



Financial Overview and Preliminary Fiscal Year 2021 Budget Outlook

January 21, 2020



Agenda

- **General Fund Financial Overview:**
 - Fiscal Year 2019 Financial Results
 - Fiscal Year 2020 Mid-Year Budget Review
 - Fiscal Year 2021 Preliminary Budget Outlook



Washoe County

FY 2019 Financial Results



General Fund FY 2019 Financial Results

General Fund FY Ended 6/30/2019			Variance	
	Final Budget	Actual	\$	%
Operating Revenue	\$ 345,383,942	\$ 354,862,599	\$ 9,478,657	2.7%
Operating Expenditures	305,798,012	293,327,309	(12,470,703)	-4.1%
Excess/(Deficiency)	39,585,930	61,535,290	21,949,360	
Transfers In & Other Sources	332,400	95,699	(236,701)	-71%
Transfers Out	42,283,481	45,674,844	3,391,363	8%
Transfers (Out)/In	(41,951,081)	(45,579,145)	(3,628,064)	8.6%
Change in Fund Balance	(2,365,151)	15,956,145	18,321,296	-774.6%
Beginning Fund Balance 7/1/2018*	49,235,121	57,943,657	8,708,536	17.7%
Ending Fund Balance 6/30/2019	\$ 46,869,970	\$ 73,899,802	\$ 27,029,832	57.7%

Operating revenues 2.7% higher than budgeted.

Operating expenditures 4.1% less than budget primarily due to accounting treatment of the C-Tax refund and salary/benefit savings

Transfers out 8.6% higher primarily due to additional \$2.5M in funding to support Our Place homeless project construction (NNAMHS).

Overall Result: \$15.9 M change in Fund Balance, but a portion is restricted and unavailable



General Fund – Fund Balance

General Fund Fund Balance	6/30/2018	6/30/2019
Total Ending Fund Balance	\$ 57,943,657	\$ 73,899,802
Restricted Fund Balance		
Prepaid/unspendable items	-	2,077
Stabilization Fund for fiscal emergency	-	3,000,000
Intergovernmental	3,939	3,422
Debt Service	750,000	750,000
Restricted Fund Balance	753,939	3,755,499
Unrestricted Fund Balance		
Committed to programs and services	169,349	806,250
Assigned for Encumbrances reappropriated	1,401,787	2,680,502
Unassigned Fund Balance	55,618,582	66,657,551
Unrestricted Fund Balance	57,189,718	70,144,303
Unassigned Fund Balance	55,618,582	66,657,551
Less: Unrealized Investment Gains/(Losses)	1,320,229	2,134,609
Net Unassigned Fund Balance	\$ 54,298,353	\$ 64,522,942

Restricted \$3.75M:

- Increased \$3.0M due to replenishment of Stabilization Reserve
- PEBP reduction due to accounting change

Unrestricted \$70.1M:

- Unassigned includes \$3.7M PILT revenue in restatement of FY 2018 ending fund balance per auditors
- Unassigned Fund Balance net of unrealized investment gains \$64.5M and 19.1% of operating expenses, or 2.3 months of working capital





GFOA Fund Balance Guidelines

Appropriate policy level of unrestricted fund balance should take into account each government's unique circumstances:

- Vulnerability to natural disasters
- Degree of dependency on volatile revenue sources
- Potential for cuts in State or Federal funding

GFOA recommends no less than 2 months of working capital, which is equal to 16.6% of budgeted operating expenses. BCC policy range is between 10% and 17%.

Unrestricted Fund Balance should **not** be used as a funding source for ongoing recurring expenditures.

Governments should seek to replenish Fund Balances within 1-3 years.

*Fund Balance
protects taxpayers
and employees
from unexpected
changes in
financial
condition, and
contributes to
**Fiscal
Sustainability***



