



Kenai Peninsula Borough FY2021 Mayor Proposed Budget

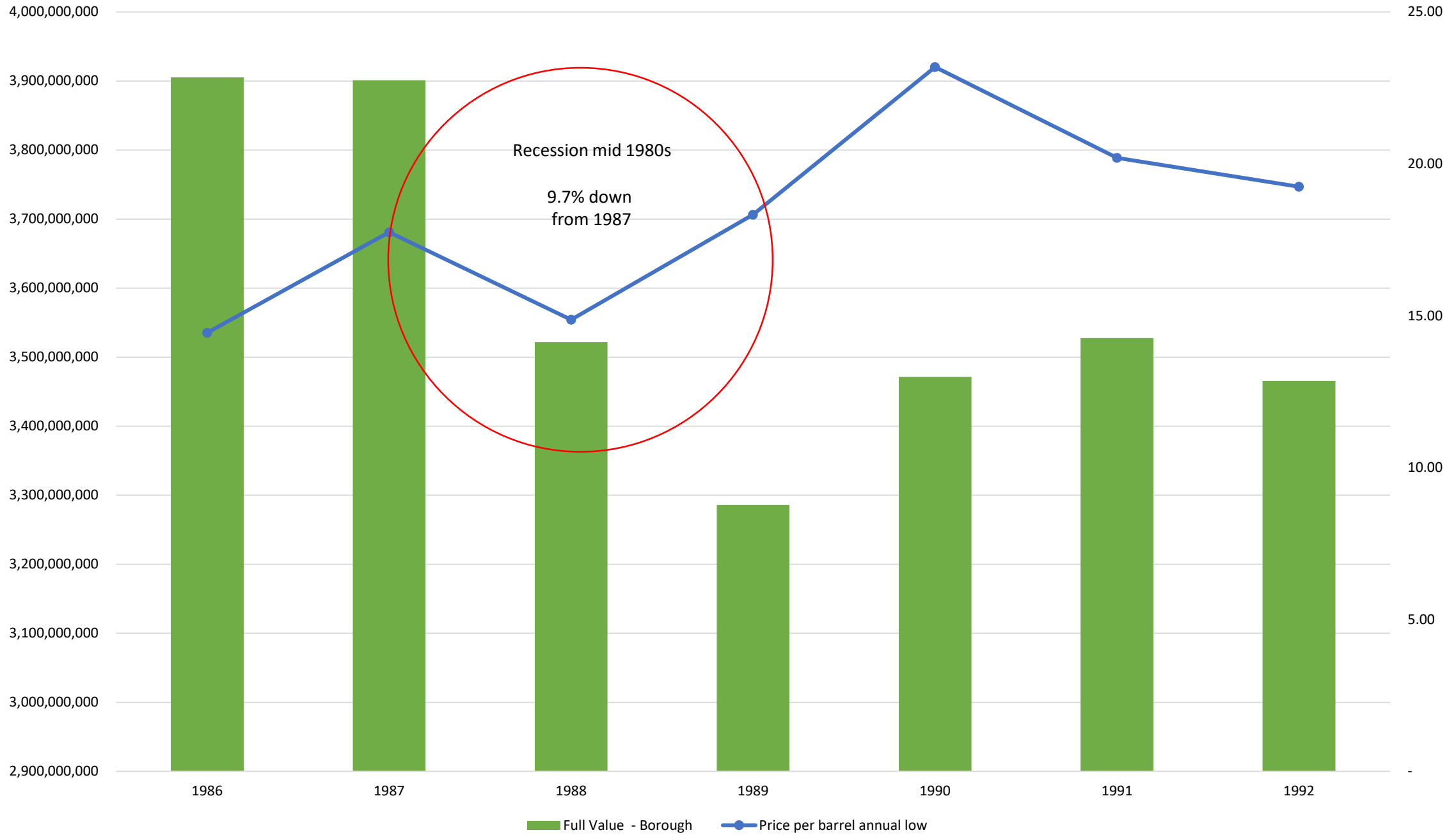
KPB Finance Department May 5, 2020

Borough wide Revenues:

