



February 24, 2020 Budget Workshop

Fiscal Review and Policy Discussion

FY21 Budget Preparation

Presentation



February 24, 2020 Council Budget Workshop Agenda Item Topics

General Fund Fiscal Review

- FY18 Through FY21 Summary
- FY20 & FY21 Assumptions & Expectations
- FY21 Key Budget Items

Fiscal Policy Review

- Current Fiscal Policies
- Payments to Other Governments & Non-Profits

New Needs & FY21 Budget Direction

- Top Priority FY21 New Needs Requests
- FY21 New Needs Funding & Fiscal Policy Considerations

Other Fiscal Items for Reference *(Located in Accompanying Informational Packet)*

- Redevelopment Agency Fiscal Summary
- Debt Overview



General Fund Fiscal Review

City of Sparks General Fund Summary

FY18 Results Through FY21 City Manager Recommended Budget

(Amounts listed in \$000's)

	FY18 Actuals	FY19 Actuals	FY20 Budget	FY20 Estimates	FY21 Budget
<u>Resources (excluding beginning fund balance)</u>					
Total Revenues	\$68,671	\$72,853	\$76,833	\$77,597	\$80,570
Transfer-In From Vehicle Fund (Assume No Usage, Budget Matches Contingency)	\$0	\$0	\$1,000	\$0	\$1,000
Transfers-In, Other	\$0	\$0	\$0	\$0	\$0
Total Resources	\$68,671	\$72,853	\$77,833	\$77,597	\$81,570
	11.4%	6.1%	5.5%	6.5%	3.8%
<i>% Change in Total Revenues (excl. transfers) =</i>					
	10.8%	6.1%	6.8%	6.5%	5.1%
<i>% Change in Total Resources =</i>					
<u>Uses</u>					
Total Expenditures	\$61,947	\$66,231	\$74,578	\$72,118	\$77,278
Total Transfers-Out	\$2,622	\$5,081	\$5,816	\$7,216	\$5,145
Contingency (FY20 Assume No Usage; Budget Matches Trans-In from Vehicle Fund)	\$0	\$0	\$1,000	\$0	\$1,000
Total Uses	\$64,569	\$71,311	\$81,394	\$79,334	\$83,423
	1.1%	6.9%	12.6%	8.9%	7.2%
<i>% Change in Total Expenditures (excl. transfers & contingency) =</i>					
	-1.1%	10.4%	14.1%	11.2%	5.2%
<i>% Change in Total Uses =</i>					
Net Resources/(Uses)	\$4,101	\$1,541	(\$3,561)	(\$1,737)	(\$1,853)
<u>Fund Balance</u>					
Unrestricted Beginning Fund Balance	\$2,714	\$6,815	\$8,026	\$8,357	\$6,619
Unrestricted Ending Fund Balance	\$6,815	\$8,357	\$4,465	\$6,619	\$4,766
Unrestricted Ending Fund Balance as a % of Exp's (Less Capital Outlay)	11.0%	12.6%	6.0%	9.2%	6.2%
Unrestricted Ending Fund Balance Amount Over/(Short) of 8.3%	\$1,550	\$2,650	(\$1,600)	\$600	(\$1,500)

FY20 & FY21 Assumptions and Expectations - General Fund

Revenues

	FY20 Estimates	FY21 Tentative Budget
CTAX & Fair Share (42% of total rev)	7.5% increase over FY19	4.4% increase over FY20 Estimates
Property Taxes (33% of total rev)	7.5% increase over FY19	4.9% increase over FY20 Estimates
Licenses & Permits (19% of total rev)	2.5% increase over FY19	2.5% increase over FY20. Estimates
Total Revenues	6.5% increase over FY19	3.8% increase over FY20 Estimates

Note: FY20 total revenues are expected to exceed FY20 budget by about 1%, or \$764K

FY20 & FY21 Assumptions and Expectations - General Fund

Transfers-In & Contingency

	FY20 Estimates	FY21 Tentative Budget
Transfer-In from Motor Vehicle Fund	\$0	\$1M
Contingency Budget	\$0	\$1M

Note: FY20 contingency budget not expected to be used but remains available.

