



SpeakUp Newport

Fiscal Year 2020-21 Adopted Budget

July 8, 2020

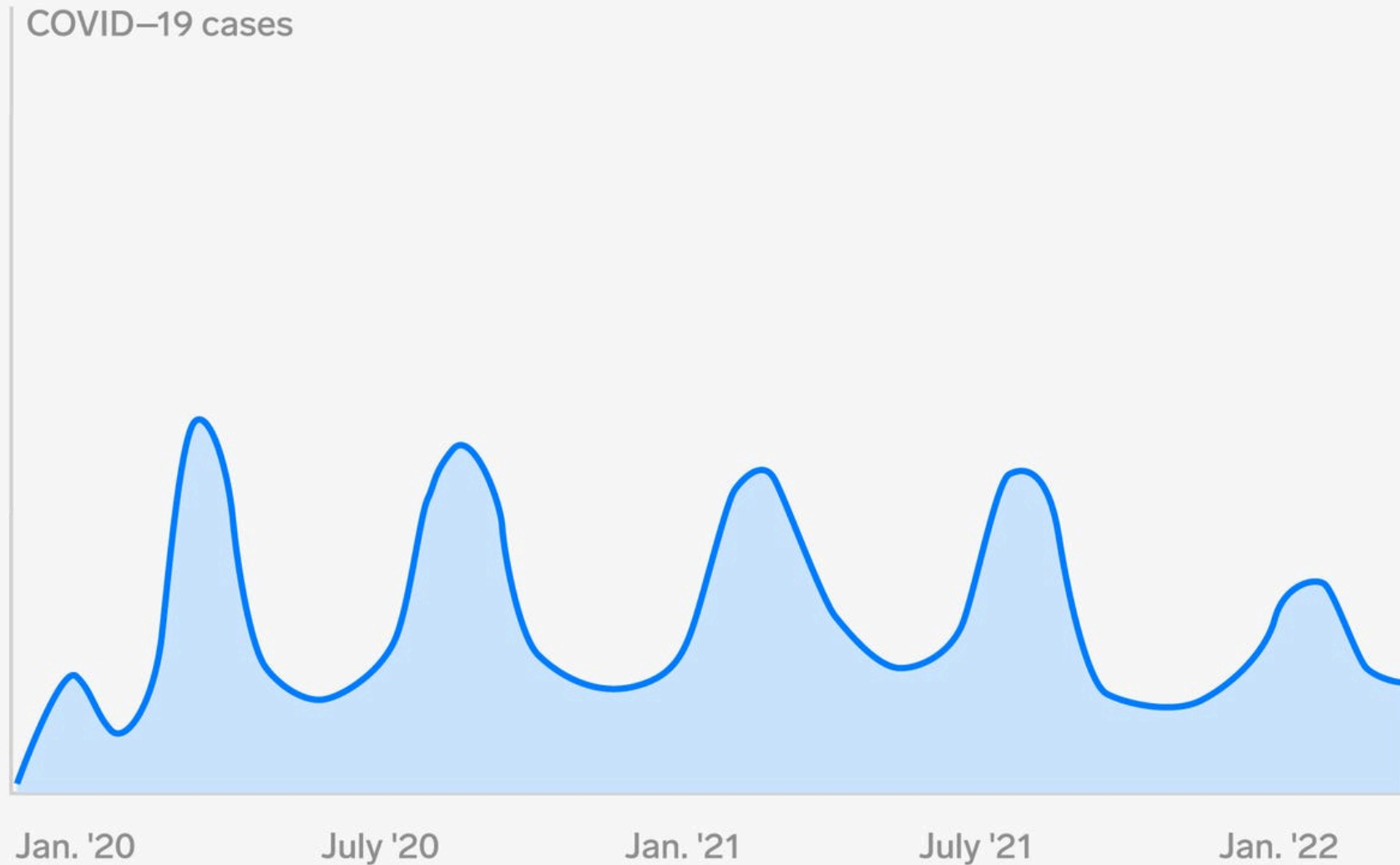
Overview

- The FY 2020-21 Proposed Budget is balanced.
- The initial FY 2020-21 Budgetary Gap was \$33.2 million.
 - Budget balancing strategies rely on a number of short-term tiered budgetary solutions.
- Budget maintains current service levels.
- Budget continues its commitment to maintaining critical CIP infrastructure and aggressive payment schedule of unfunded pension liability.
- Budget is a placeholder and will be reviewed after first quarter results.

COVID-19

- COVID-19 dealt a sudden and significant blow to local, national and global economies.
- Reduced FY 2019-20 Revenue Estimates by \$13.5 M
- Reduced FY 2020-21 Revenues Estimates by another \$19.5M
- \$33M down in total but \$41.5M lower than pre-COVID estimates
- What makes COVID budgeting so difficult, is no one REALLY knows how long the pandemic and economic fallout will last.

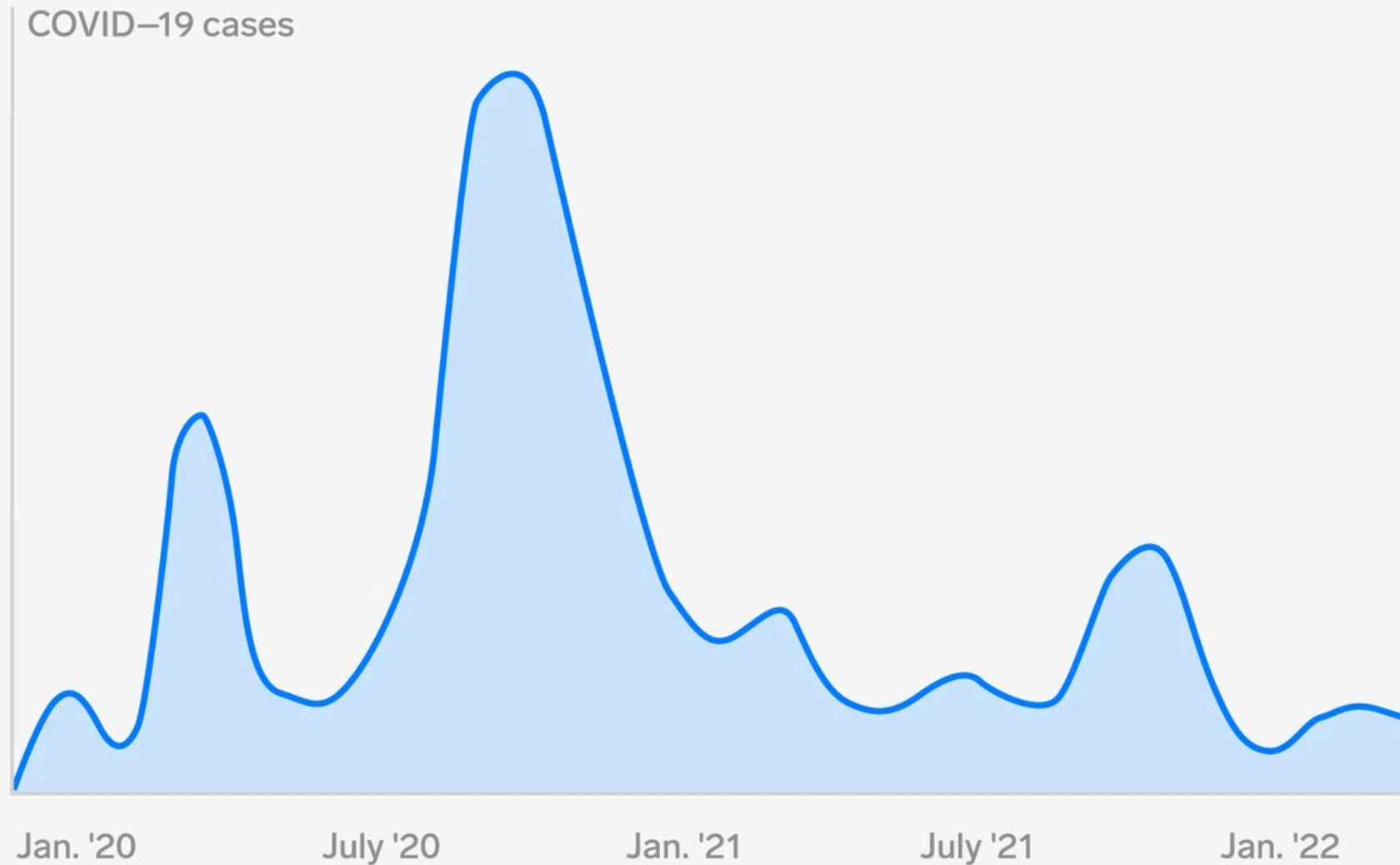
Possible coronavirus waves scenario 1: Peaks and valleys



