PRESENTATION OUTLINE

1. 10-yr General Fund Forecast
2. COVID-19 Economic Implications
3. FY 2020/21 Budget Development Approach
4. Next Steps and Action Items
General Fund 10-Year Forecast
GENERAL FUND 10-YR FORECAST

In thousands

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<tr>
<th>FYE 2020</th>
<th>FYE 2021</th>
<th>FYE 2022</th>
<th>FYE 2023</th>
<th>FYE 2024</th>
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Expenditures  
Revenues
BALANCING REVENUES AND EXPENDITURES

Revenues

- Flat to Modest
- Sales Tax
- Property Tax
- Limited Growth in Other Economically Sensitive Revenue

Expenditures

- Labor Agreements
- Cost of Living Adjustments
- PERS
- Health Care
- Increased Service Demands
- Growing Services and Supplies
- Long Term Obligations
- Deferred and New Infrastructure Needs
COVID-19 Implications
COVID-19 IMPLICATIONS

CURRENT Economic Forecast

• Weekly U.S. Unemployment Rate Increasing
  ➢ Current Rate of 14.8% - Higher than Peak of Great Recession
  ➢ 6.6M in Unemployment Claims

• 1Q Sales Tax and Hotel Tax Impacted
  • Restaurants, Retail
  • Some e-Commerce

• State Sales Tax Deferrals will Impact City Revenue

• Residential and Commercial Construction Slowing
  • Further Restrictions Would Impact Economy
COVID-19 IMPLICATIONS

FUTURE Economic Forecast

• Full Magnitude of Revenue Decline Unknown
  ➢ Revenue Collections Lag 6 Months Behind

• Financial Revenue Models Developed
  ➢ 15-20% Decrease in Sales Tax Compared to Prior Year
  ➢ Estimated Revenue Decline: $3M - $5M within 3-6 months
  ➢ Doubles Existing Structural Deficit

• Estimated Recovery Timeframe
  ➢ Projected Sales, Property, and Hotel Taxes not Likely to Materialize for 1-4 Years
SALES TAX AND TOT REVENUE CYCLE

Sales Tax and TOT Revenue Cycle

- Earned
- COVID-19
- Paid

Jan-20  Mar-20  Jul-20  Sep-20  Dec-20
FY 2020-21 Budget Development Approach
BEST PRACTICES FOR SHORT-TERM BUDGET BALANCING

Reduce Personnel Costs. This is the biggest area of expense for most governments, so a serious retrenchment effort will have to address personnel costs.

Reduce Capital Spending. Capital assets are often very costly, so even a modest reduction in spending could result in significant savings.

Reduce Materials or Contractor Costs. Though not as significant as personnel or capital, many governments can find savings in existing contracts that may not be as painful to cut.

Create More Advantageous Inflows and Outflows of Cash. These techniques won't balance your budget but can help better manage the incidence of expenditures and revenues during the year.

Get New Resources. Governments should also explore possibilities for new resources, even if those opportunities are limited.
Why Implement Short-Term Strategies?

- Slows Net Flow of Cash
- Keeps Budget Balanced
- Limits Service Interruptions
- Short-time-to-benefit
- Not complex
- Reversible
- Buys Time to Develop Permanent Solutions
FY 20/21 BUDGET FRAMEWORK

Post COVID-19 Action

- **Form a Council Standing or Ad Hoc Subcommittee**
  - Provides Policy Guidance around the Development of a Fiscal Sustainability Plan

- **Develop a Fiscal Sustainability Plan**
  - Multi-Year Approach
  - Identifies Fiscal Policies and Budget Strategies
    - ✓ Revenue Enhancement Opportunities
    - ✓ Service Delivery Options
    - ✓ Expenditure Reductions

- **Implement a Community Engagement Process to Elicit a Higher Level of Public Involvement**
Next Steps & Action Items
## COUNCIL STRATEGIC PRIORITIES AND OBJECTIVES UPDATE

### Quality of Life

**Recreational Amenities**
- Aquatic Final Conceptual Plan Under Review; Hold Given COVID-19
- Advance Infrastructure to Improve Citywide Traffic Conditions
  - Adopted List of Projects for SB1 Funds
  - Overlay Projects Scheduled

**Facilitate Affordable Housing & Develop a Homelessness Strategic Plan**
- Securing Approximately $4M in Housing Funds for Affordable Housing
  - Of that, $250,000 will be Used to Support Homeless Housing
- Emergency Response Fund Grant for Homeless - Application In Progress

### Economic Development

**Develop and Implement Cannabis Regulations**
- Draft Application and Selection Criteria Complete; Next Steps: Council Discussion

**Transit Oriented Development**
- TOD Outreach Completed; Next Steps – Council Direction

**Business Attraction**
- Moving Forward to Hire ED Manager
## COUNCIL STRATEGIC PRIORITIES AND OBJECTIVES UPDATE

<table>
<thead>
<tr>
<th>Public Safety</th>
<th>Governance</th>
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| **Strengthen Community Safety through Crime Prevention Reduction Activities**  
- Proposed Budget will include Security and Lighting CIP for Select Parks  
**Enhance Citywide Emergency Management Capabilities**  
- Business Continuity Planning Still Underway  
- COVID-19 Serves as a Learning Opportunity | **Encourage the Development of Good Governance Policies**  
- Completed Council Code of Conduct and Protocols  
**Ensure Short and Long Term Financial Sustainability**  
- Council to Develop a Multi-Year a Fiscal Sustainability Plan  
- Facilitates Public Awareness Goals About City Finances |

*Think inside the Triangle*
REVISED BUDGET CALENDAR

May 19  
FY 2020/21 Proposed Operating and Capital Budget
- Proposed FY 2020-21 Operating and Capital Budget Presented to City Council
- Return with Resolution to Form Standing or Ad-Hoc Subcommittee

June 2  
FY 2020/21 Adoption Operating and Capital Budget
- Return with Final Budget for Adoption

Late June  
Development of Fiscal Sustainability Plan
- Engage Council Standing or Ad-Hoc Subcommittee
- Provide Budget and Fiscal Policy Orientation
- Create Council Subcommittee Meeting Calendar
1. Discuss the 10-Year General Fund Forecast and Provide Feedback

2. Provide Direction about FY 2020/21 Budget Development Approach

3. Provide Direction about Forming a Standing or Ad Hoc Committee to Provide the City Manager Policy Guidance Regarding the Development of Fiscal Sustainability Plan