

**CITY OF NORTH LAS VEGAS
SPECIAL CITY COUNCIL MEETING MINUTES**

March 18, 2008

CALL TO ORDER: 4:30 P.M.

ROLL CALL

COUNCIL PRESENT

Mayor Michael L. Montandon
Mayor Pro Tempore William E. Robinson
Councilwoman Stephanie S. Smith
Councilwoman Shari Buck
Councilman Robert L. Eliason

STAFF PRESENT

City Manager Gregory Rose
Assistant City Manager
City Attorney Carie Torrence
City Clerk Karen Storms
Communications Director Brenda Fischer
Finance Director Phil Stoeckinger
Assistant Finance Director Kay Godbey
Fire Chief Al Gillespie
Human Resources Director Joyce Lira
Information Technology Director Steve Chapin
Library Director Kathy Pennell
Parks and Recreation Director Mike Henley
Acting Planning and Zoning Director Frank Fiori
Acting Chief of Police Joe Forti
Public Works Director Qiong Liu
Utilities Director David Bereskin
Senior Assistant to the City Manager Kenny Young
Assistant City Clerk Anita Sheldon

VERIFICATION: Karen L. Storms, CMC
City Clerk

BUSINESS:

1. WORKSHOP ON THE 2008-2009 TENTATIVE BUDGET.

Jeremy Aguerro, Applied Analysis, explained he was commissioned by the City to take a look at General Fund revenues, revenues from 2000 - 2007 and projected out to 2017.

The General Fund had 100 different revenue sources and Mr. Aguerro would be focusing on property taxes, consolidated taxes and other large revenue generators. He explained the fundamentals were population growth, employment growth, consumer spending, development activity and investment in Southern Nevada, tourism industry and the housing market stability.

Mr. Aguerro explained population growth was checked by driver's license surrenders. 2007 had the lowest rate of driver's license surrenders seen in the past decade. There were four consecutive years of decline in driver's license surrenders and some evidence of an increased number of people moving out. It was measured by the amount of children that were in school the past year and not in school the current year versus the children that were in school currently and not in the past year. The two ratios were closer to one another which showed larger amounts of out migration. Additionally, housing vacancy rates approached all time highs in terms of single family residential and multi-family residential housing, which was a good indicator that not many people were moving in but were moving out.

Mr. Aguerro explained the expectation for North Las Vegas was to see continued growth and continue to account for a greater share of overall Southern Nevada population and out pace the national, regional and local rate of population growth. He explained it meant the City would see a negative impact in the growth in property tax and decreases in the growth rates into retail and use tax. He explained that if fewer houses were built, permitting activity would be affected, which was at a 15 year low.

Mr. Aguerro explained employment growth and stated that in the past twelve months there were 7,700 new jobs, the lowest rate of non-recessionary employment growth seen in the past ten years. Employment one year ago was 35,000 new jobs and 57,800 the year prior. The expectation was that there would be stronger employment growth as a number of hotels and casinos came which represented a smaller share of workforce as a community presently than they had in the past fifteen years. He explained that the employment growth number meant negative impact in terms of property tax growth, sales tax growth, development fees and real property transfer taxes. It was likely that construction activity would continue to slow in the present fiscal year as well as into the next.

Mr. Aguerro explained issues regarding consumer spending and showed a graph of growth in taxable retail spending in Clark County between 1990 - 2007. He pointed out that there were two periods on the chart which showed negative growth. One was during the recession in the early 1990's and the other was two of the last four months with growing concern that people were spending more money than they actually had. He explained that

decreased consumer spending meant an impact in the generation of revenue in consolidated tax, basic and supplemental City/County relief tax for school districts. The number one source of revenue was eating and drinking establishments which decreased. The number two source were auto dealers whose revenues were decreased by 9% in the last twelve months.

Councilman Eliason arrived at 4:40 p.m.

In the area of development and investment activity, Mr. Aguerro explained that permitted construction values community wide showed decline in residential during the past two years with commercial making up the difference. Projects which included the \$8 billion City Center project and \$4.8 billion Echelon Place project were putting construction workers to work and absorbed the people that were moving out of other industries. If residential and commercial both showed slow down concurrently, it would be a sign of a recession. Currently there was stability with a slight decline in commercial permitting activity. He explained there was less development activity because the vacancy rates continued to increase which slowed down the amount of construction.

