WASHOE COUNTY

"Dedicated to Excellence in Public Service"

FINANCE DEPARTMENT
BUDGET DIVISION

NINTH STREET & WELLS
POST OFFICE BOX 11130
RENO, NEVADA 89520-0027
PHONE: (775) 328-2070
FAX: (775)-328-2094

Date: September 7, 2010

To: Honorable Board of County Commissioners and Citizens of Washoe County

From: Darin D. Conforti, Budget Manager

Through: John Sherman, Finance Director

Subject: Summary of Fiscal Year 2010-2011 FINAL Budget

Fiscal Year 2010-2011 Budget Priorities and Issues

Fiscal year 2010-2011 marks another year that Washoe County confronted a budget deficit because of declining revenues. For the last four years, Washoe County has been in a steep economic downturn requiring aggressive and ongoing actions by the Board to maintain the financial stability of the County. Compounding the damaging impacts and challenges of the economic decline has been the 2009 Legislative actions which diverted more than $25 million in revenue to the State over the biennium. Stabilizing the organization has required difficult choices and sacrifices. Over the last four years more than $100 million in spending has been cut from budgets. The fiscal year 2009-2010 budget was 11 percent less than the prior adopted budget and more than 500 positions were eliminated through layoffs, vacancy freezes, and separation incentives resulting in the County workforce being 16 percent smaller. As a result of these difficult decisions, the County currently remains financially stable. Not only have these actions financially stabilized the organization, the prudent financial management has been recognized by Standard and Poor's and Moody's, which increased the bond ratings for the County from AA- to AA and Aa2 to Aa1, the highest in Washoe County's history and highest among northern Nevada governments.

However, with Nevada and Washoe County being among the hardest hit in the country by the recession and housing market collapse, the local economy is still in decline. This is driving down property values, driving up unemployment, and decreasing tax revenue. Consequently, the County was confronted with an initial budget deficit of $24.7 million for fiscal year 2010-2011. The final deficit for fiscal year 2010-2011 was $23.3 million which was slightly lower due primarily to cost reduction actions with health insurance costs and greater than projected revenues from department budget plans. In addition, based on the most current information it is projected that the General Fund will have ongoing structural deficits for the next five years, and other special revenue funds that are dependent on property tax revenue will also be challenged to maintain a balanced budget.

The gravity of the present and future financial landscape, especially when viewed in the context that the County had already cut budgets by $100 million going into fiscal year 2010-2011, compelled everyone to accept that the rapidly expanding economy in which revenues were growing at near or above double digit rates is not coming back. The County, like many other governments and business is faced with a "new normal"— a new normal that requires a strategy and focus to create a long-term financial sustainability plan beginning with the fiscal year 2010-2011 budget for the County. A plan to address the structural deficit; a plan that rebases spending growth in such a way that it is aligned with the new rebased economy; and a plan that balances the budget in a way that maintains services and maximizes employment within our financial resources.

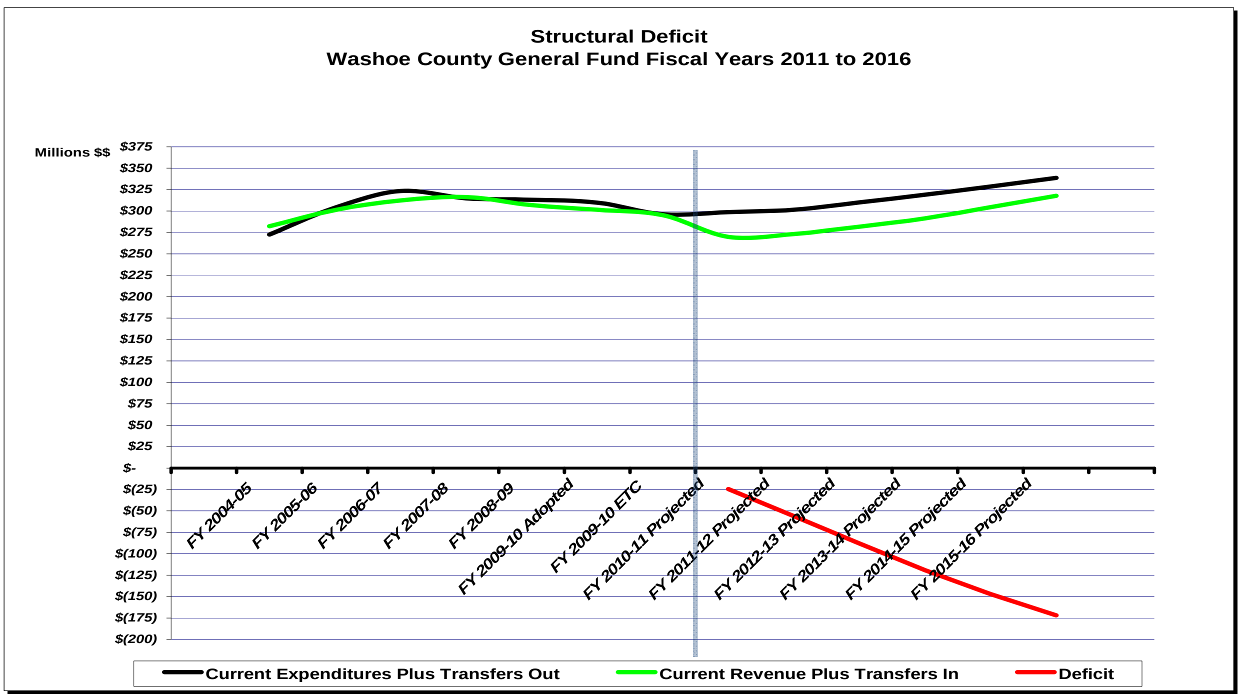
Rebased Economy Has Caused a Structural Deficit

Fiscal year 2005-2006 was a banner year for consolidated taxes, which are mostly sales tax. That year the County received over a $103 million in consolidated tax revenue. Since then consolidated tax revenue has fallen year-over-year every year. Today consolidated tax revenue is below the amount received in fiscal year 1999-2000. With such historic declines, projecting the future is highly uncertain. However, the general consensus is that future growth will be modest at best and it will take years to return to the revenue level of fiscal year 2005-2006.

The effects of the rebased economy have taken longer to impact property tax revenues. Up until fiscal year 2008-2009, Washoe County experienced better than 6 percent property tax revenue growth per year. Moreover, from fiscal year 2003-2004 to fiscal fear 2008-2009 property tax grew no less than 6.3 percent a year and as much 14.5 percent a year. The collapse of the housing market turned the tide in fiscal year 2009-2010 when property tax revenue declined for the first time in recent history. The pace of decline steepens in fiscal year 2010-2011 with assessed value falling 9.5 percent and property tax revenue falling 7.2 percent. More concerning is that future property tax growth will be dampened by the glut of foreclosed residential housing inventory and high vacancy in commercial property. Future growth will also be dampened by the property tax cap laws, which constrain the growth on the tax bill for existing owner occupied residential property to 3 percent and existing rental residential and commercial property to 8 percent.

Combined property taxes and consolidated taxes make up nearly 80 percent of General Fund revenue. Over the next five years, the combined growth rate for property taxes and consolidated taxes are projected to range between minus 5 percent in fiscal year 2010-2011 to a modest growth rate of 4.5 percent by fiscal year 2014/15.

Little to no growth in revenues combined with a steady modest growth rate in the operational cost structure means that there will not be enough current revenue to support current expenditures---a condition referred to as a structural deficit. Without strategic action to bend the cost curve in the near and long-term Washoe County will confront annual structural deficits that are not sustainable. The chart below illustrates the structural deficit.



Addressing the Structural Deficit

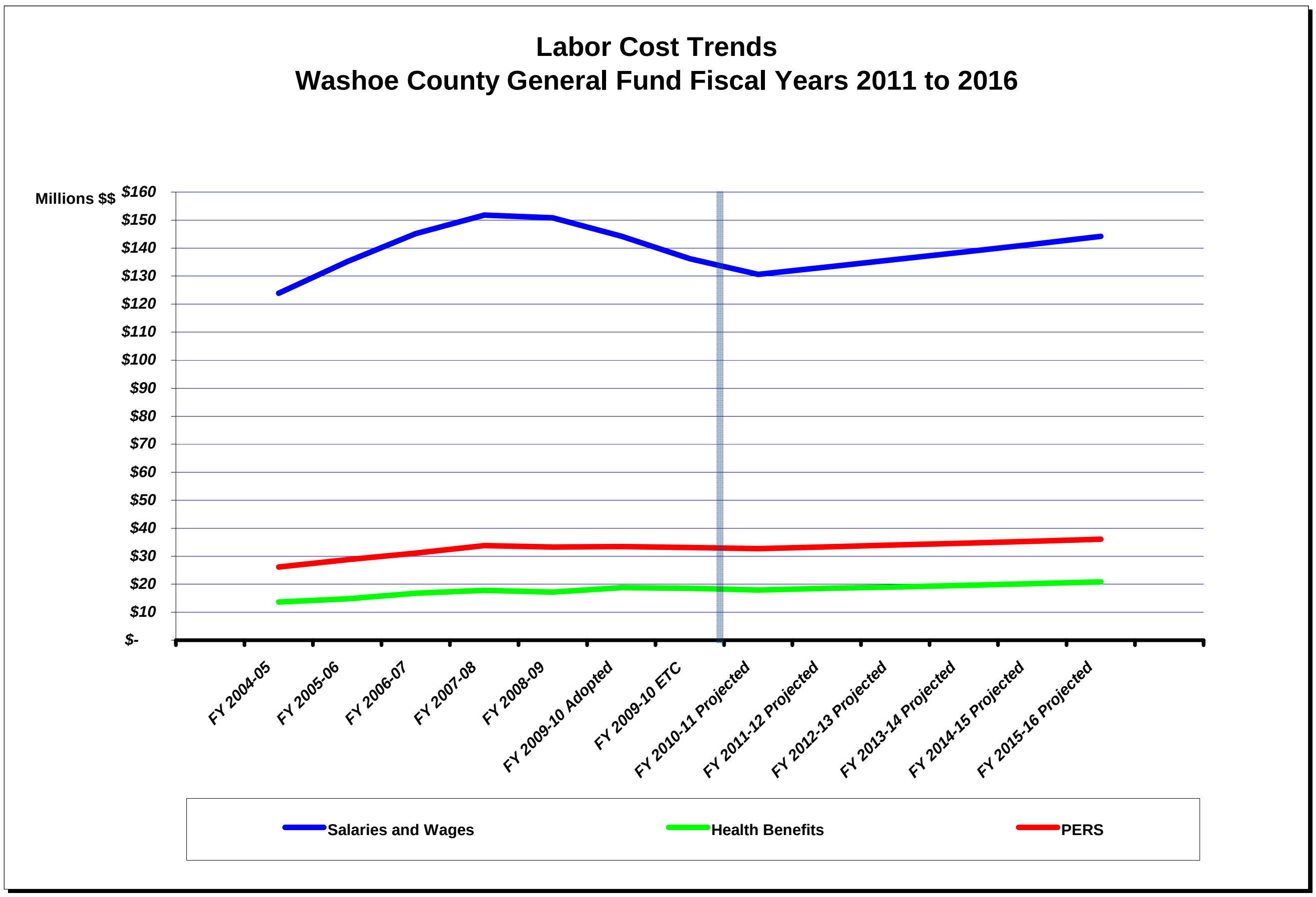
The primary cost to deliver public services as well as in many other businesses is labor. Labor costs make up about 75 percent of total expenditures and in some departments as much 90 percent. The three highest labor costs are:

- Salaries and Wages
- Health Benefits
- Retirement (Public Employees Retirement System)

Washoe County's pay and compensation system is broadly based on the Hay Group methodology and the Board has set as policy that the County's compensation be indexed to the market average (i.e., the high end of an individual pay range is the average of the comparative market). Under this system salary and wage growth has been modest, and Washoe County compensation is lower than most local governments in Reno, Sparks, and Clark County. From fiscal years 2000 to 2010, the average annual growth rate in salaries and wage expense has been 4 percent. In the last three years when actions have been taken to cut budgets, more than 500 positions defunded, and no cost of living adjustments made, salary and wage expense has declined slightly.

However, the salary and wage cost structure has imbedded cost growth due to merit increases and longevity pay. Eligible employees can receive up to a 5 percent annual merit until they reach the top of the pay range. Currently more than half the employees have reached the top of the range, which softens the future growth rate due to merit pay assuming normal turnover. For purposes of analyzing the structural deficit, salary and wage growth is forecasted at 2 percent annually solely due to the effect of merit and longevity and assumes no general cost of living increases. The annual contribution to the Public Employees Retirement (PERS) generally grows at the same rate as wages because it is a percent of wage, unless the PERS Board increases the contribution rate.

The labor cost component with the highest growth rate is health benefits. Health benefits costs are driven by a number of factors including plan design, utilization levels, and medical inflation rates. Between fiscal years 2004-2005 and the current year, health benefit costs have grown at an average annual rate of nearly 7 percent and some years as much as 14 percent. An average annual growth rate of 8 percent has been used to forecast future growth. The chart below shows actual and projected trends for the components of labor costs in the General Fund.



A couple of key trends are visible in the chart above. First, the downward trend in actual wages from fiscal year 2007-2008 to present highlights the actions taken to stabilize the organization, which include defunding 500 positions and a 2.5 percent wage concession from February to December 2009. On the other hand, the actual trend line for PERS and health benefits does not follow the same trend as wages. This is because of the inherently higher cost growth pressure on health benefits and an increase in the PERS contribution rate for regular employees and police/fire employees, currently 21.5 percent and 37 percent of wages respectively. Consequently, despite the actions taken to reduce costs, the underlying structure continues to push costs upward.

The second key point illustrated is that projected growth will soon return total labor expenses to the pre-reduction levels higher. It is important to note that the forecast does not assume any cost of living increases and does not assume any positions being added—what is being observed is the imbedded growth structure.

While aggressive actions have been taken to reduce costs and all services have been impacted, the County has not fundamentally changed the underlying cost structure of salaries, wages and benefits. Put simply, whereas the recession has fundamentally changed the economy and rebased revenues along with their future growth trajectory, the relationship to the underlying cost structure of labor costs has not been likewise rebased creating a structural deficit.

Balanced Plan for Stability and Sustainability

For fiscal year 2010-2011 Washoe County confronted a $23.3 million budget deficit in the General Fund driven predominantly by declining property tax and sales revenue and increasing personnel costs. To close the deficit and set the organization on a path toward long-term financial sustainability, the Board of County Commissioners adopted budget guidelines referred to as the Balanced Plan for Stability and Sustainability. The Balance Plan was based on the Board's direction that the County needs to make sustained changes that will allow Washoe County to continue to serve its citizens in recognition of the new economic environment. Consistent with this direction, the Board set three goals:

- Maintain Service Levels
- Maximize Employment
- Achieve Sustainable Labor Costs

These goals recognized and contemplated Washoe County's role as an essential service provider to our community's safety, well-being, and quality of life; and they recognize the economic importance of maximizing Washoe County's role as a major employer. Another round of deep budget reductions would seriously jeopardize the County's ability to maintain services and maximize employment. Striking a balance between these goals and the economic reality that the revenue base to support services has fundamentally changed necessitated that long-term strategies focus on the County's cost structure. With salaries and benefits making up more than 75 percent of the total operation costs and in many departments as high as 90 percent, creating long-term sustainability begins with developing a sustainable labor cost plan that can be supported by the new economy. Infused within this overarching goal framework are the Budget Policies and Principles adopted by the Board. Most notably are the principles:

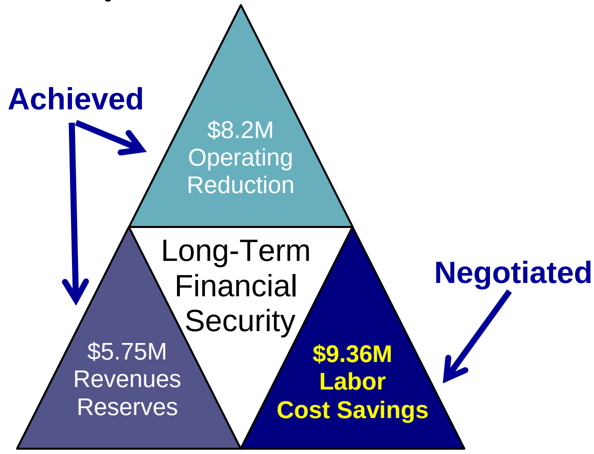
- Budget decisions must address current needs and be future oriented in a fiscally prudent manner;
- Core services, mandates, and service levels need to be linked to community needs;
- The budget must be responsive to changing conditions;
- Budget decisions should consider quality of life; and
- Budget choices are to be strategically informed and should be realistic, pragmatic, and priority driven.

