

Keeping Resort Towns Afloat: Managing Revenue Shortages and Tourism Messaging During COVID-19

COVID-19 Webinar Series

May 12, 2020

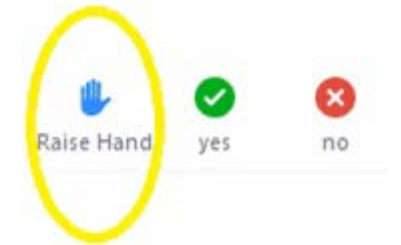
Speakers & Agenda

Jim Lewis
City Manager
Pismo Beach

Chris Freeland
City Manager
Indian Wells

Two Options to Join the Discussion

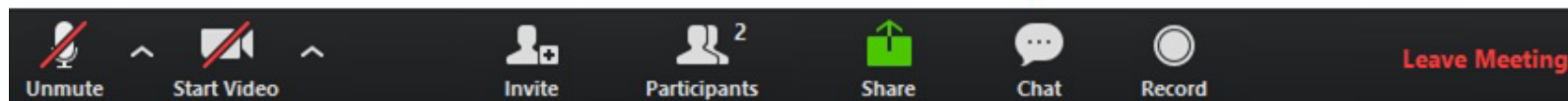
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2. For written questions – select the chat icon in your Zoom window. Send questions to Meghan McKelvey.





Keeping Resort Towns Afloat

Managing Revenue Shortages
and Tourism During COVID-19

Presented By
Christopher Freeland
Indian Wells City Manager



In this session we will:

- Provide reflections about the revenue losses being faced by resort communities during the pandemic and strategies for dealing with these losses. Including ...
 - Financial Impacts: Cost reduction strategies and use of reserves
 - Forecasts for the summer
 - Messaging to tourists during the crisis
 - Managing tourists who are traveling regardless of Stay at Home orders



Financial Impacts of COVID-19



Financial Impacts from COVID-19

- Closure of 5 City hotels
- Cancellation of 2020 BNP Paribas Open Tennis Tournament
- Closure of Indian Wells Golf Resort (owned by the city)
- Overall loss of tourism due to Shelter-in-Place



Financial Losses from COVID-19

City - Revenue Impacts

Transient Occupancy Tax FY 2020	\$ 4,100,000
Transient Occupancy Tax FY 2021	\$ 1,200,000
Admissions Tax	\$ 3,350,000
General Sales Tax	\$ 480,000
Interest Income (for FY 2021 only)	\$ 440,000
Current services charges	\$ 90,000
State & County Tax (HUTA and RMRA)	\$ 68,000
License and Permit Fees	\$ 50,000
Total City Impact	<u>\$ 9,778,000</u>

IWGR

IWGR Operations	\$ 1,333,488
Total City and IWGR Impact	<u>\$ 11,111,488</u>



How Our City Prepared

- **City Council began preparing us for tough fiscal times years ago**
 - Since 2012: Comprehensive Cash Reserve Policy
 - Save nearly \$2.0 million annually
 - Nearly \$40 million in total reserves
 - Since 2016: Improving City's Fiscal Health
 - Medical billing program
 - Increasing the Hotel Tax rate
 - Citywide Fee Study



Moving Forward



- Cost Savings Plan and Deferrals
 - Planning for updates and re-forecasts
- **City communication is essential**

Cost Savings Plan

- City staff has identified the cost savings and deferral opportunities needed to maintain positive cash flow through June 30, 2021
- Deliberately greater than current fiscal impact to serve as “financial hedge” against the unknown



Savings Opportunities

Saving Reductions

Expenditure Reductions	\$	871,829
IWGR Amenity fee FY 2020 savings	\$	600,000
Total Expenditure Reductions	\$	1,471,829

Cash Flow Savings and one-time Revenues

Estimated General Fund: FY 2020 Surplus	\$	2,781,036
Estimated General Fund: FY 2021 Surplus	\$	2,780,327
Estimated IWGR: FY 2021 Surplus	\$	507,822
Club Drive - Sale of Property	\$	630,000
Transportation and Sale of backfill	\$	360,000
Total Cash Flow Savings	\$	7,059,185



Expenditure Deferral Opportunities



Delay Eisenhower contribution	\$ 2,000,000
Reprioritize capital projects	\$ 985,000
Delay of Drainage Master Plan	\$ 187,500
Delay of Pavement conditions assessment	\$ 103,500
Delay Living Desert Capital Contribution	\$ 100,000
Total Savings or Deferrals	<u>\$ 3,376,000</u>
Total Savings	<u>\$ 11,907,014</u>
Projected two year cashflow/ (loss)	<u><u>\$ 795,526</u></u>

IW Tourism Update of COVID-19



Regional Impact



- Tourism is #1 industry in the region, responsible for 1 out of every 5 jobs over 53,000 tourism employees
- Hospitality Workforce Relief Fund – Provided \$200 in immediate economic relief. Goal to raise \$20,000 for impacted workers.
- California economic loss is 72B and over 600,000 tourism jobs.

Strategic Approach based on Conditions and Consumer Sentiment

Phase 1 (March/April) – Pause

- ‘Pause Now. Play Later.’ for consumers and “Pause Now. Meet Later.” for meeting professionals as messaging
- Resource and providing education to the community with Coronavirus Resource pages for partners and consumers.
- Connection residents with resources through campaigns such as “Stay In. Take Out.”, “Greater Together”, “Seniors First”, and “Stay in Place”



Phase 2 (May) – Inspire

- Staying connected virtually with consumers
- Oasis at Home: virtual experiences
- Safer Together Destination Pledge
- Hotel task force with strategy and guidelines for re-opening



Phase 3 (June – September) – Activate

- “Long Live SUN Days” messaging
- Consumer travel sentiment
- Region positioning
- Call to action messaging to the drive market
- Important to have clear health and safety measures in place for all visitors
- Air travel is expected to take longer to recover





Thank You!

