



## **INFORMATIONAL MEMORANDUM**

TO: **Finance Committee**

FROM: **Vicky Carlsen, Finance Director**

CC: **Mayor Ekberg**

DATE: **May 6, 2020**

SUBJECT: **Decision Tree for Financial Impacts of COVID-19**

### **ISSUE**

Decision tree for use in responding to the financial impacts of the COVID-19 pandemic. Affirm estimated revenue gap of \$12 million in 2020 and \$6 million in 2021 via resolution, approve resolution for temporary wage reduction for non-represented staff.

### **DISCUSSION**

#### **Recap of Current Projected Revenue Gap**

As discussed in the first five pages of the attached memo, the City identified an initial revenue gap (March through May) of \$6 million that has been filled with phase I reductions of \$4 million, with departments currently working to close the remaining gap. Departments have been scrubbing their budgets and have closed the remaining gap as of May 6, 2020.

There is an additional revenue gap of \$6 million for the remainder of the year that needs to be addressed, bringing the total 2020 revenue gap to \$12 million.

Additionally, economic indicators point to a continuing loss of revenue in 2021 as well. At this time, we are projecting a revenue loss of \$6 million in 2021. Thus, the City will need to fill a total revenue gap of \$12 million in 2020 and a revenue gap of \$6 million in 2021; meaning ongoing budget reductions. The 2021 revenue gap can be addressed via the biennial budget process, with some of the strategies identified for 2020 to be carried forward as appropriate.

#### **Affirmation of Revenue Gap, Tools for Decision Tree**

Included as an attachment is a draft Resolution affirming the estimated revenue gap of \$12 million in 2020 and \$6 million in 2021, and authorizing the Mayor, city Administrator, or Designee, to implement various cost-saving measures to address revenue shortfalls due to the COVID-19 pandemic. The draft Resolution identifies voluntary retirements and separations, reductions in workforce through attrition, furloughs, layoffs, pay reductions, and/or reductions in operating and office hours, closure of offices or departments or reductions in levels of operations or services, as needed. The Mayor, City Administrator, and Staff will continue to collaborate and communicate with the City Council as to what

actions will be taken based on collective bargaining negotiations currently underway with the City’s labor partners.

Decision Tree

For purposes of discussing tools that can be utilized in the decision tree to close the revenue gap, the tools are grouped into two buckets: labor and non-labor. As a reminder, any changes to wages, hours, and working conditions must be bargained with labor partners. Based on discussion at the May 4, 2020 Committee of the Whole, the following tools were identified that can be utilized to close the gap in both 2020 and 2021.

<b>Tools for Decision Tree</b>	<b>Comments</b>
<b>Labor</b>	
Voluntary pay reduction	Department Directors have volunteered to the end of 2020.
Layoffs	Considered to be long-term and could be budgeted in 2021-2022. Layoffs would typically be used for service level reductions or to follow collective bargaining agreement (CBA) language. Would result in unemployment costs to the City
Voluntary and involuntary furloughs	Considered to be short-term, and impacted employees could be reinstated by the end of 2020 or when workloads return to normal. Would result in unemployment costs to the City
Voluntary retirements and separations	Would result in long-term savings only if vacated position remains unfilled/frozen
Early retirement incentive	Would result in long-term savings only if vacated position remains unfilled/frozen
Hiring freeze	Results in savings only as long as the position remains vacant
Reduced work hours per week/pay reduction	Should not result in unemployment costs to the City
Reduce overtime	Some CBAs contain provisions for overtime in certain instances and some overtime is reimbursable.
Voluntary leave without pay	Depending on length of leave, could result in unemployment costs to the City
Attrition	Freezing positions that have been vacated through attrition. Savings only realized if positions remains vacant
<b>Non-Labor</b>	
Eliminate travel and non-essential training	No additional comments
Reduce/eliminate transfers to capital project funds	Would affect capital projects that do not have a dedicated revenue source
Reduce department budgets by program or type of expenditure	No additional comments
Reduce transfers to Fleet fund	There is currently an adequate fund balance in the Fleet fund. Any reductions in transfers would be one-time in nature.

	Schedule for replacing certain vehicles would need to be reviewed and updated as needed in order to maintain a positive fund balance. Fleet purchases scheduled for this year are being reviewed and will be moved to next year when possible
Contingency fund	Contingency fund use is one-time in nature and, per Resolution No. 1919, must be repaid within a reasonable time frame
Interfund loan	Would need to be repaid and include a reasonable interest rate. An example would be the sewer utility loan to the general fund
Service level adjustments	Changes in service levels are policy decision that are set by Council, typically through the budget or budget amendment process

Also included as an attachment is a document published by Government Finance Officers Association. The document identifies short-term strategies that can be implemented in order to maintain a balanced budget. Most of the tools listed in the document are included in the chart above.

Parameters for Decision Tree

In order to close the revenue gap in both 2020 as well as 2021, the following parameters are offered:

- Reductions should be proportional and equitable across departments and labor groups as applied to programs identified through the priority-based budgeting process
- Revenue gap in 2021 can be closed by continuing the use of some tools into next year as determined by City Council via setting the 2021-2022 biennial budget
- Changes in service levels are policy decisions that are best made through the upcoming budget process
- Appropriate mix of reductions in labor costs with contingency funds
- Contingency fund use is one-time and, per adopted policy, must be repaid within a reasonable time
- Early retirement incentives could be a tool utilized to close the revenue gap in 2021

Non-Represented Staff

To achieve budget savings towards the projected \$12 million revenue shortfall, one tool available to the City is to implement a temporary wage reduction of non-represented staff effective June 1, 2020 through December 31, 2020. Staff is recommending a 10% base wage reduction for Administrative Team Members (listed below) and the use of 14-furlough days for the rest of the non-represented positions which is roughly equal to a 10% wage reduction and work hours. Savings is estimated to be approximately \$337 thousand.

- City Administrator
- Deputy City Administrator
- Public Works Director
- Police Chief
- Fire Chief
- Parks & Recreation Director
- Technology Services Director
- Finance Director
- DCD Director
- Human Resources Director
- Economic Development Administrator
- Municipal Court Administrator

The difference in the 10% wage reduction for Administrative Team members and other non-represented positions taking furlough days is to ensure continued compliance with Fair Labor Standards Act rules regarding overtime. To maintain FLSA Exempt status (not be required to pay overtime) the temporary percentage wage reduction for the next seven months for the Administrative Team members allows them to continue to receive a set salary regardless of the number of hours worked. The other FLSA Exempt non-represented positions will be temporality changed to a FLSA non-exempt hourly pay status and take the 14 furlough days to reduce their pay by 10% and work the commensurate hours associated with the pay reduction. Details of how the furlough time would be implemented is being worked out by a small group to ensure City services and continuity during this time.

A second draft resolution, which implements these cost-saving measures for non-represented staff, is attached to this memo.

#### Department Budget Scrub

Departments were asked to scrub their budgets to offer a list of additional reductions for 2020. The chart on the next two pages lists reductions by department that were identified through the budget scrub exercise and has been updated with reductions identified as of May 6, 2020. The table below indicates budget reductions, by program for each department. It does not include reductions in overtime, travel and non-essential training, or furloughing of part-time positions as those reductions were captured in Phase 1, immediate reductions.

In addition to the chart on the next two pages, the 2019-2020 Biennial Budget Program by Department attachment has been updated to reflect those programs that are reduced through the department budget scrub. Each affected program is highlighted in yellow.

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Reductions by Department/Program	Reduction	Effects of Reductions
<b>Mayor</b>		
Employee Recognition	10,750	Cancellation of all remaining employee recognition events for 2020
Organizational Dev. & Training	14,519	Cancellation of misc. staff development training
Professional Services	5,500	Reduction of non-essential services
<b>Economic Development</b>		
City Policy Development	3,300	Delaying economic development plan
<b>City Clerk</b>		
Records Management	15,000	Reduce document digitization efforts
<b>Total Reductions from Mayor's Department</b>	<b>49,069</b>	
<b>Administrative Services</b>		
<b>Human Resources</b>		
Labor Relations	12,500	Reduce prof svcs for labor relations and investigations and advertising
<b>Community Svcs &amp; Engagement</b>		
Community Engagement	17,500	Reduced funding for Community Connectors program, advertising, and communications
<b>Total Reductions from Administrative Services</b>	<b>30,000</b>	
<b>Finance</b>		
Insurance & Risk Management	90,000	Reduced liability insurance in 2020 and claims & judgements
Budget Preparation	25,000	Remove budgeted cost of budget software
<b>Total Reductions from Finance</b>	<b>115,000</b>	
<b>Recreation</b>		
Organizational Support	57,408	Reduce maintenance project work,
Planning & Development	7,000	Discontinue Rec guide for 2020, discontinue professional development training
Wellness & Enrichment	16,960	Prof svcs contracts, supplies for programs
Front Desk	9,950	Supplies, credit card charges, armored car svcs
Events	41,299	Supplies and services contracts
Preschool	2,600	Reduced costs due to program closures
Senior Services & Programs	4,503	Reduced costs due to program closures
Teen	17,980	Removed all trips with admissions costs, reduced costs due to program closures, cancelled winter open gym
Youth	44,602	Removed all outings and pool trips, reduced costs due to program closures
Volunteer Services	500	Cancelled volunteer appreciation event
Facility Rentals	10,950	Reduced supplies due to closure
Administration	6,000	Supplies reduced
<b>Total Reductions from Recreation</b>	<b>219,752</b>	
<b>Parks</b>		
Parks	32,902	Utilities, supplies, small tools & equipment
<b>DCD</b>		
Permit Intake and Coordination	3,500	Reduced operation supplies and training
Current Planning	12,369	Reduced extra labor - student intern fuloughed
Const. Permit Review & Inspection	400	Reduced operational expenses
Comp. Plan Implementation	34,486	Professional Services contracts suspended
Code Enforcement	400	Reduced training
Administration	9,875	Reduced operation supplies and training
<b>Total Reductions for DCD</b>	<b>61,030</b>	
<b>Court</b>		
Multiple programs	51,602	Court is legally required to manage a variety of cases within strict time limits and process standards. Current budget reductions are, in general, negatively impacting the court and further cuts could prove critical - especially since demand for court services will absolutely increase.

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Reductions by Department/Program	Reduction	Effects of Reductions
<b>Police</b>		
Department Training Program	38,000	While all legally mandated training and certifications will still occur, professional advancement and train-the-trainer type training will be reduced. Will impact nearly all PD teams: Patrol, Investigations, etc.
Evidence & Property Mgmt.	14,318	Will require PD to move all items being stored in the off-site Evidence facility to another location, most likely the new PD facility or back to 6200 if the new construction isn't ready yet.
Community Policing Team & Police Patrol Services	135,428	
Quartermaster	20,000	Will reduce supplies and tools for PD teams, including: Patrol, CPT, Investigations, etc.
Police K9 Program	30,000	The PD will forgo the acquisition of a tracking K9 in 2020
Narcotics & Street Crimes Team (TAC)	5,000	Our covert employees will reduce their number of rental vehicles, which will impact their ability to swap out "burned" cars.
PD Fitness Initiative	2,600	Will eliminate employee health and fitness initiatives as well as any Department training scheduled for the space.
<b>Total Reductions for Police</b>	<b>245,346</b>	
<b>Fire</b>		
Administration	6,000	Subscriptions, dues
Logistics	28,000	Supplies in fire stations, SCBA, chain saws
Special Projects/Tasks	8,000	No S/H meetings, hearing tests
Training Received	5,500	Remove rescue team training
Fire Prevention Administrative	2,000	Reduce training
Emergency Mgmt. Assist Team	30,000	EM office reduce purchases
<b>Total Reductions for Fire</b>	<b>79,500</b>	
<b>TIS</b>		
End User Infrastructure Service	75,000	Delay refresh of laptops. Cost would be pushed into 2021. This is potential cost savings in the interim. Still in negotiations
Vendor Management	12,500	Remove Vendor Info. Tech
Network Infrastructure Services	36,000	Delayed Voice PBX by 1 year
GIS Services	36,500	ESRI Budget reduction
<b>Total Reductions for TIS</b>	<b>160,000</b>	
<b>Public Works</b>		
Facility Cleaning/Custodians	50,000	Defer maintenance repairs of City-owned facilities
<b>Street (Public Works)</b>		
Video & Fiber	15,000	Defer maintenance of City-owned cameras
Transportation	35,000	Defer maintenance of roadway/sidewalk repairs
<b>Total Reductions for Street Department</b>	<b>50,000</b>	
<b>Fleet Transfers</b>		
O&M	892,010	Reduction of fleet transfers affects all departments in the general fund that have fleet vehicles.
Capital	83,007	Transfers draw down the Fleet fund, which currently has a healthy fund balance
<b>Total Fleet Reductions</b>	<b>975,017</b>	
<b>Grand Total Reductions Achieved through Budget Scrubs</b>	<b>2,119,218</b>	

Suggested Approach to Closing the Revenue Gap

The chart on the following page provides one option to close the gap for 2020 and are estimates until departments complete budget scrubs and negotiations with labor groups are completed. This is a high-level summary that includes many of the tools listed above. It should be noted that this model shows the use of contingency funds in two places. First, as a 3:1 match for reduction in labor costs. Second, as additional funds needed to balance 2020. Any additional reductions by labor groups or department scrubs would result in less contingency funds needed to balance 2020. Each labor group may choose to participate in a different way. For example, one labor group will achieve their

proportional share of reductions by holding positions vacant, while another may opt for reduced work week rather than layoffs.

Estimated FY 2020 Gap to Fill	12,000,000
Phase I	
Hiring freeze for current vacant positions	(1,600,000)
All travel, non-essential training cancelled	(140,000)
Furlough part-time staff	(150,000)
No overtime unless authorized by Mayor	(910,000)
Transfers to capital project funds eliminated	<u>(1,200,000)</u>
Total Phase I Reductions	(4,000,000)
Phase II	
Department Budget Scrub	(2,100,000)
Phase III	
Furlough days/pay reduction (non-represented)	(382,000)
Potential Furlough Days (labor group)	(700,000)
Contingency Match for Labor	<u>(3,246,000)</u>
Total Phase III Reductions	(4,328,000)
Total Reductions: Phases I, II, and III	(10,428,000)
Additional Contingency Funds to Balance	(1,572,000)
Remaining Gap to Fill	-
Total Contingency Funds Available	7,099,000
Used in 2020	<u>(4,818,000)</u>
Balance Available for 2021	2,281,000

In order to close the estimated revenue gap of \$6 million in 2021, policy decisions on service levels would occur through the 2021-2022 budget process during the summer and fall months of 2020.

**RECOMMENDATION**

Council is being asked to approve the two Resolutions and consider them at the May 11, 2020 Committee of the Whole meeting and subsequent May 18, 2020 Regular meeting.

**ATTACHMENTS**

- Informational Memorandum – Budget Impacts due to COVID-19 Pandemic dated May 6, 2020 (most recently updated) and March 31, 2020
- Resolution #1919 – Reserve Fund Policy

- 2019 – 2020 Biennial Budget Document Programs by Department (pages 452 – 457)
- Cash is King: Short-Term Strategies to Slow the Flow of Money out the Door and Keep the Budget Balanced
- Draft Resolution – Affirming Revenue Gap, Tools for Decision Tree
- Draft Resolution – Non-Represented Staff





## **INFORMATIONAL MEMORANDUM**

**TO: Finance Committee**

**FROM: Vicky Carlsen, Finance Director**

**CC: Mayor Ekberg**

**DATE: March 31, 2020**

**SUBJECT: Budget Impacts due to COVID-19 Pandemic  
Updated for May 4, 2020 Regular Meeting**

### **ISSUE**

Financial impacts of the COVID-19 pandemic.

### **DISCUSSION**

Staff has been working on a daily basis to evaluate and analyze the financial impacts to the City of Tukwila's budget as a result of the ongoing coronavirus pandemic. This memo is to share with the Council current thinking and potential next steps associated with this global issue.

I want to start with a shared recognition that there are difficult choices ahead as we deal with lost and delayed revenues. The organization is here to serve the Tukwila residents, businesses and broader communities and we committed to moving forward through process with our City values of Caring, Professional and Responsive at the forefront of our work. We also understand that there may be additional impacts to employees. As we approach what we hope is a new, but relatively short-term, fiscal reality we remain committed to being transparent, creative, and empathetic as we identify solutions that preserve City services and, as much as possible, as many positions that are feasible. Further, we are committed to working with our employees and labor partners in this effort.

Because there is so much uncertainty with regard to the duration of this pandemic, as well as how long businesses will be closed, a number of assumptions have been made regarding impacts to general fund revenue. As new information is received and when there is a better idea of when the pandemic will end, we will be able to better predict the full impact of this emergency.

We can partially identify revenue impacts through June. However, estimating financial impacts for the second half of the year will depend greatly on when the pandemic is over and how quickly the economy can recover. At this time, there is not enough information to predict what the second half of 2020 could look like.

That said, our assumptions are as follows:

- Non-essential Businesses will be shut down into May
- When businesses reopen, it will take some time to return to normal
- We expect very little sales tax to be remitted during March and April given the “Stay Home, Stay Healthy” order
- Property tax deadlines have been extended to June 1 for residential and commercial properties who pay property taxes themselves (property taxes paid through mortgage companies will still be required to be remitted on time). It is unknown how many taxpayers pay property taxes themselves in the City, but payment delays will affect the City’s cash flows
- Uncertainty regarding utility customer payments which would impact interfund utility tax
- Sales tax revenue is received two months after it is earned. We will not know the true impacts on sales tax until May and June
- Impacts of lost and deferred revenue will create cash flow issues

Financial impacts affecting the City are broken down into two categories: Lost Revenue and Delayed Revenue.

### Lost Revenue

This category includes revenue that will forever be lost due to businesses and programming closed down. Each month that businesses are closed will result in well over \$1 million in lost revenue. With the information we have today, the following chart estimates lost revenue each month through June. March has been calculated as a partial month because systematic closures did not occur until mid-month. Other miscellaneous revenue in the last row include a myriad of other small revenue sources including interest earnings, donations, court fines, permits, licenses, etc. Again, the full impacts to March revenue will not be known until the latter part of May.

Potential Lost Revenue	March	April	May	June
Admissions Tax	66,000	85,000	97,000	75,000
Gambling Tax	-	500,000	350,000	350,000
TCC Programming	23,000	57,000	40,000	37,000
TCC Rentals	44,000	26,000	21,000	46,000
Sales Tax				
Mall	167,500	300,000	335,000	350,000
Retail (excluding Mall)	253,500	442,000	348,000	390,000
Accommodation & Food Service (excluding Mall)	39,500	70,000	75,000	82,000
Entertainment, Recreation (excluding Mall)	11,500	20,000	26,000	28,000
Other sales tax categories and other misc. rev	500,000	500,000	258,000	292,000
<b>Total</b>	<b>1,105,000</b>	<b>2,000,000</b>	<b>1,550,000</b>	<b>1,650,000</b>

Cumulative impact of Lost Revenue is as follows:

March only	\$1,105,000
March – April	\$3,105,000
March – May	\$4,655,000
March – June	\$6,305,000

Delayed Revenue

The second category includes revenue that the City will most likely receive, but at a later time, once economic activity has returned to normal. It is unknown when the delayed revenue would be received by the City.

With a high rate of unemployment caused by businesses closing, many utilities are waiving late fees and not shutting off utilities to customers until the emergency is over. We have also made the determination to not undertake either commercial or residential shut off as this time, and have suspended late fees associated with utility nonpayment. This could result in utility customers, including businesses, paying their bills late, which would result in a delay in receiving utility tax revenue.

As noted above, an extension for property tax payments has been extended to June 1<sup>st</sup> for residential and commercial property owners that pay the tax themselves.

Other reasons for revenue receipts delayed include:

- City permit counter currently closed to new permits, though still processing existing projects' permits
- Potential new businesses are not opening during this pandemic
- Businesses that are granted permission to defer tax payments without penalty

At this time, with so little information available, it is next to impossible to predict when delayed revenue could be received by the City. For now, an assumption that 30% of total monthly revenues in the delayed category will be received either later this year or next year. The assumption of 30% is only an estimate and the actual impact could be much higher, or lower.

