togetherforbetter

Board of County Commissioners

Clark County, Nevada

Tick Segerblom, Chair
William McCurdy II, Vice Chair
April Becker
Jim Gibson
Justin Jones
Marilyn K. Kirkpatrick
Michael Naft

The Board of County Commissioners of Clark County, Nevada met in a special session, in full conformity with law and bylaws of said Boards, at the regular place of meeting in Clark County, Nevada, on Tuesday, March 25, 2025:

CLARK COUNTY GOVERNMENT CENTER
COMMISSION CHAMBERS
500 S GRAND CENTRAL PKWY
LAS VEGAS, NEVADA 89106

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CALL TO ORDER

The meeting was called to order at 1:03 p.m. by Chair Segerblom with the following members present:

Commissioners Present:
Tick Segerblom, Chair
William McCurdy II, Vice Chair
April Becker
Justin Jones
Marilyn K. Kirkpatrick
Michael Naft

Absent:
Jim Gibson

Also Present:
Kevin Schiller, County Manager
Lisa Logsdon, Deputy District Attorney
Jessica Colvin, Chief Financial Officer
Jennifer Green, Director of Budget & Financial Planning
Lynn Goya, County Clerk
Jewel Gooden, Deputy Clerk
Emily Casimiro, Deputy Clerk

SEC. 1. PUBLIC FORUM

1. Public Comment

TICK SEGERBLOM
Lisa, is this a public hearing? Do we have public comment, everything?

LISA LOGSDON
You will still have your first set of public comment.

TICK SEGERBLOM
Okay.

UNKNOWN SPEAKER
(Inaudible), call to order.

TICK SEGERBLOM
Yeah, he wanted to. All right, good afternoon. This is our County Commissioners' budget hearing. We'll start with public comment. Anyone here wishing to speak on the public record, anything on the agenda, come forward? Mr. Parrish, do you want to say a few last words? This is about your last chance. All right. Seeing no one, we'll close the public hearing and turn it over to the County Manager.

SEC. 2. AGENDA

2. Approval of Agenda (For possible action)

ACTION: APPROVED.

KEVIN SCHILLER
Good morning, Chairman and Commissioners. Under the agenda, the first item is approval of the agenda.

WILLIAM MCCURDY II
Mr. Chair, I move approval of the agenda.

<u>MOTION</u>

TICK SEGERBLOM
There's a motion to approve the agenda, cast your vote. And Commissioner Gibson isn't here. He may be joining us by phone, but he's excused otherwise.

<u>VOTE</u>

VOTING AYE:	Tick Segerblom, William McCurdy II, April Becker, Justin Jones, Marilyn K. Kirkpatrick, Michael Naft
VOTING NAY:	None
ABSENT:	Jim Gibson
ABSTAIN:	None

LISA LOGSDON
Just let the record reflect that that motion carried (inaudible).

TICK SEGERBLOM
All right, motion carries.

SEC. 3. BUSINESS ITEMS

3. Receive a report regarding the Clark County Fiscal Year 2026 General Fund budget; and direct staff accordingly. (For possible action)

ACTION: RECEIVED.

Attachment(s) submitted and filed with the County Clerk's Office

KEVIN SCHILLER
Okay, moving on to the business section of your agenda, Commissioners. The only item is to receive a report regarding the Clark County Fiscal Year of 2026 General Fund budget and direct staff accordingly.

TICK SEGERBLOM
Good afternoon.

JESSICA COLVIN
Good afternoon, Commissioners. For the record, Jessica Colvin. We wanted to start—let's see, we need to pull up the presentation. Just a moment. And the presentation today is to present to you the County's general fund budget for fiscal year 2026. It's one, it's your general operating fund. You have a variety of special revenue funds, capital project, debt service funds, internal service funds, enterprise funds, but

those revenues are all restricted or committed for a specific purpose. The majority of your departments and functions are going to be funded from the general fund.

Just a high overview to begin with, and we'll go in more detail, but your general fund operating revenues are estimated to reach $2.1 billion in FY26. What's important about this slide is that you can see your consolidated tax revenue represents close to 43%, your largest source of revenue, also your most volatile source of revenue, and we'll get to that in more detail later in the presentation, followed by property tax revenue, which is just a little over 38%, and then by licenses and permits.

Your general fund operating expenditures also are reaching $2.1 billion. Again, 50.9% of your general fund budget is dedicated to Public Safety. Obviously, in the dark blue section, almost 33% is Metro and Detention. So, a good portion of the general fund budget is dedicated towards police functions, but also under public safety, keep in mind that that's going to include your Office of Public Safety, Department of Family Services, Juvenile Justice, Fire Department, Coroner, Public Guardian, and Public Administrator. So, there is much more to public safety than police.

A couple of things I wanted to point your attention to is when you're looking at UMC (University Medical Center), the 0.2%, this came up in a hearing, it was a question of, "How does the County support UMC?" And in your general fund, you will see a $5 million transfer to the hospital. This is going to be for capital costs, to help support their capital program. But in addition to that, the County has budgeted $122 million in intergovernmental transfers to the State Medicaid office, and this provides State match and voluntary contribution, so that UMC can receive supplemental payments from CMS (Center for Medicare & Medicaid Services). This is all under a Medicaid program. We'll talk more about this. We're keeping a close eye on Medicaid, because any changes to Medicaid could have a significant impact to the hospital. Those intergovernmental transfers or IGTs that the County pays, the $122 million, you will find those in your welfare function, the health function in this general fund expenditures, but you'll also find it in a special revenue fund for indigent care. So, we support; the County supports UMC out of a couple of different areas.

