



Budget Task Force Overview

July 22, 2020

www.thewoodlandstownship-tx.gov

The Woodlands Township • 2801 Technology Forest Boulevard • The Woodlands, Texas 77381

Budget Task Force

- In response to the COVID-19 pandemic and its unfavorable impact on the Township's revenues, the Board of Directors established a Budget Task Force to review the 2020 Budget and 2021 Draft Budget prior to the full Board's review.
- Budget Task Force members:
 - Director Bruce Rieser (Chairman)
 - Director John Anthony Brown
 - Director Bob Milner

Budget Task Force

- **4 meetings**
- **8 total hours of review**
- **= 2 budget workshop meetings**

- **Reviewed:**
 - **2020 Forecast**
 - **2021 Base Budget**
 - **2021 Budget Initiatives**

**THE WOODLANDS TOWNSHIP
HOTEL OCCUPANCY TAX DEPOSITS
REPORT DATE: JUNE 30, 2020**

	Actual 2018	Actual 2019	Budget 2020	Actual 2020	Variances			
					Actual 2020 vs. Actual 2019		Actual 2020 vs. Budget 2020	
					\$ Change	% Change	\$ Change	% Change
JAN	\$ 517,157	\$ 516,266	\$ 571,695	\$ 538,527	\$ 22,261	4.3%	\$ (33,168)	-5.8%
FEB	769,611	673,641	725,913	665,455	(8,187)	-1.2%	(60,458)	-8.3%
MAR	789,850	828,427	851,982	802,181	(26,245)	-3.2%	(49,801)	-5.8%
APR	859,519	880,321	896,836	306,002	(574,319)	-65.2%	(590,834)	-65.9%
MAY	876,653	878,981	897,839	36,751	(842,229)	-95.8%	(861,088)	-95.9%
JUN	837,722	919,789	983,164	76,026	(843,763)	-91.7%	(907,138)	-92.3%
JUL	753,306	776,760	824,776					
AUG	686,927	738,665	760,655					
SEP	744,311	717,348	756,245					
OCT	711,010	759,279	804,101					
NOV	808,086	847,426	906,397					
DEC	643,530	686,639	728,173					
TOTAL	\$ 8,997,682	\$ 9,223,543	\$ 9,707,776					
YTD	\$ 4,650,511	\$ 4,697,426	\$ 4,927,429	\$ 2,424,943	\$ (2,272,483)	-48.4%	\$ (2,502,486)	-50.8%

