

General Fund Revenue Shortfall Mitigation Efforts

Below is a summary of the mitigation efforts that I am recommending in order to minimize the City's use of General Fund Balance to offset the revenue shortfalls projected for FY 2020. Exhibit 2 outlines recommended General Fund balancing strategies. Many of the immediate cost reduction strategies outlined below for the General Fund also apply to other funds.

Implementing a Hiring Slowdown for Non-Public Safety Vacancies

Upon review of the General Fund vacancy list, 35 non-public safety vacancies were identified that could be used to help reduce expenditures by an estimated \$1,816,531. As we continue to assess the City's financial position, I will primarily grant approval to fill positions that are required and essential to sustain safety, security, regulatory compliance, and the operations that impact the primary services of the City.

Operating Expenditure Savings

There are inherent cost savings associated with having non-essential City operations closed during the COVID-19 crisis including a reduction of electricity costs, special event expenditures, and fuel savings. I have also charged staff with further reducing expenditures by limiting the approval of non-essential expenditures and limiting discretionary employee travel and training. It is anticipated that these actions will save the City \$5,854,938 during FY 2020.

Community Investment Plan (CIP) Reductions

City staff conducted a review of Community Investment Plan (CIP) projects and identified projects that could be delayed or cancelled due to changes that have occurred since the funding was originally appropriated. If approved by the Commission, these changes will save \$11,528,531 during FY 2020. Exhibit 3 outlines the recommended CIP changes.

Estimated Other Fund Projected Revenue Shortfalls

Airport Fund

The Airport Fund is self-sustaining and generates revenue through land leases and fuel flowage fees. The FY 2020 revenues budgeted in this fund are \$10,927,972; of this amount, \$4,720,754 or 43.2% has been received to date. Any reduction in air traffic will have a direct impact on revenue for both the airport and its lessees.

To ensure continuity of business for its long-term lessees amid COVID-19, the Fort Lauderdale Executive Airport is offering two months of rent deferrals. This could negatively impact the FY 2020 revenue receipts in the amount of \$673,120 but this deferred revenue is expected to be received in FY 2021. Fuel flowage revenue losses are estimated to be approximately \$150,000 due to a 30% reduction in demand and a 50% reduction in fuel price with two months of fuel flowage fees subject to deferral. In addition,

Airport staff has estimated \$147,397 in other miscellaneous revenue losses. The total estimated revenue impact to the Airport Fund for FY 2020 is \$970,517. Airport leadership has identified \$21,796 in operational savings.

City policy requires the fund maintain a minimum fund balance or reserve of 45 days of annual operating expenses. The current balance of the Airport Fund is \$8,351,763 or 368 days which is 323 days above the required minimum.

Building Funds

There are three main revenue sources for the Building Permits Fund including building permits, re-inspections/penalties, and other permits. The FY 2020 revenues budgeted in this fund are \$21,793,029. Of this amount, \$12,671,694 or 58.1% has been received to date. Due to COVID-19, we are projecting a 15% decrease in demand for permits and inspections. With this anticipated decrease, anticipated revenue losses for this fund are estimated to be \$3,214,082.

The balance for this fund is inclusive of the Building Permits Fund, Building Technology Fund, and Building Certification Maintenance. As of April 15, 2020, the total available fund balance is \$21,897,067 or 354 days.

Parking Fund

The Parking Fund is self-sustaining and relies upon user-based revenues that are collected from meters, parking permit sales, and citations. The FY 2020 revenues budgeted in this fund are \$18,310,937 of this, \$9,096,649 or 49.7% has been received to date through April. With the closure of the City's public parking garages and limited parking demand due to stay-at-home orders, the Parking Fund is estimating \$2,600,000 in lost revenues assuming a partial reopening in June 2020.

