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

COVID-19 Webinar Series
May 21, 2020
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Join Us!

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

To register, please visit
www.cacities.org/events
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
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
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).
• 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
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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