2020 Deposits as % of Budget 25.0%

2020 HOTEL OCCUPANCY TAX REVENUE LOSS SCENARIOS, BUDGET ADJUSTMENT OPTIONS, AND IMPACT ON RESERVE BALANCES

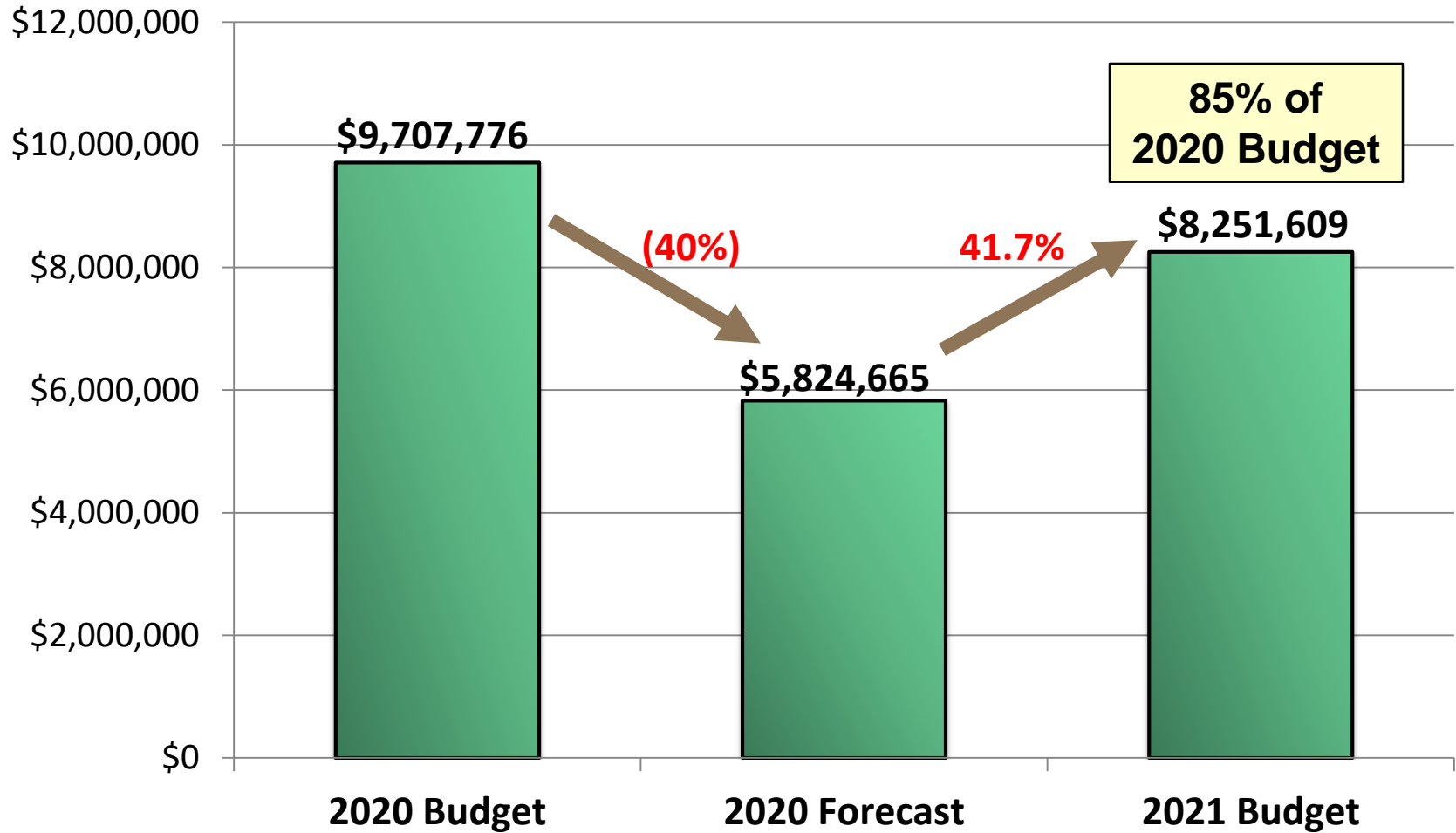
	2020 Budget	40% Loss	50% Loss	60% Loss	70% Loss
Hotel Occupancy Tax Revenues - Base 7%	\$7,550,492	(\$3,020,197)	(\$3,775,246)	(\$4,530,295)	(\$5,285,344)
Revenue after deducting loss		\$4,530,295	\$3,775,246	\$3,020,197	\$2,265,148
Less Debt Service Requirements	(2,840,711)	(2,840,711)	(2,840,711)	(2,840,711)	(2,840,711)
Base Hotel Tax Revenues after funding debt service	4,709,781	\$1,689,584	\$934,535	\$179,486	(\$575,563)
Utilization of Hotel Occupancy Tax Reserve	855,623				\$575,563

	2020 Budget	40% Loss	50% Loss	60% Loss	70% Loss
Hotel Occupancy Tax Revenues - Supplemental 2%	\$2,157,284	(\$862,914)	(\$1,078,642)	(\$1,294,370)	(\$1,510,099)
2% Supplemental Hotel Tax Revenue after deducting loss		\$1,294,370	\$1,078,642	\$862,914	\$647,185
CVB Operating Expenses per 2020 Budget	3,198,136	3,198,136	3,198,136	3,198,136	3,198,136
Subtract: Reduction in Operating Expenses		(1,065,218)	(1,118,142)	(1,118,142)	(1,155,272)
Revised Operating Expense Budget	3,198,136	2,132,918	2,079,994	2,079,994	2,042,864
Funding Sources for Revised Operating Expense Budget					
2% Supplemental Hotel Tax	2,157,284	1,294,370	1,078,642	862,914	647,185
7% Base Hotel Tax Transfer from the Township	974,035	771,731	934,535	179,486	0
Budgeted Utilization of CVB Fund Balance	66,817	66,817	66,817	66,817	66,817
Unbudgeted Utilization of CVB Fund Balance		0	0	970,778	1,328,862
Total Funding Sources for Revised Operating Expense Budget	\$3,198,136	\$2,132,918	\$2,079,994	\$2,079,994	\$2,042,864
Funding Shortfall - CVB Expenses	0	-	-	(0)	(\$0)

	2020 Budget	40% Loss	50% Loss	60% Loss	70% Loss
CVB Fund Balance	\$1,328,862	\$1,328,862	\$1,328,862	\$358,084	\$0

	2020 Budget	40% Loss	50% Loss	60% Loss	70% Loss
Hotel Occupancy Tax Reserve (Performing Arts Center)	\$3,585,982	\$1,773,477	\$855,623	\$855,623	\$280,060

