



WASHOE COUNTY

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STAFF REPORT

BOARD MEETING DATE: April 15, 2025

DATE: April 3, 2025

TO: Board of County Commissioners

FROM: Lori Cooke, Budget Manager, Finance
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THROUGH: Eric P. Brown, County Manager

SUBJECT: Recommendation to acknowledge status report and possible direction to staff on the County Manager's recommended Fiscal Year 2026 Budget (July 1, 2025 through June 30, 2026) with estimated appropriations of approximately [\$1,064,408,656] which incorporates Board priorities of funding for existing contractual obligations, supplies, utilities, personnel costs, capital improvements and operations, and maintaining the County's assets and infrastructure needs, and direct the County Manager to return to the Board of County Commission with the certified Tentative and Final Budget for adoption at a public hearing to be scheduled on May 20, 2025. (All Commission Districts).

SUMMARY

The purpose of this item is to provide a status report and possible direction to staff on the County Manager's recommended Fiscal Year 2026 budget (July 1, 2025 through June 30, 2026); and direct the County Manager to return to the Board of County Commission (BCC) with the certified Tentative and Final Budget incorporating the approved County Manager's recommendations for adoption at the public hearing to be scheduled for May 20, 2025.

Washoe County Strategic Objective supported by this item: Fiscal Sustainability

PREVIOUS ACTION

On January 28, 2025, the Board of County Commissioners held a strategic planning workshop to discuss prior matters from previous workshops and discuss infrastructure updates, updates on senior services enhancements and facility improvements, behavioral health, an update on the regional economy in relation to housing including the current housing inventory, including potential public-private partnerships to increase inventory and services.

On January 14, 2025, the Board of County Commissioners acknowledged the presentation and possible direction to staff of the Washoe County Financial Outlook for Fiscal Year 2026

AGENDA ITEM # _____

and Budget. The overview included a review of the General Fund's financial results for Fiscal Year 2024, a Mid-Year 2025 review, and economic, revenue and expenditure trends, Board of County Commissioner strategic goals, known cost increases, unquantified/outstanding cost impacts, and a general outlook for Fiscal Year 2026 and beyond.

BACKGROUND

The Washoe County Board of County Commissioners has a clear vision and Strategic Plan with long-term goals and shorter-term initiatives and benchmarks. The Board met in January 2025 to revisit its Strategic Plan. The Board affirmed its priority areas of focus from prior years (Serving Seniors, Mental Health, Capital Improvement Projects/Infrastructure).

However, the Board was cautioned at the January 14, 2025, meeting regarding the fiscal landscape. The reality for FY26 is there will be similar challenges as in recent years, with anticipated flat C-Tax revenue growth and declining ARPA and State/Federal grants which will limit resource availability. These challenges are compounded by expenditures continuing to significantly outpace revenues. The adopted Fiscal Year 2025 budget included a five-year General Fund forecast reflecting unsustainable structural deficits (ongoing expenditures exceeding revenues). With the finalization of the collective bargaining agreements, continued flattening of C-Tax revenue, and the recently confirmed increase in PERS rate contributions for next year, the forecast reflects unsustainable structural deficits in earlier years than previously thought.

In designing the Fiscal Year 2026 budget process, County leadership collectively embarked on a more efficient, collaborative, and strategic process to determine methods of executing the Board's vision with very finite resources. As part of that goal, the annual budget process was updated-including:

- Distributed and collated pre-Budget Congress survey responses from departments
 - Determined needs, assets to be shared and collective challenges
- Held the first all-department collaborative Budget Congress
- Continued individual meetings with Commissioners-including additional follow-up
- Launched the Washoe County Checkbook (i.e., transparency website)
- Plan to hold a "Budget 101" session at an upcoming Board Meeting
- Continued process improvement based on best practices and stakeholder feedback.

We are starting from a *relatively* stable financial position in part due to larger than anticipated Fiscal Year 2024 investment returns and lower-than-anticipated Incline Settlement final payments (both non-recurring). Additionally, thanks to the organization's collective discipline and cooperation, we have been able to weather some significant fiscal challenges in the recent past. This includes various unplanned emergency responses (N. Valleys flooding, Davis Creek Fire, Hidden Valley flooding, etc.), the AT&T Sales Tax Refund, our COVID-19 response, the Incline Settlement payments, historically high inflationary impacts, historically high PERS contribution rate increases, implementation of classification and compensation updates (Korn Ferry), and multi-year collective bargaining agreements, etc. The impacts of these challenges were met without requiring budget reductions. This is quite an achievement, and we are grateful to all departments for their teamwork and innovation, but we still face a challenging outlook over the next five years.

