



C I T Y O F  
**RENO**  
Memorandum

**DATE:** April 8, 2025  
**TO:** Honorable Mayor and City Council  
**FROM:** Jackie Bryant, City Manager  
**DEPT:** City Manager's Office  
**SUBJECT:** Update on Economic Conditions and FY26 Budget Outlook

This memorandum provides an update on current economic conditions and their projected impact on the City's Fiscal Year 2025/2026 (FY26)<sup>1</sup> budget and long-term financial outlook. Recent data confirms a continued slowdown in the broader economy due to persistent inflation, high interest rates, and weakening consumer confidence. This economic slowdown has caused a lower-than-expected General Fund revenue performance in the current fiscal year (FY25). Additionally, projected revenues for FY26 have been adjusted downward to reflect limited growth.

### **General Fund Budget Creation**

The City, as well as all other local governments, *project* revenues and expenses each year when developing the following fiscal year's budget. Projections are based on information available *at the time of the budget development*, which is more than 12 months in advance. Projected expenses are generally on target, absent an unexpected significant event (e.g., COVID). Projected revenues, which are based on economic projections available at the time of budget development, may be off target if economic conditions change unexpectedly.

### **General Fund Summary**

The General Fund's three largest revenue sources are consolidated tax (c-tax), property tax, and franchise fees. Approximately 60% of the total General Fund revenues come from c-tax and property tax; both of which are outside of the City's control and are sensitive to external factors. General Fund revenues for FY25 are trending approximately \$9 million below budget.<sup>2</sup> Due to

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<sup>1</sup> The City of Reno's fiscal year runs July 1 – June 30. FY25 is July 1, 2024 – June 30, 2025. FY26 is July 1, 2025 – June 30, 2026.

<sup>2</sup> The current fiscal year budget was developed in Spring 2024. Revenues are projected forward beginning July 1, 2024 through June 30, 2025.

early detection and response of reduced revenues and the actions taken to address expenses, General Fund expenses for FY25 are trending approximately \$10.5 million below budget for a \$1.5 million savings which will be used to offset projected expenditures in FY26.

### **Consolidated Tax**

Consolidated tax<sup>3</sup> (c-tax) revenues, which is the City's largest General Fund revenue source and the most affected by economic conditions, are projected 5% below budget for FY25. Further, c-tax revenues are showing little year-over-year growth for projected revenues in FY26 or FY27, based on the State's projections of 1% and 2.7%, respectively.

### **Property Tax**

Property tax revenues for FY26 were initially projected to increase 7.7% based upon trending data from the last 5 fiscal years. On March 25, 2025, the Department of Taxation issued the final projected property tax numbers for the City, which equates to projected property tax growth of 6.05% for FY26. This is approximately \$1.6 million lower than the initially projected growth of 7.7% for FY26 property taxes. Although modest in isolation, this variance contributes to a larger challenge. The Northern Nevada region has experienced annual property tax growth between 7% to 9% over the past five years. Growth below 7% has not occurred since FY19.

### **Franchise Fees**

Franchise fees are projected under budget by 13.8% in FY25. FY26 projections are only 1% growth above current franchise fees.

### **FY26 General Fund Budget**

FY26 projected General Fund revenues are \$315.1 million, only a 1% increase over the FY25 adopted budget. Current FY26 projected obligatory expenses are estimated at \$340.7 million, a 9% increase from the FY25 adopted budget. The resulting gap between the projected revenues (including the reduction in property tax revenues from 7.7% to 6%) is approximately \$25.6 million. Unlike the federal government, the City must submit a balanced budget to the State every year per NRS 354.598. When revenues decline, the City has no option but to reduce expenses. The City may not adopt a deficit budget. Therefore, the City will reduce expenses for FY26 in order to adopt a balanced budget. By monitoring the budget and assessing the economy on a daily, weekly, and monthly basis, the City will continue to identify and make needed adjustments throughout the fiscal year.

### **Conclusion**

Shifts in projected revenues are a direct response to evolving economic conditions, over which the City has no control. Like most local governments, the City's ability to provide services is closely tied to the health of the economy. When tax revenues are less than projected, due to economic circumstances, the City must act responsibly and adjust its spending to maintain a balanced budget, as required by Nevada Revised Statutes Chapter 354.

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<sup>3</sup> Consolidated taxes are comprised of 6 different taxes. The two largest categories are both sales taxes. Therefore, c-tax is commonly referred to as sales taxes.

To address the limited FY25 revenues and the limited FY26 projected revenues, the City implemented cost-saving measures, including controlled and reduced hiring, reductions to departmental service and supply budgets, shifting of funding sources where available, current-year savings, and strategic use of one-time resources. While these efforts are expected to significantly reduce the impact of the limited FY26 projected revenues, long-range planning and operational changes to reduce services must occur for FY27 and beyond, if revenues do not increase.

Staff will continue to closely track economic indicators, revenues, and expenses and will continue to provide updates to Council and the public.