

# City of Crestwood

COVID-19 BUDGET PROJECTION

# General Fund Projection

- Two scenarios – a “faster” recovery (“Scenario 1”) and a “slower” recovery with a slightly deeper dive (“Scenario 2”).
- Do not mistake precision for accuracy. There is much we don’t know, and forecasting even in the best of times is an educated guess.

# General Fund Assumptions

- Sales Taxes are revenue source most disrupted by COVID-19
  - Later, this presentation will provide more detail on projection methodology
  - Two “Scenarios”
- Property Taxes not expected to be significantly affected
  - Project 2% decrease in all property tax revenues
  - No difference between Scenario 1 and 2
- Utility Taxes are expected to be significantly affected
  - Scenario 1: 10% decrease in annual revenues
  - Scenario 2: 20% decrease in annual revenues

# General Fund Assumptions

- Intergovernmental revenues affected slightly
  - For both scenarios March, April, May, and June are at 50% of norm, but rest of year performs as expected
- Business license revenues significantly impacted
  - Both scenarios assumed all of our “major” businesses renew license
  - All home-based businesses renew
  - Of the rest, assumes 30% do NOT renew or have partial-year renewals
    - These were randomly selected using Excel
- For remaining permits and inspections, both Scenarios:
  - Assumed either a straight 10% decrease, or
  - Assumed 8 months at 100%, 2 months at 50%, and 2 months at 0%.

# General Fund Assumptions

- Fines and Court Costs
  - Assumed a 35% reduction in both Scenarios
- Interest Income
  - Assumed a 25% reduction in both Scenarios
- All other revenues remain same

# General Fund – Sales Tax Methodology

- Sales taxes were grouped by type and forecast differently.
  - **One-Cent General Sales Tax** is a Countywide sales tax, with some revenue-sharing.
    - City keeps majority of what was collected within Crestwood
    - But, what Crestwood receives is partially dependent on Countywide activity, and how we compare to other cities
      - Makes it very hard to project given these unprecedented times
  - **¼ Cent Local option and Fire Protection Sales Taxes** are locally-collected
    - City keeps nearly all
    - Based upon economic activity within Crestwood

# General Fund – Sales Tax Methodology

- **½ Cent Public Safety Sales Tax**

- Countywide sales tax that is pooled and distributed to cities based upon population
- Influenced largely by Countywide economic activity

- **1 and ½ Cent Use Tax**

- Hard to project. We don't have much historical data. Also, an argument could be made this increases due to greater out-of-state sales.
- Conservative projection made, assumes slower economic activity.