So, to start, we wanted to start with revenues that really drives the budget in total. And a good place to start is property taxes. And I'll go through, a lot of this is very granular, but I think it's important, just to make sure everybody is aware of the abatements and how it affects property tax revenue. This is a history of assessed valuation from 2008 to 2026, and you can see during the recession, you had a steep decline, the bottom being in fiscal year 2013, and it was a 10-year recovery for assessed values to reach those pre-recession levels. But now, we've had some pretty healthy, solid growth in assessed values through FY26, reaching $153 billion countywide. But there's no longer, with the passage, with property tax caps in place, just increases in assessed value. There's not a direct correlation in property tax revenues, and so there is a cap. Property taxes paid cannot exceed 3% above the amount of property taxes paid in the prior year for residential. And you have the same types of cap for commercial or non-residential. So, if it's not your primary residence, equal to 8%. And there's a misconception out there that when you sell your property, that this cap resets. It doesn't matter who owns the property. If you own a house today and you sell it, your new property owner they're only going to pay 3% above what you paid in the previous year. So really, only new property will be taxed outside of this cap. So, when you have new property coming on, you kind of get a bump in tax revenue that first year.

So, on commercial property, there is a secondary cap that you need to consider. It has had an impact in prior years. And this gives an illustration. There's a lot going on here, but the first thing to consider in the secondary cap is you compare two things. You look at the 10-year average growth rate in assessed values, and then you also compare that to two times CPI (Consumer Price Index). So, you can look, we'll look at

FY26, what we're currently estimating. The 10-year average growth rate in assessed value is 8.5%, two times CPI is 5.8%.

And so, the second thing you do, you take the greater of those two things, and that's 8.5%, and then you take that 8.5%, and now you take the lesser of 8%, which is the cap on taxes paid or 8.5%. And so, in this year, commercial property taxes are capped at the lower of the 8%. But if you look back throughout the years, especially if you go back to FY18, you can see in FY18, we still had those residual effects of the recession. So that 10-year average growth rate, you actually had still a decline in assessed values. And so, when you looked at two times CPI, the 2.6% is what ended up being used for the tax caps for commercial, as well as residential, and we'll move forward.

So just see an illustration. It's not until recently, FY23, that we actually reached that 8% cap. So that is good news, as part of this budget hearing. We're still at that 8%, but prior to that you could see that that cap on commercial property was below the 8% and even fell below at the 0.2% in FY17. Declines in values, as well as low inflation, is going to impact the secondary cap. And then, residential property has for the most part stayed at that 3%. But when commercial property, when that cap falls below 3%, the residential cap, property tax cap, cannot be more than commercial. So, you can see an FY17 and FY18, even residential property taxes could not increase more than 0.2% and 2.6% in those years.

This slide, it just demonstrates a history of property tax collections in the general fund from fiscal year 2008, to what we're estimating for fiscal year 2026. Again, property tax is very stable. We know almost a year ahead of time what the assessed values are going to be and what the tax collections are going to be. And these taxes are about 99.9% collectible. You have very few uncollected taxes in any given year. But again, an increase in values does not directly correlate to an increase in tax dollars. So, you see during the recession, as the decline in 2013, it took, it was a slow steady climb to get those tax revenues back to the pre-recession levels, about 10 years.

TICK SEGERBLOM
Can you explain, looking between the FY25 and FY26, looks like a pretty substantial jump?

JESSICA COLVIN
Yes, I wish I had the assessor here, but a lot of that is going to be new property. When you see a significant—you have both the 8%, we're at the cap for the 8% for non-residential, residentials at the full cap of three, and then any new property that's coming online would be reflective in FY26.

MARILYN K. KIRKPATRICK
So, Jessica just to further clarify, at least for the Board, but because—and we can gauge some of that based on building permits that are out there and what we see coming in the future, and some of that value, correct?

JESSICA COLVIN
Yes. And we can also have the assessor provide a management information report, to show you what's also coming online that's driving that increase.

TICK SEGERBLOM
Thank you.

JESSICA COLVIN
And it's not just assessed value, I guess this also goes back into abatements. It's properties, maybe less abatement, and we'll get into that in the next couple of slides, but maybe assessed values have increased,

but the caps are kind of eating away at those abatements. Let's see if I can describe that a little better here. It's confusing. So, the first thing that the treasurer does is they calculate the total amount of taxes due on a parcel, based on the assessed value and the tax rate. Then, those taxes are then further limited by those property tax caps. So, if it's residential, they limit the tax rate. The taxes that are going to be billed to 3% over the prior year, and for commercial the limit would be 8% over the prior year. And the difference between those two, of what the treasurer calculates is taxes and what's actually billed to the taxpayer, is considered abatement. And so, some of those property—when you see those property tax increases, it's also a shift in abatement, so there might be less in abatement and more tax revenues that are being billed. This slide demonstrates the number of parcels where there are abated taxes. So currently, there's 92% of property owners are receiving a reduction in their tax bill.

And to illustrate this, what does that quantify in dollars? There's currently a little over $1 billion in abated taxes, that if it wasn't for those property tax caps, we would be generating in tax revenue. And then this is the distribution of those abatements. So, 41%, the school district is the largest impacted, followed by the County at 27%, and then the Southern Nevada cities.

