

virtual elimination of travel and tourism has had a significant negative impact on revenue projections in FY 2020. On April 1, 2020, staff presented City Council with an updated projection for FY 2020 (Attachment 1). It is important to note that the current FY 2020 revenue forecast is not sufficient to cover the appropriated expenditure amount. A combination of expenditure reductions and use of fund balance is expected to be utilized to fund this gap as outlined in the FY 2021 Budget version 2.0.

REVENUES. With this report, the fiscal impacts of the restrictions from the pandemic are becoming evident. Through the first 9 months of FY 2020, the economic outlook appeared very strong. Nearly all revenue categories were performing at or above the budgeted amount, with a few exceptions. As of April 30, 2020, General Fund revenues totaled \$461.9 million, an increase of \$1.4 million or 0.3% above revenues collected at the same time in FY 2019. After ten months in FY 2020, approximately 59.2 percent of budgeted revenues have been collected. Revenues may not track consistently with the calendar since many revenue sources have due dates that do not occur evenly through the year. Large revenue sources, such as real estate and personal property tax revenues are remitted twice per year and once per year, respectively. Personal property taxes were due on October 5th. Personal Property tax revenue is \$53.7 million or 11.0 percent higher than collections for the same period last year. With the elimination of the decal, the motor vehicle license fee was eliminated. The personal property tax rate was increased to offset this fee elimination. The first half of the calendar year real estate tax is due on June 15th.

Attachment 3 provides a comparison of local consumer taxes for the month of April. It is important to note that prior to the pandemic many taxes were reflecting a very strong economic environment. Local sales tax is trending 11.3 percent over collections in FY 2019. Sales tax revenue is remitted by the State, two months after it is collected. Through 10 months of the fiscal year, the City has received 8 months of local sales tax revenue, which amounts to 71.4 percent of the amount budgeted. The impacts of the COVID-19 environment will not be reflected in Sales tax revenue until next month. It is interesting to note that Sales tax revenue recorded in April for February sales, as shown in Attachment 3, is 8.7 percent higher than revenue in April 2019 and 6.8 percent higher than the April average between FY 2015 and FY 2019.

Another point of economic positivity is in Recordation Tax revenue. Through April 2020, Recordation tax revenue reflects 93.8 percent of the budgeted amount and exceed collections for the same period in FY 2019 by 31 percent. Looking at Attachment 3 for similar comparisons, in April 2020, Recordation Tax Revenue is 3.7 percent higher than the same month in FY 2019 and 19.9 percent higher than the five-year April average.

Business License taxes were due on March 1 and were based on pre-COVID-19 gross receipts earned in 2019. Revenues of \$32.8 million reflect 95.4 percent of the budgeted amount and are 3.9 percent lower than revenues in FY 2020 through month ten. Most notable in this category is that collections to date exceed our COVID-impacted revenue forecast by \$2 million, meaning the rate of delinquencies from businesses was not as high as staff initially forecast.

There are several consumer tax categories that as expected have been significantly negatively impacted by the COVID-19 environment, in large part due to measures taken by the City to provide relief to the business community. Revenue from Meals Sales and Transient Lodging taxes declined significantly in April. Through month 10, Meals tax revenue was down 5.7 percent compared to FY 2019 and Transient Lodging tax revenue was down 7.5 percent. Transient Lodging tax revenue is performing ahead of the FY 2020 projection by \$1 million, while April receipts for March activity were 66 percent lower than the previous year. Despite the tax relief that was offered, many business remitted February taxes that had already been collected from customers at the end of March. Meals tax revenue is more than \$2 million ahead of the FY 2020 revenue projection shown

in column B.1 in Attachment 1, but the collections in April are also almost 66 percent lower. Although very small, Admissions tax revenue is also trending slightly ahead of the projected amount for the year. For these three categories of revenue (Meals, Transient and Admissions), it was assumed that the City would receive no additional revenue in FY 2020 due to relief efforts, stay at home orders and social distancing. These three categories, plus Business License tax revenue, that are exceeding their projections may help close the City's projected \$32 million budget gap by approximately \$5 million. There are several months remaining in this fiscal year and the outlook is still very challenging in the months to come, so these are funds that are not yet certain.

Following up to the presentation of the City Manager's Proposed FY 2021 Operating budget, the Monthly Financial Report now includes (Attachment I, Column B1) a projection of total General Fund revenues for the year. Prior to changes in the economy from COVID-19, most categories of revenues were expected to meet or exceed the FY 2020 budgeted amount. Communication Sales and Use tax continue to decline each year due to consumer behavioral changes related to telecommunications and television. With the refunding of the City's Build America Bonds in 2017, the subsidy that is received from the federal government is being eliminated. The revenue is offset by lower costs for debt service on the new debt. Conversely, market interest rates are significantly lower than assumed during the development of the FY 2020 budget and are resulting in lower Revenue from Use of Money and Property compared to FY 2019 and compared to the FY 2020 budgeted amount. It should be noted that both Charges for City Services and Revenue from Use of Money and Property are trending at or above the FY 2020 revenue forecast.

As noted previously, this monthly financial report includes projections that reflects a long, slow recovery period. Most notable will be the significant declines in taxes generated from consumer spending, travel and tourism. On March 24, City Council adopted an emergency ordinance that placed a moratorium on certain tax related penalties and fees until the end of June. To help mitigate the financial stress on the community, Finance Department staff has curtailed collection efforts on overdue taxes. The taxes are still owed and will be pursued when the timing is more appropriate. Real Estate Tax bills were issued in mid-May. These taxes are due on June 15. Real Estate tax revenue represents approximately 50 percent of the City's General Fund revenue.

EXPENDITURES: As of April 30, 2020, General Fund expenditures totaled \$524.2 million, an increase of \$7.4 million, or 1.4 percent, compared to the same time period for FY 2019. In addition, at 83.3 percent of the way through the fiscal year and with 84 percent of payrolls processed, no department has a percent of budget expended amount significantly differing from with this rate of spending except where the timing of expenditures does not track to the fiscal year. It should be noted that the City is recording a number of unplanned expenditures related to the COVID-19 situation. Staff is tracking these expenditures and will be prepared to submit spending information to FEMA in the event that reimbursement is available and also charge eligible expenses to the forthcoming federal CARES funding. In addition, the City has instituted efforts to mitigate spending (e.g., travel bans, a selective hiring freeze) to ensure that the City reduces the need for the use of fund balance budget at the end of FY 2020.

The most significant differences in expenditures for this report result from the timing and source of payments. The variance in the Department of Transportation and Environmental Services is largely attributable to the shift of the residential curbside refuse collection program from the General Fund (in FY 2019) to a self-supported fund in FY 2020. This is offset by the transfer of the Fleet Services Division from General Services, which is showing a 3.8 percent decline in spending compared to FY 2019, to TES in FY 2020. The variance in the Office of Performance and Accountability relates to software user licenses and costs associated with the biennial Resident Survey. In FY 2019, the Transfer to Housing was included in Cash Match and Transfers to Special Revenue. In FY 2020, this transfer is displayed separately to provide additional transparency.

ATTACHMENTS:

Attachment 1: Comparative Expenditure Schedule for April 30, 2020

Attachment 2: Comparative Revenue Schedule for April 30, 2020

Attachment 3: Consumer Tax Revenue Comparisons for April

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