

# City of Santa Rosa Long-Range Forecast Update for COVID-19 Recession

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April 22, 2020

Management  
Partners



# Management Partners Serves Only Local Government Clients Nationwide, Including California's Largest Cities

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years

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Management Partner is a full service local government consulting firm. We have extensive experience with strategic planning, fiscal modeling and budget solution development.

# Long-Range Fiscal Model Project

## 1. Impartial Outside Review

Provide expert “second opinion” based on 38 years of forecasting experience

We have developed over 30 fiscal models for local agencies

## 2. Identify Factors Driving Forecast

Spending levels largely controlled by City  
Economic factors beyond City’s control

20-year forecast  
Historical context  
Budget-to-actual

## 3. Create Fiscal Model and Baseline Forecast

Model is robust, flexible, dynamic and transparent  
Improves forecast credibility

Baseline projections  
Alternate scenarios

# Fiscal Environment is Challenging

## Issues in Common With Other Agencies

- Coping with COVID-19/recession  
*[see following sections]*
- Continuing revenue gap
- Wage pressures
- Demands for new housing
- Absorbing pension cost increases over next 11 years
- Deferred maintenance funding needs

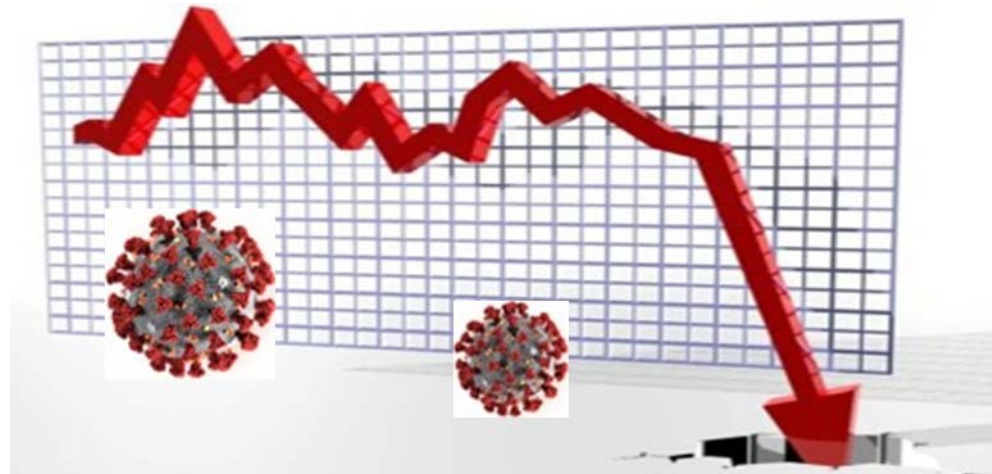
## Special Issues for Santa Rosa

- Fire recovery impact on local revenues
- Carryover appropriations share of General Fund Balance
- Expiration of three local 0.25% sales taxes in 2025 to 2027
- Shift of real property transfer tax revenue to Housing Authority
- Volatility of interdepartmental personnel cost charges and reimbursements

# Overview of COVID-19 Forecast Update

- First we look at the impact of COVID-19 on the economy
- Next we walk you through each of the General Fund revenue sources, how they are modeled (assumptions), and their importance to the overall forecast, with comparisons to the Great Recession
  - FY20 easier to estimate because of economic shutdown for last 3.5 months of FY
  - FY21 is the challenge: how much of that year
- Then we look at other factors affecting the forecast (pension, fire rebuild, reserve levels)
- Finally we summarize the baseline forecast (highest revenue loss), and also show alternatives with lower levels of revenue loss, and the impact of potential federal assistance

# COVID-19 Economic Background

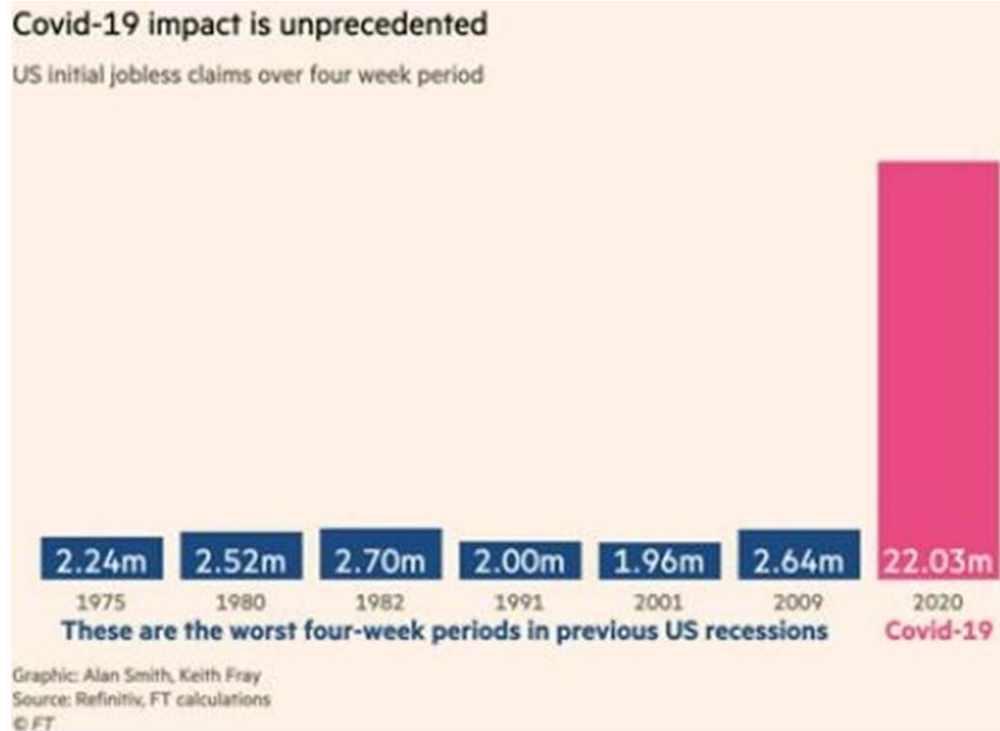


# CA Legislative Analyst's Take

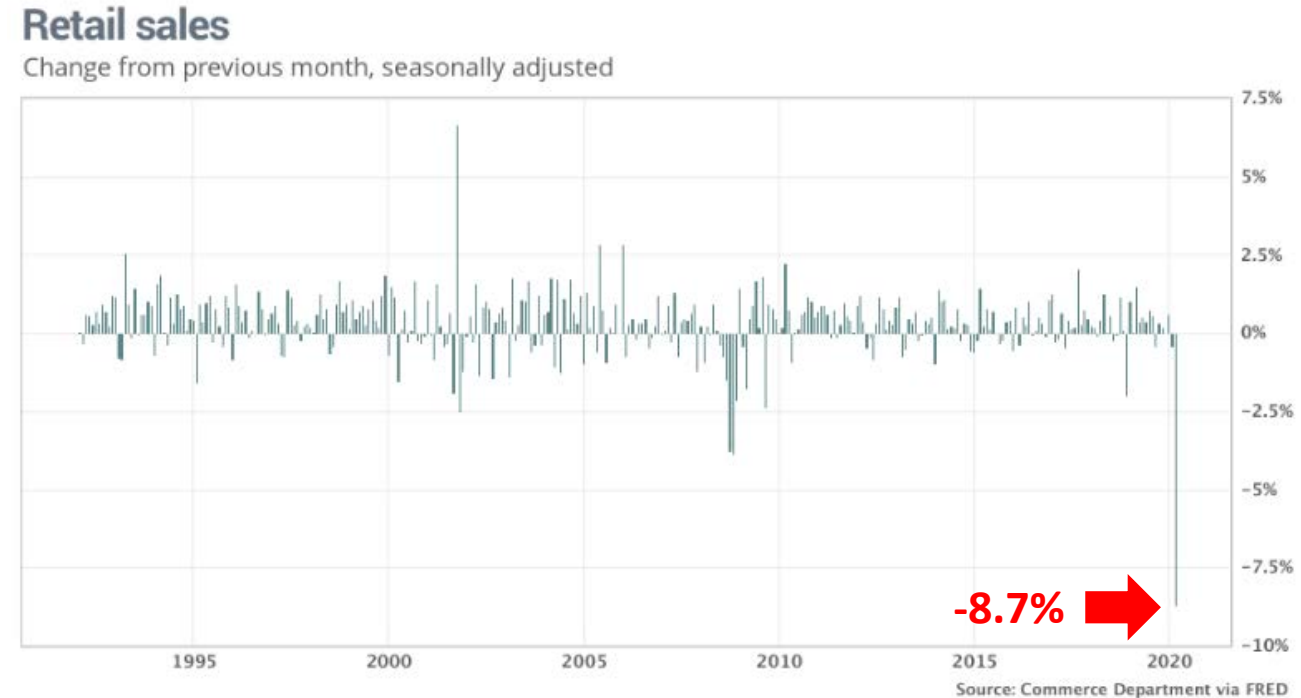
- We have entered a recession, and it will impact at least FY 19-20 and 20-21
- Fiscal impact “will likely” exhaust historically high State reserves
- Shape of recession will either be “U” shaped or “L” shaped, depending on trajectory of virus
  - Best case – Restrictions lifted late spring or early summer and economic activity rebounds
  - Worst case – Restrictions linger or are lifted too soon spurring virus rebound
- Degree and efficacy of Federal stimulus are key to mitigation



# Unemployment Spike, Retail Sales Plummet



Nearly 22 million new unemployment claims were filed in the past month, shattering past highs; actual unemployed likely higher



Retail sales plunged a record 8.7% in March, more than double the biggest one-month decline during the Great Recession



# Gloomy April 2020 Sales Tax Forecast from HdL



## Autos/Transportation

1Q20 -12.0% | 2Q20 -55.0% | 2020/21 -6.3%



## General Consumer Goods

1Q20 -15.0% | 2Q20 -45.0% | 2020/21 -2.5%



## Building/Construction

1Q20 -7.0% | 2Q20 -40.0% | 2020/21 -0.1%



## Restaurants/Hotels

1Q20 -10.0% | 2Q20 -60.0% | 2020/21 -6.5%



## Business/Industry

1Q20 -15.0% | 2Q20 -30.0% | 2020/21 -5.4%



## State and County Pools

1Q20 15.0% | 2Q20 10.0% | 2020/21 7.3%



## Food/Drugs

1Q20 5.0% | 2Q20 5.0% | 2020/21 2.0%

HDL CONSENSUS FORECAST - APRIL 2020

## STATEWIDE SALES TAX TRENDS

 TOTAL 1Q20 -7.5% | 2Q20 -36.1% | 2020/21 -1.5%



## Fuel/Service Stations

1Q20 -10.0% | 2Q20 -50.0% | 2020/21 0.0%

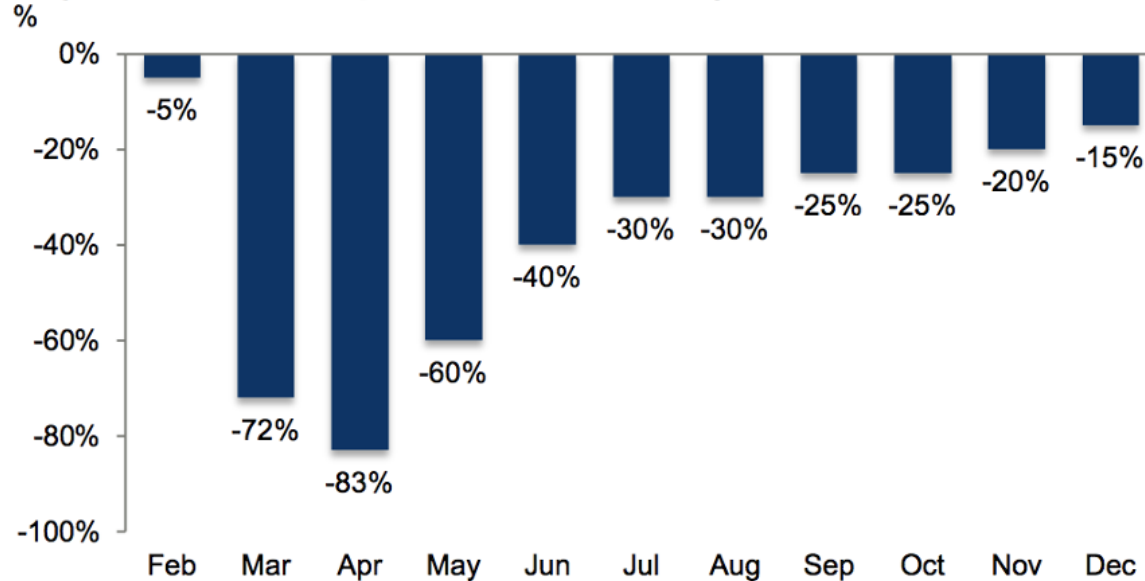
Good news!  
Wayfair decision revenues help offset losses in other areas.



- HdL has revised their forecast downward twice in April as retail conditions have worsened

# Travel Industry Reeling

Projected COVID-19 impact on tourism industry revenue

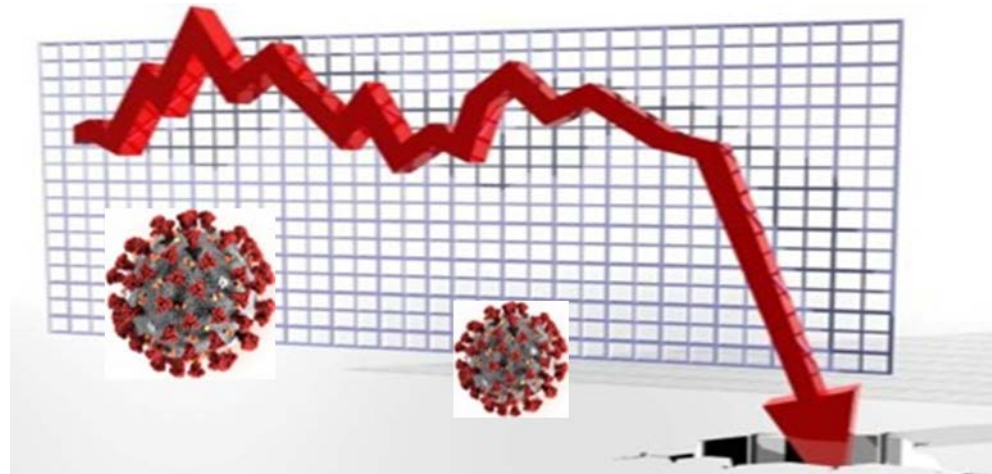


Source: Oxford Economics

Source: Forbes (4/1/2020)

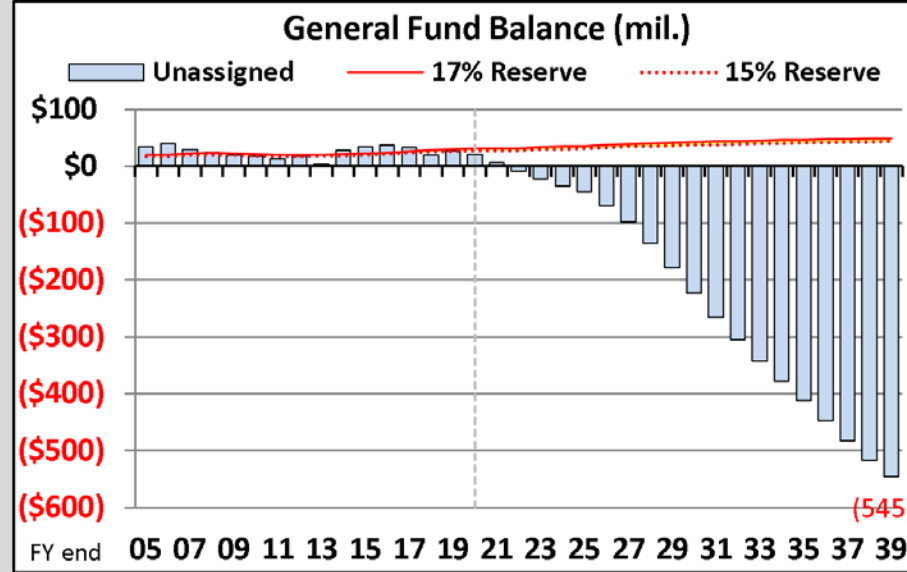
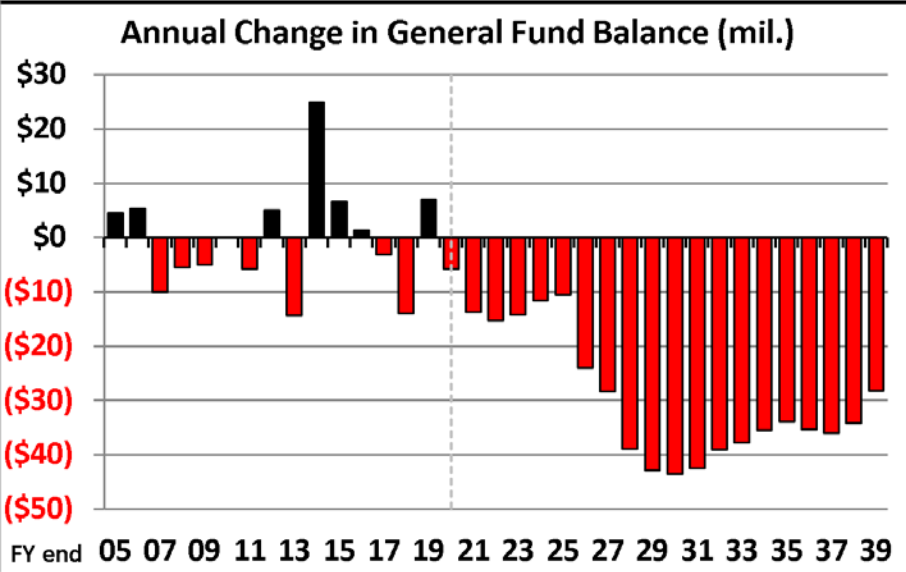
- \$400 billion decline in travel spending in the U.S. translates to total economic loss of \$910 billion in economic output in 2020; seven times the 9/11 impact
- Travel sector revenue will average 78% below normal in March and April
- Declines expected to lessen in the summer as travel restrictions are loosened
- However, losses will continue through the rest of the year

# Santa Rosa COVID-19 Recession Forecast



# Overview of Santa Rosa Dashboard

## SANTA ROSA LONG-RANGE FORECAST MODEL



FY20-26 Rev Loss: \$74.4M    FY20-39: -\$43.5M peak    -\$28.6M avg

<b>Economy</b> STRONG <b>MODERATE</b> WEAK	<b>Development</b> HIGH <b>MODERATE</b> LOW	<b>COLAS</b> NONE 1.5% <b>2.0%</b> 2.5%	<b>FTE Add</b> NONE 1.00 per year <b>2.00 per year</b> 4.00 per year
<b>Inflation</b> 1.5% <b>2.0%</b> 2.5%	<b>Budget Cuts</b> FY21 NONE -\$3M -\$5M -\$10M -\$15M -\$20M	<b>Dept Adds</b> FY21 NONE \$1M \$2M \$3M \$4M \$5M	<b>Capital</b> \$0.0M \$1.9M <b>\$5.0M</b> \$8.0M \$10.0M

