

City of Las Vegas

**CITY OF LAS VEGAS AND CITY OF NORTH LAS VEGAS
SHARED SERVICES COMMITTEE MEETING
CITY OF LAS VEGAS COUNCIL CHAMBERS
495 S. MAIN STREET, LAS VEGAS NEVADA 89101 - Phone 229-6011
CITY OF LAS VEGAS INTERNET ADDRESS: www.lasvegasnevada.gov**

MINUTES

**January 9, 2014
3:00 P.M.**

ITEMS LISTED ON THE AGENDA MAY BE TAKEN OUT OF THE ORDER PRESENTED; TWO OR MORE AGENDA ITEMS FOR CONSIDERATION MAY BE COMBINED; AND ANY ITEM ON THE AGENDA MAY BE REMOVED OR RELATED DISCUSSION MAY BE DELAYED AT ANY TIME. BACKUP MATERIAL FOR THIS AGENDA MAY BE OBTAINED FROM BEVERLY K. BRIDGES, CITY CLERK, AT THE CITY CLERKS OFFICE AT 495 SOUTH MAIN STREET, 2ND FLOOR OR ON THE CITY'S WEBPAGE AT www.lasvegasnevada.gov.

NOTE: Cellular phones are to be turned off during the Shared Services Committee Meeting.

1. CALL TO ORDER

Minutes:

CHAIR CHRISTENSON called the meeting to order at 3:03 p.m.

PRESENT: CHAIR CHRISTENSON and MEMBERS McMILLAN, BARRETT, BROWN, CANTU (excused until 4:05 p.m.), STEINMAN, STIMSON, VILARDO, CORNISH

EXCUSED: MEMBER RICHARDS

ALSO PRESENT: ELIZABETH FRETWELL, City Manager, City of Las Vegas; TED OLIVAS, Chief of Staff, City of Las Vegas; JEFF BUCHANAN, Interim City Manager, City of North Las Vegas; RYANN JUDEN, Executive Government Affairs Liaison, City of North Las Vegas; SANDRA DOUGLASS-MORGAN, Acting City Attorney, City of North Las Vegas; DARREN ADAIR, Acting Finance Director, City of North Las Vegas; MARK VINCENT, Chief Financial Officer, City of Las Vegas; BEVERLY BRIDGES, City Clerk, City of Las Vegas; THOM REILLY, Consultant/Facilitator; and JACQUIE MILLER, Deputy City Clerk, City of Las Vegas

2. [ANNOUNCEMENT RE: COMPLIANCE WITH OPEN MEETING LAW AND ROLL CALL](#)

Minutes:

ANNOUNCEMENT MADE: This meeting has been properly noticed and posted at the following locations: City Hall, 495 South Main Street, 1st Floor; Clark County Government Center, 500 South Grand Central Parkway; Grant Sawyer Building, 555 East Washington Avenue; City of Las Vegas Development Services Center, 333 North Rancho Drive; City of North Las Vegas, 2250 Las Vegas Boulevard, North

3. [OPENING COMMENTS](#)

Minutes:

Prior to the opening comments, CHAIR CHRISTENSON announced that MEMBER BERKLEY has resigned from the committee.

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THOM REILLY, Consultant, welcomed everyone and stated that this session will be on financial matters. The January 23, 2014 meeting will begin discussions on specific areas of shared services starting with redevelopment, economic development and purchasing.

MAYOR JOHN LEE, City of North Las Vegas, gave a brief history of how the two cities started talking with MR. REILLY regarding shared services and stated that the goal is that what gets accomplished in meetings will carry on to other local government entities in the region. He disclosed the financial situation of the City of North Las Vegas so that the committee could understand the impact of their decisions. He also stated that presentations will be given and will show that if North Las Vegas goes under it will affect the bonds in the region and expressed that this is a serious responsibility.

COUNCILMAN ROSS, City of Las Vegas, stated that regardless of the financial situation of either city, the collaboration is good to stretch the dollars of the taxpayers.

COUNCILMAN BARRON, City of North Las Vegas, stated he is impressed by the people on this board and has full confidence in their ability to help with the situation.

MR. REILLY reviewed the upcoming topics on the agenda.

4. [PUBLIC COMMENT DURING THIS PORTION OF THE AGENDA MUST BE LIMITED TO MATTERS ON THE AGENDA FOR ACTION. IF YOU WISH TO BE HEARD, COME TO THE PODIUM AND GIVE YOUR NAME FOR THE RECORD. THE AMOUNT OF DISCUSSION, AS WELL AS THE AMOUNT OF TIME ANY SINGLE SPEAKER IS ALLOWED, MAY BE LIMITED](#)

Minutes:

None.

