



COVID-19 FINANCIAL IMPACT OVERVIEW

CITY COUNCIL PRESENTATION - JUNE 16, 2020



OVERVIEW

- Governor Ricketts issues Emergency Declaration — March 13, 2020
- Governor Ricketts issues 1st Directed Health Measure — March 19, 2020
 - Cass, Douglas, Sarpy & Washington Counties
 - Imposes enforceable limits on public gatherings
 - Closes dining areas
- No infectious disease outbreak has impacted the economy as powerful as the COVID-19 pandemic.

WHAT DO WE KNOW?

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- Overall financial impact is unknown and unprecedented
 - Economy was on a solid footing prior to COVID-19
 - City is starting from a solid financial position
 - Economic data lags, but we know impact exists

CITY'S FINANCIAL STRENGTHS

- **Healthy General Fund Reserves**
 - FY19 6.8M (43%, 18% above policy level of up to 25%)
 - (\$5.1M for operating; \$1.7 sales tax incentive)
- **Conservative Budgeting Practices**
 - Ongoing refinement of sales tax projections
 - Efforts to improve operational efficiencies & broaden revenue underway well before COVID-19
- **Diverse Revenue Mix**
 - Sales tax 26% of General Fund revenue
 - Property tax, restaurant tax, occupation taxes & franchise fees
- **Liquidity**
 - 3.8 months of operational ability (*target 3 months*)
- **Good Credit Rating (Aa3)**
 - Enables lower interest rate debt

CURRENT MONTHLY DATA

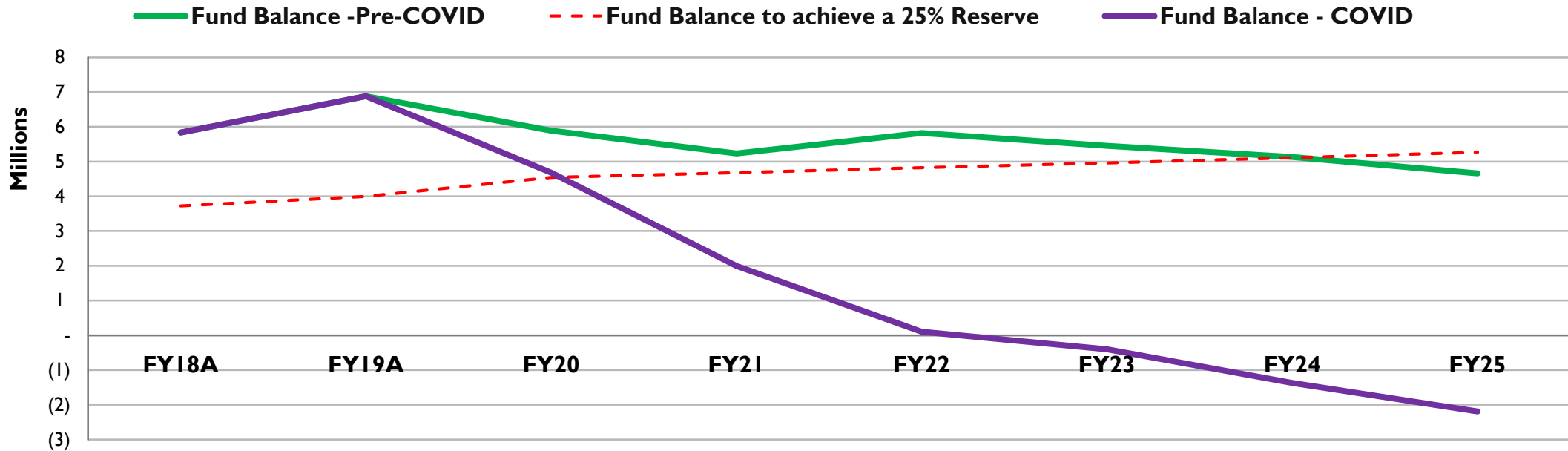
SALES MONTH

Revenue Source	March 2019 Actual	March 2020 Actual	April 2019 Actual	April 2020 Actual	May 2019 Actual	May 2020 Actual
Sales Tax	982,225	1,042,315	830,215	742,969	880,746	
Hotel Tax	78,692	37,107	84,591	6,788	98,306	
Restaurant Tax	N/A	60,634	N/A	43,668	N/A	
Lottery	78,721	50,650	67,474	57,700	67,171	178,792

