



CITY OF MIRAMAR
OFFICE OF THE CITY MANAGER
INTER-OFFICE MEMORANDUM

TO: Mayor, Vice Mayor and Commissioners

FROM: Vernon E. Hargray, City Manager

DATE: April 24, 2020

RE: Fiscal Year 2020 - Possible Fiscal Impact on Revenues due to COVID-19 – City Manager Recommendations

On April 18th, memo # 20-M-51 was issued highlighting the “Possible Fiscal Impact on Revenues due to COVID-19” to provide the Commission with information on how this global pandemic may affect the City’s finances.

Within that memo, the discussion was centered around the projected revenues which the City may receive as the pandemic prolongs. Assumptions were based through the month of August 2020, with the understanding that as the economy begins to recover from the effects of the COVID-19 pandemic, some revenues will not be collected (lost) and some revenues will be delayed. The memo addressed the potential outcome if the City does not implement viable policies to mitigate the negative fiscal impacts to numerous services and programs.

The memo’s projection model incorporated financial data posted through February 29, 2020, analyzed revenue and expenditure trends over the past 5 months and included historical trends (including pre-recession and post-recession trends). It also separated General Fund revenues into two categories: *Potentially Delayed Revenues* and *Potentially Lost Revenues*.

This memo provides an update with my recommendations to carry the City through September 30, 2020, using the following measures:

Personnel Action:

At my direction, the Office of Management and Budget (“OMB”) has requested that departments thoroughly analyze their operations to identify savings that will sustain them until the end of this Fiscal Year. Given the circumstances, the

departments have stepped up to the challenge and have provided their contributions to reduce operational expenses, freeze vacancies, and forego hiring and promotions through the end of the Fiscal Year. The information provided in **Table 1** (see page 3) reflects the potential savings.

Stabilization and Emergency Funding:

The City has been fiscally prudent in strengthening its fund balances, both in the General Fund and the Utility Fund. Fiscal responsibility involves strategies for adopting policies which foster strategic, efficient spending and identifying funds specifically earmarked to weather any impending crisis. Two most recent policies that were implemented as planning tools to help the City continue its sustainability are Other Post-Employment Benefits (OPEB) and Pension (Stabilization) Trust Funds as described in Ordinance 19-24 (attached for reference).

On February 5, 2014, the City Commission adopted Resolution 14-74, which created a committed fund balance to use as a **Financial Stabilization Account (“FSA”)**, which is equal to 12% of the General Fund’s final amended budgeted expenditures and has a current balance of **\$20,383,343**. The FSA may be used when the Commission or the City Manager recognizes a dire need to supplement fiscal shortfalls.

On September 13, 2010, Resolution 10-206 was adopted, which assigned a portion of the fund balance to **Emergency Preparedness and has a balance of \$6,533,123**. Resolution No. 14-74 allows a portion of assigned fund balance to be used for **unbudgeted emergencies** that cause at least a **1.5% decline in revenue**. The current COVID-19 crisis impacting the City is the perfect scenario for the utilization of this reserve since the decline in revenues is **projected at 13%**.

Best practices, as recommended by the Government Finance Officers Association, has taught the financial leaders of the City to be ready for unforeseen expenditures by adding to fund balance annually. Our current **Unassigned fund balance is \$8,585,255**; this amount is available for use. **The approximate combined reserves total \$36M for the General Fund and \$43M for the Utility Fund.**

The City of Miramar continues to be in the best position to address the anticipated COVID-19 fiscal impacts. As we work through this pandemic, we are also preparing for the upcoming Hurricane season which begins June 1st and ends on November 30th. Additionally, we continue to plan diligently for Fiscal Year 2021, anticipating that the actuarial determination of our pension contribution will be impacted due to the downturn in the stock market.

Current Measures Executed by the City:

OMB has projected that the General Fund expenditure reduction needed to match the projected reduced revenue is approximately \$23.3M, as shown in Table 1 below.

Table 1: General Fund Expenditure Projection

April 20 Departmental Submission					
Figures in thousands \$(000)					
Dept No.	Dept Name	Vacancy Freeze	Furlough	Operating Expense	Total Savings
05	Office of City Manager	110	320	308	738
06	Human Resources	-	173	266	439
08	Office of City Clerk	-	119	11	129
10	Financial Services	118	454	176	748
11	Procurement	72	108	27	207
15	Management & Budget	26	228	16	269
20	Police	385	7,383	393	8,160
30	Fire	128	5,438	238	5,804
41	Community Development	29	759	138	925
43	Economic Bus Development	-	-	244	244
50	Public Works	320	351	1,195	1,867
60	Parks & Recreation	245	903	1,024	2,172
63	Community Services	282	660	109	1,051
68	Cultural Affairs	7	75	491	573
TOTAL		\$ 1,722	\$ 16,971	\$ 4,636	\$ 23,326

While many cities are considering furloughs as an option to contribute to the reduction of expenditures, I am determined to implement a solution which protects our most valuable assets, ***our human capital***. It has always been my goal to have the City in a position where we can leverage our assets during good and bad economic conditions. Therefore, to obviate the need to resort to furloughs to account for approximately \$17M, the **resolution** is to utilize reserves as outlined in Table 2 below:

Table 2: Funding Options to Prevent Furloughs

Recommended Funding Sources to Cover Furlough Amount	
FEMA COVID-19 reimbursement	\$ 2.3M
Economic Development Fund	\$ 1.7M
Utility Fund	\$ 3.0M
Unassigned-Fund balance	\$ 8.5M
Emergency Preparedness	\$ 1.5M
TOTAL	\$ 17 M

As we monitor our revenues monthly, we will evaluate the need to adjust the proposed utilization of reserves.

Re-opening Strategies:

In recent days the City has formed a “Re-Open Miramar Task Force”, which is overseen by Assistant City Manager Shaun Gayle, to develop a phased approach to the resumption of programs and services. So far, the group has initiated a city-wide survey of the departments to gain an understanding of how their programs may need to be reorganized in order to maintain employee safety, observe social distancing guidelines and adhere to federal staffing regulations, while providing services that are considered essential. The task force will also oversee the possible repurposing of City facilities to determine how to best utilize them in a post COVID-19 environment. A report will be provided to highlight the plans as approved.

Should you have questions or require additional information, please let me know.

c: CM Senior Executive Team
Department Directors
City Clerk
City Attorney