

2021-22 Quarterly Financial Report

1st Quarter Ending September 30, 2021(unaudited)

OVERVIEW

This financial report summarizes the City’s financial position for the quarter ending September 30, 2021, for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Building Enterprise Fund, Sewer Funds, Internal Service Funds, and RDA Funds. The purpose of this report is to provide City Council, City management, and the Reno community an update on the City’s fiscal status based on the most recent financial information available.

GENERAL FUND SUMMARY

Through the first quarter, the General Fund has outperformed expectation. The tables presented in this report include budget-to-actual comparisons between the current fiscal year and the previous fiscal year to show results of the first quarter compared to the adjusted budget as it stood on September 30, 2021 (unaudited). Major differences in budget-to-actual and year-over-year comparisons are explained in this report.

Revenues

The table below shows first quarter budget-to-actual revenues for fiscal years 2020-21 and 2021-22. The City of Reno has experienced significant growth over the last year. Housing prices have increased with record high median sales numbers occurring during the summer 2021. Housing prices keep increasing which translates into property tax increases. The City does not believe the growth experienced will be able to continue at the same rate and will eventually level off and may even correct with a decrease in prices. Businesses are growing; however, there is currently a labor shortage through many industries. Gaming and entertainment based businesses were hit hardest during the pandemic and are still recovering. The audit is not complete yet for FY21 but the preliminary numbers for the General Fund revenues came in above budget by 3.5%. Of this, Property tax came in 1.7% above budget and CTAX came in 5% above budget.

| | 2020-21 AMENDED BUDGET | 9/30/20 ACTUALS | % OF BUDGET | 2021-22 AMENDED BUDGET | 9/30/21 ACTUALS (unaudited) | % OF BUDGET |
|-------------------------|------------------------------|----------------------|----------------|------------------------------|-----------------------------------|----------------|
| Revenues | | | | | | |
| Property Tax | \$ 59,978,058 | \$ 19,235,219 | 32.1% | \$ 64,129,038 | \$ 21,198,523 | 33.1% |
| Franchise Fees | 26,216,910 | 1,234,390 | 4.7% | 27,228,964 | 1,266,914 | 4.7% |
| Business Licenses | 24,411,819 | 5,863,751 | 24.0% | 25,129,780 | 6,733,137 | 26.8% |
| Consolidated Tax | 78,514,071 | 6,483,432 | 8.3% | 84,366,387 | 7,849,224 | 9.3% |
| Intergovernmental | 10,281,382 | 4,296,915 | 41.8% | 10,370,638 | 1,989,464 | 19.2% |
| Charges for Services | 13,772,862 | 2,581,312 | 18.7% | 12,661,566 | 2,492,479 | 19.7% |
| Fines and Forfeits | 3,016,761 | 590,160 | 19.6% | 2,468,761 | 784,527 | 31.8% |
| Special Assessments | 2,874,110 | 1,097,334 | 38.2% | 2,915,274 | 1,118,770 | 38.4% |
| Miscellaneous | 1,576,308 | 371,833 | 23.6% | 1,572,308 | 294,417 | 18.7% |
| Other Financing Sources | 2,136,000 | 356,000 | 16.7% | 1,650,000 | 76,220 | 4.6% |
| Total Revenues | \$ 222,778,281 | \$ 42,110,346 | 18.9% | \$ 232,492,716 | \$ 43,803,675 | 18.8% |

For fiscal year 2021-22, the City budgeted for property taxes to increase 5.5%. The projected increase was estimated to be 3% from existing properties and the remaining increase from growth. Actual property tax revenues exceeded budget by 10.2% for a total growth of 13.2% over the previous year. The City continues to see housing price increases with record sales, record high median housing prices, and record high average rents in the Reno-Sparks area.

