

Financial Status Update

City of Mesa

COVID-19 Financial Impact

March 26, 2020

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Prior City Planning

- FY 20/21 economic correction/recession was first discussed with City Council during the FY 17/18 budget process
 - The impact was included in the Spring 2019 forecast presented to City Council
 - The impact was based on Mesa's experience with recessions prior to the great recession
- General fund balance has been greater than what the City's financial policies call for
 - FY 18/19 ending fund balance was \$90.5M (19.3% of the FY 19/20 adopted expenditure budget)
- In FY 19/20, an additional \$7M of general fund dollars is set aside

Actions Taken

- The following operational actions have been taken:
 - Hold on adding new on-going operational expenses
 - Hold on recruiting activities for vacant positions related to non-critical/non-essential services
 - Hold on capital projects that are not obligated
- Financial impact analysis is underway

FY 20/21 Budget Process

- Adopt a budget consistent with the current level of operations
 - No salary step-pay increase July 1, 2020
- Develop budget modifications to remain within revised forecasted revenues
- Discuss revised revenue forecast scenarios and department reduction proposals with City Council
- Implement identified expenditure reductions as necessary

Impact of COVID-19

- Anticipated economic correction/recession occurred earlier and will be deeper than anticipated
- Recovery is difficult to predict due to the situation being on-going
- Pre-emptive closing of public facilities was not anticipated and will skew the impact toward those operations

Possible Scenarios

- 6-month ~ Oct. 1, 2020
- 9-month ~ Jan. 1, 2021
- 12-month ~ Apr. 1, 2021

6-month scenario ~ Oct. 1, 2020

- Facility closures

- Mesa Arts Center
- i.d.e.a. Museum
- Natural History Museum
- Convention Center
- Amphitheater
- Libraries
- Red Mountain Center
- Community recreation centers

- 2020 Summer seasonal programming will be canceled

- Aquatics
- Recreational programs
- Contemporary Arts classes

- Financial Impact/Response

- Reduction in expenses related to service not being provided
- Seasonal positions will not be filled
- Year-round positions evaluated for continuation

- Other City departments to evaluate non-mission critical services/programs for **delay and/or reductions**

9-month scenario ~ Jan. 1, 2021

- Continuation of facility closures

- **FY 20/21 Winter seasons affected**

- MAC – Performing Live
- Convention Center
- Amphitheater

- **Financial Impact/Response**

- Reduction in expenses related to service not being provided
- Closed facilities to reduce positions to **minimal** staffing

- Evaluate departments' non-mission critical services/programs for **reductions and/or discontinuation**

12-month scenario ~ Apr. 1, 2021

- Continuation of facility closures

- FY 20/21 Winter seasons **cancelled**

- MAC – Performing Live
- Convention Center
- Amphitheater

- 2021 Spring Training season at risk

- Optimistic that 2021 season will go forward, but staff will continue to assess

- Financial Impact/Response

- Reduction in expenses related to service not being provided
- Closed facilities to reduce positions to **minimum** staffing

- Longer time needed for the facilities to ramp back up
- Greater impact to the economy as a whole and overall revenues

- Evaluate **all** services/programs for reductions and/or discontinuation



Staff
Recommendation
and Schedule

- Adopt the FY 20/21 budget without scenario modifications to expenses
 - May 2020 adoption
- Implement the 6-month scenario
 - Determine the cost avoidance related to facility closures, in conjunction with the departments
 - Evaluate non-critical services for delay and/or reduction
- Financial evaluation results scheduled for presentation to City Council on Thursday, April 2nd

