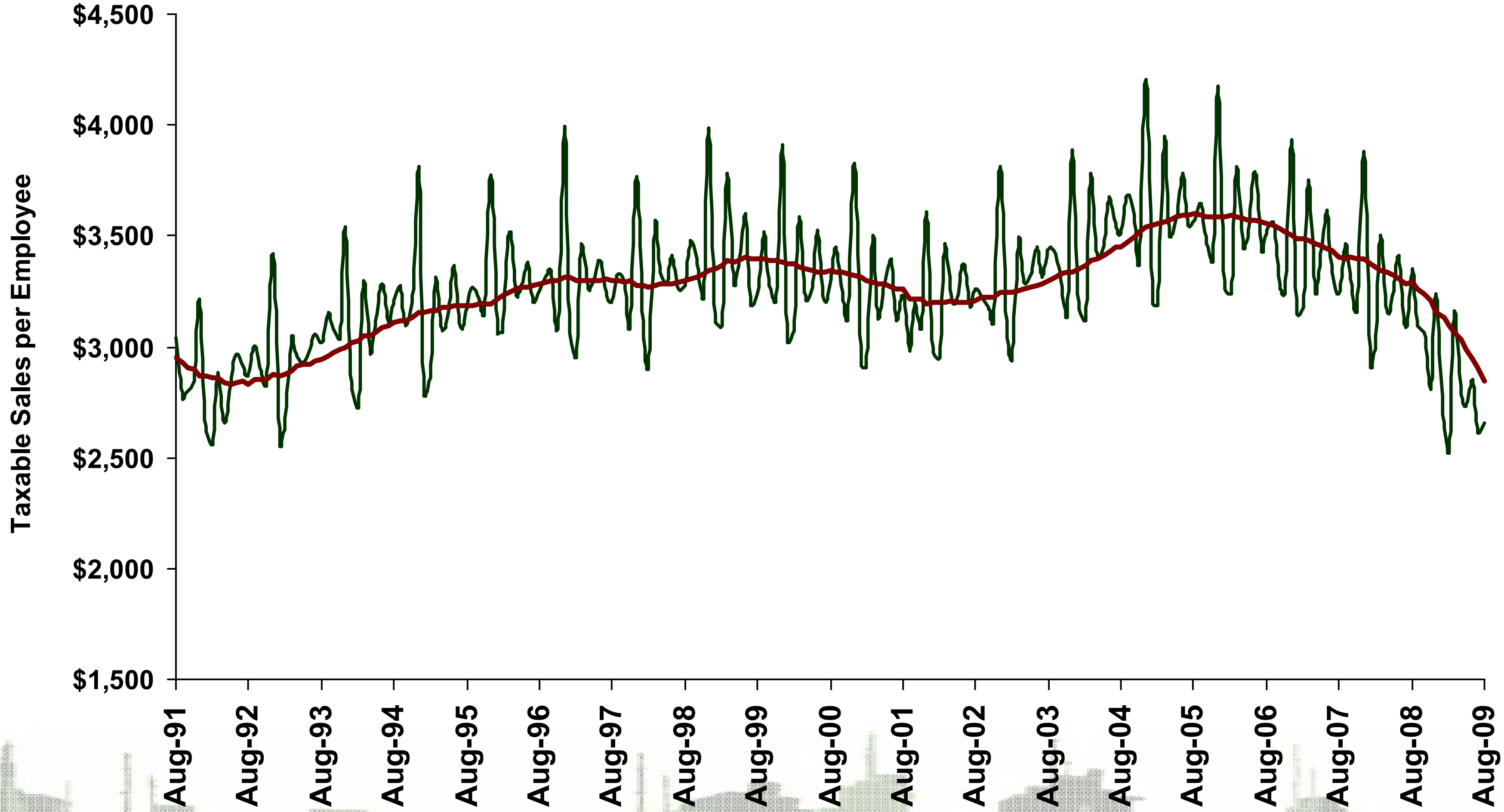
Sources: Nevada Department of Taxation.

Clark County Taxable Sales per Employee in Real (2009) $: 8/1991 – 8/2009



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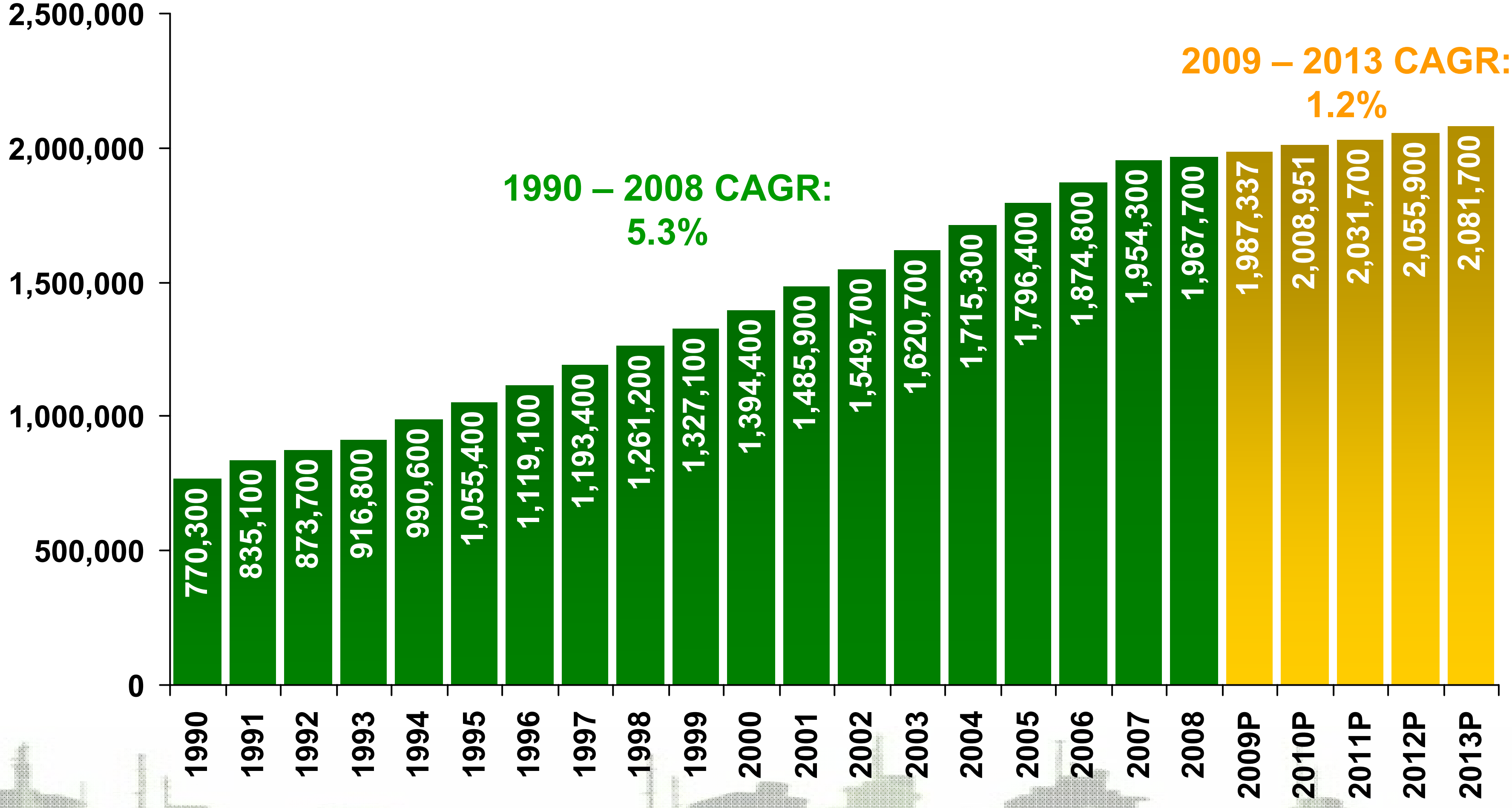
Sources: Nevada Department of Employment, Training and Rehabilitation; Nevada Department of Taxation.

