# Board of County Commissioners Work Session – Budget 101

February 19, 2015

Presented by Christine Vuletich, Assistant County Manager/CFO

EXHIBIT for identification only
Item #1 Staff
Filed 2/19/15
By
Deputy

# Work Session Agenda

- Budget Development
- Budget Management
- Budget by Organization
- Fund Types
- Tax Revenues
- General Fund Revenues and Expenses

# Budget Development Process

| | |
|---|---|
| Jan 26 | Board Strategic Planning Workshop |
| Feb 4 | Board Budget Kick-Off/Direction to Departments in Preparing Their Budgets |
| Feb 27 | Departments Submit Tentative Budgets/Requests to Finance |
| March 18 | Finance Compiles Tentative Budget/Works with Departments and County Manager |
| Mar 23/24 | Board Tentative Budget Workshops |
| April 15 | Tentative Budget Compiled by Finance and Submitted to State (in their format) |
| May 4/5 | Board Budget Hearings |
| May 18 | Board Budget Adoption |
| June 1 | Adopted Budget Filed with State |

# Budget Management

# Budget Management

- The Budget is managed in accordance with ***State of Nevada Local Government Budget Act*** NRS 354.470-626 & NAC 354.400-600
- ***Budget*** is a plan of financial operation embodying an *estimate* of proposed expenditures for a given period and the *proposed* means of financing them
- ***Budget Functions*** are the mandatory categories of:
  - General Govt., Judicial, Public Safety, Public Works, Sanitation, Health, Welfare, Culture & Recreation, Community Support, Debt Service and Intergovernmental

# Budget Management

- ***Department Directors and Elected Officials are Responsible for Managing their Budgets in Compliance with NRS 354.626:***
  - No governing body or member thereof, officer, office, department or agency within the County may, during any fiscal year, expend any money or incur any liability, or enter into any contract which by its terms involves the expenditure of money, *in excess of the amounts appropriated* in the budget for that function, with the exception of bond repayments, medium-term obligation repayments and any other long-term contracts expressly authorized by law.

# Budget Management - Augmentation

- ***Budget Augmentation*** is a procedure for increasing appropriations of a fund with the express intent of employing *previously unbudgeted resources* to carry out the increased appropriations:
  - If resources actually available during a budget period *exceed those estimated*, the budget may be augmented.
  - Budget augmentations to increase the appropriations of a fund when actual resources exceed those budgeted previously *must be approved by a resolution of the governing body* at a regularly scheduled meeting, and become effective upon filing the resolution with the State Dept. of Taxation.

# Budget Management - Augmentation

- ***Budget augmentations for Grants-in-Aid, Gifts or Bequests*** previously approved by the Governing Body may be approved by Department Directors or Elected Officials designated to administer the budget of that function.
- ***Budget Amendments Due to Legislative Action*** must be filed with the Dept. of Taxation within 30 days of the adjournment of the legislative session.
- Finance Division presents budget augmentations to the governing body for approval *three times annually* (capital projects & purchase orders carried forward, adjusted opening fund balance, year end adjustments ), or as necessary.

# Budget Management - Transfers

- ***Budget Transfer*** is a procedure for transferring budgeted resources within a functions, or between functions, funds or contingency accounts.
- ***Budget Transfers Within a Function*** may be approved by the Department Director or Elected Official designated to administer the budget of that function upon consultation with the Finance Division.
- ***Budget Transfers Between Functions, Funds or Contingency Accounts*** must be approved by the Governing Body via resolution, at a regularly scheduled meeting and recorded in the official minutes of the meeting.

# Budget by Organization

# FY 2014-15 Budget by Organization

| Total Budget By Organization | | 2014-15 Adopted |
|---|---|---|
| Douglas County | $ | 130,208,932 |
| Redevelopment Agency | | 4,698,933 |
| Town of Gardnerville | | 3,416,270 |
| Town of Genoa | | 592,545 |
| Town of Minden | | 10,811,224 |
| East Fork Fire and Paramedic Districts | | 18,646,313 |
| **Total** | | **$168,374,217** |

Source: Douglas County, FY 2014-15 Budget Book

Organizations include only Douglas County and organizations for which the County provides accounting, budgeting and financial services.

# Fund Types

# Fund Types

- A ***"Fund"*** is a self-balancing set of accounts segregated for specific purposes in accordance with laws and regulations or special restrictions and limitations.
- The County currently accounts for its financial resources in over 100 separate funds, in accordance with Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB).
- Each fund is made up of revenue, expenditure and fund balance accounts, i.e. a separate budget for each fund.

# General Fund

***General Fund*** – is the chief operating fund of the County and is used to account for all resources that do not have to be reported in another fund. There can be only one general fund. Budgeted services supported by the General Fund include:

- Sheriff
- Judicial System
- District Attorney
- Clerk/Treasurer
- Recorder
- Assessor
- Community Development
- Public Works (non-utility or road operations)
- General Government
- Health and Sanitation
- Transfers Out to Other Funds

# Special Revenue Funds

**Special Revenue Funds -** are used to account for revenues that are legally restricted or committed to expenditure for a specific purpose.

Examples:

- Room Tax Fund
- 911 Emergency Services Fund
- Social Services Fund
- Airport Fund
- Towns' Operating Funds
- East Fork Fire & Paramedic District's Operating Funds

# Capital Project Funds

**Capital Project Funds -** are used to account for the construction or acquisition of fixed assets, such as buildings, equipment and infrastructure.

Examples:

- Ad Valorem Capital Projects Fund
- Regional Transportation Fund
- County Construction Fund

# Proprietary Funds

**Enterprise Funds** – are used to account for services provided to the public on a user charge basis, similar to operation of a commercial enterprise.

Examples:

- Carson Valley Water Utility Fund
- Regional Water Fund
- Sewer Utility Fund

**Internal Service Funds** – are used to account for internal operations that serve other funds or departments on a cost reimbursement basis.

Examples:

- Motor Pool Vehicle Maintenance Fund
- Self Insurance Fund
- Dental Insurance Fund

# Debt Service Funds

**Debt Service Funds** are used to account for resources that are restricted, committed, or assigned to expenditures for the payment of principal and interest on long term debt .

Examples:

- County Debt Service Fund
- East Fork Fire & Paramedic District Debt Service Fund
- Town of Gardnerville Debt Service Fund

# Fiduciary Funds

**Fiduciary Funds** are used to account for assets held in trust by a government for the benefit of other entities.

Examples:

**Agency Funds**: Are non-budgeted funds, used to account for property tax revenues collected by the County on behalf of other local government taxing entities, and passed through to those entities, including general improvement districts, school district, and other special districts.

**Trust Funds** include: Inmates Trust, and Sheriff's Evidence and Forfeiture Trusts.

# Tax Revenues

# Tax Revenue by Type

- **Taxes:**
  - Property Tax
  - Room Tax
  - Transient Lodging License Tax
  - State Consolidated Taxes
  - Gas Taxes
  - Sales Tax (PALS Tax)
  - Construction Tax

