

To: Mayor and City Council  
City of Dunwoody

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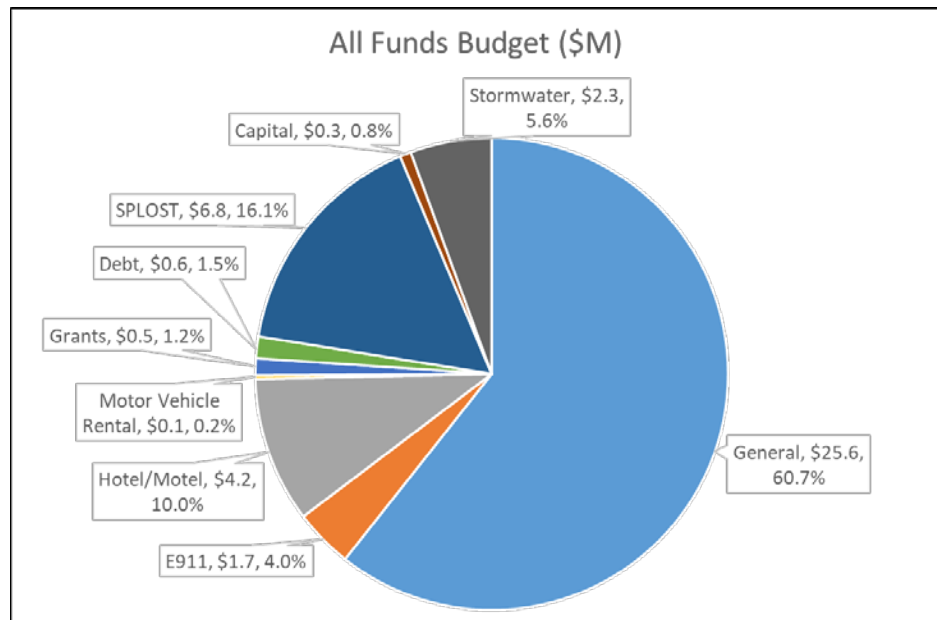
Thru: Eric Linton  
City Manager

Date: 21 March 2020

Subject: Financial Update

This memo is to give Mayor and Council an analysis on the financial health of the City based upon recent events with the COVID-19 pandemic. Let me preface this memo, with the caveat that all information used in any estimates is fluid and can easily change day by day.

First, an overview of the City budget is needed as a refresh. The City's 2020 over budget by fund looks like this:



The General Fund is where most of the focus will be, but I want to review the smaller funds first, because their impact and related actions are simpler to analyze.

**SPLOST** This revenue source is expected to drastically decrease, however the City can manage as revenue decreases. The primary effort here is repaving. Staff can review all SPLOST related projects and create a prioritization as revenue decreases

**Stormwater** Stormwater funding is an enterprise fund. Any fund balance or revenue can only be used for stormwater efforts. As we receive this funding at the end of the year, we will have to assume a larger than normal undercollection. Staff will review stormwater projects in light of this creating prioritization assuming a decrease.

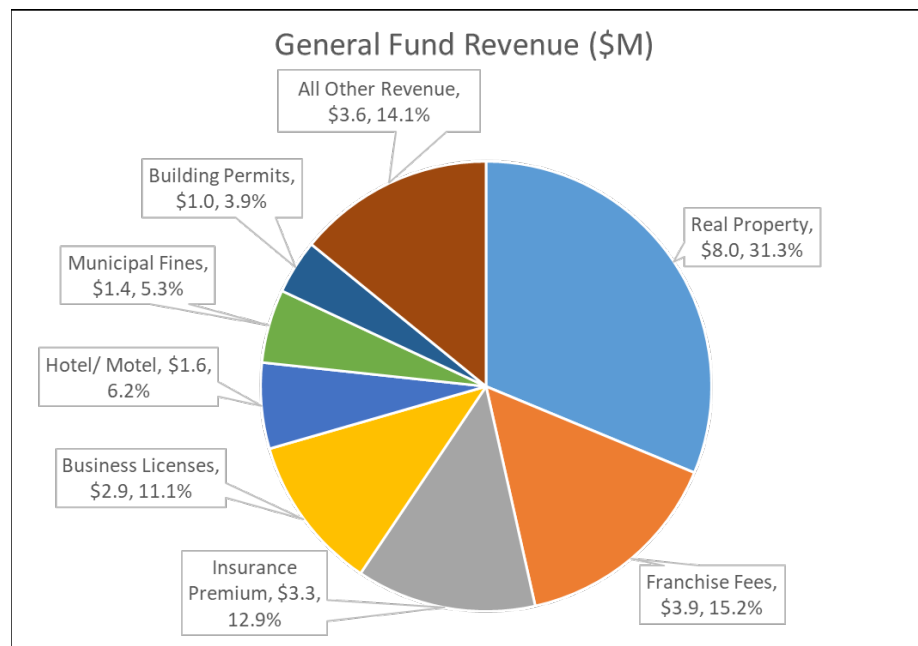
**Hotel/Motel** This funding is expected to decrease dramatically. The funding in FY2020 is used for the budget for DCVB, the Ashford Trails, and operating for the General Fund. The assumptions on its impact to the General Fund will be discussed in a later section.

