City of Las Vegas

Agenda I

AGENDA SUMMARY PAGE

SPECIAL JOINT CITY COUNCIL AND REDEVELOPMENT AGENCY BUDGET WORKSHOP MEETING OF: MARCH 30, 2009

DEPARTMENT: FINANCE AND BUSINESS SERVICES
DIRECTOR: CANDACE RA[illegible] ACTING ☐Consent ☒ Discussion

SUBJECT:
Discussion and possible action regarding the Fiscal Year 2010 City of Las Vegas and Redevelopment Agency operating and capital project budget requests

Fiscal Impact
☐ **No Impact** ☐ **Augmentation Required**
☐ **Budget Funds Available**
Amount:
Funding Source:
Dept./Division:

PURPOSE/BACKGROUND:
Discussion and review of the Fiscal Year 2010 City of Las Vegas and Redevelopment operating and capital project budget requests. The Budget Workshop is a public meeting focused on review of projected revenues and City Council/Redevelopment Agency guidance relative to appropriation levels and resource priorities.

RECOMMENDATION:
None

BACKUP DOCUMENTATION:
Submitted after Meeting Corrected PowerPoint Presentation by Staff

Motion made by GARY REESE to Approve to accept the proposed budget as presented

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, DAVID W. STEINMAN; (Against-None); (Abstain-None); (Did Not Vote-None); (Excused-None)

Minutes:
CITY MANAGER FRETWELL stated that this is the first of a series of discussions regarding the FY 2010 budget, noting that fiscal efforts and making necessary budget cuts over the past 18-24 months have positioned the City well. With the Councils support and guidance, staff has cut close to $50 million, implemented over 50 percent of the 106 recommendations of the Fundamental Service Review (FSR) and would soon take on the more challenging FSR recommendations relating to organizational changes, such as the recent consolidation of the

Graphic Arts and Public Information Offices under the Communications Department, which saved the City over $500,000 without impacting a single job. Other innovative measures taken to help cut the budget was to offer a Voluntary Separation Program (VSP), which cut over $6 million from next years budget, and to create and fund the Stabilization Fund, considered to be a savings account in order to withstand fiscal challenges in the future.

Despite the reduction in revenues, staff is trying to manage costs by consciously making budget cuts and strategically reducing the ending-fund balance, thus allowing a draft budget of about $540 million in order to provide necessary services in areas the Council has determined to be lacking and to fund new capital projects that have been partially designed or partially funded.

CITY MANAGER FRETWELL thanked the Executive Team for its concerted efforts to find creative ways to continue to provide top services to the constituency, as well as the City employees for becoming part of the solution. In looking forward, there are many financial tasks at hand, and it is not going to be easy to address those, but she affirmed her belief that the City is well posed to be able to line up revenues with costs better than it has the past two years.

CITY MANAGER FRETWELL and ACTING DEPUTY CITY MANAGER VINCENT jointly presented a PowerPoint presentation to update the Council on the fiscal situation and how Performance Plus (P+) is being utilized to make recommendations for budgets, service enhancements and service reductions.

ACTING DEPUTY CITY MANAGER VINCENT started the PowerPoint presentation by giving the status of P+, highlighting the action items to improve the program, such as enhancing reporting by involving every employee in Performance Plus Executive Team (PPET) meetings, defining ways to utilize the program to evaluate it in order to provide more guidance, strengthening the definition of the charging practice policy to be able to provide an accurate measure of cost information through the employee timecard and focusing on aligning programs with the Councils Strategic Workshop priorities in order to report more accurately on the results of the Key Performance Indicators (KPI). He noted that automating data collection has been an issue, as well as dealing with cross-cutting issues; for instance, consolidating duplicate services, which are very obvious under the strategic planning process and the business plan, but fixing them has created other issues because of the various departments involved.

He also went over the P+ Budget Impact Examples and how those savings were achieved; providing increased training to buyers to further negotiate certain items of low bid proposals, determining the useful life of vehicles according to mileage, measuring the cost effectiveness of a canine unit, turning over the buses and bus drivers to the Regional Transportation Commission (RTC) and reducing and measuring P-Card transactions.

