

City of North Las Vegas Financial Update

Committee on Local Government Finance

Al Noyola – Acting Finance Director
August 4, 2011

HOW WE GOT HERE

The structural deficit of
expenditures outpacing revenues



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GENERAL FUND

Operating Losses

	2007-08	2008-09	2009-10 (*)	2010-11
Beginning Fund Balance	\$37,109,959	\$46,094,939	\$38,182,553	\$22,953,386
Operating Income/(Loss)	(3,183,910)	(25,088,750)	(30,152,948)	(18,005,796)
How the loss was covered:				
One Time Transfers	12,168,890	18,355,000	14,923,781	1,607,300
Use of Fund Balance	0	6,733,750	15,229,167	16,398,496
Ending Fund Balance	\$46,094,939	\$39,361,189	\$22,953,386	\$6,554,891
EFB as a % of Expenditures	23.1%	19.3%	12.2%	4.4%

(*) FY 2010 Beginning Fund Balance was restated to \$38,182,553.



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WHAT ACTIONS HAVE WE TAKEN?



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BUDGET SAVINGS ACTIONS FY 2009 – FY 2012

Savings Recommendations	Amount
FY 2009 Hiring Freeze, Department Reductions	\$ 14.6
FY 2010 Hiring Freeze, Dept Reductions, Union Concessions	38.2
FY 2010 Mid Year Expand Hiring Freeze, Dept/O.T. Reductions	24.9
FY 2011 Budget Reduction Program I	36.4
FY 2011/FY2012 Budget Reduction Program II	35.1
FY 2012 Budget Reduction Program III (Pending)	26.3
Total	\$175.5



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ELIMINATED/UNFUNDED POSITIONS FY 2009 – FY 2012

Staffing Pattern Changes	Non-Rep	Teamster	Fire	POA	PSA	Temp	Total
Eliminated Positions	29.0	215.5	0.0	0.0	0.0	31.0	275.5
Frozen/Unfunded Positions	18.0	182.5	18.0	133.0	14.0	7.5	373.0
BRP III Identified Positions	7.5	154.0	0.0	0.0	0.0	9.0	170.5
Total	54.5	552.0	18.0	133.0	14.0	47.5	819.0

- Approximately 40% less positions than funded in 2009



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ADJUSTED FTE's

(as of July 1, 2011)

FTE Equivalent - Excludes Temporary & Vacant Positions 1,280.50 \$166,064,123

Less:		
Redevelopment Funds	-3.55	-503,584
Utility Funds	-128.50	-13,192,070
Motor Equipment Fund	-8.00	-858,100
Self Insurance/Workers Comp/Employee Benefits	-4.20	-591,100
Library Fund	-23.00	-2,138,720
Street Maintenance, Parks & Fire Fund (268)	-27.00	-2,896,870
Fuel Taxes - Roadway Operations Fund (293)	-11.00	-1,071,610
Misc. Special Revenue Funds	-19.90	-1,880,890
Adjusted FTE's - Funds 100/200/287/288	1,055.35	142,931,179
Less:		
Elected Officials	-7.00	-804,510
Grant Funded Positions (City Attorney - 2, PD - 4)	-6.00	-566,580
Project Funded Positions	-24.75	-3,370,228
POA Staff	-366.00	-53,913,910
PSA Staff	-57.00	-12,270,130
IAFF Staff	-189.00	-28,579,210
Remaining Positions - Non Public Safety	405.60	\$ 43,426,612



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ADJUSTED FTE's

(as of July 1, 2011)

Remaining Positions - Non Sworn Personnel 405.60 \$43,426,612

Remaining Positions - Public Safety Departments		
Fire Department - Non IAFF Members	9.00	1,160,630
Municipal Court - Non POA/PSA Members	47.00	4,455,240
Police Department - Non POA/PSA Members-Fund 100	112.00	10,778,380
Police Department - Non POA/PSA Members-Fund 287	70.00	7,324,250
Remaining Positions - Public Safety Departments	238.00	\$23,718,500
Remaining Positions - Non-Public Safety Departments		
Administrative Services	36.75	4,545,613
City Attorney	16.80	2,272,270
City Clerk	4.00	549,970
City Manager & City Council	7.95	1,294,150
Community Development	17.10	1,867,294
Finance	21.00	2,222,100
Human Resources	8.00	1,049,480
Parks	25.00	2,253,225
Public Works	31.00	3,654,010
Remaining Positions - Non-Public Safety Departments	167.60	\$19,708,112



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WHERE ARE WE TODAY?

