

# ROCK SOLID TOGETHER

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## COVID-19 FINANCIAL AND ECONOMIC RECOVERY PROGRAM

September 2020 Update



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# ***Actions Taken Pre-COVID to Reduce Operating Expenditures***

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## **Position Reductions**

- Defunded DCM position
- Underfilled Senior Engineer Position
- Consolidated and Reorganized Utilities Division
- Sought and obtained full outside funding for SRO position

## **Pension Reform**

- Pre-paid Side Fund
- Lump Sum Payment of Annual PERS Contribution
- PD cost-sharing

## **Other Financial Measures**

- Medical Cannabis Permits in Process – (First opening in Sept/Oct)
- Fee Study Update – Coming to Council Soon
- Authorized Marketing of PG&E Credits for Sale
- Adopted Fiscal Emergency Plan

# ***10 Year Financial Forecast(pre-COVID)***

- **February 25, 2020 – Special Council meeting to receive an update on the City’s ten-year financial forecast.**
  - The City was facing a projected deficit of \$428,000 for FY 2020/21
  - Growing to \$1.4 million by FY 2028/29
- **March 19, 2020 – Local Emergency ratified by the City Council due to COVID-19 pandemic**
  - Activated the City’s Short-Term Fiscal Emergency Plan
- **Unprecedented times – with unprecedented economic impacts associated with the local, national, and global mitigation of COVID-19**

# **10 Year Financial Forecast(with COVID)**

- **April 28, 2020 – Special Council meeting to receive City’s “Rock Solid Together Economic and Financial Recovery Plan”**
  - Budget deficits projections ranging between \$4 to \$5 million (27%-34% loss of GF revenue)
  - Growing to \$2.5 million by FY 2028/29
- **Unprecedented economic impacts necessitated revisions to the City’s primary revenues and an additional update to the City’s Ten-Year Financial Forecast**

# COVID-19 Financial Impacts

FY 2019/20 Revenue Losses: \$1.07 Million

	FY 2019/20 Budget	FY 2019/20 Actuals	Difference
Sales Tax	\$ 2,165,680.00	\$ 2,186,073.86	\$ 20,393.86
Property Tax	\$ 4,472,840.00	\$ 4,544,965.26	\$ 72,125.26
TOT	\$ 3,566,811.00	\$ 2,892,129.88	\$ (674,681.12)
Business Licenses	\$ 380,265.00	\$ 353,412.60	\$ (26,852.40)
Fees & Charges	\$ 1,879,997.35	\$ 1,543,960.29	\$ (336,037.06)
Intergovernmental	\$ 18,725.00	\$ 33,088.72	\$ 14,363.72
Fines & Forfeitures	\$ 6,500.00	\$ 5,855.95	\$ (644.05)
Licesnses & Permits	\$ 128,899.00	\$ 139,344.79	\$ 10,445.79
Other Revenue	\$ 633,104.00	\$ 669,882.12	\$ 36,778.12
Use of Money & Property	\$ 340,341.00	\$ 274,133.66	\$ (66,207.34)
Transfers	\$ 1,675,231.00	\$ 1,552,151.16	\$ (123,079.84)
Total	\$ 15,268,393.35	\$ 14,194,998.29	\$ (1,073,395.06)

# ***COVID-19 Financial Impacts***

- **Measure Q: Reduced Revenues by \$110,000. Paused Pavement Management Plan so will roll over \$300,000 into fund balance for current year Pavement Management Plan**
- **TBID: \$142,000 less revenue. Achieved \$95,000 in savings. Utilize \$45,000 in reserves**
- **Water: Reduced revenues of \$422,000**
- **Sewer: Reduced revenues of \$70,000**
- **Harbor: Reduced revenues of \$220,000. Expenditure savings of \$110,000. Utilize \$70,000 in reserves**

# **COVID-19 Projected Financial Impacts**

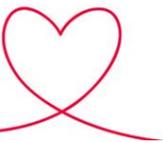
**FY 2020/21 Projected Losses: Three Scenarios**

**\$4M to \$5M loss GF Revenue**

	<b>Optimistic</b>	<b>Moderate</b>	<b>Worst</b>
<b>TOT</b>	(1,500,000)	(1,750,000)	(2,000,000)
<b>Sales Tax</b>	(684,504)	(758,814)	(919,124)
<b>Property Tax</b>	(350,000)	(400,000)	(500,000)
<b>Recreation Fees</b>	(400,000)	(450,000)	(534,000)
<b>Permit, Engineering and Inspection Fees</b>	(225,000)	(350,000)	(500,000)
<b>Other GF Revenues</b>	(425,000)	(450,000)	(525,000)
<b>Total Estimated Revenue Shortfall</b>	(3,584,504)	(4,158,814)	(4,978,124)