FY20 & FY21 Assumptions and Expectations - General Fund

Expenditures

	FY20 Estimates	FY21 Tentative Budget
Salaries & Benefits (80% of total exp)	7.4% increase over FY19	7.9% increase over FY20. Estimates
Services & Supplies (20% of total exp)	14.4% increase over FY19	5.5% increase over FY20. Estimates
Total Expenditures	8.9% increase over FY19	7.2% increase over FY20 Estimates

Note: FY20 total expenditures are expected to be under FY20 budget by about 3.3%, or \$2.5M

FY20 & FY21 Assumptions and Expectations - General Fund

Transfers-Out

	FY20 Estimates	FY21 Tentative Budget
Capital Projects	2.5% of total revenues (\$1.9M)	2.5% of total revenues (\$2.0M)
IT Hardware & Software Replacement Plans	IT Hardware (\$484K) and Software (\$433K) of marijuana revenues designated	IT Hardware (\$200K) and Software (\$233K) of marijuana revenues designated
GERP turf replacement	\$883K of marijuana revenues designated	\$800K of marijuana revenues designated
Parks & Rec Operations Fund Subsidy	Subsidy of FY20 Recreation Programs (\$1.4M).	Subsidy of FY21 Recreation Programs (\$1.2M).
Debt Service	Debt service fully funded (\$711K).	Debt service fully funded (\$712K).
Workers Comp	Unbudgeted \$1.4M to cover large claim	No additional transfers included

FY21 Key Budget Items

Employee Contracts

- ❑ All employee groups excluding Battalion Chiefs, Police Non-Supervisory, Police Supervisory, Police Lieutenants and Municipal Court have settled contracts through FY21.
- ❑ The FY21 tentative budget contains a 2.8% Cost of Living Adjustment (COLA) effective 7/1/20 for all settled groups excluding Fire Fighters.
 - Fire Fighters will receive a 1.5% COLA effective 7/1/20 and a 1.5% COLA effective 1/1/21.
- ❑ Battalion Chiefs, Police Non-Supervisory, Police Supervisory & Police Lieutenants are currently in negotiations.

FY21 Key Budget Items

PERS

- ❑ Contribution rates are set each biennium by the NV Legislature and remain unchanged for FY21:
 - 29.25% for non-public safety employees.
 - 42.5% for public safety employees.
 - 22.5 for judicial employees.

FY21 Key Budget Items

Health Insurance

- ❑ 1.5% premium increase included in FY21 tentative budget.
- ❑ Total plan costs expected to be \$13.3M (11% increase) with \$12.0M or 90% representing claims costs.
- ❑ FY21 ending fund balance is projected to be \$5.1M, equating to approximately 4.6 months of expenses.

FY21 Key Budget Items

Workers Compensation

- ❑ 27% increase in regular contributions to this Fund to maintain a minimum \$1M cash reserve in the Fund at the end of FY21.
- ❑ Unbudgeted FY20 \$1.4M transfer from General Fund to cover the costs of a large claim.
- ❑ Financial Services Department recommends increasing the reserve in this Fund to \$3M in subsequent years which is the stop loss limit on just a single Heart/Lung/Cancer claim.
- ❑ Long-term funding solutions are needed.
- ❑ Long-term liability created a negative ending fund balance of \$7.1M at the end of FY19.

FY21 Key Budget Items

General Liability Fund

- ❑ Cash reserves in this Fund are down to critically low levels.
- ❑ FY19 unbudgeted \$150K transfer from the General Fund for cash flow purposes.
- ❑ FY20 contributions to the Fund will total \$1.2M and FY21 tentative budget assumes a \$1.3M (\$1M General Fund) contribution.
- ❑ These planned contributions simply cover the anticipated policy premiums and claims costs leaving ending reserves at the same critically low levels.
- ❑ Additional funding needed in FY22 to secure the financial health of this fund, but simply maintaining solvency is the initial goal for FY21.

