



# Informational Update

## ID # 0684 – COVID Response, Phase 1 Budget Underspend Plan

**Meeting Date**      April 20, 2020  
**Department**      Executive Department  
**Staff Lead**        Wally Bobkiewicz, City Administrator

### Attachments

- A. General Fund Crosswalk
  - B. Summary of Personnel Changes
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### Purpose

The purpose of tonight’s presentation is to update the City Council with an update on the Administration’s response to the forecasted General Fund revenue shortfall resulting from the COVID-19 pandemic.

### Background

On April 6, 2020, the Administration presented to the City Council an updated 2020 General Fund revenue forecast resulting from the economic turmoil created by the COVID-19 pandemic. The Administration committed to returning to the City Council on April 20 with plans for adjusting the budget and work plan in response to this changed revenue picture. What follows in the memo is the Administration’s Phase 1 response. Phase 1 included a review of all departments and funds receiving General Fund support, with the exception of the Street Operating Fund, which will be reviewed in Phase 2, along with the utilities and other City funds that will likely see revenue reductions as a result of the COVID emergency. The results of Phase 2, including additional savings, will be completed by the end of May.

### Roles and Responsibilities:

Before describing the Phase 1 details, it is important to clarify the roles and responsibilities of the Mayor, as the City’s chief executive, and the City Council, as the policy making body, in the context of this plan. While the City Council has the authority to adopt the annual budget, the Mayor determines

how to execute that budget authority. The Mayor may choose to underspend the budget authority provided by the City Council. Most of the Phase 1 changes described in this memo are within the authority of the Mayor’s authority as the chief executive officer.

That said, some of the changes recommended as part of the Phase 1 response – namely those changes requiring changes to the City’s personnel policies, including compensation and benefits, require legislative action. Some of this proposed legislation (furloughs and salary) is presented on tonight’s Regular Business agenda. The remaining legislation related to benefits will be presented to the City Council in May.

**Phase 1 Results:**

The Administration’s Phase 1 response to the COVID-19 revenue shortfalls addresses nearly half of the projected \$10 million revenue shortfall through a combination of personnel reductions and savings and cuts to programmatic and discretionary spending. The Phase 1 reductions total nearly \$6 million. However, \$1.2 million of this savings is offset by increased costs related to cash outs<sup>1</sup> and other transition costs for terminated employees as well as some modest COVID-related community investments. For a detailed summary of the Phase 1 budget changes, please refer to Attachment A.

**Phase 1 Summary**

Reductions	(5,974,880)
Adds (Mainly One-Time Cash Outs)	1,183,047
<b>Net Impact</b>	<b>(4,791,833)</b>

To achieve the Phase 1 underspend reductions, the Administration intends to make the following changes:

**Debt Service Savings:**

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<sup>1</sup> More than \$900,000 of the adds are related to one-time cash out costs for terminated employees.

Vacation cash out	228,204
Comp time cash out	358,313
Sick leave cash out	87,848
Related benefits	97,668
3 months medical benefit costs	138,000
<b>Total</b>	<b>910,033</b>

The Administration anticipates lower debt service costs in 2020 as a result of lower borrowing costs, generating \$350,000 in underspend.

### **Personnel Changes:**

The Administration is making a number of personnel changes in light of the City's more constrained financial outlook, including:

- Eliminating 22 positions through layoffs and retirements, saving \$1.6 million. Please see Attachment B for details about the specific positions slated for elimination.
- Freezing 15 vacant positions, generating \$1.5 million in savings. These 15 positions are in addition to the 7 positions already frozen in the 2020 Adopted Budget.
- Reclassifying 2 positions, producing \$101,000 in savings.
- Capturing \$212,500 in savings from reduced need for part-time staff to run the City's recreation programs during the three-month shutdown resulting from the Stay at Home orders.
- Implementing a 10-day furlough for all non-represented positions effective May 1 (equivalent to a 5.8% salary reduction from May – December 2020), generating \$184,000 in General Fund savings. Note: This requires City Council approval (see the Regular Business item on tonight's agenda).
- Reducing Senior Leadership salaries by 7% effective May 1, generating \$63,531 in savings to the General Fund. Note: This requires City Council approval (see the Regular Business item on tonight's agenda).
- Reducing certain benefits for non-represented staff, including temporarily eliminating City matches to 457 and 401 retirement accounts, eliminating the Education Merit, Tuition Reimbursement and the sick leave conversion program. Collectively, these changes will generate nearly \$290,000 in General Fund savings. Note: These changes also require City Council approval. The Administration will bring forth legislation for City Council consideration in May.

