

Mid-Year Budget Report No. 2

City of Placerville, California
April 28, 2020

Overview

- How is the COVID-19 Pandemic affecting the local economy?
 - Review local economic climate
- How is the Pandemic affecting the City's budget and finances?
 - Focus on the General Fund
 - Update on all other operating funds

COVID-19 Pandemic Impacts

- Demand on health care system
- Residents asked to shelter in place
- Non-essential businesses asked to close or minimize operations
- League of California Cities Study
 - Estimated \$7 Billion general revenue impact on cities Statewide over 2 years
 - 90% of cities to cut staff and/or services without financial aid
 - Cities that rely heavily on sales tax and/or Transient Occupancy Tax (TOT) hit the hardest

Placerville's Unemployment Rates

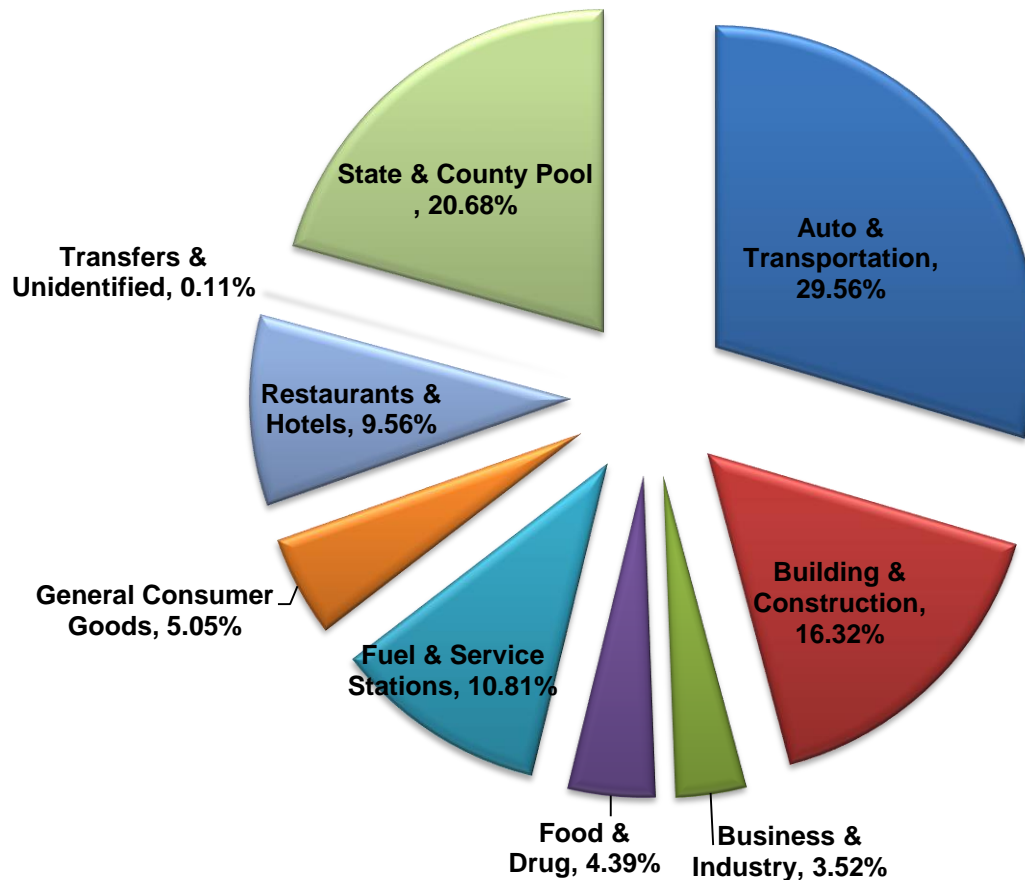
- 3.30% as of December 31, 2019
- Anticipate rate may spike to approximately 10%+



Bradley Burns Sales Tax

- 1.00 of 8.25%
- Most significant local economic indicator
- 57.63% of total General Fund revenue
- Quarter ended December 31, 2019
Receipts increased by 11.33% or \$150,652 in Placerville
- 2.92% Decrease or \$(38,825) excluding \$189,477 in adjustments
- Statewide, 4th quarter receipts up by 6.47%

Bradley Burns Sales Tax Sources Quarter Ended 09/30/19



Allocation aberrations have been adjusted to reflect sales activity.

