
FINANCE & PERSONNEL COMMITTEE MEMORANDUM

TO: CITY OF LA CROSSE FINANCE & PERSONNEL COMMITTEE

CC: MAYOR TIM KABAT

FROM: VALERIE FENSKE, DIRECTOR OF FINANCE & HUMAN RESOURCES

SUBJECT: 2021 FEE REDUCTION IMPACT (RE: RESOLUTION #20-0075)

DATE: JANUARY 25, 2021

This memorandum is intended to advise the City of La Crosse Finance & Personnel Committee, and subsequently, the Common Council of the City of the impact of fee reductions on the 2021 operating budget. Service or program reductions will need to be identified to accommodate revenue reductions.

Alcohol license revenues for 2020 (a year during which the economy and a fee reduction took place) are as follows:

<u>2020 Alcohol License Revenues a/c# 1000410-450000</u>	
Adopted Budget	\$ 153,472.00
Actual Revenues	<u>81,476.06</u>
Budget Shortfall	<u>\$ (71,995.94)</u>

The following table shows the budgetary impact of the proposed fee reductions in 2021:

<u>2021 Alcohol License Revenues a/c# 1000410-450000</u>	
Adopted Budget	\$ 126,900.00
Projected Revenue Reduction	<u>(83,130.00)</u> *effect of Resolution #21-0075
Net New Alcohol License Revenue Budget	<u>\$ 43,770.00</u>

The following table indicates the specific impact on each license type proposed for fee reduction:

Proposed Reductions per Resolution 21-0075				Adopted Budget	% Reduction	\$ Reduction
4-46; 4-110	Alcohol Beverage Operator's license fee: Two-year period	2020 <u>2021</u>	\$50.00 <u>\$25.00</u>	\$30,000	50%	\$ (15,000)
4-73	Intoxicating liquor license fees: "Class B"	2020 <u>2021</u>	\$500.00 <u>\$50.00</u>	\$75,000	90%	\$ (67,500)
4-46; 4-110	Fermented malt beverage license fee: Class "B" beer	2020 <u>2021</u>	\$100.00 <u>\$10.00</u>	\$ 700	90%	\$ (630)

Responses to CM Kahlow's questions to the Clerk's office – provided via email January 11, 2021

How did that affect the budget which was already set the previous year?

It reduced revenues both by lowering the revenue actuals (coming in under budget).

Below is a snapshot showing the revenue losses in 2020 due to the economy and reducing/refunding fees.

ALCOHOL LICENSE

1000410-450000-

ACCOUNT SEGMENTS MONTHLY DATA BUDGET ROLLUP CURRENT

> Account Totals

	2020	2019	2018
Original Estimate	-153,472.00	-156,022.00	-156,878.00
Transfers	0.00	0.00	0.00
Revised Estimate	-153,472.00	-156,022.00	-156,878.00
Actual Revenue	-81,476.06	-149,027.18	-153,065.07
Encumbrances	0.00	0.00	0.00
Requisitions	0.00	0.00	0.00
Remaining Revenue	-71,995.94	-6,994.82	-3,812.93
Percent Collected	53 %	96 %	98 %

If the council requests to change the fee schedule again for 2021, would this not look the same as last year?

Yes

Where might those funds come from?

We would need to cut expense budgets somewhere in the general fund.

Where did they come from in 2020?

Funds came from cuts to department budgets within the general fund – we did not have the ability to find revenues elsewhere or to “recalculate for additional levy” to compensate for lost revenue sources so had to cut expense budgets.

Secondly, if the council would ask to refund those who were unaware they needed to specifically request a refund for 2020, how might that be accomplished? Where would the funds be balanced?

We do not have a funding source for that. We would need to cut expenses by reducing supplies, cutting services or programs somewhere within the General Fund.

Any funds available?

There are no funds that are not allocated for a specific purpose – we build the expense budget around projected revenues and levy taxes for the difference.

Additionally, I recall a street project several months ago that came in quite a bit under budget and the council reallocated a small amount of those dollars to another need. Are you able to explain where those extra dollars are currently and can they be used for other city projects? I can find the exact resolution if necessary for you.

If this is in relation to the license revenue and looking for a funding source to issue refunds – there are specific restrictions on borrowed capital bonding or debt – under no circumstances can they be used for operating purposes – the levy is used to fund revenue subsidies or expenditure needs. If this is not in relation to license revenues but to a capital project – then yes, they can be reallocated to other projects but only within the specific categories they were borrowed for – streets for streets, parks for parks, etc. Borrowed capital funds for parks cannot be used for streets and vice versa. Any project budgets that are unused for a specific project are housed in an account in the Capital Project Funds called Available Appropriation – these remain separated by project type (Parks, Streets, etc.). That is the first place we turn to for funding the next CIP cycle of projects so as to not borrow additional funds when we have unspent funds that were previously borrowed for. Or it is used for projects going over budget or for unplanned capital projects.

To the both of you, can either/ both give me a report on how many liquor licenses are in use.

As of 1-11-2021, there are the following number of licenses issued for each class where fees were previously reduced

(Class B licenses only):

134 Combination Class B

3 Class B Winery

16 Class B Beer

1,314 active beverage operator licenses: 788 expiring in 2021 and 526 expiring in 2022.

How many paid the full amount in 2020, number of licensees that paid reduced fee, and how many requested the refund?

It was only Class B licenses and bartenders that were offered reduced fees

Combination Class B Beer

- 54 paid reduced fee of \$60
- 90 paid full fee of \$600
- 23 refunds in the amount of \$540

Class B Beer

- 5 paid reduced fee of \$10
- 8 paid full fee of \$100
- No refunds

Class B Winery

- 1 paid full fee of \$500
- No refund

Bartenders - This is a little trickier to determine exact numbers, below is an approximate.

- 130 paid full fee of \$50
- 390 paid reduced fee of \$25
- 23 Refunds in the amount of \$25

Then in the end, how did this affect the entire budget for 2020?

It affected the 2020 budget in a negative fashion – resulting in cuts to expenditures. When revenues come up short and we are aware with enough time to react we would make department expenditure cuts. If it's late in the year without enough time to react then revenue shortfalls would impact fund balance. The city is not currently meeting its fund balance policy and to impact fund balance in a negative fashion has farther reaching implications – most specifically bond ratings.