RORY REID
Chairman

Board of County Commissioners

CLARK COUNTY GOVERNMENT CENTER
500 S GRAND CENTRAL PKY
BOX 551601
LAS VEGAS NV 89155-1601
(702) 455-3500 FAX: (702) 383-6041

April 1, 2009

Mr. Ryan Beaman, President
IAFF, Local 1908
6200 W. Charleston Blvd.
Las Vegas, NV 89146

Dear Mr. Beaman:

As you know, Clark County management has been in discussions with our various labor organization that represents our employees for several months over the County's worsening financial condition. These discussions have focused on pursuing a collaborative approach to addressing Clark County's budget crisis.

As you heard yesterday at the Board's tentative budget hearing, Clark County is facing an unprecedented $114 million budget deficit going into next fiscal year, and with every month that goes by our financial condition worsens and our ability to address this crisis on our own without impacting the delivery of critical public services across the entire County becomes less certain.

The purpose of this letter is to request IAFF's assistance in considering alternatives to reducing the County's financial burden going into next fiscal year. Obviously, you are under no obligation to do anything, but I know the IAFF and its members care about this community and our ability to deliver critical services in these times of crisis.

I would welcome the opportunity to continue this conversation. On behalf of the County family and the Board, I want to once again extend my appreciation to the men and women of the Fire Department for their commitment to public service and their ongoing contributions to this community.

Sincerely,

Rory Reid,
Chairman

Office of the County Manager

A CENTURY OF SERVICE

500 S Grand Central Pky 6th Fl • Box 551111 • Las Vegas NV 89155-1111
(702) 455-3530 • Fax (702) 455-3558

Virginia Valentine, P.E., County Manager
Darryl Martin, Assistant County Manager • Phil Rosenquist, Assistant County Manager
Jeffrey M. Wells, Assistant County Manager

April 2, 2009

Ryan Beaman, President
IAFF Local 1908
6200 W. Charleston Blvd.
Las Vegas, NV 89146

Dear Mr. Beaman:

Thank you for your letter of March 27th and the opportunity to address your analysis of county finances and your thorough and thoughtful comments last Friday. We offer the following comments in response to your questions and suggestions:

<u>Section 1 - Financial Review</u>
General Fund Assets and Liabilities:
Historical General Fund Assets and Liabilities Trend
The primary observation in this section is that the County's asset to liability ratio of 3.25 to 1 is indicative of strong financial health. In response, the years evaluated, 2006-2008, are not indicative of the deteriorating financial position of the local economy, and the County, that began in the later part of fiscal year 2008, and worsened subsequent to June 30, 2008.

Further, an asset to liability ratio in a fund reported on a modified accrual basis is somewhat misleading. The Clark County General Fund is reported on a modified accrual basis of accounting with a current financial resources measurement focus, in accordance with Generally Accepted Accounting Principles. This means that the long-term assets and liabilities of the General Fund are not reported in the General Fund. Almost all long-term County assets are illiquid (fixed assets, for example), and the County has a significant amount of long-term debt that is reported in debt service funds. This ratio is not directly relevant.

General Fund Revenue and Expense:
General Fund Actual vs. Budgeted Revenue and Expenditure plus Transfers, Budgetary Basis
The primary observation in this section is that the County is overly cautious when budgeting. In response, again, all of the years noted, 2006-2008 are not immediately relevant. 2008 is an important indicator of the important trend, as General Fund expenditures and transfers out exceeded revenues and transfers in. This is not a sustainable relationship, and it will likely worsen without significant expenditure adjustment.

The table shown on page 3 is actually an excellent report card on the County's budgeting approach. The relationship of budgeted revenues and expenditures to actual revenues and expenditures is almost exactly how a government budget process should perform.

General Fund Balance:
The primary observation in this section is that, according to Moody's Investor Services, fund balance equal to 5% of budget is prudent. Moody's also notes that this level depends on other factors, such as economic sensitivity. In response, the County's General Fund fund balance has decreased during the current fiscal year for several months to near the 5% level. Also, it would be hard to argue against the extreme economic sensitivity of the Las Vegas economy during the current period of recession, which, by Moody's criteria, would actually call for higher levels of fund balance. The communicated need to reduce expenditures takes into full account the Taxpayer Bill of Rights' requirements for fund balance recently approved by the Board of County Commissioners.

