

1st Annual Financial State of the County

March 11, 2013

“Focused on Solutions”



Agenda

- ▶ County Overview
- ▶ Long Range and Strategic Planning
- ▶ Economic Drivers & Financial Challenges
- ▶ Preliminary General Fund 5-year Forecast
- ▶ Priority Based Budgeting Process
- ▶ Challenges and Opportunities
- ▶ Business Partnerships and Job Growth

County Overview

- ▶ 457 full-time employees
- ▶ Over 750 square miles of geographic area
- ▶ \$127 million annual operating budget (all funds)
- ▶ 62 separate funds used to account for Douglas County's financial resources, including:
 - General Fund
 - Special Revenue Funds (i.e. airport, parks/rec, roads)
 - Internal Service Funds
 - Enterprise Funds (water, sewer funds)
 - Capital Construction Funds



County Services

- ▶ Community Support:
 - Cooperative Extension, Senior Center
- ▶ Culture and Recreation:
 - Airport, Library, Parks and Recreation
- ▶ General Government:
 - Assessor, Clerk/Treasurer, Economic Development, General Administration, Recorder
- ▶ Health and Human Services:
 - Public Health
 - Social Services
 - Weed Control



County Services (continued)

▶ Judicial:

- District Courts, Justice Courts, District Attorney, Juvenile Care

▶ Public Safety:

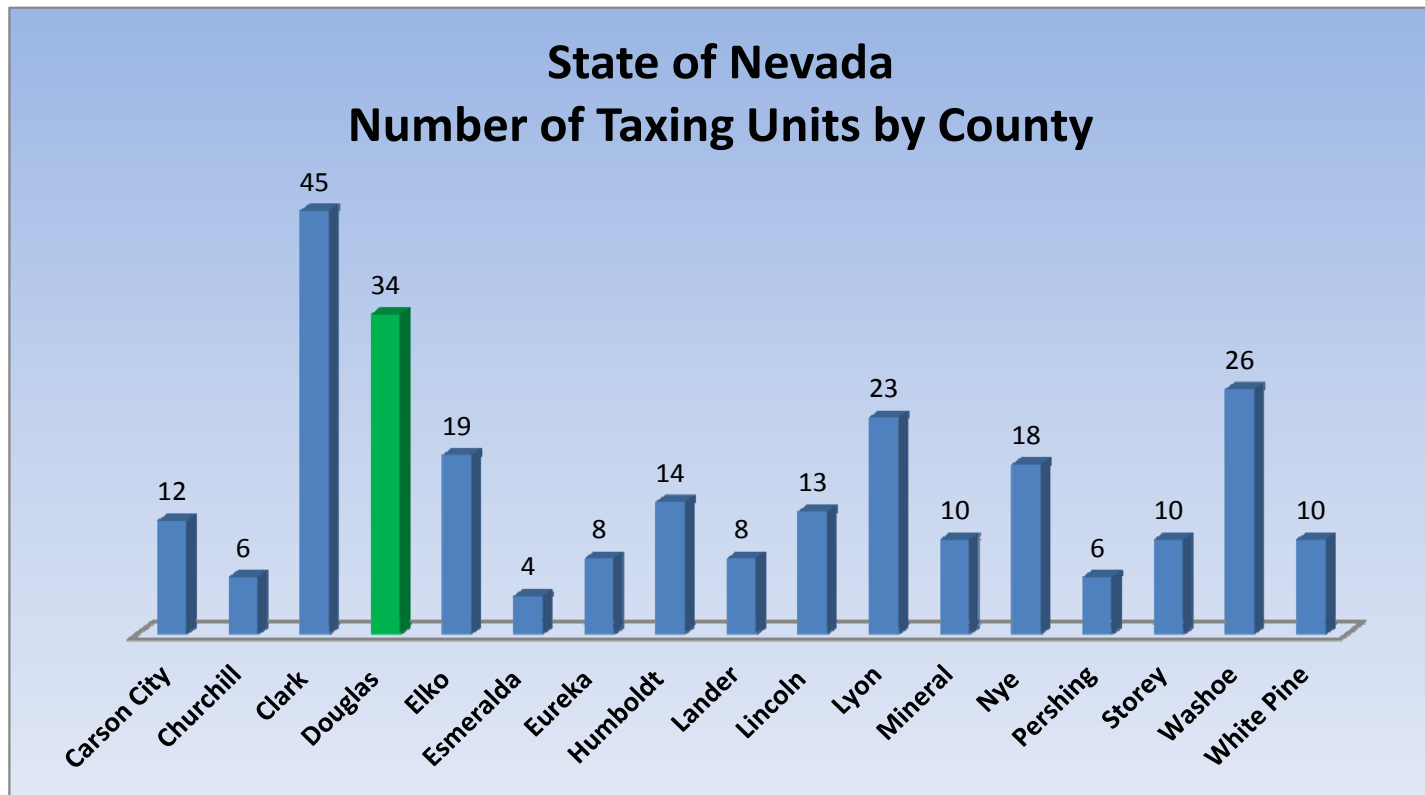
- Animal Care, Fire Protection, Paramedic, Law Enforcement

▶ Public Works:

- Building and Safety, Planning and Building, Street Construction and Maintenance, Water and Sewer, Zoning and Code Enforcement



Towns, GIDs and Special Districts



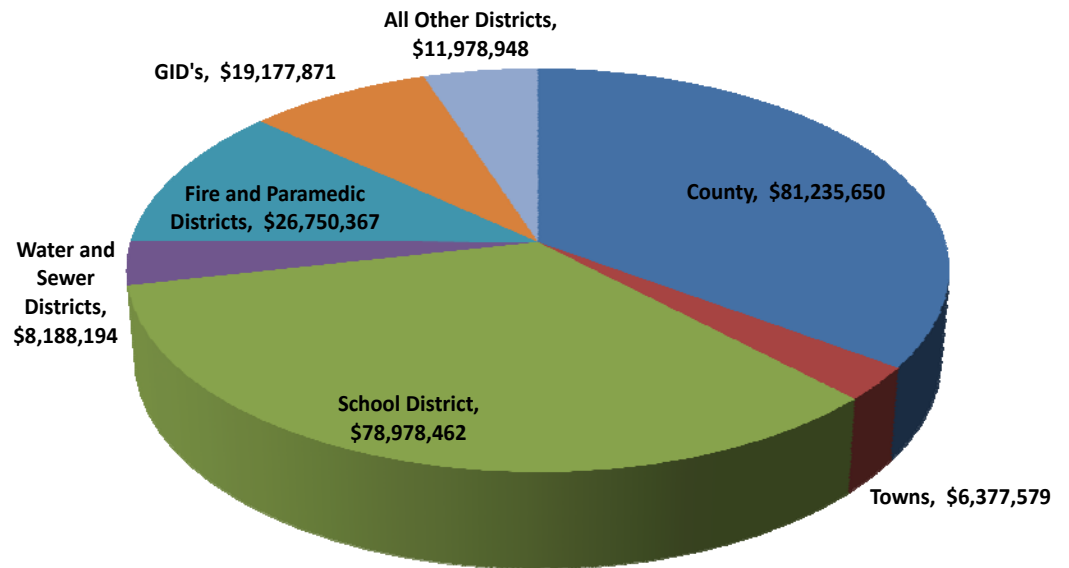
	<u># of Taxing Units</u>	<u>Population</u>	<u>Sq Mi</u>
▶ Clark County	45	1,969,975	247
▶ Douglas County	34	46,886	710
▶ Lyon County	23	51,871	2,001
▶ Carson City	12	55,439	145
▶ State allocates \$20 million in consolidated taxes to Douglas: County receives 53%, and 47% is split with other taxing units			

Towns, GIDs and Special Districts (continued)

34 Independent Taxing Units in Douglas County

1	County
3	Towns
1	School District
1	Redevelopment Agency
1	Mosquito Abatement District
3	Fire & Paramedic Districts
15	General Improvement Districts
1	Swimming Pool District
2	Sanitation Districts
2	Conservancy Districts
3	Water and Sewer Districts
1	Regional Planning District (TRPA)

**Douglas County Taxing Units
by Annual Budget FY 2012-13**



What's Happened In Past 10 Years?

▶ 2003 State of the County:

- Assessed values growing
- Population growing
- Revenues growing
- Business base growing
- Unemployment at 4.9%
- Personnel costs up 10.5%
- Public services growing
- “Investment in county’s infrastructure is needed. Street maintenance is lacking.”

▶ The State of Douglas County was stable, with a positive outlook

▶ 2013:

- Assessed values have declined
- Population has declined
- Revenues flat
- Business base has diversified
- Unemployment at 10.9%
- Personnel costs down
- Leaner, more cost-effective public services

▶ While challenges remain, the State of Douglas County is stronger today than it has been in over five years

▶ Reason to be optimistic if we continue to focus on solutions to our challenges



Long Range Planning

“If you fail to plan, you plan to fail.”

Long Range & Strategic Planning

- ▶ Strategic Plan updated quarterly
- ▶ Departmental Action Plans reported quarterly
- ▶ 5-year Financial Forecast updated annually
- ▶ 5-year Capital Improvement Plan updated annually
- ▶ 5-year Transportation Plan updated annually
- ▶ 20-year Master Plan updated every five years
- ▶ A+ bond rating by Standard & Poor's in 2012
 - “Strong and imbedded financial management practices”



Douglas County Strategic Plan

Vision Statement:

A community to match the scenery!