# ROCK SOLID TOGETHER: RECOVERY FROM COVID-19



*Morro Bay Cares!* 



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# ***ROCK SOLID TOGETHER: BUSINESS AND COMMUNITY ASSISTANCE***

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## What We Have Done So Far:

- ✓ Deferral of TOT
- ✓ Waiving Penalties
- ✓ Discontinued disconnecting water service
- ✓ Adopted resolutions preventing eviction and price gouging
- ✓ Sales tax deferral
- ✓ Adopted Emergency Purchasing Policy
- ✓ Free Transit Services
- ✓ Postponing collection of delinquent garbage accounts
- ✓ Morro Bay Cares Program
- ✓ Expedited permitting for outdoor dining, other business activity
- ✓ Emergency Coastal permit for outdoor dining

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# ***ROCK SOLID TOGETHER: BUSINESS AND COMMUNITY ASSISTANCE***

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What We Have Done So Far (continued):

- ✓ Extension of UDP to those laid off
- ✓ Defer second phase-in of Fee Increases
- ✓ Chamber Contract Modification
- ✓ Deferral of lease Payments from Tideland Trust Leases

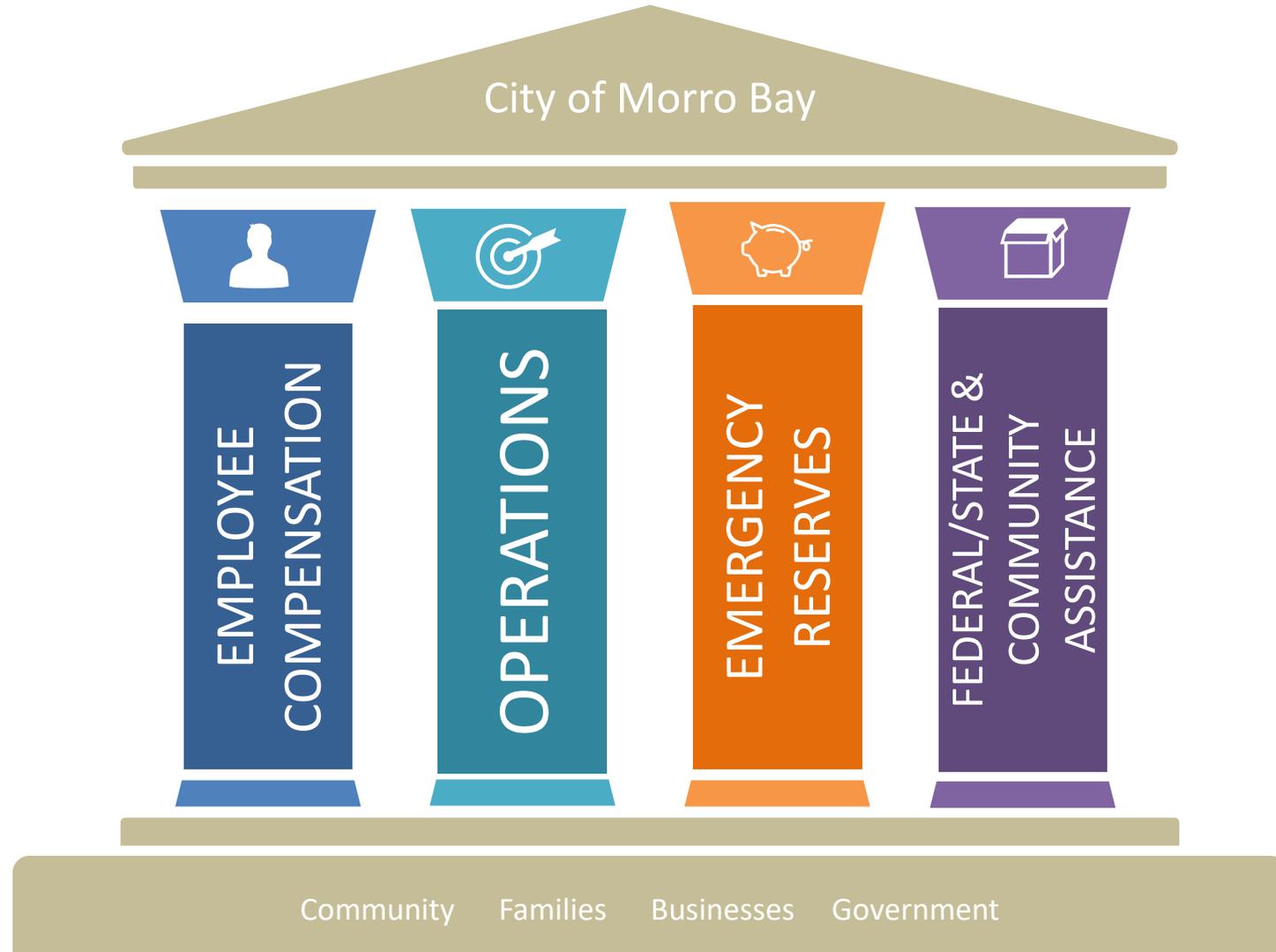
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# ROCK SOLID TOGETHER: CITY GOVERNMENT