# Tax Revenue by Fund

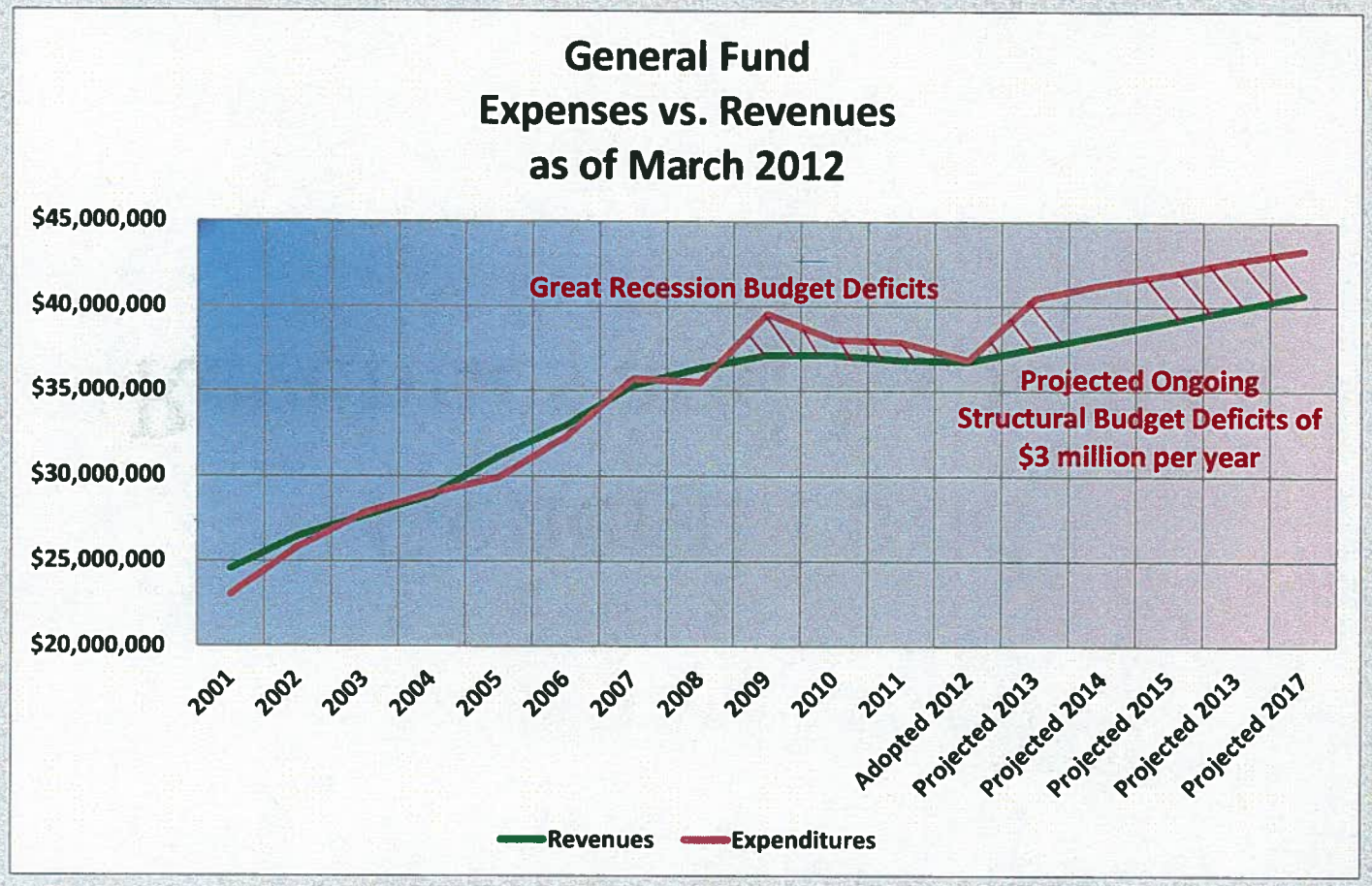
| Douglas County Tax Revenue By Fund - FY14/15 Budget | Property Taxes | Consolidated Taxes | Room Taxes | Gas Taxes | Sales Tax (PALS Tax) | Construction Tax | Total |
|---|---|---|---|---|---|---|---|
| **General Fund - Unrestricted Revenue** | | | | | | | |
| General Fund | $ 18,397,813 * | $ 10,888,520 | | | | | $ 29,286,333 |
| **Special Revenue Funds - Restricted Revenue** | | | | | | | |
| UNR Cooperative Extension | $ 246,451 | | | | | | $ 246,451 |
| State Motor Veh Accident Indigent | $ 369,682 | | | | | | $ 369,682 |
| Assistance to Indigents | $ 1,293,884 | | | | | | $ 1,293,884 |
| Social Services | $ 756,849 | | | | | | $ 756,849 |
| Road Operating | | | $ 1,125,087 | $ 76,923 | | | $ 1,202,010 |
| Room Tax | | | $ 6,617,311 | | $ 1,616,302 | | $ 8,233,613 |
| Tahoe Douglas Transportation Dist. | | | $ 492,308 | | | | $ 492,308 |
| China Spring Youth Camp | $ 92,078 | | | | | | $ 92,078 |
| WNRYC | $ 431,038 | | | | | | $ 431,038 |
| 911 Operating | $ 1,170,656 | | | | | | $ 1,170,656 |
| | $ 4,360,638 | $ - | $ 8,234,706 | $ 76,923 | $ 1,616,302 | $ - | $ 14,288,569 |
| **Construction Funds - Restricted Revenue** | | | | | | | |
| Ad Val Cap Projects | $ 1,232,270 | | | | | | $ 1,232,270 |
| Regional Transportation | $ 897,111 | | | $ 802,090 | | $ 100,000 | $ 1,799,201 |
| | $ 2,129,381 | $ - | $ - | $ 802,090 | $ - | $ 100,000 | $ 3,031,471 |
| **Internal Service Fund - Restricted Revenue** | | | | | | | |
| Risk Mgmt | $ 246,453 | | | | | | $ 246,453 |
| **Total Tax Revenue** | $ 25,134,285 | $ 10,888,520 | $ 8,234,706 | $ 879,013 | $ 1,616,302 | $ 100,000 | $ 46,852,826 |

* Includes $17,554,378- secure and $843,435 - unsecure property tax

Source: Douglas County Finance Division

# General Fund Revenues and Expenses

# Where We Were Three Years Ago



# Solutions

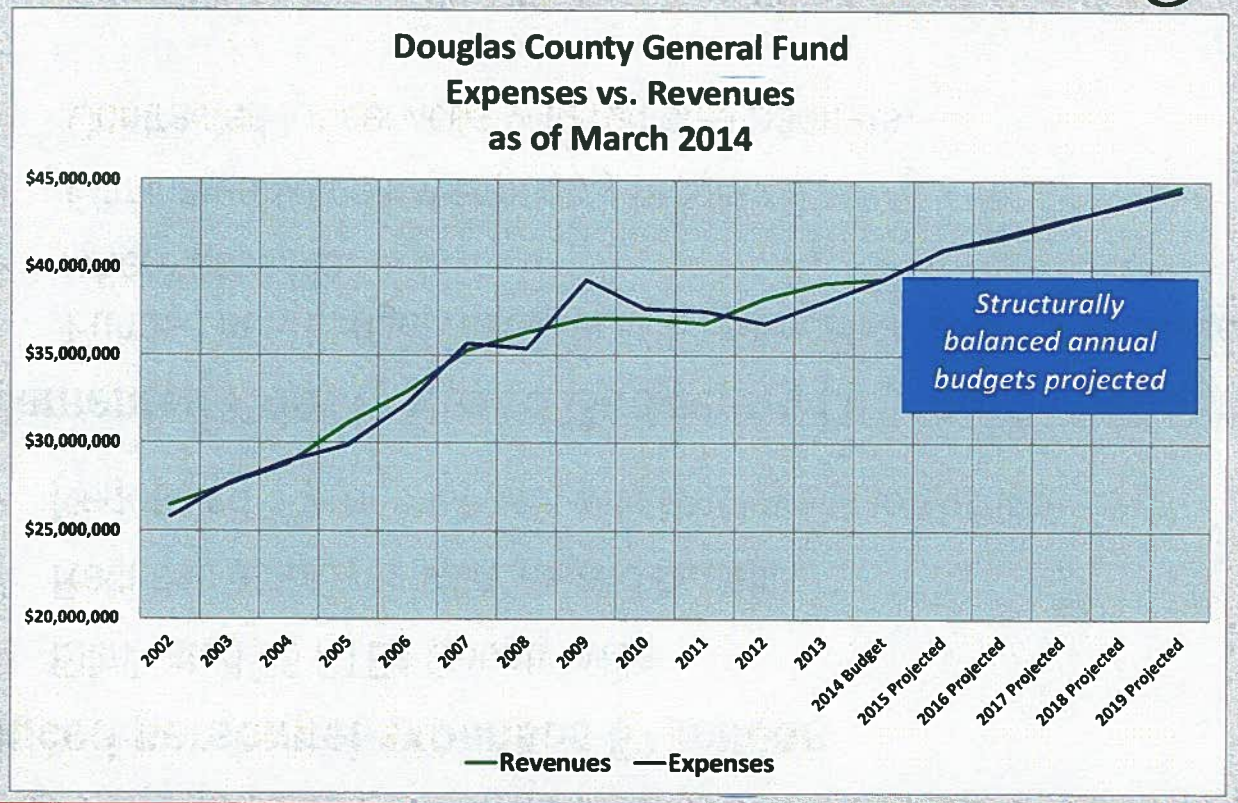
**Reduced personnel expenses $1 million**

