

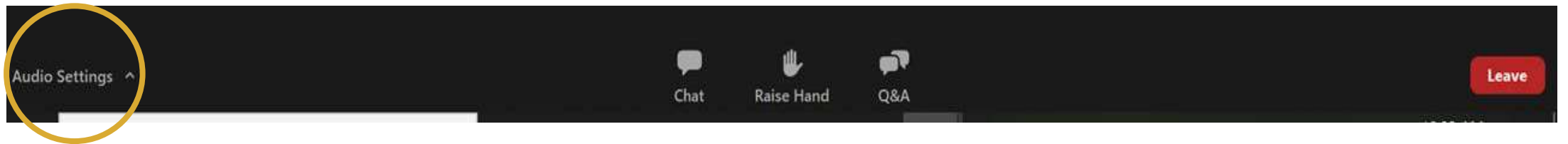
Planning for a (really) Uncertain Future: City Finances during/after COVID-19 Pandemic

COVID-19 Webinar Series

May 21, 2020

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1. If you plan on speaking today, please make sure your audio is connected. You should have been prompted to connect your audio when joining the webinar, but you can confirm by clicking the audio settings on your tool bar.

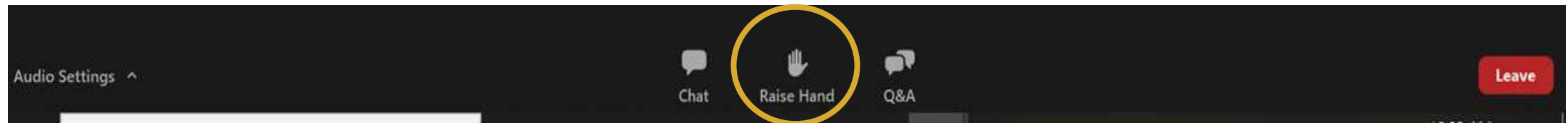


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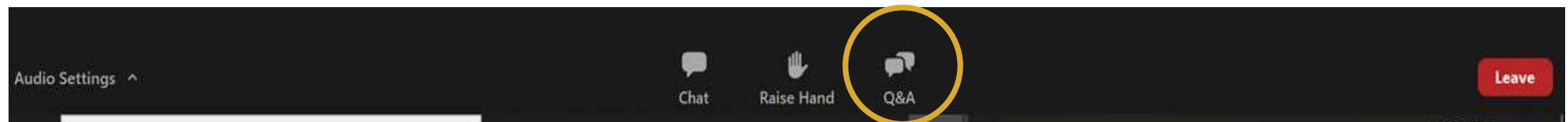
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COVID-19

RESOURCES FOR CITIES

Webinar Series



JOIN US!

Reopening California Cities' Parks & Rec
Tuesday, May 26• 2:00 p.m.

To register, please visit

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Speakers & Agenda:

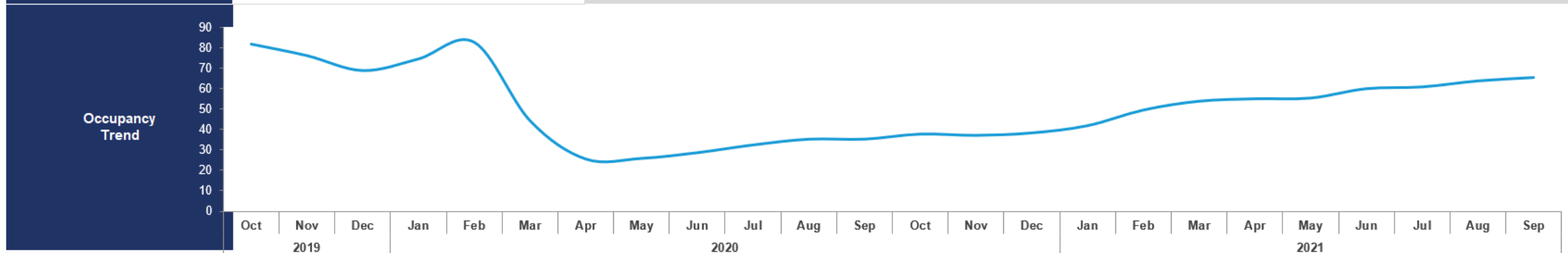
John Gillison
City Manager
City of Rancho Cucamonga

