

INTRODUCTION

The purpose of the Introduction is to provide you with an organizational-wide view of Washoe County as it relates to the adopted budget for the coming fiscal year. It also provides history, demographic, and economic information, all of which influence the services provided by Washoe County and therefore the funding to deliver those services. Before delving into the details however, we have provided an orientation to this book for ease of use by you, the reader.

Provided below is a high level view of what is included in the major sections in this book. This information is intended to assist the reader in finding areas of interest.

1. County Manager's Message
 - a. This message is a letter directed to the reader, citizens, and elected officials at the highest levels of budget detail. It informs the reader of the major trends and issues facing the County.
2. Introduction
 - a. Broken into a number of smaller sections, this part of the book provides: historical and demographic information, economic trends, an organizational profile, strategic planning and goals, a comprehensive look at the budget process, financial and budgetary policies, and other factors influencing the budget.
3. Fund Summary
 - a. This section provides an overview of the entire budget broken down by fund. It will give you a concise but complete overview of Washoe County's Budget.
4. Function Sections
 - a. The majority of the book provides specific detail on each function of Washoe County. It will provide you with the description, mission, goals, accomplishments, and performance measures of each department that provides services within each function. Also included are historical and budgeted expenditures and the number of positions funded.
5. Capital Improvement Plan
 - a. Information in this section is broken into two parts. The first details functional expenditures within the capital funds as originally adopted. The second contains a short summary of the 5-year capital improvements program. Projects described in this section generally exceed \$100,000 and constitute the purchase or construction of items with a life-span of more than one year.
6. Position Summary
 - a. The Position Summary provides the reader with a single table that summarizes all of the authorized positions in the County.
7. Glossary
 - a. If you are unfamiliar with any term presented in this book, the glossary should help complete your understanding of esoteric terms.

A BRIEF HISTORY OF WASHOE COUNTY

The Washoe and other tribes occupied northwestern Nevada (including the shores of Lake Tahoe) for millennia, before the first recorded sighting of Lake Tahoe by non-Native Americans. Named for this Tribe, Washoe County is 6,600 square miles in northwestern Nevada bordering California, Oregon and Lake Tahoe.

The first territorial legislature created the county in 1861, shortly after the discovery of the Comstock Lode in 1859, which brought swarms of gold seekers. The Gold Rush tapered off by 1861 but a silver rush began with the discovery of one of the largest silver strikes in the world at Virginia City.

In 1864, during the Civil War, Nevada became a state on the Union side. The North was eager to acquire the state's silver reserves. As the Comstock silver played out in the latter part of the decade, the transcontinental railroad was built from Sacramento thru northern Nevada by the Central Pacific Railroad. Myron Lake sold his land north of the Truckee River to Charles Crocker of the Central Pacific and that land was surveyed and sold in 1868, becoming the town of Reno.

Reno was designated the county seat for Washoe County in 1871, taking over from Washoe City to the south. When the Comstock finally played out in the 1880's Reno surpassed Virginia City as the pre-eminent city in Nevada. Reno's rise was further boosted by the move of the University of Nevada from Elko to Reno in 1885.

Reno, named after Civil War General Jesse Reno, was incorporated as a city in 1903. The Southern Pacific Railroad (which succeeded the Central Pacific as the owner of the main line across northern Nevada) straightened the route and moved its repair shops from Wadsworth to a new town east of Reno. Sparks, named for the then governor of Nevada, was incorporated in 1905.

In 1906 the wife of US Steel president William Corey came to Reno for a notorious divorce, starting an industry that helped support Reno for the next half a century. But in 1910 gambling, which had been legal in Nevada, was banned by the Progressives. However, Nevada returned to its economic roots in 1931 when the State Legislature removed all restraints on gambling – in hopes it would boost the economy during the Great Depression - and the residency requirement was dropped from three months to six weeks, further facilitating divorces.

World War II and the presence of air bases at Stead and Fallon brought many American soldiers and other members of the armed forces to Washoe County. In 1949 Edwin Bender promoted a bill which became known as the Freeport law, exempting all personal property in transit through the state from personal property tax. This led to a thriving warehouse industry in the county.

In 1960 Alex Cushing brought the Winter Olympics to Squaw Valley and a successful campaign for a four lane all-weather highway to California (Interstate 80) brought tourists from the games to Reno. Interstate 80 was finished in time for the Olympics.

In the 1970's county-wide cooperation led to the creation of the Truckee Meadows Fire Protection District to cover the suburban areas of the county and a District Health Department was established by an interlocal agreement between Reno, Sparks and Washoe County. In 1976 Washoe County issued its first economic revenue bonds for ten million dollars to finance water facilities to be used by Sierra Pacific Power Company to provide water to the public. Later in the 1970's the MGM Grand – at that time the world's largest hotel-casino - was opened near the Reno-Tahoe Airport.

On August 1st, 1986 the very first Hot August Nights took place at the Reno-Sparks Convention Center, something that would grow to become over a weeklong annual event bringing more tourists to the area than any other. Additional events were created in the following years including: the Reno Air Races, the Balloon Races, the Rib Cook-off and most recently a Blues Festival.

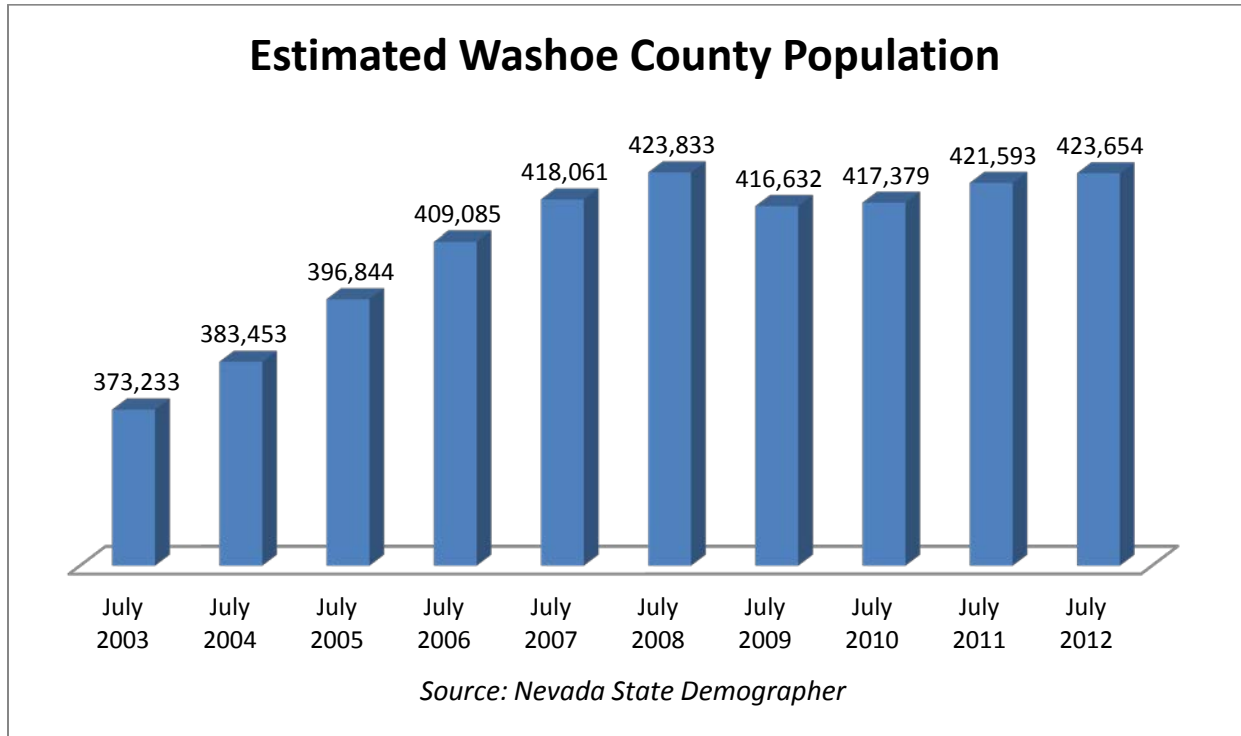
The new millennium brought several events having significant effects on the county's economy and Washoe County's revenues. The September 11, 2001, terror attacks on New York City, the Pentagon, and Pennsylvania had a dramatic impact on state and local tourism triggering an economic downturn that lasted for about 18 months. In addition, the Reno-Sparks gaming establishments began to feel the long projected impact of Indian gaming as new casinos opening in California siphoned off tourists.

Washoe County emerged from the economic downturn in early 2004 and entered a period of tremendous economic growth driven by a housing boom fueled on low interest rates. However, this period declined as quickly and as steeply as it increased.

An economy fueled by an unsustainable "housing market bubble" and construction jobs was deflated by the banking and housing market crisis of 2008. Nevada and Washoe County were hit with some of the highest foreclosure rates in the country, and tens of thousands of jobs were lost giving Washoe County an unemployment rate of more than 13 percent. The "Great Recession" created immense fiscal stress for the private sector along with state and local governments. Today, the County works for solutions for the next economic turnaround, which (optimistically) may be around the corner.

WASHOE COUNTY DEMOGRAPHICS

Washoe County has an estimated 2012 population of 423,654. This count has held relatively steady even through the Great Recession when unemployment reached a high of about 13% in Washoe County. This speaks to the draw that this region has regardless of economic opportunity due to its natural beauty and proximity to a virtual treasure trove of outdoor activities.



Demographic information is also provided by the U.S. Census Bureau. The following information is a demographic profile from information provided on the 2010 census for respondents in Washoe County.

SEX AND AGE	
Median age (years)	37
Males	50.5%
Females	49.5%

HOUSEHOLDS BY TYPE	
Total households	163,445
Average household size	2.55

RACE	
White	76.9%
Some Other Race	9.5%
Asian	5.2%
Two or More Races	3.8%
Black or African American	2.3%
American Indian and Alaska Native	1.7%
Native Hawaiian and Other Pacific Islander	0.6%

HOUSING OCCUPANCY	
Total housing units	184,841
Occupied housing units	88.4%
Vacant housing units	11.6%

HISPANIC OR LATINO	
Not Hispanic or Latino	77.8%
Hispanic or Latino (of any race)	22.2%

HOUSING TENURE	
Occupied housing units	163,445
Owner-occupied housing units	58.5%
Renter-occupied housing units	41.5%

The following table highlights the top employers within the County. As you can see, they are very diverse ranging from Federal, State, and Local Government, as well as a variety of private employers mostly in the medical and casino/hotel industries.

