

City of Reno

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March 25, 2020
Finance Department



March 25, 2020 Agenda

- COVID-19 Impact to Revenues
- Recession Projections at this Point
- CTAX Current Year Fiscal Impact
- Debt Revenue Sources Impacted
- Immediate Financial Actions
- FY20/21 Budget Development
- Major Revenue Scenarios
- Next Steps

COVID-19 Impact to Revenues

- CTAX will be immediately impacted
 - Only speculations at this point as to full depth and duration of COVID-19 and the recession as this is truly unprecedented
 - Impact won't be known until we see the distributions and some sales data (late May will be the first available data)
- Property Tax proforma data available March 25
 - Unsecured taxes could go down
 - Dramatic impact to new development
- Room Tax, Business Licenses, Building Fees, Recreation Programs, dedicated property tax for Street fund and other revenue sources

Recession Projections at this Point

S&P projections for the recession

US Economic Growth Update (SAAR)
(in real terms, %)

	<u>1Q</u>	<u>2Q</u>	<u>3Q</u>	<u>4Q</u>	<u>2020</u>
GDP-pre virus	2.2	1.9	1.8	2.3	1.9
GDP-post virus	-1.0	-6.0	3.0	5.0	0.0
<u>Major Domestic Private Sector</u>					
Consumer spending	-1.2	-8.0	3	5.5	0.03
Non-Res Fixed Business Investment	-1.0	-8.4	-6.0	5.6	-3.0
Residential Investment	9.4	-5.0	4	2.8	3.5

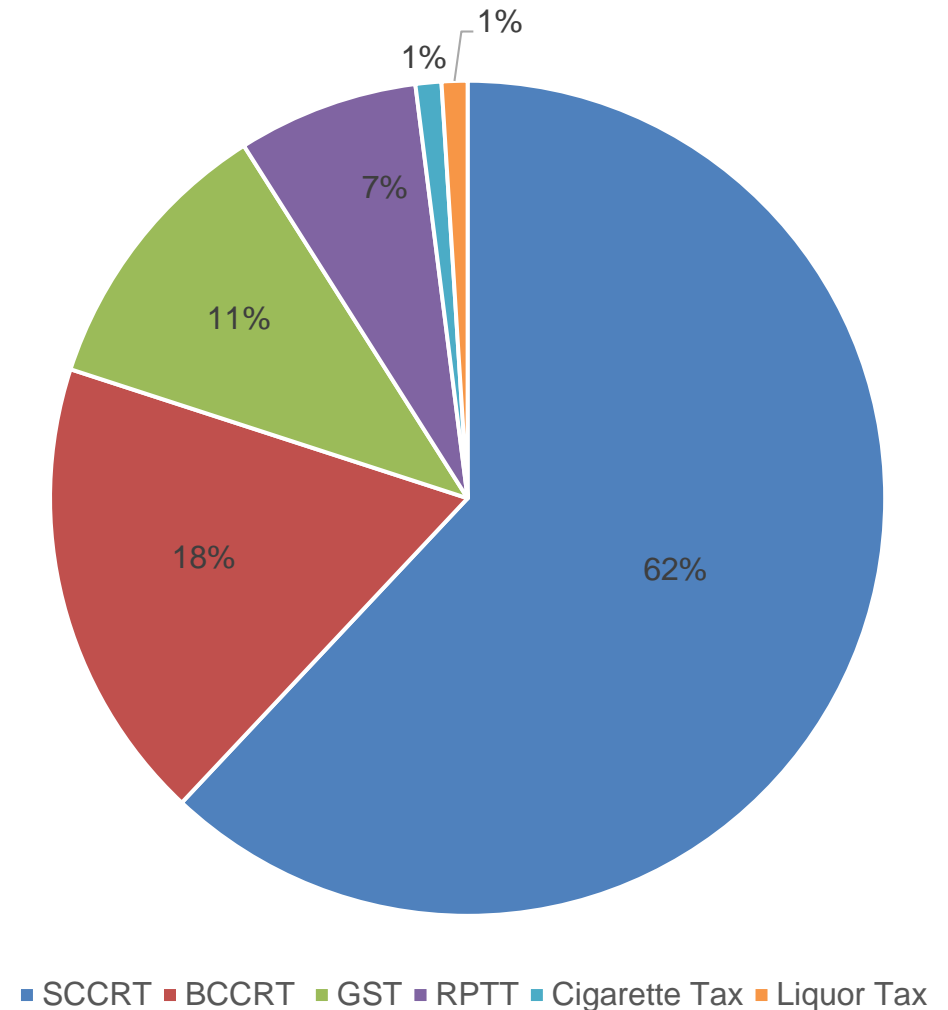
Note: Interim Forecasts as of March 16, 2020. Pre-virus Forecasts published December 4, 2019.

