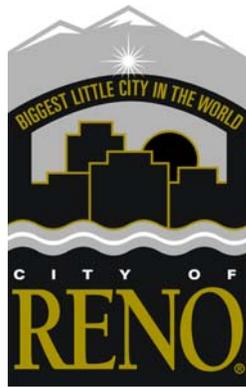


**SECTION I**  
—  
**INTRODUCTION**

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May 6, 2009

Honorable Mayor and Members of the City Council:

I am pleased to present the City of Reno's proposed operating plan for Fiscal Year 2009/10, which details a \$410.2 million City-wide budget, including the Redevelopment Agency (RDA), and a \$180.1 million General Fund operating budget, including transfers. This is the twelfth year that the City has produced a program-based budget. This format makes the budget a meaningful policy tool for the City Council and allows the residents of Reno to know what will be accomplished as well as the resources necessary for individual programs in the upcoming fiscal year. The budget document includes each department's business plan (program goals and strategies). This process provides a direct link between the planning of programs and the implementation of those programs in the budget. The City has completed a five-year strategic plan, which is reflected in the budget program goals and objectives for this year.

Sales tax revenues so far this year have reflected a continued downward trend of the economy in Nevada. Sales tax revenues in the areas of auto sales and area construction declined significantly in the 2008/09 fiscal year. These declines continue to prove that sales tax revenues, by their nature, can be volatile. This is why the proposed FY 2009/10 budget continues to reflect a moderately conservative estimate for this and other revenue sources. I feel that continuing the philosophy of restructuring of resources and refocusing of service efforts, which has been an emphasis throughout my time with the City, remains the most prudent business direction at this time. Our provision of services is based upon how well we can structure our operation to continue to make it more efficient and customer-service oriented. This budget continues to place emphasis on the Council's annual priorities, strategic planning, quality services, neighborhood services and citizen involvement.

The City will continue to enjoy a conservative financial position with both a \$7.2 million Undesignated General Fund Reserve (4%) and a \$3.6 million Stabilization Fund projected at the end of the 2009/10 fiscal year. A reduction in the Stabilization Fund is projected due to Council-approved transfer to the General Fund (\$1.2 million).

The anticipated impact of AB489 and SB509 for the 2009/10 fiscal year is \$4.6 million for the City, \$256,771 for RDA#1, and \$432,702 for RDA #2. AB 489 and SB509 cap property tax bills of owner-occupied single-family residents and low income apartment owners at 3% per year. All other property owners have a cap using a 10-year rolling average or 8%, whichever is less compared to twice the CPI. The cap is established at the greater of the two. This means that, for FY 2009/10, Reno will have \$5.3 million less for services than was the case prior to the passage

of these two bills in 2005. Since passage of the AB489 and SB509 caps, the City has lost approximately \$21.1 million.

#### Operational Improvements/Savings/ Service Level Enhancements/Council Priorities

The proposed budget includes a number of continued operational improvements and savings programs such as an internal audits of the Self-insured Health Care Plans/Third Party Administrator; a proposed cap on expenditures in the continuance of the 4% departmental holdback plan; and a number of additional departmental savings plans to contribute to expenditure reductions.

The proposed budget includes no new positions. We will be able to maintain service levels going forward, but in order to address the financial issues for this fiscal year, no new departmental positions have been added and we are holding 150 positions vacant for fiscal year 2009/2010.

The Council Priorities for Fiscal Year 2009/10 are Financial Management; Consolidation; Public Safety; Arts & Culture, Special Events; Communication; Green Initiative; and Parks, Recreation and Community Services; These priorities have been addressed in the proposed budget in the following manner:

- “Green” programs consistent with Council goals have been implemented and will continue with use of stimulus funding.
- Council Subcommittee will continue to work with the community and the Parks, Recreation and Community Services Department to research funding options for recreation facilities and services and to pursue identified revenue sources.
- Funding for graffiti removal is included to permit timely removal throughout the City.
- Implementation of the master plan for the use of properties acquired as a part of the ReTRAC properties that began in FY 2008/09.
- The traffic team will continue to increase police presence in the community and address an important community concern by providing additional traffic enforcement.
- Enhance oversight of financial issues of the City with special emphasis on monitoring revenues and expenditures and implementing fiscal strategies to address the changing economic conditions.

