



WASHOE COUNTY

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STAFF REPORT

BOARD MEETING DATE: April 27, 2021

DATE: Monday, April 26, 2021
TO: Board of County Commissioners
FROM: Lori Cooke, Budget Manger, County Manager's Office
(775) 328-2072, lcooke@washoecounty.us
Christine Vuletich, Assistant County Manager
(775) 328-2016, cvuletich@washoecounty.us

THROUGH: Eric P. Brown, County Manger

SUBJECT: Recommendation to acknowledge status report and possible direction to staff on the County Manager's recommended Fiscal Year 2022 Budget; and direct the County Manager to return to the Board of County Commission with a Tentative and Final Budget incorporating the approved County Manger's recommendations for adoption at a public hearing to be scheduled on May 18, 2021. (All Commission Districts).

SUMMARY

The purpose of this item is to provide a status report and possible direction to staff on the County Manger's recommended Fiscal Year 2022 budget; and direct the County Manager to return to the Board of County Commission (BCC) with a Tentative and Final Budget incorporating the approved County Manager's recommendations for adoption at the public hearing to be scheduled for May 18, 2021.

Washoe County Strategic Objective supported by this item: Fiscal Sustainability

PREVIOUS ACTION

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

BACKGROUND

As the worldwide COVID-19 pandemic unfolded in early 2020, lockdowns, business shut-downs, consumer spending and COVID-19 response activities all resulted

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in acute economic/fiscal impacts. Much like many other local governments and businesses, Washoe County’s Fiscal Year 2021 (FY21) budget was prepared in an unprecedented environment while the events were happening.

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

Amidst the better than anticipated financial status, challenges remain, including ongoing pandemic response/recovery costs, expansion of regional homelessness services, legally obligated property tax refunds, 2021 Nevada Legislative Session impacts, replenishment of Stabilization and Risk Management reserves, and restoration of funding reduced/ eliminated in the FY21 budget.

As such, the County Manager’s Fiscal Year 2022 (FY22) Recommended Budget reflects consideration of service needs and anticipated resources. It also adheres to the goals provided to Department Heads and the BCC for FY21, and reaffirmed in January 2021:

- Maintain Services
- Keep Employees Working
- Use Reserves Wisely

Total FY22 appropriations for 23 Governmental and 6 Proprietary funds are \$829.1 million, see chart below.

Washoe County		
Total Budget Appropriations*	Fiscal Year 2021 Final	Fiscal Year 2022 Recommend
<i>Governmental Funds</i>		
General Fund	\$ 355,549,667	\$ 435,482,853
Special Revenue Funds	\$ 202,284,502	\$ 235,126,643
Capital Project Funds	\$ 45,046,687	\$ 14,185,998
Debt Service Funds	\$ 13,677,152	\$ 45,317,141
Total Governmental Funds	\$ 616,558,008	\$ 730,112,635
<i>Proprietary Funds</i>		
Enterprise Funds	\$ 22,734,982	\$ 23,692,567
Internal Service Funds	\$ 76,322,529	\$ 75,343,284
Total Proprietary Funds	\$ 99,057,511	\$ 99,035,851
Total Appropriations-All Funds	\$ 715,615,519	\$ 829,148,486

Notable highlights for the FY22 Recommended Budget, for all funds, include:

- An additional 35.0 FTEs:
 - 18.0 General Fund
 - 8.0 Expanded Library Services
 - 4.0 Public Safety
 - 2.0 Public Works-Facilities

- 17.0 Other Funds
 - 7.0 Expanded Library Services
 - 9.0 Homelessness Fund

General Fund Transfers Out of \$52.98 million, supporting:

- Indigent Fund \$21.1 million
- Health District \$9.5 million
- Transfer to Capital Projects \$7.0 million
- Homelessness Fund (new) \$6.4 million
- Debt Service Fund \$6.0 million
- Senior Services Fund \$1.4 million
- Roads Fund \$1.1 million
- Child Protective Services Fund \$447 thousand

General Fund Contingency at the NRS allowable 3% of expenditures, or \$11 million.

As the largest fund, the General Fund FY22 appropriations are \$435.5 million, see chart below:

Washoe County FY 2022 Recommended General Fund Budget					
Sources and Uses	FY 2020 Actual	FY 2021 Year- End Estimate	FY 2022 Recommended Budget	FY22 vs. FY21 Year- End Estimate % Var.	\$ Var.
Revenues and Other Sources:					
Taxes	180,524,330	191,601,430	203,478,752	6.2%	11,877,322
Licenses and permits	9,771,369	9,480,533	10,045,793	6.0%	565,260
Consolidated taxes	121,149,884	126,016,700	131,687,450	4.5%	5,670,750
Other intergovernmental	23,965,680	21,985,179	22,724,169	3.4%	738,990
Charges for services	21,062,563	21,679,021	22,101,745	1.9%	422,724
Fine and forfeitures	6,110,868	5,951,282	6,146,782	3.3%	195,500
Miscellaneous	8,784,236	4,014,031	4,288,037	6.8%	274,006
Total revenues	371,368,930	380,728,176	400,472,728	5.2%	19,744,552
Other sources, transfers in	4,354,526	1,147,030	499,000	-56.5%	(648,030)
TOTAL SOURCES	375,723,456	381,875,206	400,971,728	5.0%	19,096,522
Expenditures and Other Uses:					
Salaries and wages	158,783,029	163,263,811	173,570,550	6.3%	10,306,739
Employee benefits	75,389,674	78,065,672	84,146,379	7.8%	6,080,706
OPEB contributions	14,813,058	12,365,870	8,016,156	-35.2%	(4,349,714)
Services and supplies	63,560,749	61,313,798	64,819,432	5.7%	3,505,634
Settlement payments	-	-	40,000,000		40,000,000
Capital outlay	558,525	779,816	835,048	7.1%	55,232
Total expenditures	313,105,035	315,788,967	371,387,565	17.6%	55,598,597
Transfers out	42,171,914	43,835,323	52,977,288	20.9%	9,141,965
Contingency	-	750,000	11,118,000	1382%	10,368,000
TOTAL USES	355,276,949	360,374,290	435,482,853	20.8%	75,108,562
Net Change in Fund Balance	20,446,507	21,500,916	(34,511,125)		
Beginning Fund Balance	\$ 73,821,298	94,267,805	115,768,721		
Ending Fund Balance	\$ 94,267,805	115,768,721	81,257,596		
Unassigned Fund Balance	\$ 68,318,785	\$ 83,302,499	\$ 72,591,374		
Unassigned Fund Balance %	19.3%	23.2%	16.7%		

