



# WASHOE COUNTY

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HR \_\_\_\_\_  
Other \_\_\_\_\_

## STAFF REPORT BOARD MEETING DATE: April 25, 2017

**DATE:** Wednesday, April 19, 2017  
**TO:** Board of County Commissioners  
**FROM:** Mark Mathers, Budget Manager  
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**THROUGH:** Christine Vuletich, Assistant County Manager  
(775) 328-2016, [cvuletich@washoecounty.us](mailto:cvuletich@washoecounty.us)  
**SUBJECT:** Acknowledge status report and possible direction to staff on the County Manager's recommended Fiscal Year 2017-18 Budget; and direct the County Manager to return to the Board of County Commission with a Tentative and Final Budget incorporating the approved County Manager's recommendations for adoption at a public hearing to be scheduled on May 23, 2017. (All Commission Districts)

### SUMMARY

The purpose of this item is to provide a status report and possible direction to staff on the Manager's recommended Fiscal Year 2017-18 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 scheduled for May 23, 2017.

Washoe County Strategic Objective supported by this item: Stewardship of our Community

### PREVIOUS ACTION

January 31, 2017 – At the BCC's Strategic Plan retreat, a preview of the Fiscal Year 2017-18 Budget was presented along with preliminary recommendations.

### BACKGROUND

At its strategic retreat on January 31, 2017, the Board of County Commissioners heard an update on the financial outlook for Washoe County. The overview included a review of revenue trends, known cost increases, legislative issues and other impacts with as-yet-unknown impacts, and long-term policy issues.

Preliminary recommendations were for departments to plan on “flat to minimal increases” and to prioritize programs and requests. Allocations to increase fund balance were likely on hold in Fiscal Year 2017-18; instead, any savings at year-end would be used to increase the General Fund’s balance.

During the months of January and February, all departments, the courts and the Health District worked to develop their estimates of revenues and costs for the current year as well as for Fiscal Year 2017-18. Departments, districts and offices presented their budget submissions to the budget team the week of March 6<sup>th</sup> to review alignment to the strategic goals, base costs, above base costs and increases requested throughout the County organization.

**General Fund Revenues**

The General Fund is the main operating fund of the County and also provides resources to fund capital projects and other funds where direct revenues may fall short. Fiscal Year 2017-18 General Fund revenues and other sources are projected at \$332,874,855. Major assumptions and key changes in revenues are as follows:

- Property Taxes
  - As noted in January, for the second year in a row, the residential property tax cap, which sets how much a property owner’s bill can increase in a year, is below the statutorily established cap of 3%. Based on the State’s calculation that the average percent change in assessed valuation in Washoe County is negative, the formula is set this year as two times CPI, which results in a cap of 2.6%.
  - Due to the State’s property tax system that factors in 1.5% annual depreciation on improvements and allows for \$78 million in total abated taxes in Fiscal Year 2017-18, the actual growth in taxes for existing properties is less than 2.6%.
  - New development, however, is projected to add approximately 1.7% to 2.0% in property tax growth. Overall, property taxes for all funds are projected to increase \$8.1 million, or 4.3%.
  
- Consolidated Tax (CTAX)
  - Comprised of the County’s portion of sales tax, liquor tax, cigarette tax, real property transfer tax and Government Services Tax.
  - We continue to see a slowing of the growth rate for CTAX. After increasing 9.4% in Fiscal Year 2014-15, then 8.1% in Fiscal Year 2015-16, the Consolidated Tax is projected by County staff to increase 7.0% to 7.5% in Fiscal Year 2016-17. For the Fiscal Year 2017-18 budget, we have projected a growth rate of 6.0%. Consequently, C-Tax revenues are projected to be \$108.9 million in Fiscal Year 2017-18, an increase of \$5.8 million from the current fiscal year.

- Charges for Services, or user fees, are expected to increase approximately \$1 million from \$18.9 million in the current year to \$20.1 million in Fiscal Year 2017-18. Most of this increase is related to overhead charges to special revenue and proprietary funds to recover the County's central services costs. Still, overall charges for services are less than just two years ago.
- Fines and forfeitures have decreased approximately \$620,000 due to lower delinquent property tax fees. Last fiscal year, the Treasurer began sending mid-year delinquency notices, which has had a noticeable, positive impact on property tax payments; however, this also causes delinquencies to drop.

### **General Fund Expenditures and Other Uses**

- Employee Salaries/Benefits
  - The County has multi-year agreements with all of its employee associations that include a cost-of-living adjustment (COLA) of 3.5% effective July 1, 2017, which has been budgeted. Overall, total salaries and wages are projected to increase \$5.98 million, or 4.2% next fiscal year. The additional rise in salaries beyond the COLA of 3.5% is related to merit increases for employees not yet at the top of their salary range.
  - The County's agreements with its employee associations require all new employees to be enrolled in the County's high-deductible health plan for the next two years. This has helped the County's health insurance premium costs remain flat overall for the upcoming fiscal year. The base budget does include an assumed increase in group health insurance effective January 1, 2018, when our medical service providers re-bid rates for calendar year 2018.
  - Retirement rates set by NVPERS remain unchanged, but our General Fund contribution to NVPERS will increase \$2 million due to the increase in county employees' salaries.
  - Workers comp rates were held steady for the Fiscal Year 2017-18 budget, but overall budgeted costs are increasing slightly due to the increase in county employees' salaries.
  - The County's OPEB payment will increase from \$20,946,000 to \$23,088,000 in Fiscal Year 2017-18, based on the latest actuarial report. The General Fund's allocated portion of OPEB is \$16,903,030, or 73% of the total.
- Services and Supplies
  - Total budgeted General Fund services and supplies costs are increasing \$1.56 million, or 3.2%.
  - The largest driver of this cost increase is for medical services for the County detention center, which have increased \$1 million and which will fund an increase to the contractor' staffing.

- Total property and liability insurance rates and utilities costs were held steady for the Fiscal Year 2017-18 budget.
- Transfers to Other Funds
  - The Fiscal Year 2017-18 budget continues General Fund transfers to the following special revenue funds:
    - Health - \$9,516,856 (a decrease of \$280,000)
    - Child Protective Services - \$847,237 (a decrease of \$500,000)
    - Senior Services - \$1,406,782
    - Roads Fund - \$1,699,733
    - Indigent Fund - \$17,711,175 (an increase of \$762,682)
  - During the current fiscal year, the County paid off two bond series: the 2009B Various Purpose Refunding Bonds and 2007 Medium Term Notes. The annual debt service for these bond series was \$2 million. These monies are redeployed into the Capital Improvement Program (CIP). In addition, the debt service reserve for our ad valorem G.O. bonds can be reduced by \$700,000. Thus, the General Fund's contribution to the CIP can be increased from \$5 million to \$7.7 million. This increase helps fund half of the replacement cost of our 15-year old voting machines, with the possibility that the State will fund the other half of counties' voting machine costs.

### **County Manager's Recommendations for Fiscal Year 2017-18**

#### *General Fund:*

As detailed in today's presentation, so far this fiscal year, the County has spent \$1.25 million on repairs and disaster relief for the three disasters that hit Washoe County this year: the Little Valley Fire, the January flooding of Truckee River and the North Valleys Flood. At the current time, staff estimates that repair costs related to these incidents may total an additional \$7 million or more. Although we expect reimbursement of 75% of eligible response and repair costs from FEMA for the two floods, which were declared federal disasters, the County will still need to pay for the costs of those repairs prior to reimbursement.

In addition to the devastating natural disasters this fiscal year, the County faces a number of unknowns headed into next fiscal year. These include potential fiscal impacts of state legislation, possible repeal and/or modifications to federal healthcare programs, federal cutbacks to other programs like CDBG that could impact the County and its partners, various pilot programs now underway at the courts, and county detention center costs. In light of these unknowns and the County's future repair and mitigation costs for the three natural disasters that hit the County this fiscal year, the Fiscal Year 2017-18 Tentative Budget takes a fiscally cautious approach to funding new county programs or positions in the General Fund.

Rather than fund new programs and positions that require additional General Fund monies, the Tentative Budget has budgeted a \$1 million increase to the General Fund Contingency Account, increasing this account from \$1.5 million to \$2.5 million. Depending on the ultimate status of the above unknown issues and if the County is able to cover disaster-related costs from other sources, the County will consider a mid-year review to determine if any of the Contingency Account balance can prudently be used to finance critical operational needs in the General Fund. Consequently, the Tentative Budget only includes funding increases in the General Fund for new operating costs that are offset by additional revenues or cost offsets in other areas or for reclassifications for current county employees. As a result, only six (6) new positions in the General Fund are authorized.

