

COVID-19 Budget Impacts Update

April 16, 2020



Disaster Proclamations – COVID-19

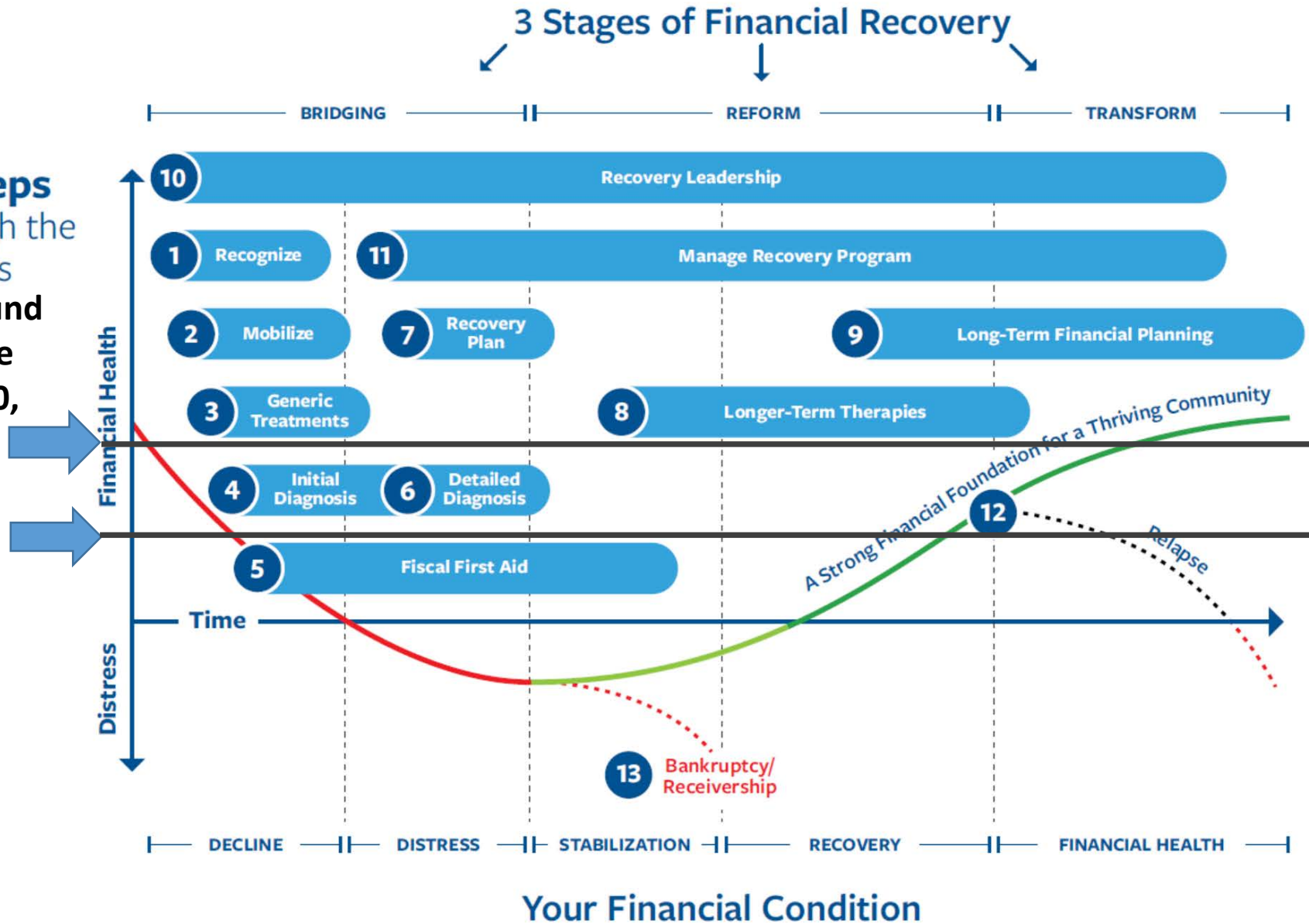
- Disaster influences in Iowa began in March 2020.
 - Changed the way we shop and purchase goods through social distancing.
 - Restaurants were changed to take out / drive up only.
 - Scott County closed the Scott County administration building on March 18, 2020.
 - 2020 Budget Amendment and 2021 Budget adopted March 19, 2020.
 - Conservation Department – Following Iowa DNR recommendations – closing park restrooms and limiting camping.
- Likely in a Recession – to be verified with economic data. A recession is significant decline in economic activity spread across the economy, lasting more than a few months.



