

FY 2021 BUDGET WORKSHOP 2

Planning for the Uncertain Economic Impacts of COVID-19

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City Manager

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FY 2021 Budget Calendar

March - April	Departmental Budget Meetings / Finance Review Phase
April - May	Senior Management / Mayor Review Phase
May 5	Budget Workshop 1
May 12	Budget Workshop 2
May 19	City Council Presentations / Receive Proposed Budget
June 2, 6:00 PM	First Public Hearing and Budget Workshop
June 16, 6:00 PM	Final Public Hearing and Budget Adoption
June 23, 6:00 PM	Final Late Date for Budget Workshop / Adoption

Workshop Goals

- **Workshop 1** - Gave Mayor and Council a glimpse into the departmental priorities for the FY 2021 budget
- **Workshop 2** - CM to make FY 2021 budget recommendations
 - Receive feedback and direction from City Council
 - Review and validate FY 2021 planning assumptions
 - reductions in revenue, operations and capital
 - maintaining efficiencies, and
 - continuing to provide excellent customer service
 - Understand Public Safety, General Government Services, and Facilities priorities as part of the City's service delivery and capital programs
 - Discuss anticipated economic impact from COVID-19

COVID -19

- Pandemic
- Public Health State of Emergency – federal, state and local
- Temporary shut down and cautionary reopening of businesses and institutions
- Stay at home orders
- **Uncertain economy**



CM Budget Philosophy for Strategic Decisions

1. City Budget reflects the culture and values of the community
2. Reflect Council's priorities
3. Greater focus on the economic crisis
4. Conservatively determine revenue and expenses
5. One-time revenue sources are not for ongoing expenses
6. Protect investment in human capital
7. Maintain fund balance and protect reserves
8. Infrastructure investments are strategic
9. Tech and Environmental investments are adding future capacity and protections
10. Take a wait-and-see approach to key decisions

Economic Crisis of Historic Proportion

- 20.5 million jobs were lost in April
- The worst month for job loss in the US since the Great Depression
- Unemployment rate is now 14.7%

THE EMPLOYMENT SITUATION — APRIL 2020

Total **nonfarm payroll employment** fell by 20.5 million in April, and the **unemployment rate** rose to 14.7 percent, the U.S. Bureau of Labor Statistics reported today. The changes in these measures reflect the effects of the coronavirus (COVID-19) pandemic and efforts to contain it. Employment fell sharply in all major industry sectors, with particularly heavy job losses in leisure and hospitality.

