

Budget Status Report For Fiscal Year 2010/11

Board of County Commissioners
January 26, 2010

A-1/26/10 more #20



Overview of Budget Situation

Washoe County, Nevada

Aggressive actions have stabilized the County

- \$100 million in cuts over three years
- FY 09/10 Budget - cut 11%
- 500 positions defunded (vacancy freeze, layoffs, separation incentives)
- Workforce 14% smaller
- Employee Concessions

Yet, the prolonged Recession has rebased the economy

- 21,000 jobs lost
- 12.7% unemployment
- Average home has lost nearly half its value
- Taxable sales at 2000/01 levels

Overview of Budget Situation (cont)

Washoe County, Nevada

Structural deficits will likely occur for the foreseeable future

- Revenue growth will continue to decline next year and be slow in the future
- Expenses will increase primarily due to labor cost structure
- When current expenses are higher than current revenues a structural deficit results

FY 2010/2011 General Fund Structural Deficit projects to be \$24.7 million

- Property taxes down nearly 7%
- Consolidated taxes down 2%
- Total Revenue down 5%
- Expenditures up about 2.5%
(before reductions)

Overview of Budget Situation (cont)

Washoe County, Nevada

A plan is needed to make sustained changes consistent with the new economic environment

- The economy has rebased and past growth trends are not likely to be repeated
- Lost property tax and sales tax revenue will not return for years
- Revenues that support costs have been rebased
- Rebasing the cost structure is necessary

