



COVID - 19 CHRONICLE

Financial Impacts of
the Novel Corona
Virus 2019 Outbreak

July 31, 2020



WESTMINSTER

The Covid-19 pandemic has played havoc on the City's Finances. This special report is being created to provide a more in-depth look at the impact of the pandemic on the City's finances. Staff has been managing new revenues coming in as well as tracking expenses that may be reimbursable from different grant opportunities. The most significant grants the City has been awarded are through the Coronavirus Aid, Relief, and Economic Security (CARES) Act and its Coronavirus Relief Fund (CRF), which are being passed through from the Counties. These are Federal dollars that will have to be accounted for in the City's annual financial report. Both Counties have engaged a certified public accounting firm to provide guidance in administering the CRF dollars for compliance with Federal regulations.

While slightly different, intergovernmental agreements (IGA's) have been entered into with both Adams County and Jefferson County. Below is a summary of the two IGA's as well as an overview of the two different relief programs.

CRF Funds to Westminster from Adams/Jefferson Counties

<u>Adams County</u> \$5,507,090	<u>Jefferson County</u> \$3,471,358
<ul style="list-style-type: none"> • Disburse in 3 equal payments, contingent on spending • Return any unspent funds by December 4th, 2020 • Monthly report on spending 	<ul style="list-style-type: none"> • Disburse in 2 equal payments, contingent on spending • Return by Sept. 1st 2020 any funds expected to not be spent by year end • Shared drive of expenditure backup and monthly reporting

Coronavirus Aid, Relief, and Economic Security Act (CARES) and the Coronavirus Relief Fund (CRF) Overview

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| <ul style="list-style-type: none"> • CARES Act signed into law on March 27th • Included \$150B in aid to States and Local Governments in the form of the CRF • Direct appropriation to States and any locality (county or city) above 500K population • Discretion of States and counties on how to distribute to smaller municipalities • Adams and Jefferson counties received \$90M and \$102M, respectively | <p>CRF may only be used to cover costs that:</p> <ol style="list-style-type: none"> 1. Are necessary expenditures incurred due to the public health emergency with respect to COVID-19; 2. Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; 3. Were incurred during the period that begins on March 1, 2020, and ends on December 31, 2020. |
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The City of Westminster has established the following guidelines for the use of Coronavirus Relief Funds (CRF) and initial appropriations for each focus area:

- Economic Recovery (\$4,000,000)
- Social Recovery (\$728,448)
- People and Programs Serving People (\$750,000)
- Local Government Recovery (\$3,500,000)

The City has established teams for each of the above focus areas to manage the funding to ensure that the CRF funds are utilized in the most effective manner and that federal guidance is followed. It is important to note that spending proposal plans for each focus area were submitted in June. The review team consisting of Staff from City Manager's Office, Policy and Budget and Finance have evaluated each plan submitted and have approved funding for a number of the plans submitted based on funds available and CARES guidelines. It is important to note that the City remains nimble. If it is necessary to reallocate the funding in a different manner in accordance with the guidance, Staff is prepared to do so.

As of the end of July, the City has received CRF of \$1,835,696 from Adams County and \$1,735,679 from Jefferson County. In addition to the CRF funding, the City has received funding from other federal granting agencies to be used for COVID related expenditures. Staff has completed the laborious task of compiling the supporting documents for the FEMA's Public Assistance (PA) program application and anticipates completing the application for reimbursement by the end of August.

In addition to the funding described above, the City has also been awarded other smaller supplemental funding related to COVID-19. As of the date of this report, approximately \$112,900 from the Department of Justice and the Department of Health and Human Services to be utilized to prevent, prepare for, and respond to coronavirus.

A supplemental award of \$371,728 in Community Development Block Grant (CDBG) funds from the Department of Housing and Urban Development which will be used to partner with Adams County for a grant-based Small Business Stabilization Program.

The Fire Department has applied for funding through the Assistance to Firefighters Grant COVID-19 Supplemental Award Program. Notifications of award for this grant began in late June and are being awarded in "rounds" until funding is exhausted. As of July 31st, the City has not received an award allocation. Staff will continue to monitor opportunities to seek additional funding to help defray the costs of responding to the COVID-19 crisis.

The table below represents a snapshot of the revenue and expenditures related to COVID-19 funding through July 31, 2020. It is important to note that the amounts reported in the table are reported in totality for all fund types. The revenue appropriations and actual amounts do not include possible reimbursement from the FEMA PA program discussed above. Additional appropriations of revenue will occur as part of the City's regular quarterly supplemental appropriation requests based on timing of receipt of funds.

