

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

January 7, 2003

CALL TO ORDER: 4:03 P.M.
City Council Chambers
2200 Civic Center Drive, North Las Vegas, Nevada

ROLL CALL **COUNCIL PRESENT:**

Mayor Pro Tempore Robinson
Councilwoman Stephanie S. Smith
Councilman Shari Buck
Councilman Robert Eliason

EXCUSED:

Mayor Michael L. Montandon

STAFF PRESENT:

City Manager Kurt Fritsch
Assistant City Manager Gregory Rose
Assistant City Manager Dan Tarwater
City Attorney Sean McGowan
City Clerk Eileen Sevigny
Fire Chief Robert Dodge
Deputy Fire Chief Jim Stubler
Detention Services Chief Ken Ellingson
Police Chief Mark Paresi
Finance Director Phil Stoeckinger
Budget Officer Mario Garcia
Human Resources Director Vince Zamora
Administrative Services Director Eric Dabney
Public Works Director Jim Bell
Acting Parks & Recreation Director Jim Stritchko
Development Services Director Donna Kristaponis
Library Director Anita Laruy
Court Administrator Debbie Lamb
Economic Development Manager Mike Majewski
Assistant City Clerk Karen L. Storms

VERIFICATION: Eileen M. Sevigny, CMC, City Clerk

BUSINESS:

1. BUDGET WORKSHOP (Exhibit A)

City Manager Kurt Fritsch stated in past years, a mid-level supplemental budget had been presented to Council. There would be no mid-level supplemental budget presented for the current year. The City was in a healthy financial position but there were fewer dollars left to distribute City wide. City Manager Fritsch stated Finance Director Phil Stoeckinger would present a budget projection explanation and an update on where the dollars came from, where they were spent, the State situation and the consolidated tax issue to the Council and the Staff. Spread sheets would show where the City was today, how the City would be prepared for the future and what the plan would be to build up the reserves.

Councilman Robert L. Eliason entered the Council Chambers at 4:10 P.M.

Director Stoeckinger stated the theme of the Budget Workshop would be an overview of the past, present and future of the financial condition of the City of North Las Vegas. He stated the question most often asked was, "Where does the revenue come from?" with regards to the general fund. A city's financial health could be judged by the size of the general fund. Director Stoeckinger stated a large portion of the City's revenue, 49%, came from intergovernmental sources such as the consolidated tax. The second largest source, 19% or one-fifth of the City's revenue came primarily from business licenses and building permits. The third source which brought in 12% was charges for services such as the revenue generated by the Detention Center for housing federal prisoners and Clark County inmates. Property taxes brought in 11%. The remaining sources were fines and forfeits at 5% and miscellaneous revenues at 4%.

Public Safety was a high priority of the Council and required two-thirds of all general fund dollars spent. 2.2% of the funds went toward Public Works, 1.4% toward Other, 6.7% toward Culture and Recreation, 2.4% toward Contingencies, 19.0% toward General Government and 3.5% toward Judicial purposes. Expenditures had increased from fiscal year 2001-2002 to fiscal year 2002-2003 in Public Safety, General Government, and Culture and Recreation.

Director Stoeckinger reported Nevada was fifth in the nation where Public Safety spending was concerned and North Las Vegas was higher than Las Vegas, Henderson, and Sparks. He then explained the financial trend projected into fiscal year 2006-2007. The years 2003-2005 indicated a revenue shortfall but by 2007 an excess could be realized. This concept was based on the "wave" of the economy which tended to rise and decrease based on outside factors.

Director Stoeckinger stated the two revenue sources the City should be concerned with included property tax and consolidated tax (sales tax). Those two sources comprised 43% of the general fund revenues. The consolidated tax was created in fiscal year 1999 and revised fiscal year 2002. It was comprised primarily of sales tax. The City received approximately \$220 per capita. Sales tax revenue had remained flat since September 11, 2001. Also, as the population aged, their spending decreased and since Nevada was in the "Sun Belt" with a large population of retired persons the sales tax revenue had not increased. The next factor was in 1990 many large hotels opened but few were planned for the future. Internet sales were also cutting into the sales tax revenue. Nevada had a narrow tax base. Food and prescription drugs were not taxed.