5. [For possible action to approve the minutes by reference of the Shared Services Agreement meeting of December 19, 2013](#)

Motion made by Hannah Brown to Strike Item 5

Passed For: 9; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 1

GLENN CHRISTENSON, KRISTIN McMILLAN, JAMES A. BARRETT, JR, HANNAH BROWN, RENE CANTU, DAVID STEINMAN, TERRY STIMSON, CAROLE VILARDO, COLONEL BARRY CORNISH; (Against-None); (Abstain-None); (Did Not Vote-None); (Excused-MICHAEL RICHARDS)

6. [Presentation regarding a general review of local, county and state government revenues and expenditures](#)

Minutes:

MARK VINCENT, City of Las Vegas Chief Financial Officer, submitted as backup a copy of a PowerPoint he presented which outlined a fiscal overview of Nevada's five largest cities. The different types of local government funds and Dillon's Rule were reviewed as well as revenues and expenditures for the five cities. He also showed the reaction time each of the cities had to the economic downturn and ELIZABETH FRETWELL, City of Las Vegas City Manager, stated that in fiscal years 2008, 2009 and 2010, approximately 20 to 21 percent was cut out of the city's budget including major layoffs in fiscal year 2010. MR. VINCENT reviewed the property tax rates for the cities, briefly giving a history of the factors that affected the rates over the years. Also discussed were Clark County abated property taxes and bond ratings for the cities.

CHAIR CHRISTENSON asked if the shortfall of revenue to expenses could be balanced by using the Fund Balances and if the Fund Balance is mostly cash. MR. VINCENT stated that a Fund Balance is a revenue source and if it was budgeted to use some of the reserves in the Fund Balance it can be used, but if it wasn't budgeted it can't be used until the next fiscal cycle. He also explained that the Fund Balance is not all cash as the largest revenue stream is the sales tax which is collected two months behind due to the way the state processes it. In 2008 the City of Las Vegas created by resolution, a Fiscal Stabilization Fund by going through the Internal Service Funds and identifying expenses and projects that could be

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delayed, and reallocating those funds to the Stabilization Fund. Fifty million dollars was put into that fund and kept there throughout the recession, but now that the economy is recovering, the city is in the process of putting some of the money back into capital projects and unfunded liabilities.

CHAIR CHRISTENSON asked what North Las Vegas has done. MR. VINCENT said he would let DARREN ADAIR, City of North Las Vegas Acting Director of Finance, respond to that but added that as a longstanding practice, North Las Vegas has used their Utilities Enterprise Fund to subsidize the General Fund.

MEMBER BARRETT said that when there is debt on the commercial side, the owner has to look at the debt service requirements, having the ability to cover the debt at a multiple of what's available and wondered what types of measures the city has to deal with. MR. VINCENT said they are similar but the city has the ability under state law to raise property taxes to pay the General Obligation (GO) debt so there generally aren't coverage requirements for the debt. Any pure revenue debt, such as selling revenue bonds for sewer plants, would have to have coverage like that in the private sector. Most cities in southern Nevada have done GO Revenue Bonds so there is no requirement for coverage or reserves but there is dedicated revenue to pay the bonds back.

MEMBER STEINMAN asked what percentage of the Public Safety cost is a fixed cost relating to pensions. MR. VINCENT said that there is a state plan that all of the employees have to participate in and the plan is responsible for its own unfunded liability. The PERS (Public Employees' Retirement System) contribution for the city is approximately four to five percent of the General Fund expenditures, but when adding all of the other funds it drops to approximately two to three percent. MR. VINCENT verified for MEMBER CANTU that PERS provides defined benefits.

7. [Presentation regarding an overview of the Las Vegas and North Las Vegas Cities budgetary structure and budget balancing strategies the Cities have implemented during the economic downturn](#)

Minutes:

MARK VINCENT, City of Las Vegas Chief Financial Officer, submitted as backup a copy of a PowerPoint he presented which outlined the fiscal overview for the City of Las Vegas. He reviewed some of the actions taken by the city over the last five years to survive the recession including budget cuts, labor concessions, reductions in force and private and public partnerships. MEMBER BARRETT asked how technology was used to reduce the work force. MR. VINCENT said the city invested heavily in IT and gave an example of reorganizing the Development Services Center, putting functions including Business Licensing in one building and developing online systems that could possibly be shared. He also mentioned that revenue enhancement opportunities are being focused on such as recovering costs for the usage of sports fields.