Chart 1. Unemployment rate, seasonally adjusted, April 2018 – April 2020

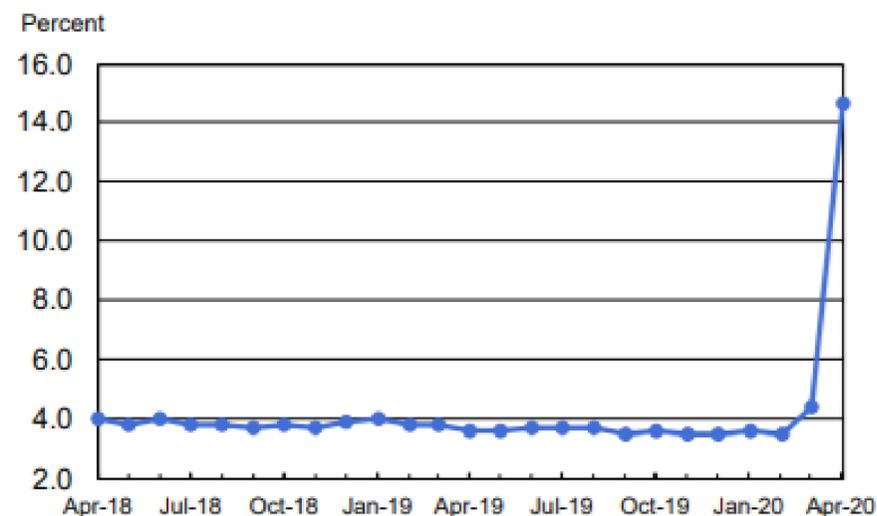
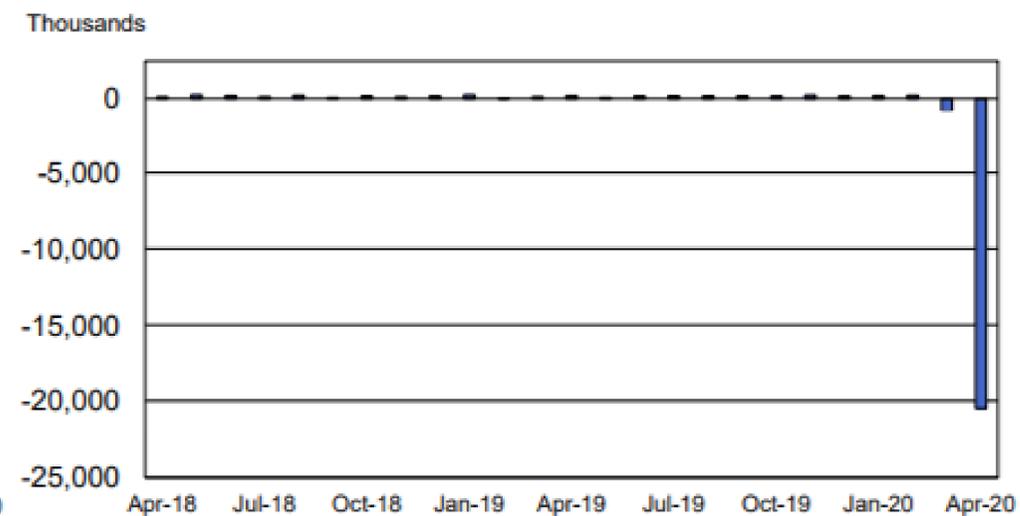


Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, April 2018 – April 2020



DOL: Monthly change in jobs by industry

The unemployment rate jumped to 14.7 percent, the worst devastation since the Great Depression.

SECTOR	JOBS LOST
Construction	-975,000
Manufacturing	-1,330,000
Retail	-2,106,900
Business & Professional	-2,128,000
Education & Health	-2,544,000
Leisure & Hospitality	-7,653,000