Top 25 Sales Tax Producers

Quarter Ended September 30, 2019

Big 5	Rancho Convenience Center
Big Lots	Rite Aid
C&H Motor Parts	Save Mart
Diamond Pacific	Shell
Ferguson Enterprises	Sierra Fuel
Grocery Outlet	Thompsons Buick & GMC
Home Depot	Thompsons Chrysler, Dodge, Jeep, Ram
In N Out Burger	Thompsons Toyota
Les Schwab Tire Center	Tractor Supply
McDonalds	Verizon Wireless
Placerville Shell	W N Hunt & Sons Distributors
Placerville Valero	Western Refining Retail
Raley's	

Open vs. Closed Businesses

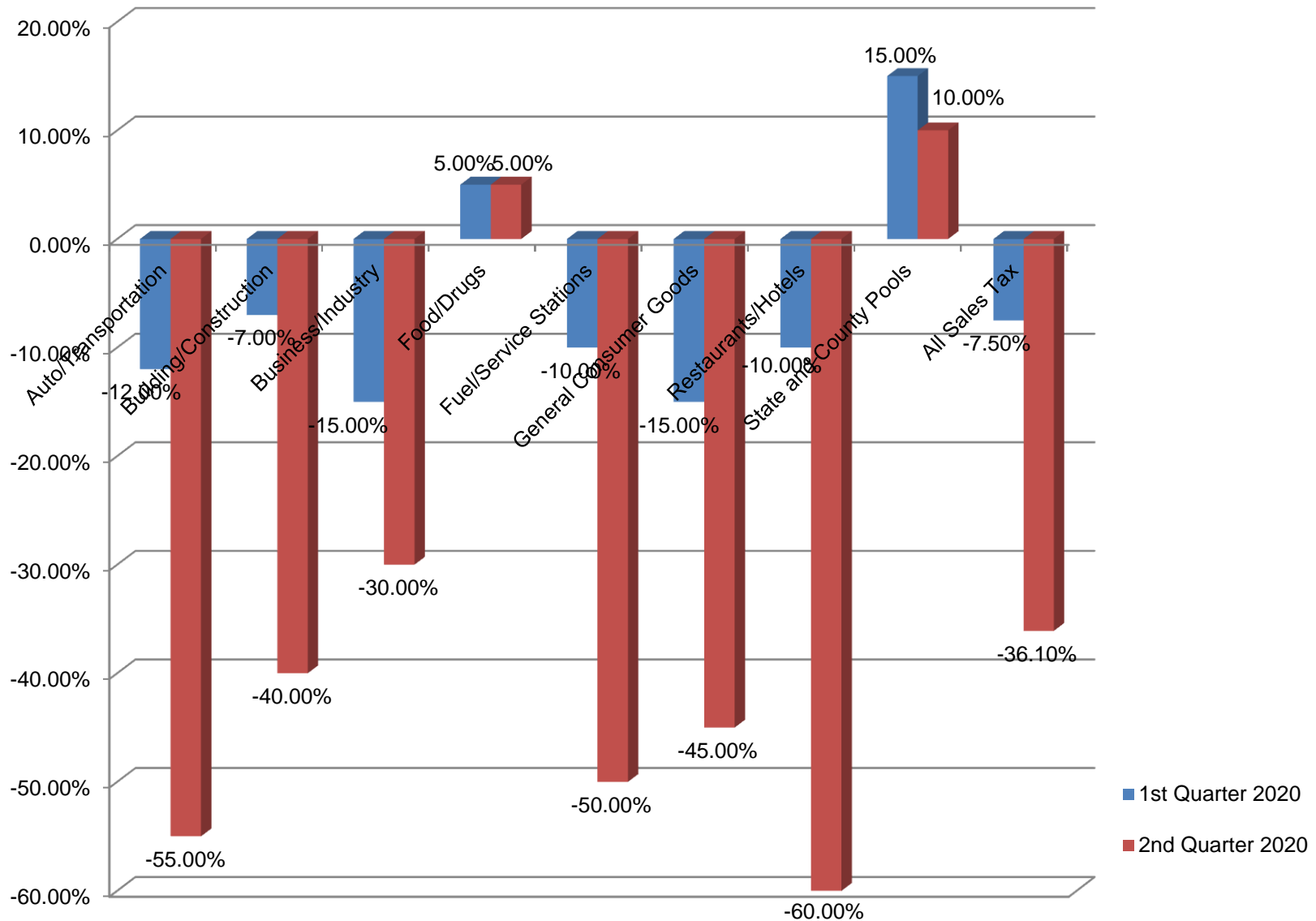
- Survey done in early April
- Broadway, Main Street, Forni Road, & Placerville Drive
- 404 Businesses surveyed
- 150 or 37.13% Open businesses
- 254 or 62.87% Closed businesses



