

FY2021 Mid-Year Updates

- Tuesday, February 9, 2021 at Committee of the Whole, 10am
 - Financial Update
- Tuesday, February 23, 2021 at Committee of the Whole, 10am
 - FY2021 Citywide Strategic Plan Highlights
 - Economic and Recovery Update
- Tuesday, February 23, 2021, 2pm
 - Police Strategic Plan and Mobile GR Parking Enforcement
 - Master Plan
 - Housing

















Financial Outlook

February 9, 2021

What has changed/stayed the same?

- ▶ The degree of impact of unemployment and non-resident withholding remains uncertain
- ▶ Utilities and Enterprises revenue is stable, departments are managing to current budgets; only Parking has had to take major concessions with loss of event revenue
- ▶ State Consensus Revenue Estimating Conference outcome a mixed bag
 - ▶ State Shared Revenue is holding per previous projections
 - ▶ Gas and Weight Revenue still improving
 - ▶ This recession is not well correlated to previous recessions so hard to model a financial outlook
 - ▶ State is assuming a slow and steady recovery currently based on what is known

While the 2008-09 recession followed traditional patterns, the 2020 recession has not.

	Payroll Employment	Wage Income	Transfer Payments	Personal Income	Retail Sales	Personal Consumption	Existing Home Sales
2008-2009 Recession							
	-3.6%	-2.6%	16.3%	-0.8%	-6.9%	-0.7%	-0.2%
Current 2020 Recession							
	-22.4%	0.1%	67.2%	3.8%	9.2%	-0.5%	22.1%

Note: The percentages are the annualized average growth rates over the Dec 2007-Jun 2009 and the Feb-Nov 2020 time frames.

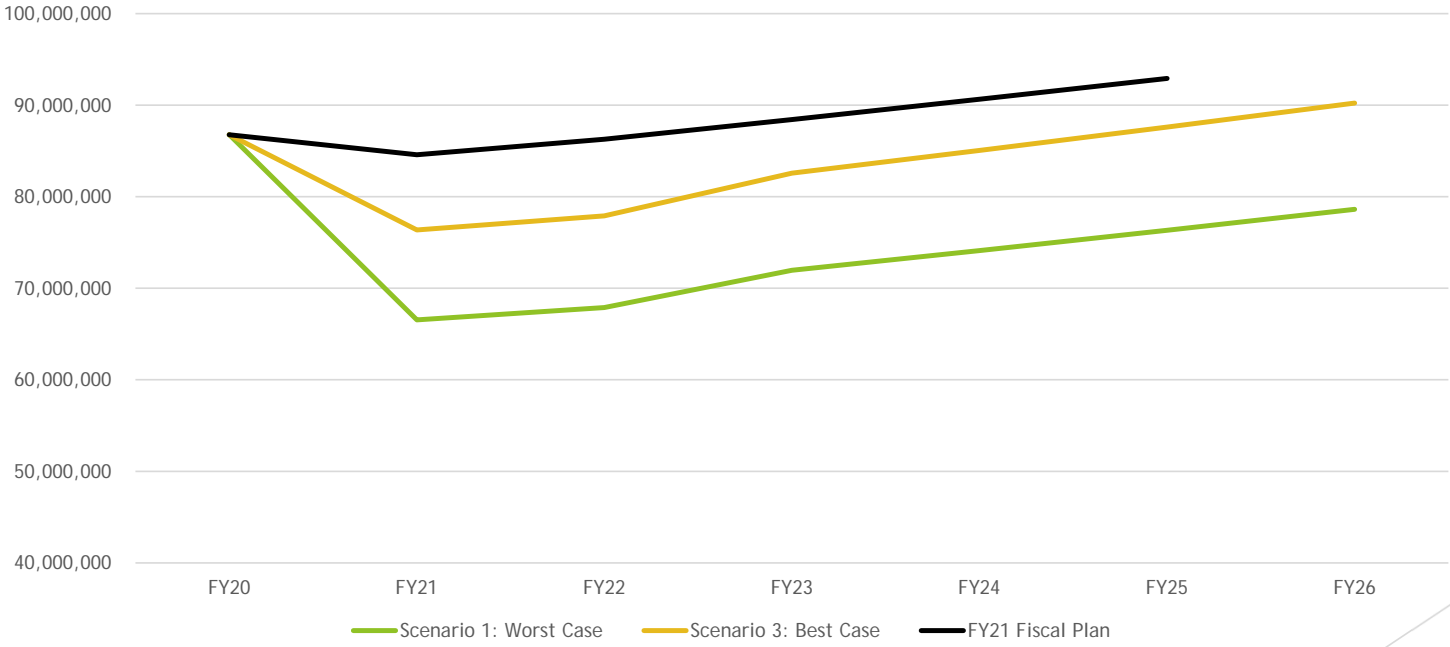
Source: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, U.S. Census Bureau, National Association of Realtors