The Balanced Plan used a three-point strategy to close the $23.3 million structural deficit in fiscal year 2010-2011:

1. Streamline and prioritize services with operating budget reductions of $8.2 million, which equals a total average reduction of 3 percent;
2. Create a sustainable labor cost plan by proposing a reduction of $9.365 million in current salaries and benefits along with a reduction in annual long-term health benefit liability costs. This must be negotiated with employee associations pursuant to NRS 288; and
3. Redirect restricted revenues to the General Fund and prudently use reserves to increase Sources by $5.75 million.

The diagram shows the balanced approach with the amount of reduction and revenue change intended to be achieved by each strategy.

Washoe County Balanced Plan for Fiscal Year 2010-2011



**Three Point Plan to Close
FY 10/11 Deficit and Create
Long-Term Security**

Operating Reductions

The first point of the plan was to reduce operating budgets on prioritized basis. Priority based budget reduction uses a tier based method to cut budgets. Services are prioritized in order of importance to public and legal mandates. The highest priority service areas are reduced less than the lower priority services. Using the work of Charting our Course as a guide for prioritizing services, priority based budget reductions were used to balance the budget in fiscal years 2008-2009 and 2009-2010. The highest priority is public safety services followed by judicial/health and social services, then general government services with culture and recreation services being the lowest priority. Prioritization has been effective for redirecting and retrenching scarce resources to core, legally mandated services. Having used the method three times with increasing magnitude in reductions between the highest and lowest priorities, the Board recognized that deep reductions in lower priority services could cripple those services. Therefore, consistent with its goal to maintain services, the Board decreased the difference in percent reduction between the priority groups for fiscal year 2010-2011. The chart below illustrates the priority based reduction percentages done by service area.

Budget Reduction Percentages By Priority Group

Priority Group	FY 2008/09 Beginning	FY 2008/09 Mid-Year	FY 2009/10 Adopted	FY 2010/11 Adopted
Public Safety	2.50%	1.25%	6.00%	2.00%
Judicial/ Health/ Soc Serv.	5.00%	2.55%	12.00%	3.00%
Gen. Govt.	10.00%	5.55%	28.00%	4.00%
Culture/Rec	15.00%	7.50%	36.00%	5.00%

For fiscal year 2010-2011 the Board directed that $7.8 million budget reductions be achieved with these reductions. Departments met the challenge and reduced expenses or increased revenues totaling $8.2 million.

Since budget prioritization was first used in fiscal year 2008-2009 it has had a clear impact on redirecting resources to public safety and judicial/health and social services by requiring less budget reductions from those services. Using the percent of total budget appropriation as measure of redistribution of budget resources, it can be seen how the budget "pie" has been redistributed. In fiscal year 2005, public safety and judicial services made up 30.8 percent and 29.2 percent respectively of total appropriations. In the fiscal year 2010-2011 adopted budget, public safety increased to 35.7 of total appropriations and judicial/health, and social services increased to 32.3 percent. During the same period, general government services contracted from about 32 percent to 26 percent, and culture and recreation services fell from 8 percent to 6 percent of total budget appropriation. The table below provides the complete information.

General Fund Department Priority Groups
Percent of Total
Adopted Budgets FY 2005 to FY2011

Priority	FY 2005 Adopted	FY 2006 Adopted	FY 2007 Adopted	FY 2008 Adopted	FY 2009 Adopted	FY 2010 Adopted	FY 2011 Adopted
Public Safety	30.8%	30.5%	30.5%	31.5%	32.8%	35.7%	35.7%
Judicial/ Health/ Social Serv.	29.2%	28.4%	29.0%	28.4%	30.1%	31.4%	32.3%
Gen Gov.	32.1%	32.6%	32.1%	32.0%	30.0%	27.2%	26.0%
Culture/ Recreation	7.9%	8.5%	8.4%	8.1%	7.1%	5.7%	6.0%
Totals	100%	100%	100%	100%	100%	100%	100%

Redirecting Revenues and Strategically Using Reserves

The dramatic erosion of the County's revenue base along with the forecasted slower future revenue growth means that if the County were to attempt to solely cut our way out of a structural deficit, the goals of maintaining services and maximizing employment would be undermined. Therefore, the Board directed certain revenues that it had restricted for special use during healthier economic times be redirected back into the General Fund for operations. Three specific revenues were redirected:

1. Telecommunication Franchise Fees - 40 percent of currently imposed telecommunication franchise fees have been set aside to place utility lines undergrounds. Each year, these fees generate approximately $1.8 million dollars.
2. Vector Control - Each year approximately one-half cent of property tax is dedicated for public health emergencies related to vector borne diseases such as West Nile Virus. This tax was dedicated by the Board in 2003; and in 2004 the voters approved a nonbinding advisory question supporting the Board's continued dedication of the tax. This tax was dedicated as an enhancement to the ongoing Vector Control program. To date, there have been no vector control health emergencies that have required the full use of the enhancement. Redirecting this revenue back to operations would provide $350,000 in relief for fiscal year 2010-2011 and ongoing future revenue around $650,000 depending on property tax performance.
3. Fuel Tax Inflation Indexed Revenue - Current state law authorizes fuels tax rates to be adjusted each year for the impacts of inflation. The County has agreed to provide that portion of inflation indexed fuel tax each year to the Regional Transportation Commission (RTC). Approximately $1.1 million in revenue is generated annually and provided to RTC. With the passage of RTC 5 and the enabling legislation, RTC has a gained a new source of revenue for roads infrastructure. Redirecting the fuel tax revenue back to the General Fund would help fund critical services.

Redirecting these revenues will bring an estimated $3.25 million in current revenue to maintain services and maximize employment. In addition to increasing current revenues, the Board authorized that $2.5 million in reserves from the Equipment Services Fund be used to help balance the budget and provide a bridge until ongoing costs can be restructured. Last year, the Board created an incentive to shrink the size of the motor pool and the motor pool was reduced by more than 50 vehicles. The success of this incentive made available reserves in the Equipment Services Fund.

Sustainable Labor Cost Savings

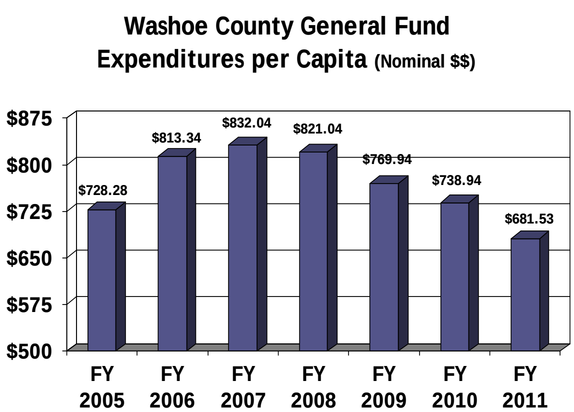
Achieving sustainable labor costs is the most important component of the Balanced Plan because labor costs are the largest expenditure and have an imbedded cost growth structure that is higher than current revenue growth. Additionally, by lowering labor costs the Board's goals of maintaining services and maximizing employment can be attained while balancing the budget. Therefore, the Board authorized total labor cost savings of $9.365 million in salaries and benefits savings along with a reduction in annual long-term health benefit liability cost. These savings must be negotiated with employee associations pursuant to state law, NRS Chapter 288.

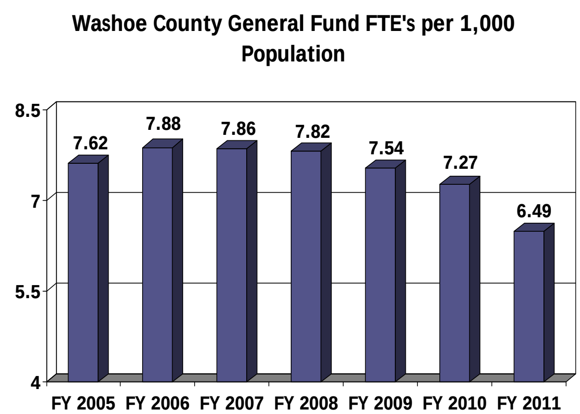
The Board's intent was for all employees to be treated consistently and equitably in attaining labor cost savings within the statutory context of mandatory collective bargaining. To achieve this each employee unit, represented and non-represented, was given a labor cost savings dollar target to achieve. Each group's target was based on its percent of total personnel costs. This method gave each group a specific reduction target based on each group's relative cost burden based on prior negotiated wage and benefit terms. Each employee group was then able to develop a labor savings plan for its members. Labor cost savings options approved by employee groups included wage reductions, health benefit cost share options, suspending special pays, suspending merit increases, or a blend of the aforementioned options.

The County is very appreciative of the cooperation and sacrifices of its employees to reduce labor costs. At the time of writing of this letter, labor savings were negotiated and approved by the Board of County Commissioners for eight of nine bargaining units with negotiations still ongoing with one association. In addition to the direct compensation savings negotiated, employee bargaining units agreed to discontinue retiree health benefit coverage for new employees hired after July 1, 2010, helping the County to achieve long-term liability cost savings.

Maintaining Services at a Lower Cost and Less Employees Per Capita

With $23.3 million in budget cuts, the fiscal year 2010-2011 adopted budget is nearly 10 percent less than the fiscal year 2009-2010 adopted budget. These budget cuts bring the total budget cuts in the last four years to more than $123 million. At the same time, the population for Washoe County remains at just under 420,000. The business plans and strategic approach of the Board of County Commissioners aim to maintain services, especially public safety services, to the best extent affordable while doing so with less employees and less revenue. The two charts below highlight the expenditures and full-time equivalent employees per capita.





Below are some additional key highlights of the fiscal year 2010-2010 budget and the following pages provide more detailed information on budgeted revenues and expenditures.

2010-2011 Budget Highlights

- Washoe County's combined appropriations in the governmental funds, including fund balance and transfers out, total $603,301,644.
- Budget expenditures in the proprietary funds total $100,064,502.
- Estimated General Fund revenues (excluding transfers and opening fund balance) for 2010-2011 total $271,483,901 which represents a decrease of 3.8% over 2009-2010 estimated year end revenue.
- Washoe County property tax revenues (including delinquent taxes) are anticipated to decrease 7.2%, for total revenue of $186,774,943.
- General Fund budgeted expenditures (including other uses) are $285,448,040, a decline of 9.7% over the 2009-2010 adopted budget.
- Combined rate of growth in population and consumer price index for the 2010-2011 year is 1.0%.
- Full-time equivalent positions (FTE's) per 1,000 population continue to decline in the recommended budget, from a high of 8.26 in 2000-2001 to 6.49 FTE's per 1,000 population in 2010-2011.
- Public Works Construction project budgets total $18,991,384 and infrastructure preservation and other capital projects total $55,044,763 for a total capital outlay of $74,036,147.
- About 71% of the General Fund expenditures (excluding contingency) are for personnel salaries and benefits.
- Public Safety function has the largest expenditures budgeted at $139 million or 27.8% of the expenditures for the government funds. The majority of public safety expense is budgeted in the General Fund with $101.5 million in expenditure authority for fiscal year 2010-2011. This amount equals nearly 38% of total general fund functional expenditures (excluding contingency, transfers and fund balance).
- Washoe County's portion of the property tax rate is $1.3917 per $100 of assessed value (see chart on page 13, column 4).
- The budget reflects a decrease in overall General Fund spending (excludes ending fund balance) per capita at $681.53. Fiscal year 2010-2011 marks the fourth consecutive year that expenditures per capita have declined year over year. At the peak, Washoe County expenditures per capita were $832.04 in fiscal year 2006-2007. Since this peak, expenditures per capita have fallen 18.1%.

Revenue and Expenditure Summaries – All Governmental Funds

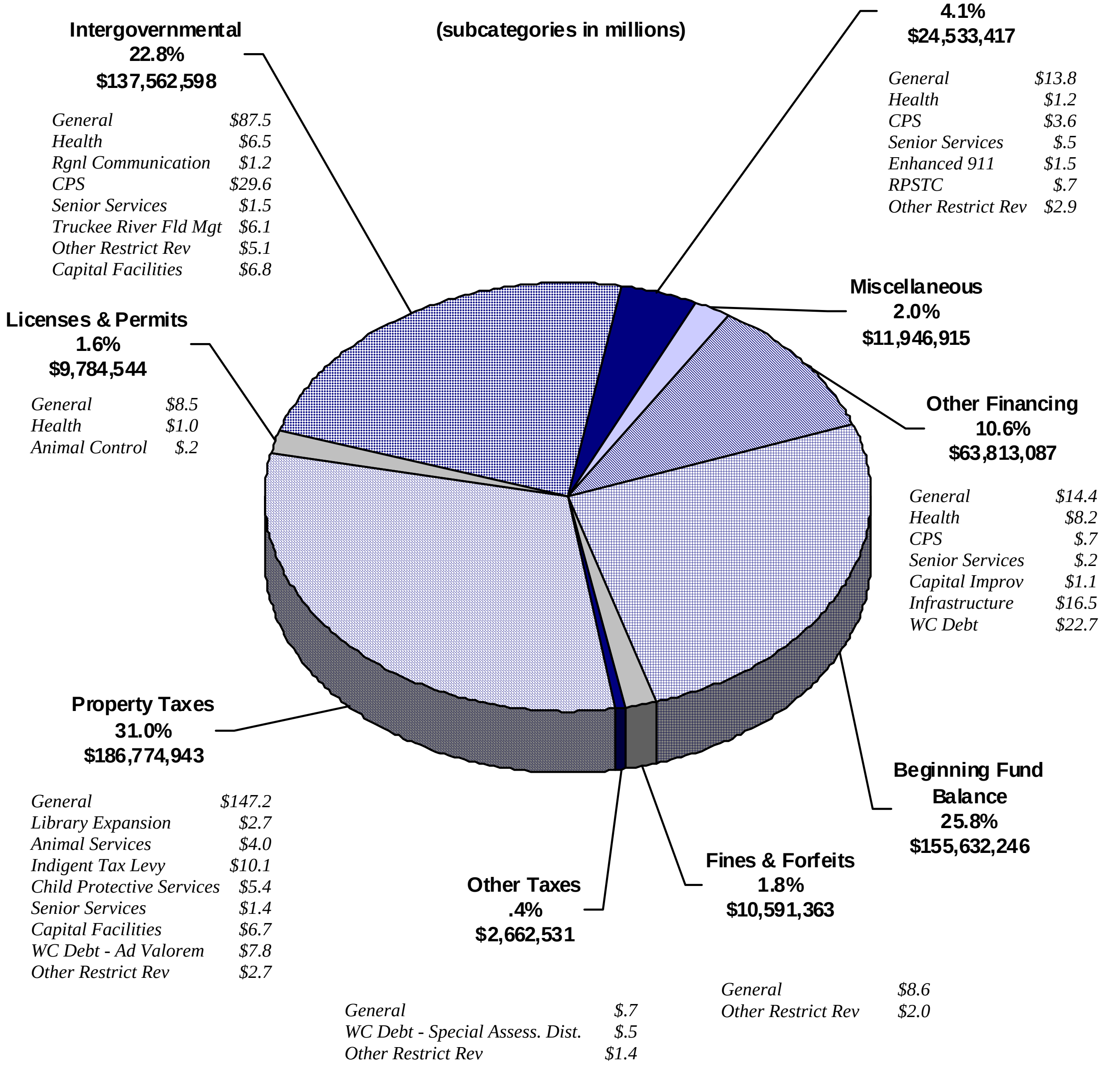
The budget is comprised of 23 Governmental Funds and 6 Proprietary Funds. The combined appropriations in the Governmental Funds, including Fund Balance and Transfers out, total $603,301,644. Estimated expenses in the Proprietary Funds total $100,064,502. A sources and uses summary are shown on pages 10 and 11.