Keeping Resort Towns Afloat During Covid-19

CITY OF PISMO BEACH

JAMES R. LEWIS, CITY MANAGER

MAY 12, 2020



About the City of Pismo Beach

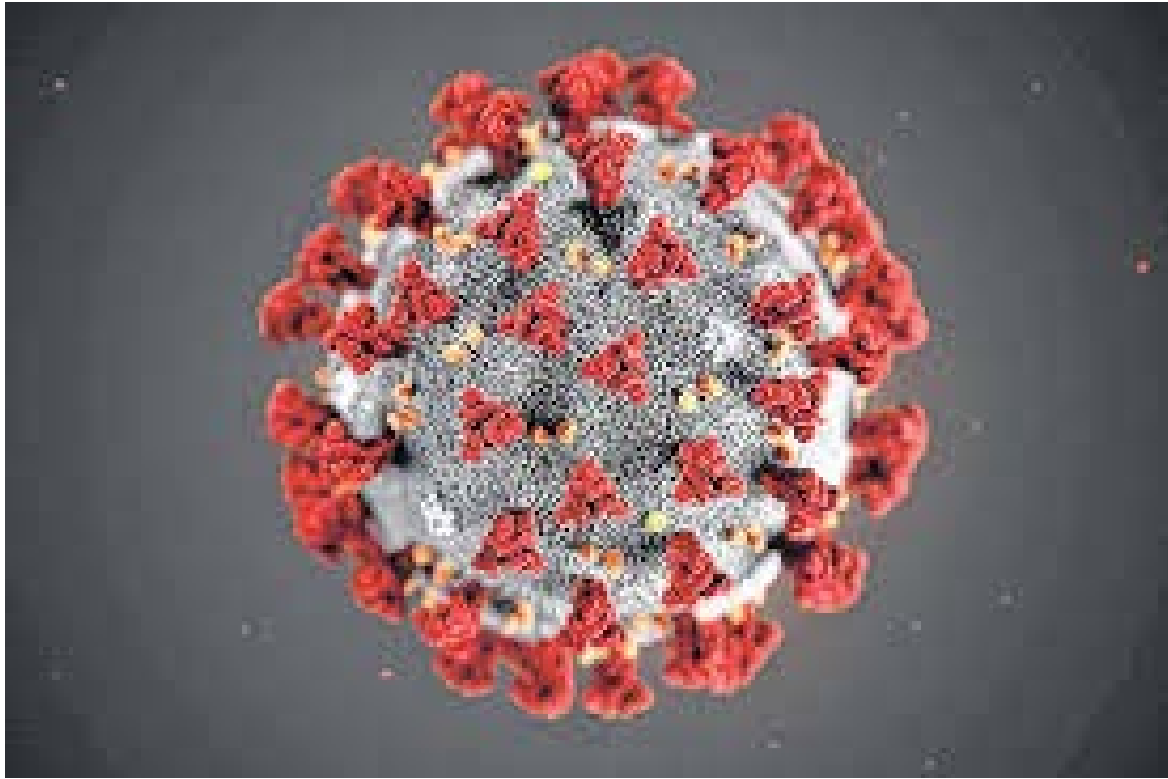
- 88 full-time employees, approximately 60 part-time.
- Full-service City (Police, Water, Wastewater Treatment, Engineering, Planning, Recreation, CVB).
- Located in the central coast of California, equidistant to LA and SF, the beach for the central valley.
- General Fund operating budget of \$26 million, \$47 million for all funds.
- Roughly 65% of our GF revenue comes from tourism.





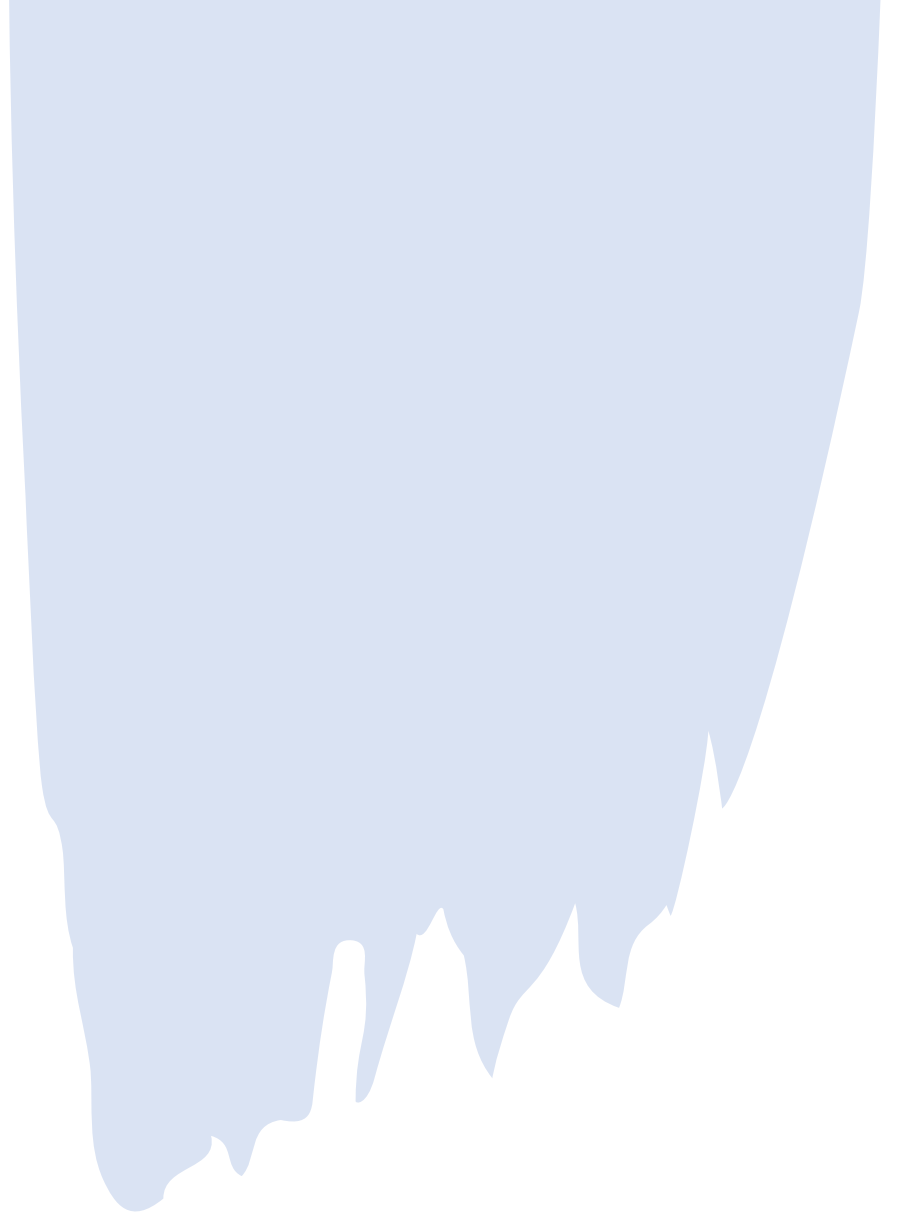






Oh No... Now What?