Tax revenue is received two months in arrears (March is received in May)

FORECAST BEFORE COVID-19 RECESSION

General Fund Fund Balance & Target Reserve



- The decrease in fund balance is primarily related to projected decreases in Sales Tax, Hotel Occupation Tax, & Highway Allocation

REVENUE ASSUMPTIONS COMPARING COVID PROJECTIONS AS % OF MID-BIENNIUM AMENDMENT PROJECTIONS

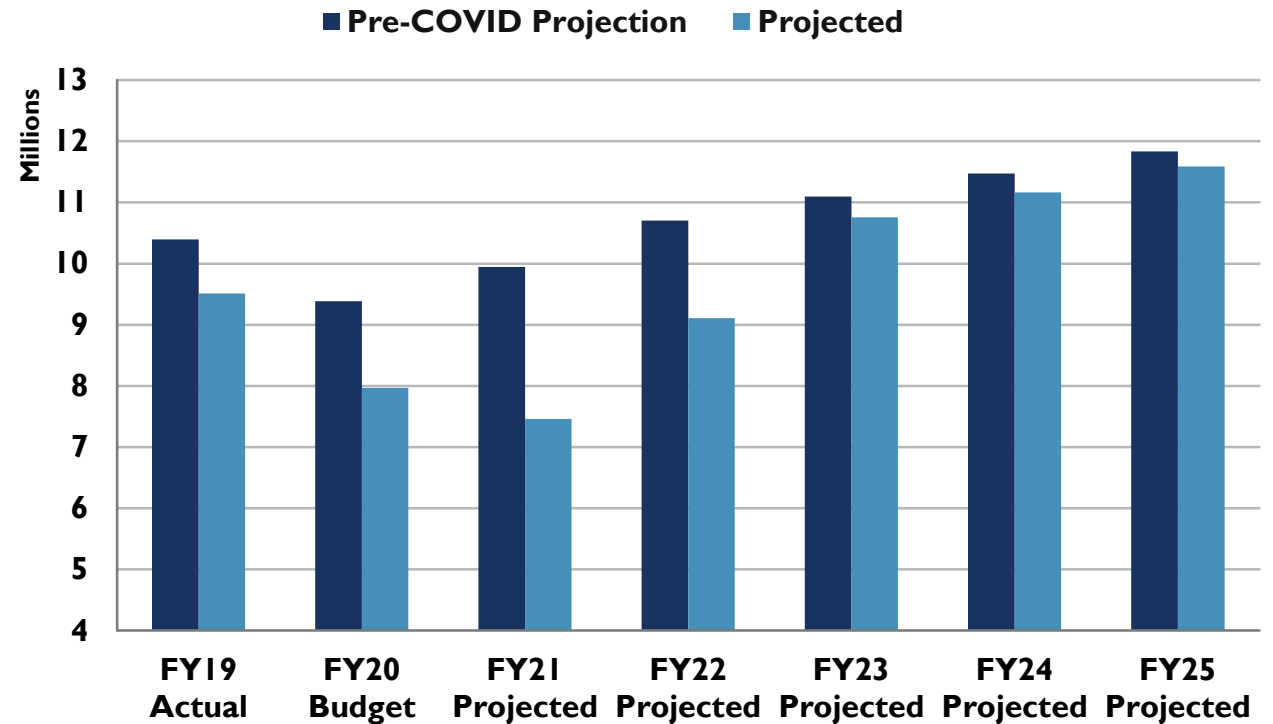
	Severe	Severe	High			
	FY20	FY21	FY22	FY23	FY24	FY25
Property Tax	0%	0%	0%	0%	0%	0%
Sales Tax (Net Received)	-15%	-25%	-15%	-3%	-3%	-2%
Highway Allocation	0%	-14%	-16%	0%	0%	0%
Hotel Occupation Tax	-51%	-78%	-45%	-30%	-20%	-10%
Recreation Fees	-54%	0%	0%	0%	0%	0%