Mission Statement:

Working together with integrity and accountability, the Douglas County team is dedicated to providing essential and cost-effective public services fostering a safe, healthy, scenic, and vibrant community for the enjoyment of our residents and visitors.

Values:

Integrity
Accountability
Customer Service
Leadership
Communication
Teamwork



Douglas County Strategic Plan

Strategic Priorities & Objectives:

Financial Stability

Public Safety

Economic Vitality

Infrastructure

Natural Environment, Resources & Cultural Heritage

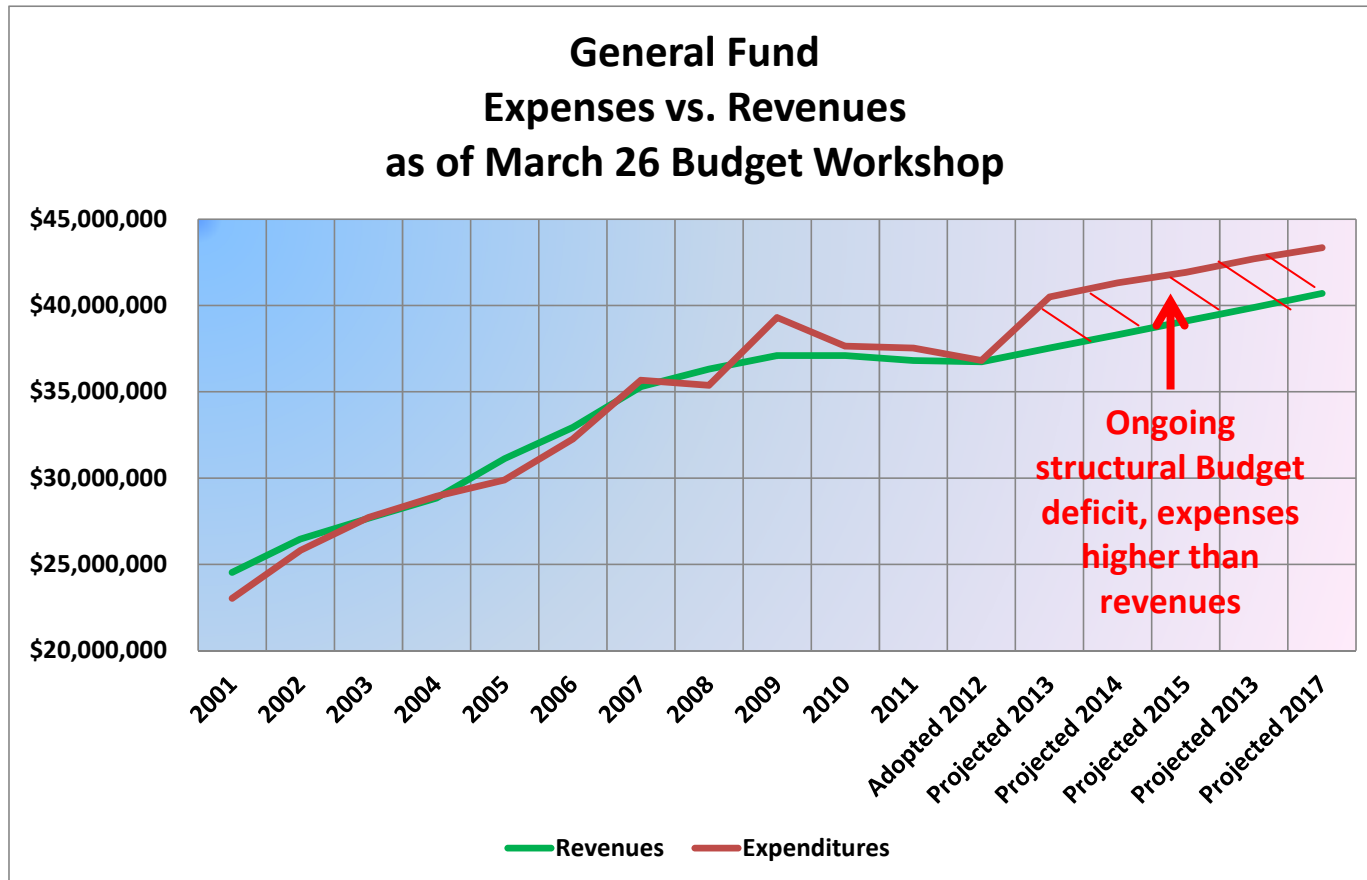
Manage Growth and Change

Challenges to Long-term Financial Stability

- ▶ Slow recovery of national, state and local economy
- ▶ Balance \$3 million annual General Fund budget shortfall over the long-term
- ▶ \$4 million per year needed to maintain roads at current level
- ▶ \$17 million backlog in road maintenance
- ▶ Water and storm water infrastructure needs
- ▶ Goal: balance structural deficit by reducing ongoing expenses and stabilizing ongoing revenues



General Fund Five-Year Projection As Of March 2012 (Last Year)



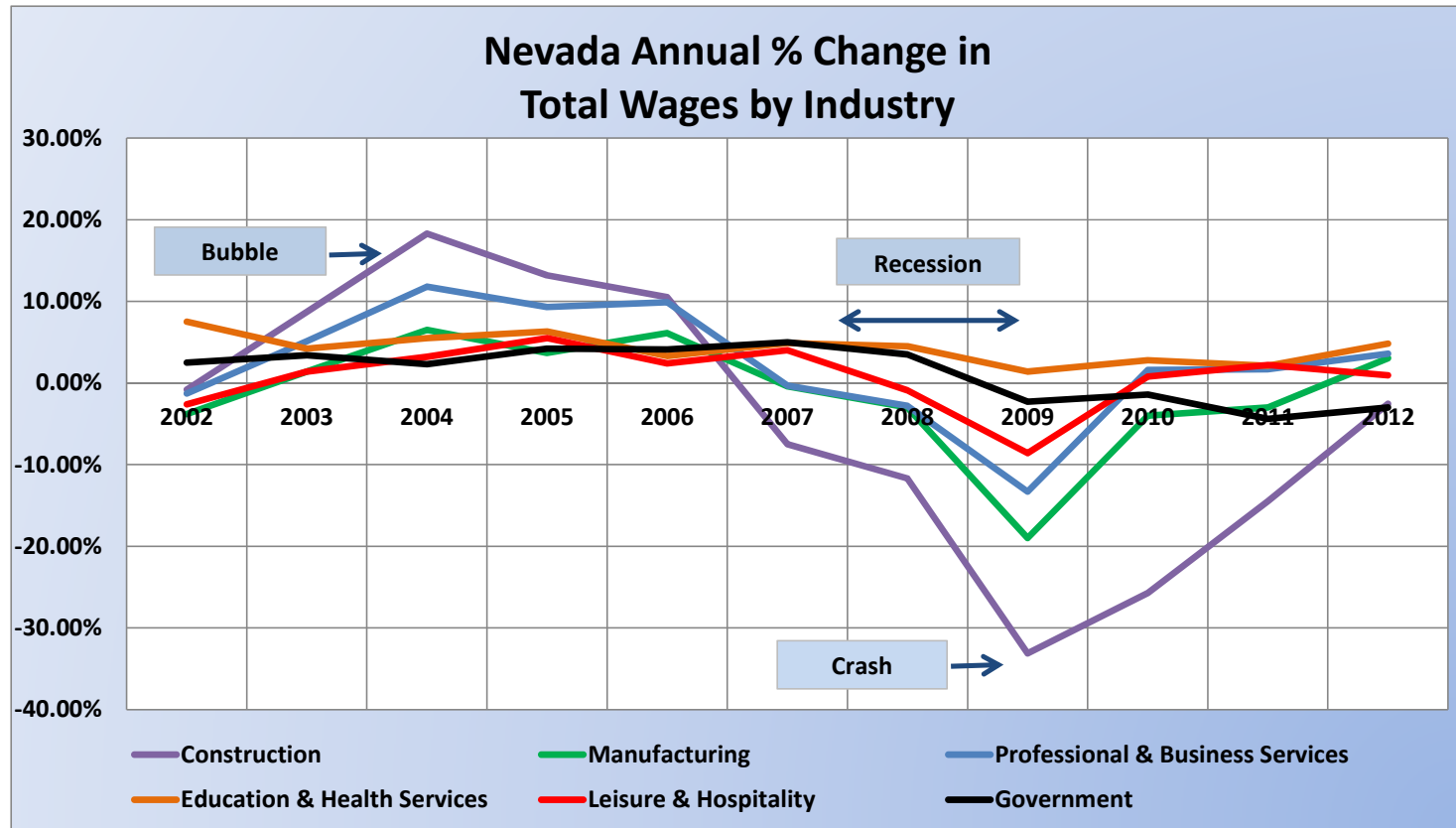
\$3 million annual ongoing structural imbalance in General Fund

Local Economy in Slow Recovery

- ▶ Unemployment = 10.9% in December 2012
 - 4 years above 10%
- ▶ New businesses = 50 since 2011
- ▶ New jobs = +600 since 2011, more projected
- ▶ Housing market – 2012
 - Highest sales since 2005
 - Highest prices since 2006
- ▶ Healthiest County in NV = 2010, 2011 and 2012
- ▶ Tourism industry in transition
 - Gaming revenue down 51% since 2001
- ▶ Education and workforce development
 - 82% high school graduation rate
 - Top rated school district in the State (schooldigger.com)
 - Access to skilled workers a challenge for businesses



Personnel Cost Comparison By Industry State of Nevada



- Education & Health Services most stable industries in Nevada during the economic downturn
- Government and Construction continued to decrease in 2012

Low Tax Structure

Douglas not easy place to talk taxes

The political landscape of Douglas County isn't particularly conducive to building or maintaining infrastructure.