Some of the continuing priorities which are included in the proposed budget are:

- Maintaining our successful Community Pride Grant Program by providing funding for Neighborhood Advisory Boards to select projects to improve the quality of life in their neighborhoods;
- Providing for continued enforcement of problem areas in the Redevelopment areas, specifically downtown, by providing a code enforcement officer specifically for that purpose;
- Maintaining the current level of support for arts and culture programs and grants; and
- Operating the “4 Steps into the Future” program in conjunction with Hug High School.

## Major Challenges in the Next Year

The legislature removed Ad Valorem Tax funding for Capital Projects; therefore, the City will need to amend the adopted budget to reflect this loss of funding. In addition, the legislature increased the Sales Tax Administration Fee, which resulted in an additional cost of up to \$1.2 million for the City. Other legislative action resulted in additional costs of over \$350,000 for the City for Fiscal Year 2009/10. To compensate for this loss of funding and additional costs incurred, as well as other losses of revenue and increased costs, a reduction equivalent to the cost-of-living adjustments has been made to balance the budget.

The City's worker's compensation liability for heart and lung-related illnesses for safety personnel continues to grow at an alarming rate. Based on an actuarial study completed by Mercer, Oliver and Wyman, Reno liability exposure, reflecting claims activity as of June 30, 2004, is estimated at \$492 million. Although this amount is not due now, it will become due over the next 10 years to 20 years as the claims mature. Consequently, the City must begin setting aside funds now to fund these future claims.

### *Redevelopment and Downtown*

The downtown has experienced a loss of assessed value of approximately \$76.4 million since the 1999/00 fiscal year. This equates to a loss of approximately \$2.5 million in tax increment revenues to the Redevelopment Agency. Assuming an average annual loss and today's interest rates, this represents a loss of bonding capacity of between \$3.3 million and \$5 million. Projects such as the baseball stadium project, the Palladio, the Belvedere, the Colonial Inn, the Montage, and River's Edge (the theatre corner parcel) will help offset some of this loss. For the 2009/10 fiscal year, RDA #1 assessed values decreased by \$36 million per County estimates.

In 2005, Redevelopment Area #2 was established to help eliminate blight and improve economic vitality of seven sub-areas of the City. An infusion of development in these sub-areas will help to maintain the current trend of economic improvement throughout the City. For the 2009/10 fiscal year RDA #2 assessed values decreased \$46 million per County estimates.

### *Community Service Centers*

The City Council has approved a new approach in the provision of City services—to decentralize services which are more neighborhood-oriented in order to make services more readily accessible to our citizens. To do this, it will be necessary to construct three (3) new community service centers—north, south and central, beginning with police sub-stations in each area and fire stations, where applicable, as the first phase. Since the City's current centralized police station is inadequate to house the Department, given the number of police officers which have been added in recent years, it is important to begin the construction of the first phase of all three community service centers at the earliest possible date. Adequate funding to do this remains a challenge. City staff continues to assess potential solutions to this dilemma.

## Major Opportunities in the Next Year

### *Retail/Mixed Use Projects*

Reno is entering into an exciting time with the recently completed Downtown Events Center, the River's Edge, the Palladio, the Downtown Ballroom to complement the Downtown Events Center, Cabela's--a 125,000 sq. ft. retail sporting goods facility in the west, and the Triple A baseball stadium.

The Cabela's project required a very complicated financing plan consisting of the use of STAR bonds, Special Assessment District (SAD) bonds, and Redevelopment Tax Increment bonds. The Cabela's project is one of the first STAR bonds projects used in the State. These projects will not only provide a large financial boost to the Truckee Meadows region, but will also provide Reno residents with additional amenities for which they previously had to travel long distances to receive.

### *Capital Improvement Program*

The recommended Capital Improvement Plan for FY 2009/10 includes the following highlights:

Street Reconstruction and Rehabilitation	\$6,400,000
Neighborhood Revitalization Program	\$200,000
Neighborhood Traffic Calming	\$50,000
Fire Vehicle Replacement Program	\$1,000,000
Wastewater Plants/Disposal/Reuse	\$18,021,000
Sewer Collection Systems	\$26,841,000
Flood/Drainage Projects	\$2,740,000

As a result of the legislature's actions related to local government finances, as well as the current trend in the economy, a continuation of a conservative financial posture continues to be recommended. Therefore, as in past budget years, we have used conservative revenue growth projections for the FY 2009/10 budget. In addition, it was again necessary to constrain service and supply expenditures for next year to the current year's level. This budget, however, does contain sufficient funding for the Council's priorities and will allow us to maintain a stable position through the end of the 2009/10 fiscal year. The proposed budget also addresses some major challenges, such as redevelopment and parks and recreation, while taking advantage of opportunities, such as the financial boost the numerous construction projects are expected to deliver over the next year. We will, however, continue to give careful attention to the emerging economic, financial and revenue trends throughout the year to ensure this result.