# General Fund – Projecting Local Sales Activity

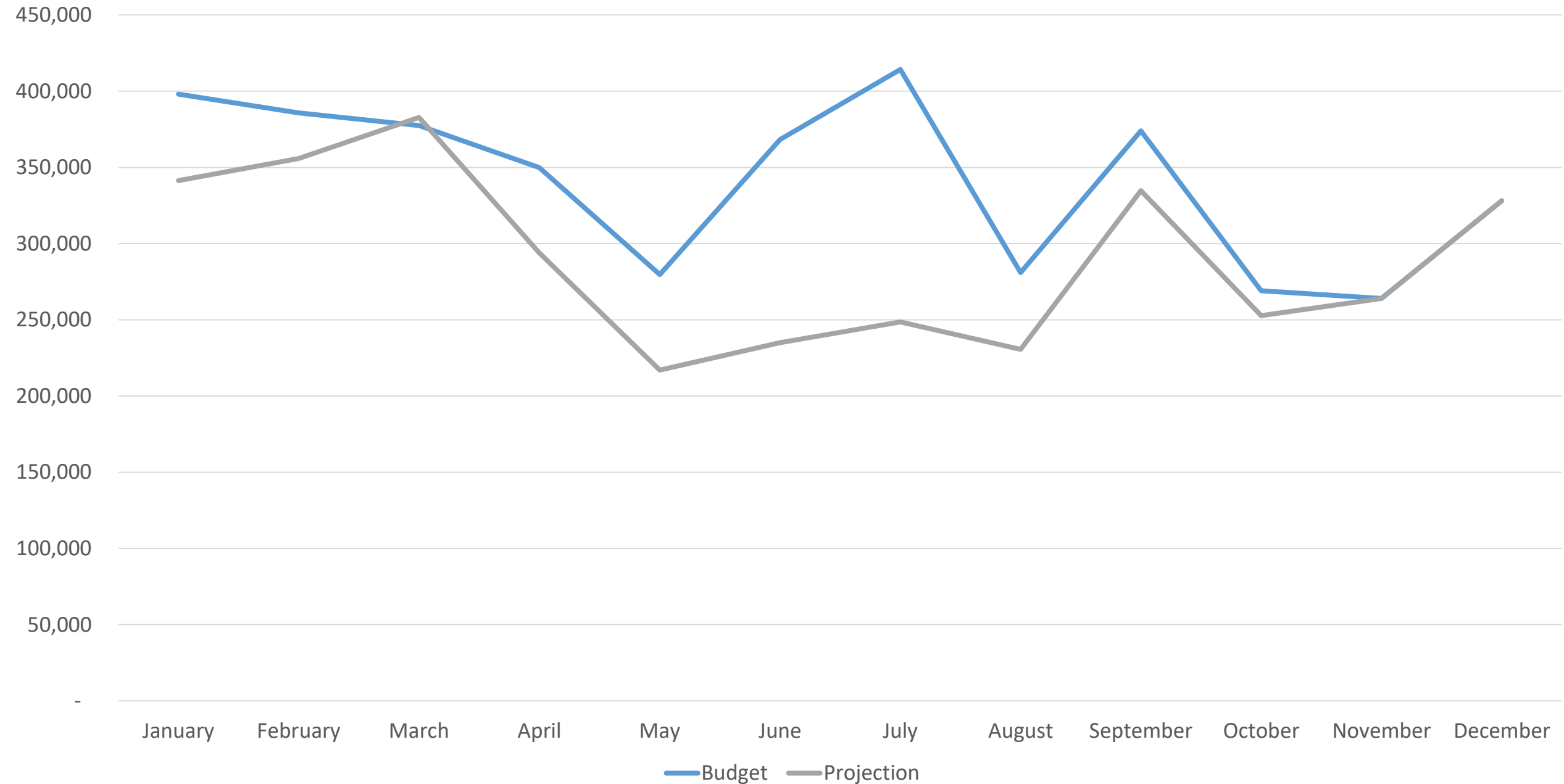
1. Started with 2019 sales tax reports, by month
2. Identified the “Top” sales tax producing businesses each month of 2019
  - a) The top 30 businesses generally produce between 84% and 92% of all sales taxes received by Crestwood
3. Using monthly 2019 sales as a base, each “Top” business was evaluated case-by-case, with each sector receiving consideration for every month forecast in 2020.
  - a) For example, Sam’s sales were assumed to rise 15% in March, April, and May over their respective 2019 months, then return to normal rest-of-year.
  - b) Another example assumed Red Lobster generated 50% of March 2019 sales for March 2020, and then assumed 0% for April and May, and 50% in June, 75% in July, and so on.