FY21 Key Budget Items

Marijuana Licensing Revenue Designation

- ❑ FY20 - \$1.8M total → \$883K designated for turf replacement at GERP & \$917K for IT Hardware and Software Replacement Plans.
- ❑ FY21 - \$1.9M total → \$800K designated for turf replacement at GERP & \$433K for IT Hardware and Software Replacement Plans.
 - \$667K is unallocated in the ending fund balance in the General Fund.

FY21 Key Budget Items

Capital Improvement Plan (CIP)

- ❑ FY20 - full fiscal policy #3 implementation of 2.5% of revenues (\$1.9M) plus \$917K of designated marijuana license revenue to fund IT hardware needs (\$484K) and IT software needs (\$433K).
- ❑ FY21 - full policy implementation of 2.5% of revenues (\$2.0M) plus \$433K of designated marijuana license revenue to fund IT hardware needs (\$200K) and IT software needs (\$233K).






Fiscal Policy Review

FY21 Budget - Fiscal Policy Impact Summary

- Fully meets all Council fiscal policies EXCEPT:
 - Ending Fund Balance % of Expenditures = 6.2%
 - ❖ \$1.5M below Council Policy of 8.3%
- Excludes New Needs
- Fully funds current complement (i.e., no vacancy savings)

FY21 Fiscal Policies

1. Achieve a General Fund minimum unrestricted ending fund balance equal to 8.3% of expenditures

	Policy Target	RESULTS	AMOUNT OVER/ (UNDER) Policy Target	STATUS
FY19 Actuals	8.3%	12.6%	\$2,650,000	
FY20 Estimates	8.3%	9.2%	\$600,000	
FY21 BUDGET	8.3%	6.2%	(\$1,500,000)	

Purpose of this Fiscal Policy

The purpose of this policy is to help maintain fiscal stability throughout each fiscal year.




FY21 Fiscal Policies – Policy #1 Summary

- **City Ending Fund Balance Minimum Targets**
 - Fiscal Policy #1 as adopted in FY11 is to maintain a balance equal to 8.3% of expenditures
 - Minimum budgeted fund balance allowed by Council in prior years is 6.0%
 - Optimal minimum fund balance to meet cash flow needs is 12.5%

- **Statutory Ending Fund Balance Minimum Targets**
 - Nevada Administrative Code 354.650 requires 4.0% minimum budgeted balance
 - Nevada Revised Statutes 354.6241 removes balance of 16.67% from negotiations

FY21 Fiscal Policies

2. Establish a General Fund Contingency amount up to 3% of total expenditures in the annual budget




	GOAL	BUDGET	Contingency Amount	STATUS
FY19 BUDGET	up to 3%	1.5%	1,000,000	
FY20 BUDGET	up to 3%	1.3%	1,000,000	
FY21 BUDGET	up to 3%	1.3%	1,000,000	




Purpose of this Fiscal Policy

The contingency budget was established using the guidelines set forth in NRS 354.608 to provide for expenditures that are one-time, unexpected, and may be of an emergency nature.

FY21 Fiscal Policies

3. Transfer a minimum of 2.5% of total General Fund revenues plus full funding of IT Hardware and Software Replacement Plans from the General Fund to the Capital Projects Fund

2.5% of General Fund Revenues	GOAL		RESULTS		STATUS
	%	\$	%	\$	
FY19 Actuals	2.5%	\$ 1,800,000	2.0%	\$ 1,400,000	
FY20 Estimates	2.5%	\$ 1,900,000	2.5%	\$ 1,900,000	
FY21 BUDGET	2.5%	\$ 2,000,000	2.5%	\$ 2,000,000	

Full funding of IT Hardware & Software	GOAL		RESULTS		STATUS
	Hardware	Software	Hardware	Software	
FY19 Actuals	\$ 399,187	\$ 500,813	\$ 399,187	\$ 500,813	
FY20 Estimates	\$ 483,842	\$ 433,400	\$ 483,842	\$ 433,400	
FY21 BUDGET	\$ 199,940	\$ 233,000	\$ 199,940	\$ 233,000	

FY21 Fiscal Policies

3a. Council Allocation of Electric and Gas Franchise Fees:

	FY19	FY20	FY21
General Fund	2%	2%	2%
Road Fund	2%	2%	2%
Parks & Rec Project Fund	1%	1%	1%
Parks & Rec Project Fund - GERP	0%	0%	0%
Total	5%	5%	5%

3b. Council Designation of Revenue from Marijuana Licensing Fees




	FY19	FY20	FY21
GERP Turf Replacement/Maintenance	\$ 500,000	\$ 882,758	\$ 800,000
IT Hardware & Software Replacement Plans	\$ 900,000	\$ 917,242	\$ 432,940
Total	\$ 1,400,000	\$ 1,800,000	\$ 1,232,940

Purpose of this Fiscal Policy

This policy ensures that the City continues to invest in infrastructure and technology needs as detailed in the City's 5 Year Capital Improvement Plan.

FY21 Fiscal Policies

4. Commit a portion of annual business license receipts to the Stabilization Fund up to the maximum fund balance allowed within NRS 354.6115

	MAX ALLOWED PER NRS	STABILIZATION FUND BALANCE	AMOUNT COMMITTED	STATUS
FY19 Actuals	\$ 6,194,747	\$ 601,749	\$ 200,000	
FY20 Estimates	\$ 6,623,068	\$ 817,749	\$ 200,000	
FY21 BUDGET	\$ 7,211,798	\$ 1,037,749	\$ 200,000	

Purpose of this Fiscal Policy

The Stabilization Fund was established in accordance with NRS 354.6115 to stabilize operation of local government and mitigate effects of natural disasters. Per NRS 354.6115: *"The balance in the fund must not exceed 10 percent of the expenditures from the general fund for the previous fiscal year, excluding any federal funds expended by the local government."*

FY21 Fiscal Policies

5. General Fund personnel costs do not exceed 78% of General Fund total revenues

	GOAL	RESULTS	STATUS
FY19 Actuals	<=78%	72.9%	✓
FY20 Estimates	<=78%	73.5%	✓
FY21 BUDGET	<=78%	76.3%	✓

Purpose of this Fiscal Policy

The purpose of this policy is to achieve a balanced, sustainable expenditure model. This policy was adopted by Council in FY11 and modified in FY13 based on historical expenditure and fiscal stability trends.

FY21 Fiscal Policies

6. Report the annual Other Post Employment Benefit (OPEB), Workers Compensation, and other benefit liabilities and determine strategies to reduce or fund these liabilities

	OPEB OBLIGATION	Workers Comp L/T Liability	Sick Leave Conversion	Compensated Absences	Pension Liability
FY19	\$35,835,214	\$7,313,134	\$5,279,911	\$15,265,336	\$88,692,434

Purpose of this Fiscal Policy

OPEB and Workers Comp obligations (particularly the Heart, Lung and Cancer (HLC) portion) have been identified by the Financial Services Department as two of the greatest financial risks threatening the City's short-term and long-term fiscal sustainability. Other large benefit liabilities worth noting include Sick Leave Conversion, Compensated Absences, and Pension liabilities. ***All of these liabilities are currently on a "Pay-As-You-Go" funding status, and the City Manager recommends continuing that status.***

FY21 Payments to Other Governments & Non-Profits (\$2.2M)

FY19 Actuals	FY20 Estimates	FY21 Budget
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State of Nevada

Nevada Commission on Ethics (Costshare) NRS 281A.270	19,069	19,956	19,956
**Nevada Division of Forestry (WFPP, Wildland Fire Protection	0	25,633	25,633
TOTAL PAYMENTS TO STATE OF NEVADA	19,069	45,589	45,589

**** Nevada Division of Forestry for FY19 was prepaid in FY17 so there are no expense in FY19 for that reason. Payments began again in FY20.**

FY21 Payments to Other Governments & Non-Profits (\$2.2M)

FY19 Actuals	FY20 Estimates	FY21 Budget
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Washoe County