Karen Pinkos
City Manager
City of El Cerrito

Assessing the impacts – Fiscal and Otherwise

- Update sales tax projections – Statewide -7.5% Q1, -36% Q2; overall -9.5% for FY19/20
 - Sales tax deferrals may cause cash flow issues for some cities
- Work with CVB to update TOT projections in real time; using CBRE long-term recovery forecasts to project the recovery length. Revenues blend optimistic and conservative recovery scenarios

Occupancy (%)	2019			2020									2021											
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Occupancy	81.7	76.1	68.8	74.5	82.6	44.3	25.6	25.9	28.6	32.4	35.2	35.3	37.7	37.1	38.3	41.8	49.5	53.8	55.0	55.3	59.9	60.8	63.7	65.4
Occupancy Percent Change	-4.7	-4.2	8.2	3.9	4.3	-44.6	-68.0	-66.1	-65.9	-61.2	-54.0	-51.5	-53.8	-51.2	-44.3	-43.8	-40.1	21.4	115.2	113.9	109.2	87.4	80.8	85.4



What's happening with our businesses?



- Used Fire Prevention Inspectors to check in with businesses and informally assess their condition
- Data reported weekly and displayed in a dashboard
- Another dashboard to track visits to City Hall, phone traffic, permits and inspections

Other revenue impacts – El Cerrito

- Projecting 10% revenue loss (\$4 million)
 - Sales tax
 - Real Property Transfer Tax
 - Transportation Taxes
 - Fees from Recreation programs
- Fee-based programs impacted, as facilities are closed and classes/camps/programs not allowed