At the request of COUNCILMAN ROSS, ACTING DEPUTY CITY MANAGER VINCENT clarified that the Revenue Stabilization Fund (RSF) was funded at a maximum, without overreacting, to help get through a long recession as it is projected that revenues will not keep pace with expenditures for the next 3-4 years. Monies saved from the elimination or postponement of some capital projects, the elongation of service cycles of some equipment funded under the Internal Service Fund (ISF) and the redirection of payment of maintenance costs for certain capital projects have helped fund the RSF.

He explained for COUNCILMEMBERS BARLOW and TARKANIAN that the revenue outlook is basically flat as there was a slight General Fund growth in FY09-10, but it is back to where it was four years ago. This recession started in October 2007 and is expected to last through 2013/2014 with a revenue growth of 5-6 percent, unlike previous double digits.

ACTING DEPUTY CITY MANAGER VINCENT continued and went over the Consolidated Tax (C-Tax), which is made up of 84 percent sales and use tax and the remainder of cigarette, liquor and transfer taxes, and stated that it is expected to have negative growth for the next four years. The Property Tax revenues started decreasing in FY08, 09 and 10 because of the portion of the tax bill that would have been abated, as represented by the yellow bars.

In going over the FY10 Estimated Property Tax Rate, he commented that a pie chart is shown to demonstrate the overlap in and distribution of property taxes, with the biggest beneficiary being the Clark County School District. He noted that, theoretically, the City of Las Vegas could impose an 18 cent operating tax.

MAYOR GOODMAN questioned the services the City receives for its contribution to the County of .6391. ACTING DEPUTY CITY MANAGER VINCENT replied that it receives County services, such as utilization of the County Court System, health and human services through University Medical Center (UMC), noting that the services do not overlap. The City only receives monies from the County through interlocal agreements. He answered for COUNCILMAN ROSS that the only way to affect the Citys contribution to the County would be through a voter-approved increase, and the taxpayers would have to pay for the new debt. CITY MANAGER FRETWELL rejoined that it would take a significant effort of the Debt Management Committee, because all agencies have a cap and it cannot be compromised, so it requires a fine balancing act. The state receives 45 percent of all property taxes raised in the City of Las Vegas. ACTING DEPUTY CITY MANAGER VINCENT pointed out that the state funds the schools per pupil. The County has a pie chart, but it has some other overlapping rates and the numbers are different, about a total of 50 cents, and the County has townships.

COUNCILWOMAN TARKANIAN asked that staff track the school bond issue of 1998, because, as a member of the School District Board of Trustees, she was involved in setting up rules for the monies to be spent to ensure that the older schools would receive refurbishing monies, yet she hears repeatedly that there is no money to refurbish the Garside pool. Moreover, the Public Broadcasting System received $30 million of bond money for its new building on Flamingo Road. ACTING DEPUTY CITY MANAGER VINCENT indicated that he would obtain the information.

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CITY MANAGER FRETWELL took over the PowerPoint presentation and summarized the savings achieved and budget cuts made. Regarding the Voluntary Separation Program, she stated that it was very successful, but it is not ongoing. Some of the positions will be left open for sometime. Some of the requests were denied because they were either made by people that had retirement plans prior to the program being offered or by people whose positions were deemed by the director to be indispensible. She pointed out that the VSP provided the ability to place many of the Building and Safety employees that lost their jobs due to the Building and Safety Enterprise Fund no longer being elf-sustainable. She answered for COUNCILMAN WOLFSON that 21 people have had to leave involuntarily as some of the people did not have seniority.

She continued with the slide presentation, stating that staffing vacancies have helped make the proposed budget. With the restoration of some of the positions, costs will have to be closely monitored. Most of the 8[illegible] positions restored are in the larger departments and in the areas of safety to ensure continued safety to the citizens.

ACTING DEPUTY CITY MANAGER VINCENT resumed the PowerPoint presentation and reviewed in detail the five-year forecast. Although this year's fund balance ends with almost 20 percent, about $37 million will have to be made up for the shortfall in revenues immediately in 2010. In years 2011-2013, about $[illegible] million will have to be redirected to the General Fund from the RSF in order to cover expenditures. Staff anticipates additional adjustments in labor costs through renegotiated contracts. This might be a good time to offer another VSP.

