

City of Flagstaff Revenue Updates and Recession Plan

Work Session and
Special City Council Meeting
May 26, 2020



Discussion Framework

Special Council Meeting

May 26, 2020



- Discussion on the City of Flagstaff Economic Recession Plan
- Revenue Updates
- Local Recovery Efforts
- Path Forward
- Potential Measures-Significant Stage



Recession Plan



- Adopted Policy that identifies the action steps to address declining revenues
- Overlays and is independent to the adopted budget
- Adaptable in implementation
- Moving into the Significant stage (or higher) requires Council action
- Council action gives the City Manager direction to apply measures at that level



Revenue Updates

Budget Team focused on reviewing projections

- Continuing multiple meeting each week
- Voice of many perspectives and many economic webinars

Fiscal year 2019-20 estimates

- General Fund revenues estimated at \$1.3M below estimates
- Moderate Stage implemented April 13 administratively
- Projected expenditure reductions \$1.3M
 - Position freeze \$800,000
 - Travel & training freeze \$200,000
 - Other operating savings \$300,000
- Other future resources- Airport CARES grant reduces Airport dependency on General Fund transfer



Revenue Update



Projecting Revenues for Fiscal Year 2020-21

- Developed a multi-scenario approach to estimating
- Estimates are based on month over month projections, not just annual projections



Revenue Update

Projecting Revenues for Fiscal Year 2020-21

- **Scenario 1: Economy returns, but another COVID-19 Impact**
 - Month over month revenues estimated at 70-100% first couple months, recovers Oct-Mar, then similar reductions related to COVID-19
- **Scenario 2: Economy weak early, then recovers stronger**
 - Month over month revenues estimated at 70-100% first couple months, recovers Oct-June
- **Scenario 3: Economy weak longer and slow recovery**
 - Month over month Tourism related revenues start 50% below prior year and slowly recover to only 90%, retail 5% down versus FY2019-20 estimates
- **Scenario 4: Average of Scenario 1-3**



Revenue Update: FY 2020-21



Category	Budget Adoption	Economy Returns, Then Another COVID	Weak Economy Early, Stronger Recovery	Weak Economy, Slow Recovery	Average of 3 Scenarios	Scenario 4 Compared to Budget	
	FY 2020-21 Budget	Scenario 1 FY 2020-21	Scenario 2 FY 2020-21	Scenario 3 FY 2020-21	Scenario 4 FY 2020-21		
Sales Taxes Total	\$ 22,018,300	\$ 20,313,800	\$ 20,720,900	\$ 19,614,600	\$ 20,216,400	\$ (1,801,900)	-8.2%
State Shared Revenues							
State Shared Sales Tax	\$ 7,486,400	\$ 7,190,500	\$ 7,116,400	\$ 6,905,000	\$ 7,070,700	\$ (415,700)	-5.6%
State Shared Urban Revenue	\$ 10,669,600	10,700,000	10,700,000	10,700,000	10,700,000	30,400	0.3%
Auto Lieu Tax	\$ 3,540,900	3,381,000	3,320,000	3,201,100	3,300,700	(240,200)	-6.8%
State Shared Total	\$ 21,696,900	\$ 21,271,500	\$ 21,136,400	\$ 20,806,100	\$ 21,071,400	\$ (625,500)	-2.9%
Franchise Fees	\$ 2,471,500	\$ 2,357,900	\$ 2,414,100	\$ 2,414,100	\$ 2,395,300	\$ (76,200)	-3.1%
Building Permits	1,702,500	1,650,000	1,500,000	1,250,000	1,466,700	(235,800)	-13.9%
Property Taxes	6,967,500	6,967,500	6,967,500	6,842,500	6,925,800	(41,700)	-0.6%
Other GF Revenues	10,439,932	9,353,400	9,808,712	7,945,121	9,035,700	(1,404,232)	-13.5%
	\$ 21,581,432	\$ 20,328,800	\$ 20,690,312	\$ 18,451,721	\$ 19,823,500	\$ (1,757,932)	-8.1%
Total General Fund Revenues	\$ 65,296,632	\$ 61,914,100	\$ 62,547,612	\$ 58,872,421	\$ 61,111,300	\$ (4,185,332)	-6.4%
Change vs Prior Estimate		\$ (3,382,532)	\$ (2,749,020)	\$ (6,424,211)	\$ (4,185,332)		
% Change vs Prior Estimate		-5.2%	-4.2%	-9.8%	-6.4%		



Revenue Update



Other Funds

- BBB Funds down \$1.6M (-17%)
- Transportation Funds down \$1.5M (-7.6%)
- Highway User Tax Fund - 19% decline for March fuel sales
- ParkFlag - Average revenues loss \$105,000/month
- Other funds under review



Local Recovery Efforts



Staff will be providing additional slides for this section.



Path Forward



Lots of work from Leadership and City Staff!

- Budget adoption is needed, maximum allowable
- Leadership, Budget Team and Employee Advisory Committee will need time to develop recommendations
- Shifting expenses important for balancing
 - Airport grant and revenue opportunities, Wildland Fire Mgt
- Continue to use Priority Based Budgeting in decision making
- Monitoring of revenues and expenses
- Adaptable over the FY with quarterly updates



Potential Measures - Significant Stage

Significant Stage= 5%-10% or \$3.4M-\$6.7M Decline

- Maintain measures in Moderate Stage
- Requires strong justification for large purchases, (~\$375K-450K)
- Elimination of expenditures related to travel, meetings, and discretionary training, (~\$450K)
- Deferring a significant number of capital projects, (TBD)
- Implementation of a hiring freeze on all but essential health, safety, and welfare positions (~\$1M-\$1.5M)

Note: Information provided Illustrative Only and are only estimates related to the General Fund.

Actual impacts still to be determined.



Potential Measures-Significant Stage

Significant Stage= 5%-10% or \$3.4M-\$6.7M Decline

- Suspension or reduction of services and programs or decrease level of service in programs that are not deemed essential to the community, (TBD)
- A possible reduction of workforce with initial emphasis upon temporary, part-time, and contract employees, (TBD)
- A possible draw down of reserves may be considered, (1%= \$600,000).
- The City will consider reduction of hours and/or temporary closures of facilities and/or increases in fees to maintain services, (TBD)
- Possible deferral or postponement of salary increases (rezones, merits, COLAs and QSIs) (~\$1.1M)

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Actual impacts still to be determined.



Action on Resolution



Council Discussion

Thank you.

Questions?

