

Washoe County



BUDGET DISCUSSION AND PRELIMINARY REVENUE OUTLOOK

FISCAL YEAR 2010/2011

Board of County Commissioners

December 8, 2009

Washoe County, Nevada



Presentation Overview

- Current Fiscal Condition-Fiscal Year 2009/10
- Scan of Economic Indicators
- Preliminary Revenue Outlook for Fiscal Year 2010/11
- Stabilization and Sustainability Plan
- Budget Prioritization Practices: Past and Future



Purpose of the Presentation

The purpose of today's presentation:

Begin the discussion on a broad-based financial stabilization and sustainability plan for fiscal year 2010/2011, including a discussion about budget prioritization options.



Current Fiscal Condition

- At the Board's direction Washoe County has taken aggressive actions and made difficult choices to cut spending and balance the current year budget:
 - \$47 million in budget reductions
 - 2.5% wage reduction
 - 500 unfunded positions
 - Voluntary wage concessions
 - Strategic use of reserves



Current Fiscal Condition

- **The fiscal condition of the County is STABLE BUT GUARDED**

- No further reductions are anticipated for the current fiscal year.

- **Stability Factors**
 - Expenditures on budget
 - Property tax revenue on budget
- **Caution Factors**
 - Consolidated Taxes below budget-
 - Budgeted -10%
 - Currently tracking at -17%
 - Expect decline to decelerate
 - Unknowns:
 - Special Session
 - Extraordinary events
 - Impact of pending Incline property tax litigation



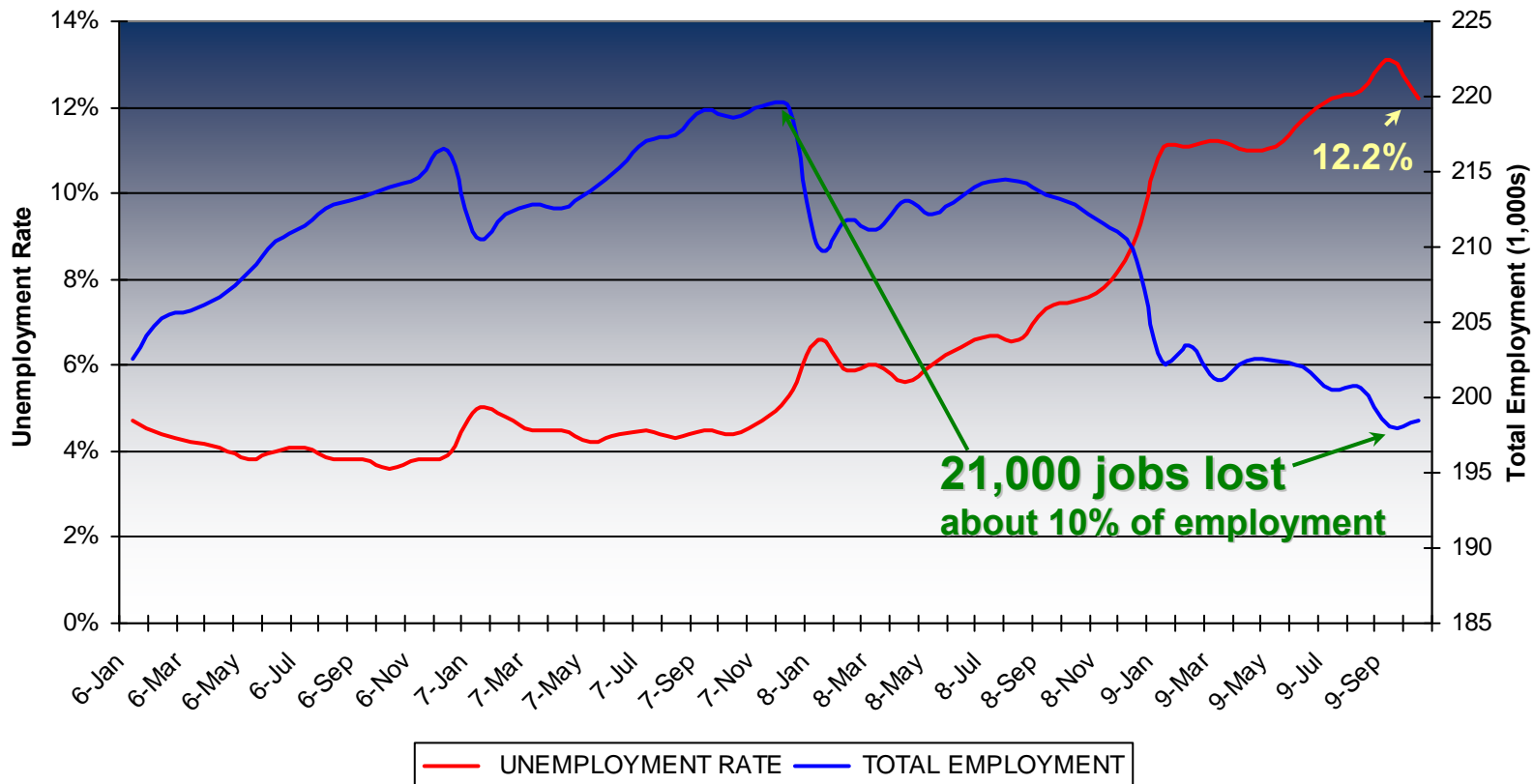
Economic Indicators

- The local economy remains exceedingly weak.
 - Deep and sustained recession
 - High unemployment
 - Job Loss
 - Housing Market Collapse
 - Depressed Retail Sales



