



WASHOE COUNTY

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STAFF REPORT

BOARD MEETING DATE: April 18, 2023

DATE: Thursday, April 13, 2023

TO: Board of County Commissioners

FROM: Lori Cooke, Budget Manger, County Manager's Office
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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 2024 Budget with estimated appropriations of approximately [\$1,064,109,500.00] which incorporates Board priorities of funding for existing contractual obligations, supplies, utilities, personnel costs, third year of property tax refunds, election system support, 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 16, 2023. (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 2024 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 16, 2023.

Washoe County Strategic Objective supported by this item: Fiscal Sustainability

PREVIOUS ACTION

On January 25, 2023, the Board of County Commissioners held a Strategic Planning Workshop and provided direction on its strategic goals to staff.

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 2023 to revisit its Strategic Plan and set budgetary priorities to ensure high-priority community

AGENDA ITEM # _____

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 Planning Goal	Execution of Vision
Fiscal Sustainability	<ul style="list-style-type: none"> • Regionalization of Dispatch, Fire, EMS
Economic Impacts	<ul style="list-style-type: none"> • Net Zero by 2050 • Affordable Housing (w/Vulnerable Population)
Vulnerable Populations	<ul style="list-style-type: none"> • Affordable Housing (w/Economic Impacts)
Innovative Services	<ul style="list-style-type: none"> • Equity • Election System

The initiatives 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. Therefore, the budget reflects a balanced approach regarding strategic priorities and mandates.

Washoe County’s economy has seen significant recovery from the COVID-19 Pandemic. At the height of the Pandemic, regional unemployment was 19%; today it is 4.5 percent. While the regional economy is expanding, the County faces the same economic pressures from supply chain constraints, rising interest rates and prices in addition to a labor shortage as are faced by many urban regions in the nation. 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 in recent months, and December 2022 was the first month of lower receipts than the preceding December, with the trend continuing into January 2023. The County has responded by revising its Fiscal Year 2023 year-end forecast for C-Tax from the original budgeted increase of 5.5% to an estimated increase of 2.0% over the prior fiscal year. In addition, the Fiscal Year 2024 Budget only assumes a 2.5% increase in Consolidated Tax (C-Tax) with gradual increases expected in the five-year forecast thereafter to a maximum of 3.25% in Fiscal Year 2029.

While the County’s economy is rebounding from the COVID-19 Pandemic, it is slowing down due to the after-effects of the largest Federal stimulus program in history, business closures, halting operations and Pandemic layoffs linger in interest rates, prices and supply constraints. The County is realizing higher prices for goods and services, struggling to hire employees and recognizing higher-than-expected pension and benefits increases partially due to decreased market valuations of investments. 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 FY24.

While the last few fiscal years’ 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. Many priorities were considered in developing the Fiscal Year 2024 Recommended Budget. These priorities included funding for existing contractual obligations, supplies, utilities, personnel costs, unfunded mandates from the 2021 Legislative session, property tax refunds, increasing Homeless Services capital improvements and operations, maintaining the County’s assets and infrastructure needs, and additional operating budget requests.

In the face of these headwinds, the Board of County Commissioners and the County Manager have directed a deceleration of any new ongoing expenditures in the Fiscal Year 2024 Budget. The Tentative Budget includes approximately \$30 million in one-time projects such as software implementation, public safety radio upgrades, elections support, legally required settlement payments, and other standalone projects and only ~\$6.4 million in ongoing expenditures such as new positions, inflationary impacts for current services and supplies, maintenance and contractual costs, etc..

As such, the County Manager’s Fiscal Year 2024 (FY24) 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 FY24 appropriations for 23 Governmental and 6 Proprietary funds are \$965.2 million, see chart below.

Washoe County				
	Fiscal Year 2023	Fiscal Year 2024	Change from Prior Year	
Total Budget Appropriations*	Final	Tentative	\$	%
Governmental Funds				
General Fund	\$ 509,648,196	\$ 515,554,476	\$ 5,906,280	1%
Special Revenue Funds	\$ 273,467,518	\$ 298,657,548	\$ 25,190,030	9%
Capital Project Funds	\$ 95,063,811	\$ 110,878,463	\$ 15,814,652	17%
Debt Service Funds	\$ 14,002,848	\$ 14,169,594	\$ 166,746	1%
Total Governmental Funds	\$ 892,182,373	\$ 939,260,081	\$ 47,077,708	5%
Proprietary Funds				
Enterprise Funds	29,072,216	31,922,223	\$ 2,850,007	10%
Internal Service Funds	79,121,198	92,927,196	\$ 13,805,998	17%
Total Proprietary Funds	108,193,414	124,849,419	\$ 16,656,005	15%
Total Appropriations - All Funds	1,000,375,787	1,064,109,500	63,733,713	6%

