# Staunton City Council Regular Meeting April 9, 2020

FY2020 REVISED PROJECTIONS

FY2021 REVISED BUDGET PATH

# FY2020 REVISED PROJECTIONS – REVENUES

Prior to March 1, 2020, the City was experiencing positive variances in most of our local revenue sources. As reported to Council on March 18, 2020:

- Sales Tax revenues thru December were up $219K over same time last year.
- Meals Tax revenues thru January were up $240K over same time last year.
- Lodging Tax revenues thru January were up $148K over same time last year.
- Personal Property Taxes were up more than $200K over budget.
- Real Estate Taxes were expected to be at budget levels.

# FY2020 REVISED PROJECTIONS – MARCH – JUNE 2020

The full impact of the economic contraction continues to evolve as our FY20 revenue projections for the remainder of the year have been significantly adjusted downward. The following is a summary of forecast collections for March – June 2020:

- Sales Taxes - 60% of prior year actuals
- Meals Taxes - 33% of prior year actuals
- Transient Occupancy Taxes - 25% of prior year actuals

- ➢ Current Real Estate Tax delinquencies are forecast to increase by 5%. When applied to expected revenues of $13.5 million in June, we project a $675K impact.
- ➢ Collection of prior year delinquencies is expected to be significantly impacted as well.

# FY2020 REVISED PROJECTIONS – REVENUE QUANTIFICATION

- As a result of the economic contraction, FY20 General Fund Revenues are now projected to be $2.6 million less than budget.
- As a comparison, Jim Regimbal of Fiscal Analytics, has projected a revenue shortfall of $2,015,784. The difference is primarily associated with the additional Real Estate Tax delinquencies.

# FY2020 REVISED PROJECTIONS – EXPENSE MITIGATION

- In response the City:

  - Froze open positions
  - Cut all but necessary expenditures

- These measures resulted in expected savings of $1.5 million.

- Local City Transfer to the Schools will remain at the FY20 Budget level of $13,850,000.

# FY2020 REVISED PROJECTIONS – EXPENSE MITIGATION CONT.

There are very few additional alternatives the City can initiate in FY20 to cover the remaining shortfall of $1.1 million.

Two planned moves include:

1) Suspension of Pool, Summer League, and Summer Camp activities until July 1, 2020, producing an estimated savings of $45,000.
2) Deferral of CIP projects which have previously been appropriated, with transfer of funds back into the General Fund via a Budget Amendment to be introduced on April 23, 2020, and considered on May 14, 2020.

# FY2020 REVISED PROJECTIONS – EXPENSE MITIGATION CONT.

CIP projects affected include:

| Project | Amount |
|---|---|
| Jail Expansion Provision | $ 500,000 |
| Police Radio Replacement | $ 400,000 |
| Provisions to support High School Debt | $ 500,000 |
| **Total Proposed Transfer** | **$ 1,400,000** |

Total expenditure reductions of $2.9 million exceed expected Revenue shortfall by over $300,000 and should allow for potential slippage in FY20 revised Revenue projections.

# FY21 BUDGET REVISIONS

Prior to the sudden economic downturn, the City of Staunton was already experiencing an extraordinarily difficult budget cycle in FY21.

Additional year-on-year budget adjustments included:

| | | |
|---|---|---|
| UNFORESEEN | $63,874 | COMMONWEALTH ATTORNEY - ADDITIONAL BODY CAMERA POSITION |
| UNFORESEEN | $96,750 | CSA/SOCIAL SERVICES EXPENSE INCREASES |
| UNFORESEEN | $449,465 | JAIL - INCREASE IN OPERATIONAL COSTS |
| UNFORESEEN | $233,000 | VRS - 12% + INCREASE |
| | $183,000 | WAGES AND SALARY 2% INCREASE EFFECTIVE JANUARY 1, 2021 |
| | $76,401 | TOURISM |
| | $121,217 | SAFER GRANT REDUCTION |
| | $310,655 | ECONOMIC DEVELOPMENT AGREEMENTS |
| | $84,000 | SCHOOLS |
| TOTAL | $1,618,362 | |

