



STAFF REPORT

Report To: Board of Supervisors

Meeting Date: 2/18/16

Staff Contact: Nancy Paulson, Chief Financial Officer (npaulson@carson.org)

Agenda Title: For Possible Action: Presentation, discussion and possible direction regarding assumptions staff will use to prepare Carson City's Budget for FY 2016 -2017.

Staff Summary: Staff needs direction from the Board on assumptions for building the FY 2016-2017 Budget for Carson City. The main item is setting the property tax rate to be used. The Department of Taxation requires all local governments to inform them of the rate they intend to use by February 22, 2016.

Agenda Action: Formal Action/Motion

Time Requested: 20 minutes

Proposed Motion

I move to direct staff to use \$_____ as the property tax rate in preparing the FY 2016 - 2017 Carson City Budget.

Any other board action will depend on the discussion.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

Applicable Statute, Code, Policy, Rule or Regulation

NRS 354

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number: 2017 Budget

Is it currently budgeted? Yes No

Explanation of Fiscal Impact:

Alternatives

Property Tax Rate alternatives

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

MEMORANDUM

TO: Nick Marano, City Manager
Mayor and Board of Supervisors

FROM: Nancy Paulson
Chief Financial Officer

DATE: February 5, 2016

SUBJECT: Pre-Budget Preparation Items

The purpose of this memorandum is to provide information and request direction from the Board on the initial assumptions and estimates for revenue and expenditures to be used in preparing the FY 17 Budget.

The main item is setting the FY 17 property tax rate. The Department of Taxation requires all local governments to inform them of the rate they intend to use by February 22, 2016.

GENERAL FUND REVENUES

Property Tax:

For the past two fiscal years, the City has reduced the property tax levy by 2 cents. The current levy is \$3.52/\$100 assessed value. The maximum rate we can levy is \$3.66. For the FY 17 Budget, we could raise the tax rate, lower the rate or keep it the same.

The following table illustrates the projected FY 17 revenue increase based on an estimated 6% increase in assessed value and a property tax cap of .2% for both residential and commercial property:

Rate Levied	FY 17 Revenue Increase	% Increase over FY 16	Original 3 % Projection	FY 17 Shortfall
\$3.52	\$243,000	1.18%	\$615,000	\$372,000

Our 5 - year projections (FY16-FY20) estimated a 3% increase in property tax revenue each year for FY 17 - FY 20. For FY 17, this equated to a \$615,000 increase over FY 16. If the property tax rate remains the same for FY 17, we will fall short of our projections by approximately \$372,000. This is the result of the reduction in the property tax cap for FY 17. Prior year caps were 3% for residential property and 3.2% for commercial property.

Pursuant to NRS, property taxes are capped at the amount levied on the property for the immediately preceding fiscal year plus:

1. The greater of:
 - a. The average percentage of change in the assessed valuation of all the taxable property in the county, as determined by the Department of Taxation, over the fiscal year in which the levy is made and the 9 immediately preceding fiscal years; *Per Taxation this amount is -.61%.*
 - b. Or; twice the percentage of increase in the Consumer Price Index for all Urban Consumers, U.S. City Average (All Items) for the immediately preceding calendar year. *This calculation is .2%.*
2. Or 8% (3% for homeowners).

↳ whichever is less.

Therefore, for FY 17, the amount levied may not increase by more than .2% over the prior FY for both residential and commercial property.

Consolidated Tax:

Consolidated tax (CTAX) revenues are tracking higher than our projections (a 2.35% increase over FY 15 actuals). With 5 months' worth of data in for the FY, CTAX is up 9.59% over the prior year. If we project 5% increases each month for the remainder of the year, we will end up 6.87% over FY 15. To stay on the conservative side, we will estimate FY 16 at a 5% increase and FY 17 at 4%. These percentages may be adjusted as additional CTAX information is received.

