

Fiscal Year 2025 Preliminary Financial Outlook

Washoe County
Commission
Meeting
February 20, 2024



Fiscal Year 2025 Financial Outlook

- Discussion Flow:
 - FY 2023 Financial Results
 - FY 2024 Year-to-Date Review
 - FY 2025 Outlook



FY 2023 General Fund Financial Results





FY 2023 General Fund Financial Results

How did we end the fiscal year?

Revenue & Other Sources/Transfers In 1.1% higher than Budget

- Net increase is the result of the cumulative impact of:
 - Lower-than-expected C-Tax/SCCRT revenue
 - Higher than expected Licenses & Permits
 - Higher than expected Miscellaneous revenue
 - Higher than expected other sources due to implementation of GASB 87 (leases)

Expenditures 5.8% less than Budget

- Expenses lower than Budget due to:
 - Less than budgeted settlement payments
 - Personnel savings
 - Unspent encumbrances

Other Financing Uses/Transfers Out 10.2% lower than Budget:

- Limited use of contingency, zero transfer to Health Benefits Fund

Result:

- Budgeted net reduction of \$51 million did not occur; fund balance reduced by \$11 million.
- Unassigned fund balance = \$138.3 million

General Fund Financial Results FY Ended 6/30/2023	Budget	Audited Actual	Variance
Revenue & Other Source/Transfers In	\$462,729,562	\$467,791,223	1.1%
Less: Expenditures	393,742,961	371,021,064	-5.8%
Other Uses/Transfers Out	<u>120,030,566</u>	<u>107,798,029</u>	<u>-10.2%</u>
Net Change in Fund Balance	(51,043,965)	(11,027,870)	-78.4%
Beginning Fund Balance, July 1	145,480,965	164,600,181	
Net Change in Fund Balance	<u>(51,043,965)</u>	<u>(11,027,870)</u>	
Total Ending Fund Balance, June 30	<u>\$94,436,569</u>	<u>\$153,572,311</u>	

