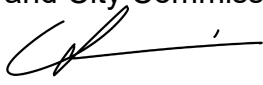



CITY OF HALLANDALE BEACH, FLORIDA

MEMORANDUM
BPM20 – 014

DATE: April 28, 2020

TO: Honorable Mayor, Vice Mayor and City Commission

THROUGH: Greg Chavarria, City Manager 

FROM: Marie 'Maggie' Gouin, Budget and Program Monitoring Director 

SUBJECT: Corona Virus (COVID-19) Fiscal Year 2019/20 Impact - Third Update

As of today, many uncertainties associated with the COVID-19 emergency remain. Staff continues to attempt to forecast as best as possible the associated financial impact the COVID-19 event will ultimately have on the City. Budget & Program Monitoring staff, in collaboration with all City Departments, continues to monitor variables and estimate the potential budgetary impact on the General Fund. The projection model for revenues considers the financial data posted through April 30, 2020, analyzes revenue trends over the past 7 months and forecasts most-likely scenarios. Additionally, the General Fund revenue projections are based on assumptions that non-essential businesses and City facilities will remain closed until the end of May, even though some businesses will be reopened in mid-May.

The next phase of forecasting the Fiscal shortfall impact considers other operational reductions from the measures that were imposed during the pandemic crisis. The following describes the updated analysis and assumptions for Revenues, Expenditures and the Strategic Plan.

Revenue Analysis

At the end of April 30, 2020, the City had collected nearly 78.6% of the General Fund revenues. The major revenues were categorized into two categories, Potentially Delayed Revenues and Potentially Lost Revenues. At this time, we are still projecting a very conservative estimated shortfall of \$3.3 million, which will be updated as more information becomes available and various conditions changes.

General Fund Expenditures

The General Fund expenditures have trended as expected. Staff has implemented various measures to reduce or suspend discretionary spending. The hiring, travel and purchasing freezes imposed by City Administration also help reduce the fiscal shortfall. Staff has enacted various expenditure savings measures described below, in Table 1.

Table 1: Summary of Projected Expenditure Reductions

<u>Reduction Items</u>	<u>April 28, 2020 Projected Reductions</u>	<u>May 15, 2020 Projected Reductions</u>	<u>Difference</u>
Vacancies	1,056,407	1,056,407	-
Furlough of Part-time Staff	220,517	220,517	-
Salary Savings from Attrition	733,572	733,572	-
Overtime Reductions	450,000	450,000	-
Reduction to PO & Operating Line Items	<u>-</u>	<u>175,320</u>	<u>175,320</u>
Total Estimated Expenditure Reductions	2,460,496	2,635,816	175,320

Forecasted Fiscal Impact (Shortfall)

Considering the shortfall in revenues and reducing expenditures, the updated projected shortfall is estimated to be \$715,472 from \$890,792, two weeks ago. See Table 2 below.

Table 2: Projected Fiscal Impact

<u>Item</u>	<u>April 28, 2020 Projections</u>	<u>May 15, 2020 Projections</u>
Revenue Projected Shortfalls	3,351,288	3,351,288
Expenditure Projected Reductions	<u>2,460,496</u>	<u>2,635,816</u>
Estimated Fiscal Impact	(890,792)	(715,472)

Strategic Plan and KPI

Corrective measures were taken to address the indicators that posed potential hurdles in the future. The City's Key Performance Indicators, where possible, that are aligned with

the overall vision with the focus areas of financial stabilization, organizational capacity, infrastructure improvements, and development, redevelopment, and economic activity. As many uncertainties associated with (COVID-19) remain, the KPIs help quantify where City operations are impacted and where additional operation measures are required in response to the COVID-19 pandemic. City Administration is currently reviewing current Strategic Plan and will propose changes to the City Commission for approval and adoption. The following assumptions and considerations are factored into end of fiscal year plans as we move forward into the remaining months of the fiscal year and planning next fiscal year's budget:

