

# Coronavirus Impact on FY 2019-20 Budget

City Council Briefing – May 6, 2020

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- Terry Lowery, Dallas Water Utilities
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# Purpose

- Discuss Approach – From Triage to Stability to Sustainability
- Provide update on Coronavirus Relief Fund
- Provide update of the FY 2019-20 (FY20) budget and impact of COVID-19 and subsequent economic crisis
  1. General Fund (GF)
  2. Department of Aviation (AVI)
  3. Convention and Event Services (CES)
  4. Dallas Water Utilities (DWU)
  5. Sustainable Development and Construction (SDC)
- Review next steps

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# From Triage to Stability to Sustainability

## Immediate Triage (hours, days)

- Funding (and quantifying) emergency needs
- Ensuring liquidity: core operating funds, enterprises, and related
- Cash flow forecasts
- Initial budget controls

## Near-Term Stability (days, weeks)

- Reforecasts (scenarios, quarter-by-quarter, transparent assumptions)
- Cost containment (flexible freezes, department/stakeholder engagement)
- Workforce strategies
- Reimbursement framework
- Intergovernmental coordination
- Economic relief programs; Community partnerships
- Budget revisions, contingency appropriations, (policy-driven) plans for use of reserves?

## Longer-Term Sustainability (weeks, months)

- Capital projects and planning (getting shovel-ready for federal or local stimulus opportunities)
- Pension / OPEB concerns
- Sector relief and rebuilding (e.g. small businesses, arts and culture)
- Intergovernmental advocacy
- Multi-year framework
- Evaluating potential lasting impacts and how to respond (e.g. new ways of working and living post-COVID-19)

**Iterative** Reevaluation, Reworking, and Refinement

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*City of Dallas – City Council*



# Coronavirus Relief Fund



# Coronavirus Relief Fund

- On April 22, the City Council approved the receipt and appropriation of \$234 million from the Coronavirus Relief Fund (CRF)
- Funds must be used in accordance with guidelines set forth in the CARES Act:
  1. Necessary expenditures incurred due to the public health emergency with respect to COVID-19
  2. Were not accounted for in the budget most recently approved as of March 27, 2020
  3. Incurred between March 1, 2020 and December 30, 2020

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# Additional Funding &/or Technical Fix Needed

- Funds may not be used to fill shortfalls in government revenue to cover expenditures that would not otherwise qualify under the statute
- Dallas, along with other cities and states, is seeking authorization to use these funds or future/additional federal funds to address revenue loss

# CRF Eligible Expenditures

- Eligible expenditure examples:
  1. Medical expenses
  2. Public health expenses
  3. Payroll expenses for mitigating/responding to COVID-19
  4. Expenses of actions to facilitate compliance with COVID-19 public health measures
  5. Expenses associated with provision of economic support
  6. Any other COVID-related expense reasonably necessary for the government to function

# CRF Eligible Expenditures

- The expenditure must be reasonably necessary for its intended use in the reasonable judgement of the government officials responsible for spending Fund payments
  - Make a reasonable judgement
  - Document why our decision is correct
  - Implement effective expense tracking
- No reporting requirements; however, maintain documentation for possible audit



# CRF Expenditure Plan

- Payroll – examples:
  - Paramedics – Medical Response
  - Police and Code Compliance – Enforcement
  - Homeless Solutions & Community Care – Assisting community members with social distancing and public health precautions
  - Procurement - Acquisition and distribution of personal protective supplies and more
  - Paid sick and paid family and medical leave
  - Unemployment insurance costs not otherwise reimbursed by the federal government

# CRF Expenditure Plan

- Supplies and equipment – examples:
  - Personal protective equipment
  - Cleaning and disinfection supplies and services
  - Hotels and RVs for quarantine
  - Communications and signs
  - Equipment to enable public meetings by video
  - Technology, licenses, and upgrades to enable/improve telework capabilities for City employees
  - Technology to enable residents to do business with the City electronically

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# CRF Expenditure Plan

- Other – examples:
  - Rental of KBHCC for federal medical station and homeless shelter
  - Rental of AAC for community-based testing site
  - Space rental to enable essential employees to observe social distancing
  - Phone line and website for assistance programs
  - Childcare for essential employees

# CRF Expenditure Plan

- Readyng City facilities for reopening – examples:
  - Touch free door openers
  - Signage to direct members of the public to ensure social distancing – freestanding, wall, floor, etc.
  - Plexiglass between City employee windows/ registers/desks and the public
  - Automatic toilets, sinks, soap dispensers, and paper towel dispensers

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# CRF Expenditure Plan

- Possible future expenditures – examples:
  - COVID-19 testing
  - Antibody testing, therapeutics, and vaccines if/when available
  - Meeting FEMA match requirements
  - Replace lost revenue (if allowed)