THE DEMOGRAPHICS

Clark County Population:
1990 – 2008 Estimates & 2009 – 2013 Projections



Note: Clark County Comprehensive Planning Department 2009 prelim. estimate = 2,006,347
Source: Nevada State Demographer.

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Las Vegas Cost of Living Index: Q3, 2009

Cost of Living Index	Items Index Costs	Grocery Items	Housing	Utilities	Transp.	Health Care	Misc. Goods & Serv.
Las Vegas, NV	104.4	108.8	106.9	98.8	107.5	105.2	100.9

LV is 4.4% Higher than National Metro Area Average of 100

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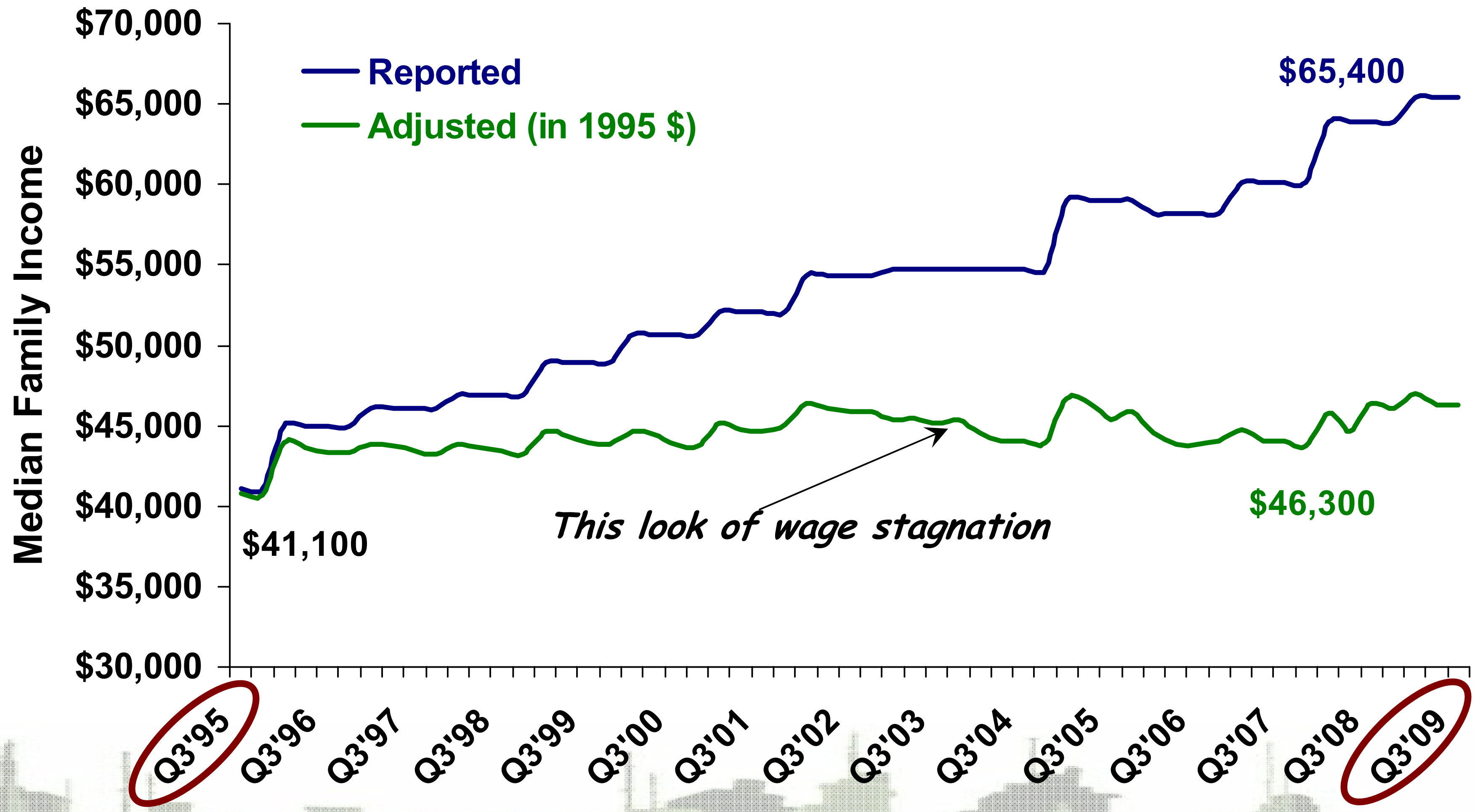
Source: The Council for Community & Economic Research.

Clark County Median Family Income

Reported vs. Inflation-Adjusted (in 1995 $): Q3, 1995 – Q3, 2009



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Source: National Association of Home Builders.

THE REAL ESTATE MARKETS

- Residential

- Commercial

Residential

Foreclosure Filings:
Q3, 2009 vs Q3, 2008

	Total Filings & Units (LV)	% Change from Q3, 2008	% of Households (Foreclosure rate)
U.S.	937,840	+22.5%	.73%, 1 in 136 HH
Nevada	47,425	+59%	4.4%, 1 in 23 HH
Las Vegas/ Paradise MSA	40,408 (Units)	+54%	5% or 1 in 20 HH, nation's highest

