

Update on Regional  
Economic Outlook & Status  
Report on Local Government  
Actions to Address Revenue  
Shortfalls

# Joint Presentation

- City of Reno

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- City of Sparks

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- Washoe County

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# Presentation Overview

- Current Economic Climate
- Actions Taken to Address Deficits
- Revenue Forecast
- Ongoing Structural Deficits

# Today's Message

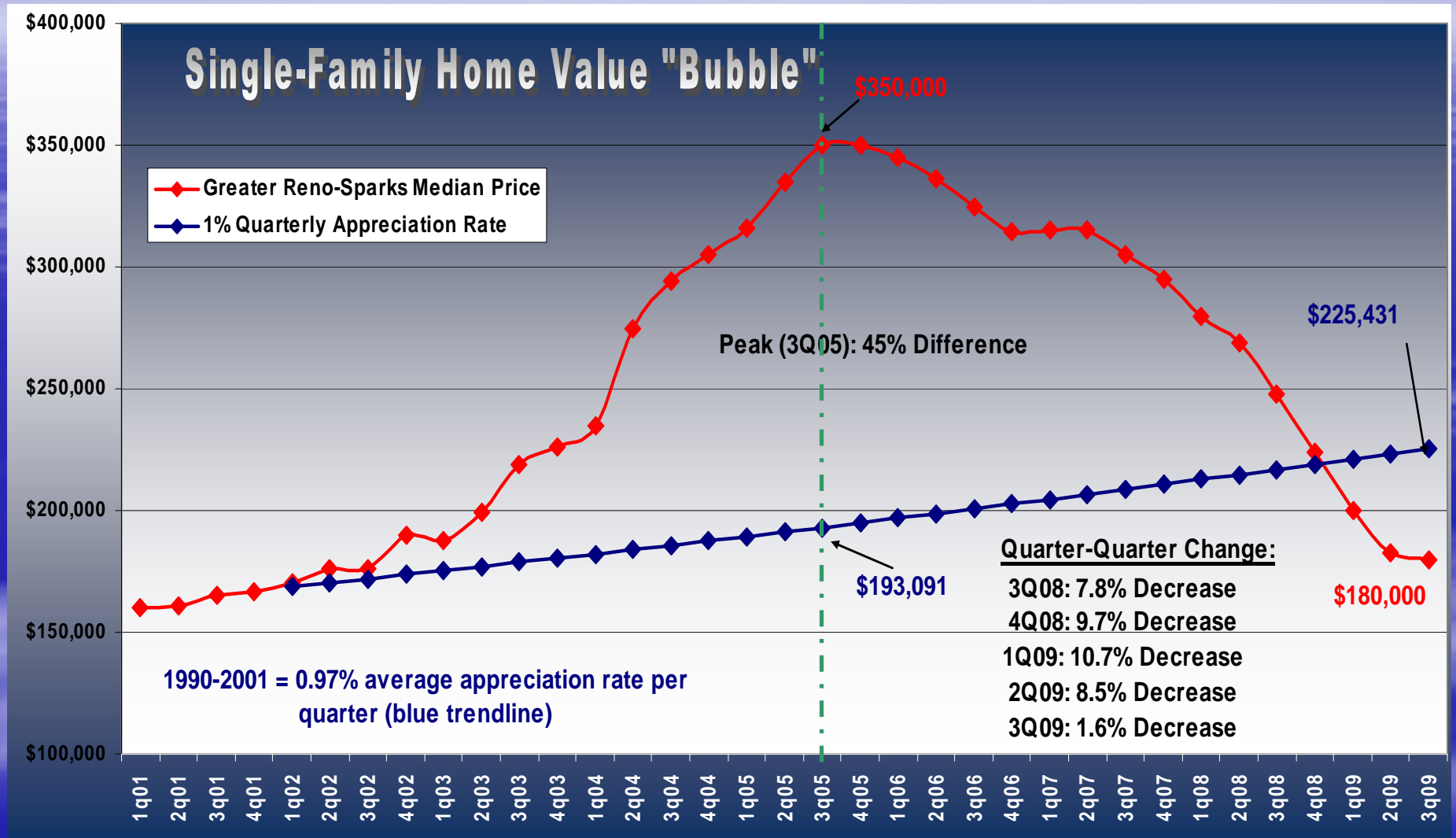
The rebased economy requires governments to change so they can continue to provide services to our citizens with less revenue. A key to this is to change our cost structure or we will be faced with ongoing structural deficits.