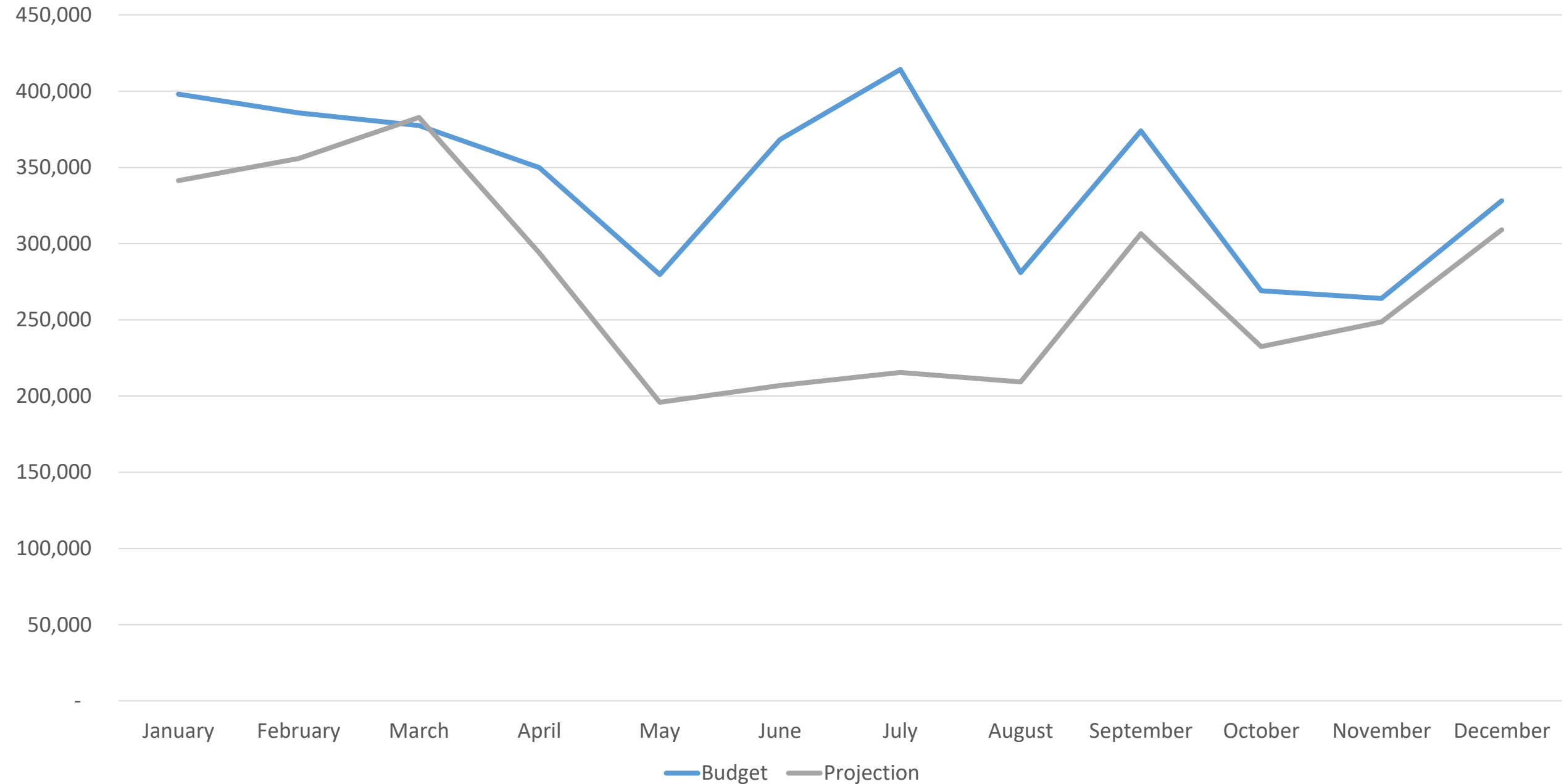
# General Fund – Projecting Local Sales Activity

1. After projecting the Top 30 businesses, I looked at all other businesses.
2. Assumed the remaining businesses generated a % of their 2019 activity, by month.
  - a) Assumed “non-Top” businesses, as a group, generated 50% of March 2019 activity for March 2020. 0% assumed for April and May 2020. 50% for June 2020, and so on, gradually moving toward 100% of 2019 activity.

# 2020 GF Sales Tax Revenues - Budget v Projection Scenario 1



2020 GF Sales Tax Revenues - Budget v Projection  
Scenario 2



# General Fund Sales and Use Taxes Projections v Budget

Tax	Budget	Scenario 1	Diff	Scenario 2	Diff
One Cent General	2,271,270	2,037,420	(233,850)	1,910,665	(360,605)
¼ Cent Local Option	520,839	465,523	(55,316)	450,143	(70,696)
¼ Cent Fire Protection	621,921	552,079	(69,842)	533,714	(88,207)
½ Cent Public Safety	675,385	429,784	(245,601)	403,604	(271,781)
1 ½ Cent Use Tax	236,748	201,236	(35,512)	177,561	(59,187)
<b>TOTAL</b>	<b>4,326,163</b>	<b>3,686,042</b>	<b>(640,121)</b>	<b>3,475,687</b>	<b>(850,476)</b>

# General Fund Property Taxes Projections v Budget

Tax	Budget	Scenario 1	Diff	Scenario 2	Diff
Real Estate	1,896,976	1,859,036	(37,940)	1,859,036	(37,940)
Personal Property	264,299	259,013	(5,286)	259,013	(5,286)
County Roads	282,618	276,966	(5,652)	276,966	(5,652)
Penalty Surcharge	88,867	87,090	(1,777)	87,090	(1,777)
RR/Utility Taxes	39,831	39,034	(797)	39,034	(797)
<b>TOTAL</b>	<b>2,572,591</b>	<b>2,521,139</b>	<b>(51,452)</b>	<b>2,521,139</b>	<b>(51,452)</b>