# General Fund (GF)



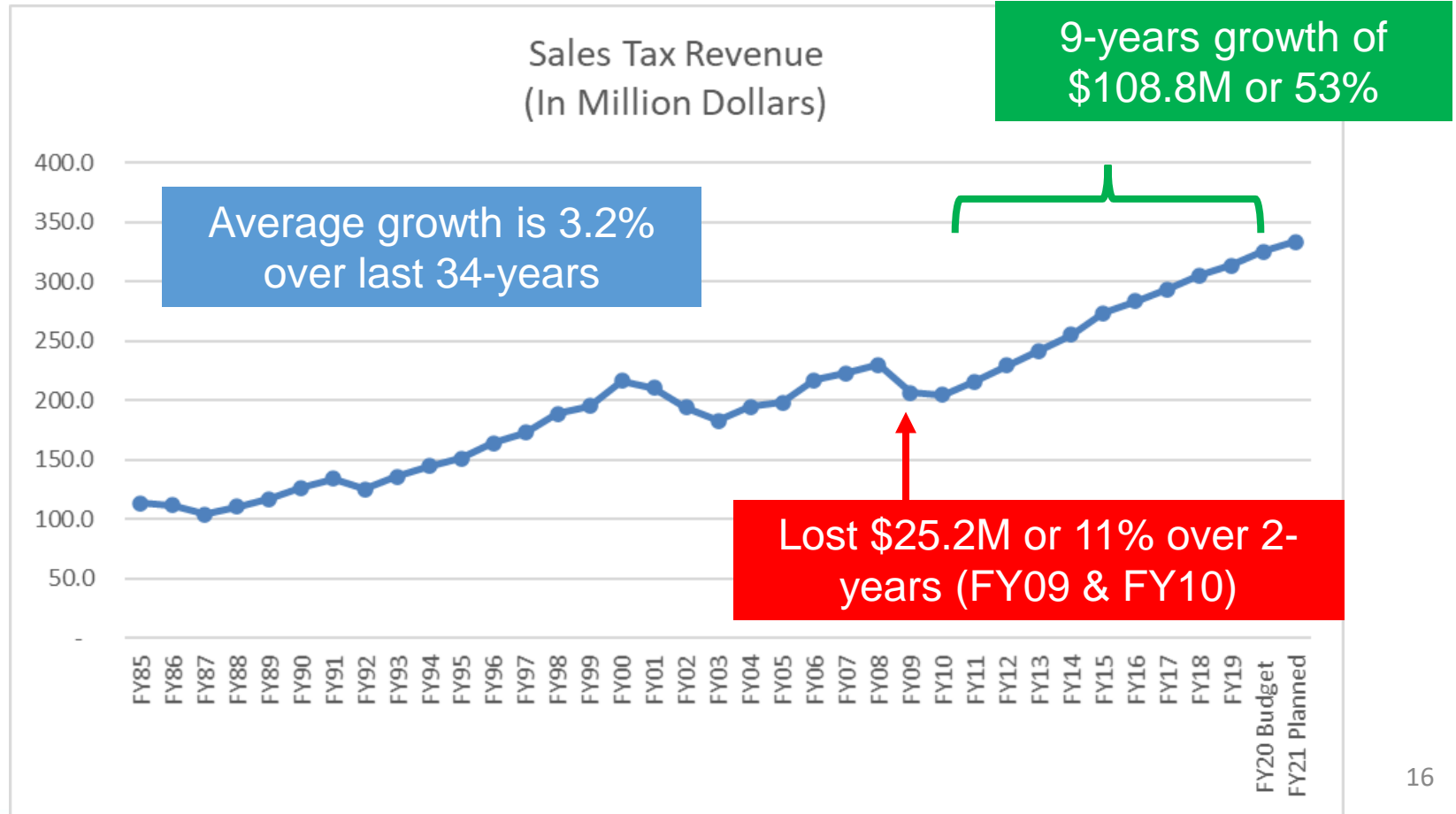
# General Fund – FY20 Revenue Impacts

Revenue Sources (in Millions Dollars)	FY20 Budget	Forecast	Variance
Sales Tax – 23%	\$325.6	\$300.4	(\$25.2)
Property Tax – 55%	\$787.4	\$788.3	\$0.9
Franchise – 9%	\$129.3	\$122.4	(\$6.9)
Charge for Services – 8%	\$115.2	\$110.2	(\$5.0)
Other – 5%	\$80.7	\$83.1	\$2.4
Totals	\$1,438.2	\$1,404.4	(\$33.8)

Note: Based on Budget Accountability Report as of 2/29/20.

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# Sales Tax History



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# Sales Tax Forecast

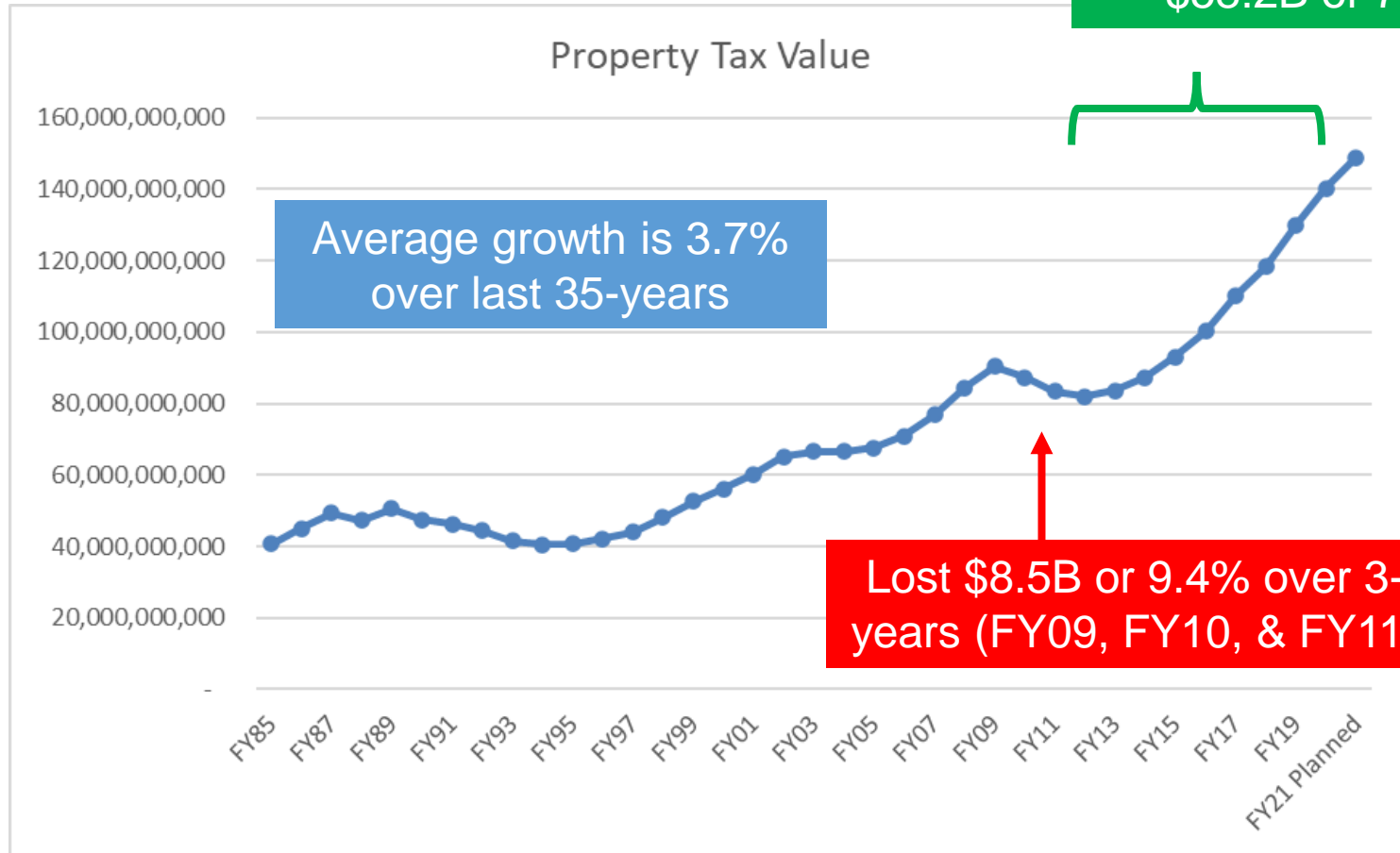
- Sales tax revenue will decline due to COVID-19
- Forecasting the impact is uncertain since pandemic has not been experienced in over 100 years and dynamics may differ from Great Recession
- City's contract economist is considering both the depth and duration of the economic crisis