*Total appropriations include expenditures, contingencies and transfers out

Notable highlights for the FY24 Recommended Budget, for all funds, include:

An additional 70.5 FTEs

- 42 General Fund, including:
 - General Government = 12.0
 - Elections; Registrar of Voter’s = 10
 - Central Services; Comptroller’s = 2
 - Judicial = 15.03
 - District Attorney = 11
 - District Court = 3
 - Sparks Justice Court = 0.50 (shared with Animal Services)
 - Conflict Counsel = 0.53

- Public Safety = 14.0
 - Sheriff's Office = 12
 - Technology Services = 1
 - Emergency Management = 1
- Public Works = 1.0
 - Community Services = 1
- 28.5 Other Funds, including:
 - Senior Services = 9
 - Health District = 7
 - Children's Protective Services = 3
 - Indigent Services = 2
 - E-911 = 2
 - Utilities = 2
 - Animal Services = 1.5 (0.50 shared with Sparks Justice Court)
 - Risk Management = 1
 - May Museum = 0.96

Other notable Fiscal Year 2024 General Fund items include:

- One-Time Funding of \$30.175 million to support:
 - Transfers to Capital - \$16.5 million
 - Operational items including legal aid, elections support, grant match funding, estimated dispatch/EMS regionalization, etc. - \$6.44 million
 - Third year of Incline Village Settlement Payments - \$6 million
 - Transfer to Roads - \$1.235 million
- General Fund Transfers Out of \$94 million, supporting:
 - Transfer to Capital Projects - \$27.5 million
 - Includes increased FY23 transfer of \$16.5 million to support:
 - Registrar of Voter's - \$12.6 million
 - Software - \$1.95 million
 - P25 Public Safety Radio = \$1.2 million
 - ~5.0% Contingency = \$750k
 - Indigent Fund - \$23.1million
 - Homelessness Fund - \$21.9 million
 - Health District - \$9.5 million
 - Debt Service Fund - \$6.15 million
 - Senior Services Fund - \$3.4 million
 - Roads Fund - \$2.5 million
 - Includes one-time transfer of \$1.235 million for equipment

As the largest fund, the General Fund FY24 appropriations are \$515.5 million, see chart below:

Washoe County FY 2024 General Fund Tentative Budget						
Sources and Uses	FY 2022	FY 2023	FY 2023	FY 2024	FY24 Tent. vs. FY23	
	Actual	Final	Estimated	Tentative	Year-End Estimate % Var.	\$ Var.
Revenues and Other Sources:						
Taxes	207,308,560	222,084,279	222,189,279	240,903,476	8.4%	18,714,197
Licenses and permits	12,338,247	10,832,500	13,219,500	14,991,179	13.4%	1,771,679
Consolidated taxes	156,086,681	165,978,000	159,208,415	163,188,625	2.5%	3,980,210
SCCRT AB104	19,464,020	20,107,438	20,590,000	20,622,188	0.2%	32,188
Other intergovernmental	13,353,184	8,281,520	8,256,520	8,836,895	7.0%	580,375
Charges for services	27,376,701	23,618,771	22,956,371	24,541,748	6.9%	1,585,377
Fine and forfeitures	6,672,513	6,544,782	7,260,757	7,120,382	-1.9%	(140,375)
Miscellaneous	(4,569,114)	4,419,691	4,496,517	4,433,260	-1.4%	(63,257)
Total revenues	438,030,792	461,866,981	458,177,358	484,637,753	5.8%	26,460,395
Other sources, transfers in	783,465	587,000	862,581	741,723	-14.0%	(120,858)
TOTAL SOURCES	438,814,257	462,453,981	459,039,939	485,379,476	5.7%	26,339,537
Expenditures and Other Uses:						
Salaries and wages	167,509,495	190,097,863	185,947,347	207,294,697	11.5%	21,347,350
Employee benefits	86,575,670	95,787,151	94,053,134	118,737,727	26.2%	24,684,593
Services and supplies	62,988,276	78,191,418	83,217,119	82,714,417	-0.6%	(502,702)
Settlement payments (one-time)	11,363,243	22,000,000	10,000,000	6,000,000	-40.0%	(4,000,000)
Capital outlay	1,549,736	1,104,198	7,045,990	1,262,402	-82.1%	(5,783,588)
Total expenditures	329,986,420	387,180,630	380,263,591	416,009,243	9.4%	35,745,652
Transfers out	61,820,235	69,855,991	69,863,991	76,299,878	9.2%	6,435,887
Transfers out (one-time)	34,896,774	40,996,175	40,996,175	17,735,000	-56.7%	(23,261,175)
Contingency	-	11,615,400	3,800,000	5,510,355	45.0%	1,710,355
TOTAL USES	426,703,429	509,648,196	494,923,757	515,554,476	4.2%	20,630,719
Net Change in Fund Balance	12,110,828	(47,194,215)	(35,883,817)	(30,175,000)		
Beginning Fund Balance	152,489,354	141,630,783	164,600,181	128,716,364		
Ending Fund Balance	164,600,181	94,436,569	128,716,364	98,541,364		
Unassigned Ending Fund Balance	\$ 140,485,441	\$ 82,542,096	\$ 111,664,235	\$ 86,668,661		
Unassigned Ending Fund Balance %	33.0%	16.6%	23.1%	17.0%		