REVENUE RELATED TO COVID-19

Revenue	Amount			
	Appropriated	July 2020	Year-to-date	Available
CARES-CRF	\$ 8,978,448	\$ -	\$ 3,571,375	\$ 5,407,073
FEMA Public Assistance	-	-	-	-
Other CARES (including Public Safety)	-	49,982	81,638	(81,638)
Total COVID-19 related revenue	\$ 8,978,448	\$ 49,982	\$ 3,653,013	\$ 5,325,435

EXPENSES RELATED TO COVID-19

Expenses	Amount			
	Appropriated	July 2020	Year-to-date	Available
Local Government (7201)	\$ 3,500,000	\$ 633,834	\$ 670,002	\$ 2,829,998
Economic Recovery (7202)	4,000,000	253,213	1,800,660	2,199,340
People Programs Serving People (7203)	750,000	-	-	750,000
Social Recovery (7204)	728,448	-	-	728,448
FEMA	-	278,643	354,140	(354,140)
Other CARES grant	-	81,638	81,638	(81,638)
Totals - Expenses*	\$ 8,978,448	\$ 1,247,328	\$ 2,906,440	\$ 6,072,008

Additional expenses incurred but posted after July 31st	-
Total COVID-19 related expenses**	\$ 1,247,328

*Total expense amount ties to general ledger as of July 31, 2020.

**Total expenses incurred as of the date this report was prepared.

A Deeper Dive

Looking at the revenue picture in more detail, Parks Recreation and Libraries revenue has been hit particularly hard.

Operating Revenue Comparison Month to Month and YTD For the Month Ended July 31, 2020							% Change YOY	% Change MOM
Revenues (Source of Funds)	Year to Date			July				
	2020 Actuals	2019 Actuals	\$ Change	2020 Actuals	2019 Actuals	\$ Change		
Parks, Recreation & Libraries	\$ 1,546,365	\$ 4,480,821	\$ (2,934,456)	\$ 120,907	\$ 617,191	\$ (496,284)	-65.5%	-80.4%
Legacy Ridge Golf Course	\$ 868,017	\$ 1,273,119	\$ (405,102)	\$ 347,701	\$ 325,466	\$ 22,235	-31.8%	6.8%
Walnut Creek Golf Preserve Golf Course	\$ 823,290	\$ 1,145,892	\$ (322,602)	\$ 329,010	\$ 303,600	\$ 25,410	-28.2%	8.4%

Operating Expenditure Comparison Month to Month and YTD For the Month Ended July 31, 2020								
Expenditures (Use of Funds)	Year to Date			July				
	2020 Actuals	2019 Actuals	\$ Change	2020 Actuals	2019 Actuals	\$ Change		
Parks, Recreation & Libraries	\$ 8,247,197	\$ 9,399,345	\$ (1,152,148)	\$ 1,488,183	\$ 1,779,910	\$ (291,727)	-12.3%	-16.4%
Legacy Ridge Golf Course	\$ 787,009	\$ 957,055	\$ (170,046)	\$ 130,289	\$ 176,089	\$ (45,800)	-17.8%	-26.0%
Walnut Creek Golf Preserve Golf Course	\$ 829,318	\$ 878,382	\$ (49,064)	\$ 197,784	\$ 195,517	\$ 2,267	-5.6%	1.2%

Other Revenue Comparison Month to Month and YTD For the Month Ended July 31, 2020								
Other Revenues (Source of Funds)	Year to Date			July				
	2020 Actuals	2019 Actuals	\$ Change	2020 Actuals	2019 Actuals	\$ Change		
Admissions Tax General	\$ 139,136	\$ 303,029	\$ (163,893)	\$ -	\$ 49,458	\$ (49,458)	-54.1%	-100.0%
Admissions Tax EDA/IGA	\$ 32,719	\$ 81,661	\$ (48,942)	\$ 1,312	\$ 10,070	\$ (8,758)	-59.9%	-87.0%
Total Admissions Tax	\$ 171,855	\$ 384,690	\$ (212,835)	\$ 1,312	\$ 59,528	\$ (58,216)	-55.3%	-97.8%
Total Accommodations Tax	\$ 284,273	\$ 542,522	\$ (258,249)	\$ 22,609	\$ 114,878	\$ (92,269)	-47.6%	-80.3%

As City facilities shut down in mid-March, the General Recreation revenues are lagging behind 2019 revenues for the same period by approximately \$2.93 million. This includes giving refunds to those guests who had paid for an activity which was ultimately cancelled. The Golf Course Revenue is lagging behind 2019 revenues for the same period by approximately \$728,000, which shows improvement over June numbers.

As expected, PR&L expenses also declined. Golf expenditures have decreased roughly \$219,000 and general recreation expenses have declined \$1,152,000.

