

COMMITTEE MEMORANDUM

TO: Members of the Finance & Economic Resiliency Committee

FROM: Jimmy L. Morales, City Manager

DATE: April 24, 2020

SUBJECT: UPDATED FINANCIAL IMPACT OF COVID-19

Background

The financial impact of COVID-19 was presented to the Finance & Economic Resiliency Committee on April 17, 2020. At the meeting, the Committee requested that the Administration further review staffing needs for FY 2020 and look for additional furlough opportunities, especially in management positions. Recognizing that revenue shortfalls may continue into next fiscal year, direction was also given to begin the process of proactively looking at permanent reduction opportunities for the FY 2021 budget development process.

Analysis

At the very beginning of the COVID-19 crisis, Administration took swift action to aggressively reduce costs as much as possible to mitigate the projected revenue loss. The following actions taken to date to reduce costs were presented at the April 17, 2020 meeting of the Finance & Economic Resiliency Committee and include:

- Issued a hiring freeze (including reclassifications) and a budget freeze for all non-essential, non-capital (construction) expenditures
- Placed a hold on all non-COVID-related expenditures over \$5,000, requiring an additional layer of review by a four-person oversight committee reporting to the City Manager
- Cancelled all city-related travel
- Reviewed and suspended all contractual services so that we are only maintaining what is necessary
- Suspended the labor contracts with AFSCME, CWA, and GSA to provide greater flexibility in scheduling and assignments during this emergency
- Ceased overtime for all departments except Police and Fire. If an emergency arises such that overtime is necessary, it will require the City Manager's approval. Police and Fire have been asked to provide plans to dramatically reduce or eliminate overtime.
- As the emergency has continued and unfolded, the City has significantly reduced services and has closed all beaches, parks and recreation facilities and programs, public bathrooms, garages and parking lots, and the Building Department's North Beach office. Furthermore, the nearly complete closure of our hospitality and entertainment sector has significantly reduced demand for many services (ex. parking enforcement and trolley services). Our staffing needs have changed with these reductions in services. Administration has furloughed 29 full-time (updated from 32 as 3 were repurposed), 208 part-time, and 64 temporary employees. In most cases, the work being performed by these individuals was no longer needed as a result of the closures (ex. Ocean Rescue, Parks, and Parking). First responders from the Police and Fire Departments are not impacted. These employees are from the following departments:

- Building
- Finance
- Human Resources
- Ocean Rescue
- Parking
- Parks and Recreation
- Planning
- Police (civilian only)
- Property Management
- Sanitation

The City Manager, the City Attorney, and the City Clerk announced that they each will take 10 unpaid furlough days. Additionally, between now and the end of this fiscal year, all members of the Management Team, as well as the Mayor's Chief of Staff and unclassified employees of the City Attorney and City Clerk's Office will take 5 unpaid furlough days and there will be no merit pay. Also, there will be no COLAs this year for unclassified employees. While the language in current labor agreements do not allow these same measures on classified employees, meetings with all unions will take place in the very near future to discuss possible concessions.

In addition, each City department has been tasked with reducing their costs as much as possible. Most of these miscellaneous expenditure reductions will be captured in the second quarter expenditure projections that are being submitted as part of that process. The results of the second quarter analysis will be available in May and are anticipated to result in additional savings.

Update Since April 17th

The list of employees required to take 5 unpaid furlough days by end of the fiscal year will be extended to include all non-public safety union employees making more than \$50,000. As shown in the chart below, including these additional positions generates \$240,144 of savings per furlough day in FY 2020 across all funds. The total savings for 5 unpaid furlough days totals \$1.2 million across all funds. Excluding positions making less than \$50,000 helps focus on employees that can better absorb the impact of the 5 unpaid furlough days. The public safety positions are excluded as well since overtime would likely be needed to meet minimum staffing requirements.