# Sales Tax Forecast

- The State may send March sales tax revenue as soon as today (May 6), giving us the first indication of impact
  - FY20 forecast will be updated as more data becomes available
- Economist has currently forecast that revenue will be \$25.2 million less than budget this fiscal year
  - Based on “best guess” estimates of impact on NAICS categories
  - March thru June – adverse decline (18.4% decline year over year)
  - July thru Oct – moderate decline (12.3% decline year over year)
- FY21 forecast will be developed over Summer

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# Property Tax History



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# Property Tax Forecast

- 98% of property tax revenue has already been collected for FY20 since taxes were due by January 31, 2020
- Collin, Dallas, Denton, and Rockwall Central Appraisal Districts are currently going through annual process which will result in our Certified Values for FY21 upon which we base our revenue
  - Notices for Real Property are expected to be mailed on May 15, and property owners may file protest within 30-days
  - Notices for Business Personal Property (BPP) are expected to be mailed on May 29, and protests may be filed within 30 days
  - Preliminary estimates should be available to the City in mid/late May
  - Certified values are expected on July 27 - if more than 10% is still in dispute, then the total is considered an estimate until the Chief Appraiser can certify 90%
  - As a result of 2020 emergency declaration, the effective tax rate may be calculated with 8% growth rather than capped at 3.5% growth per Senate Bill 2 (SB2)

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# Actions Taken to Mitigate Revenue Loss

- Recent Budget Accountability Report (BAR) forecasts \$33.8 million revenue loss, offset by \$9.4 million expense savings, leaving \$24.4 million shortfall
- Based on action taken thus far, \$9.4 million net savings is forecast to offset revenue loss
  - Hiring freeze implemented on March 19, along with travel ban, restrictions on non-mission critical spending, and other reductions (\$15.5 million savings)
  - DPD is anticipated to end FY20 with 97 officers more than planned in FY20 budget (\$6.1 million cost)

# Future Actions to Consider

- Identify expenses that are COVID-19 related and utilize the Coronavirus Relief Fund as appropriate/eligible
- Expand hiring freeze, restrict use of temporary staff, and eliminate overtime
- Eliminate department funding for budgeted activities that can no longer be performed due to redeployment to COVID-19 response or mitigation
- Reopen City facilities on a limited basis, once prepared to open safely
- Reduce pay-as-you-go cash expenditures for street/alley improvements and bike lanes
- Reduce stipends for partner facilities that are not delivering services to residents due to closures

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# Department of Aviation (AVI)



# AVI – FY20 Revenue Impacts

Revenue Sources (in Millions Dollars)	FY20 Budget	Forecast	Variance
Airlines Revenues	\$82.3	\$69.7	(\$12.6)
Non-Airline Revenues	\$74.8	\$47.1	(\$27.7)
Interest Revenue	\$0.8	\$0.8	0
Totals	\$157.9	\$117.6	(\$40.3)



# AVI – FY20 Adopted Budget – \$157.9 million

Revenue	Amount
TNC/GT	\$2,105,500
Concessions (Retail, F&B & others)	\$16,430,232
Parking	\$32,675,255
Car Rental	\$11,684,212
Ground Rent Revenue	\$10,420,401
Others	\$1,446,305
Interest Revenue	\$835,415
Non-Signatory Airlines Landing Fees	\$2,000,000
GA Landing Fees	\$4,000,000
DAL Terminal Rental	\$48,611,094
Charges - Landing Fees	\$27,703,532

Expenditure	Amount
Salaries	\$24,175,818
Supplies	\$8,296,911
Public Safety	\$18,761,804
Debt Service Payment	\$39,326,501
Other Contracts	\$61,680,634
Pension Bond Debt Service	\$1,178,750
Server / Fleet Purchases	\$4,491,528

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# AVI – Bookings – Historical Data

