

Financial Update & Augmentation

January 22, 2025

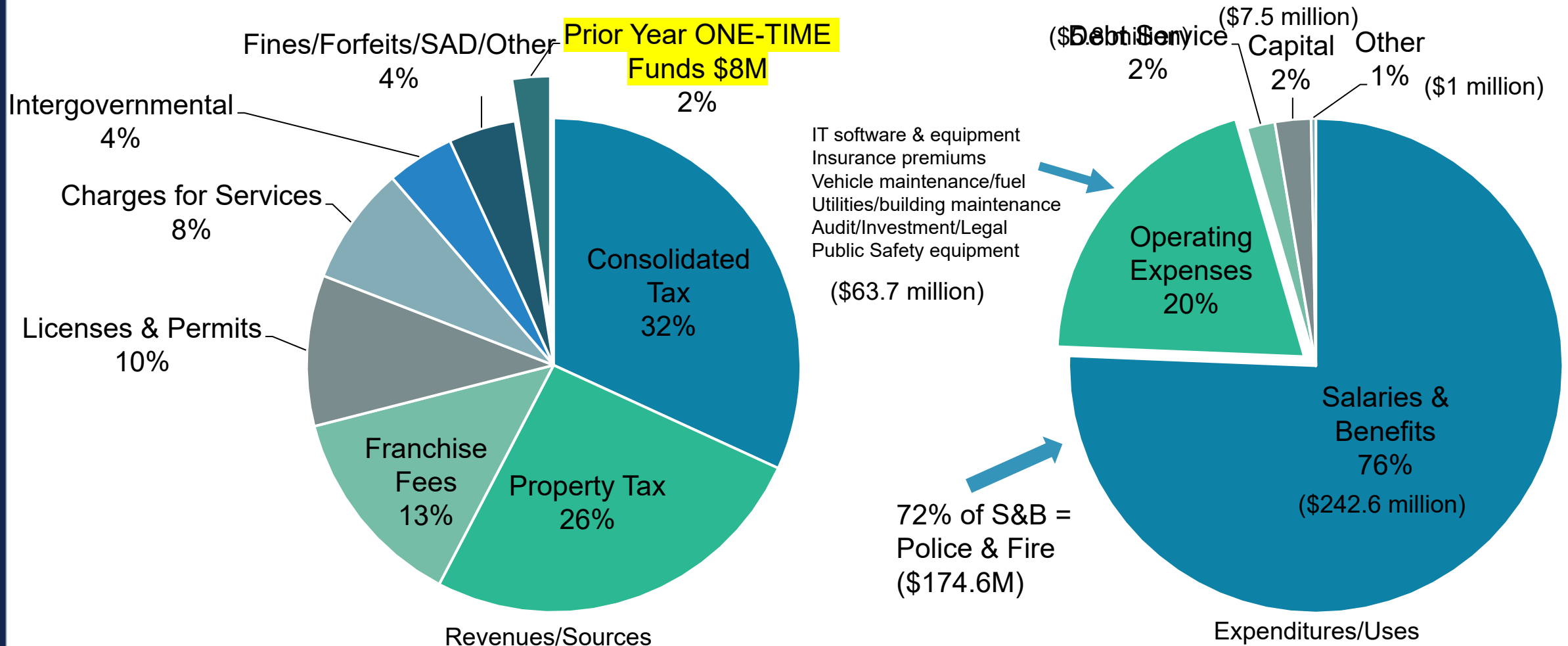


C I T Y O F
RENO

Alignment with Strategic Plan



FY25 General Fund Budget



FY25 General Fund Budget Status

GENERAL FUND REVENUES	FY25 Amended Budget	FY25 Estimated	Compared to Budget (\$)	Compared to Budget (%)	Notes:
Consolidated Tax	\$ 102,159,200	\$ 97,000,303	\$ (5,158,897)	-5%	Based on flat growth for FY25
Property Tax	\$ 82,850,984	\$ 82,850,984	\$ -	0%	Trending on budget
Franchise Fees	\$ 42,838,222	\$ 37,751,136	\$ (5,087,086)	-12%	Electric, Gas, Telephone, Sanitation, Cable, Sewer
Licenses & Permits	\$ 31,664,981	\$ 30,469,108	\$ (1,195,873)	-4%	Business Licenses, Liquor Licenses
Charges for Services	\$ 24,919,661	\$ 27,545,834	\$ 2,626,173	11%	Fees for services
Intergovernmental	\$ 10,055,729	\$ 10,687,132	\$ 631,403	6%	Excludes freight house district passthrough revenue
Fines/Forfeits/SAD/Other	\$ 13,920,955	\$ 13,674,798	\$ (246,157)	-2%	Traffic fines, delinquent penalties, BID, Investment Earnings
Total Revenues	\$ 308,409,732	\$ 299,979,295	\$ (8,430,437)	-3%	Estimated Revenue Shortfall

