Agenda Item No.: **5.**

## *AGENDA SUMMARY PAGE*

**SPECIAL JOINT CITY COUNCIL AND REDEVELOPMENT AGENCY**
**MEETING OF: MAY 15, 2012**

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

**SUBJECT:**
Public hearing and possible action regarding Fiscal Year 2013 City of Las Vegas Tentative Budget and Fiscal Year 2013 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 2013 City of Las Vegas Tentative Budget was filed with the Nevada Department of Taxation on April 16, 2012. Council will review and possibly amend that Tentative Budget and adopt the revisions as the Fiscal Year 2013 City of Las Vegas Final Budget, including the Five-Year Capital Improvement Plan.

**RECOMMENDATION:**
Staff recommends adoption of Fiscal Year 2013 City of Las Vegas Final Budget, including the Five-Year Capital Improvement Plan, as amended with Guidance from Council.

**BACKUP DOCUMENTATION:**
1. Fiscal Year 2013 City of Las Vegas Tentative Budget
2. Submitted at Meeting - PowerPoint Presentation by Staff and The LVCEA Communicator Document by Val Sharp, President Las Vegas City Employees Association for Items 5-8

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:
MAYOR GOODMAN read Items 5-8 and declared the Public Hearing open for Items 5 and 6.

CITY MANAGER ELIZABETH FRETWELL stated that since she became City Manager, the City has endured quite a bit. Approximately two years ago, this Council made some very difficult decisions in the budget, including severe adjustments to programming, staffing and compensation, like none others she has seen throughout the country. It has been rough, but those decisions helped turn things around and put the City in a better financial condition, although not where it once was. This could not have been possible without the Council's leadership, staff's sacrifices and union leaders' cooperation. Although the Las Vegas economy has improved and has experienced resurgence in sales tax, property taxes continue to plummet.

Using a PowerPoint that was submitted as backup documentation, she detailed the budget objectives for Fiscal Year 2013 on Slide 2, noting that this budget is relatively flat. There are still barriers to overcome, and she anticipates more discussion about priorities, restorations and compensation strategies, as she too wants to meet the needs of the citizens as much as possible.

VENETTA APPLEYARD, Financial Services Manager, and CANDACE FALDER, Director, Finance, continued with the PowerPoint Presentation. MS. APPLEYARD presented Slides 3-6 and briefly reviewed revenue, expenditures and the FY13 financial picture.

MS. FALDER presented Slides 7-14, covering budget policies, FY13 budget development, changes from the tentative to final budget, FY12 projection, FY13 final and FY14 forecast for revenues and expenditures, capital improvement projects and the final budgets of $1.2 billion for the City of Las Vegas and $14.8 million for the Redevelopment Agency.

Regarding Slide 7 on the budget policies, MS. FALDER pointed out that there were changes from what the previous City Council had authorized. At the time of the tentative budget hearing, staff presented what the departments requested, based on the scope of work authorized by the Council, which was then discounted by 3 percent across the board, based on previous years' cycles. However, as the time came to preparing the final budget, staff realized that some of the smaller departments never trend with vacancy factors and have no turnover. So for the final budget, staff elected to keep the gap the same as that filed in the tentative budget and take a small amount from the consolidated tax to distribute to the smaller departments that are not going to experience an under-run. This means Council authorized positions will be funded at a discount to recognize expected vacancies and turnovers. The larger departments have the flexibility and will experience vacancies, and this will be closely monitored throughout the year.

Another change is a correction to not exceed the ending cash balance for capital internal service funds of 25 percent and operating funds of 10 percent.

For the Redevelopment Agency, adjustments were made to the ending fund balance to be equal to at least 5 percent of operating reserves, given that not as much is needed for this smaller entity.

For COUNCILMAN BARLOW, MS. FALDER indicated 5 percent is just under a $1 million ending fund balance for Redevelopment Agency operations, including labor and supplies for staff. This covers operation costs for the established redevelopment area. Costs for the expanded redevelopment area will be brought back to the Council at a later date.

COUNCILMAN BEERS confirmed with MS. FALDER that the $1 million represents about 2.5 weeks of expenses.

MS. FALDER indicated for COUNCILWOMAN TARKANIAN that the part-time park clean up staff will be hired to help with maintenance on weekends.

MAYOR GOODMAN discussed with MS. FALDER that FY13 vacancies will not be filled automatically. Vacancies will remain and directors will have to provide justification for filling any position.