<b>Measure O-GF</b> <b>0.25% EXPIRES 2025</b> 0.25% RENEW 6 YRS 0.25% ONGOING	<b>Measure P-GF</b> <b>0.25% EXPIRES 2027</b> 0.25% RENEW 10 YRS 0.25% ONGOING 0.5% FY21-10 YEARS 0.5% FY21-ONGOING 0.5% FY27-ONGOING	<b>Measure N-Police/Fire</b> <b>0.25% EXP 2025-NO CUTS</b> 0.25% RENEW 10 YRS 0.25% RENEW 20 YRS 0.25% ONGOING 0.25% EXPIRES 2025-CUTS
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Double-click if already highlighted in blue  
Title is red if variable changed from default

**Shortcut Keys**  
Ctrl-a goto Assumptions  
Ctrl-d goto Development  
Ctrl-k goto Display  
Ctrl-l goto Charts  
Ctrl-y goto Impact Calc

**Goto Charts**

- SHORTFALL**
- PENSION
- INFLATION
- RECESSIONS
- TAXES
- REV & EXP
- HOUSING
- PERSONNEL
- EXPENSES
- STAFFING
- SOLUTIONS
- LIABILITIES

**Rescale Charts**

Shortfall:	10yr	20yr
Max	30	30
Min	-50	-50
Unit	10	10
Fund Bal:	10yr	20yr
Max	50	100
Min	-200	-600
Unit	50	100

**Scenarios**

- BASELINE**
- CUT EXPENSE
- NEW REVENUE

**City Hall Bonds:**

City Hall Cost	\$0M
Bonds Issued	FY 22
Bond Term	30 yrs
Bond Rate	3.00%
GO Bond?	0
Debt Service	\$0.0M
Issue Bonds?	NO

**Recession Impact**

RECESSION    start FY20  
NO RECESSION    8-yr cycle

**Magnitude**    **Duration**

MILD    12 Mo  
**MODERATE**    18 Mo  
STRONG    24 Mo  
SEVERE    36 Mo

use Covid19 for FY20 impacts

**Chart View**

10-YEAR  
**20-YEAR**

Ribbon Toggle    Col-Row Toggle

Impact Reset    Goto Impact

Show All GF Cols

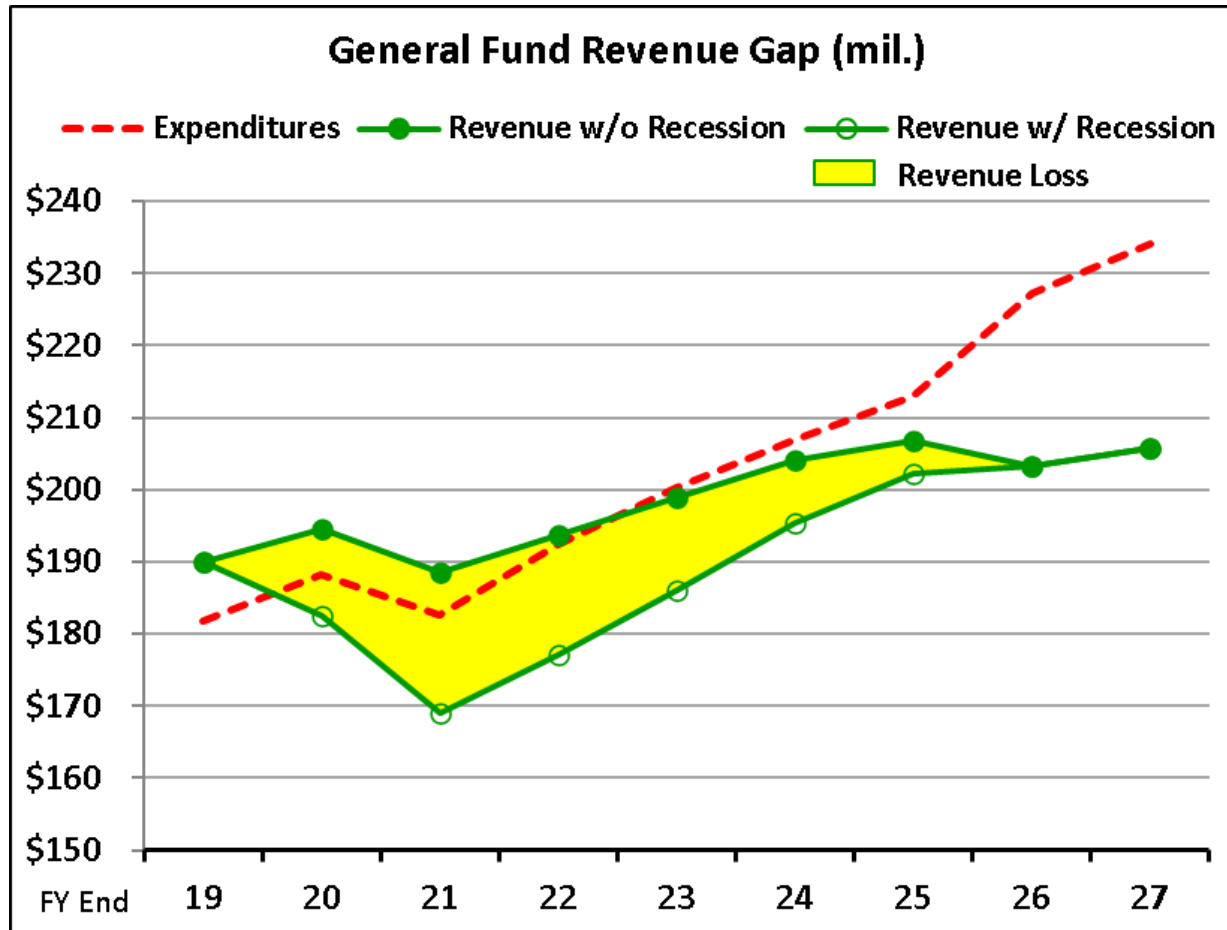
**Discount Rate & Return**

MAINTAIN 7%	FY19	6.7%
<b>6% OVER 20 YEARS</b>	FY20	-5.0%
6% OVER 10 YEARS	FY21	12.0%
	FY22-29	6.2%

**Fiscal Capacity**

OFF  
**ON**

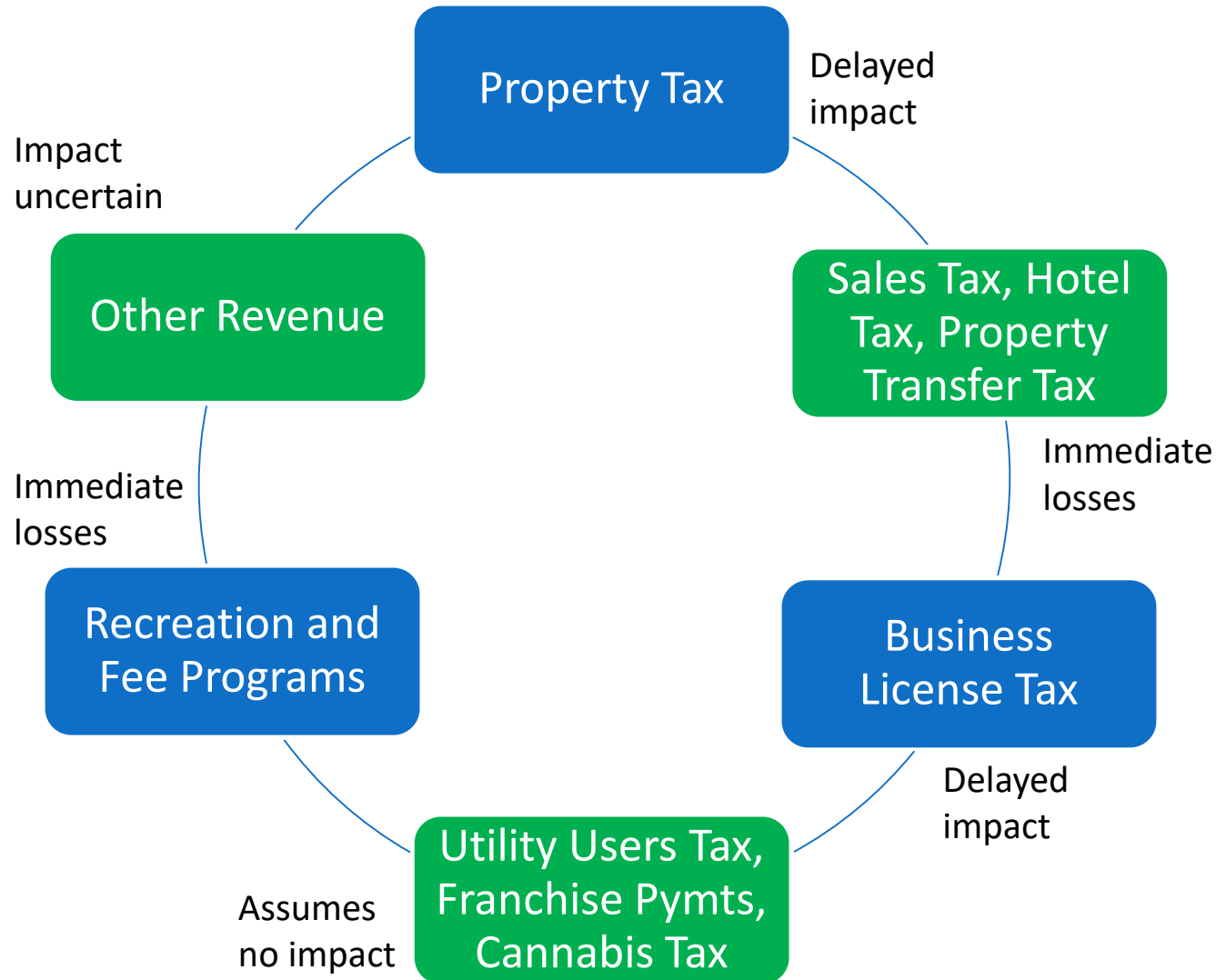
# Projected General Fund Revenue Loss of \$74M Over 6 Years



- Significant revenue losses are assumed in FY20 and FY21, with a recovery over the next four years, for total loss of \$74M over six years
- Sudden economic shock in FY 19-20 analogous to 9/11 impact, but COVID-19 impacts will last much longer
- Different drivers to COVID-19 impacts than during the Great Recession, but following slides compare current situation to that recession, to provide context



# Revenue Impacts Vary by Source

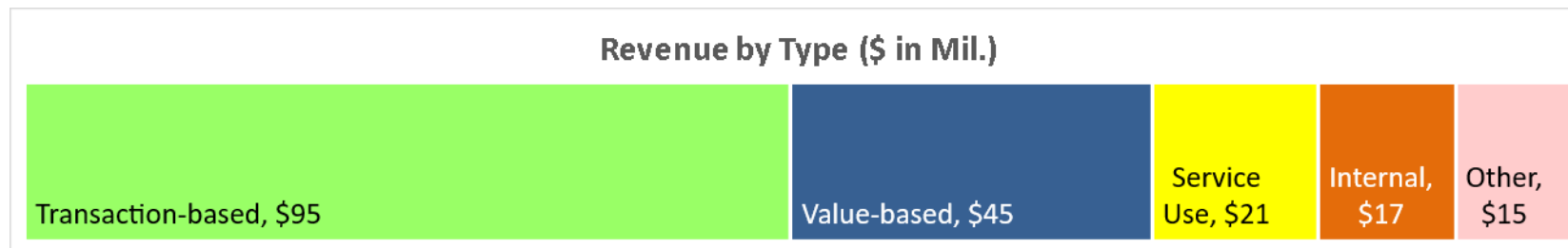


- Not all revenues affected the same way, or at all
- Different collection periods determine timing of loss

	<u>FY20 Budget</u>	<u>% of Total</u>
Property Tax	\$43.6M	21.6%
Sales/TOT/RPTT	\$71.2M	35.3%
BLT	\$4.6M	2.3%
UUT/Franchise/Cannabis	\$21.8M	10.8%
Rec & Fee Programs	\$17.7M	8.8%
Other:	\$43.0M	21.3%
Interfund Charges	\$14.1M	7.0%
Intergovernmental	\$18.5M	9.1%
Other Revenue	\$10.5M	5.2%
<b>Total</b>	<b>\$201.9M</b>	<b>100.0%</b>

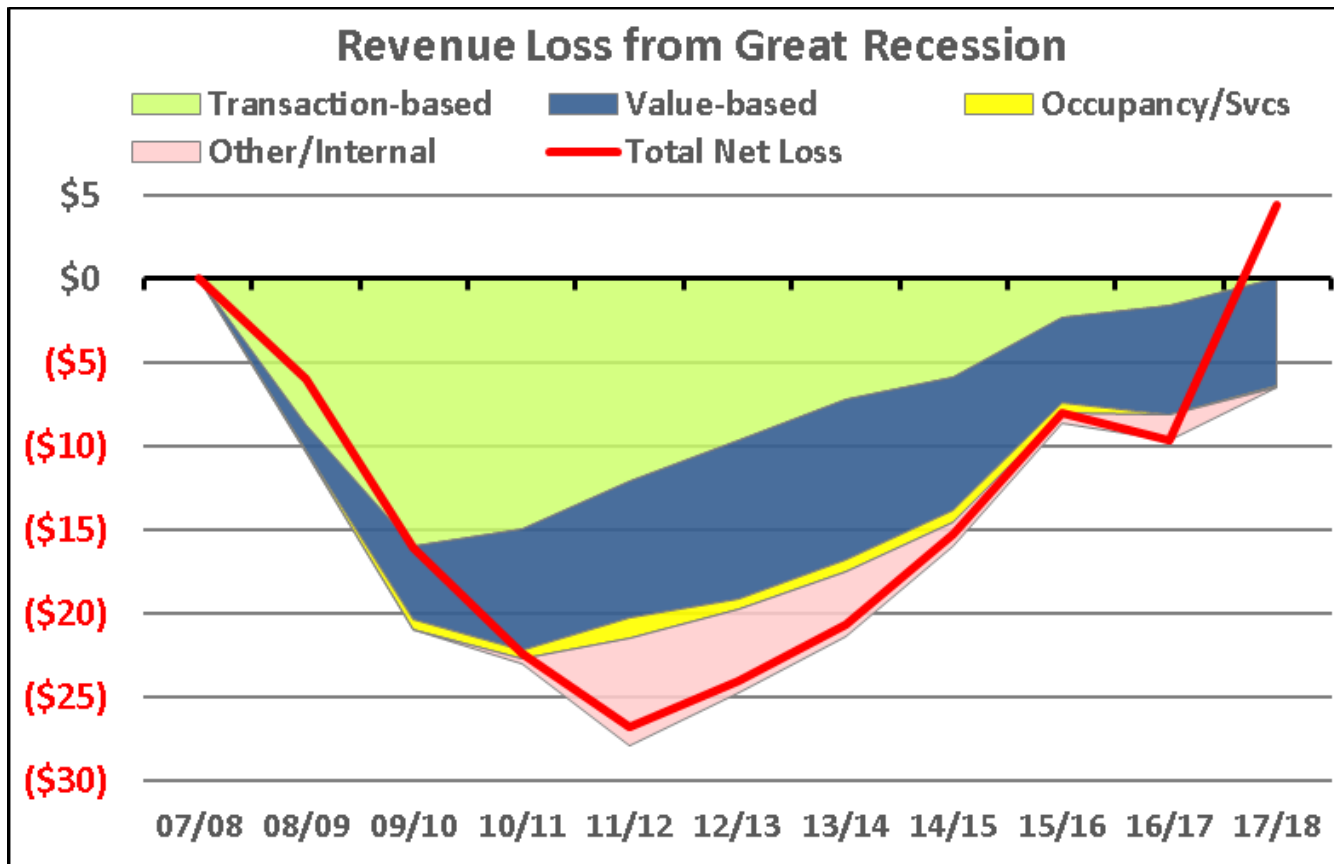
# Revenues Vary in Timing of Collection and Risk of Loss

Category	Revenue	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Transaction-based	Sales Taxes	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2	\$5.2
	TOT	\$1.3			\$1.3			\$1.3			\$1.3		
	RPTT	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3
	BLT							\$2.3	\$2.3				
	Fees/Permits	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6
Occupancy and service usage	UUT	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9
	Franchise-PG&E										\$1.5		
	Franchise-Other	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7
Value-Based	Property Tax		\$0.8				\$22.0				\$22.0		
Timing & risk of loss varies	Intergovernment	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6
	Other Revenue	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6
Internal Payments	Transfers In	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3
	Interfund Chrg	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2	\$1.2



