



**FREE WEBINAR!**

*Financial Uncertainty  
During COVID-19*

**BUDGET FORECASTING & FINANCIAL TIPS  
FOR LOCAL GOV'T LEADERS**

**WED, APR 29 | 10:30 AM-NOON**

[WWW.CA-ILG.ORG](http://WWW.CA-ILG.ORG)



# Thank You for Joining!

## Webinar Host & Moderator

**Erica L. Manuel**

CEO & Executive Director  
Institute for Local Government



# Webinar Overview

## Financial Uncertainty During COVID-19

- Local governments across California are anticipating significant decreases in revenue as a result of the COVID-19 pandemic.

From sales tax and transient occupancy tax declines to delays in utility rate and user fee recovery, local agency forecasts for 2020 and beyond have been dramatically impacted.

This webinar is designed to help you learn more about statewide budget forecasts and hear tips that will help you begin to navigate this crisis and prepare for the future.

# Today's Agenda

Welcome & Overview

About ILG

COVID-19 Fiscal Impacts

Presentations by:

- Bobby Young, Director of Client Services, HdL Companies
- Dennis Kauffman, Chief Financial Officer, City of Roseville

Q&A

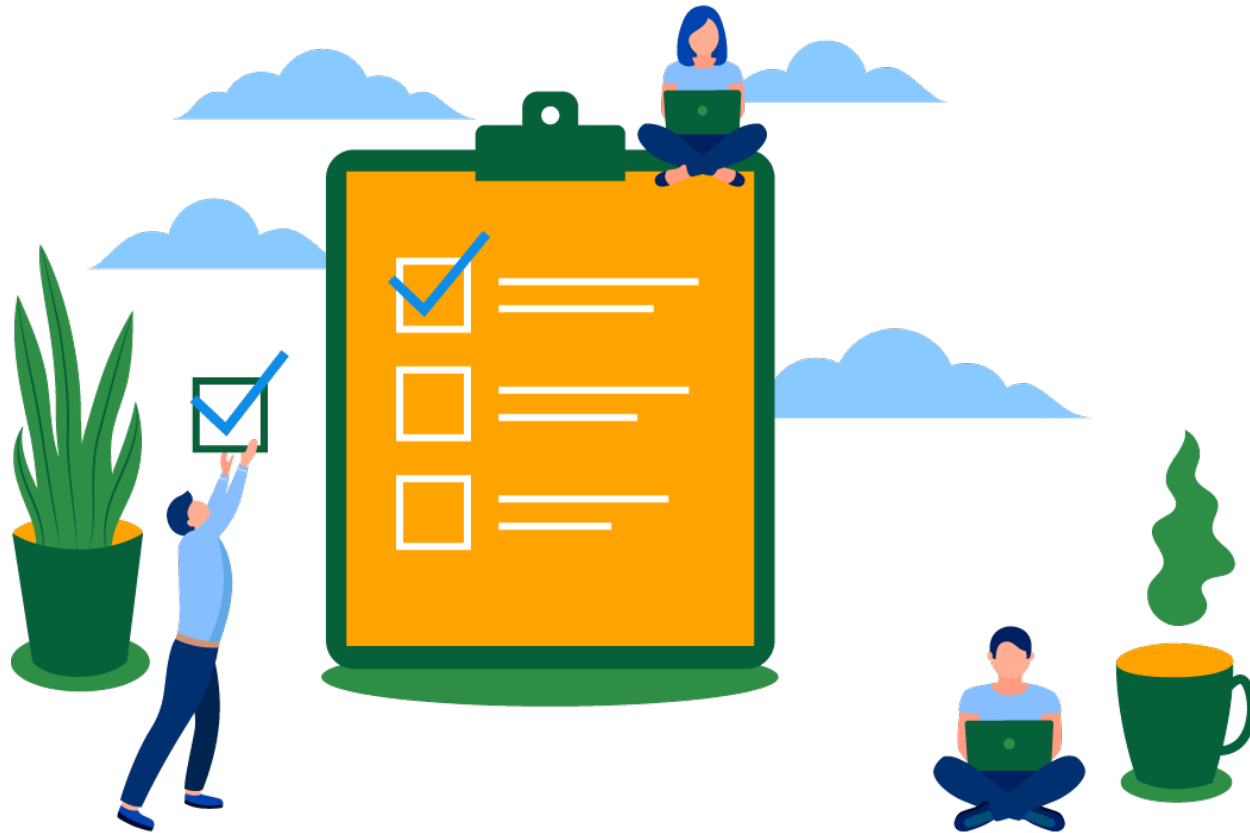
Contact Information

# How to Ask a Question During the Webinar

- All webinar participants will be on MUTE during the entire call.
- Please TYPE any questions into the question box at any time during the webinar.
- The moderator will read your questions during the Q&A at the end of the webinar.



# Tell Us More About You – Audience Poll



# Non-Profit, Non-Partisan & Here to Help

- ILG is the non-profit training and education affiliate of three statewide local government associations