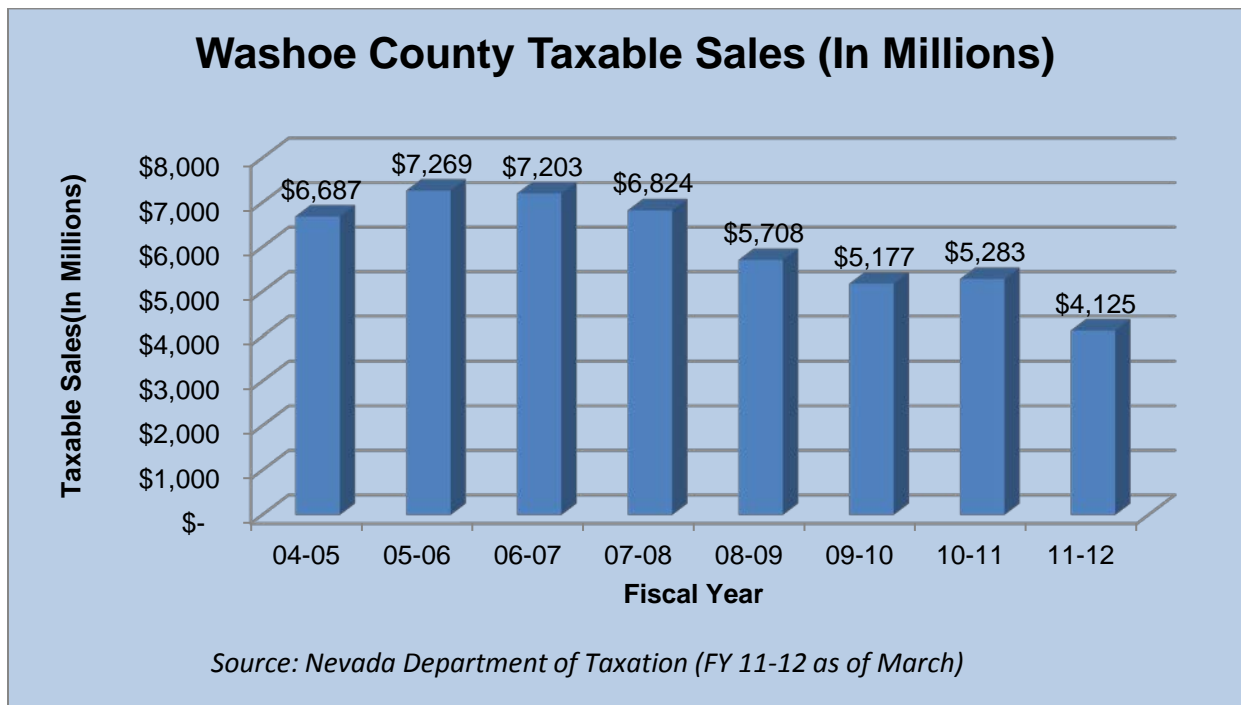
Trade Name	Industry	Ownership	Employees
WASHOE COUNTY SCHOOL DISTRICT	Elementary and Secondary Schools	Local Government	8,250
UNIVERSITY OF NEVADA-RENO	Colleges and Universities	State Government	4,250
WASHOE COUNTY	Executive & Legislative Offices Combined	Local Government	2,750
RENOWN REGIONAL MEDICAL CENTER	General Medical and Surgical Hospitals	Private	2,750
PEPPERMILL HOTEL CASINO - RENO	Casino Hotels	Private	2,250
INTEGRITY STAFFING SOLUTIONS	Temporary Help Services	Private	2,250
INTERNATIONAL GAME TECHNOLOGY	All Other Miscellaneous Manufacturing	Private	2,250
SILVER LEGACY RESORT CASINO	Casino Hotels	Private	1,750
ATLANTIS CASINO RESORT	Casino Hotels	Private	1,750
ST. MARYS	General Medical and Surgical Hospitals	Private	1,750
ELDORADO HOTEL & CASINO	Casino Hotels	Private	1,250
CITY OF RENO	Executive & Legislative Offices Combined	Local Government	1,250
GRAND SIERRA RESORT AND CASINO	Casino Hotels	Private	1,250
CIRCUS CIRCUS CASINOSINC-RENO	Casino Hotels	Private	1,250
SIERRA NV HLTHCARE SY	General Medical and Surgical Hospitals	Federal Government	1,250
UNITED PARCEL SERVICE	Couriers	Private	1,250
SPARKS NUGGET INC.	Casino Hotels	Private	1,250
TRUCKEE MEADOWS COMM COLLEGE	Junior Colleges	State Government	1,250
CLP RESOURCES INC	Temporary Help Services	Private	850
HARRAHS RENO	Casino Hotels	Private	850

(Source: Nevada Department of Employment, Training and Rehabilitation; 4th Quarter 2011 report)

Economic Trends

As with any business, governments are closely tied to the economy, and Washoe County is no different. The following graphs and charts detail changes over time for those indicators which affect Washoe County operations and its citizens. As you will see, almost all of the charts show the same effects of the Great Recession that started to impact Washoe County around 2007 and 2008.

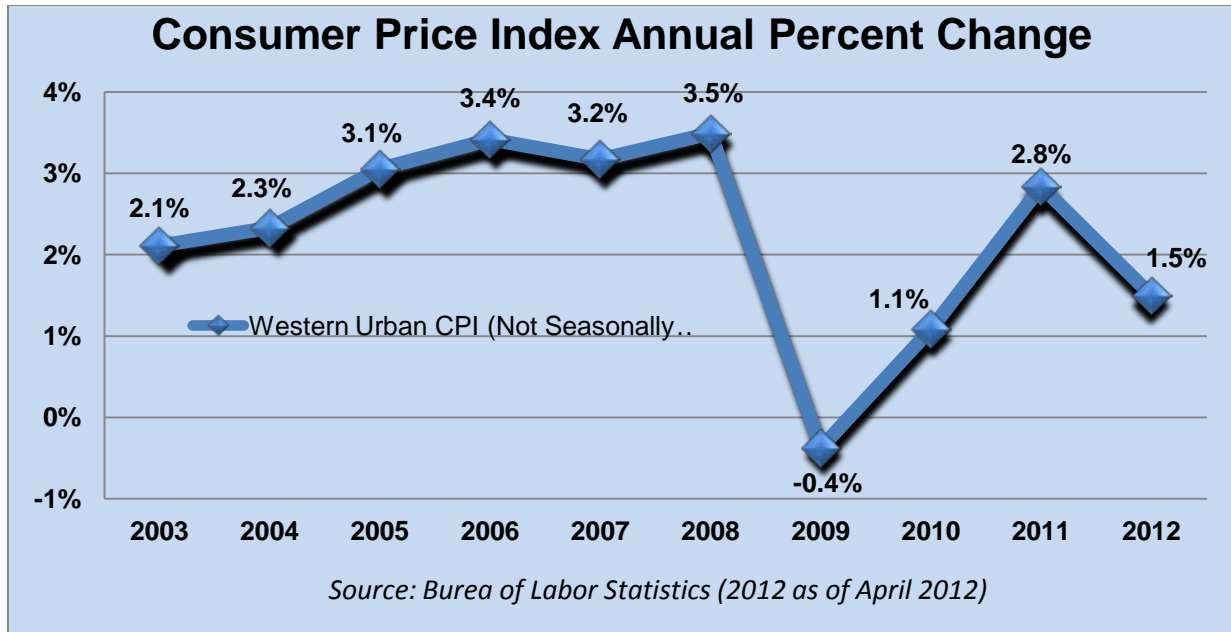
The first chart details taxable sales in Washoe County over time. Fiscal Year 2006 – 2007 collections were the first decline related to the coming recession. While the initial decline was minimal, sales continued to slide until Fiscal Year 2010 – 2011. In fact, between, Fiscal Years 2005 – 2006 and 2009 – 2010, taxable sales in Washoe declined a combined \$2 billion.



There was a 2% increase in taxable sales in Washoe County in Fiscal Year 2010 – 2011. It is hoped that this upward trend will continue in future years as the region pulls out of the recession, barring any unfavorable circumstances, which could include impacts of the European debt crisis, instability in oil rich nations, further decline in housing prices, and increase in unemployment among others.

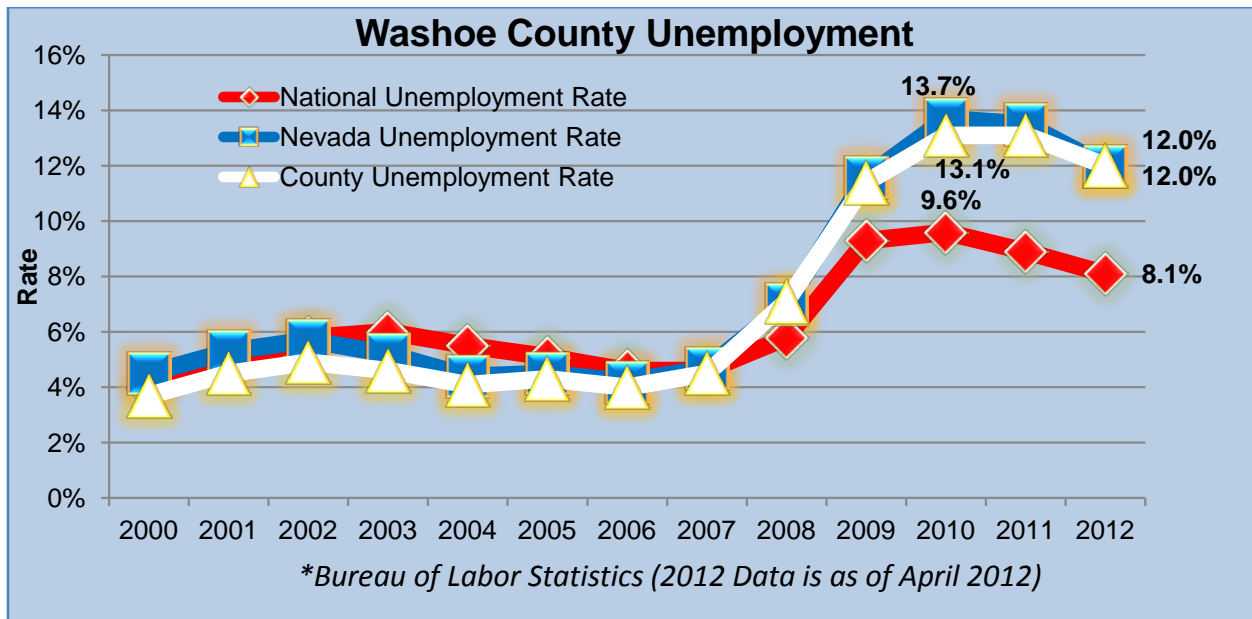
This downward trend in the previous chart is significant for two reasons. First, it highlights the waning ability to spend and trepidation to spend as people became worried about or lost jobs due to the economy. Secondly, one of the County’s major revenue sources is tied to a portion of taxable sales and therefore, has contributed to declining revenues. The full impact to the County will be discussed in the Factors Influencing the Budget section later on in this book.

