



Budget Outlook

EXTENDED STRATEGY SESSION

OCTOBER 5, 2020

Budget Outlook Sections

- ▶ **Review of Key Revenue Performance Data**
- ▶ **FY 2020 General Fund Year-End Budget Update**
- ▶ **FY 2021 General Fund Budget Update**
- ▶ **Preliminary FY 2022 General Fund Budget Outlook**
- ▶ **Enterprise Fund Updates**

Key Revenue Performance Data

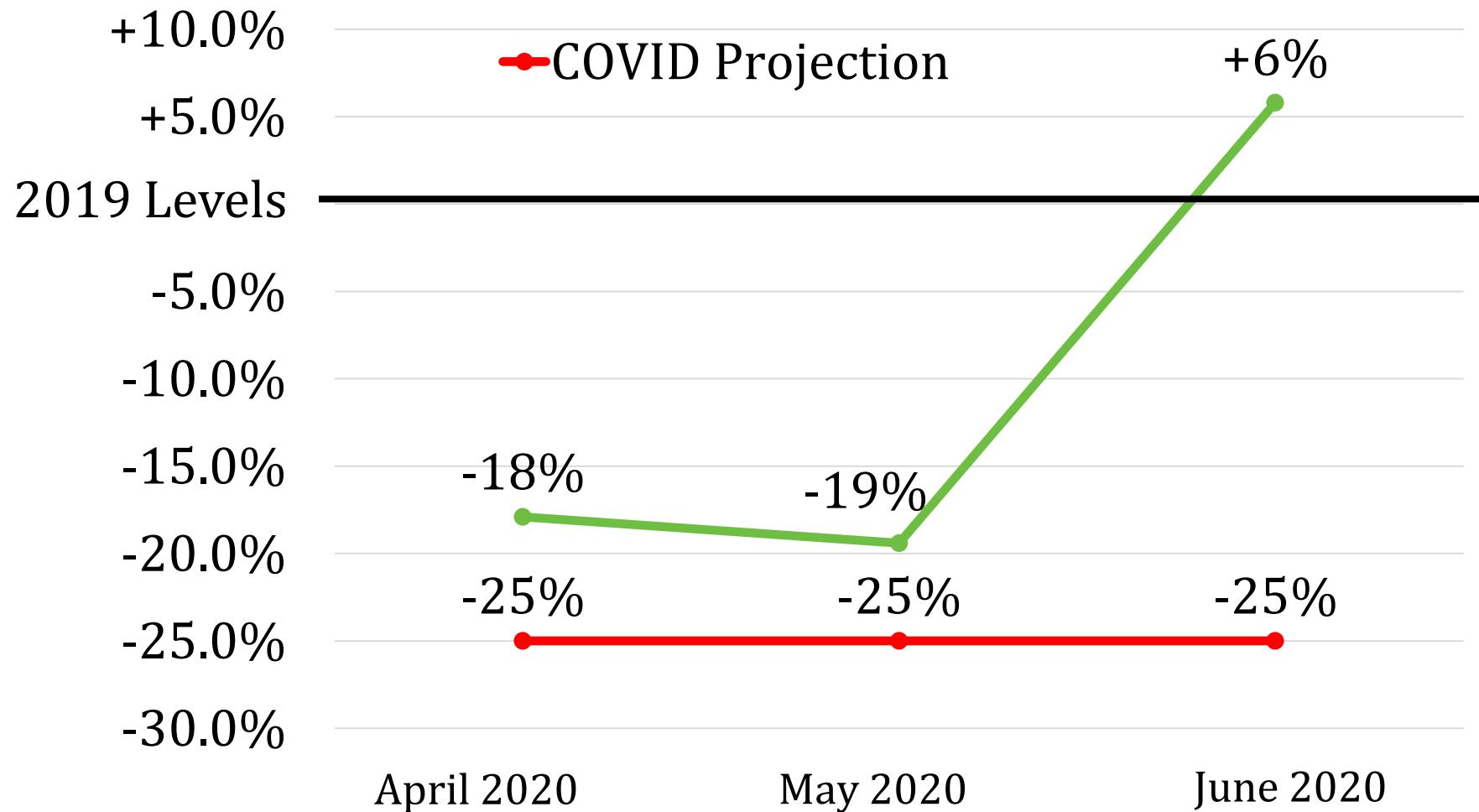
COVID-19 City Tax Revenue Impacts

From April 13 City Manager's Report

Type of Tax	General Fund	General Capital	Transit Fund	Hospitality Funds
Property Tax	Low	Low	NA	NA
Sales Tax	High	High	High	NA
Occupancy Tax	NA	NA	NA	Very High
Food and Beverage Tax	NA	NA	NA	Very High

Above table does not reflect revenue impacts associated with fees and services.

