

Executive Summary

The rapid growth of Southern Nevada has resulted in numerous financial challenges for Clark County as it struggles to provide the necessary infrastructure to support rapid development while, at the same time, providing cost effective regional and municipal services to our rapidly growing population. This document is intended to outline the fiscal policies under which the County operates, describe the current and historical financial structure of the County, and highlight certain of the fiscal challenges currently facing the County. While the County's annual budget is approximately \$3.0 billion, for purposes of this document, our analysis has been primarily limited to a discussion of the Clark County General Fund which represents about 25% (\$800.0 million) of the total County budget.

Financial Policies

Most of the financial policies under which the County operates are governed by State law or regulations. However, the Board of County Commissioners has adopted additional policies and practices that are even more restrictive than State guidelines, including the following:

- The adoption of the Taxpayers' Bill of Rights which restricts increases in property tax rates and increases in the County's operating budget.
- The establishment of a rigorous internal and external auditing program.
- The maintenance of an unreserved ending fund balance equal to ten percent of expenditures (approximately one month of expenditures) to ensure that all cash flow requirements are met on a timely basis.

These enhanced fiscal policies have contributed heavily to the County's current "AA" credit rating, the highest of any government entity in the State. Similarly, Clark County recently received a "B+" score from the Government Performance Project (Governing Magazine) with only four of the forty counties included in the survey achieving a higher score.

Financial Structure

The County provides both countywide services (i.e., courts, social services, juvenile programs, etc.) to all Clark County residents while also providing municipal services (i.e., police, fire, public works, etc.) to residents of unincorporated Clark County. As a result, its financial structure is far more complex than that of other local governments. Despite this complexity, as well as the service demands resulting from rapid population growth, the County has managed to achieve a fair degree of financial stability over the past decade:

- About 70% of the General Fund revenue received by the County in FY 2001 was derived from property taxes and intergovernmental revenue (which is principally sales taxes). This combined percentage was virtually identical to that of FY 1991. However, the percentage received from more volatile sales taxes (i.e., more than 40%) has increased over the past decade.
- The percentage of the County's budget allocated to the various functions in FY 2001 was virtually the same as that of FY 1991. Approximately half of the budget continues to be dedicated to Public Safety and Criminal Justice.
- Approximately 63% of the General Fund budget was expended on salaries and employee benefits in FY 2001 compared to 62% in FY 1991.
- Real per capita revenues have increased only slightly over the past decade from \$802 per capita in FY 1991 to \$819 per capita in FY 2001, an average annual growth rate of less than one quarter of one percent.
- Real per capita revenues available for countywide services have actually declined over the last decade from \$291 per capita in FY 1991 to \$285 per capita in FY 2001.
- Real per capita revenues available for town services have increased from \$511 per capita in FY 1991 to \$534 per capita in FY 2001.
- The combination of declining countywide revenues and increasing town revenues results in a net revenue increase of only \$5.0 million annually in real terms.

Future Financial Issues

The continued growth in County population necessitates annual growth in county revenues simply to maintain existing service levels. At the same time, the County is being mandated to expand certain existing programs or assume responsibility for new programs without a corresponding increase in resources. The County's ability to do so, while maintaining its long-term financial stability, will be impacted by the following:

- The expansion of adult and juvenile detention facilities, and the decline in countywide per capita revenues have resulted in a significant imbalance in the cost of providing countywide services and the associated revenues.
- The imbalance in countywide revenues and expenditures results in the need for a \$25.0 million annual "subsidy" of such services using revenues collected from the unincorporated towns.

- The Board of County Commissioners has direct control over only one-third of the property tax rate levied in Clark County with an additional one-third controlled by the State of Nevada and one-third levied based on voter-approved initiatives. No additional authority exists to increase the county operating rate to address the deficit in funding countywide services.
- The County is facing unfunded mandates associated with countywide programs such as District Court, child welfare, and air quality programs which can only result in a significant increase in the countywide services funding deficit.
- The continued development of unincorporated areas of the County necessitates expansion of public safety services, specifically the construction of new fire stations and the hiring of new police officers. The fiscal impact of these service expansions will limit the County's ability to continue to "subsidize" countywide services with town revenues.
- The County has only been able to allocate an average of about \$40.0 million annually to capital projects including new facility construction, major renovations of existing facilities, and acquisition and replacement of operating equipment such as computers and vehicles. Current capital investment/reinvestment is not even equal to the amount needed to fund annual depreciation of the County's general fixed asset base.
- State and federal funding constraints have made non-profit service providers more reliant on local governments for on-going financial support. The County's ability to continue such support will be critical to maintaining the viability of lower cost alternatives to County programs. The County has established a structured application process to assist in the evaluation of annual requests.

Introduction

Clark County is currently one of the largest and, at the same time, most rapidly growing counties in the nation. It is by far the largest and most complex local government in the State of Nevada with an annual budget in excess of \$3.0 billion. This total budget includes the Clark County General Fund with annual activity of about \$800.0 million (or about 25% of the total), but also includes a variety of activities funded by restricted resources such as debt service or enterprise activities. What makes Clark County somewhat unique relative to many other counties of comparable size is that Clark County provides traditional county (regional) services such as courts, social services and juvenile programs while also providing town (municipal) services such as police, fire, public works, and recreational programs to a population base that is larger than that of any incorporated city in the State.

