

Update on City Finances and the Pension Plan

COVID-19 Impact on City Finances

- The complete impacts of COVID-19 are still to be determined.
- Main focus has been to identify revenue shortfalls and formulate a plan to balance the current year budget.
- Consideration is also being given to the potential impacts of COVID-19 in the upcoming fiscal year as we move into preparing the FY2021 Budget Estimate.

COVID-19 Impact on City Finances

- Identified a methodology for estimating revenue shortfalls in the current fiscal year.
- Estimated that this emergency will likely affect certain City revenues for a period of four months:
 - Mid-March through Mid-July.
- Revenue shortfalls projected are based on this timeframe.
- Evaluating revenues on a bi-weekly to ensure our methodology is sound and actuals are in line with our projections.

Anticipated Affected Revenues

- Parking Revenues – Estimated 80% decrease for four months - \$4,600,000.
- State Revenue Sharing – Estimated 33% decrease in receipts for the year - \$525,000
- State Sales Tax – Estimated 33% decrease in receipts for the year - \$1,350,000.
- Waste Franchise Fees – Estimated 33% decrease in receipts on commercial businesses (represents two-thirds of total Waste Management customers) - \$680,000

Anticipated Affected Revenues (cont.)

- Building Division – Estimated decrease in receipts for the year - \$500,000
- Investment Earnings – Estimated 33% decrease in earnings for the year - \$1,000,000
- Deferred Lease Revenue – Various City leases deferred for 2-3 months. Revenue to be collected only partially in current fiscal year - \$382,000
- Refunds on Parks & Rec - \$100,000
- Contingency for other unknown shortfalls - \$800,000
- Total Anticipated Revenue Shortfall - \$9,937,000

Anticipated Expenditure Savings

- Hiring freeze on vacant positions other than Police, Fire and Communications Operators through the end of the fiscal year - \$3,285,000
- Departmental expenditure freeze through the end of the fiscal year - \$1,850,000
- Capital project reductions through the end of the fiscal year - \$2,440,000
- Total Anticipated Expenditure Savings - \$7,575,000

Anticipated Net Deficit

- Revenue Shortfall: (\$9,937,000)
 - Expenditure Savings: \$7,575,000
 - Net Deficit: (\$2,362,000)
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- Anticipated deficit of \$2.4 Million will be funded with other year end surpluses (if available) or with General Fund Balance Reserve.

Fiscal Year 2021 Budget Process

- Budget process currently underway
- Budget estimate will be delivered on July 1, 2020
- Identifying revenues that may not be realized because of the anticipated lasting effects of COVID-19
- Developing a plan to limit or defer expenditures until revenues are actually realized

Pension Plan

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Pension Plan Update

- The City's pension plan is structured for the longer term horizon.
- The Board has made changes to the investment portfolio to bring the quality up in general.
- Our portfolio is reasonably durable to withstand the inevitable ups and downs.
- The fund is well diversified.
- Even with the market downturn in equity investments, other investments in our portfolio have done well.

Pension Plan Update

- For the month of March, credit and equity markets saw significant decreases resulting in negative 14.25% quarterly return. This brought the fiscal year to date return to negative 9.02%.
- While these numbers are significant, the City's plan results are in line with the Median Public Funds experience for the first quarter.
- April saw a sizable rebound of 7.7% overall, bringing the fiscal year to date return to negative 1.95%

Pension Plan Update

- The effects of the downturn in the economy will not affect our pension contributions until the October 2022 required payment. Valuations are two years in arrears.
 - Gives us time to budget for an increase in required contribution
- The pension plan uses a five-year smoothing of investment gains and losses. In the upcoming years we have accumulated gains that will help offset some of the losses.
- Additionally, the budgeted extra payment contribution can help offset large fluctuations in the annual payment requirement if absolutely needed.

Pension Plan Update

- The Pension Board's Investment Consultant, AndCo, recommends not making any major decisions in this uncertain environment. We are confident with the design attributes of the program.
- They are assessing the investment landscape for new opportunities and developing risks.

Questions?

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