20,500,000 lost jobs in April 2020

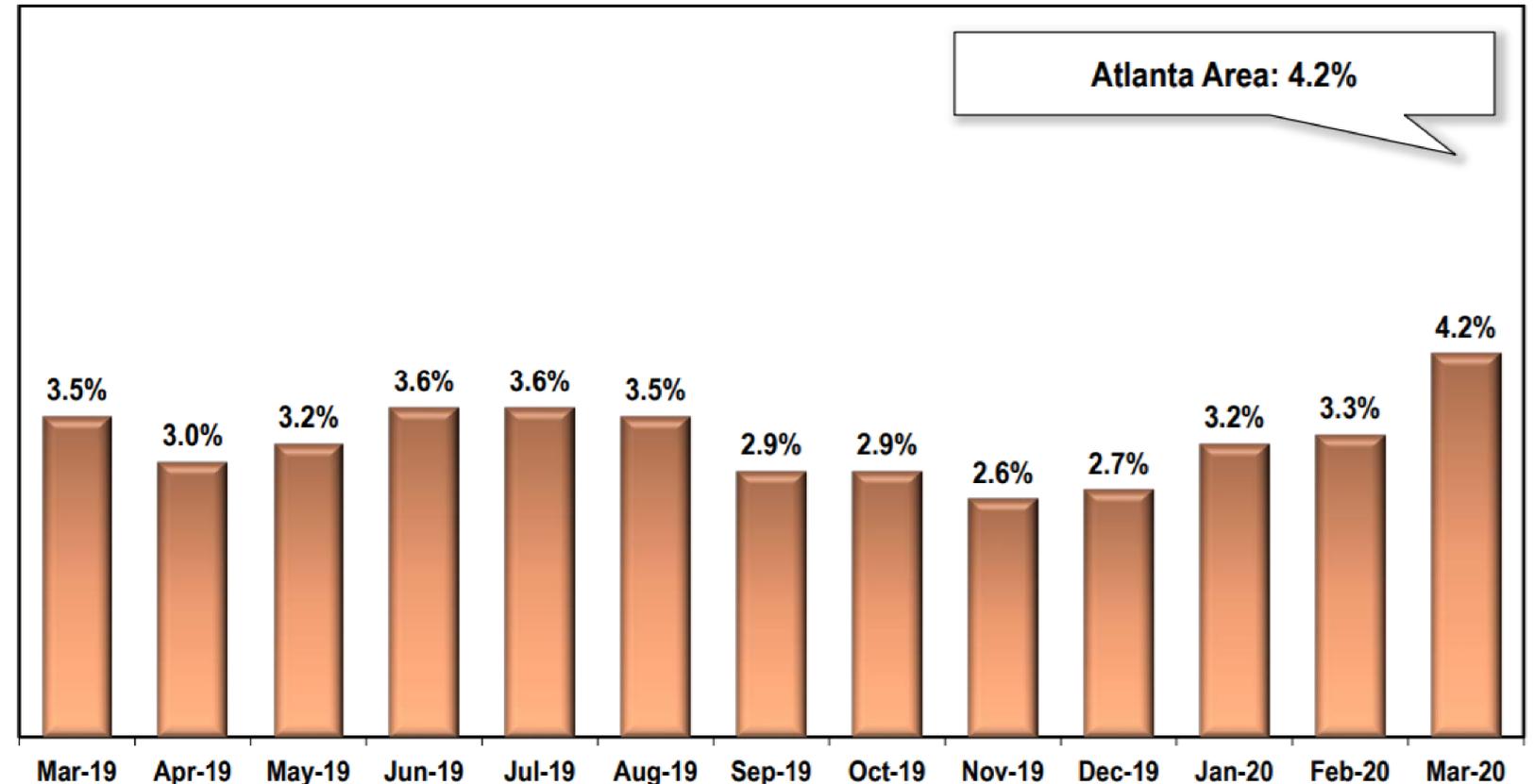
Unemployment in Georgia

1,597,593 have filed regular initial unemployment claims

778,330 Georgians have qualified to receive unemployment

-GDOL 5/6/20

Atlanta Area Unemployment Rate
(Not Seasonally Adjusted)



Note: Atlanta Area includes Barrow, Bartow, Butts, Carroll, Cherokee, Clayton, Cobb, Coweta, Dawson, DeKalb, Douglas, Fayette, Forsyth, Fulton, Gwinnett, Haralson, Heard, Henry, Jasper, Lamar, Meriwether, Morgan, Newton, Paulding, Pickens, Pike, Rockdale, Spalding, and Walton counties.

Source: Georgia Department of Labor – Mark Butler, Commissioner

State of Georgia Revenue Losses

- Gross Sales and Use Tax collections totaled \$995.7 million for the month, which was a decrease of roughly \$107 million, or **-9.7 percent**, compared to April 2019
- Motor Vehicle Tag & Title Fees fell by roughly \$16.3 million, or **-43.4 percent**, in April
- Title Ad Valorem Tax (TAVT) collections declined by \$22.7 million, or **-30.7 percent**, compared to FY 2019

