



WASHOE COUNTY

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STAFF REPORT

BOARD MEETING DATE: April 19, 2022

DATE: Thursday, April 14, 2022

TO: Board of County Commissioners

FROM: Lori Cooke, Budget Manager, County Manager's Office
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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 2023 Budget with estimated appropriations of approximately [\$965,207,730.00] which incorporates Board priorities of funding for existing contractual obligations, supplies, utilities, personnel costs, unfunded mandates from the 2021 Legislative session, second year of 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, and direct the County Manager to return to the Board of County Commission with a Tentative and Final Budget for adoption at a public hearing to be scheduled on May 17, 2022. (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 2023 budget; and direct the County Manager to return to the Board of County Commission (BCC) with a Tentative and Final Budget incorporating the approved County Manager's recommendations for adoption at the public hearing to be scheduled for May 17, 2022.

Washoe County Strategic Objective supported by this item: Fiscal Sustainability

PREVIOUS ACTION

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

AGENDA ITEM # _____

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.

BACKGROUND

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 February 2022, the County's unemployment rate was 2.8%, 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) 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 23 Governmental and 6 Proprietary funds are \$965.2 million, see chart below.

Washoe County		
	Fiscal Year 2022	Fiscal Year 2022
Total Budget Appropriations*	Final	Recommended
Governmental Funds		
General Fund	\$ 436,638,743	\$ 506,546,803
Special Revenue Funds	\$ 238,081,653	\$ 270,599,802
Capital Project Funds	\$ 50,436,306	\$ 65,847,067
Debt Service Funds	\$ 13,752,515	\$ 14,002,848
Total Governmental Funds	\$ 738,909,217	\$ 856,996,520
Proprietary Funds		
Enterprise Funds	23,692,567	29,090,012
Internal Service Funds	75,343,284	79,121,198
Total Proprietary Funds	99,035,851	108,211,210
Total Appropriations - All Funds	837,945,068	965,207,730

*Total appropriations include expenditures, contingencies and transfers out
Notable highlights for the FY23 Recommended Budget, for all funds, include:

An additional 93.3 FTEs:

- 62.85 General Fund
 - 25.0 Legislative – AB424
 - Alternate Public Defender, District Attorney, District Court, Reno Justice Court, Sheriff’s Office, Sparks Justice Court
 - 18.4 Criminal Justice
 - Alternative Sentencing, District Court, Juvenile Services, Public Defender, Sheriff’s Office
 - 5.0 Vulnerable Populations
 - Facilities-Cares Campus, Public Guardian
 - 14.45 Central Services, Regional Services, Other Support
 - Assessor’s Office, Finance, Human Resources, Manager’s Office - Communications, Manager’s Office - Sustainability, Medical Examiner, Parks, Technology Services, Treasurer’s Office
- 30.5 Other Funds
 - 1.0 Animal Services
 - 12.0 Child Protective Services
 - 8.5 Health District
 - 3.0 Human Services-Homelessness
 - 1.0 Regional Communications
 - 5.0 Senior Services

General Fund Transfers Out of \$108.7 million, supporting:

- Transfer to 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 \$20.8 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.
- 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).

As the largest fund, the General Fund FY23 appropriations are \$506.5 million, see chart below:

Washoe County FY 2023 General Fund Recommended Budget					
	FY 2021	FY 2022	FY 2023	FY23 vs. FY22 Year-End Estimate	
Sources and Uses	Actual	Estimate	Recommend	% Var.	\$ Var.
Revenues and Other Sources:					
Taxes	193,797,302	203,703,752	222,084,279	9.0%	18,380,527
Licenses and permits	10,794,523	10,545,793	10,832,500	2.7%	286,707
Consolidated taxes	142,376,192	157,325,692	165,978,000	5.5%	8,652,308
SCCRT AB104	17,269,476	19,059,253	20,107,438	5.5%	1,048,185
Other intergovernmental	10,466,159	8,149,449	8,281,520	1.6%	132,071
Charges for services	23,423,125	22,638,845	23,618,771	4.3%	979,926
Fine and forfeitures	6,754,416	6,550,982	6,544,782	-0.1%	(6,200)
Miscellaneous	2,761,286	4,310,611	4,419,691	2.5%	109,080
Total revenues	407,642,479	432,284,377	461,866,981	6.8%	29,582,604
Other sources, transfers in	1,084,865	729,439	587,000	-19.5%	(142,439)
TOTAL SOURCES	408,727,344	433,013,816	462,453,981	6.8%	29,440,165
Expenditures and Other Uses:					
Salaries and wages	162,686,537	170,119,228	189,622,732	11.5%	19,503,504
Employee benefits	89,002,201	88,856,638	95,479,621	7.5%	6,622,984
Services and supplies	51,619,782	69,156,140	78,089,340	12.9%	8,933,199
Settlement payments (one-time)	-	16,000,000	22,000,000	37.5%	6,000,000
Capital outlay	327,500	1,160,113	1,104,198	-4.8%	(55,915)
Total expenditures	303,636,016	345,292,119	386,295,891	11.9%	41,003,771
Transfers out	46,869,779	54,649,260	70,665,860	29.3%	16,016,600
Transfers out (one-time)	-	34,896,774	37,996,175	8.9%	3,099,401
Contingency	-	8,928,000	11,588,877	29.8%	2,660,877
TOTAL USES	350,505,795	443,766,153	506,546,803	14.1%	62,780,649
Net Change in Fund Balance	58,221,549	(10,752,337)	(44,092,822)		
Beginning Fund Balance	94,267,805	152,489,354	141,737,017		
Ending Fund Balance	152,489,354	141,737,017	97,644,195		
Non-spendable/Restricted/Committed/ Assigned	\$ 30,402,388	\$ 20,573,531	\$ 11,894,473		
Unassigned Fund Balance	\$ 122,086,966	\$ 121,163,486	\$ 85,749,722		
Unassigned Fund Balance %	34.9%	27.9%	17.4%		

*as % of Expense & Transfers less Capital

The FY23 Recommended General Fund budget reflects a balanced budget with a one-time use of fund balance of \$44.1 million. This use of fund balance supports the legally obligated property tax settlement payments anticipated in FY23 and one-time funding to support various Infrastructure Scorecard projects. Depending on the actual amount of FY23 payments processed, FY24 may require additional appropriations for settlement payments. Unassigned ending fund balance is forecast at \$85.7 million, or 17.4%, which is slightly higher than the Board's policy level of 10-17%.

Other notable changes/enhancements for the FY23 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	FY23 vs. FY22 Year-End Estimate	
Sources and Uses	Actual	Estimate	Recommended	% Var.	\$ Var.
Revenues and Other Sources:					
Taxes	-	-	-		-
Licenses and permits	-	-	-		-
Intergovernmental	-	4,548,516	300,000	-93.4%	(4,248,516)
Charges for services	-	421,538	440,000	4.4%	18,462
Fine and forfeitures	-	-	-		-
Miscellaneous	-	759,579	130,000	-82.9%	(629,579)
Total revenues	-	5,729,633	870,000	-84.8%	(4,859,633)
Other sources, transfers in	-	16,741,350	31,763,095	89.7%	15,021,745
TOTAL SOURCES	-	22,470,983	32,633,095	45.2%	10,162,112
Expenditures and Other Uses:					
Salaries and wages	-	3,707,795	4,949,380	33.5%	1,241,585
Employee benefits	-	1,820,179	2,460,663	35.2%	640,484
Services and supplies	-	16,026,647	24,850,352	55.1%	8,823,705
Capital outlay	-	555,866	300,000	-46.0%	(255,866)
Total expenditures	-	22,110,487	32,560,395	47.3%	10,449,908
Transfers out	-	-	-		-
Contingency	-	91,876	72,700	-20.9%	(19,176)
TOTAL USES	-	22,202,363	32,633,095	47.0%	10,430,732
Net Change in Fund Balance	-	268,620	-		

As part of the FY23 Recommended budget, FY22 year-end financial actions are necessary as indicated below. These actions will be included with the FY23 Final Budget adoption on May 17, 2022.