Nine of the Governmental Funds are financed in part by property taxes and/or Consolidated Tax revenues. Of these Funds, the Other Restricted Revenue Fund is financed by a $0.01 legislatively approved tax rate for Agricultural Extension. The Animal Services Fund is financed by a $0.03 voter approved tax rate. The Child Protective Services Fund is financed by a $0.04 voter-approved tax rate, a $0.005 tax authorized by the Board of County Commissioners. The Indigent Health Fund is required by State Law and includes a $0.075 property tax rate. The Senior Services Fund is financed by a $0.01 and the Library Expansion Fund by a $0.02 voter approved tax rate. The Capital Facilities Fund is financed by property taxes at a $0.05 rate that is shared with the two cities, but currently this revenue is diverted to the State of Nevada pursuant to Assembly Bill 543 (2009) and Assembly Bill 595 (2007).

The Debt Service Fund is financed, in part, by property tax and the recommended rate is $0.0580. The fund balance of the Debt Service Fund, although adequate to meet fiscal year needs, is less than one year's principal and interest. The property tax in support of the Family court is a $0.0192 tax rate. The General Fund includes the State mandated Indigent Insurance tax rate of $0.015, the allowed Detention Center tax rate of $0.0774, the Youth Services tax rate of $0.0088, a general operating rate of $0.9461, and the AB 104 Fair Share tax of $0.0272. A summary of these tax rates, a sample overlapping tax rate and the tax paid on a property worth $100,000 are shown on page 12.

The General, Health, and Public Works Project Funds comprise the unrestricted resources of the County and are generally referred to as the General Tax Supported Budget of the County. For the General Tax Funds, the estimate of available resources (opening fund balances plus 2010-2011 revenues) totals $345,722,448. The budgeted ending fund balance in the General Tax Supported Budget less capital expenditures is approximately 7.20%. Other ending fund balances are at or below the minimum considered to be necessary or are restricted funds. The County is transferring excess reserves as designated by the Board of County Commissioners from the Risk Management to the General Fund. Risk Management will maintain reserves between 75% and 90% of the actuarially recommended rates plus operating costs. The County has experienced positive experience in the Risk Management Fund resulting in reduced actuarial reserves and increased available cash.

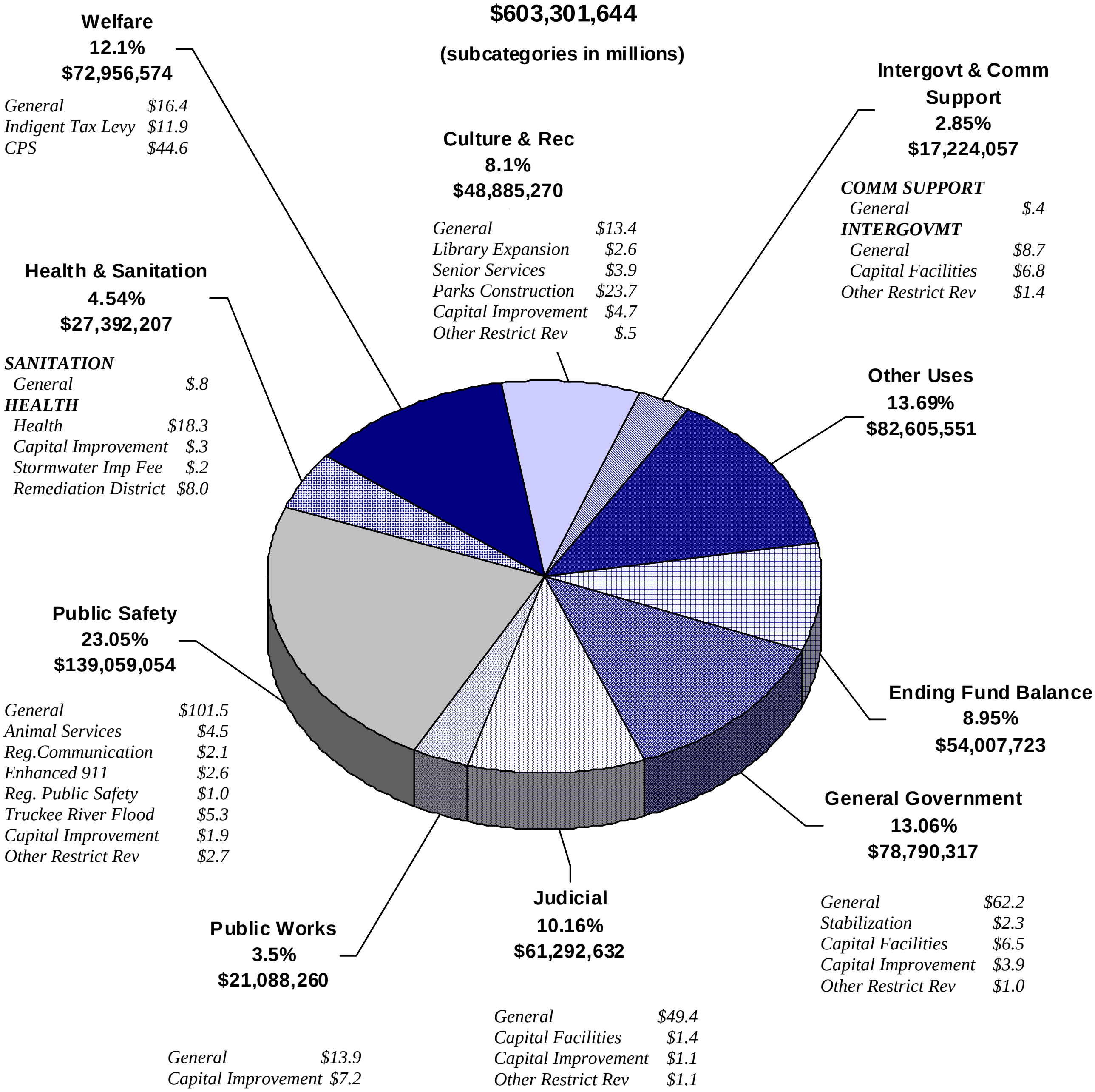
Revenue and Other Resources Summary
All Government Funds
Budget 2010 - 2011
$603,301,644



**Subcategories may not total due to rounding*

Expenditures and Other Financing Uses Summary
All Government Funds
Budget 2010 - 2011
$603,301,644

(subcategories in millions)



**Subcategories may not total due to rounding*

Where Your Tax Dollars Go

Fiscal Year 2010/2011		
ASSESSED VALUATION		
Property		13,648,350,544
Net Proceeds of Mines		10,500,377
TOTAL		13,658,850,921
	Tax Rate	Property Tax Based on a $100,000 Market Value
STATE	0.1700	$ 59.50
SCHOOL DISTRICT	1.1385	398.48
COUNTY OPERATING RATES		
General Fund		
Operating	0.9461	331.14
Detention Facility	0.0774	27.09
Indigent Accident Fund	0.0150	5.25
Youth Services	0.0088	3.08
Family Court	0.0192	6.72
Child Protective Services (BCC)	0.0050	1.75
SPECIAL REVENUE FUNDS/DEBT SERVICE		
Library	0.0200	7.00
Animal Services	0.0300	10.50
Indigent Tax Levy	0.0750	26.25
Child Protective Services	0.0400	14.00
Senior Services	0.0100	3.50
Cooperative Extension	0.0100	3.50
County Debt Rate – Debt Service Funds	0.0580	20.30
SHARED TAX RATES		
Capital Improvements (currently diverted to State)	0.0500	17.50
AB 104 Tax Rate	0.0272	9.52
COUNTY GOVERNMENT TAX RATES	1.3917	487.10
TOTAL STATE, SCHOOL & COUNTY	2.7002	$945.07

NOTE: Shared Capital Facilities Tax Rate and AB 104 Tax apportioned between Cities of Reno and Sparks and Washoe County.
The taxable value is 35% of the appraised value of the property.
(a new $100,000 home has a taxable value of $35,000). The tax is determined by multiplying the tax rate by the value and dividing by 100.

AD VALOREM TAX RATE AND REVENUE RECONCILIATION

Fiscal Year 2010-2011

	(1) ALLOWED TAX RATE	(2) ASSESSED VALUATION	(3) ALLOWED AD VALOREM REVENUE [(1) X (2)]	(4) TAX RATE LEVIED	(5) TOTAL AD VALOREM REVENUE WITH NO CAP [(1) X (4)]	(6) AD VALOREM TAX ABATEMENT	(7) BUDGETED AD VALOREM REVENUE WITH CAP
OPERATING RATE: A. Ad Valorem Subject to Revenue Limitations	1.6856	13,648,350,544	230,056,597	0.9611	131,174,297	(2,435,928)	128,738,369
B. Ad Valorem Outside Revenue Limitations: Net Proceeds of Mines	Same as above	10,500,377	176,994	Same as above	100,919	(1,874)	99,045
VOTER APPROVED: C. Voter Approved Overrides	0.1000	13,658,850,921	13,658,851	0.1000	13,658,851	(253,647)	13,405,204
LEGISLATIVE OVERRIDES: D. Accident Indigent (NRS 428.185)	0.0150	"	2,048,828	0.0150	2,048,828	(38,047)	2,010,781
E. Medical Indigent (NRS 428.285)	0.1000	"	13,658,851	0.0750	10,244,138	(190,235)	10,053,903
F. Capital Acquisition (NRS 354.59815)	0.0500	"	6,829,425	0.0500	6,829,425	(126,824)	6,702,601
G. Youth Services Levy (NRS 62B.150)	0.0088	"	1,201,979	0.0088	1,201,979	(22,321)	1,179,658
H. Legislative Overrides	0.0774	"	10,571,951	0.0774	10,571,951	(196,323)	10,375,628
I. SCCRT Loss NRS 354.59813	0.2841	"	38,804,795	0.0000	0	0	0
J. Other: Family Court	0.0192	"	2,622,499	0.0192	2,622,499	(48,700)	2,573,799
K. Other: AB 104 (See Note 1)	0.0272	"	3,715,207	0.0272	3,715,207	(68,992)	3,646,215
L. SUBTOTAL LEGISLATIVE OVERRIDES	0.5817		79,453,535	0.2726	37,234,027	(691,442)	36,542,585
M. Subtotal A, B, C, L	2.3673		323,345,977	1.3337	182,168,094	(3,382,891)	178,785,203
N. Debt	0.0580		7,922,134	0.0580	7,922,134	(147,115)	7,775,019
O. TOTAL M AND N (see Note 2)	2.4253		331,268,111	1.3917	190,090,228	(3,530,006)	186,560,222

Note 1: This tax is levied and collected by Washoe County, transferred to the State of Nevada Comptroller, and then distributed back to the entities in Washoe County based upon a legislative formula. Washoe County will receive approximately $2,430,436 and has budgeted accordingly.

Note 2: Washoe County also budgeted for delinquent tax collections in the amount of $1,430,500

Assembly Bill 489 (AB489) approved in the 2005 Nevada Legislature, which caps the amount a property tax bill can increase year over year for existing owner-occupied residential property at 3% and existing commercial property at 8% with any growth above these amounts abated, had been constraining the amount of property tax revenue available to fund services. However, in the last two budget years the impacts of the property tax cap have been trumped by the decline in property values as a result of the housing crisis. Consequently, the County has experienced a declining property tax base for the majority of parcels. The abated property tax revenue that occurred during the housing boom has mitigated the depth of the property tax revenue decline as property values decreased. The final budgeted revenue from property taxes reflects the impacts of AB 489, most notably the property tax abatement decreased from $10.5 million in fiscal year 2009-2010 to $3.5 million for fiscal year 2010-2011. (See schedule on previous page, column 6, for detail of impacts.)

The management and staff of the County have accepted the challenge and responsibility of understanding the citizens' vision of the future of Washoe County and the services they want and are willing to pay for. It is the County's policy and history to involve and inform its citizens. While five elected commissioners are voted into office on a district basis, the voice of the citizens is also heard through more than 30 boards and commissions, including 16 Citizen Advisory Boards. These boards provide an "on the ground" perspective representing residents and property owners in designated geographical areas – from Gerlach/Empire in the north to Washoe Valley in the south. They provide advice on land use, budget, taxes and other matters important to each neighborhood. Many of these boards have been in place for over 25 years.

Washoe County has a track record of encouraging its citizens to be the eyes and ears of policy direction. Additionally, it is tapping into the collective experience of its business leaders. The Organizational Effectiveness Committee was established in 1996 to develop and emphasize a comprehensive and consistent approach to the evaluation of County services. We have found the input from this group of ten outstanding people sharing their vast business experience to be invaluable.

Over the years, the County has utilized various methods to solicit and incorporate public input and guidance into the budget process. In 2004 the Board of County Commissioners established a special committee to recommend strategies for long-term financial stability called "Charting our Course…Investing in our Future". This Committee drafted criteria for prioritizing County services and these draft criteria, as well as the Committee's recommendations regarding revenue enhancements and efficiency improvements, have been incorporated into the budget. The Committee's draft criteria include considerations such as whether the expenditure supports a statutory or voter mandate, whether it helps the County to better collect prescribed revenues, whether the expenditure helps to extend the life of needed infrastructure and other taxpayer assets, whether it demonstrates efficient and effective operations, and eleven other critical elements. The County completed a pilot program that included small departments and /or divisions of a larger department that represent all the functional areas within the County. The criteria were then applied to all County programs and the results are being used in various ways to allocate resources and decision making during the budget process. The "Charting our Course" work product has been a valuable reference point in helping the Board of County Commissioners prioritize budget allocations and budget reductions during these difficult economic times.

In 2009 the Board of Commissioners established the Budget Policy Committee, a complementary committee to the Charting our Course Committee. This committee comprised of citizens, elected officials, labor associations, and department heads was charged by the Board to recommend budget principles, budget balancing strategies, and evaluation criteria and guidelines to help with balancing the budget. A total of 13 budget principles were recommended and adopted by the Board of County Commissioners. These principles helped inform the budget process in fiscal year 2009-2010 and again this year.

The County staff continues to try innovative ways to enhance the productivity and the service levels offered to its citizens by encouraging suggestions from both employees and citizens through the County Suggestion Program. This year a new on-line forum for employee feedback and ideas was created called "Ask.Washoe." Ask.Washoe provided employees an opportunity to ask questions and provide feedback about the budget. This is one of many ways we get input from our community and employees.

Lastly, there have been a couple of technical changes in the fiscal year 2010-2011 budget that should be noted. The movement of restricted funds from the General Fund to the Other Restricted Revenue Fund is one of those changes. The Other Restricted Revenue Fund was created for the purpose of segregated accounting for those dollars that are designated by third parties, such as grants, donations, and statutory requirement restriction separately from undesignated operating funds. To conform the County's finances to the newly issued accounting standards promulgated in Governmental Accounting Standards Board (GASB) Statement 54, the County removed restricted funds from the General Fund during Fiscal Year 2009-2010. Opening fund balances have been restated to reflect the transfer of funds.

Another key policy change reflected in the fiscal year 2010-2011 budget is the creation of Other Post Employment Benefits Trust. On May 11, 2010, the Board of County Commissioners established an OPEB Trust for the prefunding liability for retiree health benefits. The budget reflects this change by showing a new expense for the prefunding liability in the General Fund to the OPEB Trust, and as a result the Prefunded Retiree Health Benefits (Special Revenue Fund) is phased out effective June 30, 2010.

Special appreciation to the Budget Division staff: Anna Heenan, Kim Carlson, Pamela Fine, and Valerie Wade for their many hours of hard work and dedication. In addition, I would like to thank all elected officials, judiciary, and department heads along with their staffs for coming forward with creative ideas, plans and processes to help with continued management of the County through these difficult times, and for their dedication to make the organization more efficient and effective. Without hard work and a great deal of cooperation from everyone involved the budget process would not have been successful. Lastly, we are thankful for the leadership, creativity, and support of the "Budget Strategy Team," Katy Simon, County Manager, John Berkich and Dave Childs, Assistant County Managers, John Sherman, Finance Director, and Katey Fox, Human Resources Director.

