



Las Vegas

Agenda Item No.: 5.

AGENDA SUMMARY PAGE
SPECIAL JOINT CITY COUNCIL AND REDEVELOPMENT AGENCY
MEETING OF MAY 20, 2014

DEPARTMENT: FINANCE
DIRECTOR: VENETTA APPELYARD

Consent Discussion

SUBJECT:
Public hearing for possible action regarding Fiscal Year 2015 City of Las Vegas Tentative Budget and Fiscal Year 2015 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 2015 City of Las Vegas Tentative Budget was filed with the Nevada Department of Taxation on April 15, 2014. Council will review and possibly amend that Tentative Budget and adopt the revisions as the Fiscal Year 2015 City of Las Vegas Final Budget, including the Five-Year Capital Improvement Plan.

RECOMMENDATION:

Staff recommends adoption of Fiscal Year 2015 City of Las Vegas Final Budget, including the Five-Year Capital Improvement Plan, as amended with guidance from Council.

BACKUP DOCUMENTATION:

1. Fiscal Year 2015 City of Las Vegas Tentative Budget
2. Submitted at Meeting PowerPoint Presentation for Items 5-8 by Venetta Appleyard

Motion made by STAVROS S. ANTHONY to Approve

Passed For: 7; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 0

BOB COFFIN, RICKI Y. BARLOW, LOIS TARKANIAN, CAROLYN G. GOODMAN, STAVROS S. ANTHONY, STEVEN D. ROSS, BOB BEERS; (Against-None); (Abstain-None); (Did Not Vote-None); (Excused-None)

Minutes:

CITY MANAGER ELIZABETH FRETWELL stated that the proposed budget shows a slight growth but the City has \$30 million less than had at the peak. There is still a deficit of \$8 million to \$9 million and there has been a severe under performance of traditional revenue sources that has kept the City afloat over the last year. The City Council will be looking at a much more severe deficit than what is being presented today. It is not the easiest thing to deal with and

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creates angst in continuing to deliver services to the community. The City is doing its best in light of a difficult and slow economic recovery. Some of the revenue sources are bouncing back and sales tax proceeds are improving. She does not believe that property tax revenue will return to post-recession levels. There are sources that are severely underperforming, such as Municipal Court, and this creates a very difficult situation. Seventy five percent of the resources available the City has no control over, thus leaving fees, fines, and forfeitures. She knows it is not easy to have had to make changes in order to continue to deliver the best services, make sure facilities remain open and available and continue to reinvest in public safety. The goal is to restore programs that have been cut, maintain the service level and address public safety, and she believes the proposed budget does that.

VENETTA APPELYARD, Finance Director, provided a PowerPoint presentation and reiterated that the goals are to avoid service reductions, address public safety, restore programs, support the City Council strategic priorities and continue implementation and ongoing reviews of revenue enhancements. MAYOR GOODMAN verified with CITY MANAGER FRETWELL that the Las Vegas Metropolitan Police Department (Metro) funding is being restored at a significant pace.

MS. APPELYARD outlined the positions being added during this budget cycle. COUNCILMAN COFFIN verified that the majority of positions are for people who work outdoors. COUNCILWOMAN TARRA verified with MS. APPELYARD that two positions were added to Code Enforcement, she believes the change was made to reschedule and reprogram to work on weekends. CHRIS KENSHI, Director of Building and Safety, explained that there are two Code Enforcement Officers that work on weekends and one Building Inspector works with the Code Enforcement Officers.

MS. APPELYARD outlined the General Fund expenditures category, of which salary and benefits is the largest, followed by the City's share of Metro's funding and non-labor. COUNCILMAN BARLOW verified that public safety includes Fire and Rescue, Detention and Enforcement, Building and Safety, and Metro and asked how the 66 percent public safety is broken down.

MS. APPELYARD discussed with COUNCILMAN BARLOW that the tax cap for residential and non-residential is three percent based on the formula in the legislative rules. INTERNAL SERVICES CHIEF MARK VINCENT, provided an explanation of the formula and added that it has been dipping down because of the recession. COUNCILMAN BARLOW asked what is projected to surpass the eight percent in order to capture more revenue. MR. VINCENT responded that the purpose of the partial tax abatement is to prevent inflation. The intent was to prevent the real estate bubble from artificially increasing property tax and now the bubble has burst and values are down, even though they are starting to climb back to normal levels. But the cap prevents the recovery as the real estate market recovers because based on the formula new laws have to be set that can only grow based on that formula regardless of how the real estate market is actually performing.

