



WASHOE COUNTY

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STAFF REPORT

BOARD MEETING DATE: *May 18, 2021*

DATE: Tuesday, May 18, 2021

TO: Board of County Commissioners

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

SUBJECT: Public Hearing discussion and possible action on the Washoe County Tentative Budget, as well as possible changes to the adoption of the Final Budget for Fiscal Year 2022; and approve Fiscal Year 2021 financial actions as outlined; and approve the changes to position control for Fiscal Year 2022 indicated on Attachment A. This item may be continued to May 25, 2021 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 2022; consider approval of the Final Budget for FY 2022, which incorporates the approved County Manager's recommendations presented on May 11, 2021; approve necessary FY 2021 financial actions as outlined; and approve changes to position control for FY 2022 related to the FY 2022 Final Budget.

Washoe County Strategic Objective supported by this item: Fiscal Sustainability

PREVIOUS ACTION

May 11, 2021 – The BCC received and confirmed the County Manager's recommendations for the Fiscal Year 2022 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 for adoption at a public hearing scheduled for May 18, 2021.

January 13, 2021 – The Board of County Commissioners (BCC) heard an overview of the financial outlook for Washoe County. The overview included a review of the General Fund's financial results for Fiscal Year 2020, a Mid-Year 2021 review, and revenue trends, known cost increase, and a general outlook for Fiscal Year 2022, which identified many unknown/unquantified issues, including continued pandemic response/recovery costs, pending litigation, 2021 Legislative Session impacts, operating program expansions (i.e., regional homelessness), and replenishing: Stabilization Reserve, Transfer to Capital Projects (CIP), and Contingency.

AGENDA ITEM # _____

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. At the date of the 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 Tentative Budget submitted to the State in April and the Final Budget document. There are very few variances between the FY 2022 Tentative and Final Budgets; most changes relate to additional information for regional homelessness and capital projects. The Final Budget includes the recommendations made by the County Manager and approved by the Board at the May 11th Board meeting.

As the worldwide COVID-19 pandemic unfolded in early 2020, lockdowns, business shut-downs, consumer spending and COVID-19 response activities all resulted in acute economic/fiscal impacts. Much like many other local governments and businesses, Washoe County's Fiscal Year 2021 (FY21) budget was prepared in an unprecedented environment while the events were happening.

Forward to spring 2021, and certainly more is known. Washoe County revenue impacts have not been as great as anticipated; over \$20 million of federal funding has been awarded; and a second round of federal stimulus is pending. Further, the Nevada all-time highest unemployment rate of 19.9% in April 2020, was 8.1% in March 2021. Washoe County's March 2021 unemployment rate is lower than the state's rate at 4.6%, but still higher than the February 2020 pre-pandemic rate of 3.2%.

Amidst the better than anticipated financial status, challenges remain, including ongoing pandemic response/recovery costs, expansion of regional homelessness services, legally obligated property tax refunds, 2021 Nevada Legislative Session impacts, replenishment of Stabilization and Risk Management reserves, and restoration of funding reduced/eliminated in the FY21 budget. As such, the County Manager's Fiscal Year 2022 (FY22) Recommended Budget reflects consideration of service needs and anticipated resources. It also adheres to the goals provided to Department Heads and the BCC for FY21, and reaffirmed in January 2021:

- Maintain Services
- Keep Employees Working
- Use Reserves Wisely

FISCAL IMPACT

Total FY22 appropriations for 23 Governmental and 6 Proprietary funds are \$837,945,068, see chart below.

Governmental Funds						
Fund Type	Salaries & Benefits	Services & Supplies	Capital Outlay	Contingency	Operating Transfers Out	Total Appropriations
General Fund	265,892,955	104,692,932	835,048	11,118,000	54,099,808	436,638,743
Special Revenue Funds	89,736,220	109,341,779	7,632,871	300,000	31,070,783	238,081,653
Capital Project Funds	-	9,110,568	39,375,738	-	1,950,000	50,436,306
Debt Service Funds	-	13,752,515	-	-	-	13,752,515
Total	355,629,174	236,897,794	47,843,657	11,418,000	87,120,591	738,909,217
Proprietary Funds						
Fund Type	Operating Expenses	Non-Operating Expenses	Operating Transfers Out	Total Appropriations		
Enterprise Funds	23,290,378	402,189	-	23,692,567		
Internal Service Funds	75,343,284	-	-	75,343,284		
Total	98,633,662	402,189	-	99,035,851		
Total Appropriations				837,945,068		

Notable highlights for the FY 2022 Final Budget, for all funds, include:

An additional 35.0 FTEs

- 18.0 General Fund, including
 - 8.0 Expanded Library Services
 - 4.0 Public Safety
 - 2.0 Public Works-Facilities
- 17.0 Other Funds, including
 - 7.0 Expanded Library Services
 - 9.0 Homelessness Fund

A complete list of all position changes, including new, eliminated, other FTE changes, and reclassified positions, is reflected in Attachment A. Seven Homelessness Fund positions approved by the Board in Fiscal Year 2021, to allow for recruitment prior to July 1st, are not reflected on Attachment A.