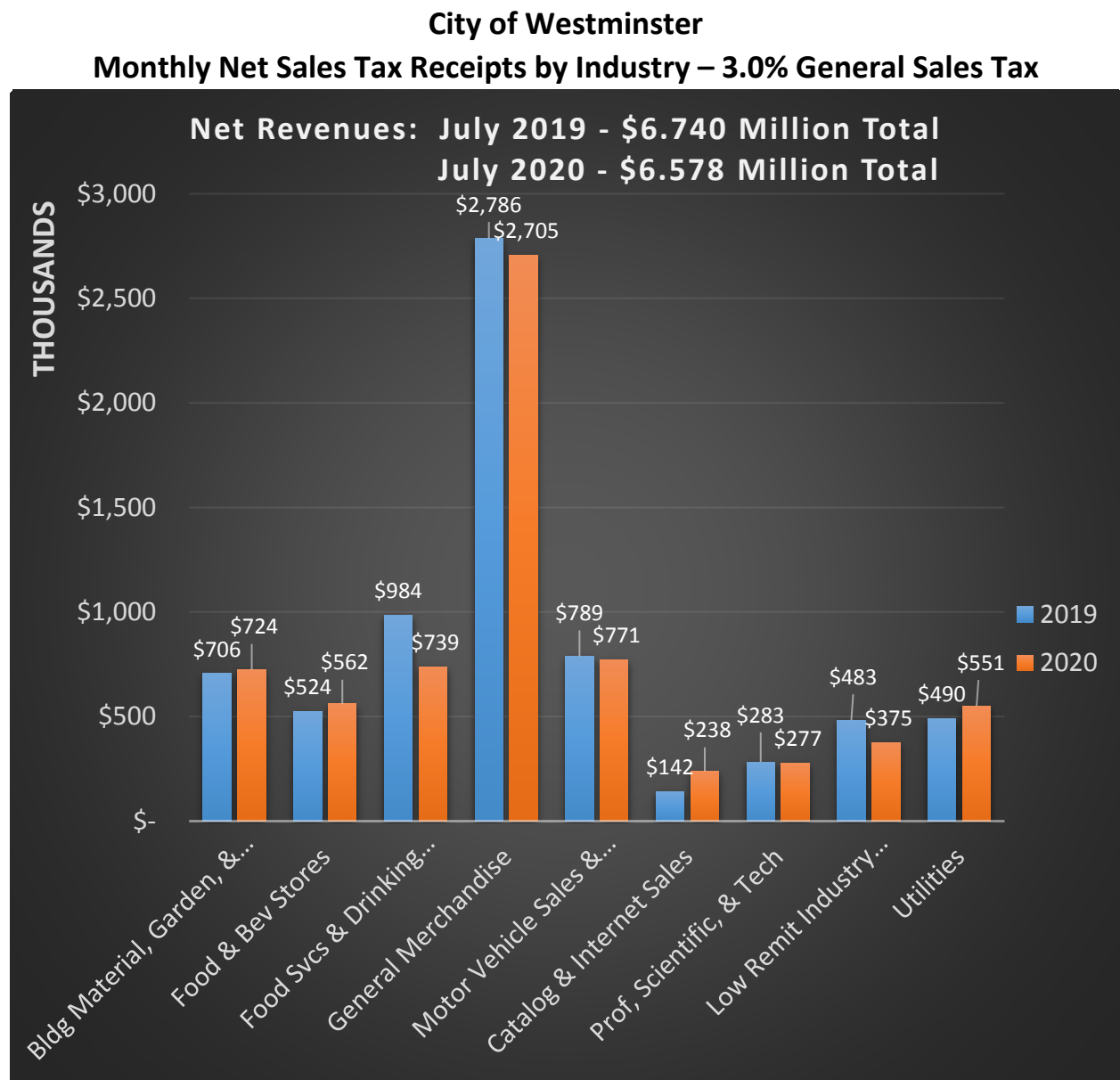
In addition to the expenditure savings from PR&L and Golf, other departments are also limiting expenses.

Other revenues that have been highly impacted by the virus are Admissions Tax and Accommodations Tax which are lagging behind 2019 revenues by \$213,000 and \$258,000 respectively.