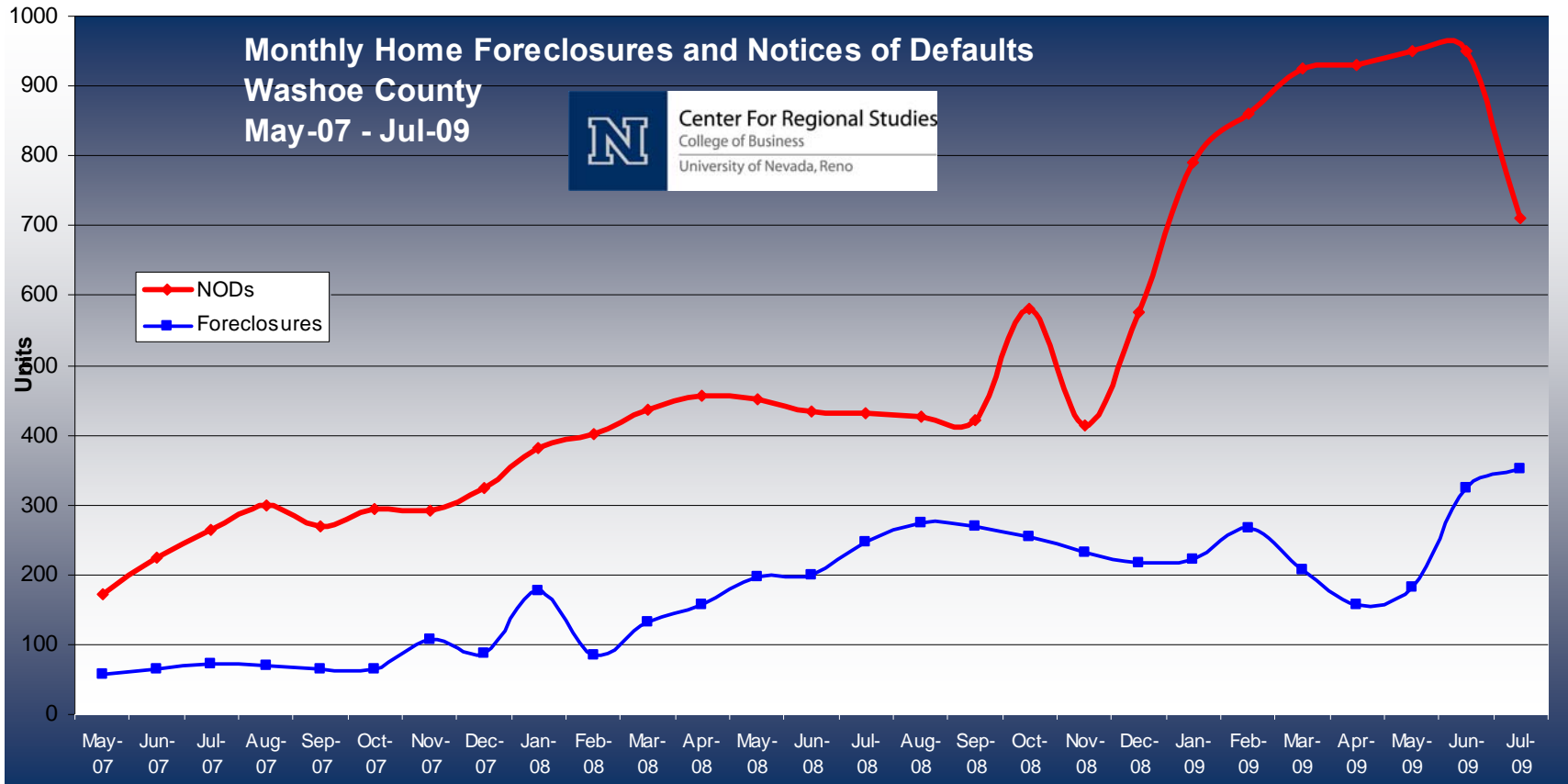
Employment Indicators

Washoe County Employment and Unemployment Rate 2006 to Present



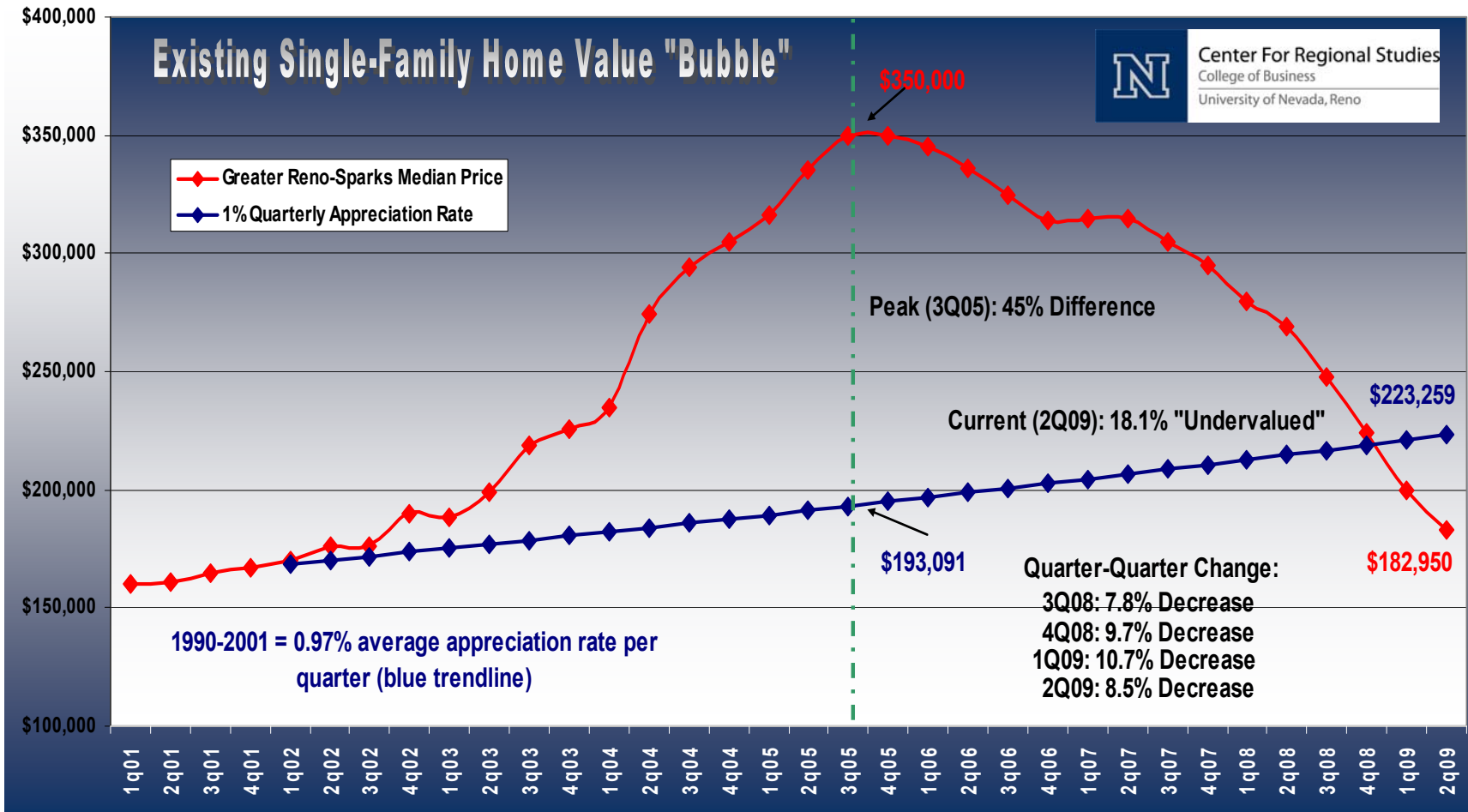


Housing Market Indicators





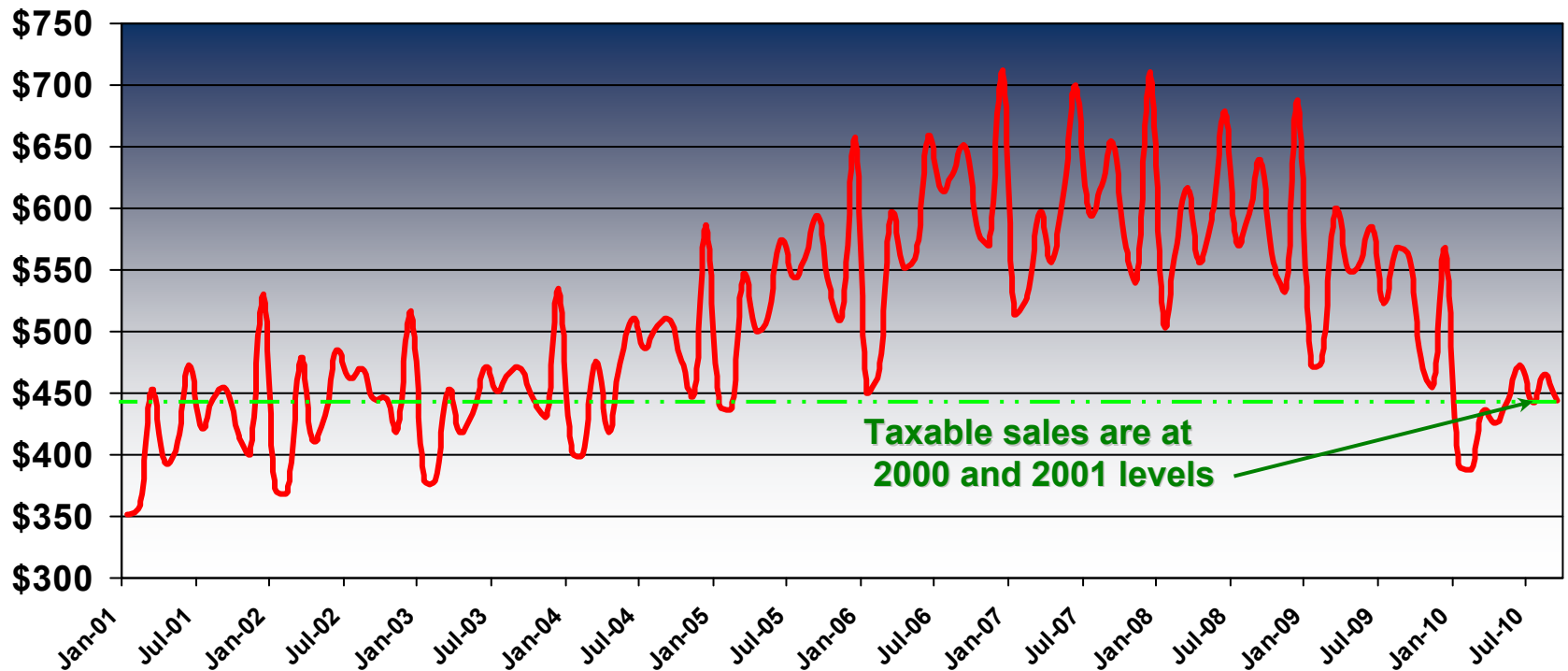
Housing Market Indicators





Taxable Sales

**Washoe County Monthly Taxable Sales
2001 to Present
(in millions of \$)**





Preliminary Outlook-Revenues

- The preliminary revenue outlook for fiscal year 2010/11 indicates that the County will again be challenged to stabilize the organization and maintain services to the public. The outlook for the key revenue sources include:

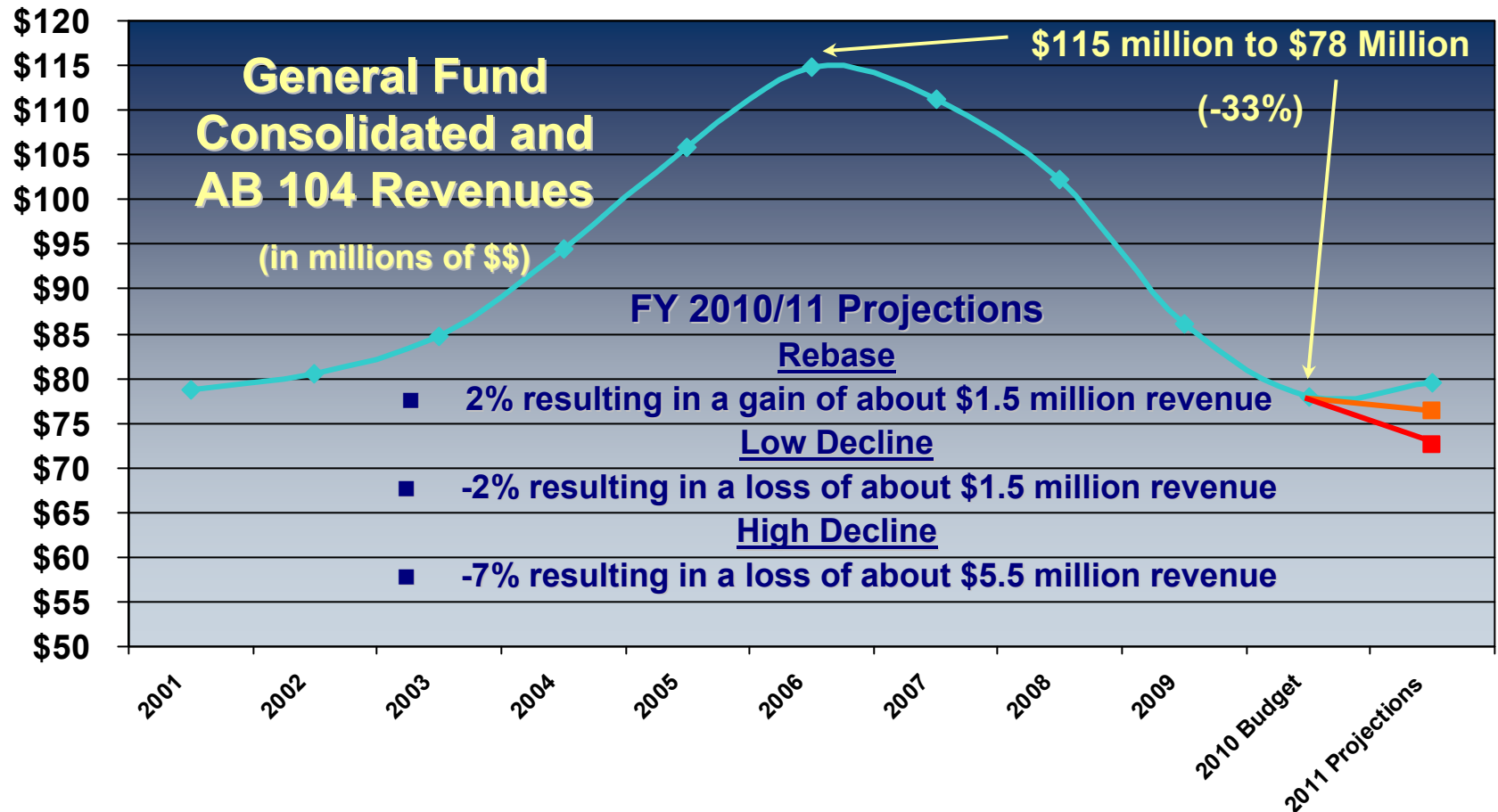


Preliminary Outlook-Revenues

- Property taxes are projected to be down between 7% and 12%.
- Sales taxes, which are extremely volatile to project at this time, could be flat or see slight growth if we assume the bottom has been reached. On the other hand, depending on what happens in the labor and housing markets, sales taxes could continue to decline by as much as 7%.
- Combined the County General Fund could potentially see a loss in sales and property tax revenue that ranges from \$9.5 million to \$24.5 million for Fiscal Year 2010/11.

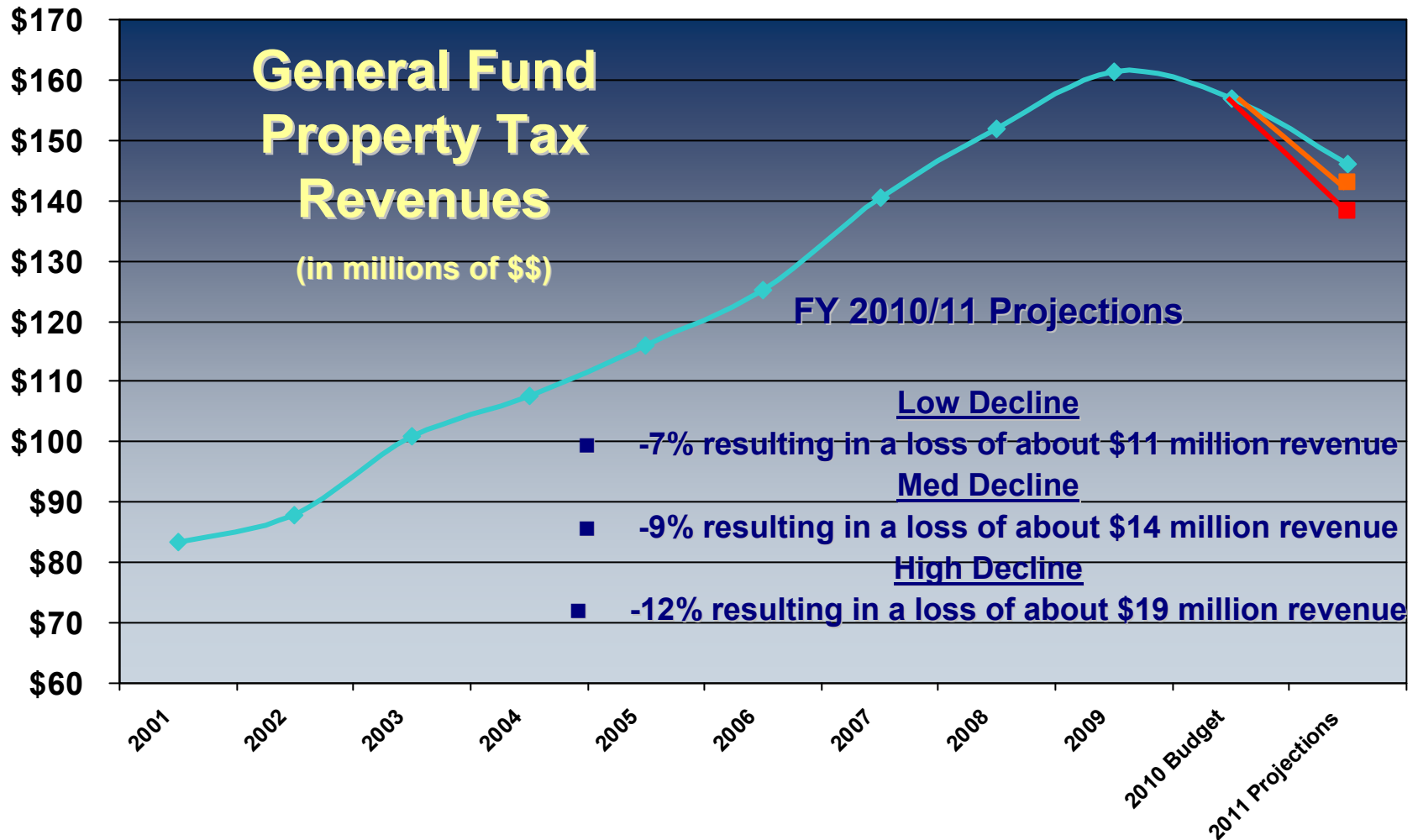


Consolidated and AB 104 Taxes





General Fund Property Tax Revenue





Preliminary Outlook-Revenues

The County General Fund could potentially see a loss in sales and property tax revenue that ranges from \$9.5 million to \$24.5 million for Fiscal Year 2010/11.

