



WASHOE COUNTY

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STAFF REPORT

BOARD MEETING DATE: May 21, 2024

DATE: May 6, 2024

TO: Board of County Commissioners

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

SUBJECT: Public hearing, discussion, and possible action on the Washoe County Tentative Budget for Fiscal Year 2025 (July 1, 2024 through June 30, 2025) pursuant to NRS 354.596-estimated appropriations [\$1,122,465,145], as well as possible changes to the Tentative Budget and adoption of it as the Final Budget for Fiscal Year 2025 pursuant to NRS 354.598-estimated appropriations [\$1,157,868,726]. The proposed budget 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. The proposed budget also includes the following actions:

- 1) To approve the changes to position control for Fiscal Year 2025 indicated on Attachment A-including 30.2 Net New Full Time Equivalent (FTE) positions and Reclassifications/Evaluations/Title Changes/Other Changes/Etc. impacting 122.0 positions/incumbents.

If necessary to accommodate any material changes desired by the Board as identified during the hearing on the Tentative Budget, this item may be continued to May 28, 2024, at 10:00 AM. (All Commission Districts)

SUMMARY

The purpose of this item is to conduct a hearing on the Tentative Budget for Fiscal Year 2025 (July 1, 2024 through June 30, 2025); consider approval of the Final Budget for FY 2025, which incorporates the approved County Manager's recommendations presented on April 16, 2024, and approve changes to position control for FY 2025 related to the FY 2025 Final Budget as outlined.

Washoe County Strategic Objective supported by this item: Fiscal Sustainability

AGENDA ITEM # _____

PREVIOUS ACTION

On April 16, 2024, the Board of County Commissioners received and confirmed the County Manager's recommendations for the Fiscal Year 2025 budget and directed the County Manager to return to the Board of County Commission with a Tentative and Final Budget incorporating the approved County Manager's recommendations with direction to incorporate any necessary changes, for adoption at a public hearing scheduled for May 21, 2024.

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.

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

Final County Budget

NRS 354.596 requires a public hearing of the County's Tentative Budget, which is required to be submitted to the State Department of Taxation by April 15 of each year. The Department of Taxation has examined the submitted Tentative Budget for compliance with law and has provided a written certificate of compliance.

Pursuant to NRS 354.598, at the date of the County's Tentative Budget hearing, the Board of County Commissioners may also adopt a Final Budget. A final budget must be certified by a majority of the Board and submitted to the State by June 1.

Included in this agenda packet is the Fiscal Year 2025 Tentative Budget submitted to the State in April and the Fiscal Year 2025 Final Budget document. There are minimal changes between the Fiscal Year 2025 Tentative and Final Budgets.

Most of the FY 2025 appropriation increase from \$1.12B to \$1.16B is due to the timing of actual expenditures in relation to restricted funding (i.e., grants, federal funding, etc.) and capital projects. The county continues to true-up expected FY 2024 costs and making the associated updates to the following years' budget through the annual budget process. For the Fiscal Year 2025 Final Budget, the Special Revenue Funds' variance is \$15.1 million in the Other Restricted Fund and \$577 thousand in the Health Fund when comparing to FY 2025 Tentative to FY 2025 Final. The variance between the FY 2025 Tentative and Final budgets in the capital funds is \$19.6 million-a large portion of which is the direct result of the funding coming from Special Revenue Funds. In short, budget for projects/funding not anticipated to be expended prior to June 30, 2024, have been adjusted accordingly in the FY 2024 Estimates to Complete as well as the FY 2025 Final Budget.

Other changes between the FY 2025 Tentative and Final Budgets consist of one additional General Fund Full-Time Equivalent (FTE), three additional positions in Other Funds to support the Assessor's Office (3.0 FTE), five additional positions to support the Health District (net 4.2 FTE), and two new capital projects. These changes are outlined below:

Additional Positions:

General Fund – 1.0 Additional FTE; Net \$-0-

Community Services – Parks = 1.0 Natural Resource Field Technician

Other Funds – 7.20 Additional FTE

Assessor – Real Property-Appraisal = 1.0 Senior Appraiser; 2.0 Appraiser II

Truckee River Flood Management (Net 0.0) – 1.0 Hydrologic Technician;
Offset with abolishment of 1.0 Senior Project Manager

Health District – 5.0 Additional (net 4.20) = 1.0 Environmental Health Specialist; 1.0 Statistics and Informatics Supervisor; 2.0 Public Health Investigator IIs; 1.0 Public Health Informatics Specialist

Capital Projects: \$14.7 million (Capital Improvements Fund)

Juvenile Services Case Management System - \$1.2 million (no General Fund)

West Hills Refurbishment - \$13.5 million (no General Fund)

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 Washoe 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 February 2024, C-Tax distributions are 2.4% higher than the same period last year (July 2022 through February 2023). Over that same period, taxable sales-which comprise approximately 85% of C-Tax distributions, are up 2.7%. 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 Final 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

FISCAL IMPACT

Total Fiscal Year 2025 appropriations for 23 Governmental and six Proprietary funds are \$1,157,868,726, see charts below.