The City continues to have steady increases in consolidated tax (CTAX) each year, even with the pandemic. As of September, CTAX receipts are 10.9% above budget for FY2021-22.

| | 9/30/2020 ACTUALS | 9/30/21 ACTUALS (unaudited) | % CHANGE |
|------------------------|----------------------|-----------------------------------|-------------|
| Property Tax | \$ 19,235,219 | \$ 21,198,523 | 10.2% |
| Franchise Fees | 1,234,390 | 1,266,914 | 2.6% |
| Business Licenses | 5,863,751 | 6,733,137 | 14.8% |
| Consolidated Tax | 6,483,432 | 7,849,224 | 21.1% |
| Intergovernmental | 4,296,915 | 1,989,464 | -53.7% |
| Charges for Services | 2,581,312 | 2,492,479 | -3.4% |
| Fines and Forfeits | 590,160 | 784,527 | 32.9% |
| Special Assessments | 1,097,334 | 1,118,770 | 2.0% |
| Miscellaneous | 371,833 | 294,417 | -20.8% |
| Other Financing Source | 356,000 | 76,220 | -78.6% |
| Total Revenues | \$ 42,110,346 | \$ 43,803,675 | 4.0% |

Overall, total revenues are at 18.8% of budget through the first quarter of the fiscal year. Business license revenues have increased among all business types, including liquor licenses, city gaming licenses, privileged licenses and regular business licenses. The largest increase was from marijuana sales which almost doubled between the first quarter of 2020 and 2021.

Fines and forfeitures have increased 32.9% over the prior year due to parking ticket fines, traffic fines, and delinquent license penalties. At the beginning of the prior year there was a moratorium on fines on late payments due to the pandemic. The moratorium expired and late fines are being assessed according to applicable laws and regulations.

| | 2020-21 AMENDED BUDGET | 9/30/2020 ACTUALS | % OF BUDGET | 2021-22 AMENDED BUDGET | 9/30/2021 ACTUALS (unaudited) | % OF BUDGET |
|--------------|------------------------------|----------------------|----------------|------------------------------|-------------------------------------|----------------|
| Revenues | \$ 222,778,281 | \$ 42,110,346 | 18.9% | \$ 232,492,716 | \$ 43,803,675 | 18.8% |
| Expenditures | \$ 224,030,848 | \$ 48,027,632 | 21.4% | \$ 235,267,805 | \$ 51,668,417 | 22.0% |

Expenditures

The table below shows the budget-to-actual expenditures for fiscal years 2020-21 (FY 21) and 2021-22 (FY 22) by department. General Fund expenditures are approximately 3% below budget as of the first quarter of the fiscal year. Overall, the majority of department expenditures are as expected. Many departments are showing a savings due to open positions that have not been filled yet. IT has software maintenance contracts that are paid at the beginning of the year so their first quarter expenses are trending higher at 35.7%. The Neighborhood Services department was eliminated in the first quarter with the services and staff being moved to the City Manager's Office. Reorganization also occurred in the



Community Development Department which will be called Development Services going forward. Those changes will be fully implemented by the second quarter of the fiscal year.

| | 2020-21 AMENDED BUDGET | 9/30/2020 ACTUALS | % OF BUDGET | 2021-22 AMENDED BUDGET | 9/30/2021 ACTUALS (unaudited) | % OF BUDGET |
|---------------------------|------------------------------|----------------------|----------------|------------------------------|-------------------------------------|----------------|
| City Council | \$ 1,654,141 | \$ 286,554 | 17.3% | \$ 1,667,215 | \$ 309,314 | 18.6% |
| City Attorney | 4,826,257 | 995,923 | 20.6% | 5,099,628 | 1,067,595 | 20.9% |
| City Clerk | 1,374,279 | 207,558 | 15.1% | 1,375,336 | 216,731 | 15.8% |
| City Manager | 7,666,171 | 1,357,935 | 17.7% | 8,363,227 | 2,968,535 | 35.5% |
| Civil Service | 754,265 | 108,463 | 14.4% | 862,619 | 138,101 | 16.0% |
| Community Development | 3,201,574 | 810,899 | 25.3% | 3,428,314 | 955,418 | 27.9% |
| Finance | 2,701,732 | 616,942 | 22.8% | 2,931,391 | 673,803 | 23.0% |
| Fire | 52,246,333 | 12,860,038 | 24.6% | 52,301,032 | 13,800,920 | 26.4% |
| Human Resources | 1,561,941 | 197,574 | 12.6% | 1,709,478 | 310,488 | 18.2% |
| Information Technology | 7,225,832 | 2,568,727 | 35.5% | 7,760,579 | 2,772,028 | 35.7% |
| Municipal Court | 7,979,010 | 1,685,205 | 21.1% | 8,263,892 | 1,681,186 | 20.3% |
| Neighborhood Services | 3,689,001 | 645,630 | 17.5% | 3,900,468 | 48,366 | 1.2% |
| Parks & Recreation | 12,109,127 | 2,244,886 | 18.5% | 13,140,854 | 2,623,268 | 20.0% |
| Police | 84,877,479 | 19,608,077 | 23.1% | 86,698,674 | 20,179,360 | 23.3% |
| Public Works | 6,816,742 | 1,172,813 | 17.2% | 6,464,524 | 1,343,016 | 20.8% |
| Debt Service | 459,024 | 15,160 | 3.3% | 428,777 | - | 0.0% |
| Intergovernmental | 19,593,792 | 2,052,197 | 10.5% | 20,512,628 | 2,580,288 | 12.6% |
| Transfers Out | 5,294,148 | 593,051 | 11.2% | 10,359,169 | - | 0.0% |
| Total Expenditures | \$ 224,030,848 | \$ 48,027,632 | 21.4% | \$ 235,267,805 | \$ 51,668,417 | 22.0% |

