

Summary

The City's unrestricted fund balances are expected to decrease by \$34.6 million, or 28.8% in the aggregate. However, most of this is variance is attributed to the City's aggressive investment in facilities and infrastructure. In fiscal 2003, the City

received proceeds from two bond issues that increased fund balances by over \$80 million. The bond proceeds from these issuances will be fully expended by the end of fiscal 2005 and will draw down the available fund balance in the Capital Projects Funds by over \$25.0 million, or 77%.

The following are the factors contributing to the fund balance variance as compared to fiscal 2004:

- A \$50.0 million special improvement district bond was issued in January 2003 to finance infrastructure improvements in "Aliante", a 1,900-acre master planned community. The project included street improvements, traffic signals, water and wastewater lines, storm drains and related facilities to be constructed by the developer and subsequently acquired by the City. The project is currently 60% complete and bond proceeds should be fully expended by the end of fiscal 2005.
- A \$32.5 million general obligation bond was issued in March 2003 to finance the Justice Facility and the Washburn Command Center. The bond proceeds are expected to be 35% expended by June 30, 2004 and 100% expended at the end of fiscal 2005.
- Unrestricted net assets in the water and wastewater fund are projected to decrease by \$5.6 million, or 13%, due to a \$12.1 million capital program in fiscal 2005. The Utility Department expects to begin design on a wastewater reclamation facility that will be financed through a combination of state revolving fund loans and general obligation revenue bonds. Cash balances in

the utility funds are projected to increase significantly as rate adjustments are phased in over the next two years.

- Several special revenue funds are used to accumulate resources for the construction and/or acquisition of facilities. The fund balances are projected to decrease by 45%, or \$10.4 million as a result of the following:

The park construction tax funds will utilize over \$4.3 million in available fund balances to enhance and construct several parks including Simmons and Gowan and the Las Vegas Wash Detention Basin Parks.

The redevelopment funds will spend down \$1.9 million in fund balance to acquire property and rehabilitate and beautify the redevelopment areas.

The Street Maintenance, Parks and Fire Station Fund accumulates property tax revenue for the purpose of constructing and maintaining City streets and for acquiring, improving and equipping City parks and fire stations. Over \$2.4 million in fund balance will be used in fiscal 2005 to finance \$6.5 million in capital projects.



General Fund Balance

The City's unrestricted fund balance in the General Fund is projected to total \$24.7 million by June 30, 2005¹, an amount that will equal 18.0% of the General Fund's total expenditures. This is the City's "savings account" and represents the accumulation of funds from prior years. It is prudent to have a minimum of two months' operating expenditures in reserves to provide a financial cushion in the event of an economic downturn, loss in revenues or an unanticipated expenditure.

Types of Reserves

There are four types of reserves: operational, catastrophic, replacement and liquidity:

Operational reserves are known as contingency funds and are appropriated in the annual budget for the purpose of meeting unexpected increases in service delivery. The City budgeted \$1.0 million in the General Fund for contingency purposes.

Catastrophic reserves are not appropriated but held in other funds for the purpose of providing emergency funds in the event of a natural disaster or if actual revenue falls short of anticipated revenue. The City has \$2.5 million in the Financial Stabilization Fund and reserves in the Self-Insurance Fund for property losses.

Replacement reserves are accumulated for the purchase of equipment or other capital outlay. The City budgeted a \$200,000 transfer to the Vehicle Replacement Fund in fiscal 2005. Utility rate adjustments are structured to provide a reserve equivalent to one year depreciation expense in the Water and Wastewater Fund for capital replacements.

Liquidity reserves are the cash and investments that the City can use to adjust for fluctuations in

revenues and expenditures. Since a significant portion of the General Fund revenue stream is elastic in nature, the City is maintaining an 18% ratio of expenditures to fund balance. This will provide the City with approximately two months of operating expenditures to offset unanticipated declines in City revenues.

By fiscal 2006, rate adjustments will provide minimum reserves of 60 days annual operation and maintenance expense in the water and wastewater fund.

In addition, the City is required by state law to reserve 100% of annual debt service requirements. All of the fund balance in the Debt Service Funds is restricted. Approximately \$2.9 million of the water and wastewater's net assets are reserved for debt service.



¹ Includes vacancy savings that is not formally budgeted.