*as % of Expense & Transfers less Capital

The FY22 Recommended General Fund budget reflects a balanced budget with a one-time use of fund balance of \$34.5 million. This use of fund balance supports the legally obligated property tax settlement payments anticipated in FY22. Depending on the actual amount of FY22 payments processed, FY23 will almost certainly require additional appropriations for settlement payments. Unassigned ending fund balance is forecast at \$72.6 million, or 16.7%, which is within the Board’s policy level of 10-17%.

Another notable change/enhancement for the FY22 Recommended Budget is the new Homelessness Fund. Over \$16 million of current and expanded regional homelessness expenses are included in the new fund, reflecting expenses of \$5.6 million for 44.50 FTEs and over \$10 million in non-personnel/operational. Sources consist of approximately \$977 thousand of operating revenue, \$500 thousand transfer from the Marijuana Fund, \$8.6 million transfer from the Indigent Fund and \$6.4 million transfer from the General Fund. Please see chart below.

Washoe County FY 2022 Recommended Homelessness Fund Budget	
Sources and Uses	FY 2022 Recommended Budget
Revenues and Other Sources:	
Taxes	-
Licenses and permits	-
Other intergovernmental	300,000
Charges for services	497,000
Fine and forfeitures	-
Miscellaneous	180,000
Total revenues	977,000
Other sources, transfers in	
Transfer from General Fund	6,412,095
Transfer from Indigent Fund	8,608,805
Transfer from Marijuana Fund *Used to support Sheriff's Initiative	500,000
Total Other Sources	15,520,900
TOTAL SOURCES	16,497,900
Expenditures and Other Uses:	
Salaries and wages	3,755,814
Employee benefits	1,826,264
OPEB contributions	55,471
Services and supplies	10,208,364
Capital outlay	300,000
Total expenditures	16,145,913
Transfers out	-
Contingency	-
TOTAL USES	16,145,913
Net Change In Fund Balance	351,987

As part of the FY22 Recommended budget, FY21 year-end financial actions are necessary as indicated below. These actions will be included with the FY22 Final Budget approval on May 18, 2021.

- Replenish \$3 million of General Fund Stabilization Reserve at FY21 year-end as a restriction of fund balance

- Reimburse \$3 million to the Risk Management Fund per the \$3 million FY20 transfer to the General Fund via a \$3 million unbudgeted General Fund transfer to the Risk Management Fund
- Transfer of \$1.4 million from the General Fund to the Capital Improvement Projects Fund (CIP) for required unbudgeted projects via an unbudgeted transfer
- Cross-Fund/Cross-Functional appropriation transfer of \$1.2 million from the General Fund to the Indigent Fund for unbudgeted COVID-related expenditures that are not eligible for other funding; net zero impact

Next Steps

- May 18: Public Hearing of Fiscal Year 2022 Washoe County Tentative Budget and Adoption of Final Budget
- May 25: Special Meeting (continuation-if necessary) for Fiscal Year 2022 Final Budget
- June 1: Fiscal Year 2022 Final Budget due to State Department of Taxation

FISCAL IMPACT

Total Fiscal Year 2022 recommended budgeted expenditures and transfers out for all funds are \$829,148,486. The recommended Fiscal Year 2022 General Fund budget is a balanced budget, with total expenses, contingency and transfers out of \$435,482,853 and use of fund balance of \$34,511,125. The total unassigned fund balance for the General Fund at the end of Fiscal Year 2022 is budgeted at \$72,591,374 or 16.7% of budgeted expenses and transfers out. The Board of County Commissioner's policy level is between 10% - 17%.

Additional information and/or financial updates may need to be incorporated in the Fiscal Year 2022 Final Budget, which is scheduled for Board approval on May 18, 2021.

RECOMMENDATION

It is recommended that the Board acknowledge the status report and provide possible direction to staff on the County Manager's recommended Fiscal Year 2022 Budget; and direct the County Manager to return to the Board with a Tentative and a Final Budget for adoption at a public hearing scheduled for May 18, 2021.

POSSIBLE MOTION

Should the Board agree with staff's recommendation, a possible motion would be "move to acknowledge the status report and provide possible direction to staff on the County Manager's recommended Fiscal Year 2022 Budget; and direct the County Manager to return to the Board with a Tentative and a Final Budget for adoption at a public hearing scheduled for May 18, 2021."