Looking back over some of the biggest controversies over the past two decades, whether growth, utility service or roads, it's all about how the county has worked around the reluctance of voters to tax themselves.

“ The political landscape of Douglas County isn't particularly conducive to building or maintaining infrastructure.

Looking back over some of the biggest controversies over the past two decades, whether growth, utility service or roads, it's all about how the county has worked around the reluctance of voters to tax themselves.”

Editorial from 3/6/13 Record Courier

Low Tax Structure

Douglas County

- ▶ 3.1425 overlapping property tax rate (8th lowest)*
- ▶ 7.1% sales tax (6th lowest)*
- ▶ 2.5% utility operator fee*
- ▶ \$0.04 gas tax*
- ▶ No business license fee*

Carson City

- ▶ 3.5556 overlapping property tax rate
- ▶ 7.475% sales tax
- ▶ 4.5% utility operator fee
- ▶ \$0.09 gas tax
- ▶ Charges business license fee

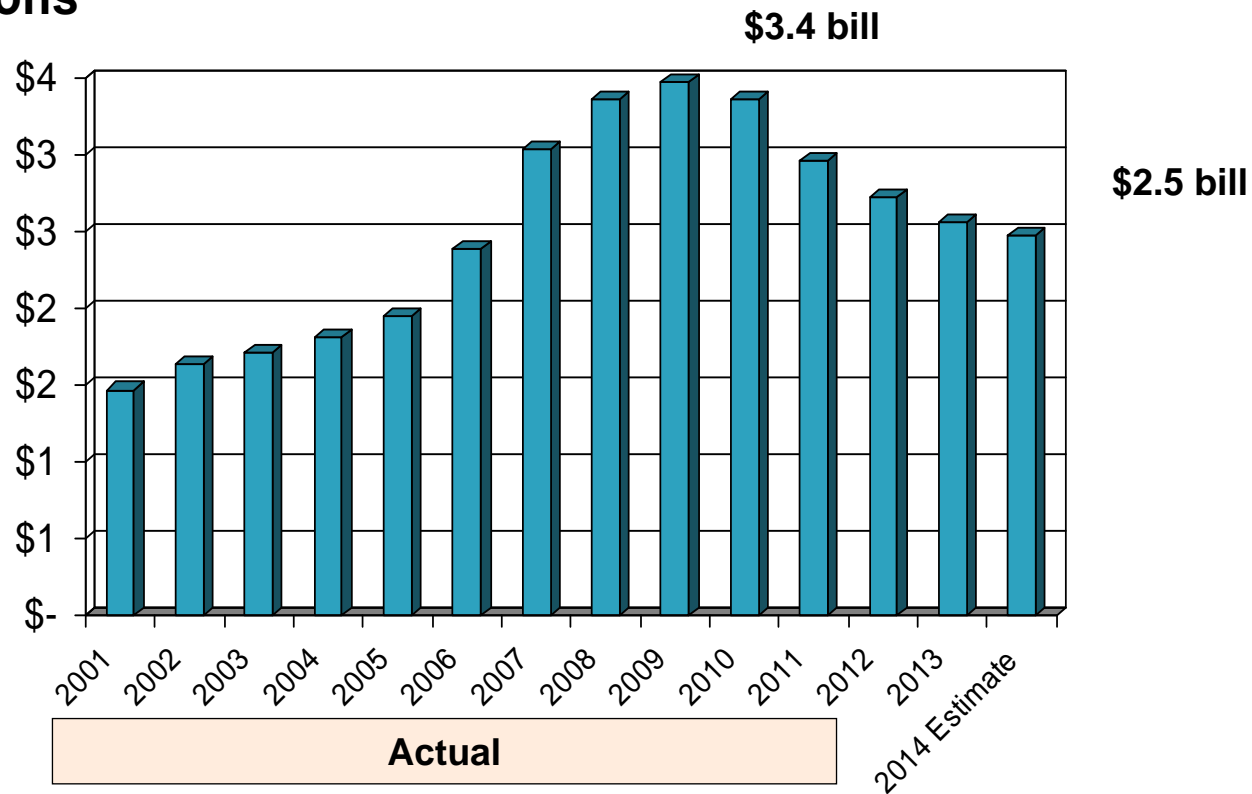
**lower than Lyon, Carson and Washoe counties*