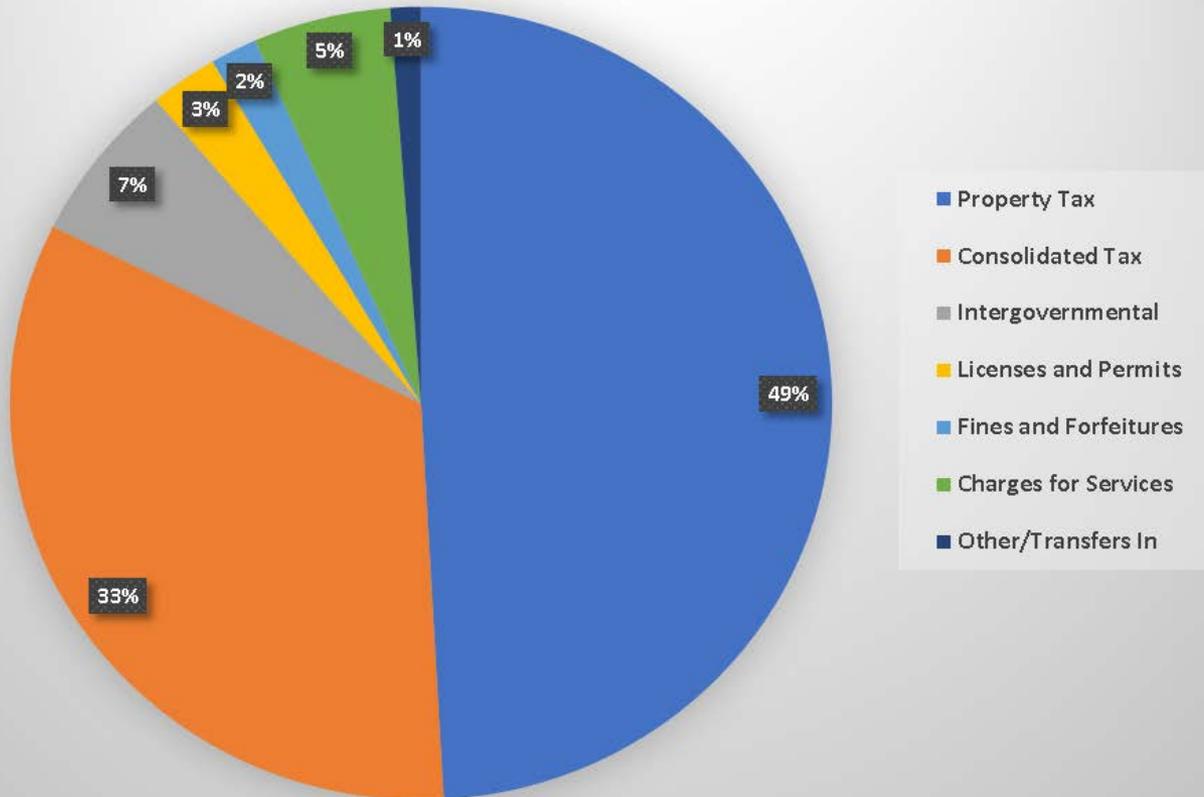
Washoe County

FY 2020 Mid-Year Budget Review



General Fund FY 2020 Budget

General Fund Revenues by Type

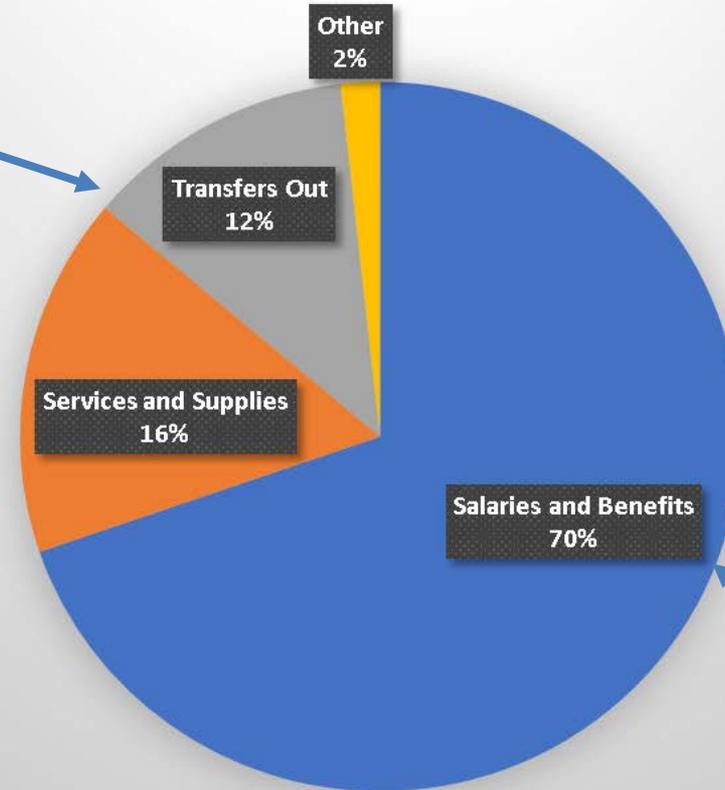


Property Tax & C-Tax are 82% of General Fund Revenue



General Fund FY 2020 Budget

General Fund Expenditures by Type



