

# CITY OF DANA POINT

## FY20 BUDGET ADJUSTMENTS DUE TO COVID-19



- FY20 COVID-19 Revenue Impacts by June 30, 2020:
  - FY20 Revenue Hit Compared to Budget = \$4.2 million
  - Hotel Transient Occupancy Tax (TOT) Down \$3 million
  - Short Term Rental TOT Down \$250,000
  - Sales Tax Down \$775,000
  - Licenses & Permits Down \$200,000
- FY21 Revenue Hit Tentative Estimate = \$6 million

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- **Recommended Solutions to FY20 Revenue Impacts:**

- **Follow City Council Approved Financial Policies:**

- Long-Term Financial Policy #229
    - Operating Budget Policy #230
    - Infrastructure Management Policy #231
    - Facilities Management Policy #232
    - General Fund Reserve Policy #233

- **Guiding Principle of City Financial Policies is to:**

- Remain Mindful of Long-Term Financial Health
    - Recognize Immediate Problems Require Solutions
    - Look for Smart Ways to Satisfy Both Short- and Long-Term Objectives Concurrently

- **The Recommended Path Forward to Solve COVID-19 Financial Issues Requires Weighting and Balancing Guidance Within Each Financial Policy:**

- Count Federal, State and County Emergency Funding When Certain
    - Reduce Budget Line Items
    - Minimize Service Reductions
    - Maintain Investment in Maintain Existing City Infrastructure and Facilities
    - Prioritize Use of City Council Designated Funds
    - Utilize Reserves in a Manner with Expectation that Future Issues May Emerge

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- Recommended Solutions to FY20 Revenue Impacts (continued):
  - Other Revenues Performing Better than Budget +\$212,000
  - Department Line Item Savings - (\$1,450,000)
  - City Attorney Budget Adjustment = +\$734,000
  - Eliminate Transfer Out to Facilities Fund – (\$100,000)
  - Reduce Transfer to Community Investment Account – (\$1,000,000)
    - (Current Balance is \$5,000,000)
  - Reduce Set-Aside for Unfunded Pension Liability – (\$1,000,000)
    - (Current Balance is also \$5,000,000)
  - Use Economic Stability Reserve – (\$935,391)
    - (Current Balance is \$4,327,906)

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## Result of Recommended Solutions to FY20 Revenue Impacts:

- Maintain Unassigned Fund Balance at Policy Level of 7% of Revenue
- Use Less than ¼ of Economic Stability Reserve
- Keep Extreme Event Reserve Intact
- Maintains Doheny Village Beautification Reserve Intact

## Recommend Applying Federal, State and/or County Relief Funds in Priority Order:

- Replenish Economic Stability Reserve
- Solve Projected FY21 and FY22 Revenue Shortfalls
- Replenish Unfunded Pension Liability Set-Aside
- Replenish Capital Investment Set-Aside

## FY21 Solutions:

- As Information on Relief Funding and Actual Impacts on Business is Better Understood, Discuss Solutions at Council Meetings In the Coming Months to Design and Execute a Plan Forward