

2021-22 Quarterly Financial Report 2nd Quarter Ending December 31, 2021(unaudited)

OVERVIEW

This financial report summarizes the City’s financial position for the quarter ending December 31, 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 second quarter compared to the adjusted budget as it stood on December 31, 2021 (unaudited). Major differences in budget-to-actual and year-over-year comparisons are explained in this report.

Revenues

The table below shows second 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 throughout many industries. As of mid-year, all revenue categories are trending above budget in the General Fund.

	2020-21			2021-22		
	AMENDED	12/31/20	% OF	AMENDED	12/31/21	% OF
	BUDGET	ACTUALS	BUDGET	BUDGET	(unaudited)	BUDGET
Revenues						
Property Tax	\$ 59,978,058	\$ 31,964,567	53.3%	\$ 64,129,038	\$ 35,072,138	54.7%
Franchise Fees	27,226,910	7,785,096	28.6%	27,228,964	8,162,456	30.0%
Business Licenses	23,401,819	11,593,976	49.5%	25,129,780	12,739,152	50.7%
Consolidated Tax	78,514,071	26,917,605	34.3%	84,366,387	31,274,010	37.1%
Intergovernmental	36,534,998	31,275,436	85.6%	11,849,095	5,969,734	50.4%
Charges for Services	13,772,862	5,984,108	43.4%	12,661,566	8,149,824	64.4%
Fines and Forfeits	3,016,761	1,124,364	37.3%	2,468,761	1,498,726	60.7%
Special Assessments	2,874,110	1,673,609	58.2%	2,915,274	1,673,680	57.4%
Miscellaneous	1,617,149	1,257,063	77.7%	1,465,651	1,010,382	68.9%
Other Financing Sources	2,136,000	1,068,000	50.0%	1,786,000	19,559	1.1%
Total Revenues	\$ 249,072,738	\$ 120,643,824	48.4%	\$ 234,000,516	\$ 105,569,661	45.1%

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. Property Taxes are currently trending 3.6% above budget or \$1.2 million. 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. CTAX was budgeted to increase 4.5% and at mid-year is trending 11.8% above budget.

Business license revenues have increased among all business types, including liquor licenses, city gaming licenses, privileged licenses and regular business licenses. Fines and forfeitures have increased 33.3% 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. The large decline in Intergovernmental revenues is due to the federal stimulus CARES Act funds that were received last year. In Other Financing Sources, the annual transfers from Room Tax have not been booked yet and will be done prior to the next quarterly report. Overall, total revenues are at 45.1% of budget through the second quarter of the fiscal year.

	12/31/2020 ACTUALS	12/31/21 ACTUALS (unaudited)	% CHANGE
Property Tax	\$ 31,964,567	\$ 35,072,138	9.7%
Franchise Fees	7,785,096	8,162,456	4.8%
Business Licenses	11,593,976	12,739,152	9.9%
Consolidated Tax	26,917,605	31,274,010	16.2%
Intergovernmental	31,275,436	5,969,734	-80.9%
Charges for Services	5,984,108	8,149,824	36.2%
Fines and Forfeits	1,124,364	1,498,726	33.3%
Special Assessments	1,673,609	1,673,680	0.0%
Miscellaneous	1,257,063	1,010,382	-19.6%
Other Financing Source	1,068,000	19,559	-98.2%
Total Revenues	\$ 120,643,824	\$ 105,569,661	-12.5%



	2020-21 AMENDED BUDGET	12/31/2020 ACTUALS	% OF BUDGET	2021-22 AMENDED BUDGET	12/31/2021 ACTUALS (unaudited)	% OF BUDGET
Revenues	\$ 249,072,738	\$ 120,643,824	48.4%	\$ 234,000,516	\$ 105,569,661	45.1%
Expenditures	\$ 272,067,302	\$ 124,950,894	45.9%	\$ 252,837,802	\$ 108,864,482	43.1%

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 second 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 second quarter expenses are trending higher at 62.4%. The Neighborhood Services department was eliminated in the first quarter with the services and staff being moved to the City Manager's Office. Community Development was reorganized and is now Development Services. In the Transfers Out, the transfers to the capital funds have not been booked yet and will be done prior to the next quarterly financial report.

