



AGENDA ITEM SUMMARY

District Impacted

- ☐ 1 = Wolosin
- ☐ 2 = Woolard
- ☐ 3 = Scott
- ☐ 4 = Fowler
- ☐ 5 = Macaluso
- ☒ X All

AGENDA DATE	APRIL 14, 2020
DESCRIPTION	DISCUSSION OF FINANCIAL STABILITY OF THE CITY AND POSSIBLE ACTION RELATED TO BUSINESS RETENTION.
STAFF'S RECOMMENDED ACTION (be specific)	NO ACTION AT THIS TIME
CONTACT PERSON	Ronald C. Bowman, City Manager; Jeff Thompson, Deputy City Manager & General Manager of Utilities; Sandy Mattick, Finance Director
SUMMARY	<p>The City's finances are "<u>Strong</u>" and in a "<u>Great</u>" position as we begin to react to the COVID-19 health and financial disaster. The Finance Director, Assistant Director, City Manager and Deputy City Manager have been working to present the City's short- and longer-term financial position under unprecedented conditions and with great uncertainty. The good news is that the City's decades long history of prudent financial management and creation of reserve funds for any unforeseen emergency have positioned Boerne well as we begin to weather the financial storm that is upon us. We have been working to determine how to construct a reasonable best estimate of the short- and long-term financial implications of the pandemic disaster. Clearly the effects are far-reaching and will impact the City's revenues on many fronts.</p> <p>Attached is a spreadsheet that Finance has created as a first assessment of potential negative revenue impacts. At this time, there is no clear guidance from the federal or state level as to what those might be. We have contacts with other cities and utilities and used information from those interactions to help create this document. We intend for it to be conservative; not necessarily a worst-case scenario but erring on that side of the equation with so little information currently available.</p> <p>What we do know is that the first cycle of utility billings (about 1,700 bills) that have reached delinquent stage has gone up from the norm of 300 accounts past due to 350. The next cycle will be the first that is totally within the COVID crisis timeframe.</p> <p>Finance staff and I went through each line item of revenue to the City and arrived at an estimate that included several aspects of potential loss. For example, utility sales were decreased as we expect people to</p>

attempt to conserve with their personal finances tightening and we also increased delinquent payments and potential charge offs as payments are deferred or eventually not paid at all. The most clear and calculable loss of revenue, at least in the near-term, is Hotel-Motel Taxes which fully fund the Convention and Visitors Bureau operations. It is the hardest hit due to the single revenue source which hotel occupancy statistics show will be reduced by 70-80%. Ad Valorem tax revenue on the other hand will not be impacted greatly in this budget year since 96% had already been collected. We will not reach the normal collection rate of 98.5% however and have accounted for that.

The spreadsheet shows the expected monthly deficit by category (column 3) for Ad Valorem and Sales Tax Funds and for Utilities Funds for the 7 remaining months of FY 2020. This number is the difference between the projected loss of revenues (column 2) and the cuts to the budget which we are amassing to offset those losses such as the deferral of the Phase II sidewalk projects (\$515,000) discussed at the last Council meeting. We have also begun staff reallocation to address current business needs during the disaster response stage.

While the projected monthly fund usage is substantial and is just now beginning to be realized, comparison to the Unreserved Fund Balance for each fund (column 6) indicates that there is no imminent danger to the City to implement this plan for Q3 2020 (April through June) and begin to re-assess the plan in early June. At that time, we will be able to better estimate lost revenues, bad debt, and hopefully a potential lessening of the economic disaster.

A vast majority of our staff are highly trained for their professional specialty such as Police, Fire, Utilities, Planning, Engineering, Finance, Accounting, Parks, Library, CVB, IT and so on. Even the majority of entry level positions at the City require many months of training to be full contributors to the varied missions carried out in City operations on a daily basis. The worst scenario for the City would be to have massive layoffs that would cripple our ability to successfully rebound during the rebuilding stage of the disaster.

With that said, we can and will implement prudent measures to ensure the financial integrity of the City as a whole and prioritize essential functions. A hiring and pay increase freeze are already in effect. Other tools at our disposal which the City Manager has implemented include budget cuts, delay of capital projects, cancellation of contracts, performing tasks in house versus with consultants, training/conference/travel elimination, employee reassignments, and elimination of overtime. Eventually other

	<p>measures including reduction in service levels, voluntary retirements, pay reductions, reduction in work hours, elimination of positions, furloughs and layoffs may be necessary. We will be in a much better position to assess that in 60 days (mid-June) than at present subject to the ever-changing financial environment brought on by the disaster. If needed, the proposed Q3 plan can be immediately modified to reflect new or worsening conditions. Our strong financial position and reserves will afford this opportunity to react on a more informed basis.</p> <p>We will review cost containment measures in more detail at the City Council meeting as well as provide updates on other measures taken or proposed to improve the financial health of the overall community. Some could require City Council action which is allowed based on the wording of the agenda item.</p>
COST	
SOURCE OF FUNDS	
ADDITIONAL INFORMATION	Spreadsheet

This summary is not meant to be all inclusive. Supporting documentation is attached.