Source: Center for Infectious Disease Research and Policy at University of Minnesota

INSIDER

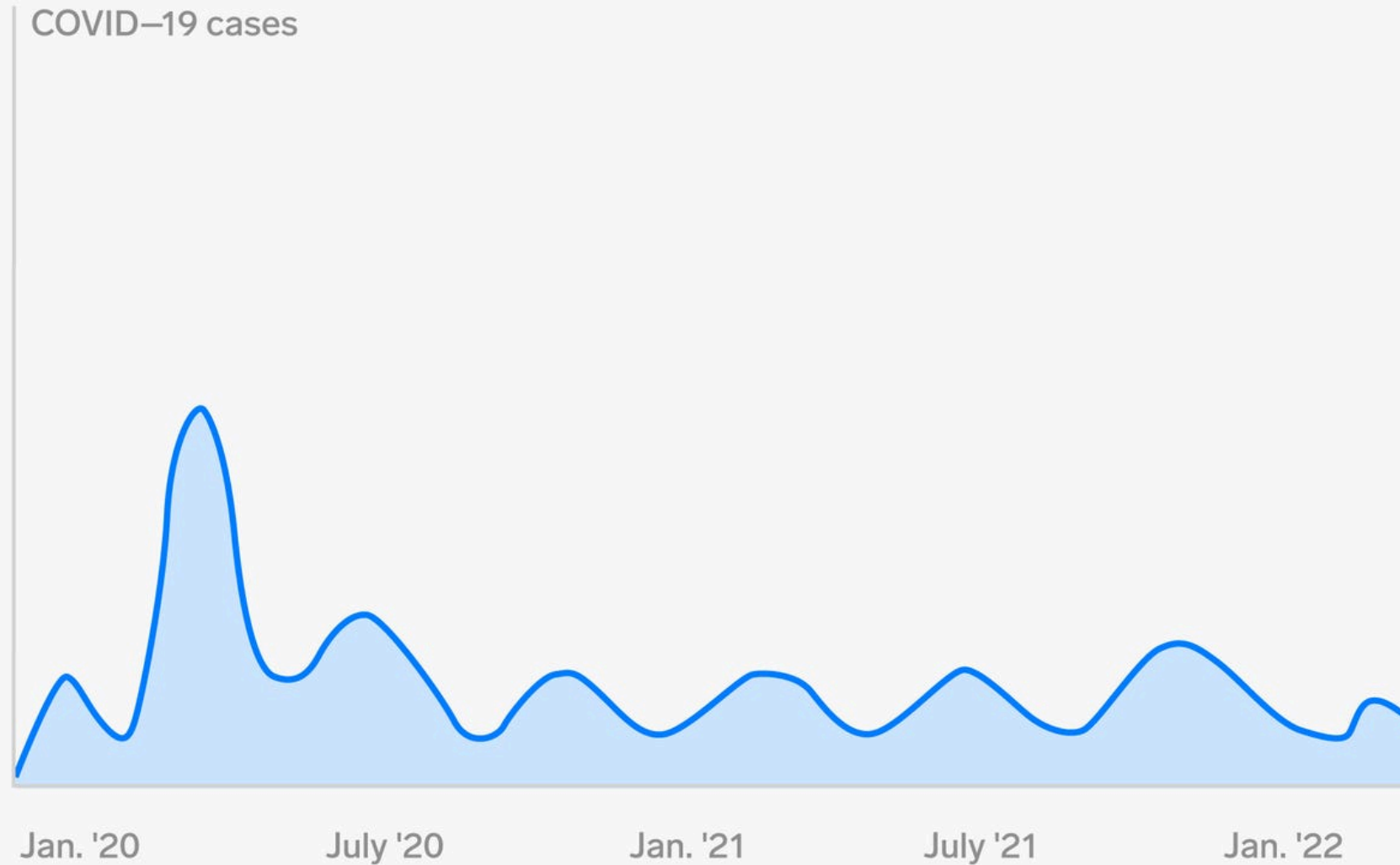
Possible coronavirus waves scenario 2: Fall peak



Source: Center for Infectious Disease Research and Policy at University of Minnesota

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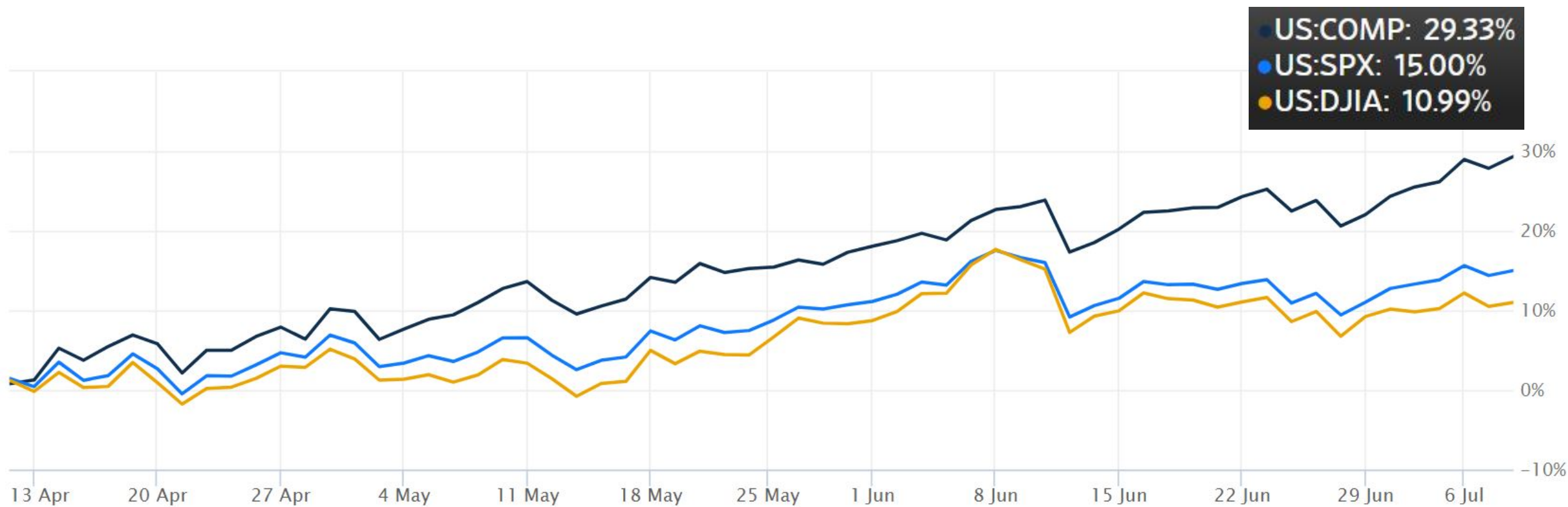
Possible coronavirus waves scenario 3: Slow burn