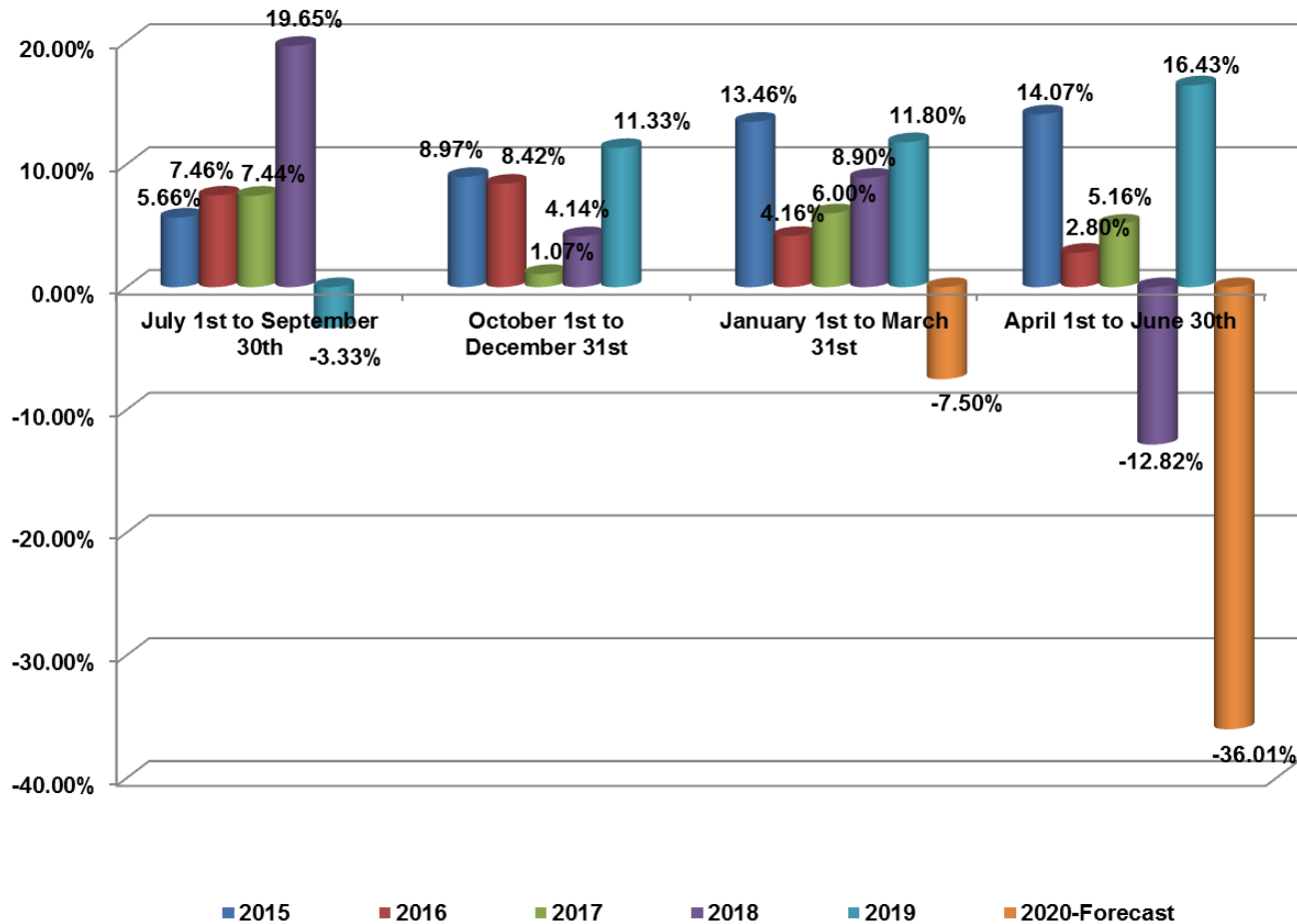
State Sales Tax Deferment Programs

- Effective March 30, 2020, all taxpayers who file a return less than \$1 million will have an additional three months to file their return through July 31, 2020
 - \$1,141,000 delayed up to 90 days
- Effective April 2, 2020, small business taxpayers, with less than \$5 million in taxable annual sales, can take advantage of a 12-month, interest free, payment plan for up to \$50,000 of sales and use tax liability
 - \$539,000 delayed up to 12 months