Just as people were losing the ability to pay for things like goods, services, mortgages, and rent, the Consumer Price Index (CPI) for the region was increasing, which made matters worse. This next chart indicates the annual percent change in CPI for the region over the same time period as seen in the taxable sales chart.



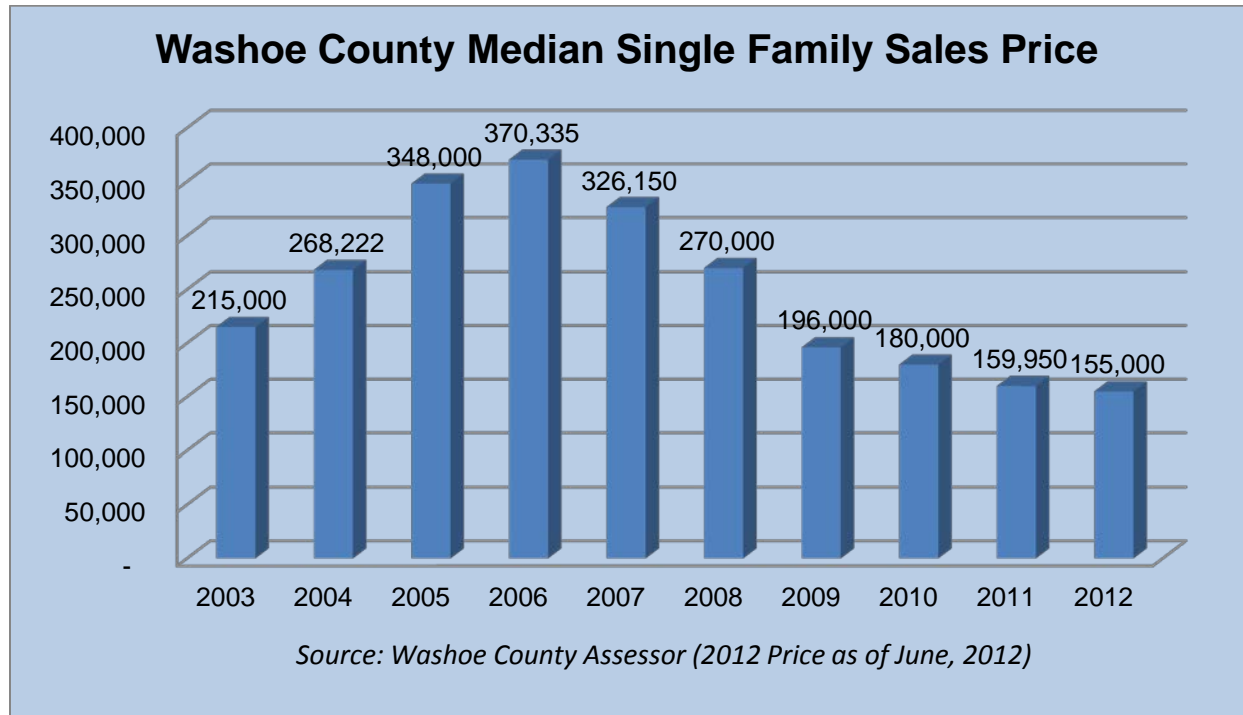
With the exception of 2009, even when taxable sales were decreasing, prices were increasing. The decline in 2009 was likely due to demand dropping so drastically and so quickly, that cost for goods and services reflected that change. Since 2009, CPI has increased, and may soon reach levels from before the recession. This may also be indicative of the slight increase in taxable sales. As the appetite for purchases increase, so will prices.

As the U.S. Economy continues to stabilize in the years to come, it may take much longer for Washoe County to return to normalcy. The chart below compares the unemployment rates of Washoe County, Nevada, and the United States. At its height, Washoe County reached 13.1% unemployment (in 2010). As of this writing, the unemployment rate for the County is down to 12%. While this is an improvement, it is well above the national average of 8.1% and astronomical compared to the County's 2000 rate of 3.7%.

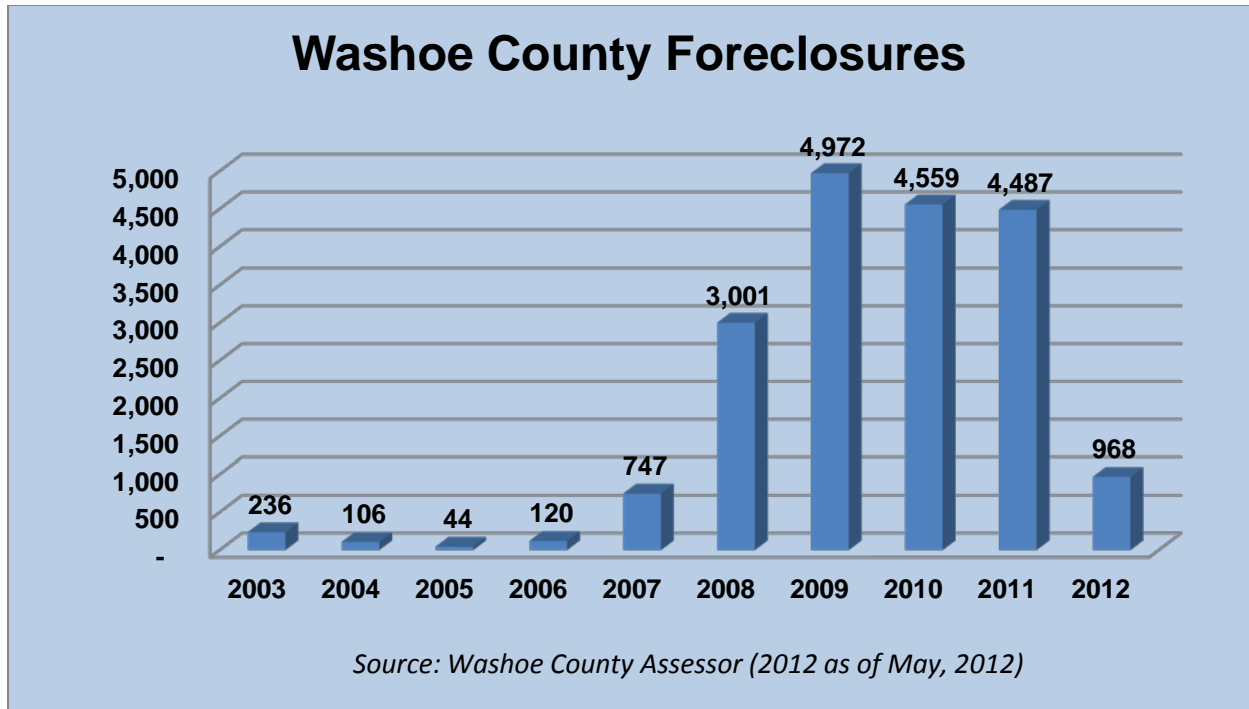


Another impact of the Great Recession on Washoe County and its residents was the housing bubble. During the boom, median priced single family homes rose 72% in just four years (from 2003 to 2006). The deflation was even more spectacular. Within the same timeframe, prices declined below 2003 levels. As you can see in the following chart, prices still continue to decline and are expected to decline further in fiscal year 2012 – 2013. In fact, the current median price of \$155,000 is still \$15,000 below the median price in 2000.

These changes are significant to Washoe County as, Ad Valorem revenue (or property taxes) is the single largest source of revenue for the General Fund. The impact to the organization and revenue collected will be discussed in the Factors Influencing the Budget section later on in this book.



Another unfortunate repercussion of the housing bust in Washoe County and around the Country is the foreclosure crisis. The glut of foreclosures was brought about by loose lending practices and consumers purchasing and mortgaging out their homes for more than they could truly afford. When the bottom fell out of the market (as indicated earlier) people decided to walk away from their homes, or could not afford to keep them due to job loss or inability to pay. These foreclosures dragged down the housing market even further, adding to the downward pressure in home prices. The chart below shows the drastic increase in foreclosures in Washoe County. And, while the current number looks low, this is because the full year's numbers have not yet been realized. In addition, due to the "Robo-signing" scandal, in which lenders were not properly processing foreclosure documents, more foreclosures may have been stalled, and are likely still in the process of foreclosure.



Washoe County Organizational Profile

About Washoe County

Washoe County, a political subdivision of the State of Nevada, is a growing area located along the eastern slopes of the Sierra Nevada Mountains in western Nevada. Washoe County was created in 1861 as one of the original nine counties in Nevada. It is named after the Washoe people who originally inhabited the area, and was consolidated with Roop County in 1864. Washoe City was the first county seat in 1861; however, it was replaced by Reno in 1871 and Reno has remained the county seat since. The City of Reno is the fourth largest city in Nevada. Other communities in Washoe County are the City of Sparks and Incline Village, at Lake Tahoe.

