



WASHOE COUNTY

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STAFF REPORT

BOARD MEETING DATE: May 17, 2022

DATE: Thursday, May 12, 2022

TO: Board of County Commissioners

FROM: Lori Cooke, Budget Manager
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Christine Vuletich, Chief Financial Officer
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THROUGH: Eric P. Brown, County Manager

SUBJECT: Public hearing, discussion, and possible action on the Washoe County Tentative Budget for Fiscal Year 2023 pursuant to NRS 354.596-estimated appropriations [\$965,207,730.00], as well as possible changes to the Tentative Budget and adoption of it as the Final Budget for Fiscal Year 2023 pursuant to NRS 354.598-estimated appropriations [\$1,000,375,787]. The proposed budget incorporates Board priorities of funding for existing contractual obligations, supplies, utilities, personnel costs, unfunded mandates from the 2021 Legislative session, second year property tax refunds, increasing role supporting regional Homeless Services capital improvements and operations, maintaining the County's assets and infrastructure needs, and operating budget requests. The proposed budget also includes the following actions:

- 1) To approve Fiscal Year 2022 financial actions as outlined-including increasing the General Fund Stabilization Reserve of fund balance to [\$4,000,000], approximately 1.04% of FY23 budgeted expenditures, pursuant to NRS 354.6115.
- 2) To approve a one-time unbudgeted General Fund transfer of [\$34,346,774] to the Capital Improvement Fund to support a.) approx. \$17.7M for Facilities-Building projects; b.) approx. \$2.3M for Parks projects; c.) approx. \$8.0M for Technology Infrastructure projects; d.) approx. ~\$2.8M for Planning projects; capital infrastructure needs; e.) approx. ~\$3.4M for project management, unknown cost escalations/projects shortages, etc., and a one-time transfer of [\$550,000] to the Roads Fund to support large equipment purchases.
- 3) To approve the changes to position control for Fiscal Year 2023 indicated on Attachment A-including 97.52 Net New Full Time Equivalent (FTE) positions and Reclassifications impacting 56.0 positions/incumbents (1.0 retro-active).

If necessary to accommodate any material changes desired by the Board as identified during the hearing on the Tentative Budget, this item may be continued to May 24, 2022 at 10:00 AM. (All Commission Districts)

SUMMARY

The purpose of this item is to conduct a hearing on the Tentative Budget for Fiscal Year 2023; consider approval of the Final Budget for FY 2023, which incorporates the approved County Manager's recommendations presented on April 19, 2022; approve necessary FY 2022 financial actions as outlined; and approve changes to position control for FY 2023 related to the FY 2023 Final Budget as outlined.

Washoe County Strategic Objective supported by this item: Fiscal Sustainability

PREVIOUS ACTION

On May 6, 2022 – The Notice of Public Hearing was published in the Reno Gazette Journal pursuant to NRS 354.596(3) and NRS 354.596(4).

April 26, 2022 – The BCC approved Board approved use of County General Fund Contingency transfer of \$7.5 million for conflict counsel [\$300,000], Cares Campus expenditures [\$3,000,000], Our Place renovations [\$3,000,000] and Roads Fund transfer for grant-match supporting rural road construction projects in Gerlach, County Road 34 and County/State Road 447 and/or other unfunded projects.

April 19, 2022 – The BCC received and confirmed the County Manager's recommendations for the Fiscal Year 2023 budget and directed the County Manager to return to the Board of County Commission with a Tentative and Final Budget incorporating the approved County Manager's recommendations with direction to incorporate any necessary changes related to AB424 staffing for the District Attorney's Office, for adoption at a public hearing scheduled for May 17, 2022.

On April 12, 2022, the Board heard an overview of the financial outlook for Washoe County. The overview included a review of the General Fund's financial results for Fiscal Year 2021, a Year-to-Date FY 2022 Budget review, and financial outlook for Fiscal Year 2023, which identified the need to prioritize funding needs and requests.

On January 26, 2022, the Board of County Commissioners held a Strategic Planning Workshop and provided direction on its strategic goals to staff.

BACKGROUND

Final County Budget

NRS 354.596 requires a public hearing of the County's Tentative Budget, which is required to be submitted to the State Department of Taxation by April 15 of each year. The Department of Taxation has examined the submitted Tentative Budget for compliance with law and has provided a written certificate of compliance.

Pursuant to NRS 354.598, at the date of the County's Tentative Budget hearing, the Board of County Commissioners may also adopt a Final Budget. A final budget must be certified by a majority of the Board and submitted to the State by June 1.

