

Economic Development Council Subcommittee

COVID-19 Pandemic

Preliminary Fiscal Impact

March 24, 2020

City of Milpitas

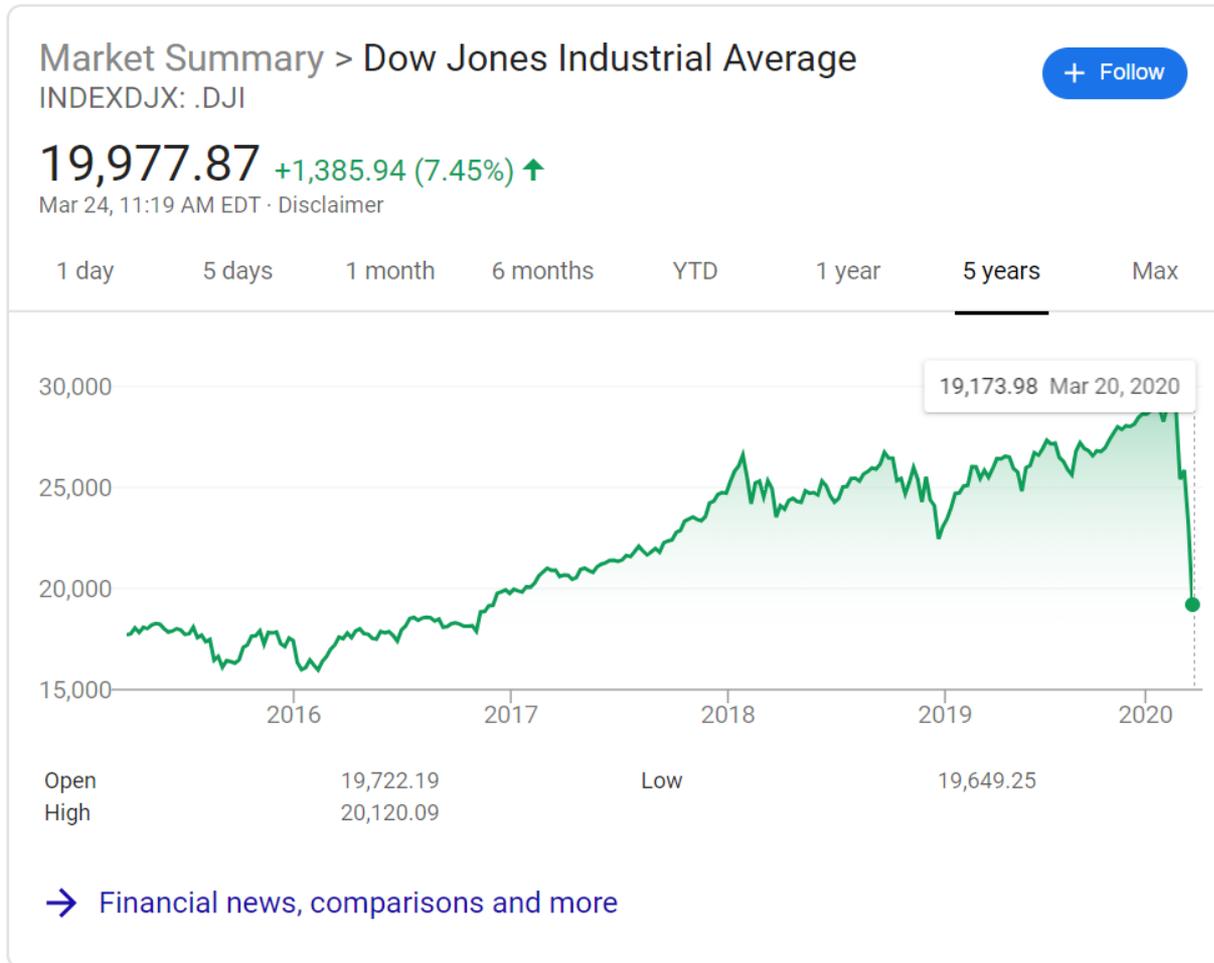
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Agenda

- Current Economic Environment
- January 28, 2020 Ten-Year Financial Forecast
- March 20, 2020 Ten-Year Financial Forecast
- Impacts to the City's Budget & potential budgetary solutions
- Next steps



Current Economic Environment



33%
Drop



Current Economic Environment

- 25% of People globally are under partial or total lock-down
- 43% of the US population asked to stay home
- Significant interruption of economic activity
- Secretary Mnuchin: unemployment could soar up to 20%
- Major impact to the hospitality, restaurant and travel industries
- Unprecedented monetary and fiscal stimuli packages
- Hubei Province, China, plans to lift nearly all restrictions tomorrow about three months after initial lock-down



A photograph of a modern, curved building with large glass windows and a fountain in the foreground. The building has a curved facade with a balcony on the upper level. The fountain in the foreground has several jets of water. The text is overlaid on a semi-transparent white box in the center of the image.

