WASHOE COUNTY
OFFICE OF THE COUNTY MANAGER

1001 E. 9th Street
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www.washoecounty.us

Executive Summary of Fiscal Year 2020 Tentative Budget

Attached is the Fiscal Year 2020 Washoe County Tentative Budget. The budget, summarized in Schedule A, is comprised of 22 Governmental Funds and 6 Proprietary Funds, with total appropriations of $707,449,138. The combined appropriations of Governmental Funds total $611,994,970 and operating and other expenses in the Proprietary Funds total $95,454,168. This Executive Summary provides a summary of local economic trends and an overview of the operating assumptions used in the development of the County's Fiscal Year 2020 General Fund budget. The table below shows a comparison of the Washoe County Budget, by fund type, for Fiscal Years 2019 and 2020:

	Washoe County	
Total Budget Appropriations*	**FY 2019 Final**	**FY 2020 Tentative**
Governmental Funds		
General Fund	$ 346,868,200	$ 362,269,146
Special Revenue Funds	$ 180,657,042	$ 193,999,988
Capital Project Funds	$ 26,128,121	$ 42,299,493
Debt Service Funds	$ 12,056,692	$ 13,426,342
Total Governmental Funds	**$ 565,710,054**	**$ 611,994,970**
Proprietary Funds		
Enterprise Funds	$ 21,887,822	$ 22,992,378
Internal Service Funds	$ 71,170,632	$ 72,461,790
Total Proprietary Funds	**$ 93,058,454**	**$ 95,454,168**
Total Appropriations - All Funds	**$ 658,768,508**	**$ 707,449,138**

*Total appropriations include expenditures, contingencies and transfers out

Economic Conditions

The northern Nevada region, including Washoe County, has continued to see growth in population, jobs and employment. However there are also signs of slowing in other sectors of the economy such as single family home sales, which are down 13.6% over the prior year.

Washoe County's most recent employment data indicates a 5.7% increase in non-farm employment over the prior year. The most recently reported unemployment rate (February 2019) was 3.7%, which is below the statewide rate of 4.3%, and the national rate of 3.8%. Since February 2010, when the County's unemployment rate peaked at 13.4%, total employment has increased by more than 59,000 jobs, or 31%.

The most recent Reno MSA Leading Economic Index (RLI), for February 2019, is signaling a modest 0.99% increase in economic activity over the next year. The RLI predicts the region's economic growth based on ten local, regional and national data series that are aggregated using a combination of composite and econometric techniques.

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Fiscal Year 2020 General Fund Budget Highlights

The General Fund is the County's largest and most comprehensive fund encompassing a wide variety of functions and programs. With the growth in population in Washoe County, the demands and costs to provide County services to the community are also increasing. These costs are outpacing the County's revenue growth. Revenues are growing moderately and are anticipated to cover base (existing) budget needs, but are not sufficient to sustain all requested increases, and to cover potential cost increases due to legislative impacts, emerging issues, and capital improvement needs. Therefore, the County's Fiscal Year 2020 budget outlook is one of "uncertainty". This year, departments were again asked to hold the line on existing budgets, and to prioritize and reallocate resources from existing budgets, where possible. Any increases approved for Fiscal Year 2020 need to be sustainable going forward to ensure a structurally balanced budget over the long-term.

Sources:

General Fund total sources, which includes revenues and transfers-in are budgeted to total $362,853,678, which is an increase of $17,132,335, or 5.0% in Fiscal Year 2020. Approximately 82% of the County's General Fund revenues derive from two sources: the Ad Valorem Property Tax and the Consolidated Tax (C-Tax).

The County's single greatest source of General Fund revenue, property taxes, has taken more than a decade to recover from the economic downturn of the Great Recession and the impact of property tax abatement. A total of more than $230 million of property tax revenue has been abated since Fiscal Year 2006. For Fiscal Year 2020, the County is projecting total General Fund property taxes of $178,273,442, an increase of $9,668,196, or 5.7%, which includes the one-time non-abated taxes due for new construction. The abated amount of property tax revenue, which represents property tax revenue not received by the County, for Fiscal Year 2020 totals over $38 million for all funds and over $32 million for the general fund.

In the current fiscal year, 2019, taxable sales in Washoe County are up 4.6% over the prior year-to-date, as compared to 6.7% statewide. The County's C-Tax revenues are up 4.2% over the same period last year. The AT&T C-Tax refund is impacting Washoe County in both reported taxable sales figures as well as the C-Tax monthly distributions. This refund is being paid back over 18 months, from July 1, 2018 through December 31, 2019. Washoe County has seen an overall increase in most C-Tax components with the exception of Real Property Transfer Tax, which has decreased 14.8% over prior year. Given the anticipated flattening of C-Tax revenues, growth in C-Tax revenue is being budgeted with a 4.25% increase over FY 2019 estimates.