So, there's been an increase of 12% in the abatement value in FY25. To put it in perspective, if you were to do a $0.01 increase in the operating rate from the County, outside of the abatement, that should generate $14.6 million, but when you apply those abatements, it's only going to increase taxes by $2.4 million. So, you could see the majority of a tax increase would go towards abatements.

Our largest revenue source I wanted to go into—I think I'll pause there for a minute on property tax. I think we go through this illustration each year, just to show that it does create a financial challenge I think for all government jurisdictions, that limitation on property tax revenues.

Going forward on consolidated tax revenue, this represents about 43% of the general fund revenues that we showed earlier. When you look at consolidated tax revenues, just keep in mind that about 87% of this is sales tax. So, when you think of consolidated tax revenue, you should think about sales tax. The other 12% or 13% is made up of cigarette, liquor tax, real property transfer tax, and government services tax. This is a volatile tax, because it's almost immediately impacted when there's changes in spending, which would impact sales tax.

MARILYN K. KIRKPATRICK
Jessica are we—Oh, here.

JESSICA COLVIN
Okay, so we wanted to give you an indication of a couple things that are going to influence taxable sales or spending, and one of those is inflation in the average funds rate. So, this illustration shows you that in yellow, that is CPI for the West Region, and the blue is the federal funds rate. And so, you can see there's a direct correlation. And so, when there's high inflation, the Federal Reserve is going to increase interest rates to try to slow spending down, increase the cost of borrowing, and then that's going to decrease the demand and slow down the price increases. And I'll just point you to the pandemic, so you can see the inflation really started to decline during the pandemic, and so in response, you can see the federal interest rate was pretty much at zero. And then, as inflation started to increase, the Federal Reserve, their tool to bring down inflation is to increase interest rates. And you can see that they did that in the blue line in 2022 and 2023, and that it had an effect, because you can see in the yellow line, then beginning in 2023 and then going year to date, inflation has declined, now at 2.1%. And then, you saw that the feds then started to decrease and started to implement rate cuts, so now the federal rate is now at 4.3%. So, it's something to keep an eye on as we move forward. If you start to see an increase in inflation going forward, then you would typically— it would indicate you're going to start seeing increases

in the federal interest rate, which is going to increase the cost of borrowing. And the intent is to slow the economy down, slow spending down.
The other impact to spending in our local economy is visitor volume. This just gives you an illustration of visitor volume over the years, wanted to show you in 2020, that big dip in visitor volume with the closure of non-essential businesses, but a really strong recovery through 2024. I looked at the year-to-date visitor volume in 2025, and it's staying relatively flat compared to 2024, so no significant changes there.

And so that all gets us to currently, what are we seeing in consolidated tax collections to date? And what this shows you is, when you look at prior years, fiscal year 2017 compared to fiscal year 2016, there was a 5.38% increase. And going up to the pandemic, on average, we were seeing about a 6% increase in consolidated tax revenue. Fiscal year 2020, again with the pandemic, we were expecting to see a decline. It wasn't as bad as we thought it was going to be, and then a really strong recovery from the pandemic, and a lot of that was a lot of federal money was coming into the economy for spending. You had a lot of pent-up demand, consumers wanting to spend on experiences or going out again.

And then, there was also just supply chain demand, where all of a sudden you had a big influx of demand for supplies and services, and so it drove costs up, and it also drove up spending. And so, we knew that in fiscal year 2022, if you were at the budget hearing, you would've heard us say, "This is not sustainable. We're not going to see double-digit increases in C-tax going forward," and we expected it to stabilize. And in 2023, 2024, it did start to stabilize, but less than that 6% average that we were experiencing. And so now, looking at the current year, when you're looking at July 2024, through October, we have seen recurring decreases compared to the prior year, which is concerning because our largest revenue source is not keeping up with the rate of inflation. Our cost of our services are increasing by more than close to 3% at a minimum, and so at this point, the largest revenue source isn't keeping pace.

I wanted to also point out that when you look at, for example, July 2024, when you think about C-tax collections, the retailer is collecting taxes in July. In August, they remit them to the State, and then in September, the State remits them to the local jurisdictions. And so, we are receiving July collections in September, so there's always this two-month lag in collections. I'm only presenting to you the first four months, because starting in November, our consolidated tax collections were being distributed under a new system with Department of Taxation. During that implementation period, there's been some timing issues with reporting, as well as the distributions that have been sent, and so we're working with Department of Taxation on a weekly basis to get those distributions trued up. So hopefully, by May, we'll have revised or updated numbers for at least November through February.

My last comment on C-tax collections before I go to the slide is that just like when you're hearing of rising inflation, rising interest rates, or declines in consumer spending or visitor volume, it's going to have a direct impact to this revenue source, and it's going to happen rather quickly. We'll see that impact within two months.

And lastly, this just addresses a comment that was made during one of our legislative hearings, is there's so much volatility since the pandemic in C-tax revenue. Where would we be, had it not been for the pandemic? And so, we just plotted a 6% average growth rate trend over actual collections, and forecasted to give you an idea where we would be. And so right now, we're just slightly below we would've been otherwise, which represents about a $23 million shortfall. Again, that's projected, so hopeful that that will turn around, but again, it's a volatile revenue source, so we're typically conservative when we budget that source of revenue. Before I move on to the general fund, I'll just pause for a minute, if there's any questions. Okay.

MARILYN K. KIRKPATRICK
Well, I do have a question, and it's really more about—you know, there's tons of bills on the legislature that have to do with taking away property tax, taking away sales tax. We see it in debt management often, that people want to bet against it. It feels like this is probably not the right time to do any of those things because it is so volatile, and we've been consistently seeing a downturn. Is that a fair statement?

