



City of Ketchum

May 18, 2020

Mayor Bradshaw and City Councilors
City of Ketchum
Ketchum, Idaho

Mayor Bradshaw and City Councilors:

Review and Discussion on Budget Recommendations

Summary

Due to the COVID-19 crisis, the City is facing a significant reduction in budgeted revenue in this fiscal year. In order to align city expenditures with reduced revenues, the city must curtail spending until September 30th. This report provides the Mayor's recommendations on spending reductions for Council input and discussion.

Recommendations

The COVID-19 health crisis has created a financial crisis in Ketchum. For FY 19/20, the adopted budget projects \$10,761,459 in general fund revenue and associated expenditures and \$2,567,247 in LOT revenues and expenditures. The general fund and LOT funds support key city operations and services such as police and fire services, street and facility maintenance, recreation programs, planning and building services and events such as Wagon Days.

As identified in Attachment A, the city is anticipating a loss of \$530,000 to \$1,150,000 in revenue in this fiscal year. To date, the city has spent \$5,906,109 of the \$10.7 million general fund budget. In order to balance the budget, the city anticipates needing to reduce general fund and LOT expenditures by between \$530,000 and \$1,150,000 in the remaining five months of the fiscal year, based on a spectrum of likely scenarios. The Mayor is recommending a phased reduction approach. The first phase would be reductions totaling \$531,800, as detailed below. Each month, staff will review general fund and LOT revenue receipts, and if it appears revenue losses will be greater than the projected \$530,000, additional reductions will be implemented subject to City Council review. The following are the first phase reductions:

Item	Department	Type	Amount
Curtail Non-essential City Travel	Various	Operating	(21,000)
Curtail Overtime	Various	Operating	(5,000)
Hiring Freeze (Vacant + Seasonal) (vacant planning positions, seasonal facility maintenance and streets positions)	Various	Operating	(220,000)
Reduce Summer Youth Rec Program	Recreation	Operating	(15,000)
Reduce Office Supplies	Administration	Operating	(5,000)
Reduce Contracts for Service (radio and communications, and city graphics)	Administration	Operating	(24,800)

Delay Certain Capital Projects (restripe YMCA parking lot, replace pavers in town square alley, reduce 4 th St. paver repair)	Streets	Capital	(85,000)
Delay Certain Capital Acquisitions (furniture, Rec van and trail connector study)	Recreation	Capital	(22,000)
Curtail Splashpad operations	Facilities Maintenance	Operating	(4,000)
Reduce City Flower Spending	Facilities Maintenance	Operating	(9,000)
Reduce Events	LOT	Operating	(46,000)
Reduce Wagon Days	LOT	Operating	(75,000)
Reductions Total			(531,800)

The proposed reductions will result in reduced city services. With fewer events and visitors, there will be less demand for trash disposal, maintenance of 4th Street, and overall beautification of the city. Summer youth programs will be reduced because of CDC and State guidelines for youth camps and activities. The guidelines require certain protocols such as smaller groups, physical distancing and limited activities that will reduce the number of participants in the program. Curtailing the splash pad, elimination of events and the modifications to Wagon Days are necessary in light of physical distancing and sanitation requirements.

Impacts to FY 20/21 Budget

The recommended reductions for this fiscal year consist of one-time capital expenditures and on-going operating expenses. The significant loss of revenue is projected to continue for at least the next fiscal year and potentially beyond.

The Mayor will prepare a budget for FY 20/21 that includes significant reductions in on-going operating expenses in both the general fund and LOT fund to account for reduced revenues. While one-time funding was used to help off-set the lost revenue this year, the use of one-time funding to off-set on-going revenue loss in FY 20/21 will be more difficult. If this occurs, the city will have a structural budget deficit where on-going expenses exceed on-going revenue. General Fund balance levels will likely be insufficient to fill the revenue gap for a long-duration period of revenue loss. In addition, capital projects such as street repairs, chip sealing, and facility maintenance must continue to occur. It is more cost effective to repair infrastructure instead of deferring maintenance. Deferring repairs increases the costs to repair in the long term because the damage becomes more difficult to repair.

Discussions on the FY 20/21 budget will occur in July when there is more information on the general fund and LOT revenue projections.

Attachments:

Summary of Revenue Loss and Budget Reductions

GENERAL FUND REVENUE	Adopted Budget	Estimated Variance		Notes
	FY 20	Low	High	
Property Tax & Franchise Fees	4,863,621	(125,000)	(300,000)	Property Tax Delinquency and Franchise Fee Losses
Licenses & Permits	279,100	(10,000)	(50,000)	Reduced Building Permit Revenue
State of Idaho Revenue	1,547,307	(150,000)	(200,000)	Sales, Gas, Liquor Tax Revenue Losses
County Revenue	1,189,330	-	-	
Charges for Service	501,556	(20,000)	(100,000)	Reduced Planning Fee Revenue
Fines & Fees	42,000	-	-	
LOT & Reimbursement Revenue	2,303,357	(225,000)	(500,000)	Reduced LOT Revenue
Fund Balance	35,188	-	-	
Total GF Revenue	10,761,459	(530,000)	(1,150,000)	

RECONCILIATION ITEMS

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