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COUNCILMAN ROSS believes there might be some legislative discussion in the next session about how this is impacting local governments.

CITY MANAGER FRETWELL informed the City Council that this budget does not include any change in property tax rates. MS. APPELYARD addressed the General Fund Revenue and Expenditure Trending showing a 10 percent increase. COUNCILMAN ROSS verified that these numbers follow with the trending; consolidated tax could perform better but most watch that with a mindful eye. MAYOR GOODMAN discussed with MS. APPELYARD that the mandated fund balance reserve percent is 12 percent but with an aspirational goal of 20 percent.

COUNCILMAN COFFIN referred to revenue of FY 2013 and FY 2014 and MS. APPELYARD indicated that there is a possibility to see a little bit more in C-tax, but the trending shows that there will be less revenue than expenditures in FY 2014. MAYOR GOODMAN added that at the recent Las Vegas Visitors and Convention Authority budget hearing it was noted that there might be some movement in the C-tax. MS. APPELYARD pointed out that the projection is an increase of four percent. COUNCILMAN ROSS remarked that it is imperative to have a conservative projection to prepare for worst days. MS. APPELYARD remarked that when FY 2014 was budgeted the projection was for a \$9 million change, but it is performing better than originally budgeted. CITY MANAGER FRETWELL pointed out that last years performance in FY13 to the estimate performance in FY14 shows about a \$10 million difference; about \$8 million of that is due to the Municipal Court underperformance. If there had not been some of the fee enhancements that numbers would have been worse. She explained for MAYOR GOODMAN that the underperformance was due to an approximate 30 percent decrease in citations; adding more law enforcement on the streets will change that. MS. APPELYARD added that there has been a slight positive growth in citation revenues.

PAM JEFFERSON, Division Manager of Las Vegas Municipal Court, stated that this second half of the fiscal year they have seen an increase in Metro citations. In fact, in April they were flat compared to last year. MAYOR GOODMAN asked if there will be a final report at the end of June. CITY MANAGER FRETWELL replied that the report is typically presented to the Council at the end of the year in the final audited financial reports. By September they will have a sense to turn these numbers to actuals instead of estimates. There are several sources that come later, such as sales tax, some property taxes, and transport revenues.

MS. APPELYARD continued with the presentation outlining the FY15 Capital Improvement Plan and the Final Budget. COUNCILMAN BARLOW asked MS. APPELYARD to speak on the reason the \$1.2 billion in FY 15 has decreased compared to the \$1.4 billion in FY12, when the general fund has gradually increased. MS APPELYARD replied that the \$1.4 billion has the special revenue funds. There was some money left from prior years and there was a larger capital plan. MR. VINCENT explained that the significant funding came from the construction of the new City Hall and the Smith Performing Art Center. Now that those projects are completed and put into service, there are no similar size projects to follow.

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MS APPELYARD recommended modifying the City of Las Vegas Budget Policies to include the adequacy of general fund reserve levels, unfunded long-term liabilities, capital priorities that lack dedicated funding sources, and operational expenditures such as employee compensation and benefits, infrastructure and new programs if deemed sustainable.

Regarding the Redevelopment Agency (RDA) budget MS. APPELYARD indicated there has been some growth in the tax increment. The shortfall for the RDA will be about \$1.7 million and will bring their fund balance down to \$20 million. MAYOR GOODMAN asked if funding for the Quick Start Program and the Visual Improvement Program have been delineated. CITY MANAGER FRETWELL replied that the on-going funding source is the regular revenues that come into the RDA. In the past some unanticipated revenues that were part of a settlement were used to help those programs. In fact, BILL ARENT, Director of Economic and Urban Development, is working on a program involving a revolving loan where instead of giving an outright grant the RDA might receive funding back. However, she does not know how well the market will respond. Staff is trying to refine the grant program to support the City Councils priorities for economic development and work with the community to develop new and different protocols, such as which projects are gaining support and which projects should be supported. MR. ARENT added that the RDA has budgeted \$200,000 for new projects for the VIP and for \$250,000 for the QSP out of the General Fund portfolio. Some additional funds were budgeted for projects committed to by contract but had not yet spent the funds in the current budget cycle. Additionally, \$500,000 was budgeted for a new revolving loan fund program. AB417 authorized that; however, there are some challenges implementing the program because the parameters are fairly strict such as the maximum size of the business and the loan term cannot exceed five years, which is shorter than a market private sector loans. He expects to bring these policies to the City Council for review and consideration.

