



Friday, June 5, 2020

Voluntary Event Notice

Update on COVID-19

Filed in conjunction with Event 15 for \$10M emergency use line of credit

This voluntary disclosure made by the City of Foley (City) contains information regarding the Coronavirus (COVID-19) pandemic, the City's response to the pandemic and the potential impact of the pandemic on the City's operating and financial condition.

This is a voluntary disclosure that reflects events and conditions reasonably believed by management of the City to exist at the date of this notice. Although the City may provide additional information from time to time regarding this voluntary disclosure, it is not required to do so.

The COVID-19 Pandemic

On March 13, 2020, the governor of Alabama declared a state of emergency as a result of the COVID-19 pandemic. On March 19, 2020, the governor closed all public beaches, daycares, and prohibited on site consumption of food or beverages at restaurants or bars. On April 3, 2020, the governor of Alabama issued a stay at home order for the entire state effective April 4th through April 30th. This order closed all non-essential retail and urged residents to only leave their homes when essential. Then, on April 28, 2020, the governor issued a Safer at Home order through May 15th allowing beaches, retail stores, small daycares, and others to open as long as they reduced capacity to comply with social distancing and increased sanitation efforts. Subsequently, an Amended Safer at Home order went into effect on May 11th encouraging individuals to stay at home and removing the 10 person limit on non-work gatherings and no limit gatherings at beaches subject to social distancing practices. The Amended order also allows restaurants, bars, breweries, athletic facilities and close-contact service providers to open subject to social distancing and sanitation rules and guidelines. On May 21, 2020, the Governor issued an amended order that included an expanded list of items to reopen effective May, 22, 2020 through July 3, 2020, that affected entertainment venues, athletic activities, educational institutions, child day care facilities and summer camps.

The City's Response to the COVID-19 Pandemic

The City developed a Pandemic Continuity of Operations Plan (COOP) as part of its Emergency Management Plan. On March 16, 2020, the COOP was adopted by Council Resolution 20-1096, as was Resolution 20-1097 that gave emergency powers to the Mayor. The purpose of these actions was to give the Mayor authority to initiate actions or decisions in the event of a pandemic and to provide guidance on maintaining essential functions during a pandemic outbreak. That same day, the Mayor issued a press release that began the implementation of emergency measures such as the closure of certain buildings and cancelation of events.

Also in conjunction with its Emergency Management Plan, the City determined it was prudent to secure an Emergency Line of Credit (LOC) to be used only in the event of an emergency, such as a natural disaster or health pandemic. On May 4, 2020, the City Council approved a three year \$10 million LOC with a local bank. This LOC closed on June 3, 2020 and was filed as an Event 15 filing on the same date as this Voluntary Event Notice.

On May 4, 2020, the City Council adopted Resolution 20-1116 Implementing Spending Reduction Measures. Directors were instructed to engage in the active reduction of non-essential operational expenses, capital equipment purchases were frozen, and capital projects not currently under construction and not funded by grants or other funding sources were frozen. Should a capital equipment purchase be deemed detrimental to provide essential services, or should a capital project arise that is detrimental to public health and/or safety, they may be brought before Council for consideration. Also, new personnel positions and replacement hiring's were frozen, except those currently in progress.

Impact of the COVID-19 pandemic

In recent years the City's goal has been a balanced annual budget, meaning revenues sufficient to meet expenditures, debt service payments and transfers to other funds. The FY2020 budget was designed to increase fund balance reserves, the fruit of several years of investing in sustainability through economic development, and resulted in an increase in reserves of \$3.6M. The goal was to continue to build as much in reserves as possible to help fund a \$41.4M ten year roadway system plan for local traffic relief, approximately \$7-10M for future expansion of public facilities to accommodate a growing workforce and citizen base, and \$4-6M per year in other capital improvement projects.

As a result of COVID-19, in March management began an in-depth analysis of potential revenue losses and non-essential expenses that could be reduced or delayed. Revenue losses are estimated to be around \$6 million and the primary sources are sales and lodgings tax. Although, as of this day, April and May collections were \$604,638 higher than anticipated. In response, \$1.4 million of non-essential capital projects and \$240 thousand of non-essential capital purchases are being delayed. None of the reductions include lay off or furlough of any permanent employees. The analysis will be updated monthly and should the situation become worse than expected, approximately \$500k of additional operating expenditure can be reduced without cutting essential services or laying off permanent employees. In addition, the roadway system plan, public facilities expansions, and other non-essential capital improvement projects can be further delayed. After the completion of the analysis, we believe that we will not meet the originally budgeted \$3.6M reserve increase, but will end the year with a balanced budget.

The City has a minimum unrestricted fund balance goal in the general fund equal to 25 percent of the originally budgeted operating expenditures and debt service obligations, less one time expenditures greater than \$500,000 and expenditures that are offset by transfers in or other financing sources. At the end of FY19, the City's required minimum fund balance was \$9,633,772 and the actual unrestricted fund balance of \$13,876,515 exceeded the minimum by \$4,242,743. Based on the current projections, there is no need to use reserve funds or draw on the emergency LOC at this time. Should a significant weather event occur or the economy worsen due to COVID-19, the City will be well positioned financially.

On May 28th, the City was appropriated \$798,784 from the CARES Act Coronavirus Relief fund for state and local governments to cover eligible expenses. On May 18th, Council approved application for Public Works Economic Adjustment Assistance from the Economic Development Administration, CARES Act Recovery Assistance, and the yet to be determined project will be funded at 80-100%. The Alabama Dept. of Economic and Community Affairs was recently awarded \$9M from the Bureau of Justice Assistance that we expect to be converted to grants for law enforcement agencies. We are also hopeful that the City will be able to recover lost revenues in some avenue of the CARES Act Funding.

This information is subject to change without notice. This Voluntary Event Notice only speaks as of its date and does not imply there has been no change in any other information relating to the City or its financial condition or performance of any of its outstanding bonds. Nothing contained herein is, or should be construed as, a representation by the City that the included information constitutes all information that may be material to a decision to invest in, hold or dispose of any securities issued by, or otherwise related to, the City.

CITY OF FOLEY, ALABAMA