MANAGING FINANCES WHEN THE
BOTTOM FALLS OUT...



Current Fiscal Year

FY 2020



General Fund Projection FY 2020

	A	B	C	D = C - B
	FY 2019	FY 2020	FY 2020	Variance
(\$ thousands)	Actuals	Revised Budget	Year-End Projected Actuals	(Actuals-Budget)
Unassigned Fund Balance	\$ 7,106	\$ 6,642	\$ 6,642	\$ -
Committed Fund Balance	5,724	7,569	7,569	-
a Beginning Fund Balance	12,829	14,210	14,210	-
b Operating Revenues	23,677	24,976	20,789	(4,187)
c Operating Expenditures	20,016	22,649	21,230	(1,419)
d = b - c Net Operating Surplus/(Deficit)	3,661	2,327	(442)	(2,769)
e One-time Revenues	460	618	75	(544)
f One-time/Capital Expenditures	2,576	11,277	10,254	(1,023)
g = a+d+e-f Ending Fund Balance	\$ 14,374	\$ 5,879	\$ 3,590	\$ (2,289)
Unassigned Fund Balance	\$ 3,647	\$ 2,879	\$ 567	\$ (2,312)
Committed Fund Balance	7,569	-	1,023	1,023
Contribution to Reserves	158	-	-	-
Budget Stabilization Set-Aside	2,000	2,000	2,000	-
CalPERS Pre-Payment Set-Aside	1,000	1,000	-	(1,000)

17% loss in Operating Revenues

Reduced operating expenditures by 6%

Use CalPERS Prepayment Set-Aside \$1.0 M

Preserves \$2.0 M Budget Stabilization Set-Aside and GF Reserves for Future



Creating a Culture of Frugality

- Every dollar counts during severe financial distress.
- Being frugal is more important now than ever.
- No sacred cows, all programs and areas are considered.
- Publicly acknowledge employees in the organization who find ways to cut cost in responsible and constructive ways.
- Goal is to be prepared for next upturn in economy.

Focus – Look for Value & Results

- Crisis is “game-changing” – use non-traditional fixes:
 - remote working (formerly only allowed for certain management staff – now a necessity),
 - electronic processes (reinforces efforts on paperless improvements – Accounts Payable, Purchase Orders, Payroll via email, Contracts, Public Outreach through website and social media)
- Look for value and emphasize Results – (i.e. improving public health) – don’t cut things that prevent City from achieving results or prevent taking advantage of upturn in economy
- Expenditure reductions should consider long-term implications

Ensure a Balanced Budget this Fiscal Year and into the Future

- Review and reduce low-hanging fruit – no travel costs, reduced fuel costs, supplies, offset event costs, utilities, etc.
- Review monthly cash flow to ensure operations
- Create revenue scenarios (pessimistic, realistic, optimistic)
- Create expenditure scenarios (no changes, expenditure reductions)
- Expenditure reductions should consider long-term implications
- Freeze projects or Prioritize projects that provide benefit now and in the near future (i.e., some street project costs may be cheaper with reduced traffic)

Determine Realistic Revenue Projections

- Typically in economic downturns, actual revenues are worse than expected and in economic growth, revenues are better than expected
- City of Pismo Beach – reduced revenues by \$5.2 M across all funds, a 7% loss in 1 quarter.
- Focus on key revenues – work with business community, consultants, etc to determine revenue projection
- Determine decrease in fee-for-service revenues as services decrease

Reduce Non-Priority Expenditures


- Completed projects \$73K
- Personnel cost savings – salary savings, temporary worker savings \$567K
- Delayed projects – delay non-priority projects \$1.0M
- Operational savings due to reduced services, reducing consultant work and doing things in house \$1.2M
- Other things to consider:
 - Delay or cancel noncritical purchases or contracts.
 - Cut back on office equipment
 - Cut back on non-essential travel & meeting costs
 - Delay vehicle replacement
 - Look at technology (including necessary training) for labor-saving cost savings

Maintained/Increased Priority Expenditures

- Maintained full Police and Technology Budgets
- Technology Budget increased to purchase equipment to move to virtual workforce and provide more transparency to public

Continued Monitoring of Activity

- Continue to Monitor Revenues and Expenditures in all funds at least monthly or key times to ensure receipt and manage timing
- Cash flow monitoring
- Create purchasing controls
- Investments are being called due to lower rates – re-invest only if can maintain cash flow – these are lower rates

- 
- Employees
 - Increase communication during remote working through video and chat
 - Outlook, texts, trained staff on Microsoft Teams (chat, virtual meetings, sharing files), Zoom meetings, Microsoft Planner
 - Use these tools to enforce Culture of Frugality and Teamwork
 - External
 - Weekly Business Calls
 - Update Emails and Forward Relevant Info
 - Development of Recovery Plans and Safe Operations
 - Personal calls with lodging owners and General Managers
 - BE RESPONSIVE