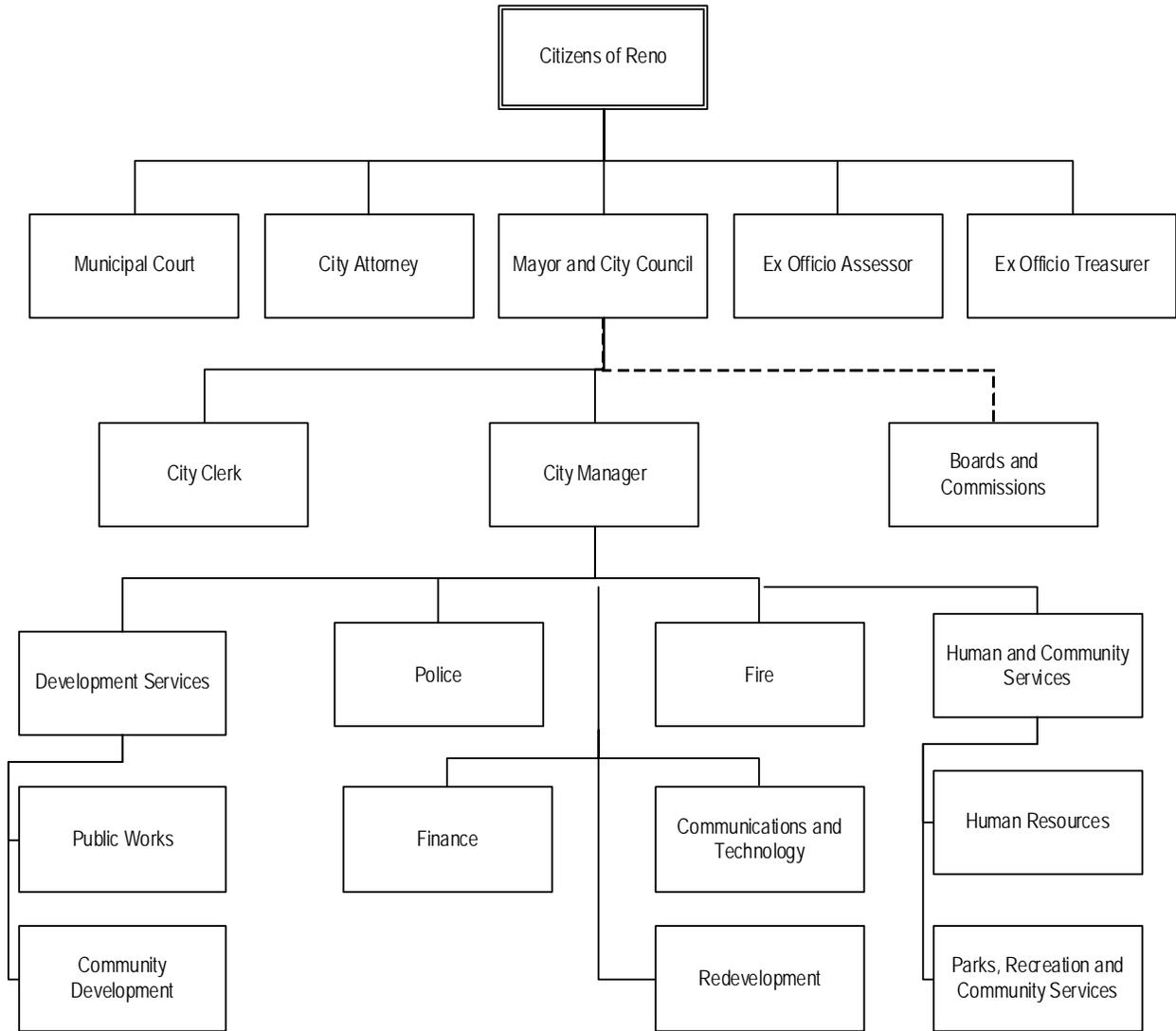
I wish to thank the City Council members for their hard work and determination in setting policy direction for the City. Let me assure you that the City staff and I are dedicated to implementing that policy direction to provide the best quality of life possible for the City's residents. I believe that this proposed budget contains the necessary programs and allocation of resources to accomplish just that.