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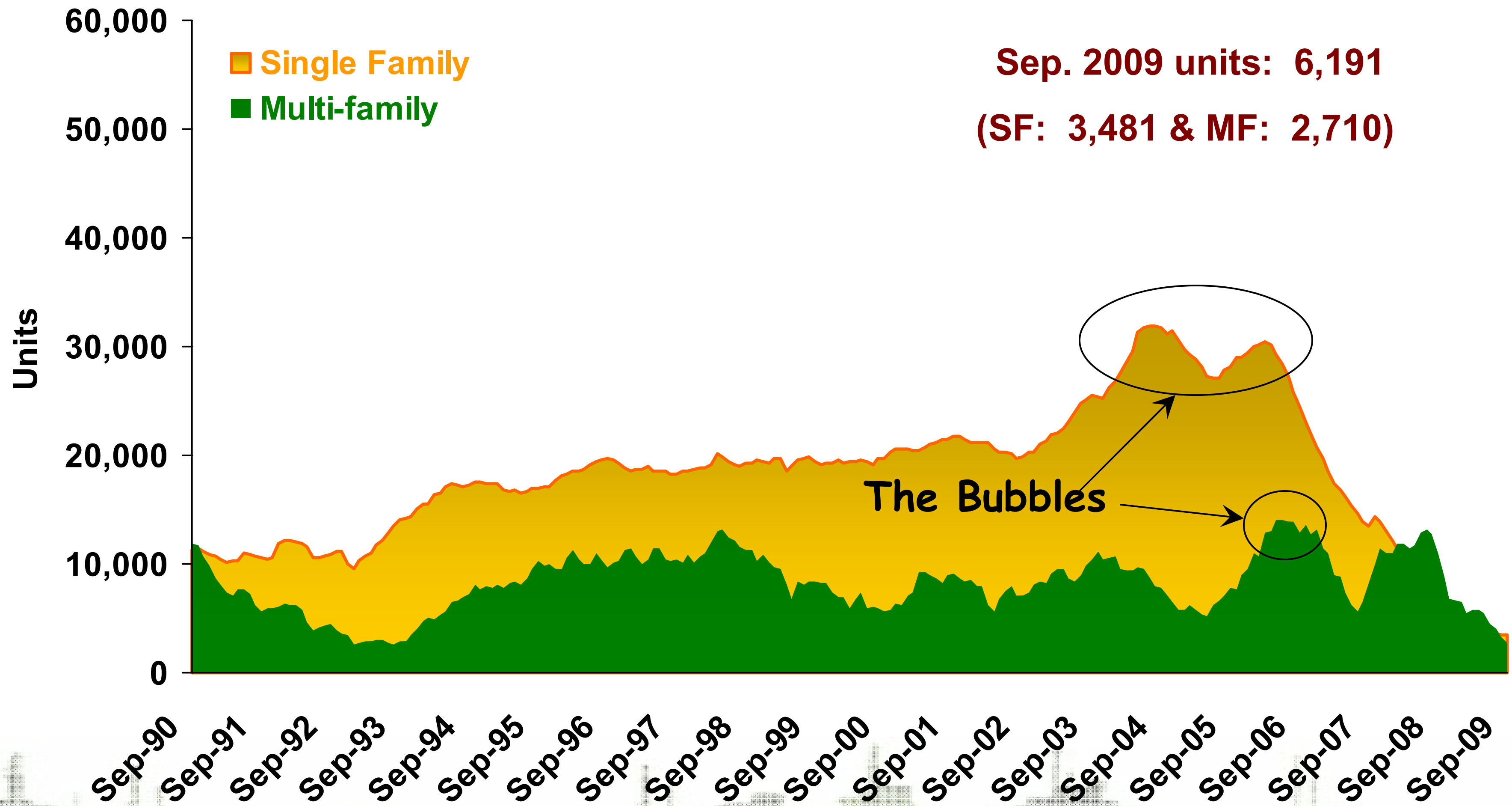
Source: RealtyTrac.

Clark County Residential Units Permitted
Single Family & Multi-family
9/1990 – 9/2009 (12-mo. Annualized Totals)



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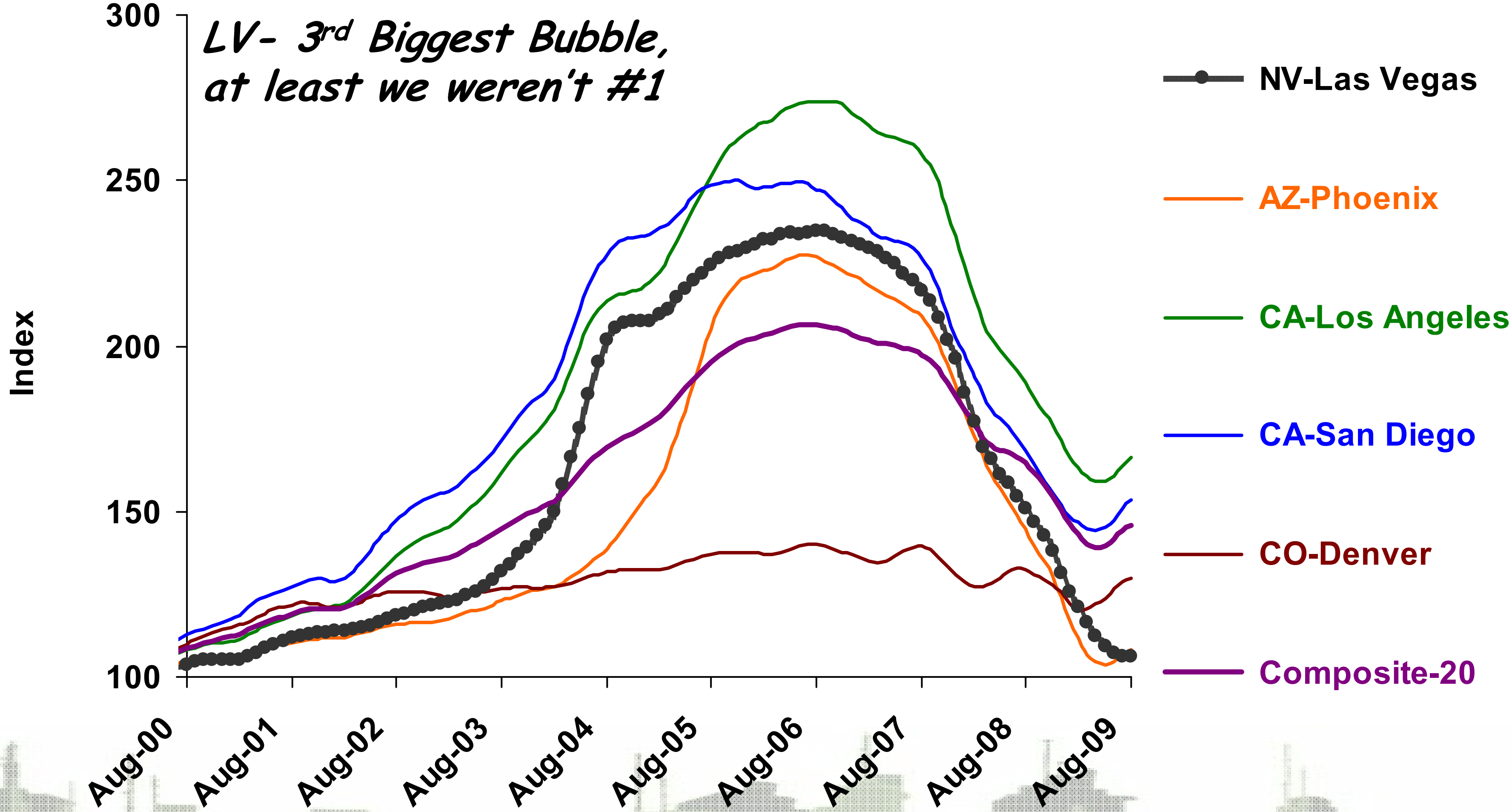
Sources: U.S. Department of Commerce: Bureau of Economic Analysis.