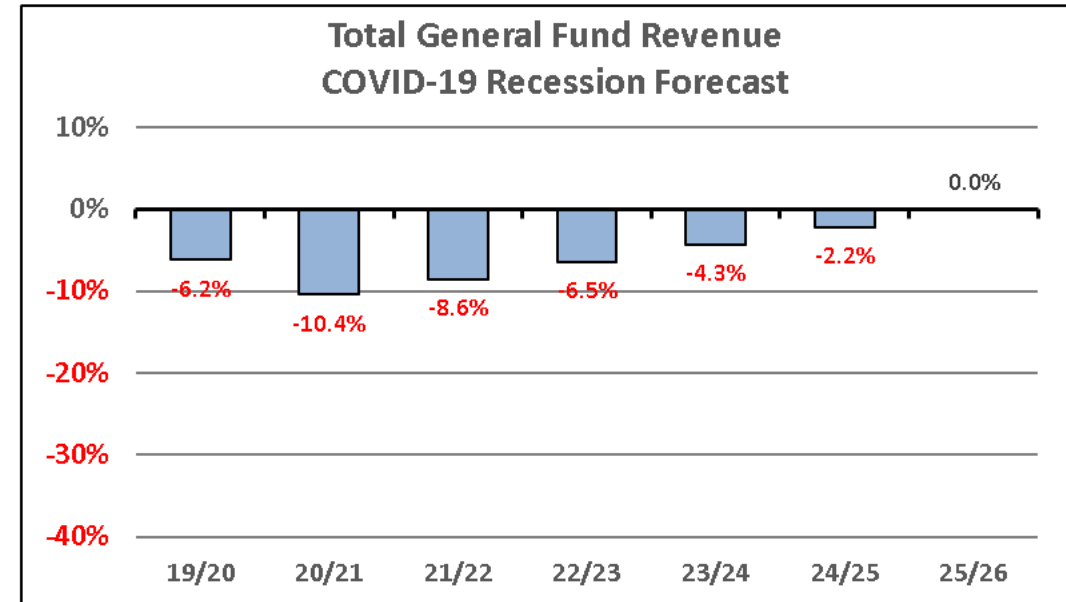
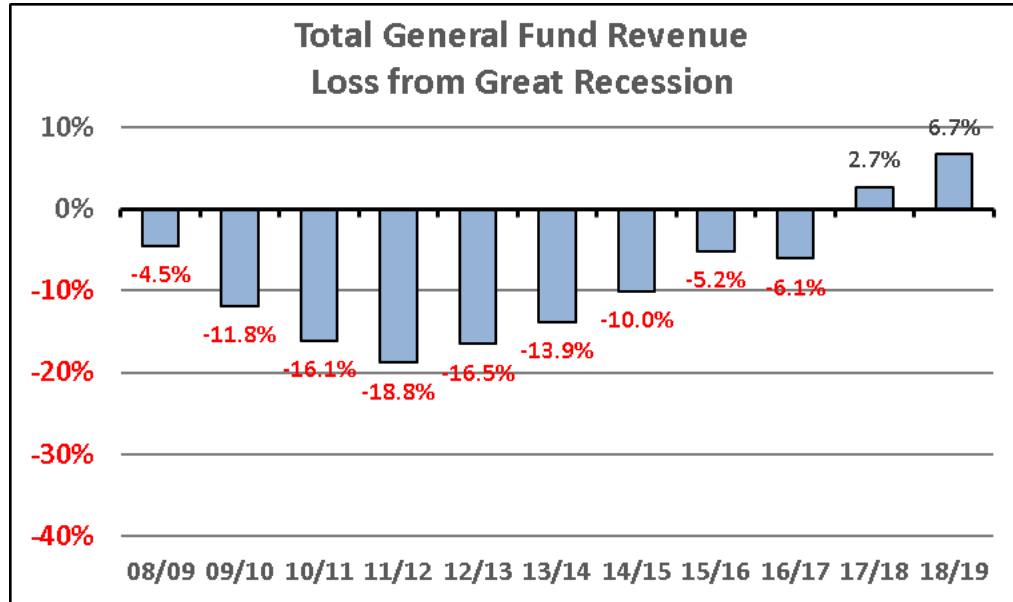


# Great Recession Revenue Loss by Type



- Transaction-based taxes were the earliest and largest losses, accounting for 45% of actual losses
- Value-based (property tax) was hit on delayed-basis, 41% of losses
- Occupancy/service-based (UUT) a minor loss at 3%
- All other (11% of loss) on delayed basis, mostly intergovernmental
- Net loss lower in early years due to added transfers in from other funds and higher interfund charges (budget strategy), and in FY18 by insurance reimbursements (Tubbs fire)

# Comparison to Great Recession: Total Revenues



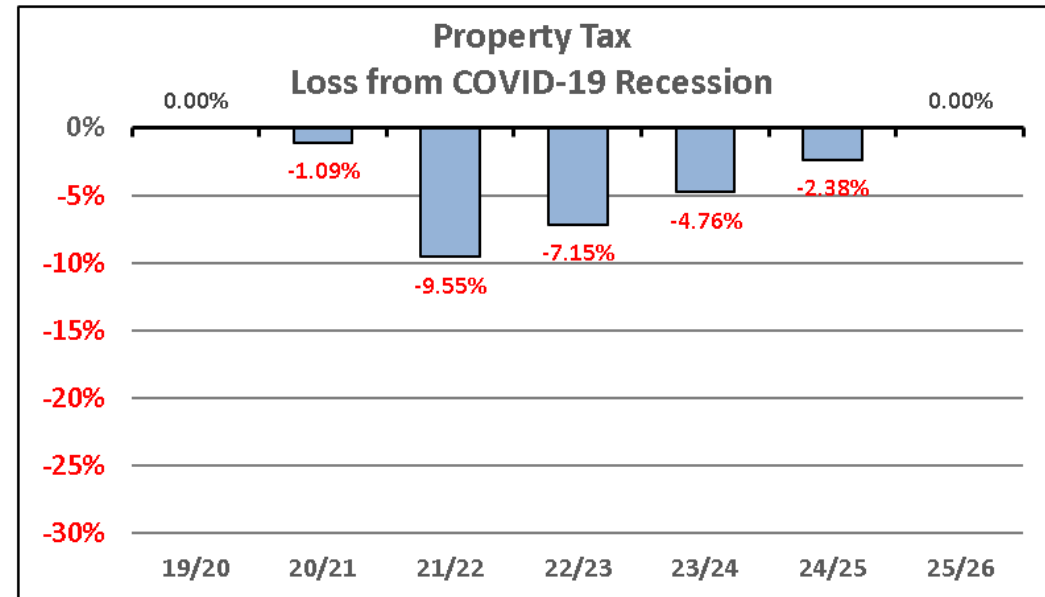
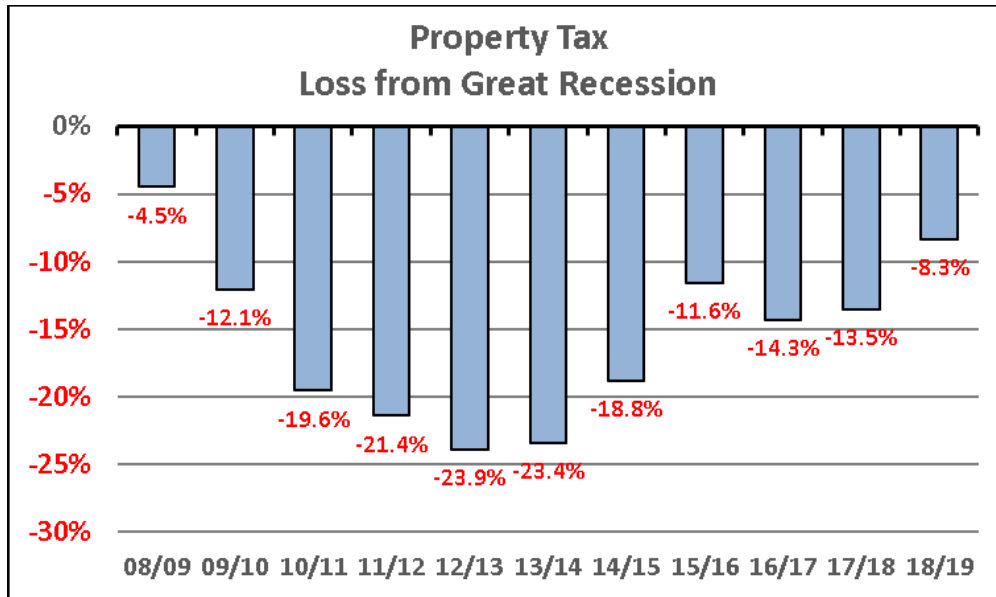
- Great Recession losses (compared to no-recession forecast) steadily ramped-up over four years, then took five more years to recover; these losses are based on estimated “no-recession” growth rates using FY 07-08 as a base
- COVID-19 forecast assumes comparable losses to Great Recession in years 1 and 2 due to virus-related economic shutdown; but lesser loss in years 3 and 4 due to much lower property tax loss assumed under COVID-19, compared to the Great Recession; assumes a four-year recovery

# Model Projects Impacts by Revenue Source and Year

Revenue Source	Amounts Show Percent Revenue is Below the No-Recession Forecast					
	4	4	3	<< Loss Option Phase-out >>		3
	SEVERE	SEVERE	HIGH	LOSSES END FY 24/25		
	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25
Property Tax	0.00%	0.00%	-9.00%	-6.75%	-4.50%	-2.25%
Property Tax-Supplemental	0.00%	-100.00%	-60.00%	-45.00%	-30.00%	-15.00%
Sales & Use Tax/T&UT	-10.00%	-15.00%	-9.00%	-6.75%	-4.50%	-2.25%
Utility Users Tax	0.00%	-5.00%	-3.00%	-2.25%	-1.50%	-0.75%
Business License Tax	0.00%	-30.00%	-18.00%	-13.50%	-9.00%	-4.50%
Transient Occupancy Tax	-20.00%	-30.00%	-18.00%	-13.50%	-9.00%	-4.50%
Property Transfer Tax	-20.00%	-30.00%	-18.00%	-13.50%	-9.00%	-4.50%
Franchise Payments	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cannabis Tax	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Intergovernmental	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fines & Forfeitures	-10.00%	-20.00%	-12.00%	-9.00%	-6.00%	-3.00%
Licenses & Permits	-20.00%	-30.00%	-18.00%	-13.50%	-9.00%	-4.50%
Community Develop Fees	-20.00%	-30.00%	-18.00%	-13.50%	-9.00%	-4.50%
Park & Recreation Fees	-25.00%	-30.00%	-18.00%	-13.50%	-9.00%	-4.50%
Other Fees & Charges	-20.00%	-25.00%	-15.00%	-11.25%	-7.50%	-3.75%
Interfund Charges	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Revenue	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Transfers In	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

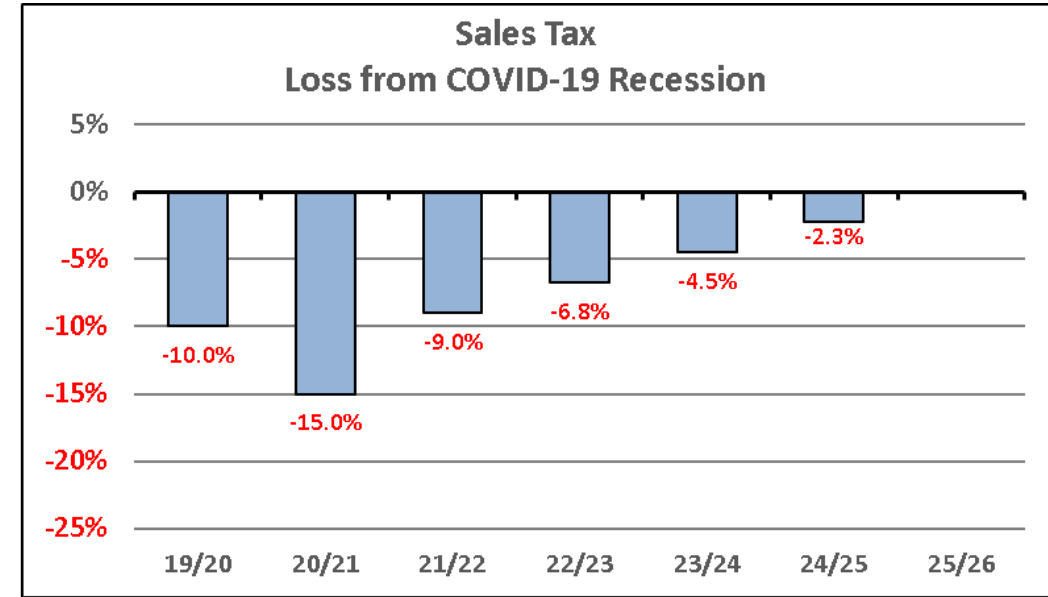
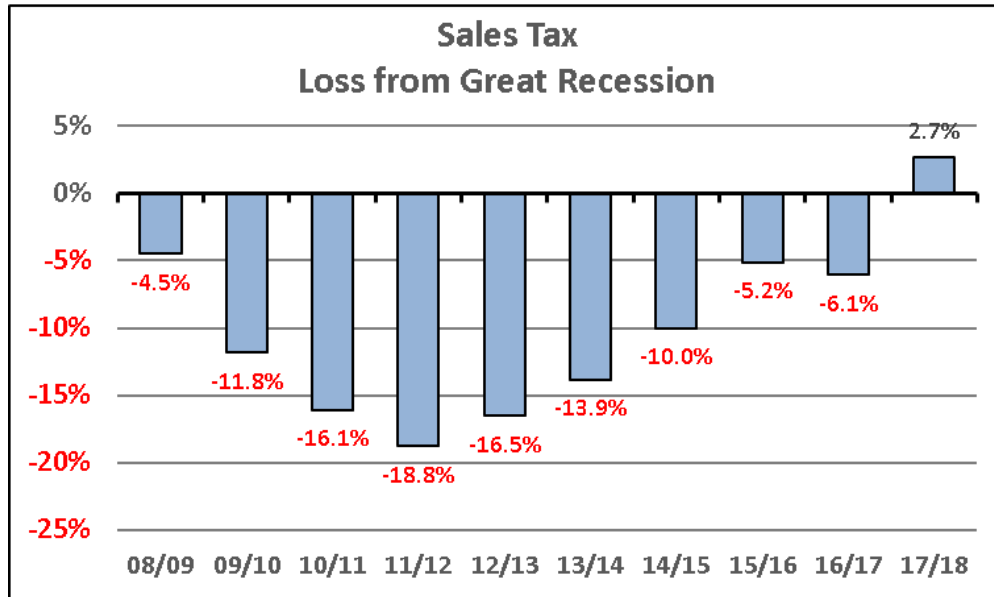
- Fiscal model reflects five possible levels of impact:
  - None
  - Low
  - Moderate
  - High
  - Severe
- We can define assumed reduction from a “no recession” forecast by revenue source, by fiscal year
- Develop alternate scenarios by changing loss magnitude by year, and set recovery period

# Property Tax



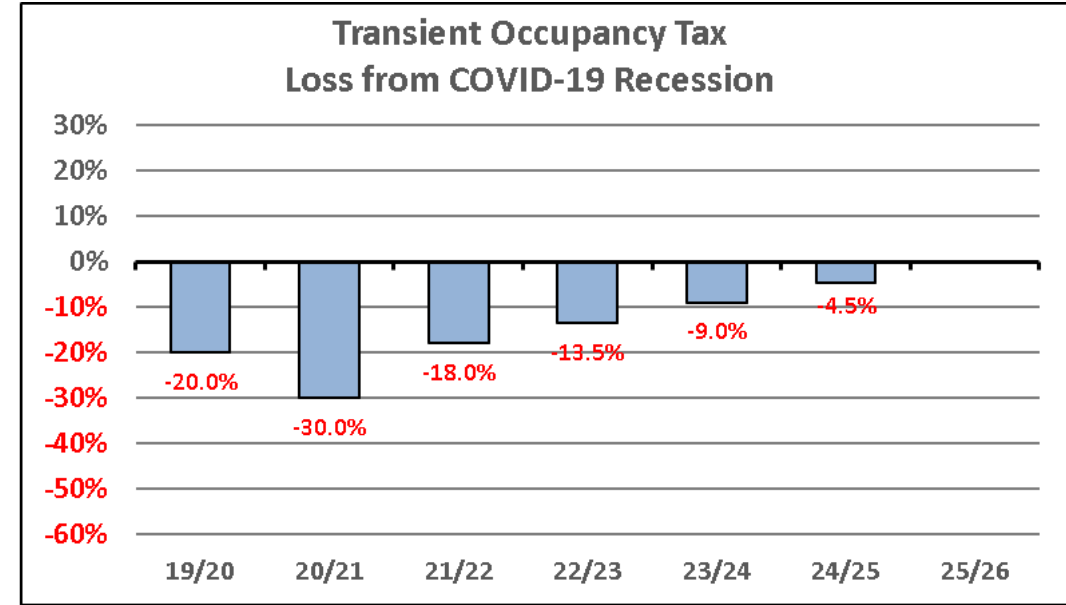
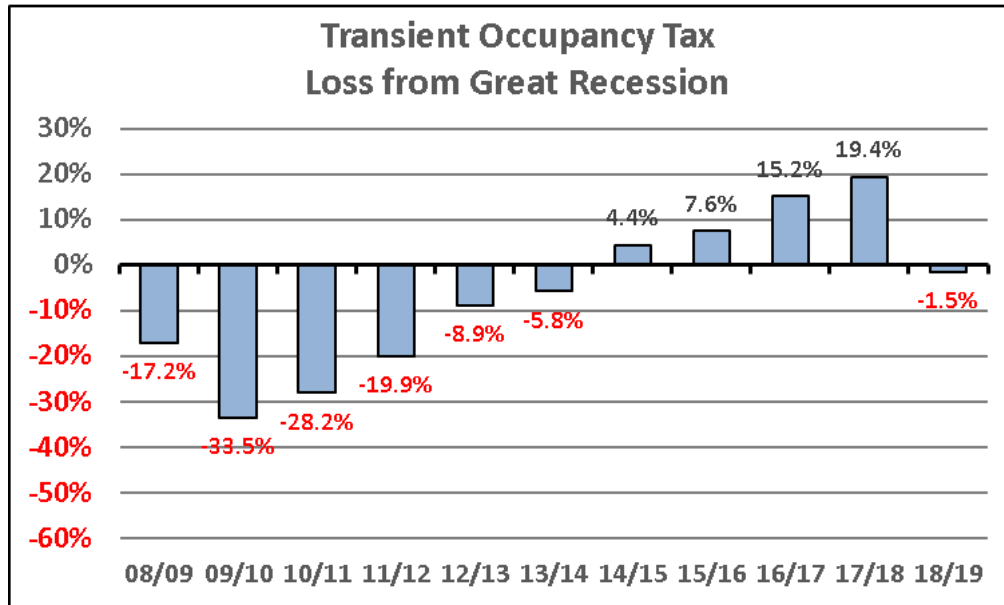
- Property tax values from 1/1/20 lien date determine values for FY21, so both FY20 and FY21 secured roll is not affected; reductions expected in supplemental roll in FY21 due to lower new construction and home sales; lower values would first be reflected in FY22
- Great Recession property tax loss is much higher due to the housing market collapse, driving a significant drop in property valuations, and very little new construction for years
- Assumes COVID-19 effect is primarily focused on fewer home sales and less new construction, with limited declines in market values compared to the Great Recession
- At 22% of GF revenues, this source could result in significantly higher loss if impact projected here is understated