General Fund budget requests that are covered by additional revenues or cost offsets in other areas include:

- Additional funding of the Sober 24 drug and alcohol testing center based on expected revenues, which reflects current usage of the facility (\$105,000)
- The consolidation of the Planning Division of the Community Services Department and Building and Safety Division, which includes the reclassification of the Deputy Building Official to Plan Examiner Supervisor and a new planning manager position, to improve coordination of development services reviews. This carries a net cost to the General Fund of \$4,156 but overall a net cost reduction, which is shown in the Building and Safety Fund.
- Two new positions, an Assistant Medical Examiner and Forensic Medical Transcriber, for the Medical Examiner's Office in response to rising case volumes both within Washoe County and from client agencies located outside the county. This is part of a multi-year plan to seek accreditation of the Washoe County Regional Medical Examiner's Office (cost of \$280,051 is offset by additional fees)
- Two pre-trial services officers for the District Court, which are funded from cost offsets in other areas of the Second Judicial District Court budget (\$152,188)
- Extension of the operating days this summer for Gaspari Park (\$5,000 offset by fees)

Despite the challenges of funding millions of flood-related repair costs, the Fiscal Year 2017-18 General Fund budget is a balanced budget with revenues and other financing sources of \$332,874,855 equaling General Fund expenses and transfers out of \$332,874,855. A summary of the recommended Fiscal Year 2017-18 budget is shown on the following page.

Washoe County General Fund Sources and Uses				
Sources and Uses	FY16/17 Orig Budget	FY16/17 Adj Budget <sup>1</sup>	FY16/17 Estimated <sup>2</sup>	FY17/18 Tentative Budget
<b>Beginning Fund Balance</b>	<b>44,611,065</b>	<b>53,438,599</b>	<b>53,438,599</b>	<b>49,487,865</b>
<b>Revenues and Other Sources:</b>				
Taxes	152,237,230	152,237,230	152,347,230	161,760,423
Licenses and permits	9,961,644	9,961,644	9,965,404	9,602,200
Consolidated taxes	103,150,525	103,150,525	102,775,700	108,942,685
Other intergovernmental	20,802,028	20,802,028	20,803,637	21,638,963
Charges for services	18,949,320	19,091,223	19,372,049	20,064,285
Fine and forfeitures	7,501,750	7,501,750	6,923,972	6,881,550
Miscellaneous	3,738,420	3,738,420	1,340,951	3,647,349
<b>Total revenues</b>	<b>316,340,917</b>	<b>316,482,820</b>	<b>313,528,943</b>	<b>332,537,455</b>
Other sources, transfers in	480,704	480,704	480,704	337,400
<b>TOTAL SOURCES</b>	<b>361,432,686</b>	<b>370,402,123</b>	<b>367,448,246</b>	<b>382,362,720</b>
<b>Expenditures and Other Uses:</b>				
Salaries and wages	142,054,291	142,824,101	141,101,457	148,037,090
Employee benefits				
OPEB contributions	15,431,093	15,431,093	15,431,093	16,903,030
Group Insurance	20,954,113	20,954,113	20,729,590	20,004,946
Other benefits	47,609,902	47,884,007	47,225,303	51,007,024
Services and supplies	48,489,694	52,973,856	49,715,797	50,049,359
Capital outlay	495,223	654,203	379,909	402,048
<b>Total expenditures</b>	<b>275,034,316</b>	<b>280,721,373</b>	<b>274,583,149</b>	<b>286,403,497</b>
Transfers out	41,869,007	42,102,232	42,602,232	43,933,234
Contingency	1,500,000	1,275,000	775,000	2,538,124
<b>TOTAL USES</b>	<b>318,403,323</b>	<b>324,098,605</b>	<b>317,960,381</b>	<b>332,874,855</b>
<b>Net Change in Fund Balance</b>	<b>(1,581,702)</b>	<b>(7,135,081)</b>	<b>(3,950,734)</b>	<b>-</b>
<b>Ending Fund Balance</b>				
Restricted/Committed/Assigned				
Baseball Stadium	750,000	750,000	750,000	750,000
Stabilization Account	3,000,000	3,000,000	3,000,000	3,000,000
Unassigned Fund Balance	39,279,363	42,553,518	45,737,865	45,737,865
<b>TOTAL ENDING FUND BALANCE</b>	<b>43,029,363</b>	<b>46,303,518</b>	<b>49,487,865</b>	<b>49,487,865</b>
Unassigned Ending Fund Bal. as % of Exp.	12.4%	13.2%	14.4%	13.8%
<b>Surplus/(Shortfall)</b>	<b>(1,581,702)</b>	<b>(7,135,081)</b>	<b>(3,950,734)</b>	<b>-</b>
Unrealized Losses incl. in Misc. Rev.		-	(2,335,816)	-
<b>Adj. Surplus/(Shortfall)</b>	<b>(1,581,702)</b>	<b>(7,135,081)</b>	<b>(1,614,918)</b>	<b>-</b>

**Notes:**

<sup>1</sup> FY17 Adjusted Budget includes \$4,457,169 in carry-over appropriations for outstanding encumbrances as of 6/30/16 as well as mid-year adjustments.

<sup>2</sup> Estimated FY17 Miscellaneous Revenues include \$2,335,816 in unrealized investment losses.

<sup>3</sup> FY17 and FY18 budgets include a contra of \$1.5 mil. for salary savings and \$1 mil. for operating cost savings.

*Other Funds:*

Total budgeted appropriations of special revenue funds in Fiscal Year 2017-18 are \$174,467,754 and operating expenses of proprietary funds total \$89,537,489. Additional positions and programs funded in special revenue and proprietary funds include:

- Two additional youth advisors for the Juvenile Services Department (\$156,374 offset by State funding)
- A dedicated department systems technician for the Recorder's Office, to be funded from the Recorder Technology Fund (\$74,094)
- A new Health Educator II position for the Health District (\$88,642 offset by Health District revenue)
- Increased funding in the Roads Fund to cover purchase of new heavy equipment and other costs (\$261,992 offset by additional fuel taxes)
- \$250,000 of additional equipment for Animal Services' vehicles (funded from Animal Services revenues and fund balance)
- An additional position in the Health Benefits Fund to assist existing staff in serving the growing number of retired employees and to provide continued education on cost-saving programs like the high-deductible health plan (\$69,340 offset by other reductions in cost allocations to this fund)
- Two new project manager positions for management of the County Capital Improvement Plan (CIP). With the retirement of several bond series this fiscal year, the General Fund transfer to the CIP will increase from \$5 million to \$7.7 million in Fiscal Year 2017-18. Additional project management support is needed to implement budgeted capital projects and maintenance projects included in the operating budget, as well as to coordinate the millions of flood-damaged repairs over the next several fiscal years (\$245,158 funded from CIP)
- An additional Utilities Fund Environmental Engineer I in the Utilities Fund (\$120,916 funded from enterprise fund revenue)

A complete list of new positions that have cost or revenue offsets and reclassifications of filled positions is provided on Attachment A.

Total appropriations in debt service funds, which pay for debt service on the County's general obligation bonds, revenue bonds and special assessment debt, are \$11,957,471. As noted previously, total debt service on general obligation bonds and General Fund medium term notes declined \$2 million due to debt retired in the current fiscal year.

A separate discussion of the County's capital funds and Capital Improvement Plan (CIP) will be brought forward later this fiscal year, in order to allow staff to incorporate disaster-related costs in the CIP. Total capital expenditures are currently budgeted at \$24,648,015.

**Next Steps**

- May 23: Public Hearing of FY18 Washoe County Tentative Budget and Adoption of Final Budget
- May 30: Special Meeting on Final FY18 Budget (if necessary)
- June 1: Final Budget submitted to State Department of Taxation

**FISCAL IMPACT**

The recommended Fiscal Year 2017-18 General Fund budget is a balanced budget with revenues and other financing sources of \$332,874,855 equaling General Fund expenses and transfers out of \$332,874,855. The total unrestricted fund balance for the General Fund at the end of Fiscal Year 2017-18 is budgeted at \$45,737,865, or 13.8% of budgeted expenses and transfers out.

Total budgeted expenditures for all funds are \$586,273,226.

**RECOMMENDATION**

It is recommended that the Board acknowledge the status report and provide possible direction to staff on the County Manager's recommended Fiscal Year 2017-18 budget and direct the County Manager to return to the Board with a tentative and a final budget for adoption at a public hearing scheduled for May 23, 2017.

**POSSIBLE MOTION**

Should the Board agree with staff's recommendation, a possible motion would be "move to acknowledge the status report and provide possible direction to staff on the County Manager's recommended Fiscal Year 2017-18 budget and direct the County Manager to return to the Board with a tentative and a final budget for adoption at a public hearing scheduled for May 23, 2017."

