

Town of Canandaigua

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Established 1789

March 18, 2020

To: Town of Canandaigua – Town Board
From: Doug Finch, Town Manager
RE: Response to COVID-19 – FINANCIAL REVIEW

Town Board,

As you are aware, the stock market continues to decline in wake of the COVID-19 situation and many people, organizations, and businesses are being very negatively impacted.

This afternoon I took a look at our investments in NYCLASS, attached is a snapshot of each reserve fund sitting in NYCLASS and the current situation relative to interest income. As you can see for example with the Open Space Reserve Fund, we have gone from interest income of \$29.92 per day on March 1, 2020 to \$22.62 per day on March 17, 2020. That is a loss of over \$7.00 in income per day. Still the investment in NYCLASS has a much higher return rate than the reserve fund money sitting in a savings account at our local bank. Overall the NYCLASS fund remains solid with \$3,547,818,027.55 shares (dollars). The Town of Canandaigua holds \$3,333,206.87 shares (dollars) in NYCLASS as of today. Our month to date interest is \$2,019.13 with our year to date interest of \$7,678.63. Interest income will be reduced; however, this interest income is not applied to the General/Highway Fund as this income is specific to each of the reserves.

While we are in solid shape financially, I believe we need to think about implications if this situation continues on for a period of another couple weeks or even months and how the situation might effect the Town of Canandaigua financially.

Property Taxes: As you know we levied \$3,419,234 in property taxes against the general and highway funds and all 28 special districts. The property taxes have already been received, so we have a solid base for now with a total of just over \$8M sitting in our combined accounts at Canandaigua National Bank.

Of the property taxes collected \$1.4M was specific to the general and highway fund (\$555,000 to the General Fund, and \$865,000 to the Highway Fund). The bulk of the revenue for both the general fund and highway fund comes from sales tax. We had budgeted to receive nearly \$4.4M in sales tax revenue for 2020 (\$2M to the General Fund, and \$2.4M to the Highway Fund).

The following is for informational purposes only to keep in mind should this situation continue, and we have to make contingency plans as to how we will relook at what is happening if the sales tax revenue drops tremendously as a result. For my calculations I am making a worst-case scenario that factors in the Town of Canandaigua receiving only 50% of the originally budgeted sales tax.

General Fund

2020 Adopted Budget: \$ 4,042,370

2020 COVID-19 Budget: \$ 3,042,370

This would be tight, but we could find ways to do it. We would have to eliminate half of our capital equipment expenditures meaning parks vehicle, likely our gateway signs; however, the elimination of park improvements does little to help us on the .200 line as that comes from the parks fund. This means we would have to really tighten our belts on the contractual expenses .400, and hold off on a variety of planned programs. I would need to ask our departments to look for ways to reduce their contractual expenditures to give you more specific details. This will overall be difficult to achieve.

Highway Fund

2020 Adopted Budget: \$ 3,999,070

2020 COVID-19 Budget: \$ 2,799,070

This would mean we would need to cut in half the equipment purchases for 2020, and reduce by 60% the contractual expenses from \$2,055,504 to \$1,200,000. The equipment purchases reduction may not be that difficult; as you might have heard the big auto manufacturers have all suspended production.

The rest would mean for sure the putting off of roadwork that is planned if we had to go in this direction. Please keep in mind we do have reserves if needed; however, we might be faced with making some difficult decisions in the coming months. We would likely need to see about putting off the Canandaigua Farmington Town Line Road or at least part delaying it for 2020, and likely have to look at trying to stretch some more repairs to next year such as Grimble and Ketchum Roads.

While I am confident, we could find ways to band aide the rest of 2020; however, my greatest concern is what happens if sales tax remains flat going into 2021, and we need to budget for significantly less sales tax than what we have previously budgeted. Based on my projections if we have to increase the tax levy to make up for the different of a 25% loss (not the 50% I am showing as worst case scenario for 2020) we would have to increase our tax rate to \$1.69 per thousand for 2021, and jumping to \$2.13 for 2023.

It is very important that we continue to think about new sources of revenue as I mentioned to you in the budget message for 2020. Contracting out to provide service to other municipalities, looking at short term rental as a small amount of income and continue to look at similar options. We could never make up for all the sales tax that we receive, we are very fortunate; however, we need to be thinking about the situation to plan for a what if scenario.

As always, if I can be of any assistance please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Finch", is enclosed within a thin, light-colored rectangular border.

Doug Finch, Town Manager

Email: dfinch@townofcanandaigua.org