Financial Recovery



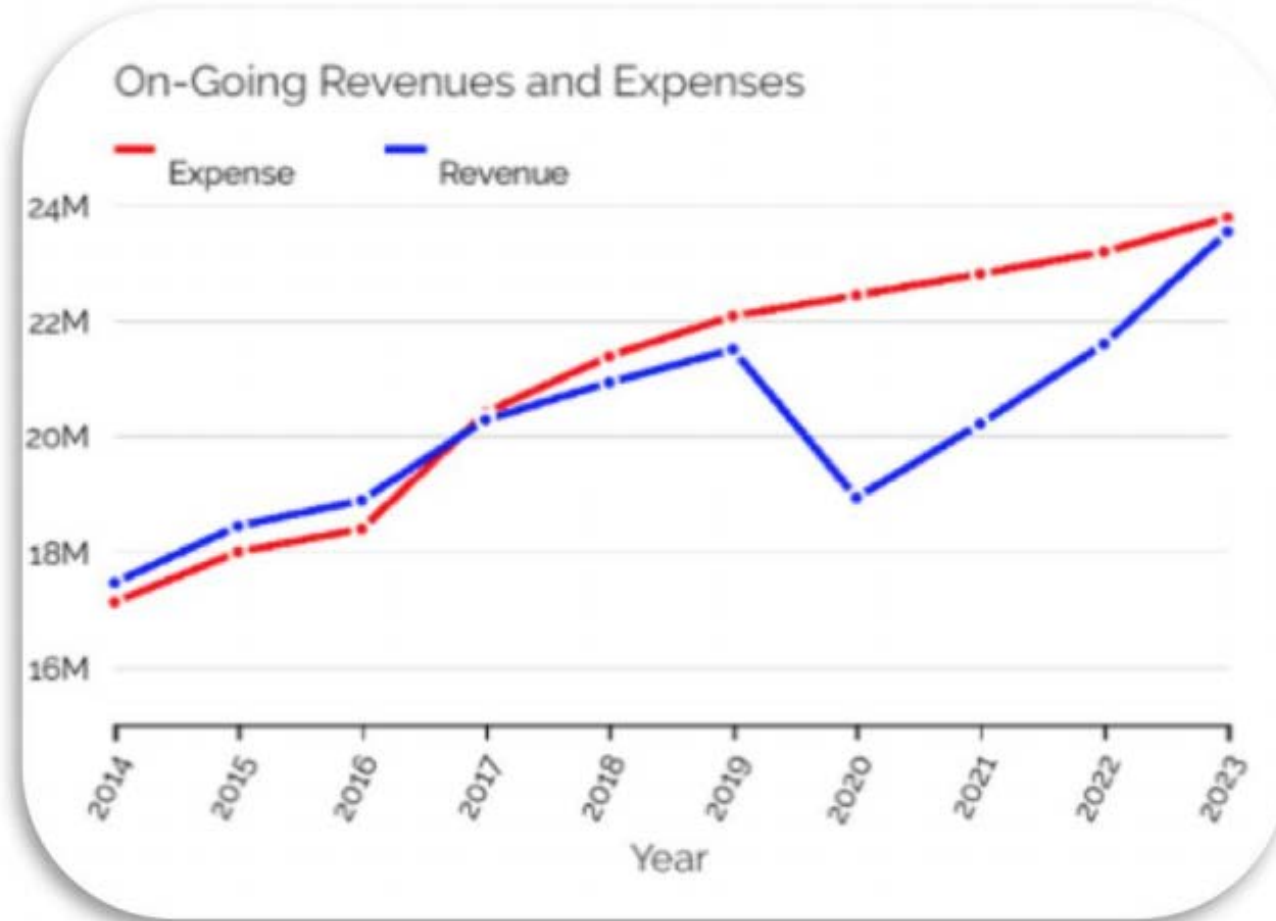
12 Steps
through the
process
20% Fund
Balance
June 30,
2019



What Type of Recovery?

“v” shaped recovery

- Rebound is swift, but not easy
- Short-term, quick fixes could bridge the gap to recovery



What Type of Recovery?

Big "V" recovery

- Downturn is deeper, but bounceback is rapid
- Short-term bridge strategies apply



What Type of Recovery?

“W” recovery

- A short-term recovery, but a return of infection in fall
- Longer-term strategies to endure and transform



What Type of Recovery?