Respectfully,

Darin D. Conforti
Budget Manager

BUDGET SUMMARY FOR WASHOE COUNTY

REVENUES	GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS			PROPRIETARY FUNDS BUDGET YEAR 6/30/2011 (4)	TOTAL (MEMO ONLY) COLUMNS 3+4 (5)
	ACTUAL PRIOR YEAR 6/30/2009 (1)	ESTIMATED CURRENT YEAR 6/30/2010 (2)	BUDGET YEAR 6/30/2011 (3)		
Property Taxes	204,835,572	201,511,955	186,774,943	0	186,774,943
Other Taxes	3,013,180	2,992,309	2,662,531	0	2,662,531
Licenses and Permits	11,150,377	9,779,578	9,784,544	0	9,784,544
Intergovernmental Resources	156,554,648	170,420,145	137,562,598	0	137,562,598
Charges for Services	21,715,295	22,649,785	24,533,417	89,860,686	114,394,103
Fines and Forfeits	10,791,954	10,711,333	10,591,363	0	10,591,363
Miscellaneous	24,086,569	14,228,441	11,946,915	10,523,798	22,470,713
TOTAL REVENUES	432,147,595	432,293,546	383,856,311	100,384,484	484,240,795
EXPENDITURES-EXPENSES					
General Government	66,137,481	131,251,886	78,790,317	62,667,115	141,457,432
Judicial	58,101,370	54,890,277	61,292,632	0	61,292,632
Public Safety	134,193,709	140,084,761	139,059,054	1,423,877	140,482,931
Public Works	21,439,795	26,034,803	21,088,260	0	21,088,260
Sanitation	1,707,191	1,044,955	750,955	30,760,695	31,511,650
Health	24,287,780	22,250,160	26,641,252	0	26,641,252
Welfare	61,293,731	65,769,802	72,956,574	0	72,956,574
Culture and Recreation	33,259,047	32,297,626	48,885,270	2,525,451	51,410,721
Community Support	1,661,739	2,298,513	411,466	0	411,466
Intergovernmental Expenditures	17,790,645	19,214,665	16,812,591	0	16,812,591
Contingencies	0	500,000	1,500,000	0	1,500,000
Utility Enterprises				0	0
Hospitals				0	0
Transit Systems				0	0
Airports				0	0
Debt Service - Principal	24,712,851	15,344,539	22,385,669	0	22,385,669
Interest Costs	11,586,371	9,403,475	8,571,037	2,687,364	11,258,401
Service Fees	10,796,406	583,859	110,758	0	110,758
TOTAL EXPENDITURES-EXPENSES	466,968,116	520,969,323	499,255,834	100,064,502	599,320,336
Excess of Revenues over (under) Expenditures-Expenses	(34,820,522)	(88,675,777)	(115,399,523)	319,982	(115,079,541)

	GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS				
	ACTUAL PRIOR YEAR 6/30/2009 (1)	ESTIMATED CURRENT YEAR 6/30/2010 (2)	BUDGET YEAR 6/30/2011 (3)	PROPRIETARY FUNDS BUDGET YEAR 6/30/2011 (4)	TOTAL (MEMO ONLY) COLUMNS 3+4 (5)
OTHER FINANCING SOURCES (USES):					
Proceeds of Long-term Debt	10,613,382	0	0	0	
Sales of General Fixed Assets	24,327	1,525,324	0	100,000	
Proceeds of Medium-term Financing	10,949,103	0	0	0	
Proceeds of Lease Purchase Financing	0	0	0	0	
Operating Transfers In	43,540,124	42,829,473	63,813,087	225,000	
Operating Transfers (Out)	(47,201,908)	(47,968,441)	(50,038,087)	(14,000,000)	
TOTAL OTHER FINANCING SOURCES (USES)	17,925,028	(3,613,644)	13,775,000	(13,675,000)	
EXCESS OF REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES (Net Income)	(16,895,494)	(92,289,421)	(101,624,523)	(13,355,018)	xxxxxxxxxxxxxxxxx
FUND BALANCE JULY 1, BEGINNING OF YEAR:					
Reserved	0	0		xxxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxxx
Unreserved	264,817,161	247,921,667	155,632,246	xxxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxxx
TOTAL BEGINNING FUND BALANCE	264,817,161	247,921,667	155,632,246	xxxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxxx
Prior Period Adjustments	0	0	0	xxxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxxx
Residual Equity Transfers In	0	0	0	xxxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxxx
Residual Equity Transfers (Out)	0	0	0	xxxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxxx
FUND BALANCE JUNE 30, END OF YEAR:				xxxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxxx
Reserved	0	0		xxxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxxx
Unreserved	247,921,667	155,632,246	54,007,723	xxxxxxxxxxxxxxxxx	xxxxxxxxxxxxxxxxx
TOTAL ENDING FUND BALANCE	247,921,667	155,632,246	54,007,723		

ESTIMATED REVENUES AND OTHER RESOURCES

SCHEDULE A - GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS AND TAX SUPPORTED PROPRIETARY FUND TYPES

Budget For Fiscal Year Ending June 30, 2011

Budget Summary for Washoe County
(Local Government)

GOVERNMENTAL FUNDS & EXPENDABLE TRUST FUNDS FUND NAME	BEGINNING FUND BALANCES (1)	CONSOLIDATED TAX REVENUE (2)	AD VALOREM TAXES REQUIRED * (3)	TAX RATE (4)	OTHER REVENUES (5)	OTHER FINANCING SOURCES OTHER THAN TRANSFERS IN (6)	OPERATING TRANSFERS IN (7)	TOTAL (8)
General	21,883,882	66,220,000	147,197,197	1.0987	58,066,704	0	14,372,110	307,739,893
Health	2,062,165	0	0	0.0000	8,725,458	0	8,192,500	18,980,123
Library Expansion	434,521	0	2,701,041	0.0200	25,612	0	0	3,161,174
Animal Services	4,468,484	0	4,043,561	0.0300	554,750	0	0	9,066,795
Regional Communication System	914,575	0	0	0.0000	1,325,740	0	0	2,240,315
Indigent Tax Levy	1,475,983	0	10,133,903	0.0750	289,000	0	0	11,898,886
Child Protective Services	12,991,486	0	5,402,081	0.0400	33,343,981	0	670,260	52,407,808
Senior Services	628,974	0	1,351,520	0.0100	2,150,470	0	232,860	4,363,824
May Foundation	0	0	0	0.0000	0	0	0	0
Enhanced 911	1,278,584	0	0	0.0000	1,535,000	0	0	2,813,584
Regional Public Safety	334,005	0	0	0.0000	722,295	0	0	1,056,300
Central Truckee Meadows Remediation District	5,889,491	0	0	0.0000	2,643,587	0	0	8,533,078
Truckee River Flood Mgt Infrastructure	22,646,769	0	0	0.0000	6,497,525	0	0	29,144,294
Stabilization	2,250,000	0	0	0.0000	0	0	0	2,250,000
Other Restricted Special Revenue	4,193,301	0	1,353,020	0.0100	12,500,986	0	0	18,047,307
Capital Facilities	18,529,051	0	6,762,601	0.0500	130,000	0	0	25,421,652
Parks Capital	25,825,808	0	0	0.0000	985,390	0	0	26,811,198
Subtotal Governmental Fund Types, Expendable Trust Funds - This Page	125,807,078	66,220,000	178,944,924	1.3337	129,496,498	0	23,467,730	523,936,230

* Washoe County budgets for delinquent taxes and they are included in this amount. The AB104 property taxes shared with the Cities is also included.

ESTIMATED REVENUES AND OTHER RESOURCES

GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS AND TAX SUPPORTED PROPRIETARY FUND TYPES

Budget For Fiscal Year Ending June 30, 2011

Budget Summary for Washoe County
(Local Government)

GOVERNMENTAL FUNDS & EXPENDABLE TRUST FUNDS FUND NAME	BEGINNING FUND BALANCES (1)	CONSOLIDATED TAX REVENUE (2)	AD VALOREM TAXES REQUIRED * (3)	TAX RATE (4)	OTHER REVENUES (5)	OTHER FINANCING SOURCES OTHER THAN TRANSFERS IN (6)	OPERATING TRANSFERS IN (7)	TOTAL (8)
Capital Improvements Fund	17,575,432	0	0	0.0000	324,000	0	1,103,000	19,002,432
Infrastructure	1,710,484	0	0	0.0000	100,000	0	16,500,000	18,310,484
Stormwater Impact Fee	(0)	0	0	0.0000	152,000	0	0	152,000
Retiree Health Benefits	0	0	0	0.0000	0	0	0	0
Washoe County Debt	9,107,703	0	7,830,019	0.0580	0	0	22,742,357	39,680,079
SAD Debt	1,431,549	0	0	0.0000	788,870	0	0	2,220,419
Subtotal Governmental Fund Types, Expendable Trust Funds - This Page	29,825,168	0	7,830,019	0.0580	1,364,870	0	40,345,357	79,365,414
TOTAL ALL FUNDS	155,632,246	66,220,000	186,774,943	1.3917	130,861,368	0	63,813,087	603,301,644

* Washoe County budgets for delinquent taxes and they are included in this amount. The AB104 property taxes shared with the Cities is also included.

ESTIMATED EXPENDITURES AND OTHER FINANCING USES

Budget For Fiscal Year Ending June 30, 2011

Budget Summary for: Washoe County
(Local Government)

GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS FUND NAME	*	SALARIES AND WAGES (1)	EMPLOYEE BENEFITS (2)	SERVICES, SUPPLIES AND OTHER CHARGES ** (3)	CAPITAL OUTLAY (4)	CONTINGENCIES AND USES OTHER THAN OPERATING TRANSFERS OUT (5)	OPERATING TRANSFERS OUT (6)	ENDING FUND BALANCES (7)	TOTAL (8)
General		130,667,589	70,835,886	65,842,463	2,339,331	1,500,000	14,262,771	22,291,853	307,739,893
Health	R	11,127,410	4,607,532	2,477,426	63,055	0	0	704,700	18,980,123
Library Expansion	R	1,189,740	476,630	851,545	50,000	0	291,383	301,876	3,161,174
Animal Services	R	1,945,278	759,164	1,664,321	150,000	0	0	4,548,032	9,066,795
Regional Communications System	R	412,729	138,256	1,108,581	442,000	0	0	138,749	2,240,315
Indigent Tax Levy	R	0	0	11,888,571	0	0	0	10,315	11,898,886
Child Protective Services	R	15,245,338	5,571,014	23,760,989	50,000	0	400,000	7,380,467	52,407,808
Senior Services	R	1,858,325	750,271	1,328,786	0	0	0	426,442	4,363,824
May Foundation	R	0	0	0	0	0	0	0	0
Enhanced 911	R	17,656	8,223	1,227,825	1,360,000	0	0	199,880	2,813,584
Regional Public Safety	R	290,001	106,364	400,920	200,000	0	0	59,015	1,056,300
Central Truckee Meadows Remed. District	R	762,598	239,125	6,969,311	0	0	0	562,044	8,533,078
Truckee River Flood Mgt Infrastructure	R	1,242,790	420,073	3,598,268	0	0	21,542,020	2,341,142	29,144,294
Stabilization	R	0	0	2,250,000	0	0	0	0	2,250,000
Other Restricted Revenue Fund	R	4,080,319	1,487,695	8,248,020	1,103,890	0	2,834,168	293,215	18,047,307
Capital Facilities	C	0	0	6,796,691	7,900,000	0	10,707,745	17,216	25,421,652
Parks Capital	C	0	0	0	23,734,326	3,000	0	3,073,872	26,811,198
SUBTOTAL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS - THIS PAGE		168,839,772	85,400,233	138,413,718	37,392,602	1,503,000	50,038,087	42,348,818	523,936,230

* FUND TYPES: R-Special Revenue
C-Capital Projects
D-Debt Service
T-Expendable Trust
** Includes debt services requirement.

ESTIMATED EXPENDITURES AND OTHER FINANCING USES

Budget For Fiscal Year Ending June 30, 2011

Budget Summary for: Washoe County
(Local Government)

GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS FUND NAME	*	SALARIES AND WAGES (1)	EMPLOYEE BENEFITS (2)	SERVICES, SUPPLIES AND OTHER CHARGES ** (3)	CAPITAL OUTLAY (4)	CONTINGENCIES AND USES OTHER THAN OPERATING TRANSFERS OUT (5)	OPERATING TRANSFERS OUT *** (6)	ENDING FUND BALANCES (7)	TOTAL (8)
Capital Improvements Fund	C	0	0	0	18,991,384	0	0	11,048	19,002,432
Infrastructure	C	0	0	0	17,500,161	0	0	810,323	18,310,484
Stormwater Impact Fee	C	0	0	0	152,000	0	0	(0)	152,000
Retiree Health Benefits	R	0	0	0	0	0	0	0	0
Washoe County Debt	D	0	0	30,521,666	0	0	0	9,158,413	39,680,079
SAD Debt	D	0	0	541,298	0	0	0	1,679,121	2,220,419
SUBTOTAL		0	0	31,062,964	36,643,545	0	0	11,658,905	79,365,414
TOTAL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS		168,839,772	85,400,233	169,476,682	74,036,147	1,503,000	50,038,087	54,007,723	603,301,644

* FUND TYPES: R-Special Revenue
C-Capital Projects
D-Debt Service
T-Expendable Trust

** Includes debt services requirement.

*** Includes residual equity transfers.

PROPRIETARY AND NON EXPENDABLE TRUST FUNDS

Budget For Fiscal Year Ending June 30, 2011

Budget Summary for: Washoe County
(Local Government)

FUND NAME	*	OPERATING REVENUES (1)	OPERATING EXPENSES** (2)	NON-OPERATING REVENUES (3)	NON-OPERATING EXPENSES (4)	OPERATING TRANSFERS IN (5)	OPERATING TRANSFERS OUT (6)	NET INCOME (7)
Building & Safety	E	1,066,000	1,423,877	4,650	0	225,000	0	(128,227)
Water Resources	E	29,351,539	31,003,323	9,597,098	2,442,603	0	0	5,502,711
Golf Course	E	2,331,720	2,405,681	25,500	121,903	0	0	(170,364)
Health Benefit	I	44,819,000	46,845,756	384,000	0	0	0	(1,642,756)
Risk Management	I	5,877,874	8,121,042	380,650	0	0	11,500,000	(13,362,518)
Equipment Services	I	6,414,553	7,700,317	231,900	0	0	2,500,000	(3,553,864)
TOTAL		89,860,686	97,499,996	10,623,798	2,564,506	225,000	14,000,000	(13,355,018)

*FUND TYPES: E-Enterprise
I-Internal Service
N-Nonexpendable Trust

** Includes debt services requirement.

BUDGET PROCESS

The annual budget serves as the financial plan for Washoe County operations. The budget is prepared for all funds of the County which include the General Fund, Special Revenue Funds, Internal Service Funds, Enterprise Funds, Capital Project Funds, and Debt Service Funds.

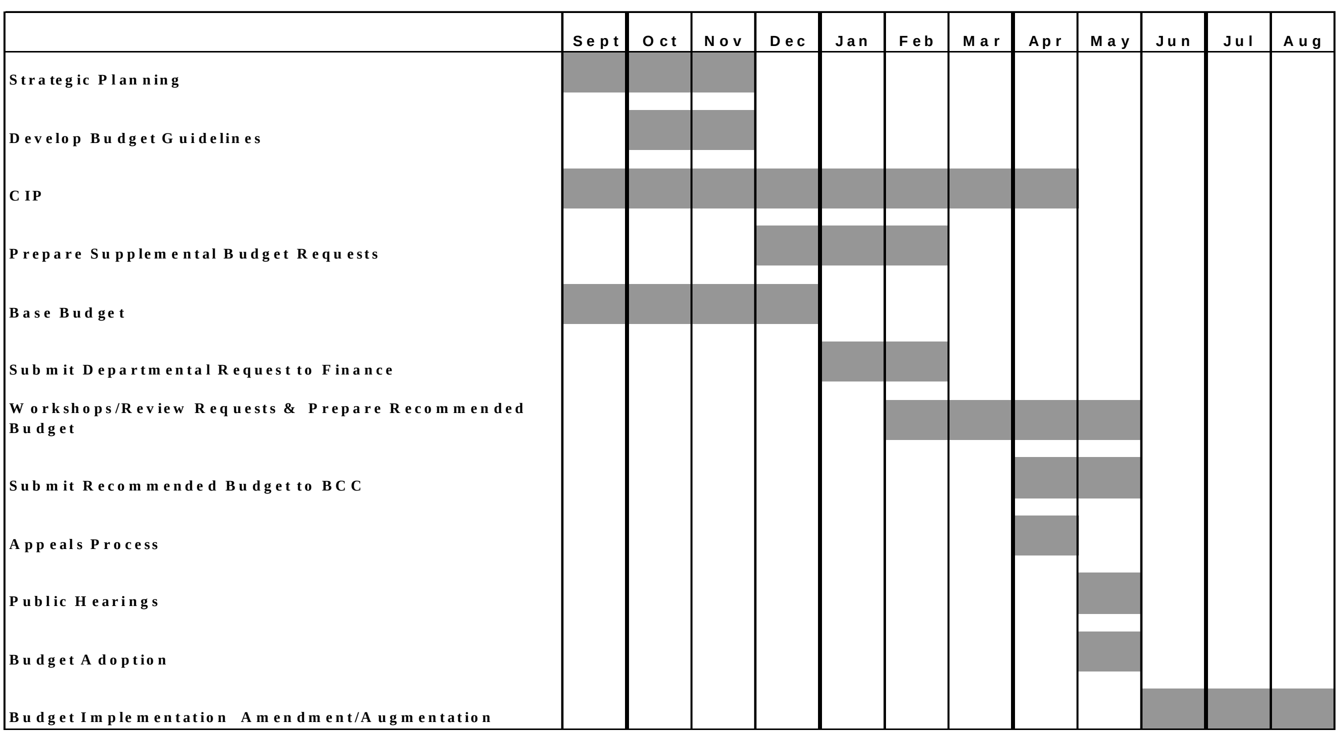
The County maintains all financial records for these funds on the modified accrual method of accounting in accordance with generally accepted accounting principles as recommended by the Governmental Accounting Standards Board utilizing guidance from the Government Finance Officers Association's *Governmental Accounting, Auditing, and Financial Reporting* "Blue Book".