Additional revenues based on a 5% increase for FY 16 and 4% increase for FY 17:

FY 15 Actual	FY 16 Budget	FY 16 Estimated	FY 16 Additional Revenue	FY 17 Budget	Increase over FY 16 Estimated
\$22,993,975	\$23,534,435	\$24,143,674	\$609,239	\$25,109,421	\$965,747

If the current year to date trend continues, additional revenues based on a 9.59% increase for FY 16 and 4% increase for FY 17:

FY 15 Actual	FY 16 Budget	FY 16 Estimated	FY 16 Additional Revenue	FY 17 Budget	Increase over FY 16 Estimated
\$22,993,975	\$23,534,435	\$25,199,097	\$1,664,662	\$26,207,061	\$1,007,964

Franchise Fees:

Franchise fees are set at the maximum allowable by State law. No further action by the Board of Supervisors is necessary.

Charges for Services:

The compacted municipal solid waste (MSW) in-county fee paid by Waste Management is adjusted annually using the annual percentage change in the CPI for the 12 month period ending in December of the prior year. This results in an increase in the rate of 1.46% effective May 1, 2016.

ENTERPRISE FUND REVENUES

Water, Sewer and Storm Drainage – The rates will be adjusted based on the Sewer and Water Rate Study performed in 2013 and the approved amendments to Carson City Municipal Code Title 12 by the Board on September 19, 2013. These budgets will be presented to the Utility Financial Oversight Committee prior to presentation to the Board of Supervisors.

EXPENDITURES AND OTHER ITEMS

Salary Projections:

The proposed budget for next year will contain the following increases:

Contract / Resolution / Court Administrative Order	Salary Adjustments
Firefighters / Chief Officers	2% COLA and Merits
Sheriff Deputies	2% Contract Adjustment
Sheriff Lieutenants / Captains	3% Contract Adjustment
Sheriff Sergeants	Merits
CCEA / Unclassified	1.75% Salary Range Adjustment and Merits
JPO / Marshals / Bailiffs	1.75% Salary Range Adjustment and Merits
Alternative Sentencing Officers (FOP)	Merits
Classified / Unclassified Court Employees	1.75% Salary Range Adjustment and Merits

Benefits:

- PERS – No change in rates.
- Group Health Insurance – budget 10% increase. Percentage could change based on negotiations with providers. Also budget a contribution to the OPEB Trust from the Group Medical Fund of 1% of salaries (approximately \$300,000).
- Workers' Compensation – budget 10% increase to build reserves for projected increase in claims expense. The workers compensation rates have not been increased for 3 years after the 50% reduction in rates that was done in FY 13.

Services & Supplies:

No increases to services and supplies line items except for contractual adjustments.

Capital Improvements and Maintenance:

- Currently 5 cents of the property tax goes to fund capital improvements – this is estimated to be \$580,000 in FY 2017. Of this amount, \$230,000 is for the final debt service payment on the 2012 Medium Term Obligation. This leaves us with approximately \$350,000 to fund capital in FY 2017.
- Budget \$100,000 transfer from the General Fund to the Extraordinary Maintenance Fund.

FINANCIAL POLICY FOR EXCESS REVENUES:

To designate any excess unrestricted general fund balance, at the end of a given year, to be used in the following priority order:

1. Reserve Funds – maintain an Ending Fund Balance at a minimum of 5% of annual expenditures with a goal of 8.3% of expenditures.
2. Contingency – \$500,000 annually.
3. Infrastructure Repair – minimum of \$600,000 or 1% of annual expenditures. The amounts may differ annually based upon need.
4. Fleet/Equipment Replacement – up to 2.5% of operation expenditures.
5. Stabilization Fund – as allowed by NRS 354.6115 at a level equal to 10% of expenditures from the general fund for the previous fiscal year, excluding any federal funds expended.
6. Operating Expenses – justifications for new expenses must be related to actual service performance.