- Anticipated revenue reductions are projected to continue through FY22 and stabilize in FY23

SALES TAX

- Sales Tax is projected at a 25% decline compared to the FY20 Biennial projection.
- FY22 is projected at a 15% decline compared to the FY20 Biennial projection
- Sales activity resumes to normal levels in FY23
- Depth & breadth of impact to sales tax is unknown

Sales Tax Pre & Post COVID Projections



ANTICIPATED SALES TAX INCENTIVE REFUNDS

FY20

- August - \$184,301

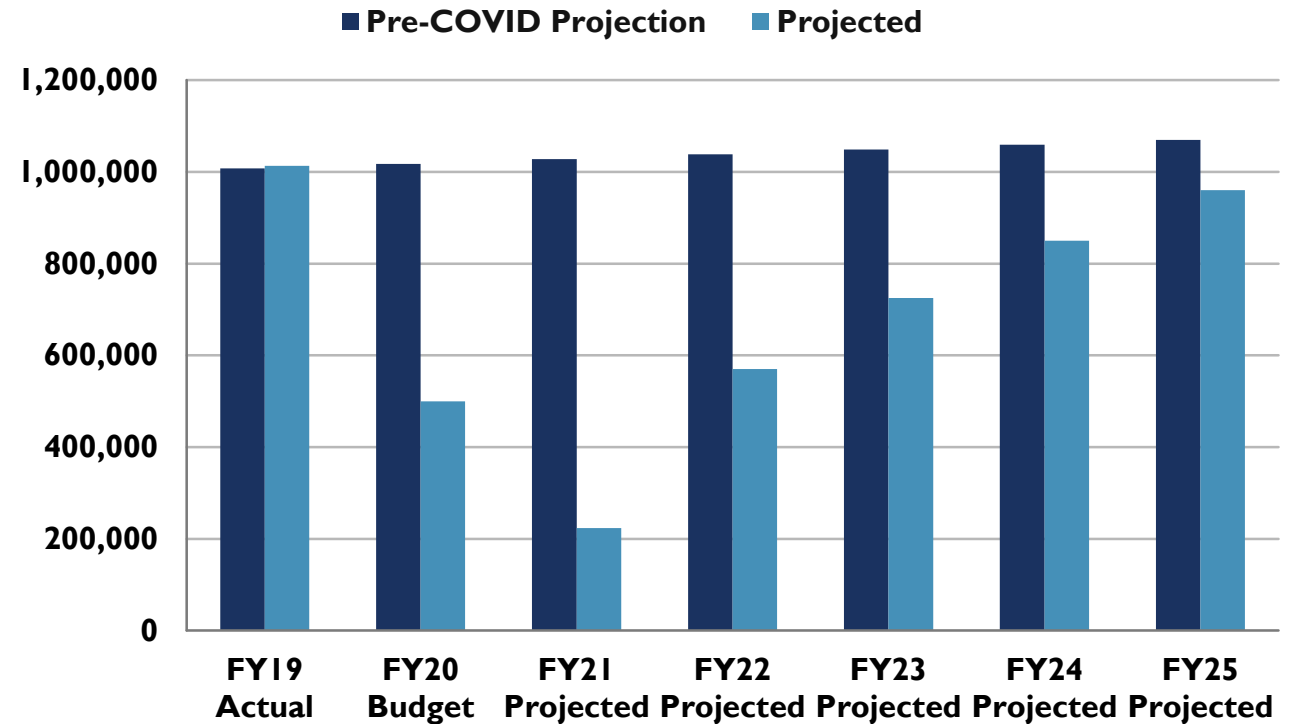
FY21

- December - \$787,594
- January - \$15,519
- March - \$4,005
- April - \$193,324