There is no question that the financial stability of every government entity in the State of Nevada is ultimately dependent on the economic stability of Southern Nevada. As the area's principal provider of capital facilities, not the least of which is McCarran Airport, the economic viability of Southern Nevada is tied to Clark County's ability to conduct its fiscal affairs in a consistent and orderly manner. Likewise, the County's ability to address the social needs of our community, including the role played by the University Medical Center in ensuring access to health care, is critical to maintaining and enhancing the quality of life of our residents.

For nearly two decades, Clark County has maintained its focus on conservative fiscal practices that have allowed it to adapt to the changing needs of its citizens as well as fluctuations in economic conditions. The County's bond rating, an independent measure of its fiscal strength and integrity, has been upgraded twice in the past eight years by both Standard & Poor's and Moody's Investor Services. Its current "AA" rating with a "Stable Outlook" is now the highest of any government entity in the State of Nevada. Both rating agencies have repeatedly cited the County's financial policies as a major contributing factor to its ongoing creditworthiness. Similarly, Clark County recently received a "B+" rating for financial management from the Government Performance Project sponsored by Governing Magazine. Only four of the forty counties included in the study received a higher rating.

Clark County Financial Policies

Many of the financial policies under which the County operates are governed by State law or regulations of the Nevada Department of Taxation. Nevada local governments are afforded little, if any, authority to raise revenue or increase taxes or fees. Likewise, debt issuance and the expenditure of public funds must adhere to regulations promulgated by the State as well as accounting principles governed by the Governmental Accounting Standards Board (GASB). Clark County has a long-standing history of strict compliance with the regulations and standards of both bodies.

In addition to the oversight provided by the State Department of Taxation, the County adheres to a rigorous internal and external auditing program. In just the past three years, the County Internal Audit Department has completed 61 financial audits, 22 performance audits, 11 information technology audits, and 29 special assignments. The County is also audited annually by the independent CPA firm, Deloitte & Touche, which has consistently rendered unqualified opinions regarding the County's annual financial report.

On the other hand, local governments are not prohibited from establishing fiscal policies that are more restrictive than those envisioned by State statute. In 1993, the Board of County Commissioners adopted a resolution entitled the Taxpayers' Bill of Rights which sets forth certain policy statements which guide county fiscal affairs. This resolution has been re-enacted every two years with some minor modification, and currently includes the following provisions:

- A restriction on increasing the County or unincorporated town tax rates without a vote of the people or legislative enactment;
- A prohibition against deficit spending and a required General Fund fund balance of ten percent of expenditures and transfers;
- A budget cap that limits the cumulative growth in operating expenditures to the combined growth in population and the consumer price index;
- The benchmarking of average salary and benefit increases for County employees to those of the private sector;
- The implementation of a zero-based budgeting process;
- Participation in the Southern Nevada Regional Planning Coalition as a means of identifying potential areas for cost-effective consolidation of services;
- The establishment of cost-containment measures such as hiring and travel restrictions in an effort to generate budgetary savings which can be used for replacement of critical capital equipment;
- Independent performance evaluations of each County department on at least a five-year cycle;
- The avoidance of new leases of office space in favor of housing County employees in owned facilities; and
- The annual adoption of a long-range capital improvement plan supported by a long-range forecast of the General Fund operating budget.

The adoption of the Taxpayers' Bill of Rights has had a noticeable positive impact on the County's financial condition over the past eight years. The restrictions on operating costs have allowed the County to funnel more of its resources into pay-as-you-go capital projects. Over this period, approximately \$400 million in general county revenues have been invested in capital assets thereby limiting the need to issue costly debt for this purpose. This approach has also contributed greatly to the County's excellent bond ratings which, in turn, result in additional savings to taxpayers when debt is issued for other purposes, such as the Master Transportation Plan.

The County policy of maintaining an unreserved General Fund balance of ten percent of expenditures is also critical to retaining the County's bond rating. Unfortunately, this policy has been misinterpreted by some as demonstrating that the County possesses significant excess resources. In reality, this fund balance of about \$75.0 million represents only about one month's expenditures and is necessary to ensure that the County has sufficient cash on hand to meet all of its financial obligations in a timely manner and ensure that essential services are not disrupted in times of fluctuating revenues. Due to fluctuations in revenue collections and monthly expenditure levels, at times, the actual cash balance of the General Fund falls significantly below the targeted percentage. Additionally, because fund balance is a non-recurring resource, it cannot be used to support on-going operations.

There also appears to be some confusion regarding the actual level of the County's unreserved fund balance. While it is true that funds outside the General Fund also include unexpended resources at any point in time, in virtually all cases, the assets of these Special Revenue Funds, Debt Service Funds, Capital Funds, or Enterprise Funds are designated for specific purposes. As such, they cannot be reallocated to support the General Fund operations of the County.

Clark County Financial Structure

The complex and broad scope of County operations translates into a financial structure that is equally complex. The County's annual budget includes more than two hundred separate funds that are needed to properly account for the organization's wide ranging activities. However, for purposes of this document, our analysis has been primarily limited to a discussion of the Clark County General Fund.

