



**CITY OF MIRAMAR**  
**OFFICE OF THE CITY MANAGER**  
**INTER-OFFICE MEMORANDUM**

**TO:** Mayor, Vice Mayor and Commissioners

**FROM:** Vernon E. Hargray, City Manager

**DATE:** April 16, 2020

**RE:** Fiscal Year 2020 - Possible Fiscal Impact on Revenues due to COVID-19

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**Issue:** As the global community is coping with the COVID-19 virus impact, staff at the City of Miramar continues to stay vigilant. As we all see the ups and downs of the economic market, we must understand the fiscal impact all this may have on the City's finances.

All organizations in the public and private sectors will inevitably experience an impact as a result of the ongoing COVID-19 pandemic. As we are at the halfway mark in our Fiscal Year, it is prudent and imperative that we study and analyze our financial condition. It is important that we continue to stress that it is unrealistic to accurately quantify the length and depth of the potential impact that may be caused by this pandemic. For this reason, some of the economic factors that could depress sales and gross receipt of revenues are;

- Quarantine of households during this crisis.
- The closing of businesses – no sales, no sales tax revenue.
- The stagnation of disposable income.
- The growth of Internet enabled consumer purchases.

**Discussion:** The Financial Services Department, along with the Department of Management and Budget conducted a thorough analysis of our collected revenues and programmed expenditures as of February 29, 2020 to provide a budgetary projection for the remainder of the current Fiscal Year. Cost measures are being implemented Citywide, and we are confident that these prudent fiscal measures and the constant review of budgetary conditions going forward will ensure that our financial state will remain strong for the remainder of the Fiscal Year.

The City of Miramar, like all other local government finance professionals, are trained to be fiscally conservative and prepare for the worst. Yet, none of us could predict a worldwide pandemic that would result in a global health crisis, non-essential business closures, market crashes, social distancing and staggering unemployment figures. Uncertainties arising from the magnitude and duration of this pandemic pose significant challenges for local governments.

Due to the many uncertainties associated with COVID-19, we cannot definitively quantify the fiscal impact it will ultimately have on the City. However, the City's finance professionals have been diligently working, in collaboration with various City Departments, to minimize expenses and to keep the budget balanced. The projection model incorporates financial data posted through February 29, 2020, analyzes revenue and expenditure trends over the past 5 months and includes historical trends (including pre-recession and post-recession trends).

**Analysis:** The potential fiscal impact to the City of Miramar based on current economic market conditions and the following assumptions are as follows:

- Non-essential businesses and City facilities will remain closed through August.
- We anticipate that not all local businesses will resume operations immediately and some may not re-open at all.
- Even as businesses and City facilities re-open, we anticipate that the economic impact to City revenues will be substantial and may mimic or possibly exceed prior recessionary trends.
- At least 90% of the outstanding property tax payments were received as of February 29<sup>th</sup>, pursuant to the State's Order of Emergency Waiver which extended the deadline for property tax payments from March 30, 2020 to April 15, 2020. However, we anticipate that the City will receive 95% of Ad Valorem and Non-Ad Valorem taxes by April.
- Given that the City's largest revenue source, property taxes, have already been collected and other revenues will not materialize until after year end, we anticipate some cash flow issues through the end of the Fiscal Year.

**General Fund Revenue Analysis:** Approximately 63% of the General Fund revenues have been collected through the end of February. This is attributable to 90% of property tax revenues and 90% of special assessment Non-Ad Valorem being collected.

For the purposes of this analysis, we have separated General Fund revenues into two categories: *Potentially Delayed Revenues* and *Potentially Lost Revenues*.

### **Potentially Delayed Revenues**

Certain revenue sources are expected to be received later than the usual timing of collection once normal operations resume, but those collections may not occur until FY 2021. We have categorized these revenues as Potentially Delayed Revenues. After a thorough review of the City's General Fund revenue sources, we anticipate delays with the following revenue sources:

- **Property Taxes:** As previously stated, nearly 90% of the budgeted property tax revenues have been collected.
- **Special Assessment (non-Ad Valorem):** 90% of the budgeted special assessment revenues have been collected.
- **Communication Taxes:** This revenue is approximately two months behind in collection; however, the City anticipates an 8% reduction from the budgeted amount which equates to (\$332,000) by the end of the Fiscal Year.

We anticipate that at least 95% of the outstanding Ad Valorem tax payments and the special assessment revenues will be collected by the end of the Fiscal Year. These revenues are collected by the Broward County Property Appraiser Office and remitted to the City.