Washoe County Budget					
	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2025	Change from Prior Year	
Total Budget Appropriations*	Final	Tentative	Final	\$	%
Governmental Funds					
General Fund	\$ 516,134,945	\$ 522,087,064	\$ 522,087,064	\$ 5,952,119	1%
Special Revenue Funds	\$ 298,857,548	\$ 318,694,882	\$ 334,370,052	\$ 35,512,504	12%
Capital Project Funds	\$ 111,322,463	\$ 132,992,686	\$ 152,549,046	\$ 41,226,583	37%
Debt Service Funds	\$ 14,169,594	\$ 14,273,749	\$ 14,273,749	\$ 104,155	1%
Total Governmental Funds	\$ 940,484,550	\$ 988,048,381	\$ 1,023,279,911	\$ 82,795,361	9%
Proprietary Funds					
Enterprise Funds	31,946,141	33,393,606	33,565,657	\$ 1,619,516	5%
Internal Service Funds	92,927,196	101,023,158	101,023,158	\$ 8,095,962	9%
Total Proprietary Funds	124,873,337	134,416,764	134,588,815	\$ 9,715,478	8%
Total Appropriations - All Funds	1,065,357,887	1,122,465,145	1,157,868,726	92,510,839	9%

*Total appropriations include expenditures, contingencies and transfers out

Governmental Funds						
Fund Type	Salaries & Benefits	Services & Supplies	Capital Outlay	Contingency	Operating Transfers Out	Total Appropriations
General Fund	344,544,531	85,677,389	1,003,657	12,500,000	78,361,487	522,087,064
Special Revenue Funds	127,333,361	131,468,629	7,059,518	-	68,508,544	334,370,052
Capital Project Funds	144,662	13,885,896	133,343,489	-	5,175,000	152,549,046
Debt Service Funds	-	14,273,749	-	-	-	14,273,749
Total	472,022,554	245,305,663	141,406,664	12,500,000	152,045,031	1,023,279,912
Proprietary Funds						
Fund Type	Operating Expenses	Non-Operating	Operating Transfers Out	Total Appropriations		
Enterprise Funds	32,738,650	827,007	-	33,565,657		
Internal Service Funds	101,023,158	-	-	101,023,158		
Total	133,761,808	827,007	-	134,588,815		
Total Appropriations				1,157,868,726		

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

An additional 30.2 FTEs

- **14.0 (net) General Fund, including:**

- Competency Court = 11.0 (net)
 - District Court = 1.0
 - District Attorney = 4.0
 - Alternate Public Defender = 2.0
 - Public Defender = 4.0
- Community Services = 4.0 (net)
 - Public Works–West Hills Facility = 2.0 (net zero impact-funded with budget reallocation)
 - Public Works–Administration = <1.0> (abolish as offset for new position)
 - Planning–Short Term Rentals = 2.0 (net zero impact-funded via BCC-approved program revenues)
 - Parks – Trails Program = 1.0 (net zero impact-funded with budget reallocation)
- Manager’s Office = -1.0

- **16.2 (net) Other Funds, including:**

- Assessor’s Office = 3.0
- Animal Services = 2.0
- Capital Projects = 1.0 (net zero impact-funded with budget reallocation)
- Emergency 911 = -1.0
- Health District = 4.2 (net)
- Senior Services = 1.0
- Utilities = 6.0 (net zero impact-funded with budget reallocation)

A complete list of all position changes, including new, de-limited, other FTE changes, reclassified positions, etc., is reflected in Attachment A.

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.

The General Fund encompasses many functions/operations such as public safety for the Sheriff, juvenile services, medical examiner, public guardian and the Public Administrator; judicial functions such as the District Court, the four justice courts in Washoe County, the District Attorney and public defense; general government and finance functions such as the Board of County Commissioners, County Clerk, County Recorder, County Treasurer, County Assessor, county manager's office, human resources, technology services, and registrar of voters; regional library services; regional parks and recreation; human (social) services; and other functions.