GENERAL FUND EXPENSES	FY25 Amended Budget	FY25 Estimated	Compared to Budget (\$)	Compared to Budget (%)	Notes:
Salaries & Benefits	\$ 242,873,134	\$ 239,190,034	\$ (3,683,100)	-2%	No Salary Savings, Benefit Savings of 4%
Operating Expenses	\$ 64,126,930	\$ 61,323,223	\$ (2,803,707)	-4%	Include 2% Mandated Cut
Debt Service	\$ 5,861,202	\$ 5,861,202	\$ -	0%	Fire Apparatus, Public Safety Center, Moana Pool
Capital	\$ 9,750,749	\$ 9,750,749	\$ -	0%	Fire Apparatus, Building Maintenance, Parks, IT
Other	\$ 750,000	\$ 140,000	\$ (610,000)	-81%	Savings from Contingency
Total Expenses	\$ 323,362,015	\$ 316,265,208	\$ (7,096,807)	-2%	Estimated Budget Savings

Estimated Difference FY25 \$ (1,333,630)



*Excludes Freight house district pass through funds

As of 01/21/25

FY26 Economic Outlook



- ▶ Economic Factors

- ▷ Taxable Sales flat in Washoe County YTD (July – October 2024)
- ▷ CPI Inflation Rate 2.5% (December)
- ▷ Potential impacts of 2025 Legislative Session



- ▶ Federal Reserve

- ▷ Interest rate reductions in late 2024 (three cuts)
- ▷ Anticipated interest rate reductions 2025



- ▶ Volatile Economy

- ▷ General uncertainty due to global and national economic conditions and the new administration

FY26 General Fund Budget Development

GENERAL FUND REVENUES	FY26 Projected	Notes:
Consolidated Tax	\$ 98,940,309	2% growth based on State projection
Property Tax	\$ 88,160,194	6.4% increase based on slow down in new growth
Franchise Fees	\$ 38,175,556	1.1% average growth rate
Licenses & Permits	\$ 31,116,714	2.1% average growth rate based on CPI
Charges for Services	\$ 25,290,896	Change varies based on service
Intergovernmental	\$ 8,640,760	Change varies based on source
Fines/Forfeits/SAD/Other	\$ 18,565,354	Increase due to Airport personnel reimbursement
Total Revenues	\$ 308,889,783	Projected Revenues

- ✓ Includes move of BEF positions into General Fund (\$2.3M)
- ✓ Includes PERS increases, Airport Fire Personnel
- ✓ Eliminated CMO contingency (\$1M)
- ✓ Includes 5% budget cuts to operating expenses (\$3M)
- ✓ Eliminated 1 position in CMO & 1 in Code Enforcement
- ✓ Police Compaction (\$1.6M)

Impacts not addressed yet:

- PERS Reopeners (\$ unknown)
- IAFF Contract (\$ unknown)
- FLSA Overtime (\$6 - 10M)
- Medical Premium Increase (COR share \$1M - \$2M)

GENERAL FUND EXPENSES	FY26 Projected	Notes:
Salaries & Benefits	\$ 264,593,133	Includes PERS increase, COLAs, Airport Fire Personnel
Operating Expenses	\$ 53,140,153	Includes department budget reductions of 5% (\$3M)
Debt Service	\$ 6,097,519	Fire Apparatus, Public Safety Center, Moana Pool
Capital	\$ 2,938,000	Annual capital maintenance and fire apparatus funds
Other	\$ 50,000	Excludes contingency (\$1M)
Total Expenses	\$ 326,818,805	Projected Expenditures