JESSICA COLVIN
Yeah, I would agree 100%. We wouldn't want to take more from the base of sales tax or redistribute at this point in time.

MARILYN K. KIRKPATRICK
Even property tax, right? So, every time we take a little bit away, it actually comes out of our bottom line, that we don't actually see, correct? And we're still required to provide the services.

JESSICA COLVIN
I do agree. And the property tax, it's a large source, representing almost a third of the revenue, and the one stable source of revenue.

MARILYN K. KIRKPATRICK
Yeah, just because I love to hate the giveaways.

JESSICA COLVIN
This is a comparison of your general fund revenues budget to budget. I have a couple comments here, just to make sure. It's a table format, but overall, when you're looking at this, it's by our major sources of revenue. And what I would say is you would want to look at property taxes, licenses, and permits, and the intergovernmental revenues. Charges for services, fines and forfeits, and interest are just such a small portion of the general fund revenues. It's not really going to make have much of an impact when you make changes to those line items.

On the intergovernmental line item, consolidated tax revenue, something to keep in mind, it looks like it's 1.5% decline compared to budget, but keep in mind that we originally budgeted fiscal year 2025 with what we thought was a conservative increase of only 1.8% over FY24. But that is actually, based on those months of collections we just reported, we're trending to come in 1.5% lower than FY24. So, we're not anticipating to meet budget in FY25, so that's impacting how we budget FY26. When we forecasted FY26, we did look at the State Department of Taxation, their forecast. We are expecting to come in lower than what they are presenting, not materially lower, but the way we budget is we're budgeting a 2% increase in consolidated tax revenue, and what that essentially does is it's going to keep FY26 revenue flat to FY24 for consolidated tax revenue. And we think that's the conservative approach until we see there's a lot of changes going on in the economy. If that changes during mid-year, we could reassess, and we'll come back to you with an update.

Transfers in, just a reminder that these transfers in are coming in from your town funds and your fire service districts, to pay the costs associated with those towns and districts. So, the increase of 1% directly correlates with property taxes and the consolidated tax revenues. That's a source of revenues in those towns and fire service districts.

On general fund expenditures, what we've presented to you are operating obligations. So, this is just to maintain our current contractual obligations. Either it's with 100% of our staffing meeting any increases in our employment contracts, as well as our vendor contracts. Overall, you're seeing a 2.9% increase, which is really a good sign, in that our revenues are keeping pace with inflation, and our expenses are not outpacing inflation. So just kind of keeping the lights on can be met with our current revenues as budgeted.

TICK SEGERBLOM
It looks like Public Works is a pretty substantial jump?

JESSICA COLVIN
Yes, I do have a comment on that. We've contracted out for line location services, and so we've increased that line item by close to $3 million. And we also had some mapping personnel that were in an enterprise fund, where they're not generating enough revenue to cover the cost of those salaries and benefits, and so we've also moved those to the general fund. And so that's what's causing—dollar wise, it's not a material increase, but I agree, percentage wise, it looks like a significant increase. The line location service is helping us keeping current and timely in those services to the community, so that was the reason for contracting those out.

Another item I wanted to mention is when you look at health and welfare, it looks like there's been a decline of 5%. It's just a reclassification. If you looked at FY25, there was $25 million that was budgeted in health and welfare is transfers out for housing and the opioid treatment center. Those are now, in FY26, recorded as transfers out. And then, our transfers out, that's a large expense. Keep in mind that 83% of transfers out represent transfers out to Metro and the detention center.

Moving to the next slide, we then compare your operating revenues to your operating expenditures, and as you saw, it's pretty much even. Just a marginal increase of $3.2 million this year. Good news is, again, revenues are keeping up with inflation, keeping up with our costs. You're not looking at having to do immediate—any type of cost containment or cost cuts at this point, outside of any type of legislative impacts or unforeseen changes in the economy. But our supplemental requests to date exceed $110 million. I was going to stop to talk a little bit about this. In District Court, the $14 million represents, I'll put it in two components. One is, and it is kind of a companion to a bill, AB66. It's a request for 18 District Court Judges. The request is for those to all be Family Court or Civil. That would require 67 positions in the Court. And then, they've asked for another 77 positions, for a total of 154 positions. That would also require additional capital needs or space to accommodate that request.

Detention, their request is typically around this amount. The 21 million here is mostly to meet minimum staffing ratios. Right now, that's staffed with overtime. And so, we've been chipping away at that each year, trying to increase that staffing. Although Metro requested $16.8 million, we've already met with Metro. I know that Fiscal Affairs has also been updated. Due to our budget constraints, they've reduced their request to $757,000, and that is primarily just to address filling positions that were grant funded that have lost funding, as well as they have three drone operators that they wanted to add in the current year, but that would be the extent of their request. So, we are very appreciative of the Sheriff and Metro for going back and really reducing that by almost $16 million.

And then, the Clark County departments have over $63 million in supplemental requests. We've reached out to all of the departments and asked them to really refocus on reorganizing their departments, reclassifying vacant positions, focus on filling vacant positions, until we have a better idea of what this next year brings with the local economy.