Hotel Occupancy Tax Revenue Projection 2021 Budget



**THE WOODLANDS TOWNSHIP
SALES TAX DEPOSITS
REPORT DATE: JULY 31, 2020**

					Variances			
	Actual 2018	Actual 2019	Budget 2020	Actual 2020	Actual 2020 vs. Actual 2019		Actual 2020 vs. Budget 2020	
					\$ Change	% Change	\$ Change	% Change
JAN	\$ 4,133,420	\$ 4,005,841	\$ 4,182,663	\$ 4,318,678	\$ 312,837	7.8%	\$ 136,015	3.3%
FEB	6,019,816	5,792,714	5,941,625	6,599,334	806,621	13.9%	657,709	11.1%
MAR	3,839,333	3,818,902	3,797,368	3,852,833	33,931	0.9%	55,465	1.5%
APR	3,785,190	3,732,695	3,716,307	3,638,201	(94,494)	-2.5%	(78,106)	-2.1%
MAY	4,798,028	4,278,052	4,357,043	3,961,878	(316,174)	-7.4%	(395,165)	-9.1%
JUN	3,838,219	4,300,331	4,154,903	3,068,566	(1,231,766)	-28.6%	(1,086,337)	-26.1%
JUL	4,222,255	4,127,286	4,118,918	3,148,196	(979,090)	-23.7%	(970,722)	-23.6%
AUG	4,814,046	4,550,116	4,635,990					
SEP	4,257,906	4,335,047	4,209,911					
OCT	3,725,044	3,852,134	3,798,488					
NOV	4,390,765	4,336,433	4,351,977					
DEC	3,930,946	4,653,235	4,102,914					
TOTAL	\$ 51,754,967	\$ 51,782,785	\$ 51,368,107					
YTD	\$ 30,636,261	\$ 30,055,821	\$ 30,268,827	\$ 28,587,687	\$ (1,468,134)	-4.9%	\$ (1,681,140)	-5.6%

2020 Deposits as % of Budget 55.7%

In accordance with the adopted financing plan for Project No. 2 and Project No. 3, the incremental sales tax is allocated quarterly to the developer of each Project.	
Project No. 2 - 2020 YTD deposit total =	\$ 854,349
Project No. 3 - 2020 YTD deposit total =	665,409
Township 2020 YTD sales tax used for operations =	<u>28,587,687</u>
Grand Total Township sales tax 2020 YTD =	\$ <u>30,107,445</u>

**THE WOODLANDS TOWNSHIP
SALES TAX DEPOSITS
REPORT DATE: Full Year 2020 SCENARIOS**

25% Monthly Loss for Remainder of Year

Variances

				<u>Variances</u>				
				<u>Actual 2020 vs. Actual 2019</u>		<u>Actual 2020 vs. Budget 2020</u>		
	<u>Actual 2018</u>	<u>Actual 2019</u>	<u>Budget 2020</u>	<u>Actual 2020</u>	<u>\$ Change</u>	<u>% Change</u>	<u>\$ Change</u>	<u>% Change</u>
JAN	\$ 4,133,420	\$ 4,005,841	\$ 4,182,663	\$ 4,318,678	\$ 312,837	7.8%	\$ 136,015	3.3%
FEB	6,019,816	5,792,714	5,941,625	6,599,334	806,621	13.9%	657,709	11.1%
MAR	3,839,333	3,818,902	3,797,368	3,852,833	33,931	0.9%	55,465	1.5%
APR	3,785,190	3,732,695	3,716,307	3,638,201	(94,494)	-2.5%	(78,106)	-2.1%
MAY	4,798,028	4,278,052	4,357,043	3,961,878	(316,174)	-7.4%	(395,165)	-9.1%
JUN	3,838,219	4,300,331	4,154,903	3,068,566	(1,231,766)	-28.6%	(1,086,337)	-26.1%
JUL	4,222,255	4,127,286	4,118,918	3,148,196	(979,090)	-23.7%	(970,722)	-23.6%
AUG	4,814,046	4,550,116	4,635,990	3,476,993	(1,073,123)	-23.6%	(1,158,998)	-25.0%
SEP	4,257,906	4,335,047	4,209,911	3,157,433	(1,177,614)	-27.2%	(1,052,478)	-25.0%
OCT	3,725,044	3,852,134	3,798,488	2,848,866	(1,003,268)	-26.0%	(949,622)	-25.0%
NOV	4,390,765	4,336,433	4,351,977	3,263,983	(1,072,450)	-24.7%	(1,087,994)	-25.0%
DEC	3,930,946	4,653,235	4,102,914	3,077,186	(1,576,049)	-33.9%	(1,025,729)	-25.0%
TOTAL	<u>\$ 51,754,967</u>	<u>\$ 51,782,785</u>	<u>\$ 51,368,107</u>					
YTD	<u>\$ 51,754,967</u>	<u>\$ 51,782,785</u>	<u>\$ 51,368,107</u>	<u>\$ 44,412,147</u>	<u>\$ (7,370,639)</u>	-14.2%	<u>\$ (6,955,960)</u>	-13.5%