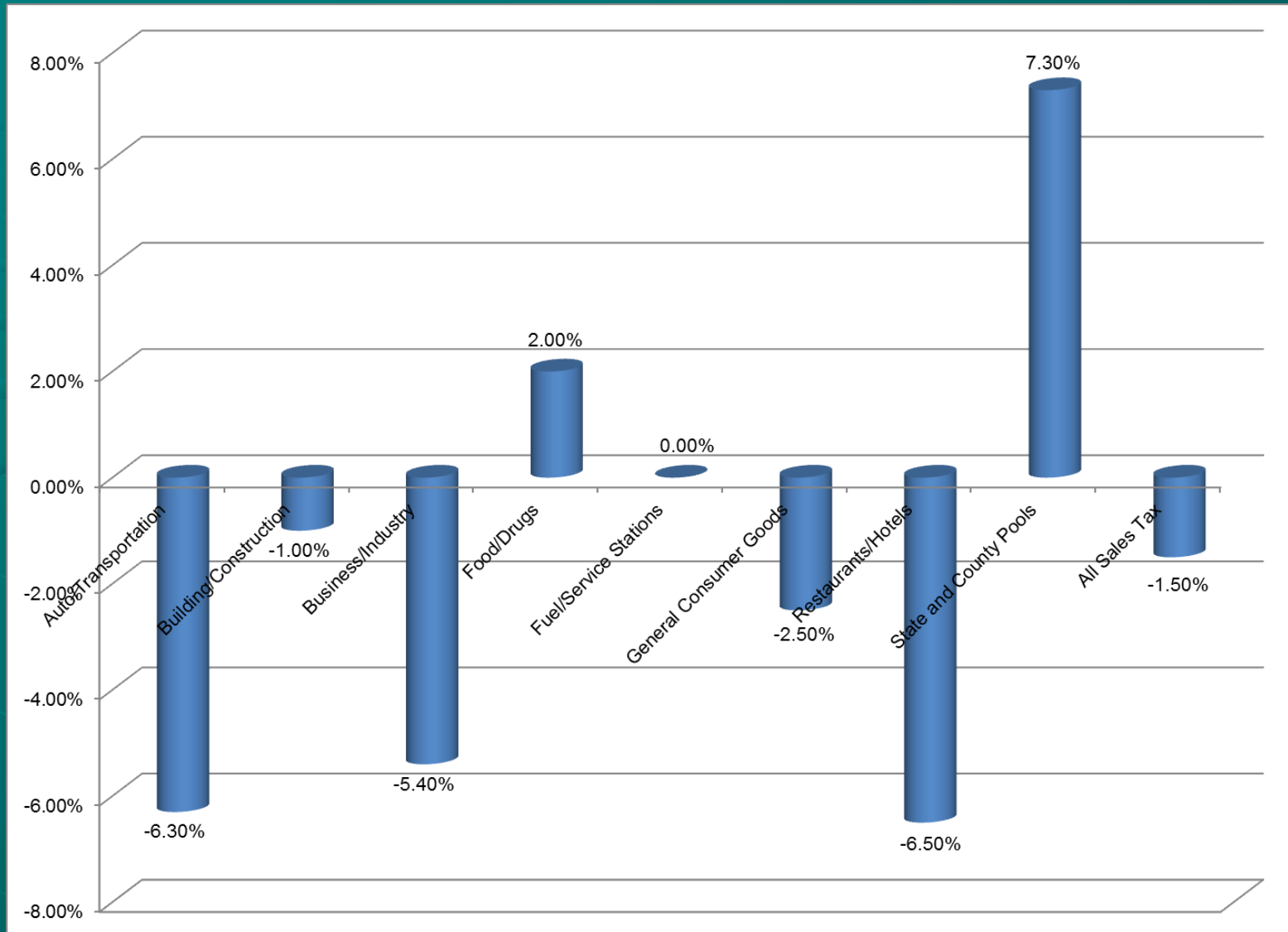
HDL Sales Tax Forecasts



Bradley Burns Sales Tax Growth



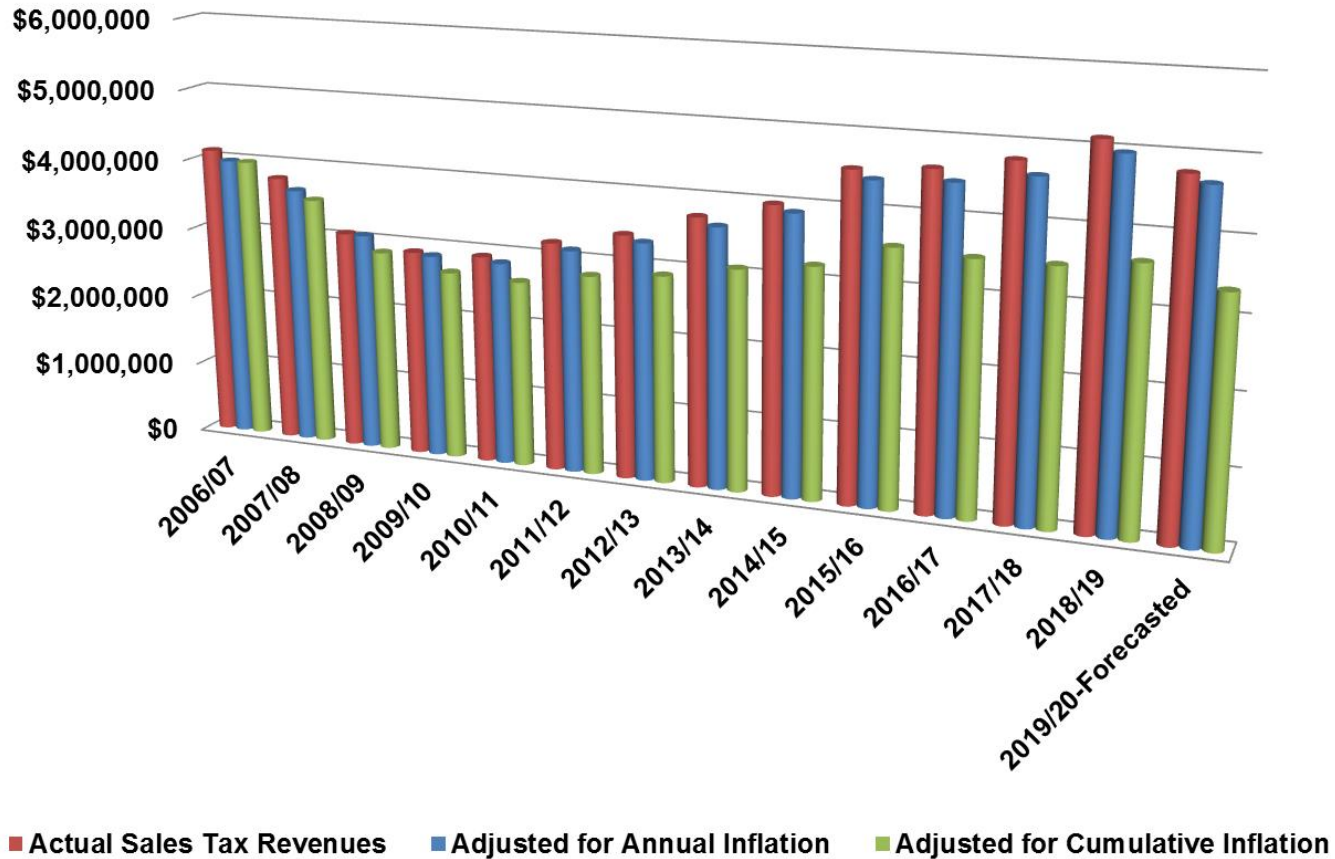
HDL Sales Tax Forecast 2020/2021



Bradley Burns Sales Tax Growth (Cont.)

- Actual Fiscal Year 2018/2019 sales tax \$5,134,151
- Forecasted Fiscal Year 2019/2020 sales tax \$4,783,000
- Forecast \$351,151 or 6.84% loss year over year

Bradley Burns Sales Tax Trend



Other COVID-19 Revenue Impacts

- Anticipate 75% decline in TOT during shelter in place
- Estimated 15% to 30% decrease in HUTA (Gas Tax) starting in May
- Projected 10% to 20% in SB1 (RMRA) starting in May

Adopted Operating Budget

- Adopted in June 2019
- Totaled \$20,649,281
- General Fund budget
 - \$9,272,741
 - \$75,000 Contingency for unforeseen expenditures
 - \$111,968 for equipment & projects (fund balance)

General Fund Budget Revisions

- Carryover \$30,104 Pickup Truck for Parks Division (fund balance)
- \$15,000 for safety facility needs assessment (fund balance)

Additional General Fund Assumptions

- Assumes pay-as-you go costs for GASB 75 Other Post Employment Benefits (OPEB)
 - No contribution for future retiree medical insurance costs
- Assumes expending entire \$75,000 contingency
- Assumes additional \$104,978 transfer to Measure J Fund
- Assumes \$22,254 Transfer to SRO Grant Fund

