INTEROFFICE MEMORANDUM

Office of the City Manager

DATE: September 9, 2020 **FILE:** CM-20-031

TO: Mayor, Vice Mayor, and City Commissioners

FROM: Dr. Wazir Ishmael, City Manager

SUBJECT: Fiscal Year 2020 All Funds Budget –COVID-19 Impact
(Update from April 9, 2020 and May 6, 2020 Reports)

Issue: It has been close to 6 months since the City first declared a State of Emergency in response to the COVID-19 pandemic. The pandemic has significantly impacted the financial condition of the City as the FY 2020 budget was adopted well in advance of our knowledge and understanding of COVID-19. Despite this unforeseen challenge, the City remains committed in our efforts to ensure that we remain fiscally stable through the remainder of FY 2020 and into FY 2021.

Explanation: The Office of Budget and Performance Management prepared an updated analysis of our collected revenues and programmed expenditures as of June 30, 2020 for all City funds in an effort to provide a budgetary projection for the remainder of the current fiscal year. In furtherance of the information derived from the prior reports, I remain confident that the City, through its various successful cost savings measures, will end the current fiscal year in a positive position.

Recommendation: For your information

C: Deputy City Manager
Assistant City Managers
City Attorney
Department/Office Directors

Office of Budget & Performance Management
Inter-Office Memorandum

DATE: September 8, 2020 **FILE:** OBPM 20-013

TO: Wazir A. Ishmael, Ph.D.
City Manager

VIA: Adam Reichbach
Assistant City Manager, Finance and Administration

FROM: Laurette Jean
Budget Director

SUBJECT: Third Quarter Update: Fiscal Year 2020 All Funds Budget –COVID-19 Impact

The following report provides an update to the All Funds budget projections provided in May. The information presented in this report are based on financials posted through the end of June 2020.

General Fund Revenue Update

As of June 30, 2020, approximately 92% of the General Fund revenues were collected. A significant portion of the revenues collected to date are property taxes, licenses and permits, and user charges and fees.

Based on posted transactions, the General Fund revenues are projected to have a $2.7 million shortfall by year-end. The updated projected shortfall is a slight improvement over the May report which projected a $3 million shortfall. Projections for the following revenue sources were substantially updated:

- Electric Franchise Fees: The electric franchise fee revenues has fluctuated throughout the fiscal year. The prior report assumed a loss in revenues of $257,000 based on collections at the end of the second quarter of the fiscal year. However, collections of franchise fees has significantly decreased and therefore we have adjusted the projections to reflect a greater loss in revenues by fiscal year end.

  Revised Estimated Revenue Loss: Approximately <$1,600,000>

- Utilities Services Taxes: Unlike the electric franchise fees, the collection of utilities service taxes was down by the end of the second quarter of this fiscal year. However, revenues collections in this category increased substantially during the third quarter. As a result, we have adjusted the year end projections. Additionally, we are researching this revenue source further to better comprehend this year's trend.

Revised Estimated Revenue Loss: Approximately <$95,461>

- Intergovernmental: On the May report, we projected a revenue shortfall of approximately $1 million in this category primarily due to anticipated revenue loss in sales tax and state shared revenues. However, the City received $1.2 million from the Seminole Compact which has helped to offset the projected revenue shortfall in this category.

  Revised Estimated Revenue Loss: Approximately <$402,048>

- User Charges/Fees: Collection of user charges and fees increased during the third quarter of this fiscal year. As a result, we have updated our projections using collections through the end of June 2020 and anticipate improved collections through the end of the September.

  Revised Estimated Revenue Gain: Approximately $258,667

The table below is a comparison of the May and June revenue projections.

Table 1: Comparison of Revenue Projections

	FY2020 Amended Budget	May 2020 Projections	June 2020 Projections	Difference in Projections
Total Revenues	**$ 319,750,819**	**$ 316,138,543**	**$ 317,017,877**	**$ 879,334**

General Fund Expenditure Update

The prior budget report estimated $5.1 million in expenditure surplus based on several assumptions including salary savings from non-public safety hiring freezes, reduced discretionary spending, and savings in debt service payments.

As of June 30, 2020, approximately 73% of the General Fund appropriations budget was expended. We have modified our projections with the following assumptions:

- Salary savings from continued hiring freezes for non-public safety positions.
- Higher than usual accrued leave payouts largely related to increased retirements.
- Reduced discretionary spending in certain operating accounts such as office supplies and training as a result of employee telecommuting and City facility closure to the public.
- Unanticipated COVID-19 related expenses (not including public safety overtime and salaries) have been recorded against the Disaster Fund (expected to be reimbursed with Cares Act and/or FEMA funds).