- The depth and duration of disruption from COVID-19 will affect state shared revenues, such as sales tax, gas tax, communication taxes and local charges for service revenues.
- With salaries and benefits accounting for 60% of the City's budget, anticipated revenue declines will require extensive analysis of the City's staffing level to ensure alignment with critical and essential needs.
- As this pandemic continues, City Administration will continue extensive analysis of the City's human capital requirements and organizational structures.
- The impact of the virus is likely to be deeper than the 2008 financial crisis, but more immediate and strong support intervention from agencies such as the Community Redevelopment Agency (CRA) and Hallandale Beach Chamber of Commerce will help our local businesses mitigate further local economy impact.
- The extension of the Strategic Plan execution timelines will result from operational updates that include social distancing, work adaptations, new critical needs, shifts in emphasis and delays in investment. The overall impact of COVID -19 will vary across all City initiatives.
- Other key points in development of indicators that might have to be considered in the Strategic Plan update:
 - Growth in COVID-19 cases
 - Extent of shifts in behavior within the community and region
 - Reduction in demand for durable goods
 - Cleaning service/supplies and Personal Protective Equipment availability and pricing
 - Drop in tourism and travel
 - Evidence of seasonality of viruses in the future
 - Availability of therapies, vaccines availability
 - Late payments & credit defaults for charges for service
 - Unemployment claims
- Anticipated revenue shortfalls may require that the City Commission and City Administration revisit planning assumptions, especially for those Initiatives where investment needs are high, where implementation is likely to extend beyond the projected date of the updated plans

A detailed report summarizing described estimates is attached (Exhibit A). The projections are conservative and further cost saving measures and revenue collection efforts will be required to close the gap. Additionally, staff will bring forth analysis of other major operating funds for the next update in June.

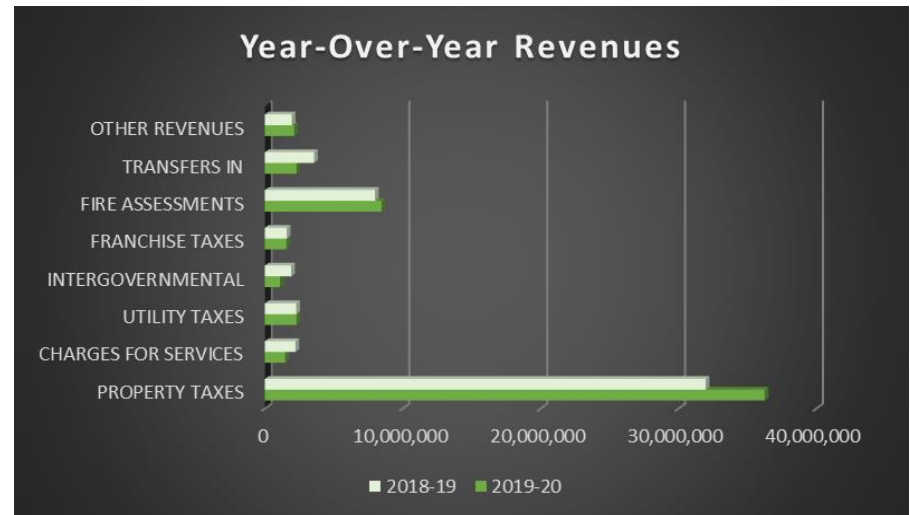
Staff is available to further discuss in detail any of the assumptions or estimates described within report.

CITY OF HALLANDALE BEACH, FLORIDA

FY 2019-20 GENERAL FUND BUDGET SNAPSHOT

The purpose of this report is to provide the status of the FY 2019-20 General Fund budget relative to actual revenues through April 30, 2020. This snapshot may not reflect all amounts to be posted in the financial system.

REVENUES	REVISED	ACTUAL	COLLECTED	PROJECTION	VARIANCE
PROPERTY TAXES	39,416,909	36,258,387	91.99%	38,760,656	-656,253
CHARGES FOR SERVICES	7,678,048	5,117,436	66.65%	7,184,532	-493,516
UTILITY TAXES	4,705,600	2,304,092	48.96%	4,555,253	-150,347
INTERGOVERNMENTAL	4,312,235	1,102,218	25.56%	3,163,401	-1,148,834
FRANCHISE TAXES	4,051,097	1,552,760	38.33%	3,771,250	-279,847
LICENSES & PERMITS	663,420	612,298	92.29%	635,220	-28,200
FINES & FORFEITURES	415,000	335,172	80.76%	487,500	72,500
FIRE ASSESSMENTS	9,079,296	8,460,380	93.18%	8,639,026	-440,270
INVESTMENT EARNINGS	200,000	438,793	219.40%	564,643	364,643
SLOT MACHINE PROCEEDS	1,315,000	443,620	33.74%	986,250	-328,750
OTHER REVENUES	442,076	338,559	76.58%	396,886	-45,190
RE-APPROPRIATIONS	197,509	-	-	-	-197,509
TRANSFERS IN	97,743	49,674	50.82%	74,231	-23,512
TOTAL REVENUES	72,573,933	57,013,390	78.56%	69,218,848	-3,355,085



NOTES:

- The largest portion of Property Taxes revenue was collected in December.
- Charges for Services were reduced by \$493,516 primarily due to lost revenue from Program Activity Fees for Parks and Recreation and lost revenue from "Treat and No Transport". We have not received any "Treat and No Transport" revenue from BSO as of April 30, 2020. We are not projecting revenues for this category for the fiscal year.
- Intergovernmental revenues were reduced by \$1,148,834 primarily due to the lost revenue for the City's Portion of the Sales Tax revenue.
- Slot Machine Proceeds were adjusted lower as a result of lost revenue from the closing of casinos.