Mr. Aguerro explained that the tourism industry seemed robust with an occupancy rate of 91% during 2007, the highest rate of occupancy ever seen among hotel and casinos in Las Vegas. It was a good indicator of strong absorption with the opening of the Palazzo, Trump's International Hotel and Tower and Steve Wynn's Encore. In 2009 City Center would be open, 2010 Echelon Place and substantial increase would be seen overall. In 1997 hotels and casinos represented \$10.8 billion of revenue, in 2007 they represented \$21.9 billion in revenue and gaming represented less than 50% of the total collection.

Mr. Aguerro explained the housing market had a significant slow down in existing home sales. Existing home prices fell and a continued decline in existing home prices were anticipated. Resale home inventories were a bright spot in the economy with less than 24,000 homes available for resale. New foreclosure activity continued to show rapid increases.

Mr. Aguerro explained the expectations of the General Fund revenues which were an overall growth of revenue at 2.9% during 2008, 6.8% during 2009 and 11% during 2010. There were one-time transfers of \$19.8 million in 2008 and \$5.2 million in 2009.

Mr. Aguerro explained inflation adjusted per capita revenue was expected to have a flat trend.

Mayor Pro Tempore Robinson commented that from Mr. Aguerro's projections, there would be another recession in 2017.

Mr. Aguerro explained he looked at the general trend in terms of ups and downs of major investment activity and how that related to the overall economy. He tried to model the ramping up of the economy and the normal reaction to come down more steeply. The expectation would be that in 2017 it should occur again.

Councilman Eliason questioned how the announcement of major funding cuts for the mega resort projects would effect some of the anticipated growth. Mr. Aguerro explained that liquidity in the market was dampened and a number of projects had delays due to the inability to gain capital and would slow down projects and push out development timelines, but availability of overall capital was still viable for the market and hospitality industry. It would be expected that some of the projects not yet constructed would be pushed into 2015 or beyond, but expectations were for the major projects to come online as planned and on time.

Councilwoman Smith commented that although house values had fallen, property taxes were increasing and questioned if there was a point when property taxes would drop. Mr. Aguerro explained there was a relative decline in the overall rate in which property taxes would increase. He explained that properties coming online today were financed and constructed during the past 12-18 months. He also explained that in 2005 the Nevada State Legislature passed AB489 which limited the rate of growth in individual's tax bills to 3% for owner occupied residential and 8% for everyone else. Although with housing prices going up as much as they did there was a cushion between what an individual's house was valued at for tax purposes and what it was actually valued at in terms of assessed value.

City Manager Gregory Rose explained this was the second year of a declining economy which meant the housing market was soft. This year there would be a reduction in building permits of 23% which was a major issue and concern. This year 30 new police officers were added which would impact other departments such as Courts, Detention facility and City Attorney. City Manager Rose stated that Sandstone Ridge was opened, construction began on a new library, all fire equipment was fully staffed and the design for new City Hall and downtown command facility was authorized. He explained that to continue providing improved service to the citizens, staff would need to grow. Additional staff would be needed in the courts, City Attorney's office, Police Department, Housing and Neighborhood Services, Fire Department, Parks and Recreation, Utilities Department, Library and other departments. The budget would continue to have an 18% fund balance for the general fund because the City wanted to look appealing to the bond market for future bond sales. The budget right sized the organization and eliminated positions. If the economy continued to slide, expenses would need to be reduced to match revenues.

City Manager Rose explained the proposed budget was consistent with the Council priorities established and would achieve improved public safety service delivery capabilities, fund new parks and park improvements, provide funding for construction and staffing of Martin L. King / Alexander Library and continue 18% fund balance for the general fund. The total amount of the budget in revenues and expenditures was \$830.9 million. The recurring revenues were projected to be up 2.3%, expenditures to increase by 8.4%, CTAX to decrease by 2.5% and building permit revenue to decrease from \$12.5 million down to \$6.9 million.

City Manager Rose explained that based on the continued economic downturn in Southern Nevada, Council had adopted several policies which included \$6.2 million of savings strategies in the FY06-07 budget, balancing budget strategies in FY07-08 including one time transfers to the General Fund of \$11.3 million and a freeze of the Contingency Fund at \$1.25 million. Budget balancing strategies in FY08-09 included deletion of 9.5 vacant positions, reduction of Contingency Fund by \$2.2 million and a one time transfer to the General Fund of \$5.2 million.

City Manager Rose explained that the General Fund projection for 2009 included maintaining the 18% fund balance with one time transfers, amend resources for projects at \$210.5 million and expenditures estimated at \$217.7 million including an allowance of \$6 million for vacancy savings.

City Manager Rose explained where the General Fund money comes from which included 25% from consolidated tax, 22% transfers in, 18% licenses and permits, 12% property taxes, 9% charges from services, 9% fines, forfeits and intergovernmental and 5% miscellaneous.