S&P / Case-Shiller Housing Price Index
Select Southwestern U.S. MSAs: 8/2000 – 8/2009



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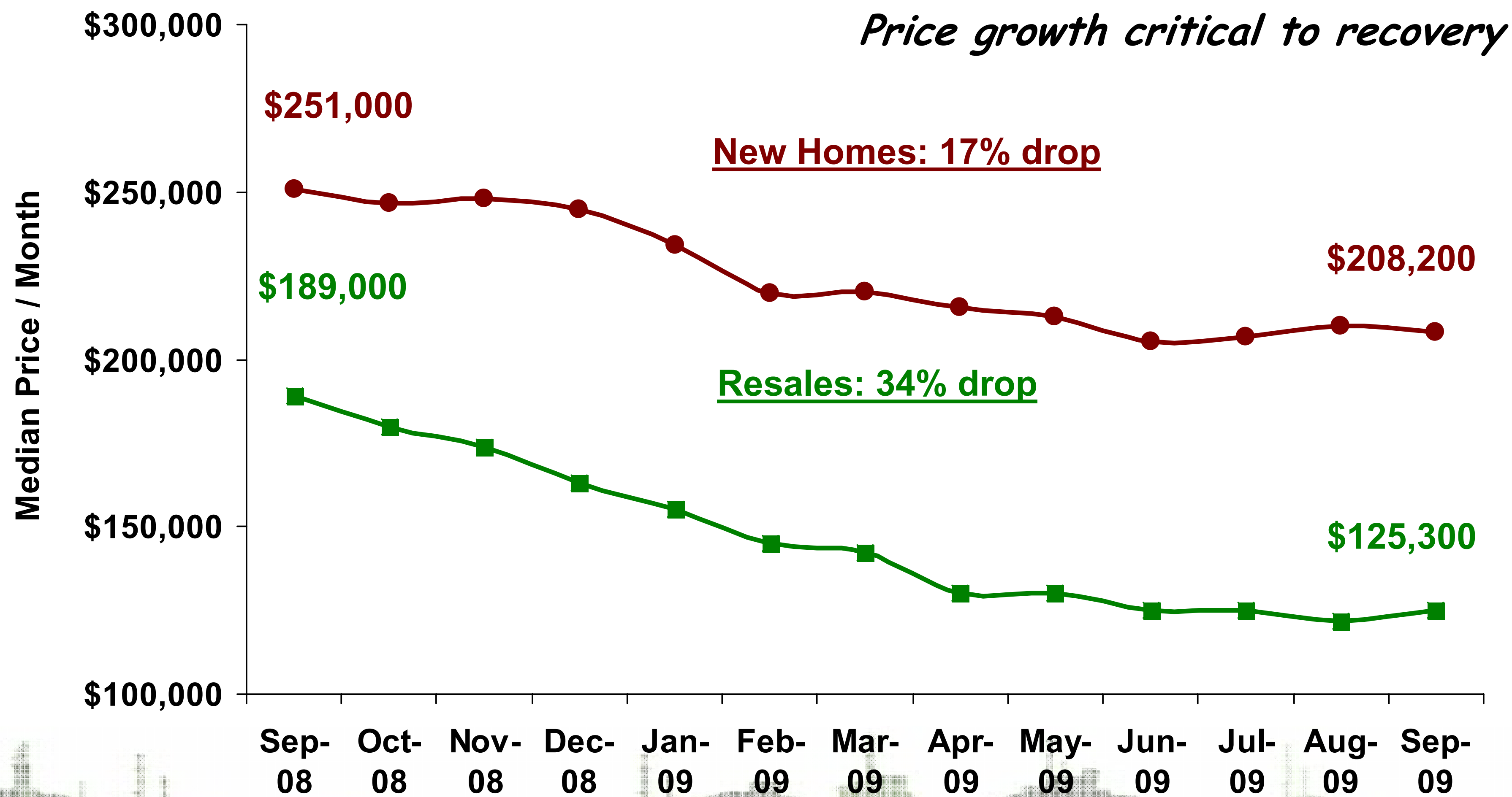
Source: Standard and Poors.

Clark County Median New Home & Resale Price
Change from Same Month Previous Year: 9/2008 – 9/2009



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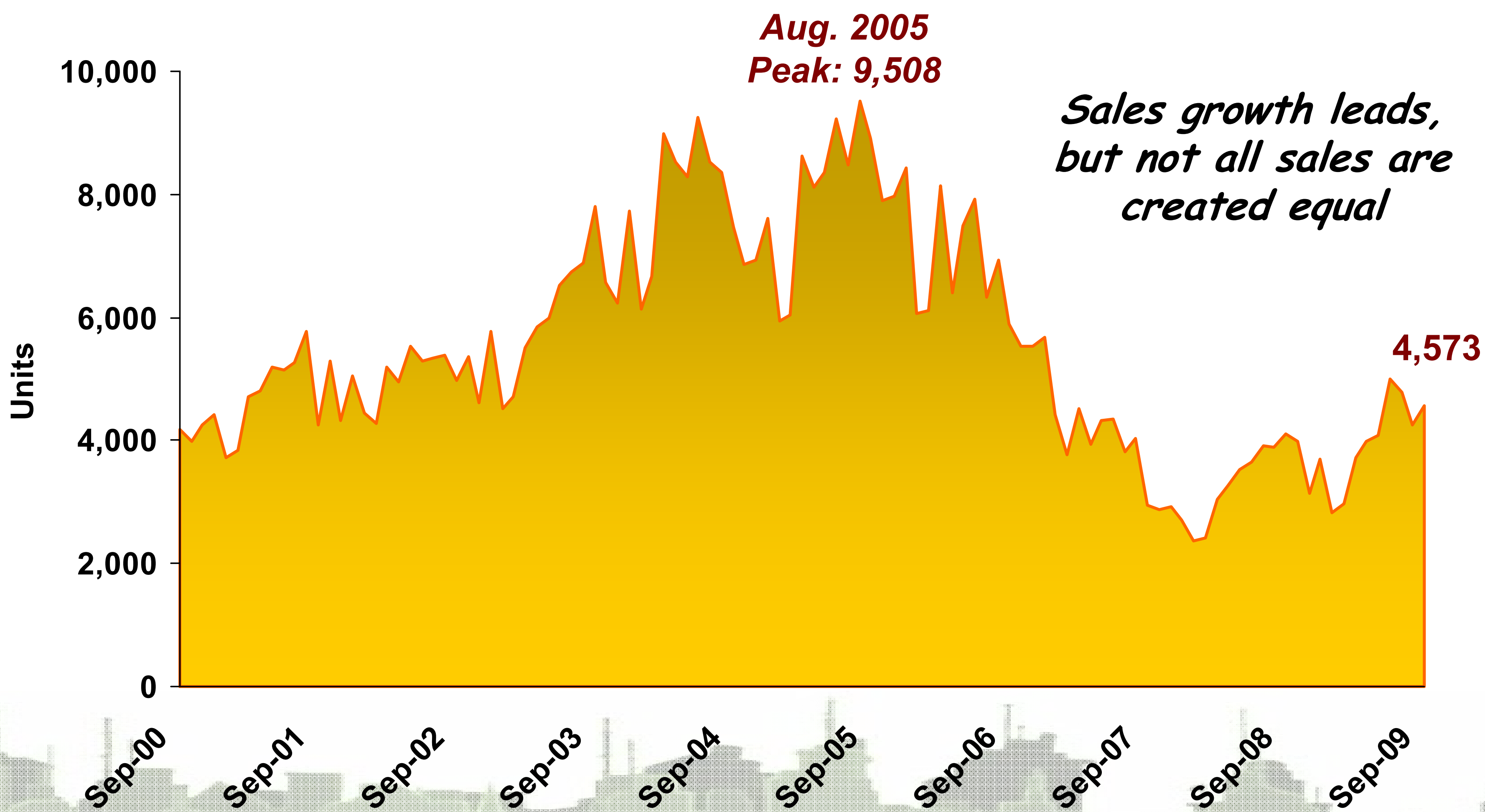
Source: Home Builders Research.