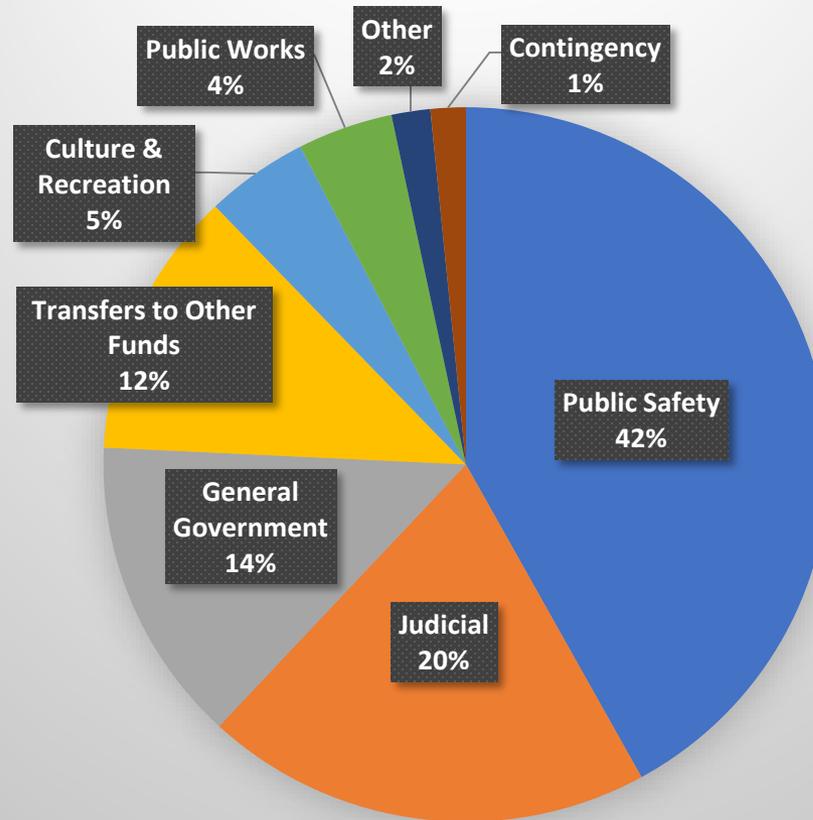
Transfers Out Support:
Capital Improvements
Child Protective Services
Debt Service
Health District
Indigent Fund
Roads Fund
Senior Services

Salaries & Benefits are 70% of General Fund Expenditures, a normal range for a service organization