To offset the revenue gap, our management team has identified \$962,000 in revenue enhancements. In addition to these savings, I have worked with our senior leadership team to review our CIP projects to balance the remainder of the \$1,638,000 revenue shortfall. I recommend the following CIP projects be modified as outlined below:

- Mobile Enforcement System (P11993): Project deliverables were not aligning with City needs and the vendor has been notified of our intention to terminate for convenience. FY 2020 Estimated Financial Impact: \$1,300,000
- North Beach Lot Improvement (P12378): The original project scope was to construct a parking lot on the entire parcel at a cost of \$1,200,000. The scope was modified to include a temporary fire station which reduces the parking fund obligation to \$900,000. FY 2020 Estimated Financial Impact: \$300,000

- SW 2nd Avenue (P12434): This project was completed and had an excess balance of \$10,000 which will be used to offset FY 2020 parking revenue losses. FY 2020 Estimated Financial Impact: \$10,000
- 290 Building Improvements (P11660): This project was completed and had an excess balance of \$28,000 which will be used to offset FY 2020 parking revenue losses. FY20 Estimated Financial Impact: \$28,000

These actions will offset approximately \$1,638,000 in lost parking revenues. In addition, City staff continues to work on parking rate structure adjustments as discussed with Commission in November 2019. Should parking rates be adjusted, effective July 2020, it could generate an additional \$962,000 in the remaining months of FY 2020.

It is the City's policy that the Parking Fund maintain a minimum available fund balance of 45 days. As of April 22, 2020, the Parking Fund has an available fund balance of \$3,535,231 or 110 days which is 65 days above the required minimum.

Sanitation Fund

The Sanitation Fund receives its revenues through charges to residents for curbside collections and franchise fees collected in the General Fund and transferred into the Sanitation Fund. The FY 2020 revenues budgeted in this fund are \$27,797,290. Of this amount, \$16,527,259, or 59.5% has been received to date. With the closure of non-essential businesses, we are anticipating a 40% reduction in commercial volumes impacting Franchise Fees. Similarly, there has been a 30% reduction in bulk trash pickups. The total impact to the Sanitation Fund related to these reductions is estimated at \$1,340,078.

It is the City's policy that the Sanitation Fund maintain a minimum available fund balance of 45 days. As of April 7, 2020, the Sanitation Fund balance was \$4,026,927 or 53 days which is 8 days above the required minimum.

School Crossing Guard Fund

The School Crossing Guard Fund is dependent on handicap parking citations for its revenues. The FY 2020 revenues budgeted in this fund are \$935,589. Of this amount, \$411,939, or 44.0% has been received to date. Because of stay-at-home orders, lost revenues are estimated at \$500,000; however, expenditures are also estimated to be lower than budgeted by \$250,000. As of April 7, 2020, the available balance in this fund was \$299,300 which is 116 days of operating expenditures.

Water & Sewer Fund

The Water & Sewer Fund's revenue is dependent upon user rates and other service charges and provides water treatment and distribution services for Fort Lauderdale, Port

Everglades, Sea Ranch Lakes, Lauderdale-by-the-Sea, Oakland Park, Wilton Manors, and portions of Davie, Tamarac, and unincorporated Broward County. The FY 2020 revenues budgeted in this fund are \$122,734,093. Of this amount, \$81,408,598, or 66.3% has been received to date. We anticipate revenues received through water sales and sewer service charges to be impacted by approximately \$5.9 Million due to reduced consumption related to business closures. We are also projecting reduced revenues related to write off recoveries, decreased backflow inspections, and water connection and disconnection fees. The total revenue impacts for the Water & Sewer Fund are estimated at \$6,372,140. This reduction is partially offset by higher than budgeted revenue collections for the first half of the fiscal year of approximately \$4.5 Million.

The City's policy requires a minimum fund balance of 90 days. As of April 7, 2020, the balance for this fund is \$37,117,023 or 131 days which is 41 days above the required minimum.

Conclusion

While the magnitude and duration of this pandemic remain unclear, through strategic financial planning and proactive measures, the City is managing the impacts of this emergency. We will continue to monitor and assess revenue and expenditure trends to ensure the level of available funds is commensurate with the level of risk associated with our revenue and expenditure variability.

Attachments:

Exhibit 1 – Commission Memo 20-035 FY 2020 General Fund Budget Estimated Impacts of COVID-19

Exhibit 2 – FY 2020 General Fund Balancing Strategies COVID-19 Impact

Exhibit 3 – FY 2020 Community Investment Plan Project Options

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