Estimated Difference **\$ (17,929,022)**



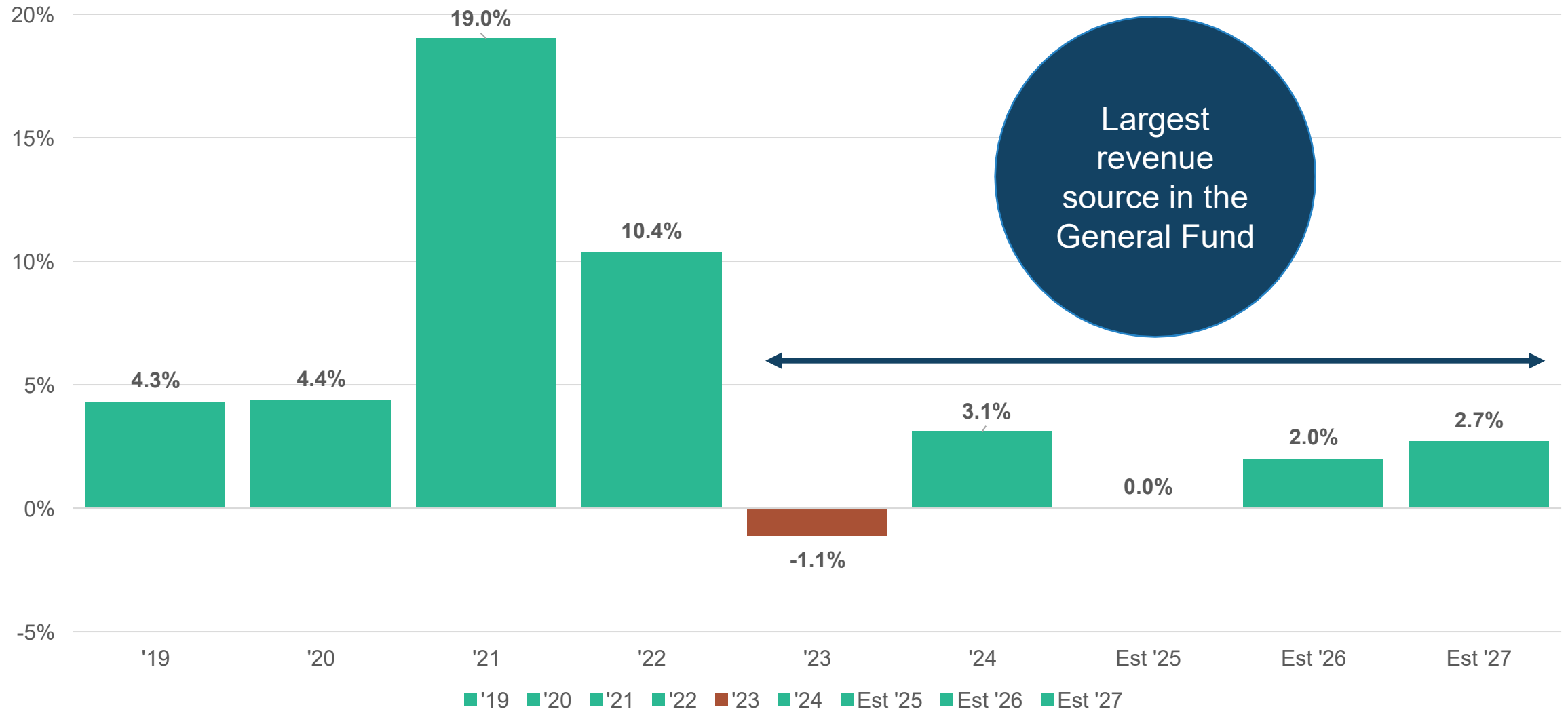
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As of 01/21/25