Monthly New Home & Resale Closings
9/2000 – 9/2009



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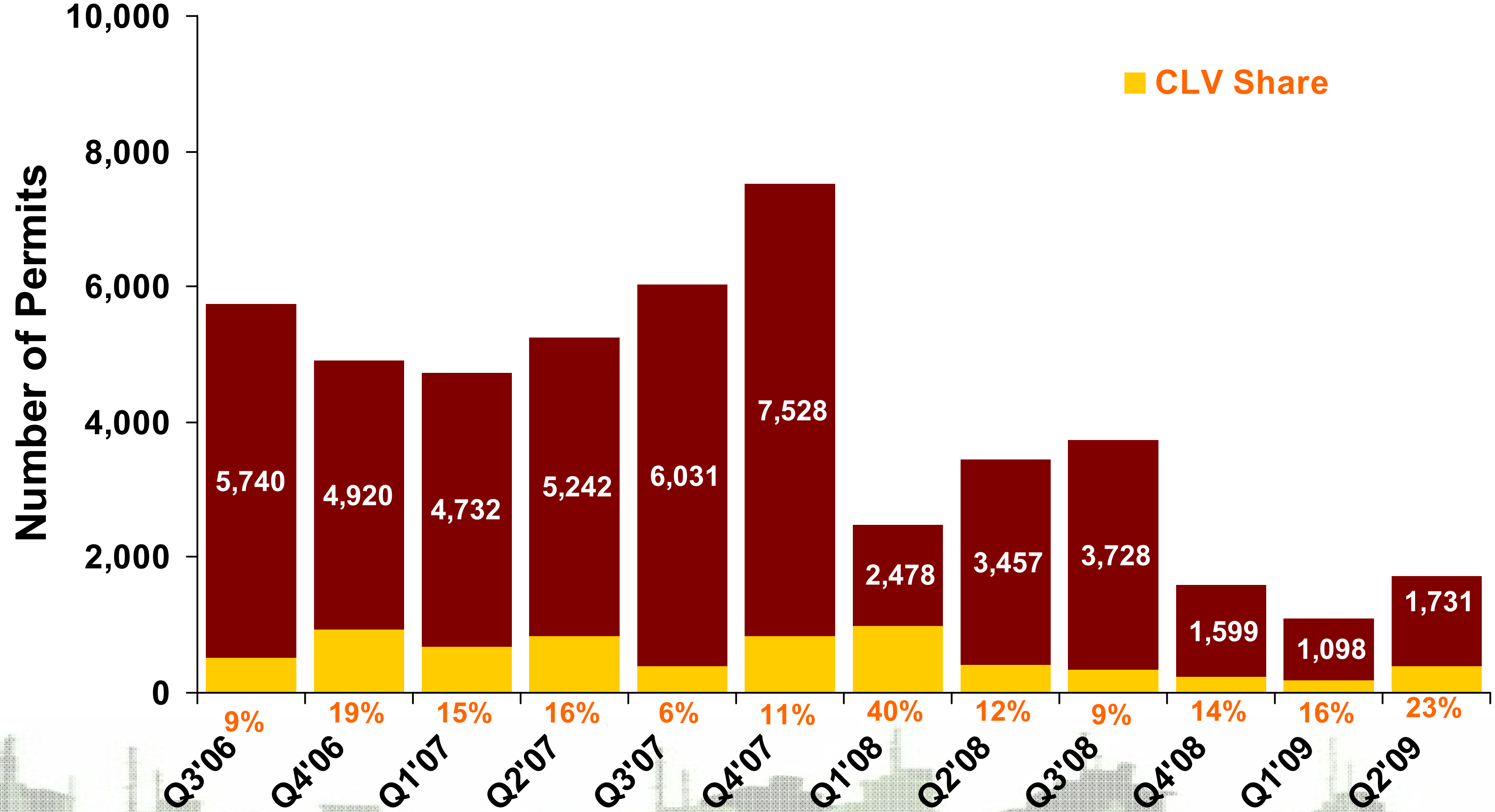
Source: Home Builders Research.