Preliminary Revenue Outlook FY 2010/11 General Fund Combined Change in Property and Consolidated and AB 104 Taxes			
	Property Tax	Consolidated and AB 104 Taxes	Combined Preliminary Revenue Change
Scenario 1: Low Decline	-\$11 million	\$1.5 million	-\$9 million
Scenario 2: Med. Decline	-\$14 million	-\$1.5 million	-\$15.5 million
Scenario 3: High Decline	-\$19 million	-\$5.5 million	-\$24.5 million



Preliminary Outlook- Expenditures

- The County will also experience changes in expenditures next fiscal year.
- Estimates are still being calculated.
- Some certain and general costs changes are known.
- **4 cents of General Fund Property Tax to the State**
- **5 cents of Capital Facilities Property Tax to the State**
- **Health Insurance Costs**
- **Deferred Infrastructure Maintenance Needs**
- **Indigent Medical**
- **Merit Pay**
- **Longevity Pay**
- **Indigent Defense**
- **Incline Property Tax Litigation**



Preliminary Outlook- Balancing the Budget

- We will again face the challenge of balancing the budget next fiscal year.
 - Past budget reductions will have to be sustained. (Departments may flexibly reallocate current resource levels)
 - It also means additional expenditure reductions will be necessary for Fiscal Year 2010/11.
 - On January 26, 2010, Staff will bring the Board a comprehensive outlook of revenues, expenditures, and the first estimate of the General Fund deficit that will need to be closed to balance the budget.



Stabilization and Sustainability Plan

- A short-term stabilization and long-term sustainability plan should guide the policy choices to balance the budget. Informed by the Budget Policies adopted last year by the Board, the plan should address three broad areas:
 - Services provided and department funding levels;
 - Per employee cost to provide services; and
 - Resources.



Budget Policies

**Core Services
Mandates
Service Levels
Linked to Community
Needs**

**Budget decisions must
address current needs
and be future oriented in a
fiscally prudent manner.**

- The budget must be responsive to changing conditions.
 - Results driven and quantitatively informed.
 - Resources should be maximized within and across departments and jurisdictions.
- Budget decisions should consider quality of life.
 - Funding decisions should be made at the program level.
- Budget choices are to be strategically informed and should be realistic, pragmatic, and priority driven.
 - Be creative and entrepreneurial, and promote the talents of employees and citizens to provide services.
- Opportunities to increase and enhance revenues should be pursued.
 - Employees are the most valuable resource in providing public services.
- Budget choices must consider and reward operational efficiency.
 - Budgets should be managed at the lowest level but informed by high-level policy direction, principles, and guidance.



Guiding Goals and Objective

- Guiding goals: Preservation and maximization:
 - Preservation of the services provided to the public,
 - Preservation of jobs, and
 - Maximization of talent and resources.
- Major objective of the plan:
 - Align current expenditures with current revenues on an ongoing basis.
- Staff will bring forward the outlines of the plan at the January 26, 2010 Board meeting.



Past Budget Prioritization Practice

- For the last three years, the County has balanced the budget in a fiscal climate of rapidly eroding revenues.
- The Board has established four broad prioritization groups:
 - Public Safety
 - Judicial, Social Service, and Public Health
 - Gen. Gov Operations including Leg/Exec/Adm
 - Cultural and Recreation



Past Budget Prioritization Practice (cont.)

- The budget priority groups were created based on:
 - The work of the Charting Our Course Committee;
 - Board direction on Charting Our Course prioritization; and
 - Citizen Surveys
- Before Priority Groupings- reductions were done on an “across the board” basis.



Past Budget Prioritization Practice (cont.)

- The budget priority groups have been used to balance the budget three times:
 - Fiscal Year 2008/09 Adopted Budget
 - Fiscal Year 2008/09 Mid Year Reductions
 - Fiscal Year 2009/10 Adopted Budget



Past Budget Prioritization Practice (cont.)

- What have we learned from experience and feedback?

Advantages

- Prioritization is an effective method to balance the budget, it clarifies choices and provides direction;
- Prioritization recognizes that the public values services differently; and
- Prioritization sets clear funding targets that direct departments to provide information to the Board about the impacts of budget reductions helping the Board to make more informed choices.



Past Budget Prioritization Practice (cont.)

Disadvantages

- The reduction percentage point difference between the priority groups has been too great;
- The compound impact of repeatedly reducing one group more than another has to be considered; and
- The services provided by some departments may not clearly align with one priority group.



How Would This Look for FY 2010/11?

- This is a model of reductions based on the same percent reduction to the General Fund done for FY 09/10 using the same tier reductions of 6%, 12%, 28%, and 36%.