HOTEL OCCUPATION TAX

- A (78%) reduction in hotel activity is projected in FY21 based on reduced travel and convention center activity
- In FY22 hotel activity is expected to resume to 75% of normal levels

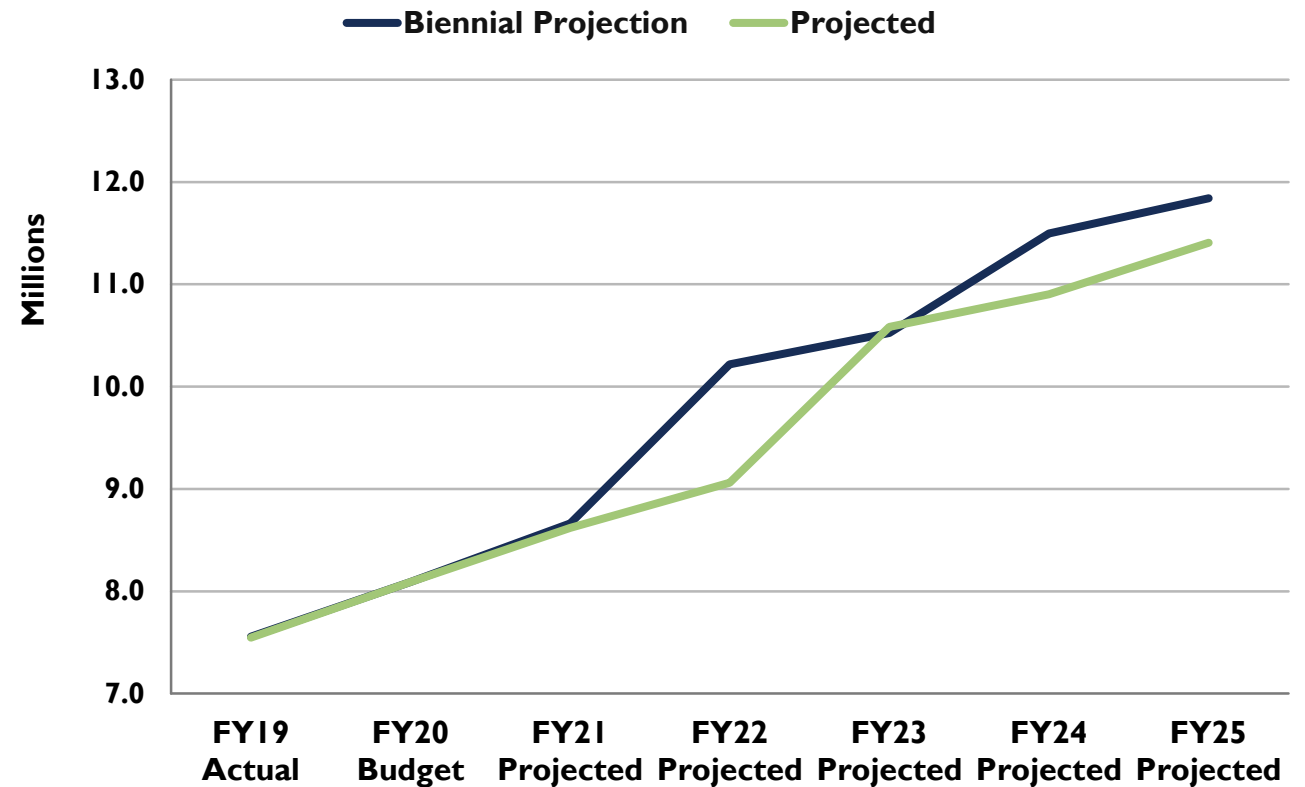
Hotel Occupation Tax Pre & Post COVID Projections