General Fund FY 2020 Budget

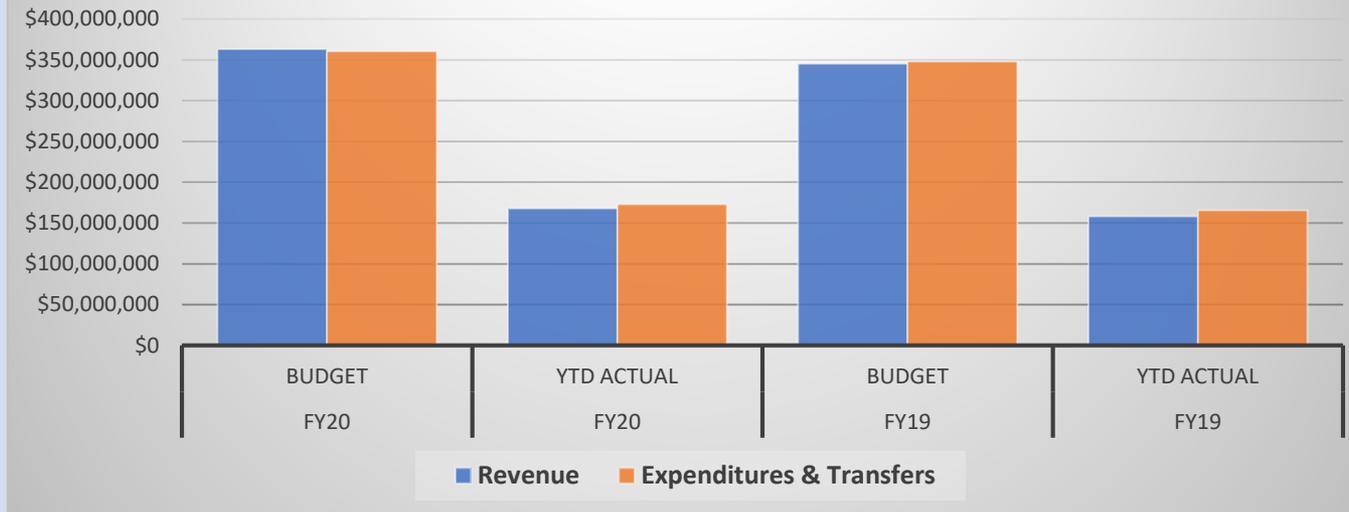
General Fund Expenditures by Function





General Fund Mid-Year FY 2020

General Fund Mid-Year Revenues and Expenditures



YTD Actuals vs. Budget tracking as expected

General Fund FY20 Year-to-Date July-December	FY20 Budget	FY20 YTD Actual	% of Budget	FY19 Budget	FY19 YTD Actual	% of Budget
Revenue	\$ 363,236,189	\$ 168,028,015	46%	\$ 345,383,942.47	\$ 158,115,433	46%
Expenditures & Transfers	\$ 360,256,901	\$ 173,008,945	48%	\$ 348,081,492.89	\$ 165,442,872	48%



