



COVID-19 FINANCIAL RECOVERY PLAN

Tom Crawford, Interim City Administrator
May 11, 2020

Plan for This Presentation

- Provide an overview of the financial challenges facing the City as a result of the COVID-19 pandemic.
- Illustrate the projected revenue shortfalls expected.
- Provide an assortment of potential actions that can be implemented to address shortfalls.
- Listen for other potential actions.
- This presentation is available to the public on the City's website. (<https://www.a2gov.org/departments/finance-admin-services/financial-reporting/budget-guide/Pages/BudgetPublicProcess.aspx>)

Overview

- Finance and Public Services staff have projected these and other revenue and expenditure implications using data, input from Managers and SAAs, market factors, and guidance from the State of Michigan.
- The General Fund was forecasted to utilize \$3.5 million of reserves in FY20 before the pandemic hit. This results in an unassigned fund balance of \$15.9 million (17.3% of expenditures excluding pass-thrus) prior to considerations for the pandemic.
- The Administrative team has compiled a list of potential actions that can be implemented to mitigate the effect of the challenges that face us.

Overview

- The onset of the COVID-19 pandemic has created financial impacts to the entire world-wide economy, and the City is not immune to these effects.
 - Parking revenues (from DDA) are projected to be down 29% in FY20 and 55% in FY21.
 - Parking Fines are projected to be down 32% in FY 20 & FY21.
 - Fire Inspection fees are projected to be down 58% in FY20 & FY21.
 - City Parks revenues are projected to be down 31% in FY20 and 34% in FY21.
 - State Shared Revenues (sales taxes) are projected to be down 3% in FY20 and 20% in FY21.

Overview

- The numbers in this presentation do not tie directly to financial statements, as this document contemplates only the specific elements that are impacted.
- Federal and State aid *may* help to alleviate the burden, but the magnitude of any possible support is uncertain at best, and is therefore not contemplated here.

Water Fund – (000s)

	FY 2020	FY2021
Projected Revenue (Loss) – Pessimistic Scenario	\$(2,049)	\$(2,776)
Recovery Actions:		
Delay water meter/MTU replacements	\$,2000	\$1,700
Acid Injection system (est.)	(250)	(100)
Potential sequestration overtime	(110)	(110)
Temp UV construction delay	577	(600)
EGLE PFAS Grant proceeds	275	-
FY20 Operational savings used in FY21	-	547
Plant electrical savings (decreased demand)	24	48
Hiring Freeze	80	100
Delay WTP Facilities Master Plan	-	250
Delay Broadway Water Main Replacement	-	1,050
Total Recovery Actions	\$2,596	\$2,885

Sanitary Sewer Fund – (000s)

	FY 2020	FY2021
Projected Revenue (Loss) – Pessimistic Scenario	\$(1,546)	\$(4,841)
Recovery Actions:		
Delay water meter/MTU replacements	\$,2000	\$1,700
Lift Station Rehabilitation	-	1,200
Delay Southside Interceptor Phase 6	-	1,180
FY20 Operational savings used in FY21	-	479
Asset Management Grant proceeds	77	-
Travel/Training Restrictions	25	40
Plant Electrical Savings (decreased demand)	33	66
Hiring Freeze	-	100
Sequestration overtime	(110)	(110)
Use of fund balance	-	186
Total Recovery Actions	\$2,025	\$4,841

