

	AGENDA ITEM EXECUTIVE SUMMARY		Agenda Item number: 3
	Title:	Workshop Discussion- Evaluating the impacts of COVID-19 on the City's FY 2020-2021 Budget	
	Presenter:	Chris Minick, Finance Director	
Meeting: City Council Workshop Date: May 18, 2020			
Proposed Cost: \$		Budgeted Amount: \$	Not Budgeted: <input type="checkbox"/>
Executive Summary <i>(if not budgeted please explain):</i> <p>At the City Council Workshop Staff will present a summary of work undertaken to date to estimate the likely financial and economic impacts related to the COVID-19 pandemic and the City's initial response. Modeling data and initial results for March economic activity will be reviewed as well as likely impacts as can be estimated based on today's data available and knowledge.</p> <p>Additionally, staff has identified various adjustments to the City's Fiscal Year 2020-2021 budget amounting to approximately \$2.5 million (5%) of the City's General Fund Budget. A summary will be reviewed.</p> <p>City staff is proposing a phased response and anticipates that further discussion and subsequent rounds of budget adjustments will likely be necessary.</p>			
Attachments <i>(please list):</i> <p>Presentation</p>			
Recommendation/Suggested Action <i>(briefly explain):</i> <p>Discussion of likely impacts to the FY 2020-2021 budget related to the COVID pandemic Approval to implement the 5% budget adjustments to the FY 2020-2021 budget</p>			

COVID-19 and the Fiscal Year 2020-2021 Budget

What are the Impacts and How Long will they Last?



Presented by: Chris Minick, Finance Director

May 18, 2020

Discussion Goals

- **Understand likely impacts of COVID-19**
 - Update – March's Economic Activity
- **Discuss Steps Taken to Date**
- **Feedback for Adjustments Already Identified**
 - Policy Issues
 - Implement 5% Budget Adjustments Identified
- **Next Steps**

General Fund Impacts

The Stay at Home order has impacted City economy and revenue streams since mid March

➤ **Deep Impact to City Finances**

- **Consumptive Taxes = 48% of General Fund revenues**
 - Sales, Use, Alcohol, and Hotel/Motel Taxes
- **Income Taxes = 7.5% of General Fund**
 - Sales, Use, Alcohol, and Hotel/Motel Taxes
- **Property Taxes = 27.5% of General Fund revenues**
 - Property Taxes should be largely unaffected initially
 - Timing will be slightly impacted – 30 day delay
 - Caution: Relief or “stimulus” granted

Other Impacts

- **Impacts Will Reach Outside the General Fund:**
 - Video Gaming
 - Local Fuel Tax
 - State Motor Fuel Tax
 - Bonded projects not likely impacted
- **Utilities Anticipated to be Stable for now**
 - Service demand levels
 - Uncollectible accounts

Impacts

Response Required to Address Budget Impacts

➤ **Difficult to Estimate Actual Impacts**

- Timeline for reopening unknown
- Revenue impacts are not immediate
 - 30 day lag for most consumptive taxes
 - 90 day lag for sales tax revenues

➤ **City to Use Phased Approach**

- Phased adjustments are implemented as better impact data are known

April Impact Modeling

Model Constructed for Major Revenues Impacted

- **Estimate Impact to Revenue Streams**
- **Provides Basis for Response**
- **Different Scenarios Constructed**
- **Not all Revenues Impacted to Same Level or Duration**
 - Differing Time Frames for Recovery
 - How Quickly will People Come Back
 - Hotel Tax
- **Used Best Available Data in Mid-April**
 - Projections Only - No Actual Experience Yet

Model Results

Results Based on Best Data from Mid-April. It will Likely Change as we Get More Data

- **\$2.8 Million to \$9.5 Million Loss of General Fund Revenue (6% - 20% range) from COVID-19**
- **June 1 Relaxation of Lockdown Assumed**
- **Need Corresponding Budget Adjustments to Offset Impact**
 - Revenue Increases
 - Expenditure Reductions

The Initial City Response

Budget adjustments of \$2.4 million (approx. 5%)

- **Not visible initially to general public**
 - Vehicle Replacement Funding and Purchases
 - Public Works Projects (Mostly City Facilities)
 - Deferral of Filling Non-Essential Vacant Positions
 - Small General Reductions in Operational Line Items
 - Suspension of Spring Clean-Up
- **Policy Questions:**
 - Salary Classification Plan (removed)
 - Façade, Business Incentive, CIC Grant programs reduced

Updated Model in Mid-May

Cash Received by City in April

- Reflects March Activity for All but Sales Tax

Initial Update Data Consistent with 10-15% Revenue Loss Impact Model

- Hotel Tax 50% Reduction
- Fuel Tax 25% Reduction
- Video Gaming 33% Reduction

Additional Data Point to Lean Times Ahead

- April Payments to the Dept of Revenue are Down 40% as Compared to April 2019

Addressing the Impacts

Additional Phases of Adjustments Will be Necessary to Address Ongoing Impacts

- Revenue Increases
- Expenditure Reductions

Future adjustments will almost assuredly impact service levels and/or increase costs to residents

Moving Forward

Next Evaluation Date Likely Mid-June

- **First Indication of Impact to Sales Tax Revenues**
 - March, 2020 Sales Activity
 - Amount Remitted to DOR Statewide is 25% Lower than 2019
- **CAUTION**
 - Actual City Impacts and Mix of Sales Tax Producers May Not Mirror the State
 - Our Results May Vary

Moving Forward

- **COVID-19 Will Have a Pronounced Impact on City Finances**
- **Current Indications are Consistent with a 10-15% Projected Modeled Impact to General Fund**
- **Staff to Implement 5% Budget Reductions Immediately**
- **Additional Adjustments Likely Will be Necessary**
- **Additional Adjustments will Likely Have Noticeable Impacts for Public/Citizens**
- **Next Evaluation in June**

Questions and Discussion



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