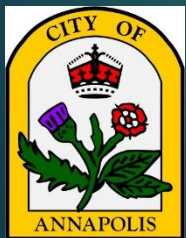


The Budget and City Financial Projections Resulting from COVID-19



City Council Work Session - April 30, 2020

Outlook for FY2020 closeout

- ▶ General Fund Revenue Projection
 - ▶ \$80,633,313
- ▶ General Fund Expenditure Projection
 - ▶ \$81,392,020
- ▶ Projected FY2020 Use of General Fund Balance
 - ▶ \$758,707
 - ▶ FY2020 Planned to Use \$2,872,900



FY21 Revenue Projections

▶ The Good News

- ▶ About 70% of GF revenues are from property taxes, which are stable and are estimated to increase by over \$2 million in FY21
- ▶ Our target of 15% unassigned General Fund Balance is being maintained

▶ The Bad News

- ▶ GF revenue, especially income taxes and hotel taxes, along with parking and transportation revenue, will be affected. Revenues related to tourism and development will be most severely impacted.
- ▶ GF revenue projections were reduced by roughly \$2.5 million in both FY20 and FY21



FY21 Expenditure Projections

▶ The Good News

- ▶ Healthcare costs, prior to the pandemic, were not increasing
- ▶ New Rx program manager in FY21 is expected to lower the premiums

▶ The Bad News

- ▶ Salaries and benefits (about 70% of total budget) are growing at 8.3% year over year before reductions.
- ▶ Pension costs are increasing significantly.
 - ▶ Fire and Police Pension required contributions increasing from 22.1% of salaries in FY20 to 28.2% in FY21.
 - ▶ State Pension required contributions increasing from 9.4% of salaries in FY20 to 10.2% in FY21.



General Fund Revenues

5

▶ Source of Funds	FY19 Actual	FY20 Projected	FY21 Projected
▶ Real property	\$50,457,045	\$52,573,275	\$54,518,000
▶ Personal property	\$ 2,989,277	\$ 2,543,113	\$ 2,435,000
▶ Penalties & Interest	\$ 199,991	\$ 30,000	\$ 100,000
▶ Licenses & Permits	\$ 3,105,687	\$ 2,757,540	\$ 2,764,600
▶ Fines and Forfeitures	\$ 356,148	\$ 330,016	\$ 300,000
▶ Interest, Rent, Other	\$ 1,542,868	\$ 1,727,718	\$ 1,568,000
▶ Intergovernmental	\$11,333,081	\$12,136,828	\$12,471,000
▶ Charges for Services	\$ 5,601,700	\$ 5,114,422	\$ 5,341,000
▶ Other Revenues	\$ 3,311,047	\$ 3,420,401	\$ 3,262,200
TOTAL	\$ 78,896,844	\$ 80,633,313	\$ 82,759,800



Parking & Transportation Revenues

▶ Source of Funds	FY19 Actual	FY20 Projected	FY21 Projected
▶ Parking Fund	\$8,390,470	\$6,613,333 (1)	\$7,178,400
▶ Transportation Fund	\$5,188,472	\$3,723,375 (2)	\$5,426,684

Note (1) – FY20 Original Budget for Parking was \$9,110,000.

Note (2) – FY20 Original Budget for Transportation was \$5,633,025.



Revenue Assumptions for FY2021

7

- ▶ Property Tax – Third year of 3-year assessment, with increase of approximately \$2 million over FY2020. 69% of General Fund revenue.
- ▶ Income Tax - Estimate for FY21 lowered from \$8.3 million to \$7.3 million. Decrease in taxable Income offset by 12.4% increase in County piggy back tax rate.
- ▶ Tourism and Group Activities – 9 mos of activity similar to FY20, little or no income in April, May, or June. Little or no activity in July, August, or September. Includes: hotel/motel, admissions, and some vendor related permitting activities.
- ▶ Recreation – Rec & Parks, Dock Charges – 9 mos of activity with some dock activity in June. Pool opening in July but Rec & Parks activities resume in school year.
- ▶ Liquor Licenses – 10% decline projected in FY2021.
- ▶ Development Permitting – Assumed some categories slow down in permitting by 10% - 20%.



General Fund Expenditures by Dept.

