

# 2020 Budget Amendment

---



COVID-19 Response: General Fund

*CITY COUNCIL | AB 5694 | June 2, 2020*

# Purpose

---

- ❑ Brief Background
- ❑ Memorialize Phase 1 and Phase 2 Cost Saving Measures
- ❑ Contingency Funds
  - ❑ Support Emergency Operations thru August 2020
  - ❑ Establish an Unemployment Reserve
- ❑ Utilize Compensated Absences Reserve
- ❑ Will pause during presentation for questions



# Roles and Responsibilities

---

## City Manager

- ❑ Chief Executive Officer
- ❑ Executes biennial budget
- ❑ Authority to make budget and personnel decisions

## City Council

- ❑ Sets policy
- ❑ Approves biennial budget
- ❑ Legislative action and personnel policies



# Brief Background

---



# Council Action – May 5

---

## **Directed staff to:**

1. Continue Level 2 emergency response
2. Return with a budget amendment on 5/19 to:
  1. Appropriate funding from the Compensated Absences Reserve to pay accrued benefit cash-outs for laid off workers.
  2. Appropriate \$500,000 of Contingency Funds for Emergency Operations thru August.
  3. Appropriate Contingency Funds to address projected YFS Fund deficit.
  4. Rebalance the 2020 budget based on Phase 1 and Phase 2 reductions.
  5. Present policy options to address remaining revenue shortfalls.



# Council Action – May 5

---

## Directed staff to:

1. Continue Level 2 emergency response
2. Return with a budget amendment on 5/19 to:
  1. **Appropriate funding from the Compensated Absences Reserve to pay accrued benefit cash-outs for laid off workers.**
  2. **Appropriate \$500,000 of Contingency Funds for Emergency Operations thru August.**
  3. Appropriate Contingency Funds to address projected YFS Fund deficit.
  4. **Rebalance the 2020 budget based on Phase 1 and Phase 2 reductions.**
  5. Present policy options to address remaining revenue shortfalls.



# Cost Saving Measures

---



# General Fund – 2020 Forecast

---

Forecasted General Fund Revenue Shortfall

**\$(4,700,000)**

Approximately 15% of budgeted revenues





# Phase 1 – Cost Saving Measures

---

- ❑ Laid off contract and seasonal labor in Parks and Recreation
- ❑ Hiring freeze for vacant positions
  - ❑ Parks and Recreation Department
  - ❑ Community Planning and Development Department
- ❑ Phase 1 cost saving measures resulted in:

**\$1,150,000 in General Fund Savings**



# Phase 2 – Cost Saving Measures

---

- ❑ Laid off 13 full-time equivalent positions in Parks and Recreation and Facilities Division
- ❑ Scaled down operating budget in Parks and Recreation and Public Works
- ❑ Reduced resources for staff travel and training
- ❑ Phase 2 cost saving measures resulted in:

**\$1,757,000 in savings in the General Fund**



# Phase 2 – Unexpected Changes

---

- ❑ Moved Parks Maintenance and Capital Planning to Public Works
- ❑ Unanticipated staffing loss with two senior Public Works Managers
  - ❑ Retirement
  - ❑ Resignation
- ❑ City retained Parks Operations Manager and Natural Resource Specialist



# Cost Saving Measures as of May 1

---

General Fund Budget Amendments	Total
Phase 1 Cost Savings Measures	\$(1,150,000)
Phase 2 Cost Saving Measures	\$(1,757,000)
Staffing Adjustment – Park Maintenance/Capital	\$121,400
<b>Total Budget Reduction</b>	<b>\$(2,785,600)</b>



# Contingency Funds Emergency Operations

---



# Contingency Fund

---

Beginning Fund Balance as of June 2020

**\$4,212,236**



# Emergency Operations

---

- ❑ “Level 2” activation – sustained long term response to shifting needs
- ❑ Meticulous tracking of staff time and emergency-related purchases
- ❑ Unbudgeted expenses
  - ❑ Equipment and supplies
  - ❑ Critical staff support



# Emergency Operations - supplies

---

- ❑ Unbudgeted emergency-related purchases
- ❑ Prior to May 1, spent **\$150,000** on emergency-related purchases
- ❑ Estimate **\$12,500** in monthly expenses
  - ❑ Personal Protective Equipment
  - ❑ Auxiliary restroom facilities
  - ❑ Cleaning supplies
  - ❑ Equipment to comply with Governor's Safe Start Plan