# Sales Tax



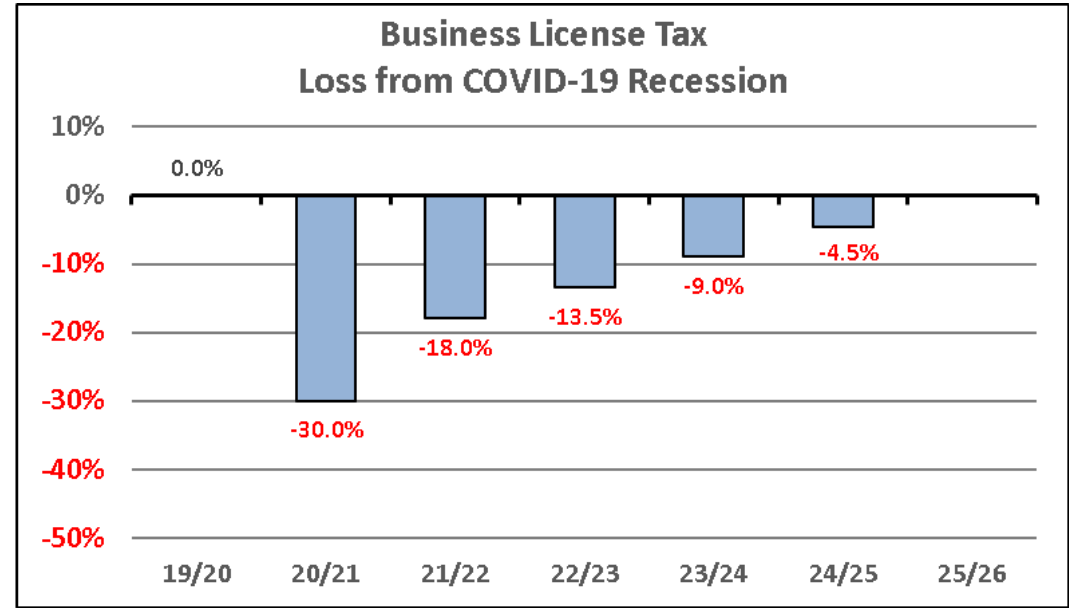
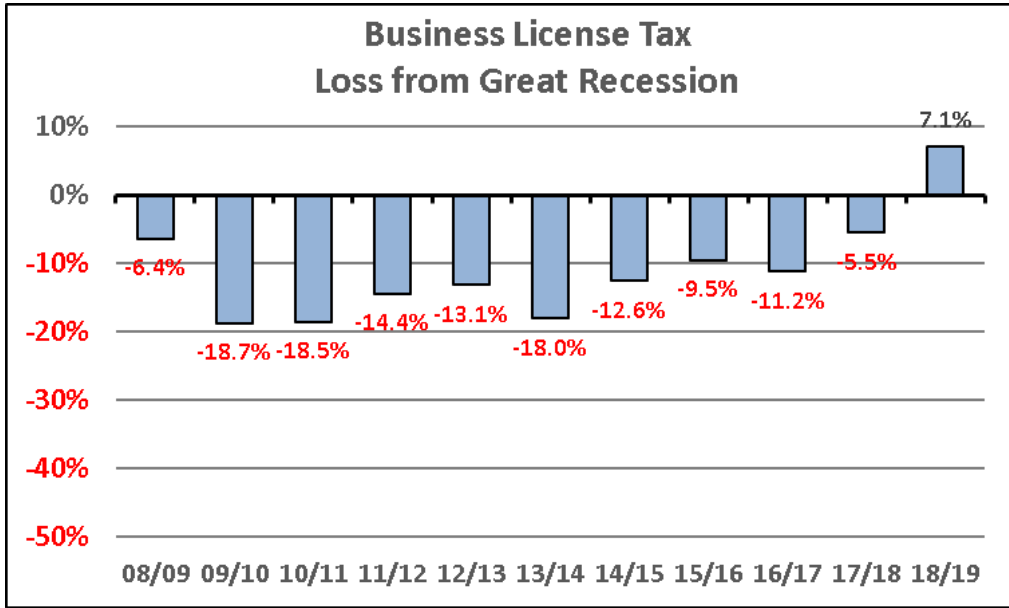
- Sales tax is affected immediately by precipitous drop in retail sales; tax payments received monthly; State’s 90-day state deferral in payments potentially affects 2,175 accounts in Santa Rosa, or \$3.54M in payments (42% of total revenue for that period); FY20 estimate based on statewide projections of losses by business sector in 1Q20 and 2Q20
- Great Recession sales tax loss was significant due to job losses and reduced income, but people still had the *opportunity* to shop, so COVID-19 initial impact is higher in year 1, with spillover effect projected in year 2
- Loss would be worse if not for higher county pool revenue growth due to the *Wayfair* decision on online sales
- At 31% of GF revenues, this source could result in significantly higher loss if impact projected here is understated

# Transient Occupancy Tax



- TOT faces immediate drop due to closure of hotels; this will be exacerbated by any TOT payment deferrals enacted
- Future business travel may be lessened as Zoom calls replace in-person meetings; conventions and large groups have been cancelled or delayed for months or until next year, and may have lower turnout when they do return; restrictions on large groups will be an issue here
- Great Recession TOT loss was surprisingly significant, as focus was on housing rather than travel
- COVID-19 impact assumes equivalent of 80% of one quarter's revenue lost in FY20, with spillover effect into FY21, and then gradual recovery
- At 3% of GF revenues, this source represents a lower risk of added losses if impact projected here is understated

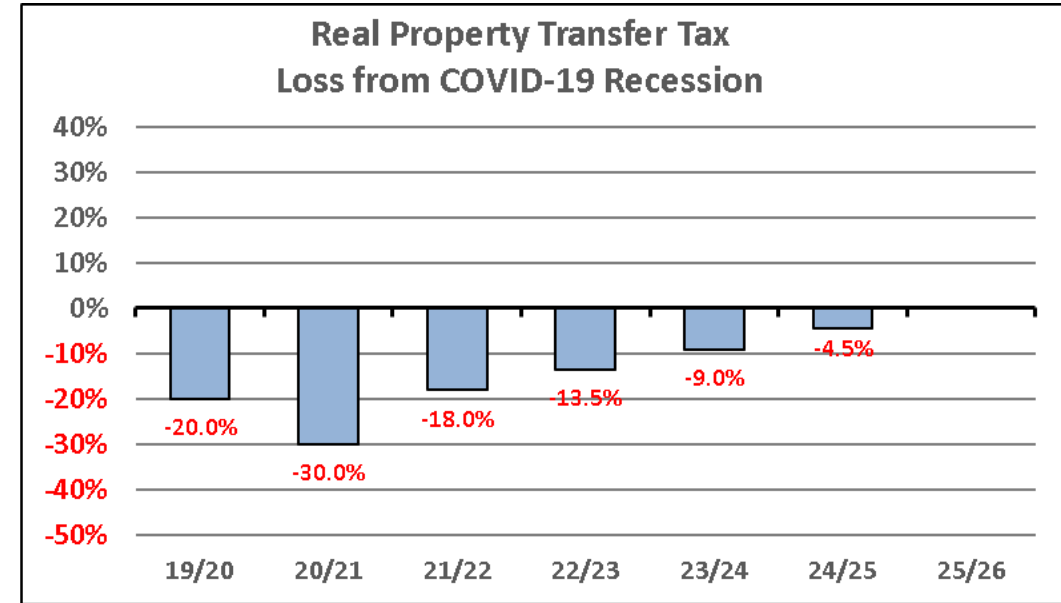
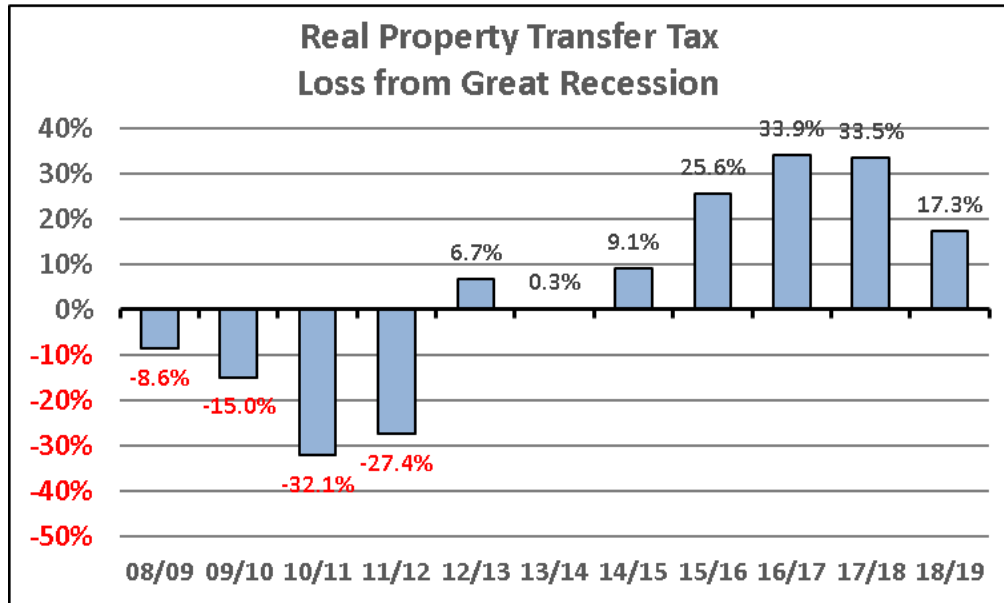
# Business License Tax



- BLT is paid annually, and FY20 is not affected, but FY21’s revenue will be affected by business closures and lower gross receipts reported by businesses that do survive
- Future business travel may be lessened as Zoom calls replace in-person meetings; conventions and large groups have been cancelled or delayed for months or until next year, and may have lower turnout when they do return; and continuing restrictions on large groups will be an issue here
- Great Recession BLT loss remained relatively high for 8 years
- COVID-19 impact assumes higher initial impact, starting in FY21, with a recovery over the next 4 years
- At 2% of GF revenues, this source represents a lower risk of added losses if impact projected here is understated

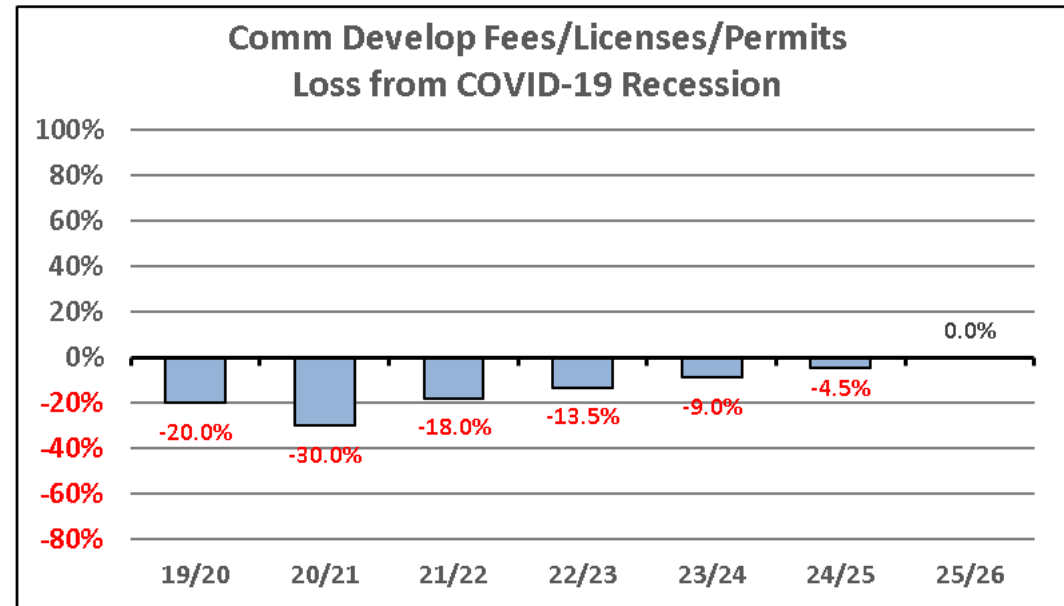
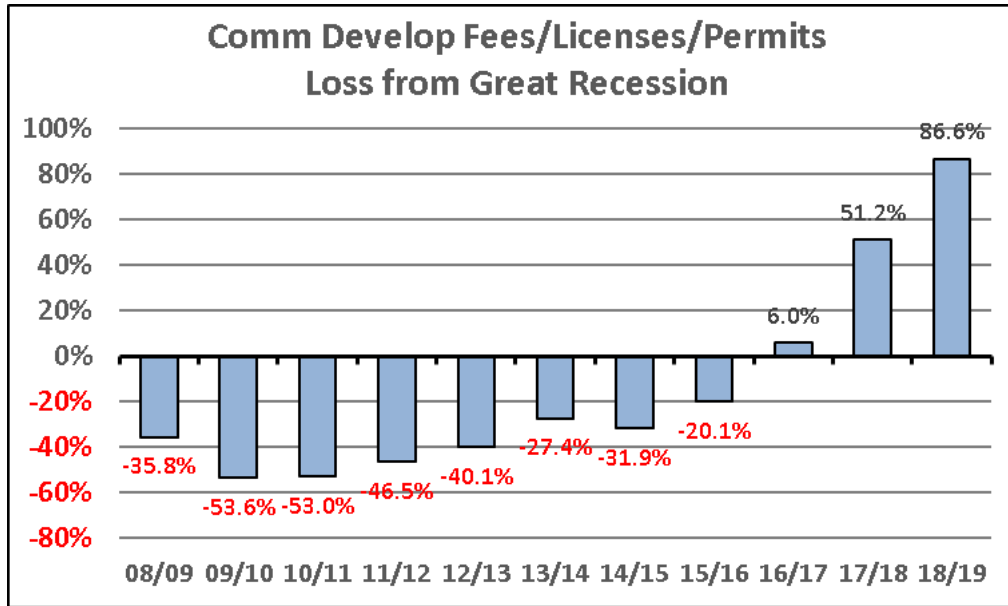


# Real Property Transfer Tax



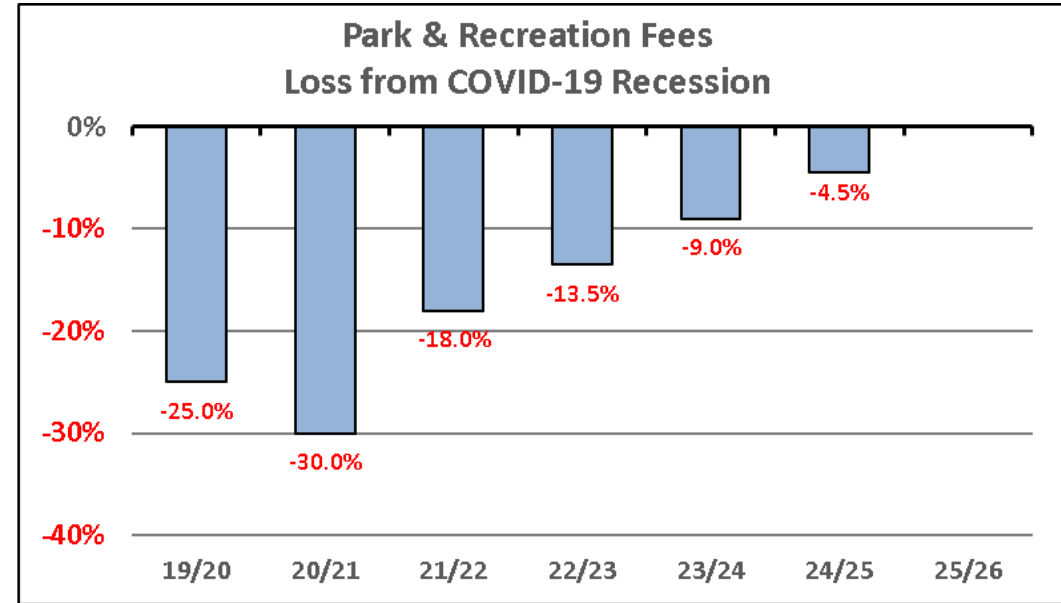
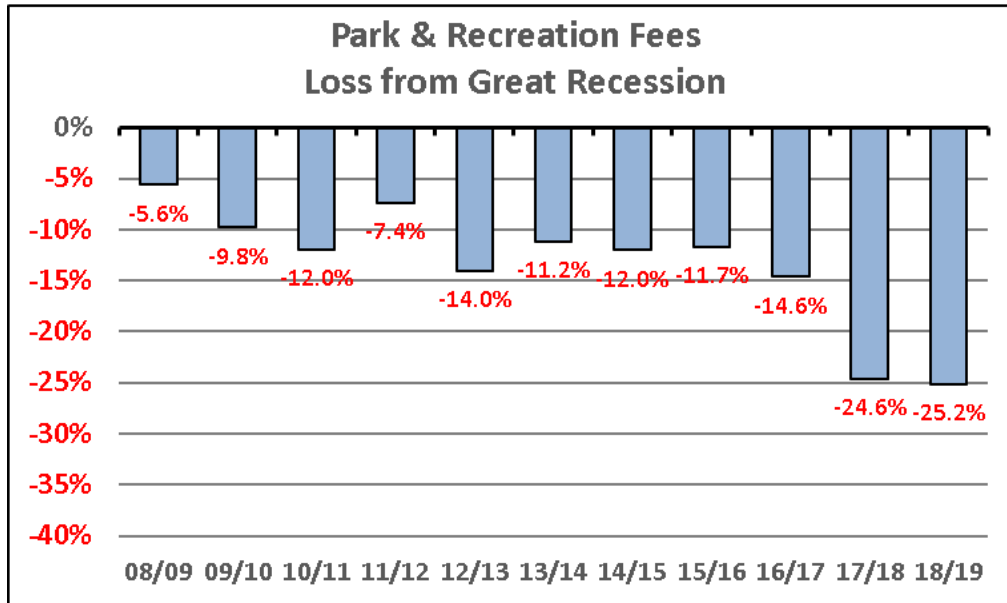
- RPTT is paid monthly by the County; new listings and home sales down 30-40% in late March; with sales down, tax loss is immediate
- City transfers amounts equivalent to RPTT to Housing Authority and the homeless shelter, so net impact depends on whether City transfers only what is received, or continues expense level regardless of RPTT revenues
- Great Recession RPTT losses grew over 3 years, but then recovered much more quickly than other revenues
- COVID-19 impact assumes equivalent of 80% of one quarter's revenue lost in FY20, with spillover effect into FY21, and then gradual recovery
- At 2% of GF revenues, this source represents a lower risk of added losses if impact projected here is understated

