

Washoe County Financial Outlook

Board of County Commissioners Workshop

January 13th, 2021

Presented by:

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and

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Maintaining Stability in a Time of Uncertainty



Discussion Flow:

- FY 2020 Year End Results
- FY 2021 Mid-year Review
- FY 2022 Outlook

FY 2020 Year-end Results

General Fund Financial Results FY Ended June 30, 2020	Final Budget	Audited Actual	Variance to Final Budget
Revenue	\$364,536,189	\$371,368,930	1.9%
Less: Expense	326,149,674	313,105,035	-4.0%
Other Financing Uses	<u>43,573,827</u>	<u>37,817,388</u>	<u>-13.2%</u>
Net Change in Fund Balance	(5,187,312)	20,446,507	3.5%
Beginning Fund Balance, July 1	<u>61,778,224</u>	<u>73,821,298</u>	
Ending Fund Balance, June 30	\$56,590,912	\$94,267,805	

How did we end the fiscal year?

- **Revenue 1.9% higher than budget:** positive impact on revenue from federal stimulus and pent-up demand in local economy.
- **Expenses 4.0% less than budget:** reduced due to proactive measures including, soft hiring freeze/salary savings, weekly expense review committee.
- **Other Financing Uses 13.2% less than budgeted:** Transfer out for capital projects deferred, transfer in from Risk Management Fund, reallocated contingency budget
- **Result:** Budgeted net reduction of \$5.2 M in fund balance did not occur.

How Much Fund Balance is Needed?

Considerations:

- BCC Reserves Policy is to maintain unassigned fund balance between 10%-17% of operating budget.
- Working capital from fund balance is necessary to meet cash flow needs to pay the County's bills throughout the year.
- Washoe County's financial strength due to strong fiscal management and reserves cited by rating agencies in most recent bond ratings (Aa2 Moody's and AA Standard & Poor's) . Reductions in reserves can cause concerns for debt coverage.
- NRS requires a minimum fund balance of 4%, and consecutive annual reductions in fund balance have State fiscal watch implications.
- Fund balance not necessarily the same as "available cash" – investments, and other assets that would need to be sold to convert to cash.

Government Finance Officers Association Recommends:

Appropriate policy level of unrestricted fund balance depends on each government's unique circumstances:

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

Recommend 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.

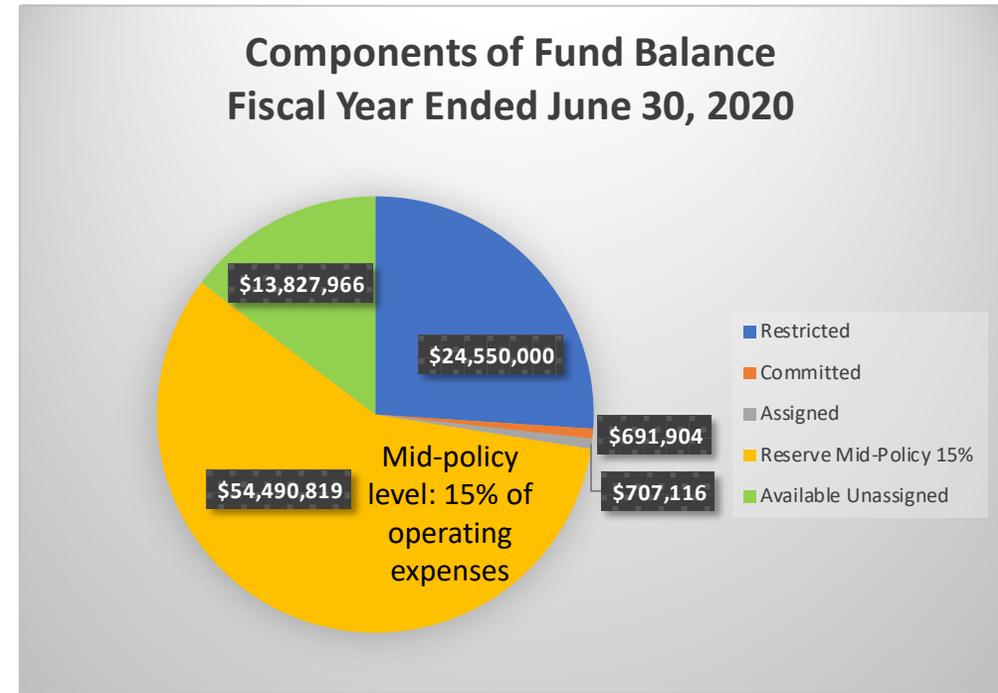
Replenish Fund Balances within 1-3 years.



