City of Las Vegas

Agenda Item No.: **4.**

AGENDA SUMMARY PAGE

SPECIAL JOINT CITY COUNCIL AND REDEVELOPMENT AGENCY

MEETING OF: MAY 17, 2011

DEPARTMENT: FINANCE

DIRECTOR: CANDACE FALDER ☐**Consent** ☒ **Discussion**

SUBJECT:

Public hearing and possible action regarding Fiscal Year 2012 City of Las Vegas Tentative Budget and Fiscal Year 2012 City of Las Vegas Final Budget, including the Five-Year Capital Improvement Plan

Fiscal Impact

☐ **No Impact** ☐ **Augmentation Required**

☐ **Budget Funds Available**

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

The Fiscal Year 2012 City of Las Vegas Tentative Budget was filed with the Nevada Department of Taxation on April 15, 2011. Council will review and possibly amend that Tentative Budget and adopt the revisions as the Fiscal Year 2012 City of Las Vegas Final Budget, including the Five-Year Capital Improvement Plan.

RECOMMENDATION:

Staff recommends adoption of Fiscal Year 2012 City of Las Vegas Final Budget, including the Five-Year Capital Improvement Plan, as amended with Guidance from Council.

BACKUP DOCUMENTATION:

1. Fiscal Year 2012 City of Las Vegas Tentative Budget
2. Submitted at Meeting - PowerPoint Presentation by Staff for Items 4 and 5

Motion made by GARY REESE to Approve

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:
MAYOR GOODMAN declared the Public Hearing open for Items 4 and 5.

CITY MANAGER ELIZABETH FRETWELL stated that she and her staff worked hard on putting together the tentative budget in preparation for the final budget, and the Council has this opportunity to express their views and recommend any changes. The past three years have been arduous, and very difficult decisions needed to be made to contain costs, while maintaining high service levels. This could not have been done without the vision and leadership of the entire Council and the management team. She indicated that CANDACE FALDER, Director of

Finance, worked very hard with her staff, in conjunction with other departmental staff, to put together this budget. This fiscal year is expected to end in the black, and this is mainly due to all the concessions made by bargaining unit employees to help cut costs beyond the budget approved by the Council last year. Consequently, the savings continue, and this budget represents a one percent deficit, with $455 million in the General Fund. The road to this point was demanding, and she would like to continue to strategically utilize reserves and to create efficiencies through systems and processes, as this budget does not contain any new fees or taxes.

CITY MANAGER FRETWELL proudly stated that due to all the hard work of all City employees to achieve savings, no major reductions in force are being recommended. The funds in the General Fund have been used where necessary to continue services to the community.

MS. FALDER gave a PowerPoint presentation, a copy of which is made a part of the minutes, and highlighted the points of the budget for Fiscal Year 2012 for the City of Las Vegas and the Redevelopment Agency. She pointed out that the City has a very stringent vacancy management policy. The budget assumptions include each employee paying [illegible] percent of PERS (Public Employees Retirement System) increases, the restoration of $[illegible].9 million to the Employee Benefits ISF (Internal Service Fund) in anticipation of implementing programs in the immediate future that will help in the long-term, such as buying down paid absence liabilities and offering a strategic voluntary separation program for FY 2012. If these monies are not used, it will flow into the fund balance and be available for future use in buying down unpaid liabilities.

Referring to the General Fund slide, MS. FALDER noted staff is projecting a $1.9 million ending balance for Fiscal Year 2011 and a deficit of $4.[illegible] million for Fiscal Year 2012. Although the General Fund appears healthy, with a fund balance reserve of 16 percent, the City is not quite out of the woods. Based on projections, if there is no opportunity to grow some of the revenues, the fund balance will be depleted within five years. So it is of great import that the City remains vigilant in finding ways to influence revenue streams and to cut back on expenditures.

Regarding the FY12 Capital Improvement Plan slide, MS. FALDER explained that the projects approved and funded previously have been carried forward. Any additional funding will be done with planned bond proceeds, contingencies, tax credits and budget savings from projects that are completed. The additional funding will be used next year toward rehabilitation of streets, sidewalks, medians, pools and City infrastructure.

MS. FALDER indicated that the Redevelopment Agency's $17.1 million ending fund balance also appears healthy, but it includes a reserved component of $15.7 million, of which $5 million is for land held for resale, $10.7 million in bond reserve, of which $8.5 is for the Performing Arts Center, leaving $1.4 million unreserved for FY12.
Regarding the services survey to the constituents, COUNCILMAN BARLOW asked where those preferences are reflected in this budget. CITY MANAGER FRETWELL replied that the survey results indicated the City is providing a healthy level of services, such as fire, sewer, and investing at the right level. Those are being sustained at funding levels from the prior year. The survey also showed there are areas in which the City could invest more, such as in after school programs, but that is difficult to do at a time when saving is so important. However, those areas

can be considered for investment as budget restorations are made. Unfortunately, the City is nowhere near where it was during peak years, and is still experiencing tax cuts. Although staff is diligently saving where possible, full recovery could take eight to ten years.

CITY MANAGER FRETWELL explained for COUNCILMAN BARLOW that the 615 positions eliminated include the 270 layoffs since 2008. MS. FALDER added that those positions were City-wide, not just from the General Fund.