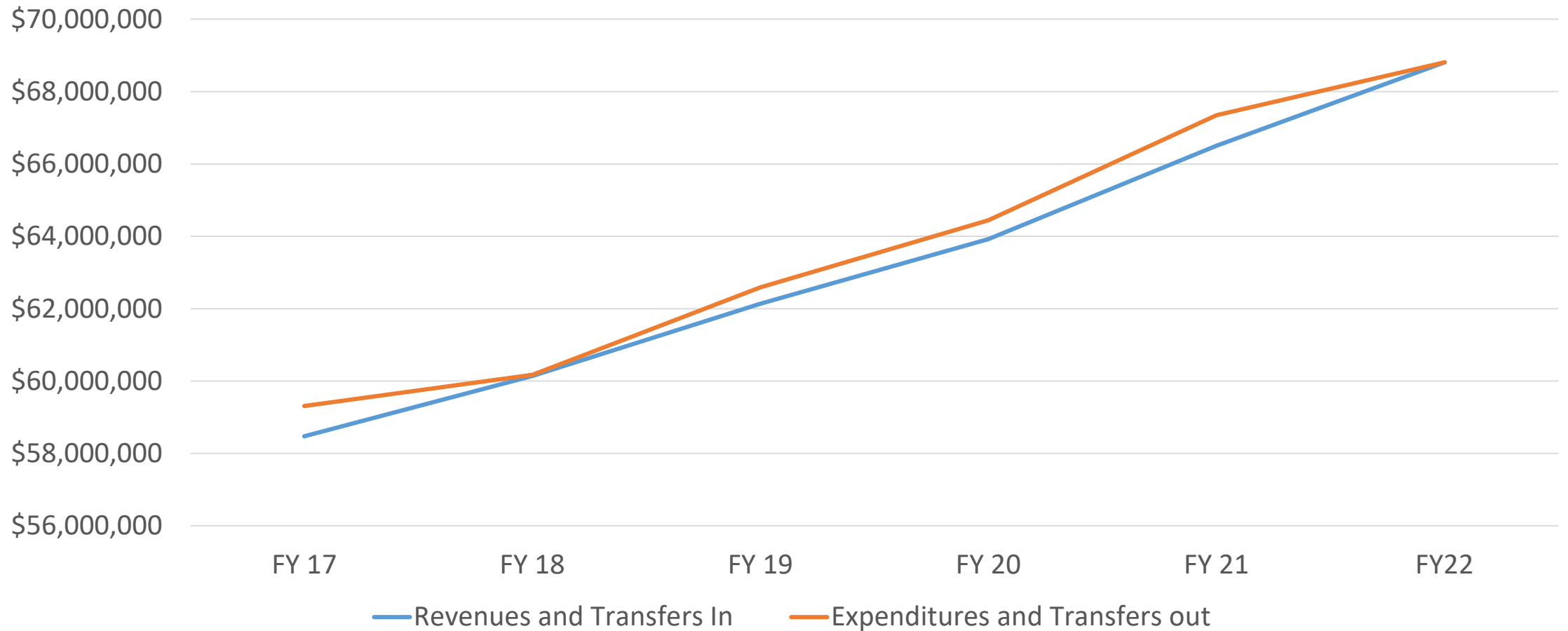
“L”

