

City of Alma

FY2021 BUDGET MEETING

MAY 7, 2020

FY2021 Budget Projections

- Prior to COVID-19 Crisis we had projected a budget of **\$4,348,500**

As you already know, revenue projections for the future are cloudy at best – making any long-term judgements at this time is pre-mature. There has been talk of more definitive projections from the state on May 16th. Although there is plenty of room for improvement in Michigan’s broken municipal finance system, the reliability of the local property tax during most economic recessions should not be dismissed and may provide local governments with one stable revenue source during this period.

- **12% Reduction in Expenses creates a projected budget of \$3,826,680: A difference of \$521,820**
- **10% Reduction in Expenses creates a projected budget of \$3,949,650: A difference of \$434,850**
- **8% Reduction in Expenses creates a projected budget of \$4,000,620: A difference of \$347,880**

Articulated Goal for FY2021: Current

The City of Alma plans for a 8% to 12% reduction in spending for the Fiscal Year 2021 to adjust for anticipated decreased revenues due to the COVID-19 crisis.

What Does CARES Act Mean for Local Governments

The CARES Act “Coronavirus Relief Fund” provides \$150 billion worth of monetary aid to state, local, and tribal governments to fight COVID-19

Funds can only be used for eligible expenses, and use of funds for ineligible purposes turns into a debt owed to the federal government. By meticulously documenting expenditures, local governments will be better able to demonstrate why an expense is CARES Act relief fund eligible.

- These relief funds cannot be used indiscriminately; they can only be used for certain, “eligible,” expenses. These expenses:
 - 1) Must be necessary expenditures incurred during the coronavirus pandemic;
 - 2) Must not be accounted for in state or local government’s most recent approved budget; and
 - 3) Must have been incurred between March 1, 2020 and December 30, 2020.

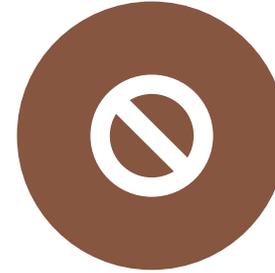
Congress passed new COVID-19 relief funding legislation on April 24, without including more local and state government funding.

Process to Guide Decision Making:

Whatever cuts are considered, it is important to make decisions with as much information as possible. The more detailed information local governments have about programs and services provided, the better they can make decisions related to these programs.



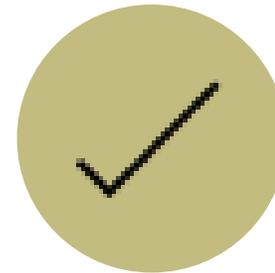
CONSIDER LONG-TERM IMPACTS OF SPENDING CUTS



BE SURE TO PRIORITIZE CUTS – AVOID SLASHING ACROSS THE BOARD WITHOUT THOUGHT



ATTEMPT TO PRIORITIZE CUTS THAT HAVE A SHORT TIME-TO-BENEFIT, ARE NOT COMPLEX, AND ARE EASILY REVERSIBLE SHOULD CONDITIONS CHANGE



IDENTIFY ESSENTIAL VS NON ESSENTIAL PROGRAMS

Proven Strategies

Need to act quickly – Adoption of Budget May 26, 2020

Don't forget the long term view

Let's be creative

In what ways can we create or find different revenue?

Do we have areas in the budget that have consistently had a surplus?

Postponing capital expenditures –

- Need to use caution when delaying anything that is maintenance in nature as it may have greater long-term costs.

Deferred Cost of Living and Merit Increases

To: All City Personnel

From: City Manager Matt Schooley

May 8, 2020

Due to the anticipated revenue shortfalls as a result of the COVID-19 crisis, I have asked all department heads and supervisors analyze their budgets to explore ways to reduce their operating expenses for the remainder of the FY2020 and upcoming FY2021 fiscal years. As a result of this analysis, and as a part of managing city funds conservatively, I have made the difficult decision to forego all salary increases for City of Alma staff effective immediately and until December 31, 2020. In addition, a hiring freeze for all departments is also in effect. Positions that were in the process of hiring at the start of the COVID-19 crisis (March 16, 2020) shall be considered. This was an extremely difficult decision, and I fully understand the impact this will have on all of you and your families. Please know that the administrative team had been working towards finalizing their FY2021 budgets when the crisis hit. Projections as to how much COVID-19 will affect local government budgets varies. Sales tax alone is expected to be reduced by as much as 60% for March, April and May of 2020. This tax directly affects our state revenue sharing disbursement. Gas taxes that are tied to road funding are expected to be substantially reduced. For these reasons I have also requested all departments decrease their operating budgets for FY2021 by 12% in an effort to stem the tide while further information is gathered and analyzed over the coming months.

We will continue to monitor the city's finances and our revenue streams and reevaluate the potential for merit increases each quarter, but we anticipate no changes prior to December 31, 2020. I believe the outcome from this and other measures will better position the City of Alma for a solid financial future.

I appreciate all your hard work, and dedication to the City of Alma. This is not the type of news I wanted to share, but it is necessary as we work our way through a lot of unknowns.

Other Possibilities



Participation in
Workshare program



4 Day workweek



Sharing of Staff



Reduced hours of
Operation



Utility Readings once
per quarter



No Seasonal Hires/Part
Time Clerks



Collaboration with
other communities



Eliminate assets of the
City (cars, equipment,
buildings)



Utilize portion of Fund
Balance



Capital Improvement
Plan Adjustments

City of Alma Fund Balance Policy - May 22, 2018

The City of Alma believes that sound financial management principles require that sufficient General Fund Balance be retained by the City to provide a stable financial base to:

maintain a General Fund Balance that is sufficient to fund all cash flows

provide financial reserves for unanticipated expenditures and/or revenue shortfalls, and similar circumstances.

provide cash flow liquidity for the general operations of the City.

fund planned capital improvements

A minimum level of unrestricted fund balance shall be established by the City Commission.

Current Fund Balance as of June 30, 2019: \$3.6 million

City of Alma Fund Balance Policy - May 22, 2018

The minimum unrestricted fund balance at the end of each fiscal year should be sufficient to cover six months of future budgeted operating expenditures.

Unrestricted fund balance should not exceed one year of future budgeted operating expenditures.

The City's basic goal is to limit expenditures to anticipated revenue thereby maintaining a balanced budget. Should unrestricted fund balance fall below the minimum established by this policy, the City of Alma will replenish fund balance through:

Non-recurring revenues

A multiple-year plan not to exceed three fiscal years.

Benchmarking

- We will create benchmarks (triggers) that will indicate if the strategies we have implemented are not performing as expected and inform the commission that the trend may indicate additional measures may need to be taken.
 - Fund Balance: Decide a % of fund balance that can be used before June 30, 2021 and a % that can be used per month. Each month, report on the percentages and trends.
 - Fund Balance Ratio: Show the percentage of savings a government has to cover operations (General Fund balance divided by the operating expense)
 - Cash Ratio: Cash on hand divided by current liabilities
 - Days Cash on Hand: The number of days of operating expenses that we can pay with current cash available (sum of cash on hand/daily average of operating expenses divided by 365)
 - Utility Billing to Utility Bills paid
 - Property Tax Levy to property Taxes paid