Source: Center for Infectious Disease Research and Policy at University of Minnesota

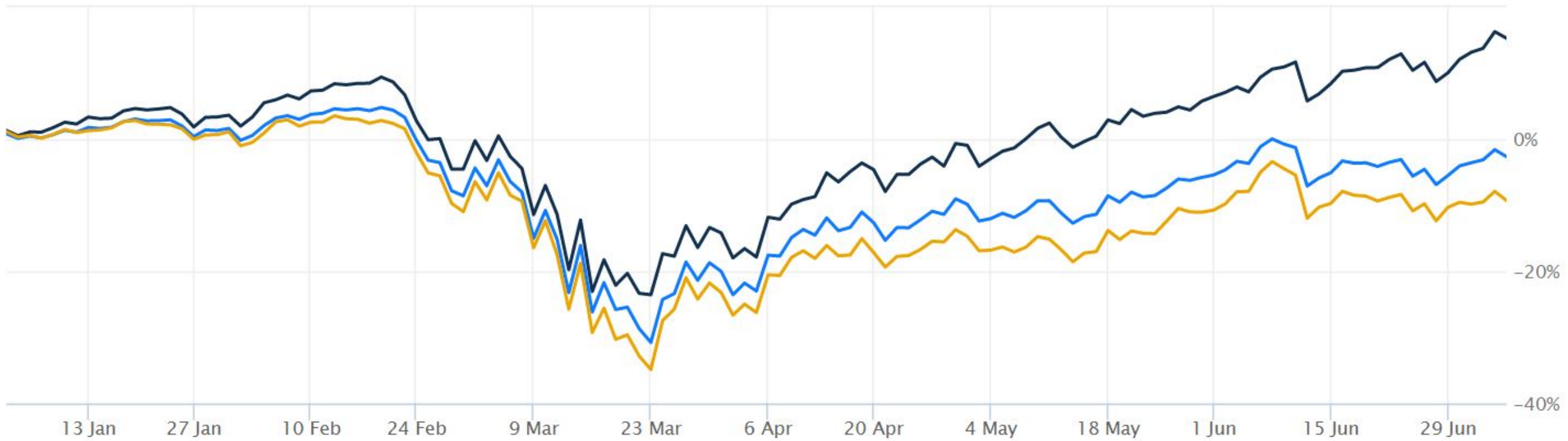
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Market Optimism - Best Quarter in Two Decades!



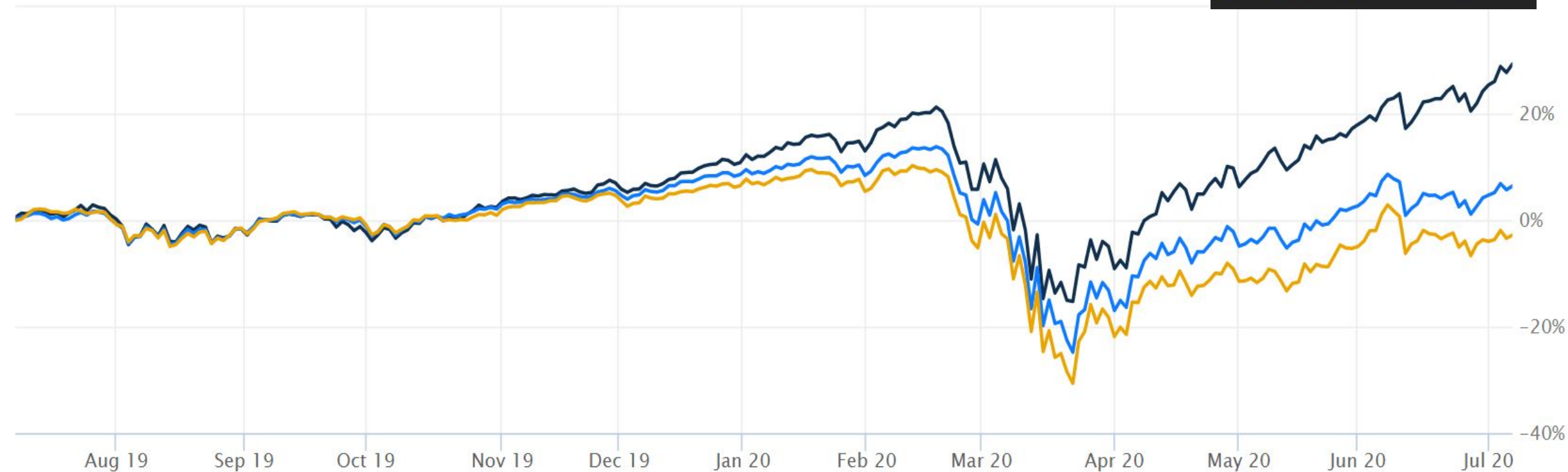
Market Optimism (Calendar YTD)