GOLDMAN SACHS is predicting -6% growth in Q1, -24% in Q2, +12% in Q3 and +10% in Q4
JP MORGAN is projecting a 14% annualized drop in Q2

CTAX Current Fiscal Year Impact

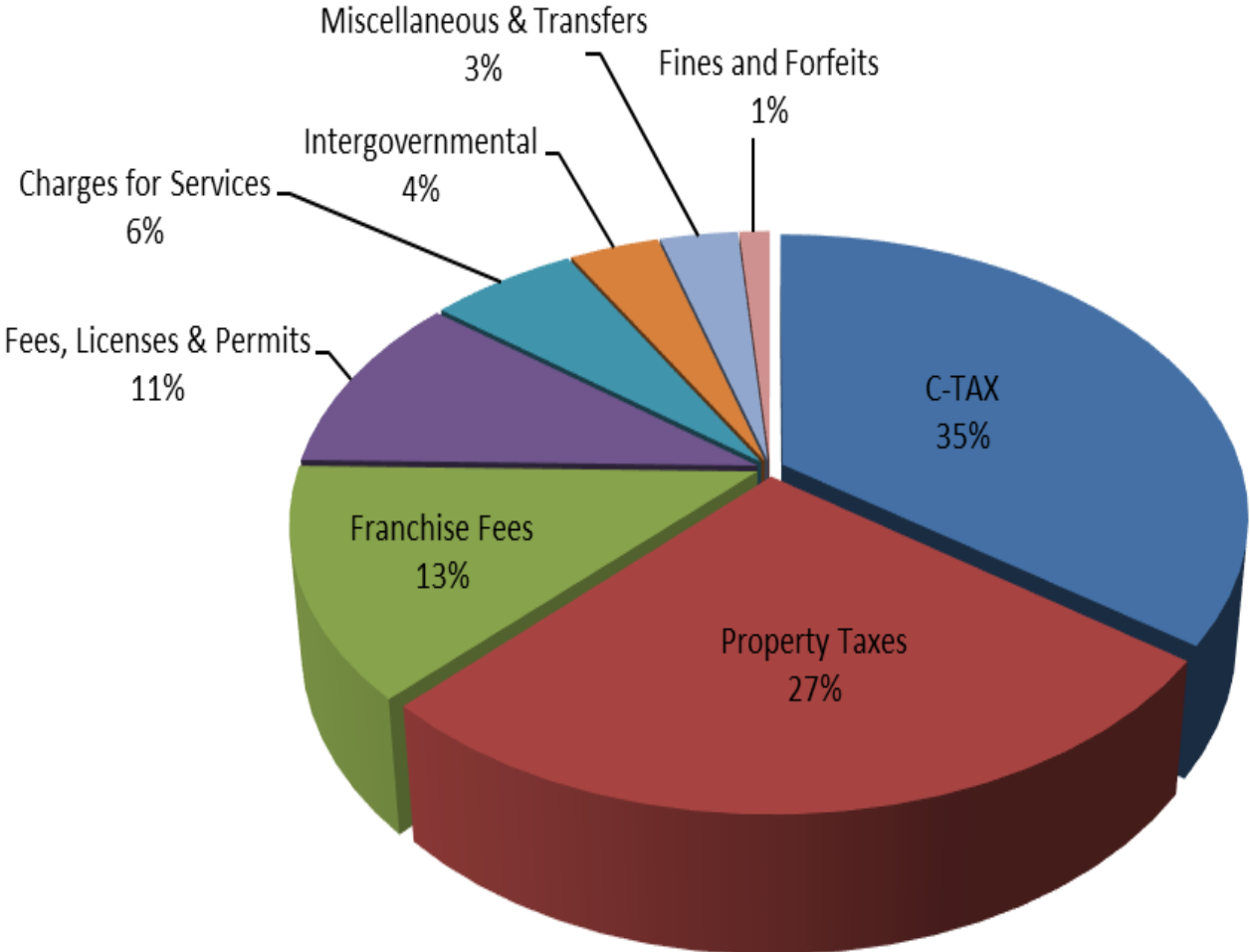
CTAX Components:

- 1) Cigarette Tax (1%)
- 2) Liquor Tax (1%)
- 3) Government Services Tax (GST) (11%)
- 4) Real Property Transfer Tax (RPTT) (7%)
- 5) Basic City County Relief Tax (BCCRT) (18%)
- 6) Supplemental City County Relief Tax (SCCRT) (62%)



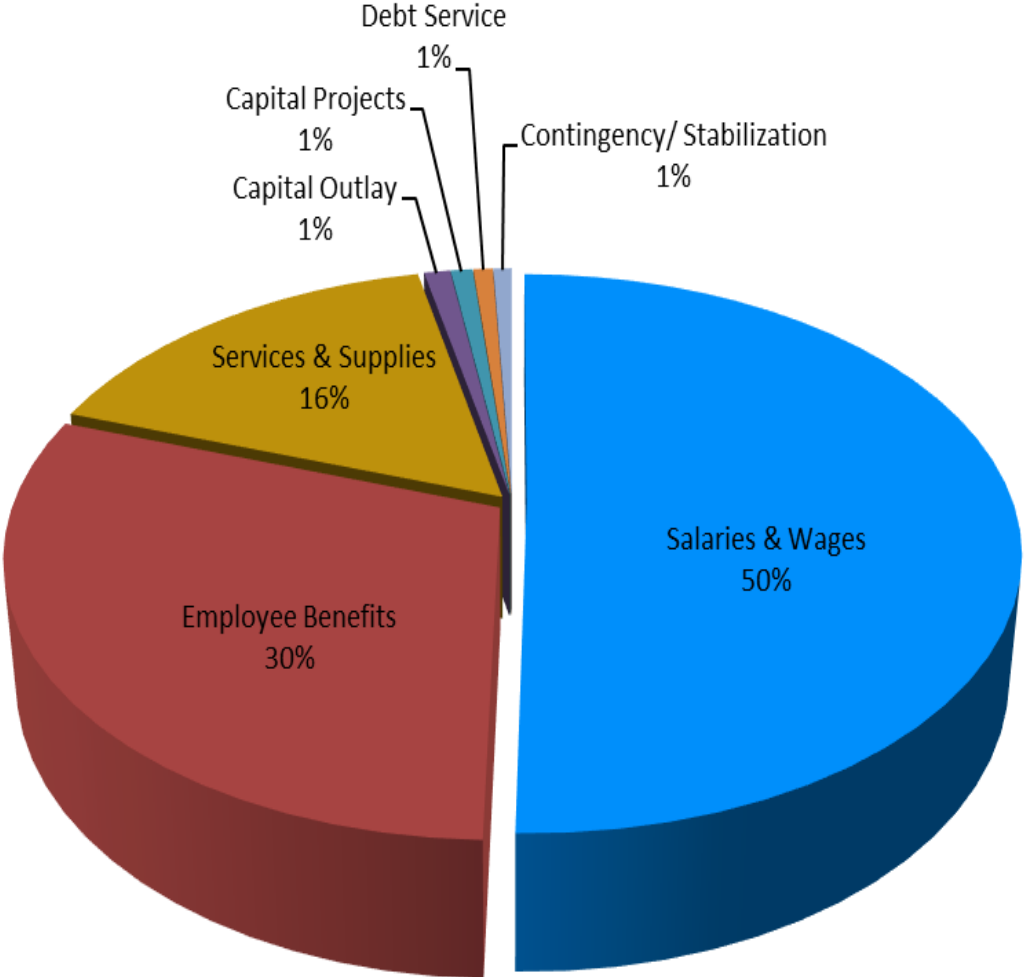
CTAX Current Fiscal Year Impact (cont.)