Based on our various challenges, Fiscal Year 2026 will be a year in which we need to focus on ***Resilience and Innovation***. This means there are no resources for additional personnel. Success will require us to work together to identify and implement creative and

innovative solutions based on a service inventory and using technology to help us get the work done and maintain our focus on our customers. Instead of submitting above base budget requests as usual, Departments were invited to participate in the Budget Congress and discuss the top one to three non-personnel priorities. The Fiscal Year 2026 base budget was updated as in prior years to account for known impacts (i.e., central services, personnel, BCC-approved contracts, etc.).

One of the County's most volatile sources of revenue is Consolidated Tax (C-Tax). As it is comprised mainly of sales taxes, C-Tax is the first major source of revenue to show signs of softening as the economy slows. The County's C-Tax receipts have been slowing over the past two years. In addition, due to the modernization of technology systems at the State of Nevada Department of Taxation, we do not have the current fiscal year information on taxable sales. Further, the November 2024 distribution, received in February 2025, was approximately half of the anticipated amount. Year-to-date, C-Tax distributions are lower as compared to prior year by \$4.5 million, or 4.7%. The County has responded by revising its Fiscal Year 2025 year-end forecast for C-Tax from the original budgeted increase of 2.5% to an estimated increase of 0.0% over the prior fiscal year. In addition, the Fiscal Year 2026 Budget assumes a 2.0% increase in Consolidated Tax (C-Tax) with gradual increases expected in the five-year forecast thereafter to a maximum of 2.75% in Fiscal Year 2030.

The largest source of Washoe County revenue is property tax. Property tax revenue is estimated to increase 7.2% across all funds. General Fund property tax is estimated to increase 9.4%, but this includes the reallocation of the expiring Library Expansion Fund Tax and the required reduction of the Debt Service Fund rate.

The General Fund's structural deficit can be explained simply by combining three factors. Property tax is ~50% of General Fund revenues; a General Fund P-Tax increase of 9.4% results in an effective rate of increase, as an offset to expenditures, of 4.7%. With flat C-Tax, and expenditures rising by 5.3%, the result is a structural deficit.

Due to the familiar and ongoing picture of increasing costs outpacing increasing revenues, the Fiscal Year 2026 Recommended Budget represents a "freeze" on new ongoing expenditures.

The County Manager's Fiscal Year 2026 Recommended Budget reflects consideration of service needs and anticipated resources. It also adheres to the BCC strategic vision focus areas as well as the County's continued goals over the last several years of:

- Maintain Services
 - Make progress on Fundamental Service Review
 - Provide time for department heads/elected officials to collaborate with alternative service delivery options
- Commitment to Our Employees: Keep Employees Working
 - No layoffs/furloughs
- Use Reserves Wisely
 - Stabilize expenditure growth to bring into alignment with revenues.
 - Stabilization will ensure sufficient working cash to pay the bills and preserve fund balance for compliance with the Board's policy and statute.

Total Fiscal Year 2025 appropriations for 23 Governmental and 6 Proprietary funds are \$1.06 billion, see chart below.

Washoe County Budget				
	Fiscal Year 2025	Fiscal Year 2026	Change from Prior Year	
Total Budget Appropriations*	Final	Tentative	\$	%
Governmental Funds				
General Fund	\$ 522,087,064	\$ 547,515,380	\$ 25,428,316	5%
Special Revenue Funds	\$ 334,370,052	\$ 319,393,972	\$ (14,976,080)	-4%
Capital Project Funds	\$ 152,549,046	\$ 44,235,408	\$ (108,313,638)	-71%
Debt Service Funds	\$ 14,273,749	\$ 13,251,261	\$ (1,022,488)	-7%
Total Governmental Funds	\$ 1,023,279,911	\$ 924,396,021	\$ (98,883,890)	-10%
Proprietary Funds				
Enterprise Funds	33,565,657	31,965,349	\$ (1,600,308)	-5%
Internal Service Funds	101,023,158	108,047,286	\$ 7,024,128	7%
Total Proprietary Funds	134,588,815	140,012,635	\$ 5,423,820	4.0%
Total Appropriations - All Funds	1,157,868,726	1,064,408,656	(93,460,070)	-8%

*Total appropriations include expenditures, contingencies and transfers out

** Capital Project Funds' budgets do not reflect carry forward projects from prior years

FY26 budget re-appropriation is estimated at \$60 million. The budget will be re-appropriated (increased) during the year-end process and included with acceptance of the annual audit.