OTHER GOVERNMENTAL FUNDS

In addition to the General Fund, this report summarizes the City's first quarter financial position for the Capital Project Funds, Special Revenue Funds, and Debt Service Funds. The tables below show budget-to-actual revenues and expenditures for fiscal years 2020-21 and 2021-22 as they stood on September 30.

Capital Project Funds

| | 2020-21 AMENDED BUDGET | 9/30/2020 ACTUALS | % OF BUDGET | 2021-22 AMENDED BUDGET | 9/30/2021 ACTUALS (unaudited) | % OF BUDGET |
|--------------|------------------------------|----------------------|----------------|------------------------------|-------------------------------------|----------------|
| Revenues | \$ 8,023,304 | \$ 1,851,970 | 23.1% | \$ 13,934,926 | \$ 1,285,329 | 9.2% |
| Expenditures | \$ 7,926,552 | \$ 2,427,225 | 30.6% | \$ 19,799,145 | \$ 3,054,568 | 15.4% |

Capital Project Funds account for financial resources that are restricted, committed or assigned to the improvement, acquisition or construction of capital assets. In April 2021, a Capital Project Funding Plan for the Public Safety Center (Police Headquarters) and the Moana Pool was approved by Council. On October 13, 2021, Council approved the bid award for Phase I of the Public Safety Center in the amount of \$19.9 million. The proposed uses of the Public Safety Center (PSC) include the Reno Police Department; evidence storage; dispatch; and workspaces for critical social service agencies.



About Picture:
 Above – rendering of Public Safety Center (Police Headquarters)
 Right – rendering of Moana Springs Aquatic Center



Special Revenue Funds

| | 2020-21 AMENDED BUDGET | 9/30/2020 ACTUALS | % OF BUDGET | 201-22 AMENDED BUDGET | 9/30/2021 ACTUALS (unaudited) | % OF BUDGET |
|--------------|------------------------------|----------------------|----------------|-----------------------------|-------------------------------------|----------------|
| Revenues | \$ 41,689,689 | \$ 9,759,586 | 23.4% | \$ 43,777,262 | \$ 8,893,767 | 20.3% |
| Expenditures | \$ 43,478,774 | \$ 8,654,672 | 19.9% | \$ 46,101,798 | \$ 10,807,368 | 23.4% |



Special Revenue Funds account for the proceeds from specific revenue sources that are legally restricted to expenditures for specific purposes. The transient occupancy tax, or room tax, revenue was affected the most by COVID-19 as it is dependent on both the occupancy levels and room rates. For FY 22, Room tax receipts have rebounded to pre-pandemic levels for July, August and September.

On September 22, 2021, Council approved an installment purchase agreement for the Lear Theater located at 501 Riverside Drive. Under the installment purchase agreement, the City will make seven annual payments of \$125,000 to Artown. Payments will be made from the Room Tax Fund.

