



Memorandum

To: Governing Body

Cc: Jim Hendershot, City Administrator

From: Melanie Landis, Assistant City Administrator

Date: June 12, 2020

Re: Financial Projections for 2020 Resulting from Covid-19 Pandemic

As a result of the Covid-19 pandemic, the attached projections are being provided as an on-going review of the potential financial impacts for the City of Spring Hill. Actual impact is beginning to unfold and will become clearer over the coming months as retail sales data from April and May become available. Major funds impacted are included and select points are noted below as well as the intended steps to address potential shortfalls. Impacts are categorized as Moderate, Medium, and High and the City is currently working toward coverage of the Medium Impact to High Impact projections.

Revenue Impacts (Major Sources)

- Revenue Deferred – Revenue expected to be collected at some delayed future date but possibly not within this current budget year.
- Revenue Loss – Revenue lost because of the temporary closure or reduced services of retail establishments or impact on other revenue sources.

Property Taxes (Revenue Deferred) – Initial projections included potential for delayed collection of property taxes and future appraisal appeals and the impact was projected to be modest due to the diverse valuation across both residential and commercial/industrial tax bases. In May, Johnson County announced that the second half of 2019 payments due in May were resulting in approximately 96% collected across the County; however the actual June distribution from Miami County and Johnson County indicates that Spring Hill may be seeing slightly higher delinquencies. Impact has been adjusted accordingly and the impact percentages have been altered to be reflective of the remaining budget after the June distribution.

Development Fees and Excise Tax (Revenue Deferred) – While development showed an initial slowdown over April, residential permits are recovering quickly as the market for residential development remains high in Spring Hill. Medium impact is estimated at 10% overall reduction in development fees for 2020. Excise tax is not a budgeted revenue as the potential for revenue is outside of the City's control and therefore no impact has been assigned.

Sales Tax (Revenue Loss) – Sales tax distributions are received from the State two months after the sales experience. For example, the City will not know what the impact of reduced April retail sales will be until the June distribution (approximately the 23rd of the month). For this reason, projections are based on historical sales tax receipts and general knowledge of impact throughout the City and County for retail sales at this time. It is important to note that the receipts for January through May (sales for November '19 through March '20) were higher than budgeted estimates which have been considered.

- **Johnson County Sales & Use Tax** – Johnson County sales tax makes up roughly 35% of the City's sales tax revenue budget. A large majority of retailers in Johnson County are non-essential purchases, or discretionary spending, and is expected to experience a higher loss due to temporary retail restrictions. In order to remain in line with the impacts forecasted by Johnson County, the updated forecast is currently estimated at 25% medium impact. This is a reduction from the initial estimate of 40%.
- **Miami County Sales & Use Tax** – Miami County sales tax makes up roughly 15% of the City's sales tax revenue budget. This sales tax source is considered to be derived from more essential retailers and the expected loss in revenue is considered to be more of a modest impact on the total revenue projections currently estimated at 25%.
- **City Sales & Use Tax** – City sales tax makes up roughly 50% of the City's sales tax revenue budget. This sales tax source is considered to be derived from more essential retailers and the expected loss in revenue is considered to be more of a modest impact on the total revenue projections currently estimated at 25%.

Water Sales (Revenue Deferred) – While water sales receipts may see an initial decline, we expect that most accounts will be caught up prior to year-end 2020. Factors to consider include unemployment of customers, ability for those in need to access financial assistance, and duration of the time period in which water shutoffs are suspended. At this time, utilities may return to the normal process for interruption of service for non-payment. City Council has granted staff expanded authority to work with customers experiencing financial difficulties through assistance from various agencies and payment arrangements for an extended period of time.

Wastewater Sales (Revenue Deferred) – It is expected that receipts for wastewater charges will see an initial decline similar to the water fund; however, higher delinquencies over a longer period of time are expected as a portion of wastewater customers are not subject to the city's water district shutoff process for non-payment.

Budgetary Reductions and Additional Measures

In response to the projected revenue impacts, measures to maintain current city services and to offset potential losses being considered at this time include:

- Continue essential purchases to maintain current city services.
- Delay large dollar purchases approved as part of the 2020 budget unless determined to be essential.