Charges for services revenue is anticipated to increase by $281,802. Approximately $135,000 of this increase is from the increase in overhead for indirect costs charged internally to special revenue and proprietary funds. The County prepares an annual Indirect Cost Allocation Plan in accordance with the Office of Management and Budget (OMB) Code of Federal Regulations Part 200, Title 2, Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards.

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Other sources, in the form of $494,000 in transfer from the Marijuana Establishment Restricted Revenue Fund, are being recommended to fund much needed Public Safety and Judicial expenditures.

Uses:

General Fund total uses, which includes expenditures, transfers out, stabilization reserves and contingency are budgeted to total $362,269,146, an increase of $15,400,946, or 4.4% in Fiscal Year 2020. As a service providing organization, the County's largest General Fund expenditure category, approximately 71%, is for personnel costs. From Fiscal Year 2006 through Fiscal Year 2019, the number of full time equivalent employees employed by Washoe County has decreased by 7.9%. However, the County's population has grown by 17.9%. In response to the growth in population, the County has not had the financial resources to hire additional employees requested by departments to meet increased demands for services and new programs. While the County has become more efficient in its service delivery through the use of technology, contracting services, organizational restructuring and process improvements, the needs for additional staffing are becoming more crucial.

Personnel costs, which include expenditures for salaries and wages, employee benefits and other post-employment contributions for Fiscal Year 2020 are budgeted to total $255,726,964, which is an increase of $11,685,901, or 4.8%. The increase is primarily due to tentative recommendations to fund additional positions across all functions, a Nevada Public Employee Retirement System (PERS) rate increase effective July 2019, as well as merit increases for existing employees. One of the uncertain items related to the FY 2020, and future years' salaries and benefits, is the effect of collective bargaining. Collective bargaining agreements with all Washoe County Employee Associations expire June 30, 2019. As of the tentative budget deadline, no agreements have been reached with any employee association.

Washoe County continues to feel the extraordinary financial impacts from two flooding events that were declared federal disasters, the January 2017 flooding of the Truckee River and the February 2017 flooding of the North Valleys. In addition to costs incurred beginning in Fiscal Year 2017 for emergency response and maintenance costs due to these disasters, the County's Fiscal Year 2020 budget continues to include $1.2 million of General Fund appropriations for ongoing costs. In Fiscal Year 2018, Washoe County depleted its entire Stabilization reserve of $3.0 million to fund costs for flood related repairs and ongoing maintenance. However, the Fiscal Year 2020 budget anticipates replenishing the entire $3.0 million of Stabilization reserve with a restriction of Fiscal Year 2019 General Fund Ending Fund Balance. While the County has filed reimbursement claims for the expenditures that are eligible for a 75% reimbursement from FEMA, only approximately $150,000 of these claims have been received to date; the remaining are pending reimbursement. With the Board's approval to replenish the Stabilization reserve, reimbursements received will be used to replenish each fund that paid the associated project expenses.

For Fiscal Year 2020, services and supplies expenditures are budgeted to total $56,753,312, which is a decrease of $2,303,796, or 3.9%. This reduction reflects the decrease in the anticipated Fiscal Year 2019 C-Tax payback mentioned earlier to account for the final six months of repayment. While the Fiscal Year 2019 budget reflected a total payback of $4.6 million, the 18 month payback period reduces Fiscal Year 2019 estimated costs, but carries the costs into Fiscal Year 2020 with an anticipated amount of $1.53 million. This represents a reduction of $3.1 million versus Fiscal Year 2019. In addition to the reduction,

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payments for other expenses, such as an increase of over $320,000 for the Registrar of Voters software maintenance contracts, are budgeted.

The County continues to evaluate the impacts related to the legalization of recreational Marijuana. In addition to the transfer from the Marijuana Establishments Restricted Revenue Fund, the County Manager is recommending allocating $144,000 of General Fund revenue that Washoe County receives from the State of Nevada to support impacted departments in the General Fund. The remaining funds are being allocated as undesignated to allow for mid-year impacts, as necessary.

There are also multiple possible fiscal and operational impacts from the 2019 Legislative Session, which are not quantifiable until new legislation is passed.

In Fiscal Year 2020, the County's capital improvement program will receive a $6.3 million transfer from the General Fund for various projects that were prioritized from over $12.8 million in requests for General Fund support. In addition, the County has identified estimated capital expenditure needs of over $200 million for Information Technology infrastructure replacements, a North Valleys Library, a new Second Judicial District Court building, senior facilities, an infirmary at the regional detention center and regional parks, trails and open space expansions, for which no funding sources are currently available .