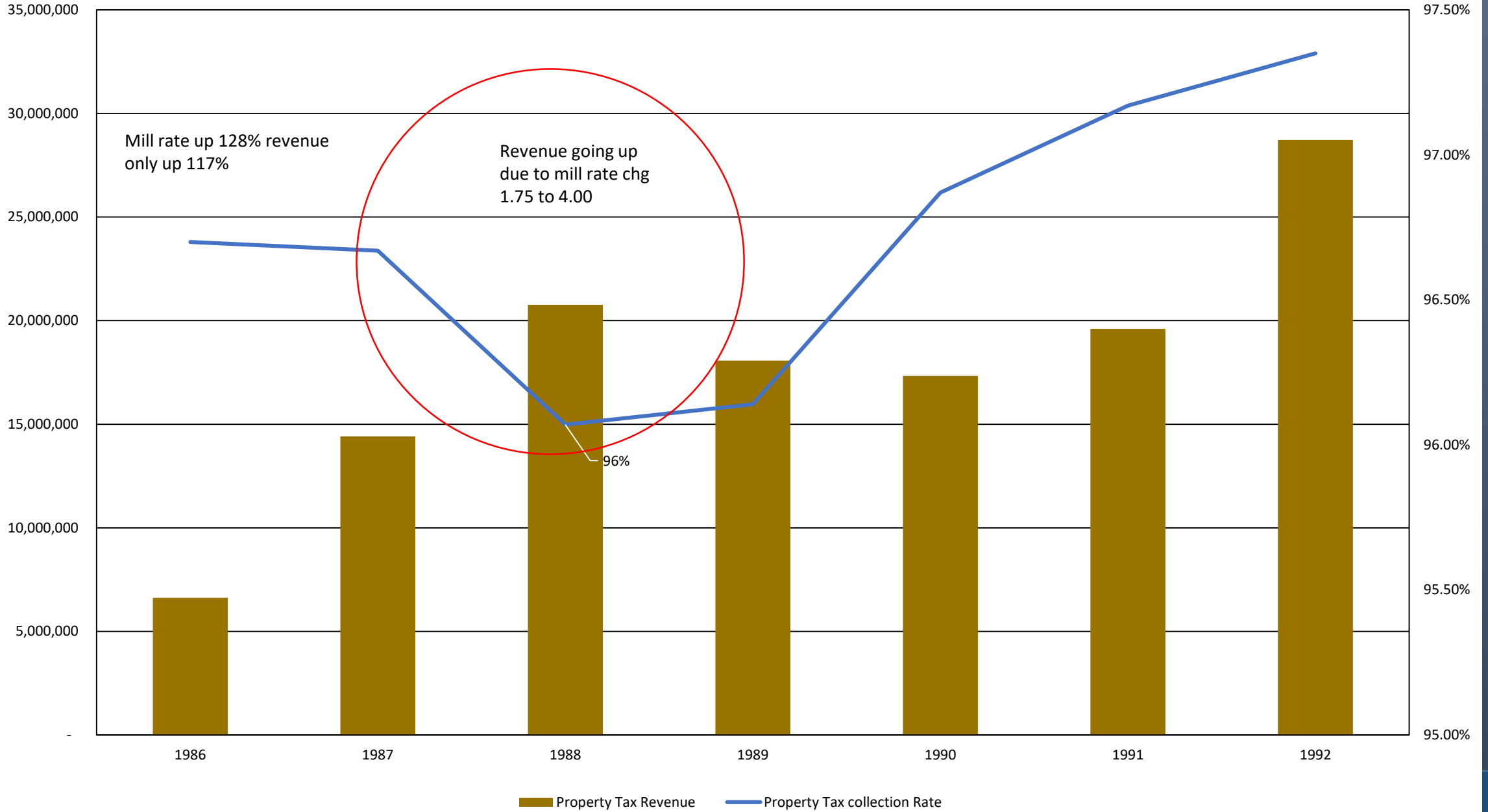
Revenues:	FY2020 Original Revenues	FY2021 Estimated Revenues	Increase (Decrease)
General Property Taxes	\$73,956,387	\$69,548,261	(4,408,126)
Sales Tax	32,272,462	27,431,594	(4,840,868)
Intergovernmental:			
Federal	4,000,340	3,985,714	(14,626)
State	1,035,672	705,000	(330,672)
Other Revenue	29,903,412	29,060,903	(842,509)
Fund Balance Appropriated, net	8,771,039	16,635,779	7,864,740
	<u>\$149,939,312</u>	<u>\$147,367,251</u>	<u>(2,572,061)</u>