Components of Fund Balance

General Fund Balance	Fiscal Year Ended, June 30, 2020	
Restricted	\$24,550,000	Restricted by external legal obligation
Committed	691,904	Committed to a specific purpose by the BCC
Assigned	707,116	Intended use assigned by BCC
Unassigned	<u>68,318,785</u>	Available for working capital & one-time uses after BCC policy level and NRS requirements
Total Fund Balance	\$94,267,805	
Unassigned Fund Balance as a % of Operating Budget	18.9% 69 days of working capital	BCC policy is 10%-17%

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



FY 2021 Mid-Year Review

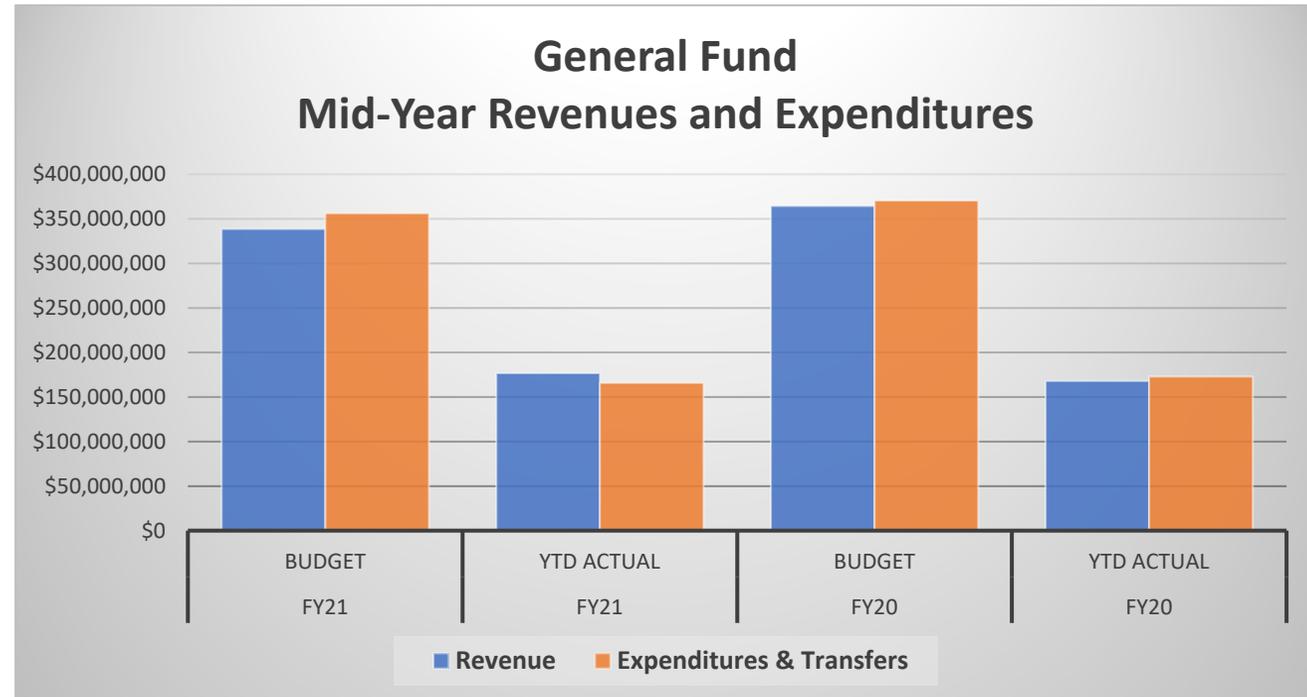
FY 2021 Budget was developed in March-April 2020 during the uncertainty of the initial nationwide shutdown

Uncertain Certainty?