	2020-21 AMENDED BUDGET	12/31/2020 ACTUALS	% OF BUDGET	2021-22 AMENDED BUDGET	12/31/2021 ACTUALS (unaudited)	% OF BUDGET
City Council	\$ 1,654,141	\$ 695,352	42.0%	\$ 1,658,715	\$ 744,113	44.9%
City Attorney	4,826,257	2,132,932	44.2%	5,099,628	2,293,562	45.0%
City Clerk	1,515,559	563,094	37.2%	1,513,815	516,461	34.1%
City Manager	7,527,656	20,481,575	272.1%	12,466,857	5,350,725	42.9%
Civil Service	754,265	266,114	35.3%	862,619	285,717	33.1%
Development Services	3,497,698	1,574,874	45.0%	4,913,447	1,989,467	40.5%
Finance	2,799,977	1,330,806	47.5%	3,111,917	1,391,565	44.7%
Fire	52,425,581	28,376,291	54.1%	54,925,667	29,624,027	53.9%
Human Resources	1,561,941	438,493	28.1%	1,697,478	674,825	39.8%
Information Technology	7,411,821	5,808,917	78.4%	7,945,375	4,954,221	62.4%
Municipal Court	7,979,010	3,725,562	46.7%	8,263,892	3,820,975	46.2%
Neighborhood Services	3,713,055	1,406,920	37.9%	-	-	0.0%
Parks & Recreation	12,215,063	5,772,872	47.3%	13,407,568	5,458,202	40.7%
Police	85,193,177	41,920,175	49.2%	87,183,175	44,143,361	50.6%
Public Works	7,061,169	2,682,059	38.0%	7,482,002	3,573,188	47.8%
Debt Service	459,024	30,246	6.6%	428,777	227,136	53.0%
Intergovernmental	18,593,792	5,709,872	30.7%	19,289,495	3,816,937	19.8%
Transfers Out	5,384,148	2,034,740	37.8%	21,859,169	-	0.0%
Other Financing Uses	47,493,968	-	0.0%	728,206	-	0.0%
Total Expenditures	\$ 272,067,302	\$ 124,950,894	45.9%	\$ 252,837,802	\$ 108,864,482	43.1%

OTHER GOVERNMENTAL FUNDS

In addition to the General Fund, this report summarizes the City’s second 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 December 31.

Capital Project Funds

	2020-21 AMENDED BUDGET	12/31/2020 ACTUALS	% OF BUDGET	2021-22 AMENDED BUDGET	12/31/2021 ACTUALS (unaudited)	% OF BUDGET
Revenues	\$ 8,213,304	\$ 14,211,822	173.0%	\$ 55,637,924	\$ 3,094,539	5.6%
Expenditures	\$ 27,578,194	\$ 21,988,342	79.7%	\$ 61,502,143	\$ 4,175,362	6.8%

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. Half of the allocated ARPA funding was received in May 2021 and was budgeted in FY22. This accounts for the large budget difference between FY21 and FY22.