FY20 BOOKINGS HISTORICAL DATA

BOOKINGS 4/20/2020

**926**

BOOKINGS 4/20/2019

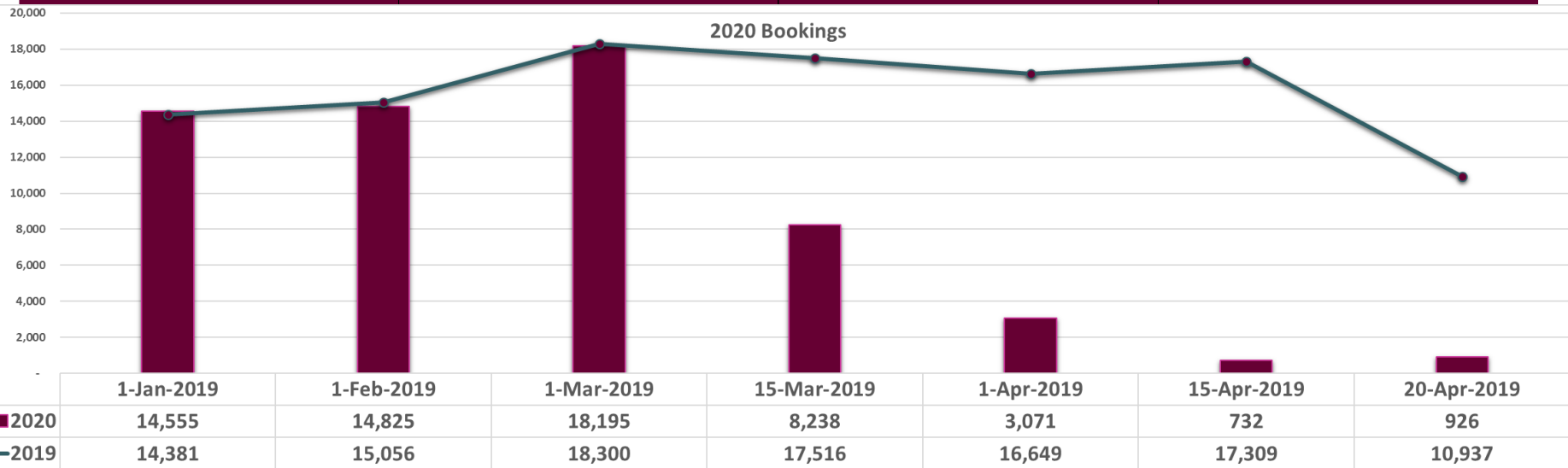
**10,937**

DECLINE IN BOOKINGS

**-10,011**

PERCENTAGE DECLINE

**91.53%**



# AVI – Enplanement Forecasts

## FY20 & FY21 BOOKINGS PROJECTIONS

DAILY AVERAGE

**14,503**

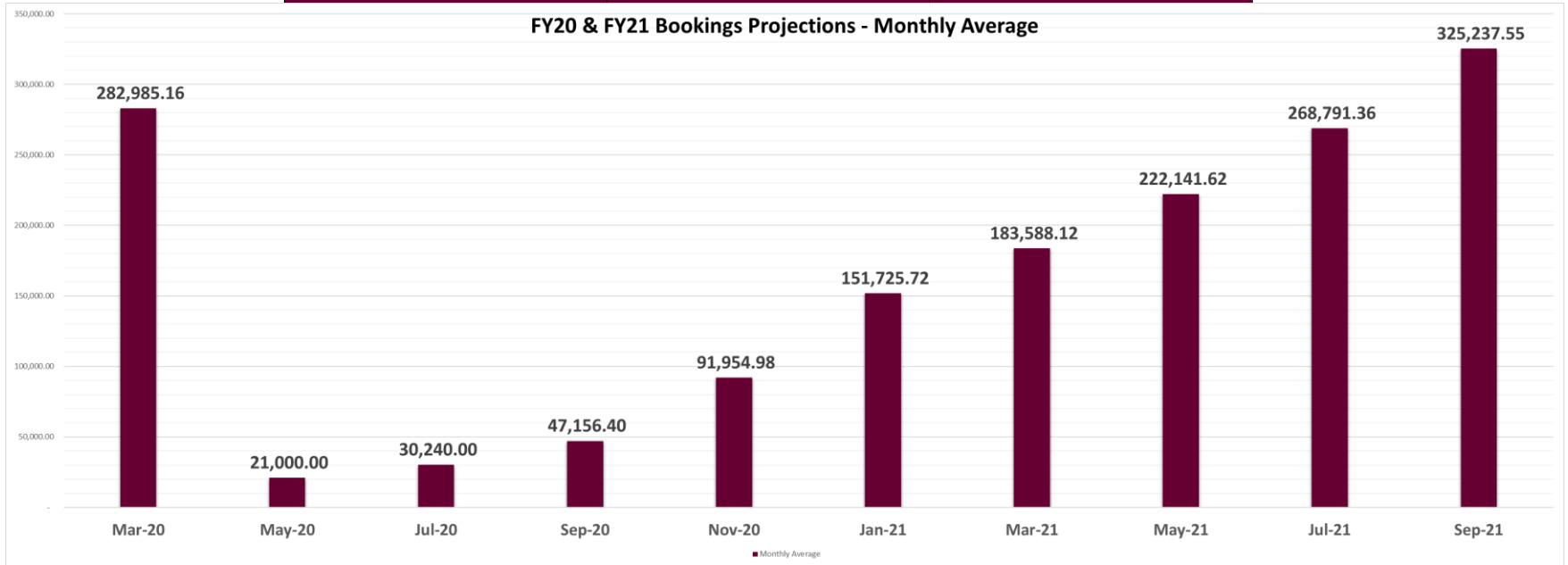
MONTHLY AVERAGE

**217,539**

PROJECTED YEAR TOTAL

**4,715,872**

FY20 & FY21 Bookings Projections - Monthly Average



# AVI – Airport Revenue Impact

- Revenue per enplaned passenger

Non-Airline Revenue Source	Before COVID-19	After COVID-19 (Mar 17 – Apr 17)	Variance
Concessions	\$10.15	\$8.03	(\$2.12)
Transportation Network	\$0.30	\$0.05	(\$0.25)
Parking	\$3.18	\$1.25	(\$1.93)
Totals	\$13.63	\$9.33	(\$4.30)