Residential Permits: Las Vegas as % of Valley: Q3, 06 – Q2, 2009



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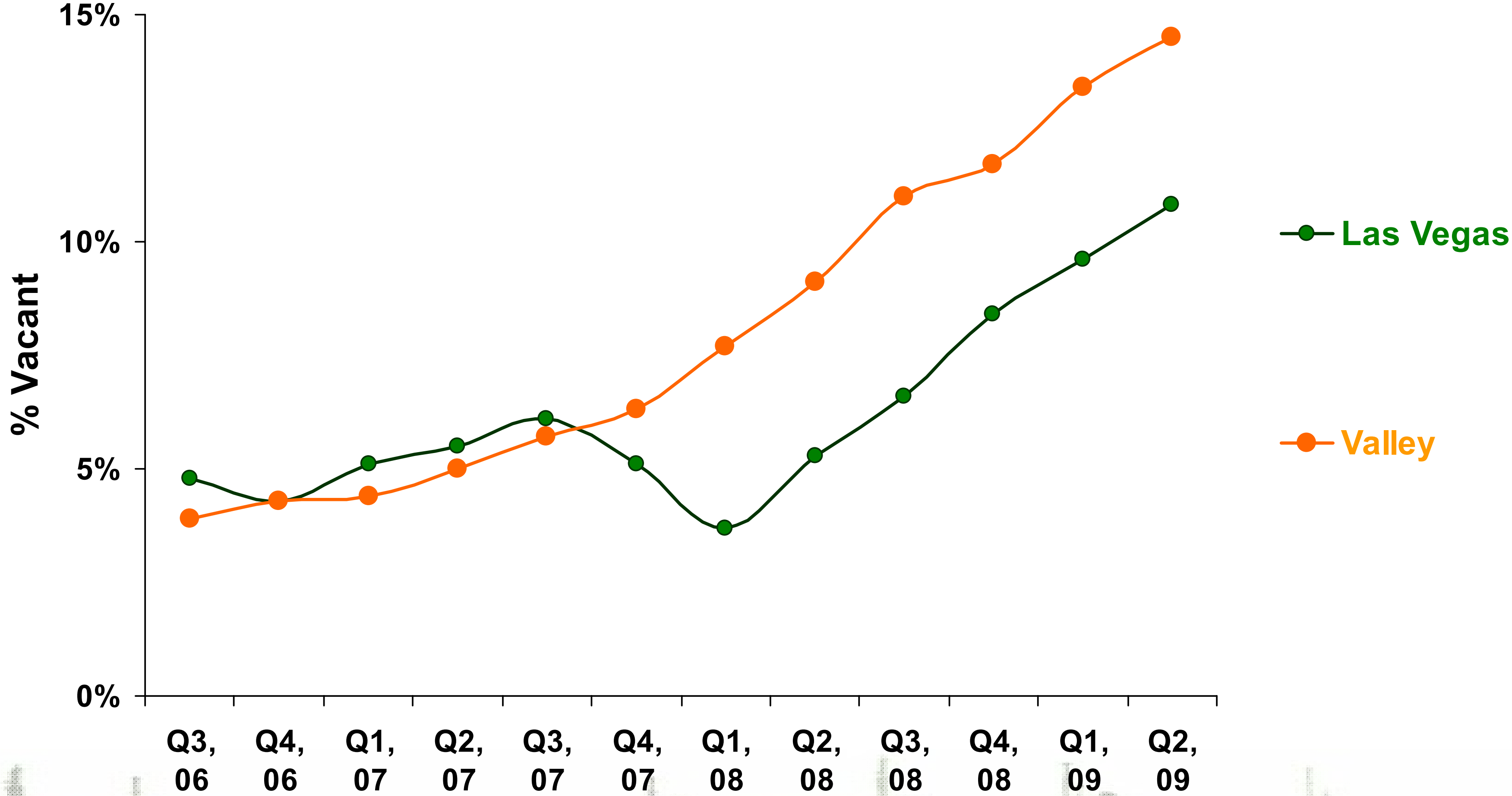
Commercial

Valley-wide & Las Vegas For-Lease Industrial Vacancy: Q3, 06 – Q2, 09



Source: Restrepo Consulting Group.

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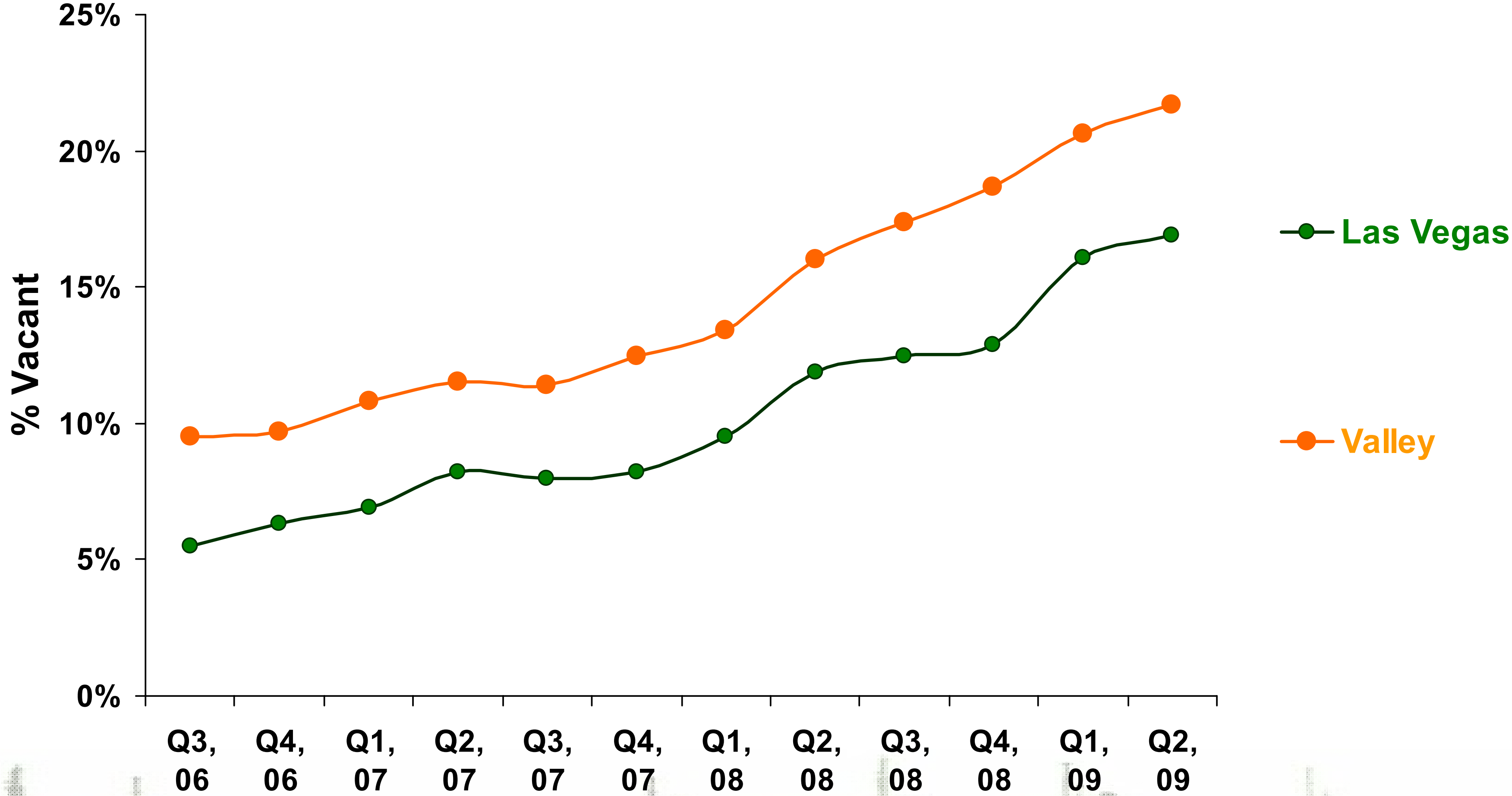
Valley-wide & Las Vegas For-Lease Office Vacancy: Q3, 06 – Q2, 09