Potential Delayed Revenue	March	April	May	June	
Utility Taxes	385,000	340,000	300,000	294,000	
Interfund Utility Taxes	130,000	650,000	130,000	150,000	
Property Taxes	-	250,000	200,000	-	
Permit Activity	220,000	460,000	280,000	247,000	
Business Licenses, State Entitlements	75,000	33,000	21,000	68,000	
Other misc. revenue categories	500,000	500,000	500,000	500,000	
	1,310,000	2,233,000	1,431,000	1,259,000	
	March	April	May	June	Totals
10% delayed	131,000	223,300	143,100	125,900	623,300
20% delayed	262,000	446,600	286,200	251,800	1,246,600
30% delayed	393,000	669,900	429,300	377,700	1,869,900
Totals	786,000	1,339,800	858,600	755,400	3,739,800

Cumulative impact of Delayed Revenue is as follows:

March only	\$393,000
March – April	\$1,062,900
March – May	\$1,492,200
March – June	\$1,839,900

To summarize, the financial impacts due to COVID-19 is as follows. Please recognize, information changes on a daily basis. As new information becomes available, the assumptions and projections will be updated.

	March	April	May	June	Totals
Lost	1,105,000	2,000,000	1,550,000	1,650,000	6,305,000
Delayed	393,000	669,900	429,300	377,700	1,869,900
Totals	1,498,000	2,669,900	1,979,300	2,027,700	8,174,900
Cumulative					
March	1,498,000				
March - April	4,167,900				
March - May	6,147,200				
March - June	8,174,900				

Based on businesses closed into the first part of May and the assumption that it will take time for the economy to return to normal, the funding gap to close would be \$6.1 million using the March through May assumptions. It should be noted that this gap is roughly equal to 10% of the City’s annual general fund.

Adjust General Fund Expenditures Based on Revenue Assumptions

An effective way to reduce general fund expenditures would be to implement changes in three phases: immediate changes, near-term changes, and changes that can be implemented as better information becomes available and/or the longer the pandemic lasts.

*Immediate:* Immediate changes that have already been implemented include the following:

Hiring freeze for all currently vacant positions (annual savings)	\$1,600,000
All travel cancelled, no non-essential training (unspent balance)	\$140,000
Furlough all part-time, temporary extra labor (excluding unemployment)	\$150,000
No overtime unless authorized by Mayor	\$910,000
No transfers to capital project funds	\$1,200,000
Total immediate savings	\$4,000,000

After implementing the measures above, it is anticipated that two-thirds of the gap will be closed, leaving a remaining gap of \$2.1 million. All departments are being required to immediately scrub their budgets and identify all other cost savings from programs that could be delayed until 2021 or eliminated altogether. Department reductions must be in excess of the reductions already listed above and may not include expenditures that are revenue backed. We expect to have that information back next week.

In addition, staff is investigating a number of other opportunities to identify \$2.1M in savings, knowing that there may be additional savings needed should the duration of this emergency go longer, therefore requiring making up for additional lost revenues above \$6.1M. While not all of these may come to fruition for a variety of reasons, we are also currently:

- Identifying potential additional transfers from the general fund that could be delayed or eliminated
- Reviewing the Fleet Fund to determine if there is additional capacity there that could be used as a partial one-time, short term stop-gap measure, and what the implications of such a decision would be
- Fully scrubbing our contingency and reserve funds to determine if there are additional funds over the mandated policy amounts that could be used
- Initiating the discussion with our labor partners to identify if any of the following can help close the budget gap: voluntary retirements, voluntary leave without pay for staff that choose this option, additional potential furloughs, reduction in hours, reduction in pay or potential layoffs, and seeking labor's own ideas to fill in the gap

We have been soliciting ideas from staff on other areas for reductions and, as usual, are impressed by the many varied ideas that have come from our employees that serve our City. It is clear that they understand the serious nature of the financial issues we are facing and want to be a part of the solution. In addition, there is a clear ethic of teamwork permeating through the different ideas. As you know, no impacts to wages, benefits or working conditions can be implemented without bargaining such impacts in advance with our labor partners.

Our commitment is to continue to keep you informed of any changes as we progress through these difficult times. Once we have a better idea of a final recommendation to close the current \$2.1M we will work with you, as well as the staff, to implement any additional changes. In the meantime, please do not hesitate to reach out to me directly.

***New Information for April 13, 2020 Finance Committee***

The intent of this memo is to prepare the City Council to make informed policy and budget decisions regarding the financial impacts of the COVID-19 pandemic.. Decisions will need to be made this year for the 2020 budget. As this is a budget year, decisions for the next biennium can be made through the normal budget process this summer.

The COVID-19 pandemic is causing unprecedented financial impacts world-wide and the full extent of these impacts will not be known for months. However, we do know several key factors:

- Initial U.S. unemployment claims are significantly higher than during the Great Recession. The graph below is from the April 4, 2020 CV-19 Track No. 4, published by the King County Office of Economic and Financial Analysis. The line at the far right side of the graph is not the border, but the number of claims between March 22, 2020 and March 28, 2020;



- King County unemployment claims totaled 47,333 for the week of March 29, 2020 through April 4, 2020;
- Statewide, businesses have the option to file, and pay, excise tax returns later than the normal due date. This will impact the City’s ability to forecast revenue as well as cash flow for the next several months;
- The City has received requests from businesses for an extension to file tax returns later than the current due date. City Council will be asked to approve temporary emergency policies that will formally grant businesses an extension.

In order to understand, and develop a plan to address the financial impacts due to the COVID-19 pandemic, three models have been developed. The models have been developed using information available the week of April 6, 2020 and are subject to change as new information becomes available. All models consider revenue losses and include immediate expenditure reductions listed in the chart at the bottom of page 4 above as well as additional reductions identified by department totaling \$1.8 million for a grand total expenditure reduction of \$6.2 million.

The City has already taken several steps to address the financial impacts of the pandemic. The city immediately implemented several cost savings measures.

- Hiring freeze on all existing vacant positions. Positions will be filled only by approval of the Mayor, as deemed necessary. If all positions listed below are frozen for the remainder of 2020, total savings would be roughly \$1.6 million in salaries plus benefits. Total projected savings will change as other positions become vacant due to retirements and/or if some of the positions listed below are filled. Currently vacant positions by department are as follows on the next page:

- Community Development: senior planner, building inspector III, associate planner, plans examiner
  - Fire: emergency management specialist, admin support technician – Note: Firefighter personnel positions currently in the hiring process will continue.
  - Police: community policing coordinator, evidence technician, police officer (3), master police officer (3) – Note: Police are authorized to continually actively recruit and hire new police officers to fill these vacant positions. Due to the time involved in this process and further retirements, it is assumed that not all of these positions will be able to be filled in 2020.
  - Public Works: engineer, facilities maintenance technician
  - Street: maintenance & operations specialist
  - TIS: information technology specialist
- All travel and non-essential training canceled for the remainder of the year. Total savings is estimated to be \$140 thousand.
  - Furlough all extra labor and part-time staff. Net savings, after considering unemployment costs, could be as much as \$150 thousand but only if all extra labor and part-time positions remain vacant for the remainder of 2020.
  - Remove transfers of \$1.2 million from the general fund to capital project funds. This will impact capital projects in residential street, arterial street, and the general government improvement funds. Further discussion on what capital projects would be impacted will be held at a later Finance Committee meeting.
  - No overtime unless authorized by the Mayor could result in a savings of up to \$910 thousand. This affects all departments including Police and Fire.

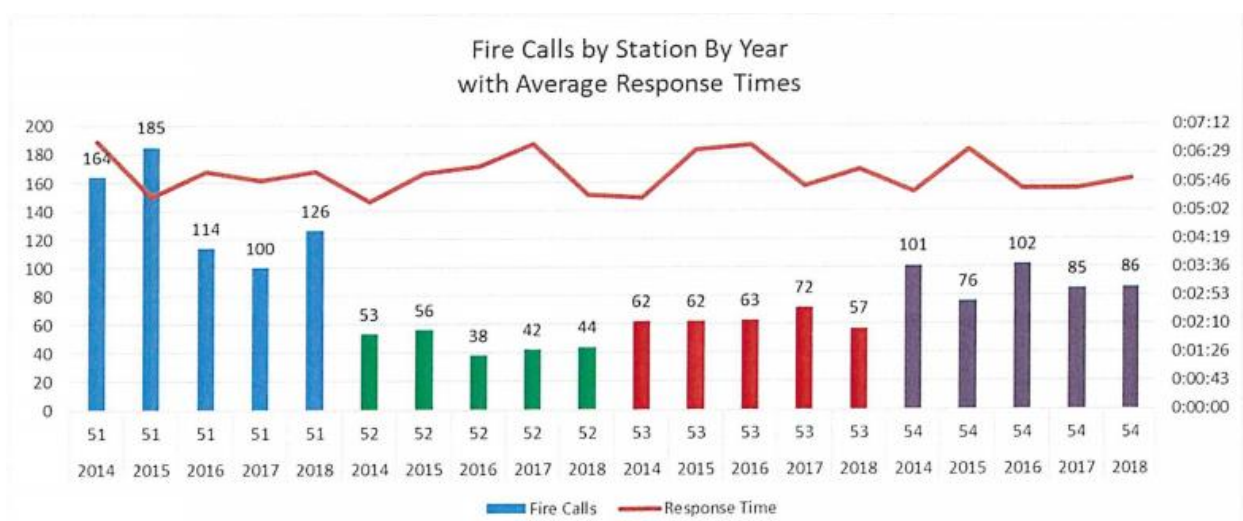
All departments have been asked to identify additional expenditure reductions. To date, departments have identified an additional \$1.8 million in savings.

In addition to the steps highlighted above, the City also established a budget ideas email address for employees to submit budget reduction suggestions. A cross-departmental group is being put together to review all suggestions and provide Administration with recommendations on which suggestions should be implemented. These suggestion will be vetted with the unions, and unions are being asked to come with budget ideas, as well.

Fire department overtime: During 2019, the Finance Committee spent considerable time reviewing several aspects of fire department operations in order to understand why the fire department is consistently over budget. Per the informational memo dated May 22, 2019 and most recently reviewed by the Finance Committee on October 28, 2019, one option to keep the fire department within budget was to significantly decrease use of overtime to fill staffing when additional firefighters call in sick leave. Station 52 had the least amount of fire calls the last 5 years and would be the station affected with this change. The temporary impact would be to staff an aid car instead of an engine at this station, as warranted based on available staffing.

At the April 13, 2020 Finance Committee meeting, the following question was asked: Are firefighters moved among stations when faced with minimum staffing so that it is always Fire Station 52 that affected by placing the aid car in service in place of an engine? Per Chief Wittwer, personnel shift between stations as needed. Fire Station 52 would be the station where the aid car will be placed in service.

Effective April 1, 2020, this option was implemented and is estimated to save \$250 thousand in overtime over the course of the year. It should be noted that Fire Station 54's response time to the neighborhood around Fire Station 52 is very quick and within our adopted goals for response times for the Tukwila community. Fire Station 54 responds to the Old Hill neighborhood often, particularly when Fire Station 52 personnel are at trainings or covering a different area of the City for a variety of reasons.



The current prediction is that the economic recovery from the pandemic would not be complete until 3<sup>rd</sup> or 4<sup>th</sup> quarter of 2021, a full 18 months to return to a pre-pandemic economy. Unemployment levels, sustainability of businesses, and how the State and County plan to ease social distancing restrictions are considered in the models.

**Timeline through April 15, 2020**

The timeline at the top of the next page highlights select significant events that have occurred in the State as well as King County. The time period covered is 38 days and begins on February 29, 2020 with the first known COVID-19 related death in the State through April 6, 2020 when schools across the State were ordered closed for the remainder of the academic year.



Timeline of Select COVID-19 Related Events								
February 29	March 2	March 11	March 13	March 16	March 17	March 23	April 2	April 6
First known COVID-19 death in WA State	Companies begin encouraging employees to work from home	Governor bans gatherings of 250 or more in King, Pierce, and Snohomish counties	Governor extends ban of gatherings of 250 or more across State	Closure of all restaurants, bars, entertainment, and recreational facilities	Governor bans gatherings of groups larger than 50 people	Governor issues 'stay at home' order for 2 weeks	Stay at home order extended through May 4	Schools ordered closed for remainder of academic year
Governor issues state of emergency	Some schools across state close for a few days		Schools closed for 6 weeks	Limits large group gatherings through March 31				

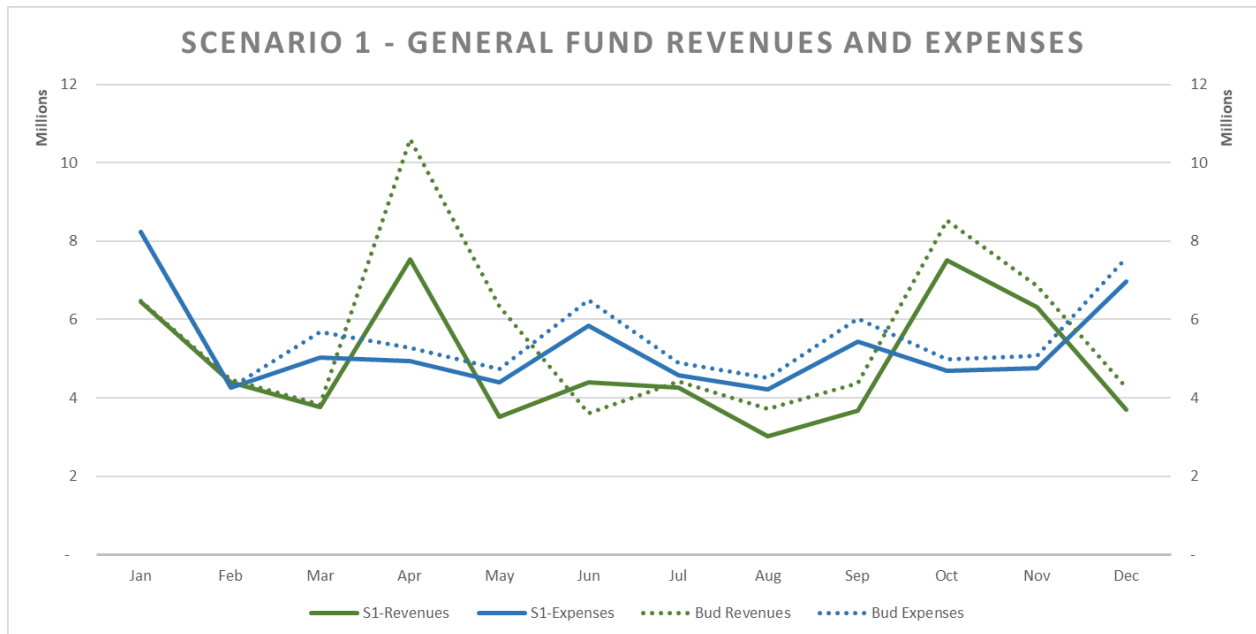
\*\* 38 days in the timeline \*\*

**Scenario 1 – Stay At Home Ends May 4:**

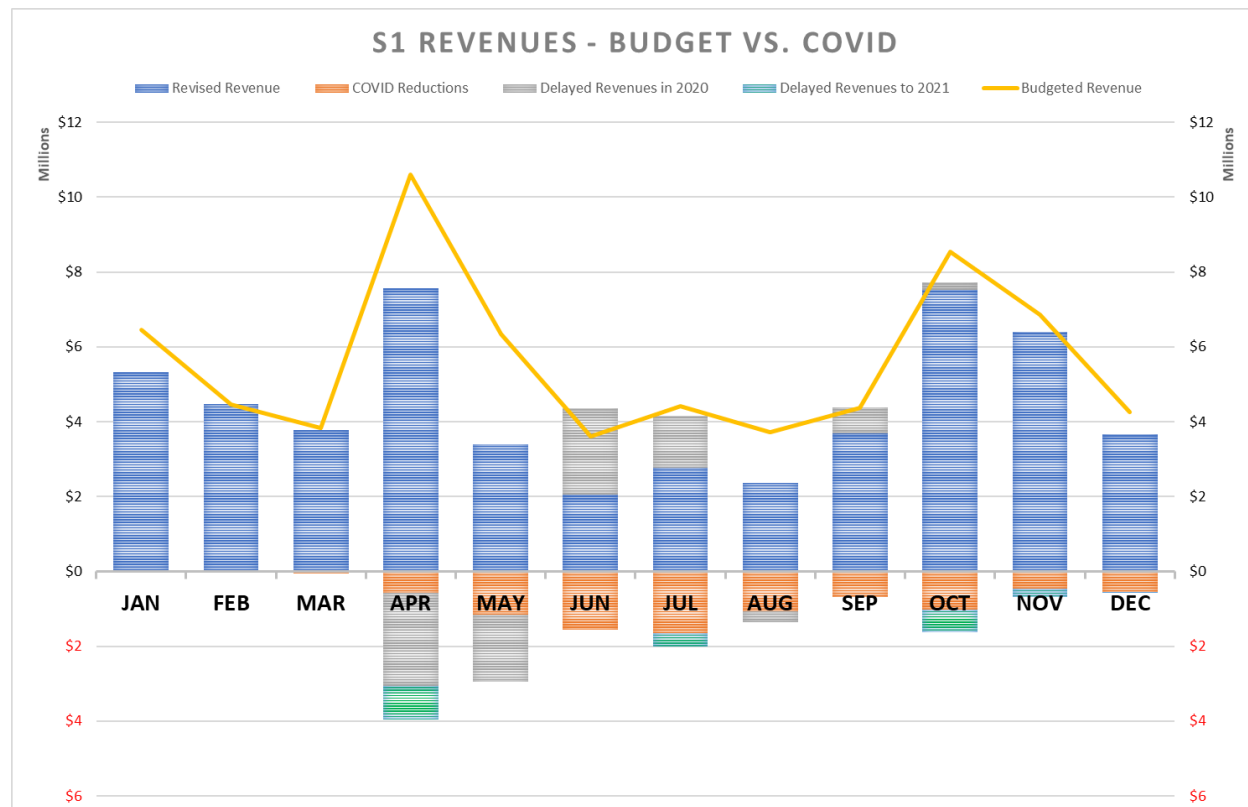
- Stay at home order does not extend beyond May 4, 2020 and allows for gatherings of up to 100 individuals through the summer months and all restrictions lifted by September.
- Sales tax, along with admissions, and gambling taxes will be significantly impacted through May but will begin to grow in June.
- Due to increases in unemployment benefits, consumer demand could fuel sales growth back to 80% of pre-pandemic sales by the end of the year.
- We expect minimal defaults on property tax payments but there would be a cash flow issue.
- Casinos could experience half the demand through summer and back to 80% by the end of the year.
- Admission tax could remain low through summer and return to 80% of prior year by the end of the year.
- During the closure order, utility tax revenue could be 20% below normal and returning to normal levels in the fall.
- Programming revenue from the Tukwila Community Center will begin to provide some programming during the summer and fully open by September.

Under Scenario 1, the City would need to identify ways to close an additional gap of \$2.4 million.

Scenario 1 - The "Stay at Home" order not extended past May 4th and allows gatherings of up to 100 individuals through the summer months and all restrictions lifted by September.				
GENERAL FUND SUMMARY		PROJECTED BUDGET	2020 COVID REDUCTIONS	COVID REDUCED BUDGET
REVENUES		67,475,493	(8,602,709)	58,872,784
SALARIES AND BENEFITS		44,958,702	(3,081,520)	41,877,182
SUPPLIES AND PROF SERVICES		22,762,577	(3,136,432)	19,626,145
TOTAL EXPENSES		67,721,279	(6,217,952)	61,503,327
OVER/(UNDER) FUNDED		(245,786)	(2,384,758)	(2,630,544)



On the next page is a graph for Scenario 1 that shows the 2020 budget for revenue along with the revised revenue projections based on lost as well as delayed revenue. The yellow line indicates the 2020 revenue budget, by month. The blue section in each bar indicates the adjusted revenue budget after taking into consideration both lost and delayed revenue. The orange section of each bar indicates lost revenue, while the gray and green sections indicate delayed revenue; gray is revenue delayed but projected to be received later in 2020 while green is projected to be received in 2021.