Corporate Impacts

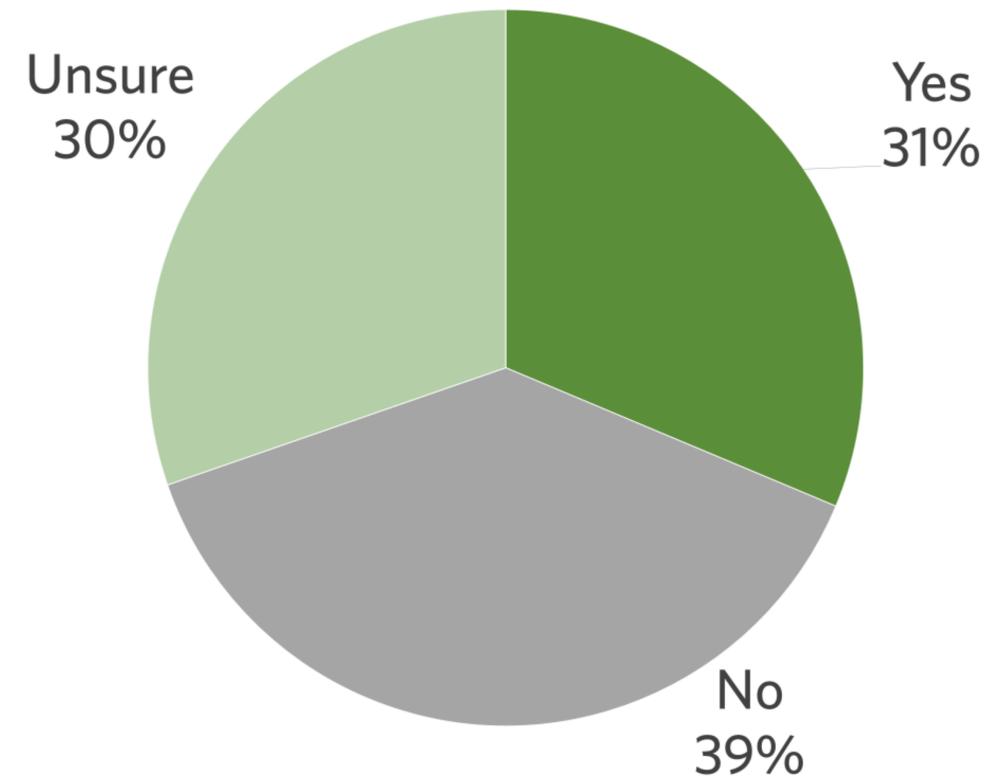
- The switch from business travel to video conferencing could alone reduce daily oil demand by about 3%
- Airlines are typically forecasting three years to return to previous levels of demand
- Exploring temporary pay cuts, reducing hours or furloughing their employees, rather than laying them off

-HBR 3/24/20



Survey of North Fulton April 13-20

Are you concerned that your business may close permanently because of the current crisis?



Number of responses: 258

COVID-19 Impact on a Business's Workforce

Has your employee count changed due to COVID-19?	
Yes	35%
No	65%
	<i>267 responders</i>

Of those who responded yes...	
Hired New Employees	10%
Furloughed Employees	37%
Temporarily Laid Off Employees	62%
Permanently Laid Off Employees	14%
	<i>92 responders</i>

COVID-19 Impact on a Business's Revenues

How has your weekly revenue changed as a result of COVID-19?

259 Responders

Increase	1%
Decrease	93%
No change	6%

Of the 2 reporting an increase, their average percent increase in revenues was 18%.

Of the 240 reporting a decrease, their average percent decrease in revenues was 77%.

COVID-19 Impact on a Business's Future

What are your top 3 concerns looking forward?	
Global or US recession	66%
Decreasing consumer confidence/spending	64%
Financial impact on operations and/or liquidity and capital	64%
Lack of information for decision making	29%
Employee stress	27%
Workforce reduction	15%
Lower productivity	14%
Supply chain disruptions	13%
Other (please write in)	11%
Impact on tax and trade issues	5%

255 Responders

Responders could select three answers

2019 Top Employers in Sandy Springs

Rank	Company	Employees	Notes
1	IBM Corporation	2,860	
2	Cox Communications	2,834	
3	United Parcel Service	2,081	
4	Manheim Auctions	1,746	
5	Cisco Systems	1,055	
6	VMWare	960	
7	Oracle America	945	
8	West Rock	931	No corporate layoffs at this time
9	Intercontinental Exchange	926	
10	Elavon	901	No layoffs planned at this time
11	Mercedes-Benz	828	
12	Global Payments	763	
13	Cox Enterprises	743	Layoff 12,000 globally - local unknown
14	Newell Brands	486	Furloughing 5,000 worldwide, primarily in Yankee Candle stores. No specific number in Sandy Springs.
15	Focus Brands	416	Layoff 136 at Sandy Springs HQ

The Unknown

The big question the April jobs numbers raise is this:

Will there be enough demand in the economy — whether through federal government spending or a private sector snapping back into action — to ensure that sectors far from the epicenter of this crisis can make it through without those 18 million temporary layoffs becoming permanent?

-The NYT, 5/10/2020

Article: *The 90% Economy that Lockdowns will Leave Behind*

It will not just be smaller, it will feel strange.