- FY 2011 Projected General Fund EFB approximately \$7.2M or 4.8%
- Council has been informed every action must be a "zero sum" impact on the FY 2012 budget
 - Any revenues or BRP savings that don't materialize add to the FY 2012 deficit
 - Every position saved must be offset by other savings
 - Every savings that is not of a recurring nature adds to the FY 2013 deficit

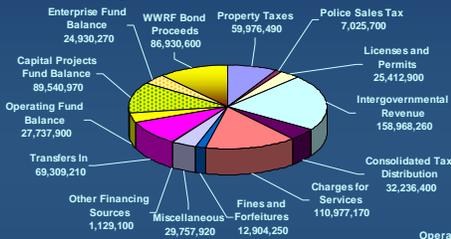


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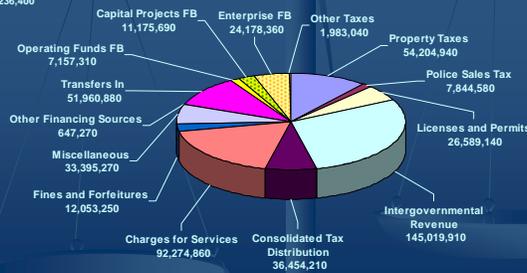
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REVENUES AND OTHER SOURCES All Funds

FY 2010-11
\$736.8 Million



FY 2011-12
\$504.9 Million

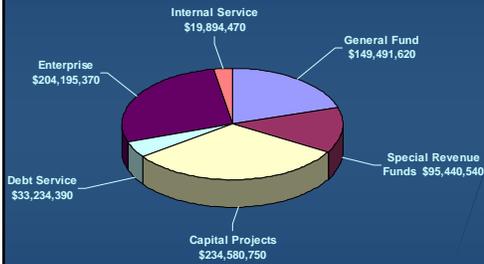


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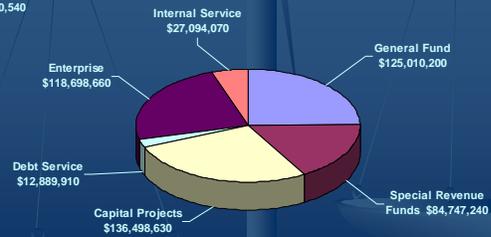
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EXPENDITURES BY FUND All Funds

FY 2010-11
\$736.8 Million



FY 2011-12
\$504.9 Million

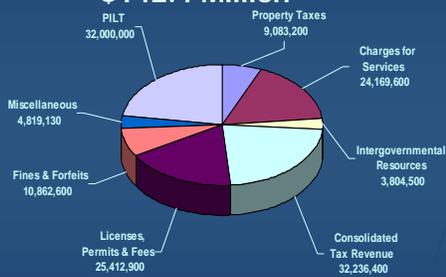


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GENERAL FUND REVENUES AND OTHER SOURCES