- Together with our affiliates, we serve over 2,500 local agencies – cities, counties and special districts
- We provide practical and easy-to-use resources so local agencies can effectively implement policies on the ground



**California Special  
Districts Association**  
*Districts Stronger Together*

# ILG's Programs & Services

## Program Areas

Leadership & Governance

Civics Education & Workforce

Public Engagement

Sustainable & Resilient Communities



## Services

Education & Training

Technical Assistance

Capacity Building

Convening

Our mission is to help local government leaders navigate complexity, increase capacity & build trust in their communities



# ILG's COVID Resources



- Local Government Resources
- State & National Resources
- Executive Orders
- Tools & Training Opportunities
- Local Government Response

[www.ca-ilg.org/COVID-19](http://www.ca-ilg.org/COVID-19)

# COVID Fiscal Impacts by Jurisdiction Type

How do the impacts differ by jurisdiction?

*Cities*

*Counties*

*Special Districts*



# Cities Brace for Huge Shortfalls

- Cities are bracing for a nearly **\$7 billion** general revenue shortfall over the next two fiscal years
- This shortfall will grow by billions of dollars if COVID-19 stay-at-home orders extend into the summer months and beyond
- **All cities, regardless of size and geography, are impacted**
- Cities most severely impacted are those with high dependencies on sales taxes and transient (hotel) occupancy taxes (TOT)