With General Fund resources at \$210.5 million, City Manager Rose explained that final revenue projections were not due from the State until March 25th, revenues increased by \$11.4 million or 5.9%, one time transfers decreased resources by \$3.1 million, CTAX was estimated to remain flat, all development related revenue would remain flat and property taxes were estimated to increase by \$2.1 million or 9%.

City Manager Rose explained supplemental requests resulted in a net addition of 61 positions, deletion of 9.5 positions and addition of 70 positions with delayed hiring. Approved positions for the proposed budget included funding sources from voter approved public safety tax for 32 positions, general fund Public Safety for 5.5 positions, General Fund non-Public Safety for 14.5 positions, Library Fund for 13 positions, Utilities Funds for 4 positions and Municipal Court Funds for one position.

City Manager Rose explained other fund revenues and expenditures such as Fund 0268, Fund 0287, Fund 0288, Enterprise Funds, Water Fund, Wastewater Fund, Municipal Golf Course and Internal Service.

City Manager Rose explained the departmental budget summaries. The City Attorney's Office budget increased \$904,000 or 15.5% and included the addition of a Deputy City Attorney; Municipal Court increased \$916,800 or 7% and included the addition of two Court Clerks and Senior Office Assistant; Police Department increased \$12.4 million or 11.9% and included the addition of 32 positions.

Councilwoman Smith questioned the Microwave Project requested by the Police Department. Acting Police Chief Joe Forti explained it was connectivity for the heating system for the Southern Nevada Area Communications Council. He explained if the system broke down between the Communications Council and the City, the communications would shut down. The microwave was a back up system for the connectivity.

City Manager Rose continued outlining the highlights for the Police Department. Fire Department budget increased by \$5.7 million or 19% and included 3 Firefighter paramedics and the attempt to reduce overtime by increasing staff. There would also be the addition of a Public Education Specialist, Office Assistant and Financial Analyst.

City Manager Rose explained that in the Planning and Zoning Department the budget was decreased by \$149,000 with some supplemental requests and included deletion of one planner position. In the Economic Development Department the budget increased by \$2.8 million or 50.4% with the majority reflected in land and property acquisition. In the Office of Housing and Neighborhood Services the budget increased by \$900,000 or 8%. The Parks and Recreation Department budget increased by \$748,000 or 5.5% and included addition of a Management Analyst to deal with a number of CIP projects, Crew Supervisor, Crew Leader and parks maintenance. The Public Works Department budget decreased by \$871,000 or 2.2% which included deletion of five vacant Inspector positions which were development related. The Utilities Department budget increased by \$3.2 million or 5.8% and included the addition of a Deputy Director and Customer Service Specialist. The Library budget increased by \$1.2 million or 32.8% which included the addition of staff at the Alexander Library and reflected funding for the construction.

City Manager Rose explained the support services budget proposal. In the General Services Department the budget increased by \$444,000 or 4%. In the Human Resources Department the budget increased by \$165,000 or 3.1% and included the addition of an HRIS Representative which was a clerical position. In the Finance Department the budget increased by \$383,000 or 7.5%. A major project underway was the update of Title 5 and proposed the addition of a Business License Supervisor. In the City Clerk's Office the budget increased by \$166,000 or 11.5% which included the 2009 Municipal Election expenses. In the Information Technology Department the budget increased by \$458,000 or 5%. In the City Manager's Office the budget increased by \$373,600 or 9.9% and included the addition of an Internal Auditor. In the Office of the Mayor and Council the budget increased by \$8,000 or 1% and included the addition of a Senior Office Assistant, part time and Youth Council.

City Manager Rose explained that looking at FY08-09 and beyond, if the economic conditions did not improve, expenses would need to be looked at and asked Council to consider employee sharing of health care contributions and PERS contributions. Other considerations were to continue to eliminate positions through attrition, institute a hiring freeze and recommended lowering the General Fund 18% ending fund balance requirement.

ACTION: TENTATIVE BUDGET PRESENTED

PUBLIC FORUM

There was no public participation.

ADJOURNMENT

ACTION: THE MEETING ADJOURNED AT 5:35 P.M.

MOTION: Councilman Eliason
SECOND: Mayor Pro Tempore Robinson
AYES: Mayor Montandon, Mayor Pro Tempore Robinson, Councilmembers Smith,
Buck and Eliason
NAYS: None
ABSTAIN: None

APPROVED: May 21, 2008

/s/ Michael L. Montandon
Mayor Michael L. Montandon

ATTEST:

/s/ Karen L. Storms
Karen L. Storms, CMC
City Clerk