Value of 1 Furlough Day by Bargaining Unit			
BARGAINING UNIT	ALL EMPLOYEES	> \$50,000	> \$75,000
<i>Non-Public Safety</i>			
CWA	\$ 76,017	\$ 62,128	\$ 9,065
AFSCME	\$ 53,879	\$ 21,596	\$ 2,748
GSA	\$ 23,108	\$ 23,108	\$ 14,354
Unclassifieds (not including Mgmt Team)	\$ 137,535	\$ 126,994	\$ 80,550
Other	\$ 10,958	\$ 6,318	\$ 668
<i>Sub-total Non-Public Safety</i>	<i>\$ 301,497</i>	<i>\$ 240,144</i>	<i>\$ 107,385</i>
<i>Public Safety</i>			
FOP-Police	\$ 128,191	\$ 126,467	\$ 99,584
IAFF-Fire	\$ 69,536	\$ 69,536	\$ 54,662
<i>Sub-total Public Safety</i>	<i>\$ 197,727</i>	<i>\$ 196,003</i>	<i>\$ 154,246</i>
Total	\$ 499,224	\$ 436,147	\$ 261,631

Full-time positions being furloughed until at least the return of normal operations had previously been limited to 29 in the Parking department which has experienced the most dramatic financial impact from the COVID-19 crisis. As directed by the Finance & Economic Resiliency Committee, an additional 20 full-time positions in various departments, including 2 Assistant Directors in Parking, have been identified to be furloughed as shown in the chart below. These additional positions will generate a savings of approximately \$700,000 across all funds if furloughed through the rest of the fiscal year. Please note that depending on the timing of the resumption of normal operations, some of these positions will be needed before then or service levels will be impacted. In identifying these positions, it was necessary to take into account full-time and part-time vacancies that are currently being absorbed, part-time positions previously furloughed, as well as employees that have been re-purposed. For example, there are currently 16 re-purposed positions in the Resource Center assisting displaced workers and businesses (6 from Finance, 5 from Parking, 1 from Public Works, 1 from Property Management, 1 from Transportation, 1 from Parks and Recreation, and 1 from City Attorney). Of the furloughed 49 full-time positions, 10 are management positions. Of the 139 vacant positions, 17 are management positions.