So, my recommendation today, we typically wouldn't allocate the $3.2 million anyway, but when we come back to you in June with a recommendation it's going to really focus on funding grant-funded positions where we have an indication funding's going to be or has been canceled. And that leads me into the effect of federal award. So, we've been receiving a lot of questions on, "What is the impact if our federal funding is frozen or reduced?" I just wanted to give you some context here, that the County incurs approximately $150 million in federal expenditures annually, and that includes about $12 to $14 million from Metro, so that's inclusive of Metro. Ninety percent of these expenditures are from three federal agencies, the largest being Department of Health & Human Services at $105 million, followed by HUD (Department of Housing and Urban Development) the $18.3 million, and then Department of Justice. The importance of the federal funding for budgetary purposes is that 813 County positions are fully or partially funded through federal funding but equates to about 483 full-time equivalents. So, when I say any revenue growth, we really want to focus on back-filling these positions to make sure that we can continue services. Also, keep in mind that the budget that we've presented to you doesn't include potential impacts from federal or state legislation. So, any impacts that we receive down the road we will need to come back to the budget and revisit those. Now, as really the safety net to Clark County, to our constituents here, we're keeping a close eye on anything that impacts Medicaid or the Health & Human Service budget, so we'll be keeping you informed of that as we go on.

We mentioned the $122 million that's paid through Medicaid for the benefit of UMC, but we also pay another $38 million in state match dollars for long-term care. So that is for your Medicaid, or uninsured patients, or clients that need to be in a skilled nursing facility, a group home, or have home healthcare. And on top of that, for any of those that are also under or uninsured, we pay another $11 million for direct placements in those facilities outside of Medicaid. So, a lot of the County's budget goes in support of acting as that safety net provider.

MARILYN K. KIRKPATRICK
So, may I ask a question? So, Jessica, is our federal lobbyists like keeping us in the loop? So, I'm going to give you an example. On my way down here today, the Health District was notified that the immunization budget was cut at the state level, which then trickles down to us, and it also cuts the existing COVID things, which equated to people, right? And it was effective yesterday at five o'clock, but we learned about it this morning. So is our federal lobbyists in particular giving us weekly—I feel like we need some weekly reports to know what's on the list. National NACo's (National Association of Counties) done a great job of trying to kind of tell us what they're seeing, but what are we hearing?

JESSICA COLVIN
Go ahead.

KEVIN SCHILLER
So, we're doing regular calls with the federal lobbyists, but I think one thing we can do is the information we're getting, we can immediately give to you related to those updates. What I'm finding is in some cases they have an unknown, and it's kind of more last minute, and other cases we are hearing some of it, but a lot of unknowns. But I can make sure, Commissioner, we get that to the entire Board.

MARILYN K. KIRKPATRICK
No, that would be helpful, because I think that at least a few years back, one of our priorities was Health & Human Services, because we are the social service safety net for those folks, and I believe that I have a specialized person that—but I would be curious to know a little sooner, and I support saving any pennies that we have, in order to keep those employees to provide the services.

JESSICA COLVIN
Yes, I agree. And we also, we've been communicating with departments, because the departments are really the most in contact with their grantors. The majority of grant revenues that the county receives is a pass-through, primarily through the State of Nevada. So, keeping that constant communication, open

communication with the State is also going to be important, so that as they're alerted, they're alerting us as well, so that we have time to react.

As I mentioned, the budget does not consider any type of impact from the federal or state legislation. So, a couple of legislative considerations that our team is working hard on, one of the more impactful issues up there right now is the sunset of $0.20, that it's levied specifically for Metro or the Police Department. It currently generates $155 million to the department. That would be about $105 million would be the County's portion. It funds approximately 800 police officers, and it's due to sunset in June of 2027. This removal of the sunset this session is important, because if you wait until the 2027 session, we've already established the tax rate, so if that's set to sunset, it will be removed, and then your tax bills and your tax levies are already being calculated and ready to be issued that summer for the first quarter. Also, we are looking at rising workers' compensation costs. We'll have a couple of slides on that, as well as a child welfare deficit. And then, federal funding, again, we're just keeping a really close eye on anything that impacts Medicaid, Health & Human Services, HUD, and Department of Justice. Any impacts to those could have a material impact not to our operations, but also to the services to the community.

So really quickly, we presented this last year, but I did want to talk about it again, and its workers' compensation. So, I think everyone's aware that it's an insurance that provides benefits and medical care for workers who are injured or become ill as a result of their job, and the County self-funds this benefit. We do not have an insurance plan that does this. We have an excess coverage for high-dollar claims, but to the most extent, we reserve for these liabilities or for these payments. And there's three types of expenditures that you have to keep in mind. There's the claim expense, that's where you're just paying the amount of the claim that comes your way for cash or medical benefits to the employee. Then, there's reserves, being able to reserve enough money to pay for that same claim may have years and years of liability, where you're committed to paying or obligated to pay that liability or that claim in perpetuity or for a limited time, as well as there's claims out there that have been incurred but haven't been reported, so ensuring that we have enough cash on hand to meet that benefit.

And there's also a presumptive claim, when there's a benefit, or injury, or illness that's presumed to be work related without having to demonstrate that it arose out of the course and scope of the job. And so, since the 2019 state legislature, we've seen 12 bills that have impacted workers' compensation, and most of these have increased the cost. To date, during this legislative session, we've identified eight bills, also either expanding, most of which are expanding benefits or otherwise increasing the cost of this care. And it's hard to have this conversation, because of course, the County supports ensuring that if a worker, if one of our employees is injured or becomes ill as a result of their job, we want to make sure that they're cared for. Just wanting to make sure that everyone's aware that, as you expand these benefits, it does have a significant cost.