COUNCILMAN WOLFSON confirmed with ACTING DEPUTY CITY MANAGER VINCENT that the rollback in wages for FY 2011 assumes a 2 percent reduction in the growth rate, with a 2 percent rollback, which is very optimistic. CITY MANAGER FRETWELL pointed out that the forecast model does not take into account any legislative or stimulus funding impacts, but staff is trying to be conservative yet realistic. Despite all the efforts of staff, only $50 million was saved. Therefore, staff has to continue to monitor closely, implement the other FSR recommendations and leverage technology to manage staffing in a more sustainable manner.

ACTING DEPUTY CITY MANAGER VINCENT explained for COUNCILMAN BARLOW that the revenue growth percentages from FY10-13 assume that the recession has bottomed out and coming back in late 2011. The target is to maintain an ending-fund balance of 10 percent.

COUNCILMAN STEINMAN asked if the model assumes substantial growth in property taxes, to which ACTING DEPUTY CIY MANAGER VINCENT replied that the model presumes that the combination of increased value and new construction is going to produce a 2 percent rate of growth in FY 2011. It is predicated on an assumption that a recovery will be seen sometime in FY11. COUNCILMAN STEINMAN felt that the real estate market has to come back up in order to get out of this recession, which in turn will cause people to start spending and have a positive impact on C-Tax revenues. CITY MANAGER FRETWELL assured COUNCILMAN STEINMAN that staff will discuss his concern with the Financial Advisory Committee to ensure that projections are as conservative as necessary and on target.

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MAYOR GOODMAN noted that the Civilian Review Committee is going to painstakingly analyze wages and benefits, and he asked what that analysis will be based on. ACTING DEPUTY CITY MANAGER VINCENT replied that the assumptions of FY11-FY14 amount to about 3.3 percent average wage growth, with the benefits portion growing slightly over 4.4 percent. CITY MANAGER FRETWELL interjected that these numbers include step raises, cost of living increases and differential pay.

ACTING DEPUTY CITY MANAGER VINCENT explained the Fund Balance Results chart. The policy is to maintain a 12 percent ending-fund balance and close to ten week's worth of coverage to avoid a negative impact to the City's bonding ability.

He discussed the Future Action Plan and the possible actions necessary to prepare for FY11, in addition to drawing down the fund balance and drawing down from the revenue stabilization fund. CITY MANAGER FRETWELL noted that if the workload diminishes in certain parts of the organization, some difficult decisions would have to be made, even possibly reposition some people into positions that need to be filled. Staff will monitor this closely.

Referring back to the Current Forecast chart, CITY MANAGER FRETWELL pointed out new positions are being created only for current capital improvement projects involving new parks and facilities that require maintenance or programming. If things need to be done differently to address various community needs, the City has to work within its available resources. Flexibility is required on the part of employees and the organization to be able to adapt to those changing needs of the community.

ACTING DEPUTY CITY MANAGER VINCENT outlined some projects added to the Capital Project Fund list. There is a concern about IT (Information Technologies) projects and where to utilize technology to mitigate costs. CITY MANAGER FRETWELL clarified that those projects are included in phases two and three, not three and four as indicated on the slide presented at this meeting.

ACTING DEPUTY CITY MANAGER VINCENT addressed the Five-Year Capital Project Plan. The state requires the City to file a five-year capital plan to include estimates for Fiscal Years 2011-2014, but it does not mean they are funded. The plan includes funding of approximately $150 million less than last year because of decreased activity in land sales.

Regarding the Redevelopment Agency (RDA) budget, ACTING DEPUTY CITY MANAGER VINCENT stated that the RDA has been asked to take on additional burdens. In preparation of the bond sales, consultant Keyser Marston Associates revised its forecast for the FY 2010 property tax increment and is predicting a reduction of about $3 million. The RDA has been successful in its bond sales, with its debt service rising from $6.3 million to $10.9 million and Tax Increment Financing (TIF) notes already under agreement. In trying to size how much the RDA could borrow on the medium-term Interfund loan and still be able to adequately pay it back at 3 percent interest, staff arrived at an amount of $15 million. He expects that the RDA will have additional redevelopment projects in FY10.