Disclaimers

- These are not actual reductions.
- These are not FY 10/11 Budgets

IF HISTORY REPEATS				
Priority	General Fund	FY 10/11 Unadjusted Start (does not include restricted)	Tier Percent Reduction	\$\$ Reduction
a	Fire Suppression	\$ 231,884	6.0%	\$ 14,000
a	Sheriff's Department	\$ 89,274,755	6.0%	\$ 5,356,000
a Total		\$ 89,506,639		\$ 5,370,000
b	Alternate Public Defender	\$ 1,850,051	12.0%	\$ 222,000
b	Alternative Sentencing	\$ 665,237	12.0%	\$ 80,000
b	Child Protective Services	\$ 1,434,150	12.0%	\$ 172,000
b	Conflict Counsel	\$ 1,835,463	12.0%	\$ 220,000
b	Coroner	\$ 1,779,023	12.0%	\$ 213,000
b	District Attorney	\$ 17,116,874	12.0%	\$ 2,054,000
b	District Court	\$ 14,858,880	12.0%	\$ 1,783,000
b	Health Fund	\$ 8,445,500	12.0%	\$ 1,013,000
b	Incline Constable	\$ 292,314	12.0%	\$ 35,000
b	Incline Justice Court	\$ 421,042	12.0%	\$ 51,000
b	Juvenile Services	\$ 13,444,562	12.0%	\$ 1,613,000
b	Public Defender	\$ 7,148,678	12.0%	\$ 858,000
b	Registrar of Voters	\$ 1,371,953	12.0%	\$ 165,000
b	Reno Justice Court	\$ 4,445,167	12.0%	\$ 533,000
b	Social Services- Admin Only	\$ 1,086,067	12.0%	\$ 130,000
b	Sparks Justice Court	\$ 2,184,171	12.0%	\$ 262,000
b	Wadsworth Justice Court	\$ 250,828	12.0%	\$ 30,000
b Total		\$ 78,629,960		\$ 9,434,000
c	Assessor	\$ 5,678,140	28.0%	\$ 1,590,000
c	Board of County Commissioners	\$ 476,067	28.0%	\$ 133,000
c	Community Development	\$ 2,598,543	28.0%	\$ 728,000
c	Community Support	\$ 1,220,508	28.0%	\$ 342,000
c	County Clerk	\$ 1,360,596	28.0%	\$ 381,000
c	County Manager	\$ 2,732,700	28.0%	\$ 765,000
c	County Recorder	\$ 1,972,300	28.0%	\$ 552,000
c	Facilities Management	\$ 11,715,804	28.0%	\$ 3,280,000
c	Finance Department	\$ 3,131,083	28.0%	\$ 877,000
c	General Services	\$ 1,315,316	28.0%	\$ 368,000
c	Human Resources	\$ 2,375,644	28.0%	\$ 665,000
c	Public Administrator	\$ 922,963	28.0%	\$ 258,000
c	Public Guardian	\$ 1,487,431	28.0%	\$ 416,000
c	Public Works	\$ 15,927,646	28.0%	\$ 4,460,000
c	Regional Water Planning	\$ 1,044,955	28.0%	\$ 293,000
c	Senior Services	\$ 233,000	28.0%	\$ 65,000
c	Technology Services	\$ 11,654,420	28.0%	\$ 3,263,000
c	Treasurer	\$ 2,019,423	28.0%	\$ 565,000
c Total		\$ 67,866,539		\$ 19,001,000
d	Law Library	\$ 700,800	36.0%	\$ 252,000
d	Library Department	\$ 8,107,863	36.0%	\$ 2,919,000
d	May Foundation	\$ 246,898	36.0%	\$ 89,000
d	Regional Parks and Open Space	\$ 5,186,260	36.0%	\$ 1,867,000
d Total		\$ 14,241,821		\$ 5,127,000
Grand Total		\$ 250,244,959	16.0%	\$ 38,932,000



Budget Practices for FY 2010/2011

Understanding the past to inform the future

- Since the high point in FY 2008, General Fund budgets for the priority groups have been reduced by \$36.2 million.
- Reduction rates from FY 2008 to FY 2010 reflect the prioritization:
 - Public Safety -1%
 - Jud/Health/Soc -4%
 - Gen Gov -25%
 - Culture/Rec -39%

General Fund Department Priority Groups Adopted Budgets FY 2005 to FY2010 (Note: Does not include grant or restricted funds)						
Priority	FY 2005 Adopted	FY 2006 Adopted	FY 2007 Adopted	FY 2008 Adopted	FY 2009 Adopted	FY 2010 Adopted
Public Safety	\$70,056,962	\$76,513,865	\$82,510,811	\$90,501,186	\$91,402,796	\$89,506,639
Jud./Health/ Soc.	\$66,350,317	\$71,362,380	\$78,570,275	\$81,524,432	\$84,078,372	\$78,629,960
Gen Gov.	\$72,971,051	\$81,903,163	\$86,988,684	\$91,669,815	\$83,699,071	\$68,317,379
Culture/Rec.	\$17,999,571	\$21,481,930	\$22,765,175	\$23,185,428	\$19,780,503	\$14,241,821
Totals	\$227,377,901	\$251,261,338	\$270,834,947	\$286,880,862	\$278,960,743	\$250,695,798



Budget Practices for FY 2010/2011

Allocating "The Pie"							
Percent of Total General Fund Budget By Priority Group							
FY 2005 to FY 2011 Hypothetical							
Priority	FY 2005 Adopted	FY 2006 Adopted	FY 2007 Adopted	FY 2008 Adopted	FY 2009 Adopted	FY 2010 Adopted	FY 2011 Model
Public Safety	30.8%	30.5%	30.5%	31.5%	32.8%	35.7%	39.8%
Jud./ Health/ Soc.	29.2%	28.4%	29.0%	28.4%	30.1%	31.4%	32.7%
Gen Gov.	32.1%	32.6%	32.1%	32.0%	30.0%	27.2%	23.1%
Culture/Rec	7.9%	8.5%	8.4%	8.1%	7.1%	5.7%	4.3%
Totals	100%	100%	100%	100%	100%	100%	100%

FY 2011 is a model of what "the pie" looks like if the same priority reduction rates are used.



Budget Practices for FY 2010/2011

■ Recommendations

- Continue to use the same four groups.
- Reduce the percentage point reduction difference between the groups.
- Do not recommend a priority reduction method that renders certain services no longer viable.

■ Discussion Point

- Three issues must be balanced
 - Prioritizing services;
 - Maintaining the services that meet our community's needs; and
 - Reducing expenditures in line with declining revenues.
- What reduction levels create the balance?