As mentioned in the introduction, Clark County provides certain services to all Clark County residents while also providing municipal services to only those residents of the unincorporated County. The cost of providing these services is, for the most part, accounted for in the Clark County General Fund. Likewise, the majority of the resources used to fund these services is receipted directly into the General Fund or are transferred to the General Fund after having been receipted by the unincorporated town funds or Clark County Fire District Fund. Except in the case of the Town of Laughlin, unincorporated town funds are not used to account for the cost of providing common municipal services to residents of unincorporated Clark County.

Clark County’s revenue structure has remained fairly consistent throughout the past decade. Exhibit I charts the percentage of revenue received from each major category of revenue in FY 1991. At nearly 30%, intergovernmental revenue, which included sales tax and motor vehicle privilege tax, was the County’s largest source of funding followed by property tax revenue. Since these revenue sources also comprised most of the revenue received by the Towns and Fire District, nearly 70% of total General Fund revenues were attributable to these two sources.

Exhibit I

REVENUES (FY 1991)

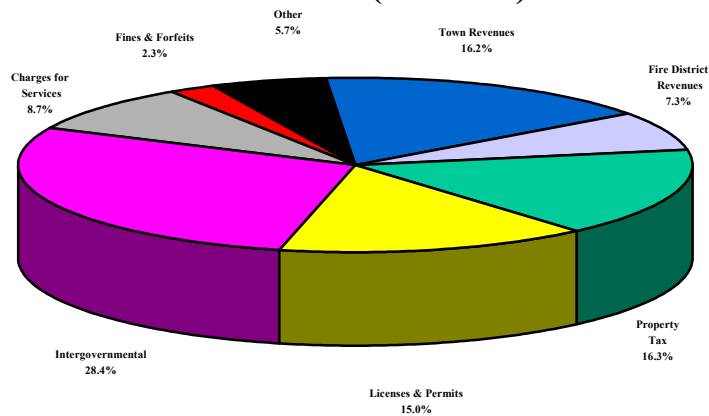


Exhibit II

REVENUES (FY 2001)

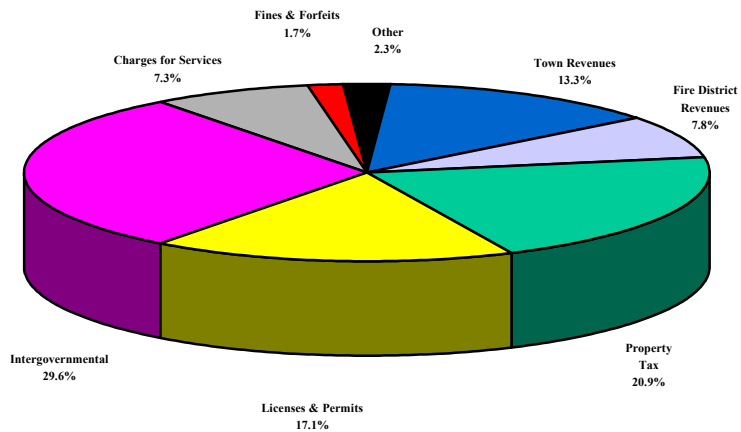


Exhibit II sets forth the County’s revenue structure in FY 2001. While there was a small increase in the percentage of revenue received from the countywide operating property

tax rate, the overall revenue structure did not vary materially from that in place a decade ago. Again, intergovernmental revenue (which includes the Consolidated Tax) and property tax comprised 70% of total General Fund revenues.

Clark County's expenditure structure has also remained fairly consistent throughout the past decade. As set forth in Exhibits III & IV, the percentage of the County General Fund budget that was dedicated to any given function in FY 2001 did not vary by more than one percent compared to that of FY 1991. Public Safety was by far the largest function included in the budget consuming slightly more than 40% of available resources followed by the General Government function which approached 20%.

Exhibit III

EXPENDITURES by FUNCTION (FY 1991)

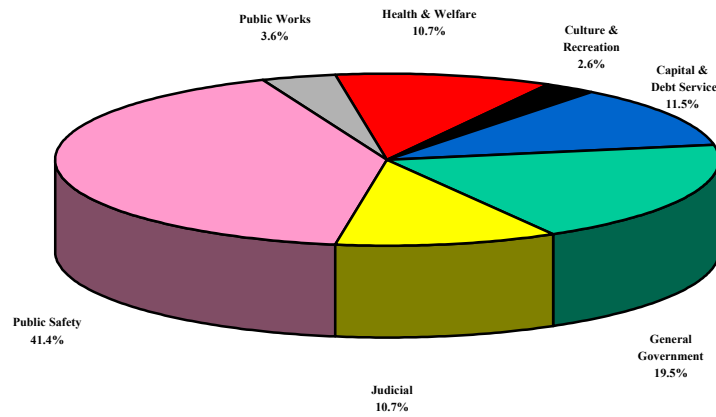
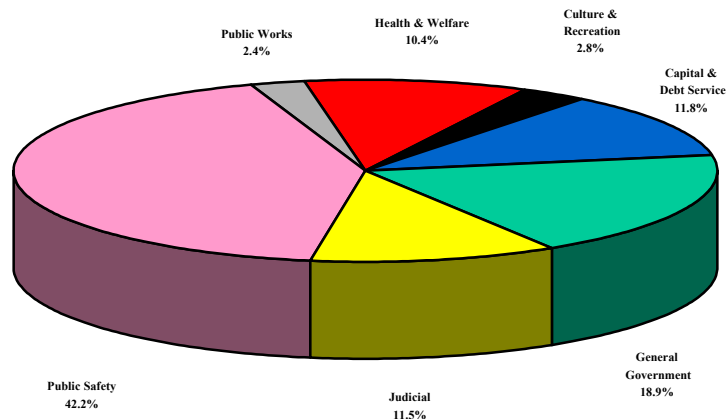