● US:COMP: 15.28%
● US:SPX: -2.65%
● US:DJIA: -9.28%

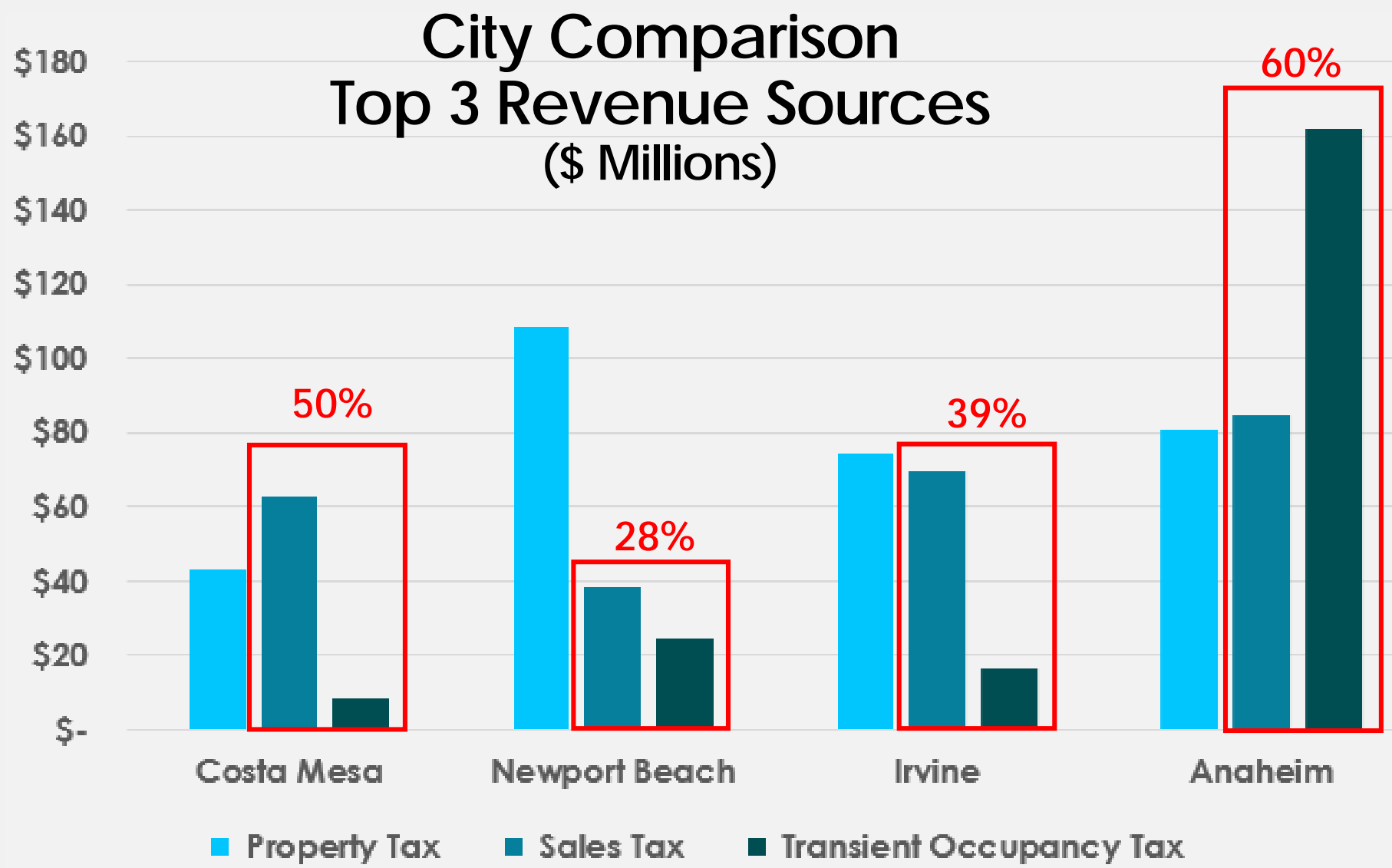


Market Optimism (Fiscal Year to date)

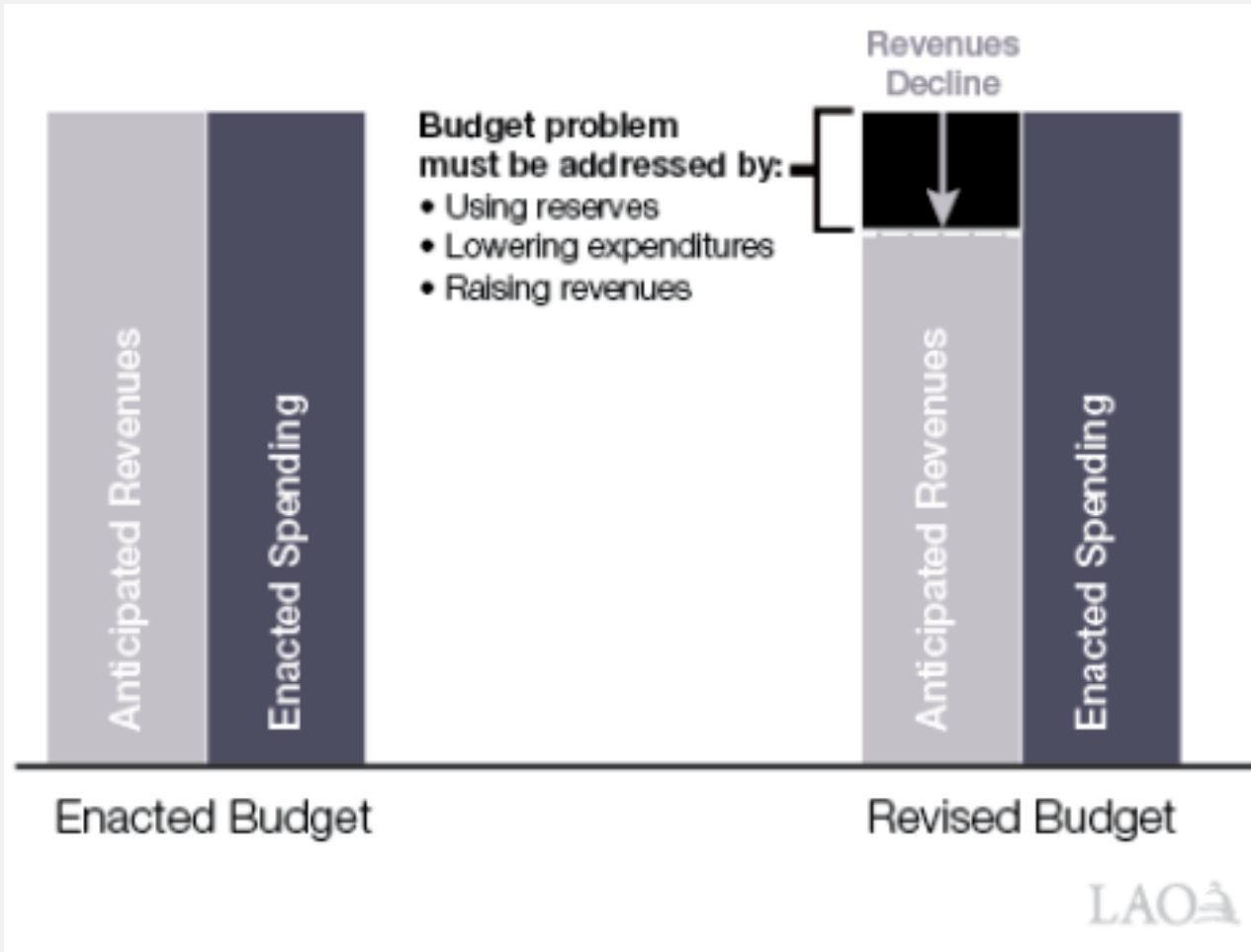
● US:COMP: 27.73%
● US:SPX: 5.69%
● US:DJIA: -3.42%



Revenue Volatility Is Not the Same From City to City



How a Budget Problem Arises...



Is this a one-time issue?

Is this a recurring issue?

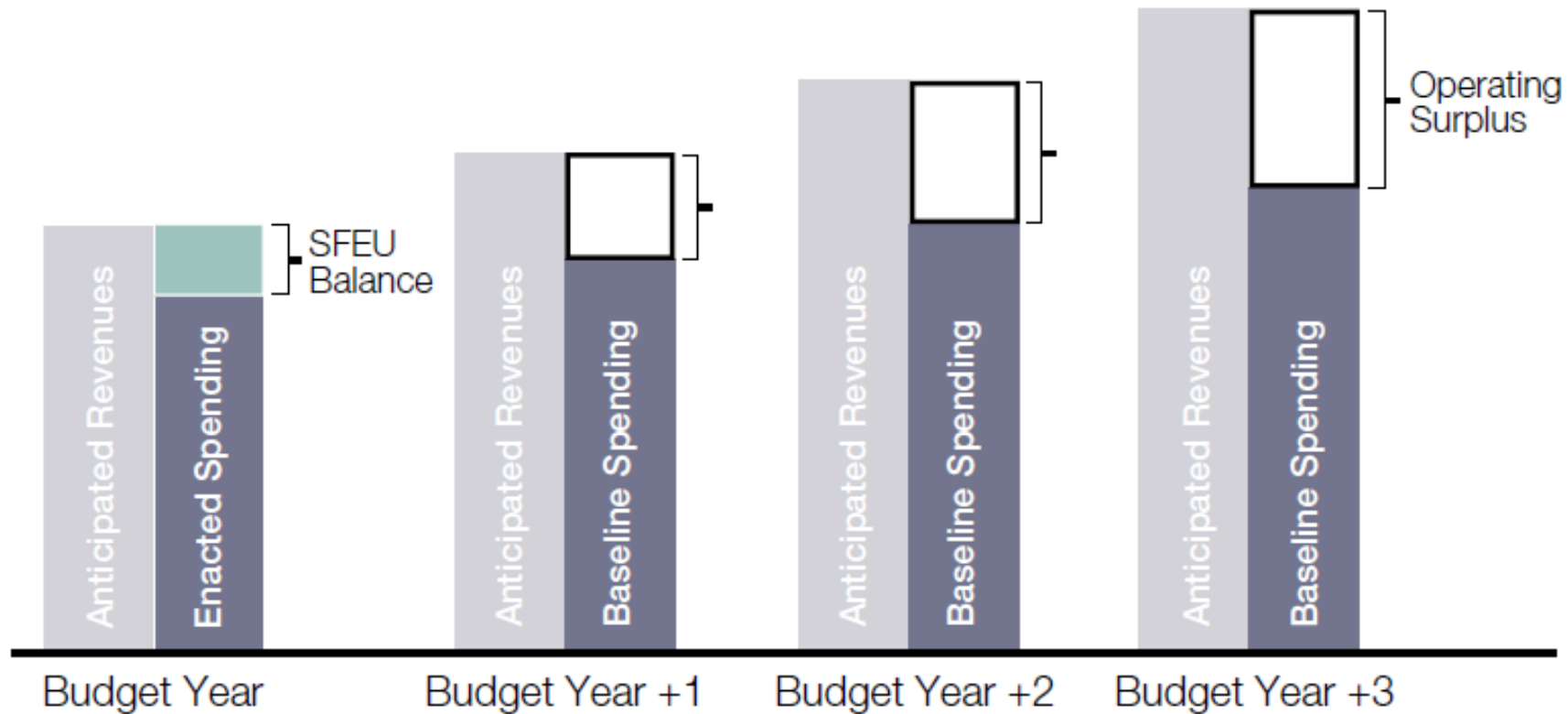
Is this a structural issue?

