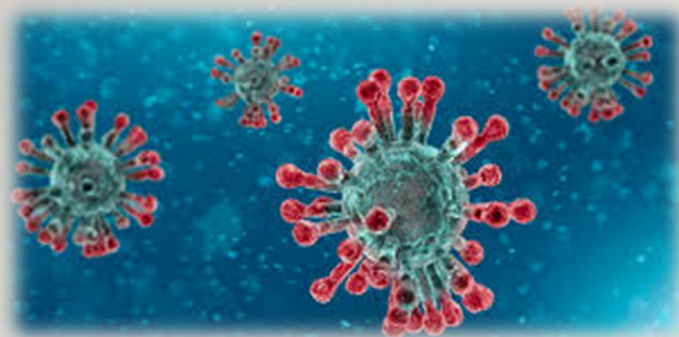




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# PRELIMINARY FISCAL IMPACT OF COVID-19



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

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- Shelter In Place Order through May 3<sup>rd</sup>, 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

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## Key Changes / Negative Trends

Property Tax decrease over time

Sales Tax significant decrease

TOT significant decrease

Minimum 2-year recession  
expected



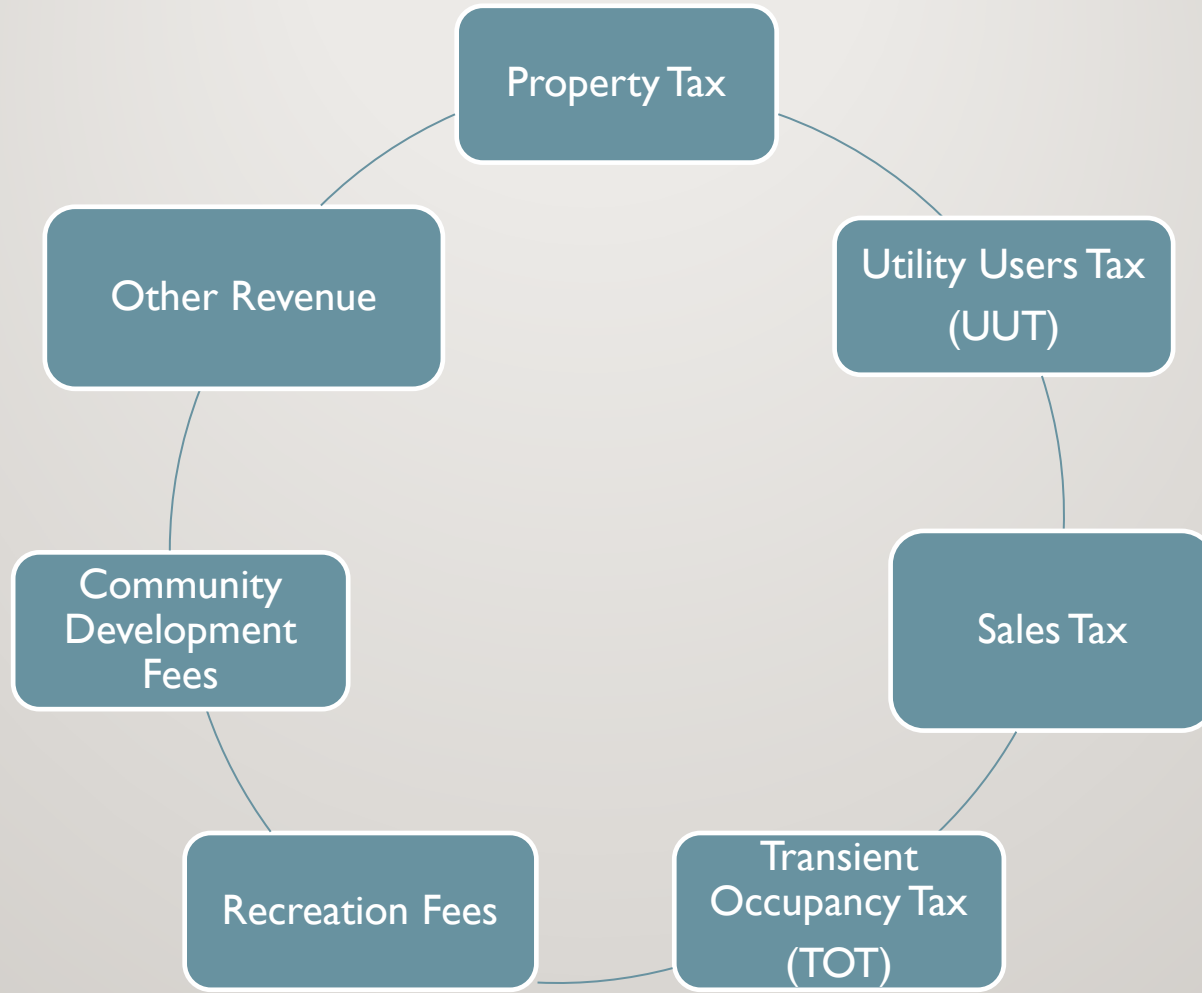
## Upcoming Challenges

Cash Flow

Increased Litigation Costs

General Fund dollars and CIP  
Projects

# IMPACT TO CITY REVENUES



# IMPACT TO CITY REVENUE

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

# OTHER

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## **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

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Assigned Fund Balance	As of June 30, 2019	Proposed Allocation	Reserves after allocation
Emergency and Operating*	\$ 7,250,645	3,850,000	\$ 8,250,374
OPEB	1,500,000	-	\$ 1,500,000
PERS Reserve	5,000,000	-	\$ 5,000,000
Technology Reserve	1,574,089	-	\$ 1,574,089
CIP Reserve	416,263	2,991,453	\$ 3,407,716
Community Center Reserve	23,695,425	-	\$ 23,695,425
Equipment Reserve	1,078,044	-	\$ 1,078,044
<b>Total Unassigned Fund Balance</b>	<b>\$ 40,514,466</b>	<b>\$ 6,841,453</b>	<b>\$ 47,355,919</b>

\*Includes 999 Fremont Payment of \$2.85M and \$1.0M to achieve 20% of Expenditure Budget

# CAPITAL IMPROVEMENT PROGRAM PRIORITIES

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## **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

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

# TAKEAWAYS

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## 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

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- 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

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