

# CITY OF WARRENVILLE

## MEMO

To: Mayor Brummel and City Council  
From: John M. Coakley, City Administrator/Budget Officer *John M. Coakley*  
Kevin Dahlstrand, Finance Director *Kevin Dahlstrand*  
Subject: Preliminary Financial Assessment of the COVID-19 Impacts  
Date: May 14, 2020

Due to the COVID-19 pandemic-related “stay-at-home” orders, there has been a dramatic economic toll on the state and local economy because businesses cannot function normally. As a direct result, the City’s finances will be materially effected in both the short term and long term. There are no similar financial stress periods of this magnitude to use as a baseline in extrapolating the financial impact on the City, and the available data on the actual revenue receipts is still very limited. Therefore, this memo and the informational update during the City Council meeting are intended to provide a preliminary and high-level assessment of the COVID-19 related financial impacts.

The projections were developed through use of staff expertise, financial modeling used by other communities, consultation with City Department Heads, and review by the City’s financial consultant. Staff will continue to revise and fine tune the projections over the next few weeks and months as more data becomes available from actual remittances from the key revenue sources.

**Exhibit A** provides projected revenue losses for the City’s major market-based revenue streams totaling \$2,835,288, across all City funds from March 2020, through the end of FY 2021, April 30, 2021. **Exhibit B** reflects the projected effect on the General Fund unassigned fund balances and related percentages.

### Methodology

Staff’s assessment for the General Fund focused on the major market-based revenue streams of: 1) State Shared Sales Tax, 2) Home Rule Sales Tax, 3) State Shared Income Tax, 4) Food and Beverage Tax, and 5) Investment Income. FY 2020 projected and FY 2021 approved budget revenue values were the base for each source. A percentage was then applied for the collection of that specific revenue to calculate the revised anticipated figure for each of the sources and an associated estimated loss figure. Finally, based on the best available information at this time, staff made assumptions about how rapidly the local economic activity would return to normal.

Note: This first set of revenue projections was calculated and displayed, on an accrual basis, which means the numbers are based on the month the revenues were earned, not when they were received by the City. In the future, these projections will be re-worked to be displayed on a cash-basis, meaning we will look at actual receipts in that month. Staff is also analyzing Water and Sewer Fund revenue to determine what, if any, impact the fund will incur.

### General Fund Summary

Staff's projections indicate the City could see a General Fund revenue reduction of about \$466,525 for the final two months of FY 2020, and an additional loss of \$1,469,951 for all of FY 2021. The total estimated General fund loss of \$1,936,476, March 2020, through the end of FY 2021, April 30, 2021.

In terms of Unassigned Fund Balance, the approved General Fund budget anticipated a FY 2020 ending percentage of 29%, or \$3,949,838 as of April 30, 2020, and 32%, or \$3,483,313, by the end of FY 2021, April 30, 2021. Due to the anticipated revenue losses, Unassigned Fund balance is projected to end FY 2020, at 26% or \$3,483,313, and FY 2021 is projected to end with 22% or \$3,079,601, a loss of 10% in overall fiscal year-end Unassigned Fund Balance. At this time, the cuts the City has made to the expenditures have not been included in these projections.

### Other Funds:

#### **Capital Maintenance and Replacement Fund**

The CMRP Fund is projected to lose \$78,495 for the remainder of FY 2020, and an additional \$316,327 for all of FY 2021, for a combined estimated total revenue loss of \$394,821 through the end of FY 2021. Amusement Tax and Local Motor Fuel Tax were the areas of focus in this fund, as these two market-based revenue streams would be effected more than other sources in this fund.

#### **Hotel Tax Fund**

The Hotel Tax fund is projected to lose \$76,488 for the remainder of FY 2020, and an additional \$320,288 for FY 2021, for a total combined estimated loss of \$396,776 through April 30, 2021.

#### **Motor Fuel Tax Fund**

The Motor Fuel Tax fund is projected to lose \$16,188 for the remainder of FY 2020, and an additional \$88,820 for FY 2021, for a total combined estimated loss of \$105,009 through April 30, 2021.

### Concluding Remarks

As of May 12, 2020, City staff is projecting a total combined loss of \$2,835,288 across all funds, through the end of FY 2021, April 30, 2021. This figure includes an estimated 50% loss in investment income in all of the funds listed.

These financial projections will be revised as more information becomes available through actual remittances of major revenues during the next few months, and as the situation evolves. Despite the rapidly evolving and changing circumstances of this pandemic, staff will provide regular updates to the Council in an effort to provide the most accurate information and projections available.

City Administrator/Budget Officer Coakley and Finance Director Dahlstrand will discuss the projections addressed in this memo and the supporting documents at the May 18, 2020 meeting.