The General Fund is the largest Washoe County fund, comprising 47% of total budget appropriations. The Washoe County Fiscal Year 2025 General Fund Final budget reflects total sources and uses 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 Fiscal Year 2025 ending fund balance for the General Fund is estimated to be \$105.7 million, or 20.8% of total expenditures and transfers out. However, after accounting for the General Fund stabilization reserve of \$4 million, and other restrictions and commitments, the actual unassigned ending fund balance is estimated to be \$96.1 million, or 18.9% of General Fund expenditures and transfers out. The current Board policy is to maintain an unassigned General Fund balance of 10% to 17 percent.

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. A summary of the recommended Final Fiscal Year 2025 General Fund budget (sources and uses) is shown below.

Washoe County FY 2025 General Fund Final Budget							
Sources and Uses	FY 2023 Actual	FY 2024 Final	FY 2024 Estimated	FY 2025 Tentative	FY 2025 Final	FY25 Final vs. FY24 Year-End Estimate	
						% Var.	\$ Var.
Revenues and Other Sources:							
Taxes	223,289,269	240,903,476	240,823,476	260,606,144	260,606,144	8.2%	19,782,668
Licenses and permits	15,216,885	14,991,179	14,666,179	14,967,049	14,967,049	2.1%	300,870
Consolidated taxes - Actual Dist	155,479,809	163,188,625	157,034,486	160,175,176	160,175,176	2.0%	3,140,690
SCCRT AB104	19,433,184	20,622,188	19,627,515	19,823,791	19,823,791	1.0%	196,276
Other intergovernmental	9,450,870	8,836,895	9,167,749	9,120,947	9,120,947	-0.5%	(46,802)
Charges for services	23,853,611	24,541,748	24,479,633	26,343,770	26,343,770	7.6%	1,864,137
Fine and forfeitures	7,122,474	7,120,382	7,064,382	8,158,708	8,158,708	15.5%	1,094,326
Miscellaneous	9,958,835	4,433,260	4,434,036	3,984,305	3,984,305	-10.1%	(449,730)
Total revenues	463,804,937	484,637,753	477,297,456	503,179,890	503,179,890	5.4%	25,882,434
Other sources, transfers in	3,986,286	741,723	741,723	746,168	746,168	0.6%	4,445
TOTAL SOURCES	467,791,224	485,379,476	478,039,179	503,926,058	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	220,491,857	7.4%	15,207,582
Employee benefits	91,328,634	118,919,027	115,590,408	124,021,886	124,052,673	7.3%	8,462,265
Services and supplies	72,469,888	82,733,328	84,031,841	85,088,782	85,077,389	1.2%	1,045,549
Settlement payments (one-time)	7,143,256	6,000,000	1,500,000	600,000	600,000	-60.0%	(900,000)
Capital outlay	9,750,820	1,262,402	1,866,227	1,003,657	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	431,225,577	5.6%	22,952,825
Transfers out	69,801,854	76,300,878	76,300,878	78,361,487	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	12,500,000	130.8%	7,084,645
TOTAL USES	478,819,093	516,134,945	507,722,985	522,087,064	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)	(18,161,006)		
Beginning Fund Balance	164,600,181	128,716,364	153,572,312	123,888,506	123,888,506		
Ending Fund Balance	153,572,312	97,960,895	123,888,506	105,727,500	105,727,500		
Unassigned Ending Fund Balance	\$138,286,245	\$ 86,088,192	\$113,843,676	\$ 96,118,352	\$ 96,118,352		
Unassigned Ending Fund Balance %	29.5%	16.9%	22.7%	18.9%	18.9%		

*as % of Expense & Transfers less Capital

RECOMMENDATION

It is recommended that the Board adopt the Final Budget for Fiscal Year 2025 pursuant to NRS 354.598-estimated appropriations [\$1,157,868,726]. The proposed budget 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. The proposed budget also includes the following actions:

- 1) To approve the changes to position control for Fiscal Year 2025 indicated on Attachment A-including 30.2 Net New Full Time Equivalent (FTE) positions and

Reclassifications/Evaluations/Title Changes/Other Changes/Etc. impacting 122.0 positions/incumbents.

POSSIBLE MOTION

Should the Board agree with staff's recommendation, a possible motion would be "*move to adopt and certify the Final Budget for Fiscal Year 2025 pursuant to NRS 354.598-estimated appropriations [\$1,157,868,726]. The proposed budget 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. The proposed budget also includes the following actions:*

- 1) *To approve the changes to position control for Fiscal Year 2025 indicated on Attachment A-including 30.2 Net New Full Time Equivalent (FTE) positions and Reclassifications/Evaluations/Title Changes/Other Changes/Etc. impacting 122.0 positions/incumbents."*