



Agenda Item Summary

File #: ID 20-129, **Version:** 1

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Agenda Item Title

Presentation of Initial Recommendations to Reduce FY20 Expenses in order to Address the Fiscal Side of the Emergency Affecting Public Health Related to the COVID-19 Pandemic with Board discussion recommended on June 1, 2020 and Amended Budget considered on June 15, 2020.

Overview

In response to the economic downturn caused by COVID-19, the FY2020 Budget adopted by the Village Board on December 2, 2019 (ORD 19-90) will become impractical and it is recommended an amended FY20 budget be adopted on or about June 15, 2020 to reflect updated revenue forecasts, expenditures reductions and corresponding fund balance projections.

Staff Recommendation

This is a presentation only. It is recommended the Village Board discuss these recommendations on June 1, 2020 with consideration and adoption of an amended FY20 Budget on June 15, 2020.

Background

The Village Board adopted the FY20 Budget on December 2, 2019.

The current fiscal year budget consists of thirty-four funds, excluding several relatively small health grant funds which are maintained separately for grant and expenditure tracking purposes only. While staff reviewed and analyzed revenues and expenditures for every Fund, the primary focus has been on what are considered "Major" Funds, such as the General, Capital Improvement, Enterprise (Water/Sewer, Parking), and Internal Service (Debt Service, Health Insurance) Funds.

Attached are budget worksheets based on proposed budget reductions submitted by Department Directors and the Chief Financial Officer with review and input by the Deputy Village Manager and Village Manager. These proposed reductions are needed to match up expenditures with the anticipated declining revenue base.

In addition to the Fiscal Year 2017 and 2018 audited actual numbers, the Proposed Amended Budget document includes a column for the Fiscal Year 2019 audited numbers. Please note that these amounts for 2019 have not yet been finalized. It is not expected that the 2019 numbers will see any further material adjustments between now and when the FY19 audit is finalized and brought to the Board for discussion and

approval in June.

Additionally, it is noted that there remains a great deal of uncertainty for the remainder of the current fiscal year as well as into FY 2021 and 2022 at least, due in part to the payment of property taxes which occurs prospectively for prior years. With so many unknowns at this point, it is advisable that the Village take a conservative position with spending and adopt a worst case budget scenario in order to preserve cash to the greatest extent possible.

For the purpose of this agenda item, staff has identified and recommends a focus on larger expenditures, especially those that can be deferred and which are not classified as life/safety including but not limited to water, police, fire and public health.

In regards to reduced revenues, the domino effect of the closing of the vast majority of businesses not only in Oak Park but throughout the State of Illinois has, had, and will continue to have negative consequence on the Village's budget. As the national unemployment rate approaches 20%, a significant percentage of individuals have minimal savings and can no longer afford to pay for basic necessities such as food, shelter (rent or mortgage), medicine, etc. With so many people in this precarious situation, it is recommended that the Village continue to take a very compassionate approach by holding the line on taxes and fees and reducing penalties or perhaps certain fees. I recommend that the focus be on expenditure reductions, however, not at the expense of providing core service levels related to Police, Fire, Public Works and Public Health.

Based on Finance Department revenue forecasts, the Village is fortunate to have sufficient reserves on hand to maintain normal operating service levels for the remainder of this year. However, I estimate that doing so may deplete general operating reserves by approximately sixty percent through the end of the year. In order to reduce the depletion of General Fund reserves, some available options for discussion are as follows:

- 1) Re-direct the home rule sales tax from the Capital Improvement Fund to the General Fund. There is no State statutory requirement that home rule sales tax be used toward capital projects. However, additional bonds may need to be issued this year to fund capital projects in order to offset the temporary loss of this revenue stream;
- 2) Consolidate some of the smaller sub-Funds into the General Fund such as Travel & Training and Earth Fest. However, this will have a rather minimal positive impact to General Fund reserves of only about \$150K;
- 3) As the Water/Sewer Fund is in very solid financial condition, an interfund loan (not a transfer) from the Water/Sewer to the General Fund, if needed;
- 4) Other options related to personnel, particularly placing an indefinite hold on filling certain vacancies.

Included in this agenda item is a memo from the Illinois Municipal League that contains estimates on the impact of certain local government revenues due to COVID-19 such as the Personal Property Replacement Tax, the Local Government Distributive Fund (Income Tax), Motor Fuel Tax, and Use Tax. I believe some of IML's

estimates may be overly optimistic. However, I did take its estimates into consideration when drafting the proposed amended budget.

Village Manager Pavlicek and I can answer or address general questions related to the presentation or more specific questions during the review and discussion of the Fiscal Year 2020 Amended Budget document.

In addition to the budget amendment worksheets at the account level, also included are the amendments submitted by Departments with explanation and greater detail (at the itemize/footnote level).

Please also refer to the attached graphs/charts for a visual representation of the five year forecast for General Fund projected revenue trend (pre and post COVID), the five year forecasted General Fund revenues by category, and projected GF fund balance.

Finally, it is important to mention that as a last resort, the Village has the ability to take out a line of credit with Huntington Bank which is the financial institution that currently handles all of the Village's banking needs. However, there would be some cost involved with this, even for undrawn funds. Therefore, this is not a preferred funding method unless deemed absolutely necessary.