Regarding Slide10, COUNCILMAN BARLOW asked how the approximately $116 million projected for the Las Vegas Metropolitan Police Department can be augmented, because he believes SHERIFF DOUGLAS GILLESPIE is requesting more funding. MS. FALDER indicated the City is meeting his needs for FY13, as he found another $5 million in his budget contributed by the City for workman's compensation, which will be set aside. But he is already starting to work on funding needs for FY14.

MS. FALDER stated staff is forecasting approximately 9 percent unassigned ending fund balance for FY14 if everything goes as projected. This is below the City's stated budget policy of 12 percent.

With respect to parks capital improvement projects, COUNCILWOMAN TARKANIAN asked if maintenance of new parks is being funded. MS. FALDER replied that the capital improvement projects were previously funded and no new parks are being funded. COUNCILWOMAN TARKANIAN felt it is necessary to consider adding funding for maintenance, because citizens have complained about the parks not being maintained. CITY MANAGER FRETWELL interjected that most of the parks on the list are scheduled for rehabilitation, which do not require staff. Aside from the part-time staff to help with maintenance on weekends, no new park maintenance personnel was requested in this budget process. She assured COUNCILWOMAN TARKANIAN that the condition of the parks will be monitored and staff will be added if necessary to ensure park maintenance. MS. FALDER pointed out that the restatement for the small increase in the C-Tax provides additional funding for operations and maintenance. This can be used to hire professional services or to acquire the materials and supplies needed.

COUNCILMAN BARLOW requested CITY MANAGER FRETWELL provide him with a statistical projection slide for Redevelopment Agency funds for the past five years.

VAL SHARP, President, Las Vegas City Employees Association (CEA), asked how much in property tax revenues the new Zappos building will bring for the City and how this was calculated into the budget. MARK VINCENT, Chief Financial Officer, responded that there were two components to the Zappos agreement; the increase in property tax and the interest only payment on the debt, both of which are going toward the current and future lease payments of the new City Hall. These two combined total approximately $750,000.

MR. SHARP questioned the restoration of the 40-hour work week, to which CITY MANAGER FRETWELL replied that this budget does not include restoration of the 40-hour work week, only City obligations. She anticipates Cost of Living Adjustment (COLA) increases to be reinstated in 2014 and step increases restarted in January 2013.

MR. SHARP stated that no one can predict economic conditions for 2014. But regarding City obligations, he submitted a document titled The LVCEA Communicator that was submitted as backup, in which he brings out that the City Manager's News Letter dated 12/8/2011 contained an incorrect graph titled "4 Year Net Rate Change (FY09-FY12)" that was presented during an interview with Jon Ralston on Face-to-Face, as well as a corrected blue graph depicting the true numbers according to his calculations. When he met with MR. VINCENT because the City's chart did not make sense to him, MR. VINCENT agreed with his conclusion and indicated he would draft a new chart that would be similar to the blue graph. The difference between the two graphs is that the City's graph reflected CEA employees receiving a COLA and step increases that ceased mid-year.

MR. SHARP commented that in discussion with CITY MANAGER FRETWELL, she represented that the process is complex and that she would explain how the data was compiled. But when he met with CITY MANAGER FRETWELL in January, she did not bring the chart or any documentation to the meeting. It concerns him that inaccurate numbers were represented in the chart, especially when CEA employees gave up $22.5 million in postponements and cuts in addition to longevity for new employees, which will amount to $5 million in savings for the City within ten years. He requested CEA employees be treated fairly in return for the sacrifices made to help the City operate.

MR. SHARP stated there is no reason why in this $1.2 billion budget, which includes $1 million for employee bonuses, CITY MANAGER FRETWELL cannot come up with a mere $2 million to at least restore the 40-hour week. This would help cure some of the issues that are being experienced in parks and help provide more services. He noted that CEA employees acted in good faith, and he urged the Council to direct management to act in good faith as well.

CITY MANAGER FRETWELL understood the concerns of MR. SHARP and stated that she too wants to be able to make restorations, but revenues are still flat and reserves are being spent in order to facilitate some capital projects and a few minor program restorations where cuts were exceeded. She noted that over 50 people have been rehired from the reduction in force (RIF) list. She stressed that restoration of the 40-hour work week would be difficult at this time, given ongoing fierce negotiations with the International Association of Fire Fighters. All of the City employees and union groups made sacrifices, but it is just going to take patience.