- Eliminated 65 FTEs County-wide
- Reduced employee salaries and benefits
- Negotiated 3-year contracts with employees to stabilize costs

**Implemented Priority Based Budgeting (1st county nationally)**

- Funded new budget requests with reallocation of existing budget where possible
- Eliminated some lower priority programs
- Contracted for services with regional partners

# Where We Were One Year Ago



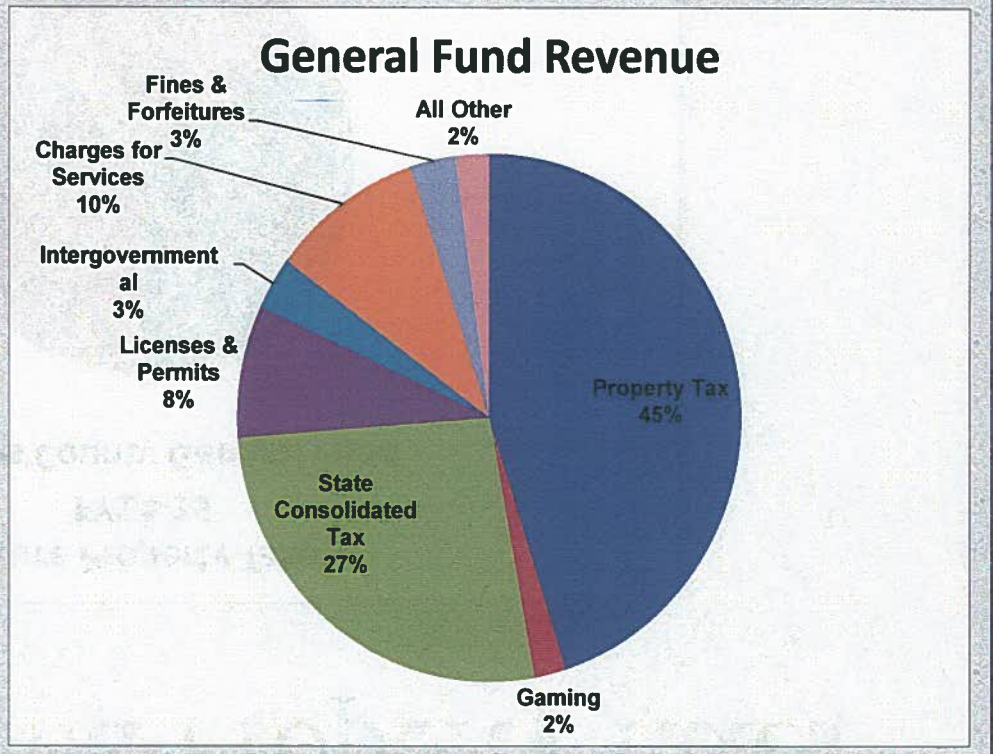

| 2002-2009 | Annual Avg. Growth |
|---|---|
| Revenues | 5.7% |
| Expenses | 7.5% |

| 2010-2013 | Annual Avg. Growth |
|---|---|
| Revenues | 1.8% |
| Expenses | 0.4% |

| Projected 2014-2019 | Annual Avg. Growth |
|---|---|
| Revenues | 2.7% |
| Expenses | 2.6% |

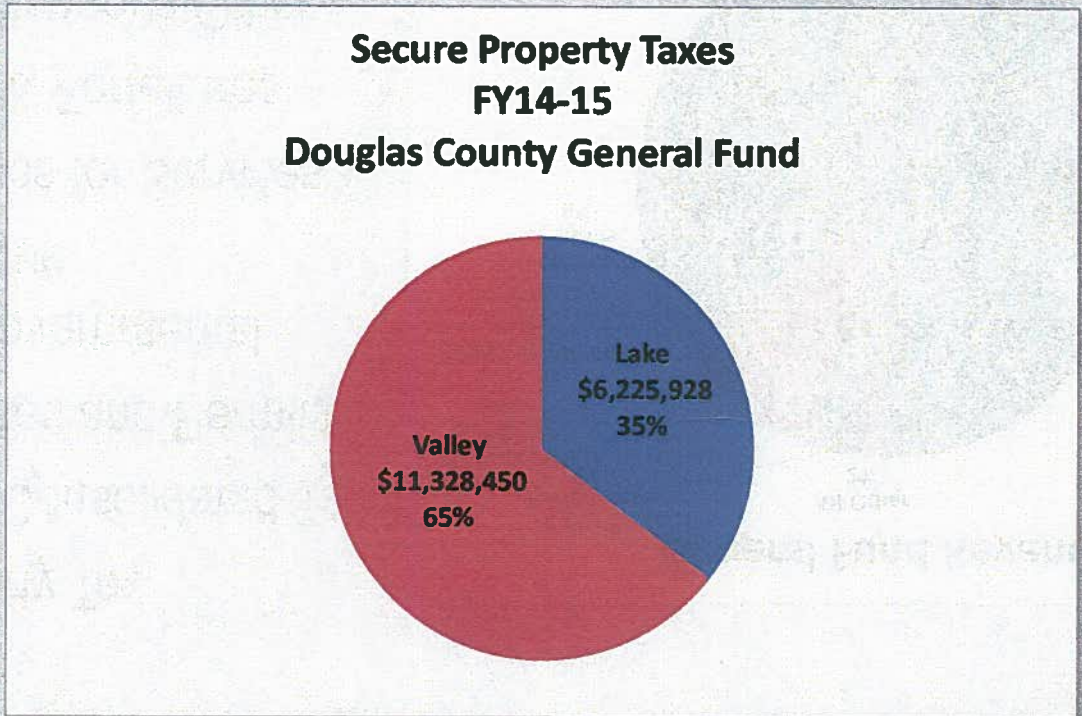
# General Fund Revenue

- Property Tax
- State Consolidated Tax
- Licenses and Permits
- Intergovernmental Revenue
- Charges for Services
- Fines & Forfeitures
- Miscellaneous Other Revenue