Governmental Funds:
The primary observation in this section is that there are significant assets available in other government funds to meet the obligations of the General Fund. The author astutely noted the difference in the components of fund balance in the earlier section. However, it was not observed in this section of the letter that, of the $2 billion noted in other governmental funds:

1. 25% is reserved for encumbrances and debt service and is not available for expenditure.

2. 55% is designated for projects approved by the Board of County Commissioners that are in various stages of planning, design or construction. The future transfer of discretionary capital money will almost certainly be minimal in the upcoming budget process.

3. The remaining 20% is unreserved and undesignated in various funds, almost all in special revenue funds. The largest portion of this (32%) exists in the Las Vegas Metropolitan Police Department Police Sales Tax Fund. These funds are not legally available to the County General Fund under State law. The majority of other governmental fund balance dollars are similarly restricted in purpose.

Even if one were to go through their exercise that concluded that aggregate fund balances were 59.6% of expenditures for all governmental funds in 2008, the correct calculation would have been approximately 17%, after taking out the reserved and designated amounts. This number is fairly reasonable, and likely to deteriorate without expenditure adjustment due to declining revenue streams. However, as noted, this is not a permissible scenario due to the legal restrictions on the majority of these funds.

General:
The primary conclusion of the IAFF letter is the County is experiencing strong financial health that does not demand concern. However, as noted, there are several flaws in the analysis, and the analysis is already outdated. The County General Fund ran a deficit in fiscal year 2008 and with significant revenue declines being experienced, and literally worsening every month, that deficit will worsen beyond healthy reserve levels in the absence of significant expenditure adjustment.

Section 2

1. Subscriptions – While the relative cost is small compared to the budget deficit, we agree that whenever possible the county should eliminate the costs of unnecessary subscriptions. The Cost Containment memorandum (Please see Attachment 1) of May 2008 directs that any unnecessary expenditures be eliminated. Since that time the Finance Department has scrutinized each request. It is anticipated that as subscriptions expire that renewals will be limited to those publications which are not available at no cost online and that when a publication is available in hard copy only that the minimal possible number of subscriptions will be renewed.

It is worth noting one of the largest general fund subscriptions is to the TWL Knowledge Group (22,050), which is for fireman training materials. The $1,200 paid annually to Five Alarm Music, is the annual cost for production materials for the Channel 4 studio. It is not downloaded music for employees' personal use.

2. Membership Dues - We agree that membership expenses should be kept to a minimum. Requests for dues payments should be justified with a legitimate county purpose or alignment with a stated objective of the county. Please note that memberships to the chambers of commerce do facilitate interaction with small businesses and the goals of the County's Business Development Advisory Committee.

3. Conferences and training seminars - We agree that costs for training and seminars should be minimized. Please see Attachment 2 Savings from Cost Containment Initiatives. The county has significantly reduced travel costs. Travel and training has decreased in 2009 compared to the same nine months of 2008: conferences and training are down 75%; lodging is down 48%; car rentals are down 45%; airfare is down 19%; and other travel is down 32%.

Your allegation of individuals receiving both mileage reimbursement and a vehicle allowance would be a violation of county policy. If you have evidence of such abuse, we would appreciate having it so that we can investigate. If you are deducing this from information we have supplied, it may be that the employee went from a position that was eligible for mileage reimbursement to a position that qualified for a vehicle allowance. Without knowing the name of the individual, it is not possible to determine if this is a violation of county policy.

4. Gala Dinner/Fundraising Events - We agree. While it was the past practice to support community non-profits, since July of 2008, the purchase of tickets at any event now requires justification. (Please see Attachment 2)

5. Outside Consulting Contracts - We no longer have a contract with VRJ. We do have a contract with Applied Analysis for analysis of fiscal impacts of policy decisions and pending legislation for the county and UMC. We have a contract with Hobbs and Ong for reviewing the financing models for the Las Vegas Monorail. The costs of the Monorail analysis are paid for by the Monorail company. Hobbs and Ong also perform work on county bond issues. That work is funded from bond proceeds and not county general funds. Applied Analysis is also under contract to the Fire Department to assist in developing a new fee structure for Fire Prevention.