First six months budget vs. actual – tracking normally

- FY21 budgeted revenue is \$25.8M less than FY20 (7.1% lower) – FY21 actual revenue is \$8.7M greater than FY20 (5.2% higher)
- FY21 actual expenses are tracking in alignment with budget – must continue to monitor that budgeted savings are realized

Second six months? Impact of continued shut-downs, minimal federal stimulus, prolonged unemployment, continued COVID response costs including vaccinations



General Fund FY21	FY21	FY21	% of	FY20	FY20	% of
Year-to-Date July-December	Budget	YTD Actual	Budget	Budget	YTD Actual	Budget
Revenue	\$ 338,700,934	\$ 176,704,665	52%	\$ 364,536,188.75	\$ 168,028,015	46%
Expenditures & Transfers	\$ 356,315,413	\$ 165,913,382	47%	\$ 370,456,900.72	\$ 173,008,945	47%

Outlook: Uncertainty & Maintain Stability

The Big Challenges for FY 2022:

- **Pandemic:** continued emergency response costs, recovery and ongoing economic implications
- **Homelessness:** need for expansion of regional services and associated ongoing costs
- **Property Tax Refunds:** legal obligation to pay refunds – will it be \$24 million, \$40 million or \$56 million?
- **Legislative Session** – unfunded mandates, State funding reductions, SGST, other?



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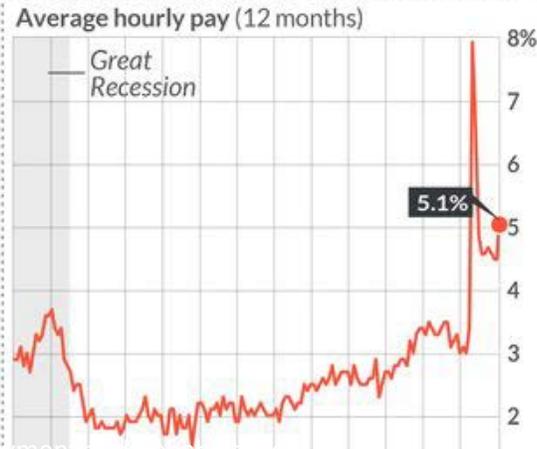
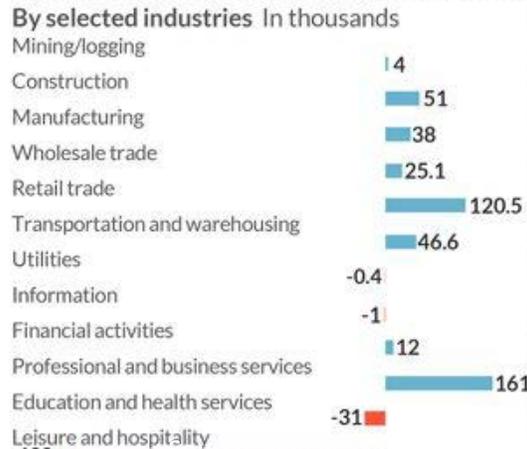
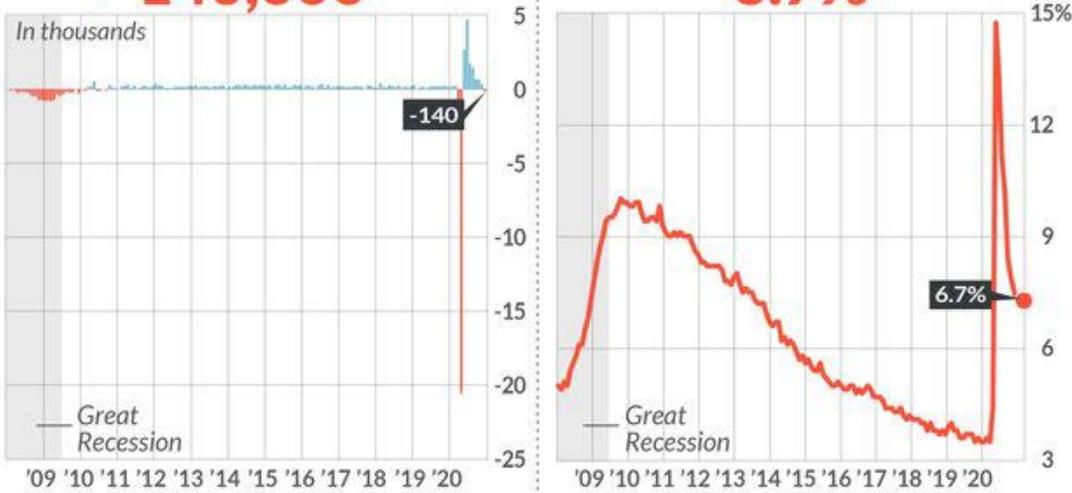
Economic Outlook