2020 Deposits as % of Budget 86.5%

**THE WOODLANDS TOWNSHIP
SALES TAX DEPOSITS
REPORT DATE: Full Year 2020 SCENARIOS**

20% Monthly Loss for Remainder of Year

				Variances				
	Actual 2018	Actual 2019	Budget 2020	Actual 2020	Actual 2020 vs. Actual 2019		Actual 2020 vs. Budget 2020	
					\$ Change	% Change	\$ Change	% Change
JAN	\$ 4,133,420	\$ 4,005,841	\$ 4,182,663	\$ 4,318,678	\$ 312,837	7.8%	\$ 136,015	3.3%
FEB	6,019,816	5,792,714	5,941,625	6,599,334	806,621	13.9%	657,709	11.1%
MAR	3,839,333	3,818,902	3,797,368	3,852,833	33,931	0.9%	55,465	1.5%
APR	3,785,190	3,732,695	3,716,307	3,638,201	(94,494)	-2.5%	(78,106)	-2.1%
MAY	4,798,028	4,278,052	4,357,043	3,961,878	(316,174)	-7.4%	(395,165)	-9.1%
JUN	3,838,219	4,300,331	4,154,903	3,068,566	(1,231,766)	-28.6%	(1,086,337)	-26.1%
JUL	4,222,255	4,127,286	4,118,918	3,148,196	(979,090)	-23.7%	(970,722)	-23.6%
AUG	4,814,046	4,550,116	4,635,990	3,708,792	(841,324)	-18.5%	(927,198)	-20.0%
SEP	4,257,906	4,335,047	4,209,911	3,367,929	(967,118)	-22.3%	(841,982)	-20.0%
OCT	3,725,044	3,852,134	3,798,488	3,038,790	(813,343)	-21.1%	(759,698)	-20.0%
NOV	4,390,765	4,336,433	4,351,977	3,481,582	(854,851)	-19.7%	(870,395)	-20.0%
DEC	3,930,946	4,653,235	4,102,914	3,405,419	(1,247,816)	-26.8%	(697,495)	-17.0%
TOTAL	\$ 51,754,967	\$ 51,782,785	\$ 51,368,107					
YTD	\$ 51,754,967	\$ 51,782,785	\$ 51,368,107	\$ 45,590,198	\$ (6,192,587)	-12.0%	\$ (5,777,909)	-11.2%