1986 through 1992 Historical Full Assessed values



1986 through 1992 KPB Rate and Revenue History



Spending weakens across the board

Table 1: Aggregated daily spending by major category (% year-over-year growth)

	3/24	3/23	3/22	3/21	3/20	3/19	3/18	3/17	3/16	3/15	3/14	3/13	3/12	3/11	3/10	3/9	3/8	3/7
Airlines	-102%	-104%	-87%	-96%	-93%	-95%	-91%	-94%	-88%	-59%	-62%	-61%	-51%	-54%	-46%	-50%	-40%	-28%
Lodging	-121%	-109%	-84%	-107%	-106%	-119%	-128%	-123%	-112%	-48%	-70%	-61%	-48%	-37%	-24%	-30%	-8%	-14%
Cruises	-113%	-100%	-91%	-115%	-112%	-109%	-93%	-102%	-82%	-60%	-69%	-85%	-130%	-126%	-98%	-84%	-40%	-68%
Entertainment	-94%	-93%	-92%	-94%	-94%	-97%	-96%	-67%	-95%	-70%	-79%	-72%	-57%	-32%	-32%	-24%	-26%	-22%
Restaurants	-56%	-61%	-70%	-66%	-58%	-55%	-51%	-42%	-32%	-33%	-26%	-18%	-9%	-2%	-2%	2%	3%	0%
Transit	-49%	-68%	-69%	-53%	-54%	-53%	-48%	-38%	-56%	-42%	-43%	-16%	-31%	-4%	2%	-19%	-12%	-7%
Gas	-46%	-44%	-47%	-38%	-28%	-30%	-28%	-21%	-8%	-19%	-14%	-2%	-3%	-5%	-5%	-3%	0%	-5%
Clothing	-65%	-67%	-79%	-82%	-73%	-68%	-62%	-53%	-46%	-42%	-40%	-37%	-28%	-13%	-9%	-9%	-4%	-11%
Furniture	-41%	-38%	-64%	-59%	-31%	-21%	-22%	-15%	-13%	-14%	-14%	-13%	-4%	1%	1%	-2%	4%	1%
Department store	-59%	-46%	-75%	-82%	-67%	-64%	-65%	-61%	-51%	-52%	-51%	-41%	-36%	-22%	-13%	-7%	-13%	-15%
Online electronics	37%	45%	33%	51%	39%	37%	31%	29%	22%	28%	17%	6%	11%	15%	13%	14%	28%	1%
Grocery	19%	12%	-10%	20%	64%	56%	49%	66%	93%	30%	59%	123%	105%	37%	20%	12%	9%	8%
General Merchandise	-11%	-10%	-32%	-26%	7%	9%	6%	15%	37%	-4%	9%	60%	66%	30%	19%	15%	5%	5%
Health, pers & beauty store	-17%	-16%	-23%	-16%	3%	4%	9%	14%	30%	21%	20%	34%	29%	10%	7%	5%	8%	2%
Home improvement	-9%	-4%	-6%	1%	11%	6%	5%	0%	-1%	12%	8%	3%	4%	6%	6%	4%	7%	10%
Retail ex auto	-17%	-18%	-34%	-25%	-2%	-2%	-2%	7%	23%	-2%	7%	31%	31%	12%	6%	6%	6%	3%
Total card spending	-31%	-31%	-37%	-31%	-15%	-18%	-19%	-11%	0%	-5%	-4%	5%	9%	2%	1%	-2%	1%	0%