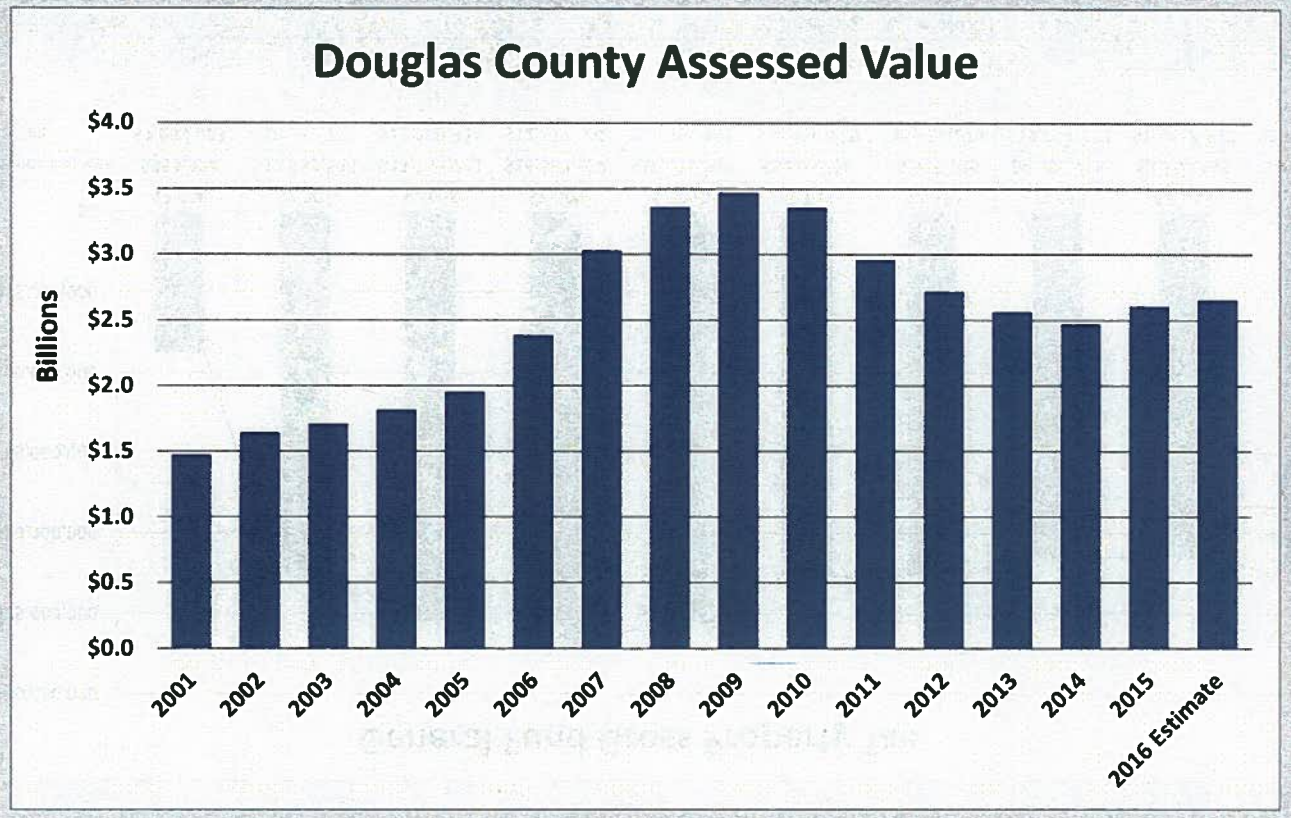

Source: Douglas County FY 2014-15 Budget

# General Fund Property Taxes



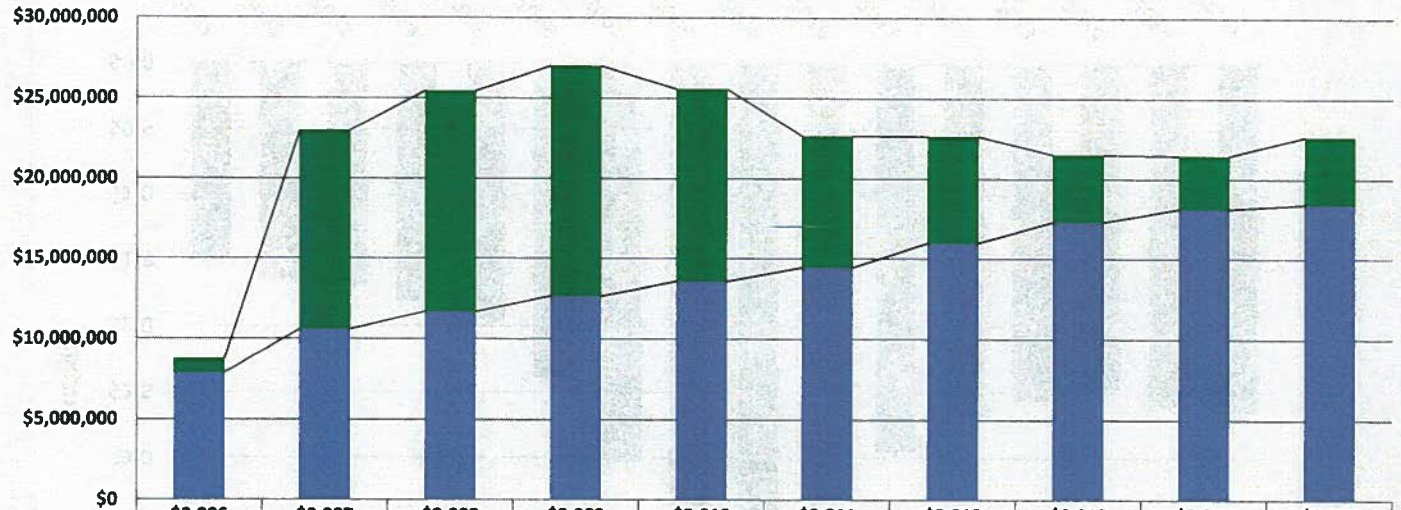

Source: Douglas County audited financial data

# Assessed Value




Source: Douglas County Assessor

# General Fund Gross Property Taxes




| | $2,006 | $2,007 | $2,008 | $2,009 | $2,010 | $2,011 | $2,012 | $2,013 | $2,014 | $2,015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Homeowner Savings | $854,378 | $12,392,525 | $13,753,791 | $14,337,032 | $12,011,769 | $8,205,659 | $6,659,785 | $4,209,475 | $3,334,855 | $4,233,892 |
| Property Tax | $7,889,023 | $10,587,773 | $11,689,924 | $12,657,402 | $13,565,441 | $14,454,779 | $15,988,675 | $17,294,772 | $18,118,572 | $18,397,813 |

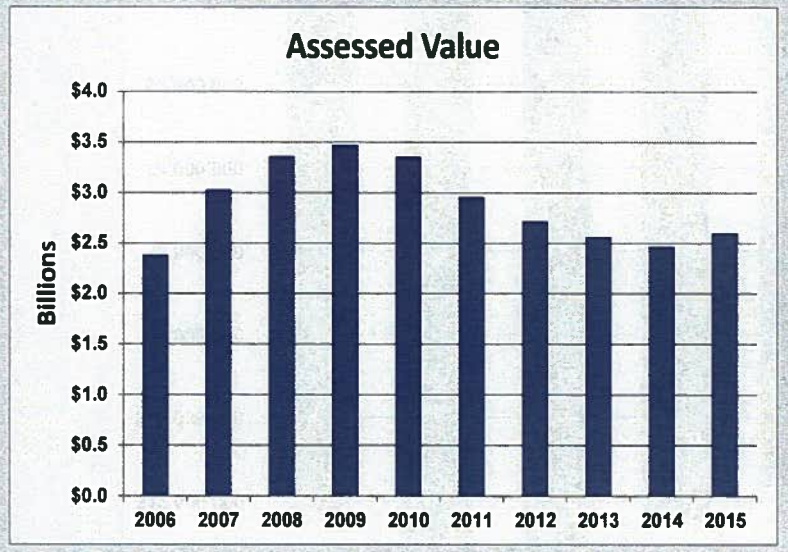
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 Budget |
|---|---|---|---|---|---|---|---|---|---|---|
| Annual $ Change in Property Tax | $ 589,123 | $ 2,698,750 | $ 1,102,151 | $ 967,478 | $ 908,038 | $ 889,338 | $ 1,533,896 | $ 1,306,097 | $ 389,902 | $ 713,139 |

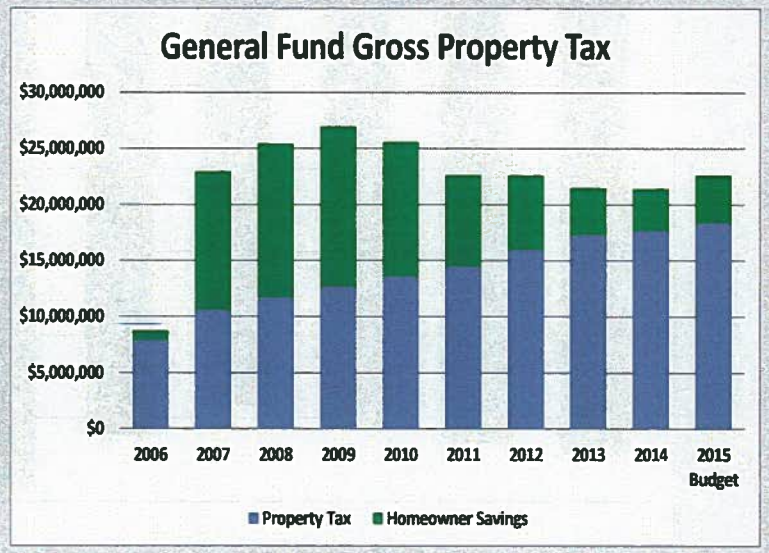
Abatement slowed the growth in County Property Taxes by providing savings to homeowners.



