



FY 2020-21 Budget Update

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FY 2020 Budget Status: COVID-19 Impact



- Estimated \$7.5 million in lost revenue: \$3.06 million (\$2.9 million total in General Fund)
- Sales Tax (\$3.08 million including General Fund and IDC) and Hotel Occupancy Tax (“trickle down” loss of \$1.28 million)
- General Fund: \$2.5M net revenue loss made up with expenditure reductions
- Hiring freeze, travel, capital and optional purchases curtailed; and Island Transit subsidy (\$675,000), corresponding reduction in Infrastructure transfer \$200,000)
- COVID-19 Grants: CARES Act \$4.7 million for transit and reimbursements for costs of PPE and overtime
- Projected General Fund balance: \$16.2 million or 104 days
- Special Funds (eight all together): Fund balances in excess of 90 days absorbing the loss
- Convention Center Surplus Special Fund - \$1.278 million loss in Hotel Tax revenue after “trickle-down” process
- Water and Sewer Fund: \$2.1 million revenue loss offset by conservative revenue budget combined with reduced expenditures

FY 2021 Strategic Concerns



- Post COVID-19 economy including oil/energy sector in Houston and recession that is already underway
- Full impact on city revenue won't be known until real estate market goes through a post-pandemic appraisal cycle Spring of 2021 that produces tax revenue for FY 2022
- How will Galveston bounce back? Suddenly or over time into calendar year 2021
- CIP is important to local economy: Water and sewer program had been anticipating additional sale of bonds in last half of FY 2021
- Current condition in municipal bond market makes any new money sale unwise and impossible

Other FY 2021 Budget Issues

- Convention Center Surplus Fund - Needs approximately \$2 million for ongoing costs
- FY20 HOT revenue is \$785,000 compared with \$2.15 million budget
- CAREs transit grant – \$4.7 million provided directly to city as long as we are urban system; goes through State if we are considered rural and could be substantially reduced
- Island Transit’s status as urban system up in 2020 – Needs congressional support
- “No New Revenue” property tax rate: 3.5% revenue growth limit may not force reduction in tax rate



FY21-22 Assumptions



- Property Taxes
 - Initial FY21 tax roll is 15.5% higher; hearings loss will reduce taxable value to a 6.5% increase
 - FY21 includes 1.4% in new construction (\$100 million taxable value) and TIRZ 12 & 14 (\$216 million taxable value)
 - FY22 “High Estimate” shows 4.5% increase in taxable value
 - FY22 “Low Estimate” shows flat value increase in taxable property value
- Sales Taxes
 - FY22 “High Estimate” on loss of 200,000 jobs (out of 3.2 million total) in region that are recovered steadily over 3-4 years
 - FY22 “Low Estimate” is based on no economic growth from FY21 to FY22
 - Industry specific COVID-19 revenue losses in Galveston are recovered by end of calendar 2020
- Budget Management: Manage expenditures so as to stay within revenues in current year and following year

General Fund Preliminary Estimates



Revenue Sources/ Priority Expenditures	FY 2020 Estimate (2nd Quarter FY20 Budget Status Report)	FY 2021 Forecast	High FY 2022 Forecast	Low FY 2022 Forecast
Property Taxes	\$29,492,700	\$31,533,000	\$32,796,300	\$31,224,400
Sales Taxes	\$14,869,000	\$15,392,000	\$17,076,000	\$15,392,000
Other Taxes	\$850,000	\$867,000	\$1,063,000	\$884,340
Franchise Taxes	\$5,170,685	\$5,100,000	\$5,100,000	\$5,000,000
Subtotal Taxes	\$50,382,385	\$52,892,000	\$56,035,300	\$52,500,740
Licenses and Permits	\$1,264,900	\$1,264,900	\$1,264,900	\$1,100,000
Interfund Services	\$2,207,700	\$2,273,931	\$2,342,000	\$2,342,000
Charges for Services	\$255,101	\$255,101	\$255,101	\$255,101
Fines and Forfeits	\$1,241,762	\$1,591,200	\$1,591,200	\$1,200,000
Investment Earnings	\$225,000	\$150,000	\$150,000	\$150,000
Miscellaneous	\$1,244,014	\$1,100,000	\$1,100,000	\$1,100,000
Subtotal Other Revenue	\$6,438,477	\$6,635,132	\$6,703,201	\$6,147,101
Total Revenue	\$56,820,862	\$59,527,132	\$62,738,501	\$58,647,841
Baseline Expenditures	\$56,949,986	\$56,949,986	\$60,159,647	\$60,159,647
Changes in Expenditures				
CBA Police		\$869,000	\$305,000	\$305,000
CBA Fire		\$516,000	\$188,000	\$188,000
Civilian Pay		\$285,000	\$285,000	\$285,000
Health Benefits		\$350,000	\$350,000	\$350,000
Equipment		\$422,661	\$0	\$0
Infrastructure Transfer (Set at 8% of Revenue)		\$217,000	\$257,000	(\$70,000)
Vacant Positions		\$500,000	\$0	\$0
Miscellaneous Supplies and Services		\$50,000	\$0	\$0
Adjustments	\$0	\$3,209,661	\$1,385,000	\$1,058,000
Adjusted Expenditure Budget	\$56,949,986	\$60,159,647	\$61,544,647	\$61,217,647
Revenue Over/(Under) Expenditures (NOTE)	(\$129,124)	(\$632,515)	\$1,193,854	(\$2,569,806)

NOTE: These are working amounts that will not be final until current year expenditures are equal to or less than current year revenue.

4/30/2020

Conclusions

- Economic impact of COVID-19 and record low oil prices still emerging
- It appears that it might be potentially short-lived but more likely will have a longer term impact
- In the meantime major financial decisions should be approached with care and concern for the multi year impact of those decisions



Budget and Tax Rate Calendar Requirements



- Includes new standards from SB 2
- Public Hearing on Tax Rate may not be held before the fifth day after the date the notice of public hearing is given. Notice will be published on August 13. Only one public hearing is required.
- Vote on Tax Increase may not be held later than the seventh day after the date of the public hearing. The governing body may vote on the proposed tax rate at the public hearing.
- Public Hearing on Budget must be held after the 15th day after the proposed budget is filed with the City Secretary but before the governing body makes its tax levy.
- Budget must be adopted prior to adopting the property tax rate

Budget Schedule Outline

- Proposed Budget and CIP presented by mid July and discussed in July 23rd Council Workshop
- Council proposes property tax rate August 10th in special Council meeting
- August 13th Council workshop agenda items:
Discuss Proposed Budget and CIP
- August 27th Council meeting: Hold public hearings on budget and tax rate and consider adopting Proposed Budget and CIP
- September 3rd Council meeting: Consider adopting Budget and CIP and adopt tax rate.





Questions and Discussion