



City of Grand Island

Tuesday, August 25, 2020

Council Session

Item S-2

General FY 2020/2021 Budget Discussion

Staff Contact: Patrick Brown

Memorandum to Electeds, Mayor Steele, and Jerry Janulewicz, City Administrator

From: Patrick Brown, Finance Director

Date: August 19, 2020

RE: FY2020-2021 Budget Update

We are coming to the end of another budget season and wanted to provide an update on the current status of the City's budget for fiscal year (FY)2021. When we started the budget process back in April we were in the midst of a pandemic. The revenue forecast models of prior years were no longer relevant. Our revenue forecasts for the remainder of FY2020 ranged anywhere from 25% to 50% reduction in sales tax revenues with similar reductions in Fees and Services. The last four months of Sales Tax revenues have been higher than anticipated. May through August Sales Tax receipts (March through June sales) were down 8.6% as compared to the same months last year. 2020 August Sales Tax receipts were only down 1% as compared to August of 2019. Prior to the pandemic, Sales Tax receipts were 13.7% higher than the same period last year. Combine the strong start of the fiscal year along with better than anticipated revenues during the pandemic, forecasted revenues for the FY2020 will be approximately 1.5% or \$576k lower than budgeted revenues for FY2020.

In turn, Administration instructed Department Directors to reduce their spending because of the uncertain revenue streams. As you know the City temporarily closed the Library, Golf Course, Heartland Shoot Park, Island Oasis, limited Lincoln Pool attendance, and other various programs were canceled for the year. The Library workforce was reduced by 5.5 FTE's. Combine the above mentioned closures with reductions in Personnel and Operating costs in the General Fund, the General Fund estimated savings in expenses is \$1.5 million for FY2020.

For FY2020, the cash reserve percentage is forecasted at 42% with an estimated increase in cash in bank of \$1.0 million.

Going into the FY2021 budget, the City was forecasting a reduction in Sales Tax revenues of 15% and reductions in Fees & Services as well. Also Department Directors were asked to reduce their operating expenses as well.

Several budget models were developed for Administration and Council to consider prior to latest sales tax report and the consensus was to transfer \$250k from the KENO funds to the General Fund, capture an increase of 2.5% for Property Tax, and use cash reserves for the remaining deficit.

Due to the anticipated savings from FY2020, the Finance Department along with City Administration is recommending the City lower the City's mill levy in order to receive the same amount of property tax as it did in FY2020. Property Tax valuations for the tax year 2020 increased 5.42% from \$3,231,585,947 to \$3,406,720,662 (changed by County 08-19-20). The Finance Department and City Administration also recommends to NOT transfer \$250k of KENO funds to the General Fund. The KENO funds would be still be budgeted for unspecified projects for Council's discretion as long as it's within the KENO funds allowable expenditures. Sales Tax revenues were initially forecasted for a 15% reduction in FY2021 but has been updated to a reduction of 11%. At the end of FY2021, the estimated cash reserves will be 36.5%.

If you have questions regarding the FY2020 or FY2021 budget please do not hesitate to contact me. I would appreciate any feedback sooner rather than later.

The budget book will be updated once again and I hope to have the updated budget book on our website no later than Friday and I will also make hard copies available as requested.

Best Regards,

Patrick Brown
Finance Director