# Comm Develop Fees/Licenses/Permits



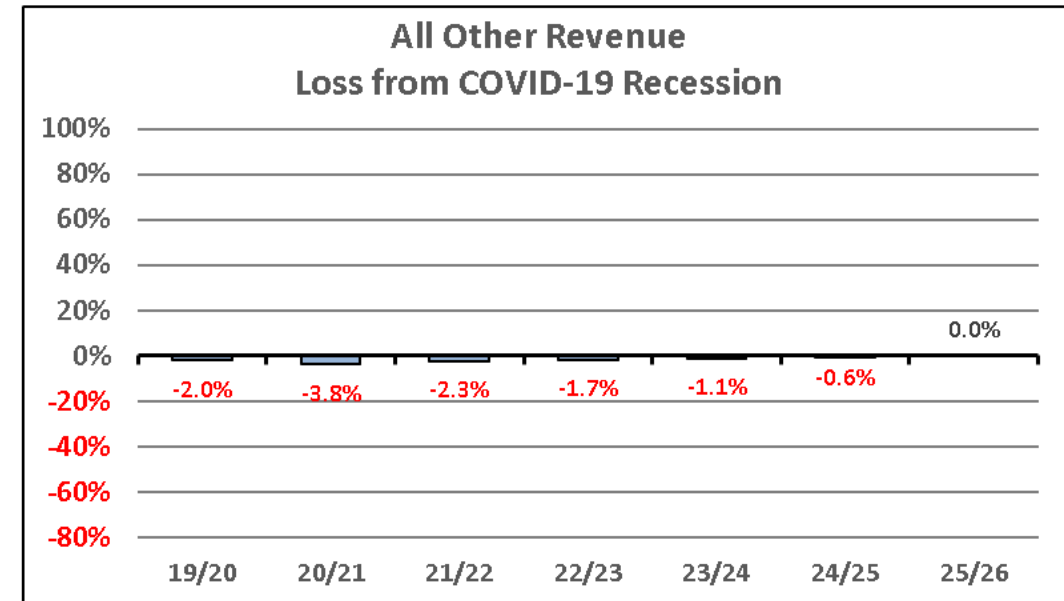
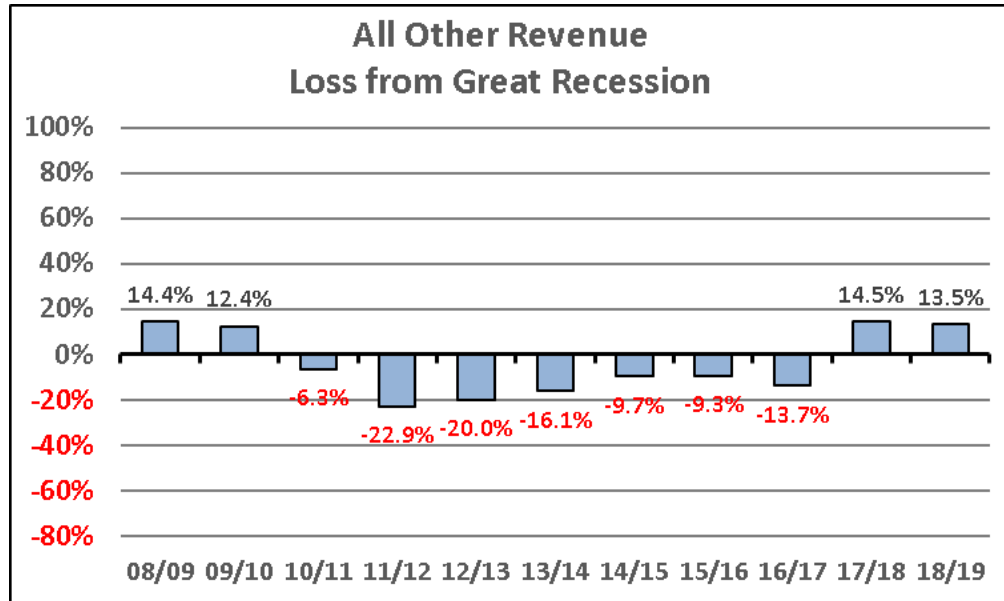
- Comm Development fees, licenses and permits are pay-as-you-go, linked to development activities; most new construction (except for fire rebuilds and affordable housing) has ceased; even when stay-at-home orders are lifted, projects may not move ahead due to financing issues, or an abundance of caution by developers
- Development fees plummeted under the Great Recession, due to the lack of new construction for several years
- COVID-19 impact assumes equivalent of 80% of one quarter's revenue lost in FY20, with spillover effect into FY21, and then gradual recovery, but at much lower level than compared to the Great Recession
- At 4% of GF revenues, this source represents a lower risk of added losses if impact projected here is understated

# Park & Recreation Fees



- Park & Rec fees are pay-as-you-go; with the “stay at home” order, these programs have ceased operations; the restrictions on meeting in groups will affect these revenues; even when orders are lifted, some former participants may be reluctant to engage in group settings, thus lowering revenues
- The Great Recession Park & Rec fee losses started gradually, and have never really recovered, although there may also be other factors at work here
- COVID-19 impact assumes equivalent of one quarter’s revenue lost in FY20, with spillover effect into FY21, and then gradual recovery; part-time costs will also go down with the temporary elimination of these programs
- At 2% of GF revenues, this source represents a lower risk of added losses if impact projected here is understated

# All Other Revenue



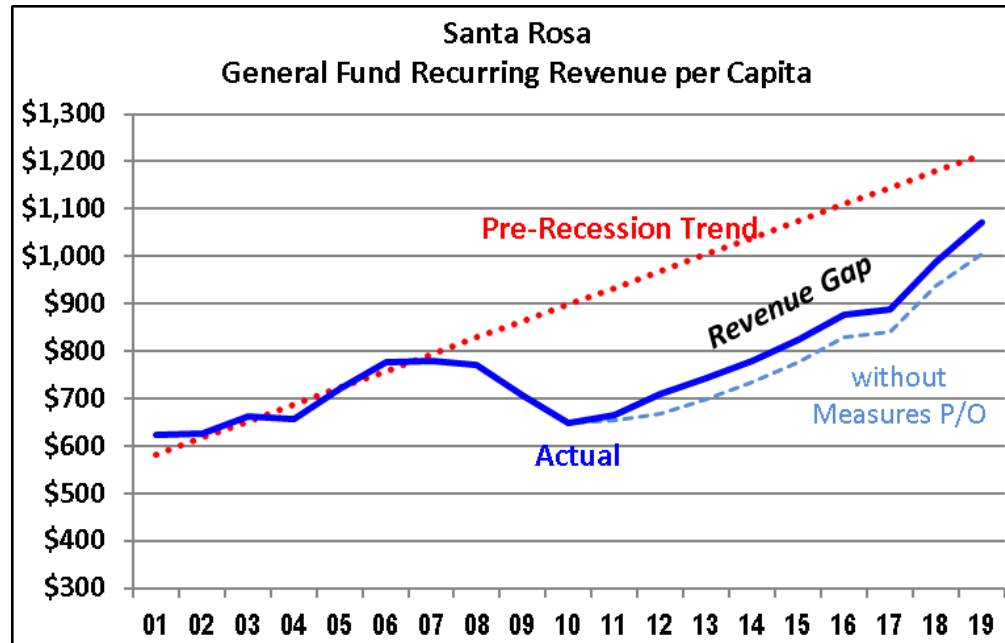
- Includes interfund charges, intergovernmental revenues, fines, interest, transfers in, and other revenue
- Difficult to draw conclusions from Great Recession; revenues initially went up, but this included sizeable transfers in from ISF and capital funds, some of which were to help balance the GF budget
- COVID-19 impact assumes minor impacts, mostly for fines
- At 23% of GF revenues, this source represents a sizeable risk of added losses if impact projected here is understated; major areas of uncertainty involve intergovernmental revenues (due to recession impacts on other agencies) and interfund charges (recession impacts on activities of City that ordinarily result in reimbursements of GF costs from other funds)

# Other Factors Affecting Forecast

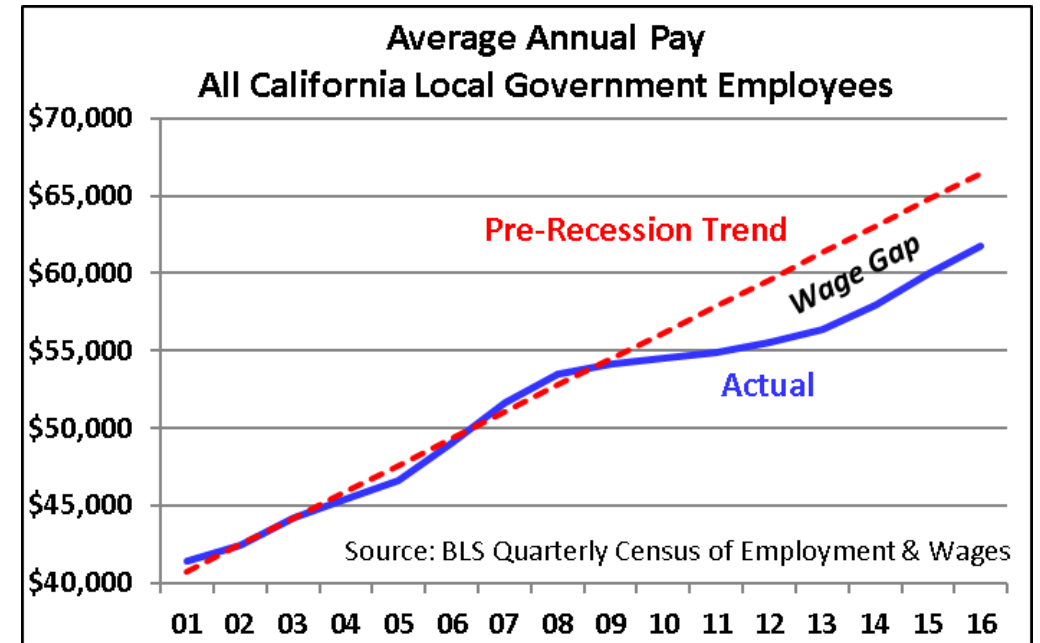


# Twin Legacies of Great Recession: Revenue & Wage Gaps

## Revenue Gap Limits Ability to Restore Services



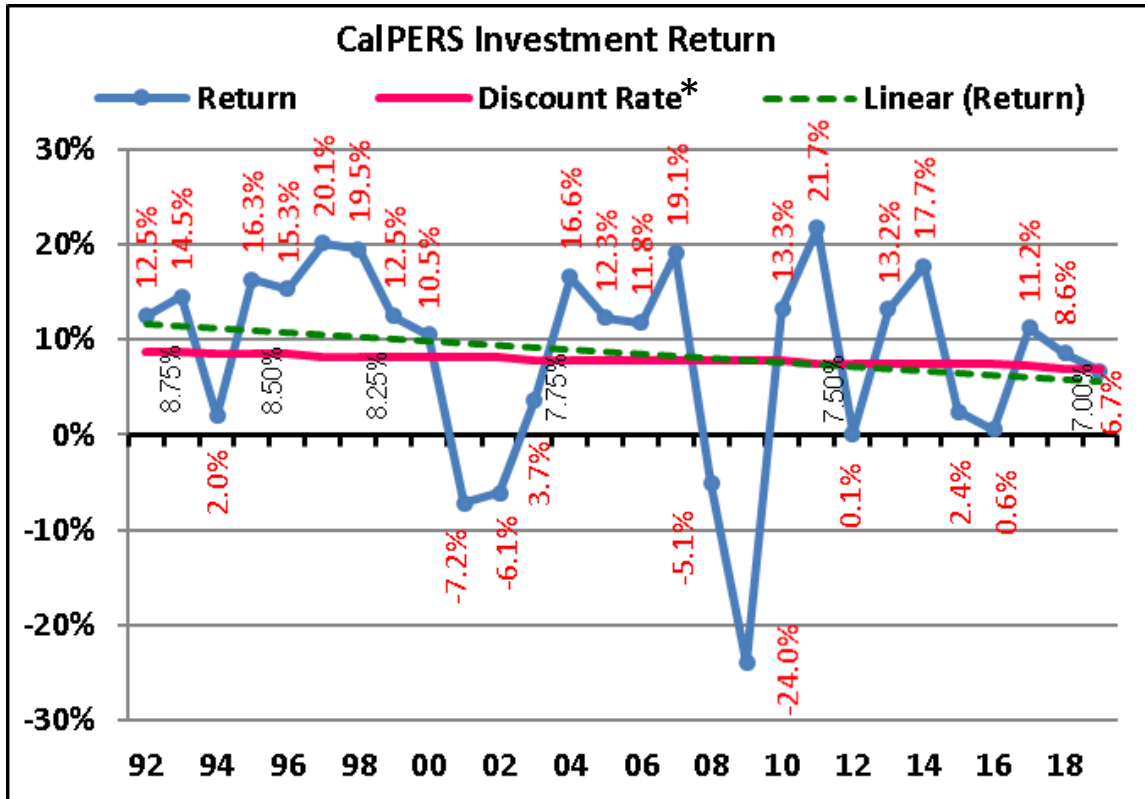
## Wage Gap Puts Pressure on Personnel Costs



- In general, local agencies have not recovered from Great Recession revenue losses; large gap typically exists between past expectations and current reality
- Santa Rosa's revenue gap persists despite Measures P and O

- No or low COLAs in wake of recession slowed wage growth
- New hires since 2013 seek higher wages to compensate for their lower PEPPRA-level pension benefits

# Pension Investment Returns & Discount Rate



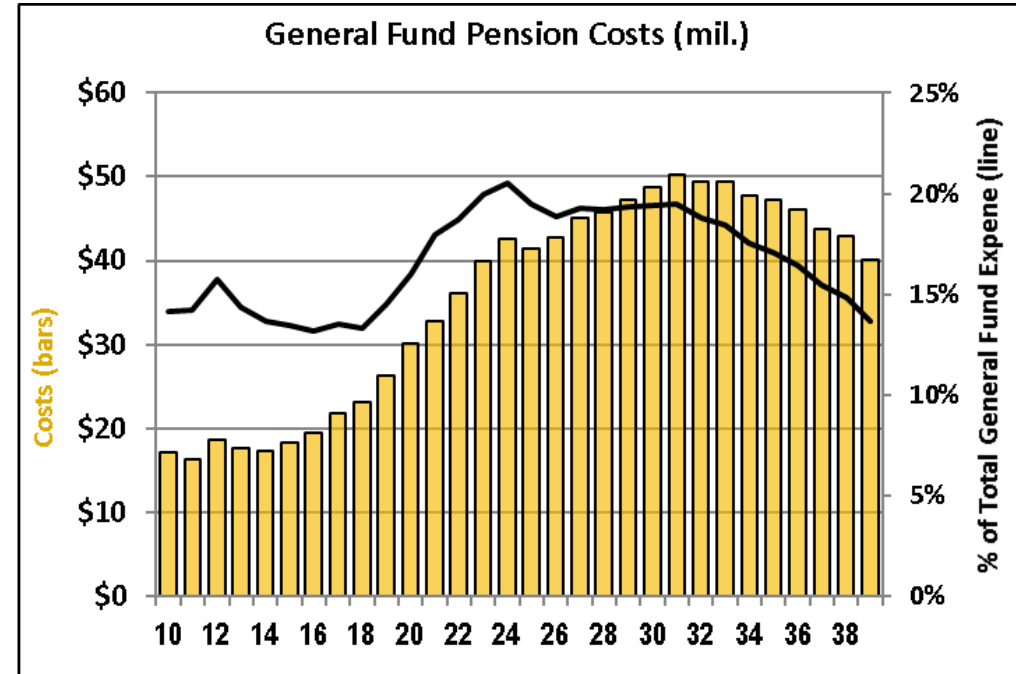
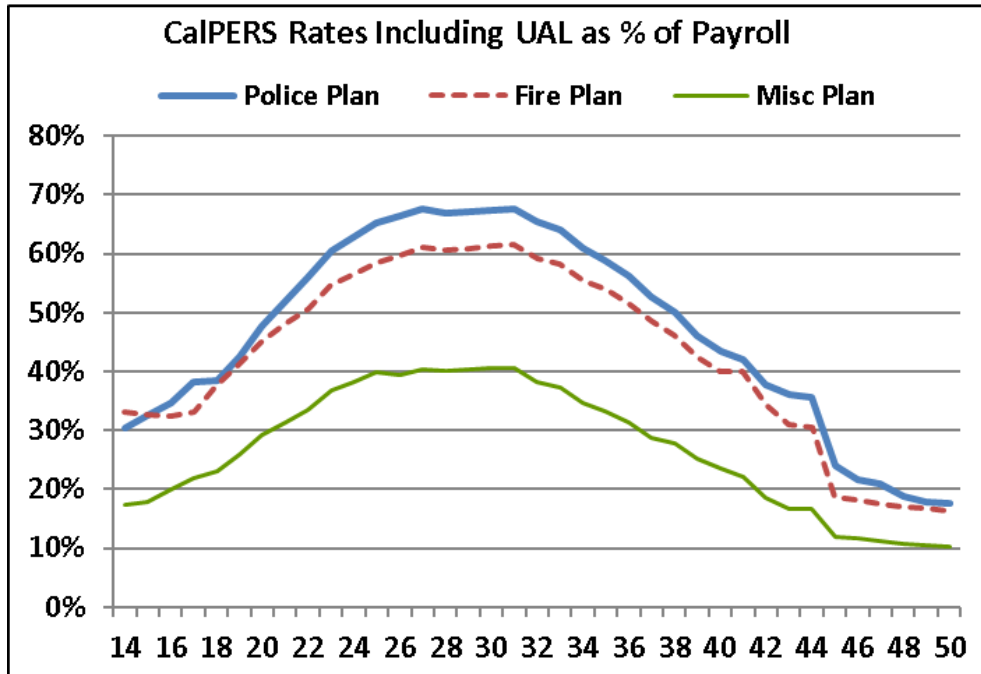
\*Discount rate is the assumed investment earnings used to determine the present value of future pension benefits; lower discount rates require higher employer contributions to compensate for the lower earnings

## Background

- CalPERS 28-year investment return averages 8.56%, but returns are trending down; average of last 5 years is 5.90%
- Estimated returns over next decade are 6.2% per CalPERS investment advisor Wilshire Associates
- Current discount rate has declined from 8.75% to 7% over 30 years
- No current plans to reduce discount rate further, but CalPERS goal of increasing rate stability = lower investment risk = lower returns = lower discount rate over time
- COVID-19 market drop reduced CalPERS assets by \$69B or 17% as of 3/22/20, but that will change by 6/30/20 (up or down)

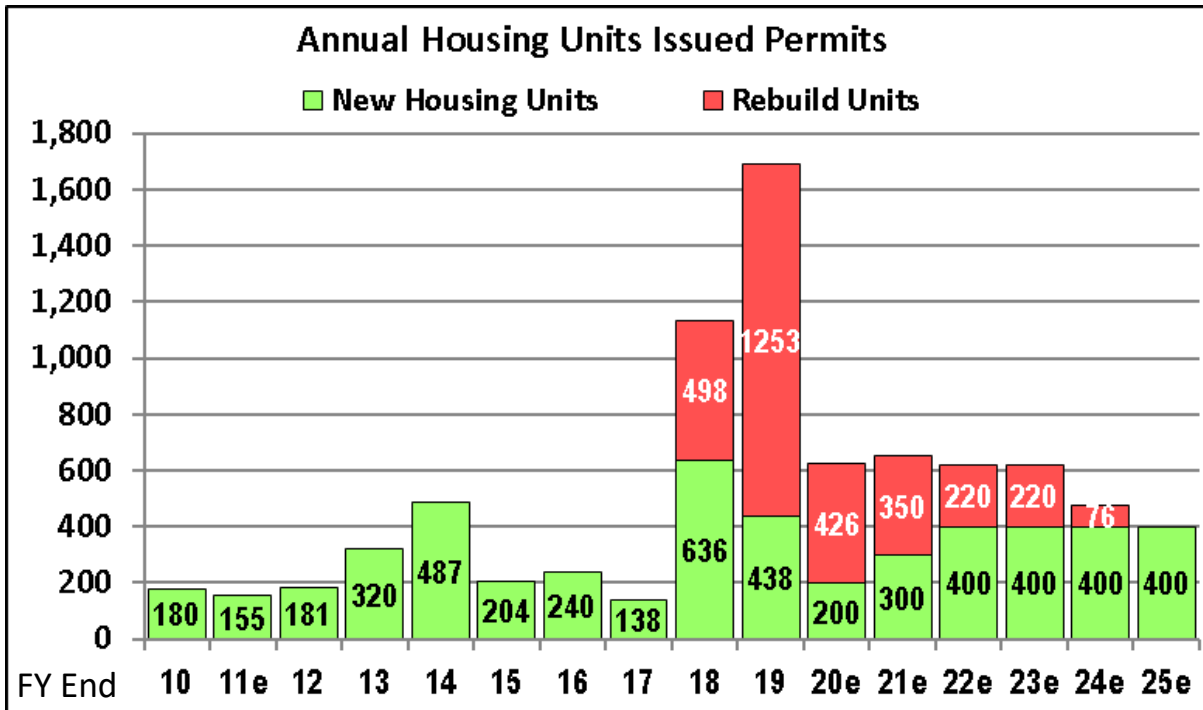


# Pension Costs to Climb for Another 11 Years



- Includes assumed impact of -5% CalPERS return in FY20, 12% in FY21, and 6.2% thereafter; there is a risk that the ultimate FY20 return will be significantly less than -5%, but if so it is also likely the ensuing year will see higher offsetting positive growth than 12% (see investment history on prior slide)
- Assumes lower discount rate over time (7% drops to 6% over 20 years)
- Transition from Classic to PEPRAs-level benefits over 15 years
- By 2031, General Fund pension costs will have risen 66% from FY20 levels