FY 2010-11
\$142.4 Million



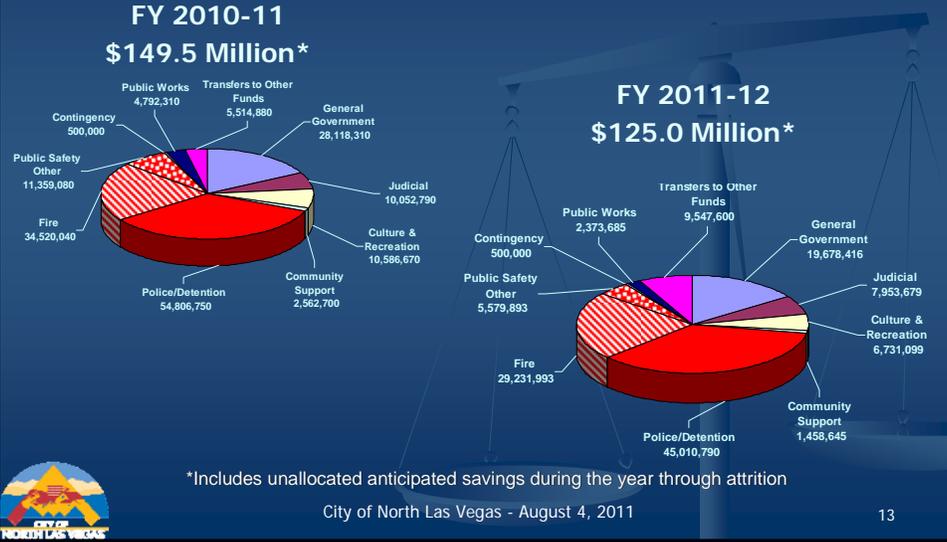
FY 2011-12
\$126.4 Million



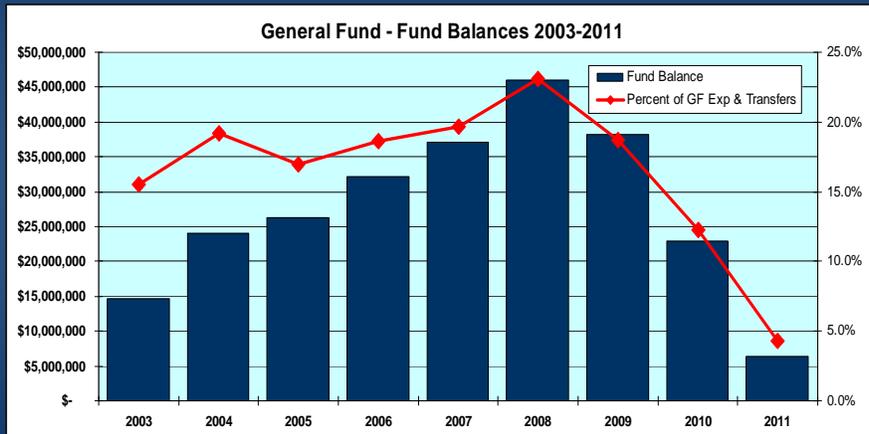
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GENERAL FUND EXPENDITURES BY FUNCTION



GENERAL FUND BALANCES FY 2003 - 2011



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ON-GOING CONCERNS

- Impacts of further declines in property tax or other General Fund revenues
- Major Special Revenue funds for Public Safety, Library, and Street Maintenance reliance on property tax growth
- Inequitable CTX formula
 - NLV would have received an additional \$27M in FY 2010 and FY 2011 had a weighted average among L.V., Henderson and N.L.V. been used for distribution
 - NLV Library District would have received approximately \$1.8M per year, currently receives zero



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ON-GOING CONCERNS (Continued)

- Legislature mandates redirecting revenues or services
- Future PERS Rate Increases
- Adequate self-insurance reserves
- Court Rulings affecting ability to reduce expenditures



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PRELIMINARY STRATEGY OPTIONS PRESENTED TO COUNCIL JULY 6

- **OPTION 1 – Privatize the utility function**
- **OPTION 2 – Sell the new city hall with leaseback option**
- **OPTION 3 – Refinance existing G.O. revenue supported bonds**
- **OPTION 4 – Raise taxes for two years**
- **OPTION 5 – Consider outsourcing**
- **OPTION 6 – Staff layoffs with further supplies & services cuts**



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WITH NO FURTHER ACTIONS

- **FY 2012 Projected General Fund deficit of approximately \$9M**
 - Council may request technical assistance through adoption of resolution
- **General Fund falls below 4.1% by the second quarter**
 - May trigger severe financial emergency per NRS 354
- **Cash flow issues become critical early in the year**
 - CTX revenue of about \$6M lags for two months
- **Fund balance is exhausted and the City begins having difficulty meeting payrolls by the end of the 2nd quarter**



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POA / IAFF FY 2012

End of Fiscal Year Budget Shortfall

- Approximately \$9M of savings that must be found in other areas of the City (\$8.6M RIF and \$350K layoff costs)
- POA/PSA – approximately 38 positions, cost of \$4.4M
 - Recent vacancy savings reduce the requirement down to \$3.5M
 - Impact of Court decision
- IAFF – approximately 35 positions, cost of \$4.2M
 - Includes saving 5 positions due to recent voluntary separations