COUNCILMAN REESE was pleased with the healthy RDA budget and asked if RDA funds could be used to pay for capital projects such as baseball parks, an underserved need in Ward 1. CITY MANAGER FRETWELL replied that she would be happy to look into that. ACTING DEPUTY CITY MANAGER VINCENT added that there are varied needs, some of which may not come to fruition in the next budget cycle, but staff can look at which projects have needs and ready to be constructed. There are some issues with the new City Hall, the parking garage and the parking commitments relative to the Performing Arts Center, so he offered to come back with different scenarios.

ACTING DEPUTY CITY MANAGER VINCENT went over the FY10 Budget Schedule. The Tentative Budget will be filed on April 15, 2009, and is subject to adjustments by the City Council until the final budget hearing of May 19, 2009. He is trying to schedule a meeting of the Financial Review Committee to help with some of the forecasting concerns that COUNCILMAN STEINMAN brought up. The final budget needs to be filed by June 1, 2009.

COUNCILMAN ROSS commended CITY MANAGER FRETWELL and City staff, as well as every employee for being sympathetic to the financial situation and doing what is necessary to keep the City afloat. City residents have been accustomed to receiving top services, but they too have been very understanding. He believes the City of Las Vegas is the first municipality in the state to respond quickly and proactively in making necessary adjustments.

MAYOR GOODMAN stated he hopes ACTING DEPUTY CITY MANAGER VINCENT is correct in his forecast, although he sees a far grimmer picture. He acknowledged the members of the bargaining units that have stepped up and recognized this grim reality. He agreed that the City has managed itself better and has been as prudent as possible, but he fears that the economy will not come back as quickly as projected. He wondered if this should be addressed now or later. ACTING DEPUTY CITY MANAGER VINCENT commented that it is going to be a very hard year for the City and its economic struggles are definitely not over.

MAYOR GOODMAN added that the prudence of this Council should not be punished. CITY MANAGER FRETWELL agreed that this is not going to be an easy year. A lot of hard work went into getting extra time to prepare. Indicators show that sick leave has increased because employees are going the extra mile, are stressed out, and trying to do their very best for the community. At this point, there is nothing more that can be done given the financial situation. The City needs to be poised and ready to respond to more dire projections. Staff's flexibility and adaptability will allow more time to implement the Councils directions so that their impacts can be seen.

The Mayor was happy to see these discussions are taking place in a public forum, because there may come a time when employees are asked to accept a change in philosophy, based on the assumptions brought forward by staff today. ACTING DEPUTY CITY MANGER VINCENT indicated that the actions taken bought the City time, but definitely not time to rest; it is time to plan and analyze. The goal is to provide an accurate picture to the Council to enable it to make the best decisions possible. The Mayor appreciated the remarks, but stated that the cuts and savings will only serve to give the City more time to address bleaker news.

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Agenda Item No.: **4.**

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CITY MANAGER FRETWELL stated that a 2 percent rollback in salaries and a greater reduction in the revenue growth rate going forward are not easy to discuss, but it will be necessary in the upcoming year.

COUNCIMAN BARLOW was pleased with staffs ability to anticipate, project and plan ahead; however, he asked if the inevitable is being extended and what the future of new employees will look like. He wondered if this is the time to consider and discuss a new City package for new employees versus existing employees. CITY MANAGER FRETWELL replied that the City is in the process of a classification compensation study which might aid in that discussion with good, sound information.

COUNCILMAN REESE stated that the entire Council appreciates the sacrifices made by every department director and the different bargaining units. He fears the down economy will last longer than forecasted and does not believe the stimulus plan will do the City of Las Vegas any good. He asked that the City remain prudent, accept the proposed budget and move forward as best possible.

COUNCILWOMAN TARKANIAN commended staff for its hard work and praised the union representatives for stepping forward and taking pay cuts. She applauded staff for looking at the fundamental review and the possibility of placing employees in needed positions, such as two more Code Enforcement Officers for the Rapid Response Division. CITY MANAGER FRETWELL responded that staff is trying to use resources creatively and might be able to use CDBG (Community Development Block Grant) funding to pay for an additional Code Enforcement Officer. The Councilwoman thanked the City Manager for thinking outside the box.