Do we need to draw on reserves?

Do we need to cut services?

Budget Strategies - Operating Surplus

Illustration of an Operating Surplus



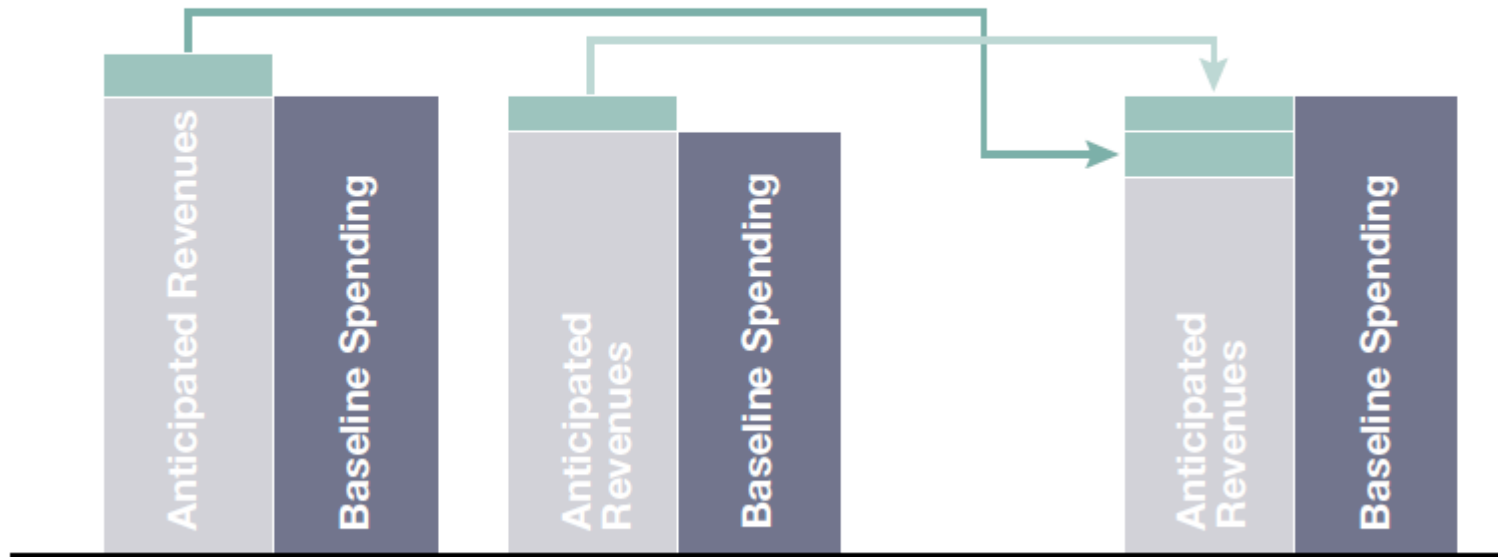
SFEU = Special Fund for Economic Uncertainties.

Budget Strategies - Reserves

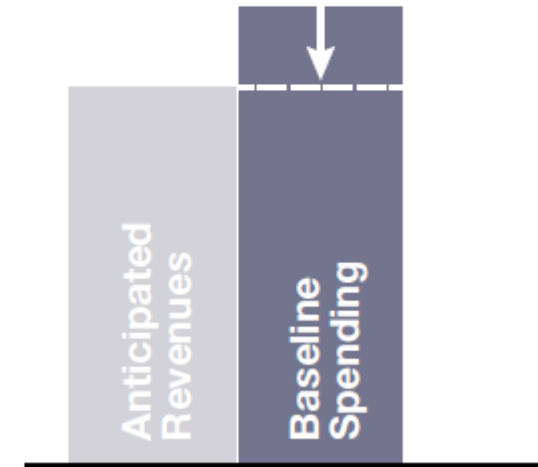
How Reserves Help Avoid Future Budget Cuts

State sets aside some of its revenue when it has a surplus . . .

. . . and can use these reserves to reduce the need for budget cuts in the future.

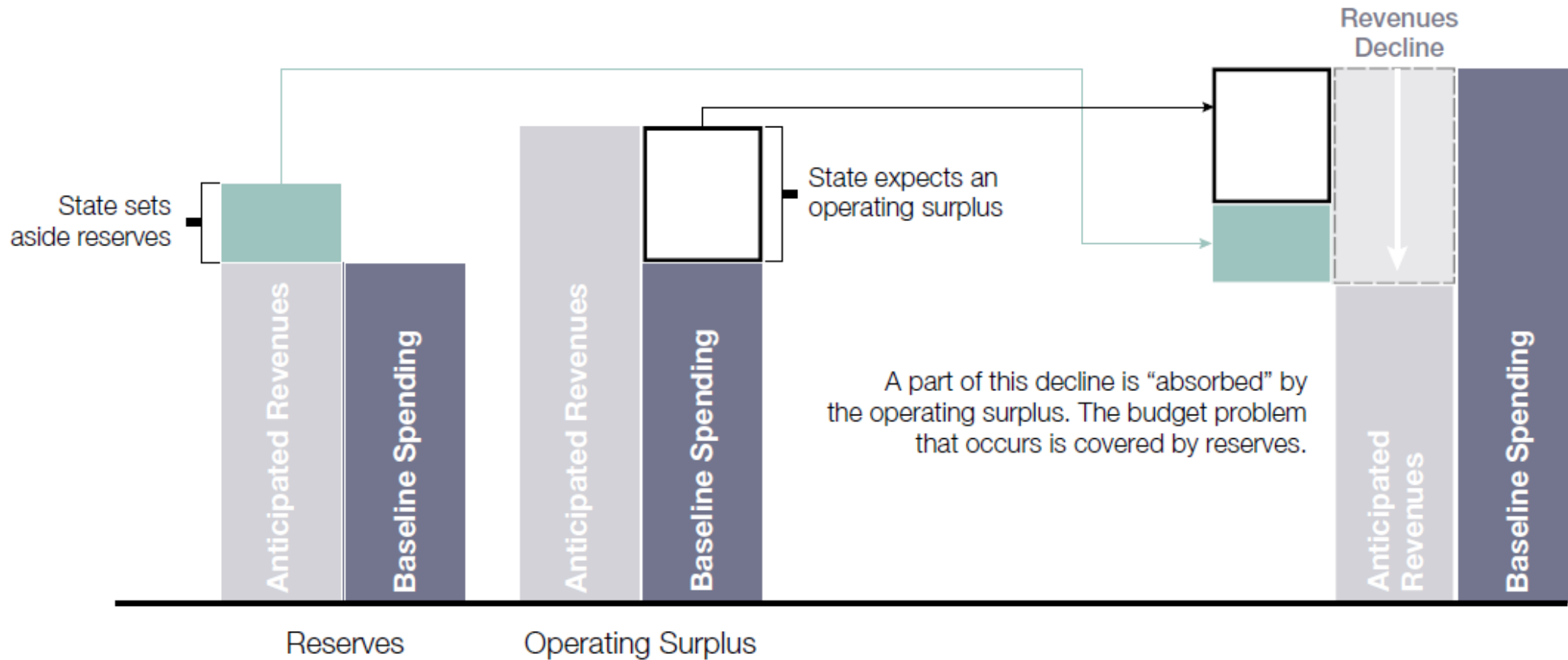


Without reserves, the state would need to cut spending to align with revenues.