Notable highlights for the Fiscal Year 2026 Recommended Budget, for all funds, include:

No new positions in any fund

No position reclassifications resulting in cost increases

Hiring freeze with vacancy review process established for departments

Library budget will be flat (i.e., no reductions, no increases).

- The remaining Library Expansion Fund balance will be spent in FY26 and additional General Fund resources of ~\$1.3 million will be funded.
- Note that the increased General Fund support is offset with reallocation of the expiring Library Expansion Fund tax.
- Library Board of Trustees and BCC to work together to provide an updated service delivery model and financial needs by October 1, 2025 for the FY2027 budget process.

Increase General Fund transfer to Northern Nevada Public Health by \$1 million

Reduction of Special District Funds of \$400,000

Commissioners' funds to be reduced from \$100,000 each to \$20,000 each

ARPA-funded positions will be funded with ARPA interest (does not include ARPA support positions). See below:

Public Defender	5.0
Juvenile Services	2.0
District Court	1.0

- General Fund Transfers Out of \$85.8 million, supporting:
 - Indigent Fund - \$25.2million
 - Homelessness Fund - \$21.8 million
 - Transfer to Capital Projects - \$13.2 million
 - Includes \$12.5 million base (ongoing) + \$650 thousand one-time
 - Health District - \$10.5 million
 - Includes \$1 million increase vs. FY25 transfer
 - Roads Fund - \$6.6 million
 - Includes \$5 million increase (ongoing).
 - Debt Service Fund - \$5.0 million
 - Senior Services Fund - \$3.4 million

The county's total levied property tax rate remains at \$1.3917 per \$100 of assessed valuation. This rate has been the same since Fiscal Year 2005 (22 years). The statutory maximum rate is \$3.66 per \$100 of assessed valuation. Most areas of the county are at the \$3.66 maximum due to the overlapping rates of different non-county entities (i.e., City of Reno, City of Sparks, Truckee Meadows Fire Protection District, Washoe County School District, General Improvement Districts, etc.).

As the largest fund, the General Fund Fiscal Year 2026 Tentative/Recommended appropriations are \$547.5 million, see chart on following page:

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Washoe County FY 2026 Recommended Budget (Tentative)						
Sources and Uses	FY 2024 Actual	FY 2025 Final	FY 2025 Estimated	FY 2026 Tentative	FY26 Tent. vs. FY25 Year-End Estimate % Var.	\$ Var.
Revenues and Other Sources:						
Taxes	242,782,117	260,606,144	260,606,144	285,086,625	9.4%	24,480,481
Licenses and permits	15,211,894	14,967,049	14,935,691	14,995,691	0.4%	60,000
Consolidated taxes - Actual	158,901,100	160,175,176	158,901,100	162,079,122	2.0%	3,178,022
SCCRT AB104	19,927,024	19,823,791	19,927,024	20,126,294	1.0%	199,270
Other intergovernmental	10,806,919	9,120,947	9,396,342	10,939,052	16.4%	1,542,710
Charges for services	26,331,833	26,343,770	27,805,602	30,519,218	9.8%	2,713,616
Fine and forfeitures	7,074,596	8,158,708	7,958,708	6,768,382	-15.0%	(1,190,326)
Miscellaneous	15,061,922	3,984,305	7,384,305	7,879,305	6.7%	495,000
Total revenues	496,097,405	503,179,890	506,914,916	538,393,689	6.2%	31,478,773
Other sources, transfers in	14,192,938	746,168	746,168	854,057	14.5%	107,888
Other sources, debt issued (GASB 87)						
TOTAL SOURCES	510,290,343	503,926,058	507,661,085	539,247,746	6.2%	31,586,661
Uses:						
Expenditures and Other Uses:						
Salaries and wages	205,888,848	220,491,857	222,240,320	233,676,457		
Vacancy Savings		-	(1,324,956)	(7,065,669)		
Subtotal	205,888,848	220,491,857	220,915,364	226,610,788	2.6%	5,695,424
Employee benefits	114,204,547	124,052,673	124,999,297	140,308,903		
Vacancy Savings		-	(743,844)	(4,249,562)		
Subtotal	114,204,547	124,052,673	124,255,453	136,059,341	9.5%	11,803,888
Services and supplies	75,453,607	85,077,389	88,114,165	91,805,371	4.2%	3,691,206
Settlement payments (one-time)	3,219,949	600,000	-	-		-
Capital outlay	1,715,460	1,003,657	1,732,636	479,507	-72.3%	(1,253,129)
Capital outlay (GASB 87)	12,940,175		-	-		
Debt Service (GASB 87)	2,220,973	-	-	-		
Total expenditures	415,643,559	431,225,577	435,017,619	454,955,008	4.6%	19,937,389
Transfers out	77,566,356	78,361,487	78,382,987	85,760,372	9.4%	7,377,385
Transfers out (one-time)	16,500,000	-	-	-		
Contingency	-	12,500,000	12,400,000	6,800,000	-45.2%	(5,600,000)
TOTAL USES	509,709,915	522,087,064	525,800,606	547,515,380	4.1%	21,714,774
Net Change in Fund Balance	580,427	(18,161,006)	(18,139,521)	(8,267,634)	-54%	9,871,887
Beginning Fund Balance	153,572,311	123,888,506	154,152,738	136,013,217		
Ending Fund Balance	154,152,738	105,727,500	136,013,217	127,745,583		
Unassigned Ending Fund Balance	\$ 145,354,042	\$ 96,118,352	\$ 131,263,217	\$ 122,995,583		
Unassigned Ending Fund Balance %	28.6%	18.9%	25.7%	22.8%		
*as % of Expense & Transfers less Capital						