Source: BAC internal data; Note: > 100% decline reflects refunds. We advise taking a moving average to decipher the underlying trend



Three Scenarios

1. A quick reboot

- This scenario assumes the number of new daily Covid-19 cases will stop accelerating by Mid-April 2020. A controlled reboot of the economy in May 2020.
 - Projecting a 16.5% decline in second qtr., 5% for CY2019
 - Largest contractors
 - Arts & Entertainment, Receptions, Accommodations 30%
 - Transportation and Warehousing 15%
 - Retail 7-15%
 - Manufacturing and Finance 5-7.5%
- Most impacted sectors may slowly resume business by May 2020
- Some sectors will only experience a 6-week crisis and recover in the short term
- Small growth can be expected for utilities, Information Communications, but not enough to offset short-term losses.
- Unemployment will grow to 8% by third qtr. and level off after that.

2. Summertime V-Shape – Deeper Contraction, Bigger Recovery

- This scenario assumes a higher number of cases than the May scenario, new cases will continue to escalate beyond mid-April 2020, and the economy will not start to reboot till after June.
 - Projecting a 35.6% decline in second qtr., 10% for CY2019
 - Largest contractors
 - Arts & Entertainment, Recreation, Accommodations 50% March-June, then slow recovery
 - Transportation and Warehousing 25% March-June, then slow recovery
 - Retail 7-15% March to May, then slow recovery
 - Manufacturing and Finance 5-7.5% March to May, then slow recovery
- Most impacted sectors may slowly resume business by June - July 2020
- Some sectors will come back to life in July with some summer recovery
- Small growth can be expected for utilities, Information Communications, but not enough to offset short-term losses.
- Unemployment will grow to 15% by third qtr. and level off after that.

3. Fall Recovery – Extended Contraction

- This scenario assumes a higher level of managed control of Covid-19, and the economy will not start to reboot till September 2020.
 - Projecting a 30% decline in second qtr. and continues into 3rd qtr. at gradually shallowing rate., 15% overall for CY2019
 - Largest contractors
 - Arts & Entertainment, Receptions, Accommodations 30% March-June, 15% July-Sep, 6% Oct-Dec, then slow recovery
 - Transportation and Warehousing 15% March-June, 8% July-Sep, 5% Oct-Dec, then slow recovery
 - Retail 7-15% March to Sept, then slow recovery
 - Manufacturing and Finance 5-7.5% March to Sept, then slow recovery
- More sectors will be impacted
- Small growth can be expected for utilities, Information Communications, but not enough to offset short-term losses.
- Unemployment will grow to 15% by third qtr. and through end of year.



What we can expect to see...

- Decreasing assessed values
- Higher delinquency rates for property and sales taxes
- High unemployment
- Low interest rates
- Low oil prices
- Higher mill rates or reduced services
- Drop in GDP (output)
- Full recovery for some, partial for some, and some will not recover