In order to help mitigate the effects of the decrease in revenues, the City has instituted a strategic hiring plan. The results of that plan are as follows:

- Savings thru 7/31/2020 - \$1.6m (\$1.3m GF & \$300k utilities)
- Savings in June - \$315,000 (\$270k GF & \$45k utilities)
- Remaining savings through 12/31 - \$1.2 million (\$900k GF & \$300k utilities)
- This consists of 40 different positions for a total FTE count of 39.3 (33 positions and 28.3 FTE in GF; 7 positions & 11 FTE in utilities)
- The two departments that are impacted the most are PR&L and PWU

Sales and Use Tax is the primary revenue that supports the General Fund. A detailed analysis of the revenues was completed by industry. The analysis is as follows:



Revenue by Industry	2019		2020		\$ Change	
Bldg Material, Garden, & Supplies	\$ 705,835	9.82%	\$ 723,867	10.43%	\$ 18,032	2.55%
Food & Bev Stores	\$ 523,978	7.29%	\$ 561,623	8.09%	\$ 37,645	7.18%
Food Svcs & Drinking Places	\$ 983,729	13.69%	\$ 739,086	10.65%	\$ (244,643)	-24.87%
General Merchandise	\$ 2,786,288	38.77%	\$ 2,704,951	38.96%	\$ (81,337)	-2.92%
Motor Vehicle Sales & Parts	\$ 788,516	10.97%	\$ 771,474	11.11%	\$ (17,042)	-2.16%
Catalog & Internet Sales	\$ 141,910	1.97%	\$ 238,046	3.43%	\$ 96,136	67.74%
Prof, Scientific, & Tech	\$ 283,123	3.94%	\$ 277,387	4.00%	\$ (5,736)	-2.03%
Low Remit Industry (<2% each)	\$ 482,666	6.72%	\$ 375,044	5.40%	\$ (107,622)	-22.30%
Utilities	\$ 490,322	6.82%	\$ 551,016	7.94%	\$ 60,694	12.38%
Gross Revenue Totals	\$ 7,186,367	100.00%	\$ 6,942,494	100.00%	\$ (243,873)	-3.39%
Building Use Tax EDA/BAP Accruals	\$ 2,610		\$ -		\$ (2,610)	
Sales Tax Rebates (EDA/IGA/URA)	\$ (449,222)		\$ (364,171)		\$ 85,051	
EQUALS: Net General Tax Revenues	\$ 6,739,755		\$ 6,578,323		\$ (161,432)	-2.40%

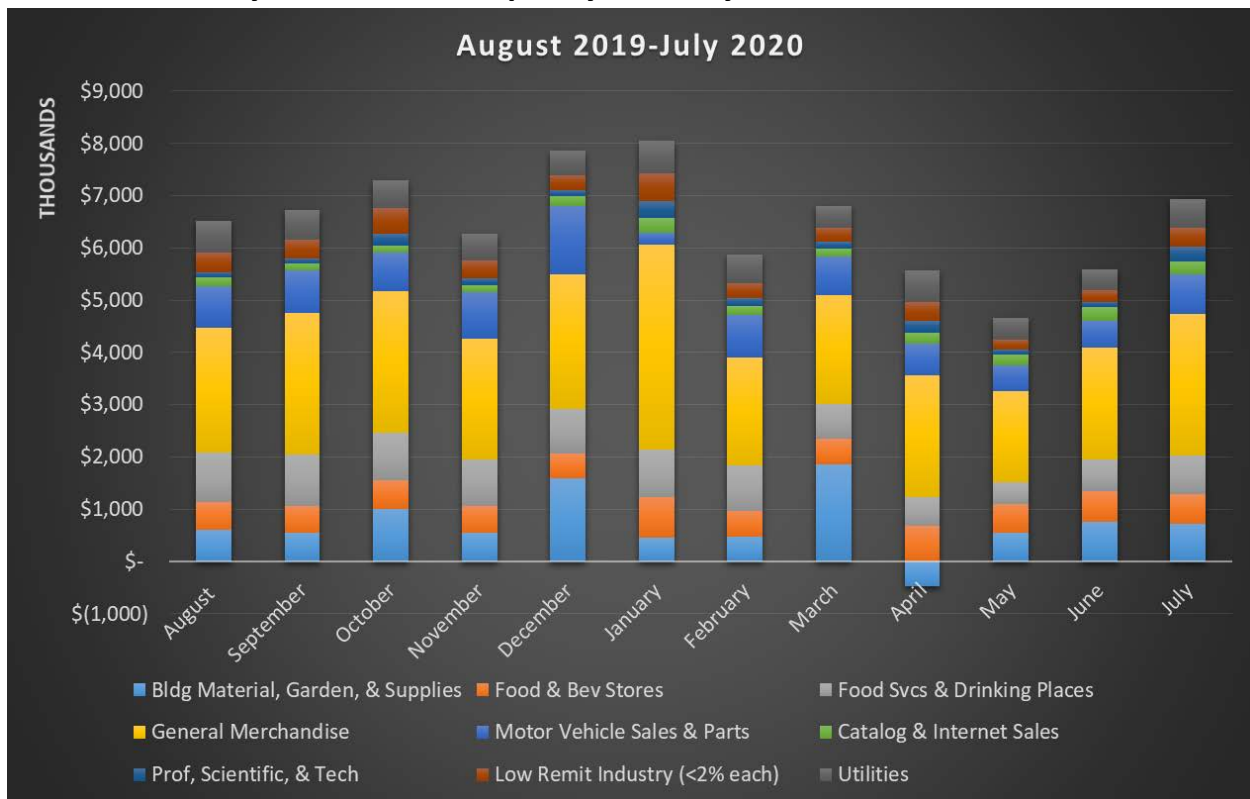
Analysis:

Most sectors were down in July 2020 compared to the same month in 2019. Public health orders due to the COVID pandemic continued to require the closure or reduced services of many businesses. Although down, overall, July saw growth over 2019 in our Building Materials, Food and Beverage Stores, Internet, and Utilities sectors.

Catalog and Internet sales were up 68% over July 2019 as delivery sales remains strong during the pandemic and given the general increase in e-commerce activity.

July 2020 sales tax remittances, excluding building use & auto use, from in-city filers is 73% compared to 77% in July 2019 showing the trend to online purchasing.

City of Westminster Monthly Sales Tax Receipts by Industry – 3.0% General Sales Tax



Gross Year-To-Date Revenue Through July by Industry	2019		2020		\$ Change			
Bldg Material, Garden, & Supplies	\$	4,127,371	9.05%	\$	4,342,032	10.09%	\$	214,661
Food & Bev Stores	\$	3,762,996	8.25%	\$	4,133,417	9.61%	\$	370,421
Food Svcs & Drinking Places	\$	6,334,580	13.89%	\$	4,790,379	11.13%	\$	(1,544,201)
General Merchandise	\$	17,726,027	38.88%	\$	16,962,202	39.43%	\$	(763,825)
Motor Vehicle Sales & Parts	\$	4,848,560	10.63%	\$	4,173,023	9.70%	\$	(675,537)
Catalog & Internet Sales	\$	956,697	2.10%	\$	1,498,574	3.48%	\$	541,877
Prof, Scientific, & Tech	\$	1,326,498	2.91%	\$	1,329,763	3.09%	\$	3,265
Low Remit Industry (<2% each)	\$	2,686,233	5.89%	\$	2,198,440	5.11%	\$	(487,793)
Utilities	\$	3,824,636	8.39%	\$	3,595,905	8.36%	\$	(228,731)
Totals	\$	45,593,598	100.00%	\$	43,023,735	100.00%	\$	(2,569,862)

Analysis:

Collection patterns affect the monthly trends per industry. January includes monthly, quarterly and annual filers; April, July and October include monthly and quarterly filers; remaining months only include monthly filers.

Year-to-date 2020 values are down over year-to-date 2019 values primarily due to the significant decline in retail activity resulting from store closures as required during the pandemic.

NOTES

Data Assumptions:

Chart data represents 3% sales tax data from the sales tax system, plus auto use tax revenue (in Motor Vehicle Sales & Parts) and building use tax revenue (in Building, Garden, & Supplies).

Sales tax presented on a cash receipts basis and generally reflects activity that occurred in prior month. Values in charts are adjusted to reflect impacts of economic development agreements; monthly table shows rebate impact.

Audit & enforcement revenues excluded from sales tax data.

Auto use tax data presented on a net revenue basis, adjusted for collection fees.

Building use tax data per building use tax revenues processed through the City's permitting system.

Other Points:

Values may differ compared to monthly report as monthly report includes adjustments that reduce gross revenues, such as economic development agreements.