## AVI – Reductions to Mitigate Revenue Loss

- Hiring freeze and suspended temporary services (\$5 million)
- Reduced operating expenses including marketing, utilities, commodities, non-essential building maintenance, and contracts (\$11 million)
- Reduced transfer to AVI capital improvement fund (\$6 million)
- Reduced Police and Fire presence in airport (\$2 million)

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## AVI – Partner Relief Considerations

- Concessionaires: forgivable deferment of rent for 90 days, allowing them to reduce hours of grab and go locations and close locations based on decrease in enplanements and Dallas County orders
- Fixed Based Operators: forgivable deferment of rent for 90 days
- All: on March 18, discontinued remote parking and shuttle service to allow all partners' employees who work in the terminal to park in garages B/C to support social distancing
- All: staged a second badging office in the terminal for partner convenience and easy access

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# AVI – Allocation of Federal CARES Funds

Uses for the CARES Act Allocations	Amount (in Million Dollars)
Fund remaining FY20 operating and maintenance expenses	\$19.8
Hold for FY20 Debt Service	\$10.0
Fund mission critical capital projects scheduled for FY20	\$4.0
Debt Service Payment FY21	\$20.0
Total	\$53.8

Vertiport \$1,000

Dallas Executive \$69,000

Dallas Love \$53,813,334

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# AVI – FY21 Strategies

- Continue hiring freeze for non-operational positions
- Reduce operating expenses including temporary services, marketing, utilities, commodities, non-essential building maintenance, and contracts
- Reduce transfer to Capital Improvement Fund
- Reduce Police and Fire General Fund reimbursements
- Use CARES Act to pay May 2021 debt service payment
- Continue to analyze enplanements (Cost / Revenue per enplanement)
- Refinance 2010 Bond for interest savings

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# Convention and Event Services (CES)



# CES – FY20 Revenue Impacts

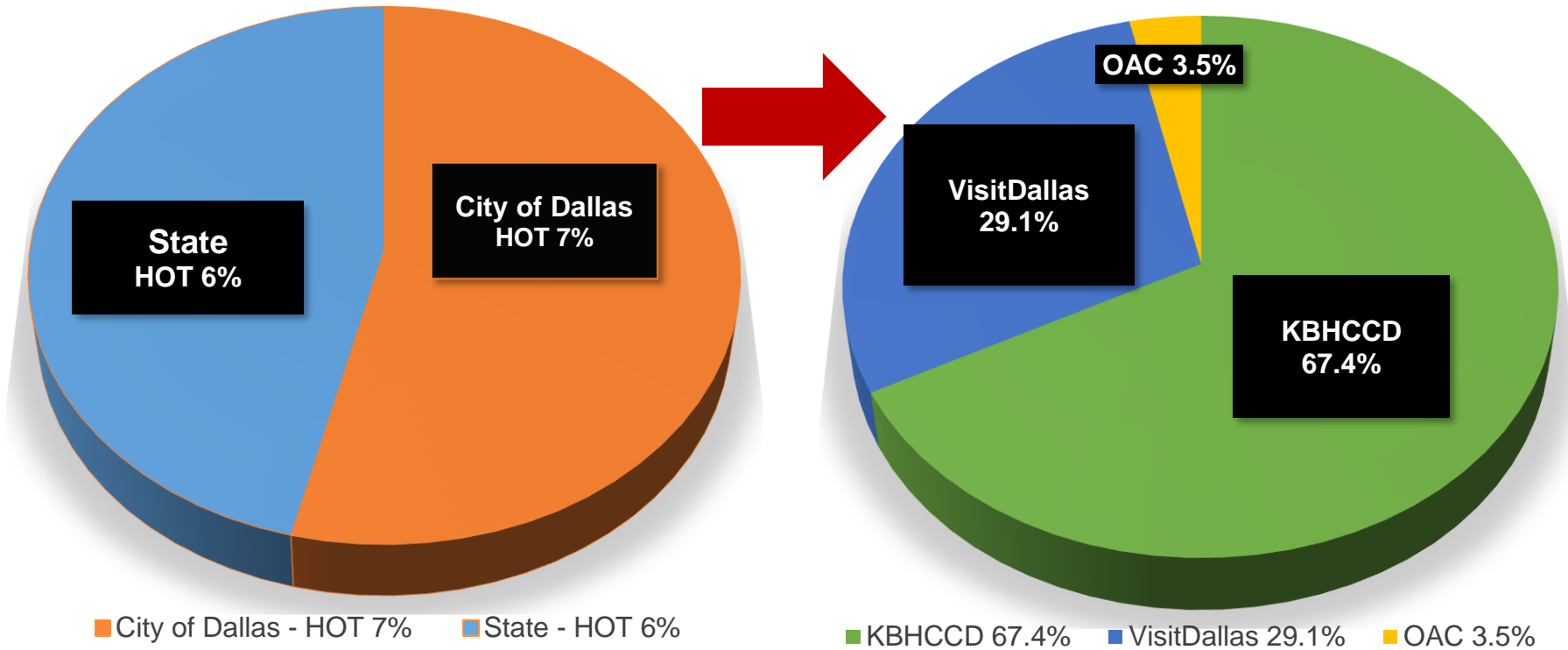
Revenue Sources (in Millions Dollars)	FY20 Budget	Forecast	Variance
Hotel Occupancy Tax (HOT)	\$66.4	\$30.1	(\$36.3)
Alcohol and Beverage Tax	\$14.4	\$10.1	(\$4.3)
Event and Other Revenues *	\$33.6	\$26.5	(\$7.1)
Totals	\$114.4	\$66.7	(\$47.7)

\* Event and Other Revenues includes space rental, food and beverage, convention center parking, audio/visual set-up fees, electrical fees, property leases, and City Hall parking garage revenue