MID IMPACT - Slow gradual recovery 24 months

Fund Budget:	FY2018	FY2019	FY2020	FY2020	FY2021	FY2022	FY2023	FY2024
	Actual	Actual	Original Budget	Forecast Budget	Department Proposed	Projection	Projection	Projection
Taxable Values (000'S)								
Real	6,344,166	6,347,439	6,544,531	6,544,531	6,696,867	6,763,836	6,831,474	6,968,103
Personal	327,709	319,289	310,173	310,173	307,902	310,981	314,091	317,232
Oil & Gas (AS 43.56)	1,468,600	1,518,606	1,563,398	1,563,398	1,493,714	1,448,903	1,405,436	1,405,436
Total Taxable Values	8,140,475	8,185,334	8,418,102	8,418,102	8,498,483	8,523,720	8,551,001	8,690,771
Mill Rate	4.50	4.70	4.70	4.70	4.70	5.80	5.80	5.80
Revenues:								
Property Taxes:								
Real	\$ 28,449,007	\$ 29,709,458	\$ 30,759,296	\$ 30,759,296	\$ 28,957,253	\$ 37,661,039	\$ 38,830,098	\$ 40,414,997
Personal	1,672,563	1,543,039	1,428,657	1,428,657	1,331,368	1,731,542	1,785,293	1,803,147
Oil & Gas (AS 43.56)	6,635,019	7,134,120	7,347,971	7,347,971	6,669,433	8,235,565	7,988,498	8,151,529
Penalty and Interest	526,759	655,102	499,969	499,969	590,931	590,931	590,931	590,931
Flat Tax	489,067	483,521	560,000	560,000	483,521	483,521	483,521	483,521
Motor Vehicle Tax	724,801	709,101	712,000	712,000	676,400	676,400	676,400	676,400
Total Property Taxes	38,497,216	40,234,341	41,307,893	41,307,893	38,708,906	49,378,998	50,354,741	52,120,525
Sales Tax	31,508,914	32,878,673	32,272,462	27,754,317	27,431,594	29,690,665	30,981,564	32,272,462
Federal Revenue	4,322,077	3,965,898	3,740,000	3,740,000	3,740,000	2,740,000	2,740,000	2,740,000
State Revenue	5,052,990	5,184,656	1,035,672	2,872,971	705,000	705,000	705,000	705,000
Interest Revenue	620,281	1,982,432	936,944	936,944	351,760	137,943	158,268	375,191
Other Revenue	208,162	187,838	250,000	250,000	225,000	225,000	225,000	225,000
Total Revenues	80,209,640	84,433,838	79,542,971	76,862,125	71,162,260	82,877,606	85,164,573	88,438,178
Other Financing Sources:								
Transfers From Other Funds:	-	-	175,000	175,000	-	-	-	-
Total Other Financing Sources	-	-	175,000	175,000	-	-	-	-
Total Revenues and Other Financing Sources	80,209,640	84,433,838	79,717,971	77,037,125	71,162,260	82,877,606	85,164,573	88,463,178
			Est Reduction in Annual Revenues	(7,396,713)	(13,271,578)	(1,556,232)		

Collections reduced by
% below

Uncollected %				
FY20	FY21	FY22	FY23	FY24
	8%	4%	2%	0%
	8%	4%	2%	2%
	5%	2%	2%	0%
	0%	0%	0%	0%
	14%	14%	14%	14%
	5%	5%	5%	5%
	14%	15%	8%	4%
	0%	0%	0%	0%
	14%	prime 2%		
	10%	0%	0%	0%



CARES FUNDING



Borough wide Expenditures:

Expenditures:	FY2020 Original Appropriation	FY2021 Proposed	Increase (Decrease)
General Government	\$18,641,614	\$18,562,199	(79,415)
Solid Waste	9,129,426	8,906,757	(222,669)
Public Safety	21,917,528	22,631,526	713,998
Recreation	3,006,681	2,495,038	(511,643)
Education	59,663,503	56,248,511	(3,414,992)
Road Maintenance	8,922,760	8,894,497	(28,263)
Hospitals	15,225,257	15,797,442	572,185
Internal Service	13,432,543	13,831,281	398,738
	<u>\$149,939,312</u>	<u>\$147,367,251</u>	<u>(2,572,061)</u>