- Hiring freeze on vacant positions with the exception of two (2) Police Officer positions approved for 2020 budget and a Maintenance Worker for Wastewater.
- Use of additional fund balance dollars rolled from Fiscal YE 2019 to 2020.

At the May 28, 2020 Council meeting, City Council made the difficult decision to not open the Spring Hill Aquatic Center for the 2020 season due to the Covid-19 pandemic. The financial impact of this decision has been reflected in the attached General Fund forecast. Dollars unallocated are currently shown as an offset to the overall revenue loss for the general fund; however, the City Council may choose to review and recommend use of these dollars for another purpose at a future meeting.

Note: *Percentage changes from the previous month forecast within the projection documents are in red.*

At this time, staff is looking for all options for revenue loss impact to be offset without employee furloughs or use of reserve funds.

Updates will continue to be provided monthly. Please let Jim Hendershot or I know if you have any questions related to the provided projections.

Thank you.

PROJECTED IMPACT RELATED TO COVID-19 PANDEMIC	GENERAL FUND (100) - Summary					
	Original 2020 Est.	Actuals thru May	Remaining Budget	Moderate impact	Medium impact	High impact
Beginning Fund Balance	\$414,660	\$594,415	(\$179,755)			
Revenue Deferred	\$2,876,380	\$2,581,520	\$294,860	(\$75,152)	(\$109,682)	(\$131,137)
Revenue Loss	\$1,755,950	\$657,230	\$1,098,720	(\$353,623)	(\$410,704)	(\$469,026)
				(\$428,775)	(\$520,386)	(\$600,163)
Expenditure Reductions	\$5,932,440	\$2,220,867	\$3,711,573	\$433,657	\$464,389	\$450,776
Additional Measures						
<i>Unanticipated Fund balance rollover - \$175,000 avail.</i>				\$175,000	\$175,000	\$175,000
<i>Cash Transfer from Equip Reserve - \$150,000 avail.</i>				\$0	\$0	\$0
<i>Cash Transfer from Special Sales Tax - \$80,000 avail.</i>				\$0	\$0	\$0
<i>Shared salt exp. deferred to Sp. Highway - \$15,000</i>				\$0	\$0	\$0
Positive/(Negative) Impact projected @ YE				\$179,882	\$119,003	\$25,613
Reserve Fund Balance (not impacted)	\$750,000			\$750,000	\$750,000	\$750,000

PROJECTED IMPACT RELATED TO COVID-19 PANDEMIC	GENERAL FUND (100) - Detail					
	Original 2020 Est.	Actuals thru May	Remaining Budget	Moderate impact	Medium impact	High impact
Beginning Fund Balance	414,660	594,415	(179,755)			
Reserve Fund Balance	750,000	750,000				
REVENUE DEFERRED						
Property Taxes	2,501,380	2,367,137	134,243	(67,122)	(87,258)	(100,682)
<i>*Property Tax revenue updated to include June distribution and % impact is reflective of remaining balance.</i>				50%	65%	75%
Development Fees	210,000	176,624	33,376	(1,669)	(3,338)	(5,006)
				5%	10%	15%
Municipal Court	165,000	37,759	127,241	(6,362)	(19,086)	(25,448)
				5%	15%	20%
REVENUE LOSS						
Sales & Use Tax - County - City	926,000	367,289	558,711	(111,742)	(139,678)	(167,613)
				20%	25%	30%
Sales & Use Tax - County - Miami	280,850	118,660	162,190	(32,438)	(40,548)	(48,657)
				20%	25%	30%
Sales & Use Tax - County - Johnson	604,600	262,255	342,345	(68,469)	(85,586)	(102,703)
				20%	25%	30%
Franchise Fees	602,500	252,314	350,186	-	-	-
				0%	0%	0%
Sales & Services	35,400	16,528	18,872	-	-	-
				0%	0%	0%
Aquatic Center	134,050	-	134,050	(134,050)	(134,050)	(134,050)
				100%	100%	100%
Facility Rental	24,000	9,634	14,366	(4,310)	(7,183)	(10,774)
				30%	50%	75%
Alcohol Liquor Tax	16,000	5,544	10,456	(2,614)	(3,660)	(5,228)
				25%	35%	50%
Other Tax & Revenue	18,000	5,920	12,080	-	-	-
				0%	0%	0%
OPERATING REVENUES	\$ 5,517,780	\$ 3,619,665	\$ 1,898,115	\$ (428,773)	\$ (520,382)	\$ (600,159)