Revised General Fund Budget Expenditures

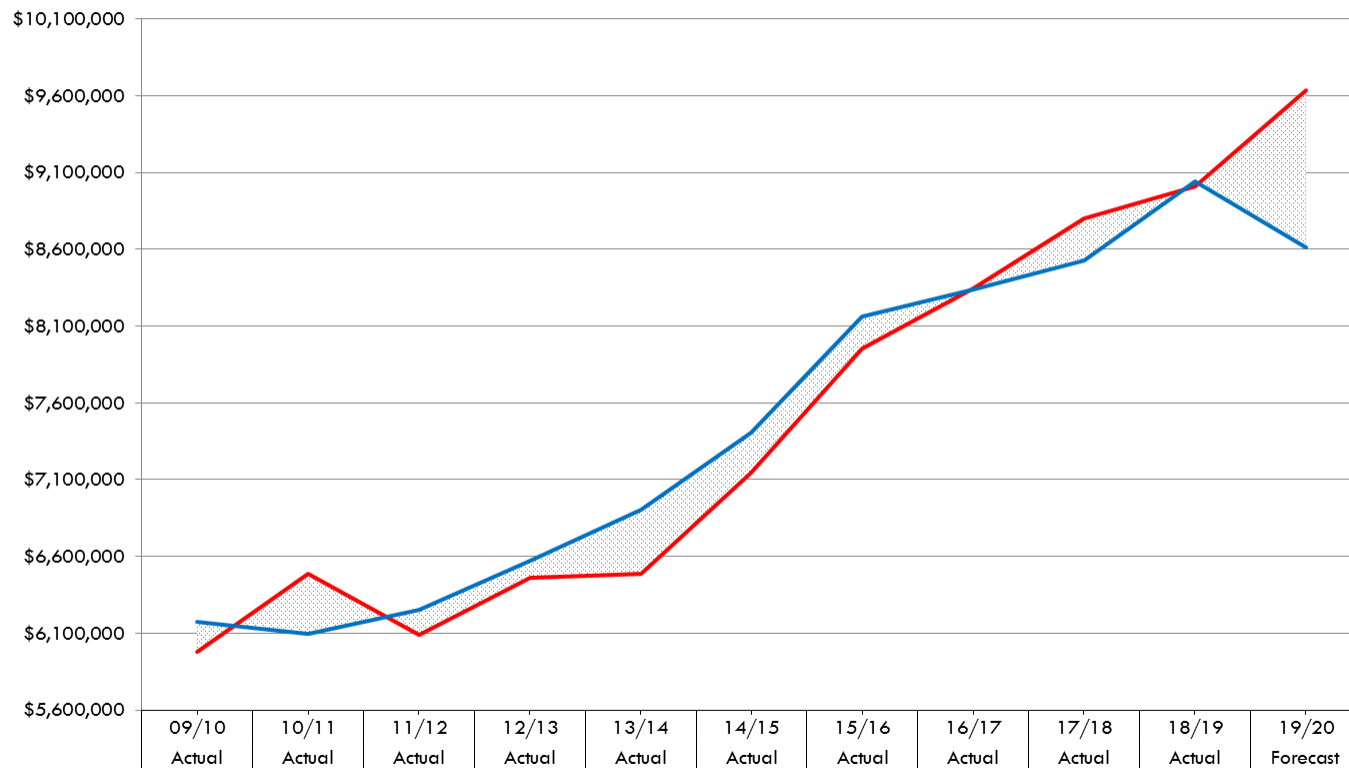


General Fund Budget

	Revised Budget	Forecast	Under/Over Budget	
Revenues	\$ 9,160,773	\$ 8,610,853	\$ (549,920)	-6.00%
Expenditures	9,135,781	9,231,615	(95,834)	-1.05%
Net Transfers In/(out)	(182,064)	(402,733)	(220,669)	-121.20%
Revenues under/(over) expenditures before adjustments	(157,072)	(1,023,495)		
From/(to) Fund Balance	\$ 157,072	\$ 1,023,495		

General Fund Budget (Cont.)

Revenues vs. Expenditures



General Fund Revenues

Revenue Type	Revised Budget	Forecast	Under/Over Budget	
Sales Tax	\$ 5,279,200	\$ 4,783,000	\$ (496,200)	-9.40%
All Other Taxes	1,055,336	1,056,512	1,176	0.11%
Construction Permits	155,564	132,936	(22,628)	-14.55%
Intergovernmental Revenues	963,219	1,015,608	52,389	5.44%
Charges for Service	988,703	910,091	(78,612)	-7.95%
Fines & Forfeitures	52,120	67,765	15,645	30.02%
Use of Money & Property	99,140	77,450	(21,690)	-21.88%
Other Financing Sources	567,491	567,491	-	0.00%
Total revenues	\$ 9,160,773	\$ 8,610,853	\$ (549,920)	-6.00%

General Fund Expenditures

Department	Revised Budget	Forecast	Under/Over Budget	
Police	\$3,139,063	\$ 3,098,607	\$ 40,456	1.29%
Development Services	582,851	645,002	(62,151)	-10.66%
Engineering	310,531	313,895	(3,364)	-1.08%
Community Services	2,455,131	2,410,631	44,500	1.81%
Public Works	641,476	665,057	(23,581)	-3.68%
Elected Officials	125,726	120,570	5,156	4.10%
City Administration	675,177	708,402	(33,225)	-4.92%
Finance	426,807	432,053	(5,246)	-1.23%
Non-Departmental	961,083	1,240,131	(279,048)	-29.03%
Total expenditures	\$9,317,845	\$ 9,634,348	\$ (316,503)	-3.40%