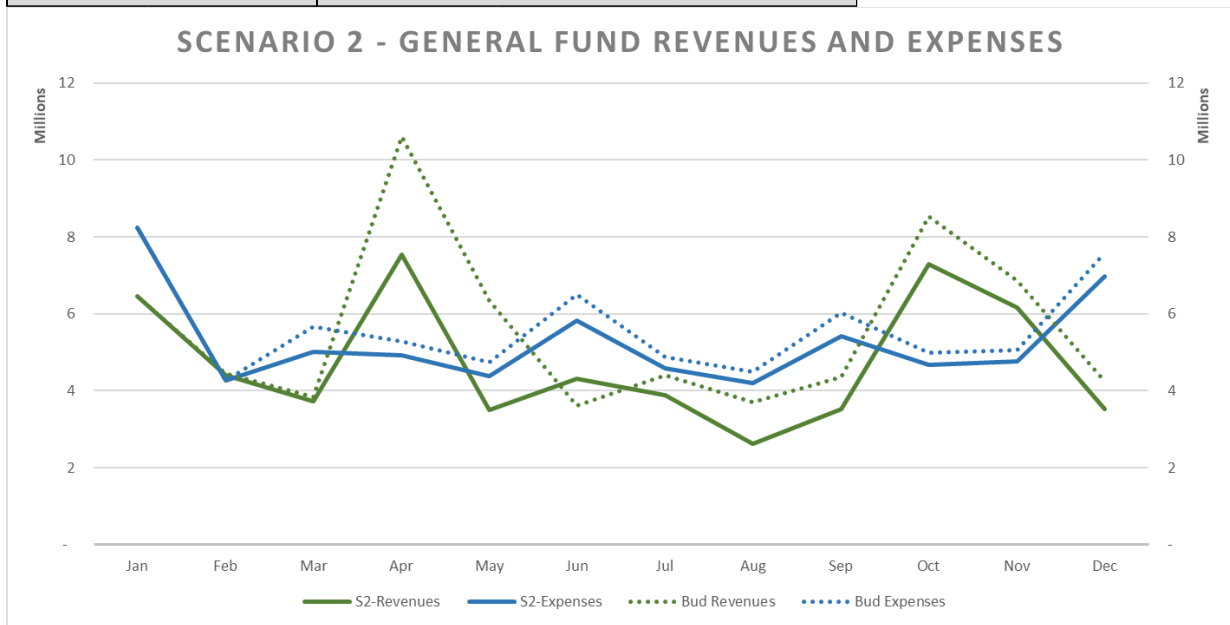
**Scenario 2 - Stay at Home Extended into June:**

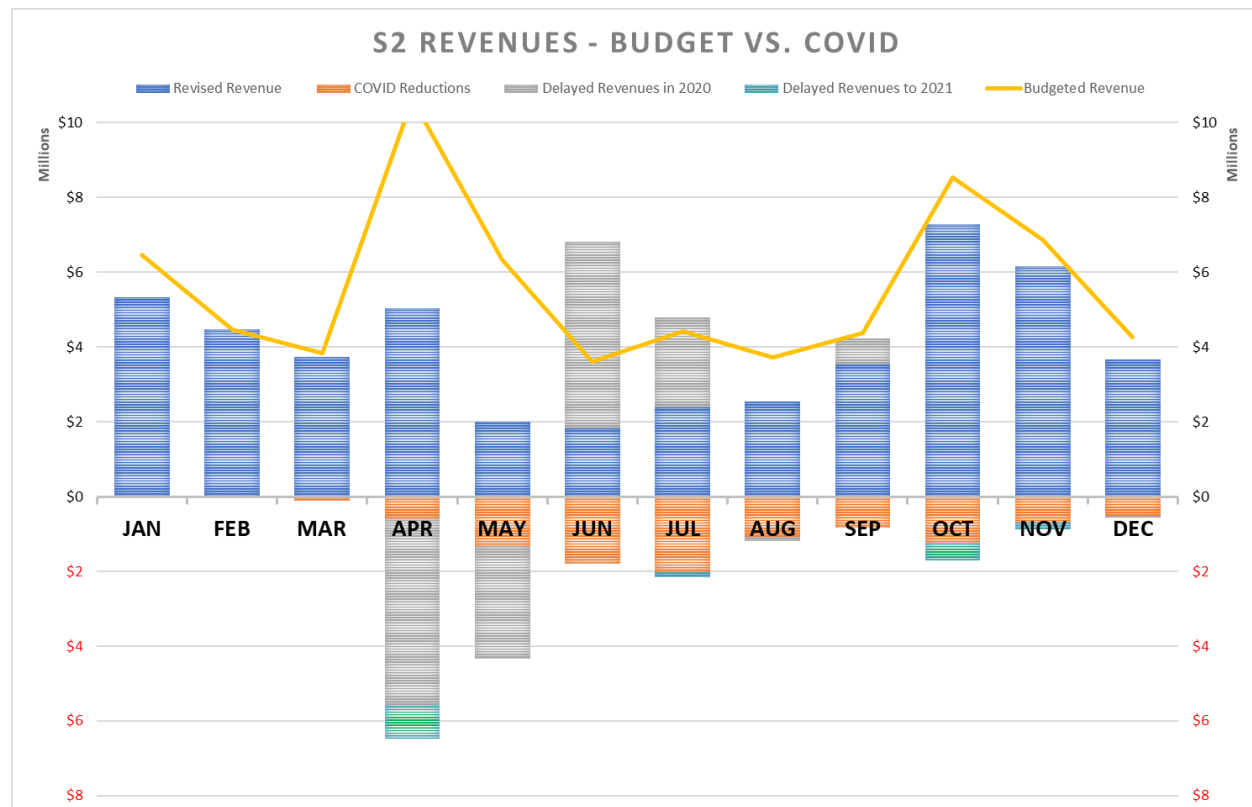
- Stay at home order extends by an additional month, through June 4, 2020 and allows for gatherings of up to 100 individuals through the summer months and all restrictions lifted by September.
- Any extension on the stay at home order will most likely result in more businesses going out of business.
- Sales tax, along with admissions, and gambling taxes will be significantly impacted through June but will begin to grow in June.
- Due to increases in unemployment benefits, consumer demand could fuel sales growth back to 70% of pre-pandemic sales by the end of the year.
- We would still expect minimal defaults on property tax payments but there would be a cash flow issue.
- Casinos could experience half the demand through summer and into fall and back to 60% by the end of the year.
- Admission tax will remain low through summer and return to 70% of prior year by the end of the year.
- During the closure order, utility tax revenue could be 20% below normal and returning to normal levels in the fall.
- Programming revenue from the Tukwila Community Center will begin to provide some programming during the summer and fully open by October.

With Scenario 2, the City would need to close an additional gap of \$4.3 million.

**Scenario 2 - The "Stay at Home" order is extended until May 31st and allows for gatherings of up to 100 individuals through the summer months and all restrictions lifted by September**

GENERAL FUND SUMMARY	BUDGET	2020 COVID REDUCTIONS	COVID REDUCED BUDGET
REVENUES	67,475,493	(10,473,648)	57,001,845
SALARIES AND BENEFITS	44,958,702	(3,081,520)	41,877,182
SUPPLIES AND PROF SERVICES	22,762,577	(3,136,432)	19,626,145
TOTAL EXPENSES	67,721,279	(6,217,952)	61,503,327
OVER/(UNDER) FUNDED	(245,786)	(4,255,696)	(4,501,482)



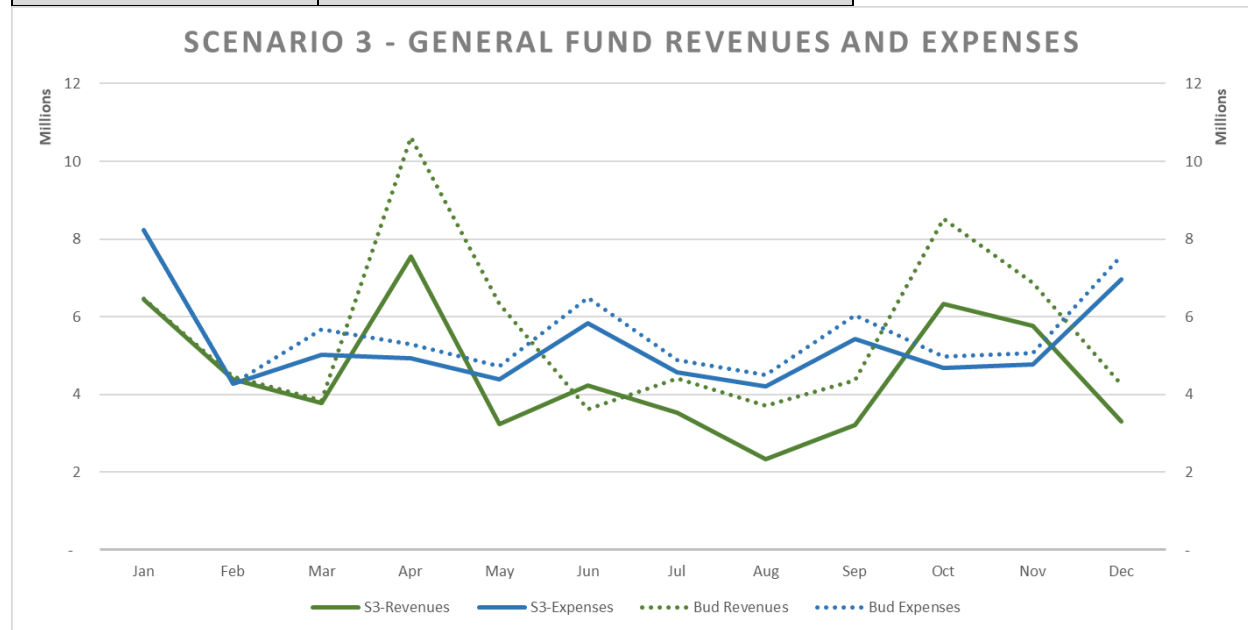


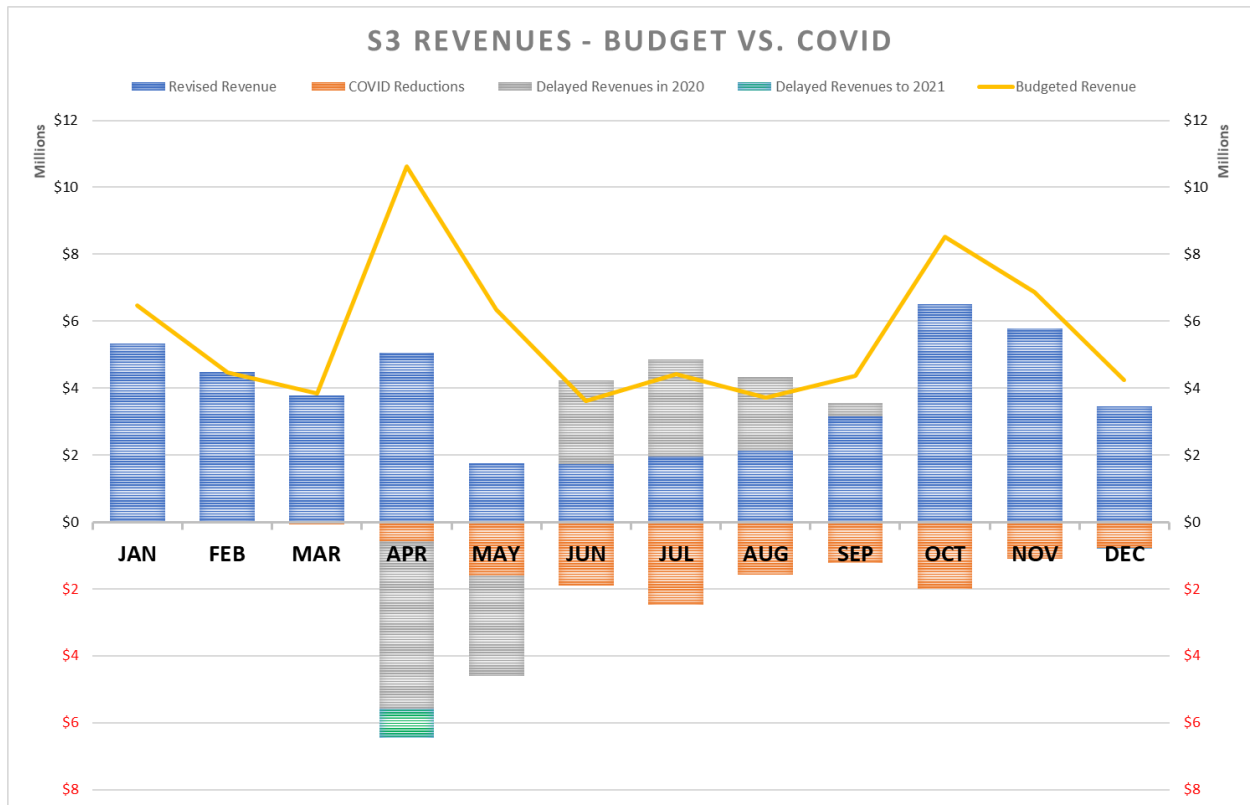
### Scenario 3 – Stay at Home Order Extended into July:

- Stay at home order extends by an additional month, through July 4, 2020 and allows for gatherings of up to 50 individuals through the summer months and additional restrictions lifted by Fall with full restrictions lifted by end of the year.
- The assumption is restrictions would last longer in order to stave off a second wave of infection.
- Any extension on the stay at home order will most likely result in even more businesses going out of business.
- Sales tax, along with admissions, and gambling taxes will be significantly impacted through the end of August but will begin to grow in September.
- Due to increases in unemployment benefits, consumer demand might fuel sales growth back to 60% of pre-pandemic sales by the end of the year.
- We would still expect minimal defaults on property tax payments but there would be a cash flow issue.
- Due to the length of restrictions with this scenario, casinos would not open in 2020.
- Admission tax will remain low through summer and return to 60% of prior year by the end of the year.
- During the closure order, utility tax revenue could be 20% below normal and returning to normal levels in the fall.
- Programming revenue from the Tukwila Community Center will begin to provide some programming during the summer but not return to normal in 2020.

With Scenario 3, the City would need to close an additional gap of \$7.1 million.

Scenario 3 - The "Stay at Home" order is extended until July 4th and allows for gatherings of up to 50 individuals through the summer months and additional restrictions lifted by Fall will full restrictions				
GENERAL FUND SUMMARY		BUDGET	2020 COVID REDUCTIONS	COVID REDUCED BUDGET
REVENUES		67,475,493	(13,305,252)	54,170,241
SALARIES AND BENEFITS		44,958,702	(3,081,520)	41,877,182
SUPPLIES AND PROF SERVICES		22,762,577	(3,136,432)	19,626,145
<b>TOTAL EXPENSES</b>		<b>67,721,279</b>	<b>(6,217,952)</b>	<b>61,503,327</b>
OVER/(UNDER) FUNDED		(245,786)	(7,087,300)	(7,333,086)





A summary of the 3 scenarios are as follows:

Initial assumption	\$6.1 million in lost revenues in 2020
Scenario 1	Additional \$2.4 million for a total of \$8.5 million
Scenario 2	Additional \$4.3 million for a total of \$10.5 million
Scenario 3	Additional \$7.1 million for a total of \$13.3 million

Also included is a summary of the assumptions for each scenario (revised for 4/27/20):

Assumption	Scenario 1	Scenario 2	Scenario 3
<b>Basis</b>	Stay at home order does not extend beyond May 4, 2020 and allows for gatherings of up to 100 individuals through the summer months and all restrictions lifted by September.	Stay at home order extends by an additional month, through June 4, 2020 and allows for gatherings of up to 100 individuals through the summer months and all restrictions lifted by September.  Any extension on the stay at home order will most likely result in more businesses going out of business.	Stay at home order extends by an additional month, through July 4, 2020 and allows for gatherings of up to 50 individuals through the summer months and additional restrictions lifted by Fall with full restrictions lifted by end of the year.  The assumption is restrictions would last longer in order to stave off a second wave of infection.  Any extension on the stay at home order will most likely result in even more businesses going out of business.
<b>Sales and Other Taxes</b>	Sales tax, along with admissions, and gambling taxes will be significantly impacted through May but will begin to grow in June.	Sales tax, along with admissions, and gambling taxes will be significantly impacted through June but will begin to grow in June.	Sales tax, along with admissions, and gambling taxes will be significantly impacted through the end of August but will begin to grow in September.
<b>Adopted Budget:</b> <b>\$20,600,686</b>	<i>Revised Budget: \$14,541,497</i> <i>Reduction of \$6,059,179</i>	<i>Revised Budget: \$13,689,699</i> <i>Reduction of \$6,910,977</i>	<i>Revised Budget: \$11,660,178</i> <i>Reduction of \$8,940,498</i>
<b>Unemployment</b>	Due to increases in unemployment benefits, consumer demand could fuel sales growth back to 80% of pre-pandemic sales by the end of the year	Due to increases in unemployment benefits, consumer demand could fuel sales growth back to 70% of pre-pandemic sales by the end of the year.	Due to increases in unemployment benefits, consumer demand might fuel sales growth back to 60% of pre-pandemic sales by the end of the year
<b>Property Taxes</b>	We expect minimal defaults on property tax payments but there would be a cash flow issue.	We would still expect minimal defaults on property tax payments but there would be a cash flow issue.	We would still expect minimal defaults on property tax payments but there would be a cash flow issue
<b>Adopted Budget:</b> <b>\$16,416,911</b>	No projected reduction in budget	No projected reduction in budget	No projected reduction in budget
<b>Casinos</b>	Casinos could experience half the demand through summer and back to 80% by the end of the year.	Casinos could experience half the demand through summer and into fall and back to 60% by the end of the year.	Due to the length of restrictions with this scenario, casinos would not open in 2020.
<b>Adopted Budget:</b> <b>\$4,274,000</b>	<i>Revised Budget: \$2,927,106</i> <i>Reduction of \$1,346,894</i>	<i>Revised Budget: \$2,530,205</i> <i>Reduction of \$1,743,795</i>	<i>Revised Budget: \$1,755,057</i> <i>Reduction of \$2,518,943</i>
<b>Admission Tax</b>	Admission tax could remain low through summer and return to 80% of prior year by the end of the year.	Admission tax will remain low through summer and return to 70% of prior year by the end of the year.	Admission tax will remain low through summer and return to 60% of prior year by the end of the year.
<b>Adopted Budget:</b> <b>\$870,000</b>	<i>Revised Budget: \$589,548</i> <i>Reduction of \$280,452</i>	<i>Revised Budget: \$518,274</i> <i>Reduction of \$351,726</i>	<i>Revised Budget: \$495,910</i> <i>Reduction of \$374,090</i>
<b>Utility Tax</b>	During the closure order, utility tax revenue could be 20% below normal and returning to normal levels in the fall.	During the closure order, utility tax revenue could be 20% below normal and returning to normal levels in the fall.	During the closure order, utility tax revenue could be 20% below normal and returning to normal levels in the fall.
<b>Adopted Budget:</b> <b>\$6,818,610</b>	<i>Revised Budget: \$5,990,250</i> <i>Reduction of \$828,360</i>	<i>Revised Budget: \$5,894,713</i> <i>Reduction of \$923,897</i>	<i>Revised Budget: \$5,788,825</i> <i>Reduction of \$1,029,785</i>
<b>Culture and Recreation</b>	Programming revenue from the Tukwila Community Center will begin to provide some programming during the summer and fully open by September.	Programming revenue from the Tukwila Community Center will begin to provide some programming during the summer and fully open by October.	Programming revenue from the Tukwila Community Center will begin to provide some programming during the summer but not return to normal in 2020.
<b>Adopted Budget:</b> <b>\$601,000</b>	<i>Revised Budget: \$380,138</i> <i>Reduction of \$220,862</i>	<i>Revised Budget: \$357,569</i> <i>Reduction of \$243,431</i>	<i>Revised Budget: \$318,243</i> <i>Reduction of \$282,757</i>

Because it is currently expected that a COVID related recession will last through 2021, there will be impacts to the next biennial budget. The City should expect a reduced base of at least \$4 million in revenue in 2021 which means that **ongoing** savings will be needed to maintain the budget for the next biennium.

