

July 23, 2020

Item No. 4.1.

Budget Amendment #2 amending Ordinance No. 4128 which will amend the budget for the 2019-2020 Fiscal Year

Sponsor: Mary Ellen Leonard, Director of Fiscal Services

Reviewed By CBC: City Council

Agenda Caption: Public Hearing, presentation, discussion, and possible action on Budget Amendment #2 amending Ordinance No. 4128 which will amend the budget for the 2019-2020 Fiscal Year by various amounts in substantially all funds, with the exception of the enterprise funds, due to the impact of the COVID 19 pandemic.

Relationship to Strategic Goals:

1. Financial Sustainability
2. Core Services and Infrastructure

Recommendation(s): Staff recommends the City Council approve Budget Amendment #2 as presented.

Summary: The proposed budget amendment is to decrease the FY20 budget appropriations by various amounts in substantially all funds due to the impact of the COVID 19 pandemic. Enterprise funds (Electric, Water, Wastewater, Solid Waste and Northgate Parking) were not impacted by the pandemic and have no adjustments in Budget Amendment #2.

The charter of the City of College Station provides for the City Council to amend the annual budget in the event that revenues are not available to cover planned appropriations after holding a public hearing on such budget amendment. Due to the significance of the changes to multiple funds, detail related to budget amendment #2 is reflected in the proposed FY20-21 budget document in the column marked as FY20 Year-End Estimate. The FY20 Revised Budget reflects the original FY20 Budget plus Budget Amendment #1, which was approved on February 10, 2020. A summary of the changes is also included with the ordinance.

Budget & Financial Summary: The City has adjusted resources so it can reasonably expect to cover the reduced appropriations in this budget amendment. If approved, the net revised budget appropriations will be reduced for fiscal year 2020 to \$341,917,573.

Reviewed & Approved by Legal: No

Attachments:

1. FY20 Budget Amendment #2 Ordinance
2. Memo - Budget Amendment #2

ORDINANCE NO. _____

AN ORDINANCE (BUDGET AMENDMENT #2) AMENDING ORDINANCE NO. 2019-4128 WHICH WILL AMEND THE BUDGET FOR THE 2019-2020 FISCAL YEAR AND AUTHORIZING AMENDED EXPENDITURES AS THEREIN PROVIDED.

WHEREAS, on September 26, 2019, the City Council of the City of College Station, Texas, adopted Ordinance No. 2019-4128 approving its Budget for the 2019-2020 Fiscal Year; and

WHEREAS, on February 10, 2020, the City Council of the City of College Station, Texas, adopted Budget Amendment #1 amending the 2019-2020 Budget; and

WHEREAS, this amendment was prepared and presented to the City Council and a public hearing held thereon as prescribed by law and the College Station City Charter, after notice of said hearing having been first duly given; now, therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF COLLEGE STATION, TEXAS:

PART 1: That Ordinance No. 2019-4128 is hereby amended by amending the 2019-2020 Budget adopted thereto by a net amount of (\$5,490,546) as further detailed in the proposed 2020-2021 year end estimates incorporated herein for funds and purposes.

PART 2: That this Budget Amendment #2 shall be attached to and made a part of the 2019-2020 Budget.

PART 3: That except as amended hereby, Ordinance No, 2019-4128 shall remain in effect in accordance with its terms.

PART 4: That this ordinance shall become effective immediately after passage and approval.

PASSED and APPROVED this _____ day of _____ 2020.

ATTEST:

APPROVED:

City Secretary

Mayor

APPROVED:

City Attorney



1101 Texas Ave * College Station, TX 77842 *
(979) 764-3823
WWW.CSTX.GOV

INTEROFFICE MEMORANDUM

TO: THE FILES
FROM: MARY ELLEN LEONARD, CPA, DIRECTOR OF FISCAL SERVICES
SUBJECT: FY20 BUDGET AMENDMENT #2 – COVID 19 EFFECT
DATE: JULY 23, 2020
CC:

FY 20 BUDGET AMENDMENT #2

The proposed FY20 Budget Amendment #2 is to decrease the FY20 budget appropriations by various amounts primarily due to the impact of the COVID 19 pandemic. Enterprise funds (Electric, Water, Wastewater, Solid Waste and Northgate Parking) were not currently impacted by the pandemic and reflect no adjustments in Budget Amendment #2.

Due to the magnitude of the changes involved as well as the timing of the preparation of the following year's proposed budget, the changes that are incorporated as FY20 Budget Amendment #2 are presented in detail in the FY21 Proposed Budget that was presented to Council on July 23, 2020. Details of changes incorporated into FY20 Budget Amendment #2 are presented in the FY20 Year End Estimate column for the affected fund as opposed to the Revised Budget column.

Exhibit A to this memo details the revenue and expense impact of Budget Amendment #2 by fund. Net revised budget appropriations for FY20 will be \$341,917,573 after this Amendment.

FY 20 GENERAL FUND YEAR END ESTIMATE CHANGES - (\$1,552,960) (Budget Amendment)

Revenue Reductions

The stay-at-home orders enacted by the Governor in March of 2020 and the subsequent economic shut down have impacted multiple revenue streams of the City. The current estimated revenue loss is between \$3 million and \$6 million.

- Sales Tax
 - Prior to COVID 19 the City's sales increased year over year by 2.42% overall and this revenue source had exceeded budget by \$1.78%.
 - March sales tax was below budget by 7.54%. April's sales tax was below budget by 18.50%.
 - Data analytics work initiated at the start of the pandemic indicated that our sales tax could be down from 10% to 20% per month for the remainder of the fiscal year, resulting in a \$2.9 million to \$4.7 million loss in sales tax.