Next Fiscal Year and Beyond

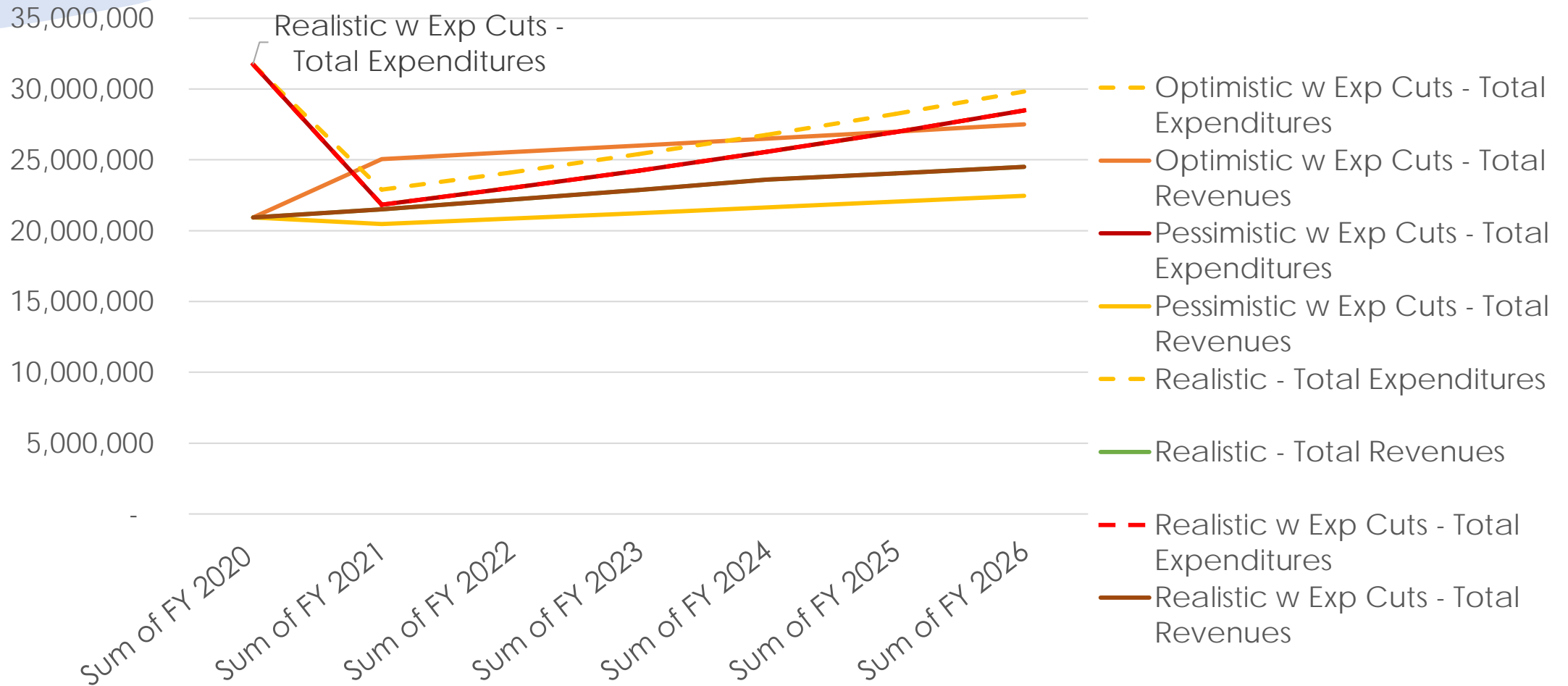
FY 2021-FY 2026



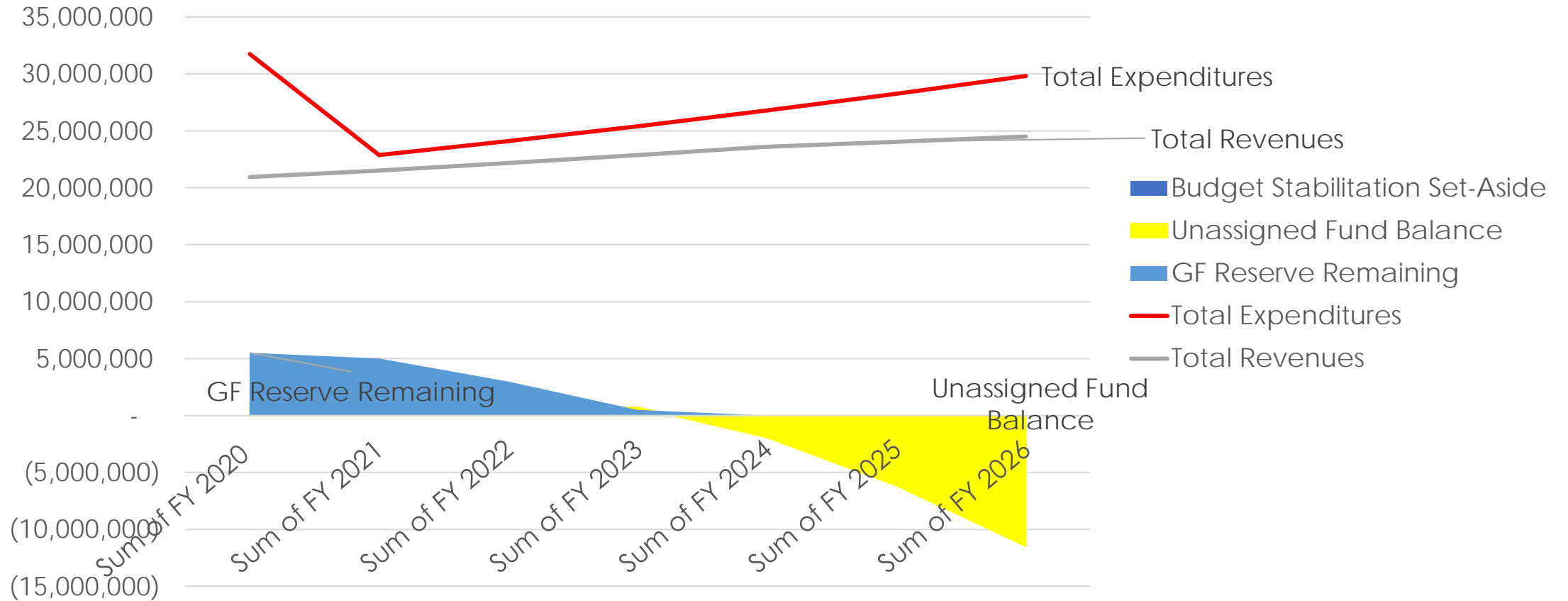
City of Pismo Beach General Fund Reserves

Reserve	Amount (\$ thousands)
General Fund 25% Reserve	\$5,613,000
City Building Reserve	500,000
Risk Management Reserve	250,000
Total Reserves	\$6,363,000
Budget Stabilization Set-Aside	\$2,000,000
CalPERS Prepayment Set-Aside	\$1,000,000
Total Reserves & Set-Asides	\$9,363,000

Revenue and Expenditure Scenarios



Example: General Fund Outlook – Realistic Scenario

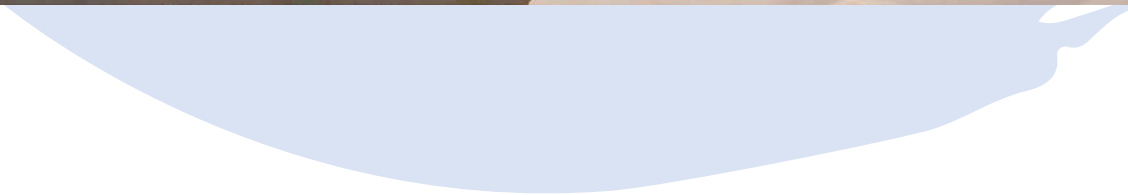


Creating Benchmarks and Actionable Plan

- Data driven benchmarks
- Results Oriented Actionable Plan
- Ensure Dept Heads Manage their Budget
- For example:
 - If revenues do not meet this target \$xxxx by June 30, then will need to reduce expenditures by \$xxxx while still focusing on public health and safety (Police and technology costs prioritized for these efforts vs % across all Depts)
 - If revenues exceed target by \$xxx, put back in Reserve