▶ Department	FY19 Actual	FY20 Projected	FY21 Projected
▶ City Council & Mayor	\$ 2,692,606	\$ 3,068,400	\$ 3,497,400
▶ Human Resources	\$ 835,454	\$ 931,390	\$ 995,100
▶ Mgmt Info Systems	\$ 1,806,057	\$ 1,837,105	\$ 2,031,200
▶ Finance (incl. nonalloc.)	\$25,119,906	\$20,472,075	\$18,360,050
▶ Planning & Zoning	\$ 3,775,566	\$ 3,847,500	\$ 4,344,400
▶ OEP	\$ 390,305	\$ 450,200	\$ -
▶ Police	\$19,102,614	\$19,699,600	\$21,853,200
▶ Fire	\$16,696,525	\$18,076,770	\$20,899,500
▶ OEM	\$ 195,704	\$ 425,720	\$ 463,800
▶ Public Works	\$ 7,497,589	\$ 7,247,850	\$ 8,210,200
▶ Rec & Parks	\$ 4,851,182	\$ 5,335,410	\$ 5,612,600
▶ TOTAL	\$ 82,963,508	\$ 81,392,020	\$ 86,267,450



GF Expenditures by Category

▶ Expenditure Type	FY19 Actual	FY20 Projected	FY21 Projected
▶ Salaries & Benefits	\$52,481,044	\$53,959,500	\$59,242,400
▶ Contract Services	\$ 5,842,999	\$ 7,153,780	\$ 8,379,100
▶ Supplies & Other	\$ 2,102,856	\$ 1,849,130	\$ 1,959,800
▶ Capital Outlay	\$ 432,508	\$ 508,205	\$ 1,226,000
▶ Debt Service	\$ 7,748,225	\$ 8,630,005	\$ 7,860,000
▶ Community Grants	\$ 329,200	\$ 429,700	\$ 429,700
▶ Self Insurance	\$ 2,447,500	\$ 2,144,000	\$ 2,015,000
▶ Interfund Transfers	\$ 9,727,006	\$ 4,699,700	\$ 3,055,650
▶ Contingencies & Other	\$ 293,254	\$ 368,000	\$ 790,000
▶ TOTAL	\$ 82,963,887	\$ 81,392,020	\$ 86,267,450



Expenditure Takeaways for FY2021

10

- ▶ Salaries & Benefits – 62.67% of GF expenditures in FY2019, 66.30% in FY2020 (projected), and 68.67% in FY2021 (projected)
- ▶ Year over Year Growth in Salaries & Benefits – 3.79% from FY2019 to FY2020 (projected), and 9.79% from FY2020 (projected) to FY2021 (projected)
- ▶ Year over Year Growth in Contractual Services – 22.43% from FY2019 to FY2020 (projected), and 17.13% from FY2020 (projected) to FY2021 (projected)
- ▶ Increase in Contractual Services offset by decrease in Interfund Transfer for Fleet Management allocations
- ▶ Remainder of GF expenditures are relatively flat over the FY2019 to FY2021 budgets



General Fund FY2021 Budget Totals

▶ General Fund Revenue	\$ 82,759,800
▶ General Fund Appropriations	<u>(86,267,450)</u>
▶ Appropriations exceed Revenues by.	\$ 3,507,650

- ▶ Shortfall funded with use of General Fund Balances:
 - ▶ Capital Reserve Fund for nonrecurring expenses - \$1,707,850
 - ▶ Assigned for one-time uses for nonrecurring expenses - \$1,326,000
 - ▶ Budget Stabilization Fund for recurring expenses - \$473,800

▶ As FY2020 audit is completed, any fund balance in excess of 15% reserve will be used to replenish BSF up to its limit. The rest will be split between the other two reserves. Current projections anticipate excess; however, many factors could change.



Proposed Reductions to General Fund

12

▶ Reductions	Amount
▶ Reduce contribution to Fleet Ops and Replacement Funds	\$828,400
▶ Reduce contribution to Self Insurance Fund	\$300,000
▶ Remove funding for two School Resource Officers	\$310,000
▶ Eliminate City contribution to 401 (a) Plan	\$160,000
▶ Remove Funding for Grant Writer in Mayor's Office	\$ 42,700
▶ Remove funding for tree planting in Planning & Zoning	\$ 50,000
▶ Reduce planned increase in OPEB funding	\$ 25,000
▶ Add 2% personnel turnover allowance in the departments	\$572,890
▶ Anticipated savings from retiree & employee 65 and over benefit plan	\$365,700
▶ Rec & Park, OEM, HR, P&Z and Law reductions	\$ 93,000
▶ DPW reductions	\$145,700
▶ MIT reductions	\$102,000
▶ Finance Department reductions	\$ 34,000
▶ Fire Department reductions	\$ 50,000
▶ Police Department reductions	\$ 50,000
▶ Defer COLA for all City employees from July 1, 2020 to January 1, 2021	<u>\$689,000</u>
▶ TOTAL	\$3,818,390



Pension Costs for FY2021

13

- ▶ Police and Fire Actuarial Study
 - ▶ Contribution of 22.13% of salaries in FY2020
 - ▶ Contribution increase to 28.23% of salaries in FY2021
 - ▶ Cost increase is \$762,400
 - ▶ Actuarial Study recommended increase to 33% in FY22
- ▶ State Pension
 - ▶ Contribution of 9.38% of salaries in FY2020
 - ▶ Contribution increase to 10.24% of salaries in FY2021
 - ▶ Cost increase is \$140,900
- ▶ Current investment market decline may increase the required contributions in the future.