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# ***ROCK SOLID TOGETHER:***

## ***PILLAR ONE - EMPLOYEE COMPENSATION***

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- ✓ City Council and Mayor Stipend Deferral (April 4<sup>th</sup>)
- ✓ CM & Director's up to 8% Salary Concessions (April 4<sup>th</sup>)
- ✓ Unrepresented Management & Confidential 5% Salary Concession (May 2nd) Reso. No. 37-20
- ✓ Police Officer's Association 5% Salary Concession (May 2nd) Reso. No. 38-20
- ✓ SEIU 5% Salary Concession (May 2nd) Reso. No. 39-20
- Continue Conversations with Fire Association

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# ***ROCK SOLID TOGETHER:***

## ***PILLAR TWO – PRIORITIZATION OF OPS***

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- ✓ Hiring Chill (vacant Police, planner, consolidated maintenance positions)
- ✓ No travel
- ✓ Part-time and Temporary Employee Layoffs (70+)
- ✓ CM & Director's up to 8% Salary Concessions (April 4<sup>th</sup>)
- ✓ Review of Non-Salary Expenses
  - ✓ Mental Marketing Contract Modification
  - ✓ Chamber Contract – Visitor's Center
  - ✓ City Attorney volunteered cost reductions/savings
  - ✓ Expenditure Freezes

➤ Review and Prioritization of Services

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# **ROCK SOLID TOGETHER:**

## **PILLAR TWO – PRIORITIZATION OF OPS**

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Table: City Full-Time Equivalents (FTEs) from FY18/19 to FY20/21

	<b>2018/19 Funded</b>	<b>2019/20 Funded</b>	<b>2020/21 Funded</b>
<b>Total City FTEs</b>	<b>99.7</b>	<b>97.4</b>	<b>88.1</b>

✓ Reduced FTE's by 11.6 (12%)

✓ Reduced service hours by  
24,128

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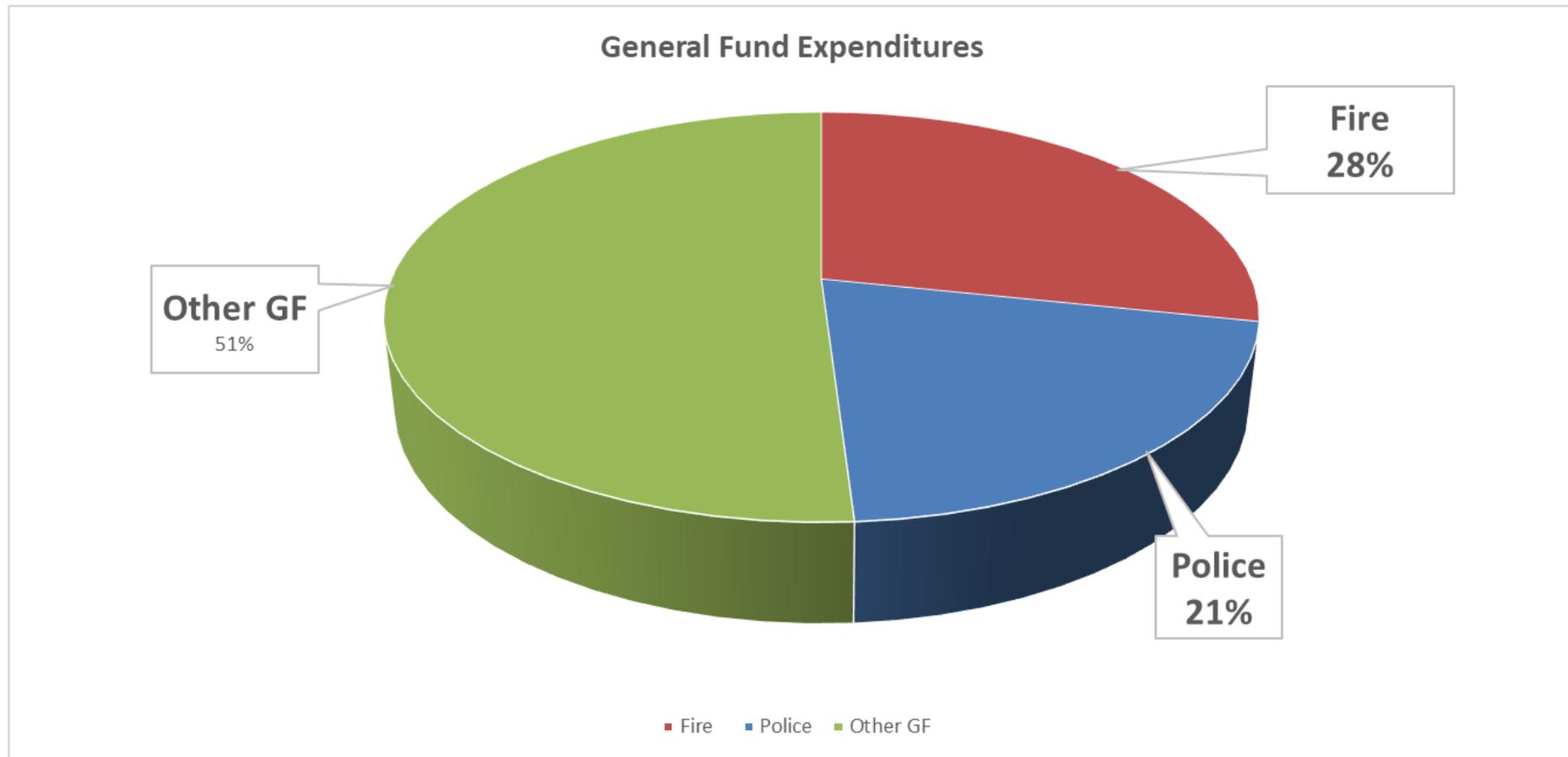
## **PILLAR TWO – PRIORITIZATION OF OPS**