MAYOR GOODMAN stated employees are greatly appreciated and understood MR. SHARP'S passion. She hopes that soon the economy recovers.

COUNCILWOMAN TARKANIAN recalled that CEA employees stepped up first when management realized its economic dilemma and that recently CITY MANAGER FRETWELL made the comment that she was going to try very hard to give back to the CEA group because of its sacrifices. The Councilwoman felt there might be a way to gradually reinstate the 40-hour work week, especially because the deterioration in work performance and morale concern her. CITY MANAGER FRETWELL replied that she would look into it beginning to restore the 40-hour work week.

COUNCILMAN ROSS stated that despite the deterioration of the parks, as he has witnessed in Centennial Hills Park, he was not sure revenues are at a level where restorations could be made to all the union groups, because they all made sacrifices. MR. SHARP interjected that the problem is that when times were really tough, management alleged that 12 percent in reserves was adequate; now it is being moved up to 16 percent because of supposed accounting expectations. He asked why the percentage could not be brought down to 14 in order to reinstate the 40-hour work week. It seems the rules keep changing only for the benefit of City management, and the employees are not given any consideration.

COUNCILMAN ROSS commented that it is important to ensure the financial condition of the City, who has set the bar. All the employees he has queried responded that they are just happy to be working for the City of Las Vegas. If he saw that the revenues were at a level where more restorations could be made, he would be the first to make the request. MAYOR GOODMAN added that she hopes soon the 40-hour work week can be reinstated to a sustainable degree.

COUNCILMAN BARLOW asked how employees feel about the 40-hour work week, to which MR. SHARP replied that an informal survey showed that employees would like a 4/10 alternate work schedule, which would allow the City to operate five days a week. This would greatly boost morale among employees.

COUNCILMAN BEERS asked CITY MANAGER FRETWELL to provide him with a reconciliation of the two sets of numbers provided in the document submitted by MR. SHARP.

COUNCILMAN COFFIN remarked that the issue raised by MR. SHARP on adequate reserves is valid. He made comparisons between City and state reserves and ending fund balances. Although it may be too late to change it for this fiscal year, he really believes the reserves percentage could be possibly reduced, but not to restore salaries, rather to restore adequate services. He asked CITY MANAGER FRETWELL if she felt the money in reserves is high for these tough times. CITY MANAGER FRETWELL replied that through cost containment and a variety of Council directions in decision-making budget sessions, staff has been able to sustain a healthy fund balance in order to keep the City operating through present day. Had it not been for those reserves, the budget would be at least $10 million less, maybe more if the reserves had been used for operations. Being conservative and prudent has worked to the City's advantage. She pointed out that the reason for maintaining a healthy fund balance is to convince bond raters that it is worth investing in the City. She also reminded the Council that the City has to comply with new Governmental Accounting Standards Board (GASB) standards and, according to those standards, finance staff feels the City should maintain 20 percent in reserves, so the City is not there yet at 16 percent in reserves.

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CITY MANAGER FRETWELL stated the City is two years behind the private sector and is only one year into recovery of this difficult economy, and it still needs to get through the next year and see what type of revenues will come in and how legislative adjustments will impact those revenues.

COUNCILMAN COFFIN stated that he would like to continue the discussion about a healthy ending fund balance and reserves, because services are declining. Regarding the reserve level, MR. VINCENT stated that 20 percent is expected. But even at the state level, reserves are to be used for one time expenditures. He recalled a $10 million deficit in 2012 and noted the City is still running at a deficit. He was not sure it would be wise to use reserves for ongoing operations.

MAYOR GOODMAN emphasized that one of her concerns is not serving the public on Fridays. She requested CITY MANAGER FRETWELL conduct an analysis of the cost of implementing a 4/10 work week, once the economy has recovered, with operations Monday through Friday.

COUNCILMAN COFFIN indicated that although he has seen a more open budget process since he was elected, he would like more open meetings on the budget and on the sequence of building a budget. He appreciated his budget requests being approved. He would like to see more work on calculating firefighter work hours differently, rather than continuing with a 24 hour work week. With a few exceptions, he truly believes this Council, with the assistance of management, is moving in the right direction.

MAYOR GOODMAN declared the Public Hearing closed for Items 5 and 6.