With an outlook of "uncertainty" and a focus on fiscal sustainability (i.e., what is funded in Fiscal Year 2020 needs to be sustainable in future years), total sources and uses for the General Fund will be balanced with an anticipated increase to fund balance of $584,531. The County prepares 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.

Washoe County's current policy is to maintain an unrestricted General Fund balance of between 10 and 17 percent. Based on the tentative Fiscal Year 2020 Budget, the estimated unrestricted General Fund balance as of June 30, 2020, will be $58,409,063, which represents unrestricted fund balance of 16.1% based on estimated expenditures and transfers out not including capital outlay. The estimated unrestricted General Fund balance is within the County's policy level. A summary of the Washoe County General Fund Fiscal Year 2020 Tentative Budget in terms of total sources and total uses, with comparisons to prior years is shown below:

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Washoe County FY 2020 General Fund Budget						
Sources and Uses	FY 2018 Actual	FY 2019 Adopted Budget	FY 2019 Adjusted Budget	FY 2019 Year-End Estimate	FY 2020 Tentative Budget	FY20 vs. FY19 Adopted % Var.
Revenues and Other Sources:						
Taxes	162,349,504	169,030,246	169,030,246	169,030,246	178,698,442	5.7%
Licenses and permits	9,692,712	9,677,200	9,677,200	9,642,200	9,692,200	0.2%
Consolidated taxes	111,301,067	114,389,819	114,389,819	115,997,045	120,926,919	5.7%
Other intergovernmental	22,781,938	22,539,740	22,539,740	23,048,471	23,069,878	2.4%
Charges for services	21,645,383	19,146,952	19,146,952	19,767,038	19,428,754	1.5%
Fine and forfeitures	7,746,112	6,830,550	6,830,550	6,750,569	6,756,650	-1.1%
Miscellaneous	3,703,484	3,769,435	3,769,435	3,288,734	3,697,435	-1.9%
Total revenues	339,220,200	345,383,942	345,383,942	347,524,302	362,270,278	4.9%
Other sources, transfers in	115,584	337,400	337,400	89,400	583,400	72.9%
TOTAL SOURCES	**339,335,784**	**345,721,342**	**345,721,342**	**347,613,702**	**362,853,678**	**5.0%**
Expenditures and Other Uses:						
Salaries and wages	148,595,601	153,686,183	153,461,715	152,984,430	163,025,170	6.1%
Employee benefits	69,379,110	73,485,552	73,552,767	71,830,289	77,906,543	6.0%
OPEB contributions	16,906,360	16,869,328	16,869,328	16,871,804	14,795,251	-12.3%
Services and supplies	50,000,308	59,057,109	59,849,531	56,998,404	56,753,312	-3.9%
Capital outlay	482,865	551,548	1,159,672	1,046,833	521,548	-5.4%
Total expenditures	285,364,244	303,649,719	304,893,012	299,731,761	313,001,824	3.1%
Transfers out	47,486,294	41,718,481	41,863,481	41,863,481	44,267,322	6.1%
Stabilization	-	-	-	-	-	
Contingency	-	1,500,000	1,500,000	1,500,000	5,000,000	233.3%
TOTAL USES	**332,850,538**	**346,868,200**	**348,256,493**	**343,095,241**	**362,269,146**	**4.4%**
Net Change in Fund Balance	**6,485,246**	**(1,146,858)**	**(2,535,150)**	**4,518,461**	**584,531**	na
Beginning Fund Balance	$50,570,825	$ 47,846,828	$ 57,056,071	57,056,071	61,574,532	
Ending Fund Balance	**$57,056,071**	**$ 46,699,970**	**$ 54,520,921**	**61,574,532**	**62,159,063**	
Unrestricted Ending Fund Balance	**$53,561,887**	**$ 45,949,970**	**$ 53,770,921**	**$ 55,080,348**	**$ 58,409,063**	
Unrestricted Fund Balance %	16.1%	13.3%	15.5%	16.1%	16.1%	

*as % of Expense & Transfers less Capital

Conclusion

Washoe County's Fiscal Year 2020 Tentative Budget reflects a fiscally sustainable approach. The County recognizes that General Fund revenues will likely be sufficient to sustain known cost increases, but will not be sufficient to cover pending cost increases due to legislative impacts, emerging issues, and capital improvement needs. The County continues to feel the financial impacts of the two federally declared disasters of 2017, including ongoing costs for maintenance of the flood barriers.

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Washoe County is committed to providing regional leadership and quality customer service for its residents. The County recognizes fiscal sustainability as a strategic priority, and will continue to maintain a General Fund balance within its policy level for Fiscal Year 2020. The County shares one of the highest bond ratings, AA/Aa, in northern Nevada.

Respectfully submitted,

John Slaughter
County Manager