# Emergency Operations – staff

---

- ❑ Unbudgeted staff support
- ❑ Up to 20 positions supporting EOC at any given time
- ❑ 8 positions unbudgeted – solely dedicated to emergency operations
  - ❑ Timekeeping and cost tracking
  - ❑ Reimbursement requests and interagency communications
  - ❑ Recovery planning
  - ❑ Centralized customer service (Call Center)
- ❑ Monthly cost of **\$74,000**



# Emergency Operations

Unbudgeted Emergency Operation Center (EOC) Expenses					
	MAR – APR	MAY	JUN	JUL	AUG
L1 – supplies and services	150,000				
L2 – EOC staff costs		74,000	74,000	74,000	74,000
L2 – EOC supplies and services		12,500	12,500	12,500	12,500
Monthly Totals	\$150,000	\$86,500	\$86,500	\$86,500	\$86,500

**\$496,000** appropriation from Contingency Fund

Supports emergency operations through August 31

Reimbursable through CARES Act and FEMA Public Assistance



# Contingency Funds Unemployment Reserve

---



# Unemployment Reserve

---

- ❑ New staff request – create separate reserve for unemployment costs
- ❑ Standard practice for Cities to “self-insure”
- ❑ Typically paid for with each Department’s vacancy savings
- ❑ Highly unpredictable and difficult to track



# Unemployment Reserve

---

- ❑ Staff estimates \$275,000 in fully-burdened unemployment costs
  - ❑ Former employees may not apply
  - ❑ May find other opportunities
  - ❑ May not use full benefit
- ❑ Via CARES Act, Federal Government agreed to reimburse 50% of unemployment costs March 13 – December 31, 2020.



# Unemployment Reserve

---

- ❑ Establish up to a \$300,000 unemployment reserve
  - ❑ Only use Contingency Funds when expense is incurred
  - ❑ Cleaner accounting during current Pandemic
  - ❑ Better tracking of General Fund budget activity
- ❑ Return to Council 2021 (or sooner) to close reserve and replenish Contingency Fund once 50% federal reimbursements are received.



# CARES Act

---

- ❑ Confirmed the City will receive \$734,100 in CARES Act funding
- ❑ Provided through the Department of Commerce
- ❑ Strictly for one-time expenses related to the COVID-19 Pandemic
- ❑ Note, 50% Federal reimbursement for unemployment costs is separate from \$734,100 emergency assistance.
  - ❑ Managed through State Employee Security Department
  - ❑ Mechanics still being worked out



# Contingency Fund

---

June 2020 Fund Balance	\$4,212,236
EOC Support	\$(496,000)
Unemployment Reserve	<u>\$(300,000)</u>
Remaining Fund Balance	<b>\$3,416,236</b>





# Compensated Absences Reserve

---



# Compensated Absences Reserve

---

- ❑ May 5 Council directed staff to use the Reserve
- ❑ Balance as of June 1 is **\$1,051,055**
- ❑ Covers accrued benefit cash-outs
- ❑ Cash-outs for Phase 1 and Phase 2 is \$131,000
- ❑ Additional one-time cash-out costs anticipated in 2020



# Compensated Absences Reserve

---

- ❑ Staff anticipate no more than \$300,000 from the reserve in 2020
  - ❑ Accurate tracking of accrued benefit cash-outs during the Pandemic
  - ❑ Clean accounting of post-employment costs



# Staff Recommendation

---



# Staff Recommends Council

---

1. Suspend Rules of Procedure 6.3, requiring a second reading for an ordinance.
2. Adopt Ordinance No. 20-08 amending the 2019-2020 budget to:
  1. Memorialize Phase 1 and Phase 2 cost saving measures totaling \$2,785,600 in General Fund reductions.
  2. Appropriate \$496,000 in Contingency Funds to support ongoing emergency operations through August 31, 2020.
  3. Authorize use of up to \$300,000 in Contingency Funds to establish an Unemployment Reserve.
  4. Authorize use of the Compensated Absences Reserve for one-time accrued benefit cash-outs in an amount not-to-exceed \$300,000.



# Questions

---

*Prepared by*

*Matthew Mornick*

*LaJuan Tuttle*