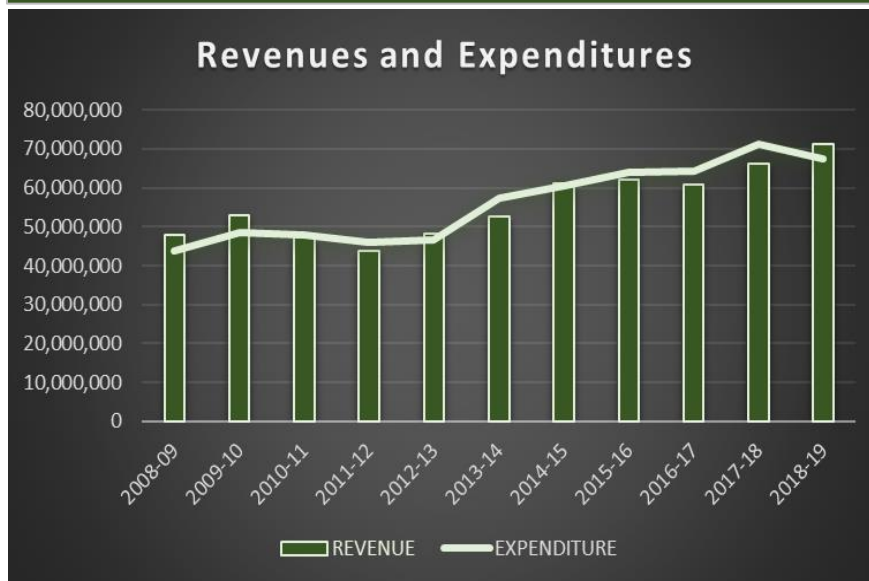
EXPENDITURE PROJECTED SAVINGS/REDUCTIONS	
FORECASTED SAVINGS FROM VACANCIES	1,056,407
ESTIMATED PART TIMERS FURLOUGH SAVINGS	220,517
ESTIMATED SALARY SAVINGS FROM ATTRITION	733,572
FORECASTED SAVINGS FROM OVERTIME (NO MORE OVERTIME FOR THE BALANCE OF THE FISCAL YEAR INCLUDING ALL OPERATIONS)	450,000
REDUCTION TO PURCHASE ORDERS & OPERATING LINE ITEMS	175,320
TOTAL EXPENDITURE PROJECTED REDUCTIONS	2,635,816

Notes and Comments

- Salary savings from attrition are the savings already realized when an employee retires or resigned up until the time that it takes to fill the position.
- Personnel savings of over \$1M anticipated due to freezing of vacancies related to citywide cost containment measures.
- Staff will continue to search for cost-cutting measures such as reduction to purchase order and operating line items.

COVID-19 Expenditure Assumptions

- The effect of COVID-19 on expenditures will depend on the length of the current Safer-at-Home order.
- Impact on public safety-related expenditures will depend on call volumes and availability of other sources of funding.



Conclusion

- Cost-savings strategies remain in place in order to ensure the continued stability of the City's financial position.
- Staff will continue to monitor the effects of the COVID-19 Pandemic on the City, and will provide updates on a biweekly basis.

	April 28, 2020	May 15, 2020
<u>Item</u>	<u>Projections</u>	<u>Projections</u>
Revenue Projected Shortfalls	3,351,288	3,351,288
Expenditure Projected Reductions	2,460,496	2,635,816
Estimated Fiscal Impact	(890,792)	(715,472)

FY 2018-19 Highlights

- Fiscal Year 2018-19 is unaudited. Although there are many uncertainties due to COVID-19, the plan is to increase the unassigned fund balance going forward.

- The unassigned fund balance increased by \$3.4 million, with a projected ending balance of \$12.8 million as of 09-30-2019.
- This reverses a three-year trend (FY 2015-16 through FY 2017-18) of deficit spending.