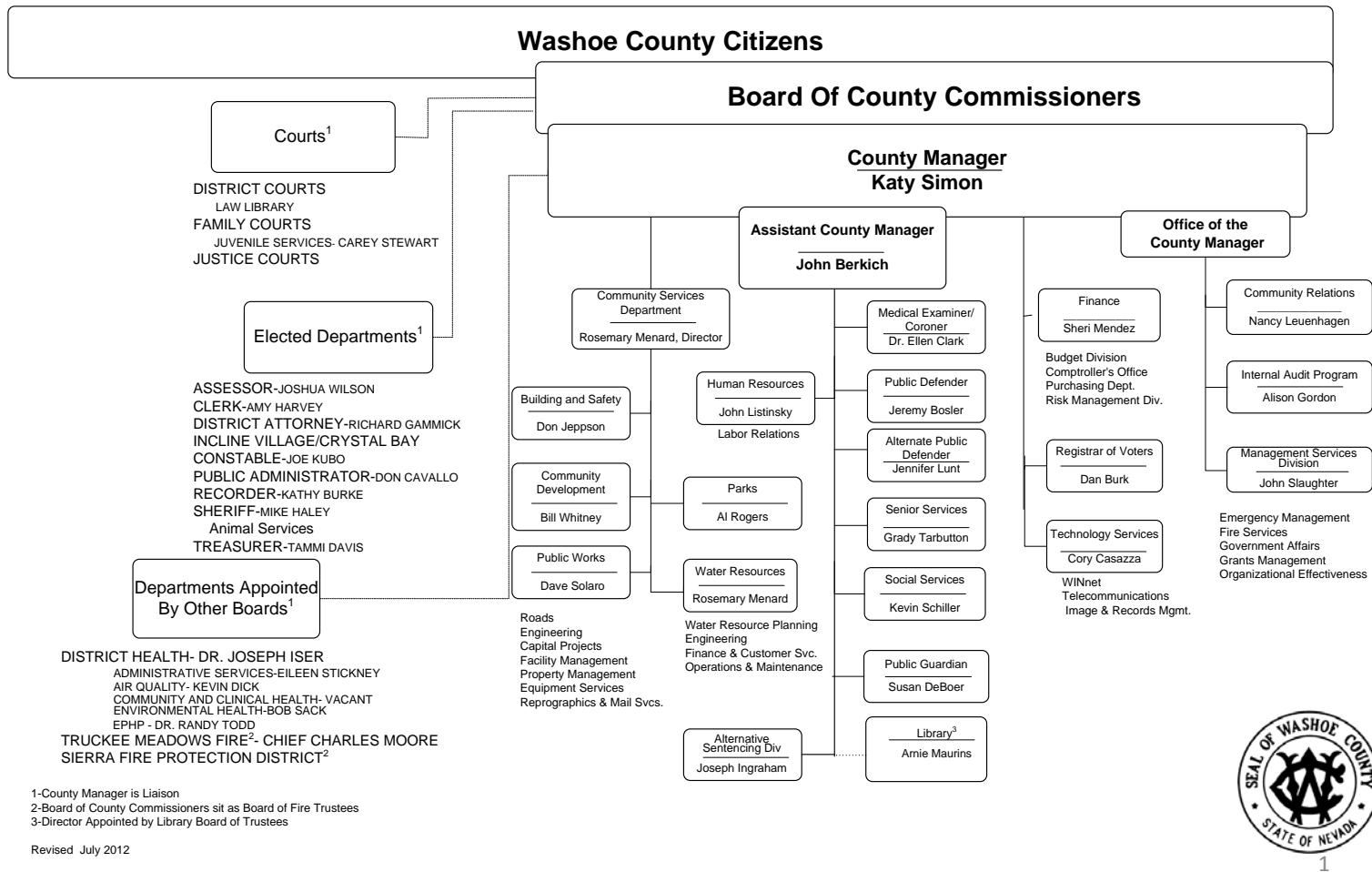
A five-member elected Board of County Commissioners governs the County. The County covers an area of 6,600 square miles in the northwest section of the state, bordering California and Oregon, and has a population of 423,654. Recreational activities abound, including skiing, snowboarding, camping, hunting and fishing, lake sports, biking and hiking, all within minutes of the metropolitan area. Citizens enjoy cultural events, quality public schools and excellent public services. Opportunities for economic growth are present with Nevada's favorable tax policy, housing is plentiful and the cost of living is moderate. Washoe County's climate is mild, with low humidity and rainfall, and the residents enjoy the full range of all four seasons.

The Washoe County government employs about 2,577 people who help provide major service provider roles, as an administrative arm-of-the-state, as a regional and community services provider, as well as providing governmental administrative and support service functions to the community. A brief review of these roles includes the following:

WASHOE COUNTY SERVICES	
State-Mandated Regional Services	
<ul style="list-style-type: none"> • Property appraisal and assessment • Tax collection • Record, index and archive real estate transactions and marriages • Issuance of marriage licenses; recording of public meeting minutes • Voter registration and elections • Prosecution of criminals • Death Investigation • Preside over all civil, criminal and probate cases and domestic, family and juvenile matters • Criminal defense for the needy • Communicable disease surveillance and control; ambulance franchise oversight; environmental health compliance; recording and issuance of birth and death certificates • Temporary financial assistance, health care assistance, indigent burials • Child protection and placement • Safeguard and protect assets of deceased citizens • Court appointed guardian for vulnerable persons unable to manage personal and financial affairs 	
Regional Services by Agreement	
<ul style="list-style-type: none"> • Juvenile Services • Consolidated Jail • Libraries • Law Library • Regional Parks and Open Space • Senior Services • Flood Control • Animal Services • 800MHz Emergency Radio System • Regional Public Safety Training Center • Crime Lab/Forensic Services 	
Neighborhood Services	Administrative & Internal Services
<ul style="list-style-type: none"> • Sheriff – Patrol & Detectives • Fire Protection • Community Parks and Recreations Programs • Road Maintenance • Business Licensing • Land Use Planning and Services • Building & Safety • Water/Wastewater Utility 	<ul style="list-style-type: none"> • County Manager’s Office • Finance • Human Resources • Information Technology • General Services • Facility Management • Internal Audit • Fleet Operations

The next page includes a County-wide organizational chart which show the relationship among all of the services provided by Washoe County.

Washoe County Organizational Chart

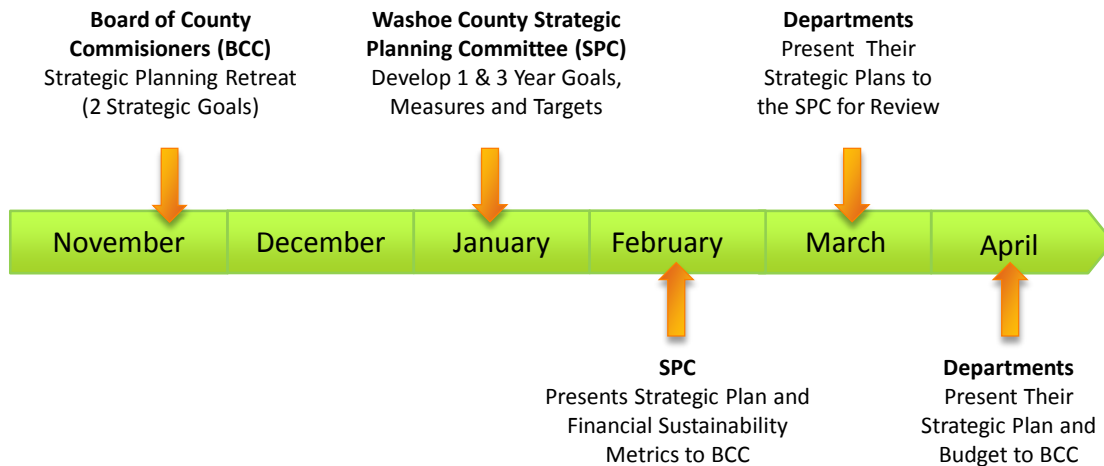


1-County Manager is Liaison
2-Board of County Commissioners sit as Board of Fire Trustees
3-Director Appointed by Library Board of Trustees

Revised July 2012

Washoe County Strategic Planning

Strategic Planning Timeline



Washoe County goes through an annual strategic planning process, which allows the organization to determine what the major focus of the organization should be over a 3-year time horizon. The timeline for the process is shown above.

The process begins with the Board of County Commissioners determining the overall goals of the organization at a retreat usually held in November. After determining the overall mission, vision, and goals of the organization, the Strategic Planning Committee (SPC) uses that information to develop county-wide goals, measures, and targets (for both the coming year and the next three years). The county-wide plan is then presented to the BCC in February, and after that time, Departments are tasked with creating their own strategic plan that is aligned with the County mission and vision.

Departments submit their mission, vision, objectives, measures, and targets to the SPC for review and approval in March. After any revisions take place, the final plan is submitted along with the proposed budgets in April. As you will see in the Budget Development section below, the strategic planning process flows into the budget planning in order to align financial resources with the overall goals of the organization.

The Washoe County Strategic Plan consists of the following components, beginning with the broadest, long-term elements to the more specific, short-range and tactical activities:

Mission Statement: An overarching, timeless expression of the County's purpose and aspiration, addressing both what the County seeks to accomplish and the manner in which the County seeks to accomplish it; a declaration of an organization's core purpose. A mission statement answers the question, "why do we exist?"

Vision Statement: A short, concise, vivid statement of the County's future, answering the question: *what will the County look like in 10-20 years?*

Strategic Objectives: The long-term, continuous strategic focus areas that move the organization closer to achieving the vision. Strategic Objectives are seen as having a five-year or more time horizon.

3-Year Goals: Statements of intended results related to Strategic Objectives. Three-Year Goals should be a narrow list of the highest priority outcomes that make the most difference in the organization, answering the question: *what are the highest priority results desired for each Strategic Objective for the next three years?*

BCC Annual Goals: The Board of County Commissioner's Short-term (or annual) goals that convert the strategic objectives into specific performance targets during the next year.

Key Performance Measures: Quantifiable indices that show evidence of completing the Goals.

Targets: Quantifiable increments used to measure achievement toward short term goals.

Individual Department Strategic Plans: Strategic plans at the departmental level detail that specific department's role and activities in support of the County Strategic Plan: the Mission, Vision, and Strategic Objectives. Departments with responsibility for the BCC Annual Goals should include specific action items for those BCC Annual Goals in the Department Strategic Plan. Department Strategic Plans also include department-specific goals and objectives that are not specifically addressed within the County Strategic Plan, but are part of the Department's overall mission and objectives.

Strategic Alignment: Strategic Alignment is the linkage of planning that cascades from the Mission and Vision of the County, through the Board's Strategic Objectives, to the Departmental Objectives and Annual Goals, and then to the level of an employee's Individual Development Plan. Alignment is the line of site that tells us that the organization is moving in a unified direction towards fulfilling the organizational Mission and Vision.

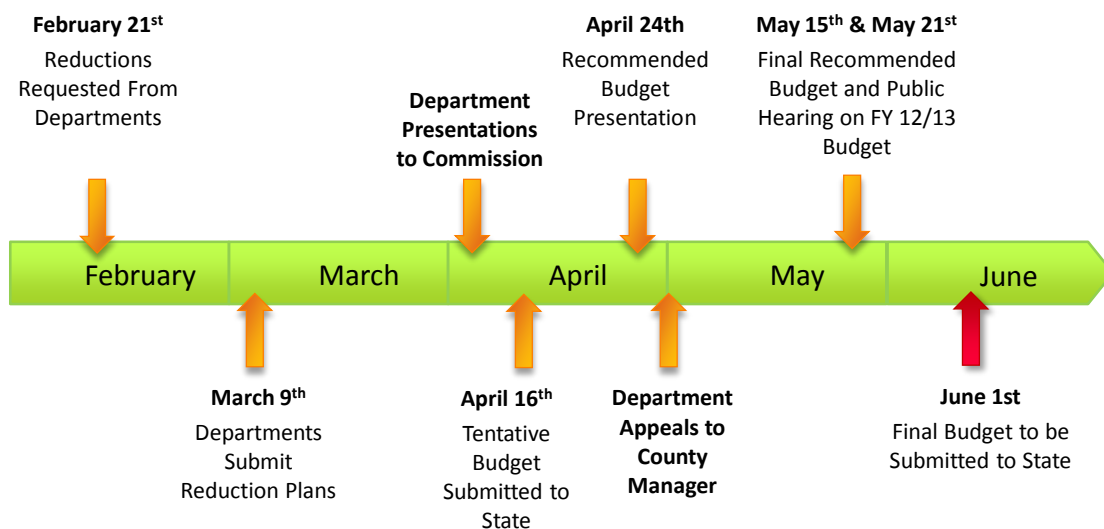
The County-wide Mission, Vision, Objective, Goals, and Measures that were born out of the 2012 – 2013 strategic planning process can be seen below.