General Fund Revenue Sources



CTAX Current Fiscal Year Impact (cont.)

General Fund Uses



CTAX Current Fiscal Year Impact (cont.)

- Six months of allocations have been received (July – December)
- January and February allocations will be received at the end of March and April
 - No impact and expected 3.5% above budget trend based on prior year allocations
- Based on discussions with other local agencies a possible scenario could be:
 - Decrease of 25% in March, 50% in April, 35% in May, 25% in June

CTAX Current Fiscal Year Impact (cont.)

FY20 CTAX projection IF:

- January and February allocations 3.5% above budget
- Decrease of 25% in March, 50% in April, 35% in May, 25% in June

Month	FY18 Actual	FY19 Actual	FY20		Gain/(Loss)	Gain/(Loss)
			Budget	FY20	over Budget (\$)	over Budget (%)
July	5,222,477	5,625,331	5,899,139	6,138,752	239,613	4.1%
August	5,693,438	5,849,582	6,218,091	6,287,784	69,693	1.1%
September	5,602,049	5,848,956	6,232,597	6,560,522	327,925	5.3%
October	5,301,646	5,619,777	5,840,065	6,127,420	287,354	4.9%
November	5,163,836	5,516,538	5,795,777	6,082,002	286,225	4.9%
December	6,279,931	6,586,851	7,061,039	7,380,580	319,540	4.5%
January	4,898,991	5,324,521	5,414,606	5,604,117	189,511	3.5%
February	4,707,783	4,653,281	5,131,972	5,311,591	179,619	3.5%
March	5,532,621	5,693,880	6,233,564	4,675,173	(1,558,391)	-25.0%
April	5,335,994	5,746,210	5,743,026	2,871,513	(2,871,513)	-50.0%
May	5,633,361	5,975,088	6,227,296	4,047,742	(2,179,553)	-35.0%
June	6,308,954	6,347,848	7,070,863	5,303,148	(1,767,716)	-25.0%
TOTAL	65,681,079	68,787,863	72,868,035	66,390,343	(6,477,692)	-8.9%
Change (%)	9.0%	4.7%	5.9%	-8.9%		

Debt Revenue Sources Impacted

Debt	Primary Revenue Source	Description
2006 Room Tax Revenue Refunding Bonds	Room taxes collected in downtown district related to the ReTRAC corridor.	Refund the City's Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan for ReTrac.
2005C Capital Improvement Refunding	Room tax revenues – 1%; CTAX is the secondary source.	Finance the construction of the downtown ballroom facility and other ancillary facilities, including Events Center & NBS.
2013A Improvement Refunding Bonds	Room tax revenues -- 1%; CTAX is the secondary source.	Refund 2002 bonds used for the acquisition of NBS and the construction of the Downtown Events Center.
2019A-1 & 2019A-2 Capital Improvement Refunding Bonds	Room tax revenues -- 1%; CTAX is the secondary source.	Partially refund the Series 2002 Capital Improvement Revenue Bonds for Events Center, Ballroom & NBS



Immediate Financial Actions

- Strict Hiring Freeze for remainder of FY20
 - Vacant positions to be held open
 - 58 open positions
 - Estimated \$6 Million in annual Salary and Benefits
 - 41 non-safety positions
 - \$4 Million Annual Salary and Benefits
 - 17 safety positions (police officers & firefighters)
 - \$2 Million Annual Salary and Benefits
- Review of Fire SAFER Grant funding

Immediate Financial Actions (cont.)

