

Financial Impact of COVID-19

Finance & Economic Resiliency Committee

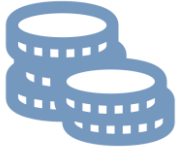
April 17, 2020



Outline

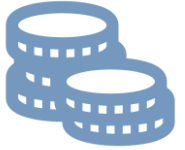
- Revenue impacts
- Cost saving measures
- Parking budget balancing plan
- Resort Tax budget balancing plan
- General Fund budget balancing plan
- Other funds
- Use of reserves
- Next steps

Revenue Impact



- Miami Beach is highly dependent on the tourism and hospitality industry:
- Emergency orders related to COVID-19 have greatly limited the amount of economic activity in the city
- Funds most directly impacted:
 - **Resort Tax:** about 7 million overnight visitors a year
 - **Parking:** visitors account for 80% of parking demand
 - **General Fund:** 10% of revenue is from resort tax and other miscellaneous revenues are also affected
 - **Water & Sewer:** Hotels and commercial accounts represent 32% of consumption

Revenue Impact



**Resort
Tax**

\$1.6 million

Parking

\$756,000

**Water &
Sewer**

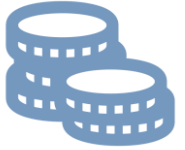
\$670,000

**General
Fund**

\$546,000

Impact = \$3.6 million a week

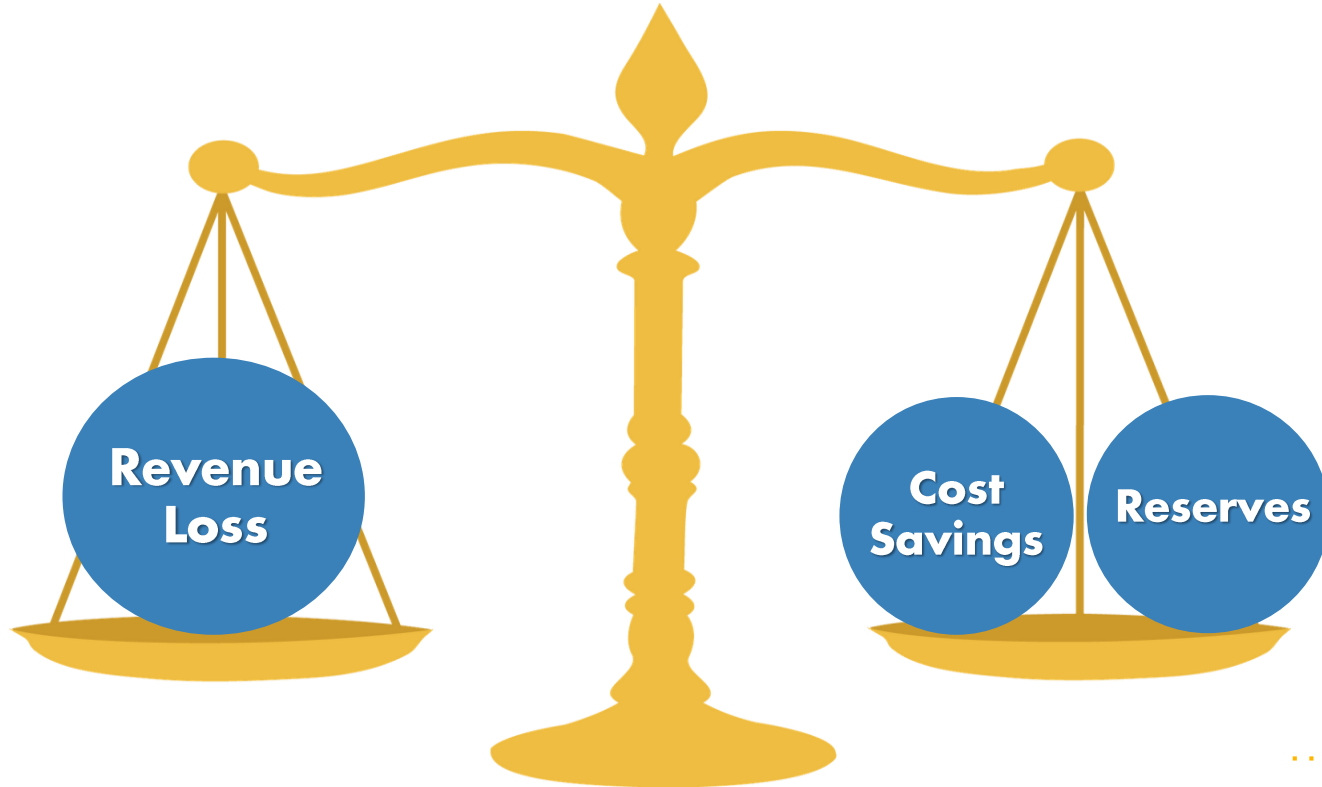
Revenue Impacts



- Projected revenue loss between now and end of fiscal year (9/30/20)
- Assumes 3 months of shutdown activity and 3 months of slow activity