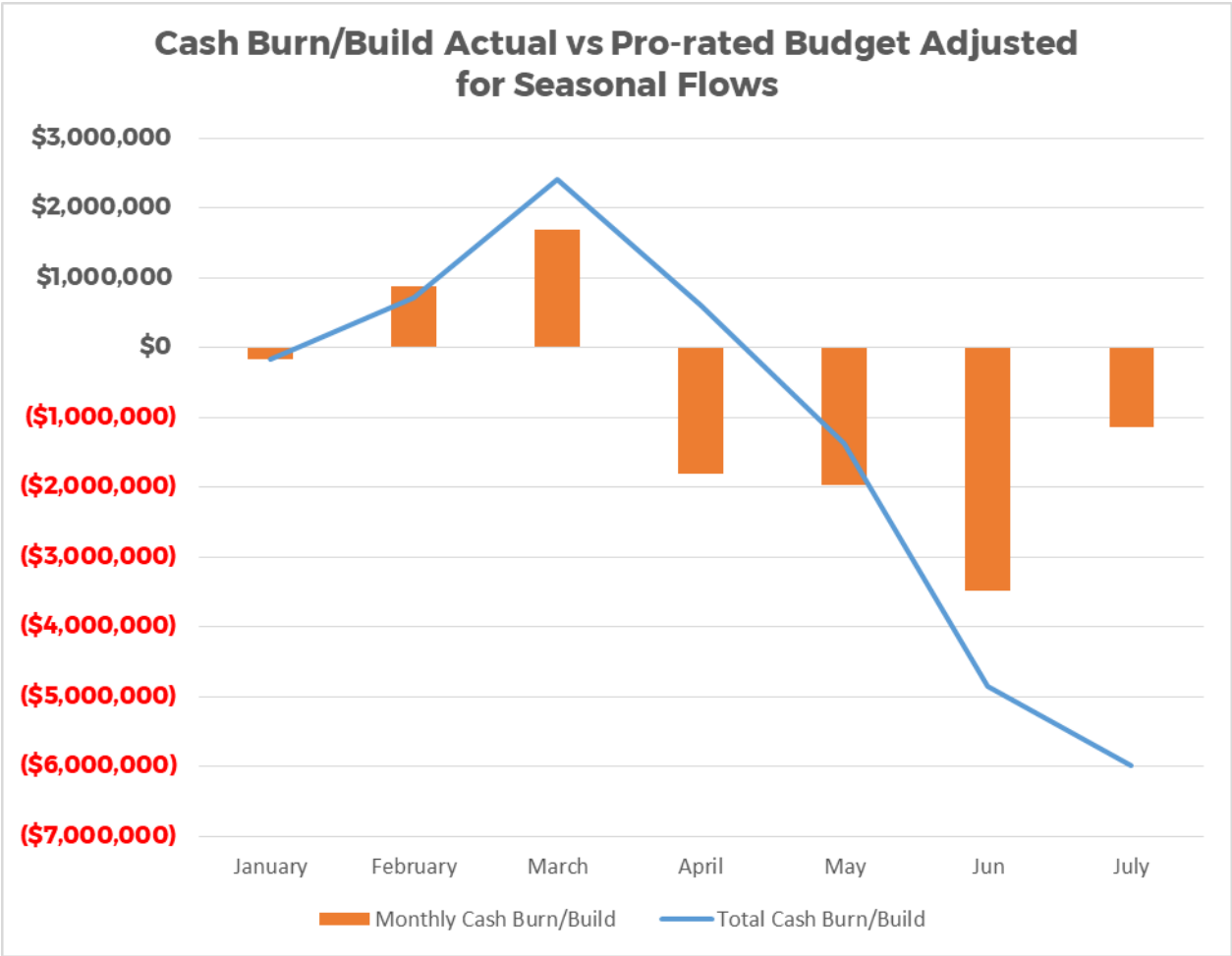
Food & Beverage Store sector approximately 80% grocery and 20% liquor stores.

Food Services & Drinking Places sector over 90% sit-down restaurants and fast food; sit-down is the largest component at over 50% of the sector.

General Merchandise includes discount retail, approximately 50% of general merchandise; discount retail only includes five businesses shown below (some with multiple locations).

