Wayzata City Council Workshop Meeting Agenda
Wayzata City Hall Community Room, 600 Rice Street
TUESDAY, MAY 5, 2020

Pursuant to Minnesota Statute Sec. 13D.015 and because of the COVID-19 pandemic, this City Council Workshop is being held remotely by electronic means using the audio and video conferencing platform, Zoom. Members of the public may listen but comments will not be accepted at the meeting. Members of the public may submit comments or questions about items on the agenda in advance by emailing PublicComment@wayzata.org, calling City staff, or mailing comments to Wayzata City Hall at 600 Rice St E, Wayzata, MN 55391 (Attn: Public Comments). The meeting is available for members of the public to listen via phone by calling 312-626-6799 and enter Zoom Meeting ID 913 7371 8382.

WORKSHOP TOPICS FOR DISCUSSION:

1. Discussion of City's Current Financial Status and Year-end 2020 Forecasts (6:00 p.m.)

City Council Workshop
City Council Agenda Report

MEETING DATE: May 5, 2020	**WORKSHOP AGENDA ITEM:** 1
TITLE: Discussion of City's Current Financial Status and Year-end 2020 Forecasts (6:00 p.m.)	
PREPARED BY: Aurora Yager, Administrative Services Director	
REVIEWED BY: Jeff Dahl, City Manager	

DISCUSSION OBJECTIVE:

To receive updates on the City's current financial position and to discuss forecast scenarios for the remainder of the year.

BACKGROUND:

To plan for how COVID-19's broad economic impact will affect the City's financial position, staff underwent a line-item budget review to evaluate potential impacts across various funds.

Before we explore the scenarios, it is important to keep in mind the City's overall financial position. The City is in a very strong financial position due to the following factors:

- Healthy reserves – General Fund maintains 40% fund balance policy
- Conservative Budgeting Practices – History of significant excess fund balance transfers
- Excellent Liquidity – 1.7 times total governmental fund expenditures
- AAA Credit Rating
- A positive first quarter of business activity prior to COVID-19

Based on the analysis, the General Fund, Liquor Fund, and Motor Vehicle Fund were determined to be the most vulnerable. Forecasts were completed for each of these funds for optimistic, realistic, and pessimistic scenarios. The assumptions used to create these forecasts are explained below and the results of the forecasts for each scenario is included in the attached document.

Optimistic Scenario Assumptions

<u>General Fund</u>

- 97% property tax revenue
- 113% of planning and development revenue

<u>Liquor Fund</u>

- Bar and Grill can reopen under social distancing requirements in June. Revenues return to normal by October and end the year at 57% of budget.
- Bar and Grill personnel costs reduced to 72% of budget. Unemployment costs estimated at $220,000.
- Wine and Spirits revenues increased 8% over 2019 actuals through July. Revenues return to normal by August and end the year at 101% of budget.

<u>Motor Vehicle</u>

- Office can reopen in June. Revenues reach 78% of budget.

- Personnel costs reduced to 87% of budget.

Realistic Scenario Assumptions

General Fund

- 96% property tax revenue
- 99% of planning and building revenues
- Reduced special event permit and ticket revenue
- Nearly $131,000 in expenditure savings due to reduced training budgets, reduced reliance on contracted building inspections, delaying the filling of open Administrative Assistant and Public Works Superintendent positions, reducing seasonal staffing, and not filling open CSO and Dockmaster positions.

Liquor Fund

- Bar and Grill can reopen in June and operates under social distancing requirements through the end of the year. Revenues at year end reach 42% of budget.
- Bar and Grill personnel costs reduced to 57% of budget. Unemployment costs estimated at $318,000.
- Wine and Spirits revenues increased 5% over 2019 actuals through July. Revenues return to normal by August and end the year at 100% of budget.

Motor Vehicle

- Office can reopen in June. Revenues reach 71% of budget
- Personnel costs reduced to 75% of budget. Unemployment costs estimated at $39,000.

Pessimistic Scenario Assumptions

General Fund

- 95% property tax revenue
- 66% of planning and building revenues
- Reduced special event permit and ticket revenue
- Nearly $131,000 in expenditure savings due to reduced training budgets, reduced reliance on contracted building inspections, delaying the filling of open Administrative Assistant and Public Works Superintendent positions, reducing seasonal staffing, and not filling open CSO and Dockmaster positions.