- 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 1.04% 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:
 - \$34.3 million transfer to the Capital Improvement program-bringing total GF transfers to CIP to the statutory maximum.
 - The transfer will support:
 - \$11.3 million of already BCC-approved CIP projects to provide the required budget authority to complete those projects.
 - \$19.5 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 thousand to the Roads Fund to support one-time large equipment purchases.
- FY22 General Fund Contingency request submitted to the BCC on 4/26/22 to address:
 - \$300 thousand for Conflict Counsel due to increased Indigent Defense caseload.
 - \$1.2 million for Roads Fund transfer to support one-time costs supporting RAISE grant match and/or other unfunded projects.
 - \$3 million for Indigent Fund transfer supporting two capital projects: Riverhouse (\$2.5 million) and Our Place Campus Building 5A (\$500 thousand).
 - \$3 million for Homelessness Fund transfer to support FY22 Cares Campus operating costs not included in the FY22 adopted budget due to transition timing.

If the above are approved, the remaining FY22 General Fund Contingency will be \$1 million. If not needed for other items, staff will bring forward a request for the remaining amount (\$1 million or less) prior to June 30, 2022.

Next Steps

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| May 17: | Public Hearing of Fiscal Year 2023 Washoe County Tentative Budget and Adoption of Final Budget |
| May 24: | Special Meeting (continuation-if necessary) for Fiscal Year 2023 Final Budget |
| June 1: | Fiscal Year 2023 Final Budget due to State Department of Taxation |

FISCAL IMPACT

Total Fiscal Year 2023 recommended budgeted expenditures and transfers out for all funds are \$965,207,730. The recommended Fiscal Year 2023 General Fund budget is a balanced budget, with total expenses, contingency and transfers out of \$506,546,803 and use of fund balance of \$44,092,822.

The total unassigned fund balance for the General Fund at the end of Fiscal Year 2023 is budgeted at \$85,749,722 or 17.4% of budgeted expenses and transfers out. The Board of County Commissioner's policy level is between 10% - 17%.

Fiscal Year 2023 use of fund balance is less than the identified one-time uses of \$59,996,175. The use of fund balance in Fiscal Years 2022 and 2023 identified to maximize Infrastructure Scorecard projects is supported per County Financial Policies 8.1 and 12.4, which state:

8.1 The County will strive to maintain a high reliance on pay-as-you-go financing for its capital improvements, including annual funding major maintenance and repairs, technology replacement, and other specialized large equipment.

12.4 When a surplus exists which exceeds these financial reserve policies, the County shall accelerate capital improvements not funded or deferred in prior years, or from later years within the five-year capital improvement program to the extent (1) they are required, and (2) County staff can effectively undertake the improvement.

Additional information and/or financial updates may need to be incorporated in the Fiscal Year 2023 Final Budget, which is scheduled for Board approval on May 17, 2022.

RECOMMENDATION

It is recommended that the Board acknowledge status report and possible direction to staff on the County Manager's recommended Fiscal Year 2023 Budget in an estimated amount of approximately [\$965,207,730.00] which incorporates Board priorities of 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 operating budget request and direct the County Manager to return to the Board of County Commission with a Tentative and Final Budget for adoption at a public hearing to be scheduled on May 17, 2022. (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 2023 Budget in an estimated amount of approximately [\$965,207,730.00] which incorporates Board priorities of 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 operating budget request and direct the County Manager to return to the Board of County Commission with a Tentative and Final Budget for adoption at a public hearing to be scheduled on May 17, 2022. (All Commission Districts)."