Regional Training Center	152,648	143,625	144,171
Registrar of Voters Election Services (Expenses occur during election cycles)	16,240	0	35,000
Regional Emergency Operation Center (EOC)	26,612	16,785	17,120
Regional Emergency Operation Center (EOC) Roof Repair	0	18,000	0
Regional Planning (Fiscal Year 19 Includes \$12K For Servers)	267,625	266,669	248,164
Forensic Services	489,500	539,500	589,500
Sheriff's Office Extraditions	33,735	25,000	40,000
Senior Center	21,500	21,500	21,500
Base Map Subscription (WC Tech Srvcs)	10,000	10,000	10,000
Sheriff's Work Crew Park Maintenance & Weed Abatement	66,863	70,557	80,000
Accela Annual Subscription	81,383	90,000	109,500
800 Megahertz (MHz) Radio	117,373	118,637	122,196
TOTAL PAYMENTS TO WASHOE COUNTY	1,283,478	1,320,273	1,417,151

FY21 Payments to Other Governments & Non-Profits (\$2.2M)

FY19 Actuals	FY20 Estimates	FY21 Budget
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City of Reno

*Community Assistance Center	283,899	302,267	333,001
Contribution for Temporary Homeless Overflow Shelter	24,000	24,000	24,000
City of Reno Triage Center	4,780	87,000	87,000
Regional Hazmat Team (TRIAD)	16,000	16,000	16,000
TOTAL PAYMENTS TO CITY OF RENO	328,679	429,267	460,001

* *Community Assistance Center funding breakdown*

General Fund

Community Development Block Grant (CDBG) Fund

	<i>FY19 Actuals</i>	<i>FY20 Estimates</i>	<i>FY21 Budget</i>
<i>General Fund</i>	161,941	224,397	243,539
<i>Community Development Block Grant (CDBG) Fund</i>	121,958	77,870	89,462
Total	283,899	302,267	333,001

FY21 Payments to Other Governments & Non-Profits (\$2.2M)

FY19 Actuals	FY20 Estimates	FY21 Budget
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Membership Dues and Subsidies

Economic Development Authority of Nevada (EDAWN)	100,000	100,000	100,000
Keep Truckee Meadows Beautiful	20,000	10,000	10,000
Nevada League of Cities and Municipalities (NLC and M)	21,136	21,136	21,819
National League of Cities	8,051	8,051	8,051
Western Nevada Development District (WNDD)	5,000	5,000	5,000
Alliance for Innovation	9,100	5,100	5,100
The Chamber	1,362	1,362	1,362
Sparks Heritage Foundation and Museum	1,000	1,000	1,000
Mesa Meadows Landscape Maintenance Subsidy	47,500	56,500	62,000
Promontory Landscape Maintenance Subsidy	0	25,500	18,500
Regional Air Services Corporation	0	10,000	10,000
TOTAL MEMBERSHIPS AND SUBSIDIES	213,149	243,649	242,832



New Needs & FY21 Budget Direction

FY21 Budget - Fiscal Policy Impact Summary

~ Reminder ~

- FY21 Tentative Budget presented today fully meets all Council fiscal policies EXCEPT:
 - Ending Fund Balance % of Expenditures = 6.2%
 - ✓ \$1.5M below Council Policy of 8.3%
- Excludes New Needs
- Fully funds current complement (i.e., no vacancy savings)

FY21 Budget – New Needs Top Priority Requests

Description	FY21 Budget Impact (Total = \$1,946,024)
2 Emergency Dispatchers	\$204,000
2 Patrol Sergeants	\$465,800
3 Police Officers	\$437,800
1 Police Office Assistant	\$ 96,000
East Industrial Area Feasibility Analysis	\$150,000
P25 Radio System (financed portion)	\$107,000
Special Events Rescue Task Force	\$260,000
Police Detective	\$186,000
Agenda System	\$ 25,000
Maintenance Management System Clean-up	\$ 14,424

FY21 Budget – New Needs Funding & Fiscal Policy Considerations

- Fiscal policy adjustments recommended to fill the top priority New Needs listed on the previous slide:
 - Reduce General Fund transfer to the CIP Fund by \$1.1M → \$1M for general purposes and \$132K for IT hardware refresh
 - ✓ Underfunds Policy #3
 - Reduce General Fund ending fund balance to 5.0% of expenditures
 - ✓ \$2.4M below Fiscal Policy #1 of 8.3%
 - ✓ \$750K below 6.0%



Questions?