The Fiscal Year 2026 Tentative/Recommended Budget reflects total sources and uses for the General Fund balanced with an anticipated decrease in fund balance of \$8.3 million. The largest portion of this reduction is due to the contingency budget of \$6.8 million based on multiple unknown impacts, including the 2025 Legislative Session. The County will continue

to prepare and monitor a five-year forecast of the General Fund to identify possible structural deficits based on the cumulative impact of forecasted revenues and expenditures to ensure long-term fiscal sustainability.

Any necessary Fiscal Year 2025 year-end financial actions will be included with the Fiscal Year 2026 Final Budget adoption on May 20, 2025.

Next Steps

- May 20: Public Hearing of Fiscal Year 2026 Washoe County Tentative Budget and Adoption of Final Budget
- May 28: Special Meeting (continuation-if necessary) for Fiscal Year 2025 Final Budget
- June 1: Fiscal Year 2026 Final Budget due to the State Department of Taxation
- *Note: Frequent updates and briefings will be scheduled and held with Commissioners and/or during Board meetings throughout Fiscal Year 2026.

FISCAL IMPACT

Total Fiscal Year 2026 recommended budgeted expenditures and transfers out for all funds are \$1,064,408,656. The recommended Fiscal Year 2026 General Fund budget is balanced, with total expenses, contingency and transfers out of \$547,515,380 and use of fund balance of \$8,267,634.

The total unassigned fund balance for the General Fund at the end of Fiscal Year 2026 is budgeted at \$122,995,583 or 22.8% of budgeted expenditures (less capital outlay) and transfers out. The Board of County Commissioner's policy level is between 10% - 17 percent-but it is not illegal for ending fund balance to exceed the maximum.

Additional information and/or financial updates may need to be incorporated in the Fiscal Year 2026 Final Budget, which is scheduled for Board approval on May 20, 2025.

RECOMMENDATION

It is recommended that the Board acknowledge status report and possible direction to staff on the County Manager's recommended Fiscal Year 2026 Budget (July 1, 2025 through June 30, 2026) with estimated appropriations of approximately [\$1,064,408,656] which incorporates Board priorities of funding for existing contractual obligations, supplies, utilities, personnel costs, capital improvements and operations, and maintaining the County's assets and infrastructure needs, and direct the County Manager to return to the Board of County Commission with the certified Tentative and Final Budget for adoption at a public hearing to be scheduled on May 20, 2025.

POSSIBLE MOTION

Should the Board agree with staff's recommendation, a possible motion would be *"Move to acknowledge status report and possible direction to staff on the County Manager's recommended Fiscal Year 2026 Budget (July 1, 2025 through June 30, 2026) with estimated appropriations of approximately [\$1,064,408,656] which incorporates Board priorities of funding for existing contractual obligations, supplies, utilities, personnel costs, capital improvements and operations, and maintaining the County's assets and infrastructure needs, and direct the County Manager to return to the Board of County Commission with the certified Tentative and Final Budget for adoption at a public hearing to be scheduled on May 20, 2025."*