**Carson City, Nevada
Preliminary Budget Schedule
FY 2017**

February 18, 2016	Pre budget preparation items to Board of Supervisors for use in preparing the FY 2017 Budget.
February 18, 2016	Presentation and adoption of the Cost Allocation Plan by the Board of Supervisors for use in preparing the FY 2017 Budget.
February 19, 2016	Base budget projections sent to Departments.
February – March	Review and ranking of CIP requests.
March 11, 2016	Budget Revisions and Supplemental Requests due to Finance.
March 15, 2016	Meeting of the Utility Financial Oversight Committee.
March 16, 2016	Internal Finance Committee meetings on Supplemental Requests.
March 17, 2016	Board update and status on FY 2017 Budget (General Fund).
April 4, 2016	Open House - Presentation of FY 2017 Tentative Budget and Capital Improvement Program.
April 7, 2016	Board of Supervisors meeting - Presentation of FY 2017 Tentative Budget and Capital Improvement Program.
April 15, 2016	FY 2017 Tentative Budget due to the Department of Taxation.
May 16, 2016	Board of Supervisors adopts the FY 2017 Final Budget.
June 1, 2016	Final adopted budget shall be filed with the county clerk and the Department of Taxation.
June 27, 2016	Nevada Tax Commission meets to certify property tax rates for all entities.
July 7, 2016	Board of Supervisors adopts the certified property tax rate for Carson City.



STATE OF NEVADA
DEPARTMENT OF TAXATION

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MEMORANDUM

Date: January 19, 2016
To: All Local Government Finance Officers
From: Local Government Finance
Subject: Tax Rate Changes for FY 2016-17

The Preliminary Revenue Projections publication, which establishes the preliminary maximum allowed operating property tax rate for all local governments, will be distributed on February 15, 2016. Please review and notify your analyst **in writing** by **February 22, 2016** regarding the property tax rate your governing body proposes to levy in FY 2016-17. This office will compile and disseminate the information to the County Treasurers and the Centrally Assessed section of the Division of Local Government Services for use in the preparation of the property tax proforma revenue report. If we do not receive a response from you, the FY 2015-16 tax rates will be applied. Please contact the analyst assigned to your entity if you have any questions.

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Clark

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Carson City
Douglas
Eureka
Multi-County Districts

Susan Lewis
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Lyon
Mineral
Storey
White Pine