EXPENSES	Original 2020 Est.	Actuals thru May	Remaining Budget	Moderate impact	Medium impact	High impact
Salaries, Wages & Benefits	4,451,975	1,669,243	2,782,732	3 months	6 months	12 months
<i>Acctg Supervisor</i>				15,815	31,630	63,260
<i>Maint. Worker (ST)</i>				8,425	16,850	33,700
<i>Street Superintendent - Jan - April</i>				11,880	-	-
<i>Police Officers (2 positions) - filled in June</i>				21,695	14,695	-
<i>Facility Manager - vacant beg July</i>				5,200	10,400	-
<i>PW Director (50% wages) - vacant beg June</i>				11,440	22,880	-
<i>Benefit savings (Payroll taxes, retirement, health)</i>				90,813	98,499	82,813
Supplies, Materials, Maintenance	405,615	115,950	289,665			
<i>Aquatic Center - 2020 season closure</i>	371,925	49,256	322,669	265,775	265,775	265,775
Contractual	823,940	308,402	515,538	-	-	-
Capital Outlay	234,910	127,272	107,638	-	-	-
Debt Service and Transfers	16,000	-	16,000	2,614	3,660	5,228
TOTAL BUDGET REDUCTIONS	\$ 5,932,440	\$ 2,220,867	\$ 3,711,573	\$ 433,657	\$ 464,389	\$ 450,776
ADDITIONAL MEASURES						
<i>Unanticipated Fund balance rollover - \$175,000 avail.</i>				175,000	175,000	175,000
<i>Cash Transfer from Equip Reserve - \$150,000 avail.</i>						
<i>Cash Transfer from Special Sales Tax - \$80,000 avail.</i>						
<i>Salt split exp. deferred to Sp. Highway - \$15,000</i>						
TOTAL ADDITIONAL MEASURES				\$ 175,000	\$ 175,000	\$ 175,000
Positive/(Negative) Impact projected @ YE				179,884	119,006	25,617

PROJECTED IMPACT RELATED TO COVID-19 PANDEMIC	FIRE FUND (215) - Summary					
	Original 2020 Est.	Actuals thru May	Remaining Budget	Moderate impact	Medium impact	High impact
Beginning Fund Balance	48,595	89,755				
Revenue Deferred	708,805	695,679	13,126	(6,563)	(8,532)	(9,844)
Revenue Loss	100	48	52	-	-	-
				(6,563)	(8,532)	(9,844)
Expenditure Reductions	\$ 757,500	\$ 378,000	\$ 379,500	\$ -	\$ -	\$ -
Additional Measures						
<i>Unanticipated Fund balance rollover - \$41,000 avail.</i>				41,000	41,000	41,000
Positive/(Negative) Impact projected @ YE				34,437	32,468	31,156
Reserve Fund Balance	3,000			3,000	3,000	3,000

PROJECTED IMPACT RELATED TO COVID-19 PANDEMIC	FIRE FUND (215) - Detail					
	Original 2020 Est.	Actuals thru May	Remaining Budget	Moderate impact	Medium impact	High impact
Beginning Fund Balance	48,595	89,755	(41,160)	-	-	-
Reserve Fund Balance	3,000	3,000		3,000	3,000	3,000
REVENUE DEFERRED						
Property Taxes	708,805	695,679	13,126	(6,563)	(8,532)	(9,844)
				50%	65%	75%
<i>*Property Tax revenue updated to include June distribution and % impact is reflective of remaining balance.</i>						
REVENUE LOSS						
Other Tax & Revenue	100	48	52	-	-	-
				0%	0%	0%
OPERATING REVENUES	\$ 708,905	\$ 695,727	\$ 13,178	\$ (6,562)	\$ (8,531)	\$ (9,844)
EXPENSES						
Contractual	757,500	378,000	379,500	-	-	-
TOTAL BUDGET REDUCTIONS	\$ 757,500	\$ 378,000	\$ 379,500	\$ -	\$ -	\$ -
ADDITIONAL MEASURES						
<i>Unanticipated Fund balance rollover - \$41,000 avail.</i>				41,000	41,000	41,000
TOTAL ADDITIONAL MEASURES				\$ 41,000	\$ 41,000	\$ 41,000
Positive/(Negative) Impact projected @ YE				34,438	32,469	31,156