- Departments have been directed to slow down on purchases and focus on core services only
- Stabilization Fund
 - \$2.9 Million Balance
 - Per NRS: Funds can be used for only two reasons
 - A) when revenues fall short of expectations; or
 - B) to pay for expenses incurred to mitigate a natural disaster
 - In the case of this disaster, both apply as reasons that will allow us to use the resources in the fund

FY 20/21 Budget Development

- Budget was developed with available data through January/February
- Recommend keeping revenue projections “as is” for now and no additional items (flat budget)
- Allows authorization and spending flexibility to manage this time period
- Continue to monitor daily developments and collaborate with other local and state agencies
- Come back to Council as more information and data is available so plans can be adjusted

Next Steps

- Manage as events unfold and data becomes available
- Continue to monitor daily developments and collaborate with other local and state agencies
- Analyze impact of federal aid and stimulus plans
- Evaluate short and long term cost savings plans
- Labor negotiations with IAFF and Local #39



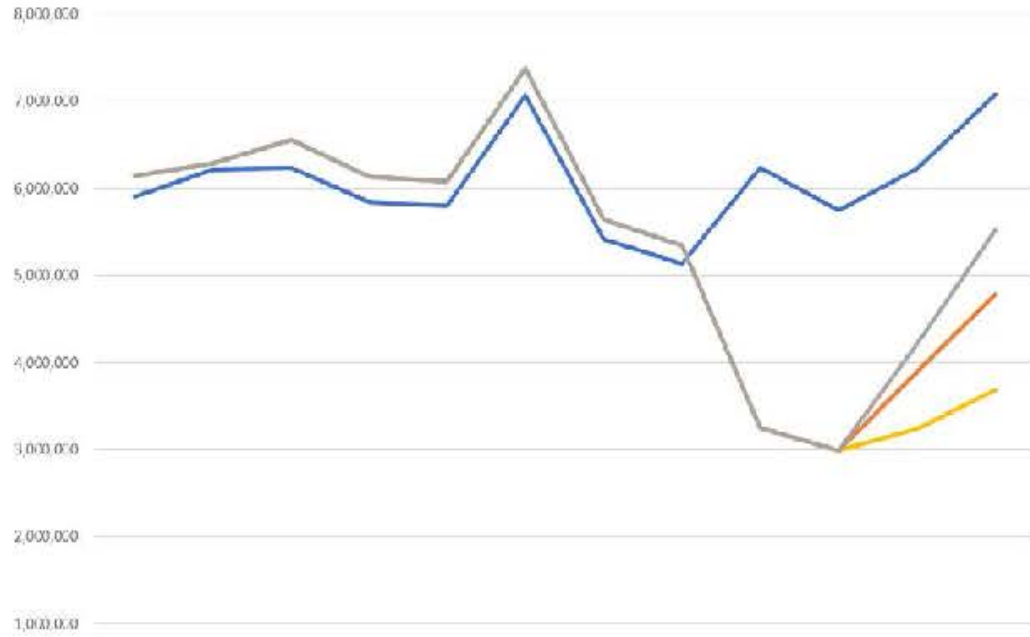
Major Revenue Scenarios

General Fund Sources

General Fund Sources	FY 19/20 Original Estimate	FY 19/20 Re-Estimated	% Change
Beginning Fund Balance	\$32,520,451	\$32,520,451	
Property Taxes	57,083,810	53,555,702	-6%
Fees - Licenses & Permits	49,817,765	46,610,766	-6%
CTAX	75,494,299	63,610,071	-16%
Fines & Forfeits	3,307,238	2,757,698	-17%
Charges for Services	14,296,057	13,151,612	-8%
Intergovernmental Revenue	10,641,323	11,763,851	11%
Misc/ Transfers/DMO	8,234,981	7,941,815	-4%
Total Revenue	\$218,875,473	\$199,391,515	-9%
Total Sources	\$251,395,924	\$231,911,966	-8%