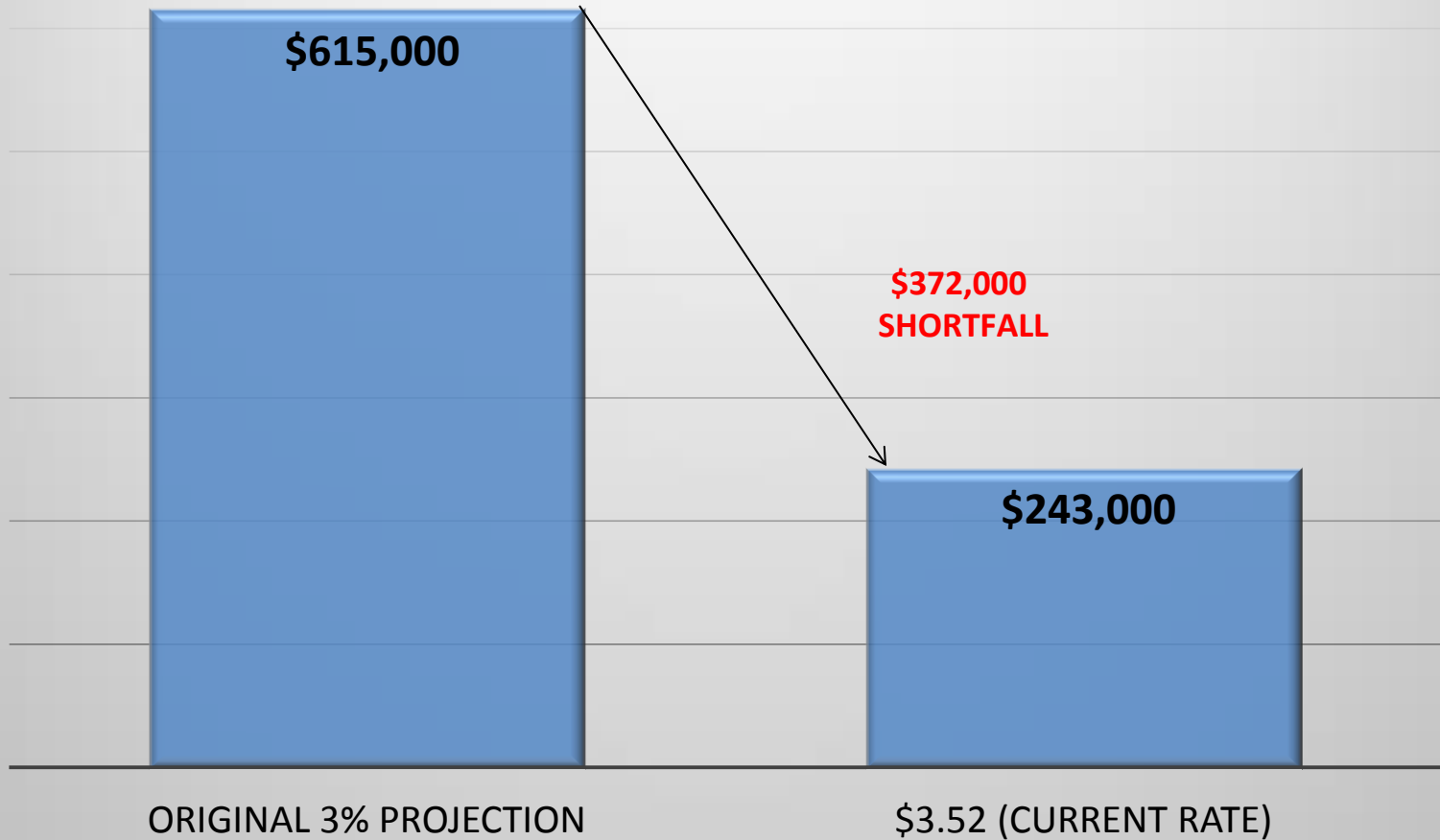
Heidi Rose
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Churchill
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Nye
Pershing

Bess Wooldridge
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Esmeralda
Elko
Humboldt
Lander