PROJECTED IMPACT RELATED TO COVID-19 PANDEMIC	CEMETERY FUND (220) - Summary					
	Original 2020 Est.	Actuals thru May	Remaining Budget	Moderate impact	Medium impact	High impact
Beginning Fund Balance	1,190	1,015				
Revenue Deferred	32,810	31,213	1,597	(799)	(1,038)	(1,198)
Revenue Loss	-	2	(2)	-	-	-
				(799)	(1,038)	(1,198)
Expenditure Reductions	\$ 31,500	\$ 15,000	\$ 16,500	\$ -	\$ -	\$ -
Additional Measures						
<i>Unanticipated Fund balance rollover - \$1,015 avail.</i>				1,015	1,015	1,015
Positive/(Negative) Impact projected @ YE				216	(23)	(183)
Reserve Fund Balance	2,500			2,500	2,500	2,500

PROJECTED IMPACT RELATED TO COVID-19 PANDEMIC	CEMETERY FUND (220) - Detail					
	Original 2020 Est.	Actuals thru May	Remaining Budget	Moderate impact	Medium impact	High impact
Beginning Fund Balance	1,190	1,015	175	-	-	-
Reserve Fund Balance	2,500	2,500		2,500	2,500	2,500
REVENUE DEFERRED						
Property Taxes	32,810	31,213	1,597	(799)	(1,038)	(1,198)
				50%	65%	75%
<i>*Property Tax revenue updated to include June distribution and % impact is reflective of remaining balance.</i>						
REVENUE LOSS						
Other Tax & Revenue	-	2	(2)	-	-	-
				0%	0%	0%
OPERATING REVENUES	\$ 32,810	\$ 31,214	\$ 1,596	\$ (798)	\$ (1,038)	\$ (1,197)
EXPENSES						
Contractual	31,500	15,000	16,500	-	-	-
TOTAL BUDGET REDUCTIONS	\$ 31,500	\$ 15,000	\$ 16,500	\$ -	\$ -	\$ -
ADDITIONAL MEASURES						
<i>Unanticipated Fund balance rollover - \$1,015 avail.</i>				1,015	1,015	1,015
TOTAL ADDITIONAL MEASURES				\$ 1,015	\$ 1,015	\$ 1,015
Positive/(Negative) Impact projected @ YE				217	(23)	(182)

PROJECTED IMPACT RELATED TO COVID-19 PANDEMIC	DEBT SERVICE FUND (400) - Summary					
	Original 2020 Est.	Actuals thru May	Remaining Budget	Moderate impact	Medium impact	High impact
Beginning Fund Balance	270,250	365,648				
Revenue Deferred	1,159,005	1,144,230	14,775	(7,387)	(9,603)	(11,081)
Revenue Loss	996,020	144	995,876	-	-	-
				(7,387)	(9,603)	(11,081)
Expenditure Reductions	\$ 2,425,275	\$ 527,553	\$ 1,897,722	\$ -	\$ -	\$ -
Additional Measures						
<i>Unanticipated Fund balance rollover - \$95,000 avail.</i>				95,000	95,000	95,000
Positive/(Negative) Impact projected @ YE				87,613	85,397	83,919
Reserve Fund Balance (not impacted)	10,000			10,000	10,000	10,000

PROJECTED IMPACT RELATED TO COVID-19 PANDEMIC	DEBT SERVICE FUND (400) - Detail					
	Original 2020 Est.	Actuals thru May	Remaining Budget	Moderate impact	Medium impact	High impact
Beginning Fund Balance	270,250	365,648	(95,398)	270,250	270,250	270,250
Reserve Fund Balance	10,000	10,000		10,000	10,000	10,000