Washoe County's financial policies are dictated by a number of sources, including Nevada Revised Statutes, Chapter 354; Nevada Administrative Code, Chapter 354; Washoe County Code, Chapter 15; and Board adopted Financial Policies and Procedures and General Fiscal Policies (details in the Financial Policies section at the end of the Introduction section). A legislatively mandated definition of what constitutes a balanced budget has been spiritedly debated each session, but one has never been formally adopted. Washoe County adheres, with no exceptions, to the practice of adopting a final balanced budget with no deficit spending.

Additionally, budgets are prepared in compliance with adopted financial policies that state "The County shall pay for all recurring expenditures with recurring revenues and use non-recurring revenues for non-recurring expenditures."; and "Budgets are required for all funds except agency and non-expendable trust funds that do not receive ad valorem or supplemental city/county relief taxes."

After departmental input, state review and public hearings, the budget is adopted by the governing Board by June 1. The budget is integrated into the SAP enterprise resource planning system for monitoring and control. The legal level of budgetary control is held at the function level for governmental and proprietary funds. The Budget Manager may approve budget adjustments within a function. The Budget Manager, with Board notification, may approve budget adjustments between functions or funds. Adjustments that affect fund balances or increase the original budget require Board approval.

The County's fiscal year runs July 1 through June 30. Washoe County incorporates base budgeting and strategic planning into a process that provides long-term direction coupled with short-term goals, objectives and performance measures. The basic budget process timeline is highlighted in the following chart. A more detailed explanation of these budget process steps follows, along with revenue and expenditure assumptions used to calculate the base budget.



Strategic Planning

The budget process starts with strategic planning workshops which are concluded by the end of October each year. These workshops are started in September with department heads identifying strategic issues that are of high priority for the coming year. The strategic planning process involves citizen surveys (as a primary data source), community focus groups and other methods of determining community needs and priorities. It also involves analysis of demographic, economic and workload trends. The information gathered from the strategic planning workshops is reviewed during workshops with department heads and with the Board of County Commissioners in which the Board adopts the County's overall strategic plan. Each year's strategic planning process builds on previously approved strategic plans. These workshops continue the identification of important strategic issues for the coming year and provide the framework for the development of the Budget Guidelines.

CIP

Pursuant to Nevada Revised Statute 354.5945, each local government must prepare an annual capital plan for the fiscal year and the ensuing five fiscal years. The Washoe County Capital Improvements Program (CIP) is a five-year plan for maintaining existing infrastructure and building or acquiring new facilities to meet demands from growth, legal mandates and health and safety issues. It is used to link the County's physical development planning with fiscal planning.

Washoe County's CIP includes major projects requiring the expenditure of public funds, over and above annual operating expenses, for the purchase, construction, or replacement of the physical assets of the community. Major capital projects are normally non-recurring (e.g. new buildings, streets, utility systems, land for parks, investments in new technology, etc.) and have a cost of at least $100,000.

Two committees review the projects for prioritization and funding. The CIP Committee reviews the projects related to buildings, major equipment, streets, parking lots, highways, parks, open space, water resources and wastewater with an estimated cost of greater than $100,000. The Information Technology Advisory Committee (ITAC) reviews all technology projects and makes recommendations on the projects with an estimated cost greater than $100,000.

A part of the request process is to identify the operating costs associated with the capital requests. These costs are analyzed as a part of the decision making process.

The Washoe County CIP Committee meets monthly to evaluate capital projects and discuss issues related to capital planning and budgeting. The committee is comprised of the County Manager, the two Assistant County Managers, the Undersheriff, a Washoe County Planning Commission member, a representative of the District Attorney's office and Directors of the following departments: Community Development, Finance, Parks and Recreation, Public Works and Water Resources.

ITAC meets monthly to evaluate technology projects and discuss issues related to all County technology planning and budgeting. The committee is comprised of the County Manager, Assistant Sheriff, District Attorney, Treasurer, County Clerk, District Court Administrator, Internet Working Group Chairman, Information Technology Standards Committee Chairman, Associate Library Director, Comptroller, Division Director for District Health Department, Directors of the following departments: Information Technology, Public Works, Human Resources, Law Library and Finance.

Many of the projects submitted through the CIP process have been previously analyzed and prioritized by other committees, boards and working groups representing elected and appointed officials, citizens and staff. Approved CIP projects are included in the Tentative Budget filed by April 15 of each year.

Base Budget

The Base Budget process uses the assumptions and guidelines developed jointly with department heads and the Budget Division to set the base for each department. The assumptions are given in detail under the Revenue Assumptions and Expenditure Assumptions sections. Base budgets are then calculated and available for department review and input. The base budget is established to provide each department with the same amount as the previous year's budget with adjustments for negotiated salary increases, benefit cost adjustments and other miscellaneous increases or reductions due to contractual agreements that may increase or decrease the base. Departments may adjust their allowed service and supply and capital accounts so long as they do not exceed their total base budget amount. Supplemental budget requests,

requests for new programs, expansions or adjustments for significant changes in workload, service demand and exceptional inflationary factors are prepared by the department with the assistance of the Finance Department. Base budget adjustments are recommended based on County priorities and available resources, which are outlined during the strategic planning workshops as well as budget workshops with the Board. Departments submit work plans and objectives for base budgets. This information is to provide the Board of County Commissioners, the County Manager and the staff within departments with improved information regarding the activities of each department, its workload and how well the department is accomplishing its objectives. It also provides expected service levels with the financial resources that are allocated.

Workshops/Appeals Process

The Board of County Commissioners holds a series of public workshops beginning in February of each year, to review department requests and program needs prior to the formal budget presentations and hearings. The Budget Division works with departments to identify what goals, objectives and performance measures they will accomplish with their base budget allotments and any requests for above base funding. The Budget Division, using the data provided by departments and the strategic planning process, makes recommendations for above base adjustments. The Board of County Commissioners then gives direction to the Budget Division staff as to the preparation of the tentative budget. A tentative budget is prepared and sent to the State Department of Taxation, which is required to be submitted on or before April 15th of each year.

The departments may file appeals to the recommended budget with the County Manager. The County Manager then makes recommendations for either approval or denial. After consideration, the department may further appeal their recommended budget to the Board of County Commissioners. The Board of County Commissioners reviews departmental appeals for increases to the budget and provides additional direction to the Budget Division based on the appeals process.

Final Budget

Based on direction from the County Manager and the Board of County Commissioners, the Budget Division will prepare a budget for the formal budget hearing, as mandated by Nevada Revised Statute 354.596,with the Board of County Commissioners. A public hearing on the Tentative Budget and Final Budget adoption is held on the third Monday in May. Subject to changes indicated, if any, to the tentative budget, the Final Budget is adopted at this hearing or at any time and place to which the public hearing is adjourned. The final budget must be adopted by June 1 and filed with the State Department of Taxation in accordance to State law.

During legislative years, an amended Final Budget may be filed with the Nevada Department of Taxation which incorporates legislative changes. The amended Final Budget must be filed within 30 days after the close of session.

Budgetary Controls

Washoe County maintains budgetary controls to assure compliance with legal provisions embodied in the annual appropriated budget adopted by the Board of County Commissioners. Appropriations are adopted at the department level. Appropriation control is maintained through the accounting system.

Under the base budget concept adopted by the County in 1993-94, departments are relieved of line-item controls. The departments have the authority to expend funds within their service and supply and capital outlay accounts as a total rather than at each line item other than travel which is controlled at the line item level. The Budget Division works with departments during the year to realign service and supply line items, if necessary, to reflect changes in spending patterns that occur which vary from the original budget. The departments, however, cannot exceed their total department budget, and are accountable to the Board of County Commissioners for program goals, objectives and performance measures adopted during the budget process.

Beginning in Fiscal Year 1998-99, the Board of County Commissioners directed the Budget Division to adjust departments' salary and benefit accounts for any salary savings during the course of the fiscal year. It was also directed that a portion of these savings would be used to pay for retiring/departing employees' accrued sick leave, vacation time and compensatory pay.

Budgetary status information is available through the SAP enterprise resource planning system. Monthly financial status reports are provided to the Board of County Commissioners, utilizing statistical and graphic presentations to assure budgetary compliance, to highlight any potential problems, and to initiate planning for the following fiscal year.

Basis of Accounting

Washoe County implemented Governmental Accounting Standards Board Statement 34, beginning with the June 30, 2001, Comprehensive Annual Financial Report. Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Major, combining and individual governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period, in this case, within 60 days after year-end. Expenditures generally are recorded when a liability is incurred. Exceptions are debt service, compensated absences and claims and judgments, which are recorded when payment is due. The Statement of Net Assets presents the County's entire financial position, distinguishing between governmental and business-type activities. The end result is net assets, which is segregated into three components: invested in capital assets, net of related debt; restricted and unrestricted net assets. The Statement of Activities provides both the gross and net cost of operations, again, distinguishing between governmental and business-type transactions. Program revenues are applied to the functions that generate them, in order to determine functional net costs and the extent to which costs are supported by general revenues.

Budgetary Basis of Accounting

Budgets are prepared on a modified accrual basis. The process varies from generally accepted accounting principles (GAAP) as a result of provisions made to treat encumbrances as budgeted expenditures in the year of commitment to purchase. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. All annual appropriations lapse at fiscal year end to the extent they have not been expended or lawfully encumbered. However, encumbrances and appropriations for unfinished capital projects will generally be re-appropriated (carried over) as part of the following year’s budget.

Fund Descriptions

The accounts of the County of Washoe are organized on the basis of funds and account groups, each of which is considered a separate accounting entity with a self-balancing set of accounts. Funds are established to segregate specific activities or objectives of a government in accordance with specific regulations, restrictions, or limitations. All funds established by a government must be classified in one of these fund types for financial reporting purposes:

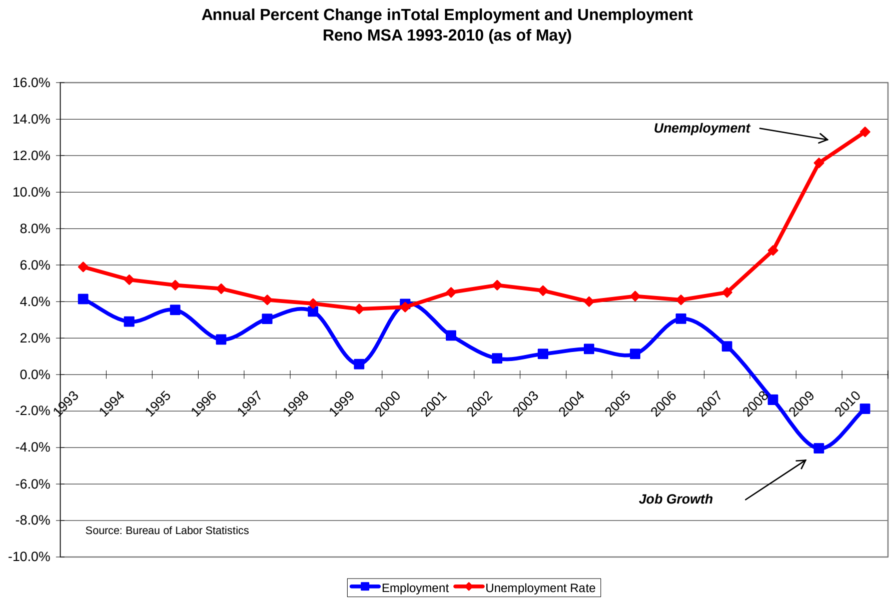
1. Governmental Fund Types
    - General Fund
    - Special Revenue Funds
    - Debt Service Funds
    - Capital Project Funds
2. Proprietary Fund Types
    - Enterprise Funds
    - Internal Service Funds
3. Fiduciary Fund Types
    - Intergovernmental funds for taxes, fines and fees collected for other governments
    - Washoe County, Nevada OPEB Trust Fund
    - Public Guardian/Administrator Trust Funds
    - Court Trust
    - Senior Services Trust
    - Sheriff’s Trust
    - Other miscellaneous fiduciary funds

The description of each of the individual fund types are contained on the first page of the associated section. The separate fund pages include a description and purpose of the fund that necessitates it be accounted for separately.

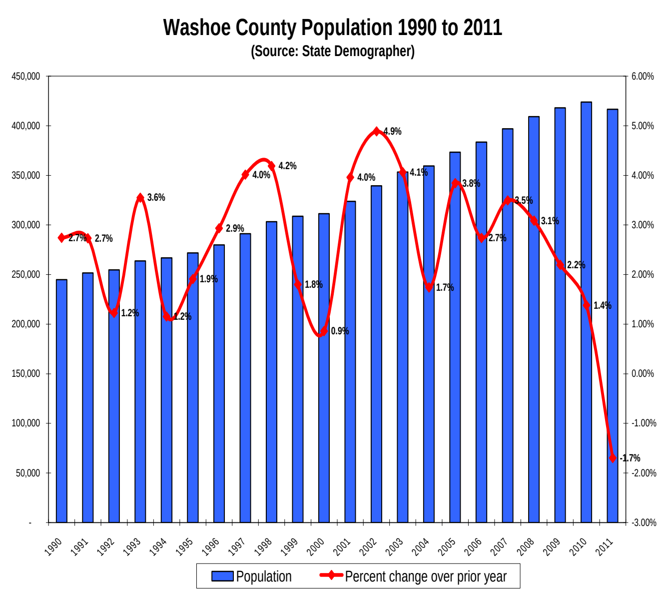
Revenue Assumptions

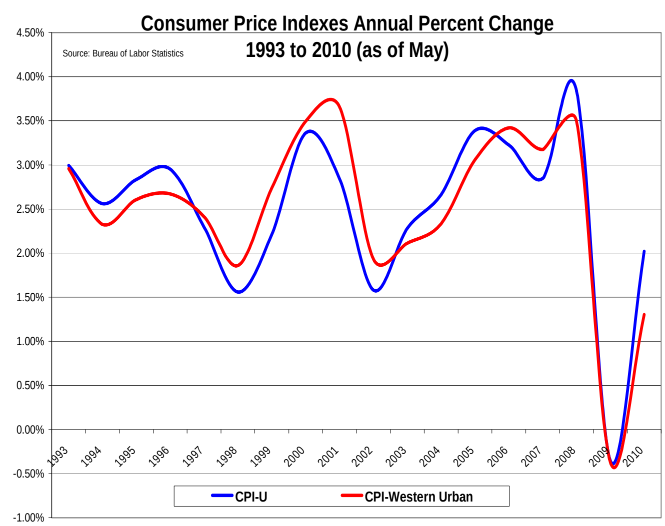
For next fiscal year, the revenue outlook is for continued decline in major revenue sources. Washoe County remains mired in the deepest recession experienced in generations. A recession marked by historic declines in employment and housing values has resulted in staggering losses in sales tax revenue and declines property tax revenue. Therefore, even though population has declined and inflation remains very low (surrogates for demand and cost for service), Washoe County continues its challenge to maintain a balanced budget and provide services to residents. The graphs below show the recent trends for key economic indicators.