Scenario	General Fund	Resort Tax	Parking	Water & Sewer	Total
Optimistic	\$7 million	\$25 million	\$22 million	\$11 million	\$65 million
Likely	\$10 million	\$32 million	\$26 million	\$19 million	\$87 million
Conservative	\$13 million	\$35 million	\$30 million	\$27 million	\$105 million

Balancing Strategy



Cost Saving Measures



- Froze for all non-essential expenditures
- Implemented hiring freeze
- Froze all vacant positions
- Eliminated all non-essential overtime
- Reduced contracted services as much as possible
- Repurposed employees
- Rightsizing operations

Cost Saving Measures



- **Furloughs to date**
 - 32 Full-time
 - 208 Part-time
 - 64 Temporary
- **Unpaid furlough days**
 - City Manager, City Clerk, City Attorney – 10 days
 - Management Team – 5 days
- **No 1% COLA for Unclassified employees**
- **No merit pay for Management Team**
- **Pending discussions with unions re: possible concessions**

Cost Saving Measures



- **Pending second quarter expenditure projections**
 - Available in May
 - Will provide additional detail
 - Likely to reflect additional cost savings
 - Will identify out of pocket expenses for COVID-19
 - Estimated at \$380,000 to date
 - Potentially reimbursable from FEMA

Budget Balancing Plans



- Prioritize meeting all debt service and vendor obligations
 - Clear message to rating agencies and bondholders
- Not rely on Federal or State relief programs
 - Uncertainty regarding availability
 - Will likely take a long time



Parking Balancing Plan

- Enterprise fund = revenues support expenses
- 80% of parking demand from visitors
- Right-size operation to navigate COVID-19 and negative trend from ridesharing
- Bonds require minimum debt service reserve and bond surety
- Likely revenue loss estimated at \$26.8 million



Parking Balancing Plan

- **Position furloughs**
 - 32 full-time (all filled)
 - 34 part-time (10 vacant)
- **Suspension of all pay stations**
 - Multiple cost savings from collections, revenue processing, wireless connectivity, and support services
- **Reduction of 90% of contracted services**
 - Using repurposed employees to provide security, litter control, pressure washing, landscaping, and janitorial
- **Additional details in Exhibit A**



Parking Balancing Plan

- **De-appropriate lower priority capital projects**
 - \$4.5 million from parking garage at 1262 Collins Ave.
 - \$2.4 million from 8 miscellaneous projects
- **Eliminate several transfers**
 - \$6.0 million transfer to Parking Renewal & Replacement projects
 - \$5.5 million of transfers to the General Fund
 - \$2.7 million transfer to Parking Reserves
 - \$981,000 transfer to Transportation (trolley)



Parking Balancing Plan

PARKING FUND FY 2020 BUDGET BALANCING PLAN	
Projected Revenue Loss	\$26.8 million
Cost Saving Measures	(\$4.6 million)
Reduced Transfers to General Fund	(\$5.5 million)
Reduced Transfers to Reserves and R&R Projects	(\$9.7 million)
De-appropriation of Capital Projects	(\$6.9 million)
Total	0



Resort Tax Balancing Plan

- Special revenue fund for tourism taxes
- 7 million overnight visitors a year
- 14% of the City's overall budget
- Includes bonds for the Convention Center
- Likely revenue loss estimated at \$32 million



Resort Tax Balancing Plan

- **Resort tax funds consists of:**
 - 2% Resort Tax
 - 2% Bed Tax + 2% Food & Beverage Tax
 - 1% Bed Tax for Quality of Life
 - 1% Bed Tax for Convention Center Bonds

2% Resort Tax Balancing Plan



- Likely revenue loss of \$21.5 million
- Funds a myriad of programs related to tourism including:
 - Contributions to the GMCVB and VCA
 - Public safety for high impact special events (ex. Spring Break, Memorial Day weekend)
 - Event sponsorships (ex. Air & Sea Show, Art Deco Weekend)

2% Resort Tax Balancing Plan



- Staff reviewed each line item and made recommendations in Exhibit B totaling \$11.6 million
- Reduce transfer to General Fund by \$7.7 million
- Use \$5 million or 1 month of 3 month reserve
 - Preserves 2 month reserve which is minimum best practice

2% Resort Tax Balancing Plan



2% RESORT TAX FUND FY 2020 BUDGET BALANCING PLAN

Projected Revenue Loss	\$21.5 million
Cost Saving Measures	(\$11.6 million)
Reduced Transfers to General Fund	(\$7.7 million)
Use of 1 Month of Resort Tax Reserve	(\$5.0 million)
Total	\$2.8 million