Assessed Values - Total Taxable Assessed Valuation in \$1,000s

	FY2020	(TY2019)	FY2021	(TY2020)	increase (decrease)	FY2021 Mill rate	
Borough	\$	8,471,856	\$	8,498,483	\$	26,627	4.70
Anchor Point Fire & Emergency Medical		420,722		432,114		11,392	2.75
Bear Creek Fire		180,861		185,705		4,844	3.25
Central Emergency Services		2,983,900		3,028,525		44,625	2.85
Central Peninsula Emergency Medical		7,280		7,242		(38)	1.00
Central Peninsula Hospital		5,761,370		5,739,323		(22,047)	0.01
Kachemak Emergency		447,547		457,961		10,414	2.60
Nikiski Fire		1,848,757		1,782,541		(66,216)	2.70
Nikiski Senior		1,758,773		1,687,458		(71,315)	0.20
North Peninsula Recreation		1,892,272		1,821,112		(71,160)	1.00
Road Service Area		5,982,660		5,996,059		13,399	1.40
Seldovia Recreational		73,742		77,368		3,626	0.75
Seward Bear Creek Flood		488,002		493,322		5,320	0.75
South Peninsula Hospital (operations)		1,966,990		2,010,316		43,326	1.12
South Peninsula Hospital (debt)		2,006,472		2,055,529		49,057	1.12



Personnel changes:

- General Fund
 - Mayor
 - Reduced .25 FTE Special Assistant to the Mayor (*Chief of Emergency Services*)
 - Information Technology
 - Added .5 FTE Supply Specialist
 - Assessing
 - Reduced 1 FTE Assessing Clerk
 - Planning
 - Reduced .75 FTE Addressing Officer
 - Planning, GIS (Overall .75 FTE down)
 - Reduced .75 FTE Manager
 - Reduced 2 FTE GIS Technicians
 - Added 1 FTE GIS Specialist
 - Added 1 FTE Addressing Officer
 - Planning, River Center
 - Removed 1 FTE Planner
- Maintenance
 - Reestablished 1 FTE Foreman
- Nikiski Fire and Central Emergency Service
 - Promoted 3 Engineers to Captains in each Service Area

General Fund
Reduced 3.25 FTE

Special Revenue Funds
Added 1 FTE
Promoted 6 FTE

Internal Service Funds
No change



General Fund (page 55)

<u>Revenues:</u>	<u>FY2020 Original</u>	<u>FY2021 Proposed</u>	<u>increase (decrease)</u>
Property Tax	41,307,893	38,708,906	\$ (2,598,987)
Sales Tax	32,272,462	27,431,594	(4,840,868)
Federal revenue	3,740,000	3,740,000	-
State revenue	1,035,672	705,000	(330,672)
Other revenue	1,361,944	576,760	(785,184)
	<u>79,717,971</u>	<u>71,162,260</u>	<u>(8,555,711)</u>
<u>Expenditures and Transfers:</u>			
General Government	17,536,166	18,023,674	487,508
Education funding (KPBSD, KPC, capital, debt)	59,403,163	55,854,103	(3,549,060)
Solid Waste	7,797,970	7,962,312	164,342
Other (includes EPHESA, 911, capital projs)	700,000	984,621	284,621
	<u>85,437,299</u>	<u>82,824,710</u>	<u>\$ (2,612,589)</u>
Surplus (Deficit)	\$ (5,719,328)	\$ (11,662,450)	-3.06%



Education Funding (page 55 & 265):