### **Reducing Discretionary Spending:**

The Phase 1 plan also captures savings from discretionary spending on things like travel, training and miscellaneous operating expenses. These items are detailed throughout Attachment A.

### **Service Delivery Changes:**

The Phase 1 COVID response plan also identifies savings from a number of service delivery changes, including:

- Capturing savings from closure of the community center and pool during Stay at Home orders

- Reduce base operations for community center, pool, Senior Center, and Pickering Barn, which translates to fewer recreational programs and reduced services hours.
- Close Tibbetts Creek Manor
- Defer fitness equipment replacement
- Eliminating expedited permit reviews
- Reducing support for the neighborhood engagement program
- Eliminating staff dedicated to processing passports
- Reducing staff for video production that covers council, board, and commission meetings, as well as PSA's and community promotions

The savings from each of these changes is detailed in Attachment A.

In addition to these specific service delivery changes, it is important to also note that the overall reductions to staff will impact the City's capacity to handle day-to-day work.

### **Work Plan Changes:**

Finally, the Phase 1 COVID response plan identifies savings from a number of work plan changes as they relate to professional services and contracts, including:

- Reducing professional services for Citywide Service Assessment – do more of the work in house
- Deferring work on Title 18 to 2021 or beyond, except for sign code update.
- Canceling work on Housing Strategy 3
- Reducing sustainability education, outreach, coordination and programming

The anticipated underspend from each of these changes is also detailed in Attachment A. Additional review of the City's work plan is still needed to determine staffing capacity to perform the work, changes to project timelines the Stay Home order has caused, and what new priorities the City may face while responding and recovering from the public health crisis.

### **Eastside Fire & Rescue:**

The Mayor intends on sending a letter to the Eastside Fire & Rescue Board of Directors asking them to explore options for reducing the City's contract costs by 10% (roughly \$727K) effective June 1.

### **Next Steps**

There are a number of next steps that follow this Phase 1 plan, as follows:

**Furlough and Salary Reductions:**

The furlough and salary reductions recommended by the Administration in Phase 1 of the COVID response plan requires City Council action. There is legislation on tonight's Regular Business for City Council consideration.

**Benefits Changes:**

The benefits changes recommended by the Administration in Phase 1 of the COVID response plan also require City Council action. The Administration anticipates returning to the City Council on May 4 with the legislation that would implement these changes. The Phase 1 plan anticipates a June 1 effective date for the benefits changes.

**Phase 2:**

Administration will identify additional General Fund reductions, including potential salary and benefit concessions from the City's labor unions and reductions to the Street Operating Fund, Eastside Fire & Rescue, and the IT Fund during Phase 2.

Administration will also prepare forecasts for other funds that may see revenue losses as a result of the COVID-19 pandemic, including the Arts Fund, REET, LTAC, School Zone Safety Fund, and the Utility Funds and identify strategies for reducing expenditures to match revised revenue projections. During this time, the Administration will also be working with the Public Works departments to identify cost savings.

The Administration anticipates completing Phase 2 by the end of May.

**Phase 3:**

Phase 3 will consist of refining the work completed in Phases 1 and 2 to align with updated revenue forecasts. Phase 3 work also includes the assessment of city services work examining cost recovery and interlocal contracts for DSD, the jail, and municipal court. Phase 3 will also include preparation of the 2021 Proposed Budget.

The Administration anticipates completing Phase 3 by the end of September.