How Did We Get Here? Labor Costs Outpacing Revenues



How Did We Get Here? Minimal Growth in CTax



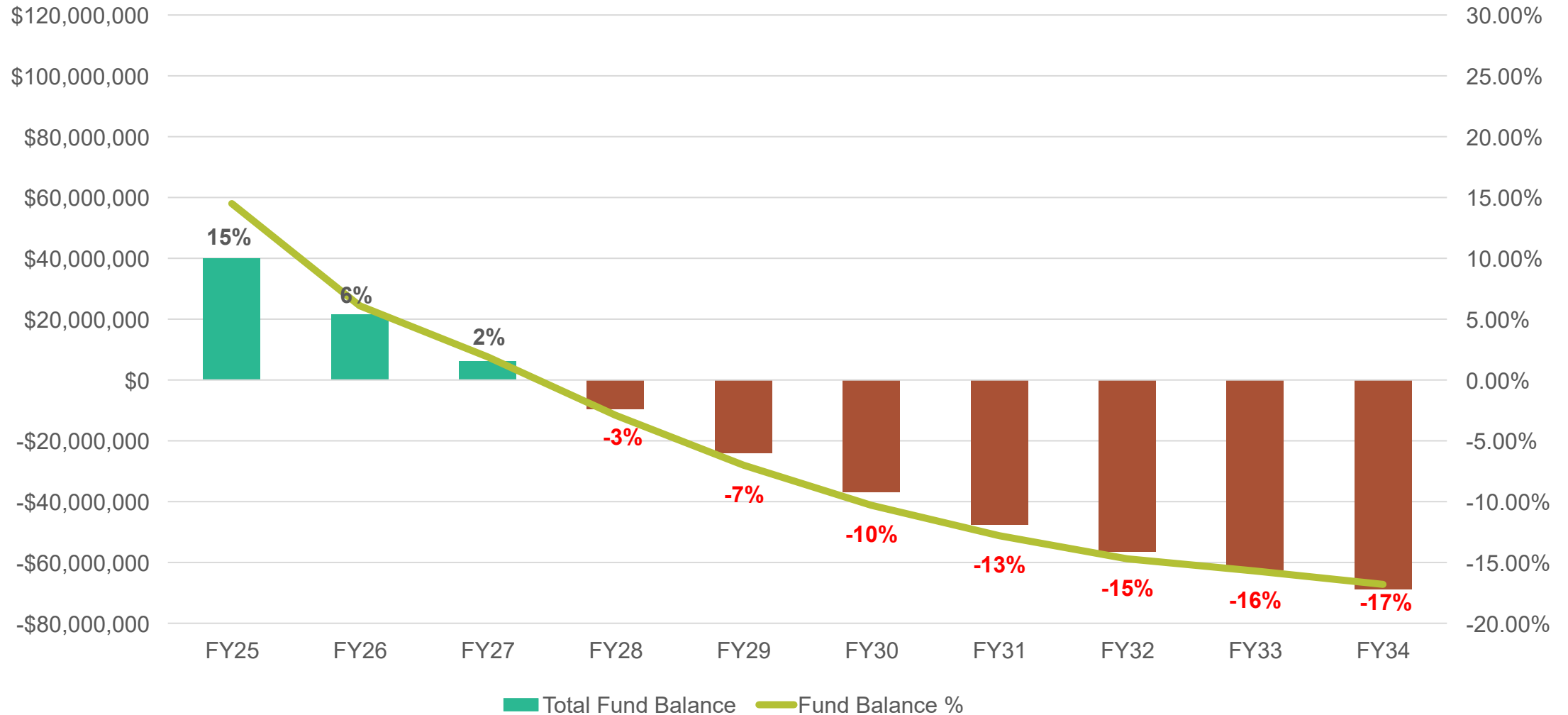
How Did We Get Here?

- Slow revenue growth
- Personnel cost increases continue to outpace revenue increases
- Labor Negotiations – multi-year contracts except for IAFF (one-year)
- Failing payroll system resulting in errors (police compaction, FLSA)
- Retirement costs – Nevada PERS Board notified agencies of a July 2025 increase:
 - Regular rate from 33.5% (FY24) to 36.75% (FY26)
 - Police/Fire rate from 50.0% (FY24) to 58.75% (FY26)
- FY26 Base Budget (no enhancements) reflects a structural deficit (~\$25 million)

General Fund FY25 Ending Fund Balance

- Fund balance is used to manage cash flow of expenditures in between the receipt of revenues.
- Many revenue sources are received quarterly, and fund balance is used for operations in between revenue receipts.
- Fund balance of 15% (~\$41M) equates to two months of operating expenses.
- 1% of fund balance equates to approximately \$2.8M
- Minimum of 10% fund balance is needed to pay bills as they come due
- Advances from the County on property tax revenue will be needed if balance falls below 10%
- FY25 fund balance = \$41M

Fund Balance 10-Year Forecast



Next Steps

- Continue to update data points for revenues
- Finalizing Cost Allocation Plan
- Reviewing Fee Schedule with Departments
- Continued discussion on changes to address structural deficit

Timeline

- January 29 City Manager meeting with labor groups
- February briefings with Council on recommended changes
- March 5 budget workshop
- April 15 tentative budget due to Department of Taxation

Pause for Council Questions



FY25 Q2 Augmentations & Revisions Summary

- Grants & Reimbursements
- Fund Balance True-up
- Contingency
- New Grant, MOU, & RDA Positions
- Position Funding Changes

FY25 Q2 Augmentation Position Funding Changes

- Position audit completed
- No fiscal impact to the General Fund
 - Two General Fund positions eliminated
 - Director of Code and Parking Enforcement
 - Assistant to the City Manager
 - RDA 2
 - Change in funding
 - Revitalization Manager
 - Historic Preservation Management Assistant
 - Marketing Program Manager
 - Building Enterprise Fund
 - 3 vacant positions eliminated
 - Results of position audit implemented

FY25 Q2 Augmentations & Revisions

- New FTE's
 - General Fund – all 100% reimbursed
 - 1 River Ranger
 - 24 Airport Fire Personnel
 - RDA 2
 - 1 Project Manager
 - 1 Management Assistant
- Contingency (General Fund)
 - \$6,600 to replace stolen fencing at the Lear Theater

Recommended Motion

I move to approve augmentations and revisions from October 1, 2024 through December 31, 2024.