December Jobs

REPORT

Monthly jobs growth
▼-140,000

Unemployment
6.7%



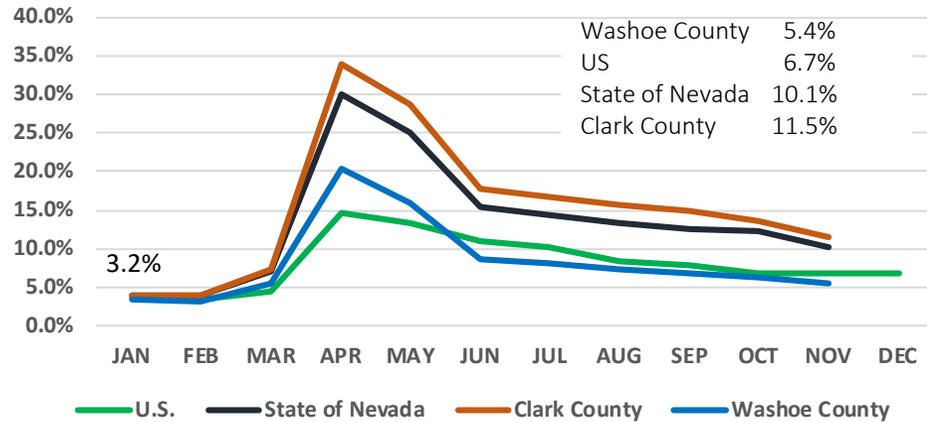
Source: U.S. Bureau of Labor Statistics

Coronavirus Sends Labor Market Recovery Into Reverse

December net loss of 140k non-farm jobs driven by coronavirus resurgence, new business restrictions, and new stay at home orders. Leisure and hospitality industry lost 498k jobs and was still 3.9M below pre-pandemic levels. Job growth also weakened or reversed in government (-45k), education and health care (-31k), information (-1k), and financial services (+12k). Nearly all the new labor market weakness was in the services side of the economy, while the goods production side of the economy continued to ramp up employment.