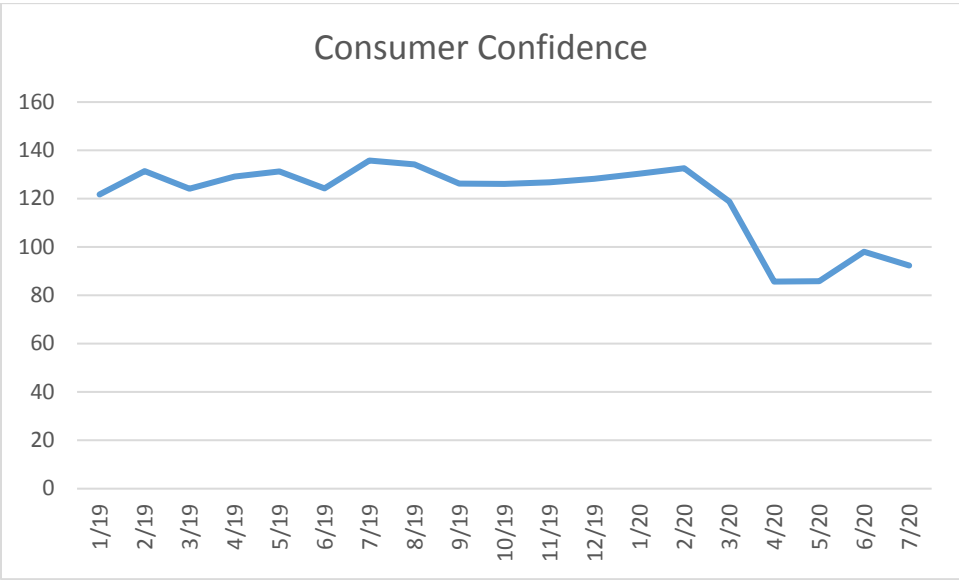
Industry Category	Industry Subcategories	Examples of Businesses by Industry Category (Name or Type)
Building Mats, Garden, & Supplies	N/A	Building Use, Lowes, Home Depot, Carpet Mill
Food & Bev Stores	Grocery	King Soopers, Safeway, Hmart, Sprouts, Wally's
	Liquor	Total Beverage, Orchard Wine & Spirits, Applejack
Food Svcs & Drinking Places	Bakery & Donut	Nothing Bundt Cakes, Kings Bakery (inside Hmart)
	Fast Food	Subway, Wendy's, Fast Casual (Chipotle, Smash Burger)
	Catering	Franks BBQ, Front Range Catering
	Misc. Food Sales	Shamrock Foods, Mile Hi Foods, Omaha Steaks
	Sit Down Restaurants	3 Margaritas, Salt Grass, Bonefish
	Taverns & Bars	Frolic Brewing, Park Centre Lounge
General Merchandise	Clothing & Accessories	Aeropostale, TJ Maxx, Eddie Bauer
	Electronics & Appliances	Apple, Best Buy, Appliance Factory Outlet
	Furnishings	AFW, Bed Bath & Beyond, Woodley's
	Discount Retail	Target, Walmart, Costco, Dollar Tree, Big Lots
	Health & Personal Care	CVS, Walgreens, Bath & Body Works
	Misc. Manufacturing	Ball Aerospace, Siemens, Colorado Countertops
	Misc. Retailer	Amy's Hallmark, Smoker Friendly
Motor Vehicle Sales and Parts	Sporting, Hobby, Book, Music	Big 5 Sporting, REI, Barnes&Noble, Hobby Lobby
	Leases & Rentals	Terhar Leasing, Budget Rental, Ally Financial
	Parts, Repair & Misc	Firestone, Jiffy Lube, NAPA, Advance Auto
	RV Sales	Choice One Motors, Stans Auto, Automotive Specialist
	Auto Sales	Generally, car dealers
Catalog&Internet Sales	N/A	Amazon, Chewy, Kohls Online, Prime Now
Prof, Scientific, & Tech	N/A	Dentists, Veterinary, Massage, Lawn Care
Very Small (<2% each)	N/A	Real Estate, Religious Orgs, Wholesale
Utilities	N/A	Xcel, Comcast, Verizon, AT&T

The following chart indicates the overall Cash/Burn or Build vs Pro-rated Budget adjusted for seasonal flows. July showed marked improvement over June. Again, June reflects May Sales and Use Taxes and only essential businesses were open until very late in May.



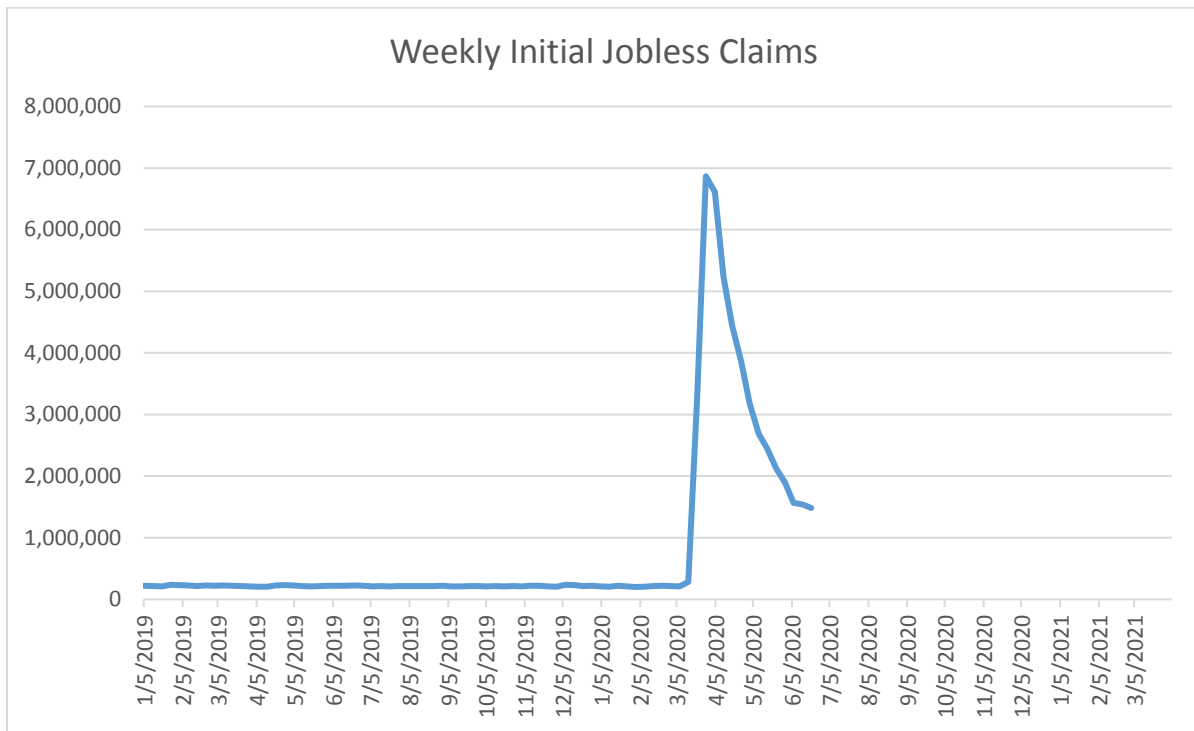
National economic data highlighting Consumer Confidence, Employment, Retail Sales, and Housing Starts.