Source: Douglas County audited financial data

# Assessed Value vs. Property Tax

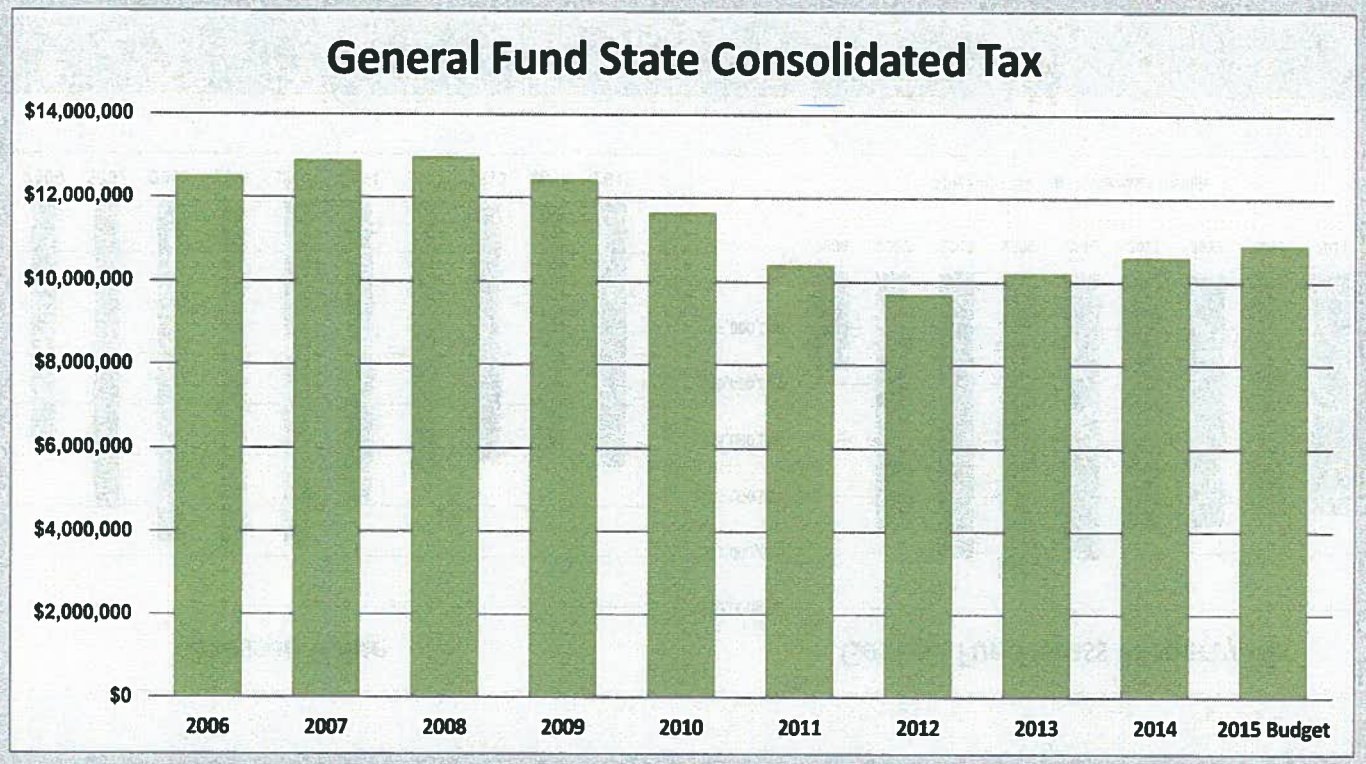



Assessed Value and Gross Property Taxes follow the same trend.

Source: Douglas County audited financial data

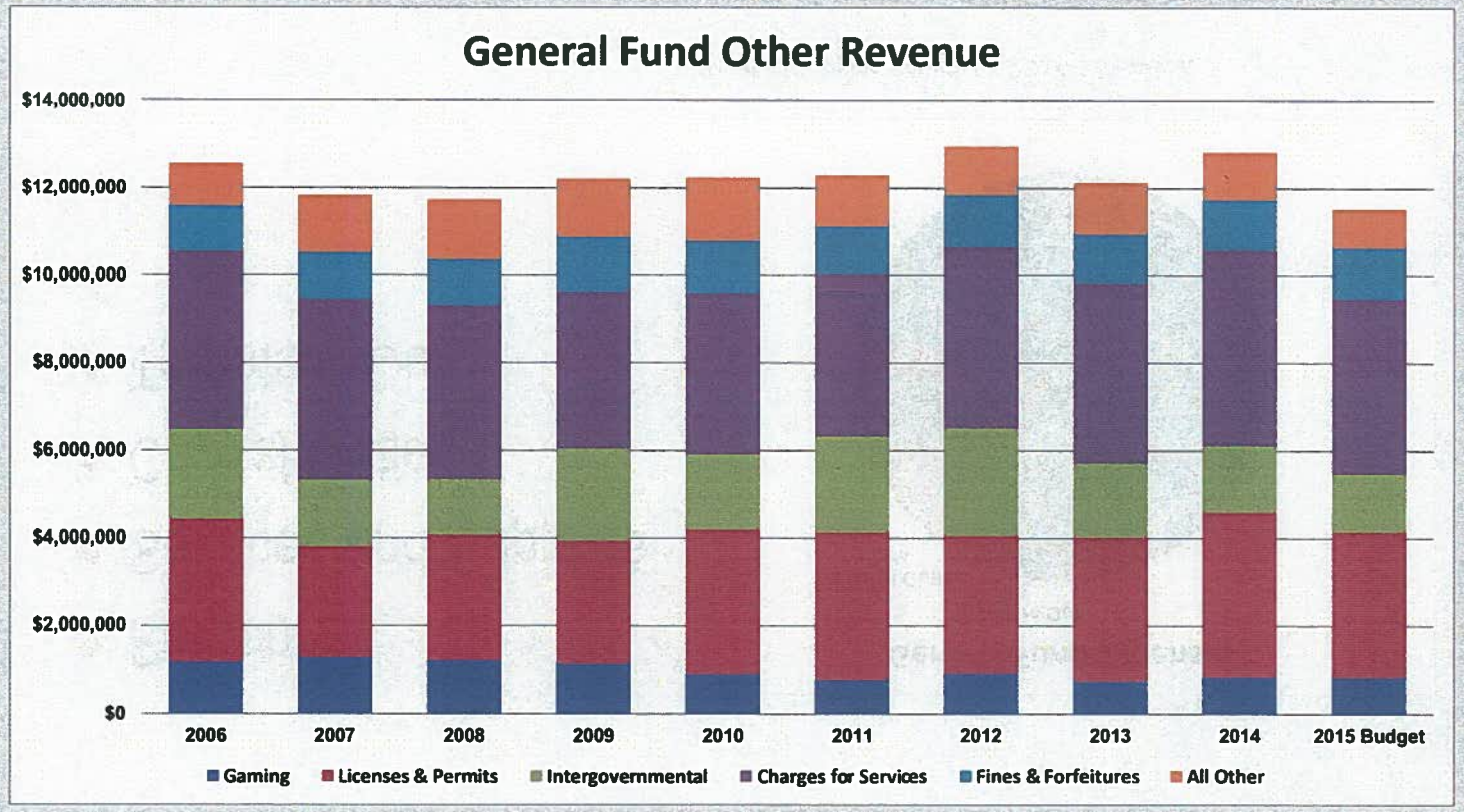
# General Fund State Consolidated Tax




Consolidated Taxes declined significantly during the Great Recession.

Source: Douglas County audited financial data

# General Fund Other Revenue

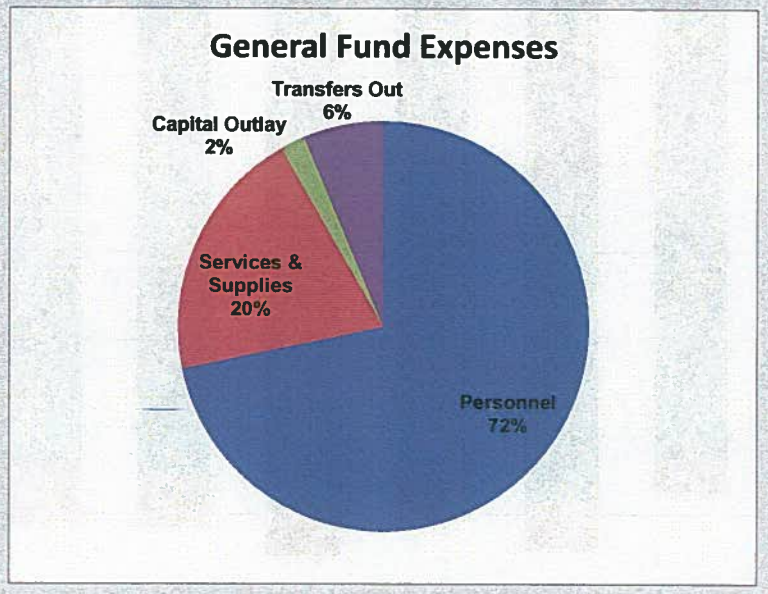



Other General Fund revenues have remained relatively flat or declined.