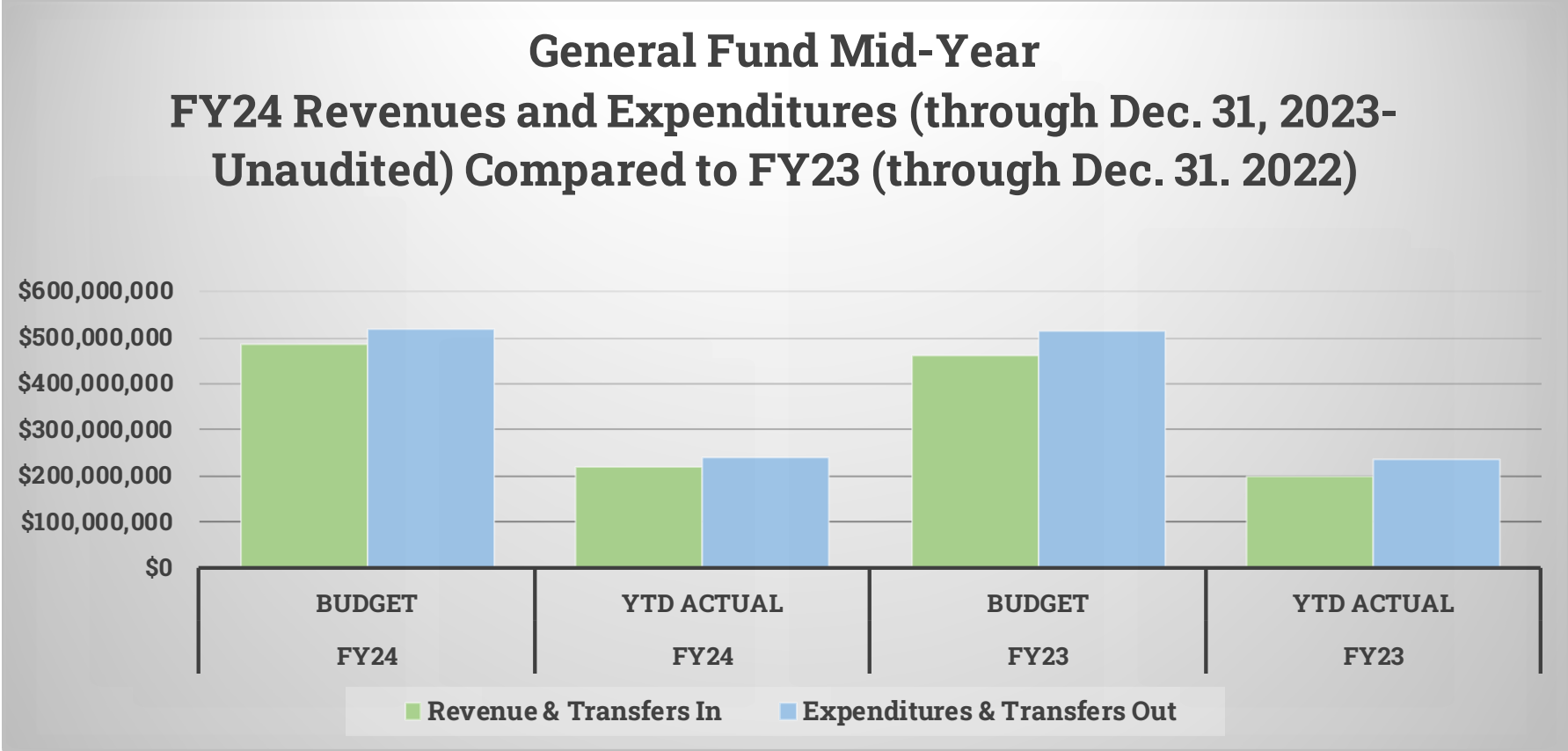
FY 2024 Year-to-Date Review





FY 2024 Year-to-Date Review

Actuals to Budget is Tracking within Normal Range



General Fund FY23	FY24	FY24	% of	FY23	FY23	% of
Year-to-Date July-December	Budget	YTD Actual	Budget	Budget	YTD Actual	Budget
Revenue & Transfers In	\$ 485,426,777	\$ 221,259,969	46%	\$ 462,729,562	\$ 199,786,685	43%
Expenditures & Transfers Out	\$ 519,895,757	\$ 239,803,543	46%	\$ 513,773,527	\$ 237,847,570	46%
Net Revenue/(Expenditures)	\$ (34,468,979)	\$ (18,543,574)		\$ (51,043,965)	\$ (38,060,885)	

FY 2025 Financial Outlook





Economic Outlook

Recession or Soft Landing???

National

- Most estimates indicate between 1% and 2% GDP growth in 2024
- 3.7% Unemployment (Dec 2023) with 2024 estimates (depending on the source) of between 3.9% and 4.4%
- 2024 inflation is forecast to be between 2% and 3%
- ❖ Most estimates assume a Fed Rate decrease by Q3 of 2024.
- ❖ Need to keep potential Geopolitical risks top of mind.



Economic Outlook – US Conference Board

- Leading Economic Index (LEI) fell by 0.1% in December (1/22/24)
- Coincident Economic Index (CEI) rose by 0.2% in December
- Lagging Economic Index (LAG) declined by 0.2% in December
<https://www.conference-board.org/topics/us-leading-indicators/press/us-lei-jan-2024>
- Consumer Confidence Increased (CCI) in January (1/30/24)
<https://www.conference-board.org/topics/consumer-confidence/press/CCI-Jan-2024>
- *Consumer spending = more than 2/3 of US economic activity (~70%)
- *Consumer spending did not follow the typical slowdown pattern due to stimulus funds. It's unclear how that behavior, including depletion of funds, will change going forward.
- Employment Trends Index (CTI) Increased in January (2/5/24)
<https://www.conference-board.org/press/pressdetail.cfm?pressId=22289>



Economic Outlook

State

- YTD Taxable Sales up 4.5% (July – November 2023)
- 5.4% Unemployment (Dec 2023)-the nation's highest rate

".....at 5.4% as of December 2023, Bob Potts, deputy director of the Nevada Governor's Office of Economic Development, told CNN.

"This is an unemployment rate that's not driven by job losers, this is an unemployment rate driven by job seekers," he said. "This is an unemployment rate where there's still momentum, there's still opportunities for employers to find workers, and there's still opportunity for workers to find better jobs. There's still some mobility that's available in our labor market."