Employment and Unemployment

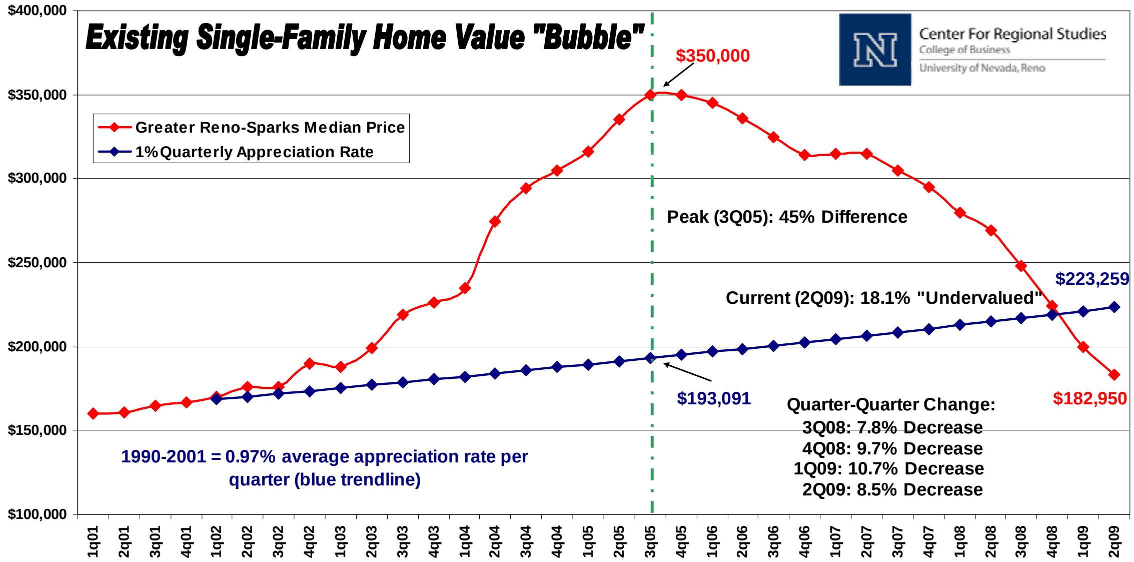


Population and Inflation





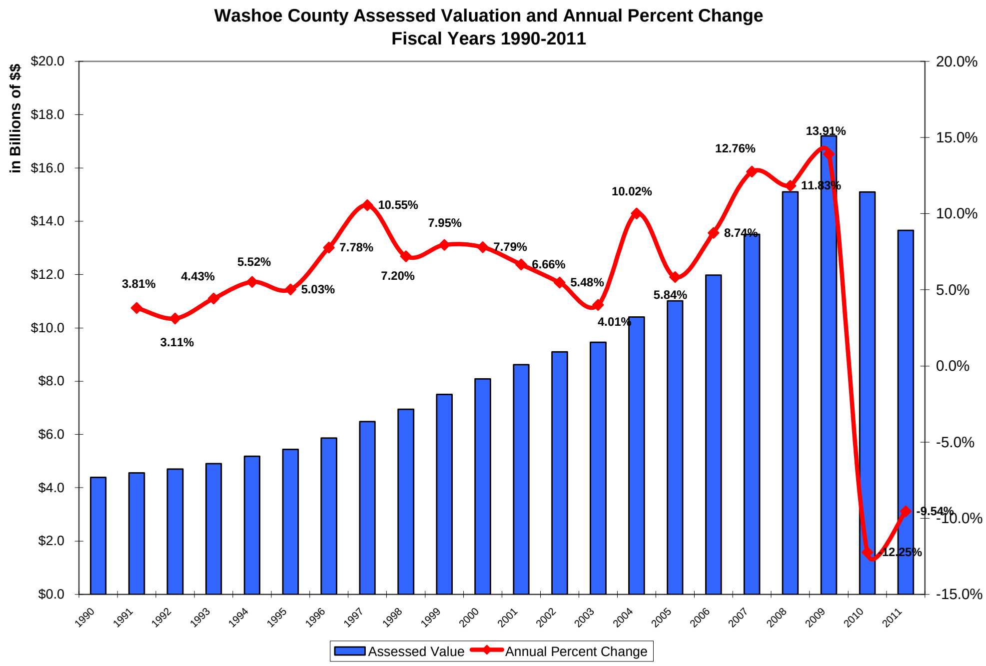
Single-Family Home Value



Based on the review of local and national indicators including quantitative and qualitative analysis, the fiscal year 2010-2011 revenue assumptions follow:

Property Taxes

- Property taxes, the most significant source of revenue for government funds, have been dramatically impacted by one of the worst-in-nation housing market collapses. Fiscal year 2009-2010, marked the first time in memory that Washoe County experienced a decline in assessed value and property tax revenue. That trend not only continued, but accelerated in fiscal year 2010-2011. The chart below illustrates the trends in assessed values.
- The County's assessed value in fiscal year 2010-2011 will decrease by 9.5% over the 2009-10 fiscal year, from $15,099,475,662 to $13,658,850,921. The decline in total property tax revenues for fiscal year 2010-2011 is 7.2%, slightly less than the total decline in assessed value due to the application of abated value to dampen the decline of taxable value for those parcels with abated value remaining.
- Property tax rate will remain the same as fiscal year 2009-2010 rates.
- Property taxes comprise 54% of the County's General Fund revenues (excluding fund balance and transfers).

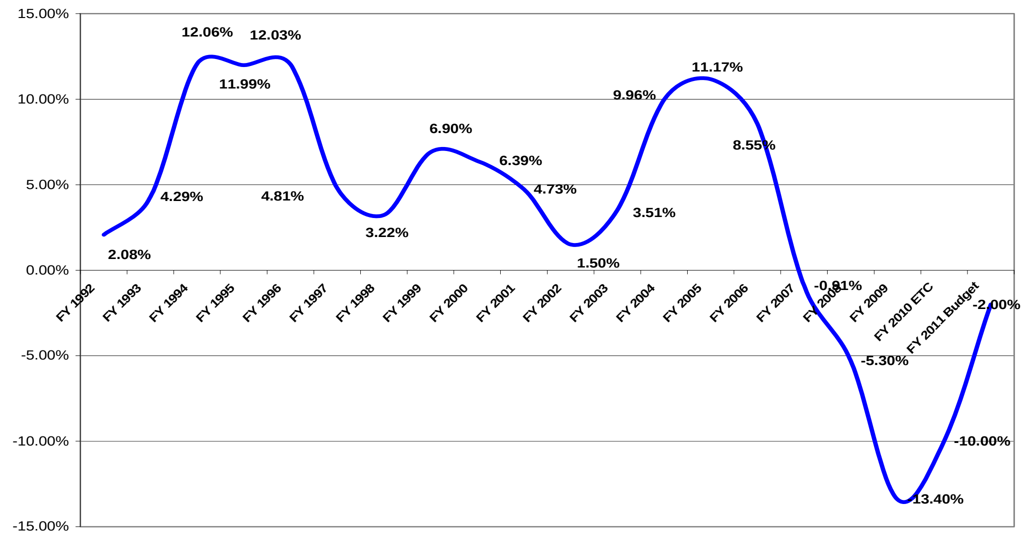


Consolidated Taxes

- Consolidated taxes are primarily made up of sales taxes. Sales taxes are much more elastic than property tax revenues and have been impacted by the recession for a longer period of time and with much steeper declines that property tax revenues. Sales tax revenue in Washoe County peaked in fiscal year 2005-2006. Since that time, taxable sales have declined for 40 consecutive months. There are indications that the bottom may have been reached. In the last few months, the rate of declines has slowed to less than 10%. With such unprecedented declines in the sales tax base, it is a challenge to project the future based on historic trends. That stated, the rate of decline is expected to further abate in the coming fiscal year with the expectation a new base formation is occurring. The chart below shows the trends on taxable sales.
- Effective July 1, 1998, amendments to NRS 377.080 changed local government tax distributions for the following taxes: Supplemental City/County Relief Tax (SCCRT), Basic City/County Relief Tax (BCCRT), Cigarette Tax, Liquor Tax, Government Services Tax (GST) and Real Property Transfer Tax (RPTT). These taxes, which were previously distributed and reported individually, are now reflected as a single consolidated tax.
- The sales tax rate in Washoe County totals 7.725%. Of this amount, the County receives a share from four increments:
    - A 1-3/4% levy defined in State law as the Supplemental City/County Relief Tax (SCCRT);
    - A 1/2% Basic City County Relief Tax (BCCRT);
    - A 1/4% levy defined in State law as Fair Share makeup tax; and
    - A 1/4% levy that is divided, with 1/8 cent for flood control and the remaining 1/8 cent being used to fund the City of Reno's ReTrac Project.

  Each of these sales tax levies is apportioned between the County, cities and special districts. A portion of the SCCRT is also apportioned to rural counties in the state depending on the amount of statewide sales tax collections.
- For fiscal year 2010-2011 consolidated taxes are anticipated to decline 2.0% from current year collections. Consolidated taxes make up 24.4% of General Fund revenue (excluding fund balance and transfers). However, if continued declines in taxable sales are experienced, these estimates will be adjusted downward.
- AB 104 revenues including property taxes are projected to decline by 3.1% from current year revenues totaling $11.1 million.

Taxable Sales Fiscal Year Annual Percent Change 1993 to Budget 2011



Other Revenues

- Other significant County revenues include charges for services, fuel taxes, grants, and licenses and permits. Minimal growth is projected in these categories as a whole, some are projected with slight declines and others have a small percentage of growth. Grants are only budgeted if actually known, otherwise we will add revenue and expenditure authority upon actual receipt of the grant. This practice will always cause our current year budgeted grant revenue to be lower than prior year actual and estimated.

Expenditure Assumptions

- Because the County faced a budget deficit for fiscal year 2010-2011, the starting expenditure level for all department budgets in the General Fund was the prior year adopted budget plus or minus any legally or contractually obligated cost changes. From this adjusted prior year adopted budget each department was then required to develop budget reduction plans ranging from minus 2 percent to minus 5 percent.
- At the time the budget was adopted on May 17, 2010, the nine bargaining units had not finalized labor contracts. To balance the budget, the Board of County Commissioners directed labor cost savings of \$9.365 million to come from all employee groups, represented and non-represented. These labor cost savings must be negotiated. The anticipated savings in labor costs have been budgeted in each department's budget in the General Fund. Specific amounts budgeted are detailed on each department's budget book page in the General Fund section.
- Initial quotes on health insurance costs showed increases of about 11 percent for PPO plan and 30 percent for the HMO plan. With a lot of hard work and cooperation, the Insurance Negotiating Committee was able to achieve plan design changes as well as co-pay and deductible changes to bring the average cost increase for health insurance down to about 8 percent.
- Most major capital expenditures have been delayed due to the revenue shortfall but dollars have been set aside to continue the building, parks, roads and technology infrastructure needs.

Overall Budget Guidelines Set By The Board of County Commissioners

- For fiscal year 2010-2011, Washoe County again faced a substantial budget deficit, initially estimated at \$24.7 million and finalizing at \$23.3 million. Recognizing that the County needed to begin developing a long-term sustainable budget, the Board of County Commissioners established three main goals for the budget:

  - Maintain Services- In the three prior budget reductions, services to residents were reduced as positions and programs were eliminated. These service reductions are coming at time when demand for services is increasing due to economic conditions. In recognition of the need to meet resident demand, the Board set a goal of maintaining service levels as best as can be afforded.
  - Maintain Employment- Washoe County is the third largest employer in the valley. With unemployment at an all-time high, the Board set a goal that the County must to every extent possible maintain its employment base. To not do so would further erode the job base and prolong the recession.
  - Achieve Sustainable Labor Costs- With a deficit of $24.7 million and goals of not gutting services or jobs, the Board of County Commissioners challenged the organization to reduce its cost of doing business by lowering labor costs for employee wages and benefits.
- The budgeted ending fund balance in the general tax supported budget less capital expenditures is approximately 7.2%.
- Maintain contingency at $1.5 million.
- Continue sweeping general fund salary savings out of departments to allow for funding of other important priorities that arise during the fiscal year.

Since fiscal year 2007-2008, Washoe County has been required to reduce expenditures due to falling sales and property taxes. Fiscal year 2010-2011 is the fourth consecutive year reduction actions have been necessary. In the early stages of the recession, reductions involved hiring slowdowns, canceling one-time capital projects and reductions to both 2008 and 2009 capital and service and supply budgets. As the recession deepened going into fiscal year 2009-2010, the Board was required to take more strident action to cut budgets and directed that department budget be reduced on a service priority basis.

Policy Initiatives

Over the past several years, the County has initiated a number of service and quality improvements. These improvements reflect the County's mission of providing progressive regional leadership in the delivery of services in a quality, cost-effective manner. Current projects include the on-going development of detailed departmental mission statements coordinated with accompanying performance goals and measures which are supportive of and linked to the County mission.

Base Budget

In 1993-94 the County adopted the concept of base budgeting. The County's goals in adopting this concept were to:

- Increase managerial flexibility and authority
- Encourage better use of resources
- Change the focus of the budgetary process from inputs to outcomes
- Simplify and streamline the process

Flexibility and changing the focus to outcomes was achieved by developing departmental base budgets and control at the department level. For example, County management would not limit how much a department planned to spend on training but would hold the department head accountable to having the staff adequately trained. The financial control would be the inability to spend more than their authorized departmental budget. The analysis shifted to questions about what the departments were going to accomplish and what the level of service would be. The analysis and discussion focused on meaningful and measurable statements about what would be done for the customer.

The base budget uses the current fiscal year's authorized budget (less capital outlay and any one-time appropriation authority) as the base. Adjustments to the base budget are made by the Budget Division in consultation with the departments. The base budget is intended to provide sufficient monies to departments for the maintenance of existing service levels. The base is adjusted each year to cover any Board approved contracts along with employee labor agreements that have been approved.

Since the economic downturn began in fiscal year 2007-2008, funds have not been available to fully fund prior year department base budgets. Consequently, the prior year base budget is used as the starting point to develop deficit reduction plans.

Performance Measures

In 2004, the Management Services Division of the Manager's Office began a three-year project to upgrade performance data collection and reporting as used in the budget, into a more powerful performance measurement and management system. The system will make it possible for managers to monitor the performance of their units so that they can make adjustments in the allocation of resources, if necessary, to meet their annual performance targets. The system revolves around mission statements for each department or division that clearly identify the purpose of that unit in measurable and auditable terms, and are supportive of the County mission. The purpose of a unit is expressed not in the type of services it provides, but in the outcome it seeks to achieve through the provision of those services.

The system will also list discrete and easily auditable long and short-term goals for each department. Goals will identify those one-time changes or additions a department may want to make to remain up-to-date, increase service levels, shift direction, or comply with new mandates.

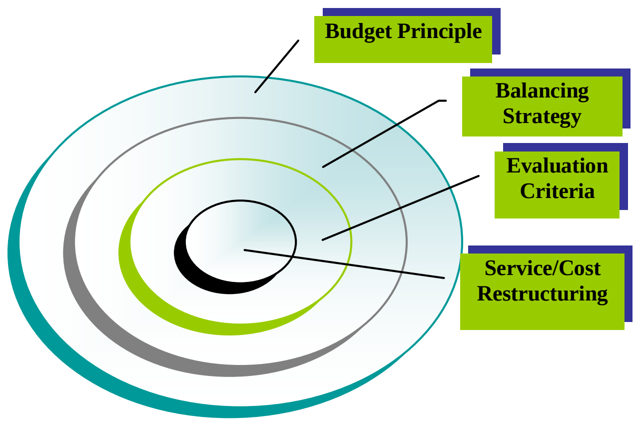
Objectives statements will identify the means by which a unit will seek to achieve its mission on a daily basis. Metrics to measure the efficiency, effectiveness, quality, and quantity with which those objectives are being met will be used. Performance benchmarks developed on a local or nationwide level will be used to compare performance to previous years or to other jurisdictions. Significant variances may reveal the need to change operating methods.

Employment of the system will make it easier for departments to determine when they may need to develop strategic plans to make changes to improve service delivery, or to meet changing demand. It will also make it possible for the Board of County Commissioners to implement strategic change by increasing or decreasing the performance targets of a unit, or a mix of units, or by adding new targets.

Budget Principles

In 2009, the Board of County Commissioners established a Budget Policy Committee comprised of citizens, elected officials, labor associations, and department heads to develop budget principles for the County. The Committee developed an approach it called "Principle Based Budget Balancing" illustrated in the diagram below and it recommended 13 budget principles along with budget balancing strategies and evaluation criteria.