REVENUE DEFERRED						
Property Taxes	152,005	139,669	12,336	(6,168)	(8,018)	(9,252)
				50%	65%	75%
<i>*Property Tax revenue updated to include June distribution and % impact is reflective of remaining balance.</i>						
Special Assessments	1,007,000	1,004,561	2,439	(1,219)	(1,585)	(1,829)
				50%	65%	75%
<i>*Special Assessment revenue updated to include June distribution and % impact is reflective of remaining balance.</i>						

REVENUE LOSS						
Other Tax & Revenue	100	144	(44)	-	-	-
				0%	0%	0%
Transfers In	995,920	-	995,920	-	-	-
				0%	0%	0%
OPERATING REVENUES	\$ 2,155,025	\$ 1,144,374	\$ 1,010,651	\$ (7,386)	\$ (9,602)	\$ (11,079)

EXPENSES						
	Original 2020 Est.	Actuals thru May	Remaining Budget	Moderate impact	Medium impact	High impact
Debt Service and Transfers	2,425,275	527,553	1,897,722	-	-	-
TOTAL BUDGET REDUCTIONS	\$ 2,425,275	\$ 527,553	\$ 1,897,722	\$ -	\$ -	\$ -

ADDITIONAL MEASURES						
<i>Unanticipated Fund balance rollover - \$95,000 avail.</i>				95,000	95,000	95,000
TOTAL ADDITIONAL MEASURES				\$ 95,000	\$ 95,000	\$ 95,000

Positive/(Negative) Impact projected @ YE				87,614	85,398	83,921
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PROJECTED IMPACT RELATED TO COVID-19 PANDEMIC	WATER FUND (510) - Summary					
	Original 2020 Est.	Actuals thru May	Remaining Budget	Moderate impact	Medium impact	High impact
Beginning Fund Balance	71,825	(14,295)				
Revenue Deferred	1,253,250	514,259	738,991	(22,817)	(38,567)	(54,318)
Revenue Loss	19,000	6,763	12,237	(2,105)	(3,289)	(4,341)
				(24,922)	(41,856)	(58,659)
Expenditure Reductions	\$ 1,344,075	\$ 415,178	\$ 928,897	\$ 7,088	\$ 14,176	\$ -
Additional Measures						
<i>No additional measures necessary. Deferred revenue is expected to be mostly collected by year end.</i>						
Positive/(Negative) Impact projected @ YE				(17,834)	(27,680)	(58,659)
Reserve Fund Balance	731,070			731,070	731,070	731,070

PROJECTED IMPACT RELATED TO COVID-19 PANDEMIC	WATER FUND (510) - Detail					
	Original 2020 Est.	Actuals thru May	Remaining Budget	Moderate impact	Medium impact	High impact
Beginning Fund Balance	71,825	(14,295)		-	-	-
Reserve Fund Balance	731,070	731,070		731,070	731,070	731,070

REVENUE DEFERRED						
Sales & Services - Water Sales	1,195,000	488,364	706,636	(21,199)	(35,332)	(49,464)
				3%	5%	7%
Sales & Services - System Development Fees	58,250	25,895	32,355	(1,618)	(3,236)	(4,853)
				5%	10%	15%
REVENUE LOSS						
Sales & Services - Penalty & Reconnection Fees	18,500	5,345	13,155	(2,105)	(3,289)	(4,341)
				16%	25%	33%
Other Income	500	1,419	(919)	-	-	-
				0%	0%	0%
OPERATING REVENUES	\$ 1,272,250	\$ 521,023	\$ 751,227	\$ (24,921)	\$ (41,856)	\$ (58,659)

