

STAFF REPORT

Date: May 21, 2025

To: Mayor and City Council

Through: Jackie Bryant, City Manager

Subject: Resolution No. ____ (For Possible Action): Public Hearing regarding the City of Reno's tentative budget for fiscal year (FY) 25/26, and approval of a resolution adopting the final budget and fee schedule for the City of Reno, Nevada, for FY 25/26.

From: Vicki Van Buren, Director of Finance

Department: Finance

Summary:

Nevada law requires that a public hearing on the City's tentative budget be held no sooner than the third Monday in May and no later than the last day in May and that adoption of the fiscal year (FY) 25/26 final budget by the governing body of the local government occur before June 1, 2025 per Nevada Revised Statute (NRS) 354.596. As part of the budget adoption preparation, staff analyzed and updated the City's comprehensive list of fees and charges for services, applying a 2.5% consumer price index (CPI) increase to applicable fees.

Alignment with Strategic Plan:

Fiscal Sustainability

Economic Opportunity, Homelessness, and Affordable Housing

Economic and Community Development

Infrastructure, Climate Change, and Environmental Sustainability

Arts, Parks, and Historical Resources

Public Safety

Previous Council Action:

There is no recent Council action relevant to this item.

Background:

Council held budget workshops on March 5, 2025, and May 5, 2025.

The primary budget development period for the City begins with department budget planning in November and December, Council budget workshops from March to May, and final budget adoption in May. The focus from staff during this process is addressing Council priorities while addressing long-term budget planning to sustain City operations and provide long-term financial stability.

The City, as well as all other local governments, ***project*** revenues and expenses each year when developing the following fiscal year's budget. Projections are based on information available ***at the time of budget development***. Projected expenses are generally on target, absent an unexpected significant event (e.g., COVID). Projected revenues, which are based on economic projections available at the time of budget development, may be off target if economic conditions change unexpectedly.

Discussion:

For the FY26 tentative budget, a combination of one-time revenues and reductions in expenditures are being proposed by the City Manager to bridge the gap between the slow revenue growth and the compounding expenditure costs. All funds are facing the challenges of inflation and rising labor costs. For this reason, no new positions are being recommended for any funds with the FY26 budget.

The proposed tentative budget for the general fund includes reductions to department service and supply budgets, Council expenses including memberships and discretionary funds, fleet replacement funding, and workers' compensation funding; elimination of contingency funds and annual capital funding; freezing/unfunding twenty currently vacant positions; and use of one-time funds from property sales, capital, excess funds, and fund balance. These proposals result in \$16 million in expenditure reductions and use of \$9.5 million in one-time funding to balance the budget for FY26. Ending fund balance is proposed at \$38.5 million or 12.6% of prior year operating expenses. This is a reduction in fund balance of 2.4% compared to the previously adopted budget for FY25 at 15%. Impacts not addressed with the tentative budget are the open labor contract with IAFF and the FLSA overtime adjustment that is currently being evaluated.

The Special Revenue Funds, Enterprise Funds, Capital Funds, Internal Service Funds, and Debt Services Funds are trending as anticipated for the current year. Projections for next year are based on anticipated revenues and expenses as well as capital outlays.

Changes from the tentative budget to the final budget include refinement of revenues, expenses, and capital projects.

For the FY 25/26 fee schedule, it is recommended that fees be adjusted by CPI to recover costs for most areas, unless indicated. In some cases, CPI was not applied to every fee in order to reflect the market rates or industry standards or as required under NRS. The Building Enterprise fees include an update of the building valuation table.

Financial Implications:

Adoption of the final budget for the City of Reno provides the funding for City operations for FY 25/26.

Legal Implications:

NRS 354 establishes notice and public hearing requirements that must be satisfied as part of the budget adoption process. Pursuant to NRS 237.060, the City's adoption of the FY25/26 budget is not subject to the "Business Impact Statement" process.

Recommendation:

Staff recommends holding the public hearing as required by state law and Council approval of a resolution adopting the FY 25/26 final budget and fee schedule for the City of Reno, Nevada.

Proposed Motion:

I move to approve staff recommendation.

Attachments:

FY26 Final State Document

FY26 Fee Schedule

FY26 Resolution

Tentative Budget -Letter from Dept. of Taxation

Affidavit of Posting