Sustainability Plan Goals

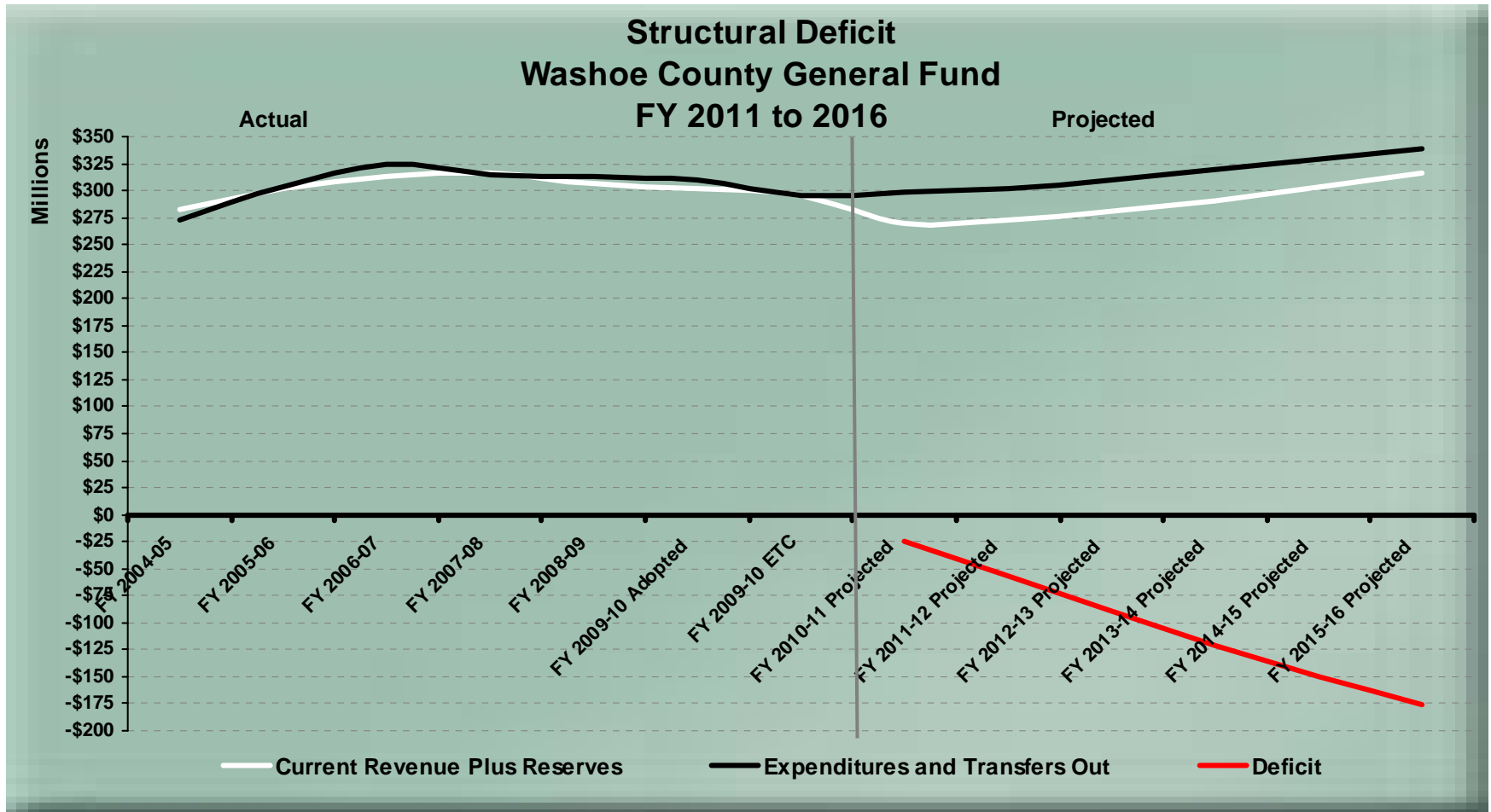
Maintain Service Levels

Maximize Employment

