



MEMORANDUM

TO: Whatcom County Council
Elected Officials
Department Heads

FROM: Satpal Sidhu, County Executive *Satpal Sidhu*

DATE: April 20, 2020

SUBJECT: Whatcom County COVID-19 Fiscal Response

I am proud of the extraordinary accomplishments made by our organization in response to the COVID-19 emergency. In these unprecedented times we have met the challenge of "Stay Home, Stay Healthy" while providing essential government services. Our staff have demonstrated great flexibility and understanding, both in taking on new responsibilities to respond to the emergency and in adapting to work remotely.

This is an incredible period of uncertainty. We all have concerns about our health, families, the economy and our community and may have loved ones employed within "non-essential" sectors of the labor force. This creates even greater uncertainty not knowing when they will earn their next paycheck. These are very challenging times, and it is important to acknowledge that.

We, the County Government, have a plan of action. Our organization will continue to prioritize the emergency response to the COVID-19 pandemic. While the economy idles, we are immediately implementing measures designed to decrease our

operating costs. Our objectives are to prepare our organization to weather the financial impacts of this emergency, keep our organization intact, cohesive and resume expected operations that serve our community. Our immediate actions are:

1. A selective hiring freeze.
2. Department direction to delay general fund contracts which are not related to life safety matters pending further analysis.
3. Review all expenditures with the objective of reducing supply purchases by 10%, reducing non-grant funded contracts and all other discretionary expenditures by 5%.
4. Negotiate with our bargaining units to address the impact of current economic conditions on county operations.

Our current projections are based on sheltering in place for April and May followed by a period of reduced economic activity with gradual improvement throughout the year. Our focus is on cash flow. Ideally, we would like to maintain a minimum cash balance of \$8 million which is approximately one month's expenditures.

We anticipate our property tax collection rate to drop from 98.7% to 95%. We anticipate sales tax will be 75% of 2019 revenue. Most other revenues we expect to be 75% to 80% of 2019. This truly is an unprecedented time. Our projections will need to be adjusted monthly as additional information becomes available. We project the General Fund cash balance to peak at almost \$18 million in May, up from \$11 million in March. We project the General Fund cash balance will gradually decrease to a low of \$8.3 million in September. We will receive the second half property taxes in October and cash balance will increase to \$16.2 million. Our cash balance will gradually

decrease the rest of the year. We anticipate ending the year with a General Fund cash balance of approximately \$11.2 million dollars.

Over the next few weeks we will be preparing for Whatcom County's upcoming biennial budget. The first step will be preparing the Capital Improvement List. This is an important exercise as we need to be prepared for the eventual stimulus funding that will help fuel our local economy when normal business resumes. Also, we anticipate developing a 2021-2022 budget which replicates the 2020 budget, including those adjustments made in response to the COVID-19 emergency. This will allow Departments to develop their budget based on current financial information. Budget adjustments can then be made when there is more clarity on the fiscal horizon.

Although these days are uncertain, we have dedicated managers and employees prepared to respond effectively to this emergency. We have additional options available if the future financial situation does not match current projections. I will continue to keep you informed as we get through this unprecedented time together.

Attached for your reference are the following documents:

General Fund Projection Spreadsheet (COVIDProjections04-15-20_4.pdf) presents actual March results and projected April through December revenue and expenditure amounts. Amounts recorded are based on historical average percentages of total revenues and expenditures recorded for each month adjusted for current expectations of COVID impacts on this year's budgeted amounts. Below the ending cash balance line are proposed scenarios to respond to expected decreased revenues and their expected effect on the ending cash balance.

Major General Fund Revenue Assumptions (GF Revenue Assumptions as of 04-15-20.pdf) describes the assumptions used in creating the revenue cash flow projections in the General Fund Projection Spreadsheet.

General Fund Cash Balance Line Graph (Cash values updated for projections.pdf) presents historical pattern of General Fund cash balances by year and 2020 projected based on current expectations of COVID impact. Dashed line of \$8 million is projected minimum amount of cash needed for operational cash flow, it represents less than one month's expenses.

General Fund Cash Balance – post mitigation actions Line Graph (Cash values updated – post actions taken_4.pdf) presents the same as described above except now includes the effect on the cash balance due to taking mitigation measures for the rest of the year.

General Fund Revenue Line Graph (Revenue by Type.pdf) presents historical changes in major revenue sources.

General Fund Expenses Pie Chart (Expense Percentages.pdf) presents major groups of expenses and what percentage of the whole 2020 budget they represent. Wages and Benefits represent 63% of the budget.