Washoe County

FY 2021 Preliminary Budget Outlook



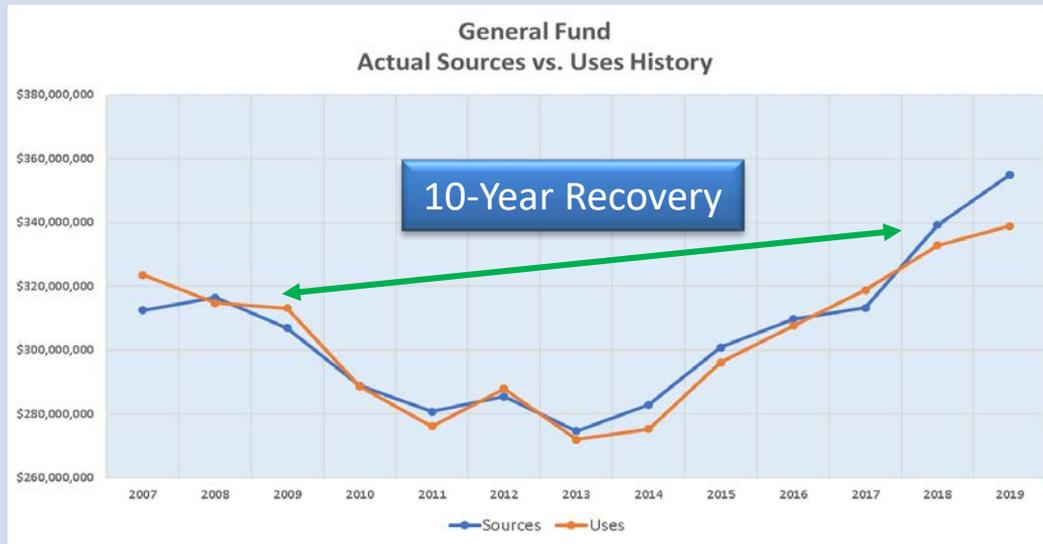
Preliminary Outlook for FY 2021

Economic Outlook: Stable with Slower Growth

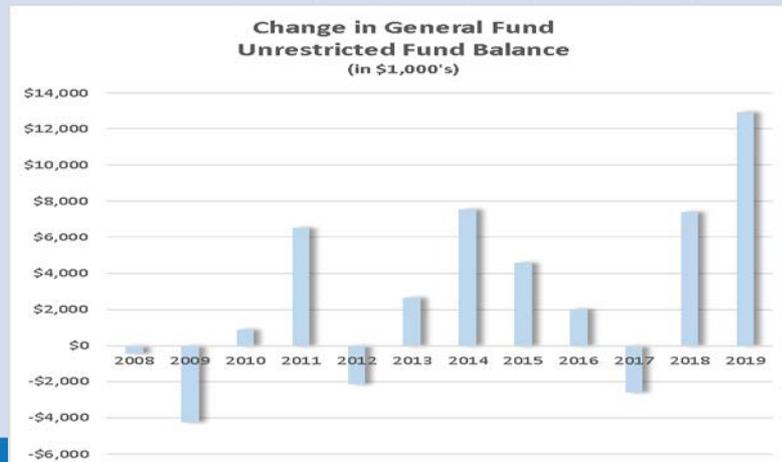
- **National Economy:** will longest economic expansion in modern history continue?
 - Deloitte CFO Signals Survey December 2019 – good news: only 3% now expect a recession, but 97% say a downturn has already begun or will occur in 2020. Geopolitical risk, trade issues and 2020 election cited as external risks.
 - UCLA Anderson Forecast U.S. economy will grow 2% annually in 2020 and 2021 – expect low interest rates to continue, employment and housing remain strong, but will plateau, auto sales to go down (troubles and bubble in auto lending), and \$ trillion annual federal deficits to continue
- **Regional Economy:** expected to continue to grow, but at a slower rate:
 - Development still going strong, residential, commercial and industrial sectors.
 - Employment also continues to be strong, unemployment rate (Nov. 2019 preliminary 2.7%).
 - EKAY Economic Consultants - Reno MSA December 2019 vs. 2018 Business Activity index up 2.8%, Construction Index down 30.7% (decline in building permits, a leading indicator), and Housing Affordability Index is up 3.9% (low mortgage rates)



General Fund History



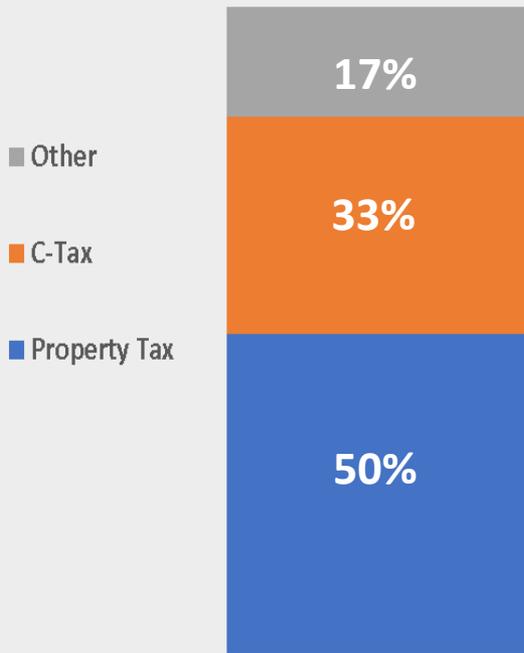
Fund balance is important to weather a normal recession – Great Recession was prolonged



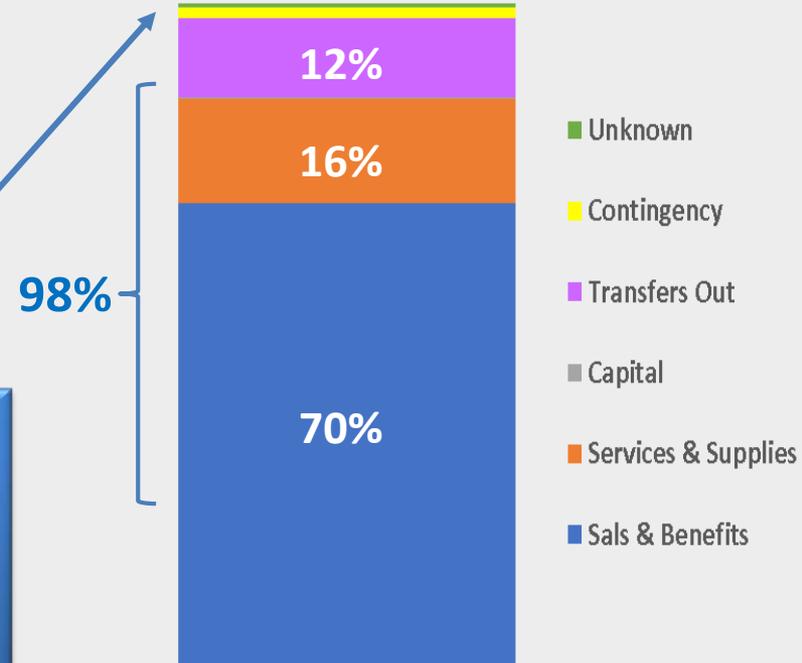


Preliminary General Fund FY 2021 Budget

General Fund Preliminary Revenue FY 2021



General Fund Preliminary Expense & Transfers FY 2021



Preliminary Budget is balanced with small amount for contingency and unknown fiscal impacts