### Cash Flow

Loss of revenue without an equal offset in expenditure reduction will result in an impact to cash flows. The chart below demonstrates the impacts to cash flow for each of the 3

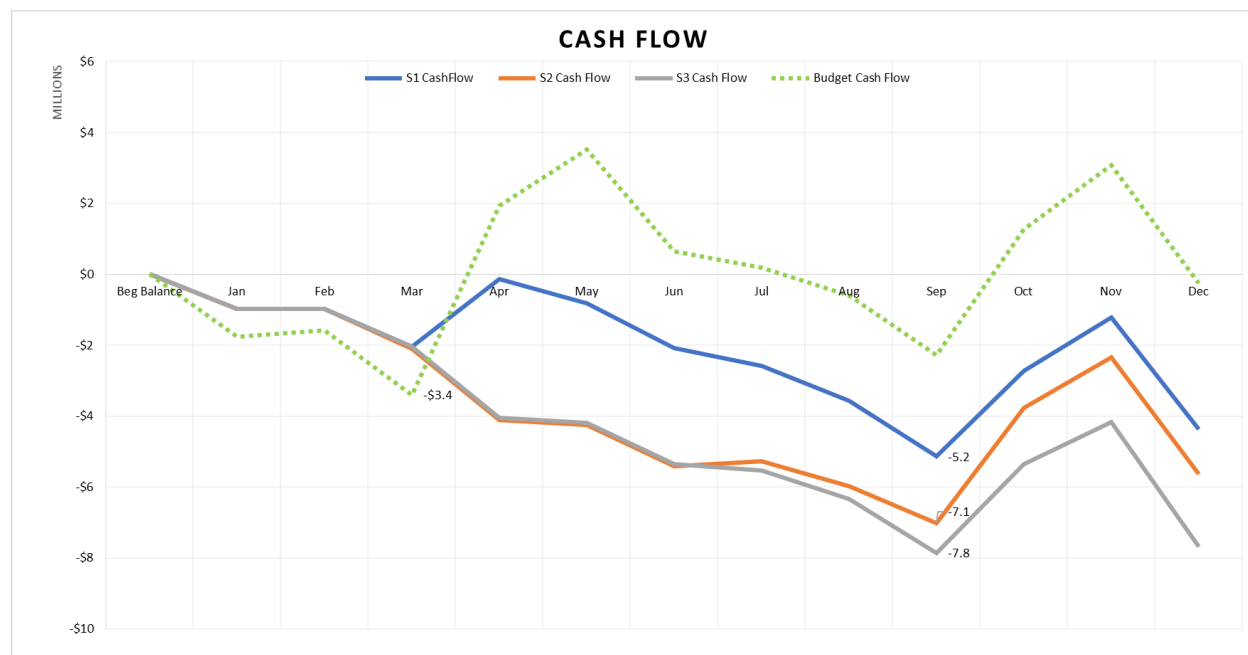


scenarios modeled as well as cash flow for the current budget; revenue received by the City each month less payment of expenditures each month.

As indicated in the chart below, if the general fund began the year at zero (no cash in the bank), the general fund would end the year at very close to zero. However, during the year, the general fund would have a cash deficit of \$3.4 million in April and a cash deficit of \$2.3 million in October. Approximately \$3.4 million in reserves are currently used for cash flow purposes in April and October, shortly before the City receives property tax revenue.

As each of the 3 scenarios indicate, without reducing expenditures above what has already been identified, the need for cash on hand throughout the year increases. Scenario 1 would require maintaining a minimum contingency fund reserve of \$5.2 million in order to cover expenditures, while Scenario 3, the worst case, would require a minimum contingency fund reserve of at least \$7.8 million at year-end to maintain a positive cash balance. Minimum contingency fund reserves are summarized as follows:

Current budget	\$3.4 million required to maintain positive cash flow
Scenario 1	\$5.2 million required to maintain positive cash flow
Scenario 2	\$7.1 million required to maintain positive cash flow
Scenario 3	\$7.8 million required to maintain positive cash flow



Financial Reserve Policy – General Fund and Contingency Fund

The City adopted a reserve policy that was most recently amended by Resolution 1919, adopted by Council on November 20, 2017. The policy states that the general fund unassigned fund balance shall equal or exceed 18% and the contingency fund reserve

balance shall equal or exceed 10% of previous year general fund revenue, exclusive of significant non-operating, non-recurring revenues such as real estate sales or transfers from other funds. The policy also requires a one-time revenue reserve that will be maintained in the contingency fund. The one-time revenue reserve shall be credited annually with 10% of the prior year one-time revenues to the extent general fund surplus for the year is sufficient to cover the reserve funding. A copy of the resolution is included as an attachment to this memo.

The policy also states that any draw down of minimum balances shall occur only upon recommendation of City Administration and approval by City Council through a resolution. Should a draw down occur, the City Administration shall establish a plan, no later than the end of the fiscal year following the decline, to restore the fund balance to the prescribed minimum level. The plan shall be presented to and approved by the City Council.

Per Government Finance Officers Association (GFOA), a national organization representing public finance professionals throughout the United States and Canada and, among other functions, provides best practice guidance on all aspects of government finance functions. For minimum unassigned general fund balances, GFOA recommends, "at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures."

Other considerations include:

- Vulnerability to natural disasters;
- Dependency on volatile revenue sources, in our case, sales tax;
- The predictability of its revenues and the volatility of its expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile);
- Perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts);
- The potential drain upon general fund resources from other funds, as well as the availability of resources in other funds;
- The potential impact on the entity's bond ratings and the corresponding increased cost of borrowed funds

Additional best practices include the following:

- Define the time period within which and contingencies for which fund balances will be used;
- Describe how the government's expenditure and/or revenue levels will be adjusted to match any new economic realities that are behind the use of fund balance as a financing bridge;
- Describe the time period over which the components of fund balance will be replenished and the means by which they will be replenished;
- Governments should seek to replenish reserves within one to three years of use.

Parameters for using unassigned general fund balance and contingency fund reserves should include the following:

- Are one time in nature. Once they are used, they are gone unless replenished via a repayment plan.
- Some reserves must be maintained for cash flow purposes. The amount maintained is determined by the lowest balance during the fiscal year. (As noted above in the cash flow section, with each worsening scenario, the amount of reserves required to maintain a positive cash flow increase.
- Funds can be used for short-term downturns/losses but any use of the funds must be repaid within a reasonable timeframe.
- Funds used for longer-term downturns should be a stop-gap only and a long-term, sustainable solution must be identified and implemented.
- It should be noted that the draft general fund unassigned fund balance as of December 31, 2019 meets best practice guidelines of maintaining a minimum two months of general fund expenditures.

Current reserves are as follows (draft until 2019 is officially closed):

**General fund unassigned fund balance	\$12,476,158
Contingency fund	\$6,402,392
One-time revenue reserve	\$699,586
Total reserves	\$19,578,136

\*\* Exceeds required unassigned fund balance by \$951,851

***New Information for April 27, 2020 Finance Committee***

**Financial Reserve Policy – Enterprise Funds**

The Reserve Policy also includes requirements for enterprise funds. Per the policy, the unrestricted balances of the enterprise funds shall equal or exceed 20% of the previous year revenue, exclusive of the effects of GASB Statement 68, as well as significant non-operating, non-recurring revenues such as real estate sales, transfers in from other funds, or debt proceeds.

Parameters for unrestricted balances in excess of required reserves include the following:

- Enterprise funds cannot subsidize the general fund. Any enterprise funds utilized for general fund purposes would need to be via an interfund loan that would be required to be repaid, with interest, within a reasonable timeframe.
- Reserves above the required 20% should be retained for planned and/or required capital projects adopted in the Capital Improvement Plan.

The chart below details the draft ending unrestricted fund balance as of December 31, 2019 and includes the required reserve as well as a high-level calculation of the impact to ending fund balance after taking into consideration capital projects that are included in the Capital Improvement Program through 2024, adopted by City Council via Resolution No. 1953 on December 3, 2018.

The net effect on unrestricted (ending) fund balance includes the total cost of capital projects through 2024 less any dedicated revenue (grants, King County Flood Control, etc.) and operating revenue utilized to complete the projects. The figures below are high-level only and do not take into consideration loss of revenue in 2020 because businesses are currently closed or possible rate increases in future years. As information becomes available regarding lost revenue during the shutdown, the chart can be updated.

	12/31/2019 Unrestricted Fund Balance *	20% of 2018 Revenue	Policy Compliance	Net Effect of Capital Projects on Fund Balance	Estimated Net Unrestricted Fund Balance 12/31/2024
401 - Water	7,484,856	1,425,806	Y	(5,900,000)	159,050
402 - Sewer	13,606,550	2,174,173	Y	2,020,000	13,452,377
412 - Surface Water	5,423,776	1,423,961	Y	(126,000)	3,873,814

\*Adjusted for removal of the effects of GASB Statement 68

**Unemployment**

The City of Tukwila is a ‘reimbursable employer’ as are many government agencies in Washington State. This means that the City does not pay a monthly unemployment premium like we do with Industrial Insurance. Rather, when a former employee is receives unemployment, Employment Security Department (ESD) will pay the unemployment claim to the former employee then bill the City for those costs.

Given the current COVID-19 pandemic and changes in unemployment regulations at both the Federal and State levels, unemployment rules have changed quite a bit and could continue to evolve. The Federal stimulus in the recently enacted CARES Act created Pandemic Unemployment Assistance (PUA) for businesses and workers affected by COVID-19.

- Key changes in unemployment due to the pandemic include the following:
- Eligibility for unemployment benefits is expanded to include many Washington employees who would normally not qualify for unemployment including many self-employed individuals and those that do not have the typically required 680 hours to claim unemployment.
  - An additional \$600 per week is available to nearly everyone on unemployment from March 29, 2020 through the week ending July 25, 2020.
  - Benefits extended by 13 weeks, for a maximum of 39 (which is about 9 months). This includes individuals who were already on unemployment as well as those who are newly eligible.

Benefits to employees that are laid off or furloughed: Employees eligible to file for unemployment due to COVID-19 staffing reductions would receive a weekly benefit amount of between \$188 and \$790 from Washington State Unemployment. All employees receiving unemployment could receive an additional \$600 per week from the CARES Act. Given the additional \$600 provided under the CARES Act, some employees, mostly part-

time staff, *could* receive more money through unemployment benefits than if they continued to receive a regular paycheck.

Costs incurred by the City: As previously stated, reimbursable employers are required to pay 100% of unemployment costs. However, during this national emergency, the federal government is offering some relief to reimbursable employers:

- If an employee's hours were reduced or eliminated to follow public health recommendations, the federal government should pay 50% of the unemployment charges.
- Workers at these government agencies are eligible for the Federal Pandemic Unemployment Compensation supplement of \$600 per week.

It is probable that unemployment costs associated with any employee that was furloughed or laid off because reduced/eliminated work hours to follow public health recommendations would be reimbursed at 50%. This would most likely include part-time staff hired in the Parks and Recreation departments. Programs were shut down because social distancing could not be adequately maintained.

However, reductions in full-time staff would be because of a loss of revenue, not because of the need to follow public health recommendations. While still unclear, it is highly unlikely that these unemployment costs would be reimbursed and the full unemployment cost would be borne by the City.

### **Financial Impacts to Residential Street, Arterial Street, and General Government Improvement Capital Projects Funds**

The financial impact of the pandemic will not only reduce revenues in the general fund, but will also effect dedicated and restricted revenues in our capital projects funds. Revenues that are expected to be negatively impacted include parking tax, gas tax (MVFT), real estate excise tax (REET), solid waste utility tax, and impact fees. At this time, we do not expect that grants already approved will be negatively affected by the pandemic.

The chart that follows on the next page summarizes the financial situation for each of the 3 funds and is followed by a narrative explanation for each fund.

INFORMATIONAL MEMO

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	Residential Streets (103)	Bridges and Arterial Streets (104)	General Government Improvements (303)
<b>Beginning Balance</b>	-	2,090,386	656,306
<b>Forecasted Revenues</b>			
Taxes	243,000	1,027,250	
Fees		470,056	
Grants	359,609	2,889,000	
Interest		20,000	414
Transfers-In	100,000		-
<b>Total Available Funds</b>	<b>702,609</b>	<b>6,496,692</b>	<b>656,720</b>
<b>Forecasted Spending</b>			
Wages and Benefits		485,383	50,000
<b>Forecasted Spending by Project</b>			
<b>Fund</b>	<b>Project Name</b>		
103	42nd Ave S Phase III	378,000	
103	53rd Ave S	399,000	
103	Traffic Calming/Residential Safety Improve.	2,000	
103	Interfund Loan Repayment	336,932	
104	Strander Blvd Extension Grant Reimb.		622,000
* 104	West Valley Hwy (I-405 - Strander Blvd)		350,000
* 104	Boeing Access Rd/Airport Wy Seismic Retrofit		2,614,000
104	42nd Ave Bridge Replacement		320,000
104	Annual Overlay		1,400,000
104	Annual Bridge Inspection & Repairs		335,000
104	ADA Improvements		50,000
104	Annual Traffic Signal Program		125,000
104	Wetland & Environmental Mitigation		40,000
104	Transportation Element of Comp. Plan		400,000
104	Walk & Roll Program		75,000
303	6300 Dry Fire Sprinkler System		30,000
303	Facilities Study		190,000
104	Park Impact Fees		1,009,400
<b>Total Spending</b>	<b>1,115,932</b>	<b>7,825,783</b>	<b>270,000</b>
<b>Ending Balance</b>	<b>(413,323)</b>	<b>(1,329,091)</b>	<b>386,720</b>

\* Indicates projects funded by grant revenue

*Residential Street*

Revenues currently forecasted for this fund include gas tax (MVFT) and grant revenue that was invoiced in 2019 and expected to be received in 2020. At this time, the City and Seattle City Light are still disputing revenue of approximately \$500 thousand the City expected to receive from the utility as part of the 42<sup>nd</sup> Ave S and 53<sup>rd</sup> Ave S roadway projects. Because this revenue is still disputed, it is not included in the summary table that follows this discussion. This matter is currently being handled by our attorney. It should be noted that a budgeted transfer in of \$100 thousand is still included in the revenue budget.

Expenditures include final costs associated with the 42<sup>nd</sup> Ave S and 53<sup>rd</sup> Ave S projects as well as an interfund loan repayment that was necessary at the end of 2019 to keep the fund from reflecting a negative cash balance at the end of 2019. Total amount of the loan was \$337 thousand and was necessary because Seattle City Light did not reimburse the City, as expected.

Based on the current forecast for revenue and cost estimates for the projects listed above, it is projected that this fund will have a negative fund balance of \$514 thousand at the end of 2020. Unless Seattle City Light reimburses the City for costs incurred on the 2 roadway projects, a transfer in of over \$400 thousand will be needed to keep this fund positive at year-end. Staff is recommending that the transfer come from the General Government Improvement fund. The transfer amount, based on current information, could be roughly \$386 thousand, leaving a deficit of only \$28 thousand to be covered by the general fund. If Seattle City Light reimburses the City, the funds could be transferred back to the general government fund and the general fund.

#### *Arterial Street*

Revenues currently forecasted in this fund include parking and gas taxes, real estate excise tax, impact fees, and grant revenue. It also includes the additional solid waste utility tax approved by Council in 2019. At the March 2, 2020 regular council meeting, Council authorized the use of this tax for 30% design for the 42<sup>nd</sup> Ave South Bridge Replacement project. It should be noted that a budgeted transfer of \$1 million was eliminated during the first phase of budget reductions.

Expenditures in this fund include wages and benefits for three FTE as well as a number of projects; many of which are funded solely by dedicated/restricted revenues and transfers in from the general fund. Also included are 2 projects that are almost entirely funded by grants.

Without reducing and/or eliminating projects that are not funded by grant revenue, the fund will end the year with a deficit of over \$1.3 million.

In order to keep this fund solvent, staff is recommending the following changes:

- Delay the Transportation Element of the Comprehensive Plan and the Walk & Roll program until 2021.
- Reduce funding for the following projects: overlay, bridge inspections, ADA improvements, traffic signal program, and wetland mitigation by a total of \$865 thousand.

#### *General Government Improvements*

As part of the first phase of budget reductions, a transfer in of \$200 thousand was eliminated. No other revenues are dedicated to this fund.

Planned expenditures in this fund include \$190-thousand for phases I and II of a facilities study that includes updated seismic assessments of several facilities, \$30 thousand for the dry fire sprinkler system, as well as \$100 thousand for other minor repair projects that could be needed this year.

Because of the healthy beginning fund balance of \$657 thousand, eliminating the transfer in does not create deficit fund balance at year-end. This fund is currently projected to end the year with a fund balance of over \$386 thousand. Due to the current deficit in the residential street fund of \$413 thousand, staff recommends transferring any excess funds

from this fund into the residential street fund, lessening the impact to the general fund. As mentioned in the discussion on the residential street fund, if Seattle City Light reimburses the City, the funds can be transferred back into this fund.

### **New Information for April 28, 2020 Finance Committee**

#### **Recap of Current Projected Revenue Gap**

As discussed in the first five pages of this memo, the City identified an initial revenue gap (March through May) of \$6.1 million that has been filled with phase I reductions of \$4 million and are working with departments to identify an additional \$2.1 million to close the remaining gap. Departments are scrubbing their budgets and have already identified \$2 million, leaving a gap of just \$100 thousand.

There will be an additional revenue gap that needs to be closed. Three scenarios were developed resulting in additional revenue losses ranging from \$2.4 million up to \$7.1 million. Details of each of the scenarios can be found on pages 9 – 16 of this memo. Additional revenue gap for each scenario is as follows. The amounts below are in addition to the initial \$6.1 million revenue gap discussed above.

Scenario 1 - \$2.4 million + initial revenue gap \$6.1 = total revenue gap \$8.5

Scenario 2 - \$4.3 million + initial revenue gap \$6.1 = total revenue gap \$10.5

Scenario 3 - \$7.1 million + initial revenue gap \$6.1 = total revenue gap \$13.3

Given what we know today, Scenario 1 is most likely too optimistic. Based on economic indicators today, it is now believed, and is in line with what other area cities are projecting, that the actual revenue gap would be somewhere between Scenario 2 and Scenario 3, which would result in an additional revenue gap of around \$6 million, for a total revenue gap in 2020 of \$12 million.

Additionally, economic indicators point to a continuing loss of revenue in 2021 as well. At this time, we are projecting a revenue loss of \$6 million in 2021. Thus, the City will need to fill an additional gap of \$6 million in 2020, for a total gap of \$12 million with an ongoing budget shortfall of \$6 million in 2021; meaning ongoing budget reductions.

#### **Decision Tree**

On one extreme, the City could utilize only contingency funds to fill the gap in 2020. Given the current contingency fund balance of \$7.1 million (see page 19 for specifics on the contingency fund), this would leave \$1.1 million to fill a small portion of the revenue gap in 2021. This is not a recommended option as it leaves no contingency available for a second or third wave of infections that could hit later in 2020 or in 2021 nor would it leave funds for any other emergency that could arise.

The other extreme would be to reduce labor costs by \$6 million to fill the remaining revenue gap and not utilize contingency funds. While this would result in ongoing savings, this would result in significant loss of staff and significantly reduce the ability to provide services to our communities.



Rather, staff is recommending a balanced approach of matching contingency funds to labor reductions using a 3 to 1 ratio. This approach ensures that we stay true to our values of Caring, Professional, and Responsive. We are in this together and all departments need to share in the responsibility of reducing costs.