Included in this agenda packet is the Tentative Budget submitted to the State in April and the Final Budget document. There are a few variances between the FY 2023 Tentative and Final Budgets; most changes relate to additional allocations for the District Attorney, Community Reinvestment, Health Benefits Fund, and capital projects-including closing Capital Fund F430-

As the worldwide COVID-19 pandemic unfolded in early 2020, lockdowns, business shut-downs, consumer spending and COVID-19 response activities all resulted in acute economic/fiscal impacts. Much like many other local governments and businesses, Washoe County's Fiscal Year 2021 (FY21) budget was prepared in an unprecedented environment while significant economic events were unfolding with unemployment rising to 19.9% in Washoe County. Thankfully, Washoe County revenue impacts in FY21 were not as great as anticipated; over \$20 million of federal Cares Act funding was awarded; and conservative fiscal management resulted in better than anticipated financial results as of June 30, 2021. As of March 2022, the County's unemployment rate was 2.6%, which is lower than the February 2020 pre-pandemic rate of 3.2%. While economic growth has been strong in Washoe County, the economy is expected to slow down due to increased costs for energy, materials, food and labor, as well as continued supply chain issues and rising interest rates. As economic growth slows, the County's revenue growth is also expected to slow, and resources will not support all needs and budget requests for funding in FY23. While last fiscal year's results provide non-recurring financial resources to pay for one-time needs, such as property tax refunds per a legal settlement, and needed asset maintenance and capital improvements, challenges remain. There are many priorities that were considered in developing the Fiscal Year 2023 Recommended Budget. These priorities included funding for existing contractual obligations, supplies, utilities, personnel costs, unfunded mandates from the 2021 Legislative session, property tax refunds, ramping up of Homeless Services capital improvements and operations, maintaining the County's assets and infrastructure needs, and additional operating budget requests. As such, the County Manager's Fiscal Year 2023 (FY23) Final Recommended Budget reflects consideration of service needs and anticipated resources. It also adheres to the County's continued goals throughout the last several years: • Maintain Services • Keep Employees Working • Use Reserves Wisely

Total FY23 appropriations for 22 Governmental and 6 Proprietary funds are **\$1,000,375,787**, see chart below.

Governmental Funds						
Fund Type	Salaries & Benefits	Services & Supplies	Capital Outlay	Contingency	Operating Transfers Out	Total Appropriations
General Fund	285,885,014	100,191,418	1,104,198	11,615,400	110,852,166	509,648,196
Special Revenue Funds	102,769,801	127,031,789	7,498,616	72,700	36,094,611	273,467,518
Capital Project Funds	-	13,780,288	79,333,523	-	1,950,000	95,063,811
Debt Service Funds	-	14,002,848	-	-	-	14,002,848
Total	388,654,815	255,006,343	87,936,338	11,688,100	148,896,777	892,182,373
Proprietary Funds						
Fund Type	Operating Expenses	Non-Operating Expenses			Operating Transfers Out	Total Appropriations
Enterprise Funds	28,221,311	850,905			-	29,072,216
Internal Service Funds	79,121,198	-			-	79,121,198
Total	107,342,509	850,905			-	108,193,414
Total Appropriations						1,000,375,787

Notable highlights for the FY 2023 Final Budget, for all funds, include:

An additional 97.52 Net Full Time Equivalent (FTE) positions:

○ **67.05 General Fund**

- 28.0 Legislative – AB424
 - Alternate Public Defender (1.0), District Attorney (10.0), District Court (3.0), Reno Justice Court (2.0), Sheriff’s Office (9.0), Sparks Justice Court (3.0)
- 22.4 Criminal Justice
 - Alternative Sentencing (2.0), District Attorney (4.0), District Court (2.0), Juvenile Services (3.4), Public Defender (1.0), Sheriff’s Office (10.0)
- 3.0 Vulnerable Populations
 - Public Guardian (3.0)
- 17.1 Central Services, Regional Services, Other Support
 - Assessor’s Office (1.0), Finance (2.0), Human Resources (1.0), Manager’s Office – Communications (2.0), Manager’s Office – Community Reinvestment (1.0; 50% ARPA funded); Manager’s Office – Environmental Sustainability (1.0), Medical Examiner (3.0), Parks (3.10), Technology Services (2.0), Treasurer’s Office (1.0)
- (-3.45) Other Changes/True-Ups
 - Sheriff/Incline Constable (-0.90), Manager’s Office – Fire Suppression (Gerlach) = (-2.40), Sparks Justice Court (-0.06)