Sincerely,



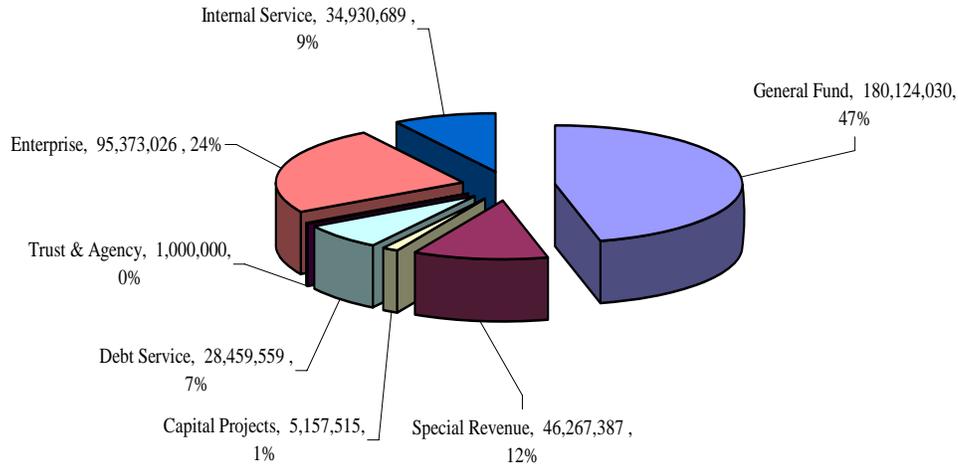
Charles E. McNeely  
City Manager

# City Organizational Chart

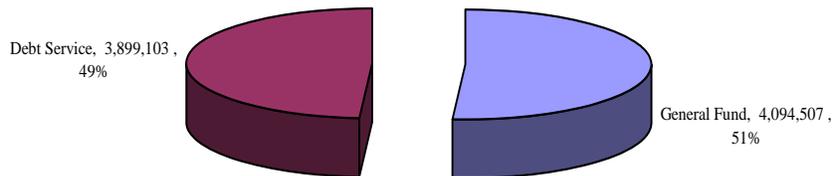


# Budgets by Fund Type

09/10 City Budget by Fund Type  
\$391,312,206



09/10 Redevelopment Agency Budget by Fund Type  
\$7,993,610



## The City of Reno's Vision and Values

Our **PURPOSE** is to provide community-supported services and programs designed to assure the safety and well-being of all Reno's residents.

### **VISION:**

*Reno.. "The Biggest Little City in the World"...the most livable of Nevada cities; the focus of culture, commerce, and tourist activity in Northern Nevada...a city where:*

*All residents have the opportunity to participate in community decisions.*

*A vibrant, diversified, economic environment is promoted.*

*Proactive, responsive, efficient and accountable governmental services are provided for all the people.*

*A healthy ecological environment is promoted.*

*Quality education is promoted.*

*A safe community is maintained.*

*Intergovernmental cooperation is promoted.*

### **VALUES:**

**Respect:** *To be respectful, cooperative, and inclusive in every contact.*

**Responsibility:** *To take individual responsibility to be ethical in improving City efficiency, effectiveness, and teamwork.*

**Responsiveness:** *To be responsive to residents' concerns and implement plans accordingly.*

**Results:** *To achieve timely, innovative, and tangible results in all City efforts.*

The Council's Vision reflects the type of community the City wishes to provide for its residents and visitors. The Values represent the standards of behavior expected of all City employees in the conduct of their duties. The Council's Goals represent the long-term guidelines the City will follow to ensure the Vision becomes reality. The City's programs are set up to meet certain Council Goals.

Each year, the Council identifies certain priorities which establish the programs and services funded for the fiscal year. These priorities may span fiscal years. The City Manager then selects a team to spearhead the City's efforts in meeting the Council's priority programs.

## **RENO CITY COUNCIL PRIORITIES FY2009-2010**

### **COMMUNICATION**

Enhance communication with the residents and businesses in the city and region by proactively identifying emerging issues, implementing long-range communication strategies, and communicating key issues, policy decisions and actions taken by the City Council.

### **FINANCIAL MANAGEMENT**

Enhance oversight of the City's financial issues with special emphasis on monitoring revenues and expenditures, and implementing fiscal strategies to address changing economic conditions.

### **PUBLIC SAFETY**

Maintain high level of police and fire protection throughout Reno with special emphasis on substance abuse issues and response times and develop a plan for Fire Department Facility expansion.