Assessed Value History Secured Property

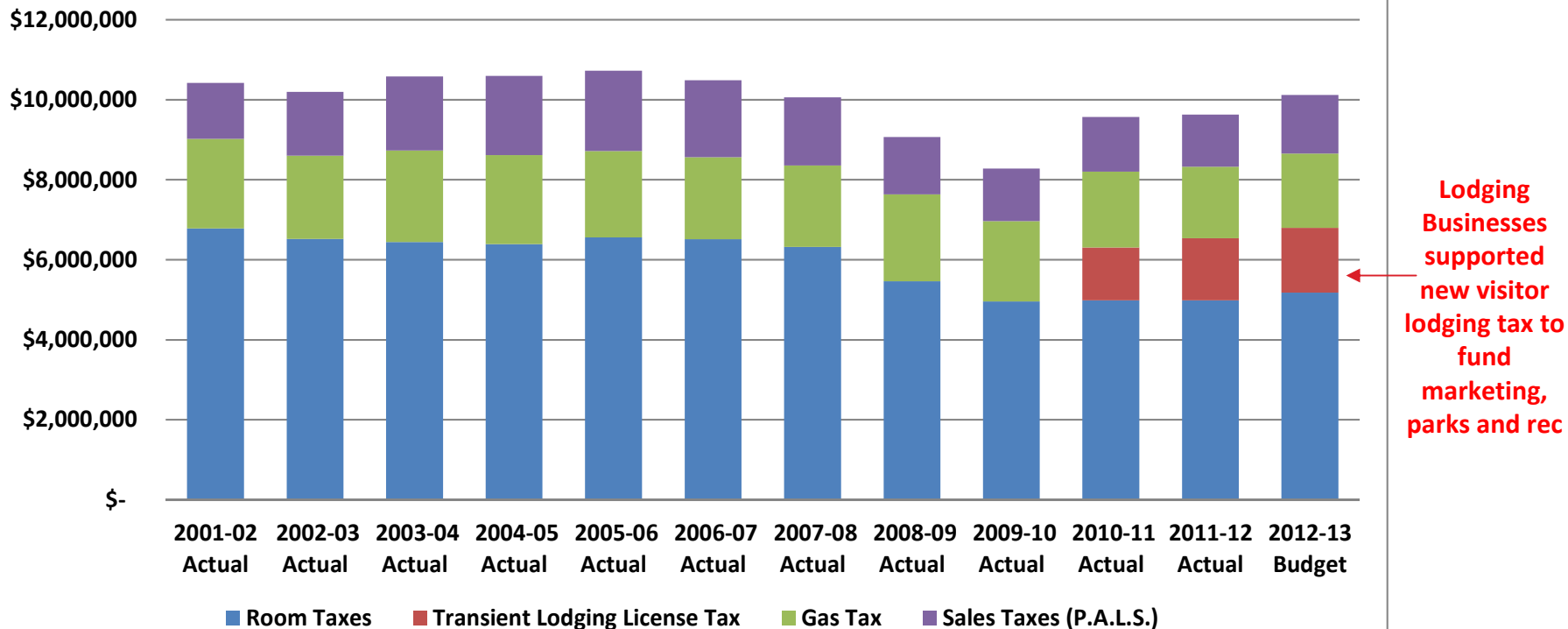
29% decrease from FY08–09 to FY13–14

Billions

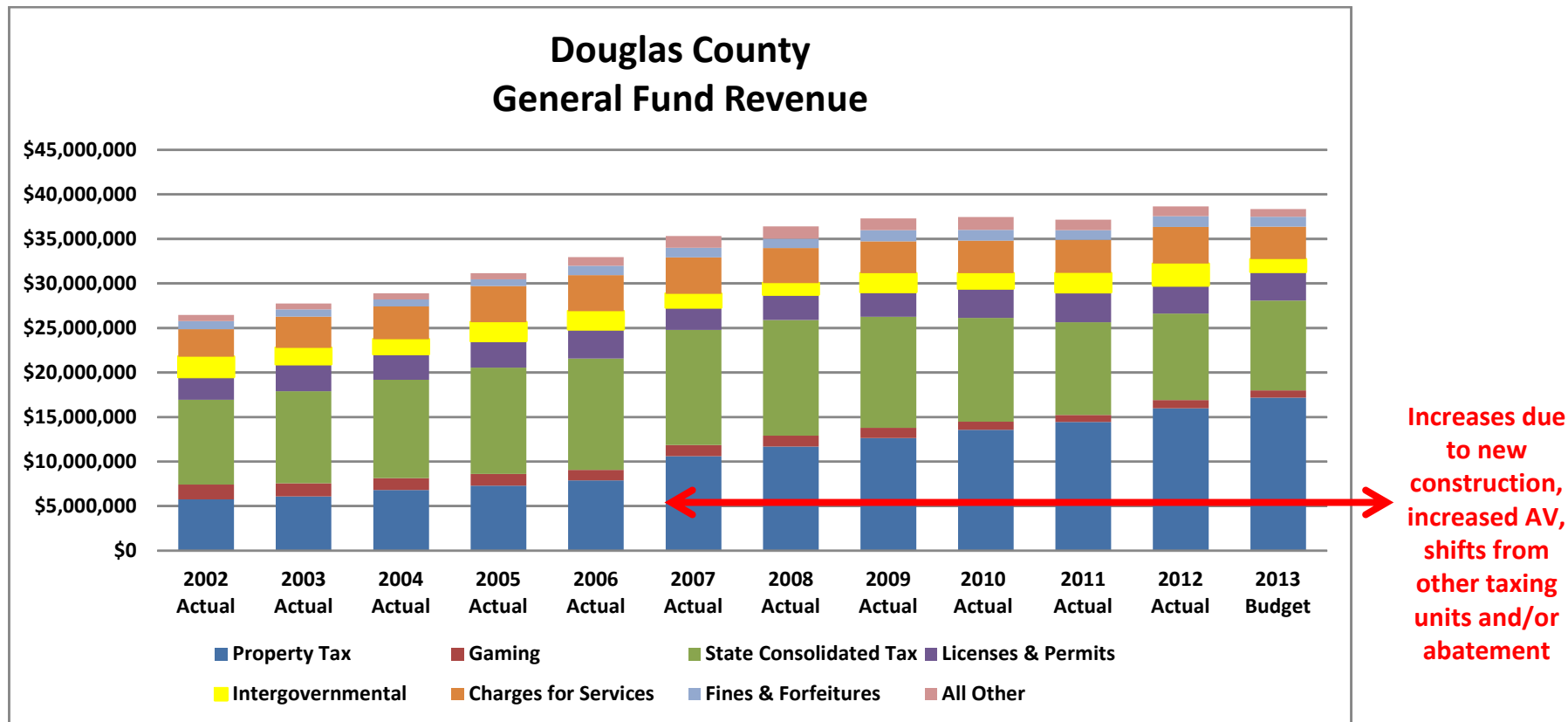


Non-General Fund Revenue

**Douglas County
Major Non-General Fund Revenues**



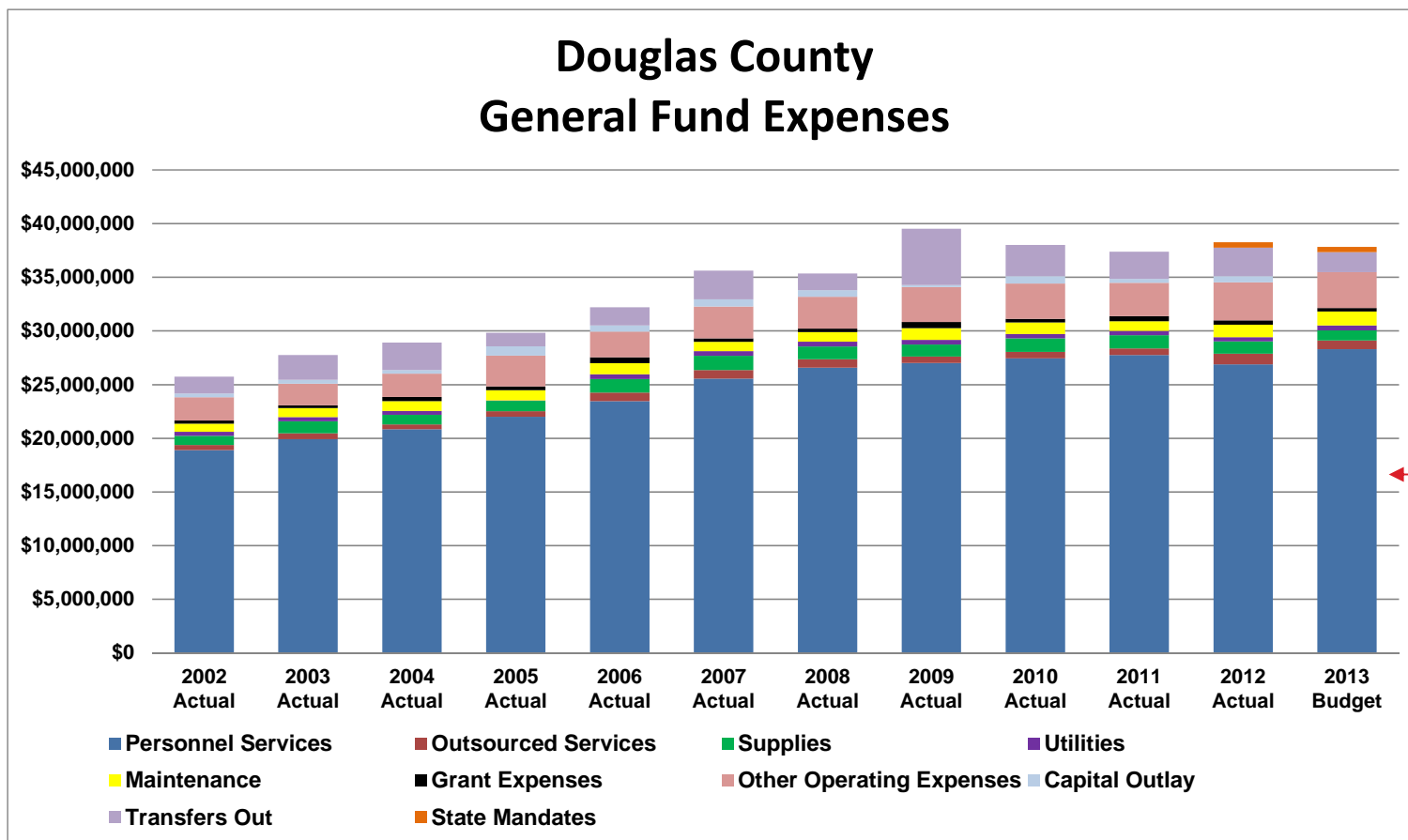
General Fund Revenue



- **Property Tax** revenue increased, despite declines in assessed value (AV) due to abatement and restructure of rates (worked with other County agencies)
- **State Consolidated Taxes** have declined in recent years



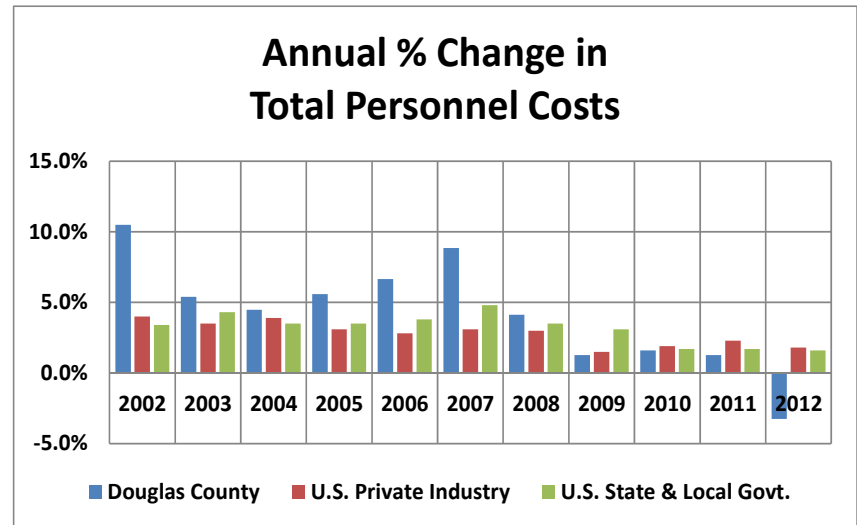
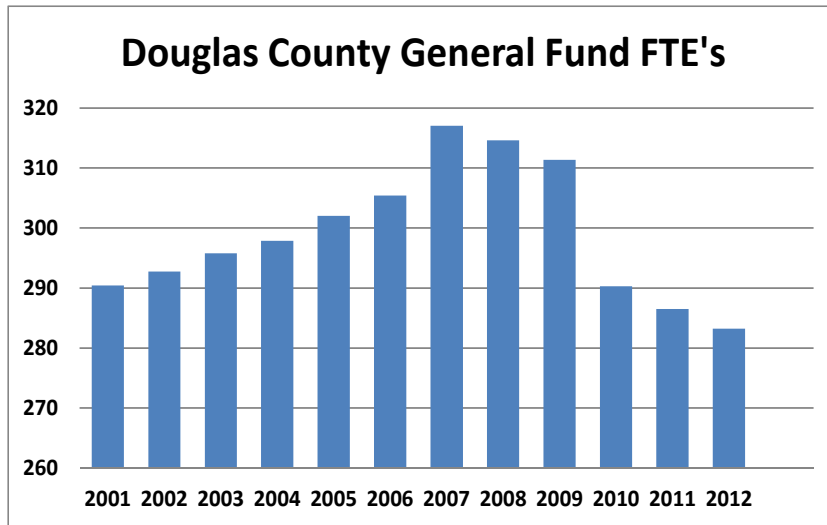
General Fund Expenses



