

DATE: March 29, 2010
TO: Board of County Commissioners
FROM: Washoe County Employee Association
THROUGH: David Kelly, WCEA Board Member
SUBJECT: **Alternative 3.5% Budget Reduction Proposal**

The WCEA would like to present the following alternative budget reduction plan for the Commissioners' consideration. We believe that the following plan has several benefits over both the tiered reduction plan proposed by the County and the 3% evenly distributed reduction plan requested by the Commissioners. Thank you for taking the time to review the proposal in its entirety.

We would like to start by commending the County on its proactive approach to the reductions over the last few years. We are also pleased to see that the Commissioners are considering an evenly distributed budget cut of 3%. The WCEA believes that an evenly distributed cut at this time is more appropriate than the tiered alternative. After dramatic cuts of nearly 40% to the lower tiered budgets from last year, we believe that the reprioritization requested by the public has been satisfied. Continuing the tiered reductions will risk eliminating or making some services inaccessible to the public.

What the public wants is an efficient provision of services. To accomplish that, efficiency needs to be encouraged in all Departments. Budget cuts that are equal will incentivize Department Heads to find efficiencies. Those Departments that have worked hard to spend money wisely and expand at an appropriate pace over the years will reap the benefits of those decisions, while those that have not will have a more difficult time. Creating a system where cuts are made equally across the board will help to create an incentive structure that encourages fiscal prudence in the future.

In this case, the WCEA would like to encourage the Board to consider directing the County to pursue 3.5% budget reductions across all departments instead of the alternative 3% plan that was requested to be provided by the County. **Table 1** presented below shows the budget savings from each of the different alternatives that have been proposed; the tiered reduction plan from the County, the even 3% plan requested by the Commissioners, and the even 3.5% plan proposed by the WCEA. As you can see, the 3% cut does not measure up to the tiered plan in overall savings, while the 3.5% yields \$1.2 million in additional savings. That is 5% of the \$24 million deficit projected for next year. A 3.5% cut is proactive as well, considering that the revenues are not projected to recover for some time and instead are expected to fall for at least one more year. Being ahead of the curve, so to speak, has been a hallmark of the County's desires and actions during the budget cutting of the last few years. The streamlining of Departments is why we do not find ourselves in quite as dire straights as other municipalities are finding themselves in.

TABLE 1.

| Alternative Proposal to Washoe County Board of Commissioners Reduction Targets for Fiscal Year 2010/2011 | | | | |
|---|--------------|-----------------|-----------------|-----------------------|
| County Tiered Budget Reduction Proposal | | | | |
| | | Starting Budget | New Budget | Savings |
| 2% | Priority A | \$90,418,015.00 | \$88,609,654.70 | \$1,808,360.30 |
| 3% | Priority B | \$83,753,165.00 | \$81,240,570.05 | \$2,512,594.95 |
| 4% | Priority C | \$66,986,921.00 | \$64,307,444.16 | \$2,679,476.84 |
| 5% | Priority D | \$15,699,903.00 | \$14,914,907.85 | \$784,995.15 |
| | Total | | | \$7,785,427.24 |
| Commissioners' Requested Even 3% Budget Reduction Proposal | | | | |
| | | Starting Budget | New Budget | Savings |
| 3% | Priority A | \$90,418,015.00 | \$87,705,474.55 | \$2,712,540.45 |
| 3% | Priority B | \$83,753,165.00 | \$81,240,570.05 | \$2,512,594.95 |
| 3% | Priority C | \$66,986,921.00 | \$64,977,313.37 | \$2,009,607.63 |
| 3% | Priority D | \$15,699,903.00 | \$15,228,905.91 | \$470,997.09 |
| | Total | | | \$7,705,740.12 |
| WCEA's Even 3.5% Budget Reduction Proposal | | | | |
| | | Starting Budget | New Budget | Savings |
| 3.50% | Priority A | \$90,418,015.00 | \$87,253,384.48 | \$3,164,630.53 |
| 3.50% | Priority B | \$83,753,165.00 | \$80,821,804.23 | \$2,931,360.78 |
| 3.50% | Priority C | \$66,986,921.00 | \$64,642,378.77 | \$2,344,542.24 |
| 3.50% | Priority D | \$15,699,903.00 | \$15,150,406.40 | \$549,496.61 |
| | Total | | | \$8,990,030.14 |
| Source: January 22, 2010 Letter from Jon Sherman to Board of County Commissioners on Status Report and Direction to Staff on Fiscal Year 2010/2011 Budget, Attachment A: Recommended Department Initial Funding Levels and Reduction Targets for Fiscal Year 2010/2011 | | | | |

It can be assumed that some Departments will declare that the extra 0.5% will force them to lay people off; this is the usual trade-off argument that is put forward. This does not need to be the case however. More than \$1.2 million in efficiencies have already been enacted within Departments throughout the County.

Table 2 (shown below) comes from a County spreadsheet created to demonstrate the structural deficit as it is expected to develop over the next several years. The section that is highlighted for your review shows that current tracking of the expenditures (ETC) for Services and Supplies are running \$3 million less than budgeted. Department heads have already been tightening their belts and have found efficiencies 2.5 times greater than additional savings that would be generated from the 3.5% proposal. Freezing this line item is a tool that has been used in the past. And yet, the budgeted amount for Services and Supplies for next year is almost the same as this year, leading to a larger deficit. The

WCEA believes that it would be prudent to encourage continued fiscal responsibility by allowing the efficiencies that have developed to continue.

TABLE 2.

| Washoe County General Fund Projection Fiscal Years 2011-2016, BASE CASE OF STRUCTURAL DEFICIT | | | |
|--|---------------------------------|-----------------------------|-----------------------------------|
| | FY 2009-2010 Adopted | FY 2009-2010 ETC | FY 2010-2011 Projected |
| Expenditures Services and Supplies | \$62,673,423 | \$59,516,554 | \$62,414,030 |
| Source: Washoe County Budget Division, GF Project Summary by Category, | | | |

The WCEA also maintains that the more that the deficit is balanced with wage and benefit cuts, the harder it will be for the County to recruit the people with the skills needed to do more with less; something that will be necessary for the coming years if the current level of services provided is to be maintained. As you know, the County is currently seeking a 3.7% permanent wage cut from its employees, for a total of \$11.4 million. The \$1.2 million in additional savings with a 3.5% reduction plan could reduce the targeted amount of those cuts by approximately 10%. If the Commissioners elected to direct the County hold all \$3 million in savings that are occurring in the Services and Supplies expenditures back by starting next year at the same level, that could reduce the wage reductions sought by almost 30%. This would go a long way to preserving the ability to recruit the very people that will be needed in the future. It will also have less of a direct impact on the local economy, as the current employees will not have to scale back their spending as much. At the very least, perhaps both the departments and the employees could share the reduction equally at 3.5%.

We realize that all concessions must be negotiated, but the targets are being set here with the budget. The WCEA is confident that negotiations will come to a satisfactory conclusion, in particular if the targets set are reasonable and fair. There are many benefits to applying an equal 3.5% budget reduction plan as opposed to the other alternatives presented. 1) It will promote fiscal responsibility within departments, 2) Those efficiencies will allow the County to maximize its services provided to the community with the resources it currently has, and 3) The need for balancing the budget on the backs of the very people performing those services will be reduced. If the savings from use of this plan are directed to reduce the wage reduction targets, there are benefits from that as well. It will reduce the negative impact on the local economy and help to keep intact the County's ability to recruit the best people.

The WCEA hopes that you seriously consider this proposal and direct the County to pursue this course of action. Thank you for your time.