2012 – 2015 Washoe County Strategic Plan		
Washoe County Mission Statement		
<i>Working together to provide a safe, secure and healthy community</i>		
Washoe County Vision Statement		
<i>Our vision is that Washoe County is the best place in the country to live, work, recreate, visit and invest.</i>		
Strategic Objective 1: Achieving Long Term Financial Sustainability		
3-Year Goals	2012/2013 Fiscal Year Goals	Measures
1. Meet the Board's mission, vision and mandates consistent with the Board's Financial Sustainability Metrics	1. 3-year financial plans in all departments by 12/31/12	% of departments that have completed plans by 12/31/12
	2. Implement Fundamental Review recommendations as approved	% of 2013 planned recommendations implemented
	3. Legislative platform adopted to support financial sustainability	Legislative platform adopted
	4. Develop appropriate tax reform principles	Tax reform principles developed
2. Increase reported understanding of County's financial sustainability objectives	1. Education campaign to address new service levels	Baseline survey of understanding established
	2. Develop and implement an education plan	Education plan adopted
Strategic Objective 2: Supporting Development of the Regional Economy and Jobs		
3-Year Goals	2012/2013 Fiscal Year Goals	Measures
1. Implement adopted Regional Economic Development Plan	1. Obtain Board approval for a resolution of support for Regional Economic Development Plan	BCC approved resolution
	2. Identify and initiate applicable actions by the County to support the Regional Economic Development Plan	Action plan developed and implemented
2. Support the retention and expansion of local businesses	1. Survey business associations to identify what Washoe County needs to do to better support local business	Survey completed
	2. Follow-up and initiate recommended actions as approved by BCC or other boards as appropriate	Initiate BCC approved actions
	3. Plan and implement buying local program for Washoe County	55% of local good and services purchased by Washoe County; Implementation of buy local campaign

Washoe County Budget Process

The Washoe County annual budget process begins as the strategic planning process winds down in early spring. At this time, the County has a preliminary forecast of the coming year's revenues and departments are finalizing their own strategic plans. Those two pieces of information converge to enable departments to know what their goals will be for the coming year, and how much in resources they will have to be able to complete those goals. A brief timeline of the budget development can be seen below.

Budget Development Timeline

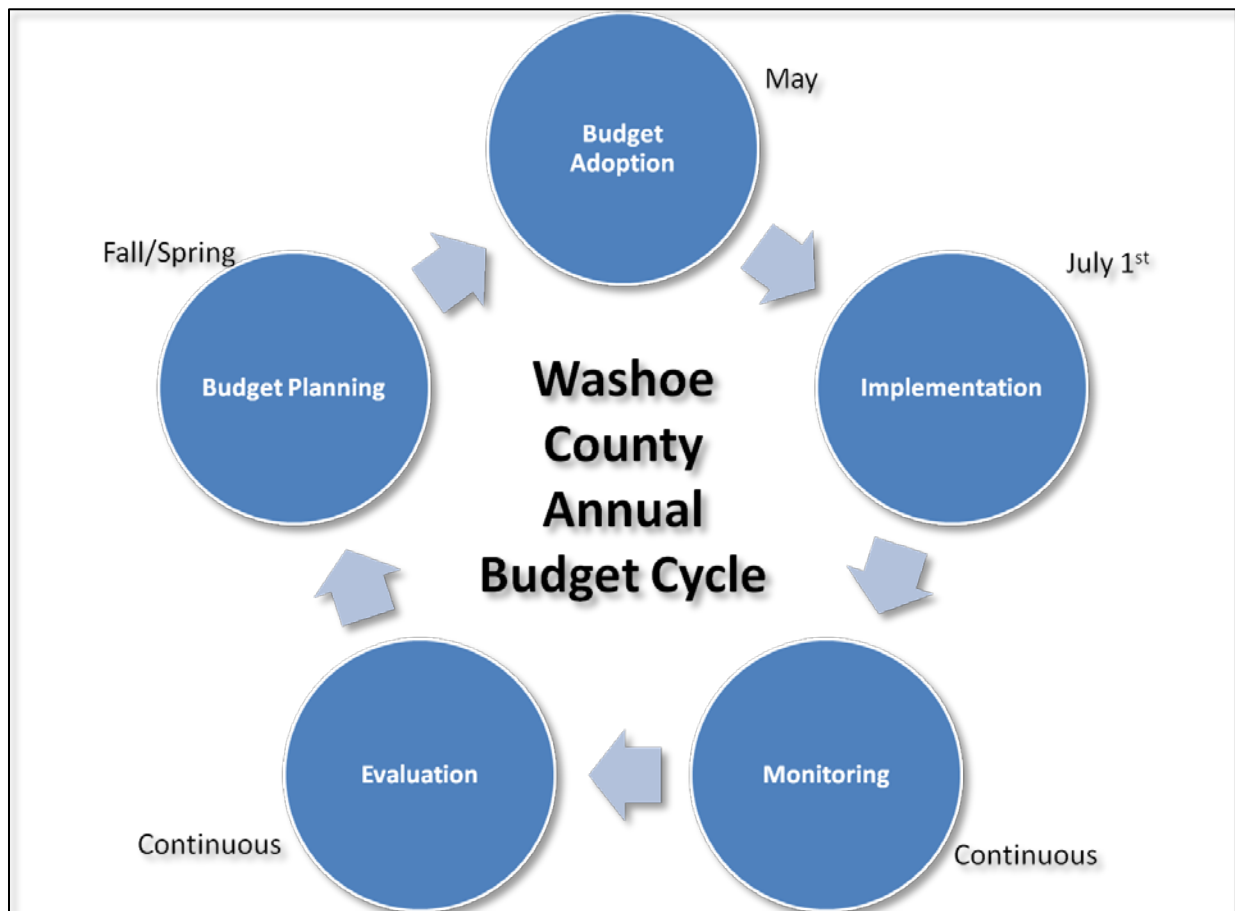


BUDGET STEPS

1. Budget plans requested from departments
 - a. In February, budget and strategic plans were requested from departments. For the FY 12/13 budget, as in the past few years, these plans were requested in the form of reductions (4.5%) from the previous year's budget.
2. Departments submit plans to the budget division
 - a. In early March, departments submitted their reduction plans to the Budget Division for analysis. At this point, the Budget Division gathers all of the data and determines the true impact of reductions submitted by departments. This information is consolidated and provided to the County Manager with analysis performed by Budget Analysts.
3. Department presentations to the Board of County Commissioners (BCC)
 - a. In early April, departments present their plan to the BCC.
4. Tentative budget provided to Nevada Department of Taxation
 - a. State statutes mandate that each county must submit a tentative budget to the State for review by April 15th (This year it was April 16th due to the 15th falling on a weekend).
5. Recommended budget presented to the BCC

- a. On April 24th, the recommended budget was presented to the BCC. This version of the budget contained changes recommended by the County Manager based on analysis from the budget division.
- 6. Final recommended budget presented to the BCC
 - a. The final recommended budget was presented to the BCC on May 15th with any changes proposed by the BCC at the previous presentation.
- 7. Adoption of the FY 12/13 Budget
 - a. The public hearing and adoption of the annual budget is guided by state statute (NRS 354.596) which states that the public hearing must take place on the third Monday in May and must be adopted before June 1st annually (NRS 354.598). This year, the final hearing and adoption of the budget occurred on May 21st.

While the budget is adopted in May, the fiscal year does not begin until July 1st of each year. This provides a month of preparation in order to implement the adopted budget for the coming fiscal year. In addition, after the adoption of the budget and throughout the year, the work of the budget is not completed. As seen below, the budget process is one of continual monitoring and improvement.



Financial and Budgetary Policies

Legislative & Policy Guidelines

Washoe County's financial policies are dictated by a number of sources, including Nevada Revised Statutes (NRS), Chapter 354; Nevada Administrative Code (NAC), Chapter 354; Washoe County Code (WCC), Chapter 15; and Board adopted Financial Policies and Procedures and General Fiscal Policies. State Statute identifies much of the framework within which counties must operate when creating and modifying budgets. Two of the most important statutes indicate the level of budgetary control and the fiscal year.

The legal level of budgetary control is held at the function level for governmental and proprietary funds. Functions are categories of programmatic activities such as: Health, General Government, Public Safety, and Judicial (among others). According to statute, the Budget Manager may approve budget adjustments within a function. The Budget Manager, with Board notification, may approve budget adjustments between functions within a fund. Adjustments between funds or from contingency require Board approval (NRS 354.598005). In addition, statute dictates the County's fiscal year, which is July 1 through June 30 (NRS 354.526).

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." Also, "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."

The Nevada Legislature meets in February of every odd numbered year for 120 calendar days. If any legislation is passed during this time, local governments have an opportunity to augment their budgets to incorporate impact of legislation. The last biennial occurred in 2011 and the next will occur in 2013. Therefore, there are no new expected legislative issues that will affect the adopted FY 12/13 budget.

Base Budgeting

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.

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 two 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 73.

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 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 8-10% 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 not to exceed 3% of the general fund budget less capital outlay in accordance with Nevada Revised Statute of approximately 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.

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. 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.

16.1 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.

16.2 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.

- 16.3 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.
- 16.4 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.
- 16.5 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.
- 16.6 The Treasurer will protect ownership of the County's investment securities through third-party custodial safekeeping.
- 16.7 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, Comptroller, 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.

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and trust fund financial statements. The focus is upon determination of operating income, changes in net assets, financial position, and cash flows, similar to businesses in the private sector. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus but are reported using the accrual basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. 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. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. When revenues are due but will not be collected within 60 days after year-end, the receivable is recorded and an offsetting deferred revenue

account is established. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to OPEB, compensated absences and claims and judgments, are recorded only when payment is due.

Governmental revenues susceptible to accrual are ad valorem taxes, interest, grant revenues and revenues collected and distributed by the State. State distributions include consolidated taxes, government services taxes, and motor vehicle fuel taxes. Construction taxes, licenses and permits, fines, and charges for services are recognized as revenue when they are received.

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 restricted, committed, or assigned as appropriate. 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.

FACTORS INFLUENCING THE BUDGET

In order to best understand the adopted budget for FY 12/13, it is imperative to understand the financial history leading up to the current budget. This section includes current and future issues affecting the budget and the priorities and strategies used to overcome those issues.