MR. VINCENT stated that the city had a budget policy of maintaining a 12% Fund Balance and now has an aspirational goal of 20% to ensure preservation of the bond rating. He also reported that the revenue enhancements are projected to generate approximately six million dollars in additional revenue for 2014. Charts were reviewed showing the consolidated tax and property tax history. The property tax growth prior to 2008 was due largely to new development and because of caps. As the revenue grows, and if there is no new development, it will take a long time to get back to prior levels. MEMBER VILARDO asked if it was logical to expect to get back to the prior level. MR. VINCENT said that the slide shown was after the three percent abatement for residential and it will take many years to get back to prior levels. MR. VINCENT reviewed the General Fund revenue and expenses and showed the forecast for fiscal year 2015.

MEMBER STIMSON said that both cities recently built new city halls and had the impression that the Las Vegas City Hall was built with private funds and then leased. MR. VINCENT stated that the funds are called Certificates of Participation (COPS), and there is a lease arrangement whereby the lease payment services the debt through a trust. He also explained that City Hall was built as part of a strategic approach towards downtown development without a GO pledge; the previous complex has a new tenant and the building has been repurposed; and a land swap was done with a parcel of land in Symphony Park. MR. STIMSON asked if there are opportunities in other buildings to raise money such as selling buildings and leasing them back. MR. VINCENT stated that if the recession had become the depression, one of the fallback plans would have been to move to the building on Rancho Drive.

MEMBER MCMILLAN asked about the different percentage amounts the cities have in their Fund Balances, and said her understanding is that the statutory requirement is four percent. MR. VINCENT said there is no statutory requirement but in the

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statute, one of the triggers that could place the city in a financial emergency is defined by taxation and another is if the Fund Balance is less than four percent. The Administrative Code says that up to eight percent of the Fund Balance is not available for collective bargaining negotiation. The City of Las Vegas chose to have 20% in the Fund Balance to maintain the AA bond rating during the recession.

DARREN ADAIR, City of North Las Vegas Acting Director of Finance, submitted as backup a copy of a PowerPoint he presented which outlined the reductions the city made since 2009 including a hiring freeze and sixty percent decrease in staffing as well as reducing the budget. He said the city has used the Reserve Fund for infrastructure to subsidize the Enterprise Fund through the difficult years which have stretched beyond what was anticipated. He spoke about the seven year forecast which represents the requirement for additional revenues and reduction in expenditures, and represented the forecasted deficit the city is facing without any change in staffing levels. He also mentioned the three superfunds; the Enterprise Fund, the Special Revenue and Safety Fund and the General Fund. He discussed trending including two historical years, current year, and budgeted and forecasted years, going out seven years.

CHAIR CHRISTENSON asked if the City of North Las Vegas has compared itself to other cities to determine what the best practice is for operations. MR. ADAIR said he has been with the city for 60 days and thanked MR. VINCENT for his help and said he has had opportunities to meet with others around the state and will continue gathering information to determine best practice. The city used the firm Applied Analysis to help them understand what appropriate justifications for some of the numbers in the models are as well as in the Wastewater Fund. CHAIR CHRISTENSON said that when services are compared it provides a great cheat sheet by looking at the other municipalities. MR. VINCENT said that is one of the things that was learned with the jail operation. There were significant differences of how the two cities looked at the operation and it was an opportunity to look at things that could be done differently and streamlined.

8. [Presentation regarding municipal bond ratings by Barclay's & Orrick](#)

Minutes:

MICHAEL GOMEZ, Director of Public Finance at Barclays, and DEVIN BRENNAN, Senior Associate of Public Finance at Orrick, appeared to place the situation of North Las Vegas in the context of what has happened elsewhere in the country over the last couple of years with other municipalities who have experienced financial distress. MR. GOMEZ complimented everyone for coming together to work on this situation and stated it is worth the effort as going into bankruptcy or a receivership is a long road with uncertain consequences. He submitted as backup a copy of a PowerPoint he presented which was used as a comparison analysis of similar municipal distress situations in the nation.

MR. GOMEZ stated that California and Michigan had similar situations. Stockton, Vallejo and San Bernardino in California declared bankruptcy, causing a negative public perception regarding views of investing in the municipal bonds market in the state. If there is a declaration of insolvency for North Las Vegas, it is likely that initially the investors will have a difficult time telling which entity is affected and will likely see a general market reaction. When Detroit, Michigan declared bankruptcy, there were very few bonds issued for any of the cities in Michigan for a couple of months. Michigan has a form of receivership similar to Nevada's where an emergency manager is assigned by the state. After the emergency manager was appointed, the interest rates started to rise, Detroit filed for bankruptcy and local government interest rate spreads elevated.