2020 Deposits as % of Budget 88.8%

**THE WOODLANDS TOWNSHIP
SALES TAX DEPOSITS
REPORT DATE: Full Year 2020 SCENARIOS**

10-25% Monthly Loss for Remainder of Year

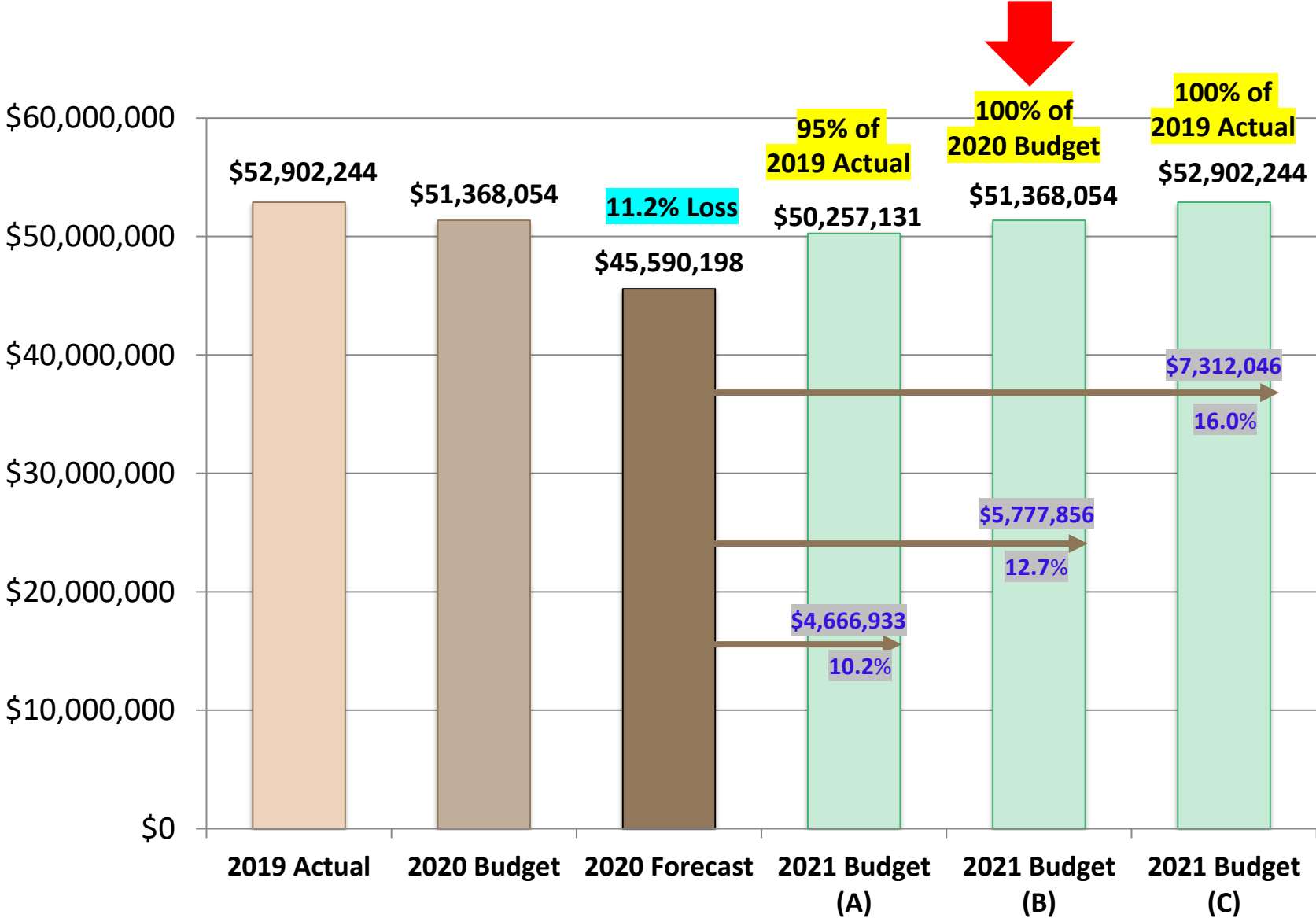
				Variances				
	Actual 2018	Actual 2019	Budget 2020	Actual 2020	Actual 2020 vs. Actual 2019		Actual 2020 vs. Budget 2020	
					\$ Change	% Change	\$ Change	% Change
JAN	\$ 4,133,420	\$ 4,005,841	\$ 4,182,663	\$ 4,318,678	\$ 312,837	7.8%	\$ 136,015	3.3%
FEB	6,019,816	5,792,714	5,941,625	6,599,334	806,621	13.9%	657,709	11.1%
MAR	3,839,333	3,818,902	3,797,368	3,852,833	33,931	0.9%	55,465	1.5%
APR	3,785,190	3,732,695	3,716,307	3,638,201	(94,494)	-2.5%	(78,106)	-2.1%
MAY	4,798,028	4,278,052	4,357,043	3,961,878	(316,174)	-7.4%	(395,165)	-9.1%
JUN	3,838,219	4,300,331	4,154,903	3,068,566	(1,231,766)	-28.6%	(1,086,337)	-26.1%
JUL	4,222,255	4,127,286	4,118,918	3,148,196	(979,090)	-23.7%	(970,722)	-23.6%
AUG	4,814,046	4,550,116	4,635,990	3,708,792	(841,324)	-18.5%	(927,198)	-20.0%
SEP	4,257,906	4,335,047	4,209,911	3,473,177	(861,870)	-19.9%	(736,734)	-17.5%
OCT	3,725,044	3,852,134	3,798,488	3,133,753	(718,381)	-18.6%	(664,735)	-17.5%
NOV	4,390,765	4,336,433	4,351,977	3,699,180	(637,253)	-14.7%	(652,797)	-15.0%
DEC	3,930,946	4,653,235	4,102,914	3,651,593	(1,001,641)	-21.5%	(451,321)	-11.0%
TOTAL	\$ 51,754,967	\$ 51,782,785	\$ 51,368,107					
YTD	\$ 51,754,967	\$ 51,782,785	\$ 51,368,107	\$ 46,254,182	\$ (5,528,604)	-10.7%	\$ (5,113,925)	-10.0%