Exhibit IV

EXPENDITURES by FUNCTION (FY 2001)



An analysis of General Fund expenditures by category of expense presents a similar picture of stability. As set forth in Exhibits V & VI, the percentage of the budget dedicated to each category in FY 2001 was virtually identical to that of FY 1991. Nearly half of the County's budget was allocated to salaries and wages, and when employee benefits are added, this percentage grew to about 63%. This should not be too surprising since, in the final analysis, local governments are, for the most part, service organizations. What this also demonstrates is that unlike some other industries, for example manufacturing or utilities, there are limited opportunities for local governments to benefit from economies of scale as the population base continues to expand.

Exhibit V

EXPENDITURES by CATEGORY (FY 1991)

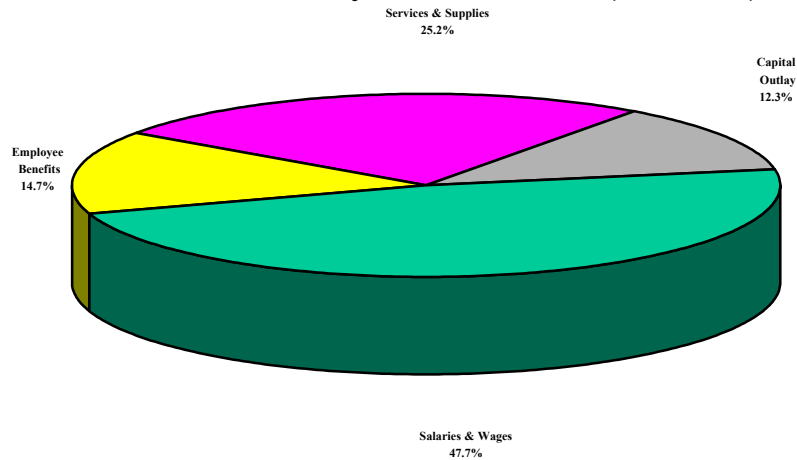
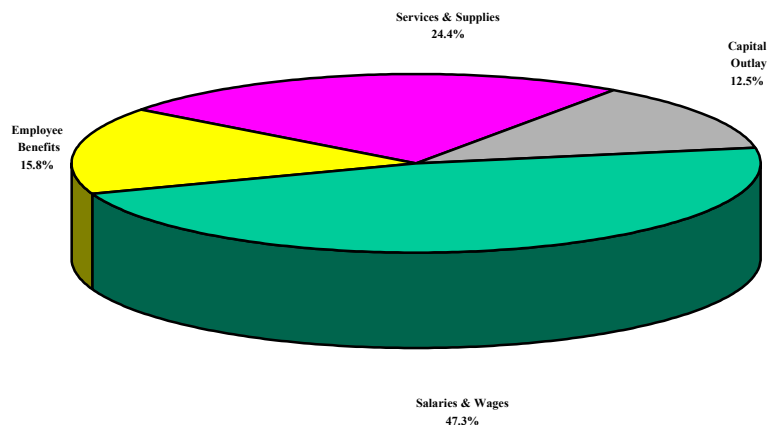


Exhibit VI

EXPENDITURES by CATEGORY (FY 2001)