-The Economist, 4/30/20

Transportation

State departments of transportation are projecting at least a 30% decline in transportation revenues on average for the next 18 months

- American Association of State Highway and Transportation Officials, or AASHTO

The week ending April 3 saw the lowest motor gasoline consumption—measured as product supplied—since the U.S. Energy Information Administration started tracking that number in 1991.

-WSJ 5/10/20



City Council Priorities

January 24, 2020

PUBLIC SAFETY

TRANSPORTATION

ECONOMIC DEVELOPMENT

DOWNTOWN DEVELOPMENT

COMMUNITY APPEARANCE

SUSTAINABLE GROWTH

WATER RELIABILITY

NATURAL RESOURCE PROTECTION

NORTH END REDEVELOPMENT

RECREATION AND CULTURAL ENHANCEMENT



Proposed FY 2021 General Fund Budget

	FY 2020 Budget	FY 2021 Budget	Variance	% Change
Revenues	\$98,391,770	\$88,925,120	-\$9,466,650	-10%
Expenditures	<u>116,158,600</u>	<u>91,492,725</u>	<u>-24,665,875</u>	<u>-21%</u>
Subtotal	(\$17,766,830)	(\$2,567,605)	\$15,199,225	-86%
Use of Fund Balance	<u>\$17,766,830</u>	<u>\$2,567,605</u>	<u>(\$15,199,225)</u>	
Total	\$0	\$0	\$0	

Fund Balance Reserve

- Adopted as part of the approved Budgetary Policy
- Fund Balance is the cash reserve and working capital to cover the following:
 - Expenditures caused by unforeseen emergencies
 - Shortfalls caused by revenue decline
 - Eliminates need for short-term borrowing for cash flow purposes

FY2021 Budget Assumptions

- Revenue Assumptions include:
 - 10% overall reduction
 - Reductions to sensitive revenues
 - Motor Vehicle and Title Ad Valorem Tax (TAVT) - 40%
 - Local Option Sales Tax - 25%
 - Business Occupational Tax - 25%
 - Alcohol Taxes - 25%
 - Hotel/Motel Tax - 55%
 - No request to increase current millage rate of 4.731
- Expenditure Assumptions
 - 21% total reduction
 - 20% reductions to operating expenditures
 - No new positions added except in Police department
 - 75% reductions to capital transfers
 - Performance increases not included, postponed to mid-year review

Projected Undesignated Fund Balance

Audited June 30, 2019 Fund Balance	\$44,568,633
Add: FY 2020 Projected Revenues	102,627,112
Less: FY 2020 Projected Expenditures	-109,012,235
FY20 Estimated Undesignated General Fund Balance:	\$38,183,511
Less: Fund Balance Reserve to Balance FY 21 Budget	-2,567,605
FY21 Estimated Undesignated General Fund Balance:	\$35,615,906

General Fund Revenues

Approved FY 2020 vs. Proposed FY 2021

Revenues	2019 Actual	2020 Budget	2021 Budget	Variance	% Change FY20 Budget	% Change FY19 Actual
Property Taxes	\$38,183,182	\$35,625,000	\$37,625,000	\$2,000,000	5.61%	-1.46%
Sales Taxes	28,981,123	26,375,000	21,129,000	-5,246,000	-19.89%	-27.09%
Business & Occupational Tax	9,767,768	9,500,000	7,250,000	-2,250,000	-23.68%	-25.78%
Franchise Taxes	9,626,740	9,025,000	8,925,000	-100,000	-1.11%	-7.29%
Insurance Premium Tax	6,724,330	6,250,000	6,250,000	0	0.00%	-7.05%
Municipal Court	2,543,046	2,500,000	1,900,000	-600,000	-24.00%	-25.29%
Licenses & Permits	2,774,205	2,495,000	2,371,000	-124,000	-4.97%	-14.53%