2020 Deposits as % of Budget 90.0%

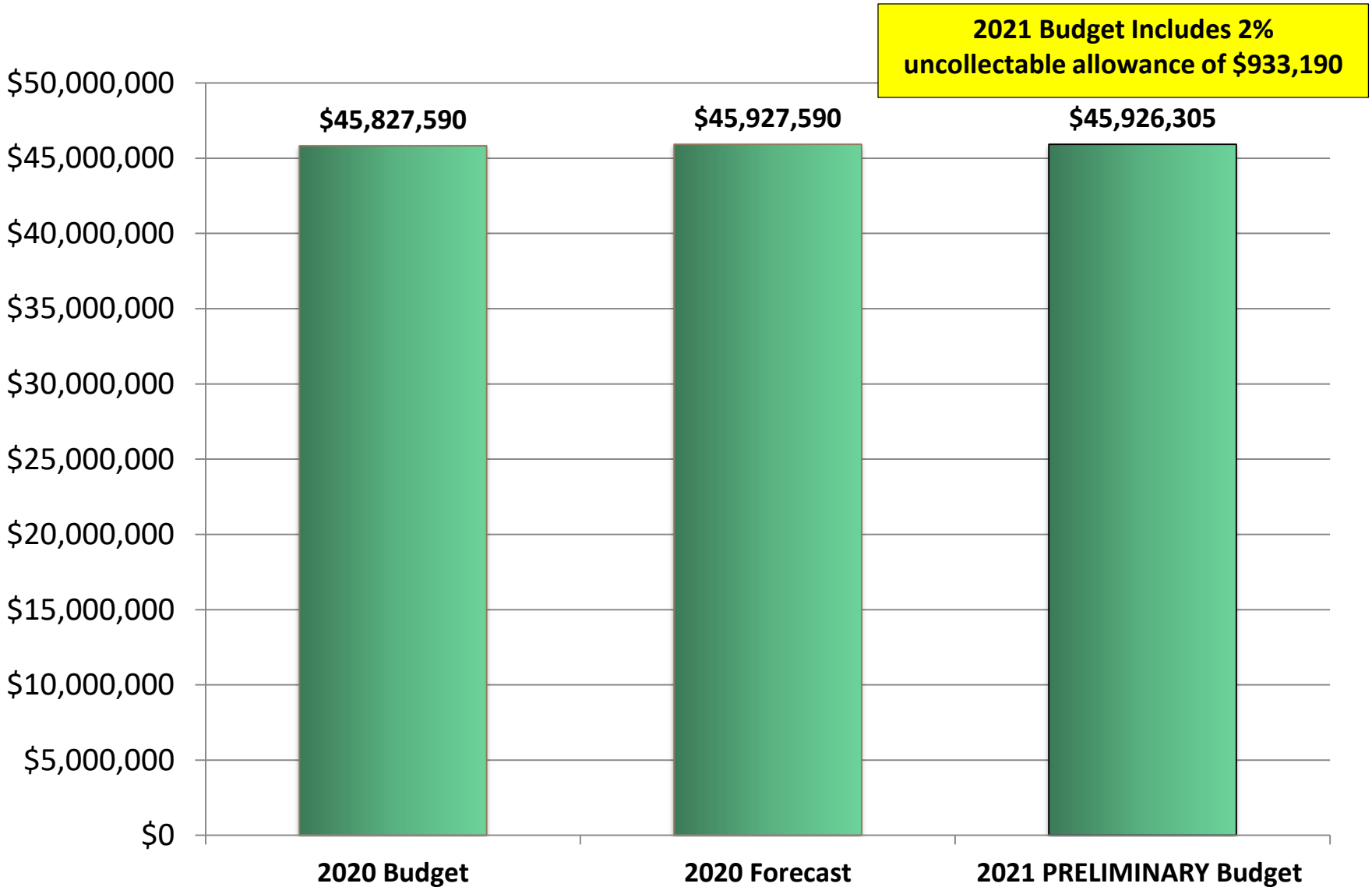
2020 SALES TAX REVENUE LOSS SCENARIOS, BUDGET ADJUSTMENT OPTIONS, AND IMPACT ON RESERVE BALANCES