Liquor Fund

- Bar and Grill only open for carry out service through the end of the year. Revenues at year end reach 29% of budget.
- Bar and Grill personnel costs reduced to 48% of budget. Unemployment costs estimated at $340,000.
- Wine and Spirits revenues meet budget expectations through the end of the year at 100% of budget.

Motor Vehicle

- Office cannot reopen and operate drop box services all year. Revenues reach 43% of budget

- Personnel costs reduced to 61% of budget. Unemployment costs estimated at $71,000.

Closing the Shortfall

As mentioned above, the City is prepared to implement various cost cutting measures in personnel, training, and consultant use to close the gap left by the anticipated revenue shortfalls. In addition to these actions, the City has several other tools that it will need to employ to close the shortfall:

- In accordance with the City's fund balance policy to retain 40% of general fund reserves, the City is anticipated to transfer out excess general fund reserves from 2019 of nearly $518,000. Historically these transfers have gone to fund capital projects, however given today's circumstances, they should be diverted to any of the affected funds to make up for the revenue shortfalls expected this year.
- In addition, the general fund budget includes a transfer out of over $755,000 to various capital funds. This transfer can be reduced in part or its entirety. Staff have already identified several projects planned for 2020 that could be delayed to reduce capital expenses in 2020.

Next Steps

After discussing the scenarios, staff will move forward with implementation on the most realistic scenario. Implementation will start immediately through the City Council's review and amending of the Capital Improvement Plan and the commencement of the 2021 Budget Process.

Given the volatility of operations, staff will provide another update around mid-year.

ATTACHMENTS:

1. Financial Forecast Summary

COVID-19 Budget Impact Scenarios

Impacted Funds	Budgeted			Optimistic			Realistic			Pessimistic		
	Revenues	Expenditures	Difference	Revenues	Expenditures	Difference	Revenues	Expenditures	Difference	Revenues	Expenditures	Difference
General Fund	$ 6,859,623	$ 6,859,623	$ -	$ 6,893,217	$ 6,849,340	$ 43,877	$ 6,650,991	$ 6,728,227	$ (77,236) *	$ 6,426,166	$ 6,576,432	$ (150,266) *
Liquor Fund - Bar & Grill Operation	$ 3,761,667	$ 3,439,104	$ 322,563	$ 2,147,901	$ 2,506,427	$ (358,526) *	$ 1,591,024	$ 2,308,807	$ (717,783) *	$ 1,100,924	$ 2,061,746	$ (960,822) *
Liquor Fund - Wine & Spirits Operation	$ 3,120,000	$ 2,915,788	$ 204,212	$ 3,151,333	$ 2,946,059	$ 205,274	$ 3,126,455	$ 2,935,205	$ 191,250	$ 3,106,125	$ 2,917,114	$ 189,011
Motor Vehicle Fund	$ 630,965	$ 588,809	$ 42,156	$ 494,121	$ 564,090	$ (69,969) *	$ 447,550	$ 535,054	$ (87,504) *	$ 272,179	$ 487,367	$ (215,187) *
Subtotal Fund Balance - Increase/(Decrease)			**$ 568,931**			**$ (179,344)**			**$ (691,272)**			**$ (1,137,263)**
Other Revenue Sources												
Federal Reimbursement for COVID-19						$ 100,000			$ 20,000			$ -
Subtotal Fund Balance - Increase/(Decrease)						**$ (79,344)**			**$ (671,272)**			**$ (1,137,263)**
Captial Transfers												
Excess 2019 General Fund Reserves Transfer*		Available	$ 517,863	Cover negative balances in Liquor and Motor Vehicle Funds		$ 294,642	Cover negative balances in General, Liquor, and Motor Vehicle Funds		$ 517,863	Cover negative balances in General, Liquor, and Motor Vehicle Funds		$ 517,863
				Remaining available for CIP Transfer		$ 223,221	Remaining available for CIP Transfer		$ -	Remaining available for CIP Transfer		$ -
Delay 2020 CIP Projects						$ 79,344			$ 671,272			$ 1,137,263
Total Fund Balance Position YE 2019						**$ 19,438,228**			**$ 19,438,228**			**$ 19,438,228**
Total Fund Balance After COVID Impacts and Capital Project Delays						**$ 19,438,228**			**$ 19,438,228**			**$ 19,438,228**