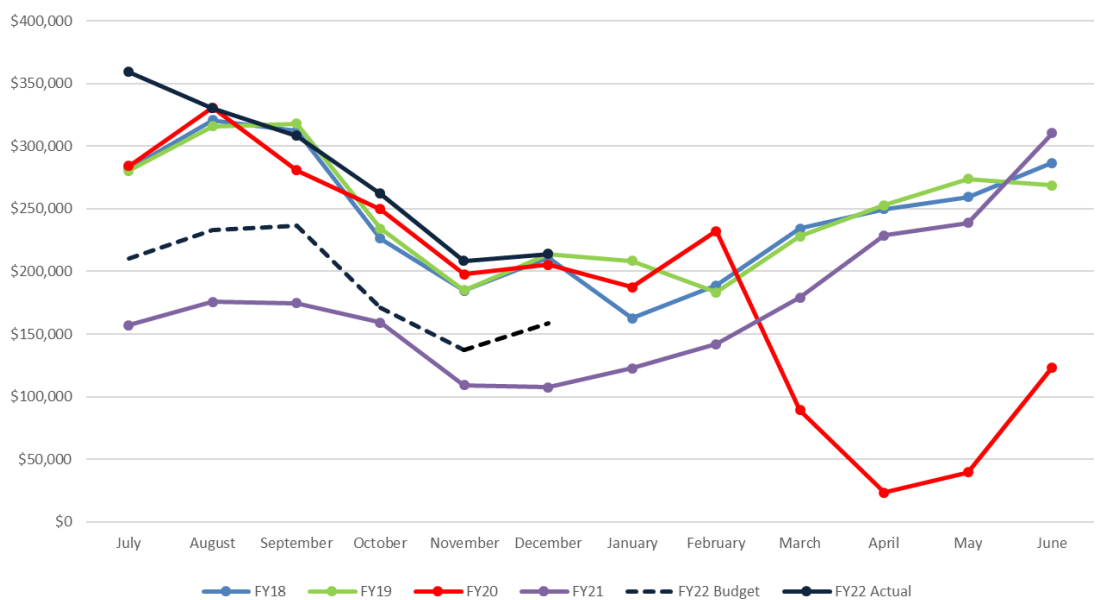


Special Revenue Funds

	2020-21 AMENDED BUDGET	12/31/2020 ACTUALS	% OF BUDGET	2021-22 AMENDED BUDGET	12/31/2021 ACTUALS (unaudited)	% OF BUDGET
Revenues	\$ 41,689,689	\$ 19,836,535	47.6%	\$ 43,787,875	\$ 19,501,281	44.5%
Expenditures	\$ 43,478,774	\$ 17,257,719	39.7%	\$ 58,823,991	\$ 16,116,325	27.4%

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 FY22, Room tax receipts have rebounded to normal levels for July to December.

Room Tax History



Debt Service Funds

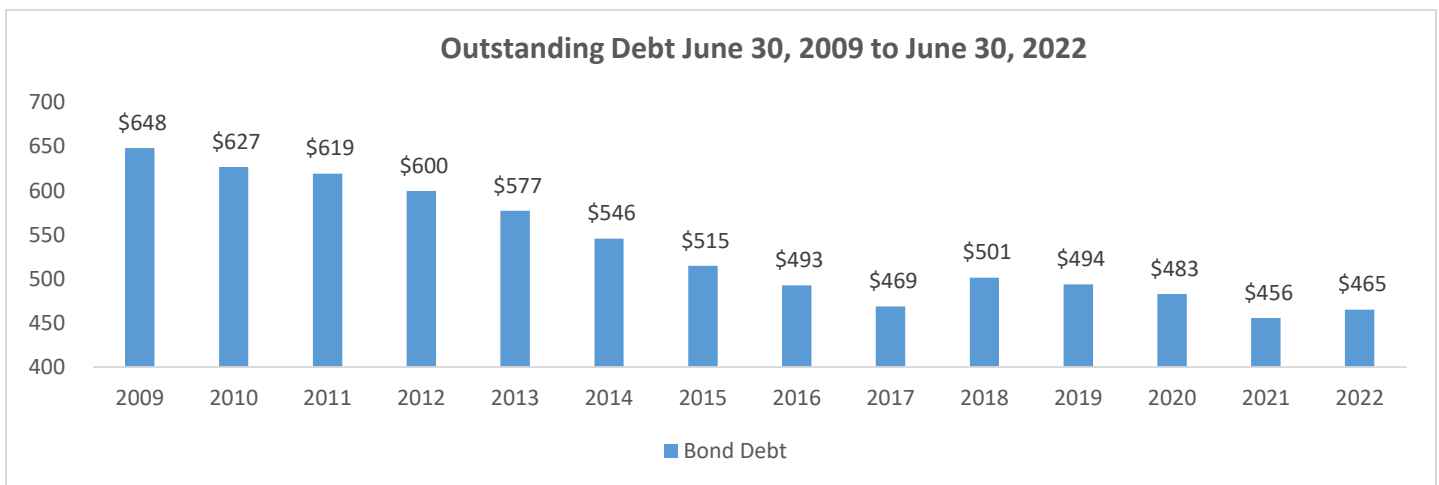
	2020-21 AMENDED BUDGET	12/31/2020 ACTUALS	% OF BUDGET	2021-22 AMENDED BUDGET	12/31/2021 ACTUALS (unaudited)	% OF BUDGET
Revenues	\$ 25,780,074	\$ 10,982,472	42.6%	\$ 25,780,074	\$ 10,938,953	42.4%
Expenditures	\$ 25,166,586	\$ 11,962,447	47.5%	\$ 25,166,586	\$ 17,232,205	68.5%