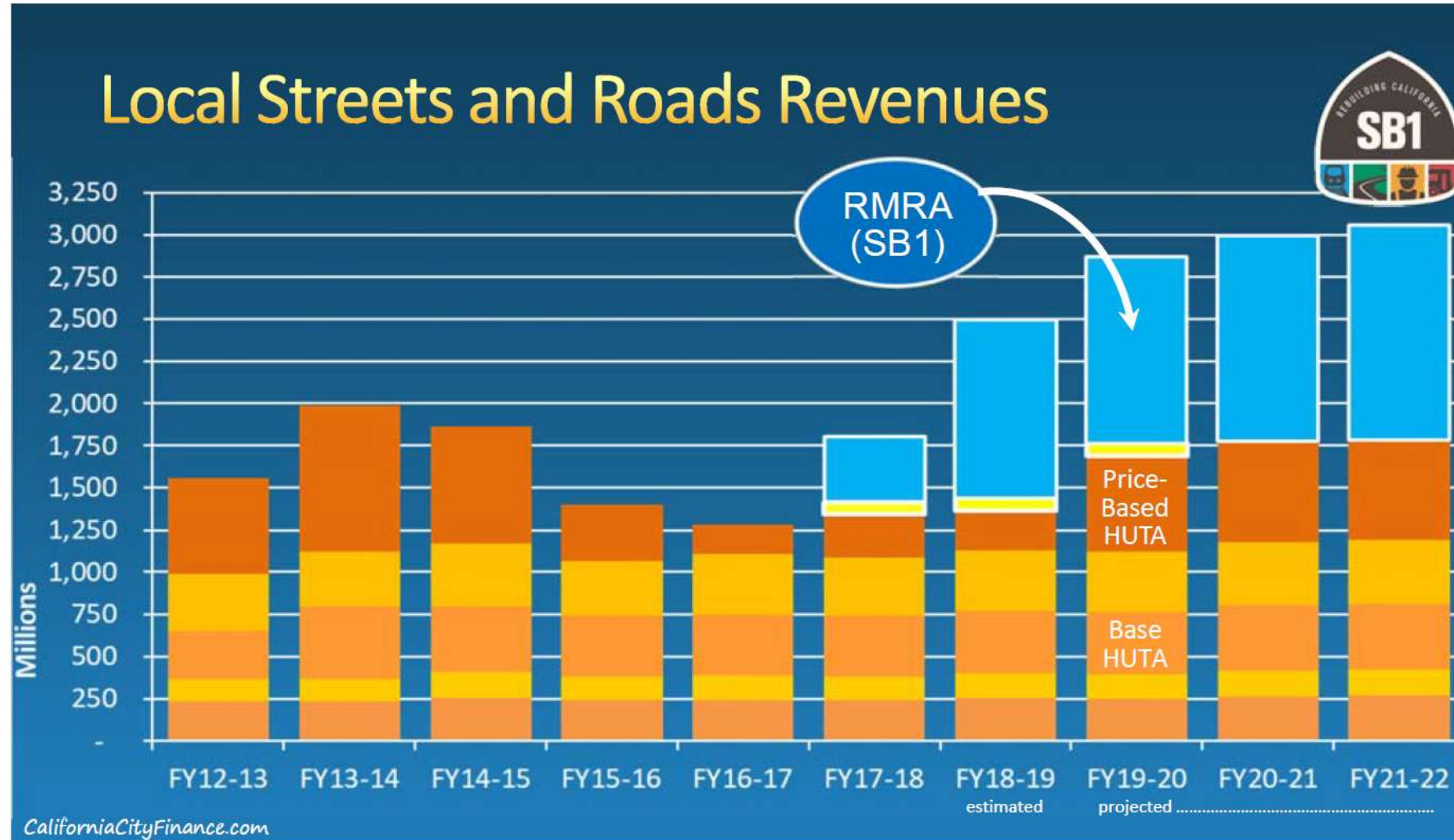
Other revenue impacts – Rancho Cucamonga

- Specialty facility revenue (Theater) losses –
 - Lost ticket sales
 - Refunded tickets
- Business license deferrals
- Fire Prevention reinspection fees, weed abatement admin fees waived
- Tow carrier fee deferrals



Other Revenues – Both Cities

- Gas Taxes in all its forms – sales tax on gas, RMRA (SB 1), HUTA



This Growth Now Unlikely

The Second Shoe(s) to Drop

- Property tax not immediately impacted – but it's likely coming
- State can't be sick and leave cities healthy: We will be impacted by the State's deficit
- UUT and utility revenues – impacted by no shut-off/non-payment policies



Service/Expenditure impacts

- Emergency expenses are being tracked for reimbursement from FEMA and Cal OES – 75% cost share from FEMA expected
- Ongoing operating expenses for City workforce are not currently being supported by revenues
- Once lockdowns end, revenues are not expected to bounce back right away to support ongoing expenses
- Some cities will need to use their reserve (“rainy day”) funds to be able to meet expenses in the short-term
- The majority of cities have been left out of the relief packages by the federal and state governments (Note: 235 of California’s 482 cities have a population of 30,000 or less), cities are lobbying hard to be included in the next relief package being considered by Congress (HEROES act just introduced in the House).



Service & Expenditure impacts – El Cerrito

- Closed all facilities to public through May 31 (soft reopening of Recycling Center last week)
- Most employees are still working
 - Employees required to wear masks, take temperature, maintain distancing; facilities cleaned at higher level
 - Most departments have used a form of split-shift so that not all employees are working at same time to distance as much as possible
 - We expect to continue a version of the current working scheme even after orders are lifted