# Current Economic Climate

**The prolonged recession has rebased the economy**

- 21,000 jobs lost
- 12.7% unemployment
- Average home has lost nearly half its value
- Taxable sales at 2000/01 levels
- Stagnate/declining population & school enrollment

# Current Economic Climate



# Current Economic Climate

## Commercial Property Vacancy Rates

*Washoe County, Nevada*

	2Q-2009	3Q-2009
<b>Retail</b>	15.4%	15.4%
<b>Office</b>	22.2%	22.1%
<b>Industrial</b>	15.1%	15.3%

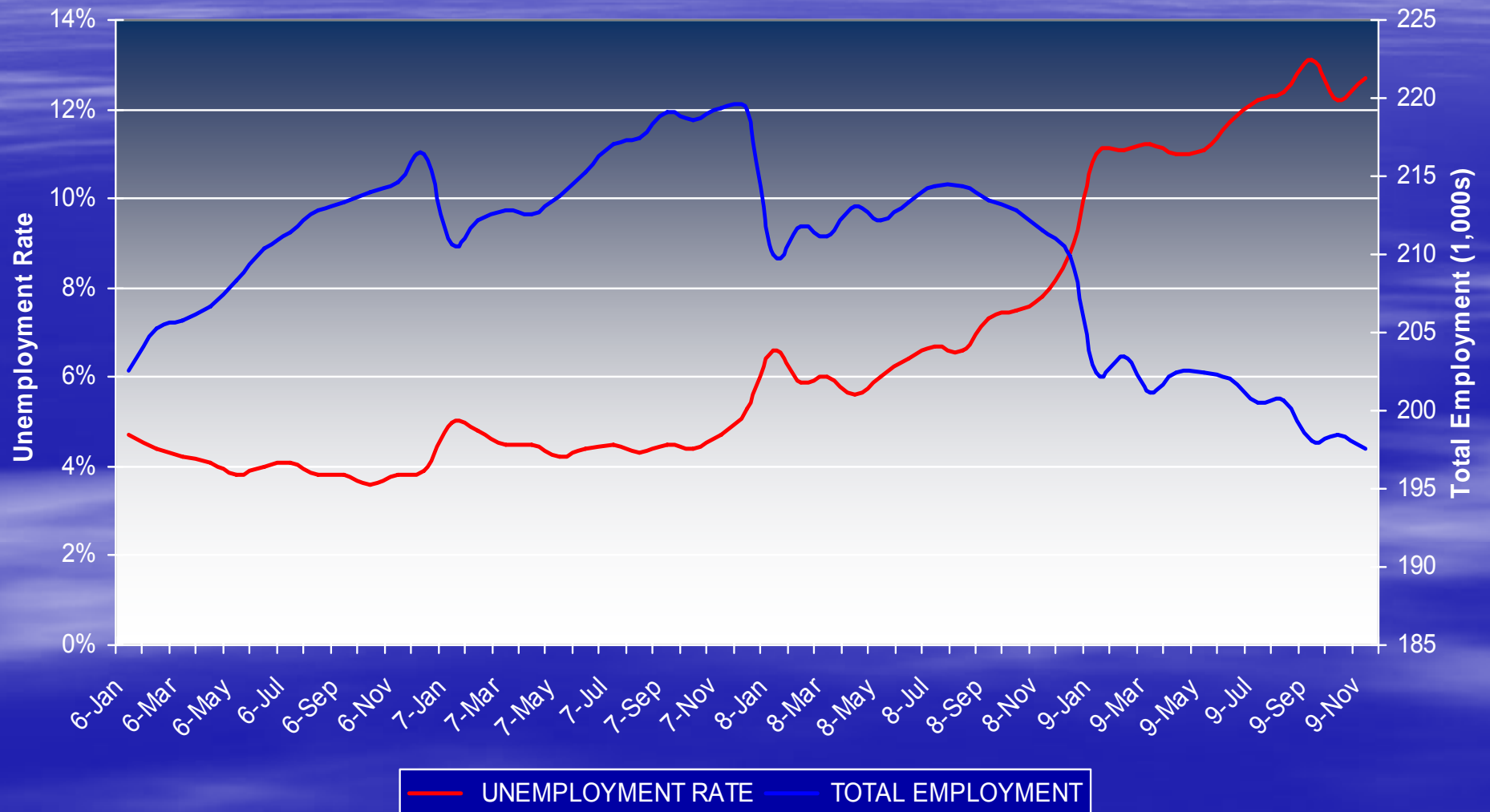


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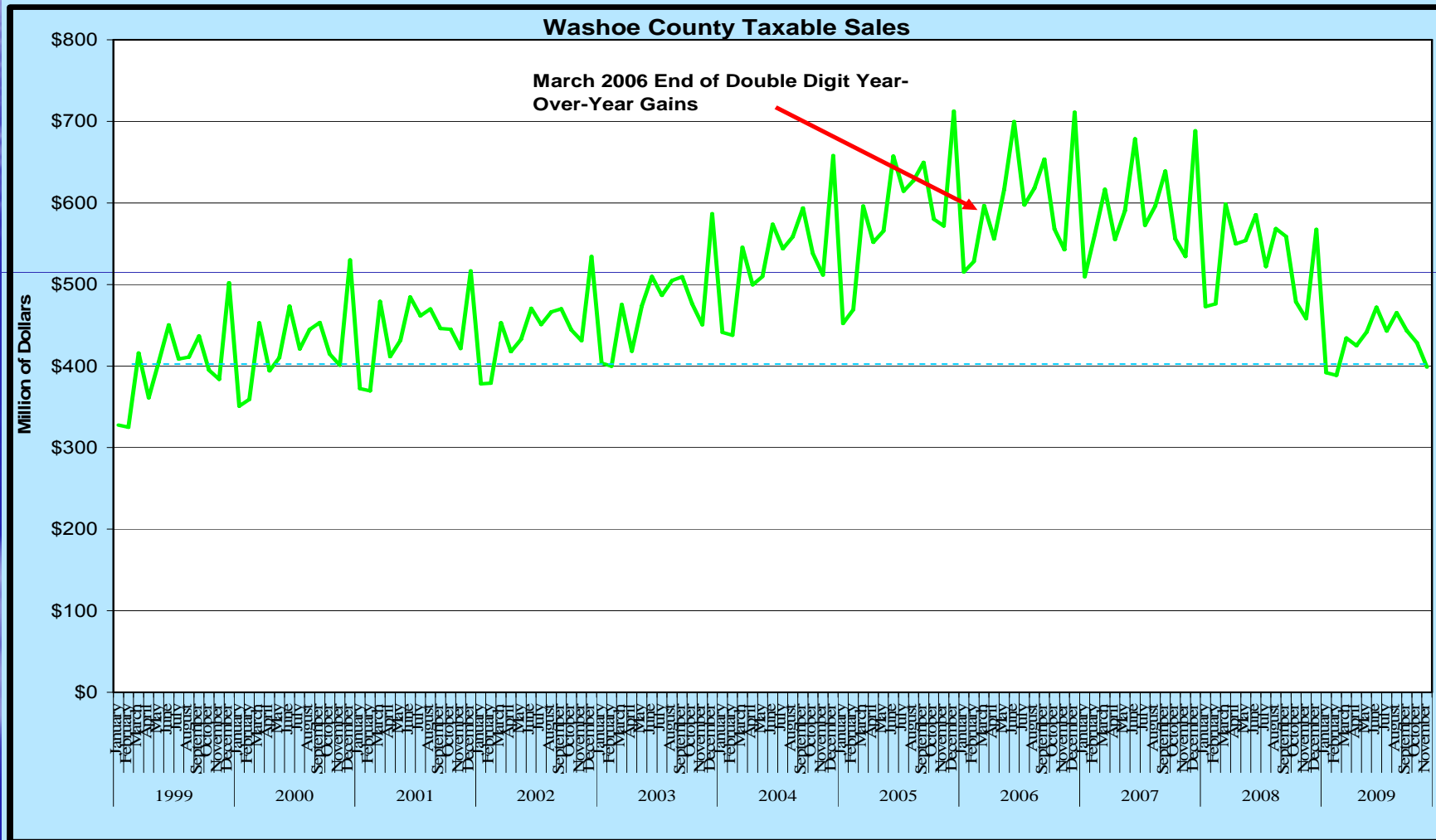
Source: Collier's International