### **Potentially Lost Revenues**

Most of the revenues which will be collected are expected to be reduced over the next six months. However, there are several revenue sources that may not be collected or recaptured for every month the *Safer at Home* order remains in effect. These revenues include but are not limited to:

#### **General Taxes:**

- **Utility Taxes & Franchise Fees:** Florida Power & Light recently announced a request made to the Florida Public Service Commission for a one-time reduction of nearly 25% to residential customers and an equally significant reduction for businesses. We anticipate that the one-time reduction will result in reduced electric utility taxes and electric franchise fees revenues remitted to the City. Additionally, non-essential business closures are expected to further reduce these revenue sources for every month closed.

**Estimated Revenue Loss: Utility Approximately (\$2,960,000) and Franchise Approximately (\$1,858,480)**

### Intergovernmental Revenues:

- **Local Government Half Cent Sales Tax:** Approximately 39% of the budgeted sales tax revenues have been collected as of February. This revenue is typically remitted two months in arrears by the State. As such, the current analysis assumes that sales tax revenues earned prior to the executive order, will be received as expected for the next two months. For the remaining four months, sales tax revenue losses are expected to be 20% less than budgeted.

**Estimated Revenue Loss: Approximately (\$2,000,000)**

- **State Revenue Sharing:** This revenue represents Sales and Use taxes and Fuel Tax on motor vehicles. With the *Safer at Homes Order* this revenue is projected to be at 20% less than budgeted.

**Estimated Revenue Loss: Approximately (\$800,000)**

### Charges for Services:

- Approximately 39% of the budgeted revenue have been collected as of February 29th. The department revenues that will be impacted are Parks and Recreation, Child Care facilities and Cultural Arts (MCC). Charges for services revenues will decline as the economic crisis prolongs and the City cancels revenue generating events and programming such as summer camps, aquatic summer programs, athletic programs, admission fees, banquet hall rentals, box office sales, facilities rentals and all associated concession revenue. We estimate that this will be one of the most significantly impacted of the general fund revenue categories with an estimated 28% reduction from the budgeted revenues.

**Estimated Revenue Loss: Approximately (5,315,412)**

### Miscellaneous Revenues:

- **Interest Earnings:** Recent federal cuts of interest rates are beneficial for borrowing; however, it can negatively impact interest earnings on investments. Due to the uncertainties with interest rates, this analysis conservatively estimates low interest earnings through the end of the Fiscal Year.

**Estimated Revenue Loss: Approximately (\$600,000)**

Overall, the General Fund revenue projections reflect a **shortfall of approximately \$23.1 million**. This is a conservative projection and will certainly change as information becomes available. Table 1, below, is a summary of the elements that make up the projected revenue loss:

**Table 1: Summary of Revenue Impact**

REVENUE TYPE	FY20 REVISED BUDGET	FY20 YTD ACTUAL	% COLLECTED	FY20 PROJECTION	% PROJECTED	\$ VARIANCE
Ad Valorem Taxes	(72,472,800)	(65,302,136)	90%	(68,849,160)	95%	(3,623,640)
Utility Taxes	(11,480,000)	(3,847,861)	34%	(9,184,000)	80%	(2,296,000)
Communications Service Tax	(4,332,000)	(931,944)	22%	(4,000,000)	92%	(332,000)
Local Business Tax	(2,295,000)	(2,075,346)	90%	(2,134,350)	93%	(160,650)
Insurance Premium Tax	(2,100,000)	-	0%	(2,100,000)	100%	-
Franchise Fees	(9,292,400)	(2,619,606)	28%	(7,433,920)	80%	(1,858,480)
Licenses and Permits	(6,185,500)	(5,781,077)	93%	(6,185,500)	100%	-
Special Assessment	(22,250,000)	(19,853,400)	89%	(21,137,500)	95%	(1,112,500)
Intergovernmental	(15,809,320)	(4,105,046)	26%	(11,856,990)	75%	(3,952,330)
Charges for Services	(18,926,023)	(7,389,862)	39%	(13,610,611)	72%	(5,315,412)
Fines and Forfeitures	(704,000)	(249,252)	35%	(249,252)	35%	(454,748)
Miscellaneous	(7,283,433)	(1,677,232)	23%	(3,248,697)	45%	(4,034,736)
Transfers In	(3,498,164)	(1,282,161)	37%	(3,498,164)	100%	-
Appropriation of Fund Balance	(4,654,734)	-	0%	(4,654,734)	100%	-
<b>Grand Total</b>	<b>(181,283,373)</b>	<b>(115,114,924)</b>	<b>63%</b>	<b>(158,142,877)</b>	<b>87%</b>	<b>(23,140,497)</b>

**General Fund Expenditures Analysis:** The General Fund expenditures are trending as expected with an estimated \$22.5M savings by the end of the Fiscal Year. Table 2 shows a breakdown of the projected savings:

**Table 2: General Fund Expenditure Projection**

Department	Vacancies	Furlough/ Salary Savings	Operational	Total
06 - Human Resources	-	172,911	266,439	439,350
10 - Finance	118,155	453,852	176,373	748,380
11 - Procurement	71,700	108,168	27,314	207,182
15 - Management & Budget	25,799	227,527	15,542	268,868
20 - Police	384,890	7,382,649	392,700	8,160,239
30 - Fire-Rescue	128,222	5,438,045	237,600	5,803,867
41 - Community Development	28,697	758,546	137,615	924,858
43 - Economic & Business Development	-	-	244,470	244,470
50 - Public Works	320,334	351,412	1,195,305	1,867,051
60 - Parks & Recreation	244,987	903,460	1,023,876	2,172,323
63 - Community Services	282,497	659,998	108,586	1,051,081
68 - Cultural Affairs	6,584	75,088	491,333	573,005
<b>TOTAL</b>	<b>1,611,865</b>	<b>16,531,656</b>	<b>4,317,153</b>	<b>22,460,674</b>

**Please note:** The totals above do not reflect departmental recommendations for line items which could provide additional cost savings. Furloughs are a last resort and can be minimized if a portion of the Emergency Preparedness, the Stabilization and the Unassigned reserve balance are used to offset any potential delayed or lost revenues.

Based on current trends, the following assumptions have been made:

**Salary and Benefits:** Salary expenditures over the past six months will not continue at the same rate through the end of the Fiscal Year.

1. Freeze new hires
2. Do not fill existing vacancies during FY20
3. Impose a moratorium on salary increases (i.e., promotions & reclassifications) throughout FY20
4. Introduction of furloughs/salary savings

**Operating Expenditures:** Currently the monthly expenditures are averaging \$14.5M. In order to reduce spending, the following directives were issued by the City Manager:

1. Suspension of non-emergency goods and services unless justification and approval are provided by the Department Director and CFO.
2. Purchasing card approval required prior to spending action.
3. Departments are encouraged to review current contracts to determine if services can be delayed during the declared emergency.
4. Contact vendors to determine if services can be delayed.
5. No overtime, unless approved by the City Manager (excludes Police, Fire and Utilities).
6. Suspension of all travel and training. Departments are required to explore other options (i.e. webinars, virtual sessions).
7. Suspend memberships, subscriptions and donations to other agencies for the remainder of the Fiscal Year.
8. Reduction in discretionary spending in certain operating accounts such as office supplies and materials are expected as a result of employee telecommuting and City facility closure.
9. Suspend City events.
10. Go paperless and leverage available technology to enhance services and reduce costs.
11. Continue to explore energy saving opportunities.
12. Work with the Procurement Department to review open requisitions and open purchase orders that are no longer needed to ensure timely closure

in order to release encumbered funds.

**Capital Outlay:**

1. Deferral of non-essential capital purchases.
2. Reduce the scope of capital investments.

**Current measures being executed:**

1. Overall department budget reductions of 5%, 10%, 15% in all expense categories throughout the remainder of the Fiscal Year
2. Relocating stagnant employees to other duties temporarily
3. Exploring new revenue sources based on CARES Act stimulus package and FEMA
4. Exploring grant revenue sources with the Florida Division of Emergency Management (FDEM) for COVID-19 Pandemic Request for Public Assistance

***Summary: Fiscal Year 2020 General Fund Projections***

Revenues	\$	23,140,497
Expenditures	\$	22,460,674
<b>Projected Variance</b>	<b>\$</b>	<b>679,823</b>

**Conclusion:** As a next step, the Financial Services and the Budget and Management staff will:

1. Finalize analysis of the City's Enterprise and Internal Service Funds. A separate memo and report will be provided for those funds.
2. Continue to actively engage in discussions and webinars with finance professionals regarding the impact of COVID-19 on local governments.
3. Continue to work with City Departments to track operating activities, expenditures and revenues.
4. Continue to research best practices, analyze financial data and report our findings to the City Manager's Office on a regular basis.

**Please note:** Current FEMA guidelines disallow for reimbursement on lost revenue. FEMA cannot provide Public Assistance (PA) funding for lost revenue due to COVID-19. Legislation pending as proposed in the stimulus CARES Act.

City's Financial Position: On a positive note, the good news is as of September 30, 2019:

- City's **Emergency Preparedness** reserve balance remains at \$6,533,123. However, please keep in mind that hurricane season starts on June 1st, which is a few weeks away and based on the experts this year's hurricane season is expected to be a very active one.
- City's **Stabilization** reserve balance remains at \$20,383,343 per Resolution and as recommended by the Government Finance Officers Association in accordance with Best Practices. At a minimum, no less than two months of regular general fund operating revenues or regular general fund operating expenditures should be assigned.
- City's **Unassigned** reserve balance is \$8,585,289 (spending imposed by Commission).

Should you have questions or require additional information, please let me know.

c: CM Senior Executive Team  
Department Directors  
City Clerk  
City Attorney