

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

January 21, 2003

CALL TO ORDER: 4:00 P.M.
City Council Chambers
2200 Civic Center Drive, North Las Vegas, Nevada

ROLL CALL COUNCIL PRESENT:

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

STAFF PRESENT:

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

VERIFICATION: Eileen M. Sevigny, CMC, City Clerk

BUSINESS:

MID-YEAR BUDGET REVIEW

Finance Director Phil Stoeckinger stated as of December 31, 2002, the City of North Las Vegas' General Fund had a healthy ending fund balance of approximately \$10.9 million. The City's revenues were 48% collected and the appropriations were 45% expended. Salaries and benefits were approximately 45% expended, services and supplies were approximately 43% expended, and capital outlay 63% expended. The City had spent more than half the budget at the present time.

Per a Review Journal newspaper article dated January 11, 2002, the Las Vegas economy suffered more than other cities throughout the country from the terrorist attack of September 11, 2001. The area economy had rebounded, but at a modest growth rate. Employment growth and new housing starts had increased, but the taxable sales had increased very little.

The revenue summary reported 48% of budgeted revenues had been collected, licenses and permits were 52% collected, and utility funds were ahead of budget due to the seasonal water usage, however, a loss may be experienced regarding the Consolidated Tax.

Director Stoeckinger reported the Consolidated Tax had been budgeted at an increase of 8.8% for fiscal year 2002, but the year to date collections had only been 6.7%. The estimated budgeted amount had been \$30.9 million, but the actual number would be approximately \$30.3 million which created a potential shortage of approximately \$600,000. Six months remained in the current fiscal year so the amount of Consolidated Tax collected could increase. The revenue shortage created by the low collection of Consolidated Tax had been offset by increases in other revenue sources and decreases in expenditures. Director Stoeckinger stated the difference in the budgeted amount of revenues and expenditures were within the budgeted figure.

Director Stoeckinger explained the comparison of the Consolidated Tax distribution for the first four months of the current fiscal year had been erratic. The total increase compared to previous fiscal years had been low. The Consolidated Tax growth per capita, with an adjustment for inflation, on a projected basis, would steadily decrease through 2007.

Director Stoeckinger stated based on the combined property tax rates, North Las Vegas compared with Las Vegas, Henderson, Sparks, and Reno had the second lowest percentage increase of 0.48% over a five year period. Henderson's increase was 0.38%. Sparks had the largest with 11.40%, Las Vegas was next with an increase of 7.42%, and Reno had an increase of 6.78%.

Director Stoeckinger stated the current property tax rate for fiscal year 2002-2003 was \$3.38. Of those funds, the City received 35%, the State received 4%, the County received 19%, Special Districts received 3%, and the School District received 39%.

Money set aside for unforeseen expenditures or high priority items would be placed in a contingency account within the General Fund. The beginning balance was \$1.25 million and as of December 31, 2002, the current balance in the account was approximately \$850,000.

Many potential revenue enhancements existed. The City had not fully developed the pursuit of franchise fees from new vendors and telecommunications or examined an increase in building permit fees, license fees, and a \$.02 increase in the property tax.

Revenues collected for the water and sewer fund were 60.7%. The figure was lower than the figure budgeted due to the seasonal impact on water consumption and 42% of the fund had been expended. Currently for the current fiscal year a \$13 million deficit existed and a rate study was in progress. City Manager Fritsch stated a balance existed in the fund and the \$13 million amount referred to a decrease from the previous fiscal year.

The Self Insurance Fund was comprised of many different funds. The first portion of the fund included claims, judgements and legal costs. The second included property and liability insurance. The third included workers' compensation and the fourth employee benefits such as accrued pay-outs on vacation and sick leave that were paid to employees who became separated from the City. The legal expenses had increased by 61% between the fiscal years 2001 and 2002. A transfer from the general fund to the Self Insurance Fund may become necessary.