# Attachment A

## COVID Budget Balancing - Phase 1

Starting Budget Gap		10,000,000
<b>Adds</b>		
		<b>Projected Savings</b>
Renters Assistance		100,000
Meal Allowance		32,020
Outplacement services		10,000
Cash Out Costs		772,034
Anticipated underspend of personnel costs (budgeted)		130,994
Healthcare Payout for Laid Off Employees (3 mos for each laid off employee)		138,000
	<b>Total Adds:</b>	<b>1,183,047</b>
<b>Reductions</b>		
		<b>Projected Savings</b>
Citywide Changes (General Fund Impact)		
Furlough - 10 days for non-reps = 5.8% (May 1)		(183,298)
SLT Salary Reduction =7% (May 1)		(63,531)
Eliminate 457 Match (June 1, exempt/non-rep)		(139,895)
Eliminate 401 Match (June 1, exempt/non-rep)		(35,048)
Eliminate Ed Merit		(79,819)
Eliminate Sick Leave Cash Out		(31,568)
	<b>Total Citywide Salary &amp; Benefits Savings (General Fund):</b>	<b>(533,159)</b>
<b>Debt Service Savings</b>		
		<b>Projected Savings</b>
Reduced borrowing costs and borrowing needs		(350,000)
<b>Department Savings</b>		
		<b>Projected Savings</b>
<b>Executive Department</b>		
Work Plan Change: Bring Citywide Service Assessment in-house		(224,998)
Miscellaneous Reductions to Travel, Training, and other Operating Expenditures		(113,780)
	<b>Executive Department Total:</b>	<b>(338,778)</b>
<b>City Clerk's Office</b>		
Freezing 1 Vacant Position		(102,899)
	<b>City Clerk's Office Total:</b>	<b>(102,899)</b>
<b>Communications Office</b>		
Layoff 2 positions		(132,941)
Eliminate part time comm/cable tv support		(18,999)
Eliminate Neighborhood Engagement Program		(8,100)
Miscellaneous Reductions to Travel, Training, and other Operating Expenditures		(12,100)
Reduce Comms/ICTV Professional Services		(25,499)
	<b>Communications Office Total:</b>	<b>(197,639)</b>
<b>Development Services Department</b>		
Layoff/Retirement - 3 Positions		(380,695)
Freeze 1 Vacant Position		(99,709)
Miscellaneous Reductions to Travel, Training, and other Operating Expenditures		(9,999)
Service Change: Cancel Expedited Permit Services (additional savings from reauthorization request)		(50,000)
Work Plan Change: Defer Title 18 contract work		(50,000)
Work Plan Change: Cancel Housing Strategy 3		(20,000)
	<b>Development Services Department Total:</b>	<b>(610,403)</b>
<b>Economic Development Office</b>		
Reclassify 1 Position		(81,463)
Miscellaneous Reductions to Travel, Training, and other Operating Expenditures		(9,260)
	<b>Economic Development Office Total:</b>	<b>(90,723)</b>
<b>Finance Department</b>		
Layoff 1 Position		(74,325)
Miscellaneous Personnel Savings		(136,407)
Miscellaneous Reductions to Travel, Training, and other Operating Expenditures		(20,000)
	<b>Finance Department Total:</b>	<b>(230,732)</b>
<b>Human Resources Department</b>		
Layoff 1 Position		(72,750)
Miscellaneous Personnel Savings		(121,850)
Miscellaneous Reductions to Travel, Training, and other Operating Expenditures		(35,599)
Reduce Professional Services		(23,000)
	<b>Human Resources Department Total:</b>	<b>(253,199)</b>
<b>Municipal Court</b>		
Pro Tem Reduction in Hours		(2,850)
Lower Cost Model for Security and Savings from Court Closure		(38,500)
Deferral of Security Equipment Upgrades		(1,150)
Miscellaneous Reductions to Travel, Training, and other Operations Expenditures		(2,600)
	<b>Municipal Court Total:</b>	<b>(45,100)</b>
<b>Parks, Recreation, and Community Services Department</b>		
Layoff - 9 Positions		(519,522)
Freeze 4 Vacant Positions		(355,417)
Reclassify 1 position		(20,000)
Personnel Savings from Stay at Home Facility Closures		(212,500)
Service Change: Reduce Community Center, Pool and Pickering Barn to Base Operations and CLOSE Tibbetts Creek Manor		(200,126)
Custodial Services - Additional Contracting - offset by layoff and freeze savings for \$75k net savings		41,948
Defer Fitness Equipment Replacement		(39,000)
Cost Allocating Facilities Maintenance (10%)		(180,000)
	<b>Parks, Recreation, and Community Services Department Total:</b>	<b>(1,484,617)</b>
<b>Police Department</b>		
Freeze 8 Vacant Positions		(861,000)
Underspend on Various Positions in Patrol and Dispatch due to Hiring Lag		(136,000)
Miscellaneous Reductions to Travel, Training, and other Operating Expenditures		(93,300)
Increased Draw from E911 Escrow Account		(200,000)
	<b>Police Department Total:</b>	<b>(1,290,300)</b>
<b>Support Services Office</b>		
Layoff 2 positions		(105,462)
Freeze 1 Vacant Position		(49,400)
Miscellaneous Reductions to Travel, Training, and other Operating Expenditures		(12,500)
	<b>Support Services Office Total:</b>	<b>(167,362)</b>
<b>Interfund Transfers</b>		
Eliminate Transfer to Sustainability Fund (Layoff 3 positions)		(200,000)
Reduce Transfer to IT Fund (Layoff 1 position)		(79,968)
	<b>Total Phase 1 Adjustments:</b>	<b>(4,791,832)</b>