**Jan. 28, 2020 Fiscal Year 2021-30
Ten-Year General Fund Forecast**

Prel. Forecast – FY 2021 - 2025

	Preliminary Base Budget FY 20-21	Forecast FY 21-22	Forecast FY 22-23	Forecast FY 23-24	Forecast FY 24-25
Total Sources	\$ 123,529,318	\$ 127,871,488	\$ 132,639,675	\$ 137,220,493	\$141,258,666
Total Uses	\$ 122,276,071	\$ 128,136,298	\$ 132,093,831	\$ 137,312,794	\$143,054,073
Net Operating Results	\$ 1,253,247	\$ (264,810)	\$ 545,844	\$ (92,301)	\$ (1,795,407)
Net Operating Margin		\$ (264,810)	\$ 545,844	\$ (92,301)	\$ (1,703,106)

Net Operating Results: Annual surplus or deficit

Net Operating Margin: Year over Year surplus or deficits assuming that ongoing deficits will be resolved with ongoing solutions (e.g.: increased revenue or decreased expenditures)



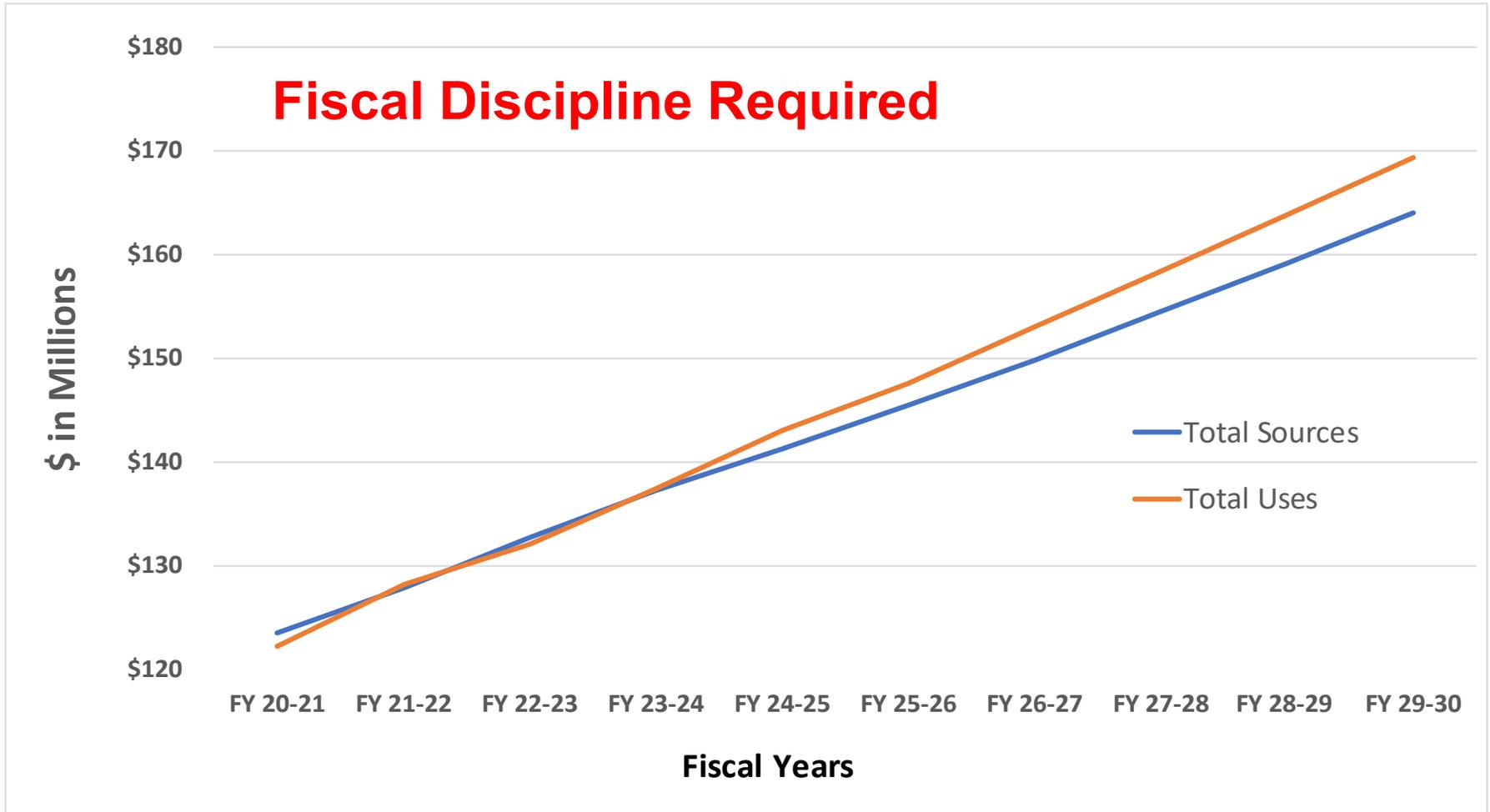
Prel. Forecast – FY 2026 - 2030

	Forecast FY 25-26	Forecast FY 26-27	Forecast FY 27-28	Forecast FY 28-29	Forecast FY 29-30
Total Sources	\$ 145,444,722	\$ 149,876,102	\$ 154,451,834	\$ 159,170,438	\$ 164,036,569
Total Uses	\$ 147,627,262	\$ 153,053,751	\$ 158,313,337	\$ 163,841,284	\$ 169,299,785
Net Operating Results	\$ (2,182,540)	\$ (3,177,649)	\$ (3,861,503)	\$ (4,670,846)	\$ (5,263,216)
Net Operating Margin	\$ (387,133)	\$ (995,109)	\$ (683,854)	\$ (809,343)	\$ (592,370)

Ongoing deficit between \$387,000 and \$995,000



Expenditures Outpace Revenues



Potential Impacts Not Included

- Funding for aging or new infrastructure (e.g.: performing arts center, public safety buildings, storm drain system, parks master plan)
- Operational impact of upcoming infrastructure projects