Income Tax Forecast

- ▶ 83% of Income Tax revenue is allocated to General Fund
- ▶ FY2021 Considerations
 - ▶ Non-resident Income Tax Revenue
 - ▶ Total Non-Resident: \$46,598,083
 - ▶ Non-Resident at Risk for Refunding (9 months): \$34,948,563
 - ▶ Current Overall Trend FY21: (\$10,279,557)
 - ▶ Total Withholding Receipts FY21: (\$3,239,711)
- ▶ Scenarios:
 - ▶ Based on a blend of percentage of non-resident allocation and varying level of assessment assumptions

	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>
1	-23.3%	2.0%	6.0%	3.0%	3.0%	3.0%
2	-17.6%	2.0%	6.0%	3.0%	3.0%	3.0%
3	-11.9%	2.0%	6.0%	3.0%	3.0%	3.0%

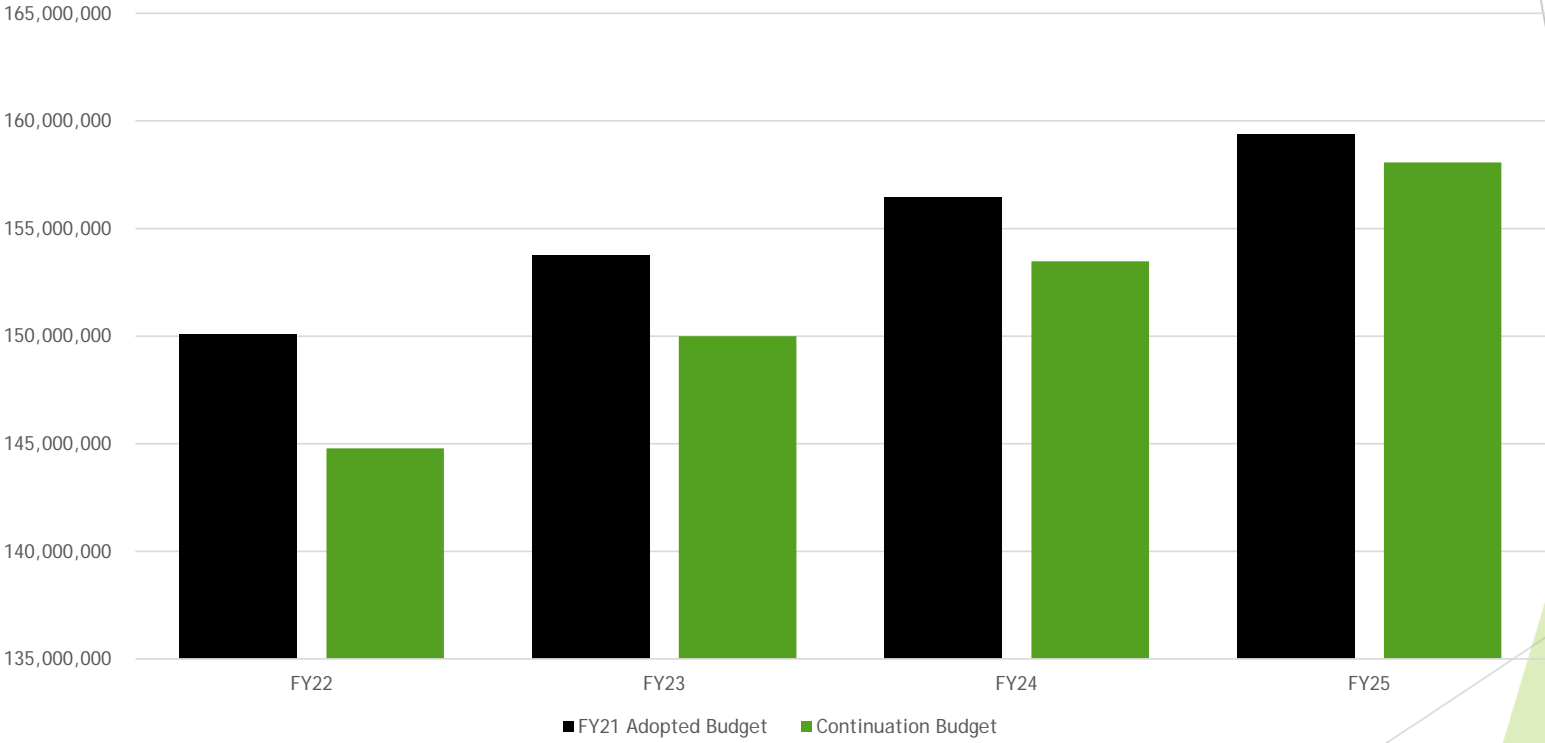
Income Tax Projections FY20-FY26



Grand Rapids Approach to Managing Income Tax Losses

- ▶ Step 1: Reduce FY21 Spending
 - ▶ Hiring Freeze
 - ▶ Program funding delays
 - ▶ Nonlabor \$639k in additional reductions
- ▶ Step 2: Pre-Budget Reductions - Set 5-year budget to continuation operating levels
 - ▶ Cost of operation with only allowing increases for contractual obligations

Step 2: Continuation Budget