98%



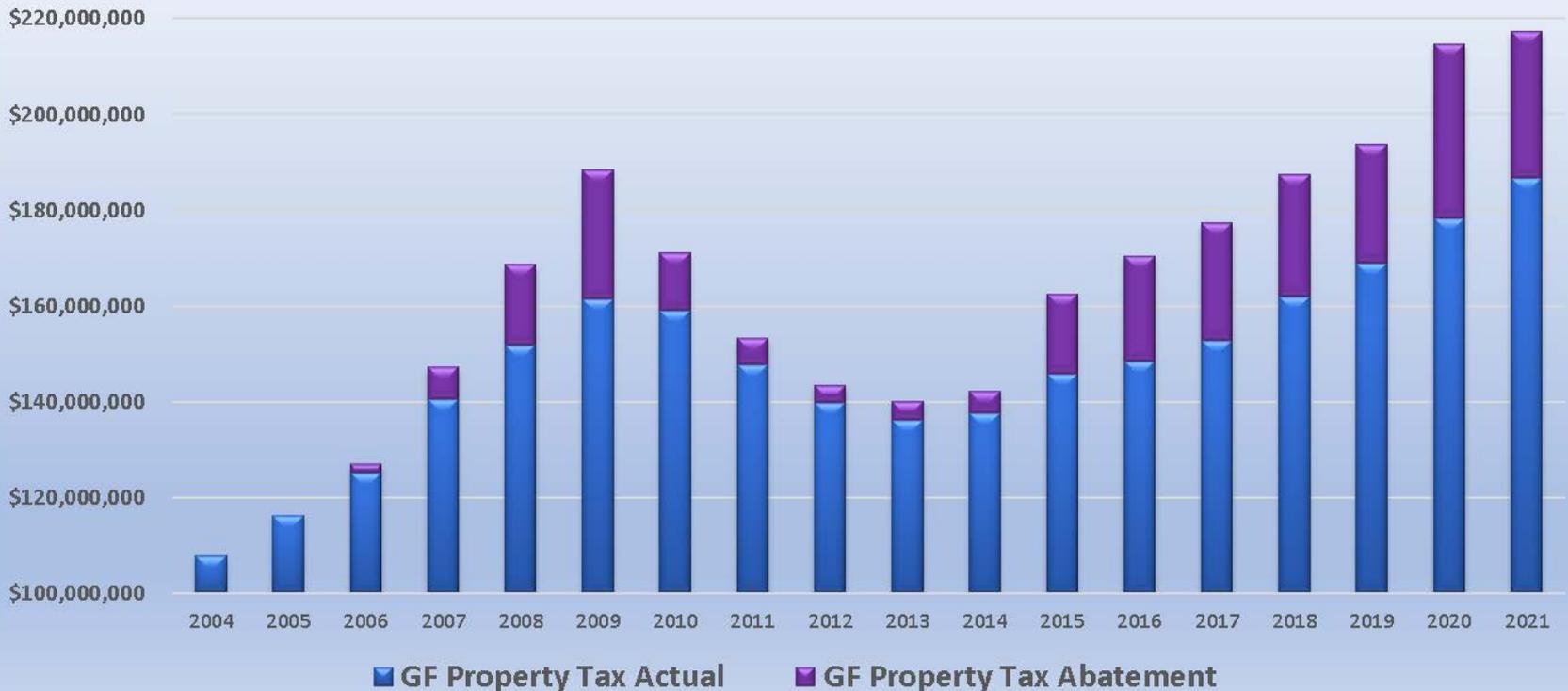
Revenue Trends

Item	Status	Notes
Consolidated Tax Revenues	●	<ul style="list-style-type: none">• Rate of growth of C-Tax revenues slowing• With four months reporting, FY20 revenues are up 8.6% over prior year<ul style="list-style-type: none">• FY19 Increase over FY18 = 5.0%, the smallest increase since FY12
Property Tax Revenues	●	<ul style="list-style-type: none">• FY21 estimated property tax caps ~ 3.0% residential; 3.6% to 4.5% general• New development may add ~ 1% – 1.5%
Other General Fund Revenues	●	<ul style="list-style-type: none">• Other revenues relatively stable but are not keeping up with inflation and some have seen declines based on impacts due to voter approved exemptions, legislative impacts and court decisions/operations



General Fund Property Tax

Property Tax History - General Fund (FY 2020 & FY 2021 estimated)