General Fund Transfers Out of \$54.1 million, supporting:

- Indigent Fund \$21.1 million
- Health District \$9.5 million
- Homelessness Fund (new) \$7.5 million
- Capital Projects Fund \$7.0 million
- Debt Service Fund \$6.0 million
- Senior Services Fund \$1.4 million
- Roads Fund \$1.1 million
- Child Protective Services Fund \$447 thousand

General Fund Contingency at the NRS allowable 3% of expenditures, or \$11.1 million.

The General Fund is the largest Washoe County fund, comprising 52% of total budget appropriations. The Washoe County Fiscal Year 2022 General Fund budget is balanced, with an anticipated use of \$35.7 million fund balance. Total budgeted General Fund

revenues and other financing sources are \$401 million and General Fund expenses, transfers out and contingency is \$436.6 million. The total unassigned fund balance for the General Fund at the end of Fiscal Year 2022 is budgeted at \$71.4 million, or 16.4% of budgeted expenses and transfers out, which complies with the BCC's policy of 10% to 17% and NRS requirements. The primary use of budgeted fund balance reflects the Incline Settlement payments, which begin in July 2021. A summary of the recommended Final Fiscal Year 2022 General Fund budget is shown below.

Washoe County FY 2022 Final General Fund Budget					
Sources and Uses	FY 2020 Actual	FY 2021 Year-End Estimate	FY 2022 Final Budget	FY22 vs. FY21 Year-End Estimate	
				% Var.	\$ Var.
Revenues and Other Sources:					
Taxes	180,524,330	191,601,430	203,478,752	6.2%	11,877,322
Licenses and permits	9,771,369	9,480,533	10,045,793	6.0%	565,260
Consolidated taxes	121,149,884	126,016,700	131,687,450	4.5%	5,670,750
Other intergovernmental	23,965,680	21,985,179	22,724,169	3.4%	738,990
Charges for services	21,062,563	21,679,021	22,101,745	1.9%	422,724
Fine and forfeitures	6,110,868	5,951,282	6,146,782	3.3%	195,500
Miscellaneous	8,784,236	4,014,031	4,288,037	6.8%	274,006
Total revenues	371,368,930	380,728,176	400,472,728	5.2%	19,744,552
Other sources, transfers in	4,354,527	1,147,030	499,000	-56.5%	(648,030)
TOTAL SOURCES	375,723,457	381,875,206	400,971,728	5.0%	19,096,522
Expenditures and Other Uses:					
Salaries and wages	158,783,029	163,263,811	173,684,484	6.4%	10,420,673
Employee benefits	75,389,674	78,065,672	84,201,973	7.9%	6,136,300
OPEB contributions	14,813,058	12,365,870	8,006,498	-35.3%	(4,359,372)
Services and supplies	63,560,749	61,313,798	64,692,932	5.5%	3,379,134
Settlement Payments	-	-	40,000,000		40,000,000
Capital outlay	558,525	779,816	835,048	7.1%	55,232
Total expenditures	313,105,035	315,788,967	371,420,935	17.6%	55,631,967
Transfers out	42,171,914	44,085,323	54,099,808	22.7%	10,014,485
Contingency	-	500,000	11,118,000	2123.6%	10,618,000
TOTAL USES	355,276,949	360,374,290	436,638,743	21.2%	76,264,452
Net Change in Fund Balance	20,446,507	21,500,916	(35,667,015)		

Beginning Fund Balance	\$ 73,821,298	94,267,805	115,768,721
*FY20 Beginning Fund Balance restated			
Ending Fund Balance	\$ 94,267,805	115,768,721	80,101,706
Unassigned Ending Fund Balance	\$ 68,318,785	\$ 83,302,499	\$ 71,435,484
Unassigned Fund Balance %	19.3%	23.2%	16.4%

*as % of Expense & Transfers less Capital

Another notable change/enhancement for the FY 2022 Final Budget is the new Homelessness Fund. Almost \$17 million of current and expanded regional homelessness expenses are included in the new fund, reflecting personnel expenses of \$5.6 million for 45.0 FTEs and over \$11 million of non-personnel/operational expenses. Sources consist of approximately \$977 thousand of operating revenue, \$500 thousand transfer from the Marijuana Fund, \$8.6 million transfer from the Indigent Fund and \$7.5 million transfer from the General Fund. See chart below.