# General Fund Utility Fees Projections v Budget

Tax	Budget	Scenario 1	Diff	Scenario 2	Diff
Electric	642,534	578,281	(64,253)	514,027	(128,507)
Natural Gas	349,359	314,423	(34,936)	279,487	(69,872)
Telephone	60,434	54,391	(6,043)	48,347	(12,087)
Water	167,514	150,763	(16,751)	134,011	(33,503)
Cable	90,969	81,872	(9,097)	72,775	(18,194)
Wireless	123,113	110,802	(12,311)	98,490	(24,623)
<b>TOTAL</b>	<b>1,433,923</b>	<b>1,290,531</b>	<b>(143,392)</b>	<b>1,147,138</b>	<b>(286,785)</b>

# General Fund Licenses and Permit Fees Projections v Budget

Tax	Budget	Scenario 1	Diff	Scenario 2	Diff
Merchant Licenses	774,769	715,000	(59,769)	715,000	(59,769)
Liquor Licenses	11,153	10,038	(1,115)	10,038	(1,115)
Other Licenses	125	113	(13)	113	(13)
Rental Inspections	33,267	24,950	(8,317)	24,950	(8,317)
Permits & Inspections	61,229	45,922	(15,307)	45,922	(15,307)
Fire Inspections	24,976	18,732	(6,244)	18,732	(6,244)
<b>TOTAL</b>	<b>905,519</b>	<b>814,714</b>	<b>(90,765)</b>	<b>814,754</b>	<b>(90,765)</b>

# General Fund Intergovernmental Taxes Projections v Budget

Tax	Budget	Scenario 1	Diff	Scenario 2	Diff
Intergovernmental Taxes	513,215	420,086	(93,129)	420,086	(93,129)



# General Fund Fines and Court Costs Projections v Budget

Tax	Budget	Scenario 1	Diff	Scenario 2	Diff
Fines and Court Costs	202,428	135,114	(67,314)	135,114	(67,314)

# General Fund Grants and Other Revenue Projections v Budget

Tax	Budget	Scenario 1	Diff	Scenario 2	Diff
Grants and Other Revenue	311,899	293,149	(18,750)	293,149	(18,750)

# Combined General Fund Revenue Projections v Budget

Tax	Budget	Scenario 1	Diff	Scenario 2	Diff
General Fund Revenue	10,265,738	9,160,814	(1,104,924)	8,807,067	(1,458,671)

# 2020 General Fund Budget (original)

Budgeted Revenues	10,265,738
Budgeted Expenditures	11,395,199
Difference	(1,129,461)
Net Budgeted Change in Fund Balance	(1,129,461)
Audited Fund Balance 1/1/2020	7,233,217
Projected Fund Balance 12/31/2020	6,103,756

\* Y/E Fund Balance Percent: 54%

# 2020 General Fund Budget (Scenario 1)

Forecasted Revenues (Scenario 1)	9,160,814
Budgeted Expenditures (No Changes)	11,395,199
Difference	(2,234,385)
Net Forecasted Change in Fund Balance	(2,234,385)
Audited Fund Balance 1/1/2020	7,233,217
Projected Fund Balance 12/31/2020	4,998,832

\* Y/E Fund Balance Percent: 44%

# 2020 General Fund Budget (Scenario 2)

Forecasted Revenues (Scenario 2)	8,807,067
Budgeted Expenditures (No Changes)	11,395,199
Difference	(2,588,132)
Net Forecasted Change in Fund Balance	(2,588,132)
Audited Fund Balance 1/1/2020	7,233,217
Projected Fund Balance 12/31/2020	4,645,085

\* Y/E Fund Balance Percent: 41%

# GF Budget Goal

- Recommend taking steps to get GF Budget close to original 2020 projections
  - \$1.12 million planned deficit, resulting in a Y/E Fund Balance covering around 55% of expenditures

# 2020 General Fund Expenditure Budget

- Cuts recommended – Board has received a detailed breakdown of all recommended cuts. Major highlights include:
  - All out-of-state training
  - Cap on Tuition Reimbursement Program for rest-of-year 2020
    - Employees who have already applied for tuition reimbursement will receive their 2020 allocation
  - IT Audit
  - Savings from city website coming in under budget
  - Sealing the parking lots at Whitecliff and Crestwood Park
  - Updating FD Captains Bathroom
  - Constructing a PD Carport
  - Sidewalk/Bicycling/Traffic Calming Study