General Fund Budget

- \$1,023,495 Forecasted deficit primarily due to \$157,072 in planned deficit spending and \$854,922 in anticipated impacts from COVID-19 Pandemic
- \$1,631,784 General Fund Operating Reserve (16.94%)
- \$963,434 = 10%
- Recommend \$339,107 transfer in from Reserve for Economic Uncertainties to help
- \$947,396 (9.83%) Reserve after fund transfer

Measure J Fund

	Revised Budget	Forecast	Under/Over Budget	
Revenues	\$ 1,111,470	\$ 988,000	\$ (123,470)	-11.11%
Expenditures	1,382,577	1,352,975	29,602	2.14%
Net Transfers Out	271,107	364,975	(93,868)	-34.62%
Revenues over (under) Expenditures	\$ -	\$ -		
From Operating Reserve	\$ -	\$ -		

Measure H Fund

	Revised Budget	Forecast	Under/Over Budget	
Revenues	\$ 1,123,970	\$ 1,012,892	\$ (111,078)	-9.88%
Expenditures	-	-	-	0.00%
Net Transfers Out	(1,110,970)	(1,012,892)	(98,078)	8.83%
Revenues over (under) Expenditures	\$ 13,000	\$ -		
Additional Capital project set aside	\$ 13,000	\$ -		

Measure L Fund

	Revised Budget	Forecast	Under/Over Budget	
Revenues	\$ 2,258,900	\$ 2,048,123	\$ (210,777)	-9.33%
Expenditures	-	-	-	0.00%
Net Transfers Out	-	-	-	0.00%
Revenues over (under) Expenditures	<u>\$ 2,258,900</u>	<u>\$ 2,048,123</u>		
Capital project set aside	<u>\$ 2,258,900</u>	<u>\$ 2,048,123</u>		

Water Enterprise Fund

	Revised Budget	Forecast	Under/Over Budget	
Revenues	\$ 2,276,380	\$ 2,262,252	\$ (14,128)	-0.62%
Expenditures	2,095,688	1,846,274	249,414	11.90%
Net Transfers Out	(150,183)	(150,183)	-	0.00%
Revenues over (under) Expenditures	\$ 30,509	\$ 265,795		
Water project set aside	\$ 30,509	\$ 265,795		

Sewer Enterprise Fund

	Revised Budget	Forecast	Under/Over Budget	
Revenues	\$ 6,433,719	\$ 6,422,326	\$ (11,393)	-0.18%
Expenditures	6,887,530	6,718,389	169,141	2.46%
Net Transfers In	960,787	825,586	135,201	14.07%
Revenues over (under) expenditures before adjustments	\$ 506,976	\$ 529,523		
Sewer project set aside	\$ 506,976	\$ 529,523		

Downtown Parking District Fund

	Revised Budget	Forecast	Under/Over Budget	
Revenues	\$ 344,809	\$ 256,215	\$ (88,594)	-25.69%
Expenditures	225,574	221,470	4,104	1.82%
Net Transfers In	261	261	-	0.00%
Revenues over (under) Expenditures	\$ 119,496	\$ 35,006		
Short-term capital project set aside	\$ 73,417	\$ 15,006		
Long-term capital project set aside	\$ 46,079	\$ 20,000		

Non-Major Funds

	Gas Tax Fund				SRO Grant Fund			
	Revised		Under/Over		Revised		Under/Over	
	Budget	Forecast	Budget		Budget	Forecast	Budget	
Revenues	\$ 481,220	\$ 487,993	\$ 6,773	1.41%	\$ 75,648	\$ 57,862	\$ (17,786)	-23.51%
Expenditures	30,000	30,000	-	0.00%	75,648	80,116	(4,468)	-5.91%
Net Transfers	(291,573)	(291,573)	-	0.00%	-	22,254	(22,254)	0.00%
Revenues over/ (Over)								
Expenditures	\$ 159,647	\$ 166,420			\$ -	\$ -		
	COPS SLESF Grant Fund				OTS Grant Fund			
	Revised		Under/Over		Revised		Under/Over	
	Budget	Forecast	Budget		Budget	Forecast	Budget	
Revenues	\$ 158,115	\$ 158,373	\$ 258	0.16%	\$ 10,148	\$ 11,008	\$ 860	8.47%
Expenditures	158,115	158,115	-	0.00%	10,148	11,008	(860)	-8.47%
Net Transfers	-	-	-	0.00%	-	-	-	0.00%
Revenues over/ (Over)								
Expenditures	\$ -	\$ 258			\$ -	\$ -		