General Fund Sales Tax Performance – Final Quarter of FY 2020

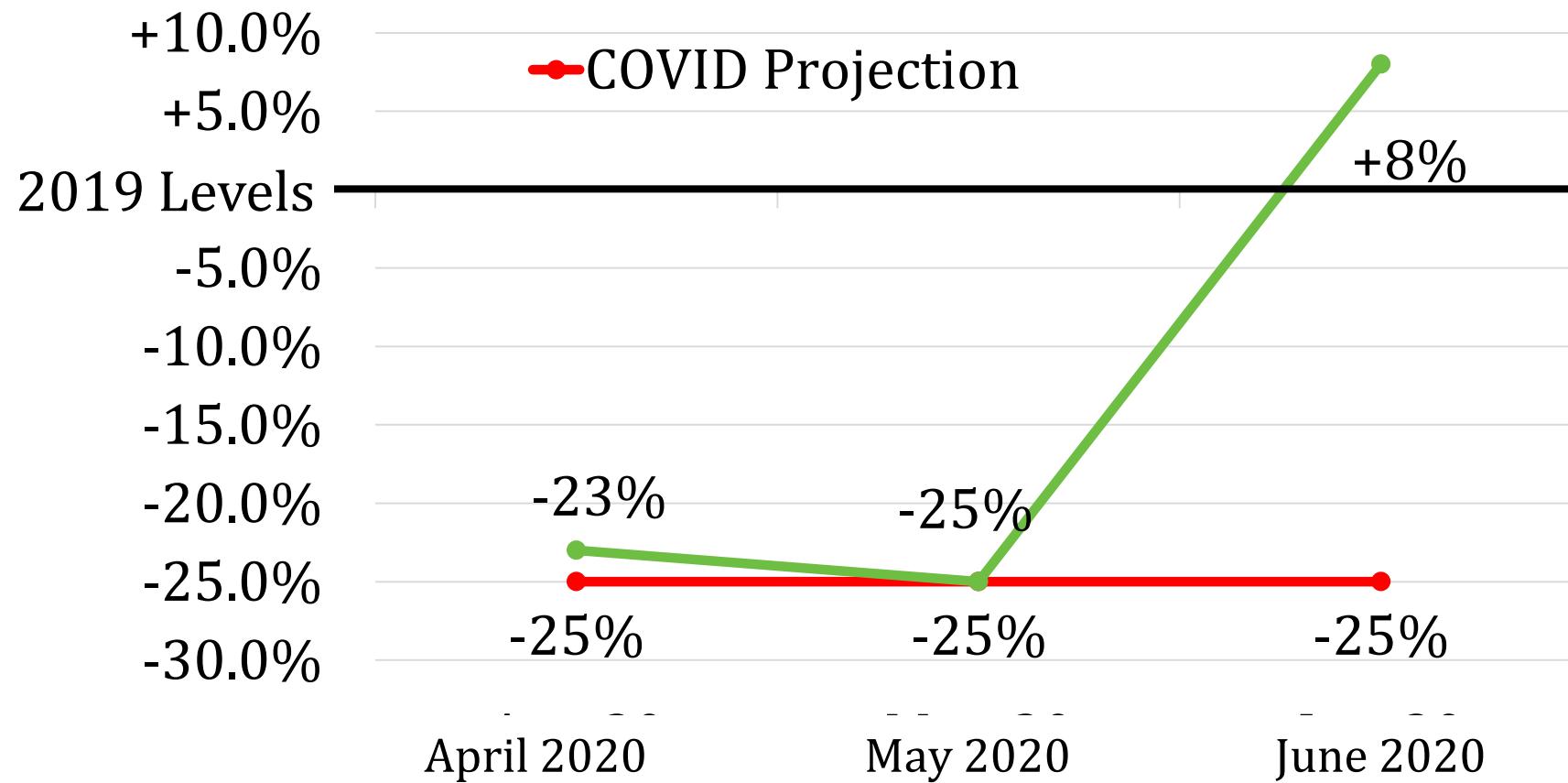


Original budget:
\$117.7 M

April projection:
\$111.1 M

Actual (unaudited):
\$116.7 M

CATS Sales Tax Performance – Final Quarter of FY 2020

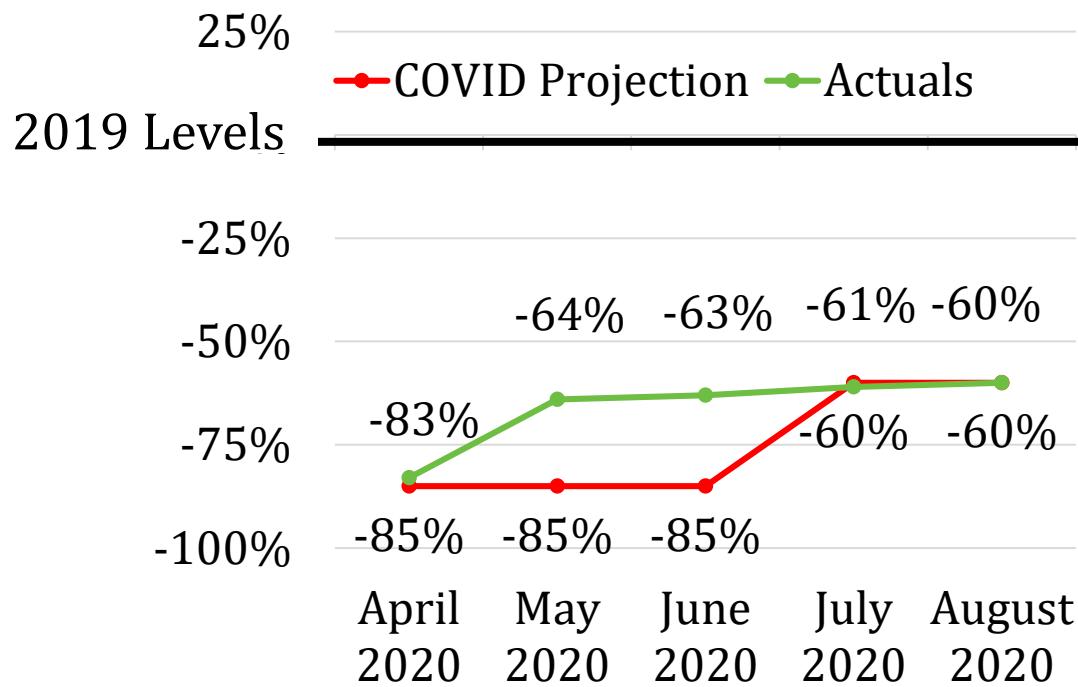


Original budget:
\$109.9 M

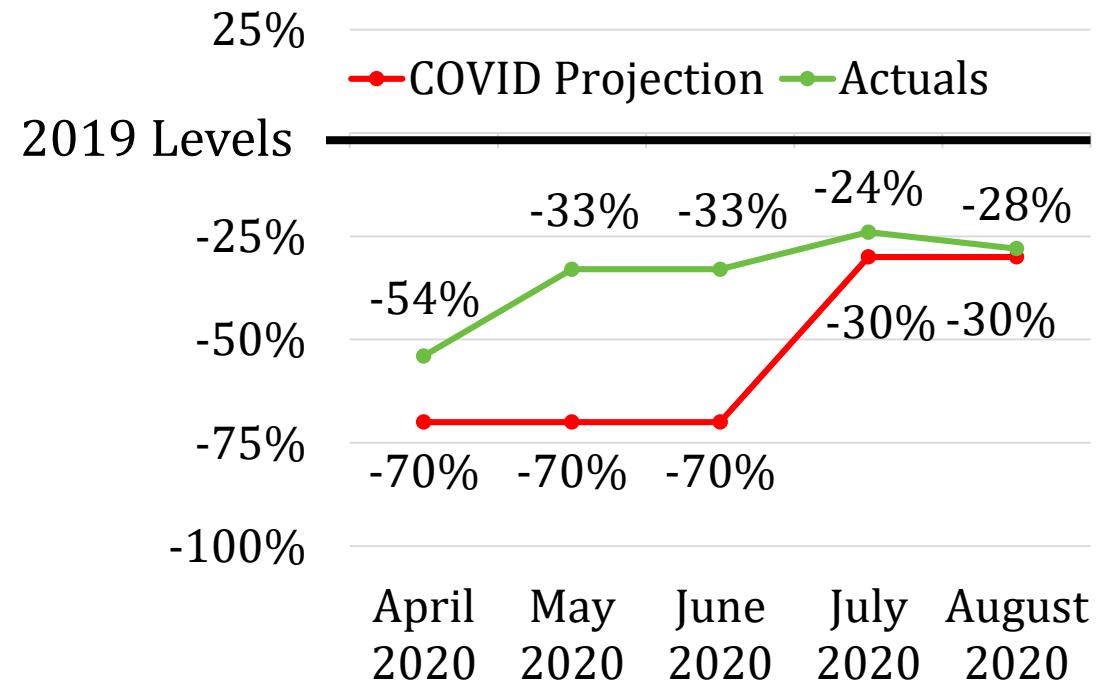
Actual (unaudited):
\$107.8 M

Major Hospitality Taxes Performance

Occupancy Tax



Food and Beverage Tax



FY 2020 General Fund Year-End (Last Year)

In Early April, the FY 2020 General Fund Revenue Forecast was Bleak

From April 13 City Manager's Report

FY 2020 General Fund Revenue Outlook from April

FY 2020 Mid-Year General Fund Projection Due to COVID-19		
Revenues by Source	FY 2020 Budget (millions)	FY 2020 Projection (millions)
Property Tax	\$390.2	\$390.7
Sales Tax	\$117.7	\$111.1
Utility Franchise Sales Tax	\$55.8	\$53.3
All Other	\$164.0	\$158.9
Total Revenues	\$727.7	\$714.0
		(\$13.7 Million)

Overall FY 2020 General Fund Revenue Performance