# 2020 General Fund Expenditure Budget

- Cuts recommended, cot'd:
  - Postponing components of the GC Renovation Project, including
    - Replacing GC Windows
    - Updating the lobby public restroom
- Collectively, these cuts will result in \$499,360 in expenditure savings
- Adding savings from hiring freeze and favorable insurance renewals increases this amount to \$685,560

# 2020 General Fund Budget Reconstruction Project

- 2020 GF Revenue Budget did not include ANY payments from insurance company
- So far in FY2020 we have received \$350,041
- We can add the actual revenues received to the GF Revenue Budget
- 2020 GF Expenditure Budget assumed \$305,000 in Reconstruction work. Actual cost is \$584,401
- We should update the 2020 GF Expenditure Budget to reflect the reconstruction costs and the insurance revenue

# 2020 General Fund Budget Reconstruction Project

	2020 Budget
Insurance Rev	\$0
Insurance Exp	\$305,000
<b>Diff</b>	<b>(\$305,000)</b>

	2020 Actual
Insurance Rev	\$350,041
Insurance Exp	\$584,401
<b>Diff</b>	<b>(\$234,360)</b>

Recommend amending GF Revenue Budget by adding \$350,041 to Other Revenue

Recommend amending GF Expenditure Budget by increasing allocation for Reconstruction Project from \$305,000 to \$585,000

Result will be a deficit reduction of \$70,640

# Let's Catch Up

Apply the recommended cuts

Apply the Revenue/Expenditure Reconstruction amendments to the two Scenarios

# 2020 General Fund Budget (Scenario 1)

Amended Revenues (Scenario 1 Forecast)	9,510,855
Amended Expenditures	11,009,639
Difference	(1,498,784)
Net Forecasted Change in Fund Balance	(1,498,784)
Audited Fund Balance 1/1/2020	7,233,217
Projected Fund Balance 12/31/2020	5,734,433

\* Y/E Fund Balance Percent: 52%

# 2020 General Fund Budget (Scenario 2)

Amended Revenues (Scenario 2 Forecast)	9,157,108
Amended Expenditures	11,009,639
Difference	(1,852,531)
Net Forecasted Change in Fund Balance	(1,852,531)
Audited Fund Balance 1/1/2020	7,233,217
Projected Fund Balance 12/31/2020	5,380,686