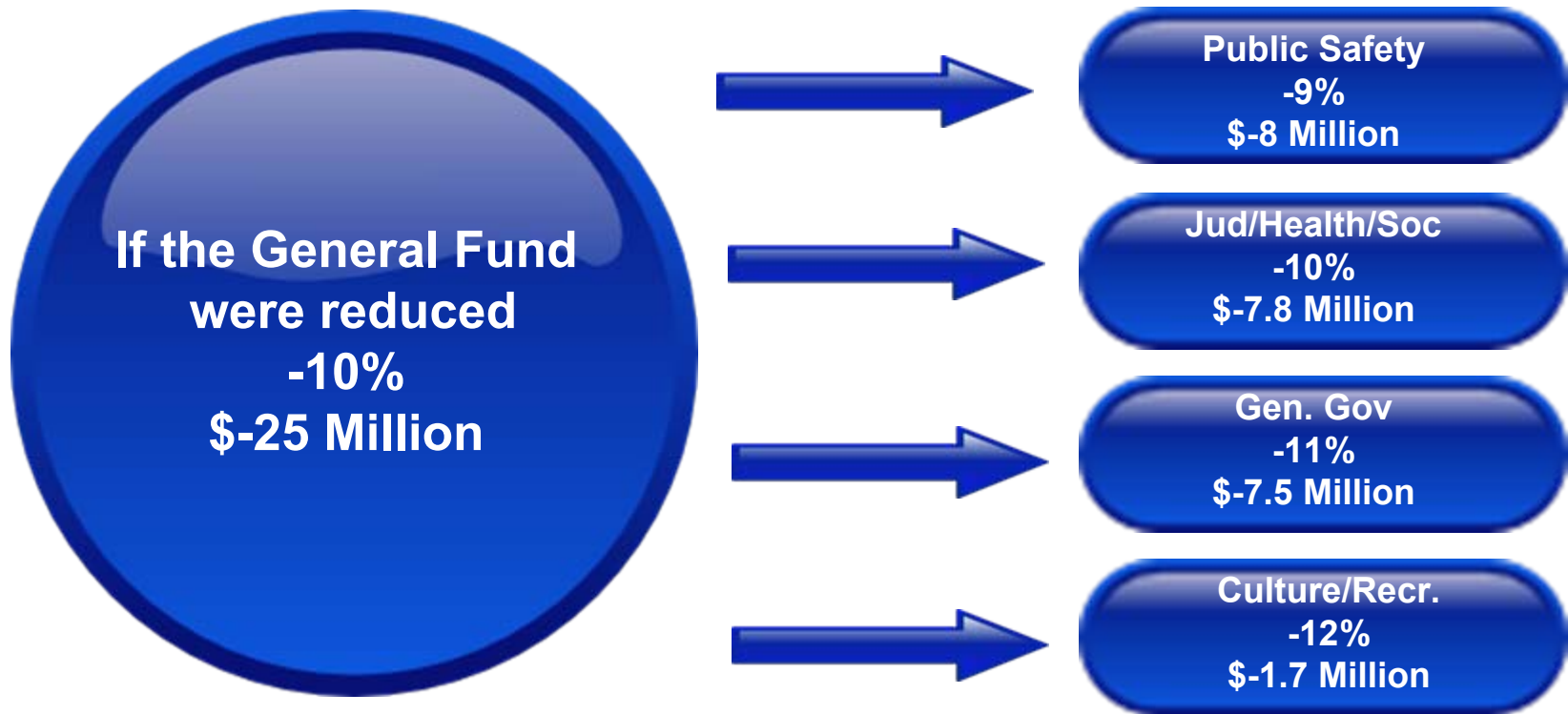
Budget Practices for FY 2010/2011

- Different Priority Group Reduction Scenarios
 - Three scenarios are modeled:
 - 1% point difference between the groups;
 - Up to a 10% point difference between the top and bottom; and
 - An equal reduction.
 - For discussion purposes only, the scenarios assume the General Fund has to be reduced by 10%. This is not a budget reduction number or target.



Budget Practices for FY 2010/2011

Scenario A: 1% Difference Between Groups

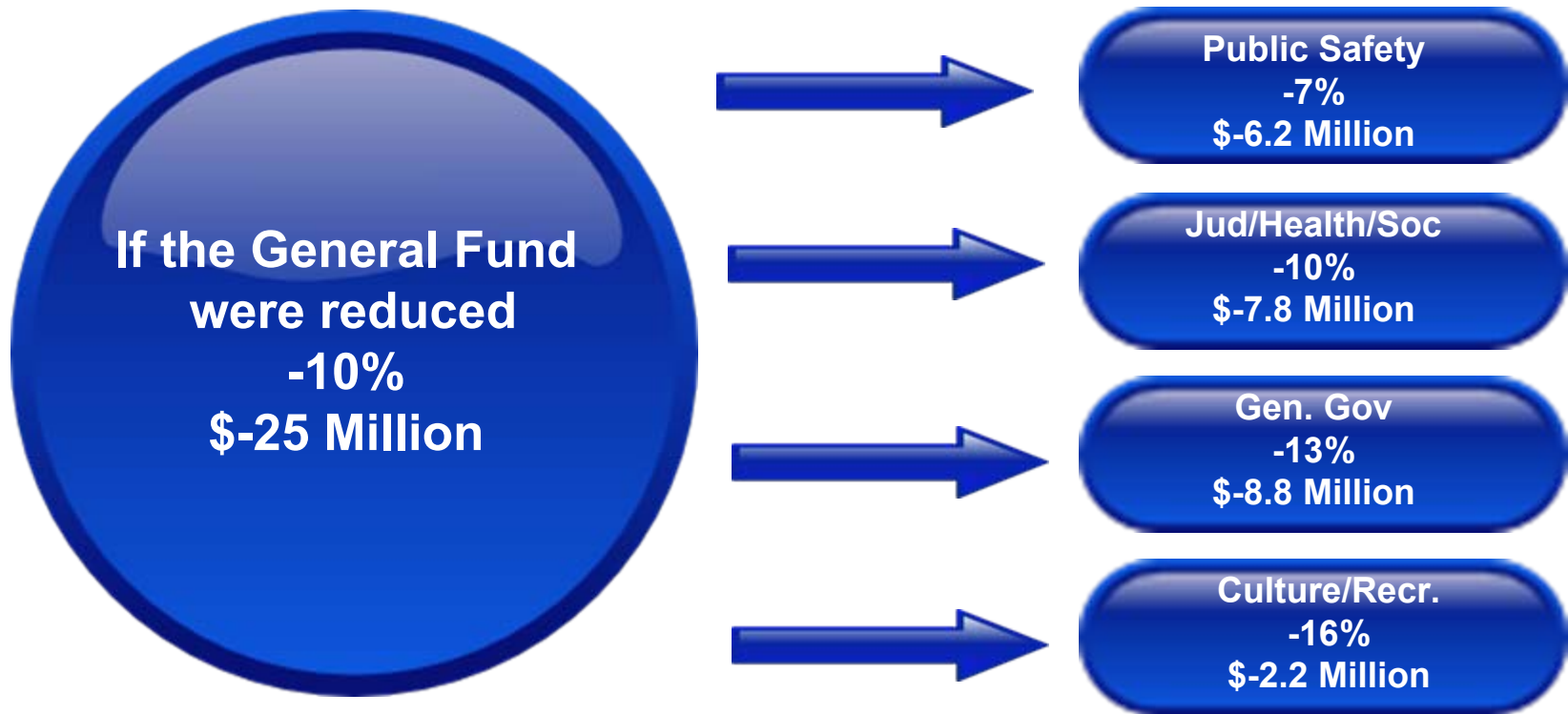


Note: These are not actual budget reductions for FY 10/11. Group reduction percentages are dependent on total GF reduction. Actual FY 10/11 reduction targets may be higher or lower.