recovery

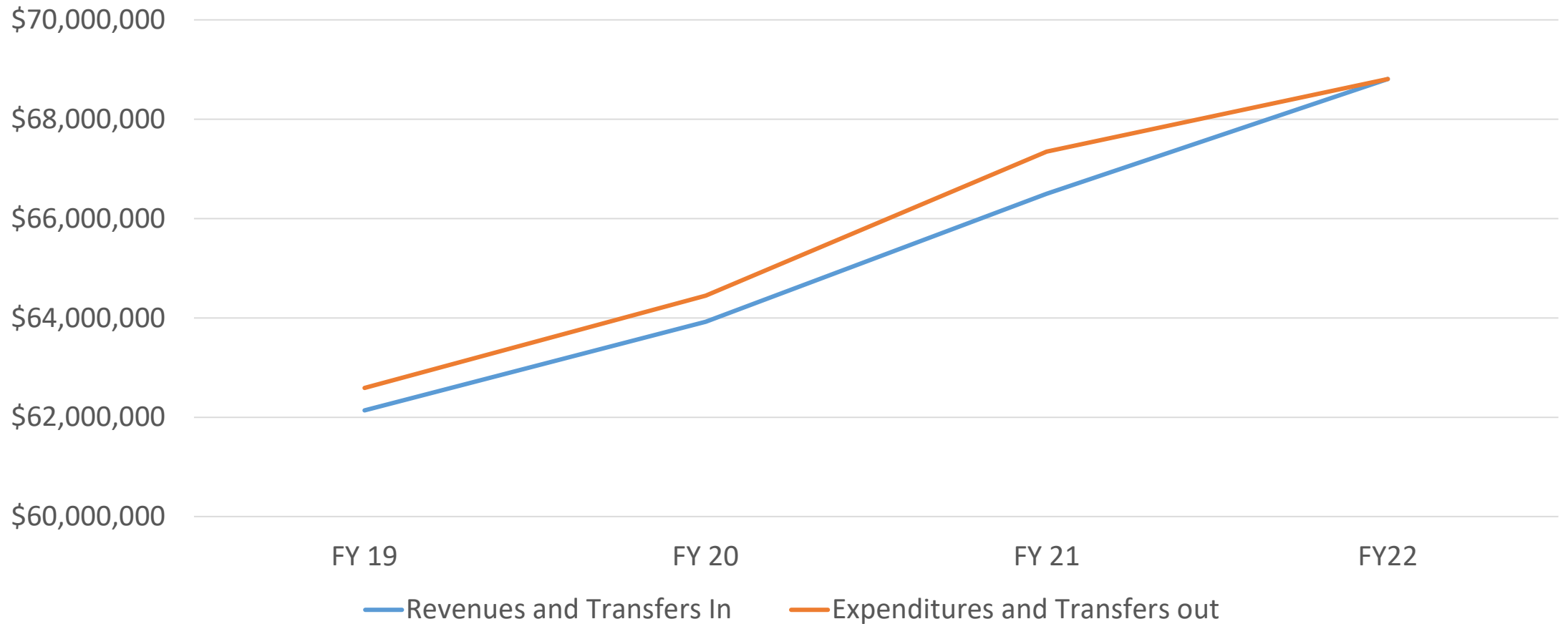
- Recovery is stalled by deeper economic woes
- Long-term transformation strategies needed asap



Scott County FY 17 – 22 General Fund Revenue and Expenditure / Transfers Out Trend



Scott County FY 19 – 22 General Fund Revenue and Expenditure / Transfer Out Trend



General Fund Balance – June 30 Dates

| | June 30, 2019 | June 30, 2020 Projected (March) | June 30, 2020 Projected (COVID) | June 30, 2021 Projected (March) | June 30, 2021 Projected (COVID) |
|-------------------------|---------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Unassigned Fund Balance | 20.0% | 19.0% | 18.01% | 18.3% | 15.5% |
| Dollars | \$11,354,228 | \$11,695,732 | \$10,741,501 | \$11,695,732 | 9,893,906 |

Scott County averages \$5.7 Million in expenditures per month. The Fund Balance low point is August 29 and February 27, before early property taxes are allocated to the county.

Fund Balance projections of July 2020 9%; August 2020 11%; February 2021 11%.

Scott County has assigned excess fund balance of above 20% at June 30 to the Capital Fund, Health Fund or Strategic Priorities. Reduced General Fund balance projections will decrease future funding in these funds for projects

Concerns: Fund Balance is primarily supported by Property tax calendar and LOST. If delays continue to shift without penalty or state support the projected fund balances will decrease.



Fund Balance Level

- County Policy 15 – minimum Unassigned fund balance is to be 15% of Annual Operating Expenses.
- GFOA Best Practice – Appropriate level: *GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.*⁵
 - 2 months is equal to 16.66% of budget. Scott County has been 20% in recent years.



Assumptions

- Requested Revenue Exposure to social distancing rules from Departments.
- Estimates are projections between March and end of fiscal year in June.
- Estimates for impacts for fiscal year 2021 - July, 2020 through June 2021 will be completed closer to July 1.
 - Financial recovery will depend on how soon “business” returns to “new” normal.
 - “New” normal – business practices and habits will change.



Potential Revenue Reductions - General Fund – June 30, 2020

| | Amount | Notes |
|--|------------------|--|
| Local Option Sales Tax | \$690,000 | 15% Yearly Reduction or average 50% for 3.5 months |
| Interest income | \$200,000 | 1/3 ROI 3 months – after reallocation to other funds |
| Conservation – Charges for Services, Sales, Rentals, Pool | \$684,673 | Dual impacts of Buffalo Shores Camping and COVID-19 Camping |
| Recorder – Recording of Instruments, Document Stamps | \$120,900 | 10%-20% Decline per month over next three months – many transactions are able to occur |
| Attorney, Auditor, Health, P &D, Sheriff– Charges for Services / Permits / Other | <u>\$126,888</u> | Delinquent Fine Collection; Transfer Fees; Health Grants and Fees; Tax Deeds; Care Keep Charges; Centralized Booking; Work Release |
| | \$1,822,461 | |



Potential Positive Revenues – General Fund – June 30, 2020

| | Amount | Notes |
|------------------------------------|-----------------|---|
| Commercial and Industrial Backfill | \$36,353 | March 19, 2020 Budget amendment recognized 2 nd half installment paid to County. |
| Building Permits | <u>\$20,000</u> | Subcontractor Fees |
| | \$56,353 | |

- Other revenues could exist, but too early to tell if $\frac{3}{4}$ year estimate will hold true to June 30, 2020.