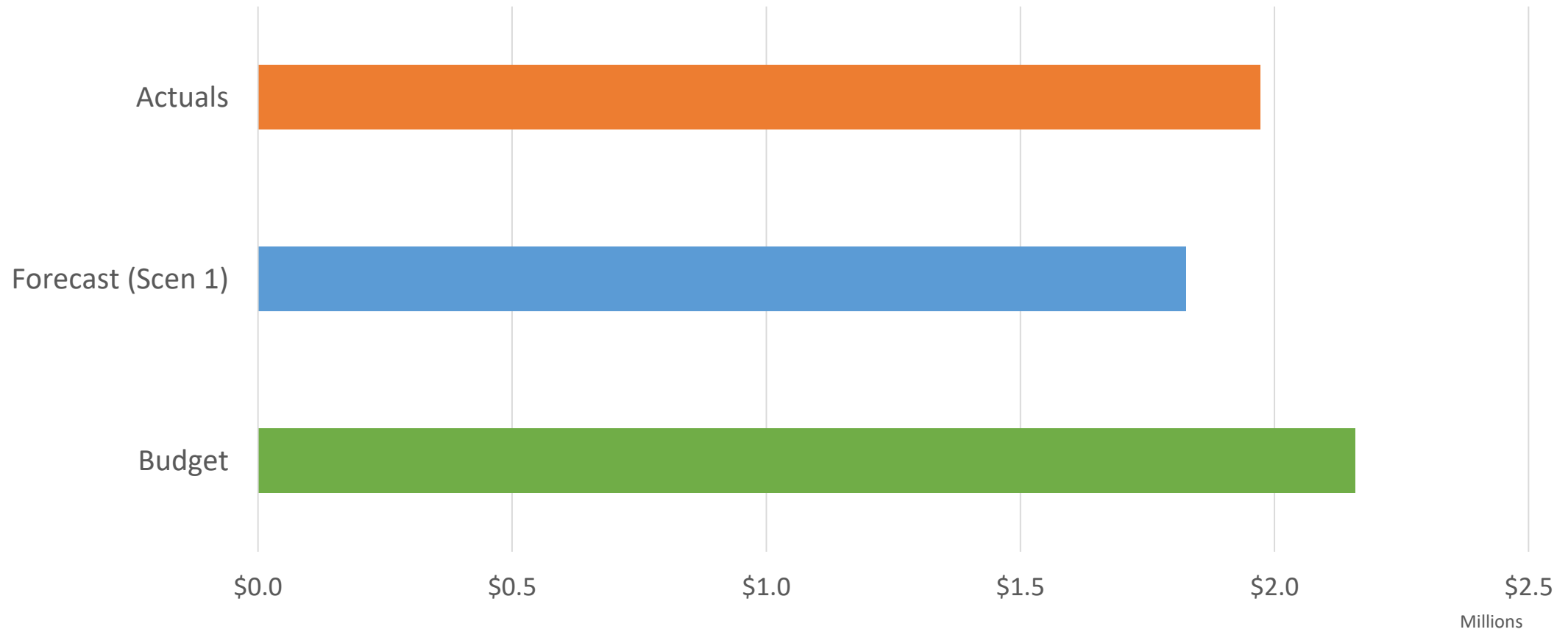
\* Y/E Fund Balance Percent: 49%

# We're Getting Close

- Scenario 1 is reasonably close to our target
- Scenario 2 a little bit further off

Revenue results thus far indicate Scenario 1 is the more likely pathway.

# GF Sales Taxes, Jan-June 2020



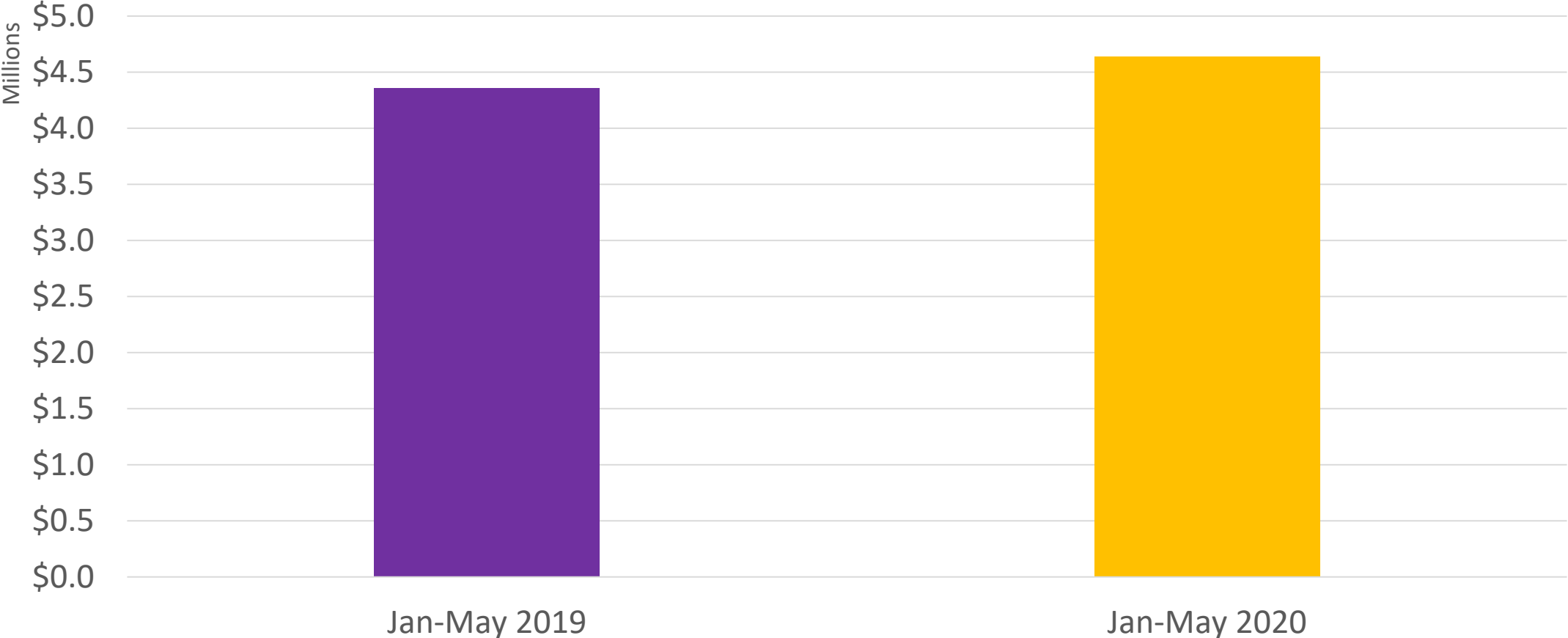


# GF Sales Taxes, Jan-June 2020

- Actual sales tax collections better than Scenario 1 forecast by \$146k
- These sales tax collections represent activity at the cash register from November 2019 through April 2020.
  - March 2020 and April 2020 expected to be the worst months for sales tax