	2020 Budget	10% Loss	11.2% Loss	15% Loss	20% Loss
Sales Tax Revenues (excludes EDZs 2 & 3)	\$51,368,107	(\$5,136,811)	(\$5,753,228)	(\$7,705,216)	(\$10,273,621)
Corresponding Regional Participation Agreement Payments	(1,745,842)	174,584	192,668	261,876	349,168
Net Sales Tax Revenue/(Loss)	49,622,265	(\$4,962,227)	(\$5,560,560)	(\$7,443,340)	(\$9,924,453)
Recreation, Aquatics and Events, net costs	2,254,783				
Additional Recreation Department expenses		(816,095)	(816,095)	(816,095)	(816,095)
Savings in Aquatics Department expenses		84,858	84,858	84,858	84,858
Savings in Special Events expenses		206,219	206,219	206,219	206,219
Additional Recreation expenses, net		(\$525,018)	(\$525,018)	(\$525,018)	(\$525,018)
OPTIONS TO COVER SHORTFALLS IN SALES TAX REVENUES AND ADD'L RECREATION EXPENSES (IN ORDER OF PRIORITY)					
2020 UNBUDGETED SOURCES OF FUNDS					
Unbudgeted revenue - Occidental Abatement Termination Agmt.		2,229,418	2,229,418	2,229,418	2,229,418
Unbudgeted Revenue - CCSA Streetscape		300,000	300,000	300,000	300,000
Unbudgeted Revenue - CCSA DSC		300,000	300,000	300,000	300,000
REDUCTIONS IN GENERAL FUND EXPENDITURES					
4.0% Reduction in General Fund Operating Expenses/Transfers <i>see list of recommended expense reductions</i>	2,950,750	3,215,284	3,215,284	3,215,284	3,215,284
Do not use General Fund revenues to pay for Capital Projects/defer projects or utilize Capital Replacement Reserve for high priority projects/ <i>see list of recommended deferrals</i>		796,468	796,468	1,882,888	1,882,888
UTILIZATION OF RESERVES					
Utilize Bond Redemption Reserve	1,859,757	-	-	40,768	1,859,757
Utilize Contingency Reserve	1,549,900	-	-	-	662,124
Utilize Sales Tax Reserve	2,500,000	-	-	-	-
Utilize \$2.0M in CCSA Capital Projects Reserve that had been set aside for FY 2022/2023 projects; fund during those budget years	4,000,000	-	-	-	-
Reduce annual allocation to Capital Replacement Reserve	5,250,000	-	-	-	-
Utilize monies pre-funded to Capital Replacement Reserve in anticipation of incorporation	2,000,000	-	-	-	-
Utilize monies pre-funded to Operating Reserve in anticipation of incorporation	2,000,000	-	-	-	-
Utilize Grogan's Mill Property Site Plan Reserve	5,003,311	-	-	-	-
Utilize Incorporation Reserve	15,405,467	-	-	-	-
Utilize Operating Reserve	19,567,268	-	-	-	-
SALES TAX REVENUE SURPLUS/(DEFICIT) AFTER ADJUSTMENTS		\$1,353,925	\$755,592	\$0	\$0
BALANCES IN SELECTED RESERVES AFTER ADJUSTMENTS					
	2020 Budget	10% Loss	11.2% Loss	15% Loss	20% Loss
Bond Redemption Reserve	1,859,757	1,859,757	1,859,757	1,818,989	-
Contingency Reserve	1,549,900	1,549,900	1,549,900	1,549,900	887,776
Sales Tax Reserve	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
CCSA Capital Projects Reserve	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Capital Replacement Reserve	29,438,882	29,438,882	29,438,882	29,438,882	29,438,882
Incorporation Pre-Funded Balance in Capital Replacement Reserve	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Incorporation Pre-Funded Balance in Operating Reserve	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Grogan's Mill Site Plan Reserve	5,195,467	5,195,467	5,195,467	5,195,467	5,195,467
Incorporation Reserve	15,405,467	15,405,467	15,405,467	15,405,467	15,405,467
Operating Reserve	19,567,268	19,567,268	19,567,268	19,567,268	19,567,268
TOTAL BALANCE IN SELECTED RESERVES AFTER ADJUSTMENTS	83,516,741	83,516,741	83,516,741	83,475,973	80,994,860

Sales Tax Revenue Projections



Property Tax Revenue



Uncertainty

Texas Comptroller News Release (July 20, 2020)

“There are substantial risks to this forecast both on the upside and downside. If the spread of the virus slows or stops sooner than anticipated, if consumers and businesses return to pre-pandemic levels of economic activity more readily than assumed, or if the federal government provides more aid, Texas may finish the 2020-21 biennium with more revenue than projected today. On the other hand, if COVID-19 case counts continue to increase or accelerate, if there is a substantial new wave or infections nationally or in Texas in the fall or winter, or if consumers and businesses are slower to resume economic activity than assumed, revenue collected this biennium could fall short, perhaps far short, of this updated forecast.”