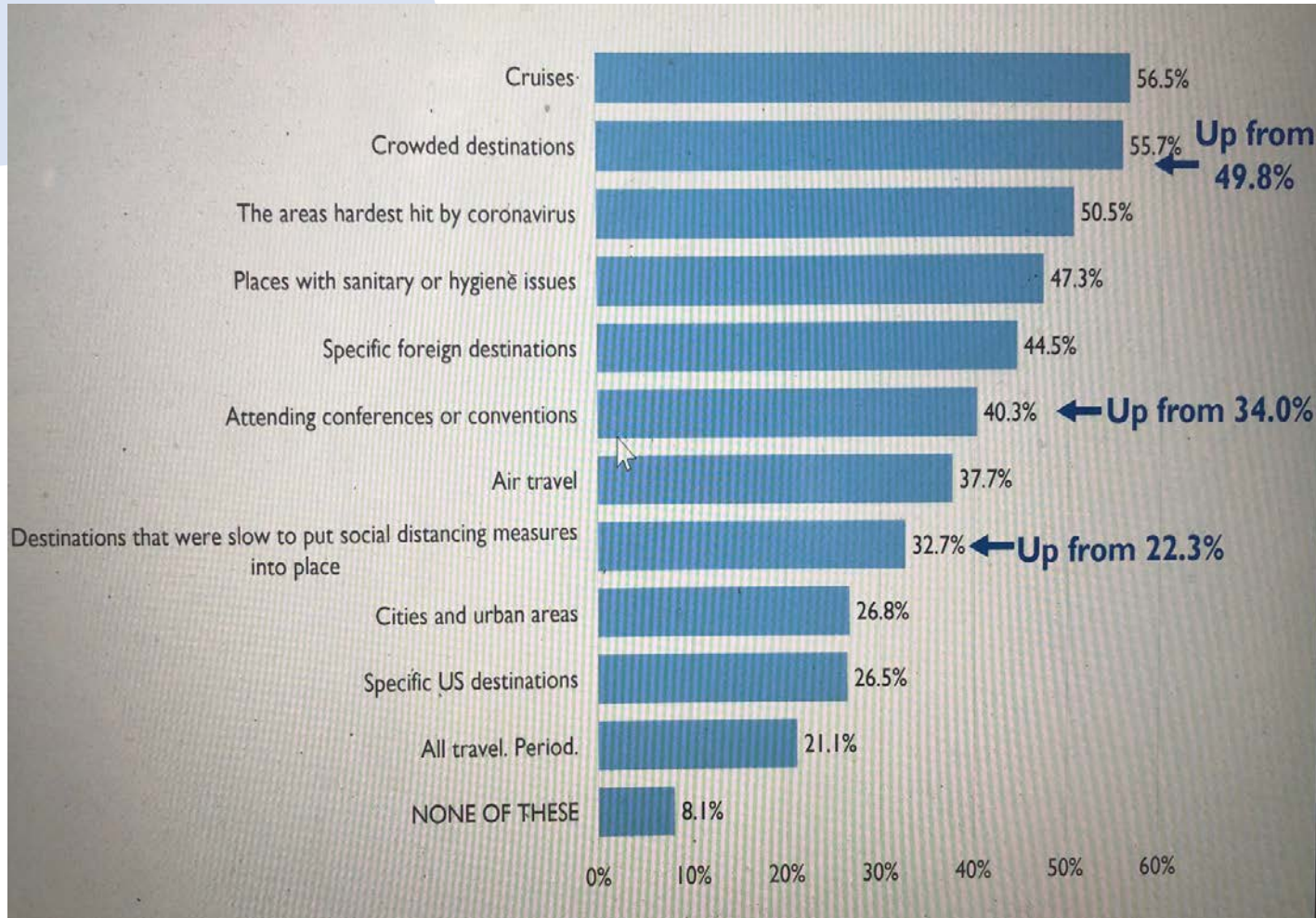
Pismo Beach covid-19
Recovery Plan



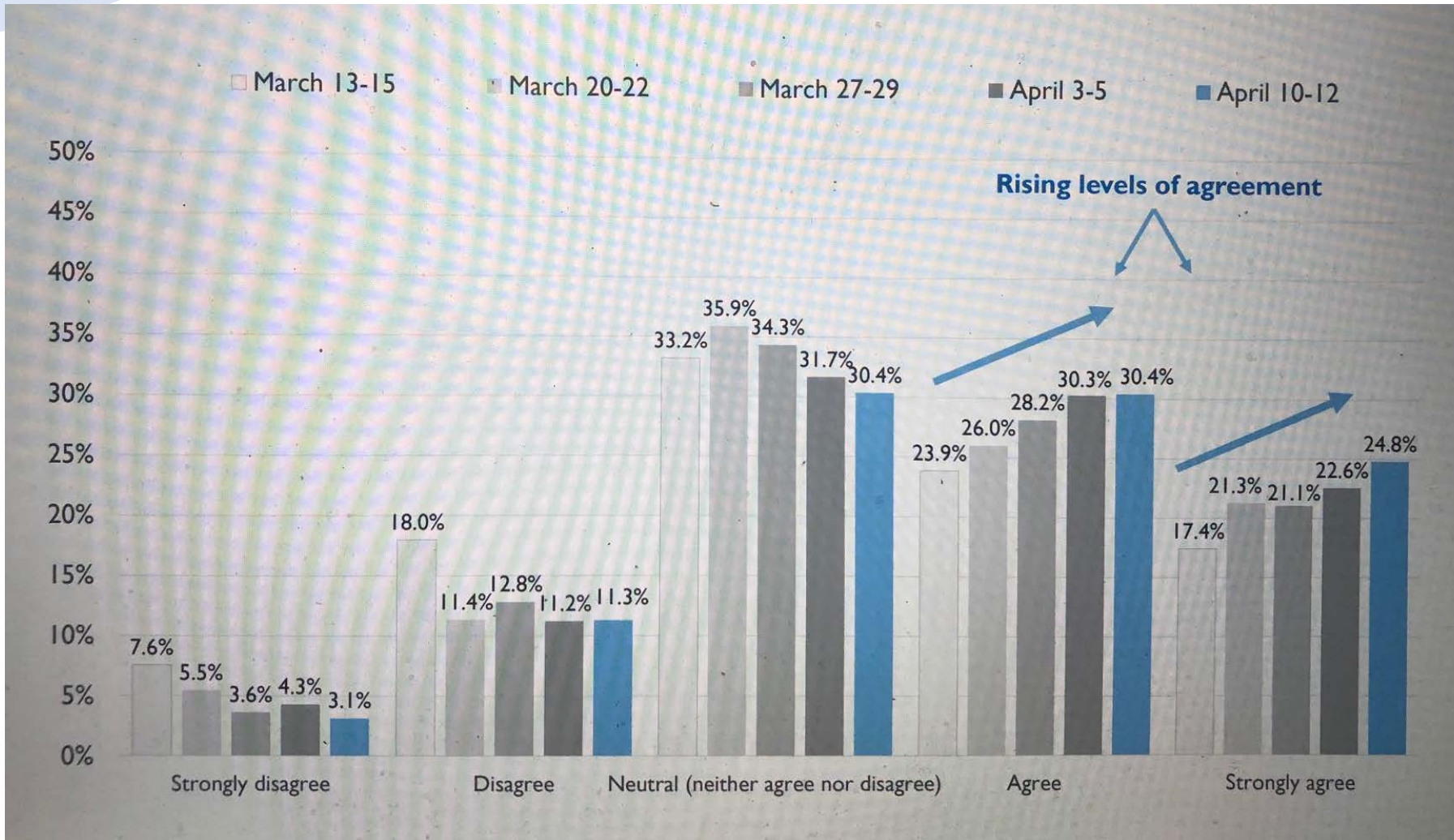
RECOVERY PLAN – THE DRIVE IS ON FOR PISMO BEACH

Since many travelers will seek to avoid air travel in the weeks and months ahead, we will focus on road trippers and drive markets, providing travelers with the inspiration and information they need to embark on a road trip to Pismo Beach. Focusing