# COVID Will Impact City Service Delivery

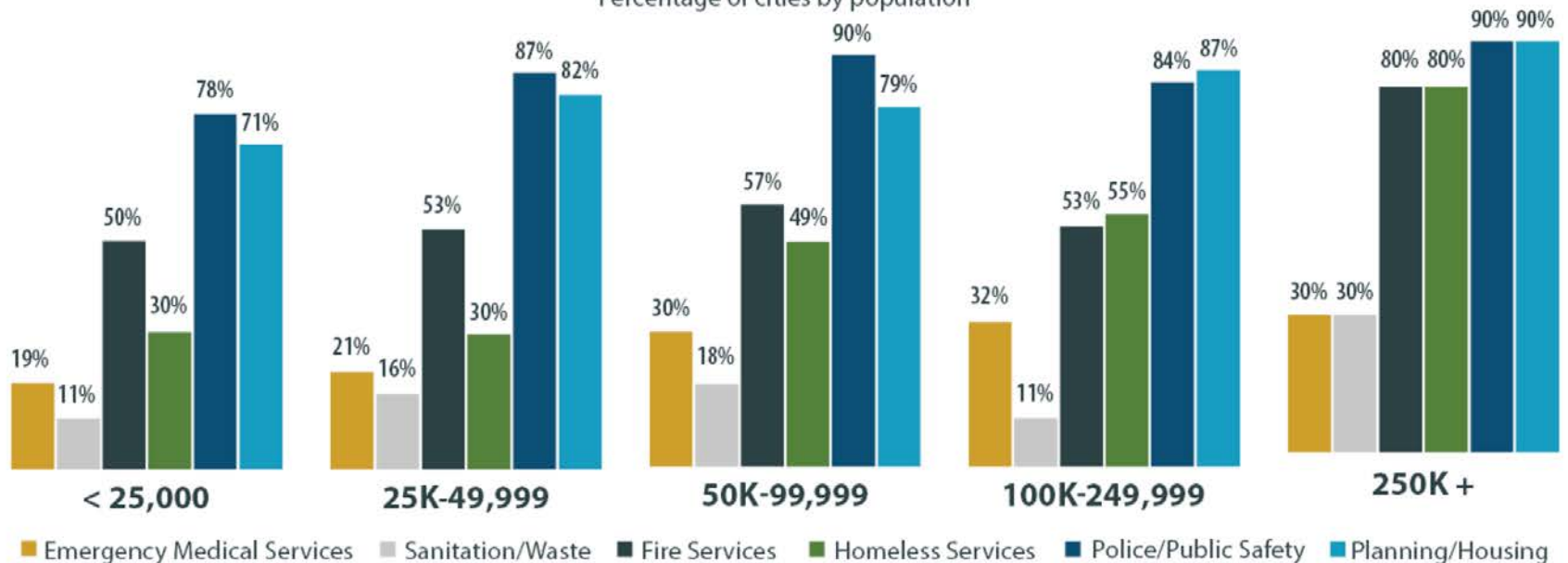
## Public Services Will Be Impacted By Drastic Revenue Loss



# COVID Will Impact City Service Delivery

## Core Services Face Significant Impacts Regardless of City Size

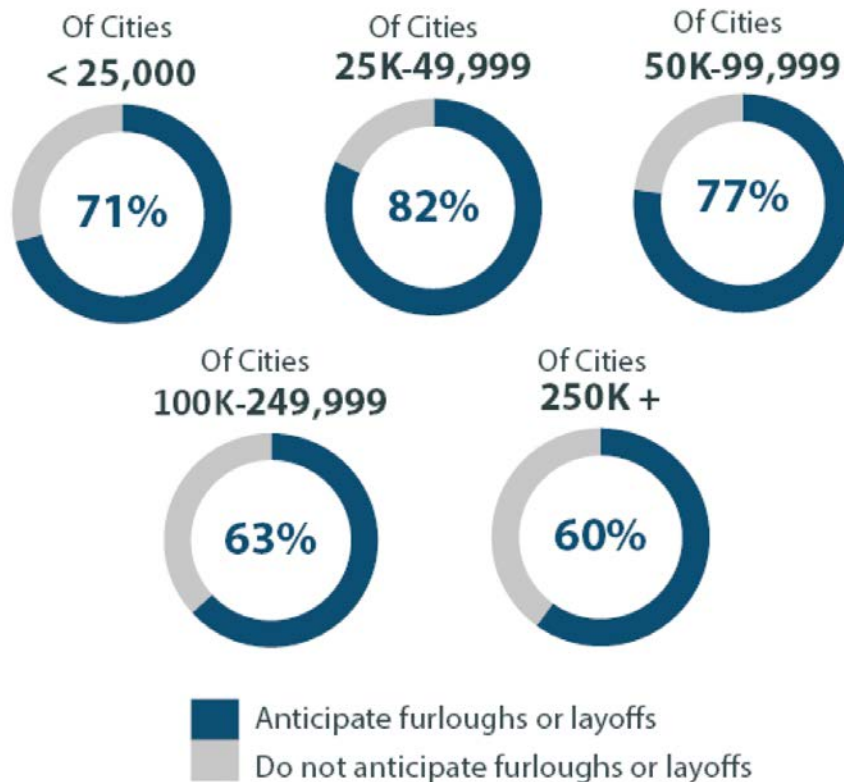
Percentage of cities by population



- Cities project deep impacts to core services due to revenue shortfalls and deferred revenues, regardless of size and geography
- 84% of cities report that police services will be adversely impacted

