

The following is a summary of the current unrestricted fund balance. The unrestricted fund balance, as the name implies, can be spent on anything. The City also has a number restricted funds that have balances such as donations, child safety fee, court security fee, any of the bond funds, EMS reserve fund, and the water/sewer reserve fund. These restricted fund balances can only be spent on their designated uses.

#### Unrestricted Fund Balance

1. Current Unrestricted = \$15,351,285 planned to go to \$10,455,370 in current budget
  - a. Target 26% minimum = \$9,000,000
  - b. Above minimum = \$1,500,000 that is not planned to be spent at this time
  - c. 25% disaster recovery - \$8,600,00
  - d. 1% economic contingency = \$400,000

#### 2. Upcoming Large Projects/Expenses:

- a. Capital Improvement Projects = \$4,000,000 Road, Drainage Sidewalk Projects
- b. 9 positions added per FY 2019-20 Budget but delayed until Staffing Study = \$415,500\*
- c. Class & Comp Implementation = \$275,000\*
- d. Merit Increases = \$181,000\*

\* These are recurring items

Current US wide economic expectations is that the next quarter we'll have a worse market contraction than in the 2008 recession. But JP Morgan expects a larger expansion in the 3rd and a normal expansion 4th quarter. For the calendar year there is expected to be a small overall contraction. Millions of workers will be laid off through the hardest hit industries including hotels, restaurants, and airlines. Some companies are hiring for increased demand including grocery stores and delivery services but it won't be enough to offset the layoffs. Both the hiring and layoffs are said to be temporary right now, which will translate to the bounce back expected in the third and fourth quarters, with most laid off employees expected to be hired back.

For Schertz we will probably see a stop in growth for sales taxes for the end of the current FY and the beginning of next FY. For the current FY we've received an audit adjustment grant of \$266,000 as an additional lump sum payment for the General Fund that was misreported previously and we are currently over expectations by an additional \$109,000. At this time sales tax may be right on target for the overall Fiscal Year with the slow down eating up our \$375,000 gains. Next Fiscal Year with the slow down still expected for the City's first quarter, sales tax may not grow as fast as previously forecasted meaning the budget for next year may need to be adjusted by \$40,000.

Staff will keep an eye on the additional shutdowns that were announced and revise estimates as necessary. The largest difficulty is staff will not know the exact impact on sales taxes for another 2 months when we'll get the March sales tax payment.

A bigger concern will be the loss of investment income. Normally the City's investment return follows the federal funds rate which was slashed to near zero, just like in the 2008 recession. However, interest rates are not dropping as the Fed expected. At least not yet. Interest rates are rising instead and we are caught in the middle. Our investment accounts have dropped in return but not to the levels of 2008. For the current year that means the City would be out by \$150,000, down from our first estimate of \$300,000. As the economy recovers we may see interest rates drop to their intended levels and the City will need to make up the \$300,000 revenue reduction in the next FY.

There could be options for the City to invest in some longer term securities to help offset this loss. Staff will be exploring these opportunities while balancing the need to keep cash on hand.

The City has also closed the Civic Center and other facility rentals. Staff is first trying to find another date for events but is offering full refunds if the customer chooses. The longer this goes on the more this will affect the City and staff is currently estimating 1/4th loss of revenue or \$50,000. The civic center is still very booked for the year so if this clears up the impact could be minimal.

Initially the Court was expected to have a minimal impact as the cancelation in Court days only delays when the City will collect on those fines as it did not waive any fees or fines on defendants. However, with the reduced traffic on the roads and fewer citizens active in the community, fewer citations are being issued with could decrease revenue from the Court by an estimated \$82,000. Additional decreases could be seen the longer this event goes on.

Permits issued 14 single family permits and 3 new commercial permits yesterday and have not seen a big slow down yet. Construction crews can still be seen working in the City. But staff will keep an eye on these to see any impacts and will update the projections at that time.

Overall the City's revenue projections for the Current FY are a loss of \$282,000 that will need to be made up in reduced or delayed expenses to stay on target. \$150,000 from investments, \$50,000 from Civic Center, and \$82,000 from Court shortfalls.

The two biggest questions are when will the current state of affair (restaurants, gyms, schools shut down) and when and to what degree the economy will recover.