Source: Douglas County audited financial data

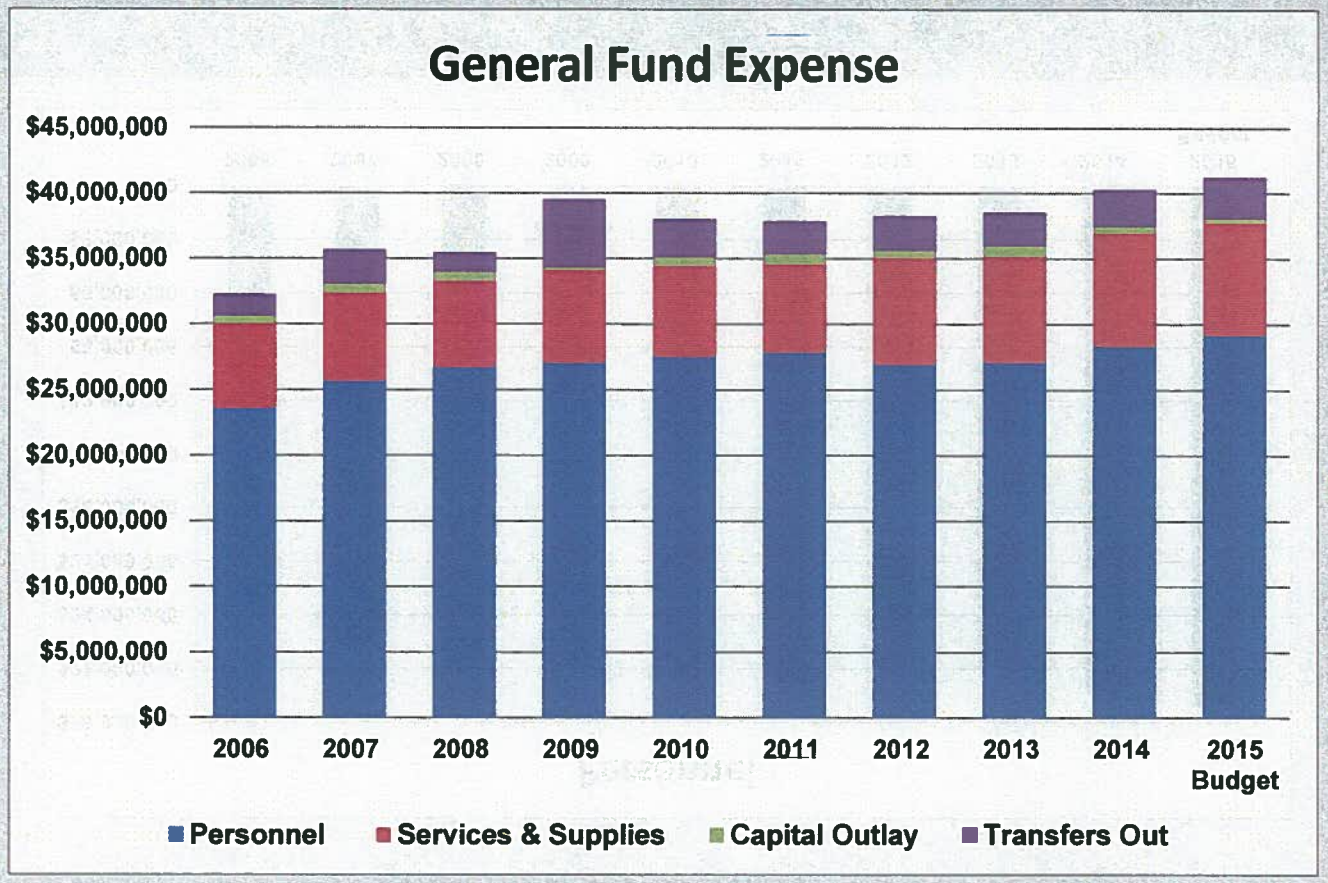
# General Fund Expenses

- Personnel
- Services and Supplies
- Capital Outlay
- Transfers Out



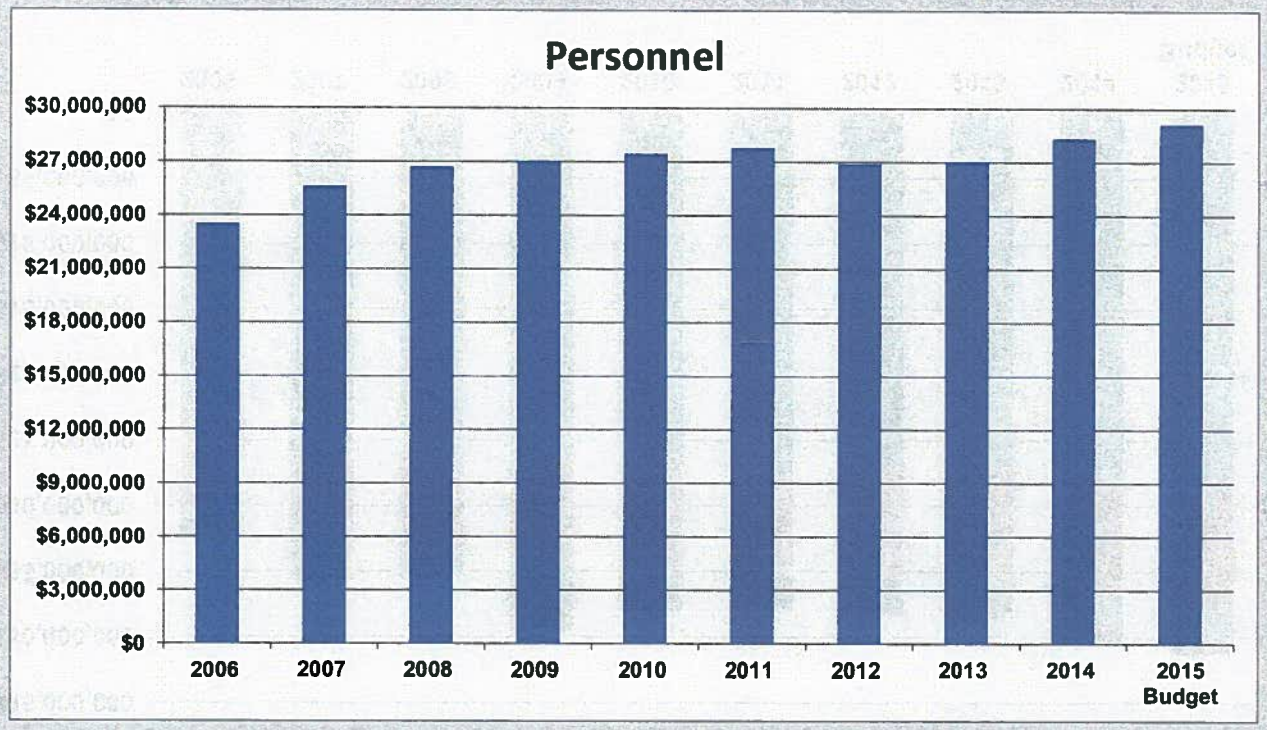

Source: Douglas County FY 2014-15 Budget

# General Fund Expenses



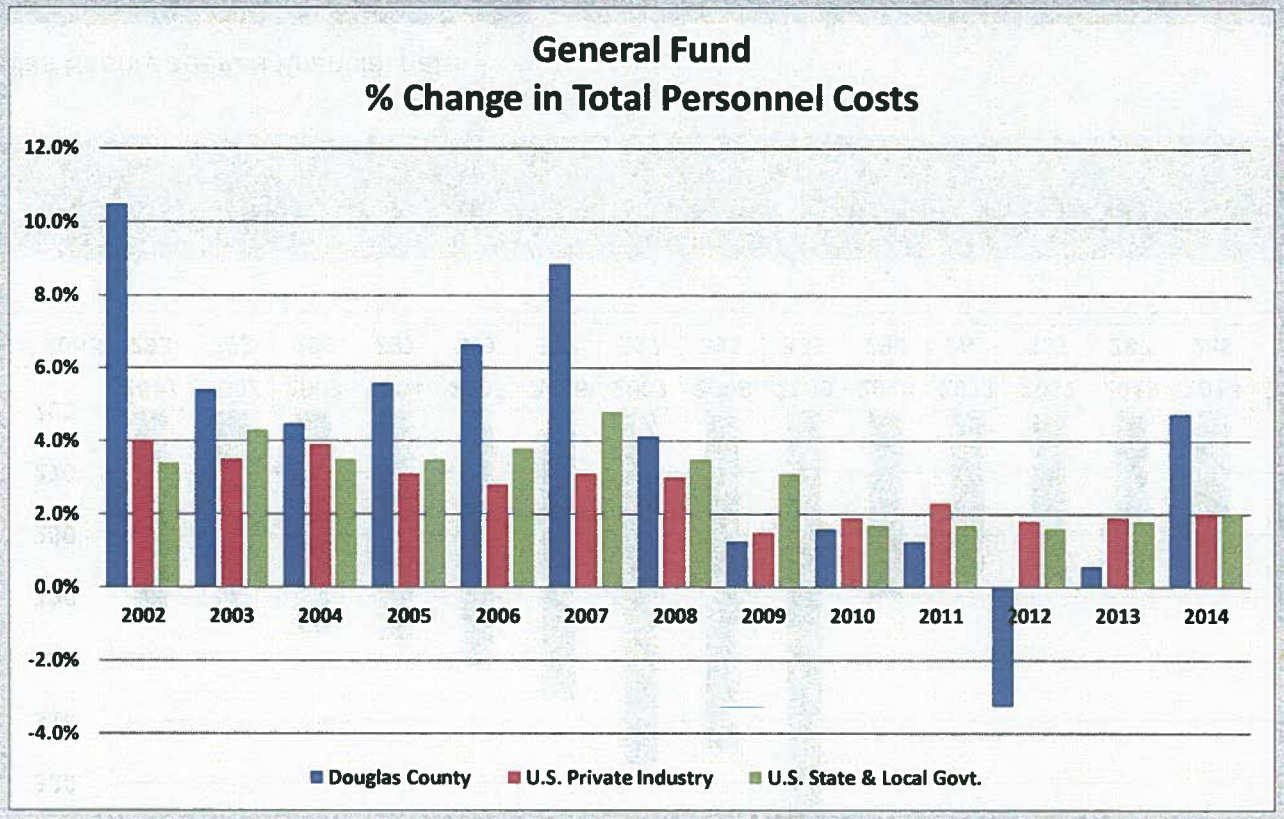

Source: Douglas County audited financial data

# General Fund Personnel Expenses




Personnel expenses were reduced by $1 million in 2012, and have increased as salary reductions were restored per labor agreements and positions were added.

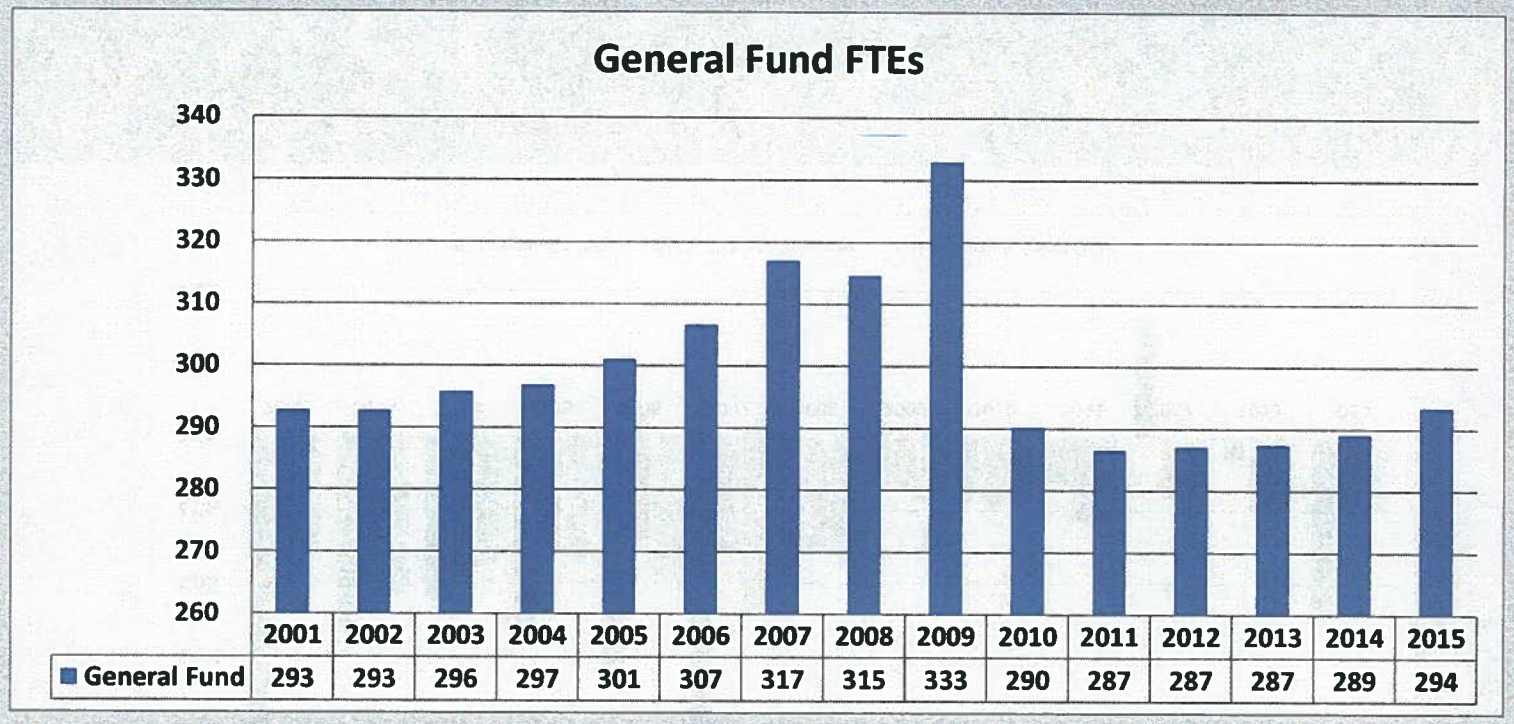
