

STAFF REPORT

Date: May 1, 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

Public Safety

Economic Opportunity, Homelessness, and Affordable Housing

Arts, Parks, and Historical Resources

Infrastructure, Climate Change, and Environmental Sustainability

Economic and Community Development

Previous Council Action:

March 18, 2024 – Council received a presentation on the development of the FY 2024/25 budget and fee schedule. Council provided direction to staff on their top priorities as the budget process proceeds forward for FY 2024/25.

Background:

The 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 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:

As presented in March, the FY 2024/25 General Fund budget projections were prepared with a baseline, balanced budget as the starting point for Council consideration and discussion. 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 baseline budget included funding to cover the services that the City is currently offering as well as the addition of costs for the new facilities coming online in late summer/early fall – the Public Safety Center (PSC) and the Moana Springs Aquatics and Fitness Center. Seven (7) new positions are recommended for the new facilities along with operating costs as follows:

- 1 Recreation Supervisor
- 1 Recreation Coordinator
- 1 Head Pool Operator
- 1 Recreation Assistant
- 1 Custodian
- Temporary Pool Staff (cashiers, lifeguards, swim instructors, etc.)
- 2 Maintenance Technicians
- Operating costs (utilities, janitorial, boiler maintenance, swim lesson equipment, etc.)

These additions to the budget are \$1.8 million for the pool and \$342,816 for the PSC. The pool revenue is estimated at \$1.6 million for the partial year of operations.

The final property tax projections were released on March 25 and the City has received another month of revenue data for analysis. The final property tax data came in approximately \$1 million over the projections as presented in March. However, consolidated taxes came in below budget for the month of January due to slow consumer spending nationwide. Overall, this resulted in projections for FY 2024/25 being higher for property taxes but lower for consolidated taxes. The net effect of which is no material change to the budget.

Other revenues such as business licenses and franchise fees have been adjusted due to additional data points. Some of the individual revenue sources went up and some were adjusted down, but overall, there is a net increase of almost \$1 million in additional revenue. In addition, expenditures have also been refined with the most current data. The original roll-up of the General Fund included increasing severance payouts for public safety departments to accommodate for the retirement levels that have occurred over the last few years. However, the salary savings due to vacant positions in public safety are larger than in prior years due to the timing of the academies and how long the positions remain open, and also the ability to forecast salary savings more

accurately with better software technology. Therefore, the additional severance amounts included for Police and Fire are \$250,000 and \$300,000 respectively. This brings the total severance budget for Police to \$900,000 and \$600,000 for Fire. The projection for retiree health insurance was also adjusted because the expenditure has remained essentially flat for the last four years.

These changes, revenues being slightly higher, and some expenditures projected a little lower, allow room within the General Fund budget to address and fund many of the priorities that were defined by Council at the March 18 workshop while still maintaining a balanced budget. However, due to the limited revenue growth, the funding to the Other Post-Employment Benefits (OPEB) Trust is recommended to be waived again this year to address the other Council priorities deemed as more critical at this time.

At the March 18 budget workshop, the majority of the Councilmembers expressed public safety, code enforcement, parks, and homelessness as the top priorities. Within public safety, the priorities were addressing crime and providing tools for better policing with data management. Code enforcement priorities included parking, abandoned vehicles, and noise in the streets downtown. In the area of parks, there were a number of priorities including river rangers, implementation of the Parks and Recreation Open Spaces (PROS) Plan, and parks capital. With these Council priorities in the forefront, the following additional 23 new positions are being recommended for the FY 2024/25 budget:

Full-year (July 2024)

1 Police Crime Analyst
1 Police Criminalist Technician
1 Police Lieutenant

1 Senior Code Enforcement Officer
1 Code Enforcement Officer II (RDA #2)
1 Business License Technician (RDA #2)

2 Parks River Rangers
1 Parks Fund Development Manager

1 Management Assistant (Fire)
1 Network Engineer (Information & Technology)
1 Benefits Specialist (Human Resources)
1 Business Partner (Human Resources)
1 Neighborhood Coordinator (HAND)

1 Fleet Management Supervisor (Fleet Fund)
1 Senior Civil Engineer (Street Fund)

Mid-year start (January 2025)

6 Police Officers
1 Police Sergeant

The cost for vehicles, technology, and/or supply needs for the corresponding positions have been factored into the budget as well. An assessment of the information technology needs, and a replacement program was completed by the Information and Technology (IT) Department. Based on the assessment, \$368,000 is recommended for a network infrastructure replacement program. This is the start of an annual program, similar to the fleet replacement program, to ensure that the network infrastructure needs of the City are addressed and replaced/upgraded as required. Other items such as police forensic supplies; historic preservation funds; dispatch overlap allocations; code enforcement training, overtime, and towing funds; and fire supplies are recommended for a total of \$523,643.

As presented at the March workshop, the annual contribution to Workers' Compensation, Risk, and Fleet are all aligned with 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.

The General Fund 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% which is equivalent to two months of operating expenses.

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 presented for review.

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.

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

Parks Membership Pricing and Examples

City of Reno FY25 Tentative Budget