

# COVID-19

## Financial Resilience Strategy



June 15, 2020



***A Message from Jay Burney***  
*Olympia City Manager*

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May 12, 2020

City Council, Citizens, and Employees

The coronavirus pandemic has hit our local economy hard. Whether you are a resident, business, or City employee I know you are feeling the impact. Since the Governor ordered the closing of all sit-down restaurants and bars and banned gathers of 50 or more statewide on March 15, the City immediately started planning. We knew we were in uncharted territory and needed a thoughtful and intentional strategy.

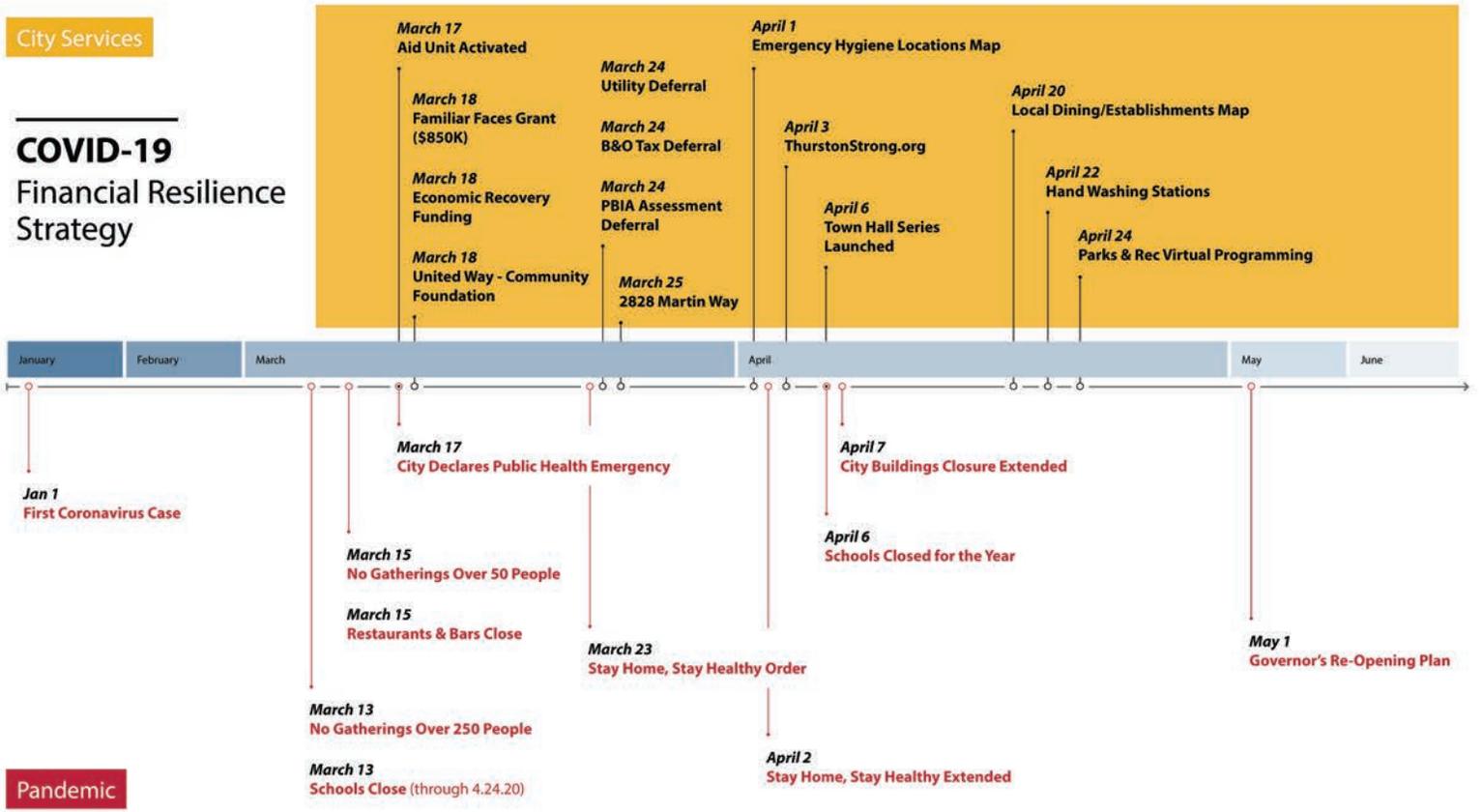
What makes this unique, is the uncertainty surrounding when and how the economy will re-open. As a result, the City developed, and Council approved a Financial Resilience Strategy to guide us through this time. The strategy outlines our approach based on thresholds of revenue loss. It includes guidelines, criteria for decision-making, and specific funding that can be used to address the shortfall.