# COVID Will Impact City Workforce

## COVID-19 Has Staggering Impact on City Workforce



- Over 90% of cities report they are considering cutting/furloughing city staff or decreasing public services, and 72% of cities report they may take both actions

# COVID Impact to Counties

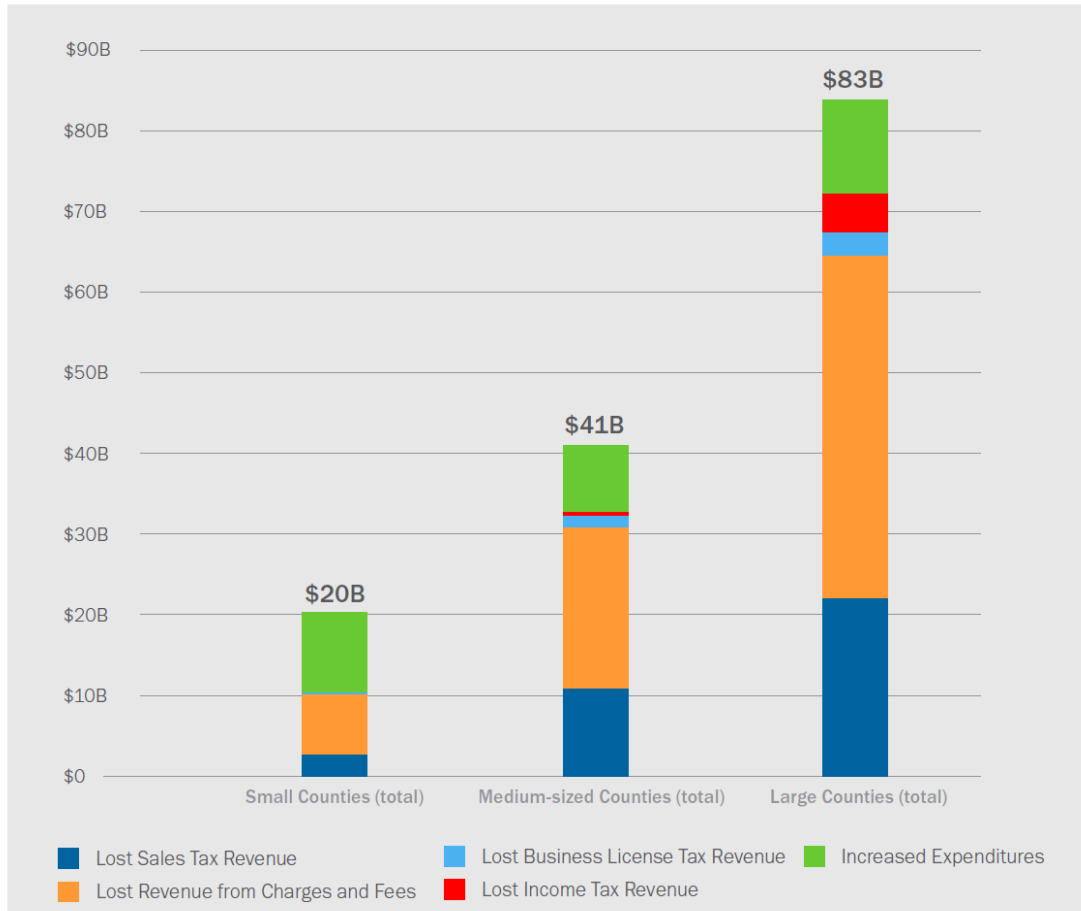
- America's counties could face budgetary impacts as much as **\$144 billion in lost revenue** and increased expenditures through FY2021.
- An additional **\$54 billion in property tax revenue** is at risk in states where counties have not yet collected any or all property tax revenue in FY2020.
- Between lost revenue and increased expenditures, in total, small counties may see a **24% percent reduction** in their budgets.



