



Las Vegas

Agenda Item No.: 4.

AGENDA SUMMARY PAGE
SPECIAL JOINT CITY COUNCIL AND REDEVELOPMENT AGENCY
MEETING OF MAY 19, 2009

DEPARTMENT: FINANCE AND BUSINESS SERVICES

DIRECTOR: CANDACE PALDER, ACTING

☐ Consent ☒ Discussion

SUBJECT:

Public hearing and possible action regarding Fiscal Year 2010 City of Las Vegas Tentative Budget and Fiscal Year 2010 City of Las Vegas Final Budget, including the Five-Year Capital Improvement Plan.

Fiscal Impact

☐
☐

No Impact

Budget Funds Available

☐ Augmentation Required

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

The Fiscal Year 2010 City of Las Vegas Tentative Budget was filed with the Nevada Department of Taxation on April 15, 2009. Council will review and possibly amend that Tentative Budget and adopt the revisions as the Fiscal Year 2010 City of Las Vegas Final Budget, including the Five-Year Capital Improvement Plan.

RECOMMENDATION:

Staff recommends adoption of Fiscal Year 2010 City of Las Vegas Final Budget, including the Five-Year Capital Improvement Plan, as amended with Guidance from City Council.

BACKUP DOCUMENTATION:

1. Fiscal Year 2010 City of Las Vegas Tentative Budget
2. Submitted at Meeting - PowerPoint Presentation for Items 4 and 5 and Letter from the Citizens Priority Advisory Committee with Attachment by Staff
3. Submitted after Meeting Budget Policies

Motion made by GARY REESE to Approve

Passed For: 4; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 3

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

Minutes:

ACTING DEPUTY CITY MANAGER MARK VINCENT noted weekly briefings to the Council on this lengthening recession period. Today's budget has no changes from what was presented at the Budget Workshop.

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Using a PowerPoint presentation he outlined the recent statistics gathered by the University of Las Vegas Nevada (UNLV) Center for Business and Economic Research. It depicts an unprecedented struggling economy that other local governments are experiencing. He clarified for MAYOR GOODMAN that the dollar values on building permits have decreased, a direct correlation to property tax values. While nationally there are signs the economy reaching bottom, Las Vegas has not felt the bottom yet and the recovery will lag the national recovery.

Different City corrective actions, such as the Fund General Services Review and the compensation and classification study, will be helpful during contract negotiations involving labor resources. Fee enhancement changes have been initiated and new bills to enhance licensing fees will be introduced for the City Council's approval. The implementation of the separation program was very successful, creating a savings of approximately \$6.5 million in Fiscal Year 2011 (FY11).

ACTING DEPUTY CITY MANAGER VINCENT noted that the Financial Review Committee was created of outside experts in the field of private and government finance. The committee made some recommended adjustments to the City's future revenue projections. The shortfall is about \$7 million larger over the five years as previously reported. Successful labor negotiation changes saved the City approximately \$19 million. Executive compensations were frozen in terms of merit and bonuses for the current and next year. The revenue outlook showed a negative growth of 3.5% for FY09 and a recovery of 2.1% is expected for FY10 and FY11, with FY12 becoming the bottom-out year. He does not expect recovery to happen until 2013/2014.

The General Fund was reviewed along with the next steps that will be looked at, such as reducing or eliminating programs. This would involve creating a citizen outreach program, using UNLV to conduct citizen surveys and help with town hall outreach. The citizen group would look at what services or programs should be eliminated. The City gained a year of time to do additional planning and discussions will continue with labor unions about additional considerations and adjustments that may be necessary to lessen cuts in services. The total budget has grown slightly, predominantly in non-general areas.

COUNCILMAN WOLFSON verified with ACTING DEPUTY CITY MANAGER VINCENT that the population is determined by demographic techniques by the State and verified by the Planning Department. The statistics for new residents involves driver licenses issued. This does not reflect leaving the Valley.