Personnel costs are 72% of budget – private sector average is 70-80%

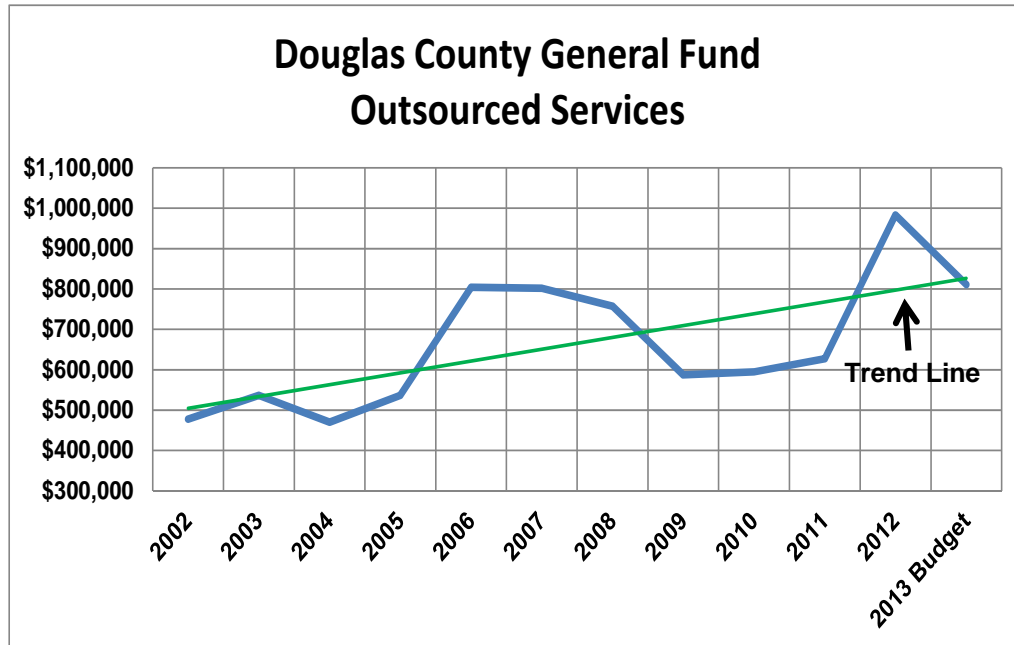
- Personnel expenses stabilized since 2009, due to salary, benefit and position reductions
- State mandates increased \$495,00 annually since 2012
- Outsourced services increased 30% annually since 2012

Personnel Costs (Salary and Benefits)



- From 2002 to 2009 personnel costs increased 42.3%
- Since 2008 approximately 60 staff positions have been eliminated
- Since 2010, employees have absorbed 100% of health insurance increases, average increase has been 10.20% annually
- In 2011, salaries reduced by 5% and no merit increases
- In 2011 average PERS rate increase was 2.6%
- For 2013-2015, multi-year labor contracts in place to slow growth in personnel costs

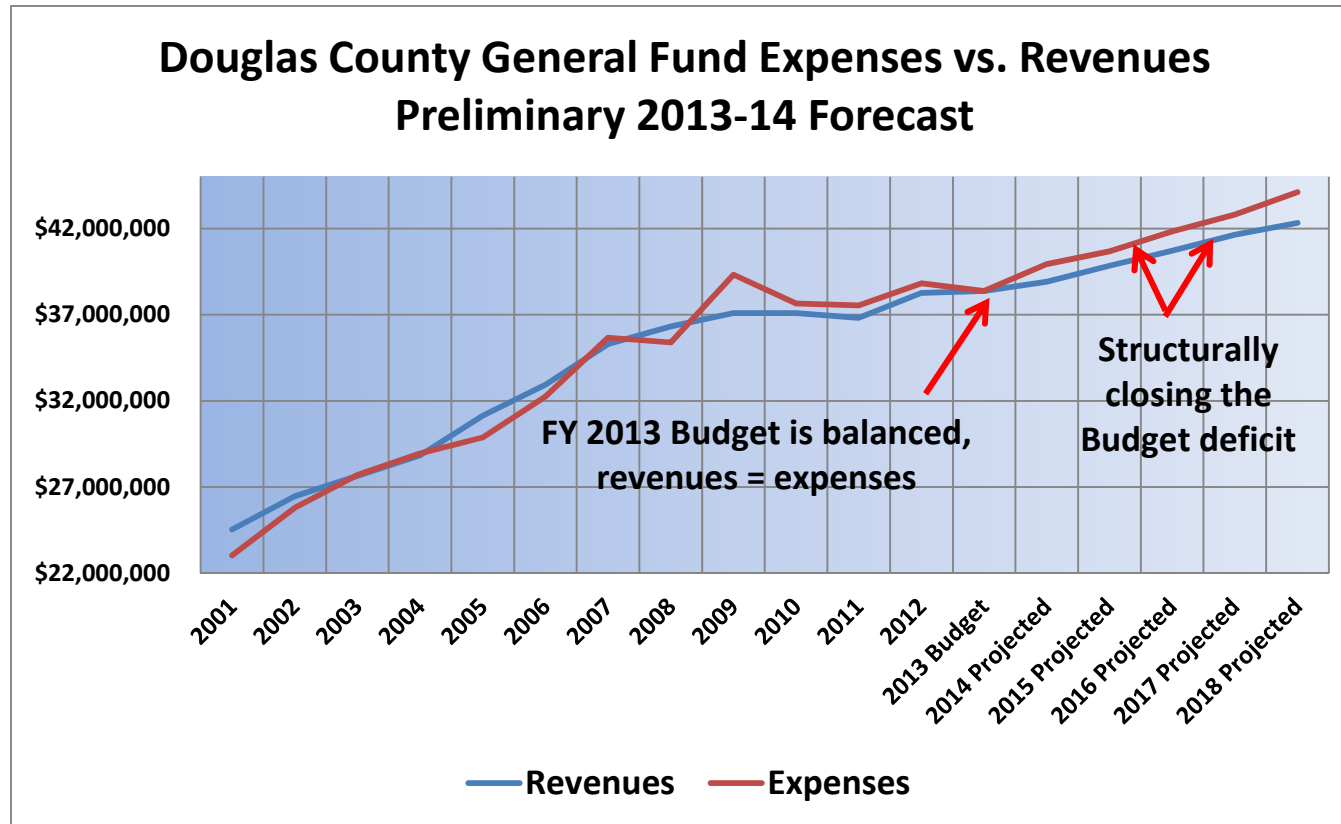
Regional Partnerships, Contracted Services and Consolidations



- GIS services to Carson City, Storey and Lyon Counties (Douglas) - \$330,000 in revenue to General Fund
- City for Signal Light Maintenance (Carson)– Saves \$50,000 per year
- Minden-Tahoe Airport (Private Management Contract) – Saves \$50,000 per year
- Public & Environmental Health (Carson)
- Small Business Counseling (Carson)
- Regional Water System (Douglas)
- Economic Development (NNDA)
- Other outsourced services: Janitorial Services, Public Guardian, Recreation Programs, Printing