Source: NACo

# COVID Impact to Counties

## COUNTIES FACING \$114 BILLION LOST REVENUE AND \$30 BILLION IN RESPONSE COSTS



Includes lost revenue from sales tax and local fees and additional expenditures related to COVID-19, but does not include budgetary impacts related to other funding streams like property taxes and intergovernmental funding

This estimate is conservative because it does NOT include potential lost property tax revenue (should home prices and assessments decrease)

It also does NOT take into account funding that states share with counties from sources like state sales or income taxes, which will likely also be reduced significantly.



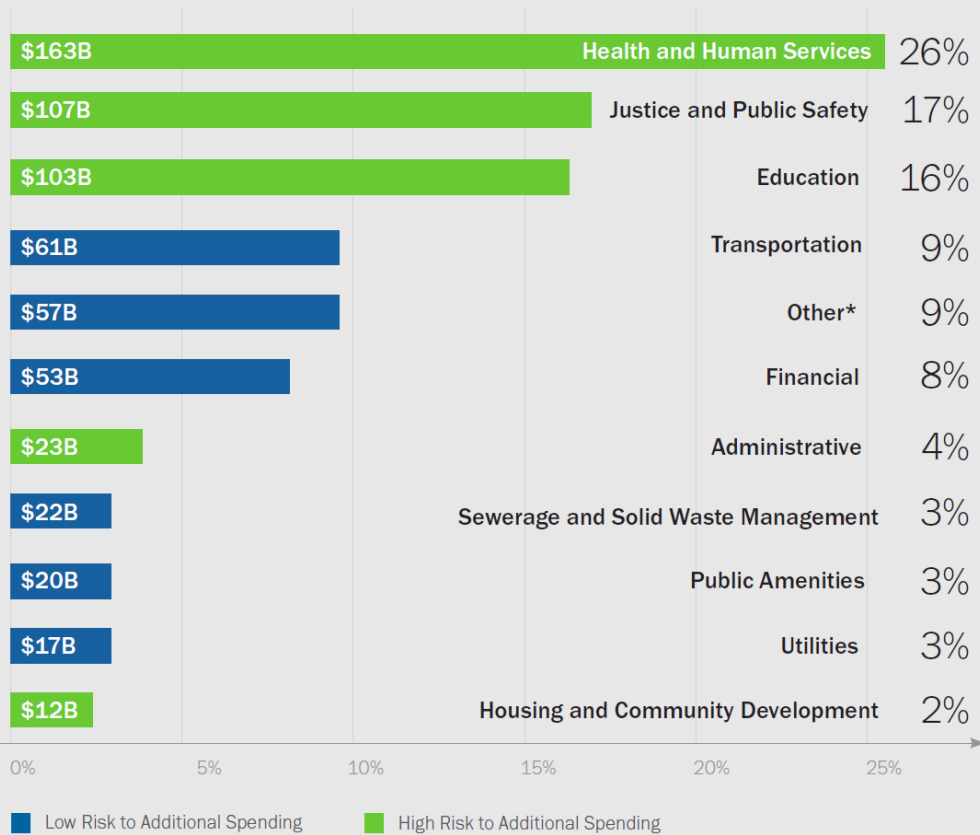
# COVID Impact to Counties: Revenues Declining



- Los Angeles County has identified a **\$1 billion impact** in sales tax collections by June 30<sup>th</sup> and potentially up to **\$2 billion** by the end of FY 2020-21.

# County Expenditures Increasing

## Annual County Expenditures



Preliminary estimates from NACo show that counties could expect a nearly **\$30 billion increase** through the end of FY2021 in expenditures like health, human services, justice, education, housing and other categories that together comprise 65 percent of county expenditures.

