PRELIMINARY FISCAL IMPACT OF COVID-19

City of Los Altos

April 28, 2020
OUTLINE

• Where We Are Today
• Impact to City Revenues
• Expense Adjustments
• Unknown vs. Known
• Re-prioritize Projects and Timelines
• FY 2020-21 and Beyond
• Next Steps
WHERE WE ARE TODAY

- Shelter In Place Order through May 3\textsuperscript{rd}, 2020
- City Staff
  - Essential work being performed (Police, Maintenance, Recreation, Admin etc...)
  - Most City Staff Working From Home
  - Paid Administrative Leave
- Only Essential Businesses Are Open; Some Restaurants
- All Other Businesses Closed to Public
WHERE WE ARE TODAY

Key Changes / Negative Trends

- Property Tax decrease over time
- Sales Tax significant decrease
- TOT significant decrease
- Minimum 2-year recession expected

Upcoming Challenges

- Cash Flow
- Increased Litigation Costs
- General Fund dollars and CIP Projects
IMPACT TO CITY REVENUES

- Property Tax
- Utility Users Tax (UUT)
- Sales Tax
- Transient Occupancy Tax (TOT)
- Recreation Fees
- Community Development Fees
- Other Revenue

Other Revenue

Community Development Fees

Recreation Fees

Transient Occupancy Tax (TOT)

Sales Tax

Utility Users Tax (UUT)

Property Tax
IMPACT TO CITY REVENUE

- **Property Tax**
  - Over 50% of City General Fund Revenue
  - Current Fiscal Year Budget: $25,639,810
  - Estimated Decrease – N/A

- **Utility User’s Tax (UUT)**
  - Set by Agreement, not subject to change
  - Current Fiscal Year Budget: $2,781,000
  - Estimate Decrease – N/A
IMPACT TO CITY REVENUE

- Sales Tax
  - Significant decrease due shelter in place order
  - Some business may defer sales tax payment
  - Current Fiscal Year Budget – $3,301,400
  - Estimated Decrease - $700K

- Transient Occupancy Tax
  - Significant decrease
  - Current Fiscal Year Budget – $3,360,000
  - Estimated Decrease - $800K
IMPACT TO CITY REVENUE

- Recreation Fees
  - Significant decreases due to cancelations of all rentals and major events through summer
  - Current Fiscal Year Budget: $1,477,000
  - Estimated Decrease – $400K

- Community Development Fees
  - Previously very strong source of revenue
  - Current Fiscal Year Budget: $3,623,00
  - Estimate Decrease – $800K
IMPACT TO CITY REVENUE

- Other Revenue
  - Business Licenses, Police Fees, Other Admin Fees
  - Estimated Decrease – $300K
- Unknown
  - Gas Tax, SB1 – (road repair funds), Federal and State grants
- Total Projected Revenue Impact
  - $3.0M
  - 7% of Total City Revenue
EXPENSE ADJUSTMENTS

• Limited staff spending less
  • Water, Gas, Utilities, Supplies

• Canceled all travel and conferences and meetings into summer

• Multiple events canceled

• Personnel Costs
  • 11 full time vacant positions
  • Release of certain temporary part time employees – Recreation Dept.
  • Ongoing negotiations with labor groups
EXPENSE ADJUSTMENTS / OTHER

• Use of Emergency Operating Reserve
  • Currently $8.25M (after allocation)
• Scaling back / Prioritization of CIP Projects
  • Multiple discussions over time Community Center / General Fund Loan
• $10M+ General Fund / Community Center Loan
  • Paid over 20 years
  • Financial Commission reviewing
Newly Announced Federal Loan Programs

• Federal Emergency Management Agency (FEMA) Community Disaster Loan (CDL) Program.
  • Details not released. Loan payable over 5 fiscal years
  • Would increase the City’s debt capacity

• The Federal Reserve Municipal Liquidity Facility Program offers $500B in loans to local governments. More details are forthcoming.

FEMA Reimbursement under the Public Assistance Program (PAP)

• Reimbursement of eligible expenses related City’s response to COVID-19

• City is tracking all eligible expenses related to COVID-19
REVENUE OVER EXPENSES

FY 2019-20 Operating Budget
$42.5M Projected Revenue
$40.3M Projected Expenses
Projected $2-3M Revenue over Expenses (after COVID-19)

Annual Revenue over Expenses
$6.2M, $5.8M, $5.4M, $6.8M (FY2016-2019)
Transfer to:
Operating Reserve
CIP Fund
CalPERS Reserve
General Fund Loan
## CURRENT RESERVES AFTER ALLOCATION

<table>
<thead>
<tr>
<th>Assigned Fund Balance</th>
<th>As of June 30, 2019</th>
<th>Proposed Allocation</th>
<th>Reserves after allocation</th>
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<tbody>
<tr>
<td>Emergency and Operating*</td>
<td>$7,250,645</td>
<td>3,850,000</td>
<td>$8,250,374</td>
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<tr>
<td>OPEB</td>
<td>1,500,000</td>
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<td>PERS Reserve</td>
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<td>Technology Reserve</td>
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<td>CIP Reserve</td>
<td>416,263</td>
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<td>Community Center Reserve</td>
<td>23,695,425</td>
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<td>$23,695,425</td>
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<tr>
<td>Equipment Reserve</td>
<td>1,078,044</td>
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<td>$1,078,044</td>
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<tr>
<td><strong>Total Unassigned Fund Balance</strong></td>
<td>$40,514,466</td>
<td>$6,841,453</td>
<td><strong>$47,355,919</strong></td>
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</tbody>
</table>

*Includes 999 Fremont Payment of $2.85M and $1.0M to achieve 20% of Expenditure Budget*
CAPITAL IMPROVEMENT PROGRAM PRIORITIES

Streets and Roads
- PCI
- Safe Routes to Schools
- Street Resurfacing
- Traffic Management

Parks and Improvements
- Annual Park Improvements

Infrastructure Needs
- Sewer
- Solid Waste
- Clean Water

Buildings
- New Community Center
- Council Chambers
- Emergency Operations Center (EOC)
- Police Department
- Los Altos Youth Center (LAYC)
- City Hall Remodel
- Other
RELIEF PROGRAMS

• Community Services Agency - $75K Grant
• Women SV - $40K Grant
• CHAC - $20K Grant
• Proposed Small Business Relief Grant – $250K
TAKEAWAYS

Uncertain Times
Changing Daily
Loss of Revenue
Decrease Expenses
Short Term Effects
Long Term Effects

Address Our Needs
Build and Fund Community Center
CalPERS Unfunded Liability
Prioritize Critical CIP Projects
Maintain Best Practices

Timing is Key
Cash Flow
Monitoring Budget
Making Decisions
NEXT STEPS

- Meet with Financial Commission - May 26
- Updated Two-year Plan – May / June
- Carryforward budget with updates
- Prioritize / Defer / Cancel CIP Projects
- Understand and Plan for the Future
  - Plan for 10% Reduction in Revenue for FY 2020-21
  - Finish $38M Community Center
  - Fund CRITICAL CIP Priorities
  - Address Increase Cost of Litigation
QUESTIONS / DISCUSSION