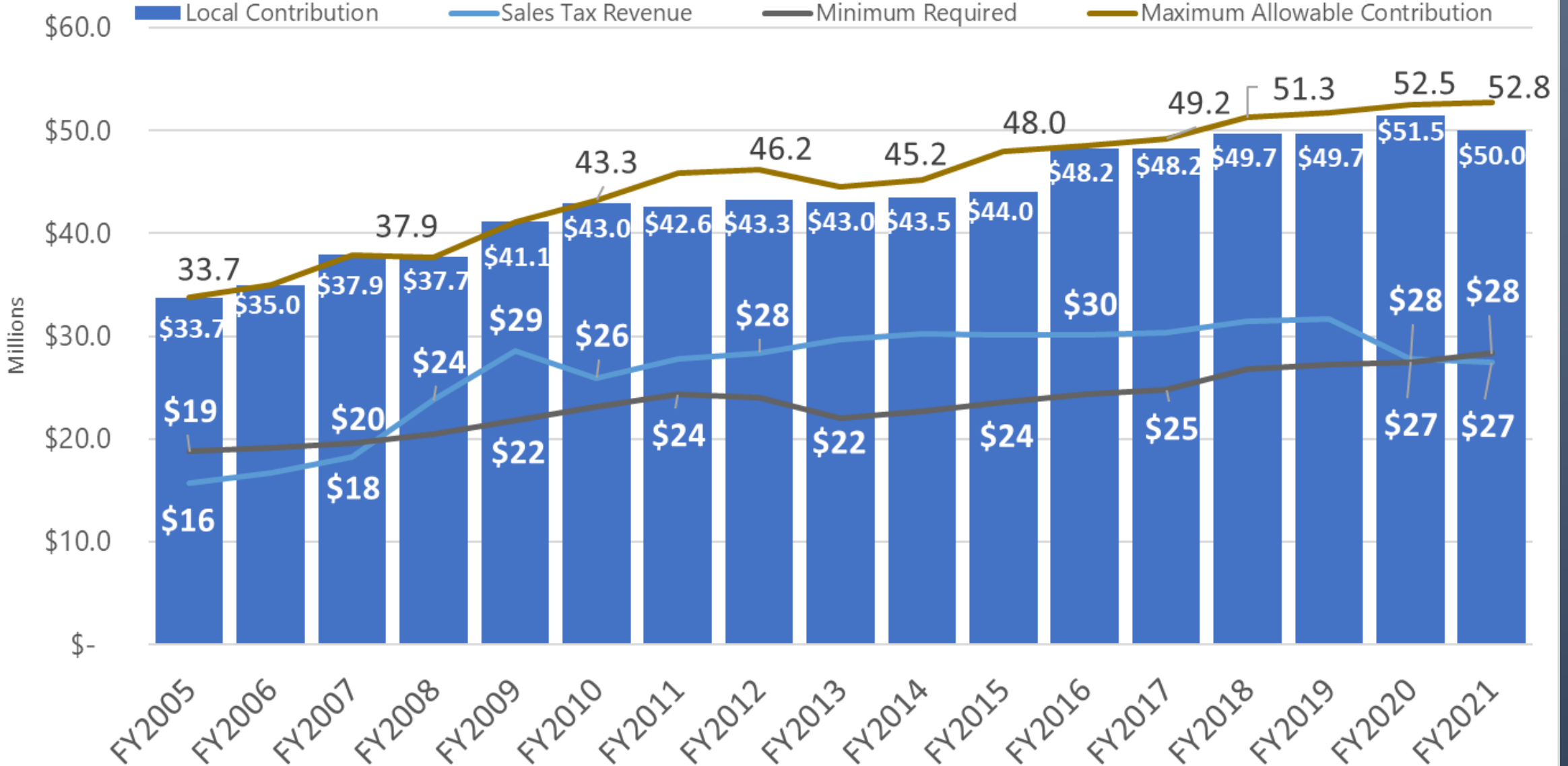
<u>School Funding</u>	<u>FY2020 Original</u> <u>Budget</u>	<u>FY2021 Mayor</u> <u>Proposed</u>	<u>Increase (Decrease)</u>
KPBSD:			
Direct Appropriation	\$ 41,463,667	\$ 38,637,268	\$ (2,826,399)
Maintenance	7,773,247	7,773,247	-
Insurance	2,970,178	3,280,215	310,037
Audit/Utilities/Custodial	304,999	309,270	4,271
	52,512,091	50,000,000	(2,512,091)
Debt Service	3,793,886	3,754,255	(39,631)
Capital Projects	2,250,000	1,250,000	(1,000,000)
KPBSD Total	58,555,977	55,004,255	(3,551,722)
KPC: Kenai Peninsula College	847,186	849,848	2,662
Total School Funding:	\$ 59,403,163	\$ 55,854,103	\$ (3,549,060)

* Other funding sources for FY21 \$148,694 from 241 fund Balance and \$245,714 in federal debt subsidy



Historic Local Contribution Comparison (millions)

Actual Compared to Minimum Required & Maximum Allowable Contributions



Service Areas (pages 153-334):