- Parks & Recreation
 - This department is the most affected by the stay-at-home orders. All spring and summer departmental programs have been cancelled resulting in a revenue

loss of approximately \$813,000 from programs and \$81,000 from facility rentals.

- Municipal Court
 - The stay-at-home orders, closing of the Court, and lack of telecommuting equipment for this group has resulted in an estimated \$800,000 revenue reduction. Virtual court establishment in April has reduced loss to \$611,000. Court re-opened to the public using State Supreme Court guidelines on May 11, 2020.
- Miscellaneous Receipts
 - Reduction in the Federal Funds rate has reduced anticipated interest earnings by \$78,000.
 - Prior to COVID, the City sold land in its business park for a gain of \$1,500,000 which is helping to offset the revenue losses.

Expense Reductions:

To mitigate the impact of the revenue losses, the City has implemented the following strategies:

- A hiring freeze of approximately 35 to 40 positions as well as departmental expense reductions in overtime, supplies, professional services, temporary help, travel and training has resulted in an estimated expense savings of \$3.3 million. There are two custodian positions for the new police station netted into the hiring freeze impact.
- Elimination of the Other Employee Benefit (OPEB) Trust for one year has resulted in savings of \$862,000 to the General Fund.
- The Roadway Maintenance Fund, which is a separate Special Revenue Fund currently has a fund balance of approximately \$500,000. Moving \$475,000 of road repair expense to that fund from the General Fund will also result in a savings to the General Fund.
- With all spring and summer departmental programs cancelled, the Parks and Recreation department eliminated program expenses totaling \$680,000.

Fund Balance Reductions:

The budgeted FY20 unassigned fund balance reserve percentage approved by Council September 27, 2019 is 25.43%. We currently anticipate possibly using the fund balance for required sales tax accrual adjustment as well as up to \$625,000 for additional community relief if needed. However, through Budget Amendment #2, we are anticipating that we have implemented enough mitigation strategies to preserve the budgeted fund balance percentage in the general fund.

FY 20 HOT TAX – COVID 19 EFFECT - (\$4,412,586) (Budget Amendment)

Revenue Reductions

Prior to Covid 19, the hotel industry in College Station was experiencing 54% occupancy of its approximately 4,280 rooms. Tax collection averaged approximately \$500,000 per month and we were on target to make the FY20 budgeted revenues of \$5.7 million.

The hotel industry has been dramatically impacted by the stay-at-home orders enacted by the Governor in March of 2020. Tax revenue has plummeted by 30% for April sales and 88% for

May. To assist the hotel industry with the economic impact, the City permitted a deferral of tax payments until December 2020. As of June 24, 19 hotels have asked for a deferral of tax payments totaling \$106,000.

Expense Reductions

To mitigate the impact of the revenue losses, the City has implemented the following strategies:

- Experience Bryan College Station will be brought in-house and become a division of the City's Economic Development department beginning August 1, 2020, where the budget is being evaluated regarding expense reductions.
- Sports Tournament revolving expenses and special event expenses have been eliminated totaling \$410,000.
- Planned capital projects in this fund are included in assigned fund balance. Construction and equipment expenses for Southeast Park of \$6.6 million that were budgeted in FY20 have been deferred. In order for this fund to retain the required 18% working capital, Council will need to consider the elimination of one or both of the planned capital projects (Veteran's Park Final Phase or Southeast Park).

FY 20 OTHER FUNDS

1. Parkland Dedication Project Funding - \$435,068 (Budget Amendment)

Parkland Dedication funds are appropriated as funds become available and projects are identified throughout the year. The appropriate zone to appropriate funds is a function of the development process and therefore not projected prior to receipt. Appropriated funds will be added to existing planned projects in order to fund those without incurring additional debt.

2. Roadway Maintenance Fund - \$475,000 (Budget Amendment)

A part of the COVID 19 mitigation strategies discussed with Council on June 11, 2020 Public Works moved \$475,000 of planned street maintenance from the General Fund to the Roadway Maintenance Fund. This amendment will allow the FY20 planned street maintenance to occur. This is a special revenue fund with no fund balance requirement.

3. Memorial Cemetery Fund \$150,000 (Funds Transfer)

A transfer of \$150,000 from the Memorial Cemetery Fund to the Parks CIP Fund to cover costs for the Cemetery Maintenance Shop project.

EXHIBIT A
 FY 20 Budget Amendment #2
 Effect by Fund

	Increase (Decrease) in		<u>Total</u>
	<u>Revenues</u>	<u>Expenses</u>	
Total Appropriations per page 31 of FY20 Budget Book			341,163,652
FY20 Budget Amendment #1 - Council meeting 2/10/20		6,244,467	6,244,467
Revised Budget included in FY21 Proposed Budget	-	6,244,467	347,408,119
FY20 Budget Amendment #2			
General Fund	(3,267,094)	(4,820,054)	(1,552,960)
Hotel Tax	(2,864,088)	(7,276,674)	(4,412,586)
Parkland Dedication Funds	435,068	435,068	-
Cemetery Funds	-	150,000	150,000
Roadway Maintenance Fee Fund	-	475,000	475,000
Governmental Capital Funds	150,000	-	(150,000)
Subtotal All Funds - Budget Amendment #2	(5,546,114)	(11,036,660)	(5,490,546)
FY20 Revised Budget after Budget Amendment #2	(5,546,114)	(4,792,193)	341,917,573