The Consumer Confidence Index dropped significantly in March yet is cautiously rebounding. The index is considered one barometer of consumers' perspective on the economy within the next 6 months. As the index value moves closer to 100, it is deemed that respondents have a neutral position on the economic outlook. A higher level suggests a positive outlook whereas a level below 100 suggests a pessimistic outlook.

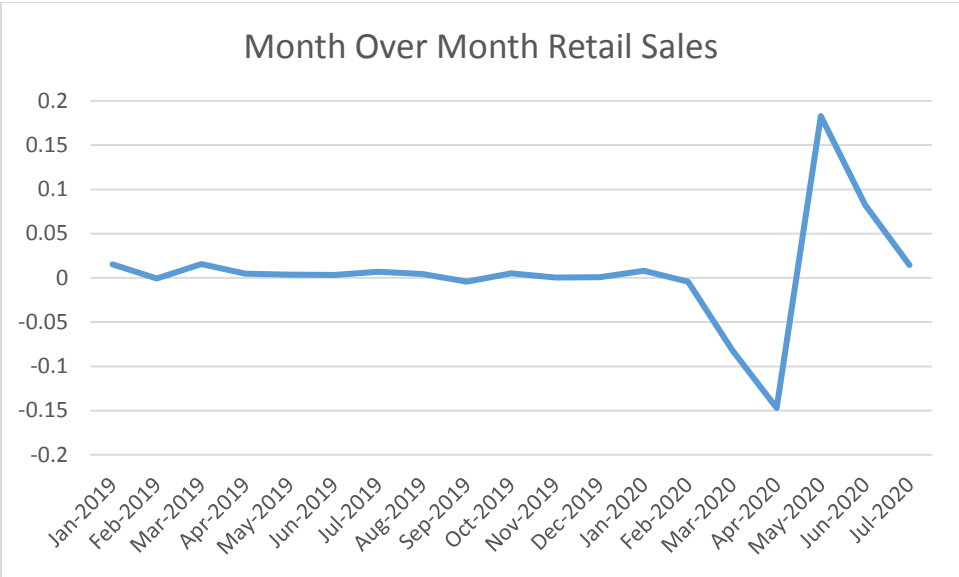


Employment related statistics indicate a moderating decrease from the high unemployment rate of 14.7% seen in April to 10.2% reported in July but well above the 3.5% rate in February. At the end of June, the unemployment rate stood at 11.1%. A more comprehensive statistic is the Fed's U-6 table, which assesses the number of people who are deemed under-employed to their earnings' capacity. This figure reached a high of 22.8% in April and in July declined to 16.5%. Taken together, in July, nearly 27% of the working population is either un-employed or under-employed.

Below is another graph summarizing the employment picture with the reported first-time jobless claims, which hit a high of 6.9 million the last week in March. Initial claims have dropped below 1 million for the first time since mid-March, yet is significantly higher than the 282,000 reported then.



Consumer spends makes up 2/3's of the nation's economy. Retail Sales on a national level bottomed with a month-over-month decline of 14.7% reported in March sales. Following this low, retail sales have moved into positive territory. For the month April, retail sales jumped 18.3% and then in May, 8.3%. For June, retail sales month-over-month increased only 1.4%. On a year-over-year basis, retail sales were positive in June with a 2.6% increase, which is slightly better than the 1.9% increase reported in May sales.



Nationwide housing starts (Single Family and Multi-Family units) is indicating a slight rebound the last couple of months. Coming off highs in late 2019 into early 2020, the number of starts dropped precipitously, bottoming in April from March month-over-month at -22.8%. In July, Housing starts rose 8.2% over June.