**Attachment A**  
**Summary of Budget Office's FY2018 Budget Recommendations**

GENERAL FUND REQUESTS				Recommended				
Request #	Department	Dept Priority #	Short Description	Strategic Plan Goal (1-6)	Total Cost	Revenue/ Cost Offsets	Net \$ Requested	# of FTE's Requested
86	Alternative Sentencing	2	Restoration of Fugitive Apprehension Supervision Team (FAST) Funding, which was provided by Reno Justice Ct. Reno Justice Court has agreed to phase out support by 50% in FY18.	1	50,000	50,000	-	-
18	Alternative Sentencing	3	Sober 24: Increased in Pooled Positions, Supplies, Software	3	105,000	105,000	-	-
38	Community Services	1	Planning and Building consolidation with a new Planning Manager; Allocating 63% of Div Director to Bldg and Safety Fund	1	4,156	4,156	-	1.00
73	Community Services	5	Gaspari Water Play Park - to be open 7 days a week during the summer season; Revenue offset from being open more days/week	6	5,000	5,000	-	-
N/A	District Court	N/A	Additional two Pre-Trial Services Officers positons. To be funded from Juv. Svcs. budget.	N/A	152,188	152,188	-	2.00
114	Incline Justice Court	1	Increase part-time Justice Support Specialist's budgeted hours per pay period from 56 hours to 64 hours (0.70 to 0.80 FTE). Offset by reductions in other part-time position's hours.	6	6,019	6,019	-	-
97	Medical Examiner	1	New Assistant Medical Examiner	6	211,711	211,711	-	1.00
100	Medical Examiner	2	New Forensic Medical Transcriber	6	68,340	68,340	-	1.00
30	Sheriff	7	Alternative to Incarceration Unit (AIU) - Additional Inmate Work Program Leader	1	64,132	63,000	1,132	1.00
85	Alternative Sentencing	1	DAS General: Reclassification of Office Support Specialist to Admin Secy Supervisor.	3	7,382	-	7,382	-
59	Assessor	1	Special salary adjustment for Sr. Department Programmer Analyst pending Hay review	1	4,299	-	4,299	-
89	Community Services	2	CSD Administrative & Operations Reclassifications: (1) reclass Office Asst. III to Office Support Specialist, (2) reclass Office Asst. I to Office Asst. III, (3) reclass Admin. Asst. I to Admin. Asst. II and (4) reclass a Painter Supervisor to Trade Supervisor. Partially offset by reclassifying a Carpenter Supervisor to a Carpenter, previously approved.	6	21,853	8,859	12,994	-
93	Community Services	2	CSD Capital Projects Reclassifications: Reclass two Project Coordinators to Project Managers	1	20,571	-	20,571	-
110	District Attorney	4	CAC - Director reclass - Deputy District Attorney III to Deputy District Attorney IV	5	14,701	14,701	-	-
111	District Attorney	5	Child Welfare Div - Legal Secy to Legal Secy Supervisor	6	7,819	-	7,819	-
N/A	Juvenile Services	3	Reclassification of Legal Secy to Admin Secy	N/A	4,658	-	4,658	-
137	Library	3	Reclassification of Office Support Specialist to Account Clerk II		-	-	-	-
120	Reno Justice Court	2	Reclassification of Court Clerk II to Justice Court Division Supervisor	6	14,298	-	14,298	-
70	Human Resources	1	Reclass of HR Analyst to Classification & Compensation Analyst	6	6,139	-	6,139	-
N/A	Wadsworth Justice Court	1	Reclassification of Deputy Clerk I to Deputy Clerk II	N/A	4,233	-	4,233	-
<b>Total General Fund</b>					<b>772,499</b>	<b>688,974</b>	<b>83,525</b>	<b>6.00</b>

**Attachment A**  
**Summary of Budget Office's FY2018 Budget Recommendations**

Request #	Department	Dept Priority #	Short Description	Strategic Plan Goal (1-6)	Total Cost	Revenue/ Cost Offsets	Net \$ Requested	# of FTE's Requested
<b>NON-GENERAL FUND REQUESTS</b>								
<b>Recommended</b>								
Request #	Department	Dept Priority #	Short Description	Strategic Plan Goal (1-6)	Total Cost	Revenue/ Cost Offsets	Net \$ Requested	# of FTE's Requested
82	Fund 618: Human Resources	2	Health Benefits - additional Office Support Specialist		69,340	69,340	-	1.00
61	Fund 205 - Regional Animal Services	1	Animal Control Box Replacement/Field Services Division	3	250,000	250,000	-	-
45	Fund 270: Juvenile Services	1	Two additional Youth Advisors	3	156,374	156,374	-	2.00
88	Fund 270: Recorder Technology Fund	1	Department Systems Technician	6	74,094	74,094	0	1.00
47	Fund 566 - Community Services	1	Utilities Fund Environmental Engineer I	3	120,916	120,916	-	1.00
65	Fund 216 - Community Services	1	Roads - Operations (Increase OT budget as well as purchasing a new Dump/Plow/Sander truck)	3	261,992	261,992	-	-
76	Fund 560 - Community Services	1	Building and Safety Consolidation - Reclass of Deputy Building Official to Plans Examiner Supervisor (decrease); Move Technology Systems Developer II to Tech Services Dept	1	(82,536)	(82,536)	-	-
87	Fund 402 - Community Services	1	Capital Improvement Fund - Sr. Licensed Engineer and Building Operations Project Manger	1	245,158	245,158	-	2.00
41	Fund 216 - Community Services	2	Roads - Development Inspections	1	40,000	40,000	-	-
N/A	Fund 202 - Health - Vital Statistics	N/A	Payments to Other Agencies for Birth/Death Certificates	0	16,305	16,305	-	-
N/A	Fund 202 - Health Vital Statistics	N/A	Reclassification of Office Support Specialist to Office Asst. III	0	(3,877)	(3,877)	-	-
N/A	Fund 202 - Health Vital Statistics	N/A	Reclassification of Office Asst. III to Office Support Specialist	0	3,877	3,877	-	-
N/A	Fund 202 - Health - Chronic Disease	N/A	New Health Educator II position	0	88,642	88,642	-	1.00
N/A	Fund 202 - Health - Environmental Health	N/A	Adding certification to the Sr. Environmental Health Specialist	0	-	-	-	-
N/A	Fund 202 - Health - Environmental Health	N/A	Changing job title from Environmental Health Specialist Trainee I and II to Environmental Health Specialist Trainee	0	-	-	-	-
N/A	Fund 202 - Health - Vector Borne Disease	N/A	Reclass Vector Control Coordinator to Environmental Health Specialist Supervisor	0	-	-	-	-
N/A	Fund 202 - Health - Vector Borne Disease	N/A	Reclass Vector Borne Disease Specialist to Environmental Health Specialist	0	-	-	-	-
N/A	Fund 202 - Health - AQM	N/A	Reclass Air Quality Specialist II to Sr. Air Quality Specialist	0	6,139	6,139	-	-
N/A	Fund 202 - Health - Women, Infant, Children	N/A	New Intermittent Community Health Nutritionist	0	-	-	-	-
N/A	Fund 202 - Health - Environmental Health	N/A	Truing up and cost shifts of various staff members to allow for financial stability	0	228,975	228,975	-	-
131	Fund 221: Indigent Levy	1	Reclassification of Eligibility Certification Specialist II (WII) to a Department Systems Technician (WJJ)	6	4,820	4,820	-	-
131	Fund 221: Indigent Levy	1	Reclassification Eligibility Case Compliance Reviewer (WLL) to a Social Services Supervisor (YPP)	6	23,264	23,264	-	-
<b>Total Other Funds</b>					<b>1,503,484</b>	<b>1,503,484</b>	<b>0</b>	<b>8.00</b>
<b>Grand Total - All Funds</b>					<b>2,275,983</b>	<b>2,192,457</b>	<b>83,525</b>	<b>14.00</b>

The attached document was submitted to the **Washoe  
County Board of Commissioners** during the meeting

held on APRIL 25 2017

by MANAGER'S OFFICE

for Agenda Item No. 15

and included here pursuant to NRS 241.020(7) as  
amended by AB65 of the 2013 Legislative Session.

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# Fiscal Year 2017-2018 County Manager Recommended Budget

Washoe County Commission Meeting  
John Slaughter, County Manager  
April 25, 2017



# Agenda

## Disaster Update

- Review of Disaster-Related Estimates
- Review of Available Funding

## FY18 Budget Review

- Estimates of FY17 Results
- FY18 Budget Assumptions and Development
- FY18 County Manager Recommendations

## Special Topics

- Parks & Recreation



## Disaster Update

- Review of Disaster-Related Estimates
- Review of Available Funding



# Estimated Disaster/Weather Expenses

Little Valley Fire	
Labor	\$104,850
<u>Equipment</u>	<u>3,093</u>
Total	\$107,943

January 2017 Flood Response & Recovery	
Government Damage	\$2,141,254
Private Damage	775,000
Labor & Operating Costs to date (flood)	648,931
Materials	21,498
Contract	1,655
<u>Equipment (flood)</u>	<u>24,363</u>
Total	\$3,612,701



# Estimated Disaster/Weather Expenses

2017 North Valleys Flood	
Labor and supplies (to date)	\$666,471
Debris	765,000
Roads	2,620,000
Water Control Facilities	175,000
<u>Utilities</u>	<u>200,000</u>
Current Estimate	\$4,426,471

Total Expenses that are Potentially Reimbursable from FEMA	
January Flood	\$3,612,701
North Valleys Flood	~4,500,000
<u>Less Flood Insurance</u>	<u>&lt;TBD&gt;</u>
<b>Total Current Estimate</b>	<b>\$8,112,701</b>



# Available Funding

## Available Funding:

Account	Amount Available
General Fund Contingency	
FY 2017 Contingency Account (remaining balance)	\$1,108,289
FY 2018 Base Contingency Account	1,500,000
Stabilization Account (for natural disasters)	3,000,000
CIP Fund (due to recent sale of water rights)	<u>2,800,000</u>
Total	\$8,408,289

## Backup Options:

Deferral of CIP Projects	
FY 2017 CIP Carry-Over Funds	\$4,200,000
FY 2018 CIP Funding less First Year of Voting Equipment	\$5,800,000



# Flood Costs vs Funding

- **Short-Term Cash Flow Issues**
  - County funds have absorbed labor costs for disasters
    - Funds may overspend FY17 and/or FY18 budgets.
    - Fund reserves may be drawn down significantly.
  - Prior to FEMA reimbursement (75%) for federal disaster declarations, the County will need to front repair costs. FEMA reimbursement will occur over the next several years.