**Capital** The projects in here are park related and IT related. Staff will look at the list of projects to see areas for reduction. Many of the IT projects have already started and are necessary for system stability.

### **General Fund Revenue**

The FY2020 General Fund budget assumes \$25.7 million of revenue, while conservative, it does not match the new normal. The breakdown falls into eight basic categories shown at the right.

The next chart shows estimated impacts on the various revenue



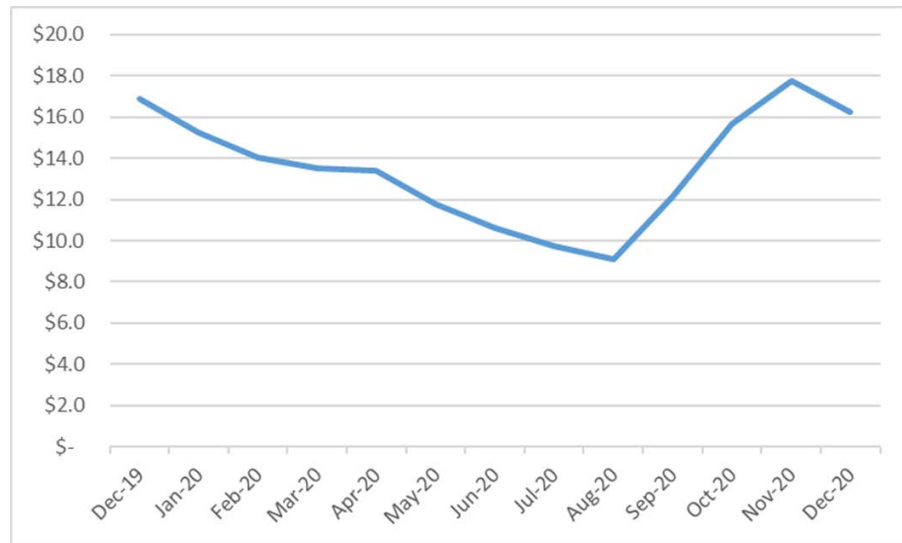
sources for this fiscal year. Again, this is not a projection, but much more a sensitivity analysis.

Below are shown four scenarios, each scenario breaks down the revenue decrease into two pools: Hotel/Motel and Building Permits as one pool, both of which will be more sensitive to the market issues and then all other revenue categories where decreases will be driven primarily by non-payment.

	\$M	A (5/15)	B (10/50)	C (15/50)	D (25/75)
Real Property	\$ 8.0	\$ (0.4)	\$ (0.8)	\$ (1.2)	\$ (2.0)
Franchise Fees	\$ 3.9	\$ (0.2)	\$ (0.4)	\$ (0.6)	\$ (1.0)
Insurance Premium	\$ 3.3	\$ (0.2)	\$ (0.3)	\$ (0.5)	\$ (0.8)
Biz Lic	\$ 2.9	\$ (0.1)	\$ (0.3)	\$ (0.4)	\$ (0.7)
Hotel/Motel	\$ 1.6	\$ (0.2)	\$ (0.8)	\$ (0.8)	\$ (1.2)
Fines	\$ 1.4	\$ (0.1)	\$ (0.1)	\$ (0.2)	\$ (0.4)
Bldg Permit	\$ 1.0	\$ (0.2)	\$ (0.5)	\$ (0.5)	\$ (0.8)
All Other	\$ 3.6	\$ (0.2)	\$ (0.4)	\$ (0.5)	\$ (0.9)
	\$ 25.7	\$ (1.5)	\$ (3.6)	\$ (4.8)	\$ (7.7)
		-6.0%	-14.0%	-18.5%	-30.1%