- Operational impact related to the Milpitas Transit Center/BART Station
- Labor negotiations
- Pension and Retiree Healthcare cost increases not included in the projections provided by the City's actuaries
- Changes in the local, State, and national economy



A photograph of a modern, curved building at night. The building features large glass windows and a curved facade. In the foreground, there is a fountain with several water jets. The scene is illuminated by warm lights, likely from the building's interior and exterior lighting.

**March 20, 2020 Fiscal Year 2021-30
Ten-Year General Fund Forecast**

Assumptions

Major Tax Revenue Changes – Great Recession

Revenue	Percent Change from FY 2006-07 to FY 2007-08	Percent Change from FY 2007-08 to FY 2008-09	Percent Change from FY 2008-09 to FY 2009-10	Percent Change from FY 2009-10 to FY 2010-11
Licenses and Permits	-13.7%	-26.6%	-32.1%	34.4%
Property Tax	-5.6%	5.6%	-3.4%	-2.9%
Sales Tax	-3.5%	0.5%	-6.1%	11.3%
Transient Occupancy Tax	39.6%	-22.9%	-4.6%	15.6%

Modelled a 6 – 9 month Recession with a recovery in FY 2021-22

- Hubei lock-down mostly lifted after three months
- Fiscal and Monetary Stimulus packages



COVID-19 Preliminary Fiscal Impact

	Preliminary Base Budget	Forecast	Forecast	Forecast	Forecast
	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Total Sources	\$ 112,377,039	\$ 118,539,219	\$127,860,930	\$ 135,249,224	\$139,476,101
Total Uses	\$122,991,970	\$ 128,589,282,	\$132,575,646	\$137,900,646	\$143,692,349
Net Operating Results	\$ (10,614,931)	\$ (10,050,063)	\$ (4,714,716)	\$ (2,651,682)	\$ (4,216,248)
Net Operating Margin		\$ 564,868	\$ 5,335,347	\$ 2,063,034	\$ (1,564,566)