- Nevada is the 3rd least affordable state for home rental costs, behind Florida & Hawaii (<https://www.cnn.com/2024/02/08/economy/nevada-economy-primary/index.html>)
 - New York Times article indicates that Las Vegas area apartment rental prices recently decrease for the first time in over a decade (<https://www.nytimes.com/2024/02/07/us/politics/nevada-economy-2024.html>)
- Some optimism that entertainment, particularly Allegiant Stadium and the construction of the A's stadium, will entice tourism and other spending



Economic Outlook

County

- YTD Taxable Sales up 2.9%(July – November 2023)
- 3.9% Unemployment (Dec 2023)
- Lack of labor and inflation have both contributed to escalating costs-including multi-year contractual agreements that are being bid, negotiated or extended

Not all inflationary impacts are temporary or one-time like vehicles, furniture and/or appliances (i.e., insurance for vehicle, homeowners & medical; utilities; labor; shrinkflation)

Reno MSA Leading Economic Index-December 2023

Provides an economic outlook for the region by signaling future movements in the Reno MSA economy over a six to twelve month period.

-3.99%								
% Change	Taxable Sales	Taxable Gaming Revenue	# of SF Homes Sold	Airport Passengers	Airport Cargo	Initial Claims for Unemploy.	S&P 500 Index	M2 Money Supply
Month to Month	-18.3% ↓	1.3% ↑	-12.1% ↓	-2.6% ↓	-6.8% ↓	-1.8% ↓	4.3% ↑	0.6% ↑
-3.16%								
% Change	Taxable Sales	Taxable Gaming Revenue	# of SF Homes Sold	Airport Passengers	Airport Cargo	Initial Claims for Unemploy.	S&P 500 Index	M2 Money Supply
Year to Year	-2.2% ↓	-7.8% ↓	-15.6% ↓	9.0% ↑	-17.8% ↓	10.6% ↑	21.9% ↑	-4.8% ↓





Strategic Planning Direction

On October 24, 2023, the Board of County Commissioners held a Strategic Planning Workshop and provided direction on its strategic goals to staff. The Board met to revisit its Strategic Plan and set budgetary priorities to ensure high-priority community projects rise to the top of the items funded in the upcoming budget cycle. The Board's vision sets the guidance, and the execution of that vision is set forth in the following initiatives:

Strategic Focus areas:

- Mental Health
- Senior Services
- Infrastructure



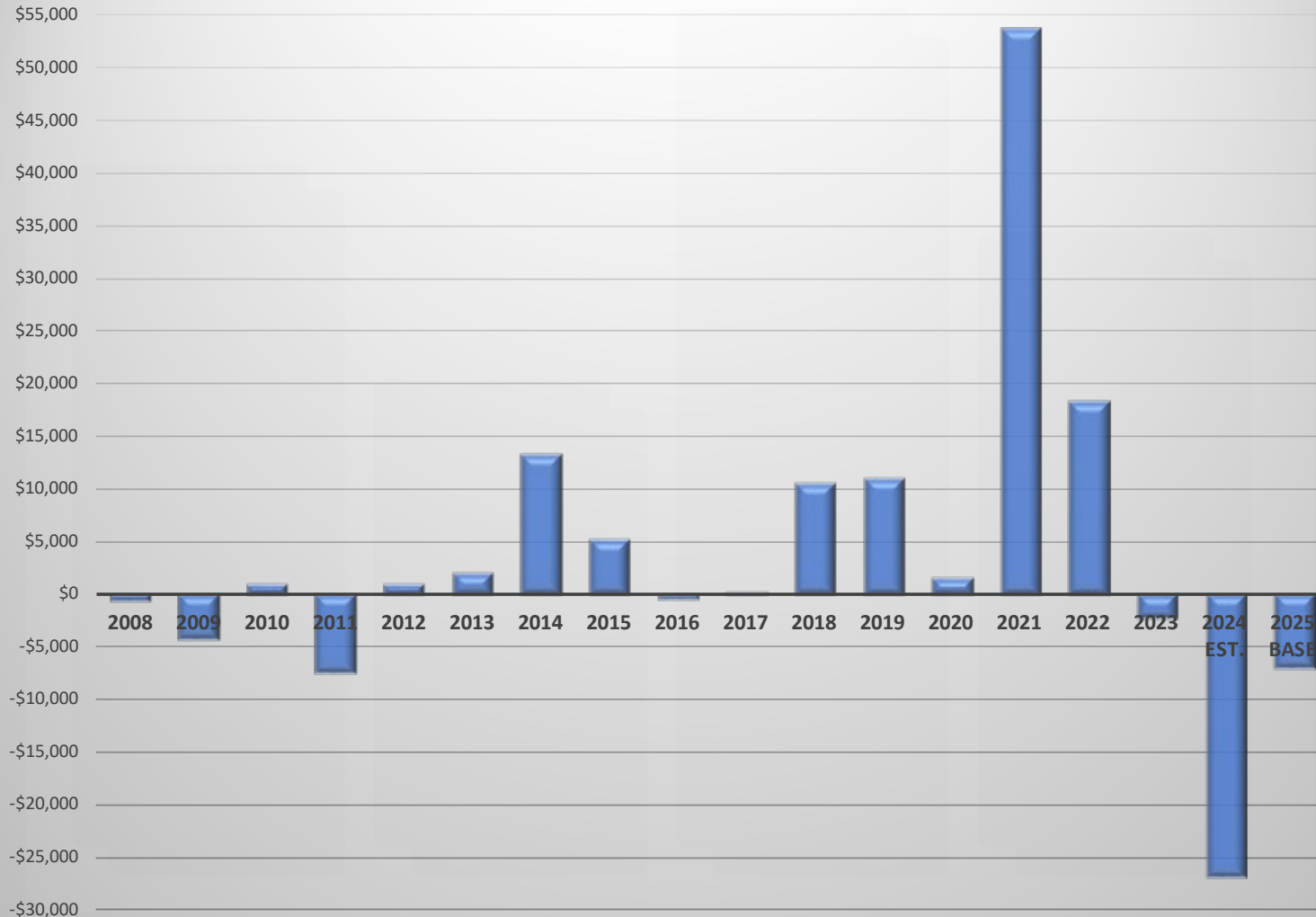
Financial Outlook - Preliminary

- Focus on the General Fund (GF) as the largest fund (~50% of the total budget)
- General Considerations
 - FY25 Base Budget (no enhancements) reflects a structural deficit (~\$7.4 million)
 - Personnel is ~80% of total GF expenditures
 - FY25 Base personnel increase is ~3% (\$8.9 million) compared to FY24 adopted, which includes Zero COLA but standard merit increases
 - Transfers out are ~16% of total GF uses
 - Property Tax and Consolidated Tax are ~83% of total GF revenues
 - Preliminary Five-Year Forecast (FY26-FY30) shows a 4.8% average revenue/sources increase with a 4.9% average expenditure/uses increase; FY29 & FY30 reflect accelerating impacts
 - Over the past five years (through FY23), average sources have increased 6.6% and average uses have increased 6.9% (excluding settlement payments and other material one-time uses)



Fund Balance – General Fund

Change in Unassigned Fund Balance (in thousands)



- Change in Fund Balance Fluctuates Annually
- Fiscal Years 2022, 2023 and 2024 Include(d) Intended and Approved Use of Fund Balance for Property Tax Refunds and Other One-Time Items