Prior Year Issues & Strategies

The original FY 11/12 budget was a challenge due mainly to a significant continued decline in Ad Valorem and Consolidated Taxes. The forecasted deficit at the time the budget was adopted in May 2011 was \$31.4 million; \$5 million was to be absorbed in direct departmental budget reductions and \$9.8 million of reserves were to be utilized, with the remaining target of \$16.6 million to be achieved utilizing two specific strategies listed below:

1. \$11.6 million in anticipated labor cost savings
2. \$5 million in alternative service delivery strategies

The anticipated labor cost savings were to be negotiated with the County's bargaining units during the year. The alternative service delivery strategies were to be identified as part of a fundamental review that the county was undergoing to determine more efficient and effective strategies to serve its citizens.

Labor cost savings reduction targets for each department were based on a designation of: Non-Core (3.7%), Administrative (2%), and Core Services (1.7%). This was similar to a strategy that had been used since 2005, in which Washoe County restructured funding to priority groups based on input from the public. The reprioritization categories used between 2005 and 2011 included: Public Safety, Judicial/Health/Social Services, General Government, and Culture & Recreation. The impact of the reprioritization from 2006 to 2012 can be seen on the next page.

General Fund Department Priority Groups Percent of Total Adopted Budgets FY 2006 to FY2012							
Priority	FY 05/06 Adopted	FY 06/07 Adopted	FY 07/08 Adopted	FY 08/09 Adopted	FY 09/10 Adopted	FY 10/11 Adopted	FY 11/12 Amended
Public Safety	30.8%	30.5%	30.5%	31.5%	32.8%	35.7%	36.8%
Judicial/ Health/ Social Serv.	29.2%	28.4%	29.0%	28.4%	30.1%	31.4%	33.1%
Gen Gov.	32.1%	32.6%	32.1%	32.0%	30.0%	27.2%	24.1%
Culture & Rec.	7.9%	8.5%	8.4%	8.1%	7.1%	5.7%	6.0%
Totals	100%	100%	100%	100%	100%	100%	100%

The anticipated Fundamental Review savings were expected to come from various on-going savings and additional revenue initiatives that were identified as part of the Fundamental Review process. In early fiscal year 2011, Washoe County in conjunction with our Organizational Effectiveness Committee, a group of outside business and professional representatives along with the County Manager and an elected Commissioner, identified and selected an outside firm to conduct a fundamental review of the Washoe County resource allocation process and to provide the Board of County Commissioners an independent assessment of operations, programs and services provided by Washoe County.

The assessment, delivered in July 2011, included independent recommendations of opportunities to eliminate, modify and/or streamline operations which would achieve or exceed cost savings of at least \$5 million the first year, with an ultimate target of additional year savings of \$15 million or more. Ultimately, the report outlined a total of 64 recommendations with an estimated long term potential savings of \$26 million. An internal committee was organized to identify the feasibility and potential implementation of each recommendation. Today, the internal committee has identified 18 active recommendations which are completed or are in process, and 4 more which are in feasibility study, many of which were implemented to achieve the spending reductions needed to balance Fiscal Year 11-12.

Since both strategies (labor cost savings and the Fundamental Review) involved possible future savings that had not been assured, negative amounts were placed in department budgets throughout the general fund as a placeholder. Once the savings had been realized, these negative amounts would be removed.

While a balanced budget was adopted in May, 2011, it was also a biennial year in which the State Legislature convened. Due to changes made in State law affecting local governments, the County adopted an amended budget in June of 2011. The changes in State law that affected the Washoe County budget are listed below.

Legislative Changes	Fiscal Impact FY 11/12
General Fund Impacts	
Increase in Developmental Services for Children	\$ 825,000
Assessment for pre-sentence investigation report from the State Parole and Probation	\$ 700,000
Youth Parole and Probation Assessment to the County	\$ 419,405
Special Election (<i>Not Legislative, but unanticipated expense</i>)	\$ 280,000
Other minor changes	\$ 176,000
Elimination of State reimbursement for Youth Parole's use of detention	\$ 87,800
Total General Fund Impact	\$ 2,488,205

The approximately \$2.5 million impact due to legislative and other changes were to be absorbed by departments and were added to the Alternative Service Delivery placeholder. This increased the reductions needed to balance the budget from \$5 million to almost \$7.5 million.

After the beginning of the FY 11/12 fiscal year, departments were asked to present a 10% reduction scenario in order to help close the anticipated gap. While 10% plans were received, the average reductions recommended from departments was 4.32% (\$4.7 million impact in FY 11/12). The additional reductions came from resizing non-general fund agencies and offering voluntary separation incentives in order to reduce the workforce. The overall impact to the organization was a loss of 118 positions (86 from the General Fund and 32 from other funds). Most of these positions were eliminated by way of early separations, attrition or vacancy eliminations.

In addition to lower revenues due to the economy and the burden of legislative hurdles, the Nevada Supreme Court ruled against Washoe County in July of 2011 in a case involving property taxpayers from Incline Village. The State Supreme Court ordered Washoe County to issue refunds of overpaid taxes and interest to approximately 8,700 taxpayers in the Lake Tahoe area of the County. The fiscal impact of this decision created an additional burden of approximately \$18 million. This additional, unexpected expense was supported through a transfer of reserves from the Health Benefits Fund and the Risk Management Fund, and from deferred capital investments.

The impacts of these and other transactions during the fiscal year can be seen in the chart below. Some major items to point out in the following chart are:

- The "Estimated Year End" amounts were forecasted as of May 21, 2012
- The "Alternative Service Delivery" amounts were absorbed into department budgets during the fiscal year
- The "Transfers" into the General Fund were increased mainly due to the transfer of funds from Risk Management and Health Benefits to help pay for the Incline Village Tax Refunds
- During FY 11/12, the Roads program within the Public Works function was moved to its own Special Revenue Fund in accordance with special revenue fund dedicated revenue policies, supporting program revenues which are restricted for designated purpose.
- In addition, the budgeted amount shown below is a snapshot of the adopted budget and as such does not include encumbrances or other small adjustments made during the year.

Washoe County General Fund Sources and Uses Fiscal Year 11/12 Budget and Estimated Actual

General Fund Sources	FY 11/12 Budget	FY 11/12 Estimated Year End
Beginning Fund Balance	\$ 35,018,015	\$ 38,771,485
Revenues		
Taxes	141,477,556	140,469,692
Intergovernmental (Including Consolidated Tax)	91,200,505	86,141,400
Licenses & Permits	8,814,350	8,101,787
Fines & Forfeitures	8,581,591	8,131,324
Miscellaneous	4,715,855	5,041,741
Charges for Services	14,332,779	15,190,297
Subtotal Revenues	269,122,636	263,076,241
Transfers	7,759,400	24,654,028
Total Sources	\$ 311,900,051	\$ 326,501,754

General Fund Uses	FY 11/12 Budget	FY 11/12 Estimated Year End
Expenditures by Function		
Community Support	\$ 388,401	\$ 398,156
Culture and Recreation	13,015,946	12,320,209
General Government	70,564,982	87,018,074
Intergovernmental	3,340,635	3,339,561
Judicial	48,945,959	49,205,937
Public Safety	101,912,416	102,461,843
Public Works	13,428,452	2,815,504
Welfare	18,001,805	17,188,881
Subtotal Expenditures	269,598,596	274,748,165
Alternative Service Delivery	(7,463,020)	-
Contingency	1,775,000	-
Transfers	19,860,145	20,656,988
Ending Fund Balance	28,129,330	31,096,601
Total Expenditures & Uses	\$ 311,900,051	\$ 326,501,754

Fiscal Year 12/13 Issues & Strategies

The following major issues impacted planning of the budget for Fiscal Year 12/13:

- An expected continued decline in property tax revenue of about \$2.5 million
- Unresolved negotiations with all bargaining units
- The one-time costs of the Incline Village tax refunds budgeted in FY 11/12
- The implementation of charges for the County-wide Cost Allocation Plan
- A forecasted increase in consolidated taxes of 1% (\$691,000)
- A newly adopted fund balance policy stating the General Fund must budget between 8% and 10% Unassigned Fund Balance.

While there are some bright spots in the revenue forecast for FY 12/13, the overall trend continues to point downward. The decline in overall general fund sources from FY 11/12 adopted to FY 12/13 adopted is approximately \$10 million, or 3%. The only two expected increases in next year's revenue are in consolidated taxes and charges for services.

Washoe County General Fund Sources and Uses Adopted Budgets Fiscal Years 11/12 and 12/13

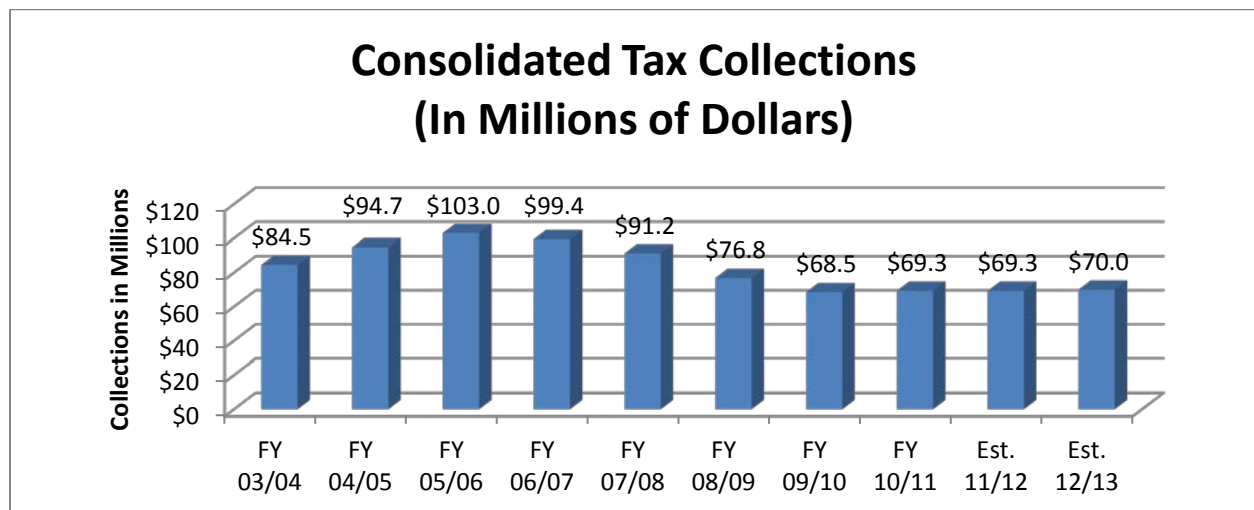
General Fund Sources	FY 11/12 Budget	FY 12/13 Budget	% Change 11/12-12/13
Beginning Fund Balance	\$ 35,018,015	\$ 31,096,601	-11%
Revenues			
Taxes	141,477,556	137,365,070	-3%
Intergovernmental (Including Consolidated Tax)	91,200,505	86,899,264	-5%
Licenses & Permits	8,814,350	8,467,685	-4%
Fines & Forfeitures	8,581,591	8,213,700	-4%
Miscellaneous	4,715,855	4,811,561	2%
Charges for Services	14,332,779	22,510,563	57%
Subtotal Revenues	269,122,636	299,364,444	11%
Transfers	7,759,400	1,835,900	-76%
Total Sources	\$ 311,900,051	\$ 301,200,344	-3%