Source: Bank of the West Economics

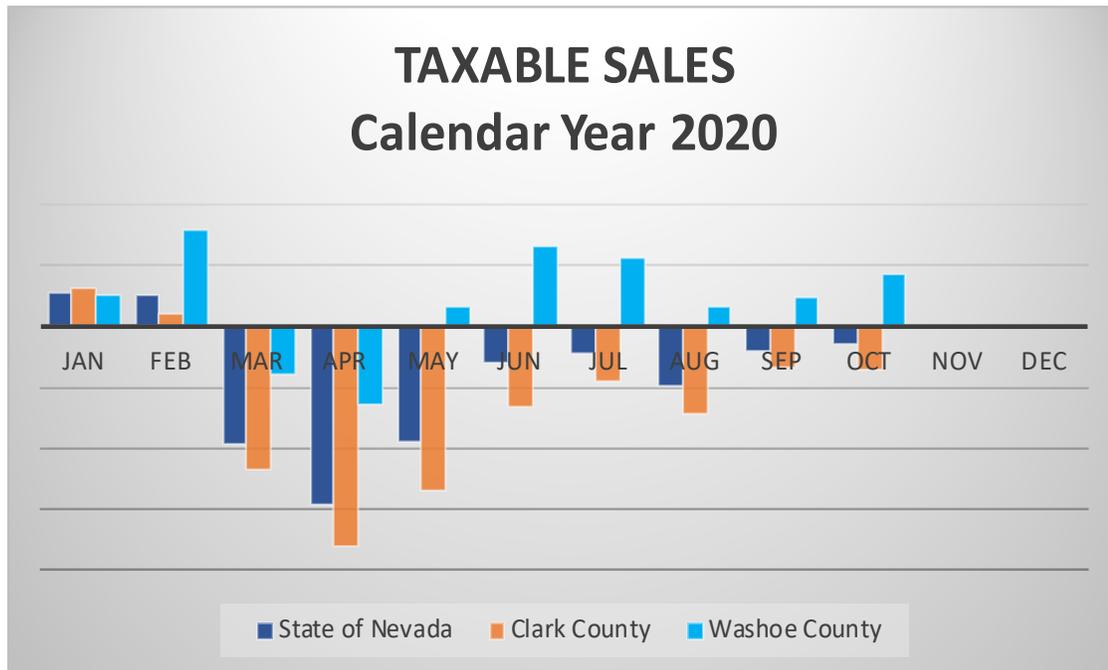
UNEMPLOYMENT RATE 2020



Source: U.S. Bureau of Labor Statistics

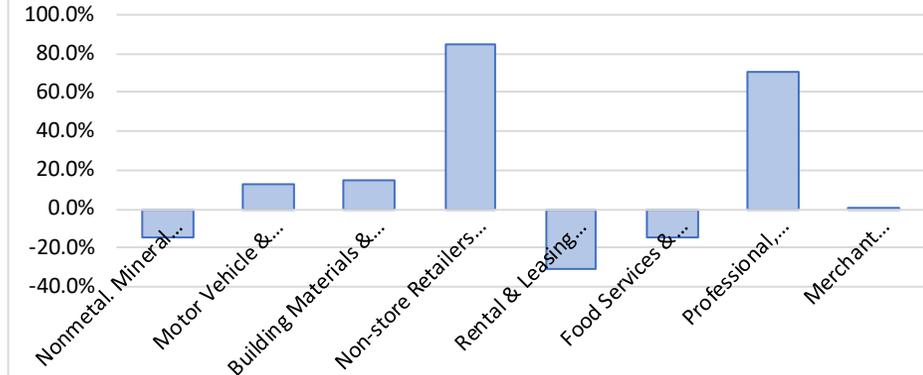
Washoe County unemployment rate continues to perform better due to economic diversity.

Economic Outlook



State of Nevada Department of Taxation

Washoe County Annual Change in Taxable Sales by Highlighted Industry - October 2020



Washoe County Taxable Sales				
Fiscal Year	Washoe County	% Change	State of Nevada	% Change
2010	\$5,176,981,699		\$37,772,066,777	
2011	5,282,935,192	2.0%	39,935,010,577	5.7%
2012	5,522,605,351	4.5%	42,954,750,131	7.6%
2013	5,824,726,136	5.5%	45,203,408,413	5.2%
2014	6,370,684,534	9.4%	47,440,345,167	4.9%
2015	6,817,588,648	7.0%	50,347,535,591	6.1%
2016	7,550,466,734	10.7%	52,788,295,421	4.8%
2017	7,989,009,111	5.8%	56,547,741,530	7.1%
2018	8,531,252,745	6.8%	58,947,823,520	4.2%
2019	8,829,863,974	3.5%	62,561,025,875	6.1%
2020	9,250,415,486	4.8%	61,365,683,690	-1.9%
2021-YTD	3,370,990,459	6.7%	20,453,790,161	-5.2%