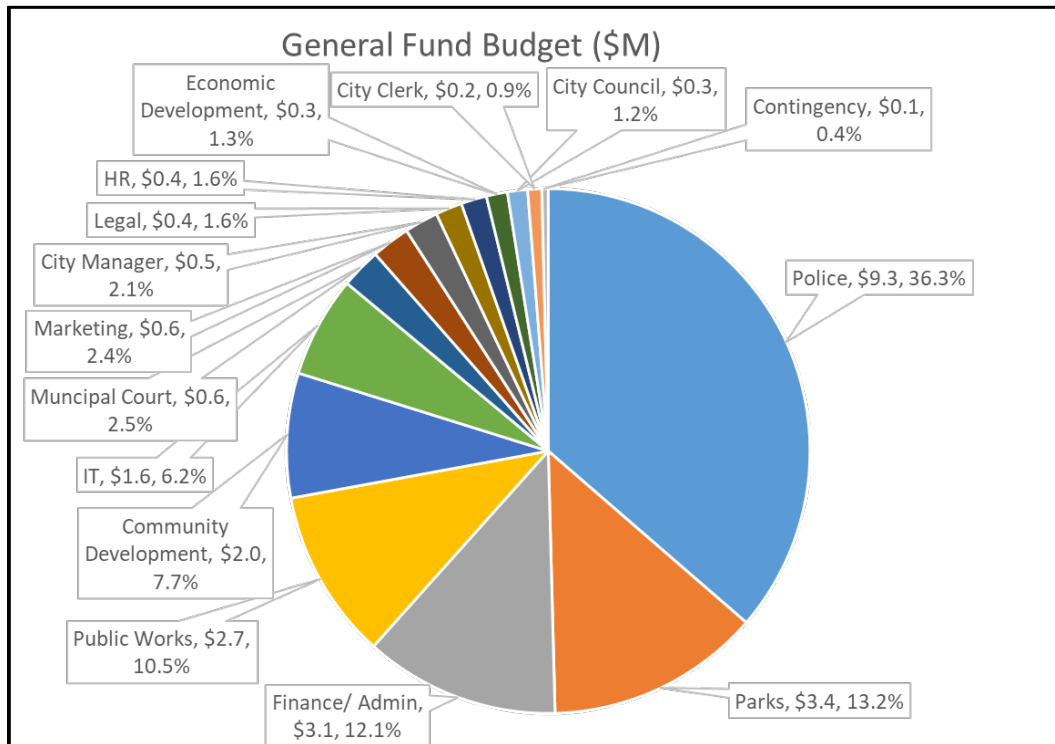
In Scenario A, all revenue categories are decreased 5%, except Hotel/Motel and Building Permits which are decreased 15%. This results in an overall decrease of about 6%. Scenario B is 10% for all categories, but 50% for Hotel/Motel and Building Permits resulting in a \$3.6 million loss or 14%. Scenario C is \$4.8 million is 19%. Scenario D is 30%.

Overall, the General Fund had an estimated \$16.8 million in fund balance to start off the year. If no expenditure constraints are implemented, the City could weather the brunt of these scenarios for the year as a whole. This, however, does not discuss cash flow issues. This is a chart



showing what this year would have been in typical circumstances. The low point is in the August time frame. All actions by the City need to focus on this dynamic with the loss of Hotel/Motel tax being the largest driving factor as that decrease has started immediately. It would push the fund balance lower than what is shown here during the year.