6. 24-hour Vehicle Assignments - We agree that the assignment of 24-hour vehicles should be limited to the minimum number of essential units. Contrary to what you have suggested, I can assure you that 24-hour vehicle requests are indeed scrutinized by the Vehicle Review Committee. Annually, all County departments are required to justify ALL 24-hour vehicle assignment requests, even those previously approved. All departments are also required to submit callback data and other supporting documentation as part of the approval and reauthorization process. Had you actually requested and reviewed the actual 24-hour vehicle applications, you would not have made such erroneous statements. Nonetheless, I invite you to review all applications and back-up materials.

This year, 105 employees were approved for 24-hour vehicle assignments, but that only translates to 83 24-hour vehicles given the rotational schedules approved by the VRC. This is a reduction in approvals of 35% compared to the previous year. As for the Fire Department, 21 assignments were approved this year, compared to 30 approvals from last year; that is a 30% reduction. Depending on the data submitted as part of the upcoming annual reauthorization process, further reductions may be warranted, but we will withhold judgment until that process runs its course.

7. MPlan Vehicle Allowance - Vehicle allowances are approved under the Management Compensation program adopted by the Board of County Commissioners effective as of July 2002. We have confirmed that Lewis Wallenmeyer receives $6,000.00 per year. The amounts received vary due to separations and promotions during the reporting period. Please note that management employees do not receive acting pay however acting department heads are eligible for the car allowance when action in a department head's capacity.

8. Paramedic School Lease - The Paramedic School that used to be at Station 14 had a capacity of 14 (28 @ two classes per year). Due to the 50/50 requirement for paramedics increased capacity is needed. Capacity is 30 or 60 per year. Costs include $86,964 lease per year plus $108,000 in tenant improvements. The program is revenue neutral with all costs recovered by the $6,500 tuition. Both internal and external candidates pay tuition. Internal candidate tuition replaces fees that used to go to UMC.

9. Management Staff Overload - Over the past five fiscal years, the number of directors and assistant directors in the County has decreased by 10%, while the number of employees in the Fire bargaining unit has increased by approximately the same amount. The top tier of management in the County has not grown over the past several years at a rate far greater than the general workforce. In fact, since 2004, the number of Assistant Directors and Directors has actually decreased by roughly 11%. M-Plan level 3 is the only Management category that has grown over this time period, and its increase is solely attributable to the increases in the number of Attorney positions related to new courts that have come on-line since 2004. Management positions in the County comprise only 3% of our total workforce. I doubt you could find a leaner local government of our size anywhere in the country.

Also with respect to the Fire Department, my information indicates that the ratio of management to employees is by far the lowest in the valley, followed by the cities of Las Vegas, Henderson, and North Las Vegas respectively.

We appreciate the opportunity to continue to work with you to make Clark County more efficient. It is my understanding that Ed Finger has scheduled a meeting with Pierre to discuss Section 1. If you have any additional suggestions or questions regarding county expenditures, please feel free to call me at 455-3520.

Sincerely,

Virginia Valentine
COUNTY MANAGER

Attachments

cc: Rory Reid, Commissioner
George Stevens, CFO
Ed Finger, Comptroller
Phil Rosenquist, Assistant County Manager
Don Burnette, CAO

MEMORANDUM

Office of the County Manager

VIRGINIA VALENTINE
County Manager

TO: ALL DEPARTMENT HEADS AND ELECTED OFFICIALS

FROM: VIRGINIA VALENTINE, COUNTY MANAGER

Virginia

SUBJECT: PURCHASE OF TABLES TO COMMUNITY EVENTS

DATE: FEBRUARY 4, 2008

Effective immediately, the County Manager's Office will no longer purchase tables at community events. Employees who need to attend an event should submit a written justification including the business purpose and benefit to their department head for approval, and those expenses should be incurred by the department. Please disclose any relationship to the organization, its board or members.

Finally, I would remind you all that County policy prohibits the expenditure of any funds for a political purpose.