General Fund Preliminary Forecast



General Fund Preliminary 5–Year Forecast

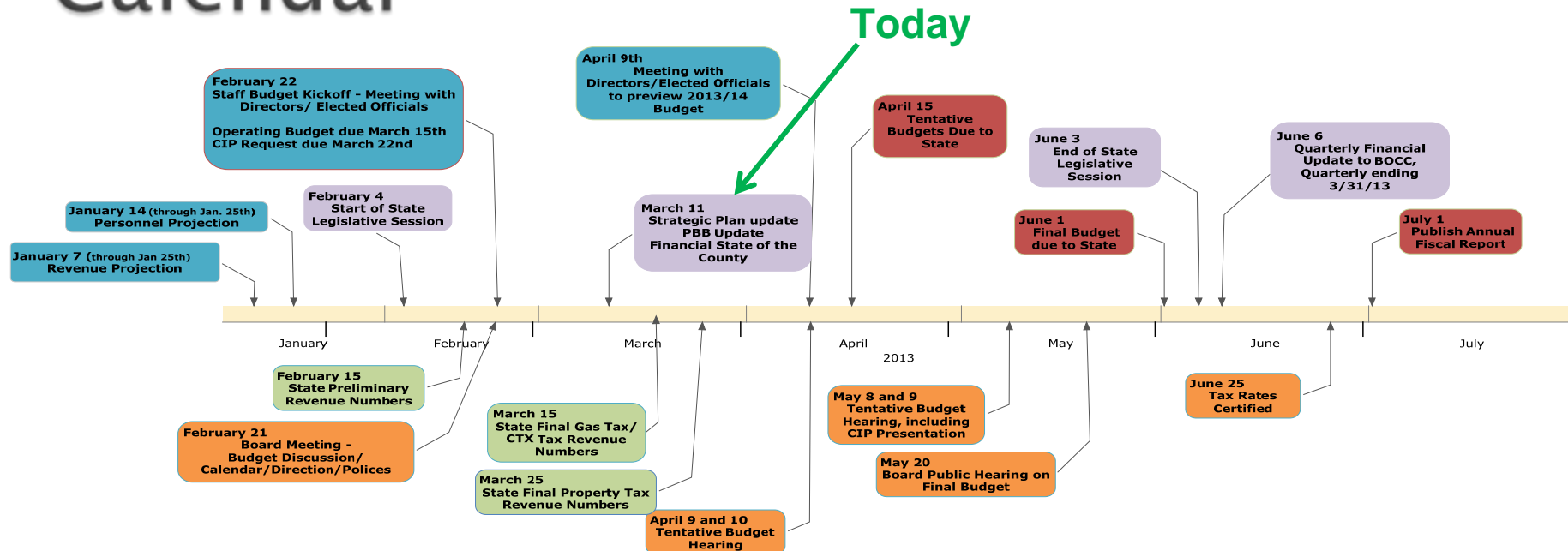
General Fund	2012-13 Budget	2013-14 Projected	2014-15 Projected	2015-16 Projected	2016-17 Projected	2017-18 Projected
Current Operating Revenue:						
Property Tax	17,187,042	17,706,939	18,326,682	18,968,116	19,632,000	20,319,120
State Consolidated Taxes	10,070,293	10,304,831	10,661,525	10,909,683	11,166,478	11,166,478
Licenses & Permits	3,219,500	3,257,500	3,257,500	3,257,500	3,257,500	3,257,500
Gaming	816,000	825,000	825,000	825,000	825,000	825,000
Intergovernmental	1,434,705	1,254,825	1,254,825	1,254,825	1,254,825	1,254,825
Charges for Service	3,655,506	3,528,966	3,528,966	3,528,966	3,528,966	3,528,966
Fines & Forfeitures	1,091,250	1,083,500	1,083,500	1,083,500	1,083,500	1,083,500
Miscellaneous	815,976	822,346	822,346	822,346	822,346	822,346
Transfers In	75,000	75,000	75,000	75,000	75,000	75,000
Current Revenue	38,365,272	38,858,907	39,835,344	40,724,936	41,645,615	42,332,735
Total Operating Resources	38,365,272	38,858,907	39,835,344	40,724,936	41,645,615	42,332,735
Requirements						
Operating:						
Personnel Services	28,298,192	28,661,585	29,096,152	29,982,395	30,705,288	31,734,057
Services & Supplies	7,677,298	7,677,298	7,773,264	7,870,430	7,968,810	8,068,421
Capital Outlay		300,000	300,000	300,000	300,000	300,000
Total Operating	35,975,490	36,638,883	37,169,416	38,152,825	38,974,098	40,102,477
Non-Operating:						
Transfers Out	1,850,150	2,197,650	2,387,650	2,527,650	2,667,650	2,807,650
Contingency	539,632	1,099,166	1,115,082	1,144,585	1,169,223	1,203,074
Total Non-Operating	2,389,782	3,296,816	3,502,732	3,672,235	3,836,873	4,010,724
Total Requirements	38,365,272	39,935,699	40,672,148	41,825,060	42,810,971	44,113,202
Surplus/(Deficit)	-	(1,076,792)	(836,805)	(1,100,124)	(1,165,356)	(1,780,467)

Closing the General Fund Structural Budget Shortfall

► Goals:

- Develop a Balanced Budget for Fiscal Year 2013–2014
- Continue to implement measures to close the structural budget gap in future years
- Use *Priority Based Budgeting* to shift the conversation from across the board budget cuts to focus on value to the community

2013-14 Budget Development Calendar



County Staff/Elected Officials Action	
Jan 7- Jan 25	Revenue Projection
Jan 14 - Jan 25	Personnel Projection
Feb 21 - March 15	Develop Dept. Budget
Feb 21 - March 22	Develop CIP Request
April 9	Budget Meeting (Internal)

County Commissioners Action	
Feb. 21	Board Budget Kickoff Budget Direction/Calendar/Policies/CIP
April 9 and 10	Tentative Budget Hearing
May 8 and 9	Tentative Budget Hearing, Discussion of CIP 5-year plan
May 20	Required Public Hearing
June 25	Property Taxes Certified

Finance Staff Action	
All actions of county staff/ elected officials	
March 16 - June 1 Prepare and analyze budgets with discussions with necessary departments.	
Prepare tentative and final budget in state format for submission to state. (April 15th and June 1st)	

State of Nevada Action	
February 15	Preliminary revenue numbers released
March 15	Final Gas and CTX tax revenues released
March 25	Final property tax revenue numbers release

Board Updates	
Feb 4	Start of Legislative Session
March 11	Strategic Plan Update Priority Based Budgeting Update Financial State of the County
June 3	End of State Legislative Session
June 6	Quarterly Financial Update

Board Actions



Budget Directives

- ▶ General Fund and Special Revenue Funds shall be balanced
- ▶ No new personnel
- ▶ Employee wages reduced by $\frac{1}{2}$ of the scheduled PERS rate increase effective August 1, 2013
- ▶ The County's contribution toward health insurance will remain at FY09–10 amounts (employees fund 100% of increased costs)
- ▶ Services & Supplies are not to increase from the current year (FY12–13) total adopted budget



Why Priority Based Budgeting?

“Value and accountability to taxpayers”

According to Moody's:

- ▶ **Across-the-Board versus Targeted Budget Cuts:**
 - *“Across-the-board cuts can be a way to avoid tough decisions”*
 - *“Targeted cuts require a serious discussion of community values, relative benefits of different services, and long-term implications”*

- ▶ **Rating agencies want to know how local governments plan for and respond to financial challenges over the long term**
 - *“Making targeted cuts can demonstrate a more strategic approach to managing the fiscal crisis”*

What is Priority Based Budgeting?

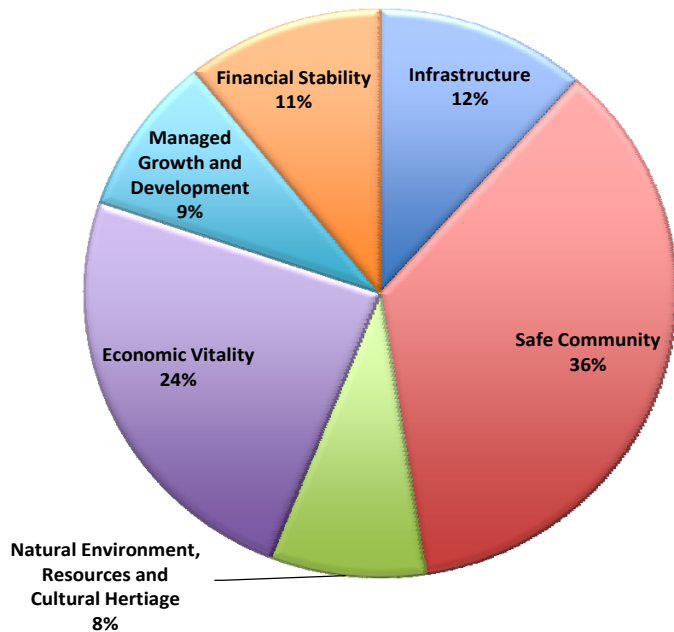
- A long-term organizational change in local government budgeting to evaluate programs and services, and allocate resources based on priorities set by the Board and public
 - Invest in priorities established by Board and public
 - Continually improve efficiency and cost-effective services
 - Recover costs within programs
 - Pursue alternative service providers/regional collaboration