Debt Service Funds

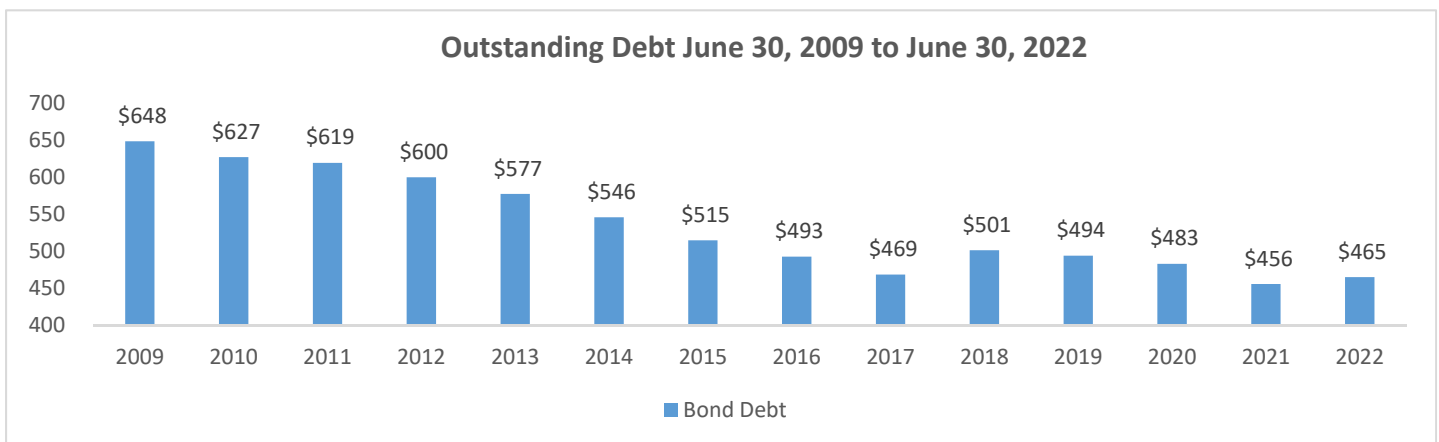
| | 2020-21 AMENDED BUDGET | 9/30/2020 ACTUALS | % OF BUDGET | 2021-22 AMENDED BUDGET | 9/30/2021 ACTUALS (unaudited) | % OF BUDGET |
|--------------|------------------------------|----------------------|----------------|------------------------------|-------------------------------------|----------------|
| Revenues | \$ 24,942,377 | \$ 4,266,798 | 17.1% | \$ 25,780,074 | \$ 5,961,036 | 23.1% |
| Expenditures | \$ 25,308,947 | \$ 3,063,833 | 12.1% | \$ 25,166,586 | \$ 3,733,458 | 14.8% |



Debt Service Funds account for the accumulation of financial resources that are restricted, committed or assigned for the repayment of debt principal and interest. The City made all necessary debt payments at the end of last fiscal year.

The City is discussing future issuances of general obligation revenue bonds for completion of the Public Safety Center (Police headquarters), a pool at Moana Springs and retrofitting City Hall for seismic safety. For the General Fund, there would possibly be two issuances three to five years apart. The first one would be in 2022 for \$32.5 million and the second would follow three to five years later to construct a Fire headquarters. That bond is estimated at \$50 million.

In addition, there are several large sewer projects that would require bond financing in the near future. This is envisioned to be multiple bonds three to five years apart as well. There are three projects that need to be completed in the near term. The estimated cost of the first proposed project (not necessarily the bond amount needed) is \$87 million. This is for an advanced purified water facility at American Flats. The second project would be for stormwater utility projects estimated at \$50 million and bonds could be issued in a series over several years. The third project is North Valley effluent management estimated at \$50 million. Many of the sewer projects are also great candidates for competitive grants related to clean water and water reuse.