on these audiences in drive markets, we will shift our social media messaging to focus on Road Trip verbiage and easy drive accessibility. We will continue to promote solo and family travel, wide open spaces, wellness activities, and preserves/sanctuaries, as visitors are initially going to want to stay away from large group gatherings.

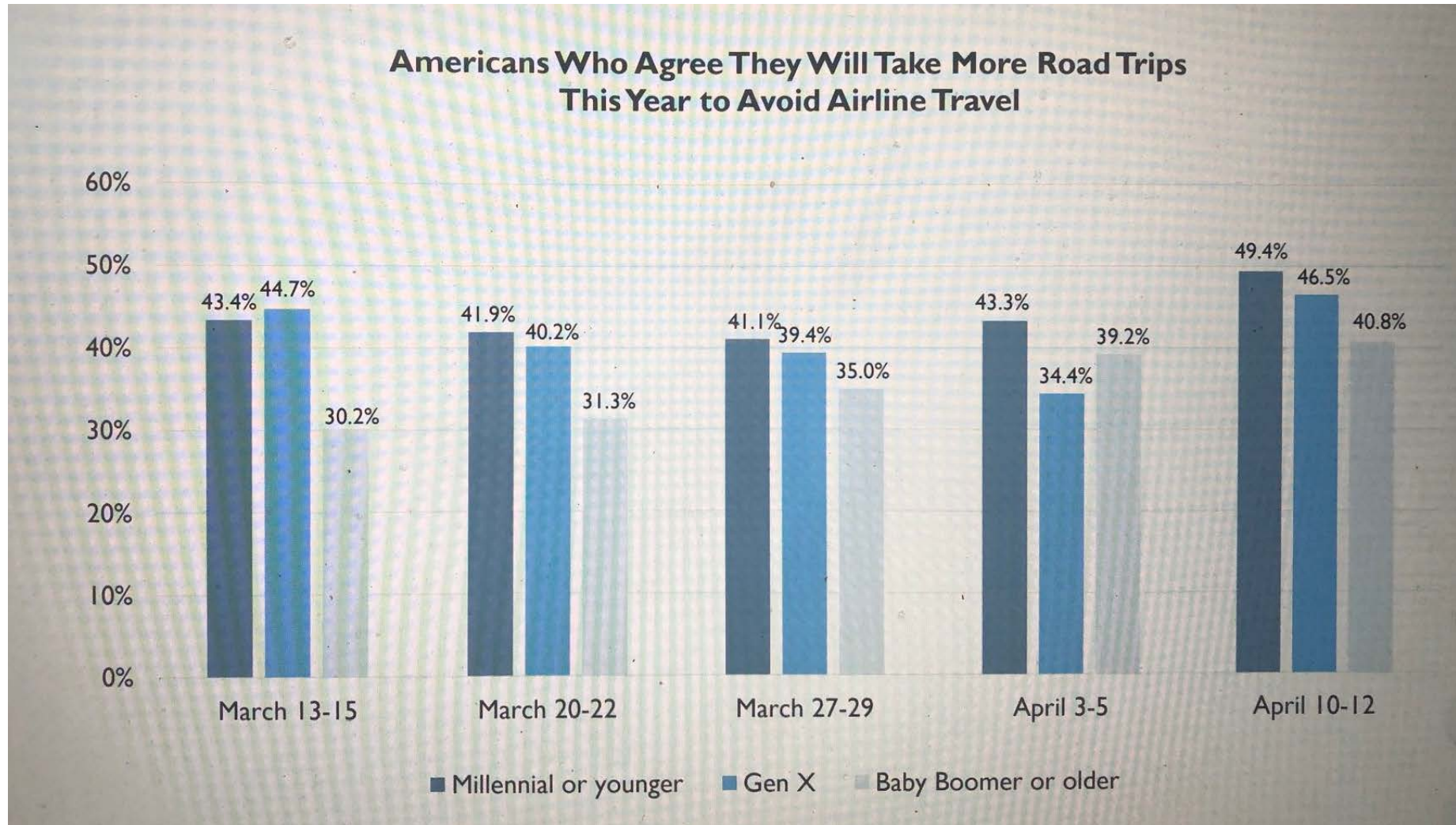
Travel Trends- Avoiding...