**Contra Costa County** estimates the crisis will cost its health department alone **\$46 million** through the month of May:

- \$6 million for equipment
- \$6 million for testing
- \$4 million for services and supplies
- \$5 million for IT infrastructure
- \$5 million in increased staffing costs
- \$20 million in service interruption

Source: NACo Analysis of U.S. Census Bureau - Census of Individual Governments: Finance

# Special Districts Await Full Picture

**31%** of special districts expect major to significant budget impacts

**25%** anticipate the immediate need to **furlough or layoff** employees

**47%** expect to **raise fees, cut services and/or decrease personnel**



**California Special  
Districts Association**

*Districts Stronger Together*

# Today's Presenters & Subject Matter Experts

**Bobby Young**  
Director of Client Services  
HdL Companies



**Dennis Kauffman**  
Chief Financial Officer  
City of Roseville



**Nicolas Romo**  
Legislative Analyst  
League of California Cities



# Presenter

**Bobby Young**  
Director of Client Services

**HdL** Companies



# ADJUSTING FY 19-20

**Understand  
how or why  
revenues are  
decreasing**

- Are revenues more driven by Sales Taxes, Property Taxes, Transient Occupancy Taxes (TOT), Business Licenses?
- Next level question – what are the underlying economic conditions that move those revenue sources?
- Special districts - User charges dependent on customers that may be impacted by shutdown (industrial – manufacturing)
- Special districts – Will revenues increase given the number of customers working from home and consuming more (water – electricity)

# ADJUSTING FY 19-20

**Establish new  
year ending  
revenue amount**

- Being realistic doesn't necessarily mean worst-case scenario

**Evaluate cash  
flow  
availability/timing  
in this new  
decreased  
revenues scenario**

- Understand how much cash is needed for:
  - Payroll
  - Maintenance & Operations
  - Capital Projects
  - If cash is pooled, understand how individual funds may be impacted

# ADJUSTING FY 19-20

**Evaluate YTD expenditures to assist with cash flow analysis and ask questions about amounts not spent to date**

- Should the city consider a hiring freeze to control payroll?
- Are unspent overtime dollars still needed through end of the fiscal year?
- Should departments only be allowed to purchase essential items only?
- Will utility bills decrease given the 'work from home' directive?
- Special Districts – will expenditures increase given the increase in customers working from home?



# ADJUSTING FY 19-20

Determine if large capital projects can be delayed if not started or receive frequent progress reports

If revenues are expected to increase or cash flow and reserves are strong, then management might consider a large project because overall costs are now lower or long term financing opportunities are better

# PLANNING FOR FY 20-21

Determine starting point for revenue forecasts given impacts to FY 19-20

- You may not be right, but you have to lead from a starting point

Evaluate expenditure requests with a continued FY 19-20 viewpoint, ask similar questions

If cuts are necessary, help management determine best method

- Across the board cuts – 5%, 10%, 15% scenarios
- Focused on least essential moving towards most essential

# PLANNING FOR FY 20-21

Documentation will be very difficult but very necessary

- Last cut items will likely be first to return if conditions improve
- Communication of what was reduced will help community understand

Listen to community/customers for what they are willing to accept with regards to reductions in service/cuts

Openly plan and be mindful about communicating your message

# Presenter

**Dennis Kauffman**  
Chief Financial Officer



# Key Takeaways

Liquidity

Local economy

Forecasting

Budget  
development

Other budget  
actions

Communication

**We're in this  
together!**

# Questions & Answers

**Bobby Young**  
HdL Companies



**Dennis Kauffman**  
City of Roseville



**Nicolas Romo**  
League of California Cities



# Presentations, Recordings & Written Resources

## Websites

- [GFOA](#) (COVID Response Page)
- [California Society of Municipal Finance Officers \(CSMFO\)](#)
- [California Committee on Municipal Accounting](#)
- [California Municipal Treasurers Association \(CMTA\)](#)

## Presentations

- [ICMA: Budgeting During a Crisis](#) - 4/17/20
- [ICMA: Tracking and Managing COVID-19 Costs](#) – 4/3/20

