City of Las Vegas

Agenda Item No.:

AGENDA SUMMARY PAGE

REDEVELOPMENT AGENCY MEETING OF: NOVEMBER 18, 2009

DEPARTMENT: OFFICE OF BUSINESS DEVELOPMENT
DIRECTOR: BILL ARENT

SUBJECT:
Report and possible discussion regarding a five-year cash flow which identifies projected net revenue, capital expenditures, operating expenditures and program expenditures for the period Fiscal Year 2011 through Fiscal Year 2015 - Wards 1, 3 and 5 (Tarkanian, Reese and Barlow)

Fiscal Impact

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

Amount:
Funding Source:
Dept./Division:

PURPOSE/BACKGROUND:
Due to the economic slowdown, staff is projecting a decrease in the historical growth rate of tax increment revenue of the Redevelopment Agency. This five-year cash flow projection summarizes the use of Agency revenue to meet its needs for capital expenditures, operating expenditures, and program expenditures.

RECOMMENDATION:
Accept report and direct staff as appropriate.

BACKUP DOCUMENTATION:
Submitted at Meeting PowerPoint Presentation by Staff

Motion made by GARY REESE to Accept the Report

Passed For: 7; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 0
RICKI Y. BARLOW, LOIS TARKANIAN, STEVE WOLFSON, OSCAR B. GOODMAN, GARY REESE, STEVEN D. ROSS, STAVROS S. ANTHONY; (Against-None); (Abstain-None); (Did Not Vote-None); (Excused-None)

Minutes:
At MEMBER WOLFSON'S request, BILL ARENT, Director of the Office of Business Development, explained that the City and RDA are separate entities. The City Council sits as the board for the Redevelopment Agency (RDA), which is also supported by City employees. However, any new development within the RDA's approximately 3,900 acre area that generates new property taxes is utilized for reinvestment as a separate fund. Therefore, not only are the

RDA efforts funded by the revolving RDA fund, but his office is also funded by RDA and not by the City's General Fund.

MR. ARENT briefed on the informational item with a PowerPoint presentation, including slides identifying revenues, expenses, needs of the RDA and its projects as well as funding for new projects. The RDA's goals were highlighted and the efforts to achieve a balanced budget as revenues decline over a five-year period. The secondary goal is to assist with the City's General Fund needs by utilizing internal staff who have the necessary skill set to perform duties without compromising RDA goals and services and then pay for those services with RDA funds. Later in his presentation he gave specific examples of this type of in-sourcing.

MR. ARENT reviewed slides involving the fairly level debt component which is being impacted by declining revenues. RDA is looking to reduce expenses by 30% over the next two years. Funding of all these projects is projected to create an annual operating loss. However, the chart clearly reflects that the majority of funds are utilized for project debt service.

There will be a need to draw down the fund balance to fund ongoing operations and achieve a balanced budget by Fiscal Year 2015. The recent bond issue of $85 million was possible because of the projected $1.2 million fund balance. The expert recommendation is that the fund balance not be reduced below 5% in order to maintain solvency and to meet the needs of the RDA.

MEMBER BARLOW questioned the fund balance percentage. Perhaps a little more would be wiser to be prepared for the future and unexpected events. MR. ARENT responded that this conservative budget is believed to be the worst case scenario. Any revenue in excess of the projections would be used to keep the momentum going. The RDA expects to exceed the $17 million annual revenue required to service existing debt but projections were conservative to ensure meeting the RDA commitments. MEMBER ANTHONY confirmed that regardless of the worst case scenario, the fund balance would never be allowed to reach zero because of various revenue sources set up with past projects. However, failing to meet the minimal annual revenue could result in debt service default.

MR. ARENT recapped supported projects and programs and reviewed the slide identifying the funding of those projects and programs. Lastly, the RDA has made a secondary pledge for the City Hall COPs lease payment.

MR. ARENT concluded his report by reviewing the budget schedule for the RDA.

MEMBER BARLOW discussed with MR. ARENT the Westside School historical site and where that project would fit, the lead for the project and the funding for it. MR. ARENT indicated that the focus on Fiscal Years 2011-2015 was perhaps detrimental to the 2010 budget. The current budget includes $1.5 million for any capital projects in the historic Westside and there can be a reallocation to contribute to this project.

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MEMBER WOLFSON appreciated the conservative approach and asked for a map showing the RDA area in future presentations for the public's benefit. MEMBER BARLOW asked MR. ARENT to give the rough boundaries of the RDA area. MR. ARENT did so, and advised that the map is also available on the City's website. There was discussion as to why the RDA does not encompass suburban neighborhoods and the stringent requirements and process for defining an RDA area and freezing the tax base. It is primarily a tool for reinvestment into defined types of communities with a declining tax base and a history of poor investment. There is no downside to being within an RDA area.

MEMBER TARKANIAN discussed with MR. ARENT the other areas within the community where there is a need but not all of the necessary statutory tests apply.

CHAIRMAN GOODMAN commended MR. ARENT for the quality of the report. However, as an optimist, he believes redevelopment brings the hope for recovery and is confident things are going in the right direction. There are many projects pending that will help with the current economic situation. He cited the renovation of the Gold Spike and other projects and their impacts, which were not included in the numbers. MEMBER REESE expressed his appreciation for the report as well and the comments of his colleagues.