Sustainable Labor Costs

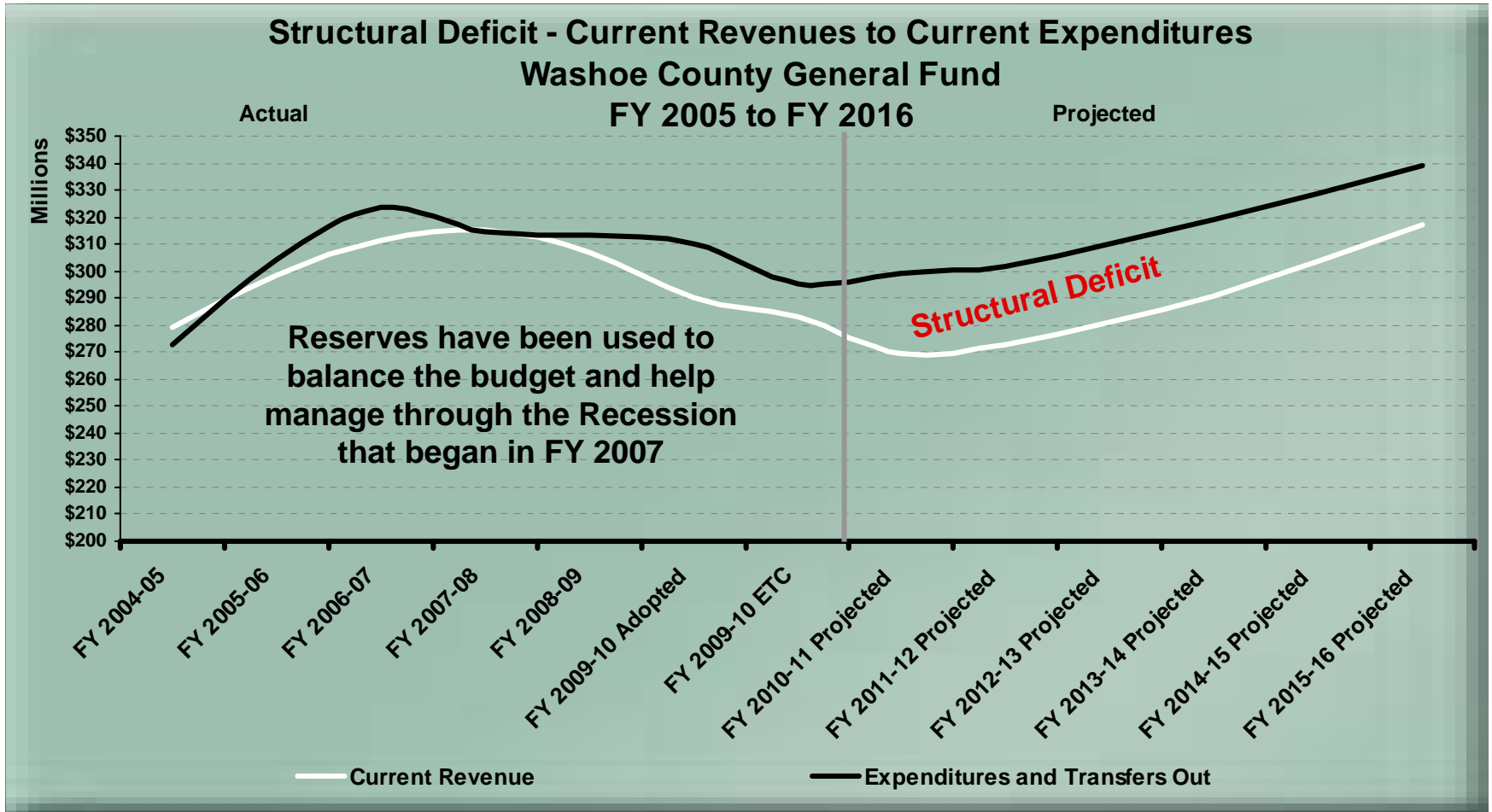
Structural Deficit

Washoe County, Nevada