From a cash flow standpoint, prior to FEMA reimbursement, the County may ultimately have to front up to \$8.1 million (\$3.6 million from January flood and \$4.5 million from North Valleys Flood).



# Flood Costs vs Funding

## ■ Long-Term Issues

- Prior to FEMA reimbursement (75%) for federal disaster declarations, the County will need to front repair costs. No clear timeline for FEMA reimbursement.
- County will have to absorb at least ½ of unreimbursed costs (12.5%) and potentially the full unreimbursed amount (25%)
- If County draws on its \$3 mil. Stabilization Account, it will need to replenish it.

After FEMA reimbursement, the total net cost to the County could be as high as \$2 million based on current estimates (25% of \$8 million).

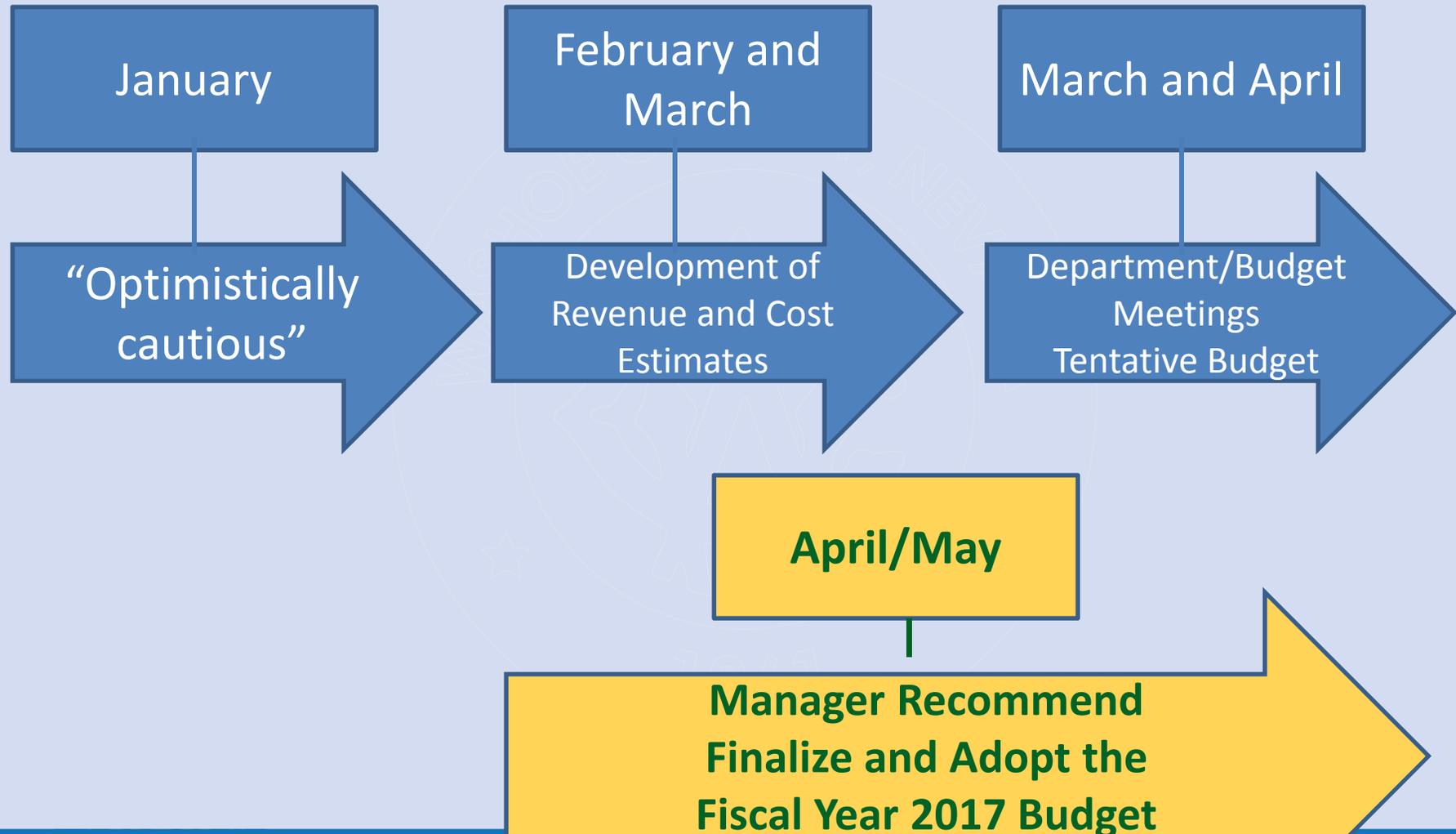


# Budget

- **Budget Process Update**
- General Fund Assumptions/Summary of Recommended Budget
- County Manager's Recommendations



# Budget Process Update





# Budget

- Budget Process Update
- **General Fund Assumptions/Summary of Recommended Budget**
- County Manager's Recommendations



# FY2017 Estimated General Fund Results

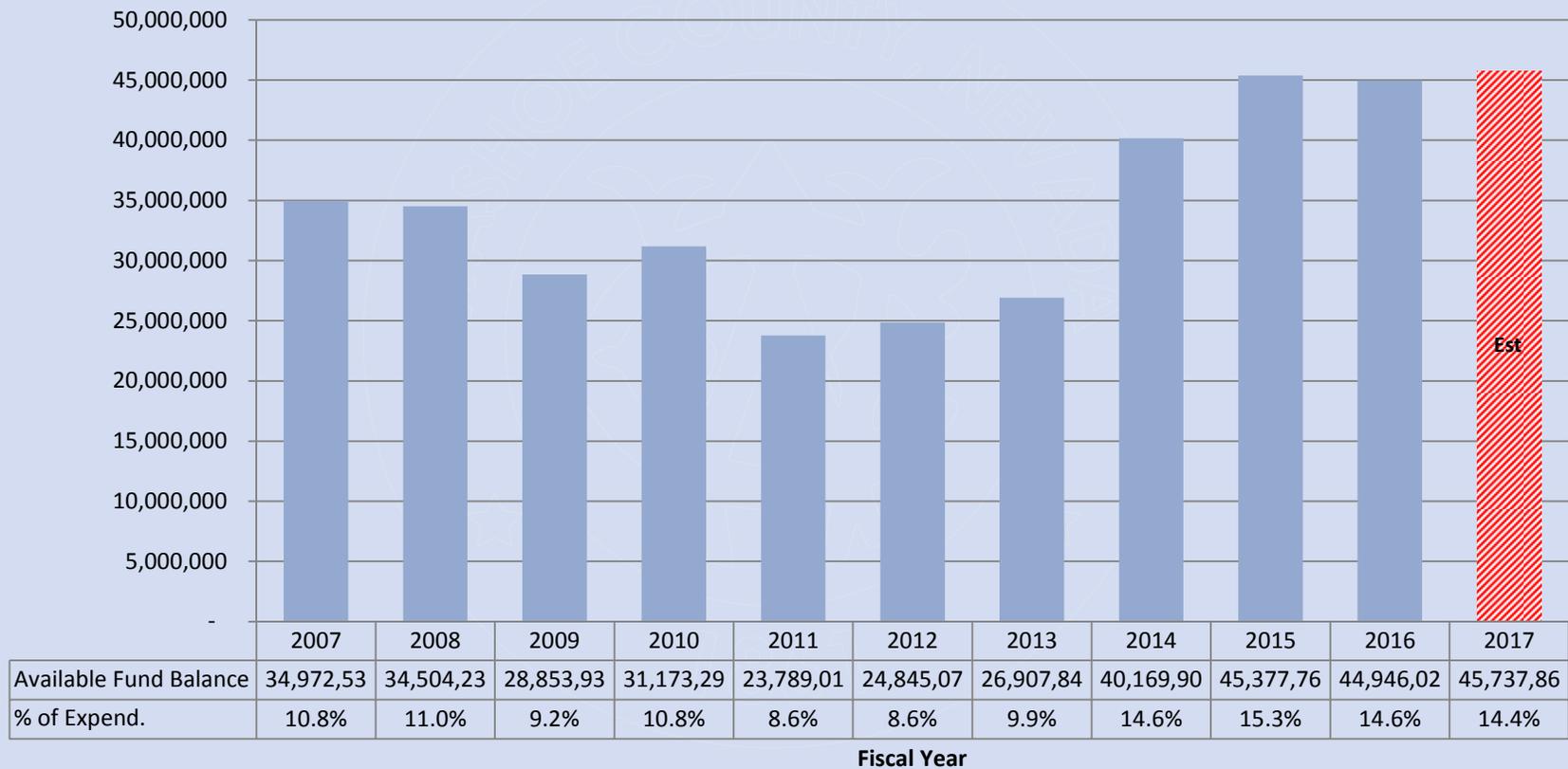
- Excluding unrealized investment losses, expenses are estimated to exceed revenues in FY17 by \$1.6 million due to carry-over encumbrances from FY16.

