

STAFF REPORT

Date: March 18, 2024

To: Mayor and City Council

Through: Doug Thornley, City Manager

Subject: Staff Report (For Possible Action): Presentation, discussion, and potential direction to staff regarding the fiscal year (FY) 2024/25 budget, fee schedule, and strategic priorities.

From: Vicki Van Buren, Director of Finance

Department: Finance

Summary:

This is a presentation on the development of the fiscal year (FY) 2024/25 budget, fee schedule, and potential direction to staff on strategic priorities for the FY 2024/25 budget.

Alignment with Strategic Plan:

Fiscal Sustainability

Infrastructure, Climate Change, and Environmental Sustainability

Public Safety

Arts, Parks, and Historical Resources

Economic and Community Development

Previous Council Action:

There is no recent Council action relevant to this item.

Background:

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

Discussion:

General Fund revenues over the last decade have been steadily increasing and many sources have exceeded original budget forecasts. The economic drivers of low unemployment, robust business

activity, and demand for residential and commercial property are resulting in steady consolidated tax (CTAX) and property tax revenues. This growth trend is expected to continue in the upcoming years, although growth has slowed from previous years due to inflation and higher interest rates.

The FY 2024/25 General Fund budget projections have been prepared with a baseline, balanced budget as the starting point for Council consideration and discussion. Projected revenues are based on assumed growth/decline over actual revenues received. These are analyzed at mid-year using trend analyses year over year and month over month. Economic forecasts are reviewed and collaboration with other local agencies in the region is important in developing the revenue forecast. For program revenues, the Finance department collaborates with the specific departments.

For CTAX and property tax (Ad Valorem), estimates are compared with the projections provided by the Nevada Department of Taxation and other local agencies. Property taxes are relatively stable with a 2-year lag to economic conditions. Nevada Revised Statute (NRS) §361.4535 requires the Department of Taxation to provide a projection of the property tax revenue for the upcoming fiscal year by March 25. Property tax is currently trending on budget for the year and the projected budget represents a 7.5% increase in property taxes for FY 2024/25.

CTAX is our largest and most volatile revenue source, reacting almost immediately to economic conditions. Preliminary CTAX projections are provided by the Department of Taxation on February 15 and final projections are provided by mid-March. CTAX is currently trending on budget for the year and the projected budget represents a 4% increase in CTAX for FY 2024/25. Statewide CTAX has been projected by the Department of Taxation to show a growth of 2.32% for FY 2023/24; however, CTAX for northern Nevada is trending higher. Current year growth for CTAX is tracking at 6%. The Statewide projection for FY 2024/25 is 1.84% growth. The projected budget for FY 2024/25 includes a 4% increase in CTAX, which is consistent with the projections of other local agencies in the region.

The City's standard budget preparation methodology begins with no increase to the base budget except for estimated salary and benefits for existing positions and contractual increases to services and supplies. Additional Funding Requests (AFRs) from departments, including new full-time positions and new programs, come to Council for approval during the budget process. The AFRs are included as Exhibit B.

With this first rollup, the annual contribution to the Other Post-Employment Benefits (OPEB) Trust has been included at \$1 million. Additionally, the areas of Workers' Compensation, Risk, and Fleet have all increased based on the projected fund expenditures. Health benefit rates are not anticipated to increase next year based on the current claims payments and cash balances in the funds. Staffing for the Moana Aquatic and Fitness Center has been included for FY 2024/25 as the

facility is expected to open in late summer. Also opening in late summer will be the new Public Safety Center, the new police headquarters. With the addition of the new facilities, there will be an additional workload to maintain those facilities and for that reason, two maintenance workers have been included in the baseline budget. The addition of one Police Lieutenant has been included as well because this position has been filled as an over-hire due to staffing needs and if it is ultimately approved with the budget, it would become an additional full-time position versus an over-hire. No other positions are included outside the current staffing levels except those outlined above. The current department organization charts are attached as Exhibit C.

The General Fund baseline budget, as presented, is a balanced budget. Prioritizing expenditures and limiting growth in total City expenditures is necessary for a structurally balanced budget. In addition to a balanced budget, another key attribute is appropriate reserve levels. Adequate reserves position an organization to weather significant economic downturns more effectively, manage the consequences of outside agency actions that may result in revenue reductions, and address unexpected emergencies, such as natural disasters, catastrophic events, or excessive legal judgments. For this reason, the projected budget includes maintaining a reserve of 15%.

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. Collaboration with the departments was important when developing these budgets. These budgets are also presented for review as a baseline and do not include any additional funding requests or new positions.

As part of budget preparation, staff has analyzed and updated the City's comprehensive list of fees and charges for services and applied the consumer price index (CPI) or fee study recommendation to applicable fees. The updated fee schedule was circulated to the departments for review and further discussion. Not all fees are increased by CPI during the fee schedule update. For example, some Building fees are updated based on the valuation table. The draft fee schedule is attached as Exhibit A.

This is the first rollup of the FY 2024/25 total budget. Analysis of revenues and expenditures will continue as more data is received in March and April. Projections will be adjusted and recommendations will be included with the next budget workshop on May 1.

Financial Implications:

None at this time.

Legal Implications:

Legal review completed for compliance with City procedures and Nevada law.

Recommendation:

Staff recommends Council provide feedback regarding the FY 2024/25 budget and fee schedule.

Proposed Motion:

I move to direct staff to move forward with the development of the FY 2024/25 budget and fee schedule based on feedback from Council.

Attachments:

Exhibit A – Draft Fee Schedule

Exhibit B – Department Additional Funding Requests

Exhibit C – Department Organization Charts