

Agenda Items: ID#20-00856 (9:00 AM #1)

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Additional Information

Item(s)

Title: Vote on Motions and Directions

Contents: Budget Update PowerPoint Presentation

Supplemental Information:

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BUDGET UPDATE

City of Fresno
June 25, 2020



Current Status

- As presented to the Council earlier this month, the economic effect of the COVID-19 pandemic will be substantial
- Current estimates project a potential total combined deficit of \$36.7m for FY 2020 and FY 2020
 - *This estimate will continue to be revised over the next 60 to 90 days as actual data is received*
 - *Part of the deficit could be addressed by the use of at least \$25m of the CARES funding for salary offset*
- The Administration continues to monitor additional federal funding to offset revenue losses and believes that relief will be forthcoming
- Due to this uncertainty, the Administration proposed an interim budget to allow time for better information to be known
 - *This interim budget (Continuing Resolution) is based on the current FY 2020 Amended City budget, contains a 10% contingency hold back and is balanced*
- The Administration is also preparing a series of steps should additional funding not be received

Notes on the Revenue Estimates

Revenue (000)	FY 20 Est Before	FY 20 Est After	Difference	FY 21 Est Before	FY 21 Est After	Difference
Sales Tax	97,559	84,479	(13,080)	102,472	91,141	(11,331)
Room Tax	14,428	12,210	(2,218)	16,777	14,946	(1,831)
Charges for Service	40,745	38,216	(2,529)	43,682	39,958	(3,724)
Business License	20,555	20,000	(555)	21,069	20,000	(1,069)
Franchise Fees	15,275	14,693	(582)	14,514	14,700	186
Total			(18,964)			(17,769)

- The primary causes of the decrease in On-going Revenues for both years are:
 - *Sales Tax - down from pre-COVID estimates*
 - -13.4% in FY 2020 and -11.05% in FY 2021, totaling \$24.2m over the two years
 - *Room Tax - down 15.4% and 10.9% in FY 2020 and 2021 respectively*
 - *Charges for Services*
 - This represents revenue from Planning & Development, Parking, Public Works, Parks & Recreation, Fire and Police departments. These revenues estimates are down -6.2% and -8.5% in FY 2020 and 2021 respectively
 - Total revenue loss is currently estimated at \$36.7m

General Fund Estimates & Projections

Pre-COVID Shutdown

	FY 20 Estimate	FY21 Projection
Carryover	24,806,000	13,865,000
On-going Revenues	<u>361,984,000</u>	<u>378,987,000</u>
Total Revenues	386,790,000	392,852,000
Total Expenses & D/S	<u>(372,925,000)</u>	<u>(391,609,000)</u>
Ending Net Balance	13,865,000	1,243,000

Numbers as of March 1, 2020

Post-COVID Onset

	FY 20 Estimate	FY21 Projection
Carryover	24,806,000	3,032,000
On-going Revenues	<u>342,821,000</u>	<u>360,417,000</u>
Total Revenues	367,627,000	363,449,000
Total Expenses & D/S	(373,595,000)	(391,170,000)
CARES salary offset	<u>9,000,000</u>	<u>16,000,000</u>
Ending Net Balance	3,032,000	(11,721,000)

Numbers as of June 17, 2020

5-Year Forecast (Preliminary estimates)

	FY 2022	FY 2023	FY 2024	FY 2025
Carryover	(11,721)	(40,151)	(64,260)	(78,228)
On-going Revenues	<u>374,079</u>	<u>389,891</u>	<u>407,344</u>	<u>424,469</u>
Total Revenues	362,358	349,740	343,085	346,241
Total Expenses & D/S	<u>402,509</u>	<u>413,999</u>	<u>421,313</u>	<u>430,785</u>
Ending Net Balance	(40,151)	(64,260)	(78,228)	(84,545)

- The COVID-19 shutdown has dramatically impacted the City's outlook over the next 5-year horizon. The table above assumes no steps are taken in FY 2021 to eliminate the \$11.7m deficit.
- Without the negative carryovers the total deficit at the end of the forecast is \$72.8m.
- The assumption is that reduced revenue receipts will persist in the major categories of sales tax, room tax, business license and charges for services
- The slow recovery is anticipated and the lower revenues will necessitate difficult decisions to balance the General Fund budget

Scenarios to Address the Deficit

Scenario 1

- Additional Federal Assistance is received
 - *Apply the funds to deficit*
 - Will not address the structural imbalance

Scenario 2

- No Additional Federal Relief is received
 - *Across-the-board reductions to Operations & Maintenance (\$1.5m to \$1.7m)*
 - *Furloughs (\$1.1m, excluding Police, Fire sworn)*
 - *Eliminate Temp staffing (\$3.4m, excluding Council, CAO)*
 - Reassign permanent staff to cover work
 - *Layoffs (savings depends on positions cut)*
 - *Limited use of the emergency reserve*