And so just a couple of visuals here. So, when you look at that first, the claim cost, it's just your annual expenditures, those claims are totaling about $54 million in total when you're looking at Detention, County, and Metro, resulting in about 142% increase when you go back to 2017. And then, when you're thinking of how much do you have to reserve now to meet the obligations of those current claims, that is $114 million reserve that we need to maintain to make sure we can meet our obligations, and that's 126% increase.

And then, when you look at your presumptive claims, this benefit is difficult to determine, and these liabilities are actuarially determine, the long-term portion of them, because this benefit is extended, even if it occurs post-employment. So, you could have somebody, in some cases you could have an employee who retired or left maybe five years ago, and becomes ill, and then that would be presumed to be a result of their work. And so, you have this long-term liability that's really an unknown that's out there. And so right now, that's estimated at $99 million, most of which that presumptive benefit is unfunded at this point. So again, chipping away each year at trying to fund that liability.

MARILYN K. KIRKPATRICK
So, Jessica, may I ask a question, though? So, I know that the Gatsby Rules always make me nervous, because they want us to do actuaries for liabilities on everything from leases, to overtime pay, to all these other things. So, who sets the rules on our self-funded, on how much that we have to set aside? Is that also done in the similar format? Is it done by our self-insurer planner? How's that work?

JESSICA COLVIN
If I go back to the claim expense, the $54 million, that's paid out the door. So, on the $114 million reserve, we reserve that, 100% of that $114 million. That's claims that are known, we know we have that liability. We have an actuary come in and determine what the long-term impact of that is, as well as I do want to say claims that we know are out there but just haven't been reported. I think what you're asking for is this $99 million liability. It's a liability that's out there, that is largely unfunded, and it's internally where we determine, "okay, how much of this can we reasonably afford to reserve for?" and just try to increase that funding. This would be similar to your pension liability that is somewhat unfunded on the County side, as well as your post-employment health retiree benefits.

MARILYN K. KIRKPATRICK
So, I guess, at least for me, I just was trying to clarify, and I think what you said is that we could either plan today for what's going to come, or we could be in a situation to where we just have to cut everything to meet what those mandates are by the State, correct?

JESSICA COLVIN
Yeah, and it's finding a balance, and also watching to see actual results. So, we were looking at, in the example, this $99 million presumptive benefit liability. Is it worth cutting services to fund this liability, without really knowing the current experience, or finding a balance to put money away to begin funding it, start watching the experience and the liability in the claims, and then maybe funding it further, without having to reduce services, using revenue growth to do that, rather than cutting services?

MARILYN K. KIRKPATRICK
But I think that that's a simple—workman's comp is complicated, right, unless you're in the—No one wakes up saying, "Hey, I'm going to be the director of workman's comp someday," right? I don't know any kid that thinks that way. So, kudos to the workman's comp director, but you probably fell into the job somehow. But it's complicated, right? But I don't know that when I look at all the bills in the legislature, I don't know that they understand the impact today, tomorrow, in the future, and what services that we got to get. But I think your explanation is to the point of, think about if all 12 of those bills happen tomorrow, that $99 million could be $200 million, and we'll have to do something different. I just figure, I wish, and I will say when I was in the legislature, I didn't understand workman's comp wasn't my forte, and I relied on a whole bunch of other folks, but I feel like we have to really start having a real conversation and educating them on what that looks like in the simplest terms. Heart and lung was the only thing I ever really seen, but now it's everything. PTSD (Post-Traumatic Stress Disorder), now it's we're adding more folks, we're adding workman's comp on the amount of time. But I mean, I never would've thought that we would be prospectively saying, "Hey, in 10 years, you can come back," because I thought that we always had a cap for a reason, so that government—But I mean, it's maybe a separate conversation, but I just feel like we ought to have a real conversation. There also used to be a mechanism to where all the workman's comp bills came to one spot, and everybody sat in a room, and figured out what had to happen. And I think it's an issue that's growing if we don't be able to explain it a lot easier.

JESSICA COLVIN
Yeah, I think it would be helpful to look at them in their entirety, because one change may not be as impactful, but then you add four or five more, and you really start expanding the cost. It may be not so much in year one, but when you look down the road, years ahead, and with the compounding rise, increases in costs, you can look at, you know looking at $100 million liability. I don't think anybody really foresaw that was going to happen when that original bill came to fruition.
I'll pause there. One thing you said is coming up with a way to really clearly, simply give legislators this picture of the long-term impact. And I think we can work with actuaries to see if there's a slide or a couple of slides that can do that outside of these, and so we'll come back to you with a follow-up on that. I was going to turn it over to Kevin Schiller, to go over this next couple of slides.

KEVIN SCHILLER
Commissioners, on the child welfare funding fund, I've spoke with many of you many times. I think we talked about it last year's budget hearing. Just as a way of structure, the way that the current system operates in Nevada is we participate in the Federal Title IV-E Program, which essentially pays a percentage of costs where we have eligible kids. That essentially goes to the State, it's a state plan. The State has the oversight of child welfare, but we're the deliverer of services. Looking back, historically, going back to like 2000, we had a bifurcated system between the front end of child welfare being the County's responsibility and the back end being the State's responsibility. Obviously, that didn't work well for kids, didn't work well for vendors' money. That idea, that changed, and we de-bifurcated the system. With that de-bifurcation, the block grant came into effect. That block grant was really deemed at kind of differentiating those costs between the back end and the front end of the system.