(Continued)

Washoe County General Fund Sources and Uses Adopted Budgets Fiscal Years 11/12 and 12/13 (Continued)

General Fund Uses	FY 11/12 Budget	FY 12/13 Budget	% Change 11/12-12/13
Expenditures by Function			
Community Support	\$ 388,401	\$ 349,561	-10%
Culture and Recreation	13,015,946	12,016,652	-8%
General Government	70,564,982	63,939,069	-9%
Intergovernmental	3,340,635	3,232,322	-3%
Judicial	48,945,959	50,094,625	2%
Public Safety	101,912,416	104,035,243	2%
Public Works	13,428,452	2,192,154	-84%
Welfare	18,001,805	18,131,732	1%
Subtotal Expenditures	269,598,596	253,991,358	-6%
Alternative Service Delivery	(7,463,020)	-	-100%
Contingency	1,775,000	975,000	-45%
Transfers	19,860,145	20,102,445	1%
Ending Fund Balance	28,129,330	26,131,541	-7%
Total Expenditures & Uses	\$ 311,900,051	\$ 301,200,344	-3%

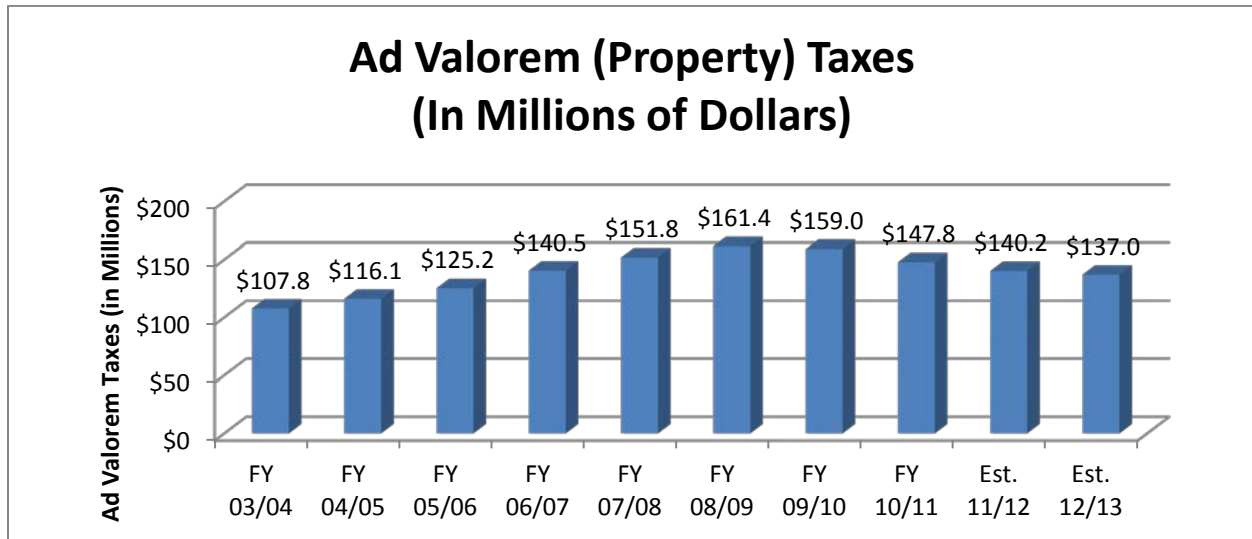
Consolidated taxes are a portion of sales taxes that the State remits back to local governments and it makes up the second largest revenue source in the General Fund. As you can see in the following chart, Washoe County was the benefactor of the economic boom and a victim of the ensuing burst. While the County expects slightly higher revenues from this source in the coming year, it is still about \$14.5 million lower than what was collected ten years ago.



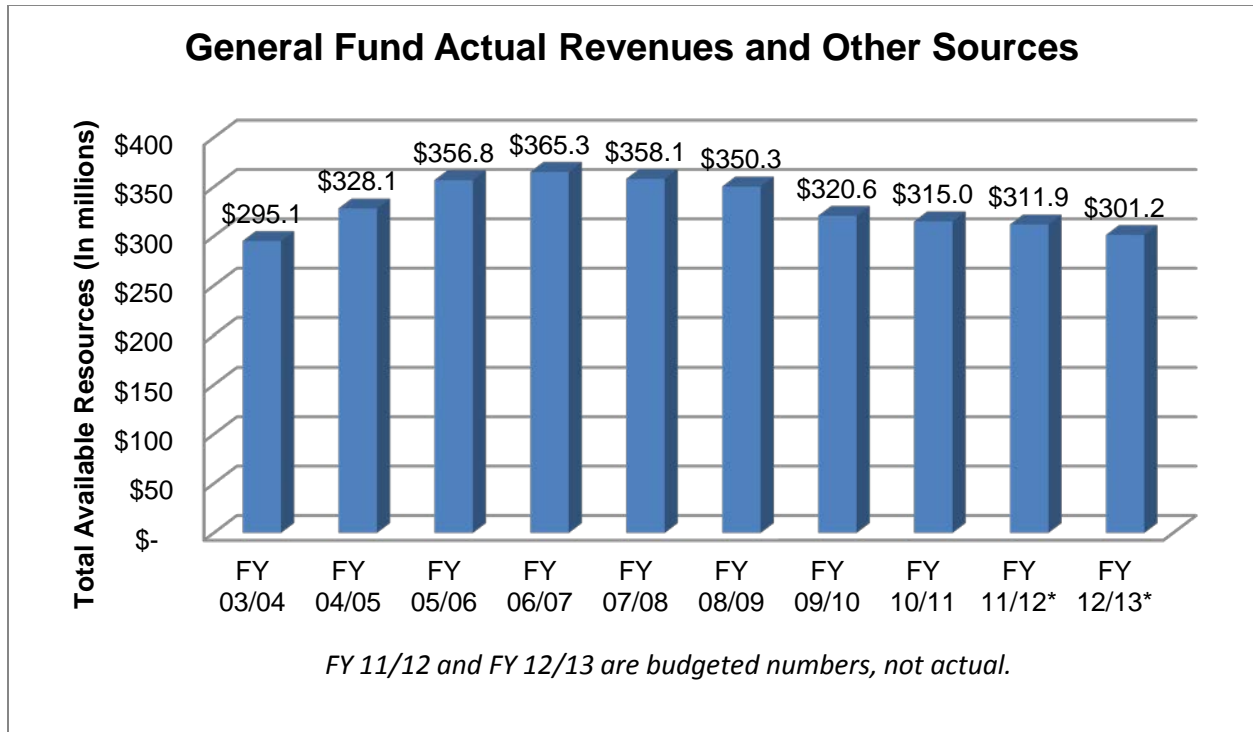
Consolidated taxes are estimated by looking at actual collections, current taxable sales, and possible future changes in the economy that may affect future collections. Together, this information helps determine the budgeted amount for the coming year.

The other source of revenue that is expected to increase is charges for services. The majority of the increase (\$6.8 million) is due to direction from the Board of County Commissioners on February 14th, 2012 to implement a 3-year plan to collect all allowable cost allocation charges for services provided to other funds.

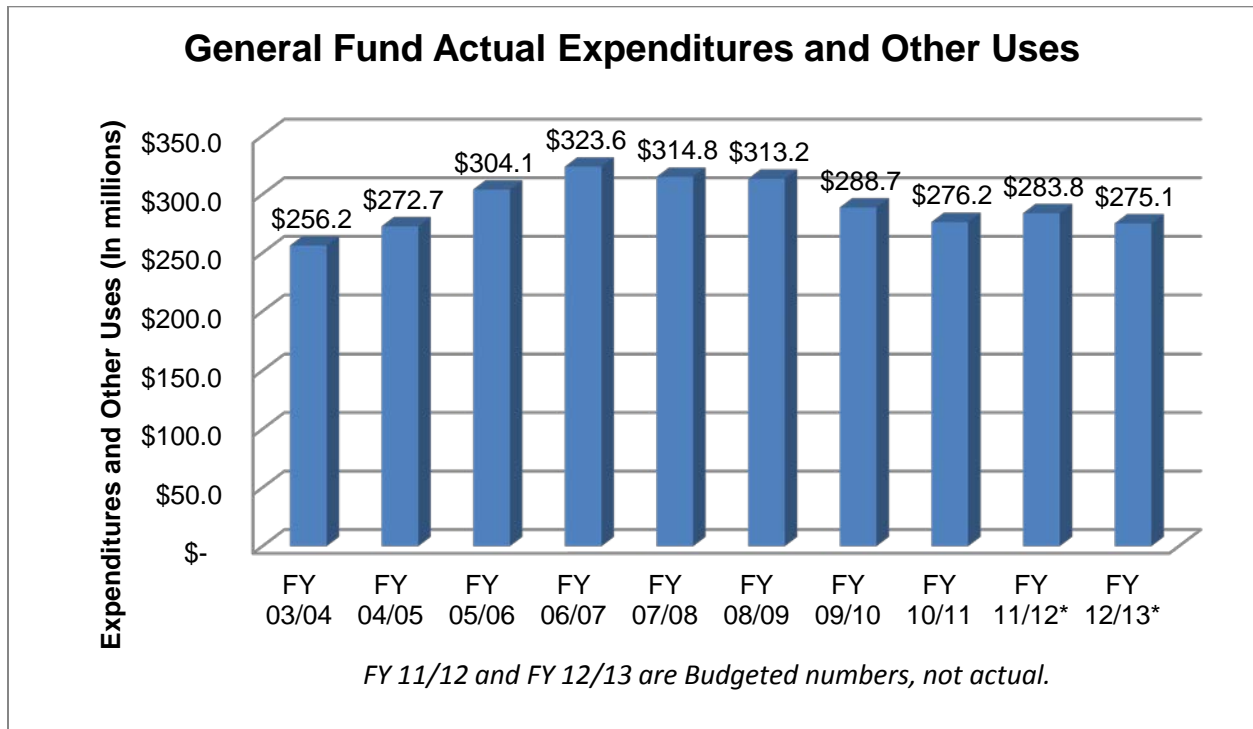
The largest source of revenue for the General Fund also continues to decline. Property taxes (or ad valorem) taxes have been hit hard by the housing bubble and still have not recovered in Washoe County. While the decline in FY 12/13 (\$2.5 million) is not expected to be as great as it has in the past couple of years, the anticipated revenue (\$137 million) is still below what it was in FY 06/07 (\$140.5 million).