**CITY OF WARRENVILLE  
 COVID19 - REVENUE LOSS ESTIMATIONS  
 Revision Date: 05/12/2020**

Budget as APPROVED Collection Factor Revised Estimate Dollar reduction	FY 2020 March 2020	FY 2020 April 2020	FY 2020 Total	FY 2021 May 2020	FY 2021 June 2020	FY 2021 July 2020	FY 2021 August 2020	FY 2021 September 2020	FY 2021 October 2020	FY 2021 Final 6-Months	FY 2021 Total	% % Change
<b>GENERAL FUND</b>												
<b>State Shared Sales Tax</b>												
Collection Factor	\$ 202,714	\$ 165,858	\$ 368,572	\$ 178,162	\$ 191,302	\$ 194,422	\$ 190,964	\$ 197,556	\$ 195,016	\$ 1,067,437	\$ 2,214,859	
Revised FY21 Estimate	50%	50%		50%	60%	65%	70%	80%	85%	85%		
Dollar reduction	\$ 101,357	\$ 82,929	\$ 184,286	\$ 89,081	\$ 114,781	\$ 126,374	\$ 133,675	\$ 158,045	\$ 165,764	\$ 907,321	\$ 1,695,041	
	\$ (101,357)	\$ (82,929)	\$ (184,286)	\$ (89,081)	\$ (76,521)	\$ (68,048)	\$ (57,289)	\$ (39,511)	\$ (29,252)	\$ (160,116)	\$ (519,818)	-23%
<b>Home Rule Sales Tax</b>												
Collection Factor	\$ 169,380	\$ 144,334	\$ 313,714	\$ 148,739	\$ 164,967	\$ 161,457	\$ 154,877	\$ 170,878	\$ 168,332	\$ 906,217	\$ 1,875,467	
Revised FY21 Estimate	50%	50%		50%	60%	65%	70%	80%	85%	85%		
Dollar reduction	\$ 84,690	\$ 72,167	\$ 156,857	\$ 74,370	\$ 98,980	\$ 104,947	\$ 108,414	\$ 136,702	\$ 143,082	\$ 770,284	\$ 1,436,779	
	\$ (84,690)	\$ (72,167)	\$ (156,857)	\$ (74,370)	\$ (65,987)	\$ (56,510)	\$ (46,463)	\$ (34,176)	\$ (25,250)	\$ (135,932)	\$ (438,688)	-23%
<b>State Shared Income Tax (I)</b>												
Collection Factor	\$ 192,135	\$ 192,135	\$ 384,270	\$ 77,140	\$ 115,360	\$ 82,694	\$ 73,188	\$ 130,581	\$ 85,224	\$ 754,959	\$ 1,319,147	
Revised FY21 Estimate	75%	75%		85%	85%	85%	85%	85%	85%	85%		
Dollar reduction	\$ 144,101	\$ 144,101	\$ 288,203	\$ 65,569	\$ 98,056	\$ 70,290	\$ 62,210	\$ 110,994	\$ 72,441	\$ 641,715	\$ 1,121,275	
	\$ (48,034)	\$ (48,034)	\$ (96,068)	\$ (11,571)	\$ (17,304)	\$ (12,404)	\$ (10,978)	\$ (19,587)	\$ (12,784)	\$ (113,244)	\$ (197,872)	-15%
<b>Food and Beverage</b>												
Collection Factor	\$ 70,596	\$ 63,435	\$ 134,031	\$ 51,026	\$ 58,014	\$ 58,627	\$ 55,234	\$ 51,854	\$ 47,469	\$ 353,872	\$ 676,096	
Revised FY21 Estimate	27%	20%		20%	50%	50%	50%	50%	65%	80%		
Dollar reduction	\$ 19,061	\$ 12,687	\$ 31,748	\$ 10,205	\$ 29,007	\$ 29,314	\$ 27,617	\$ 25,927	\$ 30,855	\$ 283,098	\$ 436,022	
	\$ (51,535)	\$ (50,748)	\$ (102,283)	\$ (40,821)	\$ (29,007)	\$ (29,313)	\$ (27,617)	\$ (25,927)	\$ (16,614)	\$ (70,774)	\$ (240,074)	-36%
<b>Investment Income</b>												
Collection Factor			\$ 194,041								\$ 150,000	
Revised FY21 Estimate											51%	
Dollar Increase (reduction)			\$ 267,010								\$ 76,500	
			\$ 72,969								\$ (73,500)	-49%
<b>GENERAL FUND TOTALS</b>												
Collection Factor	\$ 634,825	\$ 565,762	\$ 1,394,628	\$ 455,066	\$ 529,644	\$ 497,200	\$ 474,263	\$ 550,870	\$ 496,041	\$ 3,082,485	\$ 6,235,569	
Revised FY21 Estimate	55%	55%	67%	53%	64%	67%	70%	78%	83%	84%	76%	
Dollar reduction	\$ 349,209	\$ 311,884	\$ 928,103	\$ 239,224	\$ 340,825	\$ 330,925	\$ 331,916	\$ 431,668	\$ 412,141	\$ 2,602,418	\$ 4,765,618	
	\$ (285,616)	\$ (253,877)	\$ (466,525)	\$ (215,842)	\$ (188,819)	\$ (166,275)	\$ (142,348)	\$ (119,201)	\$ (83,900)	\$ (480,066)	\$ (1,469,951)	-24%
<b>TOTAL GENERAL FUND LOSS - BOTH FY's</b>											<b>\$ (1,936,476)</b>	