	FY16/17 Adj Budget	FY16/17 Estimated	Variance
Revenues/Transfers In	\$ 316,963,524	\$ 314,009,647	\$ (2,953,877)
Expenses			
Salaries & Benefits	227,093,314	224,487,443	(2,605,871)
Services and supplies	52,973,856	49,715,797	(3,258,059)
Capital Outlay	654,203	379,909	(274,294)
Subtotal	280,721,373	274,583,149	(6,138,224)
Transfers Out/Contingency	43,377,232	43,377,232	-
Surplus/(Shortfall)	(7,135,081)	(3,950,734)	3,184,347
excluding Unrealized Losses	(7,135,081)	(1,614,918)	5,520,163
Total Ending Fund Balance	46,303,518	49,487,865	3,184,347
<b>Unrestricted Fund Balance</b>	<b>\$ 42,553,518</b>	<b>\$ 45,737,865</b>	<b>\$ 3,184,347</b>



# Historical General Fund Available Balances

## General Fund - Ending Unrestricted Fund Balance





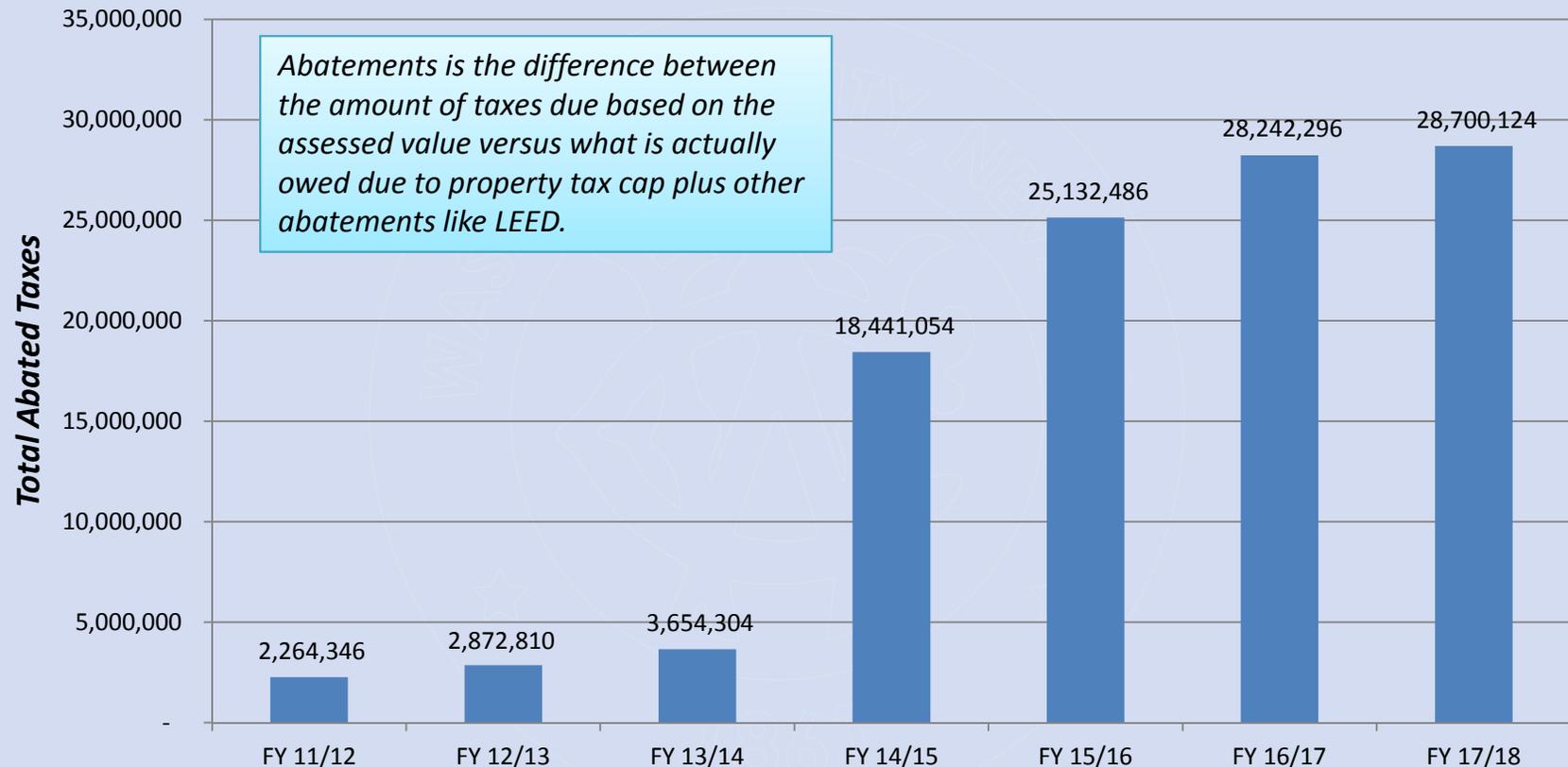
# FY18 Major Revenue Trends

Item	Change from FY17 Budget	Notes
CTAX	\$5,792,160	<ul style="list-style-type: none"> <li>Rate of growth is slowing in part because of correction of DMV error</li> <li>Projected FY18 growth = 6.0%</li> </ul>
Property Taxes*	6,546,201	<ul style="list-style-type: none"> <li>FY18 property tax cap = 2.6%</li> <li>Total increase is 4.3%</li> </ul>
AB 104 Sales Tax	761,475	<ul style="list-style-type: none"> <li>Projected FY18 growth = 6.0%</li> </ul>
Fees & Charges		
<ul style="list-style-type: none"> <li>Medical Examiner</li> <li>Overhead Fees</li> </ul>	430,000 639,765	<ul style="list-style-type: none"> <li>Based on fee increase + case volumes</li> <li>Based on indirect cost allocation plan</li> </ul>
Delinquent Property Tax Penalties	<685,000>	<ul style="list-style-type: none"> <li>Due in part to change in delinquency notices, delinquencies are down.</li> </ul>
<u>Other</u>	<u>11,937</u>	
<b>Total</b>	<b>\$13,496,538</b>	<b>(+5.1%)</b>

*\* Does not include effect of reduction in debt property tax rate. Those dollars are transferred to CIP.*



# Property Tax Abatements

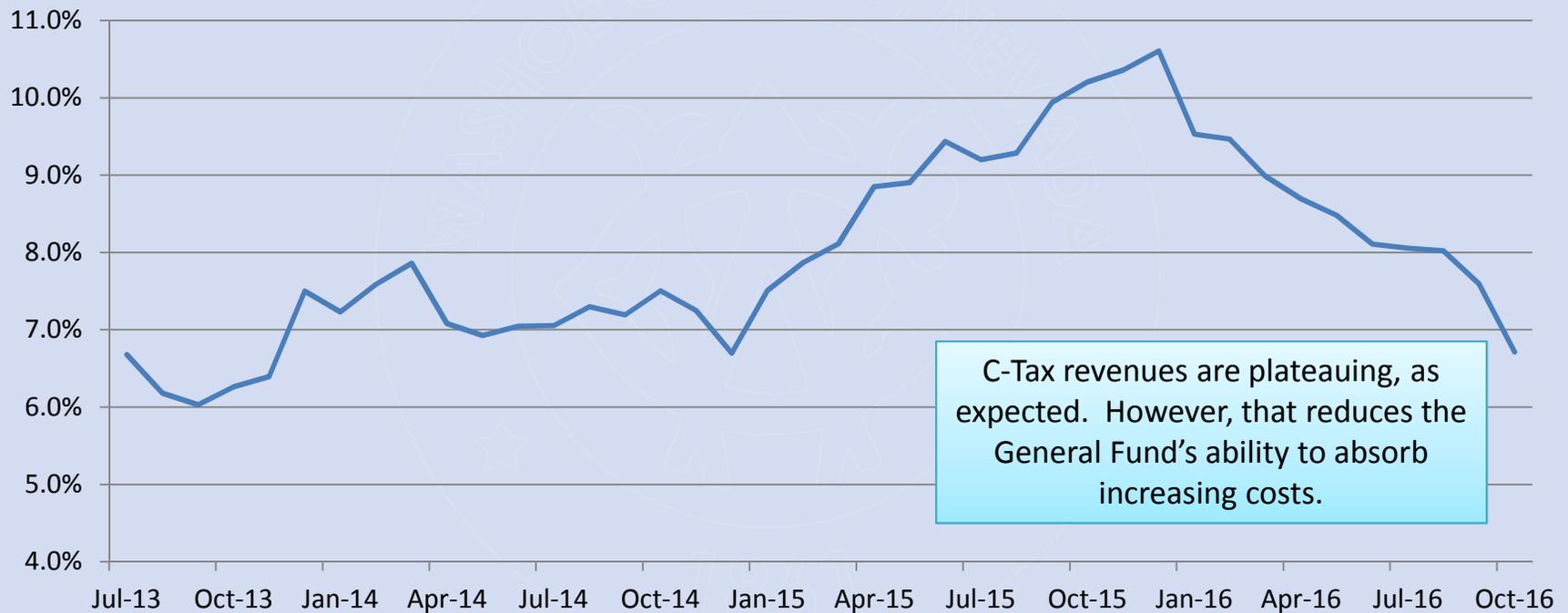


- **From FY16 through FY18, the annual amount of abated taxes (the difference in the taxes due on the assessed value versus what was actually paid due to the property tax) has exceeded \$25 million each year.**
- **Abatements now amount to 15% of paid taxes.**