Budget Strategies – Operating Surplus & Reserves

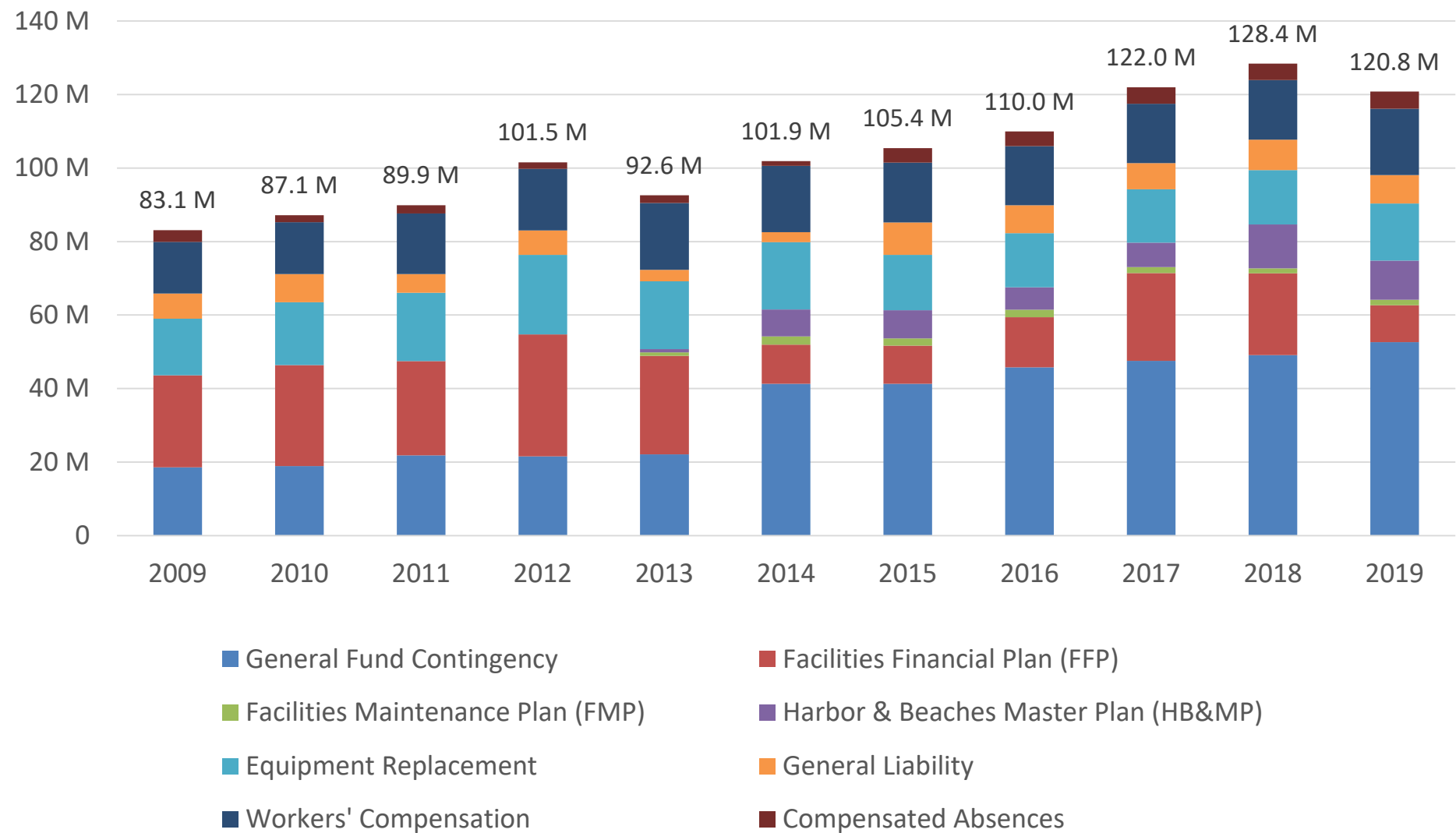
How Reserves and Operating Surpluses Work Together to Protect the Budget