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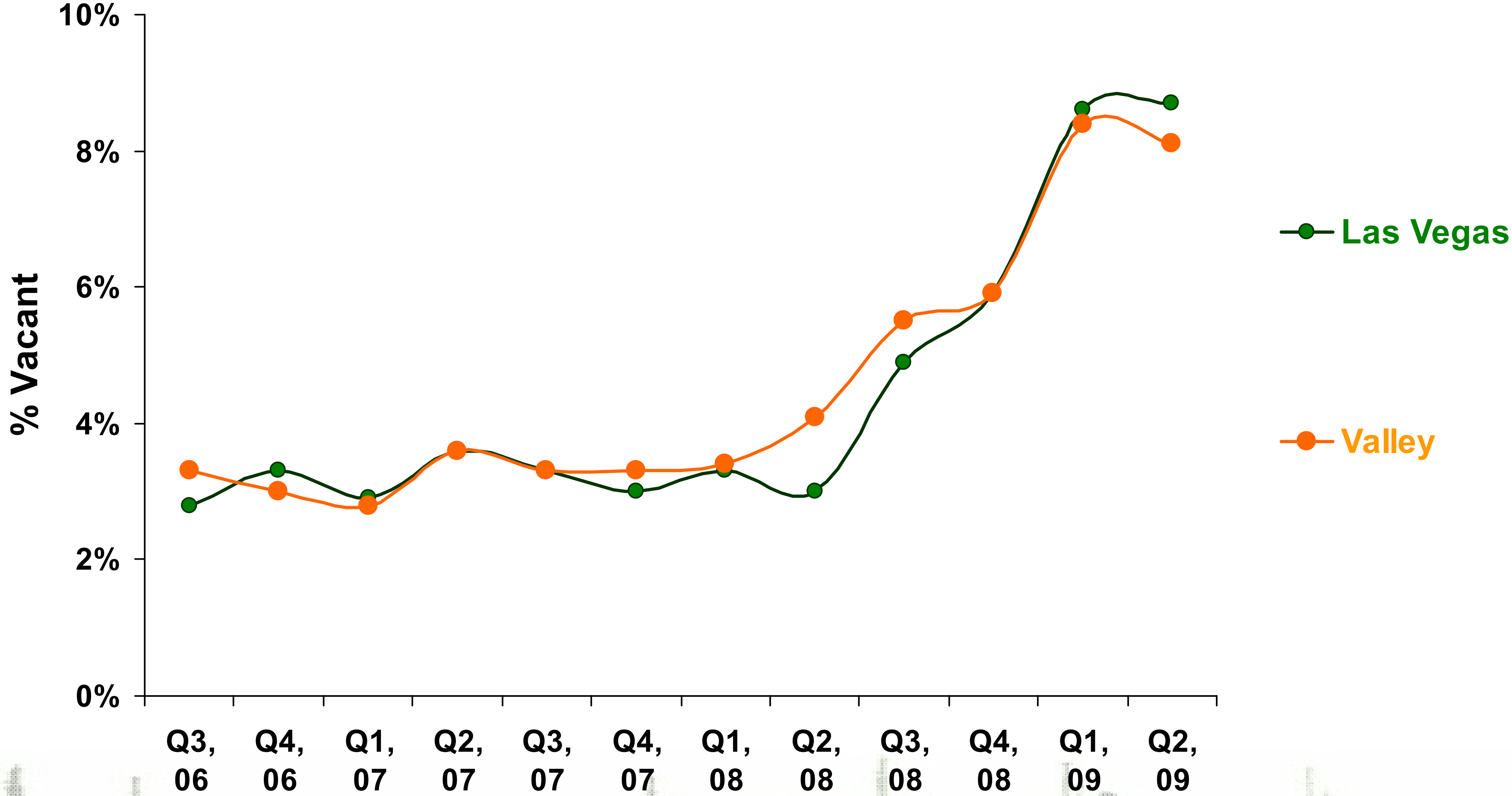
Source: Restrepo Consulting Group.

Valley-wide & Las Vegas For-Lease Anchored Retail Vacancy: Q3, 06 – Q2, 09



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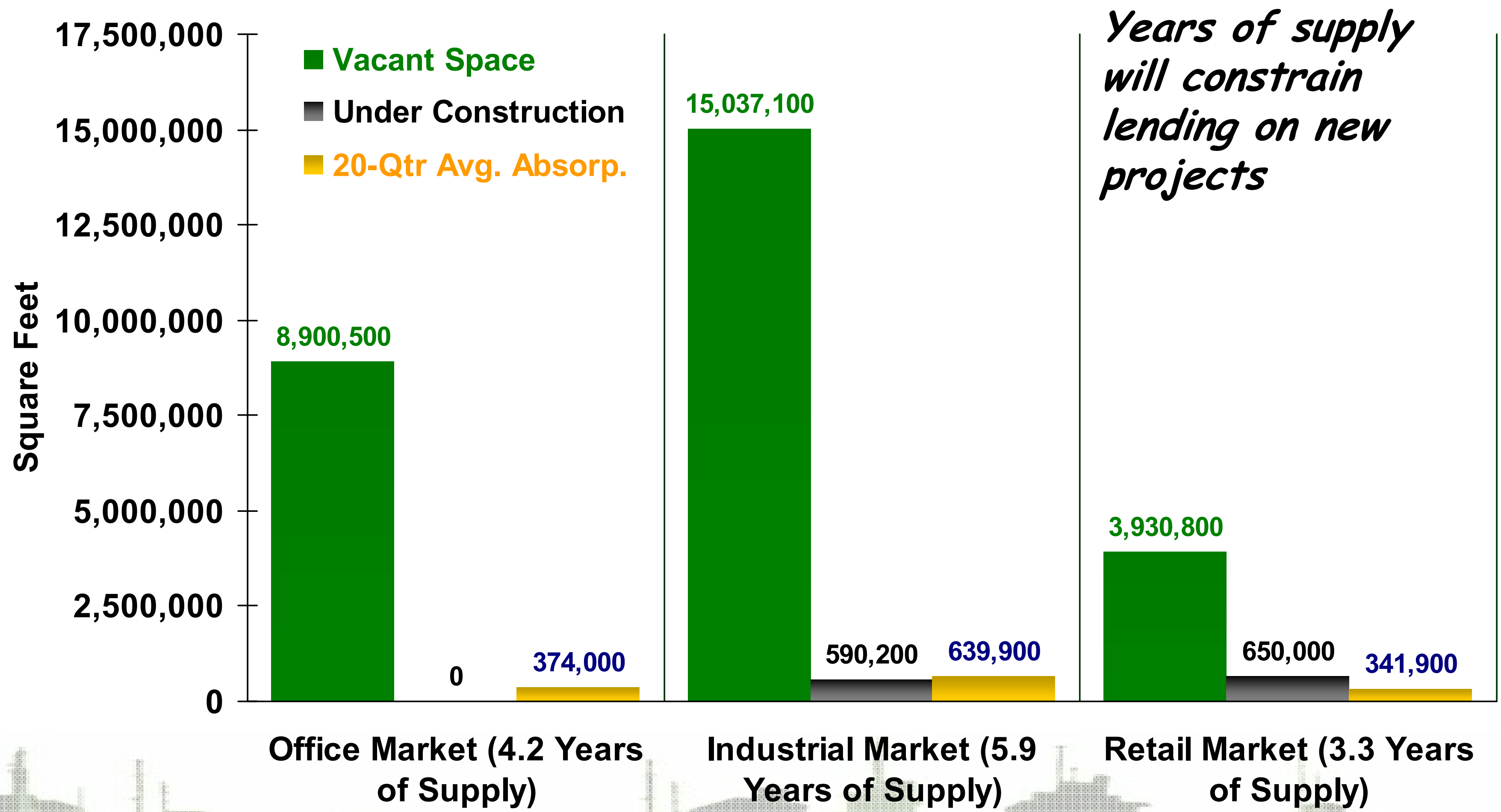
Source: Restrepo Consulting Group.