VV:md

cc: Board of County Commissioners

MEMORANDUM
Office of the County Manager

VIRGINIA VALENTINE
County Manager

TO:	ELECTED AND APPOINTED DEPARTMENT HEADS
FROM:	VIRGINIA VALENTINE, COUNTY MANAGER
SUBJECT:	COST CONTAINMENT POLICIES
DATE:	MAY 29, 2008

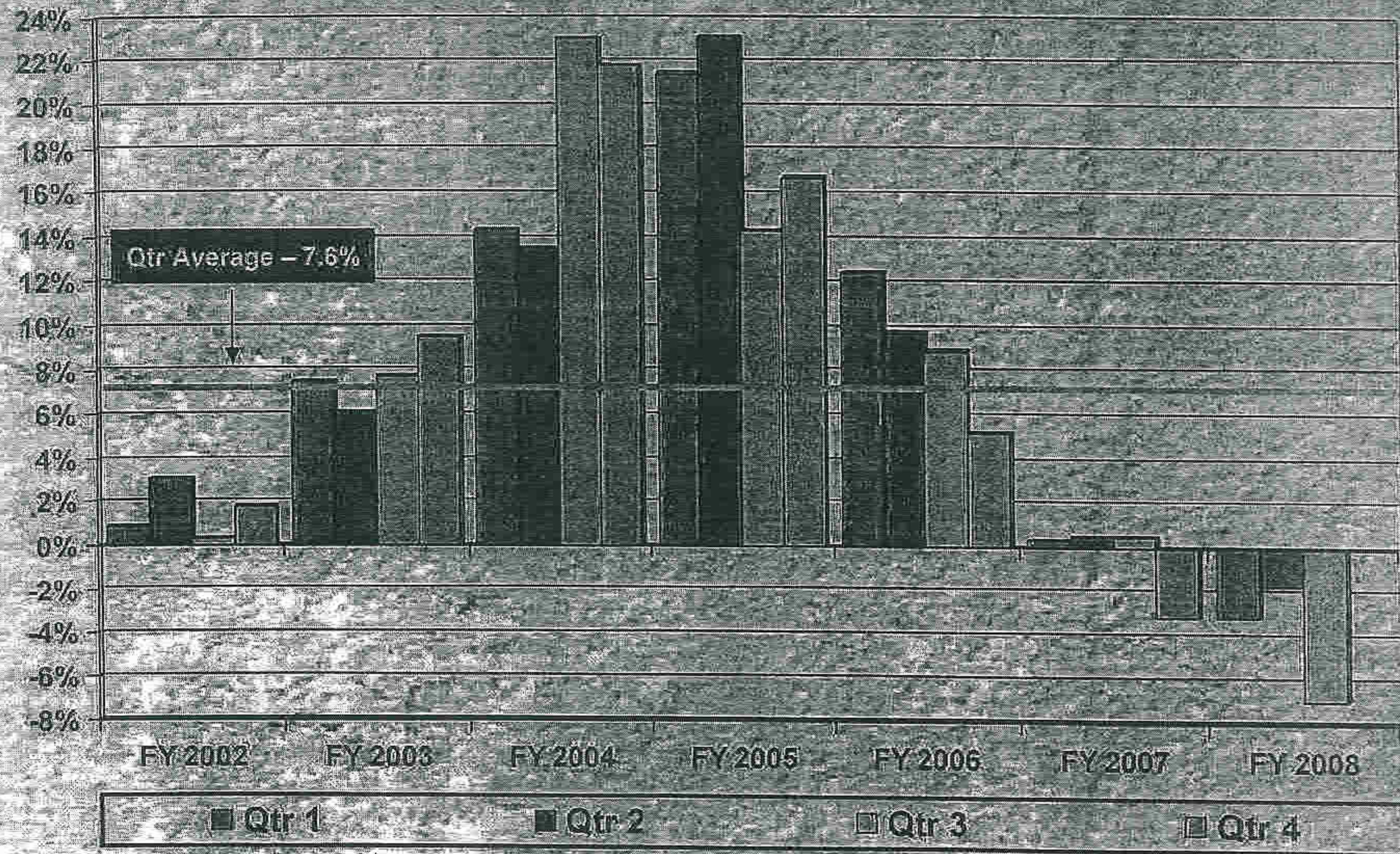
As mentioned on several occasions, the General Fund revenue performance has been less than desirable due, primarily, to a significant slowdown in Consolidated Tax collections, our largest source of revenue. Attached is the updated "Consolidated Tax % Change Over Prior Year Quarter" chart. Please note that Consolidated Tax revenues for the third quarter were down 7% (and 8.5% in the month of March). Unfortunately, the budget that was just adopted by the Board envisioned only a 3% reduction in Consolidated Tax revenue. As such, our ability to sustain operations on a "status quo" basis continues to deteriorate.