PROPERTY TAX

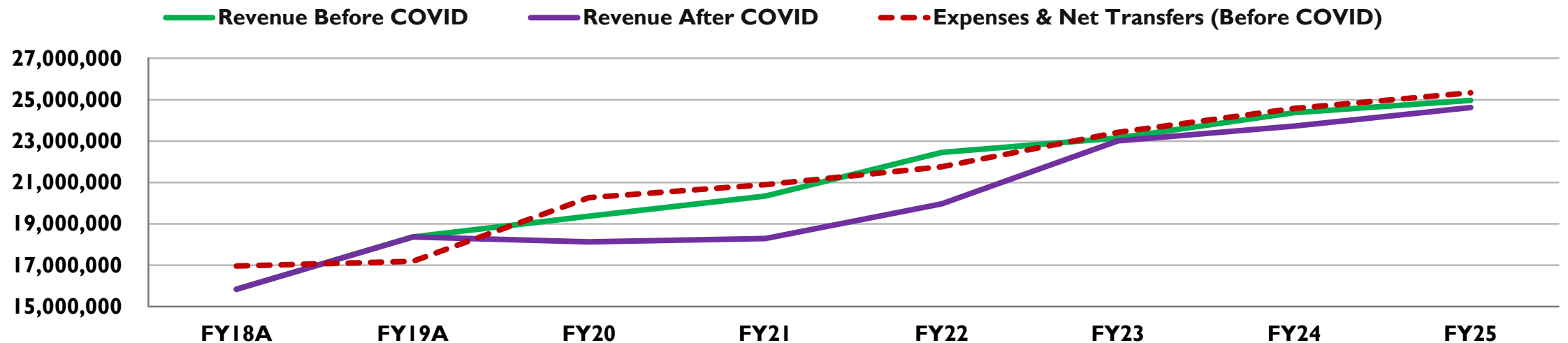
- Not directly impacted by COVID-19
- Important part of diversification
- Stabilizing force for FY21/22
- 6.5% increase in FY21
- 3% annual growth in outyears
- Projected annexations moved out a year

Property Tax



PROJECTED IMPACTS

General Fund Pre & Post COVID - Revenue, & Expenses & Transfers



- Pre-COVID expenditures and transfers were anticipated to exceed revenues in FY20 & FY21.
- Decline in FY20 revenue is projected at \$1.2M below the FY20 budget

FY20 STRATEGY

Approach

- Spending will continue for essential services
- Implementing targeted strategic reductions and/or delays in spending where possible
- Expenses likely to exceed revenue
- Request State assistance with cash flow impacted by incentive refunds

Actions Taken

- Hiring freeze on most vacant positions
- Furlough on some part-time positions
- Most travel has been eliminated
- Reduce operating expenses where possible
- Refined year-end-estimates

**Revenue
Loss
(\$1,209,727)**

- Sales Tax (708,442)
- Hotel Occupation Tax (442,550)
- Recreation Fees (53,373)
- Pool (40,500)
- License & Permits (46,510)
- Other Variance 81,648

**Expenditure
& Transfer
Reductions
(\$1,503,472)**

- Delay Filling Vacant Positions (634,410)
- Part-Time Furloughs (63,337)
- Reduced Travel & Training (121,853)
- Swimming Pool (133,520)
- Reduced Transfers (149,309)
- Refined Year-End Estimates (401,043)

**FY20 NET
RESULTS**

**5% INCREASE IN
FUND BALANCE
OVER FY20
BUDGET**

ECONOMIC UNCERTAINTIES

- How far will sales tax fall? How long?
- Impact on hospitality segment of local economy?
- How quickly will economic growth return?
- Will property tax collection rates decline as a result of economic crisis?
- Factors we aren't even aware of right now?

WHAT'S NEXT

- FY21/22 Budget Development
- CIP Review – July 7, 2020 City Council Meeting
- Budget Workshops:
 - Monday, July 20 at 6PM
 - Tuesday, July 21 immediately following 6PM Council meeting, *if needed*



QUESTIONS??