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	FY 2019/20 Budget	FY 2019/20 Actuals	Difference
<b>Salaries &amp; Benefits</b>	\$ 11,238,624.00	\$ 11,041,997.15	\$ (196,626.85)
<b>Operating</b>	\$ 1,147,146.00	\$ 1,062,300.60	\$ (84,845.40)
<b>Consulting</b>	\$ 25,229.00	\$ 17,789.10	\$ (7,439.90)
<b>Contract</b>	\$ 1,626,491.00	\$ 1,322,788.08	\$ (303,702.92)
<b>Debt</b>	\$ 35,190.00	\$ 35,277.34	\$ 87.34
<b>Insurance</b>	\$ 167,351.00	\$ 401,404.09	\$ 234,053.09
<b>Other</b>	\$ 483,161.00	\$ 525,573.89	\$ 42,412.89
<b>Payment to Other</b>	\$ 30,250.00	\$ 25,639.76	\$ (4,610.24)
<b>Transfers</b>	\$ 480,970.00	\$ 480,970.00	\$ -
<b>Utility</b>	\$ 419,569.00	\$ 410,704.46	\$ (8,864.54)
<b>Total</b>	<b>\$ 15,653,981.00</b>	<b>\$ 15,324,444.47</b>	<b>\$ (329,536.53)</b>

✓ Achieved \$330,000 in total operating costs to mitigate loss revenue

# General Fund Expenditures – FY 2020/21



# ROCK SOLID TOGETHER:

## PILLAR THREE – EMERGENCY RESERVES

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<b>GFER Balance</b>	
As of 6/30/2019	\$ 3,808,577
Lump Sum Payments to Employees	\$ (199,116)
Calpers Tier 2 and 3 UAL Payoff	\$ (443,854)
MBOSA Reimbursement	\$ 265,000
GFER COVID Use	\$ (252,423)
Estimated Balance as of 6/30/2020	\$ 3,178,184
% of General Fund Expenditures	26%
Budgeted use of Reserves FY 2020/21	\$ (1,283,319)
<b>Estimated Balance as of 6/30/2021</b>	<b>\$ 1,894,865</b>

A PIECE OF THE ECONOMIC RECOVERY PICTURE – NOT THE WHOLE SOLUTION

WILL LIKELY RUN OUT OF RESERVES BY THE FY 22/23 IF OTHER ADDITIONAL REVENUES ARE NOT IDENTIFIED

# ***ROCK SOLID TOGETHER: PILLAR FOUR – STATE/FEDERAL & COMMUNITY SUPPORT***

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- CARES ACT – \$125K
  - Reimbursed in six equal installments, cover COVID related expenses
- Quarterly reporting
- FEMA Reimbursements submitted but not approved