Diagram: Principle Based Budget Balancing



Summary Of Recommended Budget Principles

Budget Principle (Not Ranked)	Discussion
A. The budget must be responsive to changing conditions.	*Budgets should flexibly adjust and scale to constantly changing conditions—changes in revenue, changes in demand, and changes in the law and policy. Changing conditions can also drive a need for shifts in service delivery priority. For example, in a down economic cycle demand for public safety and social services goes up. The budget must respond flexibly to these types of changes.*
B. Core services, mandates, and service levels need to be linked to community needs.	*Services are provided to meet community needs—needs that are determined and put forth by varied sources from legal mandates to voter decisions to discretionary policy choices. Budgeting should differentiate between mandates and discretionary services. The "must do" has to be a priority. At the same time, funding community needs should be done on a continuum of service provision as opposed to a mandate-centered approach. A flexible and community focused approach should be taken toward delivering and funding mandated services particularly as it relates to service levels. The risks of not meeting mandates fully have to be weighed. In addition, funding between mandated and non-mandated services should have a balanced consideration of the interrelated nature of service outcome. For instance, investing in non-mandated services may create the potential for cost cost-avoidance in mandated services.*
C. Budget decisions must address current needs and be future oriented in a fiscally prudent manner.	*Prudent budgeting considers meeting current needs (or not meeting needs) in a manner that lives within means (current revenues), saves for the future (builds reserves for "rainy day"), preserves infrastructure investments, and does not create liability.*
D. Results driven and quantitatively informed.	*The allocation of resources should be quantitatively informed about the results achieved. Service providers should be held accountable for successes and failures.*
E. Budget choices are to be strategically informed and should be realistic, pragmatic, and priority driven.	*Strategic planning should not be minimized as efforts are made to balance the budget given the magnitude of reductions necessary. The tactical actions taken to balance the budget need to be connected to a long-term approach. These efforts must be realistic and geared to pragmatic problem solving based on strategic priorities.*

Budget Principle (Not Ranked)	Discussion
F. Budget decisions should consider quality of life.	*Funding quality of life services, even when discretionary, can be a prudent investment that leads to cost avoidance for mandated services such as public safety.*
G. Budgets should be managed at the lowest level but informed by high-level policy direction, principles, and guidance.	*The budgeting process should empower the departments that provide services to deliver excellent and cost effective services. Of equal importance, the service delivery efforts and goals should be aligned with the high-level policies, principles, and guidance provided by the Board of County Commissioners.*
H. Be creative and entrepreneurial, and promote the talents of employees and citizens to provide services through volunteerism.	*Government needs to "think out of the box" and look for entrepreneurial opportunities to increase revenue by promoting the talents of its employees to innovate and create services that other governments would want to purchase. Likewise, government needs to promote citizens providing services to themselves. For example, volunteering to deliver services such as at libraries and parks, using technology such as the internet for self-service. In addition, the County needs to evaluate the services it provides by comparing to the private sector. If the private sector offers the service, why does government provide it and does government provide it at the same price?*
I. Budget choices must consider and reward operational efficiency.	*The efficient use of resources should be rewarded and budget choices should factor in efficiency. Audits should be used to identify and improve efficiency.*
J. Funding decisions should be made at the program level.	*A program is a collection of interrelated activities that are dedicated to or correlated with the achievement of a common outcome and serve a common base of customers. Funding at the program level connects the allocation of resources in a transparent manner to the specific results those resources are appropriated to achieve. Program based budgeting makes evaluating results and costs easier, which in turn facilitates better information on setting priorities and determining strategies. A risk based assessment of programs should be done, evaluating for performance and compliance. If a program does not deliver results or meet a need, it should not be funded.*
K. Resources should be maximized within and across departments and other jurisdictions.	*Duplicate and overlapping service provision dilutes the tax dollar yield to provide services. Government should look for opportunities to eliminate duplication by partnering and collaborating to share services across departments and other jurisdictions, and where appropriate overlapping services should be consolidated.*
L. Employees are the most valuable resource in providing public services.	*Quality public service begins with employees that dedicate their careers to building and providing services to the public. Budget choices must value the contribution of employees and promote their continued dedication to provide services.*
M. Opportunities to increase and enhance revenues should be pursued.	*Enhancing existing revenues and bringing in new revenues should be encouraged. Revenue from all sources should be considered including but not limited to: grants, fees, and fines. The cost of fiscal administration for the revenue should be considered, as well as the sustainability.*

Recommended Budget Balancing Strategies

A budget balancing strategy is a tool and optic through which currently provided services can be viewed in light of the budget principles. In this respect, the strategy serves as a pathway to move from an existing service/cost model to a new model in a manner that is consistent with principles. Below are categories or budget balancing strategies.

- Outsourcing
- Legislative Changes to Mandates
- Internal/External Consolidation of Services
- Improve Operational Efficiency
- Restructure Pay and Classification Benefits
- Evaluation of Program Effectiveness
- Entrepreneurial Opportunities
- Shared Services
- Asset/Property Management
- In-Sourcing
- Service Level Reductions
- Volunteerism

Recommended Criteria For Evaluating Budget Balancing Opportunities
Each specific budget balancing opportunity needs to be evaluated based on criteria. By establishing a common set of criteria through which specific budget balancing strategies and opportunities are evaluated, efforts to balance the budget can be strategically channeled to achieve the optimum results. Combined with the budget principles and specific strategies, the evaluation criteria establish a common risk-reward basis to develop a strategic budget balancing plan.

- Impact on Mandates
- Dollar Impact
- Complexity of Implementation
- Board of County Commissioner Authority to Implement (legal ability)
- Time to Implement
- Impact to Public Services
- Impact to Employees
- Impact to Stakeholder Agencies and on the System (each other)
- Current Program Performance
- Duplicate Provision of Service
- Revenue Generation/Production
- Minimum Funding Level Thresholds

The criteria should be applied in a decision matrix manner evaluating for both potential positive and negative impacts on a scale of high, medium, and low.

	Positive	**Negative**
High		
Medium		
Low		

Evaluation of the County's Fiscal Condition and Financial Indicators

The Financial Trend Monitoring System (FTMS), which was developed by the International City/County Management Association, is based on "factors" representing the primary forces that influence financial condition. The factors evaluated are Community Resources, Operating Position, Debt, Revenues and Expenditures. Associated with these factors are several "indicators" that measure different aspects of the factors. The indicators can be used to monitor changes in the factors, or more generally, to monitor changes in the financial condition of the County. These indicators cannot explain specifically why a problem is occurring, nor do they provide a single number or index to measure financial health. What the factors provide are **flags** (warning trends) for identifying problems, **clues** about their causes and **time** to take anticipatory action.

The County utilizes FTMS to monitor the financial condition of the County to assist in the effort to ensure that the County can (1) maintain existing service levels, (2) withstand local and regional economic disruptions and (3) meet the demands of natural growth, decline and change.

Financial Policies

As recommended by the Government Finance Officers Association "Financial Policies: Design and Implementation" publication, the Washoe County Financial Policies were established in 1996 as a "guideline for operational and strategic decision making related to financial matters". Policies are continually reviewed and revised given changes in Washoe County Code, department restructuring and various administrative procedure changes required to improve the overall financial management of the County. The current financial policies that the County operates with are as follows:

1. REVENUE POLICIES: To maintain and enhance the County's revenue base.

1.1 The County shall, through the legislative process and interlocal cooperation, work to maintain a diversified and stable revenue structure.
1.2 The County shall attempt to maintain a diversified and stable economic base by supporting land use and economic development policies promoting tourism, commercial and industrial employment.
1.3 The County shall estimate its annual and multi-year revenues by an objective, analytical process.
1.4 The County, where possible, shall institute user fees and charges for programs and services in the County. The user fees shall be established at a level related to the cost of providing those services. The user fees shall be adjusted on a predetermined schedule or annually so as to avoid major fluctuations.
1.5 The County's enterprise funds shall review user fees on a predetermined schedule approved by the Board of County Commissioners or annually and report to the Board of County Commissioners as to the adequacy of the fees in supporting the total direct and indirect costs of the activity.
1.6 The County shall avoid targeting revenues for specific programs unless legally required or when the revenue source has been established for the sole purpose of financing a specified program or project.

2. REVENUE FORECASTING AND MONITORING POLICIES: The goal of the County's policies in regards to revenue forecasting and monitoring is to develop and maintain a revenue monitoring system to assist in trend analysis and revenue forecasting. The specific policies are as follows:

2.1 The Finance Department, to emphasize and facilitate long-range financial planning, shall develop and maintain current projections of revenues for the current fiscal year and for at least five succeeding years.
2.2 The Finance Department shall maintain and further develop methods to analyze, forecast, and track major revenue resources and shall maintain at least ten years' historical data for all major revenue sources.

3. REVENUE COLLECTION: The County's policy regarding revenue collection is to develop and maintain an aggressive revenue collection program to assure that moneys due the County are received in a timely fashion.

3.1 All revenue collections should follow the internal control procedures specified in the Washoe County Internal Control Procedures Manual maintained by the Comptroller. *(Updated September 2001)*

4. ASSET MANAGEMENT: To protect the public investment and insure the maximum utilization and useful life of the facilities, land, and land rights. The specific policies regarding asset management are presented below.

4.1 The County Public Works Department shall review every three years or more often as the need arises, which of the County's lands or lands and buildings are not actively utilized and whether there are holdings that have no foreseeable purpose. Their findings shall be reported to the Board of County Commissioners for appropriate action.
4.2 The County shall dispose of surplus personal property in the most cost-effective manner allowed by State law.
4.3 The County shall assure that long range planning identifies undeveloped land needed to meet County goals. Such properties will be given a high budgetary priority so that it can be acquired prior to development.

5. RESOURCE ALLOCATION: The County's policy regarding resource allocation is to allocate discretionary resources in direct relation to the goals of the Board of County Commissioners .

5.1 Each proposed capital improvement program project will include a statement describing how the proposed improvement accomplishes the goals of the Board of County Commissioners.

6. CAPITAL IMPROVEMENTS MAINTENANCE AND REPLACEMENT: The County, through a program of Infrastructure Preservation, shall maintain capital improvements to the level required to adequately protect the County's capital investment and to minimize future maintenance and replacement costs.

6.1 The Equipment Services Division of the County shall establish an equipment and vehicle replacement schedule that maximizes value taking into consideration safety, efficiency, and utilization and maintenance costs. The schedule will be coordinated with a rate structure that will adequately fund the replacement or reconditioning of the assets.

6.2 General Services and Risk Management shall provide a building replacement value, based on a 50 year amortization for all major County Government Buildings, for inclusion and potential funding in the 5 year Capital Improvement Program.

6.3 The Engineering Division of Public Works shall maintain paved roads maintenance and improvement schedule that identifies annual and projected need for not less than five years including square footage of paving and other surface treatments and anticipated costs.

6.4 The County shall finance the replacement of water and sewer infrastructure through the water and sewer enterprise funds. The County shall finance the replacement of public buildings, parks, streets, storm drains, and sidewalks through the general fund.

6.5 The County shall continue to utilize all gasoline tax revenues for road maintenance and repair and provide such additional support as required to maintain an average Pavement Condition Index of not less than 78.

7. CAPITAL IMPROVEMENT PROGRAM MANAGEMENT: The goal of the County's policies regarding capital improvement program management is to systematically plan, schedule, and finance capital projects to ensure their cost-effectiveness. The capital improvement program will strive to balance between new capital needs, capital repair and replacement projects and available resources. The specific policies for capital improvement program management are presented below:

7.1 Every capital improvement program project shall have a project manager who will manage the project scope, ensure that required phases are completed according to schedule, authorize all project expenditures, ensure that all regulations and laws are observed and quarterly or more often report project status to the Board of County Commissioners through the Manager's Office.

7.2 A capital improvement program coordinating committee will review project proposals, determine project phasing, review and evaluate the draft capital improvement program document, and monitor capital improvement project progress on an ongoing basis.

7.3 Construction projects and capital purchases (other than vehicles or equipment to be acquired through the equipment replacement fund) which cost $100,000 or more will be included within the capital improvement program except for Infrastructure Preservation Projects which will be managed by the respective Department (Engineering, Parks and Facility Management). Capital outlay items less than $100,000 will be included within the requesting or managing departments operating budget. ***(Revised May 2006)***

7.4 The County shall base the planning and design of capital improvements on standards which minimize construction costs, while assuring acceptable useful life and reducing maintenance costs.

7.5 The County shall design and construct water, sewer, and storm drain improvements to the size required to serve the County's future capacity needs, to the extent allowable without impairing operations, so that substantial redesign and reconstruction of these facilities is not required as the service demand and workload increases. Such facilities should be sized to serve the planned land use adopted in the Washoe County Comprehensive Plan-Area Plan, and if appropriate the City of Reno and City of Sparks Master Plan.

7.6 The County shall consider the following life cycle cost accounting components in the design and construction of facility improvements wherever possible: energy efficiency; maintenance efficiency; efficient physical relationships for those County staff working in the facility; capacity adequate to meet the requirements for the next five to ten years; ability to accommodate future expansion with minimum remodeling costs; connectivity to computer and communications networks.

8. CAPITAL IMPROVEMENT FUNDING: Revenue resources for each proposed capital improvement project shall be identified either in the annual operating budget or the five year capital improvement program. Alternative financing methods shall be analyzed for capital projects including but not limited to leases, lease purchase, developer build and lease backs as well as bank and bond financing, grant funding and joint ventures. Projects financed must meet an initial test of being required to achieve County goals and priorities.

8.1 The County will strive to maintain a high reliance on pay-as-you-go financing for its capital improvements.

8.2 The first year of the five-year capital improvements plan will be used as the basis for formal fiscal year appropriations during the annual budget process. Appropriations made in prior years for which expenditures have not been made or projects not completed will be reevaluated and incorporated into appropriations for the new fiscal year.

9. GRANT PROGRAM FUNDING: Due to the lack of stability inherent in grant funding, and to reduce reliance on grant assistance, the County shall discourage the use of grant assistance for mandated functions with the exception outlined below. Grants will be encouraged for special projects which strengthen a program, have a definable starting and ending date, and do not expand the service in such a way as to require the substitution of local funds to continue part or all of the service once grant assistance ends. *(Revisions to the County Code adopted October 2002 by the BCC revised section 9.1 – 9.10 policy statements)*

9.1 The County shall use grant assistance to establish or expand a mandated or other program in those instances where local funds would otherwise be utilized to provide the same service if the grant were not available and/or the elimination of the program at the end of the grant funding period is viable.

9.2 An officer or employee of a department or agency of the county shall not submit an application for a grant, an amendment or supplement of a grant, a request for contribution of money or property, without approval from the director of finance or the county manager and, if applicable, the governing/managing board of the department or agency.

9.3 The County shall utilize a uniform grants application process to assure consistent and complete information is available for consideration of grants not included in the budget process. The officer or employee making the application shall advise the county grants administrator of the application on a form prescribed by the grants administrator.

9.4 Only the Board of County Commissioners can accept a grant award.

9.5 Upon award of a grant, the officer or employee shall communicate the fact to the director of finance and the board of county commissioners and shall forward to the county comptroller all pertinent grant details so that the accounting records of the county can clearly reflect grant activity.

9.6 An officer or employee of a department or agency of the county may accept personal property for the use and benefit of the county where the value singly or in the aggregate is less than $3,000 from a contributor during a fiscal year. In such event, the officer or employee will notify the board in writing of the acceptance.

9.7 Except as otherwise provided herein, all cash donations must be reported to the board and expenditure authorization obtained. This requirement does not apply to: (a) An officer or employee of a department or agency of the county that has included within the budget expenditure authority for anticipated cash donations may accept cash donations of less than $3,000 from a contributor in a fiscal year and expend money from such sources in accordance with the approved department or agency budget. In such event, the officer or employee will notify the board in writing of the acceptance of the cash donation; (b) An officer or employee of a department or agency of the county with statutory authority over an account may accept cash donations to that account and make expenditures there from as provided in such statutes; and (c) An officer or employee of a department or agency of the county authorized by statute to establish and maintain a specific gift fund, may accept cash donations to that fund and make expenditure there from as provided by statute.

9.8 All money received from grants and contributions shall be transmitted by the officer or employee applying for the grant or contribution to the county treasurer for deposit in the appropriate account. The officer or employee must complete the appropriate forms designated by the comptroller and must submit those forms along with the deposit. All property received must be identified on forms prescribed by the comptroller and distributed, as appropriate, for inventory control, recording in the financial records and ongoing maintenance.