Priority Based Budgeting

How we invest
taxpayer funds today



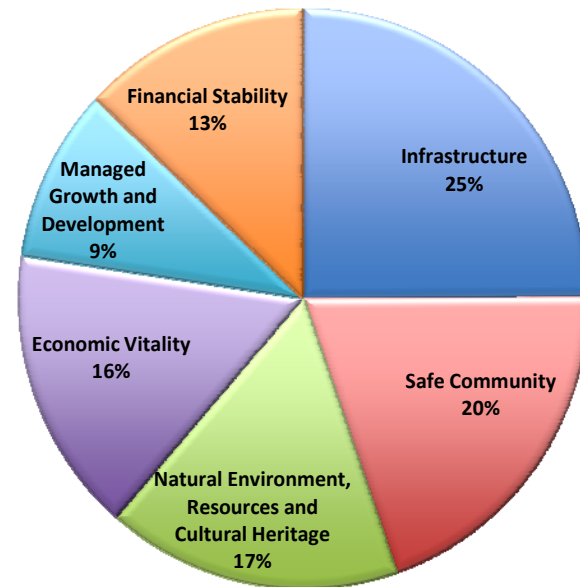
**Douglas County
Current Investments**



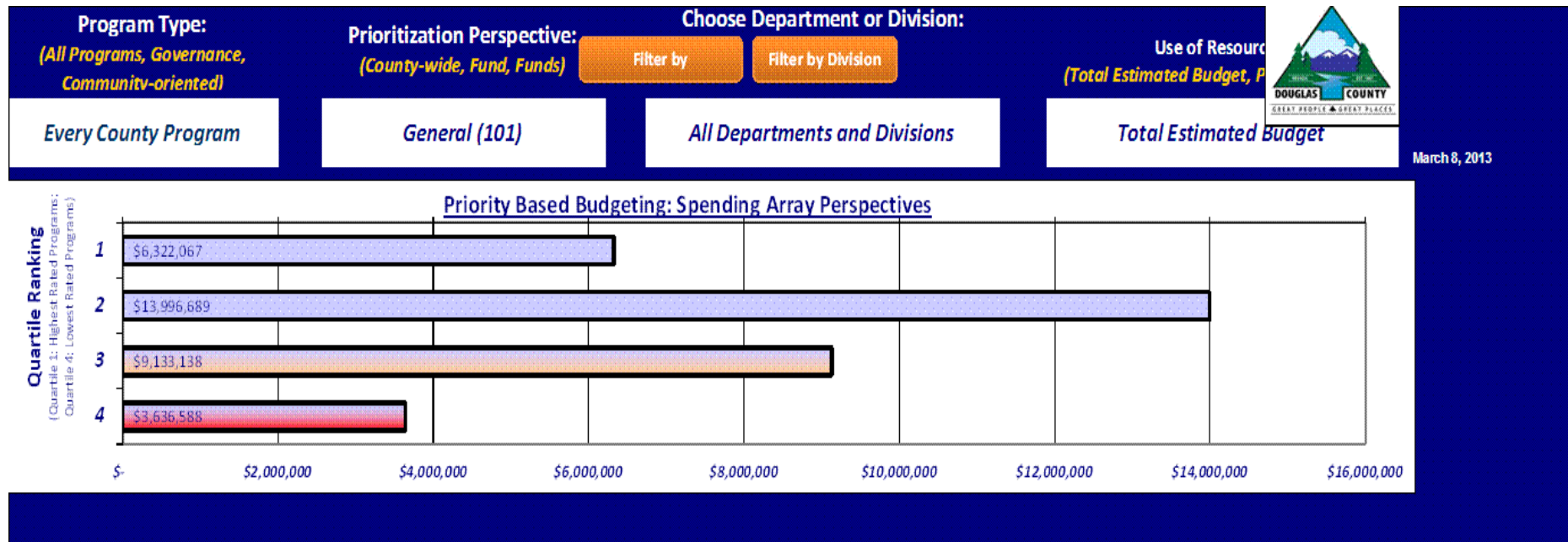
How the Budget Challenge respondents said
we should be investing taxpayer funds



**Douglas County
Budget Challenge**



Priority Based Budgeting – General Fund



- Programs in quartiles 1 and 2 are meeting priorities
- Programs in quartiles 3 and 4 may be required for another reason (federal/state mandate) and will be analyzed to determine opportunities for improvement

Priority Based Budgeting

Outcomes to date:

- Eliminated Home Occupation Permits
- Eliminated Notary Services
- Reorganized Finance Department
- Evaluating other department reorganizations
- Reviewed DMV services at Lake Tahoe
- Evaluating Utility Billing improvements

Solutions to Financial Stability

- ✓ Reduced and stabilized personnel costs
- ✓ Stabilized revenues through shift of existing property taxes from other taxing units
- ✓ Implemented regional partnerships, consolidations and privatization
- ✓ Shifting property taxes to road maintenance
- ✓ Focusing on priorities to ensure highest value to taxpayers

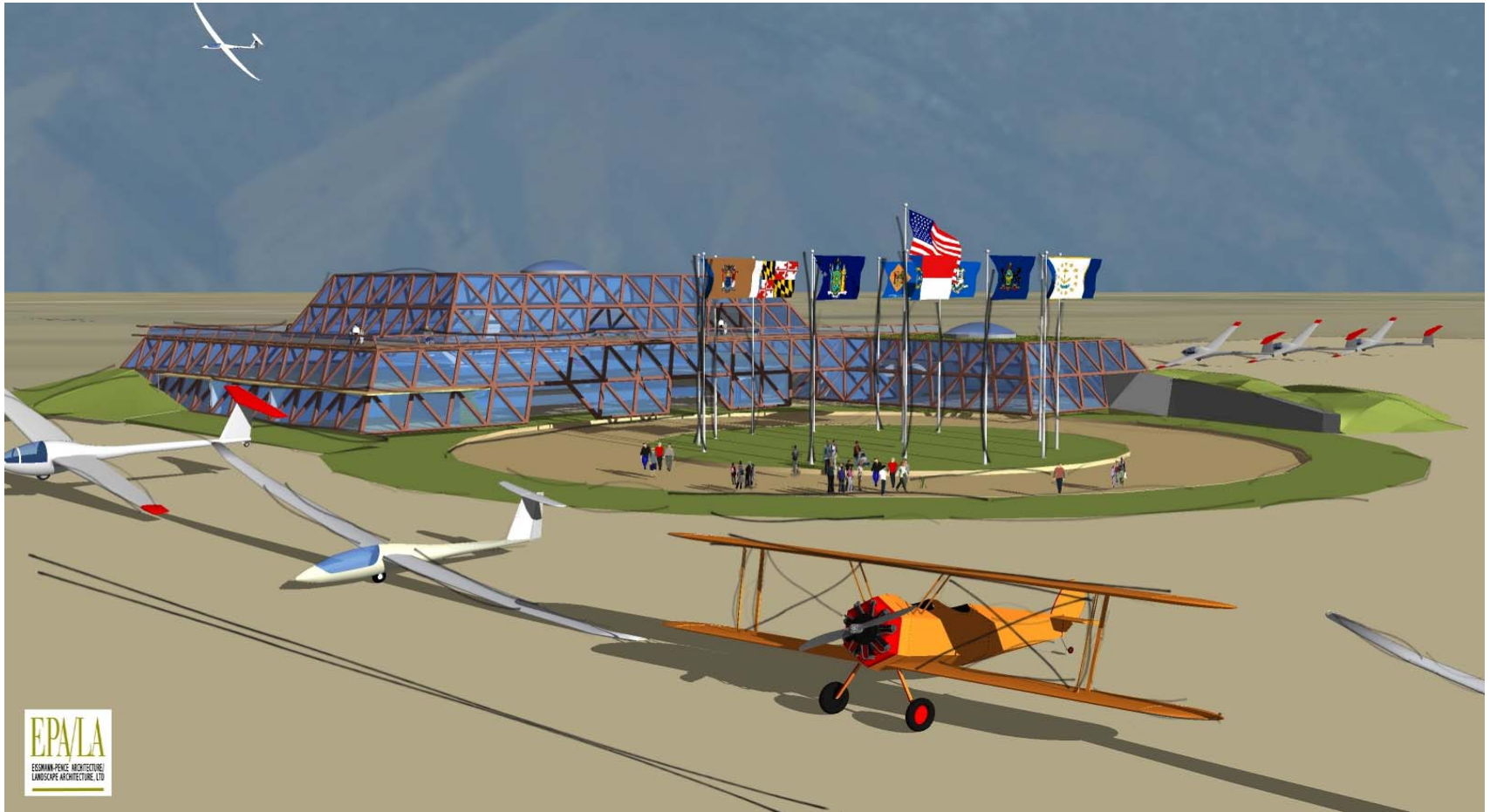


Challenges and Opportunities

“Focused on Solutions”

Minden-Tahoe Airport

"The only financially self-sufficient General Aviation airport in Nevada"



Community and Senior Center



GYMNASIUM - LEVEL 2



DINING ROOM INTERIOR



Genoa Revitalization



South Shore Vision – Lake Tahoe Revitalization

What if the South Shore . . .

Looked like this . . .



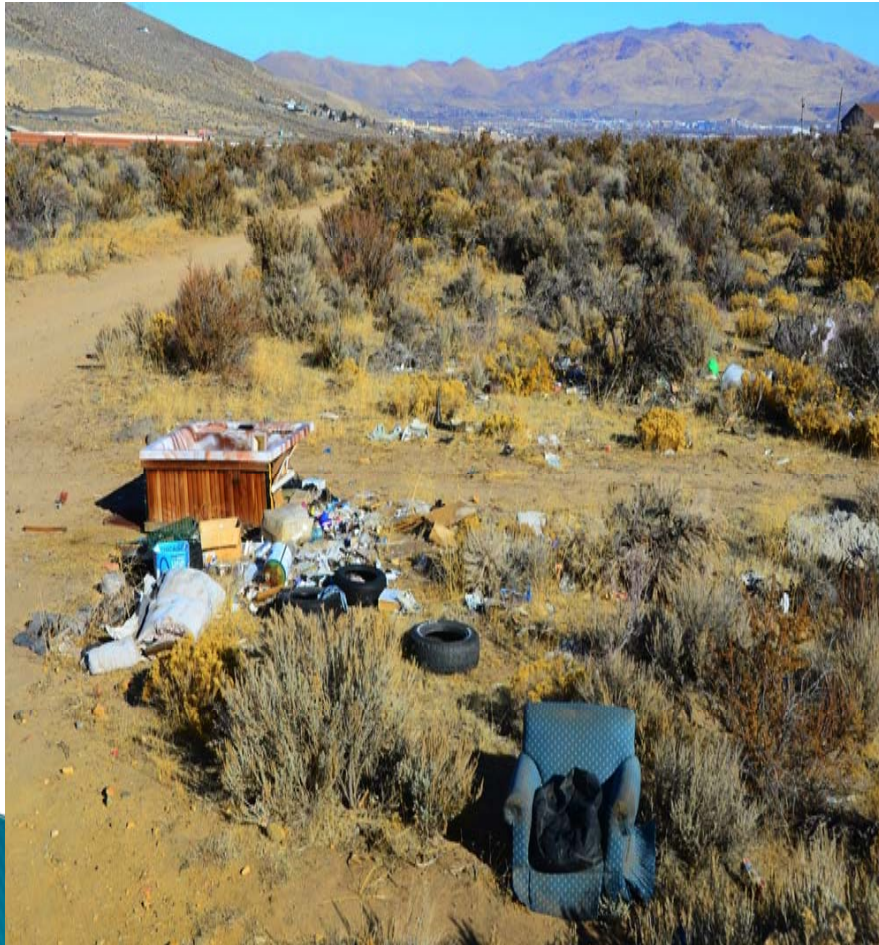
Valley Vision – Minden/Gardnerville Revitalization

What do we want our Main Street to look like?