Total amount removed the FY21 Adopted Budget in FY22 thru FY25 = \$13,295,510

General Fund - Current Outlook with \$15M Loss Scenario

	FY20 (Actual)	FY21 (Est)	FY22	FY23	FY24	FY25	FY26
Beginning Fund Balance	34,222,645	37,037,796	31,082,125	20,524,167	6,976,362	(6,552,328)	(20,260,056)
Revenue - Income Tax	86,781,692	71,535,597	72,966,309	77,344,288	79,664,616	82,054,555	84,516,191
Revenue - COVID Relief Grants	-	13,571,221	-	-	-	-	-
Revenue - Other	60,863,662	58,284,555	59,367,854	59,105,596	60,287,855	62,315,781	62,631,591
Expenditure	144,830,203	149,347,044	142,892,121	149,997,689	153,481,161	158,078,064	160,507,326
Net Revenue	2,815,151	(5,955,671)	(10,557,958)	(13,547,805)	(13,528,690)	(13,707,728)	(13,359,544)
Ending Fund Balance	37,037,796	31,082,125	20,524,167	6,976,362	(6,552,328)	(20,260,056)	(33,619,600)
Ending Fund Balance/Expenditure (%)	25.6%	20.8%	14.4%	4.7%	-4.3%	-12.8%	-20.9%
Budget Stabilization Fund		-	900,000	13,398,835			
Ending Fund Balance w/BSF		31,082,125	21,424,167	20,375,197			
Ending Fund Balance / Expenditure (%)	25.6%	20.8%	15.0%	13.6%			