9.9 The county comptroller shall maintain all grant and contribution information in such a way that the information is readily available for review. The Comprehensive Annual Financial Report shall include a schedule of federal awards and provide details of all federal grant activity in the county for the fiscal year reported.

9.10 Details concerning state grants, deferred revenues and private contributions shall be maintained in the financial records for review upon request.

10. PERFORMANCE BUDGET SYSTEM: The performance budget system is to link day-to-day operations with long-run financial planning, to eliminate the guesswork of where the County is going and how it plans to get there, and to provide a linkage between the goals of the Board of County Commissioners, the allocation of moneys within the annual operating budget, and assignments to staff. The specific policies of the County as it regards the performance budget system are presented below.

10.1 All County Departments shall assure that all expenses attributable to an existing or proposed program show full cost and are accurately reflected in program budget requests.
10.2 The Finance Department Administration and Budget Division shall strive to ensure an optimal allocation of human and fiscal resources to fund approved services and programs.
10.3 All County Departments Heads are given flexibility of resource use within each program in order to adjust to changing conditions to meet service objectives in the most cost-effective manner that is consistent with public policy and law.
10.4 All County Department Heads are responsible to maintain performance measurement and productivity indicators that will show the effectiveness of their programs. The measures will be reported in a report to the Board of County Commissioners and/or through the Annual Budget Book produced by the Budget Division of the Finance Department.
10.5 Each County Department will develop and annually update objectives for each program which identify the service(s) being provided, the level of service(s) being provided, and the resources required to accomplish the specified objectives.
10.6 The Budget Division of the County shall develop and update annually a financial trend monitoring system which will examine basic fiscal trends, and report positive and negative financial trends to the Board of County Commissioners.
10.7 The Government Finance Officers Associated Distinguished Budget Presentation Award should be pursued annually.

11. ANNUAL OPERATING BUDGET: The annual operating budget serves several purposes since it is the financial plan for the year as well as a policy document and an operations guide. The specific policies of the County regarding the annual operating budget are:

11.1 The County shall pay for all recurring expenditures with recurring revenues and use non-recurring revenues for non-recurring expenditures.
11.2 The County shall avoid budgetary and accounting procedures that balance the current budget at the expense of future budgets (e.g., use of non-recurring revenues to fund recurring expenses).
11.3 Operating and capital expenditures by departments shall not exceed their total authorized departmental budget. Departments may exceed the authorized budget for line item accounts as long as the department does not exceed its total authorized budget. Departments cannot exceed their specific travel budget. Upon approval by the Budget Manager the Finance Department Administration or Budget division can reallocate up to $5,000 from within a Departments budget to cover travel costs over the final approved budgeted amount. Amounts greater than $5,000 need approval from the Board of County Commissioners prior to appropriations being moved. Costs of extradition and travel to rural Washoe County are not considered departmental travel.
11.4 Any increases in total fund appropriations and revenue augmentations must be recommended by the Finance Department Administration or Budget Division or Departments with Finance Administration or Budget Division approval and approved by the Board of County Commissioners.
11.5 Upon approval by the Budget Manager, budgeted amounts within a function in the same fund may be transferred by the Finance Department Administration or Budget Division, if amounts do not exceed the original budget. Transfers to different funds or different functions within the same fund need Board of County Commissioners approval.
11.6 Increases in appropriations and revenue augmentations (including new grants and loans) will be reviewed by the Finance Department Administration or Budget Division and the Administration Division or the Budget Division will provide a recommendation to the Board of County Commissioners.
11.7 The Comptroller is to be sent copies of all transactions or grants, loans or appropriation changes. No action that affects accounting controls will be completed without first informing the Comptroller so that an accurate and complete accounting control is maintained, in a format prescribed by the Comptroller.
11.8 Functions included in the County Budget in funds other than in the General Fund or Health Fund that are fully funded with dedicated resources will carryover 100% of their fund balance. Funds other than the General Fund or Health fund that are partially supported with General Fund resources will receive an augmentation of 100% of their undesignated fund balance limited to the amount of their

unencumbered appropriation authority. Undesignated fund balance in excess of the unencumbered appropriation authority is subject to the augmentation process.

11.9 Each department's base budget will be calculated as follows: Services and Supply categories will be funded at the base level plus adjustments. Each budget unit will be adjusted for merit and cost of living changes and retirement or health benefits cost increases. Base budgets will not include any amount for capital outlay.

11.10 Strategic planning workshops will be held with the Board, prior to formal budget hearings, to facilitate issue identification, prioritization and action planning. The Board will be asked to prioritize the issues at the conclusion of the workshops. Guidance will be sought from the Board as to how the County budget should be prepared with respect to new debt, tax rates and related matters.

11.11 Finance Department Administration and Budget division staff will work with the departments regarding base budget adjustments and will prepare a base budget. Departments will be given the opportunity to request funding above the base level for review and possible inclusion to the recommended budget. The recommended budget will provide departments with the information to determine if an appeal is needed. The departments may appeal the recommended budget to the County Manager; after consideration and recommendation from the County Manager, the department may further appeal to the Board of County Commissioners.

11.12 Based on Board guidance and direction from the County Manager, the Budget Division will prepare a budget for the formal budget hearing with the Commissioners.

11.13 At the conclusion of this hearing, the Budget division will prepare a final budget to be sent to the State. There may be an additional iteration due to Legislative action.

11.14 Budgets are required for all funds except agency and non expendable trust funds that do not receive ad valorem or Supplemental City/County Relief taxes. Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). All unencumbered appropriations lapse at the end of the fiscal year and fall to fund balance. Valid outstanding encumbrances and contracts at the end of the fiscal year are approved as budget augmentations for the following year when the Board of County Commissioners accepts and approves the annual audit report.

12. FINANCIAL RESERVES: The County's goal regarding financial reserves is to provide a prudent level of reserves for future unexpected expenses and revenue declines, to accumulate funds in support of future planned capital improvements, and to "level" high and low expenditure years in the five year financial plan. The specific policies of the County in regards to financial reserves are presented below:

12.1 The County shall maintain a fund balance in the debt service fund not to exceed one year principal and interest in accordance with debt policy, bond requirements and Nevada Department of Taxation Guidelines.

12.2 The County's General Fund shall maintain a fund balance equal to 7-9% of the appropriations.

12.3 The County shall maintain an actuarially sound reserve in the Risk Management Fund to protect the County's risk and insurance management program.

12.4 When a surplus exists which exceeds these financial reserve policies, the County shall accelerate capital improvements from later years within the five year capital improvement program to the extent (1) they are required earlier, and (2) County staff can effectively undertake the improvement at an earlier date.

12.5 A general fund contingency of approximately 1% of total authorized general fund department budgets less capital outlay (but not less than $1,000,000) shall be budgeted. The contingency reserve shall be used to provide for unanticipated or unforeseen needs that arise during the year. Funds shall be authorized from the contingency account in accordance with Nevada Revised Statute. The contingency budget shall not exceed 3% of the general fund budget less capital outlay in accordance with Nevada Revised Statute.

12.6 An Enterprise Fund or an Internal Service Fund will not exceed its overall appropriation authority in a manner that would jeopardize the financial integrity of the fund.

13. ENTERPRISE FUNDS: The enterprise funds are to operate in a business like manner in accordance with NRS and are to fully account for all resources and expenditures.

13.1 Any enterprise fund that is supporting debt will prepare or have prepared a periodic rate study to ensure that the fees or rates are sufficient to meet the debt service requirements.

13.2 Any Enterprise Fund will reimburse the General Fund for overhead services annually. The method of reimbursement will be based on the most current indirect cost allocation method for the County.

14. **DEBT:** The debt management policy is contained in a separate document and is to provide a framework for the wise and prudent use of debt, and to limit the use of debt so as not to place a burden on the fiscal resources of the County and its taxpayers.

14.1 The Finance Administration Division of the County shall evaluate alternative financing methods and pay-as-you-go versus financing of capital improvements with the assistance of bond counsel and external financial advisors.

14.2 The County shall conduct all financing on a competitive basis. However, negotiated financing may be used due to market volatility or the use of an unusual or complex financing or security structure.

14.3 The term of debt financing for the acquisition of County assets shall not exceed the useful life of the assets. When multiple assets are acquired or constructed with a single bond issue, those assets with shorter lives will be deemed to be paid first or will be issued as a separate series of the bond issue.

14.4 The Finance Department shall monitor all forms of County debt annually coincident with the preparation of the County's five-year financial plan and report concerns and remedies, if needed, to the Board of County Commissioners.

14.5 The County Comptroller shall diligently monitor the County's compliance with bond covenants and assure the County's compliance with federal arbitrage regulations.

14.6 The Finance Department shall maintain good communication with bond rating agencies about its financial condition. The County will follow a policy of full disclosure on every financial report and bond prospectus, where applicable.

14.7 Any bond issue, bank financing or similar borrowing proposed for any entity governed by the Board of County Commissioners will be coordinated by the Finance Department Administration Division. The Treasurer's Office and the Comptroller will be kept informed with the Treasurer's Office doing the investing of the funds and the Comptroller's Office having responsibility for accounting and record keeping associated with the bond issues and other financing mechanisms.

15. **ACCOUNTING SYSTEM:** The goal of County accounting policies are to maintain a system of accounting which makes it possible to show that all applicable laws have been complied with, that fully discloses the County's financial position and the results of all of the County's funds and account groups, and that would achieve an unqualified auditor's opinion on each fiscal audit. The specific policies as it regards this goal are presented below:

15.1 The County Comptroller shall maintain the County's accounting system in such a way as to conform with generally accepted accounting principles established by the National Committee on Governmental Accounting, and so as to result in an unqualified opinion by the County's independent auditor. The Government Finance Officer's Certificate for Achievement for Excellence in Financial Reporting should be pursued annually.

15.2 The County Comptroller shall maintain an integrated accounting system so that production and costs for each program can be identified and evaluated.

15.3 The County Comptroller shall prepare and provide the Board of County Commissioners with a comprehensive annual financial report, by fund, comparing actual revenues and expenditures with budgeted amounts.

15.4 The Finance Department Administration and Budget Division shall conduct periodic financial and performance audits to assure that, the County's programs utilize best management practices, and that County fiscal resources are utilized effectively and efficiently.

15.5 The County shall maintain an internal audit program as a management tool.

15.6 The Comptroller's Office and the Finance Department Administration and Budget Division shall coordinate any proposed changes, additions, or deletions of funds, organizations or divisions that are to be incorporated into the Chart of Accounts.

16. **PURCHASING SYSTEM:** The goal of the County's purchasing policies is to maintain a centralized system for the effective and efficient purchasing of goods and services. The specific purchasing policies of the County are presented below.

16.1 The Purchasing Department shall provide for competitive bidding whenever possible.

16.2 The Purchasing Department shall maintain an efficient and effective system of inventory management for County-stocked items, and for sale or disposal of surplus items.

16.3 The Purchasing Department shall not approve the award of purchase orders for capital items unless the items were approved in the budget or a subsequent Board of County Commissioner agenda. Capital Outlay items (i.e. furniture, fixtures, computers or other equipment) in excess of $10,000 must be approved by the Board of County Commissioners as part of the budget or in a subsequent agenda action. *(Revised December 2006 via the Guide to Washoe County Purchasing Procedures manual)*

The Equipment Services Fund may purchase Capital Outlay items for major repairs without the specific approval of the Board of County Commissioners if adequate funds and expenditure authority is available. Purchase orders of non-capital items with a cumulative total in excess of $10,000 must have the approval of the Board of County Commissioners either in the annual budget or by specific agenda action. . The award of a consulting contract that are purely knowledge based in the amount of $25,000 or less shall have the approval of the Board of County Commissioners *(revised October 2005, Ordinance 1279).*

16.4 Departments shall submit all lease or lease-purchase agreements, excluding space leases, to the Finance Department Administrative Division or the Budget Division for review and recommendation. Finance Administration, the Budget Division or the requesting Department must obtain the approval of the Board of County Commissioners for the lease-purchase of any capital equipment. The Purchasing Department will verify the approval by the Board of County Commissioners.

16.5 Departments must obtain the approval of the Equipment Services Division and the Finance Department Administration or Budget Division before authorizing the purchase of any vehicles or rolling stock. The Purchasing Department will verify the approval by the Equipment Services Department and the Board of County Commissioners.

16.6 Departments must obtain the approval of the Telecommunications Division before authorizing the purchase of any telecommunications equipment. The Purchasing Department will verify the approval by the Telecommunications Division and the Board of County Commissioners.

16.7 Departments may purchase new or replacement computers, printers, software or related items that are included on the County approved list of standardized software and equipment with Technology Services acknowledgment that the appropriate connections exist or are planned and budgeted for, and that budget authority exists for the installation and maintenance of the equipment and software. The purchase of any non-standard software personal computers, printers, or related computer equipment shall require the same information as the standard items plus an acknowledgment from the Technology Services Department that equipment and/or software will have no negative impact on existing County network and systems. The Purchasing Department will verify that acknowledgments have been provided by the Technology Services Department.

16.8 Departments must obtain the approval of the Facilities Management Division before authorizing the purchase of materials for the repair, modification or remodel of county buildings. Items such as floor, wall and window coverings, and materials for the repair or modification of plumbing, electrical and mechanical systems in buildings are subject to prior approval. The Purchasing Department will verify the approval by the Facility Management Division.

16.9 Departments must submit all printing requests to the Reprographics Division of General Services for estimate. Services available from Reprographics at a comparable cost, quality and within the required time frame will be done by Reprographics. Reprographics may authorize printing services to be provided by outside services. The Purchasing Department will verify the review by the Reprographics Unit.

16.10 Departments shall submit all requests for leased office space or work environments to the Public Works Department and Finance Department Administration or Budget Division for review and recommendation. Public Works, in conjunction with the requesting Department, must obtain the approval of the Finance Department Administration or Budget Division and the Board of County Commissioners for the lease of any office space or work environments.

16.11 Departments shall submit all architectural, interior and space planning design proposals to the Capital Projects Division of Public Works for review and recommendations. The Purchasing Department will verify the approval by the Capital Projects Division and the Board of County Commissioners.

16.13 For purposes of fixed assets classification, a fixed asset is a capital item valued at $10,000 or more. High risk items under $10,000 but greater than $3,000, though not capitalized, will continue to be inventoried and the list verified once a year. The Purchasing Department will continue to maintain a list of high risk items. *(Revised June 2003)*

17. CASH MANAGEMENT: The goal of the County's investment policies is to achieve a reasonable rate of return while minimizing the potential for capital losses arising from market changes or issuer default.

The following factors will be considered in priority order in determining investments: (1) safety; (2) liquidity; and (3) yield. Investment and cash management are the responsibility of the Treasurer. The specific investment policies of the County are presented below.

17.1 The Treasurer shall strive to keep all idle cash balances fully invested through daily projections of cash flow requirements. To avoid forced liquidation's and losses of investment earnings, cash flow and future requirements will be the primary consideration when selecting maturities.
17.2 The Treasurer shall take care to maintain a healthy balance of investment types and maturities as the market and the County's investment portfolio change.
17.3 The Treasurer shall maintain current financial statements for each institution in which cash is invested. Investments shall be limited to 20% of the total net worth of any institution and may be reduced further or refused altogether if an institutions financial situation becomes unhealthy.
17.4 The Treasurer, in order to maximize yields from the County's portfolio, shall consolidate cash balances from all funds for investment purposes, and will allocate investment earnings to each fund in accordance with generally accepted accounting principles.
17.5 The Treasurer shall invest only in those instruments authorized by Nevada Revised Statute 355.170. The Treasurer will thoroughly investigate any new investment vehicles before committing County funds to them.
17.6 The Treasurer will protect ownership of the County's investment securities through third-party custodial safekeeping.
17.7 The Treasurer shall develop and maintain an Investment Management Plan which addresses the County's administration of its portfolio including investment strategies, practices, and procedures.

Investment Policy

The County utilizes an Investment Committee, comprised of the County Manager, Assistant County Manager, Finance Director, Treasurer, Chairman of the Board of County Commissioners and another Commissioner appointed by the County Commission Chair, to guide investment activities of the County. The committee shall establish types of investments considered proper for the county, within the framework of the statutes of the State of Nevada regarding investment media acceptable for counties, and recognizing the conflicting desires for maximum safety and maximum yield.