MR. BRENNAN stated that in Nevada, instead of a Chapter 9 process, there is a Declaration of Severe Financial Emergency (SFE) where the State Tax Commission takes control of the finances and expenditures of the city. He reviewed the differences in the SFE processes versus bankruptcy in regards to control, timeline, contract and bond obligations, tax authority and the latitude allowed.

MEMBER McMILLAN said that normally bankruptcy is under the Federal Code and asked if there is a provision in the Federal Code that allows a state to set aside Chapter 9 and set up a second process. MR. BRENNAN said that Chapter 9 requires that a state affirmatively allow any of its subdivisions to seek Chapter 9, however, if the state does not allow those municipalities to seek relief under Chapter 9, then they can't, and in this case, Nevada Law allows for the SFE process. MR. BRENNAN verified for MEMBER McMILLAN that state legislative action would be required to set aside the SFE process and allow cities to seek Chapter 9.

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CHAIR CHRISTENSON asked when the Tax Commission would decide to exercise the SFE. MR. BRENNAN said there are approximately 26 or 27 triggers from the state side that can cause the SFE process to become possible. The Department of Taxation will then make a presentation to the state showing the SFE process is warranted, but he does not know how many of the triggers have been triggered for North Las Vegas at this point.

MR. GOMEZ reiterated that bankruptcy for a municipality is rare and before Vallejo declared bankruptcy, there had been very few since the 1930's. He said if further investigation is done, he would encourage talking to some of the other cities who have been through the bankruptcy/receivership process. It is likely that the SFE process would be more uncertain; it has the advantage that the state can raise property taxes but has potentially negative uncertain consequences since there are not the same rights to establish a priority of obligations that there are in bankruptcy. He said he can't say with certainty how this would affect other entities in the region, but history shows a declaration of insolvency might cause some impact on other municipalities in terms of the interest rates they will pay. He also stated that due to the tight branding of Las Vegas, the market may be confused for a period of time.

9. [Report regarding the financial status of the City of North Las Vegas by Piercy, Bowler, Taylor & Kern](#)

Minutes:

See Item 10 for related discussion.

10. [Review of presentations given by Thom Reilly](#)

Minutes:

Regarding Item 9, THOM REILLY, Consultant, extended apologies to RICHARD BOWLER, given today's time restraints the Committee was not able to hear the item. MR. REILLY indicated that the letter from Piercy, Bowler, Taylor and Kern had been handed out but in order to give the item proper attention, it will be postponed to the first item on the subsequent agenda.

Concerning this item, MR. REILLY said at the next meeting, presentations will be given on redevelopment, economic development and purchasing regarding shared service possibilities.

11. [CITIZENS PARTICIPATION: PUBLIC COMMENT DURING THIS PORTION OF THE AGENDA MUST BE LIMITED TO MATTERS WITHIN THE JURISDICTION OF THE CITY COUNCIL. NO SUBJECT MAY BE ACTED UPON BY THE CITY COUNCIL UNLESS THAT SUBJECT IS ON THE AGENDA AND IS SCHEDULED FOR ACTION. IF YOU WISH TO BE HEARD, COME TO THE PODIUM AND GIVE YOUR NAME FOR THE RECORD. THE AMOUNT OF DISCUSSION ON ANY SINGLE SUBJECT, AS WELL AS THE AMOUNT OF TIME ANY SINGLE SPEAKER IS ALLOWED, MAY BE LIMITED](#)

Minutes:

MEMBER BARRETT asked if what they've been given on the Piercy Bowler report includes all of the assumptions and if it would be possible to receive the assumptions. DARRIN ADAIR, City of North Las Vegas Acting Director of Finance, said that since the seven year financial model is the product being reviewed, he can supply the assumptions used for the model. MR. REILLY said he would get this information out before the next meeting and all presentations would be sent electronically.

12. [ADJOURNMENT](#)

Minutes:

The meeting was adjourned at 4:46 p.m.

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Respectfully submitted:

Beverly K. Bridges, MMC, City Clerk

Facilities are provided throughout city Hall for the convenience of disabled persons. If you need an accommodation to attend and participate in this meeting, please call the City Clerks office at 229-6311 and advise of your need at least 48 hours in advance of the meeting. . Dial 7-1-1 for Relay Nevada.

THIS MEETING HAS BEEN PROPERLY NOTICED AND POSTED AT THE FOLLOWING LOCATIONS:

City Hall, 495 South Main Street, 1st Floor
Clark County Government Center, 500 South Grand Central Parkway
Grant Sawyer Building, 555 East Washington Avenue
City of Las Vegas Development Services Center, 333 North Rancho Drive
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