

City's finances not as bad as projected, still below mandated reserve

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The city's finances are not as bad as projected at the beginning of the pandemic, but still uncomfortably below the 25 percent reserve threshold the city council mandates. However, no plans are in place to add expenses back to the current budget.

Crescent City Finance Director Linda Leaver presented the mixed news about the general fund revenues to the city council Aug. 17.

"The fund balance for the fiscal year that just ended was projected just over \$1 million, which is already under our 25% reserve. And the budget that was already adopted would take that down to \$310,000," Leaver explained. "With these projected adjustments, that would take our projected fund balance up to about \$500,000. But it's also important to keep in mind this is still without the cost of reopening the pool."

City Manager Eric Wier added that the challenges from COVID-19 pandemic has created a \$594,000 deficit, which equates to a general fund balance of \$500,000.

"The council has a policy of maintaining a 25 percent reserve — about \$1.5 million," he said.

Lever shared the status of the sales tax and transient occupancy taxes coming into the city, which account for approximately 50 percent of general fund revenue.

She said due to shutdowns from the pandemic and resulting unemployment, retail purchasing was down. Lever said while actual numbers for the April to June quarter were not available from the state yet, the city's tax consultant revised projects for 2020-21 to 6% lower tax revenues than 2018-19 and a recovery next fiscal year.

"The original estimate for the budget was \$1.4 million in sales tax," Lever said. "The consultant revised that up by about \$75,000."

She explained the TOT collection is a lot harder to predict. The majority of the registered hotels and vacation rentals in the city have submitted their TOT returns for FY 2019-20. Due to the county-wide restrictions on travel except for essential workers, the original projection for the January through March quarter was 30% below normal and 90% below the April through June quarter. However, actual results so far show the quarters down 23% and 56%, respectively.

"Although this is a hit to the general fund, it is not as severe as anticipated," Lever said.

She added this will increase the current budget by \$115,000.

"So, between the TOT and sales tax, the general fund budget will see an increase of about \$195,000," Lever said.

However, she is recommending the council not make any additional expenditures or return any of cuts to the current budget until the economy further stabilizes.

In a bit of good news for the budget, Lever said Crescent City will finally get a share of CARES act funding, with restrictions.

"Crescent City did not receive any direct funding because its population is too low. So the state has decided to allocate some of its CARES funding to cities that did not receive funding earlier. Crescent City will receive just over \$82,000," Lever said.

She added the CARES money cannot be used to backfill lost revenue nor for new funds or services not related to COVID. For example, it can go toward cleaning and personal protective equipment (PPE) purchases. Lever recommend, and the council approved, setting aside the money in a special fund then budget it as an expense and revenue in that fund as needed.

Mayor Blake Inscore thanked Lever for incrementally better news.

"This is going to be a living document. It's encouraging to see businesses are gearing back up. They are doing business, increased revenue is a good thing," Inscore said. "I think I speak for the whole council, we're not interested in spending much more money right now. We want to see this trend continue to go up as we hold the line when it come to expenditures."

