

## STAFF REPORT

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**Date:** May 5, 2025

**To:** Mayor and City Council

**Through:** Jackie Bryant, City Manager

**Subject:** Staff Report (For Possible Action): Presentation, discussion and potential direction to staff regarding the FY 2025/26 budget; the capital improvement plan; the fee schedule; and strategic priorities.

**From:** Vicki Van Buren, Director of Finance

**Department:** Finance

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### **Summary:**

This is a presentation on the development of the FY 2025/26 budget, the capital improvement plan, the fee schedule, and potential direction to staff on strategic priorities for the FY 2025/26 budget.

### **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:**

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 maintaining 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:**

General Fund revenues over the last decade have been steadily increasing and up until FY25 many sources exceeded original budget forecasts. In FY25, growth has slowed from previous years due to inflation, higher interest rates, and declining consumer confidence. The current year General Fund FY25 budget contains prior year one-time saving of \$8 million to balance the budget. This resulted from labor contract negotiations that were not resolved until after the FY25 budget was adopted. The anticipated collective bargaining agreement impacts reflected in the adopted budget were 4.2% and the contract changes resulted in a 9.5% increase to labor costs. The main areas that caused the differences were other local agencies closing contracts that included substantial increases that resulted in new comparisons, as well as the implementation of the class and compensation study. Council approved the use of one-time prior year savings in the amount of \$8 million to cover the gap. The only way to close the gap moving forward is by increased revenues, decreased expenses, and/or a combination of both. Both the City revenues and the expenditures have challenges in the near term that will make developing the FY26 budget and subsequent years difficult.

The current year General Fund revenues are trending approximately \$8.6 million under budget. The major source of consolidated taxes is projected to be flat compared to last year or approximately -5% below budget. The State has encountered problems with their new financial system and the last full month of consolidated taxes that the City has received was October. Monthly receipts are still occurring; however, the ability to compare monthly receipts for a year-over-year analysis is not available at this time. Comparing the City receipts to other local agencies, receipts seem to still be in line with 0% growth over last year. The State has communicated that true-ups will occur through the end of the fiscal year; until then, 0% growth in consolidated taxes is being used as the best estimate at this time. The projected budget for FY 2025/26 includes a 2% increase in CTAX, which is consistent with the State projections and that of other local agencies in the region. Franchise fees are trending -13.8% below budget due to mild weather conditions and changes in consumer consumption. Licenses and permits continue to trend under budget due to declines in gross receipts which are a reflection of the economy and consumer spending. Property tax is currently trending 1.5% above budget for the year and the tentative budget represents a 6.05% increase in property taxes for FY 2025/26.

For expenditures, changing economic conditions were recognized early in the fiscal year, hiring was slowed, and departments are reducing expenditures and finding savings when possible. Expenses for FY25 are trending approximately \$10.2 million below budget resulting in an estimated \$1.5 million savings which is proposed to be used to offset projected expenditures in FY26.

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. 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.

As part of the budget process, staff analyzed and updated the City's comprehensive list of fees and charges for services, applying 2.5 percent consumer price index (CPI) to applicable fees. Not all fees are increased by CPI due to market rates or fees established under Nevada Revised Statutes (NRS). Minimal changes have been made to the fee schedule since the first workshop on March 5. Exhibit A includes the draft fee schedule and outlines the notable changes since the first workshop.

**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 2025/26 budget, capital improvement plan, and fee schedule.

**Proposed Motion:**

I move to direct staff to move forward with the development of the FY 2025/26 budget based on feedback from Council.

**Attachments:**

FY26 Tentative State Document

Exhibit A- Draft Fee Schedule

Exhibit B - Department Summaries

Exhibit C - Capital Improvement Project Summary