*as % of Expense & Transfers less Capital

Fiscal Year 2024 includes many similar themes of Fiscal Year 2023, including caring for the County's most vulnerable and incorporates several large new projects. First, the County must account for three major budgetary changes related to existing personnel. The County's required General Fund contribution to the State's Public Employee Retirement System (PERS) has increased by \$2.4 million (net), actuarially determined contributions to other post-employment benefits (OPEB) have increased by \$8.5 million and the County recently completed its first comprehensive salary study in more than 20 years. This study found that County wages for a significant number of positions were lower than the Board's policy direction level of 50% of the midpoint of comparable communities. As retention and productivity are key priorities, the Board prioritized implementing the salary study; it's estimated this will impact the General Fund by almost \$8.8 million. As such, the Fiscal Year 2024 Tentative Budget includes several key one-time projects that achieve Board Strategic Goals and do not burden the County's five-year forecast.

The Fiscal Year 2024 Recommended Budget reflects total sources and uses for the General Fund balanced with an anticipated one-time decrease in fund balance of \$30,175,000. This estimate includes the third year of property tax settlement refund payments, increased transfer to the capital improvement program, and additional General Fund estimated operations support of ~\$6.4 million for a variety of new and expanded programs such as modernization of the County's voting systems and processes, vulnerable populations, law enforcement, regionalization of dispatch and emergency medical services, and providing General Fund support for critical American Rescue Plan-funded services as the Federal Program winds down. The County will continue to prepare 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 FY23 year-end financial actions will be included with the FY24 Final Budget adoption on May 16, 2023.

Next Steps

- May 16: Public Hearing of Fiscal Year 2024 Washoe County Tentative Budget and Adoption of Final Budget
- May 23: Special Meeting (continuation-if necessary) for Fiscal Year 2024 Final Budget
- June 1: Fiscal Year 2024 Final Budget due to State Department of Taxation

FISCAL IMPACT

Total Fiscal Year 2024 recommended budgeted expenditures and transfers out for all funds are \$1,064,109,500. The recommended Fiscal Year 2024 General Fund budget is a balanced budget, with total expenses, contingency and transfers out of \$515,554,476 and one-time use of fund balance of \$30,175,000.

The total unassigned fund balance for the General Fund at the end of Fiscal Year 2024 is budgeted at \$86,668,661 or 17.0% of budgeted expenses 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 2024 Final Budget, which is scheduled for Board approval on May 16, 2023.

RECOMMENDATION

It is recommended that the Board acknowledge status report and possible direction to staff on the County Manager's recommended Fiscal Year 2024 Budget with estimated appropriations of approximately [\$1,064,109,500.00] which incorporates Board priorities of funding for existing contractual obligations, supplies, utilities, personnel costs, third year of property tax refunds, election system support, 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 16, 2023. (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 2024 Budget with estimated appropriations of approximately*

[\$1,064,109,500.00] which incorporates Board priorities of funding for existing contractual obligations, supplies, utilities, personnel costs, third year of property tax refunds, election system support, 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 16, 2023. (All Commission Districts)."