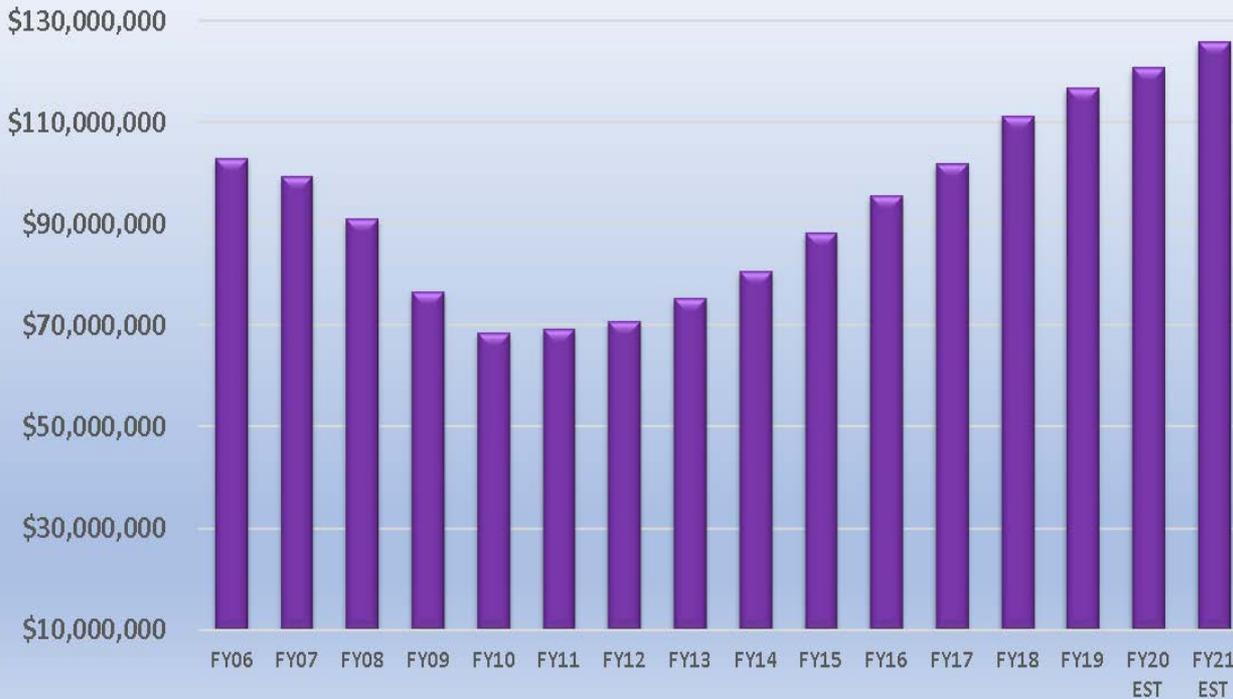


Cumulative GF abatement value FY 2005 through FY 2020 is \$232 million

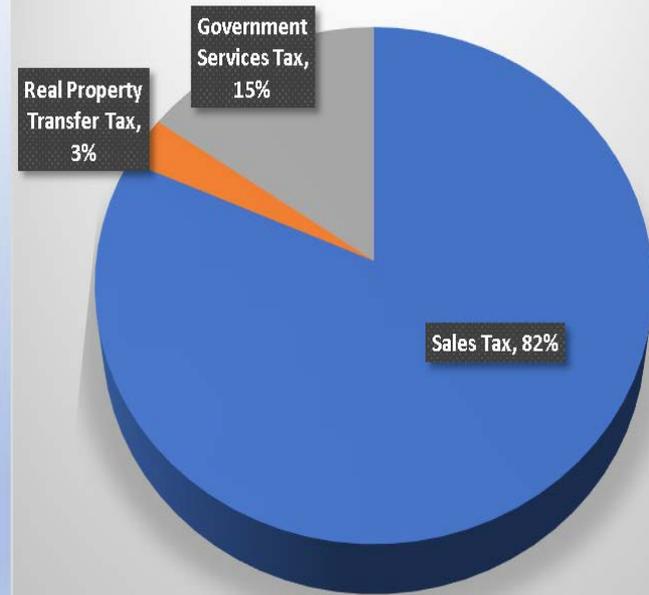


Consolidated Tax

C-Tax Revenue History (FY 2020 & 2021 estimated)