○ **30.47 Other Funds**

- 12.0 Child Protective Services-Administration (2.0), Assessment/Clinical Care (4.0), Continuous Quality Improvement (1.0), Fiscal Support (2.0), Foster Care (3.0)
- 8.47 Health District-Administration (1.0), Air Quality Management (1.0) (Community & Clinical Health Services (4.0), Emergency Medical Services (0.47), Environmental Health Services (0.40), Epidemiology & Chronic Disease (0.60), Office of the District Health Officer (1.0)
- 3.0 Human Services-Homelessness-Housing (1.0), Residential Property (1.0), Women’s Crossroads (1.0)
- 1.0 Regional Animal Services-Field Services (1.0)
- 1.0 Regional Communications-Public Safety Radio System (1.0)
- 5.0 Senior Services-Administration/Fiscal Support (1.0), Homemaker (3.0), Senior Nutrition (1.0)

A complete list of all position changes, including new, eliminated, other FTE changes, and reclassified positions, is reflected in Attachment A. Two Homelessness Fund positions approved by the Board in Fiscal Year 2022, to allow for essential support to begin prior to July 1st, are not reflected on Attachment A.

General Fund Transfers Out of \$110.85 million, supporting:

- Capital Projects \$45 million
 - Includes increased FY23 transfer of \$38 million (one-time), to support Infrastructure Scorecard projects. This is the statutory maximum per NRS 354.6117.
- Indigent Fund \$22.1million
- Homelessness Fund \$20.0 million
 - Includes increased FY23 transfer of \$13 million (ongoing), to support programming and other needs.
- Health District \$9.5 million
- Debt Service Fund \$6.2 million
- Senior Services Fund \$3.4 million
 - Includes increased FY23 transfer of \$2 million (ongoing), to support Daybreak & Homemaker programs.
- Health Benefits Fund \$3.0 million (one-time)
- Roads Fund \$1.2 million
- Child Protective Services Fund \$447 thousand

General Fund Contingency at the NRS allowable 3% of budgeted expenditures, or \$11.6 million (NRS 354.608).

The General Fund is the largest Washoe County fund, comprising 51% of total budget appropriations. The Washoe County Fiscal Year 2023 General Fund Final budget reflects a balanced budget with a one-time use of fund balance of \$47.2 million. This use of fund balance supports the legally obligated property tax settlement payments anticipated in FY23, one-time funding to support various Infrastructure Scorecard projects, and one time transfer to the Health Benefits Fund. Depending on the actual amount of FY23 payments processed, FY24 may require additional appropriations for settlement payments. Unassigned ending fund balance is budgeted at \$85.5 million, or 16.6%, which is within the Board's policy level of 10-17%.

A summary of the recommended Final Fiscal Year 2023 General Fund budget is shown below.

Washoe County FY 2023 General Fund Final Budget						
Sources and Uses	FY 2021 Actual	FY 2022 Estimate	FY 2023 Tentative	FY 2023 Final	FY23 Final vs. FY22 Year-End Estimate	
					% Var.	\$ Var.
Revenues and Other Sources:						
Taxes	193,797,302	203,703,752	222,084,279	222,084,279	9.0%	18,380,527
Licenses and permits	10,794,523	10,545,793	10,832,500	10,832,500	2.7%	286,707
Consolidated taxes	142,376,192	157,325,692	165,978,000	165,978,000	5.5%	8,652,308
SCCRT AB104	17,269,476	19,059,253	20,107,438	20,107,438	5.5%	1,048,185
Other intergovernmental	10,466,159	12,149,449	8,281,520	8,281,520	-31.8%	(3,867,929)
Charges for services	23,423,125	22,638,845	23,618,771	23,618,771	4.3%	979,926
Fine and forfeitures	6,754,416	6,550,982	6,544,782	6,544,782	-0.1%	(6,200)
Miscellaneous	2,761,286	4,310,611	4,419,691	4,419,691	2.5%	109,080
Total revenues	407,642,479	436,284,377	461,866,981	461,866,981	5.9%	25,582,604
Other sources, transfers in	1,084,865	729,439	587,000	587,000	-19.5%	(142,439)
TOTAL SOURCES	408,727,344	437,013,816	462,453,981	462,453,981	5.8%	25,440,165
Expenditures and Other Uses:						
Salaries and wages	162,686,537	170,477,210	189,622,732	190,097,863	11.5%	19,620,653
Employee benefits	89,002,201	88,855,890	95,479,621	95,787,151	7.8%	6,931,261
Services and supplies	51,619,782	73,633,140	78,089,340	78,191,418	6.2%	4,558,277
Settlement payments (one-time)	-	16,000,000	22,000,000	22,000,000	37.5%	6,000,000
Capital outlay	327,500	1,160,113	1,104,198	1,104,198	-4.8%	(55,915)
Total expenditures	303,636,016	350,126,353	386,295,891	387,180,630	10.6%	37,054,277
Transfers out	46,869,779	61,849,260	70,665,860	69,855,991	12.9%	8,006,731
Transfers out (one-time)	-	34,896,774	37,996,175	40,996,175	17.5%	6,099,401
Contingency	-	1,000,000	11,588,877	11,615,400	1061.5%	10,615,400
TOTAL USES	350,505,795	447,872,387	506,546,803	509,648,196	13.8%	61,775,809
Net Change in Fund Balance	58,221,549	(10,858,571)	(44,092,822)	(47,194,215)		
Beginning Fund Balance	94,267,805	152,489,354	141,737,017	141,630,783		
Ending Fund Balance	152,489,354	141,630,783	97,644,195	94,436,569		
Unassigned Ending Fund Balance	\$122,086,966	\$121,057,252	\$85,749,722	\$82,542,096		
Unassigned Ending Fund Balance %	34.9%	27.2%	17.4%	16.6%		