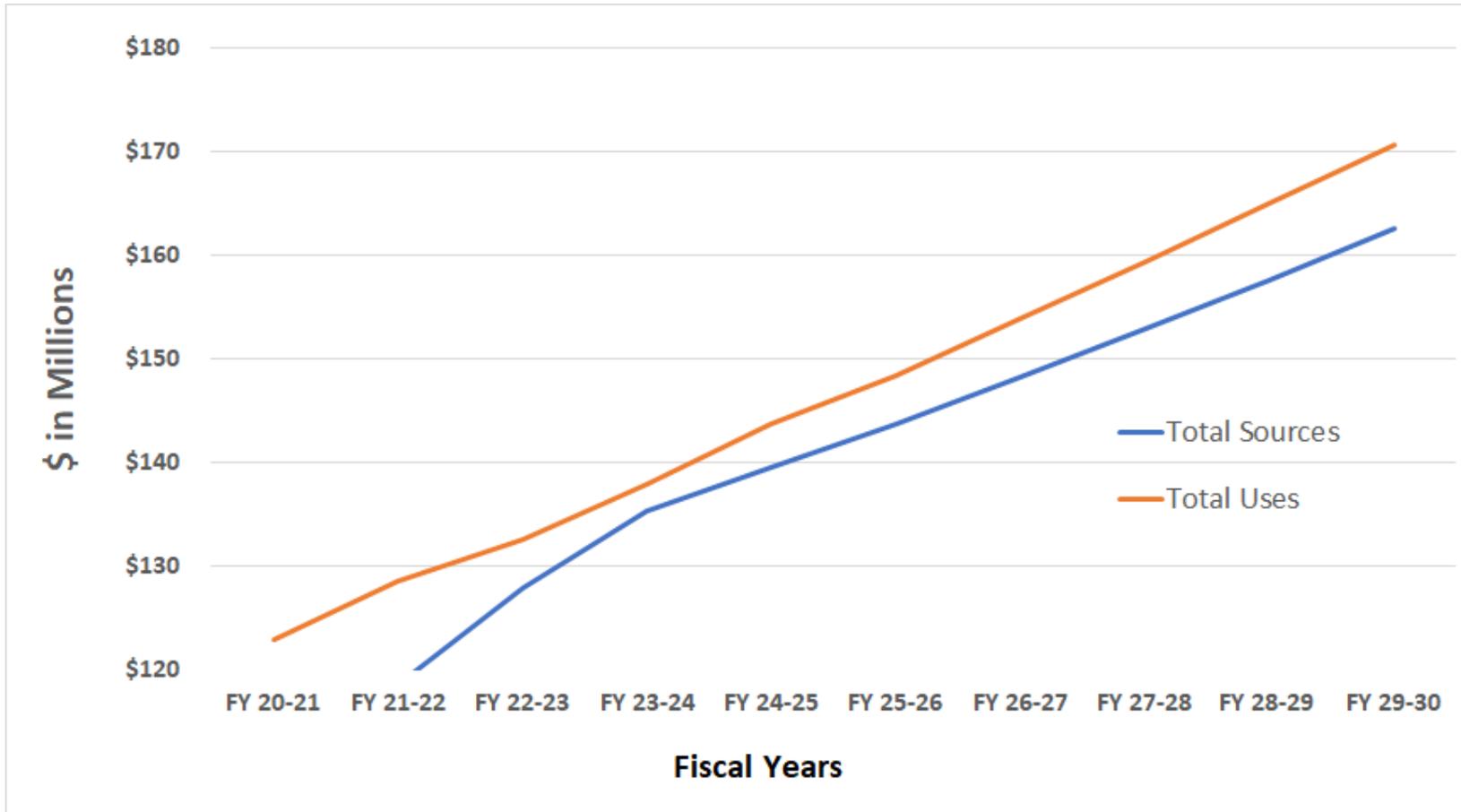


COVID-19 Preliminary Fiscal Impact

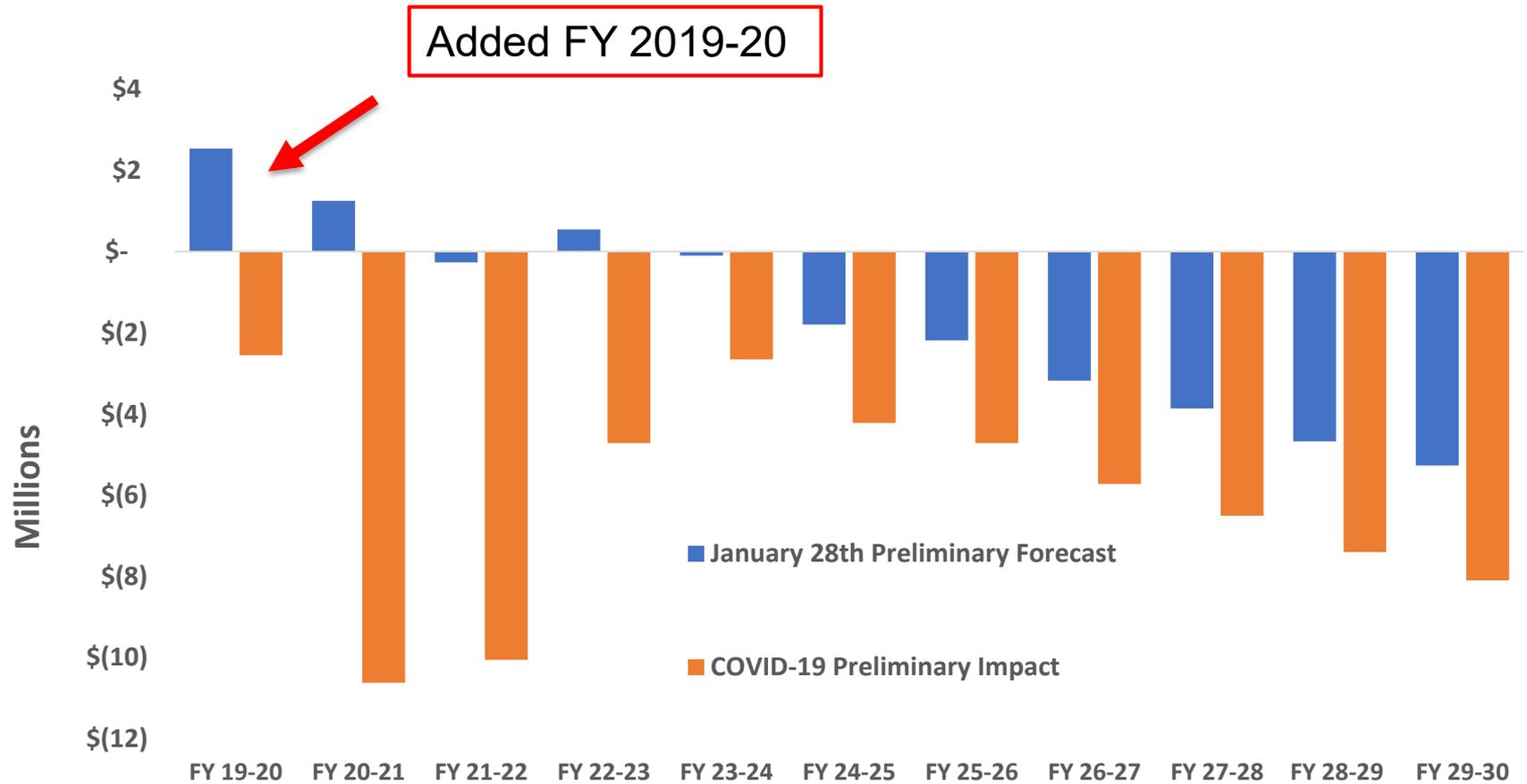
	Forecast	Forecast	Forecast	Forecast	Forecast
	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Total Sources	\$ 143,681,153	\$ 148,184,370	\$152,838,781	\$157,607,467	\$162,528,649
Total Uses	\$148,395,932	\$ 153,902,852	\$ 159,341,733	\$ 165,004,200	\$170,624,219
Net Operating Results	\$ (4,714,779)	\$ (5,718,482)	\$ (6,502,952)	\$ (7,396,733)	\$ (8,095,570)
Net Operating Margin	\$ (498,531)	\$ (1,003,703)	\$ (784,470)	\$ (893,781)	\$ (698,837)