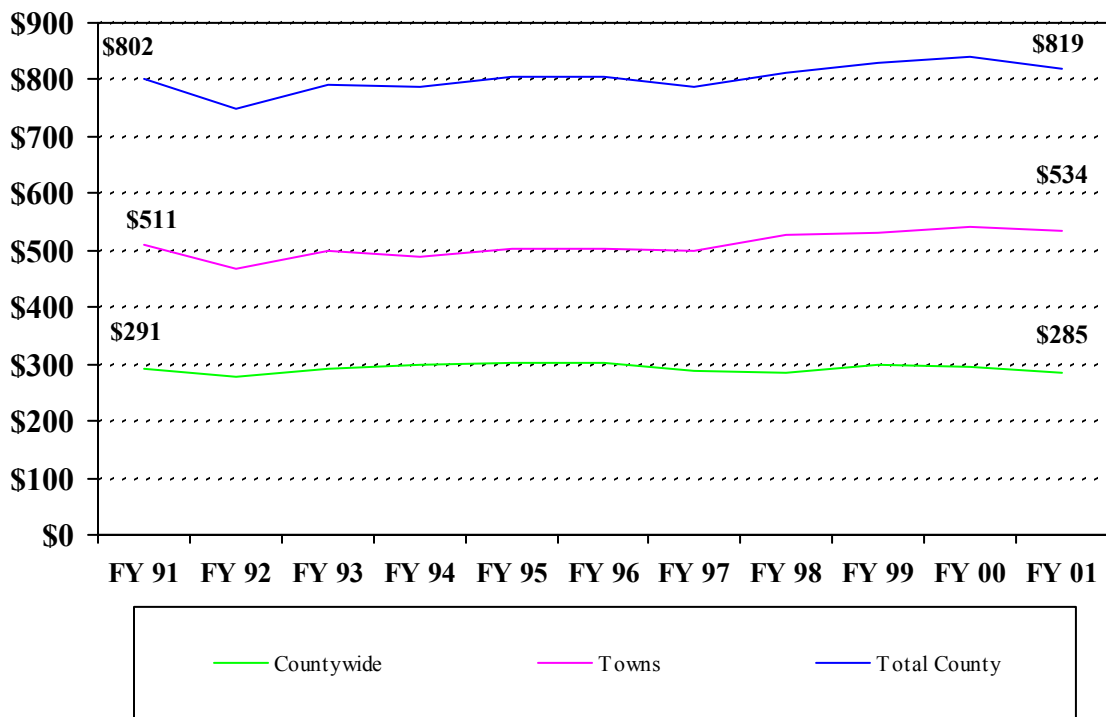
Per Capita Revenues

It is widely believed that the rapid growth of Southern Nevada has translated to a significant revenue windfall for Clark County and other local governments. While County revenues have grown over this period, it is important to examine this revenue growth in the context of both population growth and inflation. Exhibit VII presents Clark County’s historical revenue growth per capita adjusted for inflation. In performing this analysis, it was important to again take into account that the County receives revenue for both countywide and town services. As such, the per capita amounts presented in the exhibit were calculated based on either the total County population or that of unincorporated Clark County, depending on which was most appropriate for the type of revenue being analyzed. By way of example, total County population was applied to property taxes derived from the countywide property tax rate while the population of the unincorporated towns was applied to revenues derived from the town property tax rate.

The information presented in Exhibit VII clearly demonstrates that Clark County per capita revenues have not increased significantly in real terms in the past decade. Total per capita revenues (in 2001 dollars) increased from \$802 in FY 1991 to only \$819 in FY 2001. This represents a growth rate of only about two percent (2.0%) over a ten-year period, an average annual growth rate of less than one quarter of one percent (0.25%).

Exhibit VII

**Total County Per Capita Revenues
(Inflation Adjusted)**



A comparison of real per capita revenues received for countywide services versus those received for town services provides additional insight to the underlying financial structure of the County. All of the growth in real per capital revenues cited above is attributable to growth in revenue available for municipal services. The two primary factors contributing to this trend are the implementation of utility franchise fees beginning in FY 1996 and the imposition of a voter-approved operating property tax override for the Clark County Fire Service District in FY 1997. Total per capita revenues (in 2001 dollars) available for town services increased from \$511 in FY 1991 to \$534 in FY 2001. This represents an increase of only about four and one-half (4.5%) over a ten-year period, an average annual growth rate of less than one-half of one percent (0.5%) per year.

The trend in revenues needed to provide countywide services is far less favorable. Real per capita revenues available to fund these services have, in fact, declined over the last decade. In FY 1991, a total of \$291 in per capita revenue (in 2001 dollars) was available for countywide services while in FY 2001 a total of only \$285 per capita was received. This represents a revenue decline of about two percent (2%) over the past decade.

When the per capita statistics are converted to total dollars available, it becomes even more clear that growth is not generating excess resources for the County. While the growth in town revenues equates to an increase of about \$13.5 million annually, the decline in countywide revenues equates to a decrease of \$8.5 million resulting in a net increase to the County of only about \$5,000,000 annually. As such, this revenue “windfall” equates to only about one-half of one percent of the County’s annual General Fund budget.

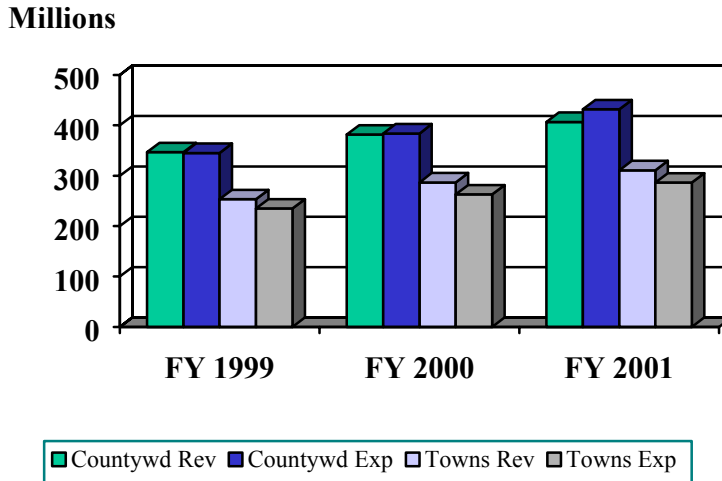
Countywide Services vs Town Services

Over the past decade, there has clearly been a need to expand both countywide services and town services in response to rapid population growth. Countywide population has grown by 85% over this period while the population of the unincorporated towns has grown by about 60%. Despite the fact that the County population has grown at a more rapid rate than that of the unincorporated area, as seen above, the revenue available to fund countywide services has been less responsive to this growth.