Non-Major Funds (Continued)

	OJP BVP Grant Fund				2014 CHP Grant Fund			
	Revised		Under/Over		Revised		Under/Over	
	Budget	Forecast	Budget		Budget	Forecast	Budget	
Revenues	\$ 1,080	\$ 1,080	\$ -	0.00%	\$ 35,000	\$ 35,000	\$ -	0.00%
Expenditures	1,080	1,080	-	0.00%	34,998	35,000	(2)	-0.01%
Net Transfers	-	-	-	0.00%	-	-	-	0.00%
Revenues over/ (Over)								
Expenditures	\$ -	\$ -			\$ 2	\$ -		
	State Tobacco Grant				General CIP Fund			
	Revised		Under/Over		Revised		Under/Over	
	Budget	Forecast	Budget		Budget	Forecast	Budget	
Revenues	\$ 119,534	\$ 94,592	\$(24,942)	-20.87%	\$ -	\$ -	\$ -	0.00%
Expenditures	119,534	94,592	24,942	20.87%	-	-	-	0.00%
Net Transfers	-	-	-	0.00%	43,690	43,690	-	0.00%
Revenues over/ (Over)								
Expenditures	\$ -	\$ -			\$ 43,690	\$ 43,690		

Non-Major Funds (Continued)

	Orchard Hill LLMD Fund				Cottonwood LLMD Fund			
	Revised		Under/Over		Revised		Under/Over	
	Budget	Forecast	Budget		Budget	Forecast	Budget	
Revenues	\$ 20,464	\$ 20,464	\$ -	0.00%	\$ 14,807	\$ 14,807	\$ -	0.00%
Expenditures	20,464	18,976	1,488	7.27%	14,807	14,377	430	2.90%
Net Transfers	-	-	-	0.00%	-	-	-	0.00%
Revenues over/ (Over)								
Expenditures	\$ -	\$ 1,488			\$ -	\$ 430		
	Ridge at Orchard Hill BAD-Zone 1A Fund				General Liability Fund			
	Revised		Under/Over		Revised		Under/Over	
	Budget	Forecast	Budget		Budget	Forecast	Budget	
Revenues	\$ 36,891	\$ 37,138	\$ 247	0.67%	\$ 200	\$ 610	\$ 410	205.00%
Expenditures	36,891	27,226	9,665	26.20%	450,550	551,817	(101,267)	-22.48%
Net Transfers	-	-	-	0.00%	450,550	551,207	(100,657)	-22.34%
Revenues over/ (Over)								
Expenditures	\$ -	\$ 9,912			\$ 200	\$ -		

Non-Major Funds (Continued)

	Reserve for Economic Uncertainties Fund			
	Revised		Under/Over	
	Budget	Forecast	Budget	
Revenues	\$ 1,000	\$ 7,909	\$ 6,909	690.90%
Expenditures	-	-	-	0.00%
Net Transfers	8,395	8,395	-	0.00%
Revenues over/ (Over)				
Expenditures	\$ 9,395	\$ 16,304		

Total Operating Budget

	Revised Budget	Forecast	Under/Over Budget	
Revenues	\$ 23,664,128	\$ 22,527,497	\$ (1,136,631)	-4.80%
Expenditures	20,679,385	20,434,043	245,342	1.19%
Net Transfers Out	-	-	-	0.00%
 Revenues over (under) Expenditures	 <u>\$ 2,984,743</u>	 <u>\$ 2,093,454</u>		

Closing Comments

- Local economy has been severely impacted by the COVID-19 Pandemic
- Those negative impacts are anticipated to continue through the remainder of 2020
- Staff recommends certain budget cuts be made now to preserve cash liquidity through Fiscal Year 2020/2021

Potential Budget Actions

- Use of reserves while maintaining 9.83% of operating expenses
 - Transfer \$339,107 Reserve for Economic Uncertainty to General Fund
- Aggressively seek available operating grants
- Complete Master Fee Schedule study
- Discontinue non-health and safety type training unless grant or P.O.S.T. funded
- Defer other non-essential expenses

Potential Budget Actions

- Discontinue non-health and safety overtime
- Keep Aquatics Center closed through the remainder of 2020
- Continue hiring freeze for positions that are not grant funded or have little or no cost recovery functions
- Explore other personnel cost containment measures
- Staff will provide another update to the City Council at its May 12th Meeting

Conclusion

- Questions?
- Comments?
- Thank you!