We know we have to reduce expenditures. To that end, we are using a holistic approach and working collaboratively across departments. This approach ensures that budget reductions recommended in one department do not impede another department's ability to succeed, while also helping to identify potential areas to creatively reorganize or more effectively allocate resources.

A handwritten signature in black ink, appearing to read "Jay Burney". The signature is written in a cursive, flowing style.

## City Response

As soon as the Governor issued his first order to mitigate the impacts of the pandemic, the City immediately responded to meet the needs of the community.

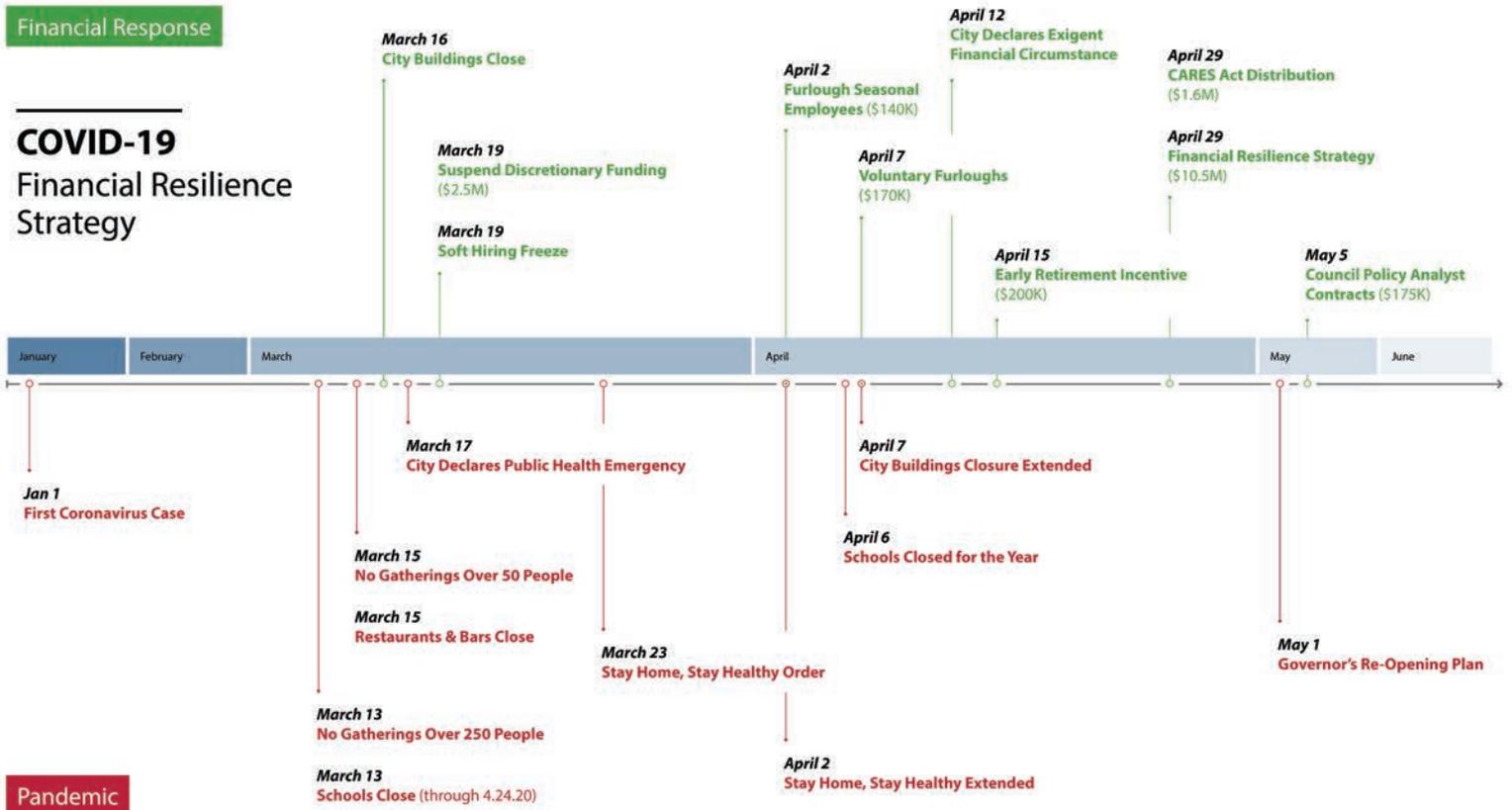


## 2020 Operating Budget and Financial Impact

The City's adopted 2020 General Fund Operating Budget is \$85.6 million. Over 65% of the revenue to support General Fund expenditures comes from taxes – property tax, sales tax, business tax, utility tax, and others. Due to the closing of non-essential businesses, the City projects a 12% loss in revenue (over \$10 million) as a result of the pandemic. The City has implemented immediate expenditure reductions totaling \$2.7 million.