# C-Tax Revenues are Normalizing

## Washoe County Consolidated Tax % Change of 12-month Moving Average of Collections



C-Tax revenues are plateauing, as expected. However, that reduces the General Fund's ability to absorb increasing costs.



# FY18 Major Expenditure Trends

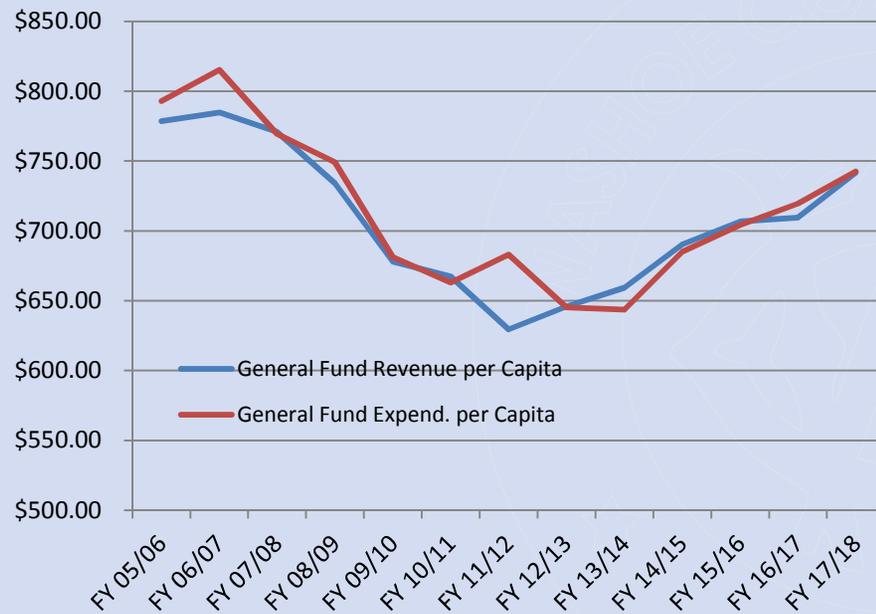
Item	Change from FY17 Budget	Notes
Salaries & Wages	\$5,982,799	<ul style="list-style-type: none"><li>• 3.5% COLA</li><li>• Merit increases add another 0.7%, so total increase is 4.2%.</li></ul>
Retiree Medical (OPEB)	1,471,937	<ul style="list-style-type: none"><li>• Based on actuarial report</li></ul>
Retirement Contribution	2,170,980	<ul style="list-style-type: none"><li>• No change in retirement rates, increase is due to increased salaries</li></ul>
Services & Supplies	1,559,665	<ul style="list-style-type: none"><li>• Largest increase is detention center medical services contract</li></ul>
Other	183,800	<ul style="list-style-type: none"><li>• Net increase in other benefits</li></ul>
<b>Total</b>	<b>\$11,369,181</b>	<b>(+4.5%)</b>

*\* Does not include effect of transfer of an additional \$2.7 million to CIP, which is equivalent to the reduction in debt property tax rate.*

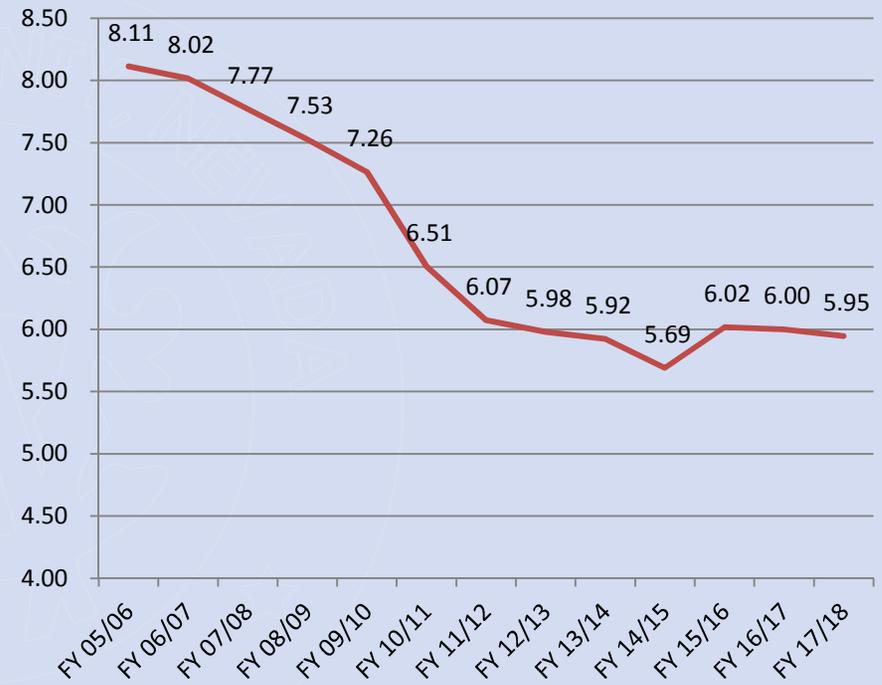


# Per Capita Revenues, Expenses & Staffing

## General Fund Revenues and Expenditures per Capita



## FTE's per 1,000 Population



Since FY12, General Fund revenues per capita have risen. However, due to rising labor costs and other factors, the total number of employees per 1,000 population has not increased since the Great Recession.



# FY18 Recommended General Fund Budget

		Net Change from FY17 Budget
Revenues/Transfers In	<ul style="list-style-type: none"><li>• Revenue Increases</li><li>• Transfers In</li></ul>	\$13,496,538 <143,304>
Less Expenditures	<ul style="list-style-type: none"><li>• Salaries &amp; Benefits</li><li>• OPEB</li><li>• <u>Operating supplies increases</u></li><li>• TOTAL</li></ul>	8,337,579 1,471,937 1,559,665 11,369,181
Less Transfers Out	<ul style="list-style-type: none"><li>• Net Change in Transfers Out</li></ul>	<635,773>
Requirement to Balance Budget	<ul style="list-style-type: none"><li>• To balance budget</li></ul>	1,581,702
<b>TOTAL AVAILABLE ABOVE-BASE RESOURCES = \$1,038,124</b>		

*\* Does not include effect of reduction in debt property tax rate. Those dollars are transferred to CIP.*