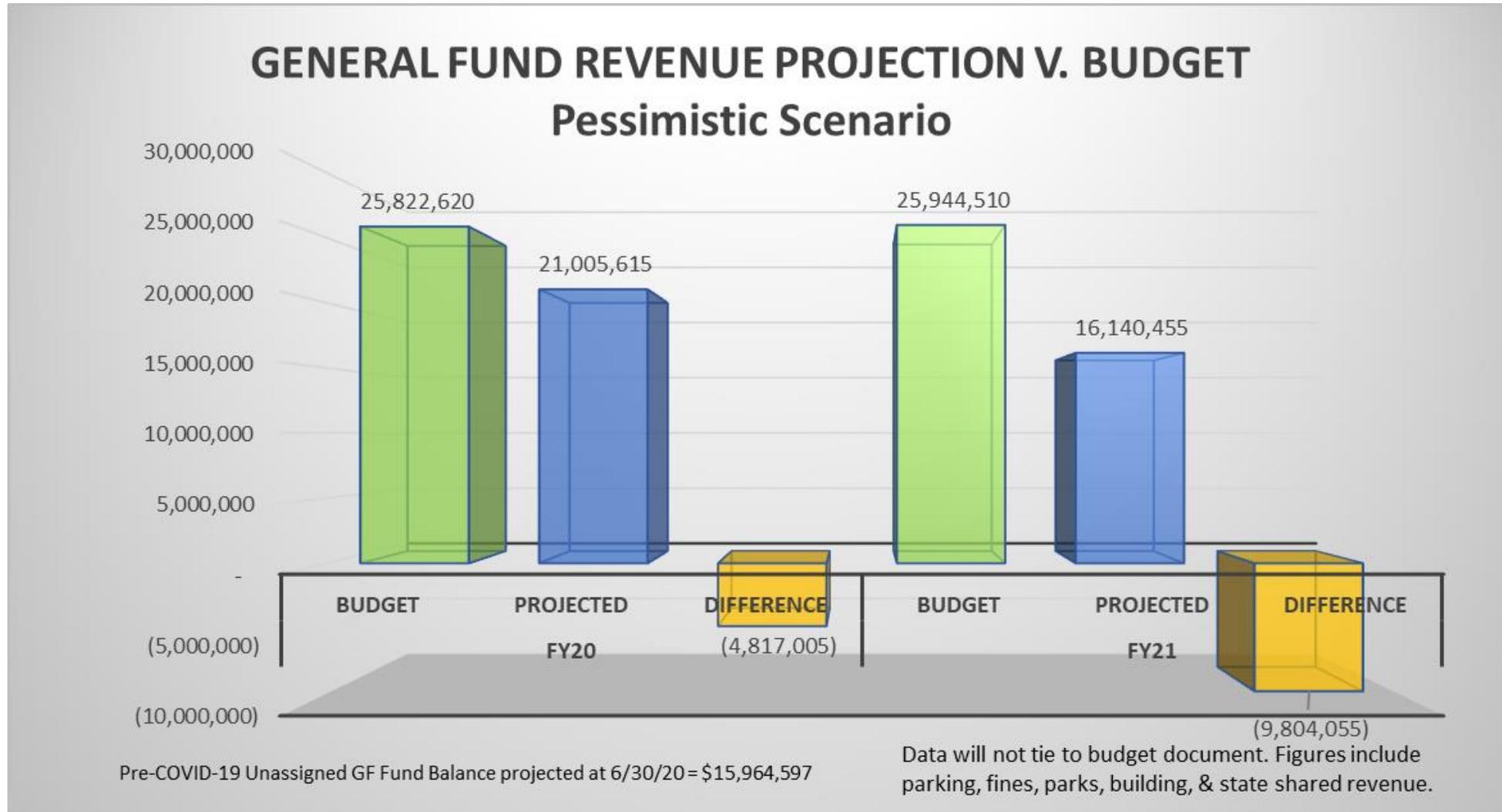
Major Streets Fund – (000s)

	FY 2020	FY2021
Projected Revenue (Loss) – Pessimistic Scenario	\$(161)	\$(2,100)
Recovery Actions:		
Delay Fuller & Broadway Bridge Repair project	-	\$1,610
Delay Equipment Purchases	-	300
Hiring Freeze	90	125
Reduce Alternative Transportation Transfer	-	255
Operational savings	-	38
Travel & Training restrictions	-	13
Transportation Engineering Vacancy	108	-
Total Recovery Actions	\$198	\$2,341

Local Streets Fund – (000s)

	FY 2020	FY2021
Projected Revenue (Loss) – Pessimistic Scenario	\$(61)	\$(607)
Recovery Actions:		
Reduced Contracted Road Maintenance	\$54	\$495
Decrease Alternative Transportation Transfer	-	74
Hiring Freeze	7	38
Total Recovery Actions	\$61	\$607

General Fund Revenue Implications



General Fund Recovery Actions

	<u>FY20</u>	<u>FY21</u>
Projected Revenue (Loss) – Pessimistic Scenario	\$(4,800)	\$(9,800)
Recovery Actions:		
Crisis Related & Unplanned Savings / (Costs)	\$58	\$(328)
Discretionary	825	425
Capital Projects	147	1,604
Debt Related	2,148	3,964
Labor Related	150	5,162
Use of Reserves	1,500	-
Total Recovery Actions	\$4,828	\$10,827

General Fund – (000s)