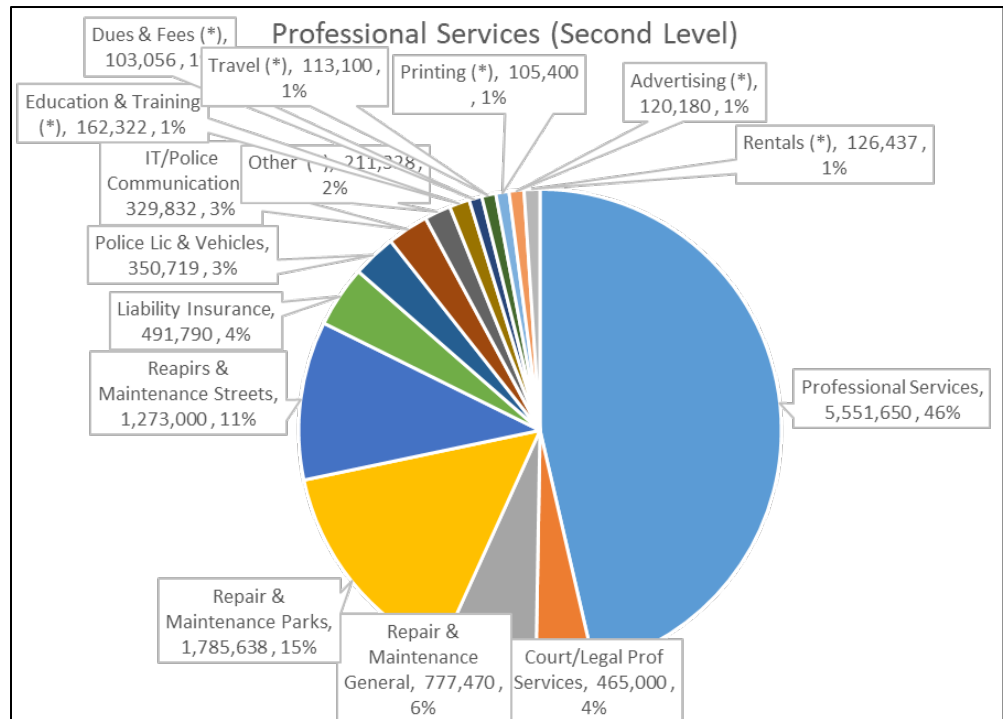
Staff is reviewing all budgeted expenditures for immediate action. To give a glimpse at where the spending is, please check the following charts. First, by department in the General Fund – the biggest departments are Police, Parks, Finance (including Facilities and Debt), Public Works, Community Development, then Information Technology. The remaining nine departments all have budgets under \$600,000 each.



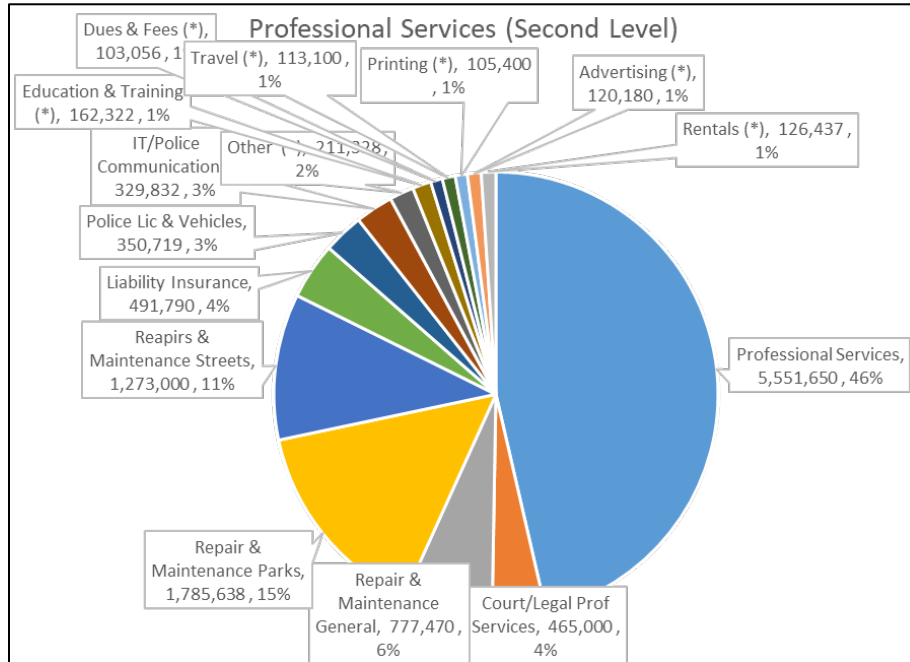
When not looking at departments, forty percent of the General Fund is salaries and benefits (\$10.3 million), the next largest category is professional services (47% or \$12.0 million) and then Supplies/Other (13% or \$3.3 million.)