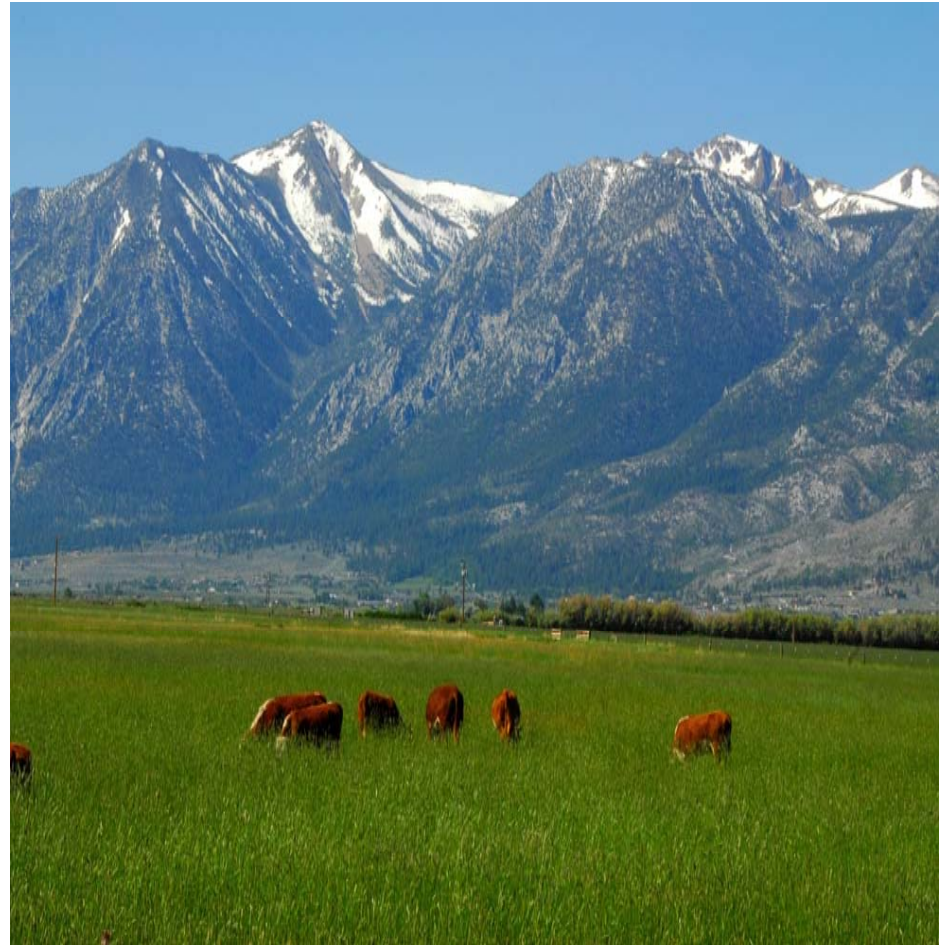


Federal Lands Bill

Sell this land . . .



To protect this land . . .



FEMA Flood Maps

- ▶ 2008 – FEMA issued new maps
- ▶ 2009 – County sued FEMA based on flawed data
- ▶ 2012 – Independent Scientific Panel ruled “FEMA’s data is flawed”
- ▶ 2013 – FEMA agrees to allow County to remap areas and vows to “expeditiously approve” new maps
- ▶ County goal: 1) get FEMA to approve new maps ASAP using County data; 2) pursue flood insurance and taxpayer reimbursement from FEMA



Water Rates and Infrastructure

Carson Valley

- ▶ Consolidated County's four water systems in 2012
- ▶ Stabilized rates in short term
- ▶ Begin to analyze benefits of reducing duplication of water and sewer services in Valley

Lake Tahoe

- ▶ Board pursuing consolidation of three County systems in 2013
- ▶ Goal is to stabilize rates, but there are significant challenges with existing debt and future capital expenses



Road Maintenance



“The Pothole Cliff”

- ▶ County maintains 230 miles
- ▶ Pavement Condition Index (PCI) = 62 “fair”
- ▶ PCI will drop to “poor” by 2016 if nothing is done
- ▶ County spends 5% of the amount Gardnerville spends
- ▶ \$4 million per year is needed to keep current level
- ▶ Board began shifting existing property taxes to roads in 2013

Business Partnerships

“We look for solutions, not obstacles”

- ▶ Changed Light Industrial zoning to allow recreation
- ▶ Changed zoning to allow special occasion homes
- ▶ Chamber “Local First” campaign
- ▶ Bently Biofuels pilot program with County
- ▶ Work with expanding businesses to ensure success
- ▶ Sierra Colina “Friend of the Court” brief
- ▶ Potential partnership with Barton at Kahle
- ▶ Reviewing sign ordinance for improvements



Citizen Engagement

- ▶ Airport
- ▶ Community and Senior Center
- ▶ Economic Vitality
- ▶ Water
- ▶ Roads
- ▶ Budget Challenge
- ▶ Public workshops
- ▶ Monthly online Q&A
- ▶ YouTube
- ▶ Newsletters
- ▶ How can we improve?



Economic Vitality and Job Growth

We cannot cut our way out,
We cannot tax our way out,
We can only grow our way out.

– Governor Brian Sandoval

Nevada – where ideas become successful

- ▶ NV Home prices are up 10%+ – could go higher
- ▶ Rural regions grow faster
- ▶ Manufacturing is a lead indicator – Douglas ★
- ▶ Innovation breeds a success – Douglas ★
- ▶ Where is our growth coming from?



Douglas County 2011–2014

- ▶ 50 new companies – 22 manufacturing related
- ▶ 4 Expansions
- ▶ 700 direct jobs – three years
- ▶ 1300 indirect jobs – three years

- ▶ 4 Companies are relocating
- ▶ ~200 jobs
- ▶ ~350 indirect jobs



Live and Work Where You Vacation



... our backyard is bigger than yours.

Live and work where you vacation. Douglas County, Nevada

Explore the largest concentration of ski resorts in North American, all within a 20-60 minute drive

Play 39 golf courses within a 60 mile radius

Stomp a dusty trail amongst hundreds of miles of hiking & biking trails

Camping options too numerous to mention

Boating ...

Gaming ...

Entertainment ...

Hiking

Boating

Skiing

Fishing

Golfing

Kayaking

Horseback riding

Cycling

Mountain Biking

OHV Trails

Fishing

Mountain climbing

Sunbathing

You're in Good Company



Anything can happen
with the proper inspiration.

Welcome to the
technology center of Nevada.

You're in good company.

Starbucks Roasting Plants
one of five in the world

GE Energy
known for world class condition and vibration monitoring
one of the states largest overseas exporters for over 50 years

Metalast
Inventors of the hex-chrome replacement
(came to light in the Erin Brockovich movie)

North Sails
makers of sails for the Americas Cup Racing boats

Global Sun, Wind and Energy Corp
maker and patent owner for wind turbine technology
powering the base camp at Mount Everest for over 18 years

Aqua Sun International
solar water purification technology
making water available to impoverished areas around the world



 Improve The State
Of Your Business

Growth...Business, Personal, Financial



The trail to prosperity begins here.

Business growth. Personal growth. Financial growth.

Douglas County, Nevada – a perfect place to watch your kids grow; a region with opportunity, industry, technology, a superior quality of life and an attractive tax structure:

No Corporate Income Tax

No Personal Income Tax

No Franchise Tax on Income

No Inheritance or Gift Tax

No Unitary Tax

No Estate Tax*

Competitive Sales and Property Tax Rates

Minimal Employer Payroll Tax - 0.63% of gross wages with deductions for employer paid health insurance

* A small assessed "pick-up tax" that cannot exceed the maximum allowable credit



Improve The State
Of Your Business

It's All About Priorities



Rush Hour

It's all about priorities.

Douglas County, Nevada.

Moving to the Sierra Region of Nevada is not
just about saving money and increasing your bottom line –
it's about increasing your quality of life ... adding hours to your day.

Less work commute

Lower crime rate

Cleaner air

Friendly communities

Outstanding outdoor recreation

Summary

- ▶ On a path to long-term financial stability
- ▶ Leaner and more cost-effective government
- ▶ Creating a community to match the scenery
- ▶ Need to invest in infrastructure maintenance
- ▶ Stronger today than we have been in the past five years
- ▶ Reason to be optimistic if we continue to focus on solutions to our challenges



Thank you for attending!

Please contact us at:
County Manager's Office
(775) 782-9821

smokrohisky@co.douglas.nv.us
www.douglascountynv.gov