Potential Expenditure Reductions - General Fund – June 30, 2020

| | Normal Potential Savings | Direct COVID-19 Activity | Notes |
|--|--------------------------|--------------------------|--|
| Travel | \$0 | \$60,000 | Canceled by organizer / selective traveling |
| School of Instruction | \$0 | \$40,000 | Canceled by organizer / selective online classes |
| Rental of Space | \$20,000 | \$0 | May not realize savings due to increased applicants |
| Professional Services | \$55,000 | \$0 | County-wide projects delayed / excess capacity |
| Service Contracts | \$30,000 | \$0 | County-wide projects delayed / excess capacity |
| External Placement of Individuals – Jail / JDC | \$90,000 | \$0 | Net change between departments |
| Contingency Budget | \$95,000 | \$0 | ½ allocated to other line items |
| Conservation Reduction of Expenditures | <u>\$0</u> | <u>\$280,873</u> | Related to seasonal staffing and park operation – directly tied to Social Distancing Proclamations |
| | \$290,000 | \$380,873 | |

Balancing the Assumptions

| | Reduced Inflows | | Reduced Outflow / Positive Inflows |
|-----------------------|--------------------|--|------------------------------------|
| LOST | \$690,000 | Positive Revenues | \$56,353 |
| Conservation Revenues | \$684,673 | Conservation Expenditures | \$280,873 |
| Recorder | \$120,900 | External Placement of Individuals Expenditures | \$90,000 |
| Interest Income | \$200,000 | Other Expenditures | \$300,000 |
| Other | <u>\$126,888</u> | Fund Balance | <u>\$1,095,235</u> |
| | <u>\$1,822,461</u> | | <u>\$1,822,461</u> |

As the reduced inflows increase or decrease the offset will be reduced expenditures, positive revenues, or fund balance. Actual results will vary.

Other Impacts

- Secondary Roads is projecting a reduction in Roads Use Taxes of \$120,000
- Mental Health Fund is exposed to low fund balance and delay in property taxes.
- County COVID Expenditures - \$33,068; supplies, preparing for offsite work; technology.
- County grant expenditures – Unknown. Reimbursements will occur in FY 2021?



Other Scott County Funds

- Capital Fund is projecting reduction of \$144,000 dedicated gaming taxes.
- No specific Capital Projects are not deferred or canceled at this time; however some purchases are delayed to understand the timing Social Distancing or project management. Projected fund balance of the General Capital Fund as of June 30, 2020 is \$3 Million and June 30 2021 is \$2.1 Million.

Potentially Delayed Projects – FY 20 – FY23

| | | |
|---------------------------|--|--------------------------------------|
| Network Core-\$500k | Network Access Layer \$480K | JDC Resident Door Replacement \$250K |
| Enterprise Storage \$250K | Auditors Time and Attendance (\$40K) / (\$20K) | Energy Efficiency Project \$40K |
| General Maintenance \$68K | Conservation Capital – Flexible Timing for 2020 projects | |



EMA

- Scott County EMA is a discrete component unit government of the County.
- Fund balance as of March 31, 2020 was \$400,000.
- Purchases are occurring through EMA and will be 85% reimbursed through FEMA disaster declaration or local partners.
- Expenditures through April 14, 2020 are \$155,247.
- No-inter agency loans are required at this time.



Grant Opportunities

- FEMA Disaster Declaration – 85% Federal / State Funded (State share delayed)
 - Health Department Emergency Response Grant
 - Department of Justice Grant – Coronavirus Emergency Supplemental Funding Program
 - CDBG Funds?
 - CARES Act – Through the State of Iowa
-
- Above grants are focused on Pandemic Response and not lost revenues or economic aid.



Summary

- County Fund Balance was built for this purpose; however we should manage the situation to not drain away equity. Low points are July and August. Recommend to balance utilization over the course of the recession.
- Review 2021 fiscal year with strategic plan priorities and funding upcoming June or July 2020.
- Evaluate projects and departmental expenditures to not incur new unknown long term costs down the road.