# New and Fire-Rebuild Housing Units



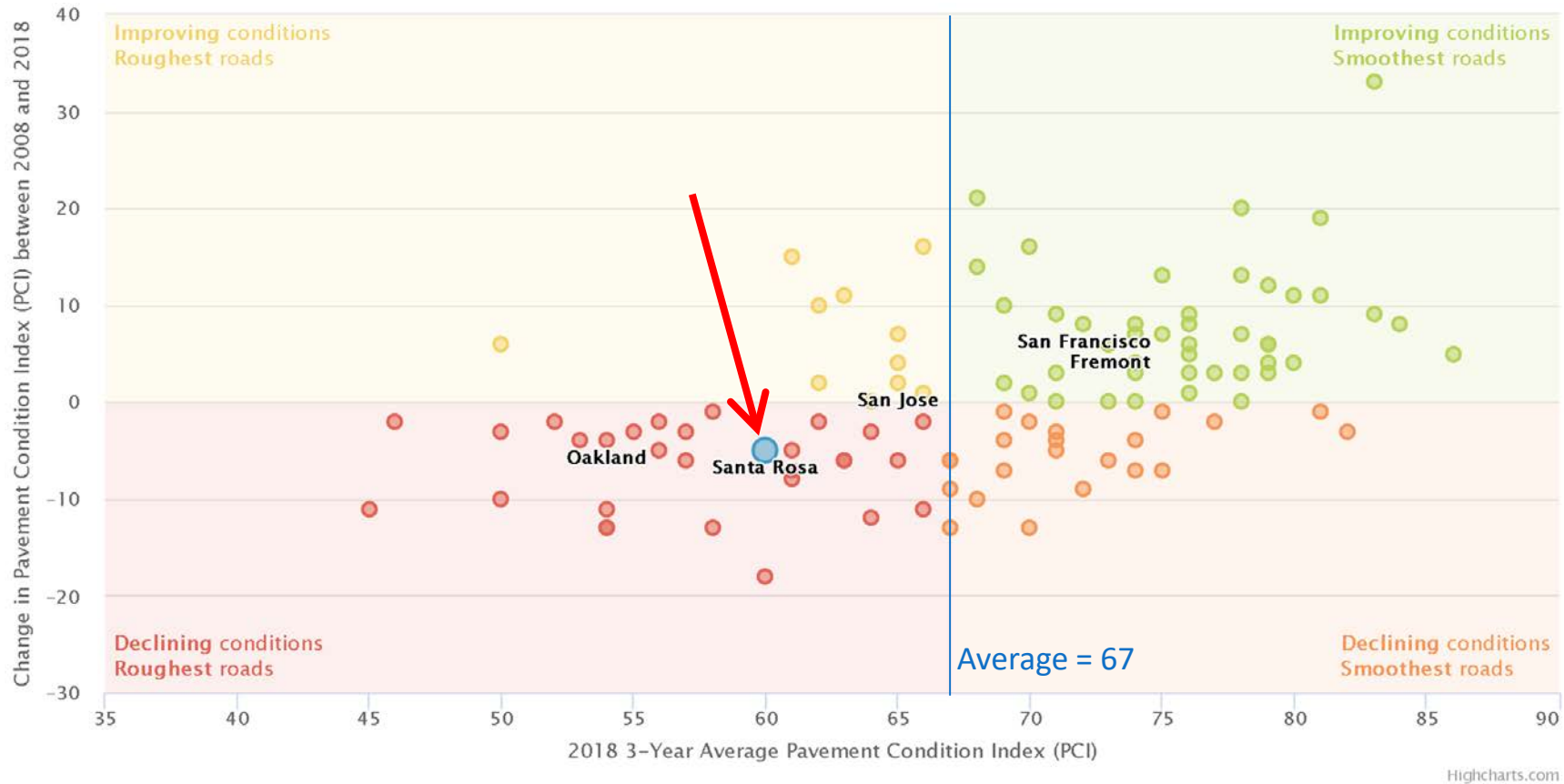
<b>Rebuild Units</b>	2018	115
<u>Finalized</u> by	2019	875
<u>Calendar</u> Year,	2020	900
actuals and	2021	350
estimate by	2022	350
Planning Staff	2023	220
	2024	200
	<b>Total</b>	<b>3,043</b>

- City's new housing units have not meet either RHNA allocation or General Plan potential since the Great Recession
- 2035 General Plan EIR showed capacity for 23,770 new units (Urban Growth Boundary), for average of **792** units per year
- City's Regional Housing Needs Allocations:

Housing Units	1999-2006	2007-2014	2015-2023
City RHNA Goal	7,654	6,534	5,083
Average Annual	957	817	<b>565</b>
City Actual	8,324	2,550	
Average Annual	<b>1,041</b>	<b>319</b>	
% of Goal Met	109%	39%	

# Despite Dedicated Revenues, Pavement Condition Low

## Ranking of Pavement Condition Index for All Bay Area Local Agencies



Metropolitan Transportation Commission (2019)

- City's street PCI is 60 compared to Bay Area average of 67
- Delays in preventative maintenance lead to more costly repairs later
  - Example: \$2.50/sqyd for slurry seal vs. \$94.50/sqyd for full depth reclamation and hot-mix asphalt overlay
- Increased funding will be needed just to maintain current PCI, whereas increase in PCI is desirable

# General Fund Balance

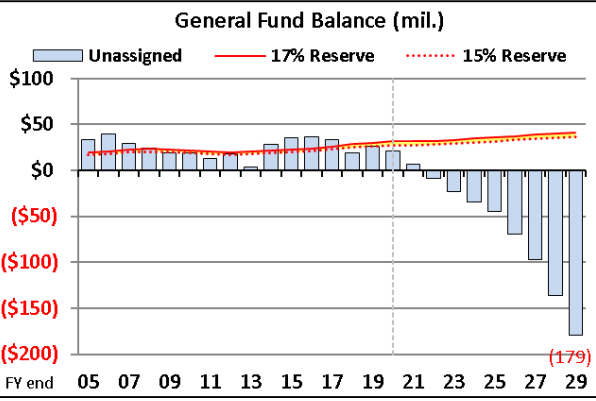
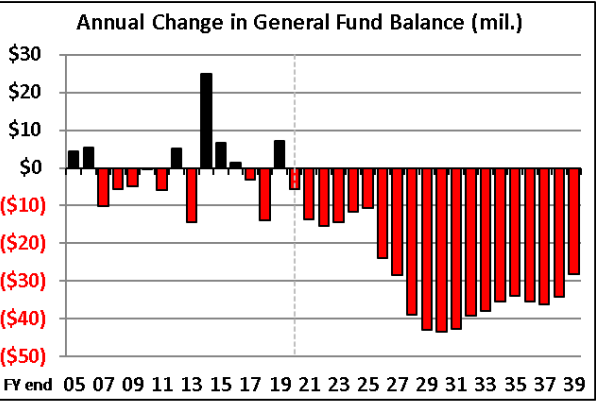
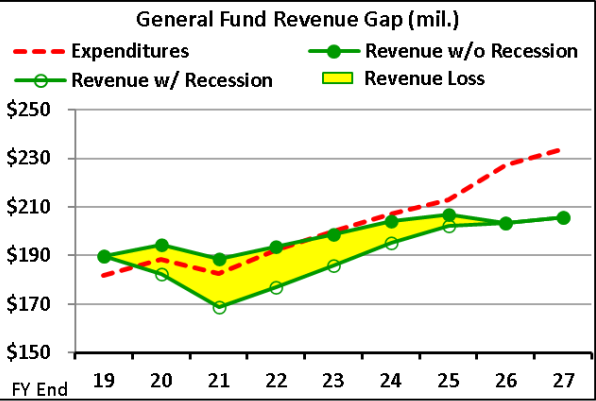
(\$ in Mil.)	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19e
<b>Total Fund Balance</b>	<b>33.1</b>	<b>26.7</b>	<b>25.3</b>	<b>28.5</b>	<b>33.5</b>	<b>39.3</b>	<b>48.8</b>	<b>58.6</b>	<b>67.1</b>	<b>64.3</b>	<b>66.1</b>	<b>66.5</b>
Advances	5.9	5.8	5.6	5.3	5.9	5.5	5.3	5.3	-	-	-	-
Other Nonspendable	0.8	0.2	0.1	0.7	0.8	0.9	0.9	1.9	0.9	0.9	1.0	1.2
Carryover of Appropriations	-	-	-	8.7	8.8	9.4	12.0	16.4	28.5	27.2	39.0	39.0
Other Assigned	2.6	1.9	1.0	1.0	-	20.0	2.2	-	1.2	2.9	6.7	-
Not Available	9.4	8.0	6.6	15.6	15.5	35.7	20.4	23.5	30.7	31.0	46.7	40.2
% Not Available	28.2%	29.8%	26.3%	54.8%	46.3%	90.9%	41.9%	40.1%	45.7%	48.2%	70.7%	60.4%
<b>Unassigned Balance</b>	<b>23.8</b>	<b>18.8</b>	<b>18.7</b>	<b>12.9</b>	<b>18.0</b>	<b>3.6</b>	<b>28.4</b>	<b>35.1</b>	<b>36.4</b>	<b>33.3</b>	<b>19.4</b>	<b>26.4</b>
<b>% of Total Expenditures</b>	<b>17.5%</b>	<b>14.1%</b>	<b>15.3%</b>	<b>11.2%</b>	<b>15.2%</b>	<b>2.9%</b>	<b>22.5%</b>	<b>25.8%</b>	<b>24.6%</b>	<b>20.7%</b>	<b>11.1%</b>	<b>14.5%</b>

- Growth in fund balance has been in “non-available” portion, which is now 60% of total fund balance
- Unassigned balance absorbs net impact on total fund balance after assignments, and will drop quickly in future years
- \$39M in “carryover of appropriations” includes \$21.5M of capital project appropriations from prior years that have not been spent; this category has grown steadily over past 8 years
- The “carryover” amounts can be re-assigned by the City Council (e.g., cancelling prior capital projects not yet started), which would increase the unassigned balance

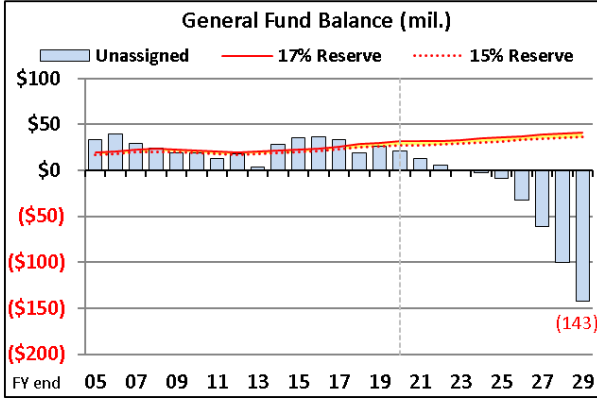
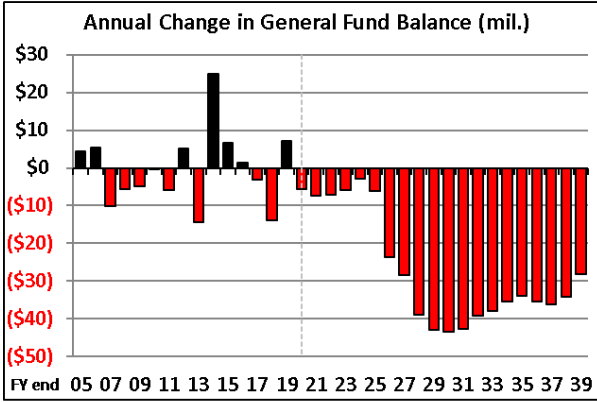
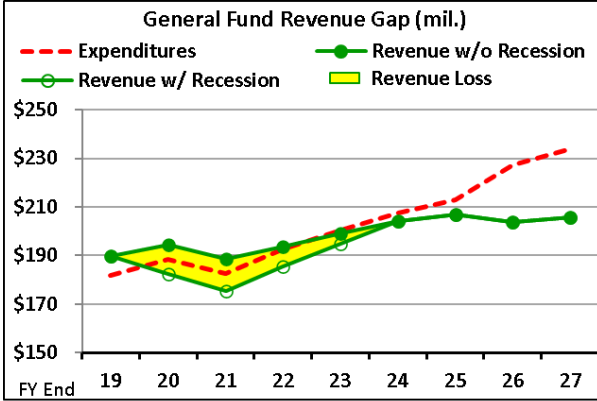
# Forecast Summaries



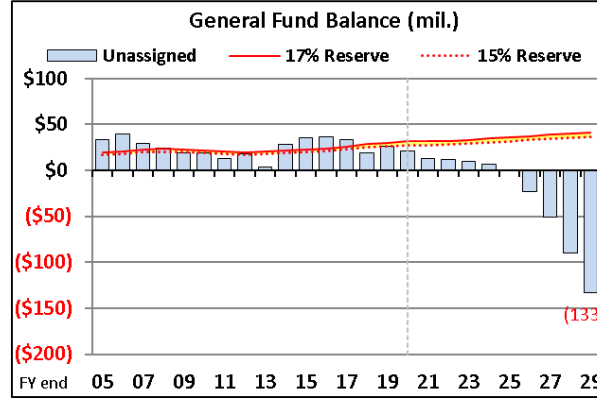
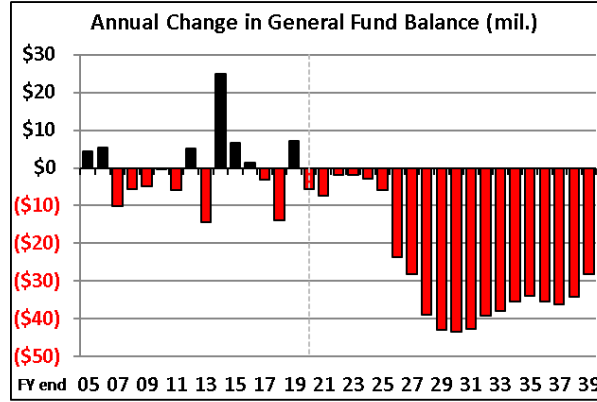
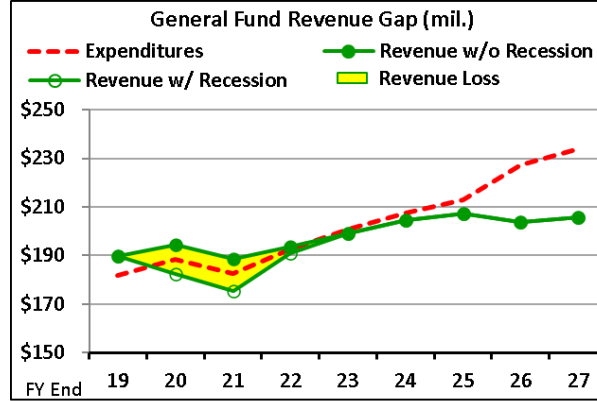
## Baseline Forecast \$74M Revenue Loss



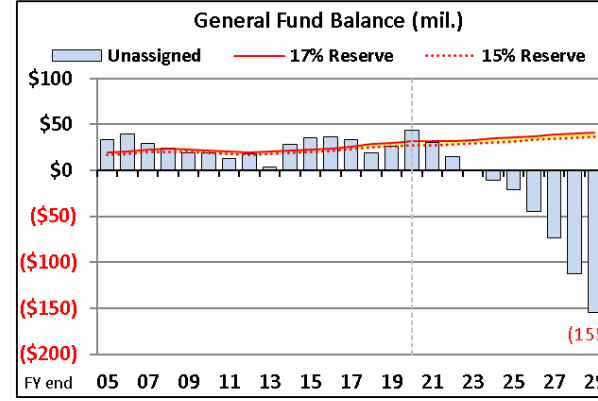
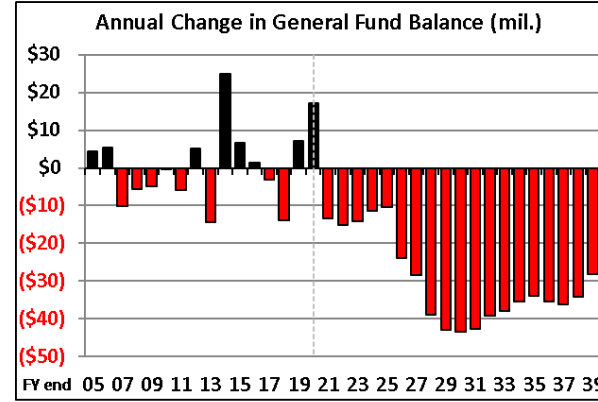
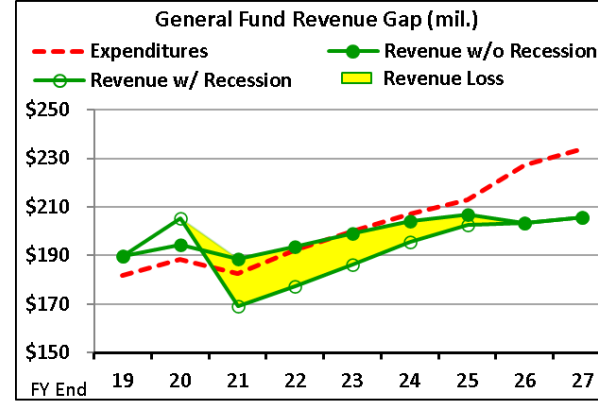
## Alternate I \$38M Revenue Loss