*as % of Expense & Transfers less Capital

Other notable changes/enhancements for the FY23 Final Recommended Budget include increased General Fund services and supplies, personnel expenses and an increased transfer to support Cares Campus operations within the Homelessness Fund (see below).

Washoe County FY 2023 Homelessness Fund Recommended Budget						
	FY 2021	FY 2022	FY 2023	FY 2023	FY23 Final vs. FY22	
Sources and Uses	Actual	Estimate	Recommended	Final	% Var.	\$ Var.
Revenues and Other Sources:						
Taxes	-	-	-	-		-
Licenses and permits	-	-	-	-		-
Intergovernmental	-	4,548,516	300,000	300,000	-93.4%	(4,248,516)
Charges for services	-	421,538	440,000	440,000	4.4%	18,462
Fine and forfeitures	-	-	-	-		-
Miscellaneous	-	759,579	130,000	130,000	-82.9%	(629,579)
Total revenues	-	5,729,633	870,000	870,000	-84.8%	(4,859,633)
Other sources, transfers in	-	16,741,350	31,763,095	30,953,226	84.9%	14,211,876
TOTAL SOURCES	-	22,470,983	32,633,095	31,823,226	41.6%	9,352,243
Expenditures and Other Uses:						
Salaries and wages	-	3,707,795	4,949,380	4,949,380	33.5%	1,241,585
Employee benefits	-	1,820,179	2,460,663	2,460,663	35.2%	640,484
Services and supplies	-	16,026,647	24,850,352	24,040,483	50.0%	8,013,836
Capital outlay	-	555,866	300,000	300,000	-46.0%	(255,866)
Total expenditures	-	22,110,487	32,560,395	31,750,526	43.6%	9,640,039
Transfers out	-	-	-	-		-
Contingency	-	91,876	72,700	72,700	-20.9%	(19,176)
TOTAL USES	-	22,202,363	32,633,095	31,823,226	43.3%	9,620,863
Net Change in Fund Balance	-	268,620	-	-		

Note the following material changes between the FY 2023 Recommended budget presented on April 19, 2022 and the FY 2023 Final Recommended Budget:

GENERAL FUND: Net increase \$3,000,000:

- District Attorney - \$755,858
 - Additional 7.0 positions; 3.0 for AB424 and 4.0 for Criminal
- Community Reinvestment - \$54,011
 - Additional 1.0 Program coordinator to assist with ARPA and Community Support/Other funding opportunities. 50% ARPA-funded
- Reduced Transfer to Homelessness Fund - \$809,869
 - Offset District Attorney and Community Reinvestment increases
- Increased Transfer to Internal Service Fund - Health Benefits Fund - \$3,000,000
 - Estimated impacts due to increased program costs

CIP FUND: Net increase \$29,216,744:

- Increased Capital Project(s) appropriations for:
 - Inclusion of FY 2023 projects that were contingent upon available funding-including FY 2022 transfers - \$10.6 million
 - Revised 2022 year-end true-ups and new FY 2023 projects - \$18.6 million

As part of the FY 2023 Final Budget, Fiscal Year 2022 year-end financial actions are necessary as indicated below. These actions are included as part of the FY 2023 Final Budget approval.