Structural Deficit

Washoe County, Nevada



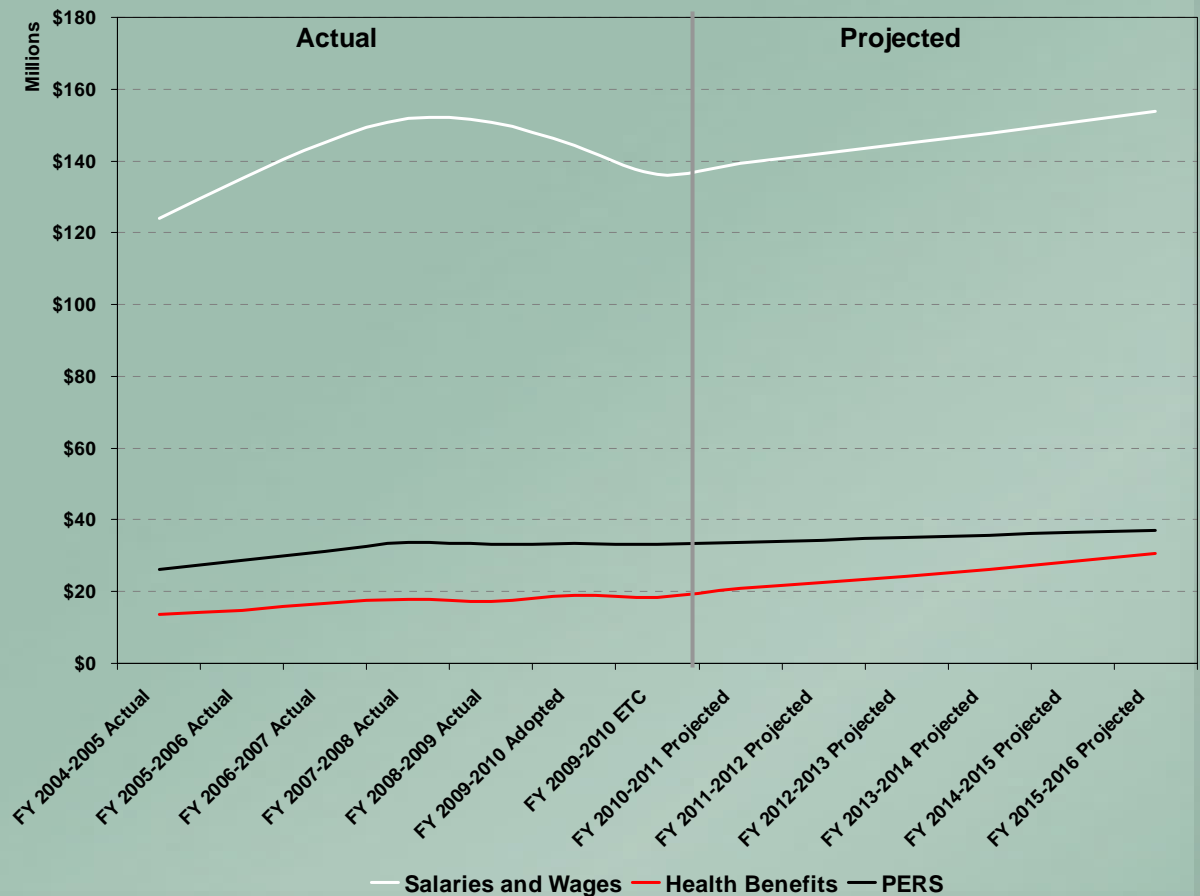
Structural Deficit (cont)