### **Decision Tree Tools**

A more refined decision tree will be presented at the next Finance Committee meeting with the intent of identifying tools such as the following to close the gap:

- Voluntary retirements and separations
- Involuntary furloughs
- Voluntary furloughs
- Layoffs
- Voluntary pay reductions

### **Required Services and Current Service Levels**

The City of Tukwila is a code city and operates under RCW 35A Optional Municipal Code. The Optional Municipal Code provides flexibility in the administration of municipal government and permits code cities to adjust procedures and programs to meet individual needs. The Code (RCW 35A) establishes the powers and responsibilities of councilmembers, the mayor, and city administrator. Other city officials have only such powers as the city council vest in them. This results in an increase in administrative choices available to code cities.

There are legal requirements regarding planning in the Growth Management Act and minimum staffing is necessary for development activities. There are relatively few mandates for code cities in the RCWs regarding minimum staffing and service levels except for police. Code cities are required to appoint a chief law enforcement officer pursuant to RCW 35A.12.020 and a city police department must be under the control and direction of the chief of police. However, neither the state constitution nor state law mandates a specific number of law enforcement officers or level of law enforcement services. Thus, staffing and service levels are policy decisions in the discretion of the City Council. If the City does not maintain their own police department, the County would be required to provide coverage.

There are no specific statutes that require cities to provide fire protection services or parks and recreation services. However, as a practical matter, cities provide some measure of these services.

Through long-standing Council policy, the City Council has set current service levels through policy decisions during the budget and budget amendment process. The current budget reflects priorities set by City Council and many of the programs included in the budget closely align with the City's adopted Strategic Goals.

Attached to this memo is the list of all programs in the general fund. Each program went through an extensive scoring process that benchmarked every program against the City's

Strategic Goals and basic program attributes. Tier 1 and Tier 2 programs most closely align with the Strategic Goals. All programs that are legally mandated either at the federal or state level are identified with an \*. Many of the programs that have been identified as legally required are because of services the City provides. For example, because we provide fire services and employ firefighters, there are required trainings that all firefighters must complete on a regular basis.

**Professional Services**

Details on professional services for each department are detailed in the 2019 – 2020 Biennial Budget Document. During Phase II when departments were required to scrub their budgets, many budget categories were reduced, including professional services. It should be noted that some contracts in the professional services category cannot be reduced as they are legally required. For example, audit costs are captured in professional services and an annual audit is required per RCW. Details on professional services for each department in the general fund can be found on the following pages:

<b><u>Department</u></b>	<b><u>Page Number(s)</u></b>
<u>City Council</u>	<u>89</u>
<u>Mayor’s Office</u>	<u>103 - 113</u>
<u>Municipal Court</u>	<u>124 – 125</u>
<u>Parks &amp; Recreation</u>	<u>138 – 160</u>
<u>Community Development</u>	<u>171 – 182</u>
<u>Police</u>	<u>194 – 210</u>
<u>Fire</u>	<u>222 – 235</u>
<u>Public Works</u>	<u>248 – 260</u>
<u>Administrative Services</u>	<u>271 – 273</u>
<u>Finance</u>	<u>284</u>
<u>TIS</u>	<u>296</u>

In addition to details on professional services, the chart on the following page summarizes all expenditures by major category in the general fund.

General Fund Expenditure by Type

General Fund Expenditures by Type								
	Actual			Budget			Percent change	
	2016	2017	Projected 2018	2018	2019	2020	2018-19	2019-20
Salaries	\$ 26,737,878	\$ 27,618,116	\$ 27,573,806	\$ 28,602,303	\$ 29,395,996	\$ 30,296,521	2.8%	3.1%
Extra Labor	627,034	653,502	735,473	754,693	762,833	784,697	1.1%	0.2%
Overtime	1,519,183	1,513,455	1,854,443	1,872,035	1,350,099	1,354,099	-19.3%	0.3%
<b>Total Wages</b>	<b>28,883,894</b>	<b>29,785,074</b>	<b>30,163,722</b>	<b>31,029,031</b>	<b>31,508,928</b>	<b>32,415,317</b>	<b>1.6%</b>	<b>2.9%</b>
FICA	1,696,260	1,750,049	1,791,576	1,843,684	2,107,152	2,089,962	14.3%	-0.8%
LEOFF 2	881,656	930,131	870,516	949,316	922,207	898,125	-2.9%	-2.6%
PERS	1,385,867	1,512,991	1,662,654	1,610,013	1,751,659	1,802,555	8.8%	2.9%
Industrial Insurance	678,200	634,001	699,271	941,170	861,416	934,877	-8.5%	8.5%
Med, Dntl, Disability, Life	5,583,572	5,597,627	5,736,869	6,397,364	5,998,560	6,285,007	-6.2%	4.8%
Unemployment	40,380	13,639	21,354	13,000	-	-	0.0%	0.0%
Clothing Allowance	5,002	5,300	10,780	10,774	8,525	8,525	-20.9%	0.0%
<b>Total Benefits</b>	<b>10,270,937</b>	<b>10,443,738</b>	<b>10,793,021</b>	<b>11,765,321</b>	<b>11,649,519</b>	<b>12,019,052</b>	<b>-1.0%</b>	<b>3.2%</b>
Office Supplies	470,668	485,174	494,459	481,442	427,525	427,525	-11.2%	0.0%
Small Tools & Minor Equip	108,922	149,000	92,020	97,318	163,569	133,569	68.1%	-18.3%
Recreation Prog Supplies	112,235	19,782	29,242	31,800	37,000	37,000	16.4%	0.0%
Fire Supplies	181,558	114,465	148,293	186,977	151,377	151,377	-19.0%	0.0%
Street Maint Supplies	187,099	186,077	158,524	249,300	152,700	155,725	-38.7%	2.0%
Other	342,562	327,204	306,864	261,285	325,485	308,485	24.6%	-5.2%
<b>Total Supplies</b>	<b>1,403,045</b>	<b>1,281,702</b>	<b>1,229,402</b>	<b>1,308,122</b>	<b>1,257,656</b>	<b>1,213,681</b>	<b>-3.8%</b>	<b>-3.6%</b>
<b>Professional Services</b>	<b>2,776,466</b>	<b>3,304,744</b>	<b>3,570,408</b>	<b>3,602,177</b>	<b>3,202,495</b>	<b>3,144,965</b>	<b>-11.1%</b>	<b>-1.8%</b>
Communication	407,476	400,826	471,069	436,370	434,600	434,600	-0.4%	0.0%
Travel	143,012	168,236	169,103	189,880	159,630	159,630	-15.9%	0.0%
Advertising	24,222	26,652	39,251	51,500	47,550	47,550	-7.7%	0.0%
Operating Rents & Leases	294,737	478,425	508,455	485,670	466,130	466,230	-4.0%	0.0%
Equipment Replacement	402,893	166,014	567,068	166,014	667,012	166,014	301.8%	-75.1%
Equip Operations & Maint	1,139,405	1,411,723	1,841,816	1,655,686	1,783,643	1,784,020	6.5%	1.2%
Insurance	810,799	888,997	976,416	976,992	1,005,775	1,047,762	2.9%	4.2%
Utilities	1,828,751	1,915,730	1,992,419	1,928,305	1,999,424	2,089,101	3.7%	3.5%
Repairs and Maintenance	850,278	662,275	584,152	807,488	623,150	587,912	-22.8%	-5.7%
Miscellaneous	832,886	830,505	1,038,883	1,114,473	888,637	890,637	-20.3%	0.2%
Claims & Judgements	160,514	89,100	334,702	382,000	320,000	320,000	-16.2%	0.0%
Credit Card Fees	38,845	58,078	40,458	70,081	43,081	43,081	-38.5%	0.0%
Other	8,814	6,396	0	6,500	4,250	4,250	-34.6%	0.0%
<b>Total Services</b>	<b>9,719,099</b>	<b>10,407,700</b>	<b>11,934,200</b>	<b>11,873,136</b>	<b>11,625,377</b>	<b>11,165,751</b>	<b>-2.1%</b>	<b>-4.0%</b>
SCORE Jail	1,310,736	1,466,963	1,579,506	1,633,405	1,626,355	1,675,146	-0.4%	3.0%
Valley Communications	1,034,820	1,111,663	1,137,420	1,184,817	1,184,253	1,219,491	0.0%	3.0%
Animal Control	108,136	111,892	55,564	118,852	125,000	131,250	5.2%	5.0%
Other	244,655	251,070	248,217	254,050	286,758	293,117	12.9%	2.2%
<b>Total Intergovernmental</b>	<b>2,698,347</b>	<b>2,941,588</b>	<b>3,020,707</b>	<b>3,191,124</b>	<b>3,222,366</b>	<b>3,319,004</b>	<b>1.0%</b>	<b>3.0%</b>
Machinery and Equipment	798,601	117,679	76,589	30,000	240,000	270,000	700.0%	12.5%
<b>Total Capital</b>	<b>798,601</b>	<b>117,679</b>	<b>76,589</b>	<b>30,000</b>	<b>240,000</b>	<b>270,000</b>	<b>700.0%</b>	<b>12.5%</b>
<b>Total Dept. Expenditures</b>	<b>53,773,922</b>	<b>54,977,481</b>	<b>57,217,642</b>	<b>59,196,734</b>	<b>59,503,846</b>	<b>60,402,805</b>	<b>0.6%</b>	<b>1.6%</b>
Transfers - Debt Svc Funds	2,874,831	2,773,452	3,378,914	5,848,580	4,033,861	3,587,190	-31.0%	-11.1%
Transfers - Capital, Other	1,451,000	2,564,044	1,588,190	3,622,000	2,269,600	1,621,950	-37.3%	-28.5%
Transfer - Contingency	433,682	180,715	92,672	-	58,568	210,000	0.0%	258.6%
<b>Total Expenditures</b>	<b>\$ 58,533,435</b>	<b>\$ 60,495,692</b>	<b>\$ 62,277,417</b>	<b>\$ 68,667,314</b>	<b>\$ 65,865,875</b>	<b>\$ 65,821,945</b>	<b>-4.1%</b>	<b>-0.1%</b>

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**Possible Next Steps for Council**

- May 4, 2020: confirmation from Council that, based on what we know today, the revenue gap for 2020 is \$12 million and a continuing revenue gap of \$6 million in 2021; meaning ongoing budget reductions.
- May 11, 2020: Decision on tools to be used in the decision tree to close the revenue gap.

Suggested schedule for the next several Finance Committee meetings

- April 13, 2020: review 2020 projections, review cash flow, review contingency fund reserve policy and best practices
- April 27, 2020: review impacts to capital projects in residential and arterial street funds, impacts of unemployment costs to the City
- May 11, 2020: Review decision tree and triggers for each scenario
- June 8, 2020: review updated projections and sales tax data

**RECOMMENDATION**

~~Schedule an additional Finance Committee meeting, if needed, then forward to April 27, 2020 Committee of the Whole for further discussion.~~

~~Updated Recommendation: Recommendation at the May 4, 2020 Regular Council meeting that Council consider an ordinance that identifies the 2020 revenue gap scenario of \$12 million with a continuing revenue gap of \$6 million in 2021 and identify tools that may be used by Administration to help close the gap.~~

Updated Recommendation: Council consensus on 2020 revenue gap scenario of \$12 million with a continuing revenue gap of \$6 million in 2021 and discussion of tools that may be used to close the gap.

**ATTACHMENTS**

Resolution #1919 – Reserve Fund Policy  
2019 – 2020 Biennial Budget Document Programs by Department (pages 452 – 457)



# City of Tukwila

Washington

Resolution No. 1919

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, REVISING THE PREVIOUSLY ADOPTED FINANCIAL RESERVE POLICY TO ELIMINATE THE EFFECTS OF GASB 68 FOR PURPOSES OF CALCULATING THE UNRESTRICTED BALANCES OF THE ENTERPRISE FUNDS; AND REPEALING RESOLUTION NO. 1861.**

**WHEREAS**, for the well-being and sustainability of the community, its residents, and businesses, it is important that the City of Tukwila be prepared to respond to any and all situations that could result in a risk and/or crisis to the City's finances including, but not limited to, revenue shortfalls and unanticipated expenditures; and

**WHEREAS**, it is the responsibility of the City Council of the City of Tukwila to provide policy direction for the City's biennial budget through the passage of motions and ordinances, adoption of resolutions, and final approval of said budget; and

**WHEREAS**, a financial reserve policy establishes, attains, and restores minimum fund balances, including self-insured health care reserve funds, and specifies review and reporting of such; and

**WHEREAS**, beginning in 2015 the City was required to implement Governmental Accounting Standards Board Statement 68 (GASB 68) related to accounting and reporting for pension plans; and

**WHEREAS**, it is the responsibility of the City to report the effects of GASB 68 in the Comprehensive Annual Financial Report (CAFR), even though the effects are not a current liability of the City; and

**WHEREAS**, the City desires to eliminate the effects of GASB 68 for purposes of calculating the unrestricted balances of the Enterprise Funds;

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, HEREBY RESOLVES AS FOLLOWS:**

## **Section 1. Minimum Fund Balances.**

A. At the close of each fiscal year, the General Fund unassigned balance shall equal or exceed 18% and the Contingency Fund reserve balance shall equal or exceed 10% of the previous year General Fund revenue, exclusive of significant non-

operating, non-recurring revenues such as real estate sales or transfers in from other funds.

B. At the close of each fiscal year, the unrestricted balances of the Enterprise Funds shall equal or exceed 20% of the previous year revenue, exclusive of the effects of GASB Statement 68, as well as significant non-operating, non-recurring revenues such as real estate sales, transfers in from other funds or debt proceeds.

C. Use or draw down of minimum balances shall occur only upon recommendation of City Administration and approval by City Council through a resolution. Should use or draw down occur, the City Administration shall establish a plan, no later than the end of the fiscal year following the year of decline, to restore the fund balance to the prescribed minimum level. The plan shall be presented to and approved by the City Council.

**Section 2. One-time Revenue Reserve.** A One-time Revenue Reserve shall be established and maintained in the Contingency Fund. The One-time Revenue Reserve shall be credited annually with 10% of the prior year one-time revenues to the extent General Fund surplus for the year is sufficient to cover the reserve funding. Use of the reserve shall occur only upon recommendation by City Administration and approval by City Council through a resolution.

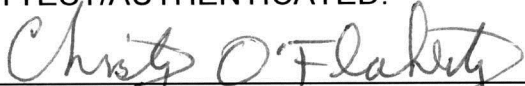
**Section 3. Self-insured Health Care Funds.** The City shall maintain a reserve in each of its self-insured health care funds in an amount equal to 1.5 times, or 150%, of the actuarially determined IBNR (incurred but not reported) balance. Use of the reserve shall occur only upon recommendation by City Administration and approval by City Council through a resolution.

**Section 4.** A report showing compliance with the Financial Reserve Policy shall be provided to the City Council on an annual basis, no later than July 1 of each year.

**Section 5. Repealer.** Resolution No. 1861 is hereby repealed.

PASSED BY THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, at a Regular Meeting thereof this 20<sup>TH</sup> day of November, 2017.

ATTEST/AUTHENTICATED:

  
Christy O'Flaherty, MMC, City Clerk

  
Dennis Robertson, Council President

APPROVED AS TO FORM BY:

  
Rachel B. Turpin, City Attorney

Filed with the City Clerk: 11-15-17  
Passed by the City Council: 11-20-17  
Resolution Number: 1919

**PROGRAMS BY DEPARTMENT**

Department	Program	Tier	2019 Budget Allocation	2020 Budget Allocation
Administrative Services	*Accounts Payable/Budget Preparation	Tier 2	45,975	48,522
Administrative Services	*Civil Service Compliance	Tier 2	55,060	55,733
Administrative Services	*Emergency Preparedness/Response	Tier 2	5,884	6,248
Administrative Services	*Policy Development/Compliance	Tier 2	57,278	59,710
Administrative Services	*Recruitment	Tier 2	81,781	82,696
Administrative Services	Communications	Tier 2	250,696	263,311
<b>Administrative Services</b>	<b>Community Engagement</b>	<b>Tier 2</b>	<b>68,646</b>	<b>70,772</b>
Administrative Services	Equity	Tier 2	20,049	20,854
Administrative Services	Government Relations	Tier 2	25,911	27,432
Administrative Services	Housing	Tier 2	230,486	236,278
Administrative Services	Public Safety Plan	Tier 2	95,975	101,568
Administrative Services	Regional Collaboration	Tier 2	34,814	36,310
Administrative Services	School District	Tier 2	41,600	43,904
Administrative Services	Tukwila Works	Tier 2	10,041	10,626
Administrative Services	*Benefit Plan Management	Tier 3	53,812	55,906
Administrative Services	*Health & Safety	Tier 3	63,645	65,183
<b>Administrative Services</b>	<b>*Labor Relations</b>	<b>Tier 3</b>	<b>142,163</b>	<b>147,969</b>
Administrative Services	Classification/Compensation	Tier 3	86,528	90,135
Administrative Services	Food Insecurity	Tier 3	63,394	64,301
Administrative Services	HR General Administration	Tier 3	89,622	90,334
Administrative Services	Internal Communications	Tier 3	75,687	82,954
Administrative Services	Minor Home Repair	Tier 3	116,085	117,767
Administrative Services	Performance Management/Training	Tier 3	72,040	73,244
Administrative Services	Physical/Mental/Dental Well-Being	Tier 3	173,381	174,495
Administrative Services	Support for Independence	Tier 3	123,371	123,839
Administrative Services	Training	Tier 3	27,586	28,862
City Council	*Budget Oversight	Tier 1	78,778	80,256
City Council	*Governmental Affairs and Appointments	Tier 1	91,283	92,579
City Council	*Legislative Oversight	Tier 1	196,528	198,485
City Council	Community Engagement and Events	Tier 2	65,522	66,705
<b>Community Development</b>	<b>*Construction Permit Review and inspection</b>	<b>Tier 1</b>	<b>733,781</b>	<b>753,409</b>
<b>Community Development</b>	<b>*Comprehensive Plan Implementation</b>	<b>Tier 2</b>	<b>342,398</b>	<b>350,840</b>
<b>Community Development</b>	<b>*Current Planning</b>	<b>Tier 2</b>	<b>305,335</b>	<b>315,506</b>
Community Development	*Regional Government Coordination	Tier 2	150,703	154,200
Community Development	*Transportation Demand Management	Tier 2	181,598	183,851
<b>Community Development</b>	<b>Code Enforcement</b>	<b>Tier 2</b>	<b>267,876</b>	<b>274,961</b>
Community Development	Planning Commission, Board of Architectural Review and Hearing Examiner	Tier 2	187,843	193,686
Community Development	Rental Housing	Tier 2	140,761	144,739
<b>Community Development</b>	<b>*DCD Administration</b>	<b>Tier 3</b>	<b>318,379</b>	<b>325,506</b>
<b>Community Development</b>	<b>*Permit Intake and Coordination</b>	<b>Tier 3</b>	<b>362,099</b>	<b>370,625</b>
Community Development	Abatement	Tier 3	88,261	89,342
Community Development	Customer Inquiries and Assistance	Tier 3	375,449	387,221
Community Development	Recycling	Tier 3	57,075	56,531
<b>Finance</b>	<b>*Budget Preparation</b>	<b>Tier 2</b>	<b>123,022</b>	<b>143,213</b>
Finance	*Emergency Preparedness	Tier 2	1,678	1,773
Finance	Administration	Tier 2	75,381	77,097
Finance	Long-Range Financial Planning Model	Tier 2	33,096	33,826
Finance	Public Safety Plan	Tier 2	48,928	51,216
Finance	*Accounts Payable/Juror Payments/CTR	Tier 3	182,024	188,300
Finance	*Capital Asset Accounting	Tier 3	42,762	49,600
Finance	*Cashiering/Treasury/Banking/Unclaimed Property	Tier 3	209,676	213,696
Finance	*Debt Management	Tier 3	67,523	54,438
Finance	*Financial Reporting & Analysis for Departments	Tier 3	63,362	67,061
Finance	*Financial Reporting/CAFR	Tier 3	218,804	229,105