Based on the expenditures to date, assumptions above, and anticipated expenditures through the end of the fiscal year, the revised estimated savings by year end in the General Fund is $4 million. It is important to note that the City has been able to reduce costs without layoffs, furloughs or reductions to service levels. Table 2 provides a comparison between the May and June expenditure projections.

Table 2: Comparison of Expenditures Projections

	FY 2020 Amended Budget	May Projections	June Projections	Difference in Projections
Total Expenses	**$ 319,750,819**	**$ 314,024,964**	**$ 315,710,631**	**$ 1,685,667**

If all of the variables described above (anticipated General Fund revenues are collected and cost containment measures continue through the end of the fiscal year), we estimate that the fund will end with a $1.3 million surplus by year end. It is important to note that these projections can swing positively or negatively dependent on various factors that are outside of our control.

Table 3: Summary: Fiscal Year 2020 General Fund Projections

	FY 2020 Amended Budget	May Projections	June Projections	Difference in Projections
Revenues	$ 319,750,819	$ 316,138,543	$ 317,017,877	$ 879,334
Expenditures	$ 319,750,819	$ 314,024,964	$ 315,710,631	$ 1,685,667
Projected Surplus		**$ 2,113,579**	**$ 1,307,246**	**$ -806,333**

Other Funds Update

As we get closer to the end of the fiscal year, the impact of the pandemic on the City's enterprise funds has become more apparent. As mentioned in the previous report, the level of impact of this pandemic differs by fund and by revenue sources.

<u>Internal Service Funds</u>:

The Internal Service Funds consist of the Central Service Fund for services rendered to internal departments (such as IT) and the Insurance Fund (health and risk). These funds are not expected to be negatively impacted by the COVID-19 pandemic. The Central Service Fund is expected to end the fiscal year with an estimated surplus of $882,707 and the Insurance Fund is expected to end the fiscal year with an estimated surplus of $2.7 million.

<u>Enterprise Funds</u>:

Water & Sewer Utility Fund

At the time in which the prior report was published, it was too premature to determine that the potential impact of the COVID-19 pandemic may have on the City's Water & Sewer Utility Fund. As of June 30, 2020, the Water & Sewer Utility Fund has seen a 20% increase in account receivables compared to June 2019. This is partially due to the rate increase which went into effect October 1, 2019. Public Utilities has, however, seen an increase in delinquent accounts. At this point, it is difficult to determine if the delinquencies will ultimately impact the ending cash balance for the fund. To mitigate the potential loss/delayed revenues, Public Utilities staff are directing customers to the appropriate resources that may provide financial assistance with utility billing. Additionally, the increase in the rates will help to mitigate potential loss and/or delayed revenues.

Sanitation Fund

The Sanitation Fund is expected to end the fiscal year with a revenue shortfall of approximately $382,872 due to expected delinquent accounts. This fiscal year, the monthly sanitation rates increased to $38 per single family home/duplex apartments. The rate increase will help to soften the impact of the pandemic on this fund. Overall, the fund is expected to end the fiscal year with an estimated deficit of $344,633. The following action steps will be taken to address the projected deficit:

- Continue to freeze all vacant positions in the Environmental Services Division through the end of the fiscal year.
- Schedule monthly meetings with the Division to review the budget and discuss unexpected expenses/fiscal issues.
- Continue to look for ways to reduce operating expenses and suspend all non-critical capital purchases.
- Continue to monitor and analyze billing data compared to actual cash collections.

Parking Fund

The Parking Enterprise Fund was immediately impacted by the pandemic compared to the other enterprise funds (other than the Golf Fund). In the prior projections, the Parking Fund was expected to end the year with a $4.9 million revenue shortfall. Based on the financial transactions posted through the end of June, the year-end projected revenue shortfall remains relatively the same. However, following the last report, the Budget Office, City Management team, Police Chief, Assistant Police Chief, and Parking staff have met monthly to review the Parking Fund's budget. Additionally, the division has taken the necessary steps to reduce expenses such as deferring capital projects to minimize costs. Based on the preliminary July revenue collections and the cost containment efforts, it is anticipated that the fund may end the fiscal year in a better position than originally anticipated.

Golf Fund

As with prior years, the Golf Fund is expected to end the fiscal year with a deficit. Due to the reoccurring imbalance of the fund, the Finance and Budget Offices would like to roll the fund back into the General Fund. Additional discussions are underway.

Overall, the City has been able to remain financially resilient throughout this recession without tapping into the fund balance reserves. As we approach Fiscal Year 2021, we must continue to monitor the City's finances, address potential revenue shortfalls immediately, and identify additional strategies to reduce costs.

Attachments: FY 2020 Budget Snapshot (Period Ending June 30, 2020)