# Current Economic Climate

Washoe County Employment and Unemployment Rate 2006 to Present

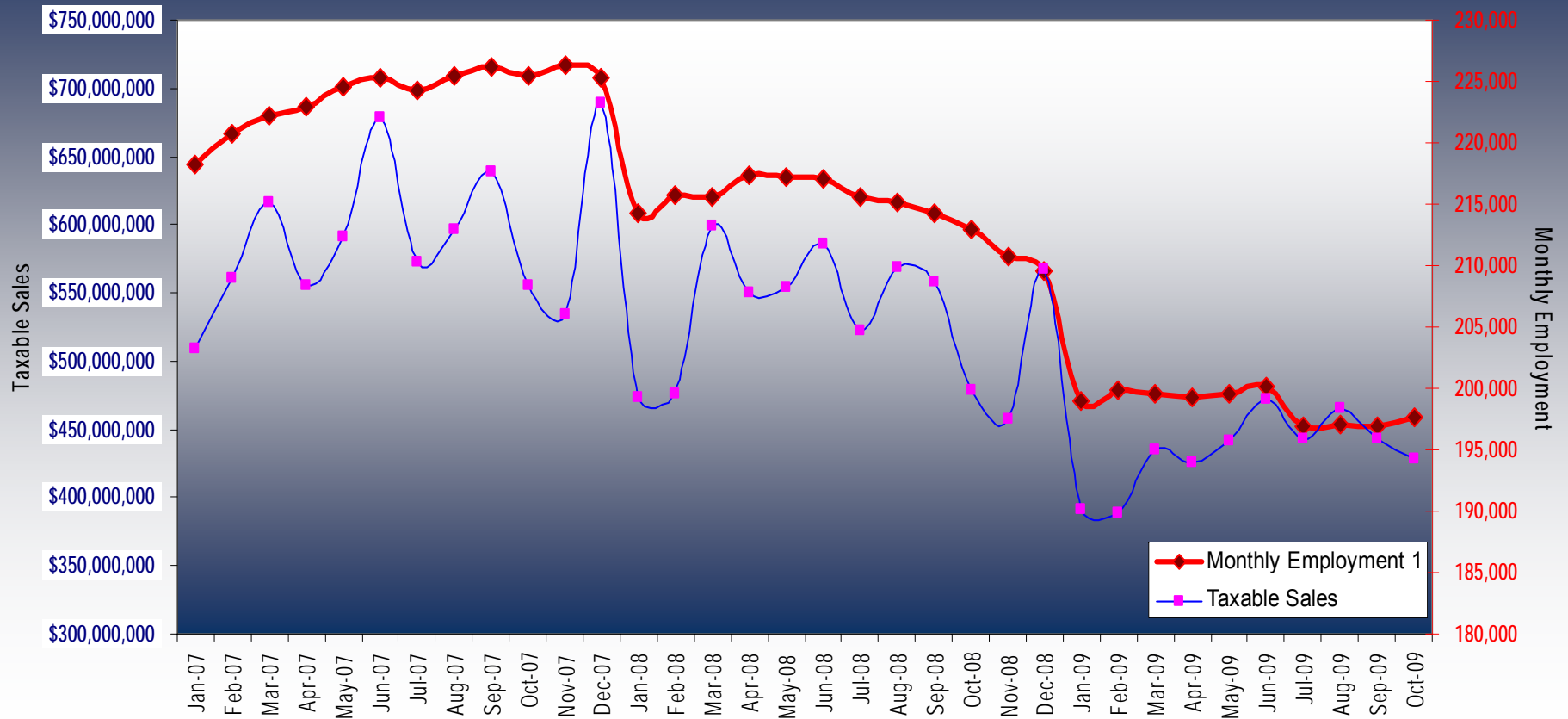


# Current Economic Climate



# Current Economic Climate

## Taxable Sales vs. Employment - Washoe County



# Actions Taken To Address Deficits

In the last three years, local governments have faced significant budget balancing challenges.

To date, those challenges have been met with a number of strategies and reduced their budgets.

# Actions Taken To Address Deficits

	City of Reno	City of Sparks	Washoe County	Washoe County School District
Freeze Vacant Positions	√	√	√	√
Reduction of Service Levels	√	√	√	√
Early Retirement Incentives	√	√	√	√
Wage & Benefit Concessions	√	√	√	
Layoffs	√	√	√	
Reduction of Capital Investments	√	√	√	
Reduction of Supplies	√	√	√	√
Streamline Organizations	√	√	√	√
Use of Reserves	√	√	√	√

# Major Revenue Forecast

The revenue outlook for fiscal year 2010/11 indicates that local governments will again be challenged to stabilize their organizations and provide services to the public

# Major Revenue Forecast

## Property Tax

Entity	Percent Change			FY 10/11 Estimate Operating Fund Impact
	FY 08/09	FY 09/10	FY 10/11	
City of Reno	+ 8.0%	- 1.0%	- 15.0%	(\$6,900,000)
City of Sparks	+ 9.1%	- 7.3 %	- 10.6%	(\$2,300,000)
Washoe County	+ 6.3%	- 1.7%	- 7.0%	(\$11,000,000)