Budget: **\$727.7 million**

Projected: **\$722 - \$723 million**
(\$5 to \$6) million revenue shortfall

Key Revenues Performing Well

- ▶ Property tax
- ▶ Land development fees
- ▶ ABC revenues

Key Revenue Shortfalls

- ▶ Sales tax
- ▶ Utility franchise tax
- ▶ Parking revenues

Note: The FY 2020 audit is underway and final revenue numbers cannot be confirmed until the audit is complete.

Managing Year-End Expenditures

Key Actions Taken to Manage Expenditures

- ▶ Non-essential hiring freeze implemented in April
- ▶ Departments worked to limit all non-personnel spending
- ▶ Funds that otherwise may have been carried-forward were liquidated

\$2.2 million

Value of vacant positions
(April – June 2020)

\$3.2 million

Reduction in non-personnel costs
compared to April – June 2019

Projected Budget Expenditure Savings: \$5 to 7 Million

Note: The FY 2020 audit is underway and final numbers cannot be confirmed until the audit is complete.

Using Coronavirus Relief Fund to Reimburse City for First Responder Time Spent on COVID

Example of how Coronavirus Relief Fund (CRF) Reimbursed First Responder Costs

Typical Week Responding	Opportunity With CRF Funds
<ul style="list-style-type: none">▶ An employee works 40 hours as a First Responder▶ Employee earns \$1,000▶ All \$1,000 paid by the General Fund	<ul style="list-style-type: none">▶ Same employee works 40 hours as a First Responder, earning \$1,000▶ However 5 hours are COVID-19-response or enforcement related <p>5 hours paid by CRF: \$125</p> <p>35 remaining hours paid by the General Fund: \$875</p>

FY 2020 Budget Year End After Coronavirus Relief Fund Reimbursement

Projected Revenue Variance	(\$5 to \$6 Million)
Projected Expenditure Variance	\$5 to \$7 million
Projected Surplus/Deficit Before Coronavirus Relief Fund Reimbursement	(\$1 million) to +\$2 million
Reimbursement for First Responder Costs	\$11 million
Projected Surplus After Coronavirus Relief Fund Reimbursement	\$10 to \$13 million

Note: The FY 2020 audit is underway and final numbers cannot be confirmed until the audit is complete.