# Attachment B

<b>Layoffs/Retirement</b>			
Department	Position	Bargaining Group	Projected Savings
Finance	Senior Tax Auditor	Non Represented	74,325
Human Resources	Human Resources Analyst	Non Represented	72,750
Development Services	Permit Center Manager	Non Represented	114,094
Development Services	Planning Manager	Non Represented	132,758
Development Services	Project Manager	Non Represented	133,843
Parks, Rec, Comm. Serve.	Parks Planner	Non Represented	93,700
Parks, Rec, Comm. Serve.	Recreation Leader	Represented	60,145
Parks, Rec, Comm. Serve.	Admin Support Assistant II	Represented	28,529
Parks, Rec, Comm. Serve.	Admin Support Assistant II	Represented	50,899
Parks, Rec, Comm. Serve.	Rec Leader - Aquatics	Represented	45,962
Parks, Rec, Comm. Serve.	Rec Leader - Aquatics	Represented	45,342
Parks, Rec, Comm. Serve.	Admin Support Assistant III	Represented	77,997
Parks, Rec, Comm. Serve.	Custodian	Represented	65,165
Parks, Rec, Comm. Serve.	Custodian	Represented	51,783
Communications	Neighborhood Engagement Coordinator	Non Represented	86,705
Communications	Media Production Assistant	Non Represented	46,236
Sustainability	Senior Sustainability Program Manager	Non Represented	126,164
Sustainability	Office of Sustainability Director	Non Represented	49,254
Sustainability	Sustainability Coordinator II	Non Represented	101,917
IT Fund	Database Analyst	Non Represented	79,968
Support Services	Support Services Manager	Non Represented	84,351
Support Services	Administrative Support Assistant II	Represented	21,111
<b>TOTAL</b>			<b>1,642,998</b>

<b>Vacancies to Freeze</b>			
Department	Position	Bargaining Group	Projected Savings
City Clerk	Public Records Analyst	Non Represented	102,899
Development Services	Senior Current Planner	Non Represented	99,709
Police Department	Dispatcher	Represented	98,000
Police Department	Dispatcher	Represented	98,000
Police Department	Corrections Officer	Represented	100,000
Police Department	Records Specialist	Represented	85,000
Police Department	Police Officer	Represented	120,000
Police Department	Police Officer	Represented	120,000
Police Department	Police Officer	Represented	120,000
Police Department	Police Officer	Represented	120,000
Parks, Rec, Comm. Serve.	Rec Supervisor - Senior Center	Non Represented	108,000
Parks, Rec, Comm. Serve.	Park Maintenance Worker I	Represented	100,500
Parks, Rec, Comm. Serve.	Park Maintenance Worker I	Represented	100,500
Parks, Rec, Comm. Serve.	Recreation Leader	Represented	46,417
Support Services	Administration Support Assistant II	Represented	49,400
<b>TOTAL</b>			<b>1,468,425</b>

<b>Reclassifications</b>				
Department	Position	New Classification	Bargaining Group	Projected Savings
Parks and Recreation	Deputy Director of Parks and Recreation	Recreation Manager	Non Represented	20,000
		Economic Development		
Economic Development	Economic Development Officer	Coordinator	Non Represented	81,463
<b>TOTAL</b>				<b>101,463</b>