Washoe County School District	+ 4.7%	- 4.0%	- 9.1%	(\$9,600,000)

# Major Revenue Forecast

## Sales Tax

Entity	Percent Change			FY 10/11 Estimate Operating Fund Impact
	FY 08/09	FY 09/10	FY 10/11	
City of Reno	- 15.1%	- 5.0%	- 2.5%	(\$1,200,000)
City of Sparks	- 17.7%	- 5.0%	+ 1.0%	\$191,000
Washoe County	- 15.8%	- 12.7%	- 2.0%	(\$1,500,000)
Washoe County School District *	- 2.3%	- 12.7%	- 3.8%	(\$5,100,000)

\* The LSST was temporarily increased from 2.25% to 2.6% beginning in FY 09/10 & the percent changes are a budget estimate by the Dept of Taxation.

# Structural Deficits

- The economy has rebased and past growth trends are not likely to be repeated
- Lost property tax and sales tax revenue will not return for years
- Revenues that support costs have been rebased
- Rebasing the cost structure is necessary

# Structural Deficits

The Role of Compensation & Benefits: expenses will increase primarily due to labor cost structure

- Employee Costs (all groups)
  - Wages
  - Retirement (PERS)
  - Health Benefits
- Make up about 75% of operating costs and for some services up to 90% of costs
- Imbedded cost growth pressure
  - Wages
  - Merits and Longevity
  - Health Benefits

# New Normal

The rebased economy requires the development of long-term sustainable plans that will close the structural deficits and allow us to continue to serve our citizens