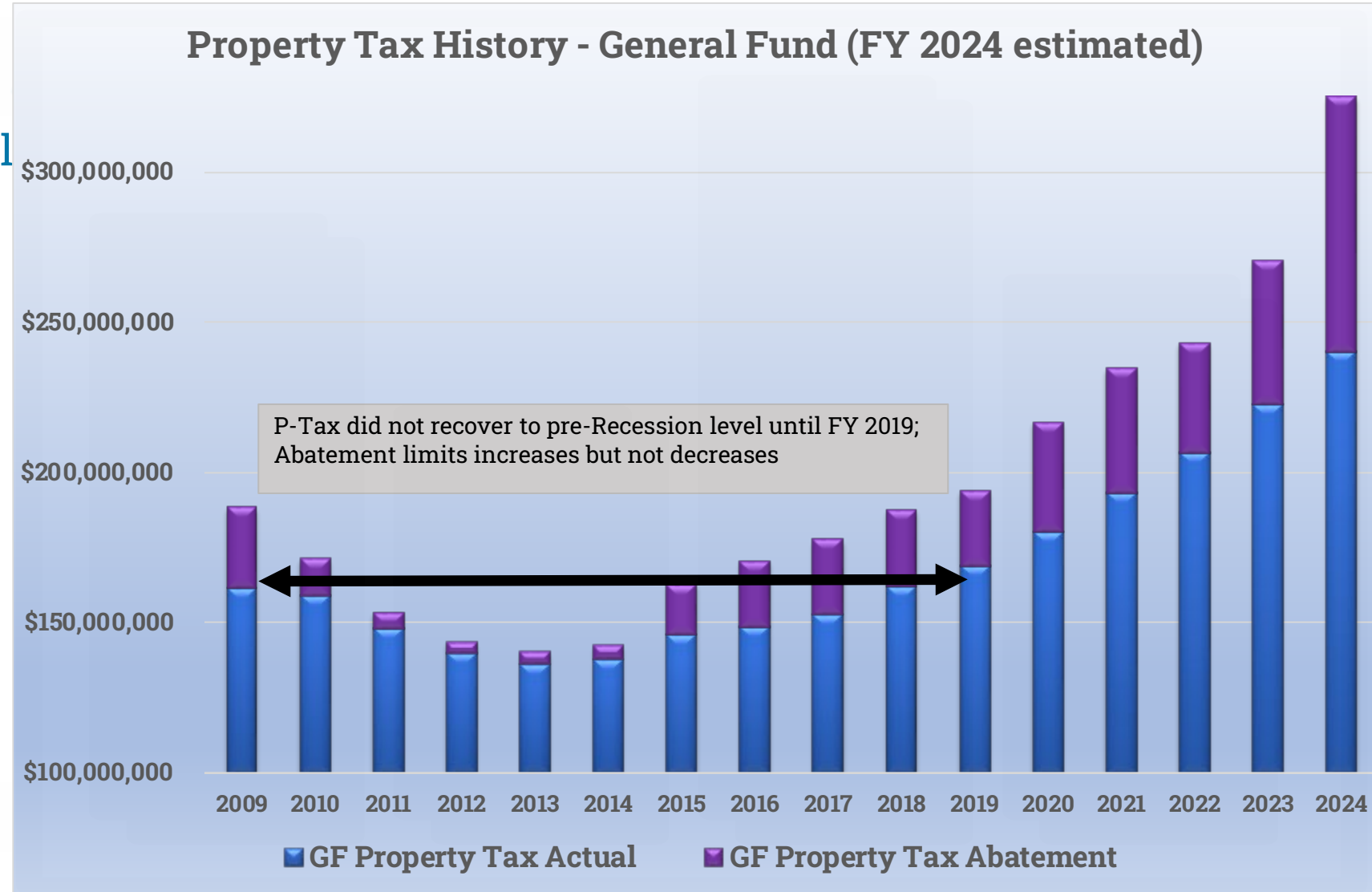
Property Tax – General Fund

Property Tax is ~50% of General Fund Revenues

Cumulative GF Abatement Value through FY24 = \$442 million

FY24 Estimate = \$85 million

1% increase in P-Tax = ~\$2.4 million





Assessed Valuation

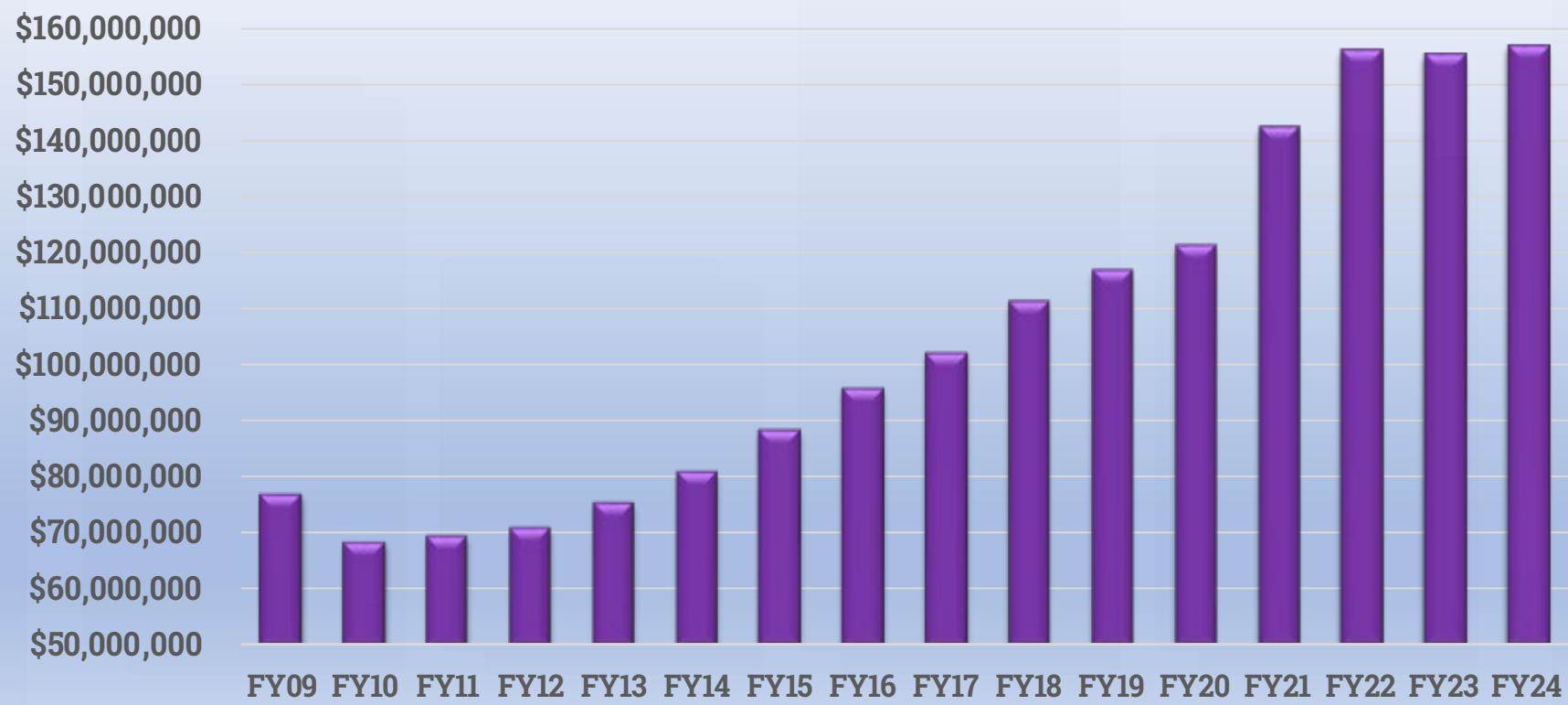
Washoe County Assessed Valuation				
Fiscal Year	Assessed Valuation Excluding NPM	Net Proceeds of Mines	Total Assessed Value*	% Change
2009	17,203,810,574	3,200,000	17,207,010,574	13.9%
2010	15,088,005,291	11,470,371	15,099,475,662	-12.3%
2011	13,648,350,544	10,500,377	13,658,850,921	-9.5%
2012	12,675,216,318	157,976	12,675,374,294	-7.1%
2013	12,282,778,238	7,331,210	12,290,109,448	-3.1%
2014	12,313,372,516	4,580,034	12,317,952,550	0.2%
2015	13,281,733,500	4,550,100	13,286,283,600	7.9%
2016	14,339,377,327	3,333,598	14,342,710,925	8.0%
2017	15,429,637,750	2,689,449	15,432,327,199	7.6%
2018	16,132,375,866	4,294,866	16,136,670,732	4.6%
2019	16,885,072,798	1,515,000	16,886,587,798	4.7%
2020	18,397,225,380	1,548,000	18,398,773,380	9.0%
2021	19,344,785,132	1,581,237	19,346,366,369	5.2%
2022	20,544,732,233	5,521,608	20,550,253,841	6.2%
2023	21,484,489,281	3,347,747	21,487,837,028	4.6%
2024	28,175,688,088	2,332,169	28,178,020,257	31.1%