# All GF Revenues

## Jan-May 2019 v Jan-May 2020



# All GF Revenues

## Jan-May 2019 v Jan-May 2020

- Jan-May 2020 GF Revenues outpacing the same period from 2019 by \$282,500
- This is primarily attributable to insurance payments (Jan-May 2020 City had received \$304,990)
- Removing insurance payments from 2020 Revenues, this year is trailing last year by just \$22,430
  - This is very favorable given the complete shutdown of March/April 2020

# Further Cuts

- Furlough current FTEs
- Beyond that, larger structural change
- No specific plan for furloughs or restructuring has been prepared
- I am not recommending that course of action at this time, but will prepare options if so directed by the Board, or if financial conditions deteriorate that it merits recommendation
- **At this time, I recommend the remaining deficit be covered by accumulated GF Fund Balance. City staff will execute close control over expenditures to try and come in under budget.**

# Capital Improvements Fund

# Capital Improvements Fund Revenue Impact

Tax	Budget	Scenario 1	Diff	Scenario 2	Diff
½ Cent Sales Tax	1,065,933	948,680	(117,253)	916,702	(149,231)
Interest Income	7,283	5,462	(1,821)	5,462	(1,821)
Sale of Property	20,000	20,000	-	20,000	-
<b>TOTAL</b>	<b>1,093,216</b>	<b>974,142</b>	<b>(119,074)</b>	<b>942,164</b>	<b>(151,052)</b>

# 2020 Capital Fund Budget (original)

Budgeted Revenues	1,093,216
Budgeted Expenditures	1,170,857
Difference	(77,641)
Net Budgeted Change in Fund Balance	(77,641)
Audited Fund Balance 1/1/2020	1,323,459
Projected Fund Balance 12/31/2020	1,245,818

# 2020 Capital Fund Budget (Scenario 1)

Forecasted Revenues (Scenario 1)	974,142
Budgeted Expenditures (No Changes)	1,170,857
Difference	(196,715)
Net Forecasted Change in Fund Balance	(196,715)
Audited Fund Balance 1/1/2020	1,323,459
Projected Fund Balance 12/31/2020	1,126,744



# 2020 Capital Fund Budget (Scenario 2)

Forecasted Revenues (Scenario 2)	942,164
Budgeted Expenditures (No Changes)	1,170,857
Difference	(228,693)
Net Forecasted Change in Fund Balance	(228,693)
Audited Fund Balance 1/1/2020	1,323,459
Projected Fund Balance 12/31/2020	1,094,766

# Recommended cuts

Target is to identify between \$100,000 and \$150,000 in cuts.

- All vehicles and equipment orders were already placed, so those funds are committed.
- I do **not** recommend cutting the Community Center HVAC project
- Of the remaining projects, I recommend cutting a combination of:
  - \$30,000 for sidewalk maintenance
  - \$90,000 of the \$185k allocated to switch gear replacement project
    - This project is being completed as part of the GC Reconstruction project, and funded by the General Fund
    - Remaining difference (\$95k) will fund the delayed 2019 Crestwood Park restroom replacement
  - \$80,000 savings from Mill and Overlay bids, which came in well under budget
    - Recommend doing the fully planned Mill and Overlay work, plus bid alternates, for a total cost of \$427,000. We had budgeted \$507,000.