\*Denotes a program mandated at the federal or state level



Department	Program	Tier	2019 Budget Allocation	2020 Budget Allocation
Finance	*GL/Eden Administration	Tier 3	59,329	67,174
Finance	*Grant Accounting	Tier 3	50,967	72,809
<b>Finance</b>	<b>*Insurance &amp; Risk Management</b>	<b>Tier 3</b>	<b>759,706</b>	<b>775,811</b>
Finance	*Payroll Administration	Tier 3	196,636	203,803
Finance	Accounts Receivable/Misc. Billings/LID	Tier 3	51,449	55,324
Finance	Business License Administration	Tier 3	124,948	61,459
Finance	Sales & Other Taxes	Tier 3	50,947	96,838
Finance	Training & Development	Tier 3	26,498	27,197
Finance	Utility Billing	Tier 3	210,949	216,301
Finance	*Indirect Cost Allocation	Tier 4	33,489	19,620
Finance	Investment Management	Tier 4	40,020	41,522
Fire	*Apparatus and Equipment Check	Tier 1	413,541	424,340
Fire	*Emergency Response - Fire & EMS	Tier 1	3,556,967	3,654,593
Fire	*Fire Prevention Plan Review & Inspection Duties	Tier 1	236,455	243,197
Fire	*Fleet and 3rd Party Maintenance & Testing	Tier 1	223,651	229,634
Fire	*Valley Communications & Emergency Radios	Tier 1	252,071	259,554
<b>Fire</b>	<b>*Administration</b>	<b>Tier 2</b>	<b>1,180,917</b>	<b>1,205,711</b>
Fire	*Budgeting	Tier 2	94,316	97,129
Fire	*Emergency Management Administrative	Tier 2	141,194	144,106
Fire	*Emergency Management Planning	Tier 2	92,499	94,464
Fire	*Emergency Messaging	Tier 2	6,172	6,305
Fire	*Fire Prevention Investigation Duties	Tier 2	66,192	69,095
<b>Fire</b>	<b>*Training received</b>	<b>Tier 2</b>	<b>923,250</b>	<b>948,818</b>
Fire	Community Outreach/Education Emergency Management and Fire	Tier 2	169,596	172,997
<b>Fire</b>	<b>Emergency Management Assistance Team</b>	<b>Tier 2</b>	<b>36,703</b>	<b>37,461</b>
<b>Fire</b>	<b>Fire Prevention Administrative</b>	<b>Tier 2</b>	<b>74,725</b>	<b>76,356</b>
Fire	Pre-Fires	Tier 2	29,945	30,763
Fire	Professional Development	Tier 2	198,052	203,982
Fire	Recruiting & Hiring	Tier 2	38,342	39,275
Fire	*HazMat Team	Tier 3	10,592	10,734
Fire	*Health and Safety, Physical Fitness	Tier 3	748,267	768,329
<b>Fire</b>	<b>*Logistics, Equipment &amp; Supplies</b>	<b>Tier 3</b>	<b>1,268,079</b>	<b>1,261,236</b>
Fire	*Personal Protective Equipment (PPE) - Fire Prevention & Inspections	Tier 3	122,997	126,333
Fire	*Personal Protective Equipment (PPE) - Suppression	Tier 3	166,832	171,376
Fire	*Public Records Requests	Tier 3	56,572	58,194
Fire	*Training Delivery	Tier 3	524,579	538,490
Fire	Deployments	Tier 3	201,189	208,146
Fire	Non-Emergency Response	Tier 3	763,603	783,958
Fire	Rescue Team, Water, Trench, Rope	Tier 3	47,225	47,783
Fire	Special Event Overtime	Tier 3	11,365	11,643
Fire	Custodial Services	Tier 4	228,507	233,954
Fire	Explorer Program	Tier 4	4,951	5,095
Fire	Facilities	Tier 4	122,375	123,690
Fire	Inter-Department Support	Tier 4	137,966	142,198
Fire	Public Services	Tier 4	24,994	25,671
<b>Fire</b>	<b>Special Projects/Tasks</b>	<b>Tier 4</b>	<b>298,703</b>	<b>307,780</b>
Mayor	*Council Agenda/Meeting Functions	Tier 1	103,910	108,783
Mayor	*Council Legislative Support	Tier 1	68,225	69,727
Mayor	Citywide Strategic Goals	Tier 1	13,122	13,414
Mayor	Legislative Affairs Oversight	Tier 1	93,333	93,333
Mayor	Strategic Planning and Policy Implementation	Tier 1	111,619	113,229
Mayor	*Attorney Services	Tier 2	406,230	406,230
Mayor	*Budgeting/Purchasing	Tier 2	20,970	21,723
Mayor	*Elections/Voter Registration	Tier 2	33,328	33,407
Mayor	*Intergovernmental Relations	Tier 2	97,789	100,449

\*Denotes a program mandated at the federal or state level



Department	Program	Tier	2019 Budget Allocation	2020 Budget Allocation
Mayor	*Legal/Public Notices	Tier 2	37,406	38,462
Mayor	*Ordinance, Resolution & TMC Development	Tier 2	67,575	70,314
Mayor	*Personnel	Tier 2	40,850	41,815
Mayor	*Prosecution Services	Tier 2	166,000	166,000
Mayor	*Public Defense Program	Tier 2	479,685	481,193
Mayor	Administration (Budget Preparation)	Tier 2	8,257	8,342
Mayor	Business & Development Attraction and Retention	Tier 2	18,530	18,822
Mayor	Business Relationships and Satisfaction	Tier 2	13,122	13,414
Mayor	Community Representation	Tier 2	104,023	105,984
Mayor	Destination Development	Tier 2	18,047	18,216
Mayor	Public Safety Plan	Tier 2	37,239	38,078
Mayor	Resident Inquiries and Assistance	Tier 2	13,445	14,199
Mayor	Special Matters (Attorney Services)	Tier 2	128,500	128,500
Mayor	Tukwila International Blvd Revitalization	Tier 2	14,291	14,584
Mayor	*City Clerk Division Administration	Tier 3	64,160	65,938
Mayor	*Commute Trip Reduction/Green Initiatives	Tier 3	91,000	91,000
Mayor	*Digital Records Center	Tier 3	131,198	134,917
Mayor	*Essential Public Services	Tier 3	48,946	50,793
Mayor	*Public Records Requests	Tier 3	120,899	125,235
Mayor	<b>*Records Management</b>	<b>Tier 3</b>	<b>100,489</b>	<b>104,410</b>
Mayor	Administration Accounts Payable	Tier 3	18,913	19,329
Mayor	Administration Essential Services	Tier 3	29,677	8,441
Mayor	Boards, Commissions and Committees	Tier 3	54,188	54,942
Mayor	<b>City Policy Development</b>	<b>Tier 3</b>	<b>32,035</b>	<b>32,744</b>
Mayor	Conferences/Training	Tier 3	37,475	37,957
Mayor	Economic Development Administration	Tier 3	17,418	17,626
Mayor	Internal Communications	Tier 3	47,470	48,812
Mayor	Marketing & Sales to Day Tourists	Tier 3	3,665	3,750
Mayor	Marketing & Sales to Overnight Tourists	Tier 3	3,665	3,750
Mayor	Meeting Coordination, Scheduling, Facilitation	Tier 3	57,187	59,068
Mayor	<b>Organizational Development and Training</b>	<b>Tier 3</b>	<b>36,982</b>	<b>37,733</b>
Mayor	<b>Professional Services (Attorney Services)</b>	<b>Tier 3</b>	<b>10,000</b>	<b>30,000</b>
Mayor	Regional Partnerships & Relationships	Tier 3	32,302	32,679
Mayor	Special Event Coordination	Tier 3	10,440	10,817
Mayor	*.Records Retention, Management, Archiving, & Destruction	Tier 4	6,825	7,202
Mayor	*Required Citywide Functions	Tier 4	113,180	114,402
Mayor	City Property Development and Management	Tier 4	60,404	61,738
Mayor	City Scholarship	Tier 4	16,743	17,120
Mayor	Emerging Issues & Opportunities	Tier 4	22,383	22,591
Mayor	<b>Employee Recognition Program</b>	<b>Tier 4</b>	<b>28,240</b>	<b>28,994</b>
Mayor	Lodging Tax Applications Oversight & Support	Tier 4	3,665	3,750
Mayor	Special Presentations	Tier 4	11,198	11,411
Municipal Court	*Community Education and Outreach	Tier 2	14,925	15,124
Municipal Court	*Court Administration	Tier 2	116,307	118,768
Municipal Court	*Judicial Administration	Tier 2	20,830	20,864
Municipal Court	*LFO Recovery Programs	Tier 2	19,730	20,432
Municipal Court	*Adjudication - General Offenses & Traffic	Tier 3	23,946	24,236
Municipal Court	*Administrative and Logistical Support for Judges	Tier 3	79,615	81,807
Municipal Court	*Commissions, Associations, Boards, and Committees	Tier 3	33,285	34,028
Municipal Court	*Compliance Monitoring	Tier 3	54,692	56,041
Municipal Court	*Court Financial Operations	Tier 3	26,003	26,594
Municipal Court	*Court Required Educational Programs	Tier 3	24,729	25,331
Municipal Court	*Law Related Education	Tier 3	133,893	136,764
Municipal Court	*Maintenance of Court Records	Tier 3	27,201	27,906
Municipal Court	*Non-Compliance Case Processing (Admin)	Tier 3	820	820

\*Denotes a program mandated at the federal or state level

Department	Program	Tier	2019 Budget Allocation	2020 Budget Allocation
Municipal Court	*Policy & Procedures, & Program Management	Tier 3	17,322	17,689
Municipal Court	*Technical Support - Court Case Management Systems	Tier 3	21,369	21,902
Municipal Court	* Retention/Appeals Management/Mental Health	Tier 4	11,604	11,881
Municipal Court	*Account Reconciliation and Auditing	Tier 4	21,503	21,989
Municipal Court	*Assessment of Court Costs/Fines/Restitution	Tier 4	9,258	9,273
Municipal Court	*Bail Bonds	Tier 4	11,604	11,881
Municipal Court	*Case Preparation	Tier 4	49,213	50,516
Municipal Court	*Citations/Fines and Fees	Tier 4	8,671	8,936
Municipal Court	*Collections	Tier 4	12,572	12,910
Municipal Court	*Collections/Write-Offs/Maintenance of Inactive Cases	Tier 4	25,742	26,367
Municipal Court	*Community Service	Tier 4	3,288	3,405
Municipal Court	*Community Service	Tier 4	17,737	18,190
Municipal Court	*Community Work Alternative	Tier 4	20,051	20,508
Municipal Court	*Conflict Counsel - Indigent Defendants	Tier 4	8,186	8,374
Municipal Court	*Court Hearings	Tier 4	98,594	98,754
Municipal Court	*Court Interpreter Management	Tier 4	26,914	27,655
Municipal Court	*Customer Assistance & Payment Processing	Tier 4	55,032	56,522
Municipal Court	*Customer Service	Tier 4	24,292	24,835
Municipal Court	*Data Input	Tier 4	8,671	8,936
Municipal Court	*Day Reporting	Tier 4	8,766	8,993
Municipal Court	*Formal & Monitored Probation Supervision	Tier 4	47,889	49,017
Municipal Court	*Jury Manager/Management	Tier 4	8,335	8,545
Municipal Court	*Non-Compliance Case Processing (Probation)	Tier 4	24,934	25,536
Municipal Court	*Pre-Sentence Investigations	Tier 4	15,963	16,339
Municipal Court	*Public Defender Screening	Tier 4	8,766	8,993
Municipal Court	*Public Record Act/Subpoena Responses	Tier 4	27,695	28,368
Municipal Court	*Video Conference Facilitation	Tier 4	12,665	13,022
Municipal Court	*Warrants	Tier 4	44,089	44,907
Municipal Court	Mail Processing	Tier 4	13,313	13,628
Municipal Court	Scanning	Tier 4	58,212	59,581
Park Maintenance	Administration	Tier 2	203,177	213,775
<b>Park Maintenance</b>	<b>Parks</b>	<b>Tier 2</b>	<b>1,101,877</b>	<b>1,133,351</b>
Park Maintenance	Planning & Development	Tier 2	129,242	132,507
Park Maintenance	Boards & Commissions	Tier 3	8,616	8,834
Park Maintenance	Course Maintenance	Tier 3	14,210	15,254
Park Maintenance	Facility	Tier 3	98,685	102,270
Park Maintenance	Golf	Tier 3	10,316	10,585
Park Maintenance	Organizational Support & Development	Tier 3	25,848	26,501
Park Maintenance	Strategic Support	Tier 3	8,616	8,834
<b>Police</b>	<b>*Department Training Program</b>	<b>Tier 1</b>	<b>444,088</b>	<b>454,918</b>
<b>Police</b>	<b>*Evidence &amp; Property Management</b>	<b>Tier 1</b>	<b>207,353</b>	<b>214,791</b>
Police	*Felony and Sexual Crimes Unit (MCU)	Tier 1	2,372,340	2,369,808
Police	*Front Office & Records Management	Tier 1	1,237,862	1,280,999
<b>Police</b>	<b>*Police Patrol Services</b>	<b>Tier 1</b>	<b>6,163,468</b>	<b>6,204,936</b>
Police	*Traffic Enforcement & Crash Investigation Team	Tier 1	821,787	823,707
Police	Dispatching Services	Tier 1	1,177,353	1,212,591
Police	*Detention and Incarceration Services	Tier 2	1,718,823	1,772,842
Police	*Mutual Aid & Large Scale Incident (Response & Planning)	Tier 2	96,676	86,534
Police	*PD Budget/Finance	Tier 2	139,589	142,397
Police	*Police Management and Administration	Tier 2	1,062,421	1,065,335
Police	*Recruiting & Hiring	Tier 2	114,577	118,172
Police	Civil Disturbance Unit	Tier 2	56,711	58,795
<b>Police</b>	<b>Community Policing Team</b>	<b>Tier 2</b>	<b>1,154,087</b>	<b>1,186,965</b>
Police	Contracted Off-Duty Security	Tier 2	174,956	174,956
Police	Critical Incidents and SWAT (SWAT & Negotiations)	Tier 2	216,454	225,027

\*Denotes a program mandated at the federal or state level

Department	Program	Tier	2019 Budget Allocation	2020 Budget Allocation
<b>Police</b>	<b>Narcotics &amp; Street Crimes Team (TAC)</b>	<b>Tier 2</b>	<b>829,229</b>	<b>846,637</b>
Police	Police Camera Program (Vehicle & Body Worn)	Tier 2	51,000	51,000
Police	Professional Standards and Department Policy	Tier 2	209,565	212,755
Police	Public and Community Relations	Tier 2	192,528	197,157
Police	School Resource Officer	Tier 2	287,628	298,293
Police	VNET (Valley Narcotics Enforcement Team)	Tier 2	132,071	136,752
<b>Police</b>	<b>*PD Quartermaster</b>	<b>Tier 3</b>	<b>90,000</b>	<b>90,000</b>
Police	Animal Control	Tier 3	125,000	131,250
Police	Auto Theft Task Force	Tier 3	141,638	145,318
<b>Police</b>	<b>Police K9 Program (Sniffing &amp; Tracking)</b>	<b>Tier 3</b>	<b>161,240</b>	<b>163,863</b>
Police	Traffic Safety Cameras	Tier 3	36,169	37,118
<b>Police</b>	<b>PD Fitness Initiative</b>	<b>Tier 4</b>	<b>13,000</b>	<b>13,000</b>
Public Works	*Permits	Tier 1	567,132	582,705
Public Works	*Emergency Preparedness and Response	Tier 2	27,120	28,471
Public Works	CIP/Budget Administration	Tier 2	565,248	582,106
Public Works	Cleaning Park Restrooms	Tier 2	50,469	52,119
Public Works	Code Enforcement/Police Bldg Support	Tier 2	15,426	16,450
Public Works	General PW Administration	Tier 2	213,497	222,369
Public Works	PW Contracts/Claims/Invoices	Tier 2	319,406	329,143
Public Works	Regional Partnerships	Tier 2	102,136	106,522
Public Works	TCC Rental Setup/Breakdown/Damage	Tier 2	82,009	84,977
Public Works	City Clerk Record Center	Tier 3	100,000	100,000
Public Works	Facility Improvements	Tier 3	515,310	526,479
Public Works	Tukwila Works	Tier 3	110,717	115,140
Public Works	Utilities/Alarm/Insurance/PMs	Tier 3	660,190	641,266
Public Works	Council Chamber Setup	Tier 4	27,748	28,750
<b>Public Works</b>	<b>Facility Cleaning/Custodians</b>	<b>Tier 4</b>	<b>592,203</b>	<b>611,361</b>
<b>Recreation</b>	<b>Administration</b>	<b>Tier 2</b>	<b>470,796</b>	<b>458,804</b>
<b>Recreation</b>	<b>Facility Rentals</b>	<b>Tier 2</b>	<b>232,170</b>	<b>236,662</b>
<b>Recreation</b>	<b>Organizational Support &amp; Development</b>	<b>Tier 2</b>	<b>184,855</b>	<b>189,244</b>
Recreation	Boards & Commissions	Tier 3	17,213	17,651
<b>Recreation</b>	<b>Events</b>	<b>Tier 3</b>	<b>273,816</b>	<b>280,015</b>
Recreation	Green Tukwila	Tier 3	33,357	34,300
<b>Recreation</b>	<b>Planning &amp; Development</b>	<b>Tier 3</b>	<b>148,074</b>	<b>151,788</b>
<b>Recreation</b>	<b>Preschool</b>	<b>Tier 3</b>	<b>104,444</b>	<b>106,547</b>
<b>Recreation</b>	<b>Senior Services &amp; Programs</b>	<b>Tier 3</b>	<b>229,766</b>	<b>234,719</b>
Recreation	Strategic Support	Tier 3	247,619	253,379
<b>Recreation</b>	<b>Teen</b>	<b>Tier 3</b>	<b>217,904</b>	<b>221,884</b>
<b>Recreation</b>	<b>Volunteer Services</b>	<b>Tier 3</b>	<b>55,835</b>	<b>57,143</b>
<b>Recreation</b>	<b>Wellness &amp; Enrichment</b>	<b>Tier 3</b>	<b>270,156</b>	<b>274,908</b>
<b>Recreation</b>	<b>Youth</b>	<b>Tier 3</b>	<b>427,195</b>	<b>429,882</b>
Recreation	Youth Free Services	Tier 3	86,433	87,662
<b>Recreation</b>	<b>Front Desk</b>	<b>Tier 4</b>	<b>217,004</b>	<b>220,761</b>
Street Maintenance	*Traffic Control Devices	Tier 2	293,981	302,539
Street Maintenance	Minor Structural Repair	Tier 2	47,163	47,553
Street Maintenance	Sidewalks	Tier 2	46,652	48,437
Street Maintenance	Snow & Ice Control	Tier 2	78,787	80,885
Street Maintenance	Street Cleaning	Tier 2	203,505	209,060
Street Maintenance	Street Lighting	Tier 2	104,944	107,388
<b>Street Maintenance</b>	<b>Transportation</b>	<b>Tier 2</b>	<b>241,954</b>	<b>247,946</b>
<b>Street Maintenance</b>	<b>Video &amp; Fiber</b>	<b>Tier 2</b>	<b>61,184</b>	<b>62,072</b>
Street Maintenance	Customer Service and Response	Tier 3	149,422	153,939
Street Maintenance	Road & Street Admin	Tier 3	577,893	391,082
Street Maintenance	Streets Administration	Tier 3	46,601	47,797
Street Maintenance	Streetscapes/Median landscaping	Tier 3	132,437	136,752
Street Maintenance	Tukwila Int'l Blvd Bus Stop/Streetscape	Tier 3	195,212	197,263
Street Maintenance	Utilities/Surface Water	Tier 3	1,175,000	1,216,000

\*Denotes a program mandated at the federal or state level

Department	Program	Tier	2019 Budget Allocation	2020 Budget Allocation
Technology & Innovation Svcs	*Emergency Application Services	Tier 1	75,469	79,088
<b>Technology &amp; Innovation Svcs</b>	<b>Network Infrastructure Services</b>	<b>Tier 1</b>	<b>104,256</b>	<b>108,453</b>
	Business Analysis: Integrations Support,			
Technology & Innovation Svcs	Professional Services, Technical Consultation	Tier 2	72,584	75,395
Technology & Innovation Svcs	Business Application Services	Tier 2	114,576	118,520
Technology & Innovation Svcs	Business System Management and Support	Tier 2	178,575	180,248
<b>Technology &amp; Innovation Svcs</b>	<b>End-User Infrastructure Service</b>	<b>Tier 2</b>	<b>223,709</b>	<b>227,131</b>
<b>Technology &amp; Innovation Svcs</b>	<b>GIS Services</b>	<b>Tier 2</b>	<b>198,422</b>	<b>201,402</b>
Technology & Innovation Svcs	Justice Center - Public Safety Plan	Tier 2	133,447	138,792
Technology & Innovation Svcs	Mobility Services	Tier 2	188,424	191,239
Technology & Innovation Svcs	Research & Development: New Technologies	Tier 2	126,725	131,208
Technology & Innovation Svcs	Office 365 Training	Tier 3	36,509	36,982
Technology & Innovation Svcs	Service Desk	Tier 3	129,800	133,472
Technology & Innovation Svcs	Tier1/Tier 2 Helpdesk - Vitalyst	Tier 3	152,523	152,523
Technology & Innovation Svcs	Traffic Camera Server Infrastructure	Tier 3	65,445	68,521
Technology & Innovation Svcs	Training (TIS Professional Development)	Tier 3	25,212	25,212
Technology & Innovation Svcs	Transition to Cloud	Tier 3	126,361	131,102
<b>Technology &amp; Innovation Svcs</b>	<b>Vendor Management (Gartner contract)</b>	<b>Tier 3</b>	<b>91,043</b>	<b>94,423</b>
Technology & Innovation Svcs	Office Equipment/Leases	Tier 4	856	856

\*Denotes a program mandated at the federal or state level



# Cash is King

Short-Term Strategies to Slow  
the Flow of Money Out the Door  
and Keep the Budget Balanced

BY SHAYNE C. KAVANAGH AND JOSEPH P. CASEY, PH.D.