# Immediate Actions Taken to Reduce City Expenditures

01. Reduced General Fund discretionary spending by \$2.7M.
02. Reduced discretionary spending across all utilities by \$2M.
03. Hiring freeze on most vacant positions.
04. Furloughed all seasonal employees saving \$140,000.
05. Implemented voluntary furlough for full and part-time employees.
06. Department Directors volunteered to take an unpaid day per month.
07. Offered incentive for voluntary retirements before June 30, 2020.
08. Reserved \$935,000 in 2019 EOY Funds for 2020 Operating Budget.
09. Declared exigent financial circumstance to provide flexibility on Parks Funding sources.
10. Refunded four bonds to reduce debt service payments due to lower interest rates.



## Guidelines for Decision-Making

During an economic downturn, the City will remain focused on the Community's goals as outlined in our Comprehensive Plan and Master Plans. We will also remain committed to the programs Olympia citizens approved through voted initiatives, including:

- Olympia Metropolitan Park District (2018)
- Public Safety (2012 and 2017)
- Home Fund (2017)

## Approach to Decision-Making

In making budget decisions, staff will adhere to the following:

- Being true to the City of Olympia's Long-Term Financial Strategy (*Strategy outlined on page 6.*)
- Minimizing the drawdown on the Budget Stabilization Reserve
- Executing Reductions Based on Tiers as Information becomes available
- Preserving the Emergency Reserve

## Prioritization Criteria

The City will use the following criteria in choosing reductions:

- Minimizing Impacts to Employees
- Sustaining City services to support the community
- Complying with Regulatory Requirement
- Honoring Council/Community Priorities

## Mitigating the Loss of Revenues Based on Tiers

Knowing when and how the economy will re-open makes it difficult to forecast the shortfall of General Fund Revenue the City will experience. Therefore, we developed Tiers. Each Tier stands on its own. Each Tier sets a revenue amount that the City may be short and identifies how the shortfall will be addressed.

### Tier 1 - \$3 Million Revenue Loss

If the revenue collected in 2020 is \$3 million less than budgeted, the shortfall will be mitigated using the following funding sources:

General Fund Expenditure Savings	\$2,700,000
2019 Fund Balance	300,000
<b>Total</b>	<b>\$3,000,000</b>

### Tier 2 - \$6 Million Revenue Loss

If the revenue collected in 2020 is \$6 million less than budgeted, the shortfall will be mitigated using the following funding sources:

General Fund Expenditure Savings	\$3,465,000
2019 Fund Balance	935,000
Budget Stabilization Reserve	1,600,000
<b>Total</b>	<b>\$6,000,000</b>

### Tier 3 - \$10.5 Million Revenue Loss

If the revenue collected in 2020 is \$10.5 million less than budgeted, the shortfall will be mitigated using the following funding sources:

General Fund Expenditure Savings	\$ 4,706,000
2019 Fund Balance	935,000
Public Safety Reserves	935,000
Budget Stabilization Reserves	3,000,000
Voted Utility Tax Transfer to Operating	500,000
Non-Voted Utility Tax	424,000
<b>Total</b>	<b>\$10,500,000</b>

*Referenced from page 4.*

## Long Term Financial Strategy

The Long-Term Financial Strategy is an approach to sustaining high quality services, setting priorities, and making them happen. It identifies how the public's money will be managed in both good financial times and times of declining revenues.

Council accepted these principles after an extensive public involvement process in 1999. Since that time, they have been reviewed, affirmed, and incorporated into an annual budget process.

### **Make Trade-Offs**

Do not initiate major new services without either:

- Ensuring that revenue to pay for the service can be sustained over time, or
- Making trade-offs of existing services.

### **Do It Well**

If the City cannot deliver a service well, the service will not be provided at all.

### **Focus Programs on Olympia Residents and Businesses**

However, do not exclude others from participating in these programs as well.

### **Preserve Physical Infrastructure**

Give priority to maintaining existing infrastructure.

### **Use Unexpected One-Time Revenues for One-Time Costs or Reserves**

One-time revenues or revenues above projections will be used strategically to fund prioritized capital projects. The City will also consider additional costs such as increased operations and maintenance.

### **Invest in Employees**

The City will invest in employees and provide resources to maximize their productivity.

### **Pursue Innovative Approaches to Service Delivery**

Continue to implement operational efficiencies and cost saving measures in achieving community values. Pursue partnerships and cost-sharing strategies with others.

### **Contract In/Contract Out**

Consider alternative service delivery to maximize efficiency and effectiveness.

### **Maintain Capacity to Respond to Emerging Community Needs**

### **Pursue Entrepreneurial Initiatives**

### **Address Unfunded Liabilities**

### **Selectively Recover Costs**

On a selective basis, have those who use a service pay the full cost.

Recognize the Connection Between the Operating Budget and the Capital Budget