Exhibit VIII compares the amount of money available to support countywide services and town services to the cost of the respective services for each of the past three fiscal years. In FY 1999, the revenues and associated costs for each were fairly well balanced. However, over the past two years, as a result of the need to expand both adult and juvenile detention facilities, and the continued expansion of State-mandated court systems, a significant imbalance has developed between the funding available for countywide services and associated costs. In FY 2001, this imbalance equated to more than \$25.0 million. With the assumption of responsibility for Air Quality programs by the County, as well as the impending assumption of responsibility for Child Welfare services by the County, this structural deficit is likely to grow significantly in the future.

Exhibit VIII

Revenues vs Expenditures Countywide vs Town



Property Tax Rates

Many people are under the impression that property taxes in the State of Nevada are principally a local government revenue largely controlled by Counties and Cities. While it is true that property tax revenue is a major source of funding for local governments, this is equally true of the State of Nevada. And, while local governments do have the authority to set their own tax rates within statutory limits, approximately two-thirds of the total tax rate in Clark County is not under the direct control of local governing bodies.

Table I outlines the various tax rate components that comprise the FY 2002 tax bill of a property owner in unincorporated Clark County. The total tax rate in FY 2002 was \$2.8303 per \$100 of assessed valuation. Of this amount, only \$0.9062 per \$100 of assessed valuation, or 32% of the total tax bill was levied at the discretion of the Board of County Commissioners. Another 33.8%, including a \$0.75 school district operating levy, is used to fund State programs with the balance dedicated to specific programs or capital projects that were approved by voters and, therefore, cannot be reallocated for some other purpose. Of this voter-approved segment, more than half is committed to capital construction in support of local education.

Table I

Urban Unincorporated Town Tax Rate Components*	State	Voters	County Commission	Total
State Levy for Debt	0.1500			0.1500
State Indigent Accident	0.0150			0.0150
Statewide Levy for Schools	0.7500			0.7500
School Construction		0.5534		0.5534
Metro Manpower		0.2800		0.2800
Library District		0.0284		0.0284
County Debt		0.0482		0.0482
County Capital (Roads)			0.0500	0.0500
County Operating			0.4163	0.4163
County Indigent	0.0100		0.0665	0.0765
Fire District		0.0527	0.1670	0.2197
911 Emergency		0.0050		0.0050
Family Court	0.0192			0.0192
Town Rate			0.2064	0.2064
Cooperative Extension	0.0100			0.0100
Artesian Basin	0.0022			0.0022
Total Levy	\$0.9564	\$0.9677	\$0.9062	\$2.8303
Percent of Total	33.8%	34.2%	32.0%	100.00%

*Does not include the Library District operating rate of \$0.0687.

While there appears to be a deficit in the funding available to fund traditional countywide services, additional property tax revenue is not a viable option for addressing the deficit. As set forth in Table II, while the tax rates levied for town services, i.e., the urban town tax rate and Clark County Fire District rate are not currently at their statutory maximum, the County operating rate cannot be raised without voter approval:

Table II

	Allowed Rate	Current Levy	Difference	Additional Revenue
County Operating	\$0.4163	\$0.4163	--	--
Urban Town	\$0.3651	\$0.2064	\$0.1587	\$26,614,029
Fire District	\$0.2546	\$0.2197	\$0.0349	\$ 6,168,360

Significant additional revenue can clearly be raised by increasing the Town and Fire District rates to their statutory limits. However, if these resources were then used to fund services such as air quality programs, child welfare, or health and welfare, this would result in a significant increase in the amount of “subsidy” provided by town residents to City residents. Unfortunately, in the event that countywide property tax revenues are diverted to a non-county service, such as education, increasing the town tax rate may be the County’s only available option for replacing the lost revenue.

Capital Improvement Program

The rapid growth of Clark County has obviously had a substantial impact on the need to develop infrastructure to support both commercial and residential development. Clark County has made tremendous strides in recent years accelerating construction of both transportation and flood control improvements. Funding for construction of the Las Vegas Beltway and the continued implementation of the Regional Flood Control District (RFGD) Master Plan has been stretched to the limit resulting in the need to identify creative ways to finance improvements in the short-run. To this end, the County was successful in securing \$150 million in funding from the Regional Transportation Commission (RTC) to complete the initial phases of the Beltway. Similarly, the County advanced \$20 million in funding to the RFGD to expedite certain critical flood control projects.

The County’s ability to accelerate the development of infrastructure has been strengthened by an increased emphasis on long-range capital planning. The Clark County Master Transportation Plan and the Regional Flood Control District Master Plan have been in place for more than a decade and are funded by dedicated revenue sources. In recent years, there was a critical need to adopt additional capital plan elements that did not have dedicated funding sources and, therefore, relied heavily on the general revenues of the County for implementation. These include the \$100 million University Medical Center Master Plan, the \$380 million, twenty-year Parks Master Plan, a \$50 million Clark County Fire District Capital Improvement Plan, and a \$40 million Metropolitan Police Department Capital Plan (the first significant capital plan in the twenty-year history of the department). All of these plans are being funded with general revenues of the County or by general obligation bonds backed by general revenues.

In addition to implementing growth-related capital plans, an organization the size of the County obviously has a significant need to acquire or replace capital equipment needed to support on-going operations. Likewise, given the number of owned facilities operated by the County, there is a significant annual requirement for major renovations which are necessary to simply off-set the normal depreciation of facilities. Virtually, all of these acquisitions/replacements/improvements are addressed on a pay-as-you-go basis in order to reduce the overall cost of the program.