Regarding the Assumptions slide, CITY MANAGER FRETWELL indicated for COUNCILMAN BARLOW that this budget was built assuming the same concessions accomplished in FY11. The POA (Police Officers Association) and PPA (Police Protective Association) bargaining agreements are complete, with the CEA (City Employees Association) agreement in effect until 2014. Negotiations are ongoing with IAFF (International Association of Firefighters), and are currently at an impasse, because the City needs savings of approximately $6 million. If an agreement cannot be reached, the decision will be left to an arbitrator, who will pick one of the proposals. Staff is working through the available tools to manage the budget, while anticipating going forward without knowing the outcome of negotiations with the IAFF. If the $6 million savings is not achieved, the Las Vegas Fire and Rescue department will overrun its budget. Therefore, everything possible will be done to contain costs. COUNCILMAN BARLOW concluded that if the negotiations do not go well with the IAFF, the one percent deficit could be greater. CITY MANAGER FRETWELL explained that should negotiations cause a change in the budget, she may have to request to draw down the ending fund balance, although she would rather avoid having to do that. The ending fund policy was set by Council at 12 percent, but economic conditions required that to be relaxed to 10 percent two years ago.

MS. FALDER and CITY MANAGER FRETWELL explained that the ISF is basically a risk management fund to pay for unfunded liabilities. Last year, the Council established an ending fund policy of 25 percent, and that is not the current percentage. The recommended restoration will put it at about 10 percent.

COUNCILMAN BARLOW questioned the status of economic development. CITY MANAGER FRETWELL responded that the Redevelopment Agency is at a deficit this year. Because of the anemic economy, all General Fund contributions to economic development were terminated. A support of $300,000 is a partial restoration, to help stabilize business development and maintain job creation in the City of Las Vegas, as job creation and economic diversity is important to the Council.

COUNCILMAN BARLOW commented that he would like a threshold established for the Redevelopment Agency, similar to the 12 percent ending fund policy for the City's General Fund. CITY MANGER FRETWELL offered to have discussions and to schedule an item before the Council for consideration.

Referring to the Highlights slide, COUNCILMAN WOLFSON pointed out that Public Safety was cut the least due to the public survey indicating that the constituents' biggest concern is public safety.

The Councilman then referred to Page 10 of the FY 2012 Tentative Budget and questioned the difference in court fees of about $3 million for year ending 6/30/2010 and the additional $2.2 million projected for Fiscal Year 2012. CITY MANAGER FRETWELL explained that the increase is mainly due to adjusted fees in 2010 and the new Warrant Collection Service program. JIM CARMANY, Court Administrator of Municipal Court, added that certain traffic fees were also increased. Some fees rise as fines increase. Court fees are set by statute so the City has no control over those.

Regarding court fines, COUNCILMAN WOLFSON confirmed that $19.5 million is raised from court fines, traffic tickets and misdemeanor offenses. MR. CARMANY indicated that 80 percent of this amount is revenue from traffic fines. This number is driven by paid traffic fines and the Warrant Collection Service program.

COUNCILMAN WOLFSON then questioned the average cost of a business license. MS. FALDER replied there is a wide range of licensee fees, the cheapest being $25. CHIEF FINANCIAL OFFICER MARK VINCENT explained that license fees are typically paid semi-annually and the lowest in that category is $100. Some fees are based on gross revenue, and those are on a sliding scale. Businesses, such as high-end resorts, are at the higher end and could pay tens of thousands of dollars in license fees.

COUNCILMAN WOLFSON asked if the City has a say in fees paid by franchisees. CITY MANAGER FRETWELL indicated that those are capped by state law at 5 percent. The fees could be lowered by the City, but it cannot exceed the cap.

COUNCILMAN ANTHONY remarked that sobering thinking helped the City make immediate and long-term decisions that would affect its future, yet focus on the needs of the constituents.

COUNCILMEMBERS REESE, BARLOW, WOLFSON, and TARKANIAN thanked CITY MANAGER FRETWELL for her leadership during the budget process, and to the employees for doing their part to help reduce the deficit. COUNCILWOMAN TARKANIAN appreciated the community outreach done through Town Hall meetings and surveys. It is important the citizens know that their representatives at the local government level are listening.

MAYOR GOODMAN also thanked CITY MANAGER FRETWELL, staff and employees for doing what was necessary to handle the urgencies at hand. But the bottom line is that it took a lot on the part of the Councilmembers, because they had to take the responsibility of making the difficult decisions. Unfortunately, there were a lot of casualties, but the Council had to remain firm. The economy is not much better and will take eight to ten years to recover. It made him very proud to be a part of a Council that remained steadfast in its position.

JUANITA CLARK, representing Charleston Neighborhood Preservation, thanked the Council for being honest about the state of the economy. She asked that the media make the information available in a manner the residents can understand. She hopes the position of the City will help people and single families in making personal budget decisions.

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Regarding the subject matter of Item 4, MS. CLARK suggested making the wording clearer, because in hearing the presentation it sounds like the budget is more final than tentative. COUNCILMAN WOLFSON concurred that the wording in the subject of the Agenda Summary Pages can be confusing. He directed CITY MANAGER FRETWELL to work on making the description of the agenda items clearer.

COUNCILMAN ROSS pointed out that any member of the public can access the budget information on the City's website.

MAYOR GOODMAN declared the Public Hearing closed for Items 4 and 5.

COUNCILMAN WOLFSON