## Reports & Guidance

- [ILG: Understanding the Basics of Municipal Finance Revenues](#) – 2016
- [Legislative Analyst Office: Preliminary Assessment of Economic Impact of COVID](#) – 4/16/20
- [California City Finance: Estimating Revenue Impacts of COVID](#) – 4/47/20
- [CalCPA COVID-19 Alert](#) – 4/22/20
- [League of CA Cities: Municipal Revenue Sources Handbook](#) - 2020

# Cash Management Strategies



**Reduce Personnel Costs.** This is the biggest areas 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.



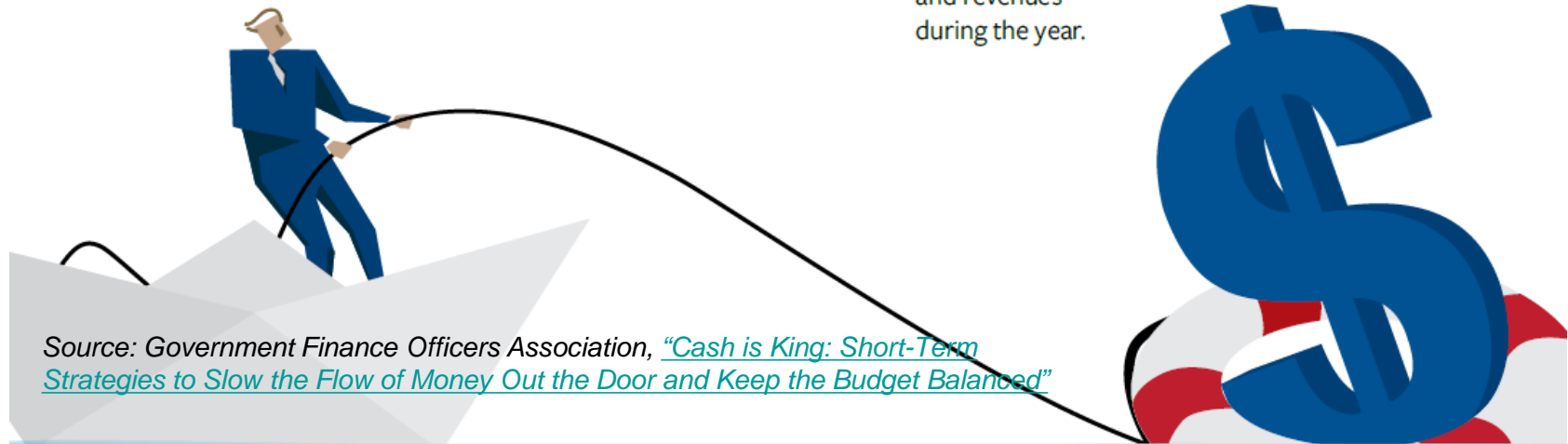
**Reduce Materials or Contractor Costs.** Though not as significant as personnel or capital, many governments can find savings in existing contracts that may not be as painful to cut.



**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.



Source: Government Finance Officers Association, ["Cash is King: Short-Term Strategies to Slow the Flow of Money Out the Door and Keep the Budget Balanced"](#)



# Upcoming Training Sessions

- [CDIAC: Navigating Investor Disclosures During the COVID-19 Crisis](#)
  - Friday, May 1, 2020 | 10:00am - 11:15 am
- [CSDA: Successful Strategies for Utilizing Debt](#)
  - Friday, May 1, 2020 | 10:00 am – 11:00 am
- [CSDA: Budgeting for the COVID Pandemic](#)
  - Tuesday, May 5, 2020 | 10:00 am – 11:30 am
- **CSMFO: “Strategies for Managing Financial Implications Resulting from COVID-19”**
  - Part 3: COVID-19: [Forecasting and Managing Expenditures](#), Thursday, May 7 | 10 a.m. - 11:30 a.m.
  - Part 4: COVID-19: [Resetting your Agency's Budget and Long-Term Plan](#), Thursday, May 21 | 10 am - 11:30 am
- [NACo: “Tracking a Moving Target: Researching the Impact of COVID-19 on County Governments”](#)
  - Thursday, May 21, 2020 | 2:00 pm – 3:00 pm