Note: The additional \$2.8 million is proposed to be used for resort tax debt service payment for the convention center bonds

1% Quality of Life Balancing Plan



- **Likely revenue loss of \$5.1 million**
 - 60% for Transportation (trolleys) → \$3.1M
 - 10% for South Beach Capital Projects → \$512K
 - 10% for Mid Beach Capital Projects → \$512K
 - 10% for North Beach Capital Projects → \$512K
 - 10% for Arts (Cultural Arts Council) → \$512K

1% Quality of Life Balancing Plan



- **60% for Transportation (trolleys) -> \$3.1M**
 - Trolley and ITS services are currently suspended
 - \$3.6 million of savings if suspended through end of fiscal year
 - To operate sooner, will need additional funding
 - Proposed \$961,000 realignment from 10% for Arts
 - And/or further reduce resort tax transfer to General Fund

1% Quality of Life Balancing Plan



- **10% for South Beach Capital Projects → \$512K**
- **10% for Mid Beach Capital Projects → \$512K**
- **10% for North Beach Capital Projects → \$512K**
 - Projects proposed to be postponed to next fiscal year are listed in Exhibit B
 - Projects are not canceled or unfunded
 - To be discussed as part of the FY 2021 budget development process in June/July

1% Quality of Life Balancing Plan



- **10% for Arts (Cultural Arts Council) → \$512K**
 - Propose funding entire FY 2020 allocation from the CAC's existing \$4 million fund balance
 - Savings of approximately \$961K could be reallocated to support the trolley system

1% Debt Service Balancing Plan



- **Likely revenue loss of \$5.1 million**
 - Normal level of funding covers debt service and difference is transferred to convention center renewal & replacement fund
 - Recommend not making \$2.3 million transfer
 - Make up the \$2.8 million difference from savings identified in the 2% Resort Tax budget balancing plan



General Fund Balancing Plan

- City's largest fund at \$350.1 million
 - 52% of the City's overall budget
- 10% of revenue is from 2% Resort Tax
- Strong reserve of \$80.6 million
- Likely revenue loss estimated at \$10 million before including the impact from other funds
- Backstop to other City funds

General Fund Balancing Plan



- Projected revenue loss
 - Original likely revenue impact of \$10 million
 - \$7.8 million from reduced transfer from Resort Tax fund
 - \$5.5 million from reduced transfers from Parking fund
 - \$6.1 million from reduced transfers from Water & Sewer and Sanitation funds
- Revised impact totals **\$29.5 million**
 - Represents 8.4% of the overall General Fund budget of \$350.1 million

General Fund Balancing Plan



- **\$17.5 million in savings from cost saving measures**
 - Freezing non-essential expenditures, freezing vacant positions, eliminating overtime, furloughing part-time and temporary positions, etc.
- **\$3.4 million from deferral of PAYGO and CRR projects**
 - Projects proposed to be postponed to next fiscal year are listed in Exhibit C
 - Projects are not canceled or unfunded
- **Use of \$8.6 million of General Fund Reserve**
 - Leaves \$72 million or 90% of the reserve in place

General Fund Balancing Plan



GENERAL FUND FY 2020 BUDGET BALANCING PLAN

Projected Revenue Loss (includes impacts from other funds)	\$29.5 million
Cost Saving Measures	(\$17.5 million)
Deferral of Capital Projects (PAYGO & CRR)	(\$3.4 million)
Use of General Fund Reserve (10.7% of \$80.6M)	(\$8.6 million)
Total	\$0

Other Funds – Water & Sewer

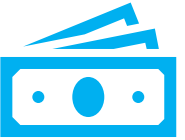


- Likely revenue loss of \$19 million
 - Hotels and commercial accounts comprise 32% of consumption
- Impact meaningfully offset by not having to pay Miami-Dade County for cost of water or sewer service
- \$2.4 million savings from eliminating transfer to General Fund
- Additional savings from general cost saving measures

Other Funds – Sanitation



- Affected by proposed cost saving strategies in Parking and City Center RDA
- \$1.8 million savings from eliminating transfer to General Fund
- Savings from general cost saving measures



Use of Reserves

- Projected revenue losses mostly offset by cost saving measures
- Proposed budget balancing plans include limited use of reserves
- Plans preserve strong reserve levels for hurricane season and next budget cycle

	General Fund Reserve Amount	Resort Tax Reserve Amount
Current Reserve	\$80.6 million	\$15.2 million
Proposed Use of Reserve	(\$8.6 million)	(\$5.0 million)
Remaining Reserve	\$72 million	\$10.2 million



Next Steps

- Move forward implementing the budget balancing plans
 - Some actions will require Commission approval
- Update the revenue and expenditure assumptions in the plans over next few months
 - Additional action may be necessary
- Prepare for FY 2021 budget development process