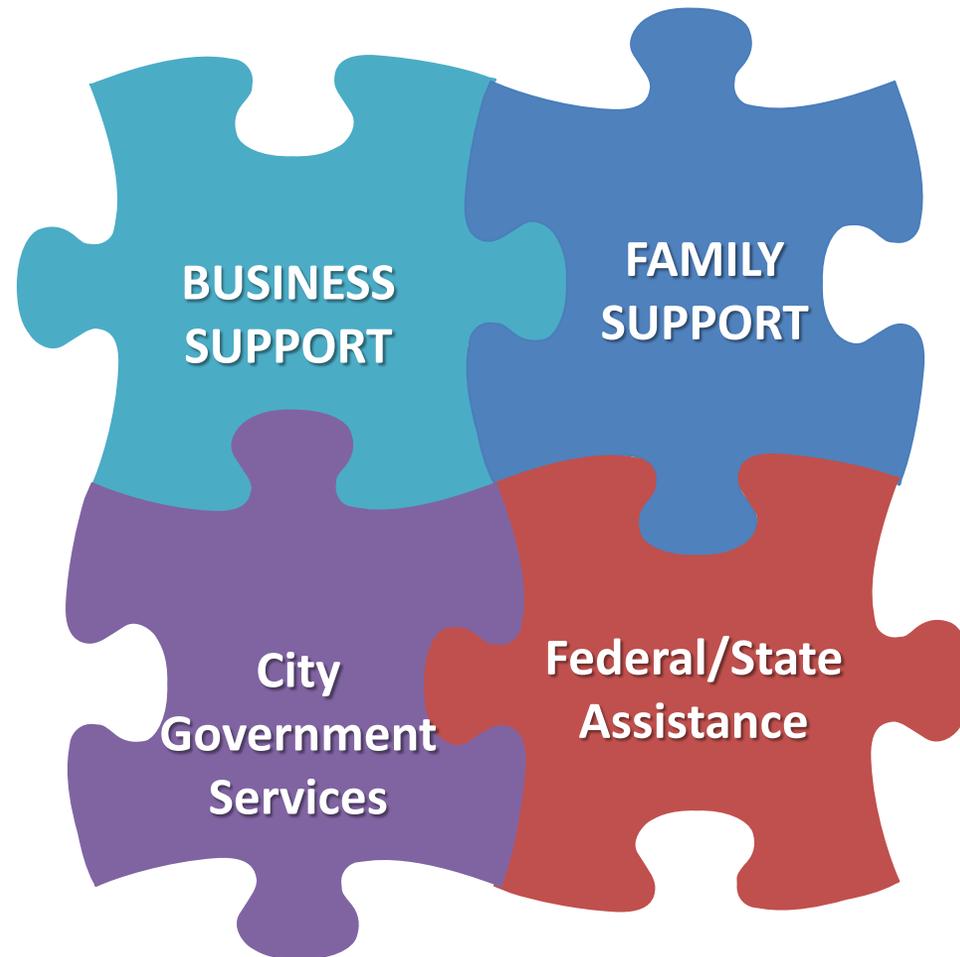
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# ***ROCK SOLID TOGETHER: FINDING THE RIGHT BALANCE TO REBUILD OUR ECOSYSTEM***

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# ***On-Going Discussions***

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- **Lease Payments from Tideland Trust  
Master and Subtenant Lease  
Holders?**
- **Micro-Loan/Grant Programs?**
  - **Tidelands Trust Area?**
  - **Businesses outside the Tidelands  
Trust Area?**

# ***ROCK SOLID TOGETHER: COUNCIL RECOMMENDATIONS***

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## Micro-loan program: Direction on Parameters

- Tidelands Trust –
  - Loans to extend rent deferrals beyond June 2020
  - Grant Component?
  - How much funding?
  - **Econ Development Fund (SB1090)**

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# ***ROCK SOLID TOGETHER: COUNCIL RECOMMENDATIONS***

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## Micro-loan program: Direction on Parameters

- Small Businesses Outside Tidelands Trust –
  - Loans/Grants to existing businesses to re-open and continue operations
  - How much funding?
  - **Econ Development Fund (SB1090)**

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# ***ROCK SOLID TOGETHER: COUNCIL RECOMMENDATIONS***

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- **Additional New Revenue Options**
  - **Economic Development: On-going funds**
  - **Sale or lease of Property: One-time funds**
    - **Contract in process for assessments**
  - **RV Camping: Pilot Program**
    - **Pilot Program Launched 9/2020**
  - **Adult Use Cannabis: On-going funds**
  - **Measure E: On-going funds**