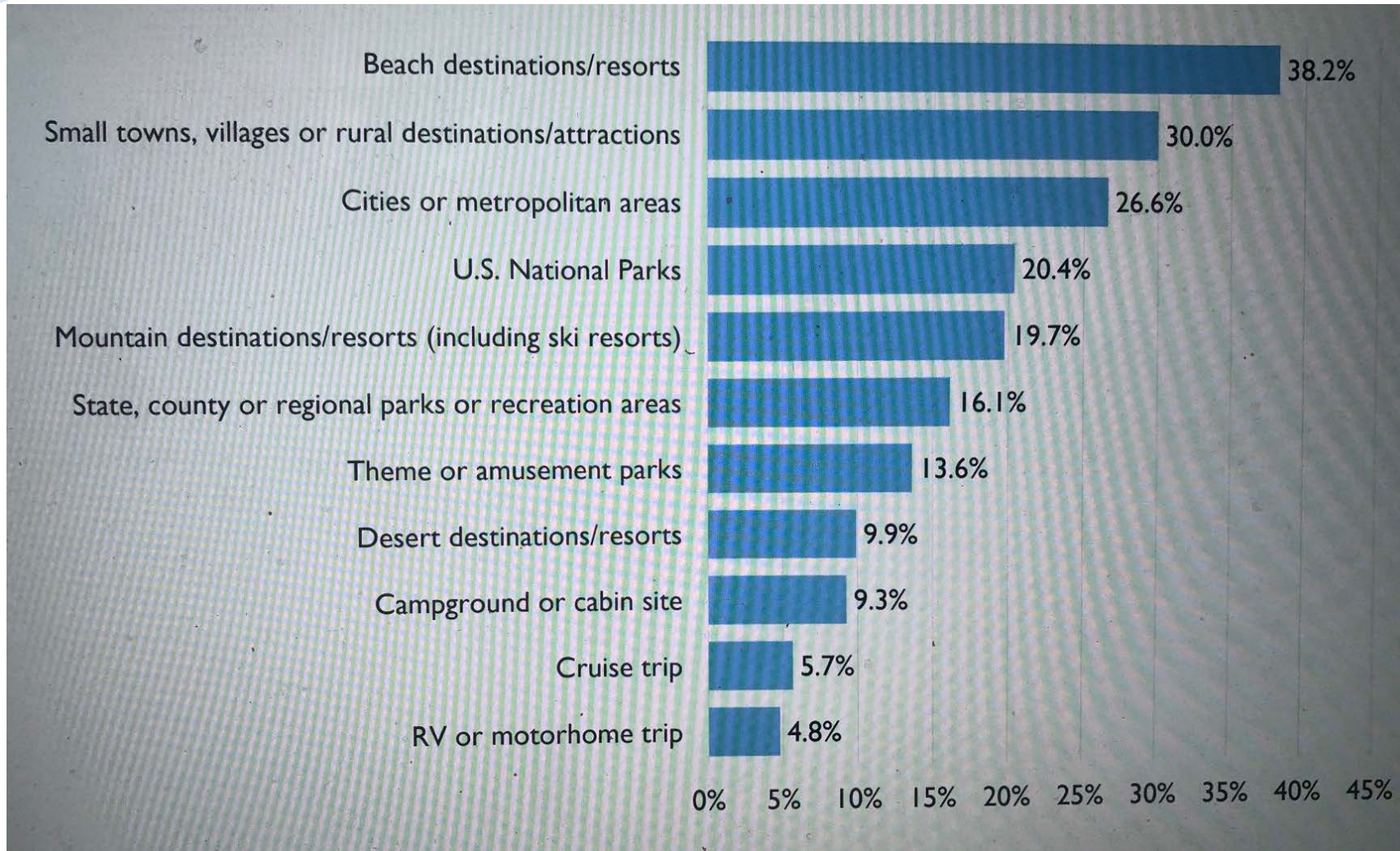
Travel Trends- Replacements



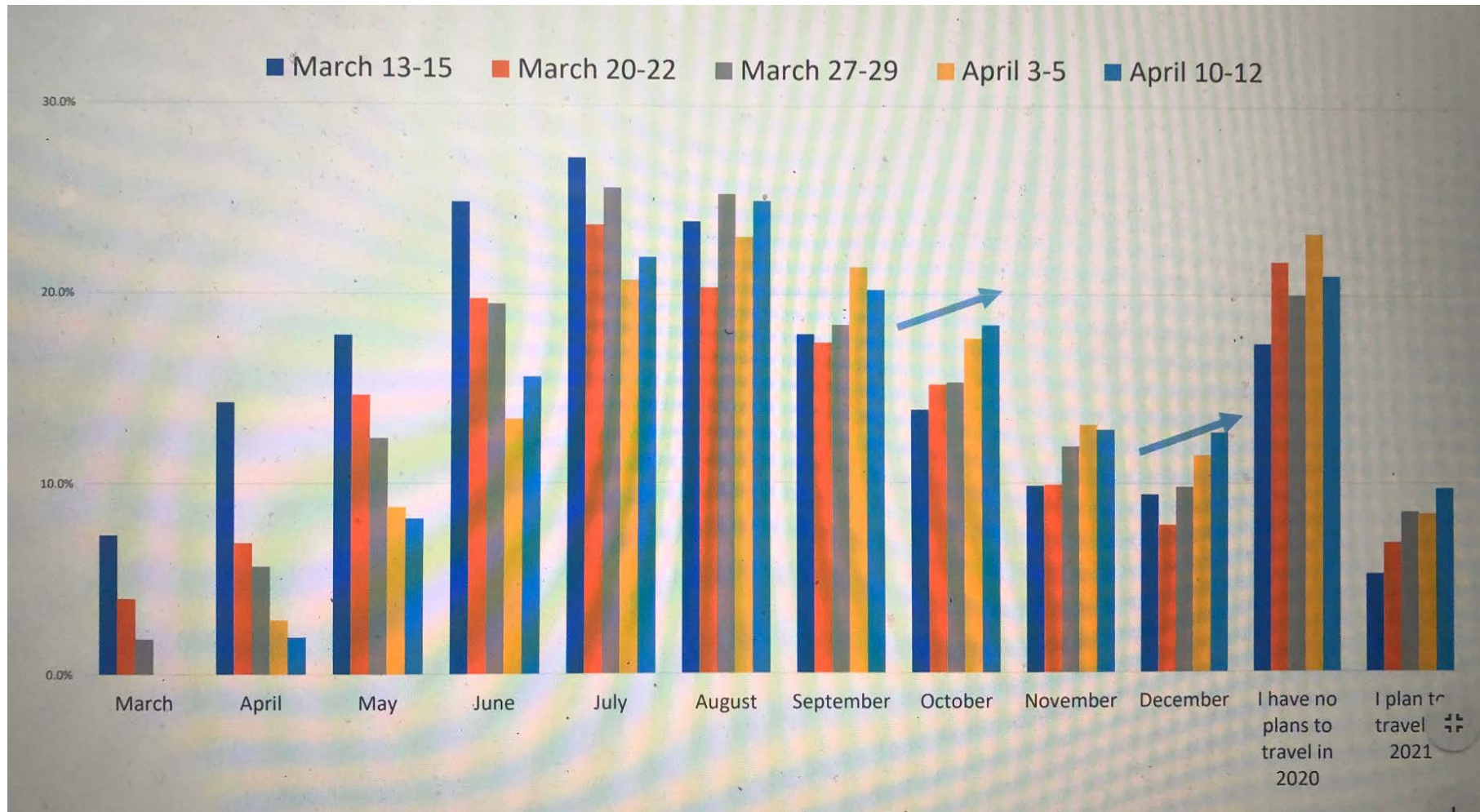
Travel Trends- Road Trips!