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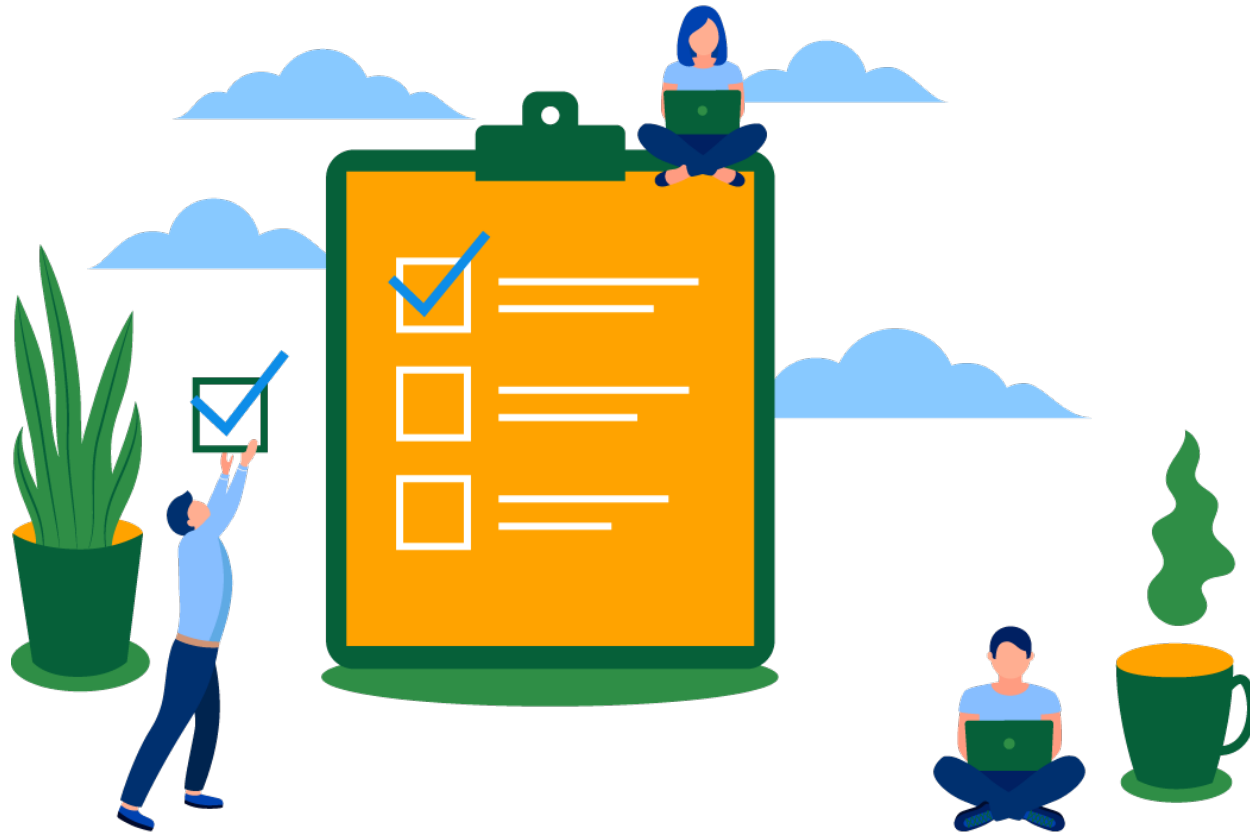
Website



Sign up for our e-  
newsletter

[www.ca-ilg.org  
/stayinformed](http://www.ca-ilg.org/stayinformed)

# Tell Us What You Need Next – Audience Poll



# Thank You!

**Bobby Young**  
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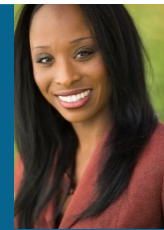
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