EXPENSES						
	Original 2020 Est.	Actuals thru May	Remaining Budget	Moderate impact	Medium impact	High impact
Salaries, Wages & Benefits	323,000	121,661	201,339	-	-	-
<i>PW Director (25% wages) - vacant beg June</i>				5,720	11,440	-
<i>Benefit savings (Payroll taxes, retirement, health)</i>				1,368	2,736	
Supplies, Materials, Maintenance	142,500	25,758	116,742	-	-	-
Contractual	623,700	160,485	463,215	-	-	-
Capital Outlay	29,515	11,886	17,629	-	-	-
Debt Service and Transfers	225,360	95,387	129,973	-	-	-
TOTAL BUDGET REDUCTIONS	\$ 1,344,075	\$ 415,178	\$ 928,897	\$ 7,088	\$ 14,176	\$ -

ADDITIONAL MEASURES						
<i>No additional measures necessary as deferred revenue is expected to be mostly collected by year end.</i>						
TOTAL ADDITIONAL MEASURES				\$ -	\$ -	\$ -
Positive/(Negative) Impact projected @ YE				(17,833)	(27,680)	(58,659)

PROJECTED IMPACT RELATED TO COVID-19 PANDEMIC	WASTEWATER FUND (520) - Summary					
	Original 2020 Est.	Actuals thru May	Remaining Budget	Moderate impact	Medium impact	High impact
Beginning Fund Balance	233,580	452,419				
Revenue Deferred	2,068,375	914,666	1,153,709	(57,685)	(88,524)	(128,311)
Revenue Loss	16,350	5,804	10,546	(1,806)	(2,822)	(3,726)
				(59,492)	(91,346)	(132,037)
Expenditure Reductions	\$ 1,764,930	\$ 447,882	\$ 1,317,048	\$ 16,945	\$ 32,766	\$ -
Additional Measures				220,000	220,000	220,000
<i>Unanticipated Fund balance rollover - \$220,000 avail.</i>						
Positive/(Negative) Impact projected @ YE				177,454	161,420	87,963
Reserve Fund Balance	3,280,940			3,280,940	3,280,940	3,280,940

PROJECTED IMPACT RELATED TO COVID-19 PANDEMIC	WASTEWATER FUND (520) - Detail					
	Original 2020 Est.	Actuals thru May	Remaining Budget	Moderate impact	Medium impact	High impact
Beginning Fund Balance	233,580	452,419		-	-	-
Reserve Fund Balance	3,280,940	3,280,940		731,070	731,070	731,070

REVENUE DEFERRED						
Sales & Services - Sewer Sales	1,515,000	620,091	894,909	(44,745)	(62,644)	(89,491)
				5%	7%	10%
Sales & Services - System Development Fees	553,375	294,575	258,800	(12,940)	(25,880)	(38,820)
				5%	10%	15%
REVENUE LOSS						
Sales & Services - Penalty	15,000	3,710	11,290	(1,806)	(2,822)	(3,726)
				16%	25%	33%
Other Income	1,350	2,094	(744)	-	-	-
				0%	0%	0%
OPERATING REVENUES	\$ 2,084,725	\$ 920,470	\$ 1,164,255	\$ (59,492)	\$ (91,346)	\$ (132,036)

EXPENSES						
	Original 2020 Est.	Actuals thru May	Remaining Budget	Moderate impact	Medium impact	High impact
Salaries, Wages & Benefits	355,200	103,315	251,885	3 month	6 month	12 month
<i>PW Director (25% wages) - vacant beg June</i>				5,720	11,440	-
<i>Maint. Worker (WW) -vacant Jan-July/hire in July</i>				8,425	16,850	-
<i>Benefit savings (Payroll taxes, retirement, health)</i>				2,800	4,476	-
Supplies, Materials, Maintenance	134,800	39,927	94,873	-	-	-
Contractual	418,950	105,131	313,819	-	-	-
Capital Outlay	75,000	20,194	54,806	-	-	-
Debt Service and Transfers	780,980	179,315	601,665	-	-	-
TOTAL BUDGET REDUCTIONS	\$ 1,764,930	\$ 447,882	\$ 1,317,048	\$ 16,945	\$ 32,766	\$ -

ADDITIONAL MEASURES						
<i>Unanticipated Fund balance rollover - \$220,000 avail.</i>				220,000	220,000	220,000
TOTAL ADDITIONAL MEASURES				\$ 220,000	\$ 220,000	\$ 220,000

Positive/(Negative) Impact projected @ YE				177,454	161,420	87,964
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