

## Q: How did we get here?

- Fiscal Year 26 (July 1, 2025 through June 30, 2026) is projected to be the third consecutive year of budget deficits, following a \$4.1M deficit in FY24 and a budgeted \$6.7M deficit in our current fiscal year.
- In FY23, the City had a high fund balance of \$23.6M (25.8% of expenditures), artificially inflated by federal funding during the COVID-19 pandemic.
- However, ongoing deficits are projected to decrease the fund balance to \$11.5M (10.5%) by the end of FY25. Without significant expense reductions, FY26 will push reserves far below the Council's 8.3% policy threshold, or about one month of expenses.

## Q: What's driving the deficit?

- Since the beginning of FY21, expenses (up 54%) have outpaced revenue growth (up 40%).
- Property tax revenue growth relies heavily on new development, which is unsustainable as developable land runs out. Property tax revenue grew 48% over five years, largely due to new development, but existing homeowners' property tax bills only increased 16%.
- Consolidated Tax (CTAX) and other revenues grew approximately 34%, falling behind rising costs such as services and supplies expenses, which soared by 81% in the same five-year window.

## Q: What are the property tax caps?

- In 2005, the Nevada Legislature created 3% (owner-occupied residential) and 8% (commercial) property tax caps to prevent skyrocketing tax bills as property values surged.
- The caps were meant to be temporary while lawmakers studied long-term solutions—but no changes were ever made.
- Even if a property's value increases dramatically, the property tax bill can only go up by 3% or 8%.

## Q: How do the caps affect local government funding?

- When property values plummeted in the Great Recession, tax revenues fell dramatically because there's no limit on revenue losses (no "floor").
- As property values recovered, the caps stayed, slowing the City's ability to regain lost revenue. A full recovery can take decades.
- Example: A home loses 50% of its value but regains it in 5 years—yet due to the 3% cap, the property tax bill won't fully recover for more than 20 years. Because of the caps, the City loses about \$12M in abated property taxes each year.

## Q: Where does the City's revenue come from?

### Property Tax:

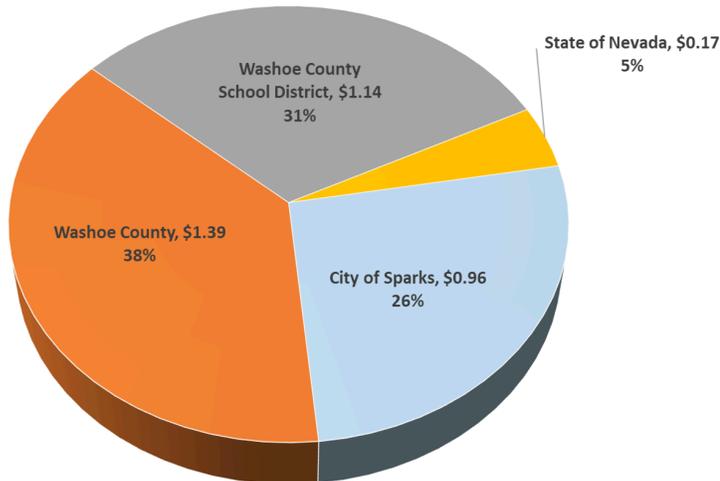
- Property Tax makes up approximately 35% of the City's general fund revenue.
- In addition to the 3% and 8% tax caps, State law limits property taxes in Sparks to \$3.66 per \$100 of assessed value.
- Each \$3.66 is shared with other agencies, including Washoe County, Washoe County School District, and the State of Nevada.
- The City of Sparks receives \$0.96 of every \$3.66 in property tax revenue.

### CTAX:

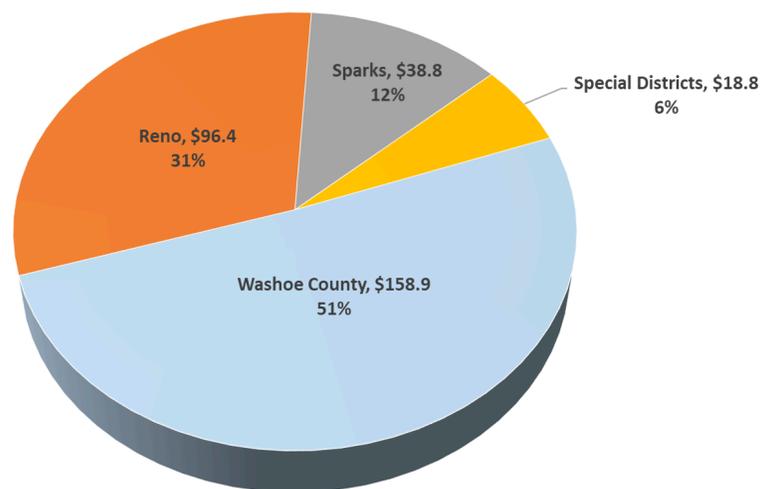
- Consolidated tax, or "CTAX," makes up approximately 38% of the City's general fund revenue.
- CTAX is a combination of several different taxes (such as cigarette, liquor, real property transfer, and government services taxes) that are distributed to various government agencies according to formulas set by Nevada law.
- The City of Sparks receives roughly \$0.12 of every dollar of consolidated taxes that you pay, or about 12% of CTAX revenues.

## Property Tax and CTAX Distribution Rates Per Entity

Share of \$3.66 Property Tax Rate by Entity



FY24 CTAX Receipts by Entity (amounts listed in millions)



## Q: What are we doing to bridge the deficit?

- Strategically delaying filling vacant positions, although we have fewer staff today than in 2008.
- Offered employees a Voluntary Employee Separation Program (VESP) to further help reduce personnel costs and mitigate potential layoffs.
- Taking a new approach to employee compensation and benefit packages to manage expenses.
- Streamlining processes and our use of technology to help staff be as efficient as possible, such as consolidating printers and eliminating redundant software.
- Working with our regional partners to help improve efficiency and service delivery. An example is the Real Time Intelligence Center (RTIC), a partnership between the Reno and Sparks Police Departments that enables live data feeds and coordinates rapid responses to incidents.
- Continuing to look at all possible options to reduce City costs, including reducing services and supply costs.
- Because we are already lean and getting leaner, the public will likely see a reduction in service levels.