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**CITY OF WARRENVILLE  
 COVID19 - REVENUE LOSS ESTIMATIONS  
 Revision Date: 05/12/2020**

Budget as APPROVED Collection Factor Revised Estimate Dollar reduction	FY 2020 March 2020	FY 2020 April 2020	FY 2020 Total	FY 2021 May 2020	FY 2021 June 2020	FY 2021 July 2020	FY 2021 August 2020	FY 2021 September 2020	FY 2021 October 2020	FY 2021 Final 6-Months	FY 2021 Total	% % Change
<b>F</b>												
<b>CAP MAIN &amp; REPLACEMENT</b>												
Amusement Tax	\$ 25,007	\$ 27,065	\$ 52,072	\$ 21,391	\$ 21,391	\$ 21,391	\$ 21,391	\$ 21,391	\$ 21,391	\$ 128,351	\$ 256,697	
Collection Factor	14%	0%		0%	0%	25%	50%	50%	50%	50%	50%	
Revised FY21 Estimate	\$ 3,449	\$ -	\$ 3,449	\$ -	\$ -	\$ 5,348	\$ 10,696	\$ 10,696	\$ 10,696	\$ 64,176	\$ 101,610	
Dollar reduction	\$ (21,558)	\$ (27,065)	\$ (48,623)	\$ (21,391)	\$ (21,391)	\$ (16,043)	\$ (10,696)	\$ (10,696)	\$ (10,696)	\$ (64,176)	\$ (155,087)	-60%
<b>G</b>												
<b>Local MFT</b>												
Collection Factor	\$ 31,517	\$ 32,016	\$ 63,533	\$ 33,389	\$ 33,944	\$ 32,759	\$ 35,776	\$ 31,410	\$ 30,770	\$ 186,205	\$ 384,253	
Revised FY21 Estimate	\$ 18,726	\$ 8,004	\$ 26,730	\$ 8,347	\$ 13,578	\$ 13,103	\$ 21,466	\$ 21,987	\$ 21,539	\$ 130,343	\$ 230,364	
Dollar reduction	\$ (12,791)	\$ (24,012)	\$ (36,803)	\$ (25,041)	\$ (20,367)	\$ (19,655)	\$ (14,310)	\$ (9,423)	\$ (9,231)	\$ (55,861)	\$ (153,889)	-40%
<b>H</b>												
<b>Investment Income</b>												
Collection Factor			\$ 17,201	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000	
Revised FY21 Estimate			\$ 24,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,650	51%
Dollar Increase (reduction)			\$ 6,931	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (7,350)	-49%
<b>I</b>												
<b>CMRP FUND LOSS - BOTH FY's</b>												
Collection Factor	\$ 56,524	\$ 59,081	\$ 132,806	\$ 54,780	\$ 55,335	\$ 54,150	\$ 57,167	\$ 52,801	\$ 52,161	\$ 314,556	\$ 655,950	
Revised FY21 Estimate	\$ 22,175	\$ 8,004	\$ 54,311	\$ 8,347	\$ 13,578	\$ 18,451	\$ 32,161	\$ 32,683	\$ 32,235	\$ 194,519	\$ 339,623	52%
Dollar reduction	\$ (34,349)	\$ (51,077)	\$ (78,495)	\$ (46,432)	\$ (41,758)	\$ (35,698)	\$ (25,006)	\$ (20,119)	\$ (19,927)	\$ (120,037)	\$ (316,327)	-48%
<b>J</b>												
<b>HOTEL TAX FUND</b>												
Hotel Tax	\$ 55,164	\$ 69,866	\$ 125,030	\$ 85,239	\$ 91,236	\$ 81,771	\$ 77,525	\$ 73,963	\$ 82,481	\$ 311,586	\$ 803,801	
Collection Factor	53%	25%		25%	30%	60%	65%	65%	65%	75%	75%	
Revised FY21 Estimate	\$ 29,468	\$ 17,467	\$ 46,935	\$ 21,310	\$ 27,371	\$ 49,063	\$ 50,391	\$ 48,076	\$ 53,613	\$ 233,690	\$ 483,512	
Dollar reduction	\$ (25,696)	\$ (52,400)	\$ (78,095)	\$ (63,929)	\$ (63,865)	\$ (32,708)	\$ (27,134)	\$ (25,887)	\$ (28,868)	\$ (77,897)	\$ (320,288)	-40%
<b>K</b>												
<b>Investment Income</b>												
Collection Factor			\$ 6,175	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,500	
Revised FY21 Estimate			\$ 7,782	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,295	51%
Dollar Increase (reduction)			\$ 1,607	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,205)	-49%
<b>L</b>												
<b>HOTEL TAX FUND TOTALS</b>												
Collection Factor	\$ 55,164	\$ 69,866	\$ 131,205	\$ 85,239	\$ 91,236	\$ 81,771	\$ 77,525	\$ 73,963	\$ 82,481	\$ 311,586	\$ 808,301	
Revised FY21 Estimate	\$ 29,468	\$ 17,467	\$ 54,717	\$ 21,310	\$ 27,371	\$ 49,063	\$ 50,391	\$ 48,076	\$ 53,613	\$ 233,690	\$ 485,807	60%
Dollar reduction	\$ (25,696)	\$ (52,400)	\$ (76,488)	\$ (63,929)	\$ (63,865)	\$ (32,708)	\$ (27,134)	\$ (25,887)	\$ (28,868)	\$ (77,897)	\$ (322,493)	-40%
<b>M</b>												
<b>TOTAL HOTEL TAX FUND LOSS - BOTH FY's</b>												
			\$ (398,982)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (398,982)	