FY 2021 General Fund Update

(This Year)

Key Drivers of the Revenue Forecast

Factors that Limit General Fund Exposure

- ▶ Stability in property tax assessments
- ▶ Meals/occupancy taxes do not run through General Fund

Factors that Impact Forecasts

- ▶ Property tax collection rate (currently 99%)
- ▶ Level of Federal support
- ▶ Shutdowns from another wave
- ▶ Vaccine timeline/effectiveness

FY 2021 Updated Revenue Forecast

Current Budget: \$718,809,225

Pessimistic

- ▶ 1% reduction in property tax payments
- ▶ No/limited federal support
- ▶ Significant return of restrictions
- ▶ No vaccine

(\$14.9 Million)

Base

- ▶ 0.5% reduction in property tax payments
- ▶ Continued Federal support
- ▶ Partial return of restrictions
- ▶ Vaccine available

+\$0.8 Million

Optimistic

- ▶ No property tax payment impact
- ▶ Continued Federal support
- ▶ No return of restrictions
- ▶ Vaccine available

+\$14.4 Million

Recommended Current Year Budget Actions

Factors Protecting the FY 2021 General Fund Budget

- ▶ FY 2020 surplus limits financial risk of low FY 2021 revenue performance
- ▶ FY 2021 allows a continued opportunity to charge some COVID-19-related public safety costs

Recommendations

- ▶ No immediate reductions to the General Fund are required
- ▶ Due to the Coronavirus Relief Fund reimbursing First Responder costs, 3 million in General Fund dollars can be reprogrammed without impacting operations

FY 2022

Preliminary

General Fund

Outlook

(Next Year)