In reply to MAYOR GOODMAN'S query regarding the financial investments, MR. VINCENT replied that the investment earnings have to be recorded to the funds that have the cash. There are limitations, such as funds in the Sanitation Enterprise Fund investment earnings must remain in that fund. There are also statutory limitations on how to invest.

CITY MANAGER FRETWELL noted that the General Fund is supporting the QSP next year and COUNCILMAN BEERS asked what the law says about this. CITY MANAGER FRETWELL replied that the goal is to stabilize all the funds by utilizing assets in a smart way and utilize some funding available in the non-profit affiliated organizations to help address the shortfall in RDA. She feels confident the City can recover from this interim shortfall and try to manage the program expense but keep the programs alive that the City Council has been supporting, such as the QSP and the VIP. If the legislature sees fit to make adjustments to some of the property tax legislation, it might help the City recover more quickly.

COUNCILMAN ANTHONY referred to a report regarding the City of Las Vegas bond rating, which listed the City has stable at double A, and comments made under the Key Rating Drivers indicated that the stable outlook reflects the City's improving finances and restored structural balance, steady revenue gains and continued expenditure control improve the City's financial

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prospects while reserve balances remain adequate despite recent draw downs for one time purposes. Regarding strong management, the report indicated that budgeting and financial planning efforts are strong and management has shown exceptional discipline in its maintenance of reserves despite steep revenue declines. The report views Las Vegas management conditions as very strong with very strong financial management policies and procedures indicating practices are strong, well imbedded and likely sustainable. This is attributed to an experienced stable and proactive management team that has remained in place despite economic challenges. Under adequate budgetary performance, despite revenue decreases due to the economic downturn, Las Vegas has cut expenditures and strategically used available reserves contributing to the maintenance of an adequate budgetary performance. COUNCILMAN ANTHONY remarked that this speaks highly about the City Manager, staff and the City Council for what they have done to manage the finances for the taxpayers of the City of Las Vegas.

To those people who spoke about the softball, little league and soccer fees COUNCILMAN ANTHONY indicated that the City Manager will schedule meetings to discuss the fee structure. MAYOR GOODMAN stated the City Council wants the community healthy and whole and will look at generating funds to sustain the great parks and costs associated with lighting at the parks to avoid closing the parks.

COUNCILWOMAN TARKANIA asked if the little leagues budget was available as she believes the information could be helpful for the team representatives meet with staff. Regarding the summer camp, she would like to know what specific resources. COUNCILMAN ROSS directed CITY MANAGER FRETWELL to contact MR. HENNESSY, as well as get input from the leagues about what the City of Las Vegas is not doing right. He has not received many complaints about the fields, but if that is the case the City needs to know, as well as justification for raising the fees.

MAYOR GOODMAN referred to the meter donation stations and asked where the money goes, as well as looking at other ways to generate revenue to support scholarships funds. STEPHEN HARSIN, Director of Parks Recreation and Neighborhood Services, replied that the monies from the donation station supports the bus ticket program which helps the homeless get back home; it averages about \$3,000 a year but it helps alleviate the general fund. MAYOR GOODMAN agreed it is a great program and asked to possibly look at expanding the program. MR. HARSIN pointed out that he received several calls from other jurisdictions and businesses interested in sponsoring a donation meter.

COUNCILMAN BEERS commented that the City of Reno announced layoffs of 35 firefighters during their budget hearing two weeks ago; a stark and not favorable contrast when looking at these two cities. He echoed COUNCILMAN ANTHONYS remarks and congratulated CITY MANAGER FRETWELL on the responsiveness to tightening the belt. It has been a team effort to keep the finances in order, paying attention to the budget and getting the City at a stable place.

Regarding Item 7, COUNCILMAN COFFIN stated that the policy indicates there is a minimum fund balance of 12 percent with an aspirational goal of 20 percent. The policy which is adopted

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is based on these goals and the goals sometimes become hard. If the Council were to make a decision to carry less money in reserve, the City could afford to support parks without fee increases. He wants to make sure people understand that it is the security of the entire City and the bonds upon which the debt is resting. He feels management is doing a good job and it is a conservative budget, preserving the assets because the budget is way underfunded. The City cannot leave itself at risk and the City is not out of the recession yet.

COUNCILWOMAN TARKANIAN remarked that it is important to concentrate on using the funds available to maintain the parks and make sure they do not deteriorate.

CITY CLERK BEVERLY BRIDGES clarified that Item 6 should read the Fiscal Year 2015 City of Las Vegas Redevelopment Agency Tentative Budget and Fiscal Year 2015 City of Las Vegas Redevelopment Agency Final Budget.