Councilwoman Smith expressed concern regarding the 61% increase for legal expenses and asked City Attorney Sean McGowan to explain the reason for the increase. City Attorney McGowan stated the high number related to the multiple high profile and contentious law suits, primarily but not exclusively, involving former police officers. He explained the trend was reversing and the future seemed to be positive. Councilwoman Smith questioned if the increase had to do with the hiring of new employees. City Attorney McGowan replied the numbers created by the hiring of new employees would be reflected in another portion of the General Fund. City Manager Fritsch stated last year's budgeted amount for litigation had been lower than the amount actually paid.

Mayor Pro Tempore Robinson asked about the water and sewer rate study and when the last rate increase had occurred. Director Stoeckinger replied the last rate study had been completed in 1976 and the last increase in waste water fees had occurred in 1993. In regards to an actual water fee increase, Director Stoeckinger did not know an exact date but would provide the information to the Council in the future. City Manager Fritsch stated he would provide the fee increase information to Council in late spring or early summer because the Staff would most likely propose a division of the water and sewer fees into two separate funds in addition to a rate increase.

Mayor Montandon asked if the accrued pay-outs of employee vacation and sick leave could be budgeted differently. Director Stoeckinger stated the possibility of budgeting the employee vacation and sick leave accruals were being studied. Mayor Montandon stated instituted in all new contracts was a year end buy back of a certain percentage of accrued sick leave. He explained the liability of the fund was reduced because the buy back amount was \$.50 for \$1.00. He felt the accrued pay-outs of employee vacation and sick leave should be placed in a non-risk fund or calculated fund. Director Stoeckinger stated he had encountered government entities who placed the accrued pay-outs in the Self Insurance Fund but he had also known of entities who placed the accrued pay-outs in an independent fund. Mayor Montandon asked if the City was currently engaged in contract negotiations. City Manager Fritsch stated no, and explained the costs of payroll and salaries had been budgeted approximately three to four years into the future.

Councilman Eliason asked about a possible transfer of funds from the General Fund into the Self Insurance Fund and if it only included legal expenses. Director Stoeckinger stated transfers occurred between the funds. He explained a possible transfer may not only be for legal costs.

Councilman Buck asked if the proposed water rate increase would coincide with the Southern Nevada Water Authority drought proposal. City Manager Fritsch stated the focus would be concentrated on the future growth of the City and a higher water rate charged for increased water usage would be examined.

City Manager Fritsch stated the City was in a sound fiscal position but the year would be financially lean due to the terrorist attack on September 11, 2001 and the slow recovery of the Consolidated Tax. The City would be at a disadvantage without the proposed \$.02 rate increase of the property tax and the increase in licensing fees. City Manager Fritsch had asked the Staff to monitor the spending level of services and supplies in an attempt to keep this fiscal year's spending at the same amount as last year's spending. The monitoring of spending in services and supplies would make available approximately \$1.5 million. The City had other funds available to fund new employment positions. The City had been in contact with Congresswoman Shelley Berkley regarding grants for additional personnel. The City of North Las Vegas was in a positive financial position based on the growth of the City. The City's staff was committed to a 5% ending fund balance. The outlook for the City's negotiation with Standard and Poor's to increase the City's bond rating seemed positive. The dollars not spent from the City's contingency fund would be added to the ending fund balance.

Mayor Montandon agreed with City Manager Fritsch's conclusion regarding the financial outlook for the City. He stated the presentation to Standard and Poor's regarding the bond rating negotiation had been well received. Mayor Montandon stated the City's increase of property tax of \$.01 or less over the last five years paled in comparison with the State's proposed \$.15 property tax increase.

City Manager Fritsch stated it would be important for the City to attempt to keep the property tax stable after an increase for the benefit of the residents.

PUBLIC FORUM

There were no participants.

ADJOURNMENT

ACTION: THE MEETING ADJOURNED 4:41 AT P.M.

MOTION: Mayor Pro Tempore Robinson

SECOND: Councilman Buck

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

NAYS: None

ABSTAIN: None

APPROVED: February 5, 2003

Mayor Michael L. Montandon

Attest:

Eileen M. Sevigny, CMC, City Clerk