Projected Expenditure Increases to Maintain Current Service Levels

(\$5.9M) Annualize FY 2020 personnel actions

(\$6.0M) Projected retirement cost increases

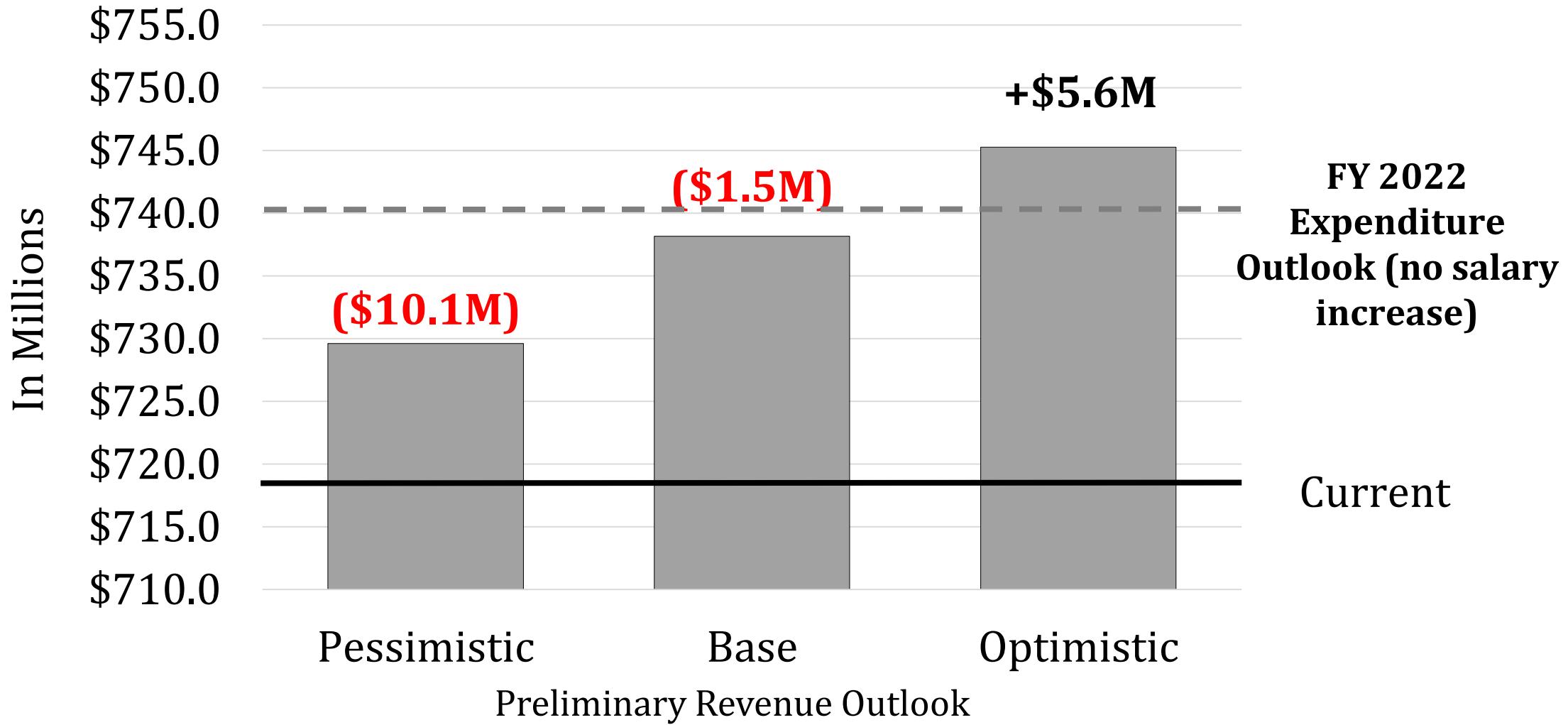
(\$1.2M) Police Separation Allowance

(\$3.5M) Restore temporary FY 2021 Budget savings

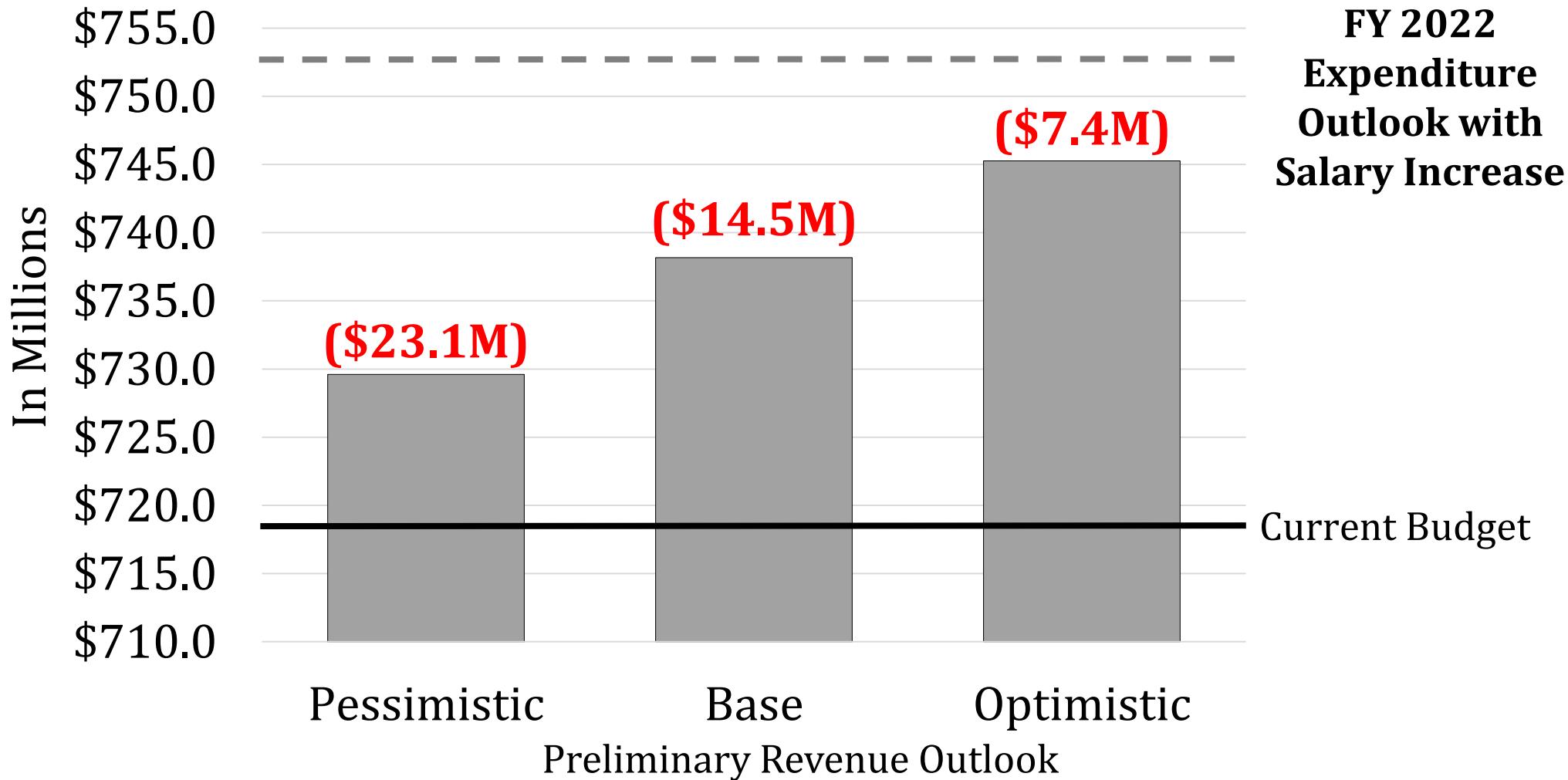
(\$4.3M) Projected contractual increases and non-personnel increases