Really, since 2012, we have been in an operating deficit related to the back end of the system and state funds, to fund those necessary services. For a period of time, we did, Clark County specifically participated in the Title IV-E Waiver, which kind of gave us a grace period related to some of those deficits we were seeing. That has since expired. The Families First Prevention Services Act was passed. The intent of that act at the federal level was really to essentially provide for diversion and certification of programs which would increase rates. The problem with that at both a federal and a state level is it has not been effectively rolled out, and as an example, certifying a service or a vendor can be a 2- to 3-year process on its best day. So, we've had a real struggle in terms of participating with the state and the federal government on that. And then, this last year, we met with the ACF (Administration for Children and Families) Director who acknowledged that, but it's just another combination of where we're seeing the perfect storm.

TANF (Temporary Assistance for Needy Families) funding's declined. And then, obviously, one of the potentials is the reduction to incentive grants, reductions have been delayed. That was a result of ARPA (American Rescue Plan Act) funding, so those are anticipated. I'll say with all of this, the threat of any federal reductions is obviously a clear concern. When I talk about the revenue challenges in that growing deficit, I think one of the key pieces, and I'll just do it in simplistic terms, federal government mandates what's called a CFSR Review, that's a Child and Family Services Review, where it's very detailed. It was very much designed not for passage, but for process improvement. So, we participate in that. We'll spend two years preparing for that. We actually spend money on that, because we have to do the review ourselves now, in coordination with the feds. But what they're evaluating is essentially every determinant related to child welfare, a child, a family reunification in those services. This deficit, when you look at the responsibility of what we have with one child, we can look at it in simplistic terms, as you bring a child into care, but they're experiencing trauma, they may have diagnoses, and in many cases, and you guys have heard many times when the special needs children, whether they're autistic, whatever those behavioral challenges are, the responsibility rests with us to meet those needs tied to that review, but also in the best interest of those kids. What's happened is the complexity of meeting those services, when you look at this deficit, is really what's driving it. So, we end up having to fund, for lack of a better term, the back end of that system, which is what's creating the deficit. Obviously, those expenditures have continued to increase.

You guys have heard, as an example, the issue of dealing with autistic kids and what we did during COVID related to the use of the campus to create specialized care. That was really a back end responsibility, but we needed to do it for the best interest of those kids, for our staff, and to meet those needs. Behavioral health obviously is significant. That has become way more complex. We did have a federal mandate related to foster care payments to relatives. That's a great thing, because it creates stability, but it also has to be paid for. So, another example of where that deficit has increased. And then obviously, just as an example, unfunded mandates from a legislative perspective, which would be CSEC (Commercial Sexual Exploitation of Children), as an example. The one thing that I'll just highlight on this slide that I think is most important is we don't know what we don't know.

So, to Commissioner Kirkpatrick's question related to, you see a Medicaid reduction that does impact the meeting the needs of kids that are coming in the system. These are our most vulnerable families and children. TANF reductions also, if we see TANF reductions and we see those reductions impact families, their ability to care becomes an issue. And we do not want to be placing children into foster care based on that necessity. And I think it's really important to highlight, we spend a lot of funding even outside of this, related to the diversion of families. If you look at our non-congregate care, the design of that, the crisis was the opportunity, but we're steering children and families outside of care that are either on the verge of homelessness or need diversion.

But the unfunded threats are really critical, and we're getting to a place, and I'll just kind of leave it with this, we'll have more to come in terms of what those impacts look like. But then, what we will be forced to do is start looking at how we triage, or we'll be coming to you about how do we triage services and those costs related to those mandates. And then, if you look at non-mandates, those are also, it's kind of a bad word to use, because those ancillary services are so critical to providing the stability, because the system has not shifted at a federal level to diversion. I think at a county level, we are really attempting to do that through multiple programs. We do it with our social services. We're using that budget when we're funding housing and those pieces. But the legislative unfunded mandates, as we look at them today, if something comes down that's going to be an impact here, but the federal side of it is really the global piece. So more to come on this, but I also think we're at about a two-year window. We get two more years into this, and we don't see some type of funding mechanism that shifts it, the conversation I may be having with you is, "Can we deliver the services as a county?" And that becomes a federal conversation, and a state conversation related to how we maintain services for kids. Because at some point, we do have to say we can't do it on an unfunded budget to benefit these kids, and somebody has to advocate for that. So, we continue to submit a budget every two years to the State, with all the details and what we're trying to do. We're trying this session to compartmentalize where those areas are we can improve the funding. But again, it will just be a continual conversation. But I think it's way more compounded this fiscal year in relationship over the two-year period related to the unknowns and what we see federally. So, with that I'll pass it back.

JESSICA COLVIN
And so, as a result what we wanted to illustrate for you is you can see in the gold bar, these are the expenditures and child welfare permanency operations, and then compared to total revenues that are coming in. And there's been an increase in FY24 primarily through the increase in foster care rates and adoption subsidies. So, if those rates increase, so do the costs. So, it's almost a wash, when you look at that increase in revenue. But that annual subsidy continues to increase. You could see the actual subsidy in FY24 was $20.8 million. We're estimating about a $27 million subsidy this year and increasing to $36

million in fiscal year 2026. Now, that assumes that all of those positions are occupied, so we expect we would have some vacancy savings there, but currently that's what we're budgeting.

Before I move on, I did want to make a note that as we've been working on the general fund, we've also been working on all of the other funds in the County budget. And there are a couple of enterprise funds that we want to come back to, and that where you don't have the high volume of services coming in specifically for fire prevention and public works development. And it will want to come back to you on different mechanisms, like how can we right-size those funds? And so that'll be coming to you as a later date as well. But those are two other funds that we think needs some work in FY26.