North Las Vegas had the highest property tax rate in Nevada. At \$3.38, the \$3.64 property tax cap was fast approaching. Depreciation and declining assessed valuation were also a concern as was the State's share of property tax revenues.

Director Stoeckinger explained fiscal strategies, labor negotiations and employee benefits. He stated the Cost of Living Adjustments (COLA) and rising health care costs would affect the City by a 10-15% increase. The Public Retirement System (PERS) also increased the contributed amount from \$18.75 to \$20.25 and the increase would begin next fiscal year. He stated the City would explore options such as an animal shelter, privatization of various services and grant money to offset the increases.

The budget cycle, Director Stoeckinger explained would begin January 14, 2003 with the distribution of manuals and a midyear budget review on January 21, 2003. Preliminary revenue projections would be received February 15, 2003 from the Department of Taxation and department directors would meet with the City Manager and Finance throughout February and March to review proposed budgets. A tentative budget would be presented to the State of Nevada Department of Taxation for review on April 15, 2003. Public Hearings would be held on the tentative budget and formal adoption of the fiscal year 2003-2004 final budget would take place May 20, 2003. There would not be a midyear budget reallocation. He stated the coming fiscal year would be a balancing act between revenue, multi-leveled priorities and the scarcity of resources.

Director Stoeckinger pointed out the Ending Fund Balance on the general fund projection spread sheet would be the measure of the financial health of a government entity. (Exhibit B) He stated the Ending Fund Balance had increased from fiscal year 1998-1999 through fiscal year 2000-2001 but had started to decrease fiscal year 2001-2002. During the last fiscal year the total revenues had increased 0.1% and the Ending Fund Balance had decreased 27.3%. He stated it would take approximately two years for the revenues to level off. The expenditures had been budgeted at a higher level and the Ending Fund Balance budgeted at a lower level in previous years. All funds budgeted for expenditure were not spent.

City Manager Fritsch asked Council to examine the Ending Fund Balance for fiscal year

2000-2001 which was \$15,037,794. He stated the figure was not the same figure budgeted for the fiscal year. He added the City had lower expenditures and higher revenue for that time period. The City had more vacant positions. This was the first year the City had been fully staffed. Those funds were included in the Ending Fund Balance in fiscal year 2000-2001 each previous year but this year were being spent.

Director Stoeckinger stated the Ending Fund Balance percentages would decrease at a steady rate through fiscal year 2005-2006 and start to rise fiscal year 2006-2007 if the City did nothing to enhance revenue. He stated there was a need to look to other areas for revenue enhancement. He pointed out the Business License Department had not had a comprehensive rate increase since 1968. The City's rates fell short of other valley area rates. Also, the property tax could be increased by \$.02 for a year during the projected sales tax decrease and would equal approximately \$500,000 additional revenue for the next fiscal year.

City Manager Fritsch stated if the City enacted the \$.02 property tax increase it would bring in approximately \$500,000, which was based upon assessed valuation in the City of \$2.5 billion, then a discretionary amount of approximately \$1.2 million for the fiscal year 2002-2003 would be created. He had also asked the department directors to examine the category of Services and Supplies and to attempt to maintain the same level from the previous year. An amount of \$1.8 million could become available. Mayor Pro Tempore Robinson asked what the \$.02 would cost each household. Director Stoeckinger stated if the house was worth \$150,000, an assessed valuation of the house would be \$50,000 which was figured at 35% of the \$150,000, and the increase would be \$10 per year. City Manager Fritsch stated the property tax had been raised each year except fiscal year 2002-2003. City Manager asked Council if they had any programs they would like Staff to look at for the upcoming fiscal year, either in or out of the Council's set priorities.

Mayor Pro Tempore Robinson felt the City's redevelopment efforts deserved funds. City Manager Fritsch stated Community Development Director Risner proposed the creation of the industrial area redevelopment zone, but added the general fund would have to be examined for the impact a new redevelopment area would create. He stated an industrial redevelopment area had extremely high potential for North Las Vegas but he was not sure the funds raised by the industrial area redevelopment should be placed back into redevelopment.

Councilwoman Smith asked if a tax increase had been placed into every budget except this year. City Manager Fritsch stated yes, it had been included in the total revenue numbers. Director Stoeckinger stated a slight increase had been approved for fiscal year 2001-2002. The City had the capacity to increase the property tax by \$0.165 but had only increased it to \$3.24. Councilwoman Smith asked if the tax stayed in perpetuity. He answered no, it was a one year tax that could be utilized to make up a shortage in sales tax revenue.