Immediate actions improve fiscal position – EC

- Most cities looking at reducing expenses: furloughs, layoffs, salary reductions, cutting programs, reducing service levels; including all facets of a City's operation including Police, Fire, Emergency Management, Housing, Senior Services, Children's services, and maintaining infrastructure
- MOUs/Personnel rules silent on furloughs, so followed layoff
- Hiring freeze
 - Unpaid furlough of all part-time staff (90+ people), mostly Recreation employees
 - Unpaid furlough days (one per pay period) for non-sworn full-time workers through end of FY 2019-20 (65 people)
 - Froze non-essential spending, events, programs, travel
 - Deferred capital projects
 - Cancelled events: 4th of July Festival, Earth Day, several workshops/small events



Immediate actions to improve fiscal position - RC

- Hours cut or eliminated for almost all PT staff (nearly 300 people)
- Soft freeze on hiring all positions; hard freeze on lower level or less critical positions
- Froze non-essential spending, events, programs, travel
- Deferred capital projects where feasible and not maintenance related
- Customer refunds given as credit where possible; 3rd party processing costs passed on to customers
- Implemented force majeure clauses where possible
- Looking for flat contract renewals or reduced contract services where possible
- Attempting to reopen MOU's where groups willing; where contracts up negotiate flat agreements

Developing a FY 20/21 Budget – Different Approaches

Adopting a new budget –

- Determined reserves needed to balance prior year end
- Projecting revenue losses of -50% for TOT and -10% for sales tax
- Expenditure reductions – starting with programs. Reducing service hours and days
- Freezing vacancies, cutting capital, eliminating most PT hours, layoffs of FT staff

Doing an Interim Budget:

- Pass by July 1, with cuts made YTD
- Review over Q1 of new FY once revenues stabilize and budget picture is more clear
- By October 1, develop an amended budget and budget book



El Cerrito – Not baking the cake, but staging the right ingredients....

- 2020 BC: Dealing with financial challenges
- Forgoing COLA's for next fiscal year in exchange for extending the MOUs
- Management will not receive a COLA, other pay and benefit concessions equal to 5% to 10% salary reduction
- Non-sworn unpaid furlough days
- Reductions have added up to about \$4 million so far
- Working with Management Partners to develop a Fiscal Response Plan





Rancho Cucamonga's Approaches to next year's budget

- Facility closures
- Reduced days and hours of operation
- Programs which cannot be rescheduled were canceled
- Reduction in Force
- Temporary hiring freeze
- Non-essential capital projects deferred or scaled back
- Non essential programs canceled or scaled back
- Non essential travel was cancelled or deferred
- Non essential software/hardware and other purchases were deferred where possible

More approaches to next year's budget

- Extended remote work to help reduce costs
- Worked with insurance pools to help minimize or offset cost increases next FY
- Asked major vendors to hold costs level for next FY
- Spoke with legislators to see if minimum wage increases could be deferred or halted
- Looking at programs where we partner with other agencies to see what can be scaled back
- Eliminated some contract services; Will affect even public safety services unfortunately

PERS rates:

The next train
down the
tracks....



Navigating the politics



Work with Council to set priorities



Each community is different – priorities will vary (full service vs contract city; property tax dependent vs sales tax dependent; etc



Involve and inform the community; keep it public, make it tangible



Use your authority as City Manager

Proactively manage communication



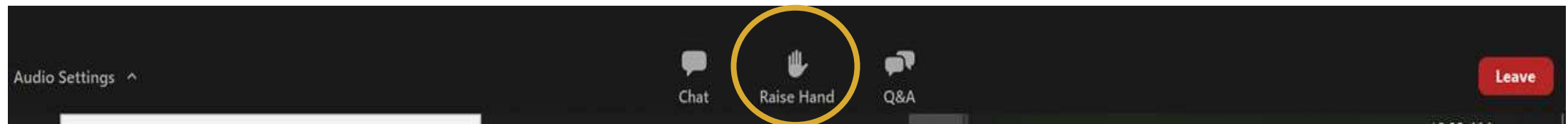


Questions?

www.cacities.org/coronavirus

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