
COVID 19 CRISIS FINANCIAL IMPACTS & MITIGATION STRATEGIES

ACTING TO FLATTEN THE (FINANCIAL IMPACT) CURVE.....

COVID 19 CRISIS FINANCIAL IMPACT – ECONOMIC UNCERTAINTY

- Sharp decline expected in GDP - magnitude similar to 2008 Great Recession, but downward slide will be faster with possible duration of 12-18 months
- Business closures and layoffs – in the past 3 weeks nearly **17 million** unemployment claims filed! Unemployment rate expected to exceed the peak of the Great Recession
- Consumer Sentiment has fallen to levels not seen since 2011
- Federal Reserve responding – interest rates near zero
- Municipal Bond Market – frozen, no demand and massive sell offs impacting local governments ability to borrow creating cash flow problems
- Revenues Declining – C-Tax will be down sharply, and all others impacted too
- Expenses Increasing – due to immediate public health emergency response costs

Bottom Line: We are dealing with both a short-term emergency response and the long-term economic impacts of a recession!

FINANCIAL IMPACT – COULD IMPACT 3 FISCAL YEARS

Falling Revenues:

C-Tax (primarily sales taxes)

Infrastructure Sales Tax

Government Services Tax

Property Tax

Real Property Transfer Tax

Gaming Taxes

Room Taxes

Building Permits

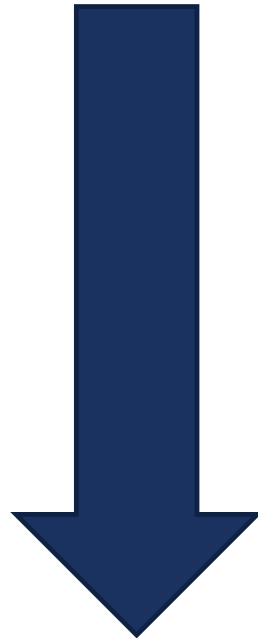
Business Licenses

User Fees

Utility Charges

Connection Fees

State Pass Throughs



Growing Costs:

REMSA Call Center

PPE –masks, suits, gloves, etc.

Testing Facilities and Supplies

Handwashing Stations/Sani Huts

Well Care Services

Edison Housing for quarantine

Food, Generators, laundry, utilities

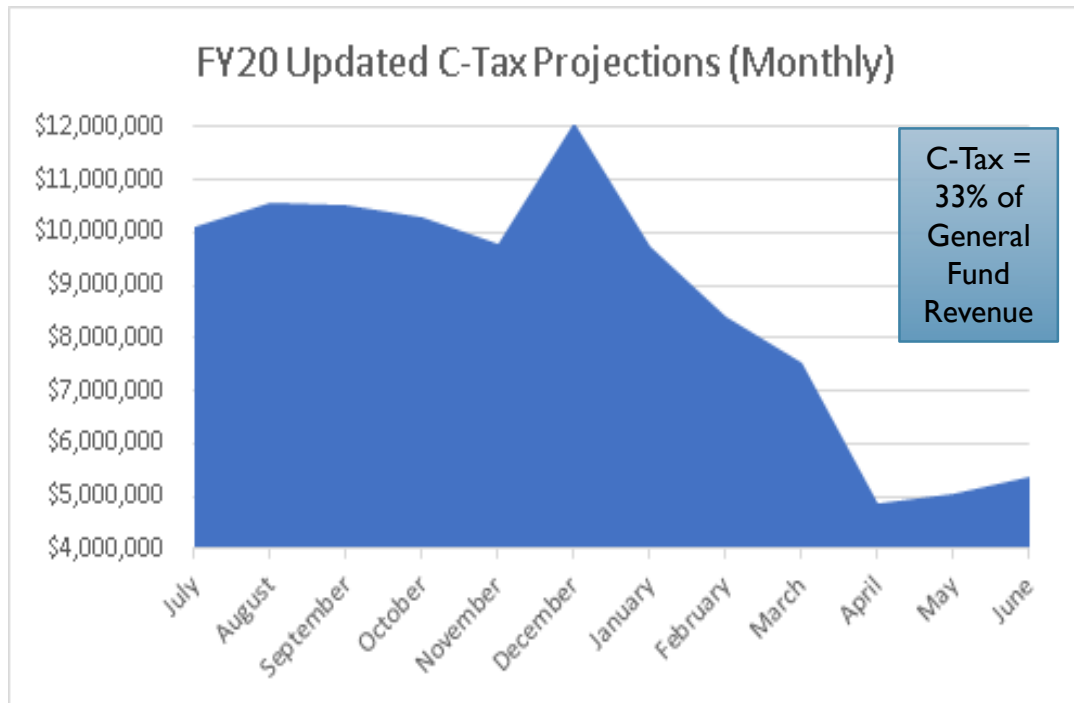
Alternative medical facilities

Morgue Trailer/Storage

Alternative Care Site



FINANCIAL IMPACTS – COSTS FY 2020 (MARCH – JUNE)



