

City cuts nearly \$500K from budget

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Looking at an estimated \$650,000 shortfall to the last quarter of the city's general fund, the Crescent City City Council approved plans to cut discretionary spending in the remaining 2019-20 budget.

City Manager Eric Wier called staff's proposed General Fund budget reductions — a total of \$499,630 out of the currently authorized \$6,990,931 — an unfortunate reality under the current economic uncertainties.

"The financial situation is going to become a part of the new normal," he said. "Right now, as we look at revenue projections in the staff report, there's a revenue shortfall from what we budgeted around \$650,000 just to July 1 this year. This quarter started March 1, so that's just the last three months with the loss of sales tax and TOT (transient occupancy tax). Those are the kind of deficits we're facing as a city."

Wier said with no guarantee of receiving state or federal dollars to backfill the city's shortfall, staff looked at making severe cuts this budget year that won't affect the city adversely long term.

"We'll probably see something like this come before the council every couple of months as we become better informed to make decisions. The sooner we act the better we'll be off in a financial standpoint," Wier said.

Looking at the proposed list of cuts, Mayor Blake Inscore said it did not contain anything he objected to, but none-the-less was unhappy about most of it.

“It is a necessary approach to what we’re facing. In some ways, it sets the table for what we need to do next, which will be a much harder decision when we look at an entire fiscal year,” Inscore said. “We’re going to be faced in the next couple weeks forecasting what we’re going to do for the next 12 months. This is a good exercise preparing ourselves for a much harder conversation.”

Linda Leaver, finance director, said driven by the COVID-19 emergency, the word of the day is uncertainty.

“We don’t know how long this is going to last. We don’t know the impact on our tax revenues. While we do know there will be an economic recovery, we don’t know what it will look like, how long it will take, or how fast it will be,” Leaver said.

The staff has been working on various models for projecting the financial impact this will have on the city. Leaver explained the General Fund relies on sales tax and transient occupancy tax for approximately 50% of its revenues. General Fund revenues are used to provide services to the community, including police, fire, street maintenance, parks, building inspection, code enforcement, planning, administration, swimming pool and cultural center.

Proposing significant budget cuts for this fiscal year, which is the next seven weeks, is just the first step.

“All of the items being proposed to be cut could be reinstated at any point when our finances allow for it. Not proposing anything that would be a permanent change to the way the city functions,” Leaver said.

The biggest cut was \$208,500 to staffing wages and benefits, truing up that difference due to vacancies and turnovers and the actual use of benefits Leaver said. For example, while the Fred Endert Municipal Pool remains closed, the unfilled aquatics supervision position can be taken off the books and so can the laid-off part-time lifeguards who are receiving or are eligible for unemployment benefits.

Mayor Pro Tem Heidi Kime was disappointed the pool will remain closed.

“Obviously, the pool is a sensitive topic. If we keep it closed through the fiscal year, we save \$61,500,” Kime said. “But what about our commitment to swimming lessons for these kids? I worry, are they going to be at the river?”

Wier explained that the pool’s operation is part of the uncertainty that remains, including whether it can even be opened back up any time soon.

“As we make cuts to the budget, the pool is going to have to be one of the areas we continue to look at, that we’ll have to reevaluate frequently,” Wier said.

Teena Suzuki asked via Zoom what the city is going to do with refunds of annual pool passes, whether they’ll be refunded before the end of the fiscal year.

Wier said it is something the staff is also still evaluating.

Another savings discussed was at the police department.

“One of the items discussed in the midyear budget was funding overtime in the police department,” Leaver said. “Chief (Richard) Griffin has been able to reduce that by quite a bit without cutting any services.”

Staff earmarked a savings of \$31,750 in employee support, by removing almost all remaining travel budget for the rest of the year. Leaver said two proposed travel items were left in as they felt they were necessary for public safety. If travel resumes in June, they’d still would like to go to those, she added.

Staff is looking to save \$70,250 in the parts and supplies budgets. Leaver said there is an increase in additional police department uniforms and PPE masks and gloves and cleaning supplies. An additional saving was found by deferring the purchase of \$17,000 for additional streetlights.

“We’ve not been able to place the order yet. The proposal would reduce them out of budget but go ahead and place the order knowing they wouldn’t get them until July and be placed into next year’s budget,” Leaver said.

Under Contract Services, Leaver said an additional \$20,000 was included as a cost overrun for the budgeted \$75,000 toward contracted planning support to develop city ordinances, such as commercial cannabis, RV parking and small cell service. The increase was offset by removing most of the legal services budgeted in code enforcement, not because reducing services but because there are no current cases right now, and canceling the Streets Department’s planned sidewalk grinding and striping, Leaver said.

Two final proposals were removing an unspent \$7,000 from the Sister City budget and another \$75,000 budgeted for the architectural design of the new city hall. Leaver said a request for quotation (RFQ) came back for higher than was budgeted, so the project was already on pause.

“Since we don’t have a better picture of city finances, we should return that \$75,000 to the general budget until we have a better plan,” Leaver said.

Leaver said staff also discussed but discarded the idea of whether to not pay the city’s final payment to the Crescent City-Del Norte Chamber of Commerce, which is \$72,000 — \$11,000 to the chamber and \$61,000 to the Visitor Bureau.

“The staff report indicated the Chamber of Commerce has already laid off all its staff other than Director Cindy Vosberg,” Leaver said. “The Chamber is providing a lot of services to businesses right now and is going to be important to the recovery phase.”

Councilmember Alex Fallman voiced his support for what the Chamber of Commerce has been doing.

“Really, Director Vosberg is the only business support in the community other than the city’s Economic Resiliency Task Force. Anything we can do to keep her going is going to make sure the chamber survives as an organization,” Fallman said.

Before the city council unanimously approved the proposed budget amendments, Councilmember Jason Greenough said he didn’t see any other choice the city had but to make hard cuts to discretionary spending.

“With the uncertainty we’re seeing, as far as Mr. Wier’s question how do we stop the bleeding? We open the economy. Do we do it now or later? I think we need to do it sooner than later, but we need to do it safe,” Greenough said. “It’s prudent to make these cuts now. I don’t think we’re going to see our revenues back to the regular level for some time. People aren’t just going to jump up and travel. We’re going to have to be more measured in our decision making in the next couple years.”