## Alternate II \$28M Revenue Loss



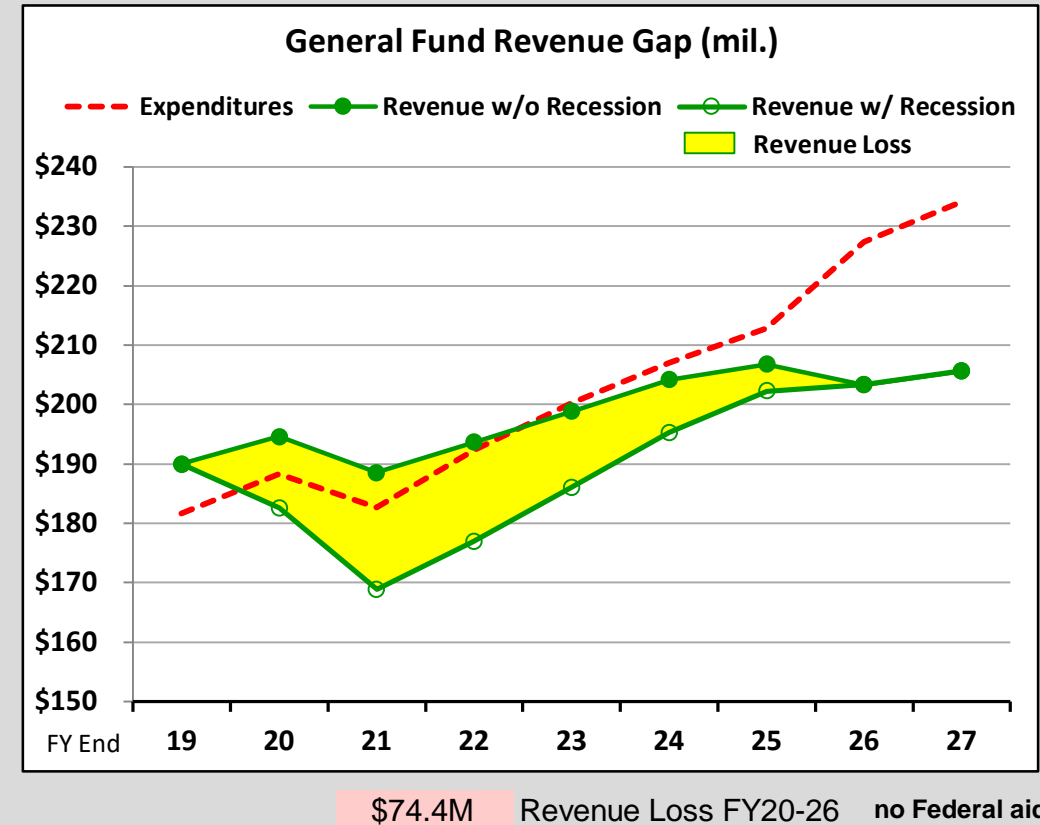
## Baseline+\$23M Fed Aid \$28M Revenue Loss



# Baseline Forecast with COVID-19 Revenue Losses

## PROJECTED REVENUE LOSSES CAUSED BY CORONAVIRUS/RECESSION BY FISCAL YEAR

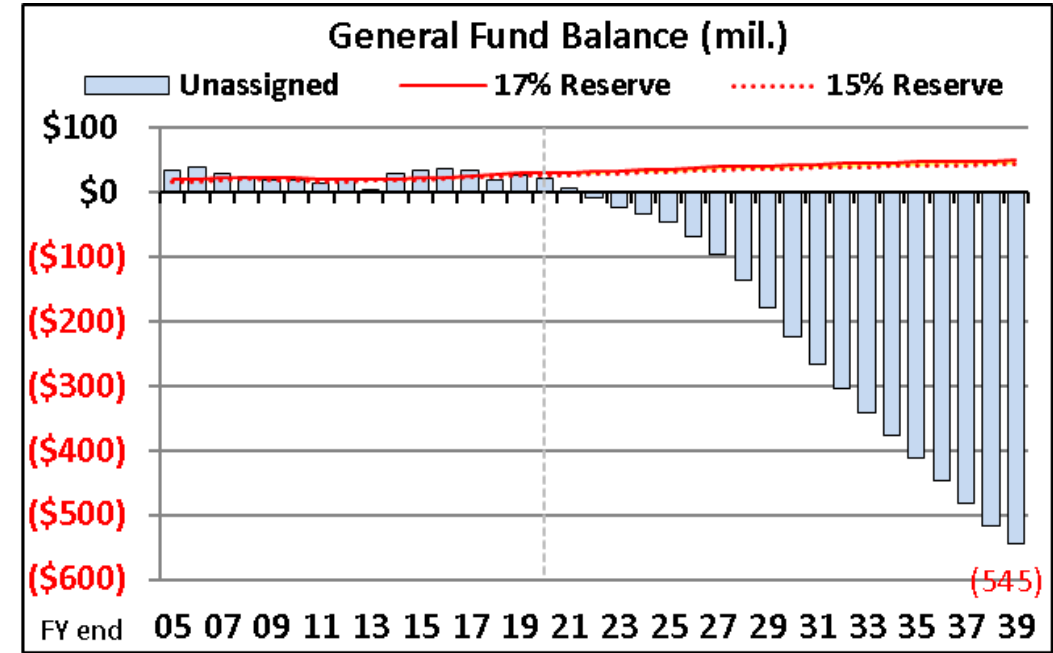
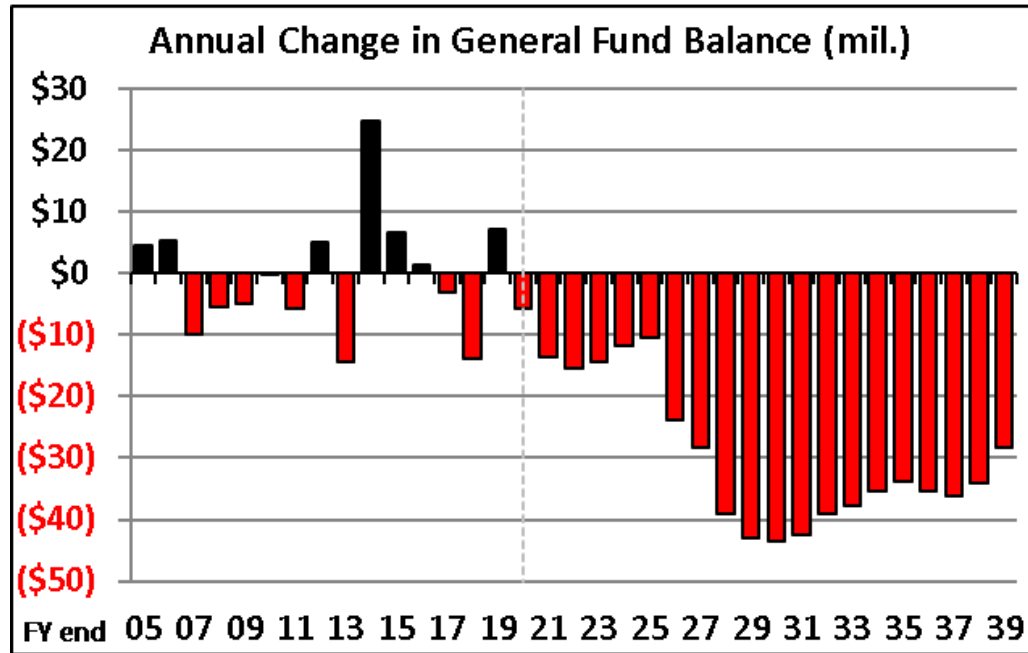
Revenue Source	Amounts Show Percent Revenue is Below the No-Recession Forecast					
	4	4	3	<< Loss Option Phase-out >>		3
	SEVERE	SEVERE	HIGH	LOSSES END FY 24/25		
	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25
Property Tax	0.00%	0.00%	-9.00%	-6.75%	-4.50%	-2.25%
Property Tax-Supplemental	0.00%	-100.00%	-60.00%	-45.00%	-30.00%	-15.00%
Sales & Use Tax/T&UT	-10.00%	-15.00%	-9.00%	-6.75%	-4.50%	-2.25%
Utility Users Tax	0.00%	-5.00%	-3.00%	-2.25%	-1.50%	-0.75%
Business License Tax	0.00%	-30.00%	-18.00%	-13.50%	-9.00%	-4.50%
Transient Occupancy Tax	-20.00%	-30.00%	-18.00%	-13.50%	-9.00%	-4.50%
Property Transfer Tax	-20.00%	-30.00%	-18.00%	-13.50%	-9.00%	-4.50%
Franchise Payments	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cannabis Tax	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Intergovernmental	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fines & Forfeitures	-10.00%	-20.00%	-12.00%	-9.00%	-6.00%	-3.00%
Licenses & Permits	-20.00%	-30.00%	-18.00%	-13.50%	-9.00%	-4.50%
Community Develop Fees	-20.00%	-30.00%	-18.00%	-13.50%	-9.00%	-4.50%
Park & Recreation Fees	-25.00%	-30.00%	-18.00%	-13.50%	-9.00%	-4.50%
Other Fees & Charges	-20.00%	-25.00%	-15.00%	-11.25%	-7.50%	-3.75%
Interfund Charges	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Revenue	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Transfers In	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%



- Assumes potential for recurring virus and weakened economy falling into prolonged recession



# Baseline Forecast with COVID-19 Revenue Losses

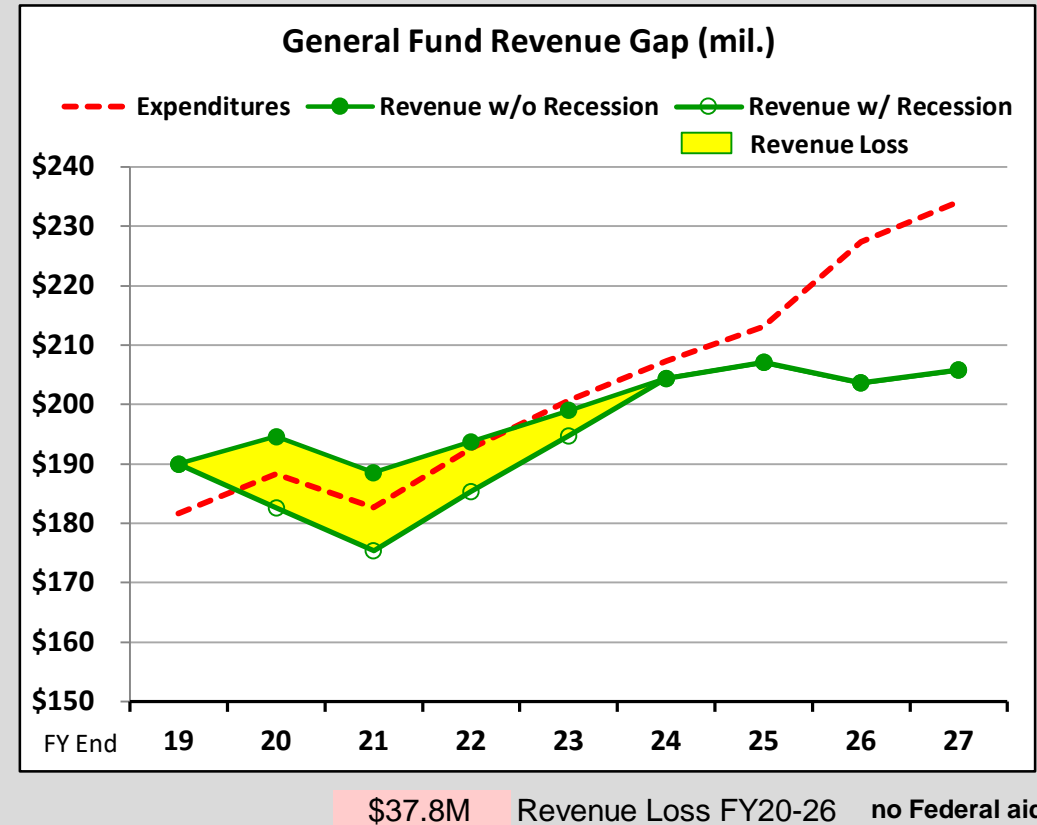


- Shortfall averages \$29M, with peak of \$44M at next recession
- Loss in FY20-25 is due to COVID-19 recession, at a total revenue loss of \$74M
- Sunset of two GF sales taxes in 2025 and 2027 increases shortfall, as does loss of special tax for police/fire in 2025 (assumes GF backfills costs of services funded by that tax)

# Alternate Forecast I – Half the Revenue Loss

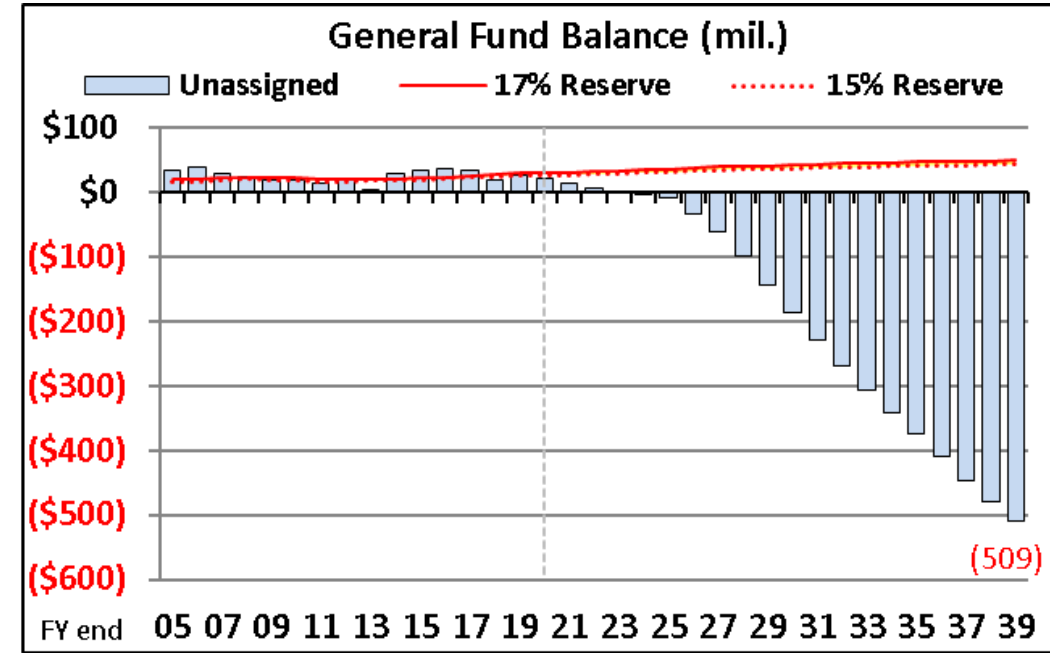
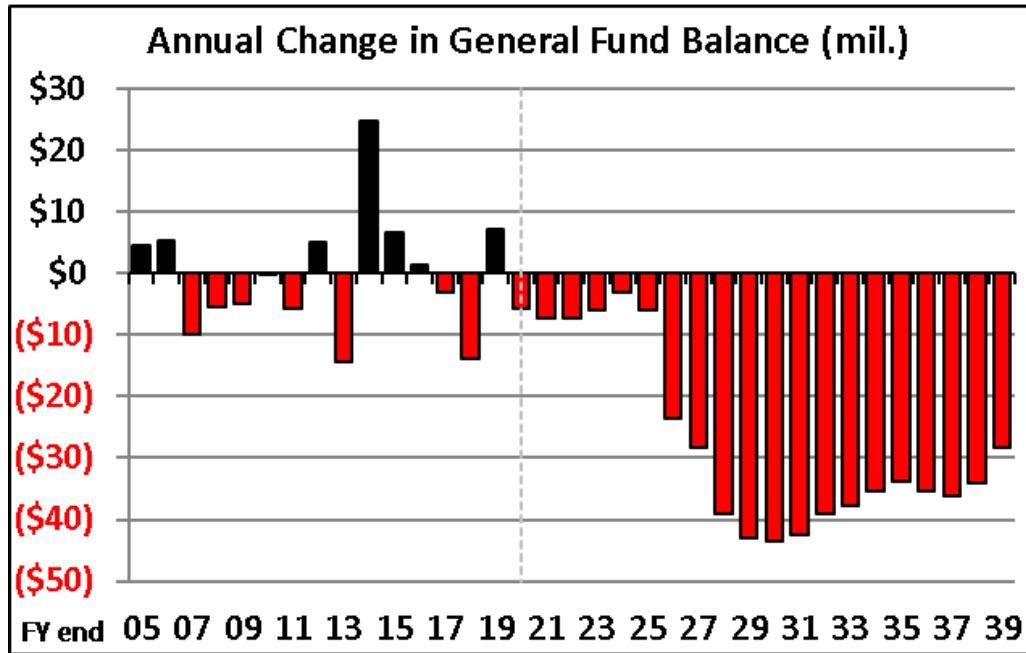
## PROJECTED REVENUE LOSSES CAUSED BY CORONAVIRUS/RECESSION BY FISCAL YEAR

Revenue Source	Amounts Show Percent Revenue is Below the No-Recession Forecast					
	4	3	2	<< Loss Option Phase-out >>		1
	SEVERE	HIGH	MODERATE	LOSSES END FY 24/25		
	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25
Property Tax	0.00%	0.00%	-4.50%	-2.25%	0.00%	0.00%
Property Tax-Supplemental	0.00%	-67.00%	-30.00%	-15.00%	0.00%	0.00%
Sales & Use Tax/T&UT	-10.00%	-10.05%	-4.50%	-2.25%	0.00%	0.00%
Utility Users Tax	0.00%	-3.35%	-1.50%	-0.75%	0.00%	0.00%
Business License Tax	0.00%	-20.10%	-9.00%	-4.50%	0.00%	0.00%
Transient Occupancy Tax	-20.00%	-20.10%	-9.00%	-4.50%	0.00%	0.00%
Property Transfer Tax	-20.00%	-20.10%	-9.00%	-4.50%	0.00%	0.00%
Franchise Payments	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cannabis Tax	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Intergovernmental	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fines & Forfeitures	-10.00%	-13.40%	-6.00%	-3.00%	0.00%	0.00%
Licenses & Permits	-20.00%	-20.10%	-9.00%	-4.50%	0.00%	0.00%
Community Develop Fees	-20.00%	-20.10%	-9.00%	-4.50%	0.00%	0.00%
Park & Recreation Fees	-25.00%	-20.10%	-9.00%	-4.50%	0.00%	0.00%
Other Fees & Charges	-20.00%	-16.75%	-7.50%	-3.75%	0.00%	0.00%
Interfund Charges	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Revenue	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Transfers In	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%



- Assumes stringent social-distancing orders avoid recurrence of virus, and strong CA economy lessens severity and shortens duration of losses