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FUTURE PROJECTIONS



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BUDGET ASSUMPTIONS

- Includes concessions as negotiated by bargaining units during FY 2012
- Includes contractual commitments for the remaining life of the contracts, through 2014 and 2015
- Implementation of Budget Reduction Program III
 - Assumes savings are recurring
 - Non-recurring concessions must be added back to increase the FY 2013 gap
- Includes a plan to reduce the PILT to a more revenue and cost recovery basis
 - Potential loss of \$16 – \$20M revenue by FY 2021



EXPENDITURE ASSUMPTIONS

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
PERS Increase	2.75%/ 2.25%		2.0%/ 1.0%		2.0%/ 1.0%
Health Insurance Increases	15%	10.0%	10.0%	10.0%	10.0%
Payroll Factors		Contracts	Contracts	3.0%	3.0%
Self Insurance Rates		.5%	1.0%	1.0%	1.0%
Budget Stabilization, I.T., Fleet replenishment		\$1.0M	\$1.0M	\$1.0M	\$1.0M



REVENUE ASSUMPTIONS

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
PILT Reduction		(\$1M)	(\$1.5M)	(\$2.0M)	(\$2.0M)
C-Tax	2.0%	4.0%	4.0%	4.0%	4.0%
More Cops Sales Tax	3.0%	5.0%	5.0%	5.0%	5.0%
Property Tax	-6%	0.0%	3.0%	4.0%	5.0%



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GENERAL FUND FIVE YEAR PROJECTION (Includes Revenue/Expenditure Assumptions)

	Estimate 2010/11	Projected 2011/12	Projected 2012/13	Projected 2013/14	Projected 2014/15	Projected 2015/16
Total Revenue	132,975,727	126,539,451	124,700,791	125,906,316	128,286,027	130,490,762
General Fund Expenditures	149,346,437	125,067,780	135,713,876	147,396,552	152,389,281	159,465,592
Special Revenue Fund Deficits	-	-	4,952,296	9,355,297	11,424,300	9,872,591
Total Expenditures	149,346,437	125,067,780	140,666,172	156,751,849	163,813,581	169,338,183
Operating Income/(Loss)	(16,370,710)	1,471,671	(15,965,382)	(30,845,533)	(35,527,555)	(38,847,421)
Beginning Fund Balance	22,953,386	6,582,676	8,054,347	(7,911,034)	(38,756,567)	(74,284,122)
Projected Ending Fund Balance	\$6,582,676	\$8,054,347	(\$7,911,034)	(\$38,756,567)	(\$74,284,122)	(\$113,131,543)
E.F.B. as a % Expenditures	4.41%	6.44%	-5.62%	-24.72%	-45.35%	-66.81%



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MAJOR SPECIAL REVENUE FUNDS Fund Balances in millions

Fund	Fiscal Yr	2011-12	2012-13	2013-14	2014-15	2015-16
268	Street/Parks/Fire	4.7	5.7	3.8	1.4	2.1
287	Public Safety Tax	\$.2	(\$4.8)	(\$12.2)	(\$20.1)	(\$26.6)
288	More Cops	3.9	1.9	(.7)	(2.9)	(5.0)
290	Library District	1.1	(.2)	(1.5)	(2.7)	(4.1)
293	Fuel Tax	.9	1.5	2.1	2.7	3.1



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FUTURE CHALLENGES

- Impact of fourth budget reduction program on service levels
- Develop a plan to reduce General Fund reliance on the Utility Funds
- Outcome of the Interim study on the CTAX formula
- Further PERS, Health Insurance increases
- Absorb 16 officer grant positions beginning FY 2014
- Maintaining the General Fund Ending Fund Balance above 6.0% with long term plan to restore to 18%
- Plan to replenish the Budget Stabilization Fund
- Plan to replenish funds to support I.T. and Fleet replacement



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CITY OF NORTH LAS VEGAS FINANCIAL UPDATE

Questions?

Al Noyola – Acting Finance Director
August 4, 2011



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