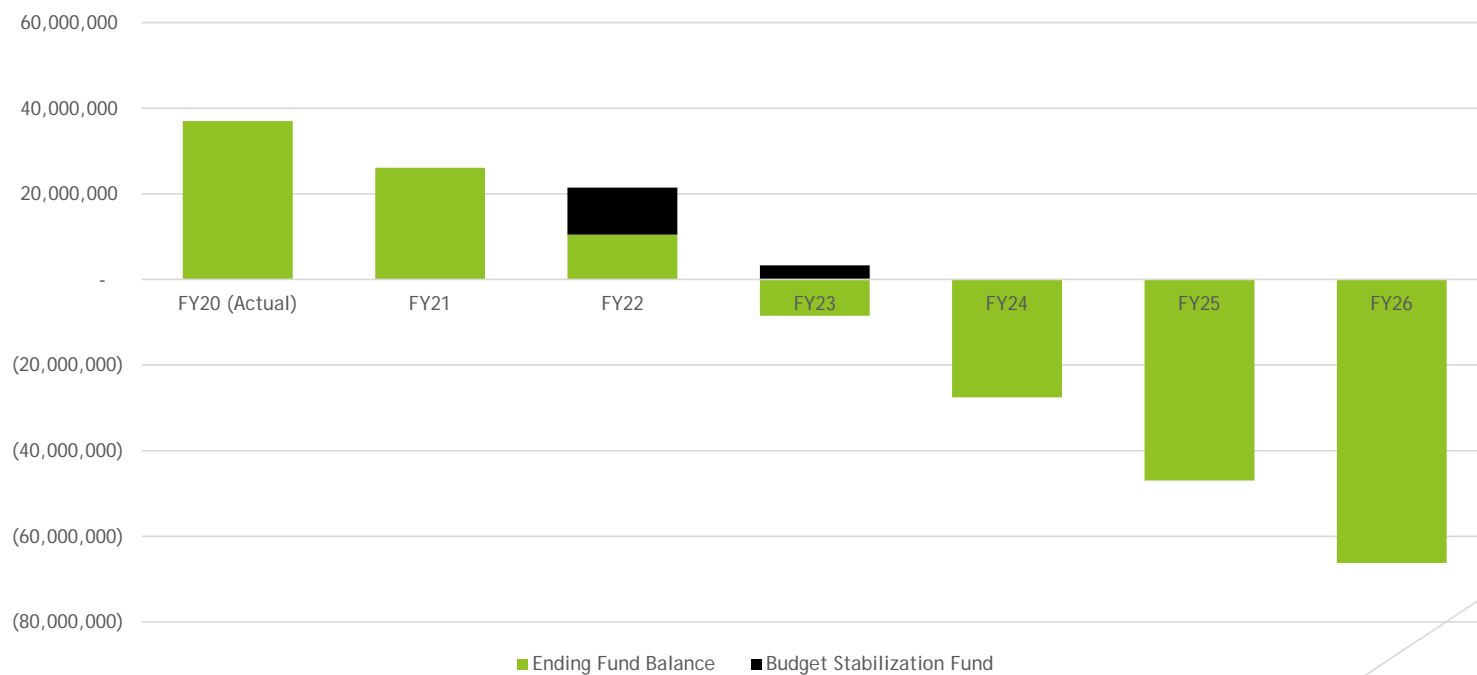
General Fund - Fund Balance using Budget Stabilization Fund - \$15M Loss Scenario