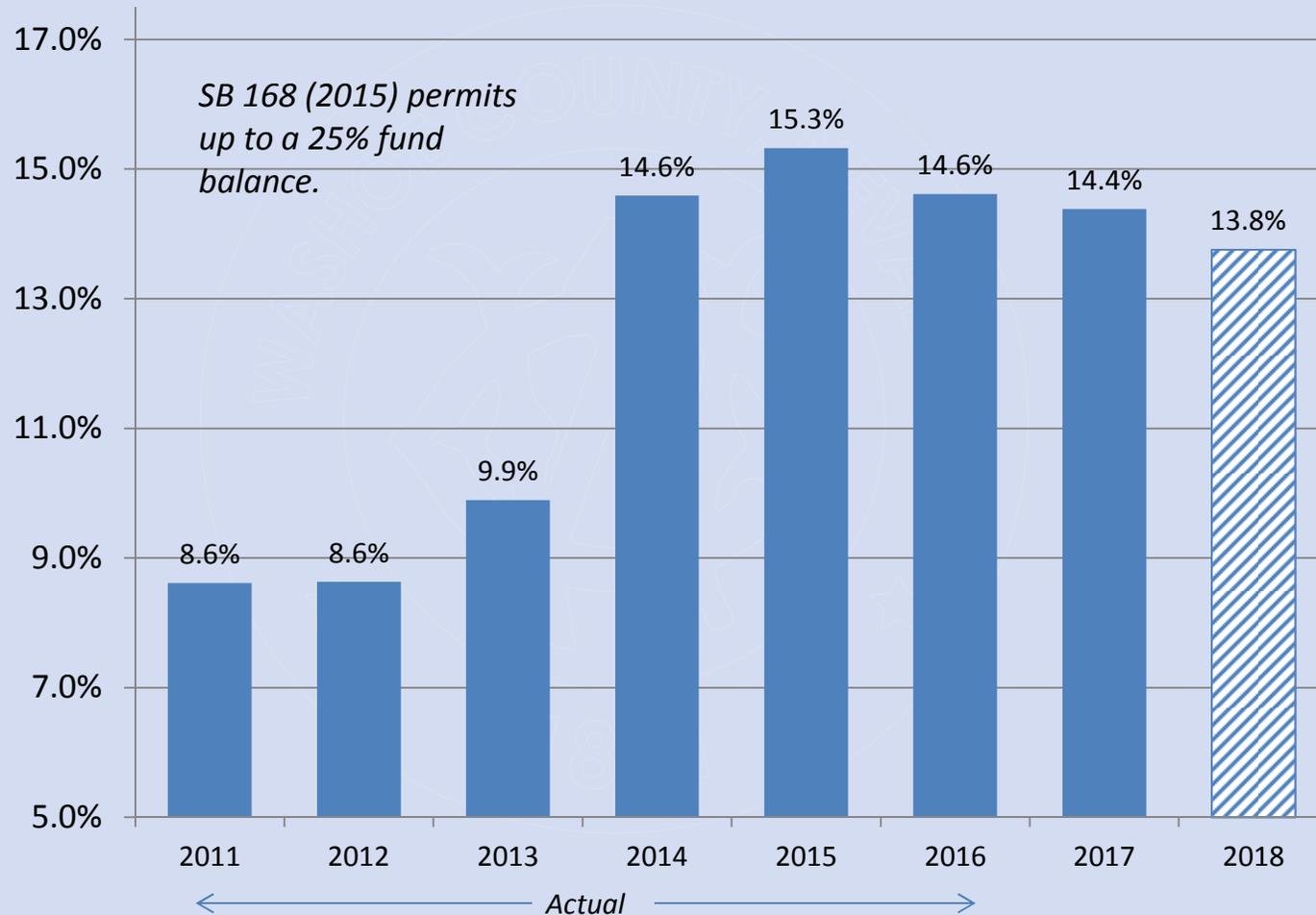
# FY18 Recommended General Fund Budget

## Washoe County General Fund Sources and Uses

	FY16/17	FY16/17	FY17/18	FY17 Budget to FY18	
	Orig Budget	Estimated	Tent. Budget	\$ Chg.	% Chg.
<b>Revenues and Other Sources:</b>					
Taxes	\$152,237,230	\$152,347,230	\$161,760,423	\$9,523,193	6.3%
Consolidated taxes	103,150,525	102,775,700	108,942,685	5,792,160	5.6%
Other Revenue	60,953,162	58,406,013	62,997,809	2,044,647	3.4%
<b>Total revenues</b>	<b>316,340,917</b>	<b>313,528,943</b>	<b>332,537,455</b>	16,196,538	5.1%
Transfers In	480,704	480,704	337,400	(143,304)	-29.8%
<b>Total revenues and transfers in</b>	<b>316,821,621</b>	<b>314,009,647</b>	<b>332,874,855</b>	<b>16,053,234</b>	<b>5.1%</b>
<b>Expenditures and Other Uses:</b>					
Total expenditures	275,034,316	274,583,149	286,403,497	11,369,181	4.1%
Transfers out	41,869,007	42,602,232	43,933,234	2,064,227	4.9%
Contingency	1,500,000	775,000	2,538,124	1,038,124	69.2%
<b>Total Uses</b>	<b>318,403,323</b>	<b>317,960,381</b>	<b>332,874,855</b>	<b>14,471,532</b>	<b>4.5%</b>
<b>Fund Balance</b>					
Total Ending Fund Balance	43,029,363	49,487,865	49,487,865	6,458,502	15.0%
Available Ending Fund Balance	<b>\$39,279,363</b>	<b>\$45,737,865</b>	<b>\$45,737,865</b>	<b>6,458,502</b>	<b>16.4%</b>
Available Ending Fund Balance as % of Expend/Transfers Out Less Capital	12.4%	14.4%	13.8%		



# Historical & Projected Unrestricted General Fund Balance





# FY18 Recommended Budget – All Funds

<b>Summary of Governmental Funds</b>						
	Revenues	Other Financing Sources	Expenditures	Transfers Out	Contingency	Total Appropriations
<b>Governmental Funds</b>						
General Fund	332,537,455	337,400	286,403,497	43,933,234	2,538,124	332,874,855
Special Revenue Funds	128,941,509	33,232,054	170,779,964	3,687,790		174,467,754
Capital Project Funds	8,810,731	7,700,000	24,648,015	1,950,000		26,598,015
Debt Service Funds	2,980,707	8,306,569	11,957,471	-	-	11,957,471
Subtotal	473,270,402	49,576,024	493,788,947	49,571,024	2,538,124	545,898,095
<b>Summary of Proprietary Funds</b>						
	Operating Revenues	Non-Operating Rev.	Operating Expenses	Non-Operating Expenses	Net Operating Transfers	Total Appropriations
<b>Proprietary Funds</b>						
Enterprise Funds	18,560,283	5,637,858	19,703,436	408,665	-	20,112,101
Internal Service Funds	69,337,941	1,296,795	69,834,054	-	-	69,834,054
Subtotal	87,898,225	6,934,653	89,537,489	408,665	-	89,946,154
<b>Total All Funds</b>						<b>635,844,249</b>



# Budget

- Budget Process Update
- Fiscal Responsibility/General Fund assumptions
- **County Manager's Recommendations**



# Other Unknown Cost Impacts (in addition to Disaster Costs)

- **Federal Issues**
  - ACA Repeal
  - Cuts to Other Programs & Partners (EPA, CDBG, etc.)
- **State Legislation/Issues**
  - Medicaid/ACA Trickle Down effects
  - Legislative Impacts from 2017 session
- **County Issues (highlights only, not comprehensive)**
  - Incline Village Property Tax Lawsuit
  - Pre-Trial Risk Assessment Program/ CrimLog Impacts



# FY18 General Fund Base Budget

## Recommended Budget

## Mid-Year

Available FY18 Resources	
Net Total Available General Funds	\$1,038,124



General Fund Contingency Account

(available for future purposes in FY18)



### Scenario 1

Funds needed to cover disaster costs or other unknowns

### Scenario 2

Funds used for departments' above -base requests.

*\* Does not include effect of transfer of an additional \$2.7 million to CIP, which is equivalent to the reduction in debt property tax rate.*



# FY2018 Budget Recommendations

## First Priority: Cover disaster-related costs

Short-Term Cash Flow Issues: prior to FEMA reimbursement  
Long-Term Issues: cover unreimbursed costs + replenish Stabilization

## Second Priority: Cover costs of currently unknown impacts

### Third Priority:

Fund critical above-base enhancements to departments' budgets.



# Recommended Budgeted Increases with Cost Offsets or Revenue Increases

## Summary of Budget Recommendations - All Funds

### Expanded Programs / New Positions

<u>Function</u>	<u>FTE's</u>	<u>Cost</u>
Public Safety	5.0	\$1,669,557
Public Works/Culture & Rec	3.0	590,530
General Government	3.0	147,591
Judicial	2.0	158,206
Health	1.0	333,922
<b>Subtotal</b>	<b>14.0</b>	<b>2,899,807</b>
Reclassifications	0.0	140,176
<b>Total</b>	<b>14.0</b>	<b>3,039,983</b>

\* Includes funding for additional detention center medical costs, not included on Attachment A.