# CES – Hotel Occupancy Tax (HOT) Rate

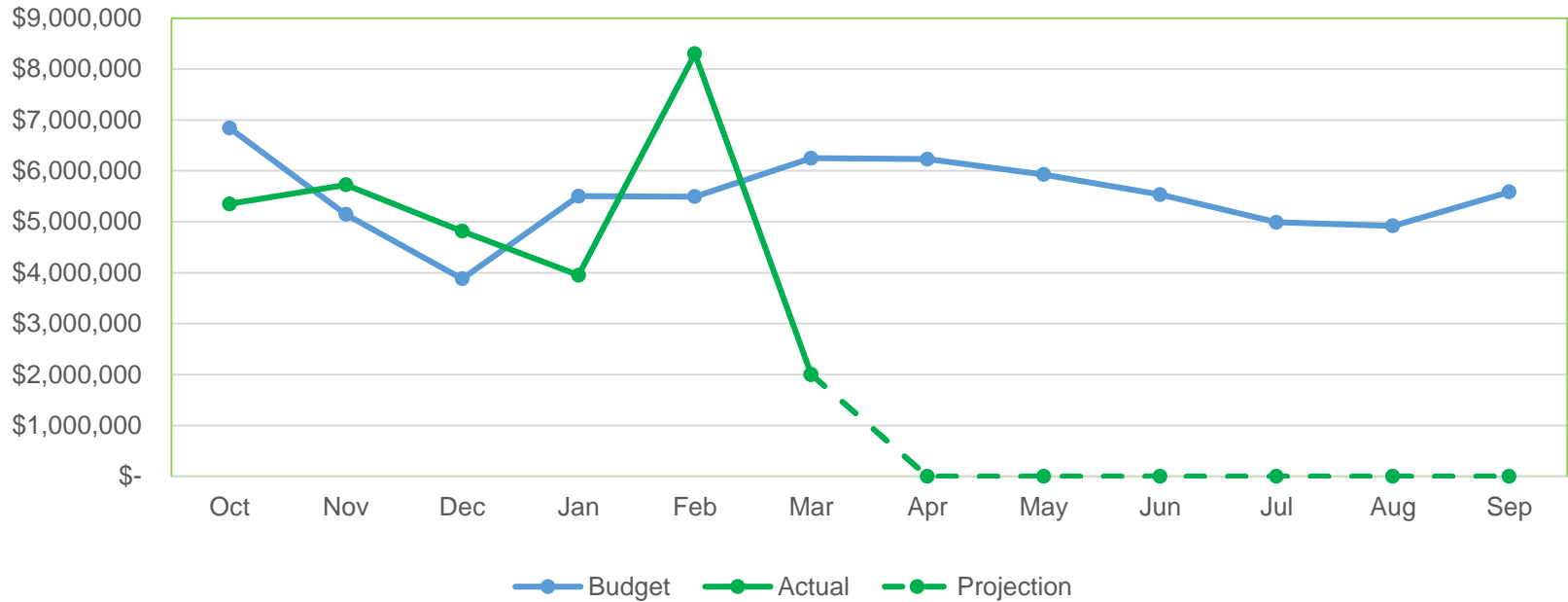
HOT Rate = 13%

HOT Allocation



Although not yet reflected in the ordinance, in November 2019, the City Council approved an Amended and Restated contract with VisitDallas that increased the Office of Arts and Culture (OAC) allocation by adding an additional .09% to their budget through a direct allocation from VisitDallas. 35 Additionally, \$500k of the existing allocation to VisitDallas is returned to Convention and Event Services for capital improvements.

# CES – HOT Revenue



FY20 (in Million Dollars)	Budget	Actual/Projection	Variance
October to February	\$27.0	\$28.1	\$1.1
March to September	\$39.4	\$2.0	(\$37.4)
<b>Total</b>	<b>\$66.4</b>	<b>\$30.1</b>	<b>(\$36.3)</b>

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# CES – HOT Revenue (continued)

Ordinance Category (in Million Dollars)	Budgeted	Adjusted Disbursement	Percentage Distribution
CES Debt Service and Operations	\$44.8	\$20.3	67.4%
VisitDallas	\$19.9	\$8.8	29.1%
Office of Arts & Culture (OAC)	\$1.7	\$1.0	3.5%
<b>Budgeted and Adjustment Totals</b>	<b>\$66.4</b>	<b>\$30.1</b>	



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# CES – Balancing FY20 and Moving into FY21

- Action taken to address revenue loss:
  - Prioritized annual debt service payment of \$23.5 million and continuity of KBHCCD operations
  - Proportionally reduced HOT disbursements, in alignment with the existing ordinance, to VisitDallas and OAC
  - Reduced OAC capital transfer from \$1.45 million to \$0
  - Zeroed out KBHCCD capital fund transfer from \$14.4 million to \$0
  - Canceled non-safety related capital projects planned for FY20
  - Anticipate re-appropriating CES capital improvement funds to balance FY20 budget

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# CES – Balancing FY20 and Moving into FY21

- Preparing for FY21
  - Integral to rightsizing the CES FY21 budget is the ability to maintain stable relationships with its existing KBHCCD clients
  - Both VisitDallas and Spectra play huge roles in the continuity of relationships required to sell, market and rebook the KBHCCD calendar.