Travel Trends- Where to Go...



Travel Trends- When?



RECOVERY PLAN – THE DRIVE IS ON FOR PISMO BEACH

Far from the crowds,
Not far from home.

We all could use a change of scenery right about now. Take the short drive to the beach town you always dreamed about. Getaway from the noise and the city and experience our oceanfront hotels with stunning vistas, affordable motels. Located between Los Angeles and San Francisco, Pismo Beach is the escape you've been looking for.

Pismo Beach
ExperiencePismoBeach.com



Change of scenery. Change of culture.
The drive is on to Pismo Beach.



Leave the city behind. Escape to a classic California beach town. You don't need a plane to find the perfect getaway. Located between Los Angeles and San Francisco, Pismo Beach has oceanfront hotels with stunning vistas, affordable motels. Pismo Beach, your uncrowded haven awaits.

Pismo Beach
ExperiencePismoBeach.com

**NO
PLANES
CROWDS
WORRIES**

This Classic California beach town is just a short drive away. Located between Los Angeles and San Francisco this is the private getaway your whole family needs. Oceanfront hotels with stunning vistas, affordable motels. Pismo Beach is alive and well and ready to provide the escape you deserve.

Pismo Beach
ExperiencePismoBeach.com



RECOVERY PLAN – THE DRIVE IS ON FOR PISMO BEACH

Help travelers find calm and let them know we're thinking of them with virtual looks at beautiful scenes within the our destination:

#ExperiencePismoBeachNOW – use this new tag to promote a social campaign around traveling now. Ask local businesses and hotels to use this hashtag to promote similar messaging about experiences travelers can have when they're ready to travel again.

Seek out and emphasize solo travelers—Instagrammers love to post wide shots of themselves, alone, amid a beautiful setting. Amplifying these sorts of images will help convey that Pismo Beach features plenty of elbow room and all sorts of majestic scenery.


RECOVERY PLAN – THE DRIVE IS ON FOR PISMO BEACH

Help travelers find calm and let them know we're thinking of them with virtual looks at beautiful scenes within our destination:

Get off the grid— Highlight remote, small town offerings of Pismo Beach, great for avoiding crowds, recharging, and finding solitude. Additionally focus on opportunities to eat and shop locally, supporting small businesses.


Was your event or special occasion canceled because of coronavirus? Visitors might have had to cancel a birthday/anniversary/honeymoon/celebration trip due to coronavirus, so, we will also message about them being able to re-book and “celebrate now.”

SOCIAL MESSAGING- PISMO BEACH

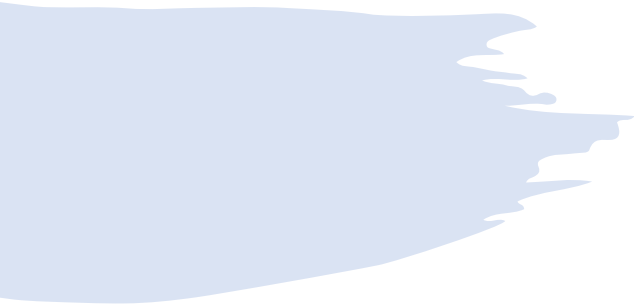
**Visit Pismo Beach** Just now · 🌐 ⋮

While some precautions still need to be taken, we would like to welcome you back to Pismo Beach with open arms. Our town is open and ready for you to [#ExperiencePismoBeachNOW](#).

Please remember to continue to practice safe social distancing and wear a face mask or covering.



👍 Like 💬 Comment ➦ Share



 **Visit Pismo Beach**
Just now · 🌐

Solitude and serenity await you.



 Like  Comment  Share

 **Visit Pismo Beach**
Just now · 🌐

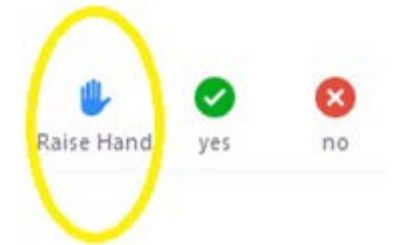
Breathe in the fresh ocean and soak up the California coastline.





Two Options to Join the Discussion

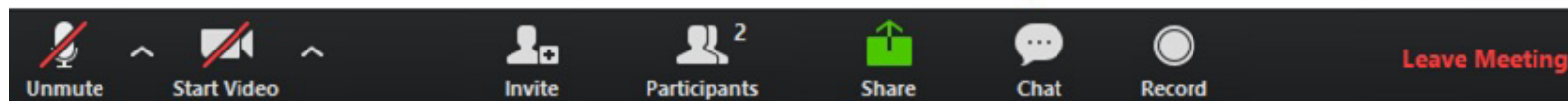
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COVID-19

RESOURCES FOR CITIES

Webinar Series



JOIN US NEXT THURSDAY!

What Now? Reopening City Operations

Thursday, May 14 • 11:00 – 12:00 p.m.

To register, please visit

www.cacities.org/events