General Fund - Current Outlook with \$20M Loss Scenario

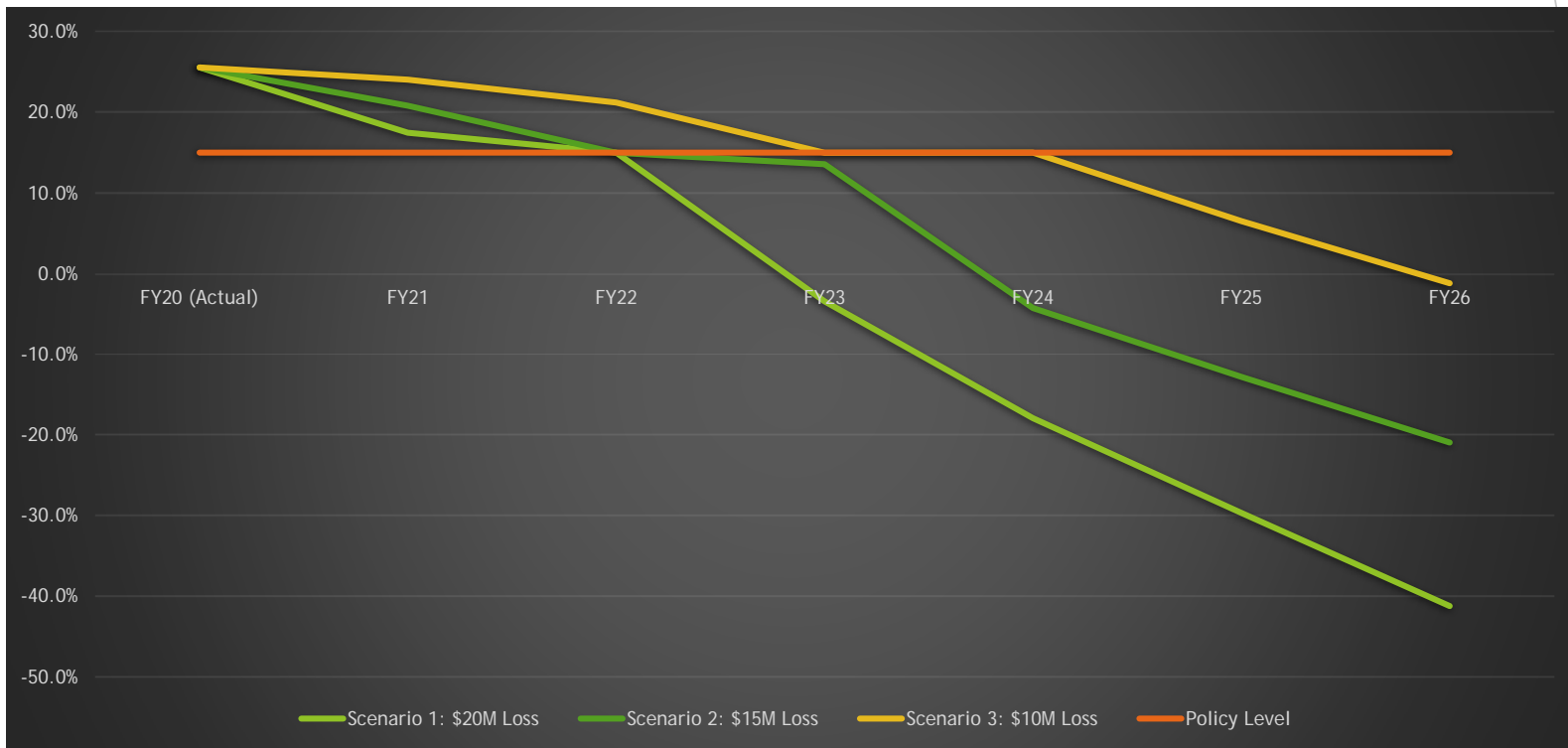
	FY20 (Actual)	FY21	FY22	FY23	FY24	FY25	FY26
Beginning Fund Balance	34,222,645	37,037,796	26,103,085	10,466,486	(8,464,657)	(27,538,185)	(46,957,097)
Revenue - Income Tax	86,781,692	66,556,557	67,887,668	71,960,950	74,119,778	76,343,371	78,633,673
Revenue - COVID Relief Grants	-	13,571,221	-	-	-	-	-
Revenue - Other	60,863,662	58,284,555	59,367,854	59,105,596	60,287,855	62,315,781	62,631,591
Expenditure	144,830,203	149,347,044	142,892,121	149,997,689	153,481,161	158,078,064	160,507,326
Net Revenue	2,815,151	(10,934,711)	(15,636,599)	(18,931,143)	(19,073,528)	(19,418,912)	(19,242,062)
Ending Fund Balance	37,037,796	26,103,085	10,466,486	(8,464,657)	(27,538,185)	(46,957,097)	(66,199,159)
Ending Fund Balance/Expenditure (%)	25.6%	17.5%	7.3%	-5.6%	-17.9%	-29.7%	-41.2%
Budget Stabilization Fund		-	11,000,000	3,298,835			
Ending Fund Balance w/BSF		26,103,085	21,466,486	(5,165,822)			
Ending Fund Balance / Expenditure (%)	25.6%	17.5%	15.0%	-3.4%			

General Fund - Fund Balance using Budget Stabilization Fund - \$20M Loss Scenario



Ending Fund Balance / Expenditures (%)

Using Budget Stabilization Fund



Step 3: Formulate FY2022 Fiscal Plan Balanced with Income Tax Performance

- ▶ Continue to monitor income tax performance closely
 - ▶ Filing will be accepted beginning February 12 (delayed by IRS due to late year changes approved by Congress)
- ▶ Formulation of Preliminary Fiscal Plan
 - ▶ Solve structural issues
 - ▶ Only leverage reserves to stay within policy for short term
 - ▶ Consider service reductions where appropriate
 - ▶ Fine tune growth assumptions

Other Factors for Consideration

- ▶ Another federal relief package - will this include local government relief or revenue replacement?
- ▶ Vaccine distribution going slower than anticipated
 - ▶ Impact on timing and speed of economic recovery
 - ▶ Continued work from home issue
 - ▶ No events downtown for near future
- ▶ Due to late year tax changes approved by Congress the IRS pushed back the filing receipt date to February 12
 - ▶ As result the City doesn't have data on trending on non-residents claiming refunds