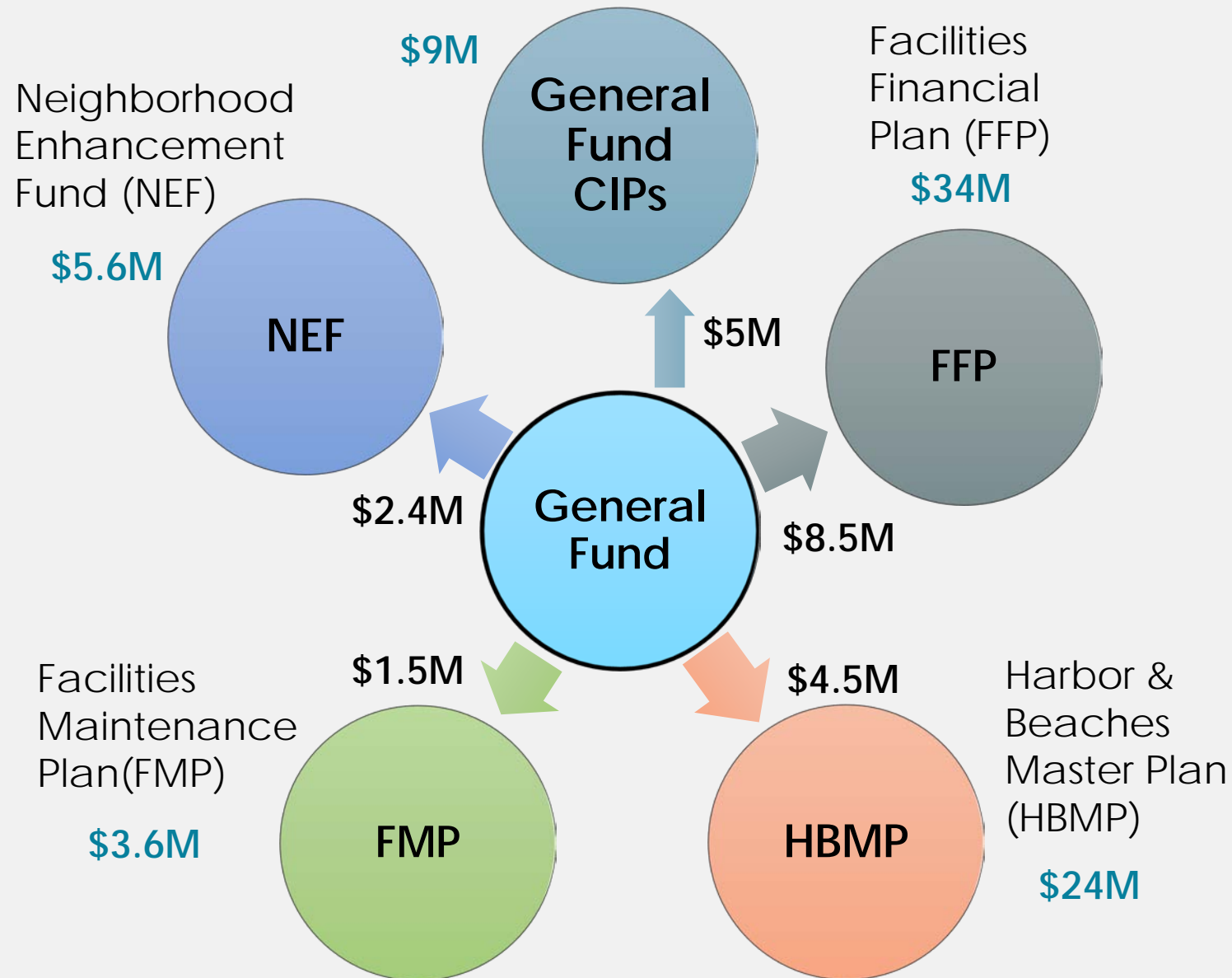
General Fund Sources and Uses

	2018-19 ACTUAL	2019-20 REVISED BUDGET	2020-21 STARTING PROJECTION
SOURCES:			
FY 16-17 Surplus	\$ 12,090,743	\$ -	\$ -
FY 2017-18 Surplus	1,428,885	11,591,448	-
FY 2018-19 Surplus	-	11,528,065	-
FY 2019-20 Surplus	-	-	12,108,874
Use of FY 2019-20 Contingency Reserve	-	-	-
Operating Revenues	229,812,594	219,003,184	199,583,904
Less: Restricted Revenues	(345,135)	(1,534,114)	(730,967)
Use of Restricted Revenues and Encumbrances	-	2,549,640	20,000
Transfers-In	15,849,196	13,389,413	9,028,759
TOTAL SOURCES	\$ 258,836,283	\$ 256,527,636	\$ 220,010,570
USES:			
Operating Expenditures	\$ 208,164,257	\$ 219,837,899	\$ 230,126,525
Operational Savings	-	(4,722,708)	-
Transfers Out	34,824,531	29,303,571	23,088,804
Set aside-PERS Reserve	-	-	-
Increase in Contingency Reserve	4,319,430	-	-
TOTAL USES	\$ 247,308,218	\$ 244,418,762	\$ 253,215,329
UNRESTRICTED RESOURCES	\$ 11,528,065	\$ 12,108,874	\$ (33,204,759)
CONTINGENCY RESERVE	\$ 52,618,059	\$ 52,618,059	\$ 54,969,903

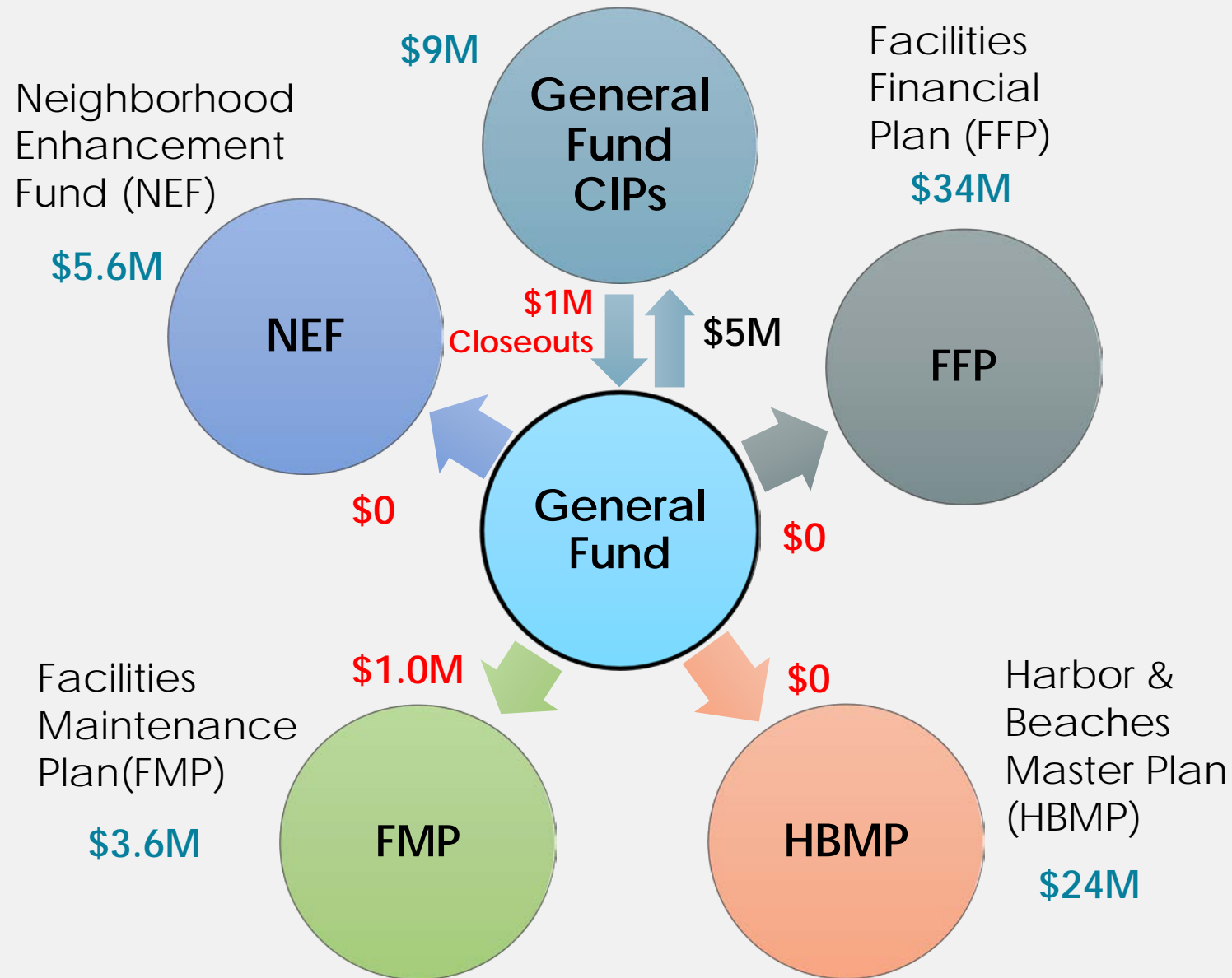
Reserves



Non-Operating Transfers



Non-Operating Transfers



Tiered Short-term Budget Reduction Strategy – All Funds

Financial First Aid - Initial Bridging Options	Operating Cuts No Service Level Change Tier 1	Temp Hiring Freeze Tier 2	Deferred Capital Funding & Spend Tier 3	ISF Charge Reductions Tier 4	Contingency Reserve Tier 5	Service Level Cuts Tier 6	TOTAL GAP FUNDING SOLUTIONS
Salaries And Benefits							
Salaries, Benefits and Other Pays		(2,000,000)					(2,000,000)
Discretionary Pension Payments					(2,316,684)		(2,316,684)
Total Salaries And Benefits		(2,000,000)			(2,316,684)		(4,316,684)
Maintenance And Operations							-
Professional & Contract Services	(1,774,131)						(1,774,131)
Internal Service Premiums	(17,511)			(4,500,000)			(4,517,511)
Workers' Compensation				(1,000,000)			(1,000,000)
General Liability							-
Uninsured Claims				(1,000,000)			(1,000,000)
OPEB							-
Equipment Replacement/Maintenance	(17,511)			(500,000)			(517,511)
Information Technology				(2,000,000)			(2,000,000)
Maintenance & Repair	(179,009)						(179,009)
Supplies & Materials	(289,671)						(289,671)
Utilities	(361,201)						(361,201)
General Expenses	(98,300)						(98,300)
Travel & Training	(151,115)						(151,115)
Grant Operating Expenses	(40,000)						(40,000)
Total Maintenance And Operations	(2,910,938)			(4,500,000)			(7,410,938)
Total Transfers Out			(18,477,137)	(500,000)			(18,977,137)
Capital			(2,500,000)				(2,500,000)
General Fund Discretionary Reserves							-
Total by Tier	(2,910,938)	(2,000,000)	(20,977,137)	(5,000,000)	(2,316,684)		(33,204,759)
Cumulative by Tier	(2,910,938)	(4,910,938)	(25,888,075)	(30,888,075)	(33,204,759)		

