



WASHOE COUNTY

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STAFF REPORT

BOARD MEETING DATE: April 16, 2024

DATE: March 25, 2024

TO: Board of County Commissioners

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

SUBJECT: Recommendation to acknowledge status report and possible direction to staff on the County Manager's recommended Fiscal Year 2025 Budget (July 1, 2024 through June 30, 2025) with estimated appropriations of approximately [\$1,122,472,592] which incorporates Board priorities of funding for existing contractual obligations, supplies, utilities, personnel costs, capital improvements and operations, maintaining the County's assets and infrastructure needs, and operating budget requests, 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 21, 2024. (All Commission Districts).

SUMMARY

The purpose of this item is to provide a status report and possible direction to staff on the County Manger's recommended Fiscal Year 2025 budget (July 1, 2024 through June 30, 2025); 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 21, 2024.

Washoe County Strategic Objective supported by this item: Fiscal Sustainability

PREVIOUS ACTION

On February 20, 2024, the Board of County Commissioners acknowledged the presentation and possible direction to staff of the Washoe County Financial Outlook for Fiscal Year 2025 and Budget. The overview included a review of the General Fund's financial results for Fiscal Year 2023, a Mid-Year 2024 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 2025 and Budget.

AGENDA ITEM # _____

On October 24, 2023, the Board of County Commissioners held a strategic planning workshop to discuss prior matters from previous Workshops and possibly give direction regarding strategic objectives for the current Fiscal Year 2023 and possible Fiscal Year 2024 objectives of the Washoe County Commission. Topics of discussion include the following from previous Strategic Planning Workshops: Regionalization of Dispatch/Emergency Management Services/Fire, Climate Resilience, Equity, Election System, Housing, Master Plan Update, Infrastructure and Facilities Scorecard Update.

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 October 2023 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 focus areas:

- Serving Seniors
- Mental Health
- Capital Improvement Projects/Infrastructure

The focus areas above are key priorities in the County's Tentative budget. It also goes without saying that with an increase in population and diversification of the local economy, demand for existing and mandated services also continues to grow.

While the regional economy is growing, the level of growth has shown signs of slowing. In addition, the County continues to face the same economic pressures from inflationary impacts, including rising interest rates and prices, to labor shortages-similar to many urban regions in the nation. 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 Fiscal Year 2025.

One of the County's most fluctuating 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 year. For the period July 2023 through January 2024, C-Tax distributions are 1.7% higher than the same period last year (July 2022 through January 2023). Over that same period, taxable sales-which comprise approximately 85% of C-Tax distributions, are up 2.1%. The County has responded by revising its Fiscal Year 2024 year-end forecast for C-Tax from the original budgeted increase of 2.5% to an estimated increase of 1.0% over the prior fiscal year. In addition, the Fiscal Year 2025 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.

While the last few fiscal years' financial results provided non-recurring 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. Many priorities were considered in developing the Fiscal Year 2025 Recommended Budget. These priorities included funding for existing: contractual obligations, supplies, utilities, personnel costs, and maintaining the County's assets and infrastructure needs, as well as additional operating budget requests.

Due to the familiar and ongoing picture of increasing costs outpacing increasing revenues, the Fiscal Year 2025 Recommended Budget represents a “hold” on new ongoing expenditures. The recommended budget does not include any new General Fund positions that are not entirely offset or directly related to the BCC strategic vision of improving senior services, mental health, or large capital improvement/infrastructure projects.

The County Manager’s Fiscal Year 2025 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
- Keep Employees Working
- Use Reserves Wisely

Total Fiscal Year 2025 appropriations for 23 Governmental and 6 Proprietary funds are \$1.12 billion, see chart below.