CRISIS RELATED & UNPLANNED SAVINGS / (COSTS)	FY20	FY21
Property Tax Penalty Waivers	-	\$(347)
Sheltering Support – County	(250)	-
Eviction Prevention Support – Housing Commission	(100)	(100)
Park Temp Employee Savings (reduced operations)	193	(33)
Software Legal Settlement	75	75
Shift COVID-19 Related Supplies to the Risk Fund	75	-
Parking Ticket Processing Savings	66	77
Total Crisis Related & Unplanned Savings / (Costs)	\$58	\$(328)

General Fund – (000s)

DISCRETIONARY	FY20	FY21
Defer Master Plan	\$500	\$ -
Modify Center of the City funding	140	(20)
Suspend Support for Treeline Trail	-	40
Suspend Parks Fairness Resolution	126	200
Crash Mapping – Use of Funding	34	-
Delay Energy Audits	25	-
Defer Deer Cull	-	140
Reduce Support for Outside Legal Counsel	-	25
Delay Historic District Survey	-	40
Total Discretionary	\$825	\$425

General Fund – (000s)

CAPITAL PROJECTS	FY20	FY21
Postpone Hollywood Blvd project	\$ -	\$479
Postpone A2-Saline project	-	175
Remove Transfer to Capital Sinking Fund	-	400
Remove Transfer for Streetlight Replacements	-	425
Remove Resident-Driven Sidewalk Gap funding	147	100
Remove Satellite Elections Office		25
Total Capital Projects	\$147	\$1,604
DEBT RELATED	FY20	FY21
Remove Supplemental VEBA Contributions	\$1,650	\$3,431
Remove Supplemental Pension Contributions	498	533
Potential Debt Re-financing	-	-
Total Debt Related	\$2,148	\$3,964

General Fund – (000s)

LABOR RELATED	FY20	FY21
Hiring Freeze	\$ -	\$1,000
Travel & Training restrictions	100	200
Cut Over-hire Program in half	-	80
Postpone Sustainability Fellow/Planning Intern/Facil. Temp	-	93
Reduced Overtime (reduced operations)	50	50
Reduce Inclusion Training	-	72
Voluntary Furloughs	tbd	tbd
Incentive for Staff Reductions	-	(tbd)
Senior Management Voluntary, Non-permanent Pay Cuts	-	55
Pay Freeze – all employees not under active contract	-	812
Departmental Restructurings	-	300
Involuntary Furloughs, Lay-offs, and/or Pay Reductions	-	2,500
Total Labor Related	\$150	\$5,162

General Fund – (000s)

USE OF RESERVES	FY20	FY21
Use of Fund Balance Reserves	\$1,500	\$ -
Transfers from Other Funds (Risk, County Mental Health, etc.)	-	-
Total Use of Reserves	\$1,500	\$ -

General Fund Recovery Actions

	<u>FY20</u>	<u>FY21</u>
Projected Revenue (Loss) – Pessimistic Scenario	\$(4,800)	\$(9,800)
Recovery Actions:		
Crisis Related & Unplanned Savings / (Costs)	\$58	\$(328)
Discretionary	825	425
Capital Projects	147	1,604
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Labor Related	150	5,162
Use of Reserves	1,500	-
Total Recovery Actions	\$4,828	\$10,827

The Way Forward

- **Communication:** This crisis brings much uncertainty, including changing assumptions. Periodic updates will be shared.
- **Direction:** We must remain focused on our Mission to *deliver exceptional services that sustain and enhance a vibrant, safe and diverse community.*
- **Tough Decisions:** Future actions must balance competing needs such as:
 - Delivering essential services in the most efficient & effective way.
 - Maintaining a healthy and motivated workforce.
 - Ensuring the long-term sustainability of city services.
 - Equitable policymaking to ensure the vulnerable aren't inadvertently disadvantaged.

Next Steps

- **May 18th Council Meeting** – Council considers adoption of the City Administrator’s FY21 recommended budget (which excludes the latest forecast from the pandemic).
- FY20 & FY21 recovery actions will be handled through Administrative action, Council action, and Budget Amendments.
- **Questions:** Please submit questions about this presentation to Sara Higgins with copies to Tom Crawford, Matthew Horning, and Kim Buselmeier.
- **Budget Amendments:** Please send draft amendments to Matthew Horning and Kim Buselmeier by COB Wed. May 13th.

Questions?