SUMMARY OF VACANT & FURLOUGHED POSITIONS BY DEPARTMENT								
Department	# of FT Vacant Positions	Value of FT Vacant Positions	# of PT Vacant Positions	Value of PT Vacant Positions	# of FT Furloughed Positions*	Value of FT Furloughed Positions*	# of PT Furloughed Positions	Value of PT Furloughed Positions
Office of the Mayor & Commission	1.00	\$ 31,864	0.00	\$ 0	0.00	\$ 0	0.00	\$ 0
Office of the City Manager	1.00	\$ 33,229	0.00	\$ 0	2.00	\$ 65,865	0.00	\$ 0
Office of Inspector General	1.00	\$ 31,904	0.00	\$ 0	0.00	\$ 0	0.00	\$ 0
Office of Marketing and Communications	2.00	\$ 58,657	1.00	\$ 5,783	2.00	\$ 81,270	0.00	\$ 0
Office of Management and Budget	0.00	\$ 0	0.00	\$ 0	0.00	\$ 0	0.00	\$ 0
Organizational Development & Performance Initiatives	1.00	\$ 29,328	1.00	\$ 30,565	0.00	\$ 0	1.50	\$ 15,436
Finance	1.00	\$ 37,752	0.00	\$ 0	0.00	\$ 0	0.00	\$ 0
Information Technology	5.00	\$ 187,207	0.00	\$ 0	0.00	\$ 0	0.00	\$ 0
Human Resources	1.00	\$ 37,752	0.00	\$ 0	0.00	\$ 0	0.00	\$ 0
Office of the City Clerk	0.00	\$ 0	0.00	\$ 0	0.00	\$ 0	0.00	\$ 0
Procurement	1.00	\$ 29,328	0.00	\$ 0	0.00	\$ 0	0.00	\$ 0
Office of the City Attorney	7.00	\$ 351,006	0.00	\$ 0	0.00	\$ 0	0.00	\$ 0
Housing & Community Services	1.00	\$ 23,984	2.00	\$ 22,465	0.00	\$ 0	0.00	\$ 0
Building	8.00	\$ 232,081	0.00	\$ 0	0.00	\$ 0	0.00	\$ 0
Environment & Sustainability	2.00	\$ 88,975	0.00	\$ 0	3.00	\$ 75,759	0.00	\$ 0
Planning	2.00	\$ 65,903	0.00	\$ 0	2.00	\$ 87,469	0.00	\$ 0
Tourism & Culture	4.00	\$ 126,351	0.00	\$ 0	2.00	\$ 59,991	2.00	\$ 19,883
Economic Development	1.00	\$ 77,546	0.00	\$ 0	0.00	\$ 0	0.00	\$ 0
Code Compliance	6.00	\$ 184,251	0.00	\$ 0	3.00	\$ 66,204	0.00	\$ 0
Parks & Recreation	19.00	\$ 431,818	94.00	\$ 1,210,125	0.00	\$ 0	95.00	\$ 1,206,517
Public Works	44.00	\$ 1,028,788	1.00	\$ 9,962	0.00	\$ 0	1.50	\$ 15,436
Property Management	3.00	\$ 99,816	0.00	\$ 0	1.00	\$ 45,542	0.00	\$ 0
Transportation	1.00	\$ 37,752	0.00	\$ 0	2.00	\$ 67,331	1.50	\$ 15,436
Capital Improvement Projects (CIP)	6.00	\$ 214,165	0.00	\$ 0	0.00	\$ 0	0.00	\$ 0
Parking	6.00	\$ 167,334	10.00	\$ 131,934	31.00	\$ 1,000,092	24.50	\$ 352,000
Fleet Management	2.00	\$ 51,820	0.00	\$ 0	1.00	\$ 22,443	0.00	\$ 0
Police	6.00	\$ 195,223	3.00	\$ 31,347	0.00	\$ 0	19.00	\$ 302,836
Fire	7.00	\$ 244,458	0.00	\$ 0	0.00	\$ 0	47.00	\$ 745,037
Total	139.00	\$ 4,098,291	112.00	\$ 1,442,180	49.00	\$ 1,571,966	192.00	\$ 2,672,581
Footnotes:								
Analysis above assumes furloughs will remain effective through the end of the current fiscal year (September 30, 2020)								
Projected Savings reflected above does not include City Manager, City Attorney, City Clerk, Inspector General (10 days), and Management Team (5 days) furloughs								
PT Parks and Recreation positions include Seasonal positions								

All of the position furloughs identified to date are designed to mitigate the FY 2020 financial impact of the COVID-19 crisis. Any permanent position reductions will be considered in the context of the full FY 2021 budget discussion. Over the next 30 to 60 days, we will have much better information regarding the timeline for recovery, which will allow us develop more accurate revenue projections for FY 2021. We do anticipate that revenues will continue to be impacted into the new fiscal year so the Administration will be proactively working on various budget balancing strategies in the coming weeks and months as we begin budget development for FY 2021.

Conclusion

Administration has presented various budget balancing plans that maximize cost savings and prudently limit the use of General Fund reserves to \$8.6 million. The additional measure of expanding the number of positions required to take 5 unpaid furlough days (employees with salaries over \$50,000 and excluding police and fire union employees) will add savings of \$1.2 million across all funds. Per the Committee's direction, an additional 20 full-time positions will be furloughed that will generate \$700,000 in savings through the end of the fiscal year across all funds. When the second quarter projections are completed, we anticipate that additional savings will be identified. It is anticipated that the cumulative effect of these measures should help limit the use of the General Fund reserve to \$5 to \$6 million.

JLM/JW