# FY21 BUDGET REVISIONS – IMPACTED REVENUE GENERAL FUND

The economic downturn is expected to impact FY21 in much the way it is affecting FY20. Loss of Revenue to the original Budget is expected to be experienced in the following areas:

| Local Tax | Amount | Comment |
|---|---|---|
| Real Estate Tax | $ 912,000 | Additional Delinquency Provision of 5% |
| Personal Property Tax | $ 208,000 | Additional Delinquency Provision of 4% |
| Meals Tax | $ 1,187,500 | 25% Reduction to Original Budget |
| Lodging Tax | $ 209,000 | 20% Reduction to Original Budget |
| Business License Tax | $ 550,000 | 25% Reduction to Original Budget |
| Sales Tax | $ 1,131,250 | 25% Reduction to Original Budget |

**Estimated Revenue Reductions** **$ 4,197,750**

# FY21 BUDGET REVISIONS – EXPENSE MITIGATION GENERAL FUND

FY21's revised Revenues will be adjusted downward by nearly $4.2 million. Adjustments to expenditures include the following:

| Local Tax | Amount | Comment |
|---|---|---|
| Elimination of 2% Pay Increase | $ 183,000 | January 1, 2021 Effective Date |
| School Transfer Reduction | $ 1,695,000 | Per Established Formula |
| Deferral of FY21 CIP Expenses | $ 941,000 | Expenses imbedded into original FY21 Budget |

| | | |
|---|---|---|
| **Estimated Expense Reductions** | **$ 2,819,000** | |
| **FY2021 Funding GAP** | **$ (1,378,750)** | **To be closed via a combination of Compensation and Non Comp. reductions** |

# FY21 BUDGET REVISIONS – EXPENSE MITIGATION GENERAL FUND

There are no easy alternatives for the City to balance this funding gap.

Of the $60.9 original General Fund Budget:

- Salaries and benefits account for over 36% of the total
- Contractual obligations, debt service, school transfer, CIP transfers and non-controllable expenditures account for 57% of the total
- 7% remains to cover all other expenses such as vehicle repairs, building maintenance, uniforms, telephone, professional services, etc.

# FY21 BUDGET REVISIONS – ADDITIONAL ASSUMPTIONS

1) Safety Net Reserves have intentionally <u>not</u> been utilized as a budgeting strategy. Our strategy is to make difficult decisions up front and to only use Safety Net Reserves in the event actual Revenues in FY21 are significantly below estimates, which would potentially disrupt our core services.
2) The City plans to continue the freeze on open positions as attrition occurs, with limited exceptions approved by the City Manager. This will allow a natural contraction of departmental structure and help the City adjust to potential shortfalls in our revenue projections.

# FY21 BUDGET REVISIONS – CONSIDERATIONS

FY20 and 21's Revenue projections are based upon our best estimates at this time.  Actual data will not be available before April 21, when the March tax returns are due.  By statute, the City must adopt a budget for City schools no later than May 15.

- Given the extreme uncertainty of our immediate economic projections, it is our intention to provide for an appropriation of 50% of the City and Schools budgets at the May 14, 2020 Council meeting.
- A subsequent appropriation is proposed to occur late fall, which will allow more information on which we can base final FY21 appropriations.

# FY21 BUDGET REVISIONS – CONTINUED

Revenue Estimates

The FY21 Revenue forecasts are hampered significantly by the uncertainty of the country's economic status. Revenue estimates were made with input from the Commissioner of Revenue and the Treasurer.

As a point of reference the City of Staunton's projected FY21 Revenue shortfall is within $30K of Jim Regimbal's FY21 projection for our City.

These are estimates, and they will change as the year unfolds. As our estimates change, we will remain in a position to adjust upward or downward.