- Assessed Valuation does not directly correspond to Property Tax Revenue.
Abatement caps the increase
- FY24 P-Tax Caps = 3.0% Residential; 8.0% General
- FY25 Estimated P-Tax Caps = 3.0% Residential; 8.0% General



Consolidated Tax

C-Tax Revenue History (FY 2024 estimated)



Washoe County C-Tax Distributions

Fiscal Year	Consolidated Tax	% Change
2009	76,787,162	-15.8%
2010	68,512,745	-10.8%
2011	69,145,904	0.9%
2012	70,985,428	2.7%
2013	75,489,072	6.3%
2014	80,808,838	7.0%
2015	88,434,949	9.4%
2016	95,605,303	8.1%
2017	102,195,009	6.9%
2018	111,000,071	8.6%
2019	114,016,013	2.7%
2020	119,730,827	5.0%
2021	142,376,191	18.9%
2022	156,086,646	9.6%
2023	155,479,689	-0.4%
2024 (YTD)	67,111,766	0.9%

C-Tax is ~33% of General Fund Revenues; 1% increase in C-Tax = ~\$1.5 million



Consolidated Tax

Taxable
sales
increases
are
flattening
locally and
statewide

Washoe County Taxable Sales				
Fiscal Year	Washoe County	% Change	State of Nevada	% Change
2010	\$5,176,981,699		\$37,772,066,777	
2011	5,282,935,192	2.0%	39,935,010,577	5.7%
2012	5,522,605,351	4.5%	42,954,750,131	7.6%
2013	5,824,726,136	5.5%	45,203,408,413	5.2%
2014	6,370,684,534	9.4%	47,440,345,167	4.9%
2015	6,817,588,648	7.0%	50,347,535,591	6.1%
2016	7,550,466,734	10.7%	52,788,295,421	4.8%
2017	7,989,009,111	5.8%	56,547,741,530	7.1%
2018	8,531,252,745	6.8%	58,947,823,520	4.2%
2019	8,829,863,974	3.5%	62,561,025,875	6.1%
2020	9,250,415,486	4.8%	61,365,683,690	-1.9%
2021	11,049,067,465	19.4%	67,704,797,544	10.3%
2022	12,267,765,904	11.0%	81,787,630,231	20.8%
2023	12,383,862,434	0.9%	86,967,168,094	6.3%
2024	5,359,195,890	2.9%	37,317,551,202	4.5%

Taxable Sales = ~83% of C-Tax Distributions

Basic GST = ~14%

RPTT = ~3%



FY25 Budget Information- Preliminary

- General Considerations

- Labor Negotiations – all Collective Bargaining Agreements expire June 30, 2024
- Need to continue to fund ongoing operations, which are impacted by both revenue and cost trends
- Potential outstanding impacts per 2023 Legislative Session
- FY25 Above Base requests for General Fund are \$28.5 million and an additional 91.5 FTEs – very little is one-time
- Current \$11 million GF Transfer to CIP does not meet the minimum Infrastructure Scorecard funding level (FY25 request = \$20.1 million)
- Need identified funding mechanisms for major capital/infrastructure projects



Summary

- Preliminarily, funding available for ongoing enhancements is extremely limited, particularly due to flattening C-Tax and potential collective bargaining impacts
- May need to delay or stagger enhancements pending the outcome of additional information, including revenue/cost trends and collective bargaining
- Net-zero trade-offs, resource sharing, leveraging existing resources, and one-time investments should be first consideration



Next Steps

- April 15, 2024 – Submit FY 2025 Tentative Budget to State
- April 16, 2024 – Present FY 2025 Manager's Recommended Budget to Board of County Commissioners
- May 21, 2024 – Public Hearing on FY2025 Tentative Budget and Adoption of Final Budget
- June 1, 2024 – Submit FY 2025 Final Budget to State
- August 1, 2024 – Submit to State:
 - Five - Year CIP
 - Debt Management Policy
 - Statement of Indebtedness

Questions/Discussion?