And so, there's several challenges ahead, as those couple of slides demonstrated. And again, the budget does not contemplate the impact of any federal or state legislative changes, any decline in revenues, or increases in expenses as a result of that, or a downturn in the economy. But if that does occur, you have a series of tools at your disposal, and unlike the pandemic, I feel comfortable that you would be able to take a much more measured approach. You know, in the pandemic, we had 30 days to address the closure of the majority of the businesses in the valley. I think here, we can kind of see there are some challenges ahead, and we can react, again, measurably. And so, the first thing you could look to is reducing fund balance, deferring future capital projects, so those projects that haven't even started. You have capital projects that are maybe in the design phase, and so maybe you complete design and you may then defer construction until revenues turn around. You can also reduce your reserves for your long-term liabilities. We talked a little bit about that. That has a long-term consequence but may help bridge the gap in the short term. And you could do all of that before you got to having a look at your discretionary services. And then, finally, the mandated services. And those top four tools that you have at your disposal, you'd be using one-time revenues to do that. Anything you do there is just going to be a stopgap. The last two, where you're actually reducing services to the community, would be a last resort, but that would address any long-term impacts that we see going forward.

Any questions before I move on? Okay. Before we go on to next steps, I want to take a moment to just thank the entire team. So, Jennifer Green is sitting next to me, our Director of Budget and Financial Planning, and our entire budget team is also in the audience. There's a lot of hours, a lot of weekends and late nights that are spent on this. We try to condense it to something that's manageable and can be easily presented, but a lot of work goes into it. So, I wanted to thank them for all their work, and as well as the departments. The departments work quite a bit with their budget analysts and coming up with their budget, their budget requests, and so thank you to them too for the collaboration.

And so, the next steps are we will adjust the tentative budget for any property tax revenue projections. We expect to receive those this week. And then, on April 15, we'll file the tentative budget. May 19, we will have another hearing. We will present to you any changes to the final budget. Hopefully, we'll have an update for you at that time on the consolidated tax revenue, as well as any federal or state legislative impacts that we know of. And then, on June 1, is when we'll file the final budget. I expect that then, in June or July, if there is any available revenue growth for supplemental positions, we would come back to you with a recommendation for that, as well as capital. Yes, I think that would conclude my presentation, unless you have any questions?

TICK SEGERBLOM
So, going back to the C-tax, the next time we'll know how it's coming in would be middle of April, middle of May?

JESSICA COLVIN
The next payment would be expected end of April.

TICK SEGERBLOM
Okay, and that would be for the second quarter?

JESSICA COLVIN
It's monthly.

TICK SEGERBLOM
Okay, so monthly.

JESSICA COLVIN
Right, so that would be for the February collections.

TICK SEGERBLOM
Right, but other than the month that we're missing, right now the numbers seem to be a little bit less, but stable?

JESSICA COLVIN
Yes. Yeah, our current trend, what we were seeing is that they're coming in about 1.5% to 2% less than the prior year.

TICK SEGERBLOM
Do we reach out to the Strip or other places to see what they're feeling? Like if the Canadian market is collapsing or something like that, do we get any sense for that?

JESSICA COLVIN
I personally will have conversations with LVCVA (Las Vegas Convention and Visitors Authority). I think, Kevin?

TICK SEGERBLOM
Any sign of—

KEVIN SCHILLER
I can only just—I'll give a quick update. I know I met with Brian Yost from LVCVA yesterday. I've also talked to our Airport Director, Rosemary Vassiliadis. Both have indicated a decline on international travel from Mexico and Canada, so I think we're seeing that trend. But at to what degree, I really don't have a number yet.

MICHAEL NAFT
I think Commissioner Gibson had circulated to our offices at the last meeting the most recent data report that LVCVA has put out, which is last couple of weeks.

MARILYN K. KIRKPATRICK
And in the famous words of (inaudible), "There ain't no dough. "So, I think this is probably the first time that we've had to say that unfortunately since I've been here that it's a pretty flat—and we'll be lucky to make our budget numbers from last year to move forward, so that's what I heard you say today.

JESSICA COLVIN
You heard correctly. Yeah, another resource, just a note, is another resource we have is our financial advisors, Hobbs, Ong & Associates, as well as PFM. And so, we're in regular contact with them, as well as

they're keeping an eye on taxable sales, other economic indicators. And so, we'll keep you apprised of that too over the next couple of months.

PUBLIC COMMENTS

TICK SEGERBLOM
All right. Anything else, Mr. Manager?

KEVIN SCHILLER
No, if there's no other questions, we can move to your second section set aside for public comment.

TICK SEGERBLOM
All right. Thank you all out there for the terrible news, but I guess fair or bad news is at least you let us know what's going on.

Hey, this is a second period for public comment. Anyone here wishing to speak on this item, speak on anything? Seeing, no one, will close the public hearing, and we'll adjourn until when we come back next Tuesday. When do we come back on the budget? Yep. Okay, thank you.

END PUBLIC COMMENTS

There being no further business to come before the Board at this time, at the hour of 2:03 p.m., the meeting was adjourned.

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ONLINE MEETING LINK

APPROVED: /s/ Tick Segerblom
TICK SEGERBLOM, CHAIR

ATTEST: /s/ Lynn Marie Goya
LYNN MARIE GOYA, CLARK COUNTY CLERK