General Fund Revenues

Approved FY 2020 vs. Proposed FY 2021 continued

Revenues	2019 Actual	2020 Budget	2021 Budget	Variance	% Change FY20 Budget	% Change FY19 Actual
Transfer from Other Funds	4,614,519	4,282,650	2,391,000	-1,891,650	-44.17%	-48.19%
Intergovernmental	141,120	141,120	141,120	0	0.00%	0.00%
Charges for Services	793,932	820,000	343,000	-477,000	-58.17%	-56.80%
Interest	1,782,060	1,000,000	250,000	-750,000	-75.00%	-85.97%
Miscellaneous	2,418,410	378,000	350,000	-28,000	-7.41%	-85.53%
Total	\$108,350,433	\$98,391,770	\$88,925,120	-\$9,466,650	-9.62%	-17.93%

General Fund Expenditures

Approved FY 2020 vs. Proposed FY 2021

Expenditures	2019 Actual	2020 Budget	2021 Budget	Variance	% Change	% Change
City Council	\$215,649	\$226,400	\$226,400	\$0	0.00%	4.99%
City Manager	836,377	1,080,900	872,395	-208,505	-19.29%	4.31%
City Clerk	307,590	531,900	430,300	-101,600	-19.10%	39.89%
Finance	2,747,059	2,355,600	2,308,300	-47,300	-2.01%	-15.97%
City Attorney	970,049	900,000	900,000	0	0.00%	-7.22%
Information Services	2,673,288	2,836,000	2,565,700	-270,300	-9.53%	-4.02%
Human Resources	391,032	670,300	582,200	-88,100	-13.14%	48.89%
Facilities Management	3,624,010	5,167,600	4,076,600	-1,091,000	-21.11%	12.49%
Communications	1,804,573	2,023,000	1,626,150	-396,850	-19.62%	-9.89%
General Administration	2,064,157	2,878,500	2,861,000	-17,500	-0.61%	38.60%

General Fund Expenditures

Approved FY 2020 vs. Proposed FY 2021 continued

Expenditures	2019 Actual	2020 Budget	2021 Budget	Variance	% Change	% Change
Municipal Court	1,492,453	1,525,600	1,392,000	-133,600	-8.76%	-6.73%
Police	20,948,483	23,848,100	22,228,900	-1,619,200	-6.79%	6.11%
Fire	14,376,133	15,575,200	14,555,900	-1,019,300	-6.54%	1.25%
Emergency Management	750,940	1,503,300	1,331,200	-172,100	-11.45%	77.27%
Public Works	11,904,587	12,398,800	11,127,500	-1,271,300	-10.25%	-6.53%
Fleet Services	218,300	303,900	257,700	-46,200	-15.20%	18.05%
Recreation & Parks	4,104,894	3,939,200	3,348,940	-590,260	-14.98%	-18.42%
Community Development	4,397,980	4,019,200	3,555,700	-463,500	-11.53%	-19.15%
Economic Development	286,037	402,500	359,500	-43,000	-10.68%	25.68%
Transfers to Other Funds	29,512,497	33,972,600	16,886,340	-17,086,260	-50.29%	-42.78%
Total	\$103,626,088	\$116,158,600	\$91,492,725	-\$24,665,875	-21.23%	-11.71%

Public Works Contractor Analysis

Contractor	Work Area	FY 2020 Amount	FY 2021 Amount	% Change
Blount	Street Maintenance	\$1,055,000	\$1,055,000	0.00%
Pateco	Street Sweeping	\$145,000	\$130,000	-10.34%
Pro Cutters	Citywide On-Call Litter	\$288,000	\$288,000	0.00%
Pro Cutters	State Route Mowing	\$137,500	\$72,000	-47.64%
Yellowstone	Citywide On-Call Mowing	\$630,000	\$649,000	3.02%
Wildcat - Tomal	Road Striping	\$225,000	\$150,000	-33.33%
AWP Inc.	Road Signage	\$450,000	\$435,000	-3.33%
Odd Job Tree / Richmond	Tree Removal	\$300,000	\$300,000	0.00%
GTG	Traffic Signals	\$832,200	\$869,200	4.45%
Blount	Stormwater Maintenance	\$670,000	\$700,000	4.48%
	Materials	\$440,000	\$410,000	-6.82%
	TOTAL	\$5,172,700	\$5,058,200	-2.21%