Clearly, we need to be proactive in addressing these financial concerns to ensure that we are not in the position of needing to make drastic budget reductions at some point in the future. To that end, the following (cost containment) Policies will be more strictly enforced:

- Vacant full-time positions will not be refilled until the separation costs associated with the vacancy have been recovered.
- Vacant full-time positions will be more heavily scrutinized to determine whether or not refilling the position can be reasonably deferred.
- Reclassification requests, except for reorganizations that are cost-neutral or result in cost savings, will not be considered.
- Overtime use should be restricted to emergency situations or "mission critical" activities.
- Travel requests will be restricted to those which are essential to the conduct of the department's business (non-discretionary travel).
- Operating services and supply expenditures will be restricted to purchases essential to the day-to-day operations of departments.
- Capital purchases and purchases of non-capital equipment will be restricted to the replacement of items critical to the day-to-day operations of departments.

Thank you in advance for your cooperation in this matter. By working together, I am confident that we can overcome our current financial difficulties.

CONSOLIDATED TAX
% CHANGE OVER PRIOR YEAR QTR



BUDGET REDUCTIONS
PROGRAM ASSESSMENTS
EFFICIENCY INITIATIVES

COUNTYWIDE INITIATIVES
MARCH 17, 2009

Cost Containment Mandates

- Phase I - May 2008
  - Vacant positions will not be filled until separation costs recovered
  - Reclassification requests must be cost neutral
  - Restrict overtime to emergency or mission critical activities
  - Travel requests restricted to non-discretionary
  - Operating service and supply expenditures restricted to essential day-to-day operations
  - Capital purchases & non-capital purchases will be restricted to the replacement of critical day-to-day operations

Cost Containment Mandates

- Phase II - November 2008
  - Departments were charged with:
    - Evaluating operating budgets and identify areas for reduction
    - Reviewing resource utilization and assess if resources can be shifted to higher service priorities
    - Evaluating non-essential programs and determine if programs can be scaled back or eliminated so that resources can be shifted to higher service priorities
- Phase III - December 2008

  Hard Freeze on filling vacant positions

  Reclassifications will not be considered

Countywide Personnel Savings

Position Hard Freeze Total Vacant Positions: 400 (9% of GF positions) Management Positions: 16 (4% of Total Vacant)	$ 25,600,000
Management Merit / Bonus Freeze (Jan. 2009)	$ 2,131,750
Furlough Pilot Program	$ 280,000
County wide Employee Picnic & Recognition Programs, Health & Wellness Fair	$ 62,675

Additional
Personnel & Operational Savings

Expenditure	FY 2008	FY 2009	% Change
Overtime (Total General Fund) Overtime (Excluding Fire & Elections)	$ 22,110,251	$ 20,462,447	-7.45% -21.3%
Callback	$ 2,331,053	$ 1,945,833	-16.5%
Charge/Lead Pay	$ 71,523	$ 31,153	-56.4%
Office/Operating Supplies	$ 2,285,861	$ 1,925,192	-15.8%
Operating Equipment	$ 1,435,590	$ 667,697	-53.5%
Professional Services	$ 4,643,033	$ 4,017,912	-13.5%
Travel	$ 955,496	$ 571,198	-40.2%

Countywide Policy Adjustments

Year-end Purchase Order Close	$ 2,100,000
Central Duplicating – Print/Mail contract renegotiation	$ 346,000
24-Hour Vehicle Fleet Reduction & Use of Hybrids	$ 365,000
Renegotiated from commission to one-time fee for liability and property insurance broker services	$ 552,945
Require use of used modular furniture and carpet inventory	$ 461,920

Potential Future Budget Adjustments

Redevelopment Agency	$ 6,991,137
Management Merit/Bonus Freeze (Jan. 2010)	$ 2,131,750
Delay Opening Low Level Offender Facility	$ 13,109,627
Continuation of Position Hard Freeze	$ 25,600,000
Potential Department Budget Reductions	$5,000,000 - $7,000,000