Washoe County, Nevada

Understanding the Cost Structure

- Labor Costs
 - Wages
 - Retirement (PERS)
 - Health Benefits
- Make up about 75% of operating costs and for some services up to 90% of costs
- Imbedded cost growth pressure
 - Merits and Longevity
 - Health Benefits

Labor Cost Trends Washoe County General Fund



Fiscal Year 2010/11 Structural Deficit

Washoe County, Nevada

The General Fund projects to have a \$24.7 million structural deficit in FY 2010/11

Revenue Changes

Property Tax -7 %

Consolidated Tax -2%

Total Revenues -5%

Expenditure Changes

Salaries and Wages 2%
Merits/Longevity/Contractual Increases
(No COLAS)

Health Insurance 12%

Rev. to State \$6 million

Election Costs \$700K

Lease Costs \$430K

Total Expenditures 2.5%
(before reductions)

Fiscal Year 2010/11 Structural Deficit

Washoe County, Nevada

SOURCES:

Beginning Fund Balance **\$30,623,975**

Revenues **\$269,447,453**

Total Sources **\$300,071,428**

USES:

Expenses **\$270,403,511**

Contingency **\$1,500,000**

Transfers Out **\$29,954,609**

Ending Fund Balance 7.6% **\$22,941,194**

Total Uses **\$324,799,014**

SOURCES over (under) USES **\$(24,727,586)**

Balanced Plan

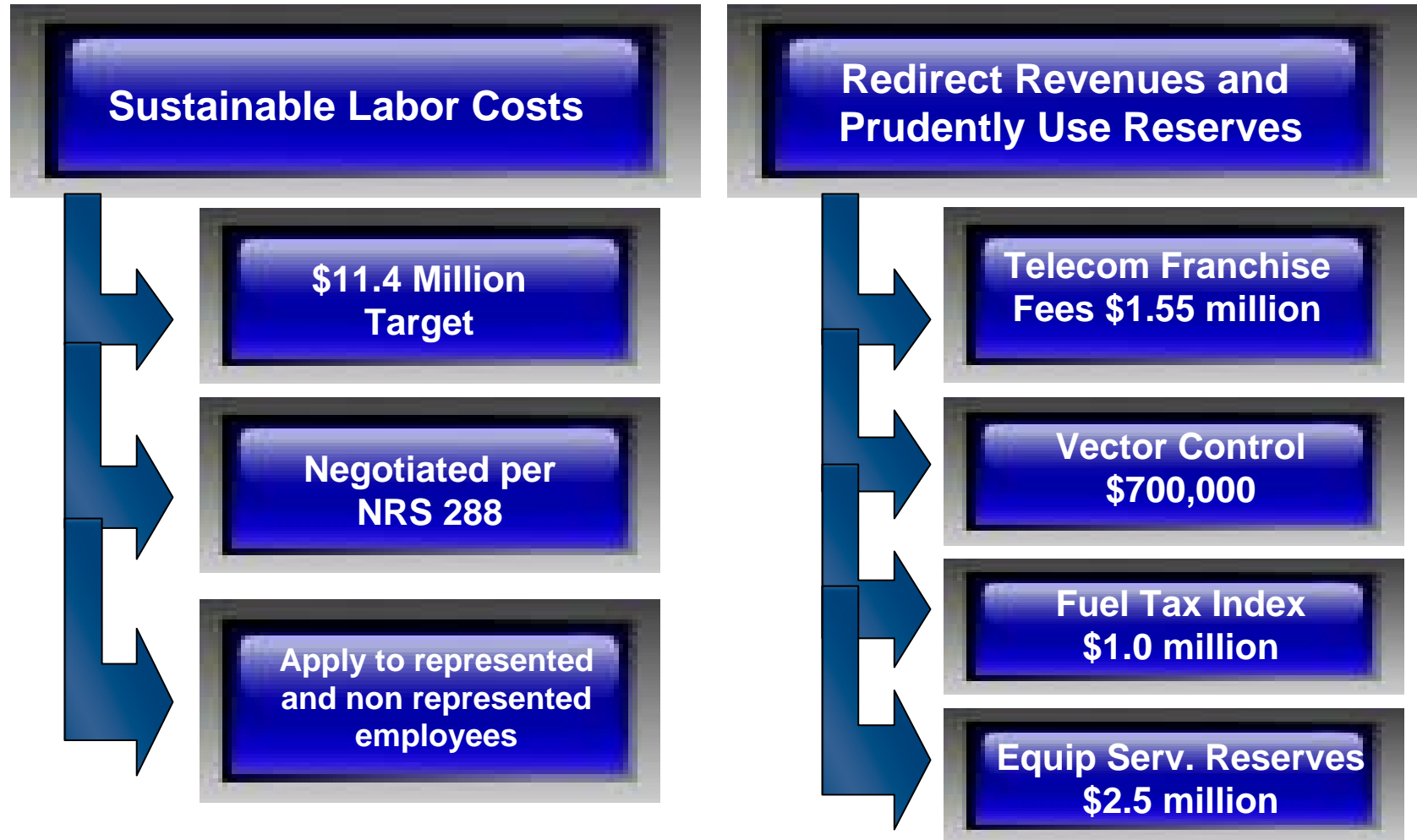
Washoe County, Nevada

- Three-point strategy to close FY 10/11 structural deficit
 - Achieve sustainable labor costs
 - \$11.4 Million
 - Redirect Revenues and Reserves
 - \$5.75 Million
 - Continue prioritized budget reductions
 - \$7.8 Million



Balanced Plan (cont)

Washoe County, Nevada



Balanced Plan (cont)

Washoe County, Nevada

Department Streamlining and Prioritized Reductions

- \$7.8 Million
- Avg. of -3%

Public Safety
-2% \$1.8 million

Judicial/Health/Soc.
-3% \$2.5 million

Gen. Government
-4% \$2.68 million

Culture and Rec.
-5% \$785,000

Balanced Plan (cont)