Washoe County Budget				
	Fiscal Year 2024	Fiscal Year 2025	Change from Prior Year	
Total Budget Appropriations*	Final	Tentative	\$	%
Governmental Funds				
General Fund	\$ 516,134,945	\$ 522,087,064	\$ 5,952,119	1%
Special Revenue Funds	\$ 298,857,548	\$ 318,694,882	\$ 19,837,334	7%
Capital Project Funds	\$ 111,322,463	\$ 132,992,686	\$ 21,670,223	19%
Debt Service Funds	\$ 14,169,594	\$ 14,281,196	\$ 111,602	1%
Total Governmental Funds	\$ 940,484,550	\$ 988,055,828	\$ 47,571,278	5%
Proprietary Funds				
Enterprise Funds	31,946,141	33,393,606	\$ 1,447,465	5%
Internal Service Funds	92,927,196	101,023,158	\$ 8,095,962	9%
Total Proprietary Funds	124,873,337	134,416,764	\$ 9,543,427	8%
Total Appropriations - All Funds	1,065,357,887	1,122,472,592	57,114,705	5%

*Total appropriations include expenditures, contingencies and transfers out

Notable highlights for the Fiscal Year 2025 Recommended Budget, for all funds, include:

An additional 25.0 FTEs

- 15.0 General Fund, including:
 - Competency Court = 11.0
 - District Court = 1.0
 - District Attorney = 4.0
 - Alternate Public Defender = 2.0
 - Public Defender = 4.0
 - Community Services

- Public Works – West Hills Facility = 2.0 (net zero impact-funded with budget reallocation)
- Planning – Short Term Rentals = 2.0 (net zero impact-funded via BCC-approved program revenues)

- 10.0 Other Funds, including:
 - Animal Services = 2.0
 - Capital Projects = 1.0 (net zero impact-funded with budget reallocation)
 - Senior Services = 1.0
 - Utilities = 6.0 (net zero impact-funded with budget reallocation)

Other notable Fiscal Year 2025 General Fund items include:

- Legislatively Required (AB266) Language Access Plan Funding (net zero impact-funded with budget reallocation)

- General Fund Transfers Out of \$78.4 million, supporting:
 - Indigent Fund - \$24.1million
 - Homelessness Fund - \$21.8 million
 - Transfer to Capital Projects - \$12.0 million
 - Health District - \$9.5 million
 - Debt Service Fund - \$6.2 million
 - Senior Services Fund - \$3.4 million
 - Roads Fund - \$1.3 million
 - The Roads Fund is also recommended to receive one-time transfers of an additional \$3.0 million from the Capital Facilities Fund.

As the largest fund, the General Fund Fiscal Year 2025 Tentative/Recommended appropriations are \$522 million, see chart below:

Washoe County FY 2025 General Fund Tentative Budget						
Sources and Uses	FY 2023 Actual	FY 2024 Final	FY 2024 Estimated	FY 2025 Tentative	FY25 Tent. vs. FY24 Year-End Estimate	
					% Var.	\$ Var.
Revenues and Other Sources:						
Taxes	223,289,269	240,903,476	240,823,476	260,606,144	8.2%	19,782,668
Licenses and permits	15,216,885	14,991,179	14,666,179	14,967,049	2.1%	300,870
Consolidated taxes - Actual Dists	155,479,809	163,188,625	157,034,486	160,175,176	2.0%	3,140,690
SCCRT AB104	19,433,184	20,622,188	19,627,515	19,823,791	1.0%	196,276
Other intergovernmental	9,450,870	8,836,895	9,167,749	9,120,947	-0.5%	(46,802)
Charges for services	23,853,611	24,541,748	24,479,633	26,343,770	7.6%	1,864,137
Fine and forfeitures	7,122,474	7,120,382	7,064,382	8,158,708	15.5%	1,094,326
Miscellaneous	9,958,835	4,433,260	4,434,036	3,984,305	-10.1%	(449,730)
Total revenues	463,804,937	484,637,753	477,297,456	503,179,890	5.4%	25,882,434
Other sources, transfers in	3,986,286	741,723	741,723	746,168	0.6%	4,445
TOTAL SOURCES	467,791,224	485,379,476	478,039,179	503,926,058	5.4%	25,886,879
Uses:						
Expenditures and Other Uses:						
Salaries and wages	186,516,419	207,674,955	205,284,276	220,511,251	7.4%	15,226,976
Employee benefits	91,328,634	118,919,027	115,590,408	124,021,886	7.3%	8,431,478
Services and supplies	72,469,888	82,733,328	84,031,841	85,088,782	1.3%	1,056,942
Settlement payments (one-time)	7,143,256	6,000,000	1,500,000	600,000	-60.0%	(900,000)
Capital outlay	9,750,820	1,262,402	1,866,227	1,003,657	-46.2%	(862,570)
Debt Service (GASB 87)	3,812,047	-	-	-		-
Total expenditures	371,021,065	416,589,712	408,272,752	431,225,577	5.6%	22,952,825
Transfers out	69,801,854	76,300,878	76,300,878	78,361,487	2.7%	2,060,609
Transfers out (one-time)	37,996,175	17,734,000	17,734,000	-	-100.0%	(17,734,000)
Contingency	-	5,510,355	5,415,355	12,500,000	130.8%	7,084,645
TOTAL USES	478,819,093	516,134,945	507,722,985	522,087,064	2.8%	14,364,079
Net Change in Fund Balance	(11,027,870)	(30,755,469)	(29,683,806)	(18,161,006)		
Beginning Fund Balance	164,600,181	128,716,364	153,572,312	123,888,506		
Ending Fund Balance	153,572,312	97,960,895	123,888,506	105,727,500		
Unassigned Ending Fund Balance	\$ 138,286,245	\$ 86,088,192	\$ 113,843,676	\$ 96,118,352		
Unassigned Ending Fund Balance %	29.5%	16.9%	22.7%	18.9%		

*as % of Expense & Transfers less Capital

Fiscal Year 2025 continues many similar themes from Fiscal Years 2023 and 2024, including caring for the County's most vulnerable.

The Fiscal Year 2025 Tentative/Recommended Budget reflects total sources and uses for the General Fund balanced with an anticipated decrease in fund balance of \$18.2 million. The largest portion of this reduction is due to the contingency budget that is near the maximum statutory allowed based on multiple unknown impacts, including collective bargaining negotiations. 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 2024 year-end financial actions will be included with the Fiscal Year 2025 Final Budget adoption on May 21, 2024.

Next Steps

- May 21: Public Hearing of Fiscal Year 2025 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 2025 Final Budget due to State Department of Taxation

FISCAL IMPACT

Total Fiscal Year 2025 recommended budgeted expenditures and transfers out for all funds are \$1,122,472,592. The recommended Fiscal Year 2025 General Fund budget is balanced, with total expenses, contingency and transfers out of \$522,087,064 and use of fund balance of \$18,161,006.

The total unassigned fund balance for the General Fund at the end of Fiscal Year 2025 is budgeted at \$96,118,352 or 18.9% of budgeted expenditures (less capital outlay) and transfers out. The Board of County Commissioner's policy level is between 10% - 17 percent.

Additional information and/or financial updates may need to be incorporated in the Fiscal Year 2025 Final Budget, which is scheduled for Board approval on May 21, 2024.

RECOMMENDATION

It is recommended that the Board acknowledge status report and possible direction to staff on the County Manager's recommended Fiscal Year 2025 Budget (July 1, 2024 through June 30, 2025) with estimated appropriations of approximately [\$1,122,472,592] which incorporates Board priorities of funding for existing contractual obligations, supplies, utilities, personnel costs, capital improvements and operations, maintaining the County's assets and infrastructure needs, and operating budget requests, 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 21, 2024. (All Commission Districts).

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 2025 Budget (July 1, 2024 through June 30, 2025) with estimated appropriations of approximately [\$1,122,472,592] which incorporates Board priorities of funding for existing contractual obligations, supplies, utilities, personnel costs, capital improvements and operations, maintaining the County's assets and infrastructure needs, and operating budget requests, 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 21, 2024. (All Commission Districts)."