Budget Practices for FY 2010/2011

Scenario B: Up to 10% Diff. Between Top and Bottom

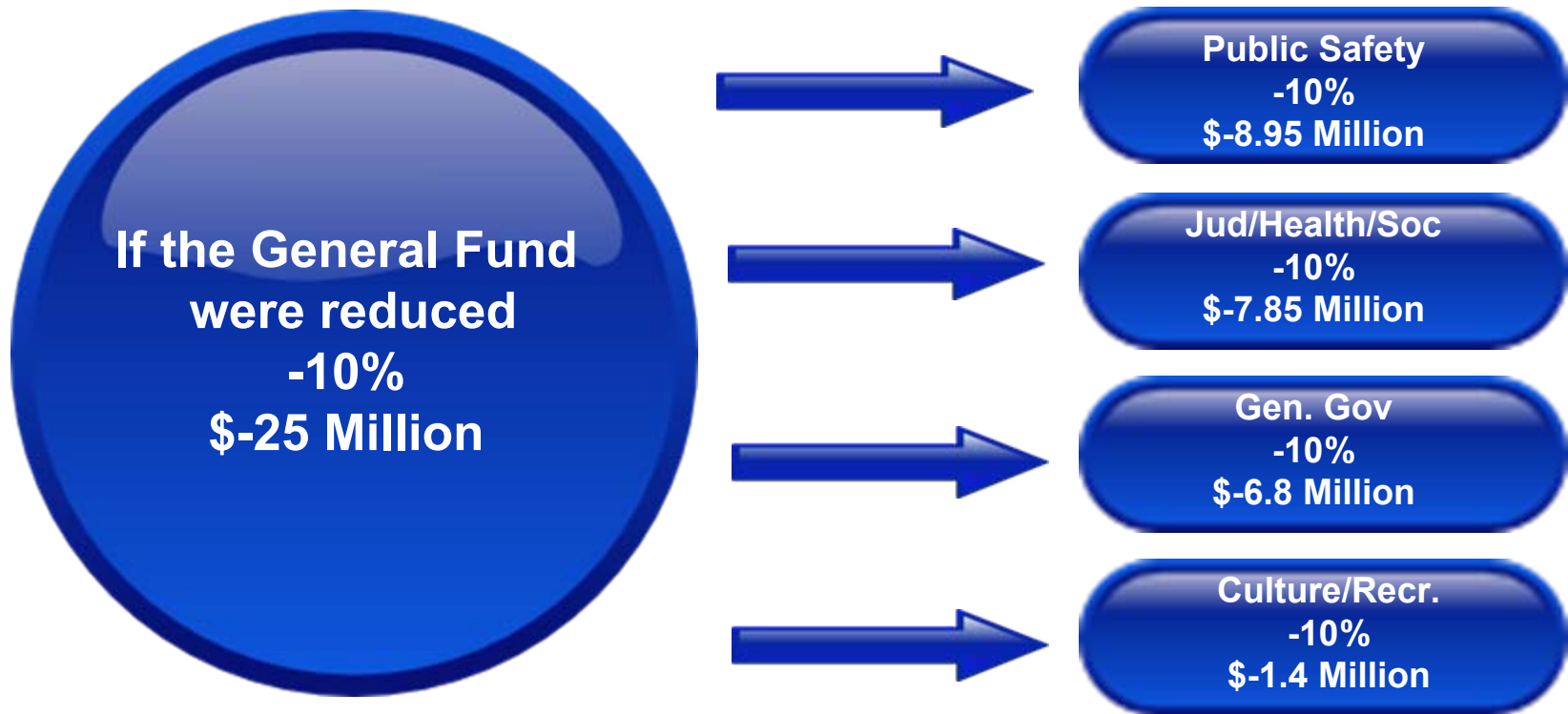


Note: These are not actual budget reductions for FY 10/11. Group reduction percentages are dependent on total GF reduction. Actual FY 10/11 reduction targets may be higher or lower.



Budget Practices for FY 2010/2011

Scenario C: 10% for Each Group



Note: These are not actual budget reductions for FY 10/11. Group reduction percentages are dependent on total GF reduction. Actual FY 10/11 reduction targets may be higher or lower.



Budget Practices for FY 2010/2011

- A fourth scenario to consider
 - Scenario D:
 - Prioritize programs and services based strictly on State and Federal mandates.
 - Not modeled for two reasons.
 - One reason being the complexities of measuring the cost to provide State and Federal mandates; and
 - Two, the difficulty of balancing mandate funding with the funding for many functions that, while not strictly mandated in State or Federal law, are needed to provide mandates such as critical infrastructure maintenance and support services.



Budget Practices for FY 2010/2011

- Scenarios A and B still shift resources to the highest priorities, but at a slower rate than past practices.
- Scenario C holds the current resource allocation percentages constant.

Comparison of Percent of General Fund Budget For Each Prioritization Scenario				
Priority	Scenario A (1% diff)	Scenario B (up to 10% Δ)	Scenario C (equal)	Current FY 10 Adopted
Public Safety	36.1%	36.9%	35.7%	35.7%
Jud./ Health/ Soc.	31.4%	31.4%	31.4%	31.4%
Gen Gov.	26.9%	26.4%	27.3%	27.3%
Culture/Recreat.	5.6%	5.3%	5.7%	5.7%
Totals	100%	100%	100%	100%



Discussion

- There are many other options that could be modeled.
- The information we are providing today is the first in a series of the formal discussions on the budget;
- We seek input, but are not requesting that the Board make a decision on how to prioritize the budget for next year, today.

Today's Goal

- Begin the public dialogue to allow adequate time for broad-based input and deliberation as we plan the next steps to stabilize and manage the continued delivery of services to the public through this deep recession.



Next Steps

■ Next Steps

□ Jan 26, 2010

Presentation to BCC on Revenue and
Expenditure Estimates for
FY2010/2011