Projected FY 17 Property Tax Revenue Increases



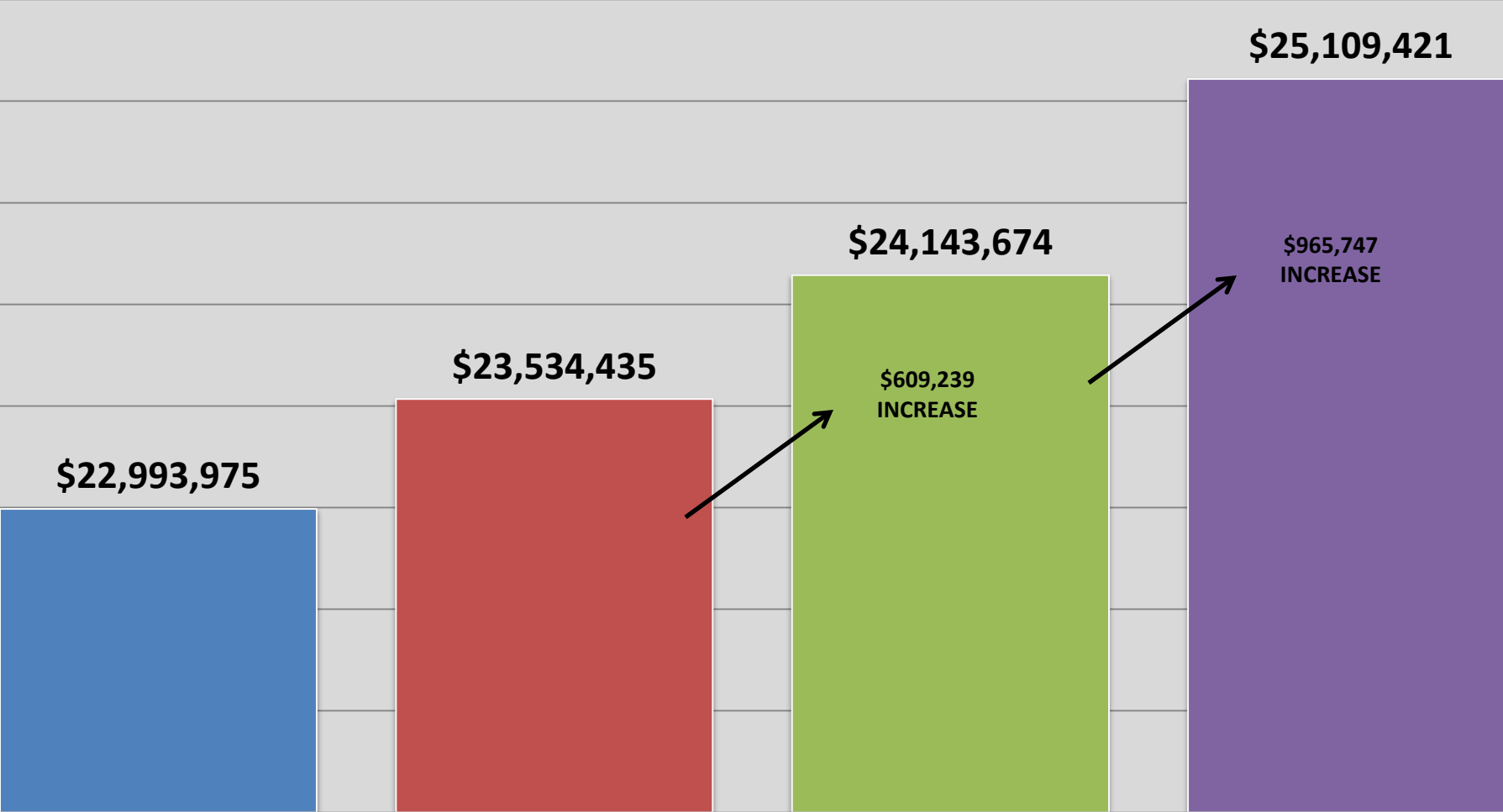
FY 15-16 County Wide Tax Rates

- Churchill \$3.6600
- **Douglas \$3.6600**
- Elko \$3.6600
- Lander \$3.6600
- Lincoln \$3.6600
- **Lyon \$3.6600**
- Mineral \$3.6600
- Nye \$3.6600
- **Washoe \$3.6600**
- White Pine \$3.6600
- Pershing \$3.6592
- **Carson City \$3.5200**
- **Storey \$3.4607**
- Clark \$3.4030
- Humboldt \$3.1716
- Esmeralda \$3.0195
- Eureka \$1.9896

Sales Tax Rates within State of Nevada

• Clark	8.1%	• Lincoln	7.10%
• Washoe	7.725%	• Lyon	7.10%
• White Pine	7.725%	• Pershing	7.10%
• Carson City	7.60%	• Elko	6.85%
• Churchill	7.60%	• Esmeralda	6.85%
• Nye	7.60%	• Eureka	6.85%
• Storey	7.60%	• Humboldt	6.85%
• Douglas	7.10%	• Mineral	6.85%
• Lander	7.10%		