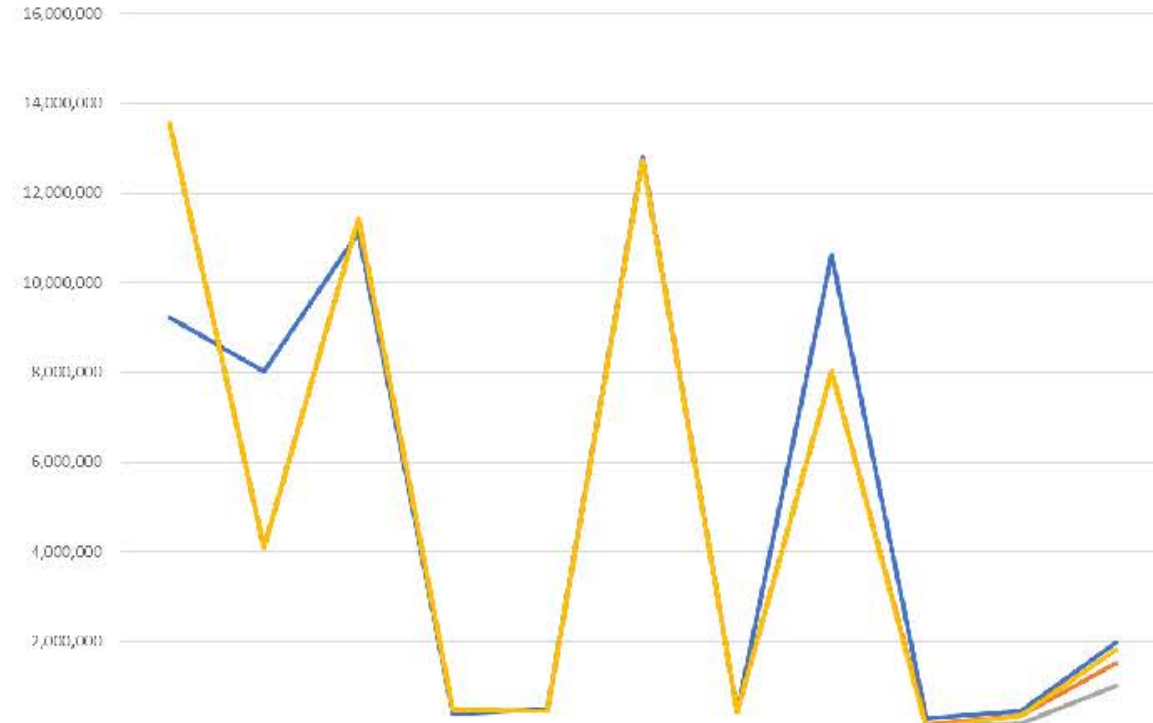
General Fund Sources

FY19/20 CTAX Scenarios



	July	August	September	October	November	December	January	February	March	April	May	June
— Budgeted FY2019/20	5,899,199	6,238,091	6,232,597	5,840,065	5,755,777	7,061,039	5,114,605	5,131,972	6,235,564	5,773,026	6,227,296	7,070,863
— FY 2019/20 Long-term	6,158,752	6,287,784	6,560,522	6,127,420	6,082,002	7,380,580	5,538,665	5,344,336	3,245,757	2,990,338	3,242,393	3,681,730
— FY 2019/20 Mid-term	6,158,752	6,287,784	6,560,522	6,127,420	6,082,002	7,380,580	5,538,665	5,344,336	3,245,757	2,990,338	3,890,991	4,785,243
— FY 2019/20 Short-term	6,158,752	6,287,784	6,560,522	6,127,420	6,082,002	7,380,580	5,538,665	5,344,336	3,245,757	2,990,338	4,215,240	5,522,595

FY19/20 Combined Ad Valorem Scenarios



	August	September	October	November	December	January	February	March	April	May	June
— FY 2019/20	9,220,701	8,009,050	11,121,736	390,870	490,605	12,785,980	421,249	10,619,576	281,098	445,205	1,975,912
— FY 2019/20 Long-term	13,553,009	4,097,666	11,426,783	466,173	447,180	12,724,344	428,808	8,025,252	100,171	157,007	1,005,896
— FY 2019/20 Mid-term	13,553,009	4,097,666	11,426,783	466,173	447,180	12,774,344	428,808	8,025,252	145,101	346,443	1,506,844
— FY 2019/20 Short-term	13,553,009	4,097,666	11,426,783	466,173	447,180	12,774,344	428,808	8,025,252	71,551	316,443	1,810,613