2021-YTD = July-October

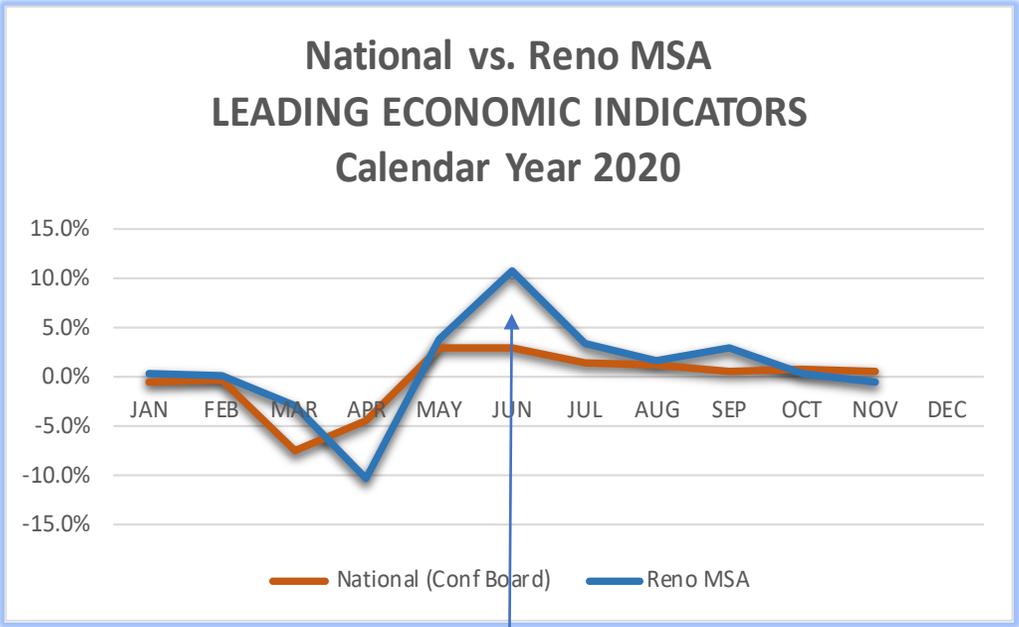
Economic Outlook

National Outlook:

The Conference Board anticipates global growth will rise by 4.4 % year-on-year in 2021 following a dramatic decline of 4.2% in 2020.

The outlook over the next year is heavily dependent upon 1) the evolution of the pandemic; 2) government policy to control outbreaks; 3) continued monetary and fiscal policy supports; and 4) widespread availability of coronavirus treatments and vaccines.

The Conference Board Center - Economy, Strategy & Finance



June – casinos re-opened, and all other indicators were up

Reno MSA:

Local economic indicators show a 0.54% decline between October and November 2020. The decline was driven by declines in gaming revenue, airport passengers, and airport shipments. The number of initial claims for unemployment also declined, a positive indicator.

Year-on-year, the index increased by 4.58% over the same period last year. The index exceeded its pre-pandemic levels in September 2020.