CONSOLIDATED TAX PROJECTIONS



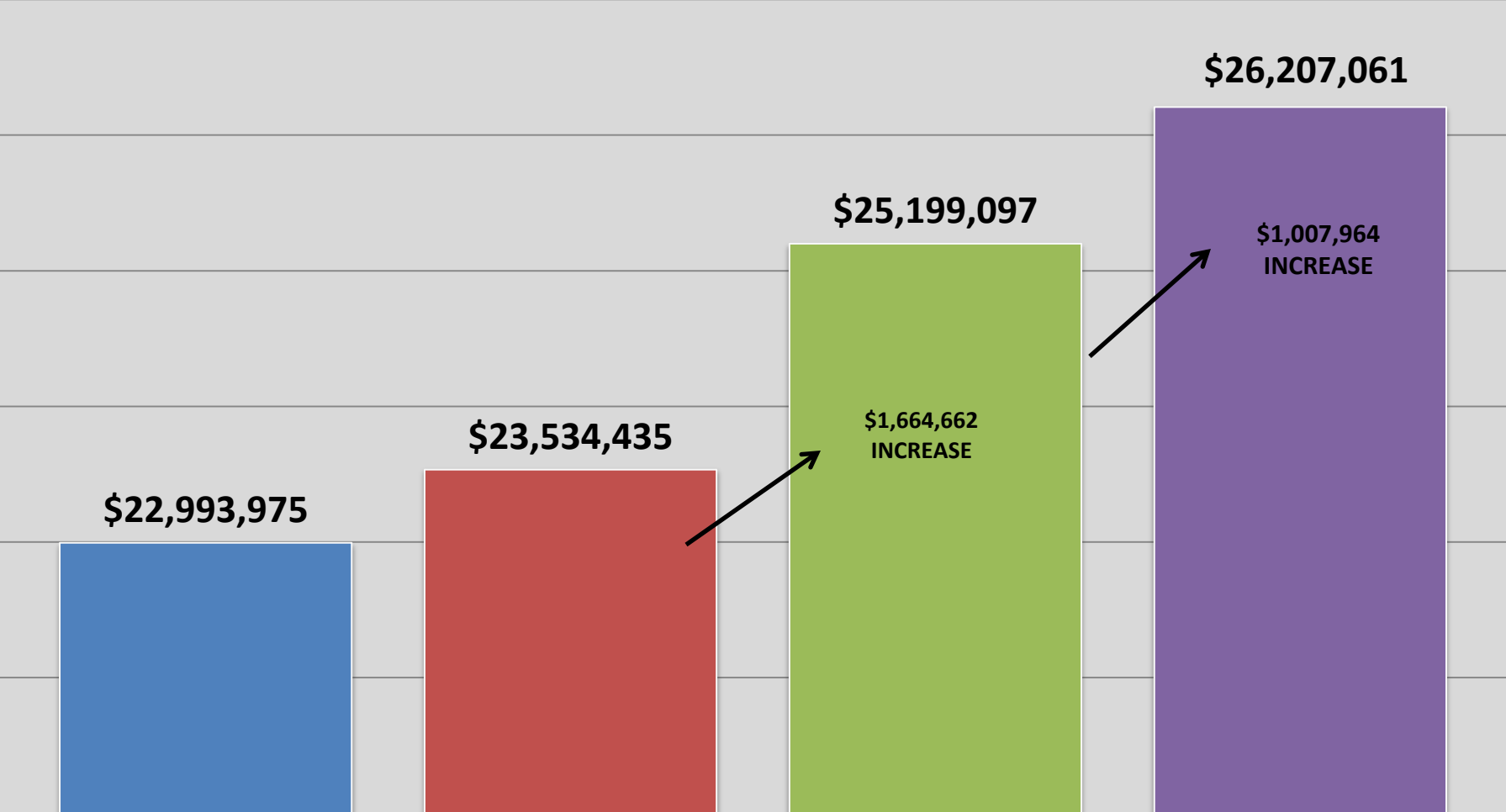
■ FY 15 ACTUAL

■ FY 16 BUDGET

■ FY 16 ESTIMATED (5% Increase over FY 15)

■ FY 17 BUDGET (4% Increase over FY 16 Est)