PROPRIETARY FUNDS

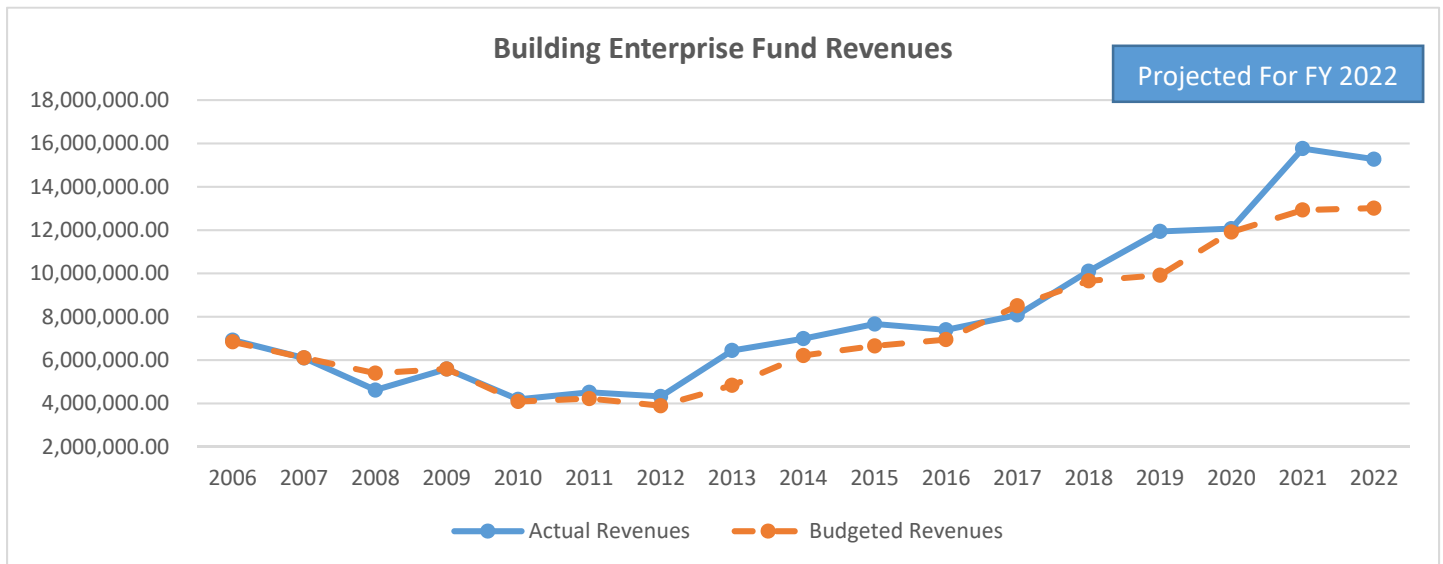
Proprietary funds are used to account for activities for which a user fee is charged for goods or services. The City of Reno currently operates two Enterprise Funds: the Building Enterprise Fund and the Sewer Enterprise Fund. The Building

Enterprise Fund accounts for resources provided by the issuance of building permits. The Sewer Enterprise Fund accounts for the provision of sewer services and connection fee revenues restricted for capital projects.

Building Enterprise Fund

| | 2020-21 AMENDED BUDGET | 9/30/2020 ACTUALS | % OF BUDGET | 2021-22 AMENDED BUDGET | 9/30/2021 ACTUALS (unaudited) | % OF BUDGET |
|--------------|------------------------------|----------------------|----------------|------------------------------|-------------------------------------|----------------|
| Revenues | \$ 12,930,962 | \$ 3,351,403 | 25.9% | \$ 13,014,000 | \$ 3,440,509 | 26.4% |
| Expenditures | \$ 11,106,688 | \$ 1,822,846 | 16.4% | \$ 12,302,365 | \$ 1,807,968 | 14.7% |

Development in the Reno area continues to show strong signs of significant growth. The number of building permits issued increased on average 13% annually for the last three fiscal years. With high-rise student housing projects, large-scale industrial buildings, and numerous housing developments increasing in recent years, valuation has been steadily increasing.



Sewer Enterprise Funds

| | 2020-21 AMENDED BUDGET | 9/30/2020 ACTUALS | % OF BUDGET | 2021-22 AMENDED BUDGET | 9/30/2021 ACTUALS (unaudited) | % OF BUDGET |
|--------------|------------------------------|----------------------|----------------|------------------------------|-------------------------------------|----------------|
| Revenues | \$ 139,098,670 | \$ 19,788,934 | 14.2% | \$ 150,646,057 | \$ 19,864,915 | 13.2% |
| Expenditures | \$ 171,629,990 | \$ 15,723,132 | 9.2% | \$ 169,137,010 | \$ 26,142,351 | 15.5% |

The Sanitary Sewer Fund accounts for the provision of sewers services and connection fee revenues restricted for capital projects. Sewer services are billed quarterly and revenues have come in as expected through the end of the fiscal year. Sewer revenues are growing year over year because of growth within the City of Reno which translates into more residential and commercial accounts that are billed each quarter.