# Alternate Forecast I – Half the Revenue Loss

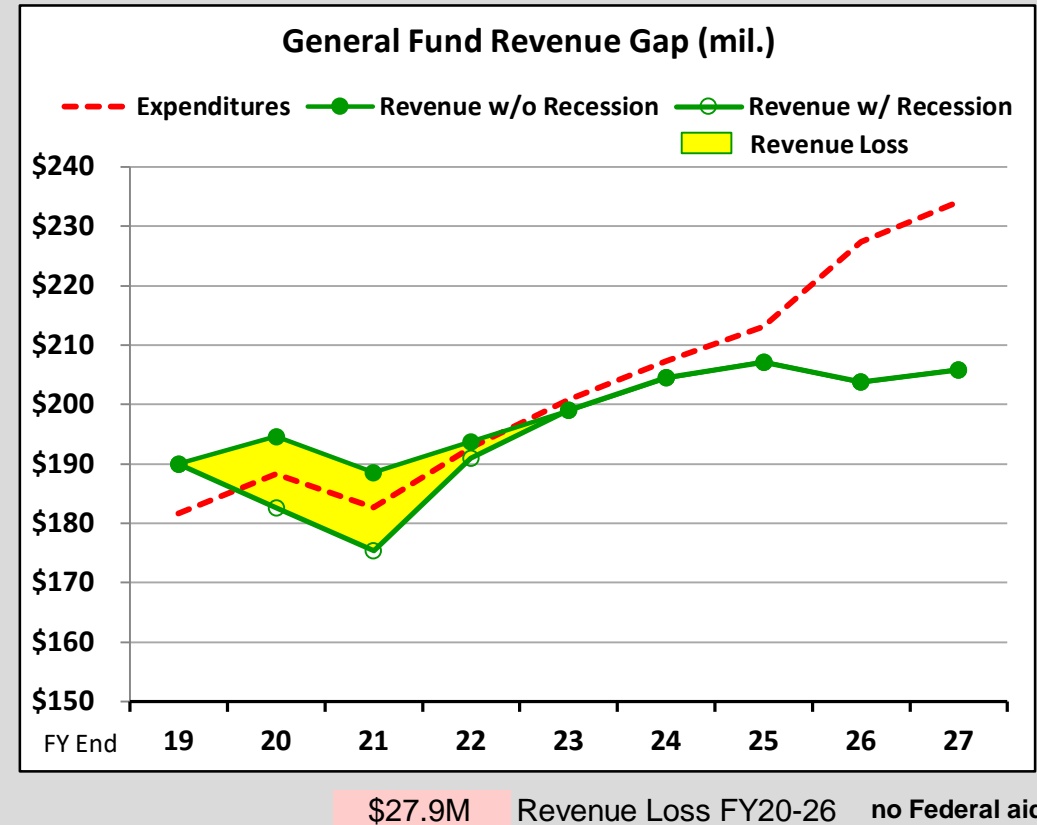


- Shortfall averages \$27M, with peak of \$44M at next recession
- Loss in FY20-23 is due to COVID-19 recession (\$38M); loss is about half of the baseline forecast
- Sunset of two GF sales taxes in 2025 and 2027 increases shortfall, as does loss of special tax for police/fire in 2025 (assumes GF backfills costs of services funded by that tax)

# Alternate Forecast II – Quick Economic Rebound

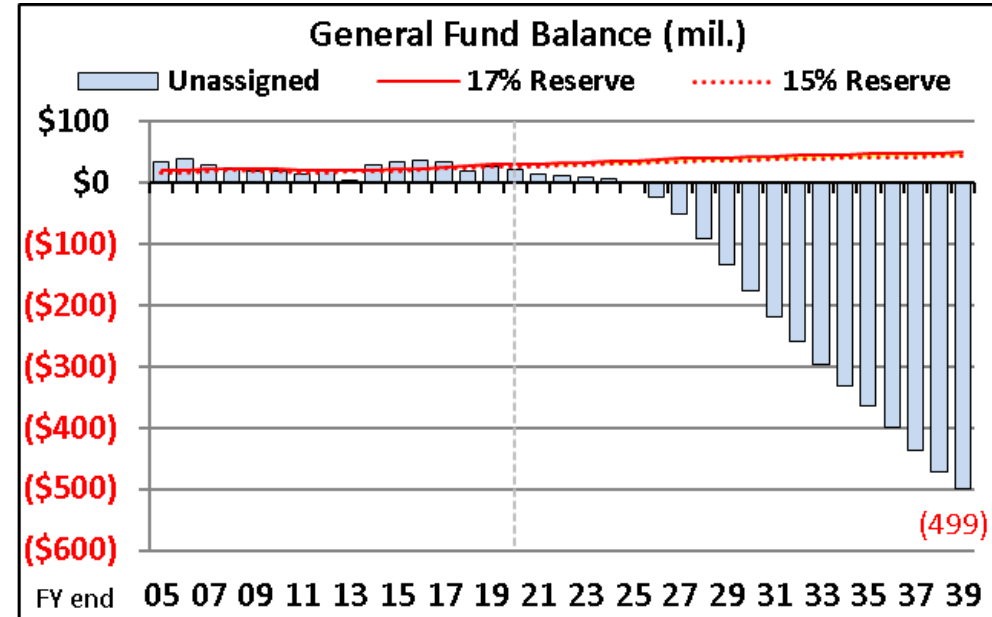
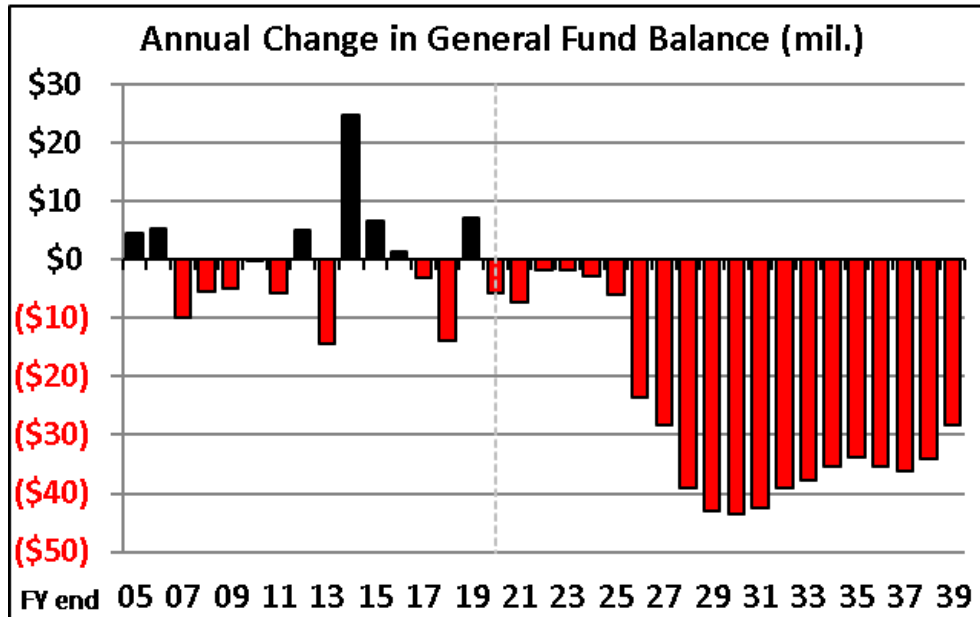
## PROJECTED REVENUE LOSSES CAUSED BY CORONAVIRUS/RECESSION BY FISCAL YEAR

Revenue Source	Amounts Show Percent Revenue is Below the No-Recession Forecast					
	4	3	1	<< Loss Option Phase-out >>		0
	SEVERE	HIGH	LOW	LOSSES END FY 24/25		
	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25
Property Tax	0.00%	0.00%	-1.50%	0.00%	0.00%	0.00%
Property Tax-Supplemental	0.00%	-67.00%	-10.00%	0.00%	0.00%	0.00%
Sales & Use Tax/T&UT	-10.00%	-10.05%	-1.50%	0.00%	0.00%	0.00%
Utility Users Tax	0.00%	-3.35%	-0.50%	0.00%	0.00%	0.00%
Business License Tax	0.00%	-20.10%	-3.00%	0.00%	0.00%	0.00%
Transient Occupancy Tax	-20.00%	-20.10%	-3.00%	0.00%	0.00%	0.00%
Property Transfer Tax	-20.00%	-20.10%	-3.00%	0.00%	0.00%	0.00%
Franchise Payments	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cannabis Tax	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Intergovernmental	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fines & Forfeitures	-10.00%	-13.40%	-2.00%	0.00%	0.00%	0.00%
Licenses & Permits	-20.00%	-20.10%	-3.00%	0.00%	0.00%	0.00%
Community Develop Fees	-20.00%	-20.10%	-3.00%	0.00%	0.00%	0.00%
Park & Recreation Fees	-25.00%	-20.10%	-3.00%	0.00%	0.00%	0.00%
Other Fees & Charges	-20.00%	-16.75%	-2.50%	0.00%	0.00%	0.00%
Interfund Charges	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Revenue	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Transfers In	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%



- Assumes initial sharp drop but impact fading in FY21, and quick recovery thereafter; needs most everything to go right

# Alternate Forecast II – Quick Economic Rebound

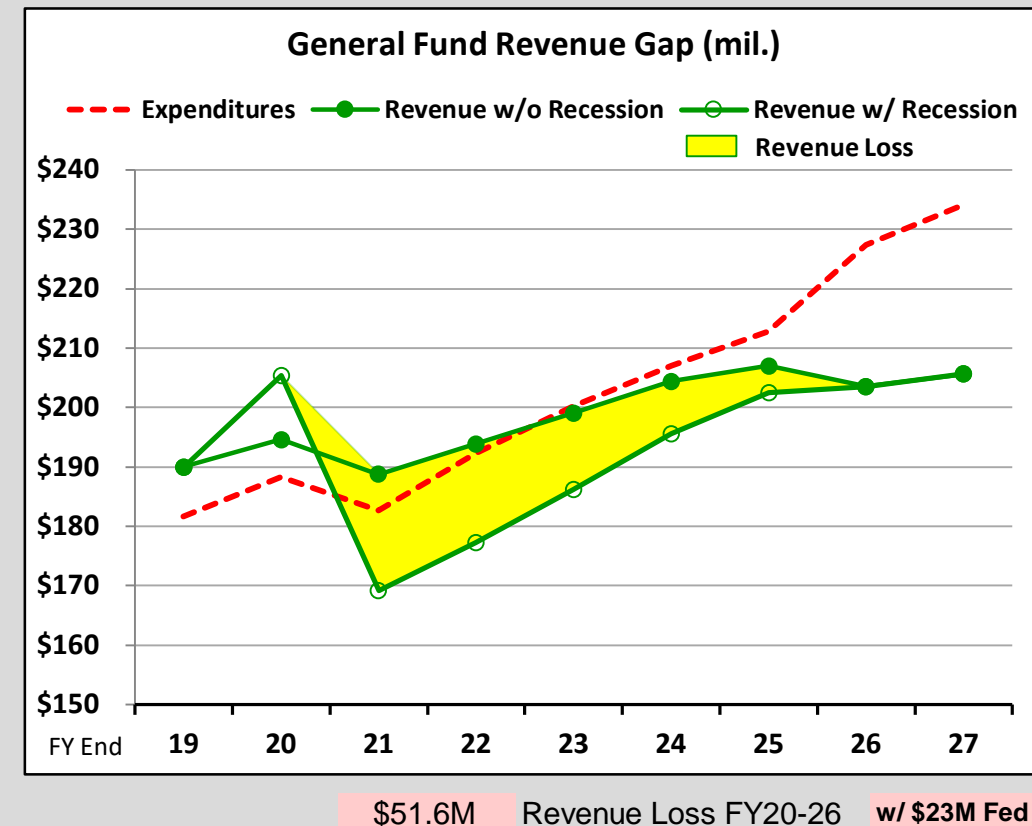


- Shortfall averages \$26M, with peak of \$44M at next recession
- Loss in FY20-22 is due to COVID-19 recession (\$28M); loss is 38% of the baseline forecast
- Sunset of two GF sales taxes in 2025 and 2027 increases shortfall, as does loss of special tax for police/fire in 2025 (assumes GF backfills costs of services funded by that tax)

# Baseline Forecast with \$23M Federal Aid

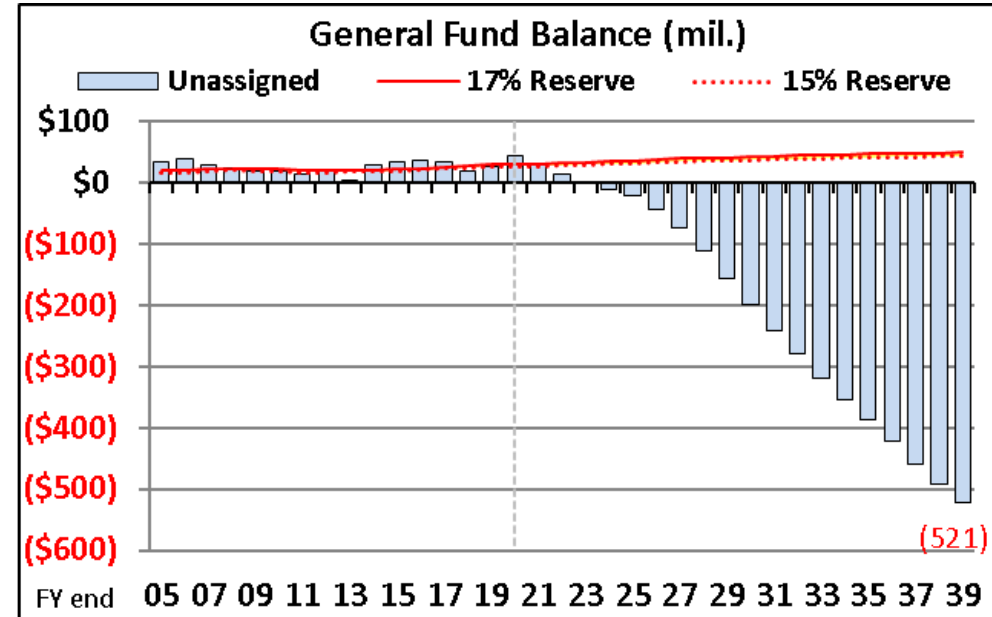
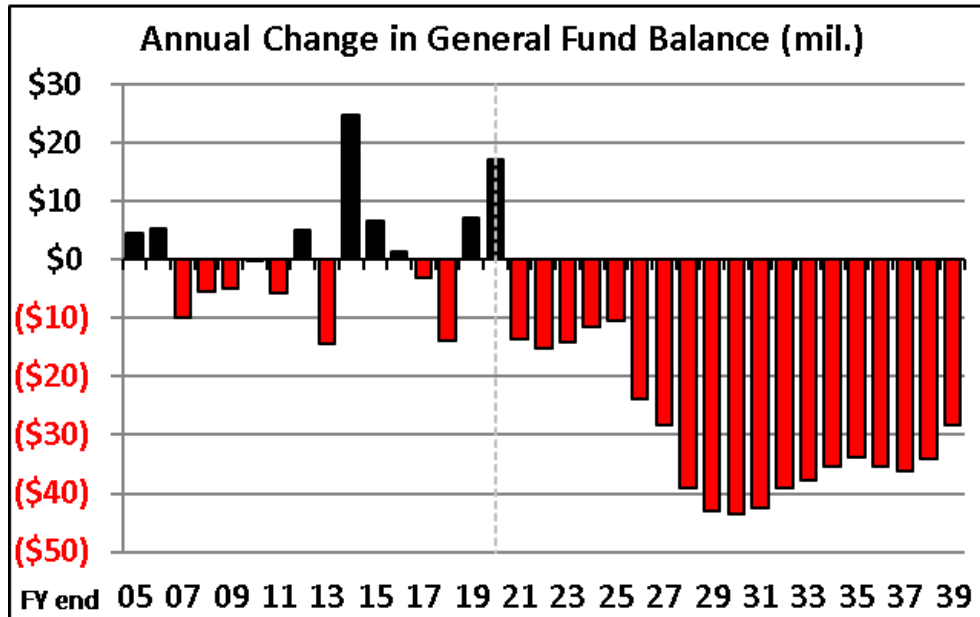
## PROJECTED REVENUE LOSSES CAUSED BY CORONAVIRUS/RECESSION BY FISCAL YEAR

Revenue Source	Amounts Show Percent Revenue is Below the No-Recession Forecast					
	4	4	3	<< Loss Option Phase-out >>		3
	SEVERE	SEVERE	HIGH	LOSSES END FY 24/25		
	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25
Property Tax	0.00%	0.00%	-9.00%	-6.75%	-4.50%	-2.25%
Property Tax-Supplemental	0.00%	-100.00%	-60.00%	-45.00%	-30.00%	-15.00%
Sales & Use Tax/T&UT	-10.00%	-15.00%	-9.00%	-6.75%	-4.50%	-2.25%
Utility Users Tax	0.00%	-5.00%	-3.00%	-2.25%	-1.50%	-0.75%
Business License Tax	0.00%	-30.00%	-18.00%	-13.50%	-9.00%	-4.50%
Transient Occupancy Tax	-20.00%	-30.00%	-18.00%	-13.50%	-9.00%	-4.50%
Property Transfer Tax	-20.00%	-30.00%	-18.00%	-13.50%	-9.00%	-4.50%
Franchise Payments	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cannabis Tax	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Intergovernmental	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fines & Forfeitures	-10.00%	-20.00%	-12.00%	-9.00%	-6.00%	-3.00%
Licenses & Permits	-20.00%	-30.00%	-18.00%	-13.50%	-9.00%	-4.50%
Community Develop Fees	-20.00%	-30.00%	-18.00%	-13.50%	-9.00%	-4.50%
Park & Recreation Fees	-25.00%	-30.00%	-18.00%	-13.50%	-9.00%	-4.50%
Other Fees & Charges	-20.00%	-25.00%	-15.00%	-11.25%	-7.50%	-3.75%
Interfund Charges	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Revenue	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Transfers In	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%



- Assumes \$130/capita federal assistance, and that such aid is not linked to specific reimbursement for emergency expenses, and that it can be used to offset revenue loss; at this point, funding is not definitive, so there is a substantial risk that less aid, or no aid, will be received
- Net revenue loss drops from \$74.4M to \$51.6M

# Baseline Forecast with \$23M Federal Aid



- Shortfall averages \$27M, with peak of \$44M at next recession
- FY20 becomes net gain with \$23M in federal aid (if that is allowed), net loss in FY20-25 is due to COVID-19 recession (\$51.6M); loss is 69% of the baseline forecast
- Sunset of two GF sales taxes in 2025 and 2027 increases shortfall, as does loss of special tax for police/fire in 2025 (assumes GF backfills costs of services funded by that tax)

# Contact Information

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