FY 2021 Operating Budget Expenditure Assumptions

Funding to PFA for Principal & Interest on Bonds	\$8,211,300
Performing Arts Center Operations	\$1,614,740
Subcontractor Agreement Renewals	\$4,648,200
Fund Add'l SSPD Personnel and Retention	\$125,000
Fund Add'l SSFR Personnel and Retention	\$70,000
Continued Fleet Replacement SSPD - 9 vehicles	\$506,000
Continued Funding for Community Events/Nonprofits	\$462,500
Debt Service for Fire Trucks	\$1,162,000
E911 Center Operations	\$150,000
Radio Authority Operations	\$620,000
Continued EMS Subsidy with Enhanced Services	\$260,000
Total	\$17,829,740

Deferred FY 2021 Operating Requests

- Expenditure areas that could be delayed
 - Certain travel and training
 - New departmental initiatives
 - Requested equipment and supplies
 - Certain facility improvements
 - Vehicles
 - New assessment planning and studies
 - Added staff, except within public safety departments

FY 2021 Capital Budget Expenditure Assumptions

Public Safety Headquarters Project	TBD
Fire Station 2	TBD
GA 400 Bridge Enhancements	TBD
Pavement Management Program	2,600,000
Continued Funding for Stormwater Infrastructure Imp	1,225,000
Peachtree Dunwoody/Windsor Intersection	1,200,000
Hammond Park Field Replacement	1,000,000
Trail Master Plan Design	0
Traffic Management Program	300,000
Intersection & Operation Improvements	200,000
Fulton County IGA-Sandy Springs Middle	0
Allen Road Park Playground Replacement	105,000
Access Management Study	100,000
SR400 Multi-Use Trail	75,000
Art Program	72,500
Subtotal	\$6,877,500
Amount available from other projects	-\$1,600,000
Total	\$5,277,500

Strategic Safety Projects to Reevaluate this year

Public Safety Headquarters Project	TBD
Fire Station 2	TBD
GA 400 Bridge Enhancements	TBD

Deferred Capital Projects



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Deferred FY 2021 Capital Requests

Project	Estimated Cost
Trail Master Plan Implementation: Recommended FY21 allocation	\$8,949,106
Morgan Falls Athletic Complex Improvements: Safety netting around baseball fields and shade structures	\$200,000
Allen Road Park Master Plan: Master Plan effort to incorporate newly acquired parcels	\$75,000
Wayfinding Implementation: Signage/Installation, Project Management and Engineering	\$1,500,000

Deferred FY 2021 Capital Requests continued

Project	Estimated Cost
<p>T0058-1 Boylston Streetscape/Hammond Int Realignment :</p> <ul style="list-style-type: none"> • Recommended FY21 allocation • Current available funds can support design plus one protective buy • Remainder of right of way acquisition can be pursued in FY22 with slight schedule delay 	\$600,000
<p>TS-113 Mt. Paran at Lake Forrest Drive Intersection</p> <ul style="list-style-type: none"> • Candidate project not started in TSPLOST/no TSPLOST funds remaining • Review scope and impact this FY for future consideration • Project ROW and Design has not begun 	\$2,000,000
<p>TS-114 Mt. Vernon Highway at Heard's Ferry Drive Master Plan effort to incorporate newly acquired parcels</p> <ul style="list-style-type: none"> • Candidate project not started in TSPLOST/no TSPLOST funds remaining • Review scope and impact this FY for future consideration • Project ROW and Design has not begun 	\$1,500,000
<p>T-6000 Capital Sidewalks</p> <ul style="list-style-type: none"> • TSPLOST Sidewalks now fully programmed • Hold for this year while remaining TSPLOST Sidewalks delivered 	\$1,000,000

Workshop Conclusion

- Validation by City Council of the FY 2021 planning assumptions
 - Validate reductions in:
 - Revenue
 - Operations
 - Capital
 - Using higher than projected revenues in current year FY2020 budget to 'soften the blow' of this upcoming budget shortfall
 - Maintaining efficiencies and continuing to provide excellent customer service
 - Preserving human capital by avoiding layoffs and delaying projects
 - Move ahead to the May 19, 2020 Budget Presentation
 - Understanding there may be future budget amendments as conditions change or projects are better defined

Questions?