Years of Supply until Stabilized Rate
(Based on Existing Vacant & Under-Construction space, & 20-Qtr Average Absorption)



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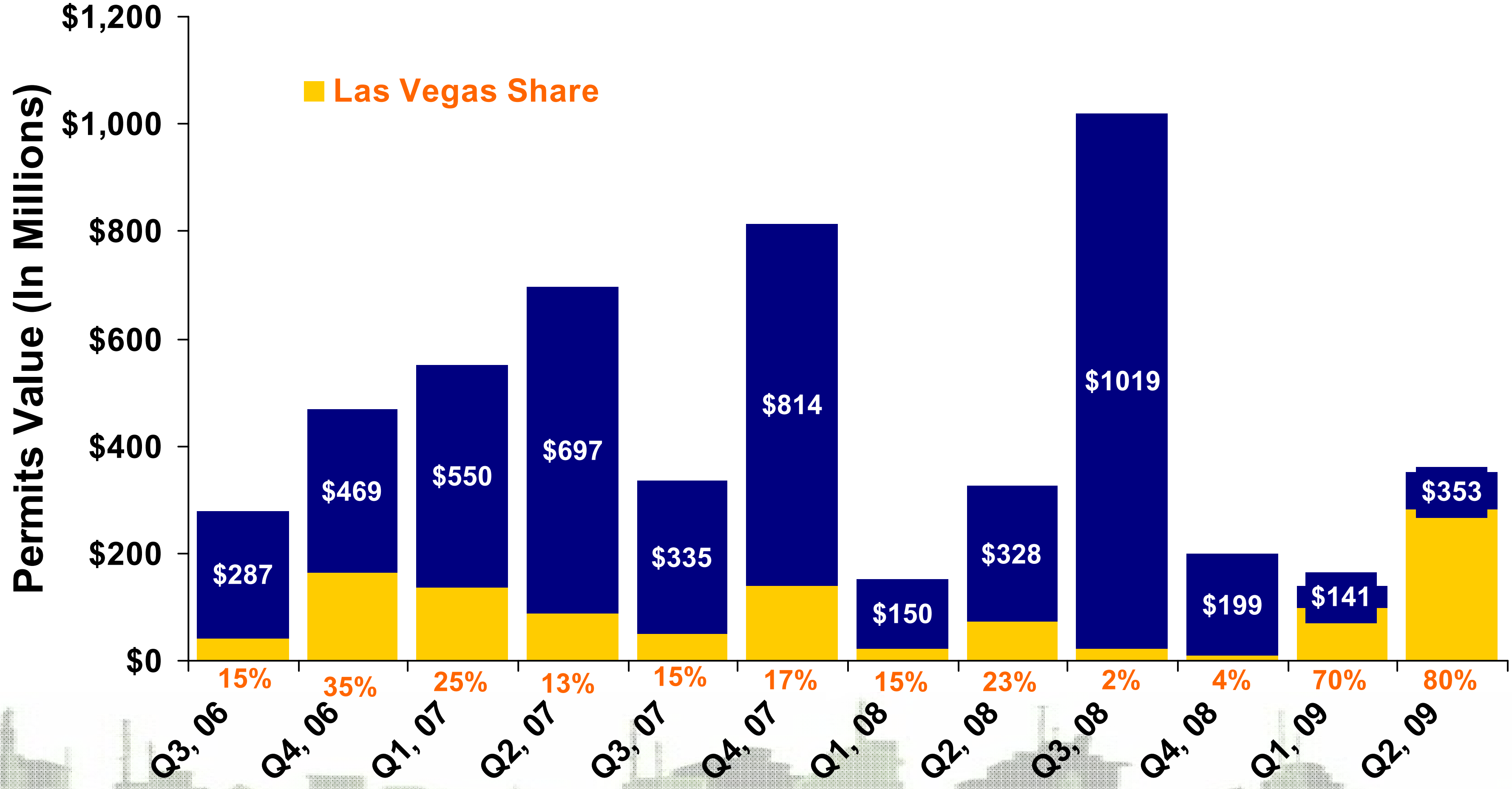
Source: Restrepo Consulting Group.

Commercial Permit Value: Las Vegas as % of Valley: Q3, 06 – Q2, 2009



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CONCLUSION

In Conclusion

THE NEW REALITY

- **Really bad, but NOT a depression**
- **Southern Nevada recovery will lag national recovery**
- **Flat will be the new "up" cycle once recovery start**
- **The other dropping shoes: commercial r.e. & personal credit cards, impact on Southern Nevada?**

WHAT KIND OF RECESSION?

- **Consumer weakness will continue into 2011**
- **Start of sustained economic recovery in early-2011?**
- **Start of sustained local housing recovery in 2012?**

Source: Adapted from Chris Thornberg.

In Conclusion: The Challenge

- **"[State] tax revenue generally follows a U-shaped pattern after a recession, falling sharply for two or possibly more years before beginning to recover.**

- **The 2001 recession is notable both for the depth of the decline and the sharpness of the recovery, for reasons we have written about elsewhere.**

- **In the last two recessions (1990-91 & 2001) it has taken at least five years for tax revenue (as adjusted here) to re-attain its pre-crisis peak."**

- Nelson A. Rockefeller Institute of Government, the State University of New York.

"What Will Happen to State Budgets When the Money Runs Out?", February 19, 2009

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Source: Adapted from Chris Thornberg.

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