UNCERTAINTY

Continuing Impacts of COVID-19
Pace of Economic Recovery

Maintain
Financial
Stability

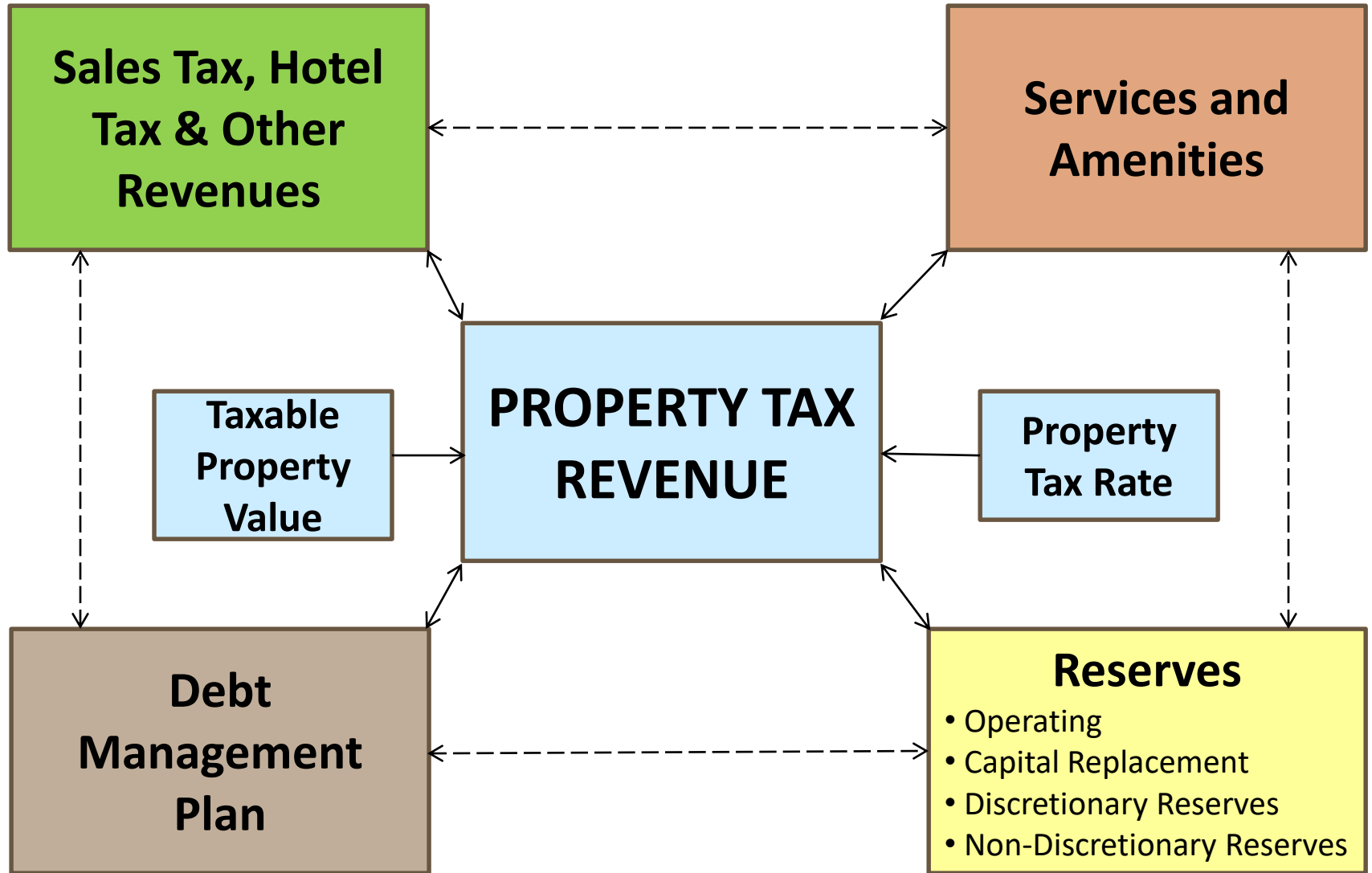
Avoid making *permanent* changes to successful service model due to *temporary* financial impacts of COVID-19

Continuation of
High-level Services

BUDGET FLEXIBILITY

Reduce expenses, but with minimal impact on service delivery.
Require additional Board approval in 2021 for certain expenses.
Defer lower priority capital projects to 2022 and beyond.
Make annual allocation to Capital Replacement Reserve and use as a temporary funding source if necessary.
Utilize other discretionary reserves if necessary.

Budget Factors



2021 Budget Summary

- Flat sales tax revenue growth
- 2% uncollectible property tax allowance
- CARES Act funding for transit programs

Revenues

- 5% decrease in consolidated expenditures
- Deferral of lower priority capital projects
- No unfunded liabilities
- Maintain current service levels

Expenses (Services & Amenities)

- Strong reserve balances – fully funded

Reserves

- Low debt balance

Debt Management



BALANCED BUDGET that provides **FINANCIAL STABILITY** and **BUDGET FLEXIBILITY** to manage the **UNCERTAIN** but **temporary** financial impacts of COVID-19 while continuing to provide **HIGH-LEVEL SERVICES** to the community.

Next Steps

- **July 30:** Board Meeting - Overview of 2021 Base Budget
- **August 3–7:** Budget Workshop Meetings (8:30 am – noon)
- **August 3:** receipt of certified tax roll
- **August 5:** receipt of no-new-revenue rate (effective rate) and voter-approval rate (rollback rate)
- **August 6 or 7:** Board votes on *proposed* tax rate

Next Steps

- **August 17:** *8:30 am – Special Board Meeting to adopt budget;
*9:00 am - Public Hearing ONLY IF proposed rate exceeds voter-approval rate (rollback rate)
- **August 20:** 6:00 pm - Adopt budget and tax rate at regular Board meeting ONLY IF proposed rate does not exceed the lower of the no-new-revenue rate (effective rate) or voter-approval rate (rollback rate)
- **August 26:** *5:00 pm - Public Hearing on tax rate ONLY IF proposed rate is higher than the no-new-revenue rate (effective rate) but lower than the voter-approval rate (rollback rate);
*6:00 pm - Adopt budget and tax rate at Regular Board Meeting