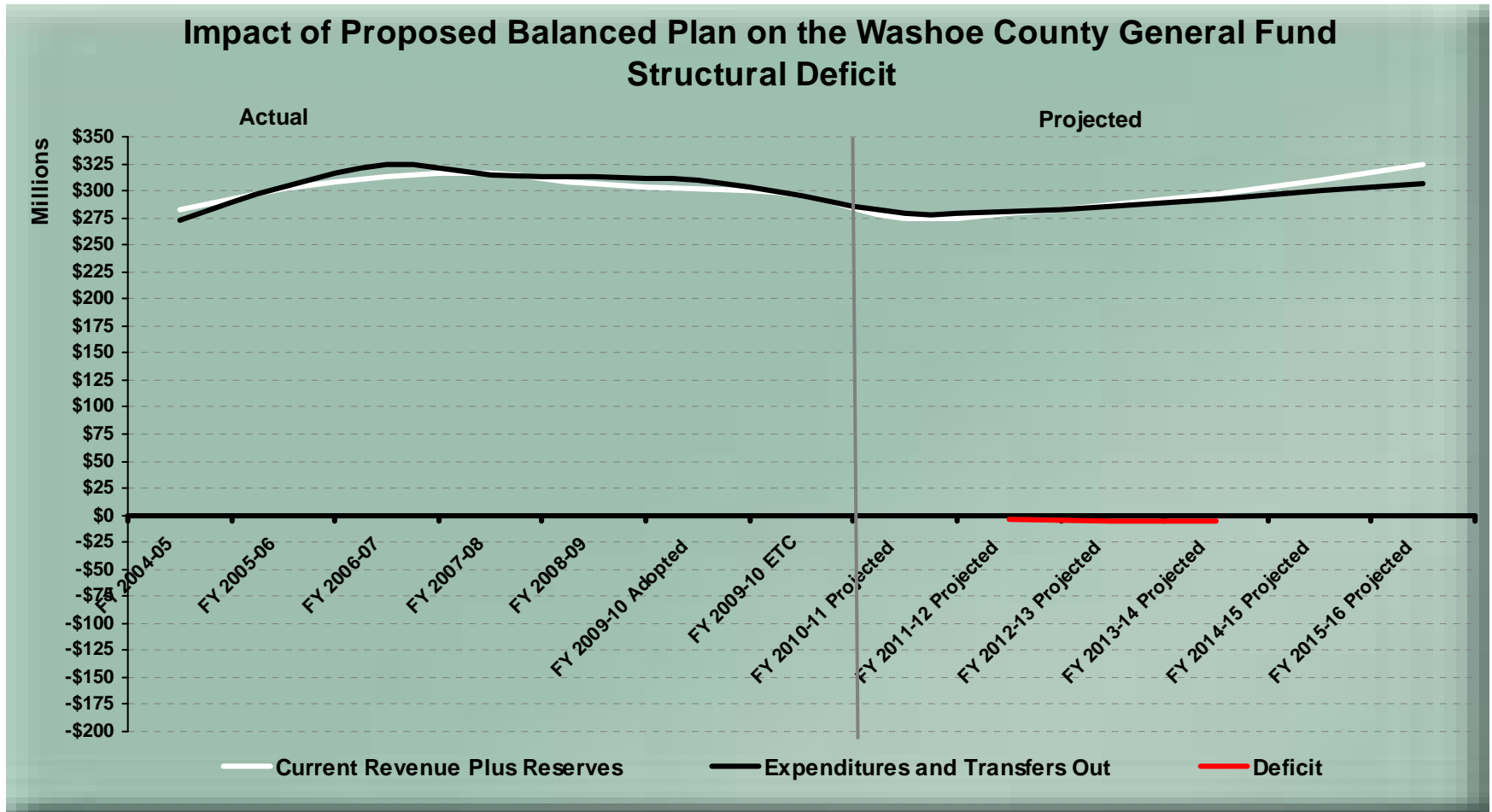
Washoe County, Nevada

Previously Taken Budget Cuts By Priority Group

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

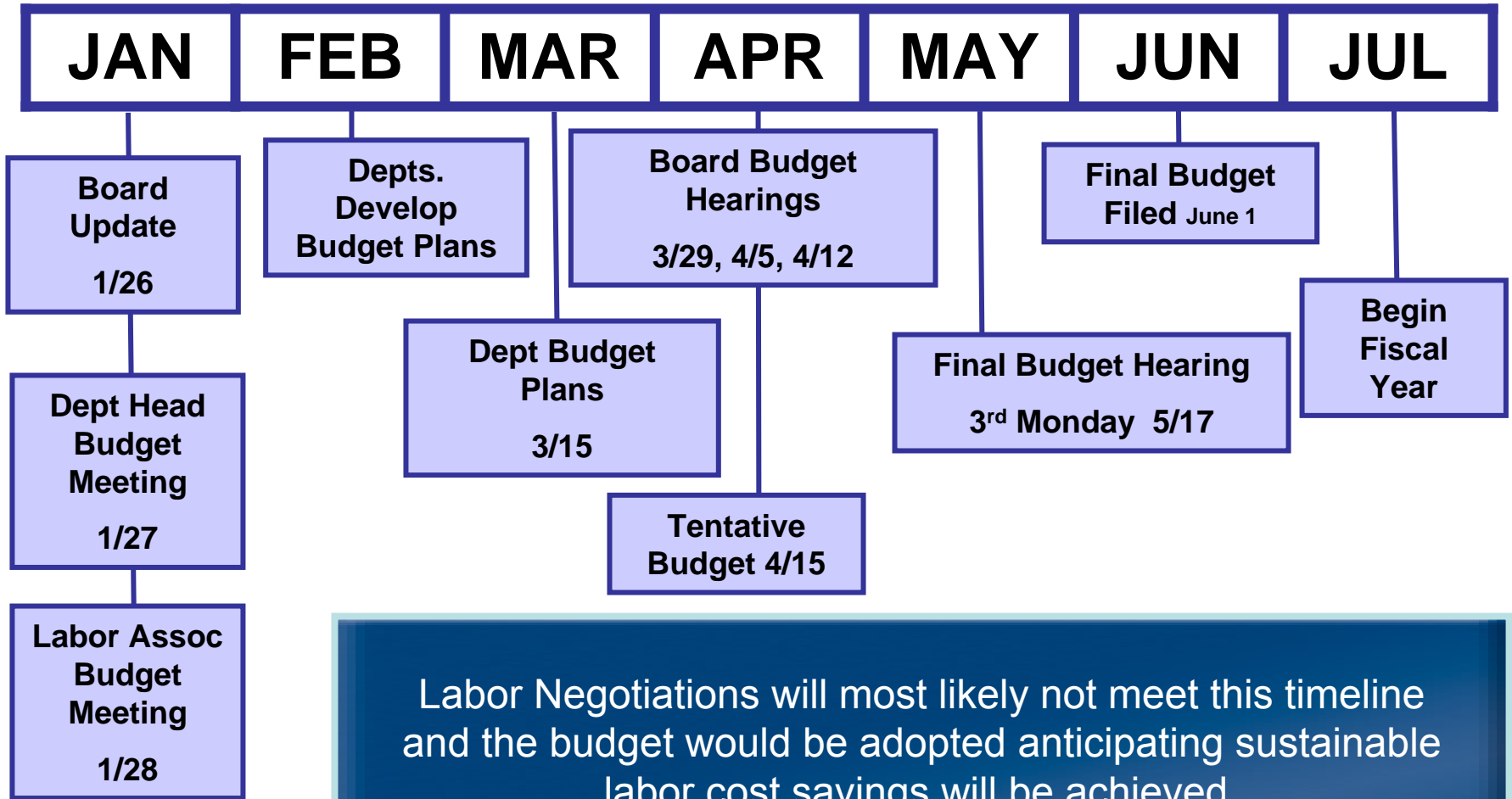
Balanced Plan (cont)

Washoe County, Nevada



Budget Timeline

Washoe County, Nevada



Labor Negotiations will most likely not meet this timeline and the budget would be adopted anticipating sustainable labor cost savings will be achieved.

Recommendations and Discussion

Washoe County, Nevada

It is recommended the Board provide direction to staff on balancing the Fiscal Year 2010/11 Budget and closing the structural deficit, specifically:

- √ Achieve sustainable labor costs,
- √ Streamline and Prioritize program reductions,
and
- √ Redirect revenues to fund critical services and prudently use reserves.