The plant expansion at the Reno Stead Water Reclamation Facility is moving along. Construction is on track and slated for completion by the end of Fiscal Year 22.

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other governmental units, on a cost reimbursement basis. The City of Reno operates four internal services funds. The Motor Vehicle Fund accounts for the acquisition of motor vehicles and the operations of the motor vehicle maintenance facility. The Risk Retention fund accounts for the operations of the self-funded general insurance program. The Self-funded medical plan accounts for the operations of the self-funded group health and accident insurance program. The Self-Funded Workers Compensation fund accounts for the operations of the self-funded workers compensation program.

| | 2020-21 AMENDED BUDGET | 9/30/2020 ACTUALS | % OF BUDGET | 2021-22 AMENDED BUDGET | 9/30/2021 ACTUALS (unaudited) | % OF BUDGET |
|--------------|------------------------------|----------------------|----------------|------------------------------|-------------------------------------|----------------|
| Revenues | \$ 50,202,595 | \$ 13,421,872 | 26.7% | \$ 51,434,523 | \$ 11,621,162 | 22.6% |
| Expenditures | \$ 55,207,356 | \$ 12,735,380 | 23.1% | \$ 56,408,245 | \$ 11,041,758 | 19.6% |

REDEVELOPMENT AGENCY (RDA)

| | 2020-21 AMENDED BUDGET | 6/30/2020 ACTUALS | % OF BUDGET | 2020-21 AMENDED BUDGET | 6/30/2021 ACTUALS (unaudited) | % OF BUDGET |
|--------------------------|------------------------------|----------------------|----------------|------------------------------|-------------------------------------|----------------|
| RDA 1 & RDA 2 | | | | | | |
| General Funds | | | | | | |
| Revenues | \$ 2,586,047 | \$ 729,885 | 28.2% | \$ 3,589,495 | \$ 1,280,236 | 35.7% |
| Expenditures | \$ 2,511,214 | \$ 25,081 | 1.0% | \$ 2,209,014 | \$ - | 0.0% |
| Debt Funds | | | | | | |
| Revenues | \$ 1,099,297 | \$ 519,948 | 47.3% | \$ 1,429,319 | \$ 542,986 | 38.0% |
| Expenditures | \$ 2,933,033 | \$ 1,250 | 0.0% | \$ 2,930,481 | \$ 1,250 | 0.0% |

Council created RDA 1 in 1983. Over the course of its existence, the Agency has issued bonds to raise capital for various redevelopment projects. Council created RDA 2 on August 24, 2005, which is set to expire on August 25, 2035. At the April 28, 2021 Council meeting, staff presented Council with six options for addressing the debt obligations of RDA 1. Council chose "option 3" which was to extend the life of RDA 1 by 15 years to July 2043 and pay bonds with support from RDA 2. With a \$1 million loan from RDA 2 in each FY2022 and FY2023, use of bond reserves would not be needed under the baseline scenario. RDA 2 will be paid back as tax increment exceeds debt payments beginning in FY2026. This option allows the project area to pay the bonds in full without an event of default caused by using reserves.

On September 22, 2021, Council adopted Ordinance No. 6604 which amended the redevelopment plan for the RDA 1 to extend such plan to July 2043 to facilitate existing debt service payments. On September 22, 2021, Council adopted Ordinance No. 6605, which amended the redevelopment plan for RDA 2 to authorize the use of tax increment generated in RDA 2 to make an interfund loan pursuant to NRS 354.6118 to RDA 1. The Loan will prevent a default on the 2007 Bonds. Sufficient money is available in the General Fund of RDA 2 to make the Loan to the Debt Service Fund of RDA 1, and such money is not restricted as to its use. The Loan will not compromise the economic viability of the General Fund of RDA 2, and RDA 2 has sufficient cash flow from tax increment to pay the existing Baseball obligation and provide an interfund loan in the amount needed to supplement the debt service payment requirements for RDA 1.