CONSOLIDATED TAX PROJECTIONS



■ FY 15 ACTUAL

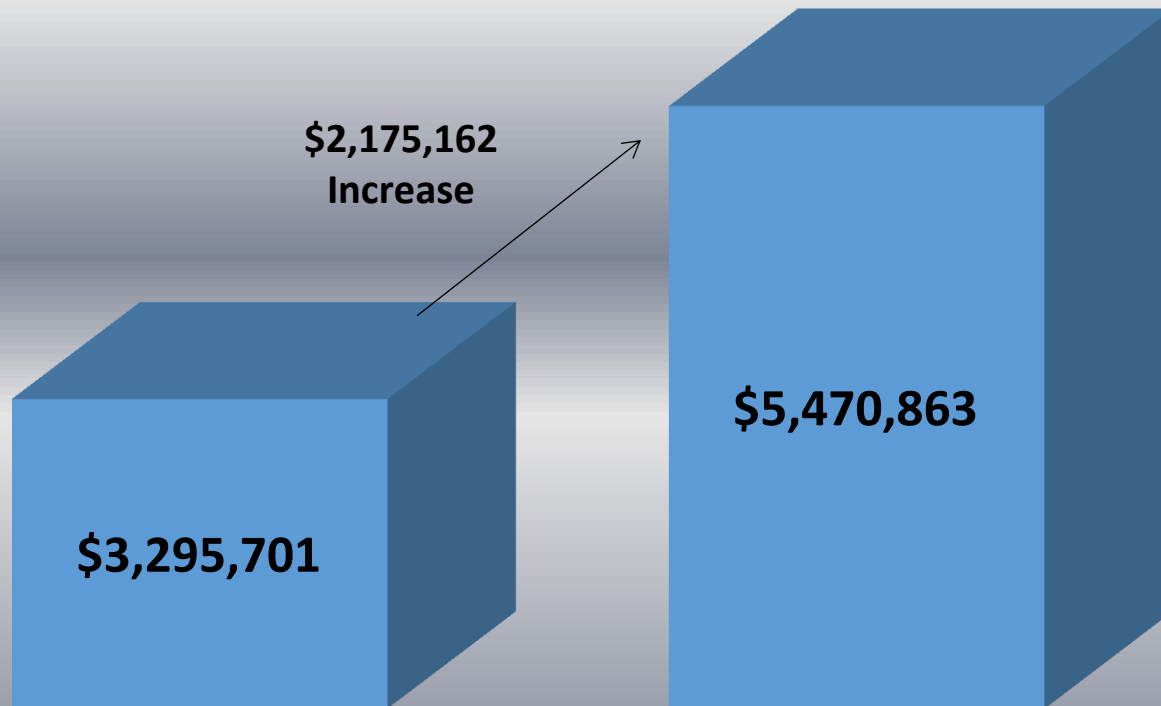
■ FY 16 BUDGET

■ FY 16 ESTIMATED (9.59% Increase over FY 15)

■ FY 17 BUDGET (4% Increase over FY 16 Est)