# 2020 Capital Fund Budget (Scenario 1)

Forecasted Revenues (Scenario 1)	974,142
Amended Expenditures	970,857
Difference	3,285
Net Forecasted Change in Fund Balance	3,285
Audited Fund Balance 1/1/2020	1,323,459
Projected Fund Balance 12/31/2020	1,326,744

# 2020 Capital Fund Budget (Scenario 2)

Forecasted Revenues (Scenario 2)	942,164
Amended Expenditures	970,857
Difference	(28,693)
Net Forecasted Change in Fund Balance	(28,693)
Audited Fund Balance 1/1/2020	1,323,459
Projected Fund Balance 12/31/2020	1,294,766

# Capital Fund Summary

With proposed cuts totaling \$200,000 CI Fund is projected to end the year better off than the 2020 Budget

# Park and Stormwater Fund Revenue Impact

Revenue Sources	Budget	Scenario 1	Diff	Scenario 2	Diff
½ Cent Sales Tax	1,253,861	1,114,936	(138,925)	1,078,319	(175,452)

# Park and Stormwater Fund Revenue Impact

Revenue Source	Budget	Scenario 1	Diff	Scenario 2	Diff
All Aquatic Center Revenues	305,450	229,087	(76,363)	152,725	(152,725)

Scenario 1 assumes Aquatic Center generates 75% of budgeted revenues

Scenario 2 assumes Aquatic Center generates 50% of budgeted revenues

# Park and Stormwater Fund Revenue Impact

Revenue Source	Budget	Scenario 1	Diff	Scenario 2	Diff
All Recreation Program Revenue	239,950	119,975	(119,975)	59,987	(179,962)

Scenario 1 assumes a partial recreation season generating 50% of budget

Scenario 2 assumes recreation programs generate just 25% of budget



# Park and Stormwater Fund Revenue Impact

Revenue Source	Budget	Scenario 1	Diff	Scenario 2	Diff
Historic Facility	17,450	8,725	(8,725)	4,362	(13,087)

Scenario 1 assumes 50% of budget

Scenario 2 assumes 25% of budget

# Park and Stormwater Fund Revenue Impact

Revenue Source	Budget	Scenario 1	Diff	Scenario 2	Diff
Other Recreation Income	19,200	9,600	(9,600)	4,800	(14,400)

Scenario 1 assumes 50% of budget

Scenario 2 assumes 25% of budget

# Park and Stormwater Fund Revenue Impact

Revenue Source	Budget	Scenario 1	Diff	Scenario 2	Diff
All Other Revenues	407,541	376,170	(31,371)	376,170	(31,371)

Both Scenarios assume 50% of interest, 0% of The Alternative, 50% of “Other Income,” 0% of Swim and Dive and 100% of Grant Revenue (Parks Commission Grant)

# Park and Stormwater Fund Revenue Impact

Revenue Source	Budget	Scenario 1	Diff	Scenario 2	Diff
All PSW Revenues	2,307,451	1,858,493	(448,958)	1,676,363	(631,088)

# 2020 PSW Fund Budget (original)

Budgeted Revenues	2,307,452
Budgeted Expenditures	2,267,054
Difference	40,398
Net Budgeted Change in Fund Balance	40,398
Audited Fund Balance 1/1/2020	1,019,755
Projected Fund Balance 12/31/2020	1,060,153

# 2020 PSW Fund Budget (Scenario 1)

Forecasted Revenues (Scenario 1)	1,858,493
Budgeted Expenditures (No Changes)	2,267,054
Difference	(408,561)
Net Forecasted Change in Fund Balance	(408,561)
Audited Fund Balance 1/1/2020	1,019,755
Projected Fund Balance 12/31/2020	611,194

# 2020 PSW Fund Budget (Scenario 2)

Forecasted Revenues (Scenario 2)	1,523,738
Budgeted Expenditures (No Changes)	2,267,054
Difference	(590,691)
Net Forecasted Change in Fund Balance	(590,691)
Audited Fund Balance 1/1/2020	1,019,755
Projected Fund Balance 12/31/2020	429,064

# Recommended cuts

Target is to identify between \$400,000 (Scenario 1) and \$700,000 (Scenario 2) in cuts.

Recommended cuts and savings submitted to Board equate to \$402,296



# 2020 PSW Fund Budget (Scenario 1)

Forecasted Revenues (Scenario 1)	1,858,493
Amended Expenditures	1,864,758
Difference	(6,265)
Net Forecasted Change in Fund Balance	(6,265)
Audited Fund Balance 1/1/2020	1,019,755
Projected Fund Balance 12/31/2020	1,013,490

# 2020 PSW Fund Budget (Scenario 2)

Forecasted Revenues (Scenario 2)	1,523,738
Amended Expenditures	1,864,758
Difference	(341,020)
Net Forecasted Change in Fund Balance	(341,020)
Audited Fund Balance 1/1/2020	1,019,755
Projected Fund Balance 12/31/2020	678,735