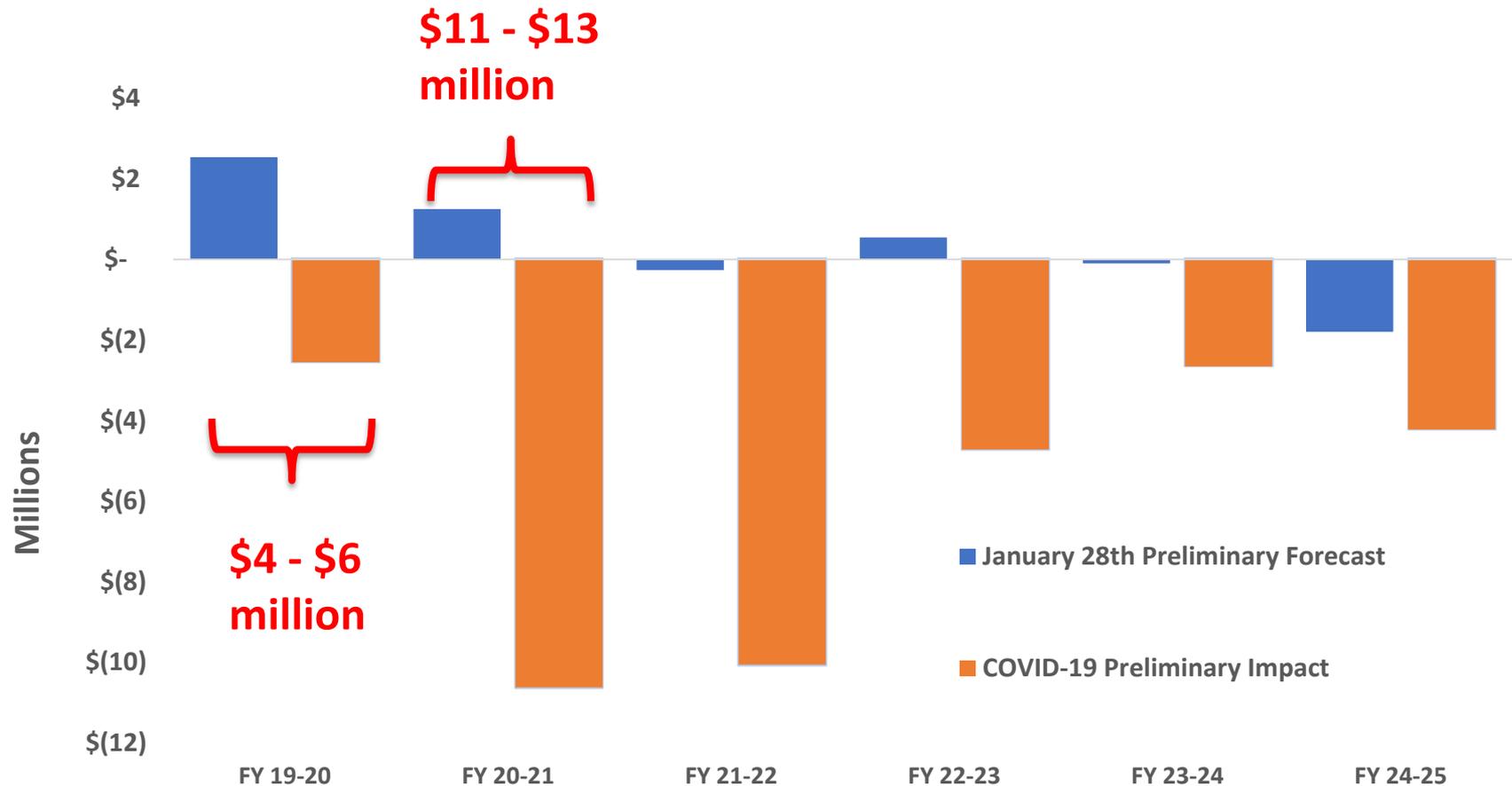
COVID-19 Preliminary Fiscal Impact



Forecast Comparison



Current Year and Next Year Impact



Potential Budget Solution Strategies

FY 2019-20 shortfall (est. between \$4 - \$6 million)

- \$2.5 million surplus as of Mid-Year Budget Review (2/18/20)
- Temporary Hiring and Expenditure Freeze for non-essential activities

FY 2020-21 shortfall (est. between \$11 - \$13 million)