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Budget as APPROVED Collection Factor Revised Estimate Dollar reduction	FY 2020 March 2020	FY 2020 April 2020	FY 2020 Total	FY 2021 May 2020	FY 2021 June 2020	FY 2021 July 2020	FY 2021 August 2020	FY 2021 September 2020	FY 2021 October 2020	FY 2021 Final 6-Months	FY 2021 Total	% % Change
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<b>MOTOR FUEL TAX FUND</b>												
State Shared (MFT (1))	\$	39,418	\$	39,418	\$	78,836						
Collection Factor		106%		50%		78%						
Revised FY21 Estimate	\$	41,858	\$	19,709	\$	61,567						
Dollar reduction	\$	2,440	\$	(19,709)	\$	(17,269)						-15%

<u>Investment Income</u>												
Collection Factor	\$					10,900						
Revised FY21 Estimate	\$					11,981						
Dollar Increase (reduction)	\$					1,081						-49%

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<b>MFT FUND TOTALS</b>	\$	39,418	\$	39,418	\$	89,736						
Collection Factor		106%		50%		82%						
Revised FY21 Estimate	\$	41,858	\$	19,709	\$	73,548						
Dollar reduction	\$	2,440	\$	(19,709)	\$	(16,188)						-16%

**TOTAL MFT FUND LOSS - BOTH FY'S** \$ (105,009)

**TOTAL REDUCTION ALL FUNDS= BY FY** \$ (637,696)

**TOTAL LOSS - ALL FUNDS BOTH FY'S** \$ (2,835,288)

(1) Estimates based upon projections made by the Illinois Municipal League and distributed on May 4, 2020.

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\$ (2,197,591)

**GENERAL FUND  
BALANCE PROJECTIONS**

	<b>FY 2020 Projections As Adopted</b>	<b>FY 2020 Projections As Revised</b>
<b>Revenue</b>	\$ 13,041,716	\$ 12,575,191
<b>Expenses</b>	13,392,690	13,392,690
<b>Expense (Greater)/Less than Revenue</b>	(350,974)	(817,499)
<b>Unassigned Ending Fund Balance</b>	3,949,838	3,483,313
<b>Unassigned Fund Balance Expenditure Coverage</b>	29%	26%

  

	<b>FY 2021 Projections As Adopted</b>	<b>FY 2021 Projections As Revised</b>
<b>Revenue</b>	\$ 12,042,974	\$ 10,573,023
<b>Expenses</b>	14,214,916	14,214,916
<b>Expense (Greater)/Less than Revenue</b>	(2,171,942)	(3,641,893)
<b>Unassigned Ending Fund Balance</b>	4,549,552	3,079,601
<b>Unassigned Fund Balance Expenditure Coverage</b>	32%	22%