General Fund Sources and Uses

	A		B		B-A	B/A
	2018-19 ACTUAL	2019-20 REVISED BUDGET	2020-21 STARTING PROJECTION	2020-21 ADOPTED BUDGET	\$ VAR	% VAR
SOURCES:						
FY 16-17 Surplus	\$ 12,090,743	\$ -	\$ -	\$ -	\$ -	-
FY 2017-18 Surplus	1,428,885	11,591,448	-	-	(11,591,448)	-100.0%
FY 2018-19 Surplus	-	11,528,065	-	-	(11,528,065)	-100.0%
FY 2019-20 Surplus	-	-	12,108,874	12,121,159	12,121,159	-
Use of FY 2019-20 Contingency Reserve	-	-	-	2,304,399	2,304,399	-
Operating Revenues	229,812,594	219,043,054	199,583,904	199,583,904	(19,459,150)	-8.9%
Less: Restricted Revenues	(345,135)	(1,534,114)	(730,967)	(730,967)	803,147	-52.4%
Use of Restricted Revenues and Encumbrances	-	2,549,640	20,000	20,000	(2,529,640)	-99.2%
Transfers-In	15,849,196	13,389,413	9,028,759	17,560,543	4,171,130	31.2%
TOTAL SOURCES	\$ 258,836,283	\$ 256,567,506	\$ 220,010,570	\$ 230,859,038	\$ (25,708,468)	-10.0%
USES:						
Operating Expenditures	\$ 208,164,257	\$ 219,865,484	\$ 230,126,525	\$ 219,859,038	\$ (6,446)	0.0%
Operational Savings	-	(4,722,708)	-	-	-	-
Transfers Out	34,824,531	29,303,571	23,088,804	6,000,000	(23,303,571)	-79.5%
Set aside-PERS Reserve	-	-	-	5,000,000	5,000,000	-
Increase in Contingency Reserve	4,319,430	-	-	-	-	-100.0%
TOTAL USES	# \$ 247,308,218	\$ 244,446,347	\$ 253,215,329	\$ 230,859,038	\$ (18,310,017)	-5.6%
UNRESTRICTED RESOURCES	\$ 11,528,065	\$ 12,121,159	\$ (33,204,759)	\$ -	\$ (7,398,451)	-100.0%
CONTINGENCY RESERVE	\$ 52,618,059	\$ 52,618,059	\$ 54,969,903	\$ 50,301,375	\$ (2,316,684)	-4.4%

Top Three Revenue Categories



Property Tax

4.24% Increase over Fiscal Year
2019 -20

Assessed Valuation Growth
recently announced 4.72%



Sales Tax

16.6% Decrease from already
reduced Fiscal Year 2019-20.
28% Reduction from
“Normal” Year



Transient

Occupancy Tax

66.3% Decrease from already
reduced Fiscal Year 2019-20

Revenues

	A		B		B-A	B/A
			2020-21			
SOURCE by Category	2018-19 ACTUAL	2019-20 REVISED	STARTING PROJECTION	2020-21 PROPOSED	\$ VAR	% VAR
Property Taxes	\$ 108,365,261	\$ 112,723,626	\$ 118,567,018	\$ 117,508,227	\$ 4,784,601	4.2%
Sales Taxes	38,502,470	34,411,405	38,760,900	28,690,831	(5,720,574)	-16.6%
Charges for Services	20,300,379	18,820,002	21,276,330	17,350,903	(1,469,099)	-7.8%
Use of Money & Property	12,609,169	10,676,836	12,141,243	9,821,619	(855,217)	-8.0%
Other Taxes	8,988,044	8,316,170	9,441,789	7,701,878	(614,292)	-7.4%
Transient Occupancy Tax	24,697,446	19,087,031	27,599,738	6,434,115	(12,652,916)	-66.3%
Licenses and Permits	5,071,609	4,567,521	5,138,647	4,239,333	(328,188)	-7.2%
Fines & Penalties	3,454,660	3,089,260	3,545,250	3,681,031	591,771	19.2%
Other Revenues	3,901,104	4,511,329	2,604,422	2,509,251	(2,002,078)	-44.4%
Intergovernmental	3,922,453	2,800,003	1,995,374	1,646,716	(1,153,287)	-41.2%
TOTAL GENERAL FUND	\$ 229,812,595	\$ 219,003,183	\$ 241,070,711	\$ 199,583,904	\$ (19,419,279)	-8.9%

Expenditures

EXPENDITURES BY CATEGORY	2018-19 ACTUAL	2019-20 REVISED	2020-21 PROPOSED	\$ VAR	% VAR
Salaries and Benefits	\$ 142,315,971	\$ 145,397,927	\$ 149,134,523	\$ 3,736,596	2.6%
Professional & Contract Services	21,318,540	25,987,695	23,684,581	(2,303,114)	-8.9%
Internal Service Premium	23,154,076	26,008,196	26,087,458	79,262	0.3%
Maintenance and Repair	9,469,175	9,394,130	8,750,885	(643,245)	-6.8%
Supplies & Materials	5,235,678	5,360,234	5,700,965	340,731	6.4%
Utilities	2,971,221	3,328,840	2,961,757	(367,083)	-11.0%
General Expenses	2,209,597	2,272,634	2,125,501	(147,133)	-6.5%
Travel & training	826,174	967,741	813,368	(154,373)	-16.0%
Grant Operating Expenses	663,825	1,120,502	600,000	(520,502)	-46.5%
Operational Savings	-	(4,722,708)			
TOTAL	\$ 208,164,257	\$ 215,115,191	\$ 219,859,038	\$ 4,743,847	2.2%

Continued Funding for Major Projects



Grant Howald Park

Rebudget	\$ 5,491,138
<u>New Funding</u>	<u>1,780,000</u>
Total Funding	\$ 7,271,138



Fire Station Two

Rebudget	\$ 9,103,819
<u>New Funding</u>	<u>460,681</u>
Total Funding	\$ 9,564,500*

*To be financed

Continued Funding for Major Projects



Advanced Metering Infrastructure

Rebudget	\$ 3,088,373
<u>New Funding</u>	<u>3,257,000</u>
Total Funding	\$ 6,345,373

Capital Appropriations by Category

Category	Total CIP Budget
Assessment Districts	9,542,965
Facilities	12,817,047
Miscellaneous	2,869,862
Parks, Harbor, Beaches	23,871,822
Streets & Drains	13,973,978
Transportation	2,554,726
Wastewater	1,799,000
Water	15,798,849
Water Quality & Environment	3,923,918
Grand Total	87,152,167

Critical Capital Infrastructure Maintenance Carries on!

What is Next?

- **Review FY 2019-20 Results**
- **Continue to Assess Financial & Pandemic Outlook**
- **Monitor FY 2020-21 Budget Early & Often**
 - **Continue efforts to Control Vacancies**
 - **Continue to Defer Non-Essential Capital Projects as necessary**
 - **Continue to search for more cost effective service delivery alternatives**
 - **Reduce Services as necessary – No Service Level Cuts currently contemplated**