- Increase General Fund Stabilization Reserve from \$3 million to \$4 million at FY22 year-end as a restriction of fund balance. The Board policy is Stabilization of at least \$3 million. With the increase, Stabilization reserve will increase \$1 million and represent 1.03% of FY23 budgeted expenditures.
 - Per NRS 354.6115, Stabilization is limited to 10.0% of prior year expenditures.
 - Stabilization reserve has been accessed twice in the last five years; once in FY18 for the 2017 North Valleys Flooding (replenished in FY19) and again in FY20 for the COVID-19 Pandemic response (replenished in FY21).
- Process unbudgeted General Fund transfers:
 - \$34,346,774.00 transfer to the Capital Improvement program-bringing total GF transfers to CIP to the statutory maximum.
 - The transfer will support:
 - \$11.5 million of already BCC-approved multi-year CIP projects to provide the required budget authority to complete those projects.
 - \$19.3 million of FY23 Recommended projects. Most projects are one-time and represent needed renovations and replacement items, such as roofs, HVACs, security systems upgrades, park playgrounds and restrooms, for various County facilities such as the Senior Center, Jail, Regional Public Safety Training Center, Courthouse as identified in the Infrastructure Scorecard.
 - \$3.5 million, or 10% of the total transfer, for currently unquantified projects and/or cost variances.
 - \$9.4 million of CIP project funding was deferred or eliminated in Fiscal Years 2020 and 2021.
 - \$550,000.00 to the Roads Fund to support one-time large equipment purchases.

Technical information related to the FY22 unbudgeted transfers are outlined below:

UNBUDGETED TRANSFERS	COST OBJECT	G/L ACCOUNT	AMOUNT
General Fund - Transfer to Capital Projects	188500	814092	\$ 34,346,774.00
General Fund - Transfer to Roads Fund	188500	812216	\$ 550,000.00
<i>Subtotal: General Fund Transfers Out</i>			<i>\$ 34,896,774.00</i>
Capital Projects Fund - Transfer from General Fund	920299	621001	\$ 34,346,774.00
Roads Fund - Transfer from General Fund	216001	621001	\$ 550,000.00
<i>Subtotal: Other Funds Transfers In</i>			<i>\$ 34,896,774.00</i>
TOTAL UNBUDGETED GENERAL FUND TRANSFERS OUT			\$ 34,896,774.00
For processing actual transfers only-no budget adjustments			

RECOMMENDATION

It is recommended that the Board adopt the Final Budget for Fiscal Year 2023 pursuant to NRS 354.598-estimated appropriations [\$1,000,375,787]. The proposed budget incorporates Board priorities of funding for existing contractual obligations, supplies, utilities, personnel costs, unfunded mandates from the 2021 Legislative session, second year property tax refunds, increasing role supporting regional Homeless Services capital improvements and operations, maintaining the County's assets and infrastructure needs, and operating budget requests. The proposed budget also including the following actions:

- 1) To approve Fiscal Year 2022 financial actions as outlined-including increasing the General Fund Stabilization Reserve of fund balance to [\$4,000,000], approximately 1.04% of FY23 budgeted expenditures, pursuant to NRS 354.6115.
- 2) To approve a one-time unbudgeted General Fund transfer of [\$34,346,774] to the Capital Improvement Fund to support a.) approx. \$17.7M for Facilities-Building projects; b.) approx. \$2.3M for Parks projects; c.) approx. \$8.0M for Technology Infrastructure projects; d.) approx. ~\$2.8M for Planning projects; capital infrastructure needs; e.) approx. ~\$3.5M for project management, unknown cost escalations/projects shortages, etc., and a one-time transfer of [\$550,000] to the Roads Fund to support large equipment purchases.
- 3) To approve the changes to position control for Fiscal Year 2023 indicated on Attachment A-including 97.52 Net New Full Time Equivalent (FTE) positions and Reclassifications impacting 56.0 positions/incumbents (1.0 retro-active).

POSSIBLE MOTION

Should the Board agree with staff's recommendation, a possible motion would be *"move to adopt the Final Budget for Fiscal Year 2023 pursuant to NRS 354.598-estimated appropriations [\$1,000,375,787]. The proposed budget incorporates Board priorities of funding for existing contractual obligations, supplies, utilities, personnel costs, unfunded mandates from the 2021 Legislative session, second year property tax refunds, increasing role supporting regional Homeless Services capital improvements and operations, maintaining the County's assets and infrastructure needs, and operating budget requests. The proposed budget also including the following actions:*

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- 3) *To approve the changes to position control for Fiscal Year 2023 indicated on Attachment A-including 97.52 Net New Full Time Equivalent (FTE) positions and Reclassifications impacting 56.0 positions/incumbents (1.0 retro-active)."*