<u>Revenues:</u>	<u>FY2020 Original</u>	<u>FY2021 Proposed</u>	<u>increase (decrease)</u>
Property Tax	32,651,401	30,839,355	\$ (1,812,046)
Other revenue	15,557,885	15,176,734	(381,151)
Education	53,359,277	50,849,848	(2,509,429)
Transfers in	9,058,267	10,688,676	1,630,409
	<u>110,626,830</u>	<u>107,554,613</u>	<u>(3,072,217)</u>
<u>Expenditures:</u>			
Emergency Services	21,747,336	22,161,041	413,705
Recreation	2,899,681	2,358,038	(541,643)
Road Improvement	8,476,585	8,847,097	370,512
Education	53,359,277	50,998,542	(2,360,735)
General Government	2,178,317	1,721,708	(456,609)
Solid Waste	8,708,901	8,877,757	168,856
Hospitals	13,922,543	15,477,876	1,555,333
	<u>111,292,640</u>	<u>110,442,059</u>	<u>\$ (850,581)</u>
Surplus (Deficit)	\$ (665,810)	\$ (2,887,446)	-0.76%



- Morningstar, stock strategic industry report, April 10, 2020
 - Hotel industry expected to see 30% decline in 2020
- Forbes, Small Business Demand for Capital Skyrockets as Covid-19 Fears Continue, 3/19/20
 - Small business owners tapping into savings, 401Ks, demand for loans has never been higher
 - Minority owned small businesses are twice as likely to feel a negative impact.
- Bureau of Labor Statistics – US Department of Labor
 - In March 2020 National Unemployment rate rose 4.4%, largest month over month increased since 1975
 - Number of unemployed persons rose 1.4 million to 7.1 million in March
 - Number of unemployed persons who report being temporary layoff doubled in March 2020 to 1.8 million

Summary table B. Establishment data, seasonally adjusted	(in 1,000s)			
	Mar. 2019	Jan. 2020	Feb. 2020p	Mar. 2020p
EMPLOYMENT BY SELECTED INDUSTRY				
(Over-the-month change, in thousands)	147	214	275	-701
Mining and logging	0	-3	3	-7
Construction	20	38	41	-29
Manufacturing	-3	-22	13	-18
Wholesale trade	-4.4	4.3	-1.9	0.9
Retail trade	-24.3	-3.2	1.2	-46.2
Transportation and warehousing	5.7	22.6	-1.2	-4.9
Utilities	0.5	-1.0	0.2	0.8
Information	10	11	3	2
Financial activities	17	9	31	-1
Professional and business services	12	20	36	-52
Education and Health care and social assistance	63	69	65	-76
Leisure and hospitality	21	24	44	-459
Other services	15	10	8	-24
Government	15	35	33	12

ON March 24, 2020

Chevron Announces Actions in Response to Market Conditions Reduces 2020 capital spending plan by \$4 billion, or 20%



Forbes – March 29, 2020 “The Impact of Covid-19 on US Brands and Retailers”

1. Consumers will have adopted short-term behaviors during the pandemic that in many cases will become permanent.
 - Online grocery delivery
 - Transition to digital behaviors
 - Germaphobia
 - In home food/drink/behaviors (those who maybe bought an exercise bike, may not go back to the Gym)
 - Brands weren't available, brand loyalty changed
 - Hoarding hangover
2. Consumers will emerge from the pandemic in a new economic reality, changing commerce behaviors in profound ways.
 - GDP will fall, consumers will be more conservative, funds less available due to personal debt, economic scarring
 - Unemployment will be high
 - Goldman & Sachs is projecting a 24% annualized drop in output
3. A significant consolidation of retailers will fundamentally alter the competitive and partner landscape.
 - Not all brands and retailers will be effected equally, pandemic will likely weaken the balance sheet and load debt
 - Large retailers (Amazon, Walmart, Costco) will not be impacted by the economic effects due to their ability to sell high demand necessities.
 - While conversely those who sell discretionary items will see impacts, online sales for apparel and footwear fell 37% on march 11th alone.