# Dallas Water Utilities (DWU)

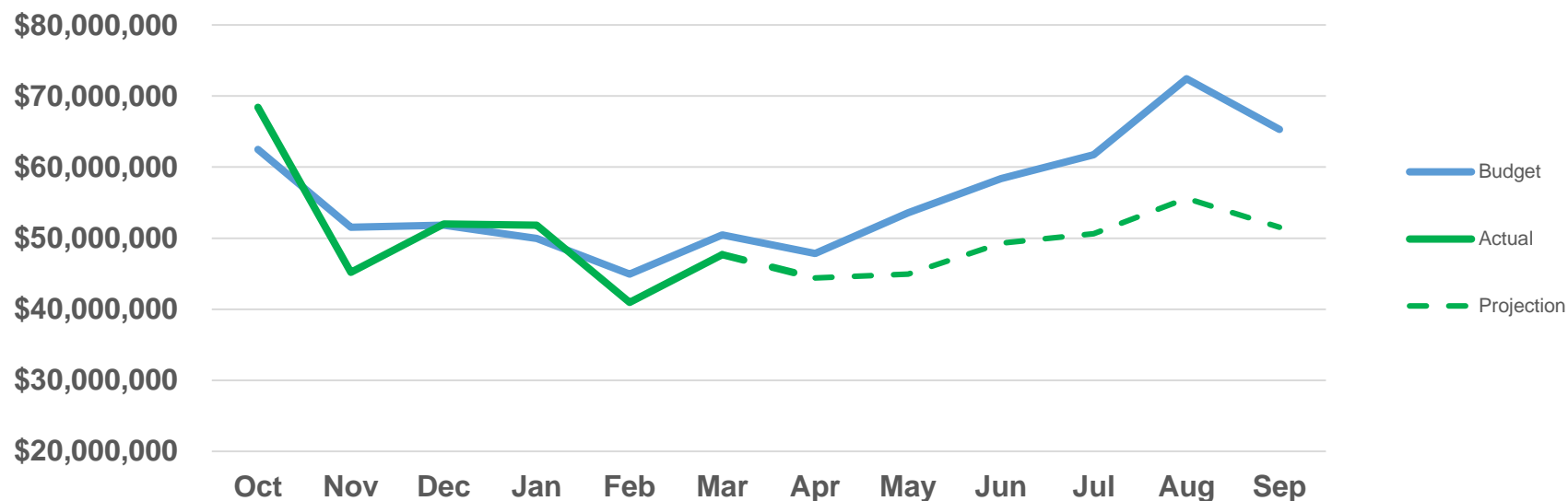




# DWU – FY20 Revenue Projections

Revenue Sources (in Million Dollars)	FY20 Budget	Forecast	Variance
Interest Income	\$5.0	\$6.5	\$1.5
Water Revenues	\$402.1	\$358.0	(\$44.1)
Wastewater Revenues	\$258.8	\$228.8	(\$30.0)
Other Operating Revenues	\$3.7	\$8.2	\$4.5
Contributions	\$0.9	\$1.0	\$0.1
Totals	\$670.5	\$602.5	(\$68.0)

# DWU – FY20 Revenue Projections



FY20 (in Million Dollars)	Budget	Forecast	Variance
October to March	\$311.2	\$306.1	(\$5.1)
April to September	\$359.3	\$296.4	(\$62.9)
<b>Total</b>	<b>\$670.5</b>	<b>\$602.5</b>	<b>(\$68.0)</b>

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# DWU – Actions Taken to Address Revenue Loss

- Hiring freeze for non-critical positions
- Restricted all non-essential spending
- Deferred capital projects to later in fiscal year
- Evaluating cash transfers to construction

# DWU – Expense Summary

Expense Category (in Million Dollars)	FY20 Budget	Forecast	Variance
Personnel Services	\$110.6	\$107.4	(\$3.2)
Supplies & Materials	\$95.0	\$90.1	(\$4.9)
Contractual Services	\$356.3	\$356.1	(\$0.2)
Street Rental	\$33.7	\$29.2	(\$4.5)
Capital Transfers	\$90.0	\$34.8	(\$55.2)
Capital Outlay	\$4.7	\$4.7	0
Reimbursements	(\$9.1)	(\$9.1)	0
Totals	\$681.2	\$613.2	(\$68.0)

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# Sustainable Development and Construction (SDC)



# SDC – FY20 Revenue Impacts

Revenue Sources (in Millions Dollars)	FY20 Budget	Forecast	Variance
Certificate of Occupancy	\$1.2	\$1.0	(\$0.2)
Plan Review	\$4.1	\$3.2	(\$0.9)
Commercial Building Permits	\$2.0	\$1.6	(\$0.4)
Commercial Remodel	\$11.0	\$8.9	(\$2.1)
Single Family Building Permits	\$2.2	\$1.7	(\$0.5)
Residential Remodel	\$4.2	\$3.4	(\$0.8)
Multi Family Building Permit	\$1.7	\$1.4	(\$0.3)
Other	\$7.0	\$6.3	(\$0.7)
Totals	\$33.4	\$27.5	(\$5.9)