- Current estimates for loss of revenue plus emergency response costs currently estimated to exceed \$27 million in financial impact
- Things are changing daily, more costs are coming, don't know how much it will cost or how long the emergency will last
- Washoe County is the agency paying the all bills, FEMA reimbursements possible, but can take years to receive
- Costs not reimbursed by FEMA to be shared with Reno and Sparks per interlocal agreement

DECISIVE ACTION IS NEEDED TO MITIGATE FINANCIAL IMPACT

1. Uncertainty is a characteristic of risk – local government is in the business of managing risk, not taking risk. Early action is a form of **RISK MANAGEMENT!**
2. Local Government revenues took more than a decade to recover since Great Recession, and staffing levels are still less than they were 10 years ago
3. Need to take swift action – those that were slow to react last time were hit harder and for greater costs, longer term
4. Not acting now is taking the position that “everything will be okay”:
 - If true, can reinstate whatever was delayed or reduced.
 - If disastrous, it may take another decade to recover.
5. Decisive action will allow the most flexibility in maintaining staffing/service levels and avoiding more drastic cuts later.

FINANCIAL IMPACT MITIGATION GOALS

Maintain Services

- Focus on priorities to support public health
- May need to reduce service levels in some areas
- Keep communication going at all levels!

Keep Employees Working

- Look across departments, redeploy employees who cannot work remotely to other areas of need
- Requires a unified approach – BCC, management, labor, and community

Use Reserves Wisely

- Early action is needed to also reduce expenditures – may need reserves to last for several years!

IMMEDIATE ACTIONS – THRU JUNE 30, 2020

\$5.4 million available in General Fund contingency budget is not enough, we will need to take other immediate measures:

- Hiring Freeze/Reallocation of Salary Savings
- Purchase Freeze on All Non-Mission Critical Contracts and Expenses
- No carryforward expenses into FY 2021
- General Fund CIP Transfer Reduction (Project Deferrals)
- Utilize Stabilization Fund (\$3 million)
- Use of General Fund Balance (for one time financial impacts)
- Other Solutions (assistance requested from departments)

MITIGATING FINANCIAL IMPACT THRU JUNE 30, 2020

Estimated Revenue Impacts through June 30th, 2020

C-Tax	\$(16,600,000)
Parks User Fees	\$(250,000)
AB104 Gaming Tax	\$(215,000)
Room Tax	\$(41,000)
Total Estimated Revenue Reduction	\$(17,106,000)
Total Estimated COVID 19 Emergency Response Expenses	\$(9,884,196)
Total Estimated Net Impact	\$(26,990,196)
Total Estimated Net Offset Measures	\$16,310,600
Variance - Reduction Impact to Ending Fund Balance	\$(10,679,596)

Measures to Address Impacts through June 30th, 2020

Reallocate Remaining FY20 Contingency Budget	\$5,397,000
Utilize Stabilization Reserve (Use)	\$3,000,000
Transfer from Risk Management Fund (Source)	\$3,000,000
Reduce Transfer to CIP (Use)	\$2,100,000
Salary Savings	\$1,800,000
Purchasing Savings (Use)	\$1,000,000
Other Services & Supplies Savings (Use)	\$620,000
Transfer from Marijuana Fund (Source)	\$150,000
Reduction of Pre-COVID Fund Balance	\$(756,400)
Total Estimated Net Offset Measures	\$16,310,600

FINANCIAL IMPACT – LONGER TERM CONCERNS (FY 21 & BEYOND)

- Sales Tax impacts may be prolonged - Nevada's economy still dependent on tourism and gaming making for higher risk of prolonged recession if people cannot or will not travel
- Property Tax impacts may be prolonged – New development construction could slow or be shut down, home sales and property values may be impacted
- Cash flow impacts due to declining revenues and lack of credit available in the municipal bond market
- Impact on the County's credit rating and borrowing ability in the future
- Incline Village judgement a potentially significant cost impact
- General Fund resources will not be sufficient to shore up deficits in other funds

Bottom Line: Washoe County does not have the financial resources to absorb all of these impacts

FINANCIAL IMPACT ON FY 2021 BUDGET AND BEYOND

Ongoing Strategies
No Above Base Requests Funded
Continue Hiring Freeze/Reallocate Salary Savings (evaluate needs case by case)
Continue Purchasing Freeze for Non-Mission Critical Purchases and Contracts (evaluate needs case by case)
General Fund Transfer to CIP Reduction/Project Deferrals
Reallocate Base Contingency Budget
Utilize Fund Balance (for one-time costs)
Other Personnel Cost Reductions

NEXT STEPS

- Implement immediate actions to mitigate financial impact (FY 20 through June 30th)
- Continue financial impact mitigation actions and develop other cost reduction strategies (FY 21 Budget)
- May 12: Target to present proposed FY 21 Budget to the BCC
- May 19: BCC Adopts FY 21 Budget

QUESTIONS AND COMMENTS?