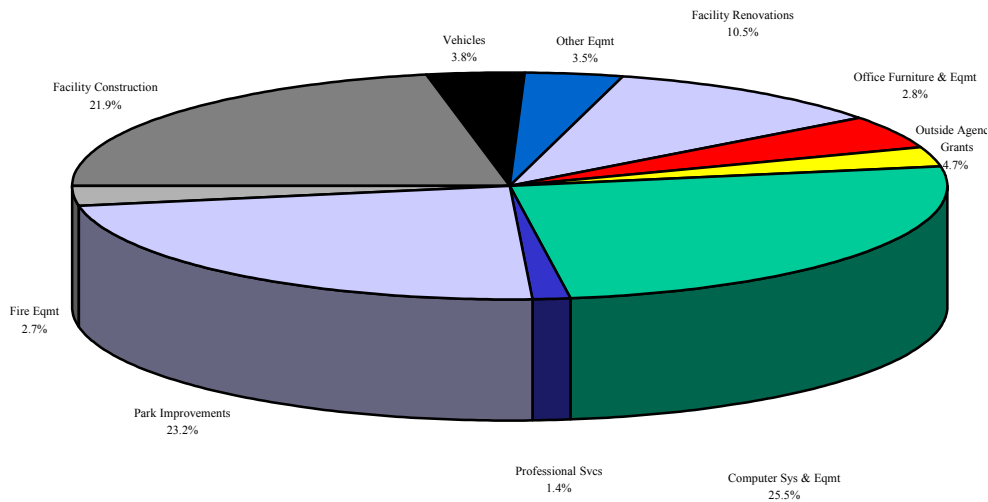
Over the past ten years, the County has funded approximately \$400.0 million in capital improvements and acquisitions using the pay-as-you-go method. These expenditures are accounted for in the County Capital Projects Fund (437) which is simply a subsidiary

fund of the County General Fund. For the most part, the resources of the Fund are derived from transfers from the General Fund, about half of which represent annually budgeted transfers with the balance generated from budgetary savings.

Exhibit IX sets forth the percentage of available Fund 437 resources that have been allocated to the various categories of capital expenditures over the past decade. About 25% of the total has been allocated to computer systems and equipment with a comparable amount allocated to park improvements (including renovation of existing parks). An additional 22% has been used to fund the construction of smaller facilities such as the Coroner facility or the computer operations center, or to fund design costs or land acquisition for larger facilities such as the Government Center, Regional Justice Center, or U.M.C. The fund is also used to support a variety of equipment purchases or facility maintenance projects. Finally, slightly less than 5%, or an average of about \$2.0 million per year has been used to support non-profit agencies, such as homeless shelters or youth organizations, that can provide social and recreational programs on a more cost-effective basis than can County departments.

Exhibit IX

County Capital Projects – Fund 437 (Total From FY 1993 – FY 2002)



The allocation of Capital Projects Fund resources appears, at times, to give the impression that the County has significant discretionary resources at its disposal. However, when these allocations are viewed in the context of the overall fixed asset base of the County, such a conclusion is clearly absurd.

As can be seen from Table III, as of June 30, 2001, the total general fixed assets of the County, i.e., those supported by the General Fund, totaled more than \$970 million.

Table III

	Amount	Annual Depreciation
Land	\$ 66,556,066	--
Buildings	557,632,396	\$18,587,747
Other Improvements	154,298,171	5,143,272
Equipment:		
• Vehicles	37,720,297	5,388,614
• Computers	33,305,969	4,757,996
• Other	121,025,300	17,289,329
Total	\$970,538,199	\$51,166,958

Since the County is only investing an average of about \$40 million per year in capital assets, an amount that represents only about 4% of the current asset base, the County's general fixed asset investment is clearly not keeping pace with any measure of overall economic or population growth. And, when depreciation of this asset base is considered (assuming a 30-year life for improvements and seven years for equipment) the County's investment in fixed assets is clearly not even keeping pace with the amount that should be re-invested annually.

When both continued growth of the County and depreciation of the existing asset base are considered, the County's annual investment/reinvestment in fixed assets is less than half of the amount needed. This condition may be manageable in the short-run due to the fact that much of the County's asset base is fairly new in relative terms. However, a continuation of capital investment/reinvestment at existing levels could have significant long-term negative consequences.

Outside Agency Grants

Nevada Revised Statutes permit counties to make grants to non-profit agencies and other governments for programs and services that provide a significant benefit to the residents of the County. Making such grants also provides a significant financial benefit to the County since in most cases, non-profit agencies are able to offer social and recreational programs at a lower cost than is typical of government entities. Similarly, by entering into financial partnerships with other governments, the County is able to leverage its limited resources to serve a broader constituency.

As set forth in Table IV, over the past ten years, Clark County has allocated a total of about \$18.6 million to outside agencies as part of the annual County Capital Projects Fund (437) allocation process. These grants have been provided to these agencies for a wide variety of capital projects or to provide necessary funding to support on-going operations.