Source: Douglas County audited financial data




- 2002-2008 Douglas County's annual growth in personnel costs exceeded U.S. private industry and state/local government
- 2012 County had negative growth due to lay-offs and salary reductions
- 2014 personnel costs grew per labor agreements to restore salaries

Source: US Bureau of Labor Statistics and Douglas County audited financial data

# General Fund FTEs

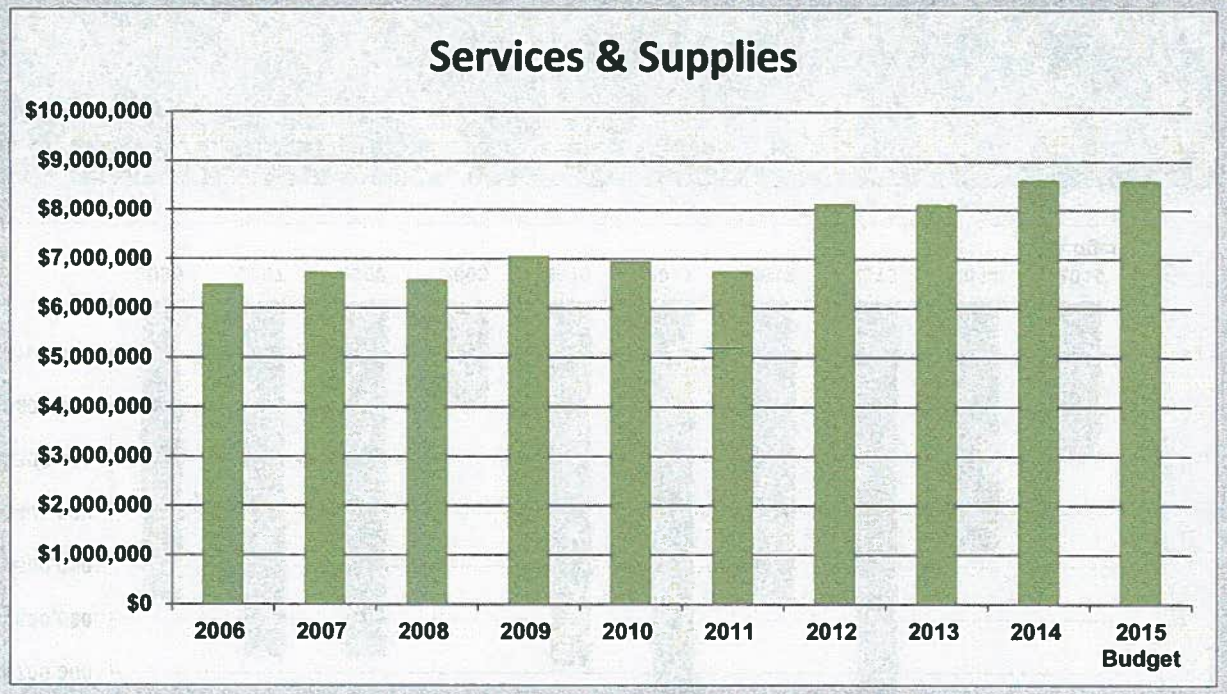



| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| General Fund | 293 | 293 | 296 | 297 | 301 | 307 | 317 | 315 | 333 | 290 | 287 | 287 | 287 | 289 | 294 |