# Recommended Budgeted Increases with Cost Offsets or Revenue Increases

Public Safety	Department	Short Description	Fund	FTE's	Total Cost
	Alternative Sentencing	Sober 24: Increase in Pooled Positions, Supplies, Software	General	-	105,000
	Alternative Sentencing	Restoration of Fugitive Apprehension Supervision Team (FAST) funding. Reno Justice Court has agreed to phase out support by 50% in FY18.	General	-	50,000
	Sheriff	Alternative to Incarceration Unit (AIU) - Additional Inmate Work Program Leader	General	1.00	64,132
	Sheriff	Detention Center Medical Services Costs	General	-	764,000
	Juvenile Services	Two additional Youth Advisors	Grant	2.00	156,374
	Animal Services	Animal Control Box Replacement/Field Services Division	Animal Svcs	-	250,000
	Medical Examiner	New Assistant Medical Examiner	General	1.00	211,711
	Medical Examiner	New Forensic Medical Transcriber	General	1.00	68,340
	<b>TOTAL</b>				

*Does not include JEC-approved reclassifications*



# Recommended Budgeted Increases with Cost Offsets or Revenue Increases

	Department	Short Description	Fund	FTE's	Total Cost
Public Works	Fund 560 - Community Services	Building and Safety Consolidation - Reclass of Deputy Building Official to Plans Examiner Supervisor (decrease); Move Technology Systems Developer II to Tech Services Dept	Bldg & Safety	-	(82,536)
	Fund 402 - Community Services	Capital Improvement Fund - Sr. Project Manager and Building Operations Project Manger to support new growth in capital projects	CIP	2.00	245,158
	Fund 216 - Community Services	Roads - Development Inspections.	Roads	-	40,000
	Fund 216 - Community Services	Roads - Operations (Increase OT budget as well as purchasing a new Dump/Plow/Sander truck)	Roads	-	261,992
	Fund 566 - Community Services	Utilities Fund Environmental Engineer I	Utilities	1.00	120,916
Culture & Rec	Community Services	Gaspari Water Play Park - to be open 7 days a week during the summer season; Revenue offset from being open more days/week	General	-	5,000
<b>TOTAL</b>					<b>590,530</b>

*Does not include JEC-approved reclassifications*



# Recommended Budgeted Increases with Cost Offsets or Revenue Increases

	Department	Short Description	Fund	# of FTE's Requested	Total Cost
General Government	Fund 270: Recorder	New Department Systems Technician - to be funded from Recorder Tech Fund	Recorder Tech Fund	1.00	74,094
	Human Resources	Health Benefits - additional Office Support Specialist	Health Benefits	1.00	69,340
	Community Services	Planning and Building consolidation with a new Planning Manager; Allocating 63% of Div Director to Bldg. & Safety Fund	General	1.00	4,156
	<b>TOTAL</b>				<b>147,591</b>
Judicial	District Court	Additional two Pre-Trial Services Officers positons	General	2.00	152,188
	Incline Justice Court	Increase part-time Justice Support Specialist's budgeted hours per pay period from 56 hours to 64 hours (0.70 to 0.80 FTE). Offset by reductions in other part-time position's hours.	General	-	6,019
	<b>TOTAL</b>				<b>158,206</b>

*Does not include JEC-approved reclassifications*



# Recommended Budgeted Increases with Cost Offsets or Revenue Increases

Health Function	Department	Short Description	Fund	# of FTE's Requested	Total Cost
	Fund 202 - Health - Chronic Disease	New Health Educator II position	Health Fund	1.00	88,642
	Fund 202 - Health - Environmental Health	Truing up and cost shifts of various staff members to allow for financial stability	Health Fund	-	228,975
	Fund 202 - Health - Vector Borne Disease	Reclass Vector Control Coordinator to Environmental Health Specialist Supervisor	Health Fund	-	-
	Fund 202 - Health - Vital Statistics	Payments to Other Agencies for Birth/Death Certificates	Health Fund	-	16,305
	Fund 202 - Health - Women, Infant, Children	New Intermittent Community Health Nutritionist	Health Fund	-	-
<b>TOTAL</b>					<b>333,922</b>

*Does not include JEC-approved reclassifications*



# Next Step

- May 23, 2017
- Public Hearing and Adoption of the Fiscal Year 2017–18 Final Budget

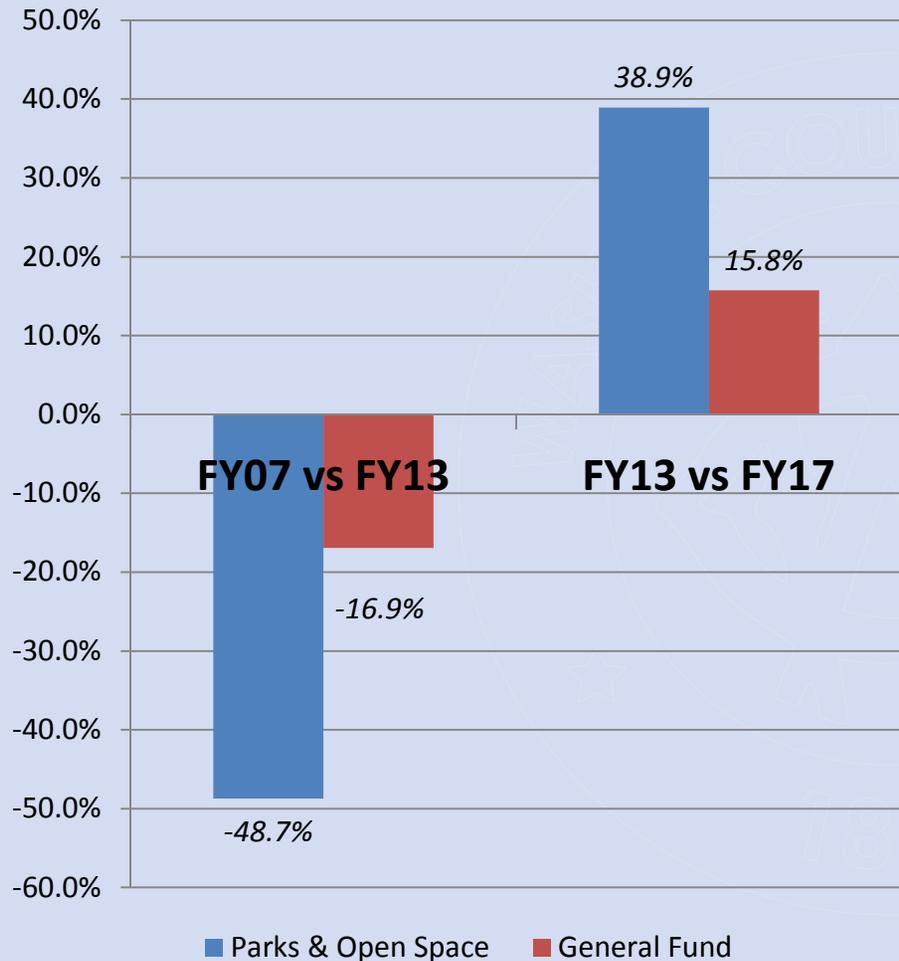


Special  
Topics

- **Parks & Recreation Spending**



# Parks & Open Space Budgets



- At its peak pre-recession high (FY07), the Parks and Open Space budget was \$8.75 million.
- However, the County annually had significant savings in its park budget. In FY08, for example, the County actually spent \$7.66 million versus a budget of \$8.61 million, a savings of nearly \$1 million.
- From FY07 to FY13, the Parks and Open Space budget was cut by almost half. However, this overstates the cuts since again Parks did not spend all of its budget in FY07 and FY08.
- Since then, the Parks and Open Space budget has increased 39% versus the General Fund, which has increased 16%.



# Parks & Open Space Funding

## Where was the budget cut and where are we today?

<u>Operating Budget</u>	<u>FY07</u>	<u>FY13</u>	<u>FY17</u>
Parks Admin	\$1,078,882	\$874,923	\$1,110,490
Parks Planning & Devel.	716,910	209,553	-
Recreation Programs	617,395	-	-
Parks Operations	5,784,239	3,401,401	4,656,301
Parks Infrastructure	552,546	-	465,500
<b>Total</b>	<b>\$8,749,972</b>	<b>\$4,485,877</b>	<b>\$6,232,291</b>

- Recreation Programs were completely eliminated in the recession as a strategic decision. Park planning functions have been absorbed in other divisions of CSD.
- The combined budget for Parks Operations and Infrastructure has been increased by \$1.7 million since FY13, from \$3.4 million to \$5.1 million.



# Parks Capital Projects

- CSD estimates it will spend or encumber \$11.6 mil. on parks capital projects in FY17:

South Valley Park Playground	\$ 182,415
White's Creek Playground Imp	220,720
Thomas Creek Playground	220,720
Callahan Park Playground	160,000
Gator Swamp Playground	323,000
Eagle Canyon Playground - RCT	416,740
Rancho San Rafael Irrigation Phase 2	1,400,000
Persigehl Land Acquisition	3,220,707
SQ-1 Restoration (carry-over)	31,000
SQ-1 Acquisition (carry-over)	253,200
Hunter Creek Trailhead (carry-over)	126,432
Golden Eagle Improvements	300,000
Pennington Park Improvements	166,130
Bowers Pool Pumps - Pennington	400,000
North Valley Recreation Phase 5 (carry-over)	2,251,500
Arboretum Greenhouse	280,000
All Other	1,676,582
<b>Total Expenditures</b>	<b>\$ 11,629,146</b>



# Parks Capital Projects

- The FY18 CIP includes nearly \$5 million in Park Capital Fund projects including the following:

Galena Terrace Park Development (carry-over)	\$ 229,000
Eagle Canyon Parking Lot (carry-over)	100,000
Services & Supplies Expense District 2	160,198
Ballardini-Persigehl Trails	232,338
SQ-1 Restoration (carry-over)	300,000
SQ-1 Acquisition (carry-over)	350,000
WC-1 Lake Tahoe Bike Phase 4 (carry-over)	785,000
Crystal Peak Access Road	254,820
Rancho Playground Improvements (carry-over)	400,000
Arboretum Visitor Center	78,453
Wetland Mitigation	217,519
All Other	1,690,701
<b>Total Expenditures</b>	<b>\$ 4,798,029</b>



# Questions?