ACTING DEPUTY CITY MANAGER VINCENT indicated that over 80% of the franchise fees, as well as consolidated and property taxes are controlled by State law and the City Council does not have control to increase those revenues. There has been a revenue loss in consolidated tax.

MAYOR GOODMAN discussed with CITY MANAGER ELIZABETH FRETWELL that the chart does not reflect the activity taking place at the legislature. Some of the bills with impacts indicated a shift, such as a change in administrative fee for collection of sales and use taxes.

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When the Legislative session ends, the City will assess the financial situation and if necessary, will bring an amended budget before Council. If changes require minor adjustments, the final adjustments can be made at the end of the year. There is no way to predict how much the State plans on taking from the City and how much the City would be impacted. MAYOR GOODMAN requested that at the end of the Legislative session a comparative chart be prepared to the chart presented today.

COUNCILMAN BARLOW verified with ACTING DEPUTY CITY MANAGER VINCENT that there would not be another formal budget hearing. This Final Budget hearing is set by Statute with the State. However, an amended budget could be presented at a Council meeting and filed. The only impact to date on the General Fund is the 1% in the administrative fee. CITY MANAGER FRETWELL added that staff can provide the City Council with actual data on a regular basis and adjust the implementation of the budget adopted. Depending on how drastic things are or a major erosion of funding sources that compromises contracts that could tee up other options, relating to current and future negotiations. She will continue to brief the Council on a regular basis. ACTING DEPUTY CITY MANAGER VINCENT indicated that parameters were built in by the City Council in the October 2008 approval on when to revise the fiscal model.

He continued with his presentation and addressed the expenditures, the General Fund Recap, labor and benefits. Revenues versus expenditures and the ending fund balance draw/draw down from 2009 into 2010 of about \$1 billion. There is a shortfall of approximately \$270 million over the next five years. The debt service in the range of \$55 million to \$60 million in FY11 through FY14.

MAYOR GOODMAN was amazed at the unprecedented economy. ACTING DEPUTY CITY MANAGER VINCENT stated he was more optimistic about the recovery 12 months ago, as was the Financial Review Committee. A recovery will happen but he is not optimistic that it will happen next year. CITY MANAGER FRETWELL pointed out that staff was very fiscally conservative on the expenditures over the last year. Had the 318 positions not been eliminated, dropping the budget by 9%, a different conversation would be held today. MAYOR GOODMAN was appreciative of staff for taking these steps.

MAYOR GOODMAN asked if the City lobbying team is aware of the steps the City is taking and how it prepared itself. CITY MANAGER FRETWELL replied that a tremendous amount of work was done with many of the legislators prior to the lobbyist team going to Carson City. Many of them understand the situation and have given the City credit for managing through over the course of the past year. The City is being fiscally responsible and trying to curtail services with the least impact on the residents. MAYOR GOODMAN felt the City should be rewarded for its efforts instead of being punished.

COUNCILMAN WOLFSON asked ACTING CITY MANAGER VINCENT how he would rate the projection of \$270 million as a shortfall over the next four years and if that would be a conservative estimate. ACTING CITY MANAGER VINCENT replied that it is a fairly

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conservative estimate. He was surprised that the Financial Review Committee thought property taxes would drop another 10% in FY11, but he now believes that is also a conservative number. This does not show the \$15.2 million put into the Revenue Stabilization Fund, which is protected from all actions. Some feel that these excess funds could be used for other purposes. Careful planning and not overreaction would help to make better decisions. He personally believes in staying this course and use the extra time to plan what to do in FY11.

CITY MANAGER FRETWELL added that the framework and the foundation have been laid out for getting to the next level of expenditure reduction over the course of the next year, approximately \$15 million worth of savings need to be identified. She has asked the Directors to help identify between two and five percent in cuts, approximately \$25 million. It needs to be done deliberately and with accountability since going further into the operation would impact citizens. It would also require additional discussion with labor unions. This organization and the community are not ready for additional layoffs, particularly when there is money in the fund balance.