[www.gfoa.org/FFA](http://www.gfoa.org/FFA)



Government Finance  
Officers Association

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## Cash is king during a financial crisis.

Local governments need to make sure they have enough cash on hand for essential services. Thus, one of the first things local governments should do is slow the net flow of cash out the door and find ways to rebalance the budget. This could be done by reducing expenditures, delaying expenditures, or even finding new resources. There are many financial retrenchment techniques a government could use to get this done. However, a good retrenchment technique has the following characteristics:

**Short time-to-benefit.** A positive yield occurs in a short period of time.

**Not complex.** It is easy to understand the short-term

benefits and long-term ramifications. It is also easy to explain to others.

**Reversible.** It can be undone with reasonable effort. Since these retrenchment techniques are applied quickly and usually without much diagnosis ahead of time, they should be able to be reversed if needed. For example, a hiring freeze can be lifted.

This paper presents a number of tried-and-true retrenchment techniques that can improve cash flow during difficult times and provide time and resources for governments to develop strategies to deal with the financial crisis. The techniques are divided into the following categories:



**Reduce Personnel Costs.** This is the biggest areas of expense for most governments, so a serious retrenchment effort will have to address personnel costs.



**Reduce Capital Spending.** Capital assets are often very costly, so even a modest reduction in spending could result in significant savings.



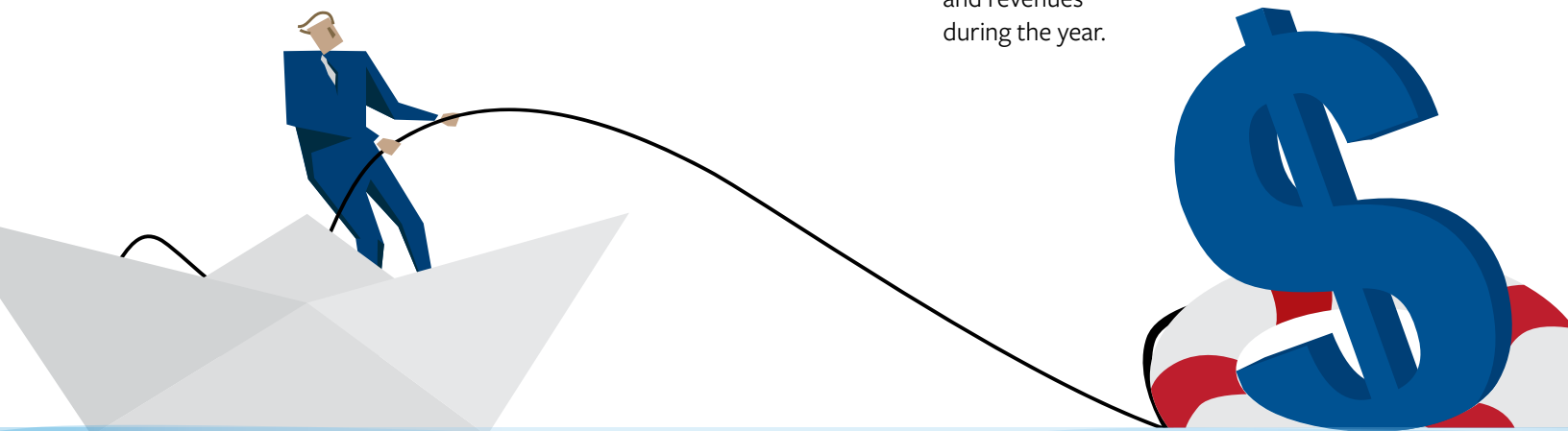
**Reduce Materials or Contractor Costs.** Though not as significant as personnel or capital, many governments can find savings in existing contracts that may not be as painful to cut.



**Create More Advantageous Inflows and Outflows of Cash.** These techniques won't balance your budget but can help better manage the incidence of expenditures and revenues during the year.



**Get New Resources.** Governments should also explore possibilities for new resources, even if those opportunities are limited.





Examine each technique to see if you can benefit from it. However, beware that many techniques have potential pitfalls. We have highlighted the most important pitfalls you should be aware of.

This paper is part of GFOA's [Fiscal First Aid: Recovering from Financial Distress](#) program. The Fiscal First Aid program lays out a 12-step process for recovering from financial distress. The techniques described in this paper fit in to the very first steps of the 12-step recovery process. Therefore, the Fiscal First Aid process suggests a few points you should keep in mind while reading this paper.

First, GFOA's [Fiscal First Aid: Recovering from Financial Distress](#) describes how you can form a team to help navigate a financial crisis. The team can help think through the best retrenchment strategies for your government, generate support for those strategies, communicate the right messages inside and outside the organization, and identify and mitigate the unintended consequences that are unavoidable when making sudden expenditure cuts. This is important because some techniques described in this paper will be more controversial than others. For example, some techniques will require changes in personnel practices,

perhaps even reductions in compensation. You may need to start discussions with labor groups and others to successfully put these techniques in place. If you have a strong team with you, navigating these potentially treacherous waters will be considerably easier. You may also need to communicate what is happening to the press or other community influencers so that the public understands why potential changes to services may be necessary and see how strategies taken in the short term will make for a stronger and more financially sustainable organization in the long term.

Second, Fiscal First Aid emphasizes the importance of leadership during the recovery process. A key element of leadership is treating people fairly. Research unequivocally shows that people react very poorly to being treated unfairly, perhaps even going so far as to sabotage or bring down the system that they feel treated them unfairly. Hence, the financial recovery team will need to think about how to apply the techniques in this paper as fairly as possible. A good place to start is by making a visible demonstration of the fact that the leadership is willing to endure the same austerity measures that other employees are being asked to endure.



Fiscal First Aid emphasizes the importance of leadership during the recovery process, and a key element of leadership is treating people fairly.



## TECHNIQUE 1

# Reduce Personnel Costs

Personnel is the largest expenditure for most local governments, so limiting personnel expenditures will be a big opportunity to improve cash position.

### Short-term hiring freeze

A short-term hiring freeze that lasts a few months or simply extends the time a position is vacant might provide some immediate financial relief. This kind of hiring freeze would not usually require formal proceedings such as governing board approval. A longer hiring freeze would require more careful analysis, including deciding what departments and functions are affected (e.g., will public safety positions be exempted?), calculating how overtime costs will be affected, and identifying potential risks to critical services. The leaders of the recovery process need to help everyone understand what exemptions there are to this policy and why (e.g., critical public safety functions). The leadership also needs to work with department managers to help them understand what will happen to the vacancy savings. To best support the financial recovery, savings should return to a centralized pool so they can be directed to where they are needed most.

#### Potential Pitfall

⚠ Consider if the positions you are freezing are mission critical or if a lack of staffing could cause inefficiencies or lost revenue in excess of the cost of the position. For example, if positions are not filled otherwise normal events like an employee illness could create a critical gap in staffing.

### Eliminate vacant positions

Positions that are not filled tie up budgetary resources that could be used for other needs. Assuming the

position is not essential, eliminating vacant positions is a good way to reduce a local government's biggest expense (personnel) while avoiding layoffs of existing employees. An obvious example contemporary to the COVID-19 pandemic might be temporary summer recreation employees who would staff facilities or events that will now be unavailable.

The recovery team could also look for less obvious possibilities by examining all vacant and, in particular, long-term vacant positions. Some departments use long-term vacancies for budget savings while others find it impossible to fill specialized positions. If it is not clear that a vacant position is safe to eliminate, it can be put on hold. As with savings from a hiring freeze, the recovery leadership should explain that all savings will return to a central budget. To ease the pain, the recovery leadership can promise to reconsider the eliminations after the situation has stabilized.

#### Potential Pitfall

⚠ Decide a fair and reasonable way to differentiate the essential from the unessential. You don't want to regret eliminating a position that turned out to be essential.

### Stretch professional development funds

The COVID-19 pandemic has greatly limited or even eliminated travel for many local governments. However, even when travel becomes more feasible, training and travel will probably be one of the first things to be cut off during a retrenchment. Training sessions, though, are often where employees get new ideas on how to do their jobs better. Rather than cutting training completely, consider alternatives. For example, a cost-sharing arrangement with employees could reduce the budget for training without eliminating it and may lead employees to be more

selective about which training sessions they attend. You might also encourage more internet-based training, which will typically have a lower cost than in-person options. Memberships in professional associations are another form of development. Economize spending on membership in these groups by verifying that memberships are directly relevant to the duties of the employees involved and that the memberships are being actively used. You may also find that multiple employees have individual memberships for the same association when a collective membership is available. Professional development is often most highly valued by management and employees with highly technical jobs. The recovery leadership will need to make sure these employees understand the new policy and what avenues remain for professional development.

#### Potential Pitfall

⚠ By cutting off professional development, you might cut off a source of good ideas your organization needs to get through tough times. Be strategic in how you reduce professional development spending.

### Share personnel

The COVID-19 situation will increase demand for service in some areas of local government and decrease demand in others. Also, employee illnesses may cause gaps in staffing. There may be opportunities to share personnel across departments. Sharing personnel helps prevent layoffs by better distributing human resources to where they are most needed. There is often potential for sharing administrative support, for instance. You might also look to see where the organization is hiring contracted labor and see if in-house resources could be used instead (which might help prevent a layoff). For example, one small county found that many county employees (who were not employed in public safety) were working in volunteer firefighting and emergency medical service (EMS) capacities for the county on their off-time. The county found a way to temporarily reassign these employees to public safety to cover vacancies in fire and EMS. This allowed the county to retain necessary coverage levels for public safety services while avoiding layoffs

in other departments. Shifting employees to help with emergency management tasks might be an opportune way to share personnel during the pandemic crisis.

#### Potential Pitfalls

- ⚠ Make sure personnel are qualified/trained to adequately assist in the area they are being shifted to.
- ⚠ Some organized labor groups may oppose cross-training and/or job sharing. Make sure to bring organized labor into the discussion early if you'd like to pursue this technique.

### Reassess personnel equipment needs

During times of higher revenues, personnel may have been assigned equipment that isn't completely essential to the job, and the government may now be willing to live with the lower level of service associated with eliminating that equipment, especially for nonessential functions. One small county reassessed the need for individual cell phones, uniforms, individual desktop printers, and take-home vehicles, saving almost \$100,000 annually.

This is also an opportunity to get creative. For example, one large city analyzed vehicle use by each department. The city instituted a car-sharing pool and took away underutilized vehicles. At the time, smaller departments in the city could not afford to maintain vehicles but were afraid to give up the vehicles they did have. The pool system gave all employees access to vehicles, while the fleet age has decreased and the city has saved money.

#### Potential Pitfalls

- ⚠ Many employees may view these pieces of equipment as "perks" that make their jobs easier. The recovery leadership must communicate clearly why this is being done.
- ⚠ Some equipment might be mandated by labor agreements.
- ⚠ This technique is an opportunity for the recovery leadership to lead by example by giving up nonessential equipment or special allowances. Failure to lead by example could hurt morale.

## Allow voluntary part-time status

Letting employees volunteer to move to part-time status is a relatively noncontroversial way to save money on salary costs (and fringe benefits that are based on salary). In fact, some employees might welcome the opportunity to move to part-time status. However, managers should think about repercussions such as the new part-time workers' continued eligibility for fringe benefits, impact on pension calculations, or any effects on scheduling. Despite the risks, this can be considered a safe technique because it can be easily reversed. In fact, managers might want to make it clear that part-time status is provisional, with a defined sunset date for the initiative, or that it may need to be rescinded in emergency circumstances. This will allow managers to assess the effects and rescind the decision, if necessary, without adversely affecting morale.

### Potential Pitfall

- ⚠ Make sure organized labor is involved if a change in the status of position to part time impacts labor agreements, etc.

## Rethink staffing ratios

Fixed staffing ratios can potentially transform personnel from a variable to a fixed cost. See if staffing ratios can be reconsidered to provide more flexibility in how staff resources are used. For example, one small county identified more than \$1.5 million in potential savings from changing ratios for sheriff personnel per capita, teachers to students, and firefighters per truck. While this technique may not lead to immediate savings by itself, it does form the basis for important discussions about staffing levels that could lead to significant savings later.

### Potential Pitfalls

- ⚠ Beware of perceptions that local government is decreasing public safety. Be sure that any discussion of staffing ratios focuses on how to get the best results for the community via a more efficient deployment of available personnel resources. Be sure to communicate proactively to the press and other community influencers about what is happening.
- ⚠ Check if staffing ratios are covered by a collective bargaining agreement.

## Make acceptable reductions in service levels

You might be able to make reductions in service levels, especially for nonessential services. If decision-makers understand the depth of the financial challenge and that it may not be temporary, they are more likely to accept some reductions in services. Examples might include reducing hours open to the public or even eliminating some services that are recognized as “nice to have” but not essential.

### Potential Pitfalls

- ⚠ The distinction between “nice to have” and “essential” is not always universally agreed upon. Hence, this retrenchment strategy could become more controversial than many of the others we have described.
- ⚠ Unlike the strategies described so far, this requires reductions in the compensation of existing employees to achieve meaningful savings. This could hurt morale, etc.

## Voluntary time off for employees

During difficult economic times, voluntary time-off programs allow employees who no longer have available paid time off to be off work to tend to personal affairs while at the same time saving the jurisdiction money through salary and some benefit costs. This program could also be the precursor to a mandatory time-off program.

### Potential Pitfalls

- ⚠ Essential work could suffer if the wrong employees take off too much time. Therefore, some limits must be set on who can participate and how much time they can take.
- ⚠ Because the time off is voluntary, it will be hard to predict the amount of savings that will materialize. The recovery leadership must be willing to live with this uncertainty.
- ⚠ If the voluntary program is seen by the leadership as a potential precursor to mandatory time off, be clear that this is the case. In other words, voluntary will be tried, but mandatory may need to be considered if insufficient savings develop.
- ⚠ Make sure employees understand that voluntary time off is not compensated, which might impact benefits as well (e.g., pension benefits).

## Mandatory time off for employees

Otherwise known as an unpaid furlough program, a mandatory time-off program is one way to avoid layoffs while still generating considerable salary savings. A number of mandatory days off can be set to match the savings the local government needs to generate to keep its budget balanced.

Rules governing time off will need to be established—how many employees can be out on a certain day, which employees need to be in to perform certain functions, etc. Employees need to know that this time off is not paid and is therefore not part of their paid time off. Also, the recovery leadership team should be clear about which projects or initiatives can be deferred in light of reduced work time. One large city even found that some employees enjoyed the mandatory time off as long as they weren't required to complete all the same job duties in the remaining work time.

### Potential Pitfalls

- ⚠ Unlike most strategies described so far, this requires mandatory reductions in the compensation of existing employees. This could hurt morale, etc.
- ⚠ Such a program could require difficult concession bargaining with a labor organization or employee bargaining group.

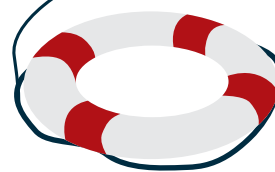
## Look for opportunities to reduce employee benefit costs

It may be possible to make changes to benefits that reduce personnel costs. As an example, moving to a cafeteria style of benefits, introducing co-pays on some benefits, or capping or eliminating some benefits may be possible.

Post-retirement benefits is another cost-saving opportunity. For example, one large city eliminated most post-retirement benefits for management staff, based on a fixed employment start date (i.e., tenured employees were grandfathered in). This did create some inequities in that someone who was originally hired one day before another employee kept their benefits while the other lost theirs. The move did produce ongoing and increasing savings.

### Potential Pitfalls

- ⚠ Changing benefits during a plan year may not be possible.
- ⚠ Unlike most strategies described so far, this requires mandatory reductions in the compensation of existing employees. This could hurt morale, etc.
- ⚠ Such a program could require difficult concession bargaining with a labor organization or employee bargaining group.
- ⚠ Grandfathering strategies could cause compensation inequities, which hurt the work environment.



A number of mandatory days off can be set to match the savings the local government needs to generate to keep its budget balanced.





## TECHNIQUE 2

# Reduce Capital Spending

It is common for local governments to defer or cancel capital spending during tough financial times. However, it may not be possible or advisable to cancel all capital spending, as some spending is indispensable. That said, capital assets are high-cost items, so even a modest reduction in capital spending could be a significant amount of money.

### Reduce the scope of capital asset investments

A common response to fiscal distress is to defer or eliminate capital project spending, but jurisdictions need to make sure they aren't hurting themselves in the long term. For instance, a jurisdiction might have to rely on obsolete and potentially unsafe assets if it fails to invest in new ones, or new assets might be needed to preserve the economic vitality of the community. Further, investment in new infrastructure, equipment, software, or other capital could improve efficiencies and reduce operating costs.

However, it might be possible to make a quick and low-risk decision to simply scale back on the asset purchase by reducing the amount purchased or by foregoing premium features. One small county found that it could save \$100,000 by reducing the scope of a project to upgrade its communication system. The county reduced the number of radio channels the system accommodated and the total number of radio towers by three (thereby accepting a lower level of coverage). The new communication system was still an improvement over the old one, but the county avoided the cost associated with premium features. Retaining the three radio towers would have improved radio coverage to 97% from 95%, but county officials decided it wasn't worth the added cost.

#### Potential Pitfall

⚠ Beware of a “penny-wise, pound-foolish” decision of cutting back features with significant long-term

benefits. Look for real opportunities to trim purely “nice-to-have” features.

### Defer certain capital asset purchases

Some capital assets are safer to defer than others. Capital assets that provide a brand new service; have significant, ongoing operating and maintenance costs; and don't have a critical public health or safety function might be prime candidates for deferral. It may not be wise to defer assets that replace an existing asset, reduce ongoing costs, and/or serve a critical public safety or health function.

The recovery leadership should examine the capital improvement plan to look for the best opportunities to defer. To make painful decisions easier to accept, the recovery leadership might point out that the government may have an opportunity in the future to issue debt at lower interest rates and ultimately build just as much, if not more, infrastructure than originally planned.