### **GREEN INITIATIVES**

Enhance the City's efforts to reduce its impact on the environment and provide leadership in the community to encourage residents and businesses to join in this effort.

### **PARKS, RECREATION AND COMMUNITY SERVICES**

Focus on partnerships and opportunities to provide outstanding Parks, Recreation and Community Services to Reno's citizens and visitors, provide maintenance of existing facilities within available resources and offer quality programs and services. Communicate and engage community stakeholders and user groups to ensure community recreation needs are met.

### **CONSOLIDATION**

Consolidate the governments or governmental functions of the City of Reno and the City of Sparks, Washoe County, the Washoe County School District and other entities as they determine consolidation is desirable, reduces taxes and/or improves services.

### **ARTS & CULTURE, SPECIAL EVENTS**

Enhance partnerships and opportunities supporting arts, culture and special events benefitting Reno's citizens and visitors, focus efforts to plan and maintain arts and culture facilities, special event venues and to provide quality programs and services. Communicate with community stakeholders and user groups to ensure arts, culture and special event needs are met.

## **Strategic Business Planning In Reno: Planning, Budgeting, and Quality Assessment**

The City of Reno has put great effort into making sure that our organization stays at par with the private sector in the area of improvements in effectiveness and efficiency. We believe that our organization has accomplished a major transformation by using results-oriented management and performance measurement, and that these methods provide a conceptually convenient and simple vehicle that allows the City to adapt to the new and rapidly changing environment we are all a part of, and to provide our citizens with information that will increase their confidence in government.

The Strategic Business Planning System links together in a single unitary process the annual cycle of the City's significant planning, budgeting, and quality assessment activities. This process coordinates service delivery and assures that each City service provided contributes to the goals and objectives outlined in the City's Vision statement and the City Council's priorities. The system also provides an open channel to elected officials, the Manager, and other employees with up-to-date information, as well as policy options and alternatives.

### **Elements of the System**

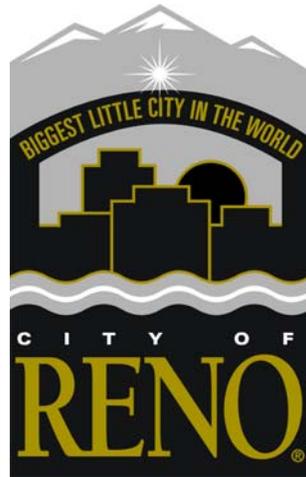
The System is driven by, and aligned with, these major components:

- The Council's vision for the year 2015.
- The Council's Five-Year Action Plans: At the Council's annual retreat, the City Manager and his team present the Council with proposed five-year goals and outcomes designed to implement the Council's vision for the year 2015. The Manager and Council then develop and adopt Action Plans to attain these goals and outcomes.
- The City Council's adopted priorities for the fiscal year - Key City-wide initiatives developed by the Council and the Manager at their annual retreat; inter-departmental teams designated by the Manager are responsible for the successful implementation of these priorities.
- Five and One Year Business Plans: Each year, for each of the City's service delivery programs, departments systematically formulate five and one year plans to further the goals, objectives, and priorities of the Council as well as the adopted long term Financial, Facilities, Streets, Capital Improvement, and Housing Plans. Each plan includes performance indicators.

### **System Implementation**

- A Comprehensive Annual Budget Process that links the program budget and the capital improvement plan with the Five-Year Action Plans, and implements program objectives included in the Five and One-Year Business Plans. All appropriations within departments are allocated to defined service delivery programs, each with a short description of purpose, five-year business plans, annual program objectives, and performance measures to facilitate program evaluation.

- Major quality assessment activities:
  - Departmental Performance Audits that focus on a department's compliance with the key elements of the City's Organizational Vision.
  - Public/Private Competition for Services. In addition to the system of performance measurement and benchmarking that assesses the efficiency and effectiveness of each City service on an annual basis and to assure that Reno citizens receive high quality services at the best possible price, it is the policy of the City to periodically test its services against the market. As a part of the competitive process, an assessment of the efficiency and effectiveness of the in-house service selected for competition is conducted prior to issuance of a Request for Proposals.
  - Targeted local, statewide, and national benchmarking, including customer satisfaction measures.
  - Pay-For-Performance. Annual management and employee performance reviews (review past performance and establish expectations for the year to come) based on achievement of goals and objectives outlined in approved Plans.



THIS PAGE FOR NOTES