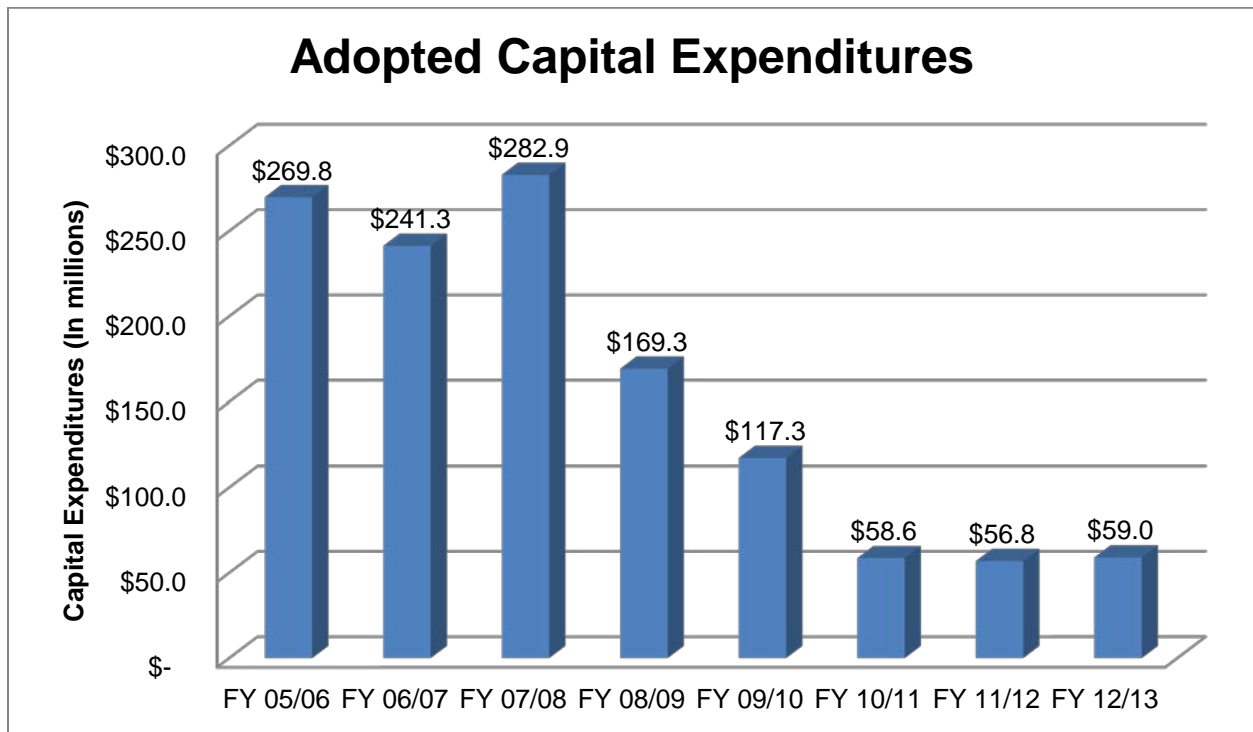
In general terms, the ad valorem revenue is determined by multiplying the taxable value of all property in the County by the millage rate (tax rate). Therefore, as described previously, the largest source of revenue for the County is very heavily dependent on the health of the real estate market. Overall, General Fund revenues have followed along the same trend as the major revenues listed above. However, Washoe County is optimistic that the economy will slowly recover in the coming years.



The ten-year trend of expenditures and other uses (below) also follows the same trend as revenues and other sources. This is one indicator of the fiscal responsibility of the County and its ability to adapt over time to the changes in economic conditions affecting county resources.



Over the past ten years, as indicated by the information provided above, there have been major upswings and downswings. It is clear that the operating budgets of the County have been significantly reduced to about the levels they were in FY 04/05. However, another impact of the declining economy is capital expenditures. Every year the County adopts a capital budget that illustrates the major capital outlay of the County including items like: land purchases, major improvements to buildings and roads, major technology investments, and other capital investments. The Capital Improvement Plan (CIP) is discussed later in this book, however, shown below is an eight-year history of the capital plans adopted by the County.



It is clear that investment in capital has been significantly reduced in the past eight years (79%). This is a significant decline when considering that many of these dollars are committed to preserving the current capital assets of the County. The capital assets are valued at approximately \$1 billion and this value has not changed significantly since FY 07/08.

Strategy to Balance FY 12/13

Given all of this background and its convergence with current issues a number of strategies were implemented in order to balance the budget for FY 12/13. As mentioned previously, the implementation of cost allocation charges minimized the impact in the General Fund in FY 12/13 and will continue to do so in the future. In addition to providing additional revenue, this path also allows the County to acknowledge the true cost of doing business for all aspects of county government.

Other strategies to balance the FY 12/13 budget included:

- \$6.8 million in reduced funding for capital projects, accrued benefits, contingency funding, and Other Post Employment Benefits (OPEB) Funding
- \$4.6 million in fund balance adjustment
- \$6.3 million in department operating reductions (or bargaining unit concessions of a similar amount)

At the inception of the budget process, General Fund departments were asked to submit 4.5% reduction plans. These reductions were not tiered as they had been in previous years. Going into the FY 12/13 budget, the County had already reached its goal of redistributing sources to areas most important to citizens.

These department reductions were analyzed as described in the budget process section above and were eventually reduced from a total of about \$9 million to \$6.3 million. This \$6.3 million represented an impact to almost 51 full time equivalent (FTEs) positions. The recommended reductions by General Fund departments can be seen below. However, if Washoe County bargaining units agree to concessions in FY 12/13 that equal the \$6.3 million, the reductions below will not be necessary to balance the budget.

Department Reductions FY 2012 - 2013		
Department	Recommended Reductions	FTE Impact
Alternative Public Defender	\$-	-
Alternative Sentencing	10,000	0.43
Assessor	20,600	-
Centrally Managed Training Account	250,000	-
Community Development	82,900	-
Community Support	-	-
Conflict Counsel	219,750	-
County Clerk	50,312	-
County Commission	-	-
County Manager	176,200	1
County Recorder	84,400	-
District Attorney	342,641	3
District Court (Including Law Library)	350,000	-
Finance	158,407	-
Fire Suppression	-	-
Health Transfer	312,000	-
Human Resources	94,500	-
Incline Constable	2,178	-
Justice Court - Incline	21,000	-
Justice Court - Reno	176,900	-
Justice Court - Sparks	62,750	-
Justice Court - Wadsworth	5,400	-
Juvenile Services	-	-
Library System	356,700	5.38
Medical Examiner	50,500	-
Parks & Open Space	208,200	9.17
Public Administrator	-	-
Public Defender	-	-
Public Guardian	-	-
Public Works	384,417	-
Registrar of Voters	69,700	-
Roads Transfer	112,070	-
Sheriff's Office	2,424,565	28
Social Services (Excluding Medical Assistance)	58,957	1
Technology Services	260,900	3
Treasurer	-	-
TOTAL	\$ 6,345,947	50.98

The combined strategies listed above have balanced the FY 12/13 budget without the need for a reduction in force. All impacted FTEs were vacant due to an ongoing hiring freeze in anticipation of possible reductions.

At the time of this writing, the County has agreed to suspend concessions for most bargaining units. Therefore, the County must act on the reductions listed above.

The major impacts to services as a result of the lack of concessions by bargaining units will be as follows:

- **Sheriff's Office**
 - Requires holding approximately 28 positions vacant; possible impacts include increased time to respond to 911 calls, investigate crimes and provide forensic analysis; increased risk of litigation due to Jail housing unit shut downs; possible loss of revenue from federal housing contracts; reduced front desk hours and participation in regional programs like Graffiti Task Force; lack of time for training and employee development and increased risk of errors.
- **Public Works**
 - Building infrastructure projects will be limited to emergency issues and those impacting safety. Slower response times to all requests from the general public. Customer satisfaction will decline, which may result in more complaints. The diminishing condition of County facilities will become more noticeable.
- **Library System**
 - Decrease in funding for 5.38 vacant FTEs. Potential for reduced safety at some branches due to less staff available to patrol library and monitor behavior. Potential for closure of smaller libraries or reduced hours. Possibility of reduced service levels and longer lines.
- **District Court**
 - Decrease of Law Library hours by 18 hours/week; delay in case processing and data entry; backlog of imaged files and financial audits; potential increase of defendant's average length of stay in jail; outsourcing and consolidation of services; Friday In-Court Closures; closed customer windows over lunch hours; strict close of business time restrictions.
- **District Attorney**
 - Loss of another 3 positions will result in a staff reduction of 24% since FY 08/09 resulting in longer response times to family support clients and in Criminal Division and further staff burnout and possibility of errors. Delays in the DA's office affect the Public Defender and Alternate Public Defender offices and other law enforcement agencies and could result in court continuances and increased Jail days.
- **Technology Services**
 - Decrease in funding for 3 vacant FTEs. Increased age of technology infrastructure limiting departments' ability to harness technology to increase efficiency.
- **Training**
 - Reduction in the ability for County staff to maintain the most up to date training on current issues effecting local governments, which could help increase efficiency and effectiveness of operations.
- **Parks & Open Spaces**
 - Reduction in funding for 9.17 pooled FTEs. This will affect the appearance and general health of park infrastructure, which will continue to diminish without this resource during the growing season. Programs and facility availability will be limited or not open and accessible to the public.

- **Reno Justice Court**
 - Delays in case processing and judicial decisions, reduced court services and lower collections of fines and fees; increased wait times and continuances and delays in responding to customers' inquiries via phone or mail; workload backlog (e.g. civil filings) increase; inability to provide same day or one-day turnaround for record searches.
- **County Manager**
 - Elimination of 1 of 2 vacant Assistant County Managers. Reduction of adequate oversight for County operations.

Although Washoe County still continues to be impacted by the "Great Recession," the organization continues to find ways to either improve or minimize the impact to the services provided to citizens. Some highlights for the FY 12/13 Budget include:

- No tax increases, and living within expected revenues
- Providing a sustainable level of support to the public's highest priorities as reported in the County's online budget survey, with Public Safety maintained as the highest priority in the General Fund budget
- Keeping people employed by reducing only (51 FTEs) vacant positions
- A budgeted ending fund balance that is, at 8 percent, twice what is required by statute, but necessary to ensure adequate cash flow to fund operations
- \$6.8 million in sustainable charges to funds supported by separate revenues to cover the full cost of those services, which includes indirect administrative costs
- Budgeting Other Post Employment Benefits (OPEB) at \$18.7 million, which is adequate to cover the annual required contribution
- Increased funding to Economic Development Association of Western Nevada (EDAWN) by \$10,000 in furtherance of the Board's Strategic Plan priority to support regional economic development

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