COUNCILMAN WOLFSON recognized the City has limited control over revenues, but asked if consideration was given to ways revenues can be increased. Fines and forfeits are about 5% of the budget. He asked for a breakdown, who is paying for those and if it is something that can be explored. ACTING DEPUTY CITY MANAGER VINCENT replied that that category is predominantly court fines and forfeits, which has increased. Even though court costs were added, the revenues far exceeded them.

JAMES CARMANY, Court Administrator, explained that to date, Municipal Court has increased its fines and fees about 20% above costs, raising about \$5 million more than what was spent. Last year at this time, the court was \$900,000 above expenses. Although expenses have been reduced, primarily in labor costs, the focus has been on individuals fined being responsible for paying those fines. Individuals with traffic citations who have lost their jobs and unable to pay are placed in City programs where they can assist the City in areas where additional labor is needed. The Traffic Commissioner has been an integral part of that. MR. CARMANY discussed with COUNCILMAN WOLFSON that another Traffic Commissioner is not the answer but it is a matter of holding individuals accountable for their fines.

COUNCILMAN WOLFSON asked if there are areas where additional revenue could be raised. ACTING DEPUTY CITY MANAGER VINCENT replied that two bills to be introduced to the City Council would provide for extra fee services; temporary privileged or regulatory licenses and increased fees for failed inspections. Another proposed bill would look at off-site permitting. These fees could generate almost a million dollars a year. There are places where revenues could be increased but it is difficult to do at this time given the economic downturn.

COUNCILMAN WOLFSON indicated that liens worth thousands of dollars were placed on nuisance properties and asked if revenues from those fines have been collected. ACTING DEPUTY CITY MANAGER VINCENT replied there has not been a substantial increase in revenues. There have been cases where an individual purchases a property with liens but that

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individual is having trouble paying those liens. Even banks have walked away from properties because the penalty fines were substantially higher than the property's value.

STEPHEN HARSIN, Director of Neighborhood Services, explained that payments were received from some banks, as well as their willingness to work with the City regarding the penalties. COUNCILMAN WOLFSON was pleased to hear that the message of the City Council is working and not unreasonable. A show of good faith could reduce penalties. The money collected does go into the General Fund. ACTING DEPUTY CITY MANAGER VINCENT indicated that discussion is taking place on how to make these properties presentable, bring them up to code and make them livable. COUNCILMAN WOLFSON suggested imposing a condition that the penalty amount might be reduced if people actually live in the property.

ACTING DEPUTY CITY MANAGER VINCENT continued with the PowerPoint presentation outlining the Capital Improvement Plan (CIP). MAYOR GOODMAN verified with ACTING DEPUTY CITY MANAGER VINCENT that stimulus money was factored into the CIP, such as the \$5.5 million in sustainability projects. Much of that is coming from the Sustainability Special Revenue Fund, a percentage of franchise tax set aside.

CITY MANAGER FRETWELL discussed with MAYOR GOODMAN that the City has not received any stimulus money yet. Regulations have been set up and there is another wave of that going through. MR. HARSIN is working on putting together grant applications.

JORGE CERVANTES, Director of Public Works, added that there is about \$10 million for roadway projects coming to the City. The City is partner with the Nevada Department of Transportation (NDOT) for some of the stimulus money. There are approximately \$45 million that the Regional Transportation Commission (RTC) is getting for City projects such as the Downtown Transportation Center. He is not aware whether the RTC received any monies. CITY MANAGER FRETWELL pointed out that an item on the City Council's agenda for the May 20, 2009 meeting for consideration is the Justice Assistance Grant, and those funds are anticipated to be received in July. COUNCILMAN BARLOW and CITY MANAGER FRETWELL discussed funding projects instead of adding staff. The grant money help defray the cost of administration or implementing the grant. Some stimulus energy projects are creating solar structures for parking lots, which will create jobs in the community, as well as produce energy savings. However, the immediate impact to the operating budget is not significant.