(\$20.9M) Projected Expenditure Growth

FY 2022 General Fund Outlook with NO Salary Increase



FY 2022 General Fund Outlook with Salary Increase



Aviation

FY 2020: Finished on target

- ▶ Used State Airport Improvement grant funds to offset debt service obligations
- ▶ Using CARES Act funding to offset impacts
- ▶ Reduced operating and maintenance expenses



FY 2021: Monitoring closely

- ▶ Experienced faster recovery in July/August but recovery has plateaued
- ▶ Currently projecting less revenue than budgeted
- ▶ Using CARES Act funding to offset impacts



FY 2022: Remains uncertain

- ▶ Recovery appears slower than originally anticipated
- ▶ Currently planning for flat budget in FY 2022



Charlotte Water

FY 2020: Finished on target

- ▶ Used CARES Act and FEMA funding to offset unanticipated costs
- ▶ Revenue impact was manageable; risk is from non-payment rather than lack of demand



FY 2021: No mid-year adjustments anticipated

- ▶ Budget projections remain steady
- ▶ Implemented Customer Care Program/Customer Care Team to avoid disconnection and connect customers with community assistance agencies



FY 2022: Remains uncertain

- ▶ Modest rate increases projected in model but working to minimize
- ▶ Currently planning for minimal budget increases in FY 2022



Storm Water

FY 2020: Finished on target

- ▶ Continued with multi-year hiring plan to add staff to meet timing targets
- ▶ Increased bid competition due to private sector slow-down



FY 2021: No mid-year adjustments anticipated

- ▶ Budget projections remain steady and spend rate is ahead of schedule
- ▶ Revenue collection remains on target



FY 2022: Remains uncertain

- ▶ Modest rate increases projected in model but working to minimize
- ▶ Anticipated to continue multi-year hiring plan



Charlotte Area Transit System

FY 2020: Finished on target

- ▶ Used portion of \$56 million in CARES Act funding to manage costs
- ▶ Implemented hiring freeze
- ▶ Reduced service based on demand



FY 2021: No mid-year operating adjustments anticipated

- ▶ Experienced slight sales tax recovery in June
- ▶ Budget projections remain steady
- ▶ CARES Act funding will continue to be used to offset impacts



FY 2022: Remains uncertain

- ▶ Slight recovery anticipated; sales tax performance will drive budget decisions



Summary and Next Steps

- ▶ **Spending controls and CARES Act funds allow for financial stability in FY 2020 and FY 2021**
 - Mid-year budget reductions are not required to sustain operations
- ▶ **FY 2022 forecast dependent on revenue factors the city cannot control and should be approached cautiously**
- ▶ **FY 2022 Budget Kick-Off with departments begins in two weeks**

Thank You!

Questions?