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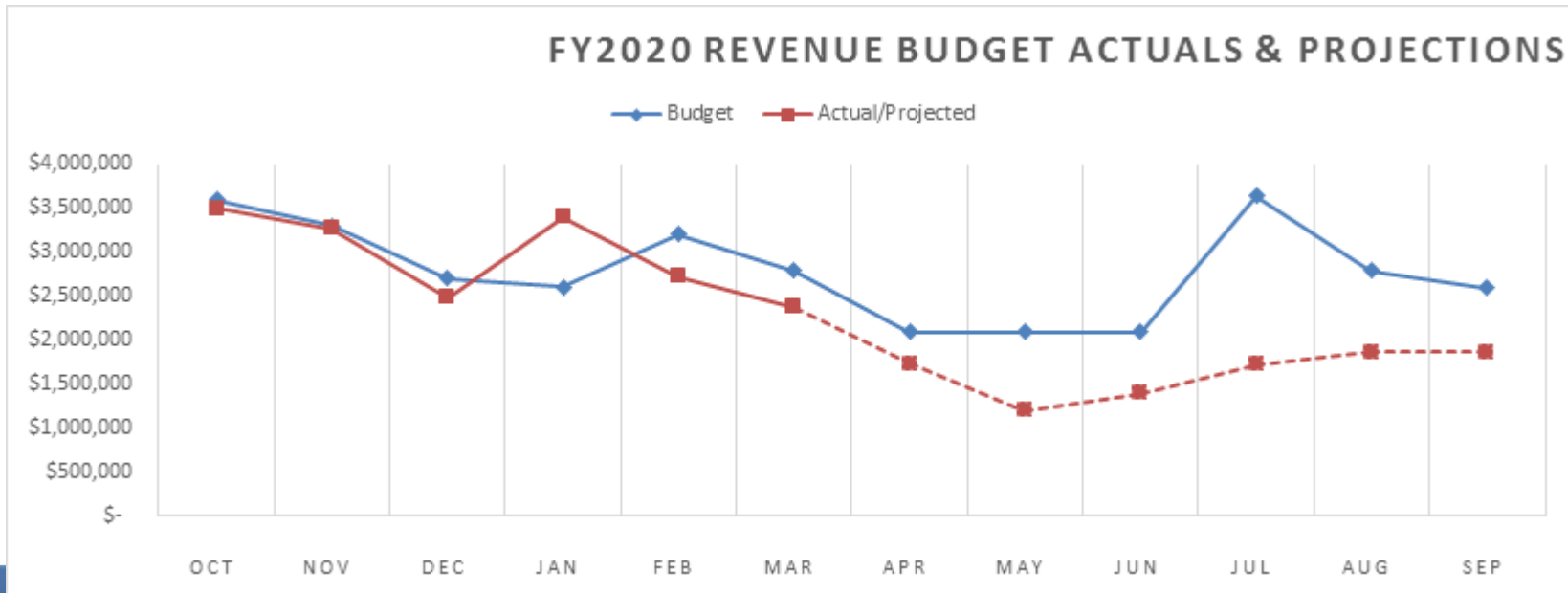
# COVID-19 Impacts on Development

- Did not issue permits in the month of April for elective additions and maintenance prohibited by county order
- Continued to accept and review all plans to facilitate development once the order was lifted
- Resumed issuing permits for elective additions and maintenance on May 1
- General downturn in submittals
- Monitoring with development community on any other impacts such as material shortages

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# COVID-19 Budget Impacts

- Projecting 30% reduction in anticipated revenues in the third quarter, followed by a slow recovery as a result of COVID-19



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# Sustainable Development & Construction Revenue Impact

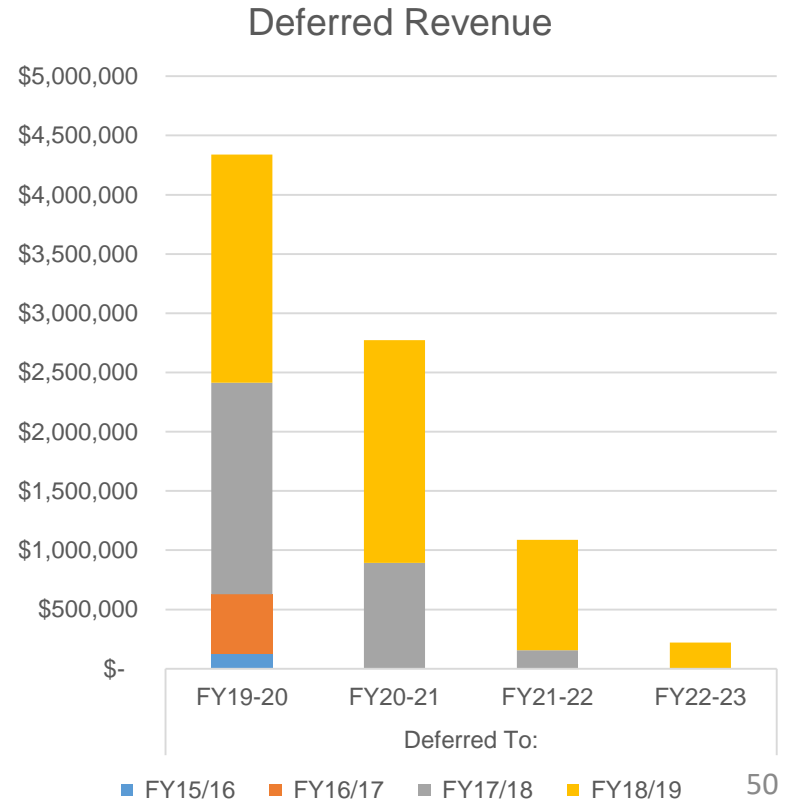
FY20 (in Million Dollars)	Budget	Actual / Projections	Variance
Oct - Mar	\$18.1	\$17.7	(\$0.4)
Apr - Sept	\$15.3	\$9.8	(\$5.5)
Total	\$33.4	\$27.5	(\$5.9)

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# Economic Downturn Strategy

## Implemented Post 2008 Recession

- Defer fee revenue for multi-year projects to ensure adequate funding for field inspections related to the project



# Other Actions Taken to Address Revenue Shortfall

- Suspended purchasing and other operating expenses to the most critical needs
- Limited hiring to the most critical positions
- Reallocating existing staff to address department critical needs

# Next Steps



# Next Steps

- Continue to monitor and analyze revenue and expense forecasts
- Seek and advocate for additional and flexible federal funds to mitigate economic crisis
- Provide additional update on June 17
- Present City Manager's recommended budget for FY21 and FY22 biennial on August 11

End Note: Any statements made in this presentation that are not historical or current facts are “forward-looking statements.” These statements are based on assumptions and analyses made by the City in light of its experience and perception of historical trends of the City, current conditions, expected future developments, and other factors it believes are appropriate under the circumstances. However, whether actual results and developments conform to expectations and predictions is subject to a number of known and unknown risks and uncertainties, as well as additional factors beyond the City’s control. There can be no assurance that the actual results or developments anticipated will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the City’s revenues or operations. All forward-looking statements made herein are qualified by these cautionary statements.

# Coronavirus Impact on FY 2019-20 Budget

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Elizabeth Reich  
Chief Financial Officer

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