Councilwoman Smith stated if the City was experiencing a budget shortfall, the property owners were experiencing a shortfall also. The property tax increase would create a burden on them. She added the rising healthcare costs had not been passed on to City employees but that may not be the case with North Las Vegas residents. She expressed concern about the future and a long range plan to repair the budget problem. Director Stoeckinger stated examining employee benefits would be planned for the future. Councilwoman Smith stated that employee layoffs would be a last resort and would create a larger burden on the community. City Manager Fritsch stated based on the State numbers, the City of North Las Vegas was doing a good job of maintaining employee salary levels and benefits. The City's population continued to grow by 10% a year which placed demands on services. The City had to keep up with those services or the services would erode. He stated he did not think the issue would be cutting employee salaries, and pointed out 65% of the budget was Public Safety. He did not think it would indicate that more police and fire personnel would not be hired but those were decisions the City would have to make. City Manager Fritsch continued by adding the property tax was the most stable form of revenue enhancement. The State was experiencing budget problems along with the local municipalities. The reliance for revenue fell on the sales tax. The question before the City was what could be done to respond to the services that citizens were asking for. Councilwoman Smith asked if the City lost money on the reallocation of the consolidate tax. City Manager Fritsch replied the number would go up slightly and the future would bring more change. Director Stoeckinger stated the 'one plus' language was a hindrance now but would be phased out soon. Councilwoman Smith stated the State might come to the City because of their financial hardship and asked if the City had prepared a response. City Manager Fritsch stated that was the purpose of forming the consortium with the four other largest cities in the State and the purpose of hiring Marvin Leavitt. The City had been talking to the North Las Vegas delegation and members of leadership in the Nevada Legislature. The City had spoken with Senator William Raggio. City Manager Fritsch had spoken with Senator Dina Titus and also Mr. Speaker, Richard Perkins. Staff planned to speak with others in the future on the issue. Councilwoman Smith stated the issue would be very important to the League of Cities. City Manager Fritsch stated if the State intended to take funds from the City, Public Safety would be affected because it took the largest part of the City's budget.

Councilman Buck questioned the 2002-2003 budget regarding fines and forfeits and miscellaneous. She asked if the figures were projected or actual. City Manager Fritsch stated the figures were projected since it was in the current fiscal year. He stated the fines amount had decreased and that was why it had been budgeted based on the historical trend. Councilman Buck asked what miscellaneous included. Director Stoeckinger stated the biggest part of miscellaneous included interest earnings. City Manager Fritsch stated lowering of interest rates had a major impact on the figure. Councilman Buck asked if the City had renegotiated the amount received per prisoner at the Detention Center. City Manager Fritsch stated yes, the numbers included an expected increase. All federal

entities had been negotiated with. Councilman Buck asked if the projected short fall affected substation and fire area command. City Manager Fritsch responded it did not affect future construction and stated those funds were from separate sources.

Director Stoeckinger made the final comment by stating North Las Vegas was one of the fastest growing cities in the United States and a shortcoming of government financing was to only examine the current fiscal year. Compiling projections for a five-year range related to long term planning. He added the City Staff could see the ripple effect from the past into the future.

City Manager Fritsch stated by presenting the budget into the future, the City could go to Standard and Poor's and Moody's rating agencies and secure an increase in the City's bond rating based on the financial steps the City had taken in the past and planned for in the future. Although it would be financially lean this year, he believed the City was in a good fiscal state. He stated the projections were conservative and added the City had used temporary property tax increases in the past.

Councilman Buck asked about funds for a library building. City Manager Fritsch stated the Council could speak with the Library Board or set up a fund specifically for the construction of a new library.

PUBLIC FORUM

There were no participants.

ADJOURNMENT

ACTION: THE MEETING ADJOURNED 4:59 AT P.M.

MOTION: Mayor Pro Tempore Robinson

SECOND: Councilman Buck

AYES: Mayor Pro Tempore Robinson, Council Members Smith, Buck and Eliason

NAYS: None

ABSTAIN: None

APPROVED: February 05, 2003

Mayor Michael L. Montandon

Attest:

Eileen M. Sevigny, CMC, City Clerk