FY19 Actual C-Tax Breakout





General Fund Known Cost Increases

Item	Notes
Salaries & Wages	<ul style="list-style-type: none"> COLAs, regular merit and associated salaries ~ \$5.1M
Employee Benefits	<ul style="list-style-type: none"> Associated retirement benefits, including Health Insurance, PERS, OPEB ~ \$2.3M
Other Operational Increases	<ul style="list-style-type: none"> Services & Supplies Increases ~\$3M <ul style="list-style-type: none"> Detention Medical Contract ~\$513K State of Nevada Pretrial Sentencing & Juvenile Services Payment ~\$301K Software Maintenance & Subscriptions ~789K Equipment Service Rates ~\$410K Assessor Audit Contract \$700K Other ~\$200K
Transfers	<ul style="list-style-type: none"> Debt service required ~ \$400K Indigent Fund ~ \$870K

Known cost increases total \$11.6M, and are included in the preliminary "base" Budget





Unknown Impacts & Emerging Issues

Item	Notes
Economic Outlook	National and regional. Slow down on the horizon?
Pending Litigation	Impacts to be determined – May be significant
2019 State Legislative Session-Court Impacts	Domestic Violence Jury Trials, non-collectible fees Impacts to be determined
Technology	Operating cost impacts from current systems replacements and/or upgrades
Operating Programs Expansions	Ongoing impacts to be determined: Our Place, Homeless Services, Dispatch, Others
Department Requests	Above Base Budget requests currently unknown

Fiscal impacts currently unknown, and are not included in preliminary “base” Budget



Capital Needs

Item	Notes
Annual Capital Improvement Program (CIP)	<ul style="list-style-type: none"> Total 5-Year CIP requests are \$77 M FY21 CIP requests total \$33 M (\$30 M requested from General Fund) Current General Fund CIP funding level \$6.3M (21% of FY21 requests)
Capital Infrastructure and Equipment Replacement	<ul style="list-style-type: none"> CIP includes funding requests for replacement of roofs, HVACs, and other major equipment \$1M ongoing annual funding was approved for major maintenance/replacement in FY20 <ul style="list-style-type: none"> FY21 Facilities Requests = \$8.6M No annual funding specifically allocated for ongoing technology needs <ul style="list-style-type: none"> FY21 Technology Requests = \$3.4M
Major Long-Term Capital Considerations on the Horizon Estimated to Exceed \$950M with Insufficient Funding	<ul style="list-style-type: none"> WCSO Infirmary/Crime Lab (Master Plan) Downtown Project/Court Building (Master Plan) 9th Street Facility (Master Plan) North Valleys Library (Master Plan) Technology Infrastructure, and major systems Storm Water/TMDL/Flood

Long-term sustainable revenue sources are needed to finance major capital projects



Summary

Outlook is Stable with Slower Growth:

- Moderate growth in operating revenues expected to cover known base budget expense increase
 - Ability to fund above base budget requests will again be limited
- Timing of significant one-time costs from pending litigation needs to be determined
- Capital Improvement needs continue to grow with inadequate funding long-term

Structurally balanced General Fund Budget needed for fiscal sustainability:

- Goal is to present the BCC with a structurally balanced budget for FY 2021 and going forward in future years



Recommendations

Recommendations:

- Departments should continue to prioritize, restructure and/or reallocate resources from within existing budgets, before requesting above base increases
- Maintain Contingency funding due to uncertainties
- One-time transfers of \$9.5M from General Fund Available Fund Balance and FY20 FEMA Reimbursements to the Capital Improvement Fund
 - \$8.5M General Fund Transfer of Fund Balance; brings it to 16.5%
 - \$1M FEMA Reimbursement Transfer
- Increase ongoing Capital Improvement funding for technology



Budget Timeline & Next Steps

Date/Month	Item
Jan. 21	BCC Presented FY21 Preliminary Budget Information
Jan. 23 & 24	Departments attend Budget Information Sessions
Jan. 1 (or prior) – February 7	Departments review budgets and submit requested changes
February 7	Due date to submit FY21 budget requests
March 2-9	Departments meet with Manager's Office to review budgets
March 15-25	C-Tax and Property Tax revenue projections finalized
March 16-27	Finalize budget recommendations to County Manager
April 15	State deadline to submit Tentative Budget
April 21	County Manager presents recommendations to BCC
May 19	BCC Public Hearing and Adoption of Final Budget
June 1	State deadline to submit Final Budget



Questions?