



500 West Big Beaver
Troy, MI 48084
troymi.gov

FROM THE OFFICE OF THE CITY MANAGER

Date: June 18, 2020

To: Mark F. Miller, City Manager

From: Robert J. Bruner, Assistant City Manager
Rob Maleszyk, Chief Financial Officer
Lisa Burnham, Accounting Manager

Subject: 2020 Forecast – COVID-19 Impact

Background

The Finance team has added additional procedures and analysis because of the uncertainty caused by COVID-19. This includes additional analytical procedures during the month of June to forecast the General Fund financial outlook for the fiscal year-end 2020. We want to get City leadership the most up-to-date information so that they are informed and can understand the impact of the pandemic as it relates to the financial well-being of the City.

Budget Impact

The City of Troy currently has an amended budget for fiscal year 2020 in the General Fund that has a "Use of Fund Balance" of \$3,079,783. This differs from the 2021 Budget that was passed last month because of the \$100,000 budget amendment Council approved for the Nature Center and Historic Village.

The 2020 forecasted numbers show an improvement of \$1.2 million. The City will likely only have a "Use of Fund Balance" of \$1,859,972 for Fiscal Year 2020. Revenues will be approximately \$3.1 million below budget. Below are the revenue declines directly related to COVID-19:

Recreation	\$ 1,305,700
Building Permits	491,070
Rent	263,000
Engineering Fees	250,000
State Shared Rev	160,000
Fines	105,500
	<u>\$ 2,575,270</u>

Thus, you can see that COVID-19 has materially impacted our revenues. The hardest hit area has been the Charges for Services part of our operation. During the past three months, our team processed several refunds for memberships at the community center, classes, activities, rentals, etc. We believe that Building Permits and Engineering fees will remain strong into the next fiscal year and we will recoup some of that revenue lost in this fiscal year. State Shared Revenue was budgeted conservatively and was ahead of budget through February minimizing the impact on the budget.



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Those revenue losses are more than offset by our savings in expenditures for the full fiscal year. This is a combination of conservative budgeting, reduced employees because of COVID-19, and excellent overall financial discipline.

However, even though we should be favorable to budget overall, our forecast is approximately \$620,000 worse than what we had estimated in the 2021 Budget for Fiscal Year 2020.

The Fund Balance is still very strong and within our Budget Reserve Policies for unassigned fund balance of 20% to 30%.

Below is the analysis of fiscal 2020 compared to budget:

General Fund				
		2020 Amended	2020 Forecast	Change from
		Budget	as of 5/31/20	Budget
Revenues		62,970,500	59,838,241	(3,132,259)
Expenditures		66,050,283	61,698,213	4,352,070
Use of Fund Balance		(3,079,783)	(1,859,972)	1,219,811
Beginning Fund Balance		32,785,530	32,785,530	
Ending Fund Balance		29,705,747	30,925,558	

Next Steps

As the future still has many unknowns, we will continue to update City Council as soon as it is possible. As we discussed during the Budget process, we will be coming to City Council with budget amendments during the year when we have conclusive numbers from the impact of COVID-19 for Fiscal Year 2021.