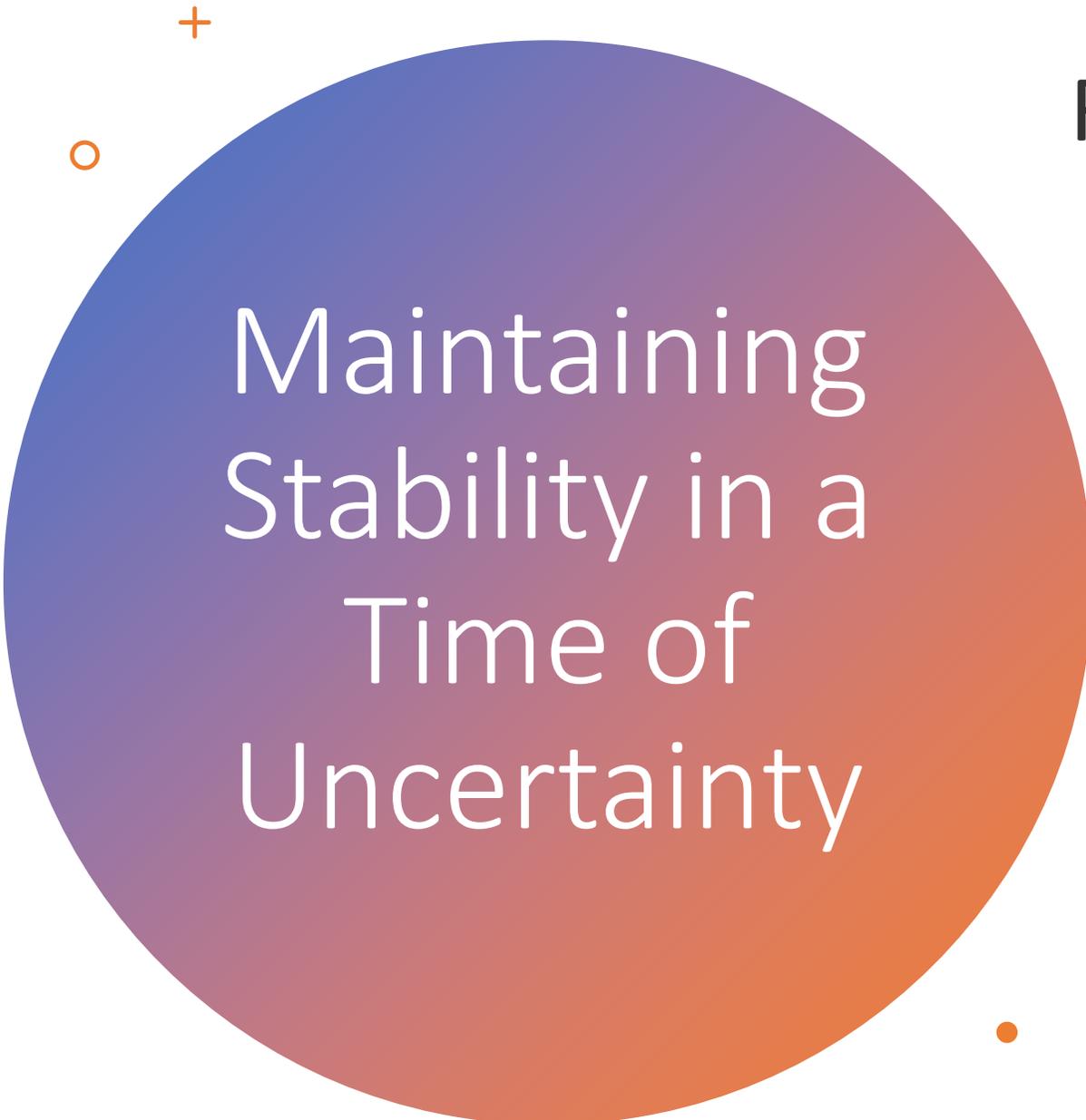
Ekay Economic Consultants, Inc., and Center for Regional Studies, University of Nevada Reno, College of Business

FY 2022 Budget Outlook

Known General Fund Requirements Are Estimated To Be Over \$32M:

Maintaining
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- ❖ Contractual Obligations beginning 7/1/2021:
 - 2.5% COLA + merit increases and other contractual provisions \$5+M
 - PERS increases \$650K (net impact)
 - Regular = increase of 0.5%, from 29.25% to 29.75%
 - Police/Fire = increase of 1.5% from 42.5% to 44.0%
 - Increase of transfer to Indigent Fund \$910K
 - Minimum increased funding to support homeless services \$1M
 - Increases in non-personnel contractual obligations \$2M-\$3M
- ❖ Property Tax Refunds \$24-\$56M
- ❖ Contingency = \$0, increase to \$5M
- ❖ CIP = \$0, reestablish annual funding \$6M
- ❖ Stabilization Reserve = \$0, replenish to \$3M
- ❖ Continued Pandemic response/recovery costs \$ unknown
- ❖ Legislative Impacts \$ unknown



