City of Las Vegas

Agenda Item No.: **49.**

AGENDA SUMMARY PAGE

CITY COUNCIL MEETING OF: MAY 5, 2010

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

SUBJECT:
ADMINISTRATIVE:

Discussion and possible action on a report from the Financial Oversight Committee regarding the revenue forecast

Fiscal Impact

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

Amount:
Funding Source:
Dept./Division:

PURPOSE/BACKGROUND:
The City created a Financial Oversight Committee that convenes every six (6) months to review the City's revenue forecast.

RECOMMENDATION:
None

BACKUP DOCUMENTATION:
Submitted after Meeting PowerPoint Presentation by Staff

Motion made by GARY REESE to Approve to Accept the Report

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

Minutes:
MARK VINCENT, Chief Financial Officer, explained that a year ago the Financial Oversight Committee was formed for the purpose of giving the management team's insight as to what is happening in the local economy and how it would affect the Citys revenue. The committee met three times, and the members are SENATOR DAVID PARKS; MIKE NOLAN and JOE WOODY, of the El Cortez, representing the downtown gaming industry; GUY HOBBS, Hobbs Ong and Associates; KEVIN ORROCK, Howard Hughes Corporation; and JEREMY AGUERO and MIKE ALASTUEY, Applied Analysis.

MR. VINCENT provided a PowerPoint presentation on the results of the Financial Oversight Committee meeting, which included revenue projection and forecast charts and graphs.

COUNCILMAN BARLOW asked to explain where the City was in 2006 compared to today and the projected Fiscal Year 2016 forecast. MR. VINCENT replied that the level of revenue is back to what it was a decade ago.

COUNCILMAN ROSS asked about the forecast and how conservative those increases are. MR. VINCENT responded that they could be worse and that the gaming side will take a lead. As the national economy continues with its recovery, Las Vegas will have to rely on their return to the spending patterns of old to create jobs that fuel back to construction and housing. But it will not be real soon. COUNCILMAN ROSS remarked that he sees all local governments changing the model to create the economy because he is not satisfied with the numbers provided, which are scary.

COUNCILMAN WOLFSON verified with MR. VINCENT that the projected average growth over the next five years is 3.7 percent, based upon the current benefit and wage packages with the four bargaining units, as well as non-represented employees. The primary drivers in the growth rates for the wages are going to be Cost of Living (COLA) increases, step increases until the employee classification tops out, and increases in longevity pay for those who still receive it. The benefit increase is a recognition that the Public Employee Retirement System (PERS) rate will go up and continue to see increases in health care costs. MR. VINCENT clarified that the City contributed to the Las Vegas Metropolitan Police Department.

COUNCILMAN BARLOW discussed with MR. VINCENT that in Fiscal Year 2009 there was a shortfall of $4 million and the fund balance was used. In Fiscal Year 2010, another $26 million will be drawn from the fund balance. The projection for 2011 is to use another $10 million. Fortunately, there have been substantial reserves, many of which were projects that had General Fund money allocated to them. These were capital projects that were either stopped or deferred and that money along with internal service funds, were utilized. After the final budget on May 18, there still will be the fiscal stabilization fund and should hold on as long as possible. There is about $18 million in funding for capital projects that could be delayed.

COUNCILMAN BARLOW asked if the reserves are equivalent to a savings account and how much longer can funds be pulled from these reserves. MR. VINCENT replied in the affirmative and that there would be about a month and a half worth of reserves. On May 18 he will recommend that the City cannot afford to pull any further from the reserves. Something needs to happen to bring the lines into alignment.

MR. VINCENT remarked that if the chart was addressed more dramatically for Fiscal Year 2011, the burden for Fiscal Year 2012 would be proportionally reduced. Reduction of costs of approximately $47 million began in Fiscal Year 2008 and the beginning of Fiscal Year 2009, through attrition, vacancies, elimination of non essential expenditures, and participation in the voluntary separation program. In November of 2009 the general fund experienced its first reduction in force. The annualized impact in 2011 of those cuts is about $8.6 million. During the March workshop, additional cuts of $26.5 million were presented. Currently, there is an addition $15 million worth of cuts on top of what has already been done. By May 18, the final budget, $15 million would have been cut, on top of the $47 million. Additionally, the general fund has been drawn down to $28.8 million and $10 million transferred from reserves.

MAYOR GOODMAN asked if the proposition proposed at one point is still valid, if every employee in the City remained flat, which means no COLA, no merits, no longevity, no steps, and made a concession of eight percent of either salary and/or benefits or a combination, would all of the services and employees be retained. MR. VINCENT replied that that is not as accurate, but because of the dire outlook that growth is going to be in the low single digits, the eight percent would not have helped. MAYOR GOODMAN requested that the information be provided because he wants to know how to deal with MR. AGUERO'S suggestion about not terminating anybody which adds to the unemployment rate.

MR. VINCENT reminded everyone that the Final Budget Workshop is scheduled for May 18, 2010, when the impacts of the additional $15 million would be presented.