Washoe County FY 2022 Final Homelessness Fund Budget	
Sources and Uses	FY 2022 Final Budget
Revenues and Other Sources:	
Taxes	-
Licenses and permits	-
Other intergovernmental	300,000
Charges for services	497,000
Fine and forfeitures	-
Miscellaneous	180,000
Total revenues	977,000
Other sources, transfers in	
Transfer from General Fund	7,534,615
Transfer from Indigent Fund	8,608,805
Transfer from Marijuana Fund <i>*Used to support Sheriff's Initiative</i>	500,000
Total Other Sources	16,643,420
TOTAL SOURCES	17,620,420
Expenditures and Other Uses:	
Salaries and wages	3,775,814
Employee benefits	1,826,264
OPEB contributions	55,471
Services and supplies	11,010,884
Capital outlay	300,000
Total expenditures	16,968,433
Transfers out	-
Contingency	300,000
TOTAL USES	17,268,433
Net Change in Fund Balance	351,987

Note the following material changes between the FY 2022 Recommended budget presented on May 11, 2021 and the FY 2022 Final Recommended Budget:

- Increased General Fund support to the Homelessness Fund for:
Security, insurance, additional operating expenses, and contingency
- Increased Capital Project(s) appropriations for:
Inclusion of FY 2022 projects contingent on available funding-including FY 2021 transfers-and revised FY 2021 year-end project true-ups

As part of the FY 2022 Final Budget, Fiscal Year 2021 year-end financial actions are necessary as indicated below. These actions are included as part of the FY 2022 Final Budget approval:

- Replenish \$3,000,000 of General Fund Stabilization Reserve at FY 2021 year-end as a restriction of fund balance
- Reimburse \$3,000,000 from the General Fund to the Risk Management Fund per the FY 2020 \$3 million transfer into the General Fund
 - Process unbudgeted General Fund Transfer:
- Transfer \$1,575,000 from the General Fund to the Capital Improvement Projects Fund (CIP) for required unbudgeted Judicial and Public Safety projects
 - Process unbudgeted General Fund Transfers
- Transfer \$750,000 from the Enhanced 911 Fund to the Capital Improvements Project Fund (CIP) necessary for the Regional Computer Aided Dispatch Project (pending E-911 Committee approval on May 20, 2021)
 - Process unbudgeted E-911 Fund Transfer

- Net Zero Cross-Fund/Cross-Functional appropriation transfers of \$1,380,000 from the General Fund to the Indigent Fund and Capital Improvement Projects Fund (CIP) for unbudgeted contractual, COVID-related expenditures that are not eligible for other funding and final Our Place project expenses
 - Process net-zero budget appropriation changes and cash transfers

Technical information related to the unbudgeted transfers and net-zero budget appropriation transfers are outlined below:

UNBUDGETED TRANSFERS	COST OBJECT	G/L ACCOUNT	AMOUNT
General Fund - Transfer to Risk Management	188500	816019	\$ 3,000,000.00
General Fund - Transfer to Capital Projects	188500	814092	\$ 1,000,000.00
General Fund - Transfer to Capital Projects	188500	814092	\$ 400,000.00
<i>Subtotal: General Fund</i>			\$ 4,400,000.00
E911 Fund - Transfer to Capital Projects	800801	814092	\$ 750,000.00
<i>Subtotal: Other Funds</i>			\$ 750,000.00
Total Unbudgeted Transfers			\$ 5,150,000.00
For processing actual transfers only-no budget adjustments			

BUDGET APPROPRIATION TRANSFERS	COST OBJECT	G/L ACCOUNT	AMOUNT
General Fund - Budget Appropriation Transfer	101113	710500	\$ (1,380,000.00)
General Fund - Transfer to Indigent	101113	812021	\$ 1,200,000.00
General Fund - Transfer to Capital Projects	101113	814092	\$ 180,000.00
<i>Subtotal: General Fund</i>			\$ -
Indigent Fund - Transfer from General Fund	221210	621001	\$ 380,000.00
Indigent Fund - Transfer from General Fund	221230	621001	\$ 820,000.00
<i>Subtotal: Indigent Fund Transfers In</i>			\$ 1,200,000.00
Indigent Fund - Payments to Other Agencies	221210	710400	\$ 380,000.00
Indigent Fund - Residence Assistance	221230	710734	\$ 650,000.00
Indigent Fund - Security Contracts	221230	710204	\$ 170,000.00
<i>Subtotal: Indigent Fund Appropriations</i>			\$ 1,200,000.00
Capital Projects - Transfer from General Fund	PW920711	621001	\$ 180,000.00
<i>Subtotal: Capital Projects Fund Transfers In</i>			\$ 180,000.00
Capital Projects - Our Place Const. Contracts	PW920711	781080	\$ 180,000.00
<i>Subtotal: Capital Projects Fund Appropriations</i>			\$ 180,000.00
Total Appropriation Transfers		Net Zero	\$ -
Transfers In Less Appropriations			
For processing actual transfers and budget adjustments			

RECOMMENDATION

It is recommended that the Board adopt the Final Budget for Fiscal Year 2022; and approve Fiscal Year 2021 financial actions as outlined; and approve the changes to position control for Fiscal Year 2022 indicated on Attachment A.

POSSIBLE MOTION

Should the Board agree with staff’s recommendation, a possible motion would be “move to adopt the Final Budget for Fiscal Year 2022; and approve Fiscal Year 2021 financial actions as outlined; and approve the changes to position control for Fiscal Year 2022 indicated on Attachment A.”