Maintaining Stability in a Time of Uncertainty

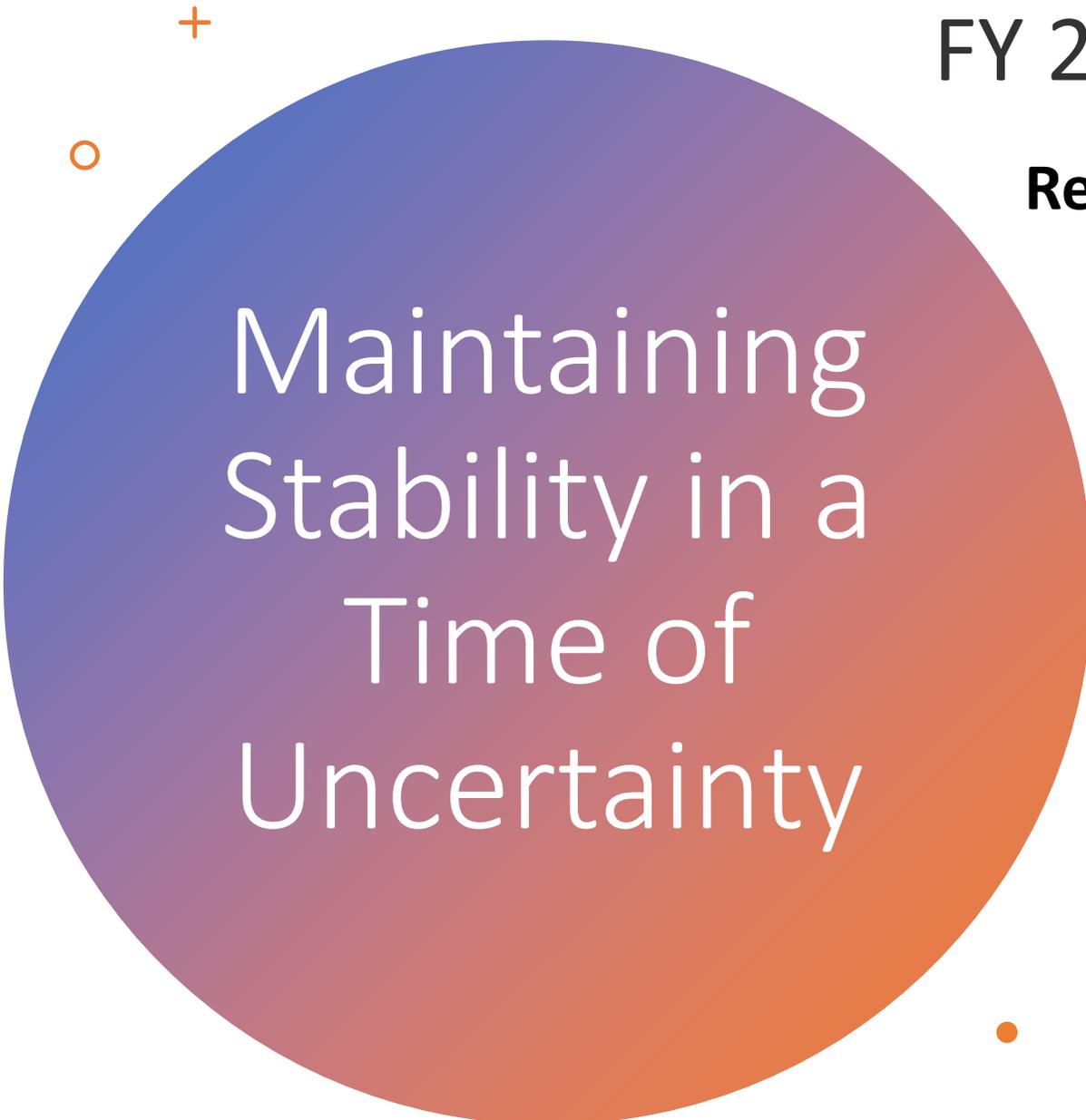
FY 2022 Budget Outlook:

General Fund Resources

It's too early to be certain :

- Revenue growth – slight growth, flat or reduction?
- One-time Resources – County's Fund Balance will not cover all obligations and cannot cover ongoing obligations; other one-time resources are no longer available or sustainable
- What is the gap? Resources may not be enough to fund known requirements
 - Will budget adjustments (reductions) be required?

FY 2022 Budget Outlook



Maintaining
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Recommendations

Re-Affirm County Goals:

- Maintain Services
- Keep Employees Working
- Use Reserves Wisely

Current Direction:

- Departments submit net-zero reallocations of existing budgets and material BCC-approved/legal contract changes
- No departmental above base budget requests



March & April:

- BCC Fiscal Update
- Budget Meetings with BCC and County Manager
- Tentative Budget
- Recommended Budget BCC Presentation

May:

- Public Hearing and BCC Adoption of Budget

Next Steps



Questions/Discussion