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 has made all necessary debt payments.

City Council has approved the issuance of general obligation revenue bonds for completion of the Public Safety Center (Police Headquarters), a pool at Moana Springs and design of a Fire Headquarters. The bond is estimated at \$38 million. A second bond in 3 to 5 years is anticipated to complete the construction of the Fire Headquarters. The amount of that bond is anticipated to be \$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. 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, and could qualify for infrastructure funding from Washington DC.



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			2021-22		
	AMENDED	12/31/2020	% OF	AMENDED	12/31/2021	% OF
	BUDGET	ACTUALS	BUDGET	BUDGET	(unaudited) ACTUALS	BUDGET
Revenues	\$ 12,930,962	\$ 6,910,179	53.4%	\$ 13,014,000	\$ 6,248,390	48.0%
Expenditures	\$ 11,112,406	\$ 4,260,922	38.3%	\$ 13,779,922	\$ 4,654,726	33.8%

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			2021-22		
	AMENDED	12/31/2020	% OF	AMENDED	12/31/2021	% OF
	BUDGET	ACTUALS	BUDGET	BUDGET	(unaudited) ACTUALS	BUDGET
Revenues	\$ 139,098,670	\$ 45,423,403	32.7%	\$ 150,646,057	\$ 64,126,140	42.6%
Expenditures	\$ 198,595,971	\$ 36,818,884	18.5%	\$ 230,696,087	\$ 61,105,856	26.5%

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	12/31/2020 ACTUALS	% OF BUDGET	2021-22 AMENDED BUDGET	12/31/2021 ACTUALS (unaudited)	% OF BUDGET
Revenues	\$ 50,202,595	\$ 28,988,943	57.7%	\$ 51,334,523	\$ 23,762,759	46.3%
Expenditures	\$ 59,311,929	\$ 29,661,681	50.0%	\$ 60,992,638	\$ 25,629,388	42.0%

REDEVELOPMENT AGENCY (RDA)

	2020-21 AMENDED BUDGET	12/31/2020 ACTUALS	% OF BUDGET	2020-21 AMENDED BUDGET	12/31/2021 ACTUALS (unaudited)	% OF BUDGET
RDA 1 & RDA 2						
General Funds						
Revenues	\$ 2,586,047	\$ 1,396,890	54.0%	\$ 3,589,495	\$ 2,153,137	60.0%
Expenditures	\$ 2,511,214	\$ 855,758	34.1%	\$ 2,209,014	\$ 631,507	28.6%
Debt Funds						
Revenues	\$ 1,099,297	\$ 872,097	79.3%	\$ 1,429,319	\$ 903,151	63.2%
Expenditures	\$ 2,933,033	\$ 468,370	16.0%	\$ 2,930,481	\$ 412,095	14.1%

Council created RDA 1 in 1983. Over the course of its existence, the Agency has issued bonds to raise capital for various redevelopment projects.

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.