Room Tax Sources

	FY 19/20	FY 19/20	%
Room Tax Sources	Original Estimate	Re-Estimated	Change
Beginning Fund Balance	\$2,098,947	\$2,098,947	
Room Tax	2,940,000	2,164,746	-26%
Misc	35,700	26,503	-26%
Total Revenue	\$2,975,700	\$2,191,249	-26%
Total Sources	\$5,074,647	\$4,290,196	-15%

Street Fund Sources

	FY 19/20 Original Estimate	FY 19/20 Re-Estimated	% Change
Street Fund Sources			
Beginning Fund Balance	\$26,176,864	\$23,176,864	
Property Taxes	17,956,446	16,879,059	-6%
Motor Vehicle Fuel Tax	7,050,000	5,992,500	-15%
Charges for Services	9,105	9,105	0%
Intergovernmental Revenue	19,440	19,440	0%
Misc	496,954	496,954	0%
Total Revenue	\$25,531,945	\$23,397,058	-8%
Total Sources	\$51,708,809	\$46,573,922	-10%

General Fund Impact

GENERAL FUND SUMMARY	FY 19/20 Original Estimate	FY 19/20 Re-Estimated
Beginning Fund Balance	\$32,520,451	\$32,520,451
Revenue Totals	\$218,875,473	\$199,391,515
Expenditure Totals	\$221,999,609	\$221,999,609
Net Change	(\$3,124,136)	(\$22,608,094)
Unassigned Ending Fund Balance	\$26,696,315 12.80%	\$7,212,357 3.47%

Note: 8.3% ending fund balance equals \$15,725,825

Street Fund Impact

STREET FUND SUMMARY	FY 19/20 Original Estimate	FY 19/20 Re-Estimated
Beginning Fund Balance	\$26,176,864	\$26,176,864
Revenue Totals	\$28,999,347	\$26,864,460
Expenditure Totals	\$39,073,463	\$39,073,463
Net Change	(\$10,074,116)	(\$12,209,003)
Unassigned Ending Fund Balance	\$16,102,748	\$13,967,861
Deficit/Projected Revenue Loss		(\$2,134,887)

Room Tax Fund Impact

ROOM TAX FUND SUMMARY	FY 19/20 Original Estimate	FY 19/20 Re-Estimated
Beginning Fund Balance	\$2,170,487	\$2,170,487
Revenue Totals	\$2,975,700	\$2,191,249
Expenditure Totals	\$4,604,137	\$4,604,137
Net Change	(\$1,628,437)	(\$2,412,888)
Unassigned Ending Fund Balance	\$542,050	(\$242,401)
Deficit/Projected Revenue Loss		(\$242,401)

Other Funds - Impacts

PARK DISTRICTS

- **FUNDING SOURCE** Residential Construction Tax (RCT) collected at time building permits are received.
- **ELIGIBLE USES** Funds are restricted to new neighborhood parks/facilities within district and not for maintenance.

PARK DISTRICT 1	\$2,071,035
PARK DISTRICT 2	\$1,598,773
PARK DISTRICT 3	\$573,127
PARK DISTRICT 4	\$6,351,438
PARK DISTRICT 5	\$405,379

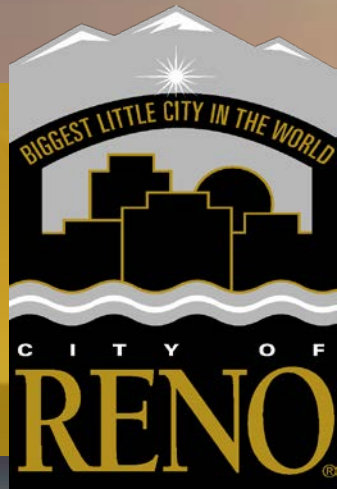
- No Anticipated change at this time

SEWER FUNDS |

- **FUNDING SOURCE** Sewer user and connection fees
- **ELIGIBLE USES** Restricted to sewer capital projects.
- No Anticipated change at this time – will be monitoring closely

BUILDING FUND |

- **FUNDING SOURCE** Charges for services from construction related activities
- Unknown at this time – CD staff currently working on potential impacts to fund



Questions?