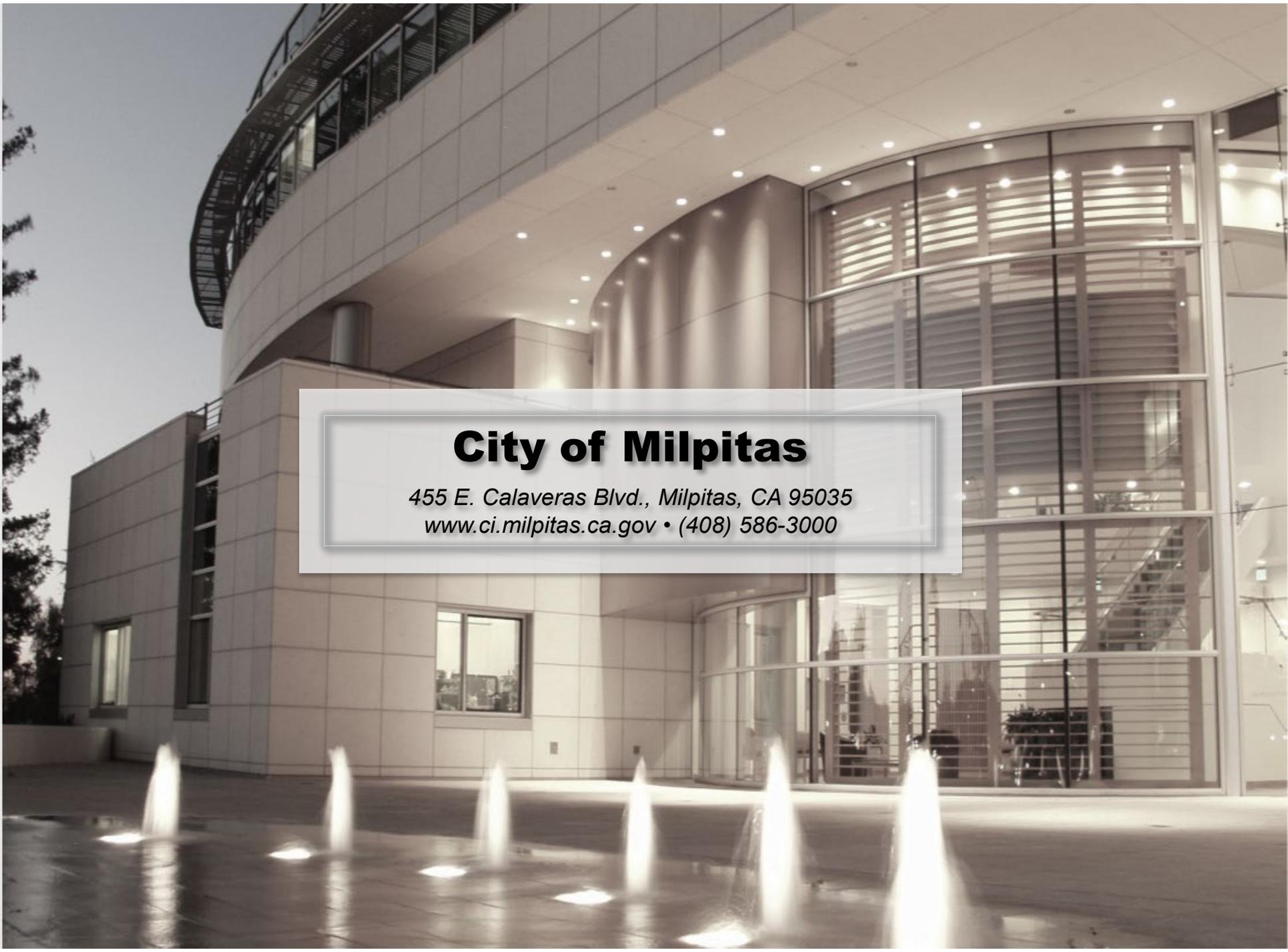
- Identify ongoing budget solutions without reducing authorized service levels
- Use of the Budget Stabilization Reserve and Unassigned General Fund Reserve



Next Steps

Date	Action
04/07/2020	COVID-19 Fiscal Impact Report from the Subcommittee to the City Council
05/04/2020	Release of the FY 2020-21 Proposed Operating Budget
05/05/2020	Council Consideration of 3rd Quarter Financial Status Report and Recommendations for Rebalancing the FY 2019-20 Amended Budget
05/14/2020	FY 2020-21 Proposed Operating Budget Study Session



A photograph of the City of Milpitas building at dusk. The building is a modern, curved structure with a light-colored facade and large glass windows. The interior lights are on, and the sky is a deep twilight. In the foreground, there is a fountain with several jets of water spraying upwards. A semi-transparent white box with a thin border is centered over the building, containing the city's name and contact information.

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