Table IV

	Amount	Percent
WestCare, Inc.	\$5,300,000	28.5
Homeless Programs	2,582,000	13.9
Youth Programs	1,898,075	10.2
Other Governments	4,350,000	23.4
Other	4,471,027	24.0
Total	\$18,601,102	100.0

Nearly, one-third of the total amount allocated has gone to a single provider, WestCare, which operates a residential drug and alcohol treatment program. There is little doubt that in the absence of this funding, WestCare would be forced to severely curtail its operations or, worse yet, be forced to cease operations. Similarly, the quality and viability of the programs offered by youth organizations, such as the Boys' & Girls' Clubs, and homeless shelters, such as the Shade Tree, is dependant on the County's ability to continue its annual grant program.

Historically, the County relied on its Community Development Block Grant (CDBG) process to evaluate, and primarily fund, grant requests from non-profit agencies. Because of federal budget constraints, funding available through this program has not increased in proportion to the growth in our community. In turn, non-profit agencies are somewhat reluctant to participate in the CDBG application process due to the low probability of success. This has led to a significant increase in unsolicited requests for general County assistance to non-profit agencies.

We are confident that the County's historical approach to outside agency grants has met the primary objective of diverting citizens from county programs to a lower-cost, alternative service provider. We are also confident that once grants are made, the funding is utilized as intended since the County maintains a strict accountability system to manage disbursement of the funds to non-profit agencies. (Virtually all of the grants are disbursed on a reimbursement basis which necessitates that service providers document that the grant award was, in fact, expended in conformance with a pre-approved scope of work.) Nevertheless, it is also apparent that the increasing volume of activity warrants establishing a more structured approach to prioritizing the various requests to ensure that the available funding is allocated in a manner that provides the greatest social and economic benefit to taxpayers.

To accomplish this objective, the County recently established a formal Outside Agency Grant application process similar to that employed for the CDBG award process. Any agency requesting financial support from the County must now complete an application which includes detailed information regarding the service provider and the project or program to be funded. All of the requests will be rated and prioritized by County Management by applying the following criteria:

- The qualifications of the service provider including management expertise and financial stability.
- The extent to which the grant will enhance or replace services provided directly by the County.
- The cost effectiveness of the services being provided, or the extent to which the agency can leverage the grant to access other funding sources.
- The degree to which the grant will contribute to the ultimate self-sufficiency of the non-profit agency.

The prioritized list of funding recommendations will then be considered by the Board of County Commissioners as part of the annual budget process. This will allow the Board to consider all of the requests based on their relative merits as well as versus all other county financial obligations. It is also likely that establishing a competitive process will result in continued improvement in the quality of services provided by these non-profit agencies.

Future Operating Impacts

Virtually every County department is currently being impacted by the need to service a growing customer base with limited or no increase in staffing. This situation has existed for the past few years as a result of the County's need to dedicate additional resources to staffing the expanded adult and juvenile detention facilities. Unfortunately, this situation is likely to continue for the foreseeable future as a result of the need to address certain unfunded mandates and to properly fund public safety programs.

In terms of unfunded mandates, the most significant impacts are expected to be felt in the areas of District Court, child welfare, and air quality management programs. While the operation of the Eighth Judicial District Court is governed by the Nevada State Constitution and associated State statutes, it is funded almost entirely by the County. Future operating costs will be impacted by staffing requirements associated with the State-mandated addition of District and Family Court judges and the costs associated with the on-going operation of the new Regional Justice Center. The transfer of responsibility for child welfare services from the State to Clark County is also likely to have some impact on county resources beginning in FY 2003. While it is difficult to estimate what this impact will be since, in large part, the impact to the County will be dependent on future State appropriations, given the magnitude of the overall program,

this transfer of responsibility is potentially significant. Finally, in FY 2002, the County assumed responsibility for a severely underfunded air quality program from the Clark County Health District. Since compliance with federal air quality regulations is critical to the long-term economic viability of Southern Nevada, the County is committed to enhancing the resources dedicated to this program.

Continued population growth will also necessitate significant increases in the cost of providing certain public safety services. As less populated areas of the urban valley continue to develop, both the Clark County Fire Department and the Las Vegas Metropolitan Police Department (LVMPD) must add staff in order to provide adequate coverage. The Fire Department is already experiencing an unacceptable deterioration in response times. It is estimated that a minimum of ten new fire stations will be needed over the next decade, with at least four of the stations needed immediately. The LVMPD has already experienced a decline in the number of officers deployed per 1,000 residents from its established standard of two officers per 1,000 residents to only 1.75. More than 200 new officers (along with about 100 civilian support staff) are needed to increase staffing to the recommended level.

Table V summarizes the fiscal impact associated with the initiatives outlined above:

Table V

	Amount (000,000)
Unfunded Mandates:	
• Air Quality	\$ 2.8
• District Court	4.6
• Regional Justice Center	6.3
• Child Welfare	T.B.D.
Public Safety:	
• Fire Services	\$14.0
• L.V.M.P.D.	12.5
Total Fiscal Impact	\$40.2

In total, the County is currently facing more and \$40.0 million in unfunded fiscal impacts associated with mandated and public safety initiatives. These impacts are exclusive of impacts associated with normal growth in operating costs, such as escalating utility costs, or expanding programs that are more discretionary in nature, such as operating impacts associated with implementation of the Parks Master Plan. The above impacts are expected to more than consume any available growth in County resources for the foreseeable future and could, in fact, necessitate the reallocation of existing resources from already established County programs.