Fund Balances

▶ General Fund	FY19 Actual	FY20 Projected
▶ General Fund Balance	\$14,260,809	\$16,443,961
▶ Budget Stabilization	\$ 3,071,439	\$ 3,071,439
▶ Capital Reserve	\$ 4,686,903	\$ 2,343,903
▶ One-Time Uses	\$ 2,383,539	\$ 1,862,539
▶ Keeping History	\$ 25,373	\$ -
▶ Gifts and Donations	\$ <u>52,486</u>	\$ <u>-</u>
▶ TOTAL	\$ 24,480,549	\$ 23,721,842



Compliance with Fund Balance Policy

15

▶ General Fund Balance Compliance

Fund Balance Requirement (based on FY21 projected revenue)

▶ General Fund Budgeted Revenue	\$82,759,800
▶ Parking Fund Budgeted Revenue	\$ 7,178,400
▶ Transportation Fund Budgeted Revenue	<u>\$ 5,426,684</u>
	\$95,364,884
▶ Applicable Fund Balance Requirement	<u>15%</u>
▶ Required Fund Balance Reserve	\$14,304,733
▶ Projected Fund Balance	<u>\$16,443,961</u>
▶ Projected Balance in Excess of Requirement	\$ 2,139,228
▶ Replenish Budget Stabilization Fund	\$ 263,308
▶ Replenish Capital Reserve Fund	\$ 937,960
▶ Replenish Reserve for one-time costs	\$ 937,960



Parking Fund Impacts

16

- ▶ Parking Fund
 - ▶ FY2020 - Revenues \$2.5 Million less than budgeted
 - ▶ FY2020 - Reduced subsidy to Transportation Fund from \$2,474,200 to \$1,047,000
 - ▶ FY2020 - Some savings due to reduced operating costs by SP Plus
 - ▶ FY2021 - Assumes Hillman online for entire year
 - ▶ FY2021 - Projected Revenues are \$721,200 less than FY2020 budget
 - ▶ FY2021 - Not enough revenue to pay Transportation Fund subsidy to break-even



Transportation Fund Impacts

17

- ▶ Transportation Fund
 - ▶ FY2020 - Revenues \$1.9 Million less than budgeted
 - ▶ FY2020 - Reduced subsidy from Parking Fund projected to leave fund with deficit of \$1.33 Million
 - ▶ FY2020 - Some savings occurring due to reduced services and fuel costs
 - ▶ FY2020 - Some Federal Assistance expected for revenue loss
 - ▶ FY2021 - Parking Fund subsidy projected at \$2,829,700.
 - ▶ FY2021 - General Fund must subsidize to balance budget in Transportation



DPW Enterprise Fees

18

- ▶ Sewer Rates – No change – Fund Balance is adequate for near future expenses
- ▶ Water Rates – Increase by 5% - \$3.72 to \$3.87
 - ▶ Ongoing Capital Projects adding to Debt Service and Pay-go funding requirements
- ▶ Watershed Restoration – Fee structure changing to be based on EDU based on impervious surface
- ▶ Solid Waste Rate increasing 5% - \$261 to \$274



FY2021 CIP - Funding Source

19

- ▶ General Fund projects – Total - \$16,258,632
 - ▶ Bonds – GF repayment - \$7,735,800
 - ▶ Bonds – Enterprise fund repayment - \$2,125,000
 - ▶ Pay-Go from Enterprise Funds - \$213,500
 - ▶ Grants - \$2,176,482
 - ▶ Capital Reserve Fund - \$1,707,850
 - ▶ POS Acquisition (CRAB) - \$1,300,000
 - ▶ State Grant (CRAB) - \$1,000,000

- ▶ Enterprise Fund projects – Total - \$6,251,500
 - ▶ Bonds - \$3,901,500
 - ▶ Pay-Go – \$2,350,000



Budget Execution in FY2021

20

- ▶ Monthly update of the revenue and expenditure projections based on COVID status
- ▶ Pre-determined list of potential budget actions to address deteriorating budget situation, if needed
- ▶ Bi-monthly updates to Finance Committee and/or City Council of budget status