General Fund FTE's were significantly reduced in 2010 and today are at essentially the same level as in 2002.

Source: Douglas County audited financial data

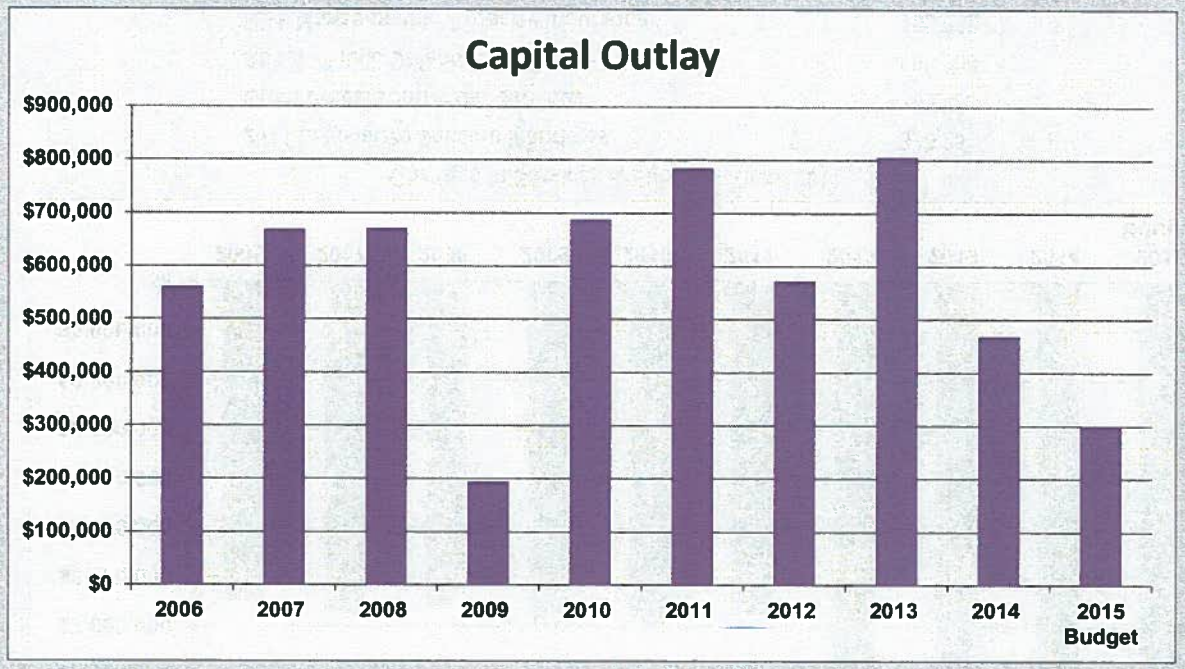
# General Fund Services & Supplies




| Changes in Services & Supplies Since 2011 | | |
|---|---|---|
| 2011 Legislative Session Mandates | $ | 376,261 |
| Outsourced/Contracted Services | | 365,403 |
| Added Public Defender | | 199,000 |
| Risk Management - Property Insurance | | 155,089 |
| Motor Pool Vehicle Replacements | | 121,850 |
| Community Grants | | 88,858 |
| | $ | 1,306,461 |

Source: Douglas County audited financial data

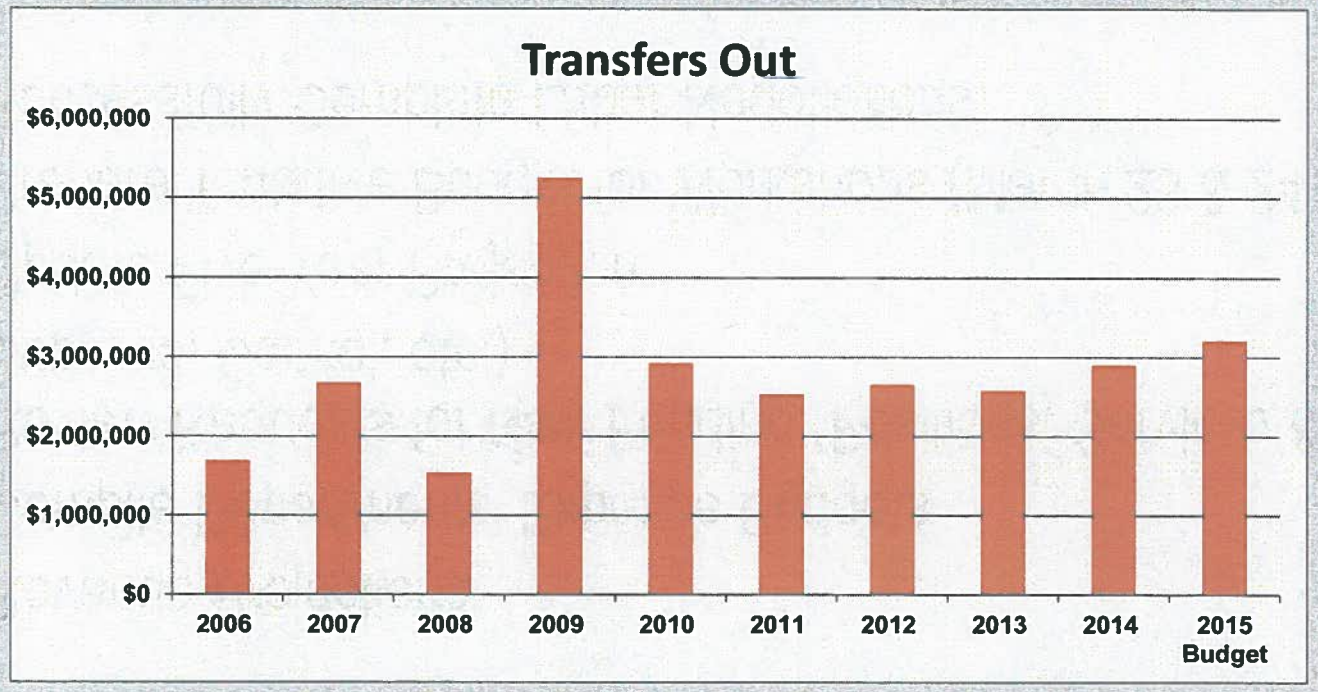
# General Fund Capital Outlay




- Reduced equipment purchases, capital projects and Sheriff's vehicle replacements in 2009
- 2010 -2013 included equipment, vehicles and grant funded Microwave Communications project

Source: Douglas County audited financial data

# General Fund Transfers Out




- 2009 $3.8 million one-time revenue transferred to County Construction, Risk Management, Extra-ordinary Maintenance, and Stabilization Funds
- 2014 $1 million ongoing revenue transferred to Roads
- 2015 $2 million ongoing revenue transferred to Roads

Source: Douglas County audited financial data

# General Fund FY 2015-16 Budget Next Steps

- Revenue Projections
- Compile Departments' Expense Budgets
- Review Requests for New Funding (Positions, Services & Supplies, Capital, etc.)
- Update Five-Year Projection
- Prepare Tentative Budget for Workshops (March 23 & 24)
- Successfully Complete Labor Negotiations

# Questions?