Looking closer at professional services, almost half are related to the public-private partnership contracts and other contracted amounts, some are guaranteed, some not. Staff is already reviewing all contracted payments to suggest areas for control. Your next larger categories fall under repairs and maintenance for park and streets, then smaller categories such as licenses and vehicle repairs for Police.

The categories of education, travel, printing, advertising, and rentals can be drastically reduced and if those expenses can be reduced by 75% that would generate over \$700,000. If 25% of the repair and maintenance categories could be reduced that would generate another \$959,000.



The Supplies/Other category is one third utilities which have little room for reduction and about one fifth is debt payments. In the short term, the supplies for park and small supply items will be looked at each time something is purchased and the contingency could be eliminated.



At the present time, the city can weather the next few months on a cash basis along with implementing a process of reviewing each and every dollar spent.

Aside from short term issues, the City must look today into next year also. Given these previous four scenarios, this memo shows three

alternatives using each. One alternative has no spending control, one with \$1.3 million and one with \$2.6 million.

To explain each chart: It starts with an estimated starting fund balance for the year. Please note, we are still not closed with the previous financial year, but we feel this is an appropriate number for discussion purposes.



		A (5/15)	B (10/50)	C (15/50)	D (25/75)
Est Starting FB		\$ 16.8	\$ 16.8	\$ 16.8	\$ 16.8
loss in rev		\$ (1.5)	\$ (3.6)	\$ (4.8)	\$ (7.7)
<b>no exp controls</b>		\$ -	\$ -	\$ -	\$ -
Est Ending FB		\$ 15.3	\$ 13.2	\$ 12.0	\$ 9.1
Months		7.1	6.2	5.6	4.2
Use of FB		(0.7)	(1.7)	(2.2)	(3.6)
		A (5/15)	B (10/50)	C (15/50)	D (25/75)
Est Starting FB		\$ 16.8	\$ 16.8	\$ 16.8	\$ 16.8
loss in rev		\$ (1.5)	\$ (3.6)	\$ (4.8)	\$ (7.7)
<b>exp controls 5%</b>		\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3
Est Ending FB		\$ 16.5	\$ 14.5	\$ 13.3	\$ 10.4
Months		7.7	6.8	6.2	4.8
Use of FB		(0.1)	(1.1)	(1.6)	(3.0)
		A (5/15)	B (10/50)	C (15/50)	D (25/75)
Est Starting FB		\$ 16.8	\$ 16.8	\$ 16.8	\$ 17.2
loss in rev		\$ (1.5)	\$ (3.6)	\$ (4.8)	\$ (7.7)
<b>exp controls 10%</b>		\$ 2.6	\$ 2.6	\$ 2.6	\$ 2.6
Est Ending FB		\$ 17.8	\$ 15.8	\$ 14.6	\$ 12.1
Months		8.3	7.4	6.8	5.6
Use of FB		0.5	(0.5)	(1.0)	(2.4)

Going left to right you see different reductions in revenue. For each alternative, we have no expenditure controls, \$1.3 million in expense controls, and \$2.6 million. For each alternative, the City looks (under **these assumptions**) to be able to weather the year on an annual basis. Cash flow though would still have to be monitored

However, this economy is the new normal and the City needs to look ahead also at how 2021 will be handle. With that in mind, staff will follow the guidance in the Council's Emergency Ordinance 2020-03-07 and shall continue contract, budgeting, and fiscal operations in the ordinary course of business, but staff will focus on the possible areas for control of expenditures outlined in this memo while also focusing on not reducing necessary services to the public.