



MEMO

TO: Mayor Dalton, Board of Aldermen
FROM: Bob Shelton, City Administrator
DATE: April 21, 2020
RE: COVID-19 Financial Update

As a follow-up to our previous communication I wanted to provide an interim analysis.

The data available to make projections is limited and the effects of business closures and “Stay-at-Home” orders will not be fully realized for months. We are working from revenue deficit estimates based on the knowledge we have; restaurants and many businesses have been forced to limit operations. Additional sales tax information will be available in early May but that will not be conclusive. I will continue to coordinate with the Mayor and staff to provide frequent updates as information becomes available.

Summary:

Currently General Fund reserves exceed the 50% threshold by \$2.8 MM. With the current reduction information summarized below, we would need an infusion of \$1,274,000 from the fund balance if the current worst case predictions prove true. This would leave almost \$7 MM, or a 66% fund balance, which is down from our current 78% balance, but still above the 50% reserve requirement by \$1,526,000.

Lost revenue

- As previously shared, we expect revenue reductions between \$850,000 and \$2 million between now and the end of 2020. The range is based on different expectations of how long the “Stay-at-Home” order will be in place and how quickly the economy returns to normal. These projections will be updated at the beginning of May when we receive our next sales tax revenue data. The May sales tax receipts will reflect actual sales tax collections from March. Pam Reitz has included not only sales tax but anticipated lost revenue estimates from some building permits and facility rentals in her projections.

Expense reductions

- Overall, staff has identified just over \$100,000 in General Fund elimination/deferrals; \$180,000 in the Road Fund; \$400,000 in Capital; and \$500,000 in Parks and Stormwater. As you are all aware the General Fund

budget had already been significantly trimmed during the budget process including the deferral of branch chipping.

- All staff has been notified that, effective immediately, all non-essential expenses should be eliminated.
- Operating/General Fund expense reductions include, but are not limited to, meetings, conferences, overtime, employee tuition reimbursement, service contracts, newsletters, etc.
- Capital Fund reductions/deferrals include, but are not limited to, Town Square Toro Workman, (\$10,000) and furniture, a Police Department administrative vehicle, (\$21,000), Municipal building renovations, (\$265,000), and roof repairs.
- The Road Fund reduction/deferral is primarily the deferral of \$175,000 in road sealing and \$125,000 in design work for Topping Road Phase II.
- Parks and Stormwater Fund reductions/deferrals include; playground replacement design, the cancelation of Fire and Ice, and reduction of stormwater maintenance and stormwater capital projects.

While not a budget/expense item, the Bryn Wyck CID loan financing of \$225,000 is up for second reading Monday night. Pam Reitz will be providing updated information with your packet regarding interest rates and the financial benefits of proceeding with the financing as anticipated when the CID was created.

The proposed reductions do not include any staffing/pay reductions. As I'm sure you all would agree, we operate with a very lean staff and are fortunate to have an efficient workforce model which is leadership driven and relies on contracting for many of our services. All staff have made adjustments to carry on our daily work. Outside of public safety, our entire staff is only 19 individuals that care for 11,000 residents, 12 square miles and a budget of \$15 million. A reduction of any staff makes an impact on not only the remaining staff but our level of service. I certainly believe any additional benefit reductions to our dedicated employees should be a last resort, particularly given our financial position noted above.

For informational purposes, an across the board salary reduction for all employees of 5% would save approximately \$15,000 per month. Furloughs would save roughly between \$2,000 and \$5,500 per month per employee. (The City still has to pay in 1/3 to unemployment and the employee typically receives 50% of their pay). There are some exceptions to lower paid employees with the current stimulus package where a few could receive more than 50% of their pay.

The General Fund savings do include the deferral of hiring a replacement police officer (\$12,000) and the elimination of the Public Works summer intern, (\$7,800). Staff has applied for \$67,000 stimulus funding/reimbursement for COVID-19 related expenses such as PPE. They are also continuing to track expenses and seek additional funding through FEMA/SEMA which is on-going.

On another positive note, our residents and diversified business community are not only resilient but appear to be supportive of each other. Staff has analyzed our top ten sales tax generators and only two; (Coopershawk and Marriott) are food service providers who have had mandatory closures,

Please let me know if you have any questions, concerns or suggestions at this time. Again the expenses and revenues are being evaluated on a regular, on-going basis and I appreciate the Board's continued patience as we work together during these difficult and unprecedented times.