#### Potential Pitfall

⚠ Deferring investments that reduce long-term costs will be counterproductive.

### Improve capital project management

Improving capital project management and monitoring techniques can provide some near-term benefits. For example, it is not uncommon for the start of a project with approved budget authority to be delayed. Aggressive monitoring of these situations and cancellation of projects that aren't moving forward can free up funds for other uses. Project schedules may also be overly optimistic about how quickly a project will proceed, thereby routinely overestimating the rate at which project funding would be drawn upon. For example, this could result in premature allocations for pay-as-you-go financing projects, thereby tying up scarce funding needlessly.



### TECHNIQUE 3

## Reduce Materials or Contractor Costs

Materials and contractors are typically not as large a part of the budget as personnel or capital projects, but every bit counts in a financial crisis.

### Reexamine maintenance and replacement standards

The organization's maintenance standards might have been established years ago when products were not as durable as they are today. For example, one small county identified the potential to save \$200,000 per year by changing the standard for servicing buses from 30 to 45 days—a change that was acceptable because engines and buses are built much better now than they were when the standards were originally developed. In other cases, the organization might simply be willing to live with a lower standard of maintenance. The county government also found an opportunity to save more than \$100,000 a year by reducing standards for internal mail delivery, grounds maintenance, painting, and custodial services. The county also identified \$350,000 in one-time savings that could be achieved by accepting higher mileage and years of service on ambulances and fire trucks before they have to be replaced.

To use this technique effectively, the recovery leadership must identify real opportunities for savings like those previously described. Just pushing legitimately pressing needs into the future may only increase long-term costs, ultimately making full recovery longer and more difficult.

#### Potential Pitfall

⚠ Make sure you understand the long-term increases in cost and risk that you may incur by reducing maintenance or replacement standards. For example, if an asset is maintained to a lower standard, it might be more likely to experience a critical failure sooner.

### Reduce paper costs

Not only could reducing the use of paper eliminate costs, but it could also help governments adapt better to conditions where personal contact is limited, remote work is more prevalent, etc. Using electronic documents can reduce printing and material costs in several ways. For example, one small city purchased about \$7,000 worth of iPads for its city council and expects to save more than \$30,000 on printing costs as a result. Simply posting reports on the internet instead of printing them could also save money. A small county plans to save 10% on its printing costs this way. You can also stop buying paper products such as calendars and day planners that are replicated in office productivity software such as Microsoft Outlook. Modern office productivity software packages have graphic capabilities that reduce or eliminate the need for preprinted stationery and letterhead. Another option is to remove desktop printers to discourage printing and provide paperless options as a substitute.

There are many other possibilities to eliminate paper in the year 2020, like electronic signatures, fillable forms in Adobe Acrobat, and more. GFOA has best practices for electronic payments, electronic signatures, and encourages using features available in modern financial systems to cut back on unnecessary processing of paper.

#### Potential Pitfall

⚠ Though there may be concern that paperless processes are more vulnerable to cybercrime and those concerns are legitimate, remember that paper-based processes are also vulnerable to fraud and perhaps even more vulnerable to internal fraud than their paperless counterparts. Make a clear-eyed assessment of the risks involved and proceed accordingly.

## Save energy

Energy efficiencies are a great way to save money, especially for facilities that may now be underutilized. This could include changing turn-off schedules and initiating tighter temperature controls for buildings. This applies to vehicles too, like keeping fleet tires properly inflated and better managing routes and fuel.

## Eliminate low- or no-value tasks

Quality guru W. Edward Deming taught that most business processes contain up to 95% waste. A financial challenge may provide impetus to eliminate tasks that provide little or no value to the customer but have remained in place regardless. Give managers permission to identify and eliminate this kind of work. One small county identified such tasks. Eliminating some of them generated substantial savings. For example, the county found that it was placing notices of public hearings, job openings, and other advertisements in multiple area newspapers. This was an expensive and unnecessary approach (state law requires advertising in only one paper). Consolidating ads resulted in project savings of \$20,000 a year. In the assessor's office, tax assessors would traditionally visit properties to reassess them (a time-consuming task). The assessor's office identified the potential for \$150,000 in annual savings by eliminating the visit and, instead, using satellite photos to conduct routine reassessments. The assessor uses the photos to verify that nothing has changed from what was expected at the property. Many such opportunities doubtlessly exist in your government. A classic opportunity for finance offices is eliminating reports that people don't read. Stop producing reports you suspect people aren't reading. If no one notices, that report may not be valuable.

## Potential Pitfalls

- ⚠ Be careful to consider organization-wide impacts of eliminating tasks. What might be a no-value task to one department might have a lot of value to another.
- ⚠ The mantra of “we’ve always done it that way” can be an impediment to changing work processes. However, we are in extraordinary times, and extraordinary times can shake people out of old habits.
- ⚠ For a variety of reasons, it will be difficult to reduce personnel costs through the elimination of low- and no-value tasks, especially in the short term. As our examples above implied, most times savings will come on materials and contracts or in giving staff more time to spend on more time to address higher-value work. Therefore, be careful not to overestimate the available cash savings from eliminating low- or no-value work.

## Review software maintenance contracts

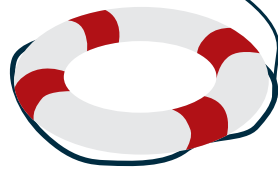
Many local governments own software licenses to hundreds of different products, many of which require annual maintenance and support costs—entitling the government to help desk support and new versions of the software. However, for many governments, upgrading to a new version during a fiscal crisis is not a viable option. Also, for a product nearing the end of its life, a complete replacement would be more likely than an upgrade. In either case, the government can stop paying maintenance and support, or it can hire a third party that supports the system at a lower price and continue to use the licensed software. Additionally, for products that are well established or do not support critical functions, having the availability of support/upgrade resources may not be necessary or worth the cost. In addition, with annual price escalation, many governments are surprised to learn that the annual cost of maintenance has grown substantially since the software was first purchased and, in some cases, might even be more expensive than the license cost to purchase new software.



### Potential Pitfalls

- ⚠ Ending maintenance and support will start the government on the path to software replacement. Many vendors do not allow a government to start maintenance and support again without paying penalties.
- ⚠ This approach only works if the government owns a perpetual license to the software and annual fees are not required to maintain that license.

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### Rethink subsidies

Your jurisdiction might have given subsidies to internal programs, outside agencies, or constituencies that could be reviewed for continued relevance and affordability. For example, tax exemptions may reduce revenue yields while only benefiting a narrow segment of the community. Local government may also have institutionalized financial support for good ideas that came from advocacy groups or elected officials who are no longer in office, but these programs may be ancillary to providing essential core services. While reducing these subsidies right away might be politically challenging, you can begin by cataloging subsidies as a starting point for discussion of their continued feasibility.

Also, consider if it is viable to transform certain tax/fee exemptions into an equivalent grant. Though this will be cost neutral on its own, the equivalent grant can make the subsidization more explicit and lead to valuable questioning if it is an appropriate use of public money.

#### TECHNIQUE 4



## Create More Advantageous Inflows and Outflows of Cash

### Delay payments to vendors

The payment terms a vendor sets usually stipulate the maximum length of time the government has to make a payment. Though delaying payment to the maximum allowable length won't reduce costs, it may help achieve a more favorable balance between cash inflows and outflows.

#### Potential Pitfalls

- ⚠️ If a vendor offers early payment discounts, you may give up more than you gain by delaying payment.
- ⚠️ Delaying payments to a vendor may cause a strain in the relationship between a vendor and government. For vendors providing essential services, or for vendors that the county may be relying on due to limited suppliers in the market, the government may not want to risk ruining its relationship. In difficult times, vendors are often in a similar situation. Delaying payment may cause hardship with the vendor in terms of their ability to meet obligations to employees or suppliers.

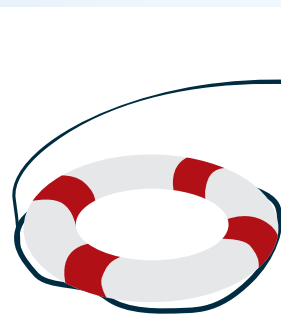
### Look for areas of consistent surplus in prior budgets

Look for budget line items that have consistently been underspent in prior years. It could be that excess resources have been allocated in this year's budget that could be used for more pressing needs. For example, one large county found that the county clerk's election budget had large surpluses three out of every four years. It turned out that the clerk was budgeting the full cost of a presidential election every year as a placeholder for when the actual election occurred. This technique won't reduce costs, but the local government will not need to wait until the end of the year to realize the surplus.

The recovery leadership team can work with departments to examine budget versus actual spending over the last three to five years to look for areas of consistent underspending. It is important to note that, in many cases, this overbudgeting is a method of risk management for departments: the excess budget can be used for unexpected costs. However, this cushion can add up across all departments. If the leadership team can provide assurances that a centralized pool of money will provide a safety net, then departments may be more willing to "pool" their risk and, thereby, generate substantial savings.

#### Potential Pitfall

- ⚠️ The department that set the budget might have had legitimate reasons for its initial budget estimate. The recovery leadership should find a way to satisfy that concern while also solving the misallocation of resources. For example, the county found another way to give the clerk confidence that the cost of a presidential election would be covered when the time came.



Look for budget line items that have consistently been underspent in prior years.



## TECHNIQUE 5

# Get New Resources

### Increase interfund charges where there is a case for it

Interfund charges can sometimes become outdated. There may be obvious and widely agreed-upon opportunities to update these charges to help the funds that are experiencing distress. This is a technique where the public manager must exercise discretion. A clear and compelling case for updating or adding a charge exists in some cases. In others, the matter may require further study and discussion, lest the charge degenerate into cross-fund subsidization.

#### Potential Pitfalls

- ⚠ Interfund charges could devolve into cross-fund subsidization if not rigorously justified.
- ⚠ Make sure higher interfund charges don't create new problems in other funds. This strategy only makes sense if the fund that will pay more can afford to do so.

### Reassess internal service fund and cost allocation formulas

Internal cost allocations charge frontline programs for services provided by support programs. The revenue from these charges are often accounted for in an internal service fund. Fleet, information technology, and workers' compensation are often managed in this way, for example. Check to make sure these charges have not become excessive. For example, if an internal service fund has a very large fund balance, it could be that charge rates are high. If the internal service charge rates have gotten high, consider reducing or deferring charges, at least on an interim basis.

#### Potential Pitfall

- ⚠ If rates are reduced too much, the internal service fund will suffer, thus creating new problems for your government.

### Redesignate general fund reserves

You may have designated some portion of your general fund for special projects or other purposes that are not as important now. For example, perhaps some reserves have been set aside for special projects and the need for those projects is now less compelling. Local jurisdictions might consider reassessing these designations and redesignating those funds to help bridge the financial gap and balance the budget.

#### Potential Pitfalls

- ⚠ Redesignating general fund reserves is a one-time strategy and is not sustainable.
- ⚠ The projects that the reserves were intended to fund will be deferred.

### Consider monetizing assets

Government may have valuable assets that can be transformed into ongoing revenue streams. For example, some local governments have explored the potential of underutilized real estate owned by the local government. In some cases, the property might be located in commercially attractive areas but being used for government activities that could be performed on less valuable property (e.g., some kinds of offices, storage, etc.).

That said, there are some assets that could be monetized but where careful deliberation and study is important, lest the government make an unwise and irreversible decision. Monetizing these assets could still be part of the recovery strategy but should not be seen as an immediate retrenchment technique.

#### Potential Pitfalls

- ⚠ Beware of selling unused property into a soft market. Consider if a temporary lease to a private party could bring in some revenue in the short term, without losing an asset that may be more valuable in the long term.

⚠ Don't rush into monetizing public assets where the valuation is complex and the government, as the seller, finds itself in a buyer's market.

### Implement new or revised fees where appropriate

Over time, the government might have come to provide many services that, while small and seemingly innocuous on their own, add up to real money. It may be appropriate to start charging a fee for these services, especially if the beneficiary of the service is distinguishable. For instance, one small county identified the potential for \$50,000 in new revenue for its animal control service by starting a licensing tag program for cats. The county found that it was spending just as much, if not more, on animal control for cats, thereby justifying the fee.

Again, public managers will need to use discretion to determine where a fee can be implemented right away and where more study will be required or where a new fee simply may not be appropriate. For example, some fees might be counterproductive to the goals of public service. For instance, fees for using emergency medical services are often controversial because the

service is not elective and is assessed when people are at their most vulnerable. Many local governments have reduced or discontinued fees and fines associated with justice services, recognizing that the fees often entail excessive collection costs and significantly impede people's ability to effectively interact with the justice and courts system.

In addition, all governments must be aware that maintaining public trust is vital. By adding fees that are not viewed as appropriate, the government can appear greedy or opportunistic during a time when the rest of the economy and community are suffering.

The best opportunity for this strategy in a financial crisis might be to make sure full cost is being charged for elective services. For example, building permit services benefit the property holder almost exclusively, and there is little reason for the rest of the community to subsidize it.

#### Pitfall to Avoid

⚠ Fees that are regarded as unfair, unwarranted, or have unintended consequences might actually hurt the local government and community well-being in the long run.



For more information about GFOA's Fiscal First Aid program, visit [www.gfoa.org/FFA](http://www.gfoa.org/FFA)



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# DRAFT

## **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, AUTHORIZING THE MAYOR, CITY ADMINISTRATOR, OR DESIGNEE TO IMPLEMENT VARIOUS COST-SAVING MEASURES TO ADDRESS REVENUE SHORTFALLS DUE TO THE COVID-19 PANDEMIC.**

**WHEREAS**, the outbreak of the novel coronavirus (COVID-19) and its rapid progression in Washington state and throughout the United States continues to threaten the life and health of people, as well as the economy; and

**WHEREAS**, on January 31, 2020, United States Health and Human Services Secretary Alex Azar declared a public emergency for COVID-19, beginning January 27, 2020; and

**WHEREAS**, on February 29, 2020, Governor Jay Inslee proclaimed a State of Emergency in Washington state due to COVID-19; and

**WHEREAS**, on March 1, 2020, King County Executive Dow Constantine signed a proclamation of emergency due to the number of confirmed cases of COVID-19 in King County; and

**WHEREAS**, on March 9, 2020, Tukwila Mayor Allan Ekberg signed Proclamation 2020-03-09, declaring a public emergency within the City of Tukwila due to COVID-19; and

**WHEREAS**, on March 13, 2020, the President of the United States declared a national emergency due to the COVID-19 pandemic; and

**WHEREAS**, on March 16, 2020, the Tukwila City Council approved a motion to endorse Proclamation 2020-03-09, declaring a public emergency within the City of Tukwila due to COVID-19; and

**WHEREAS**, the COVID-19 pandemic has resulted in an initial budget shortfall (March through May 2020) of \$6.1 million that has been addressed with significant, one-time, non-personnel-related departmental budget cuts, and based on current economic indicators, the City expects to experience an additional budget shortfall in 2020 of approximately \$6 million for a total revenue shortfall in 2020 of approximately \$12 million; moreover, in 2021,

continued expenditure reductions are needed to address an ongoing loss of revenue projected at \$6 million; and

**WHEREAS**, nearly 70% of the City's expenses apply to personnel costs, and these significant, projected budget shortfalls in the amount of funding needed to sustain the current level of general operations through 2020 require more extreme, sustained cost-saving measures to achieve ongoing personnel cost savings to address the projected budget shortfalls, including such measures as the implementation of voluntary retirements and separations; reductions in force through attrition, voluntary or involuntary unpaid furloughs, layoffs; and/or pay reductions, or some combination thereof, in 2020 for represented and non-represented employees; and

**WHEREAS**, consistent with WAC 296-128-533, deductions from the salary of a public employee for absences where authorized by law due to a budget-required leave of absence will not disqualify the public employee from being paid on a "salary basis" except in the workweek in which the absence occurs and for which the public employee's pay is accordingly reduced; and

**WHEREAS**, in order to achieve long-term budget savings, the Mayor, City Administrator, or designee, shall be authorized in collaboration with the City Council to implement various cost-saving measures as more specifically described in Section 1 of this resolution, including but not limited to such measures as implementing voluntary retirements and separations; reductions in force through attrition, voluntary or involuntary unpaid furlough days, layoffs; and salary reductions for designated non-represented employees, and/or reductions in operating and office hours, closure of offices or departments or reductions in levels of operations or services, or some combination thereof as needed; further, the Mayor, City Administrator, or designee, shall continue to collaborate and communicate with the Council as to what actions will be taken based on collective bargaining negotiations currently underway with the City's labor union partners and shall report back to the Council on the effectiveness of these various cost-saving measures for the remainder of calendar year 2020;

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, HEREBY RESOLVES AS FOLLOWS:**

**Section 1. Implementation of Cost-Savings Measures Authorized.** To achieve budget savings, the Mayor, City Administrator, or designee shall be authorized to implement one or more of the following cost-saving measures through December 31, 2020:

(A) voluntary retirements and separations; (B) reductions in force through attrition; (C) furloughs; (D) layoffs; (E) pay reductions; and/ or (F) reductions in operating and office hours, closure of offices or departments or reductions in levels of operations or services, as needed. The Mayor, City Administrator, or designee shall continue to collaborate and communicate with the Council as to what actions will be taken based on collective bargaining negotiations currently underway with the City's labor union partners and shall report back to the Council on the effectiveness of these various cost-saving measures for the remainder of calendar year 2020.



PASSED BY THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, at  
a Regular Meeting thereof this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

ATTEST/AUTHENTICATED:

\_\_\_\_\_  
Christy O'Flaherty, MMC, City Clerk

\_\_\_\_\_  
De'Sean Quinn, Council President

APPROVED AS TO FORM BY:

\_\_\_\_\_  
Office of the City Attorney

Filed with the City Clerk: \_\_\_\_\_  
Passed by the City Council: \_\_\_\_\_  
Resolution Number: \_\_\_\_\_



# DRAFT

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, PROVIDING FOR A TEMPORARY PAY REDUCTION OF NON-REPRESENTED EMPLOYEES TO ASSIST WITH ADDRESSING THE BUDGET SHORTFALL ASSOCIATED WITH THE CORONAVIRUS PANDEMIC, EFFECTIVE JUNE 1, 2020.**

**WHEREAS**, the City has projected a budget revenue shortfall in the General Fund of \$12 million in 2020 due to lost tax revenues resulting from the coronavirus pandemic and the subsequent State-mandated “Stay Home – Stay Healthy” order; and

**WHEREAS**, the City is taking phased steps to address the financial impact of the pandemic, which includes impacts to personnel; and

**WHEREAS**, to assist with addressing the projected budget revenue shortfall of \$12 million in 2020 due to lost tax revenues associated with the coronavirus pandemic, it is necessary to reduce the pay of non-represented employees 10% for the remainder of 2020;

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, HEREBY RESOLVES AS FOLLOWS:**

**Temporary Pay Reduction Plan for Non-Represented Employees.**

A. Non-represented employees in the following positions will have a reduction in base pay equal to 10% effective June 1, 2020 through December 31, 2020:

- City Administrator
- Deputy City Administrator
- Public Works Director
- Police Chief
- Fire Chief
- Parks & Recreation Director
- Technology Services Director
- Finance Director
- DCD Director
- Human Resources Director
- Economic Development Administrator
- Municipal Court Administrator

B. All non-represented employees not listed in subsection A will have a reduction in pay equal to 10% through means of either working the equivalent of a paid 36-hour work week (FLSA-Exempt) for each pay period between June 1, 2020 and December 31, 2020, or taking the equivalent of 14 furlough days (FLSA-Nonexempt) effective June 1, 2020 through December 31, 2020.

PASSED BY THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, at a Regular Meeting thereof this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

ATTEST/AUTHENTICATED:

\_\_\_\_\_  
Christy O'Flaherty, MMC, City Clerk

\_\_\_\_\_  
De'Sean Quinn, Council President

APPROVED AS TO FORM BY:

Filed with the City Clerk: \_\_\_\_\_

Passed by the City Council: \_\_\_\_\_

Resolution Number: \_\_\_\_\_

\_\_\_\_\_  
Office of the City Attorney