Staff Recommends Increasing Rainy Day Savings

GFOA BEST PRACTICES RECOMMENDS 16.6%

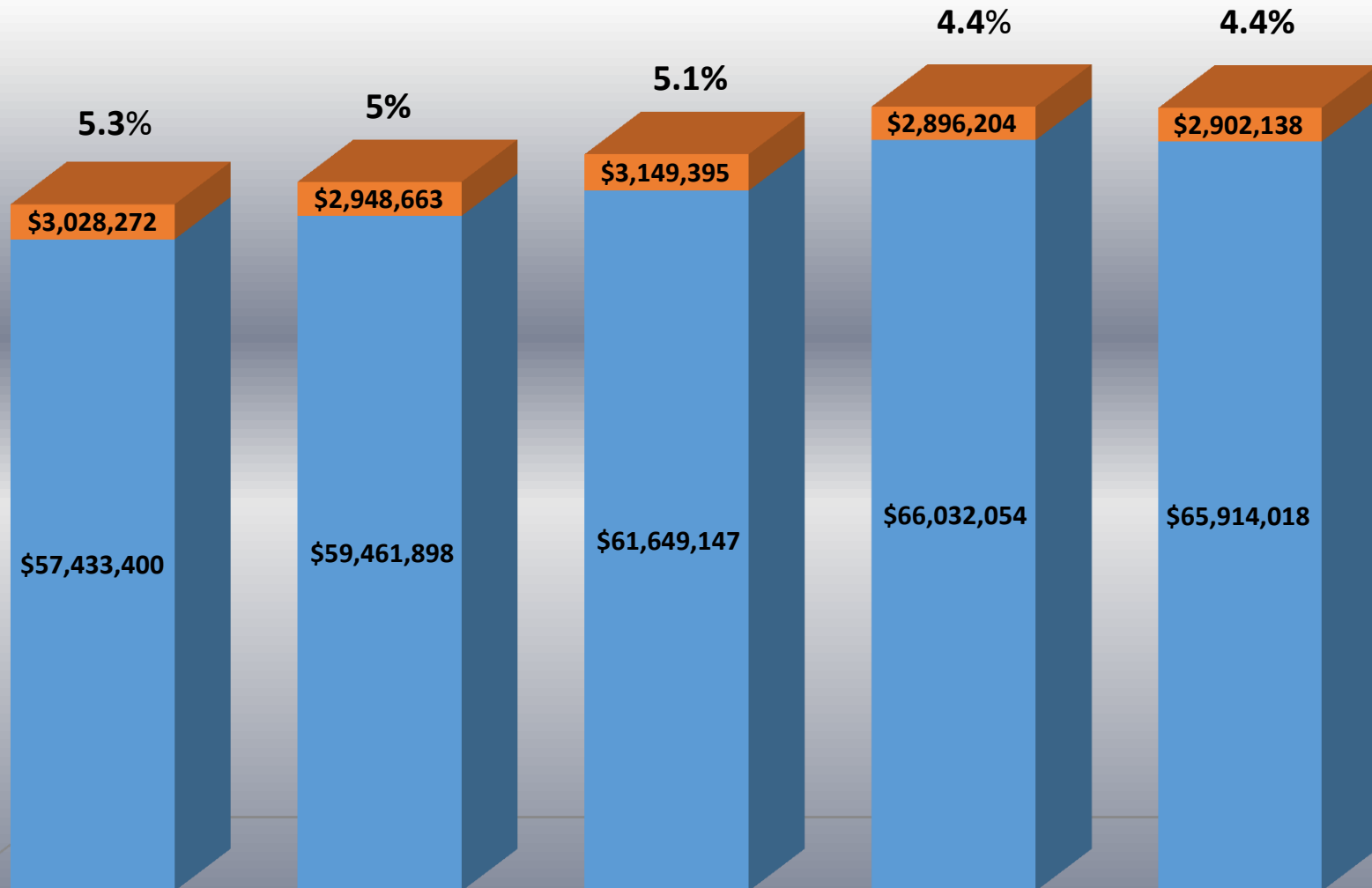


5% of Expenditures

8.3% of Expenditures

■ FY 17 PROJECTED GF ENDING FUND BALANCE / RESERVES

DEBT SERVICE % of GF EXPENDITURES



FY 13

FY 14

FY 15

FY16 (Estimated)

FY 17 (Projected)

■ General Fund Expenditures ■ Debt Service

FEBRUARY 2016

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
14	15	16	17	18	19	20
				Board Meeting - Pre Budget Prep Items FY 17 Budget Cost Allocation Plan	Base budget projections sent to Departments	
21	22	23	24	25	26	27
REVIEW AND RANKING OF CIP REQUESTS						

MARCH 2016

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
6	7	8	9	10	11	12
					Budget Revisions and Supplemental Requests due to Finance	
13	14	15	16	17	18	19
		Utility Financial Oversight Committee Meeting	Internal Finance Committee Meetings - Supplemental Requests	Board Meeting - Board Update & Status on FY 17 Budget (General Fund)		

APRIL 2016

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1	2
3	4 FY 17 Budget Open House	5	6	7 Board Meeting - Presentation of FY 17 Tentative Budget & Capital Improvement Program	8	9
10	11	12	13	14	15 FY 17 Tentative Budget due to Dept of Taxation	16

MAY 2016

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
15	16 Board Meeting - Board adopts FY 17 Final Budget	17	18	19	20	21