

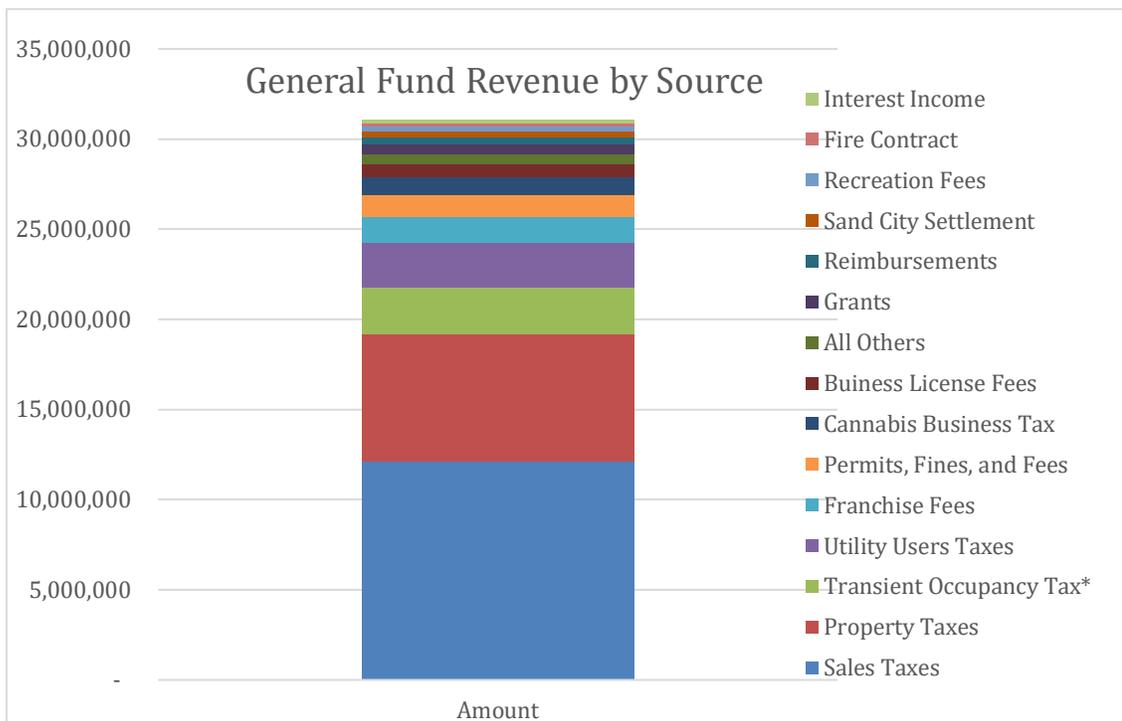


4.24.20

MANIFEST

Welcome to the Manifest; a summary that cares more about brevity than grammar, and what is about to or could happen in Seaside than what did or didn't. Contributions to future editions are welcome at cmalin@ci.seaside.ca.us.

- When Do We Run Out of Money? – These are challenging times, and cities are not immune to the financial impact of the pandemic. Unlike the federal government, we cannot print money. Unlike states, we cannot scavenge cash from cities and counties, or spend beyond our means for years on end, propped up by Wall Street grifters preying on future taxpayers. Small city finances are much more like a family's finances. We can run out of money. Completely. Cities can go bankrupt. Some have.
- Where Does Our Revenue Come From? – Two of our top three sources of revenue are significantly impacted wiped out by the pandemic.



The single largest contributor to the City's sales tax revenue are car sales, and those have all but stopped. Our third leading source of revenue (Transient Occupancy Tax) is, also, essentially zero as people have simply stopped traveling to visit the Peninsula.



Dealerships locked



Businesses closed / struggling



Hotels empty

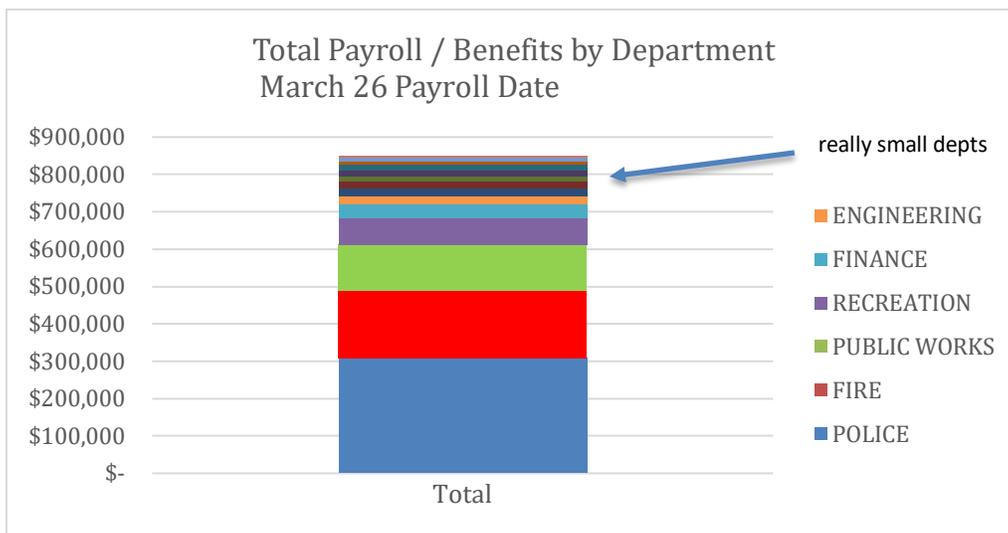
How Long Will This Last? – No one knows. Months, at a minimum. The key questions, from a City revenue standpoint, are:

How willing are people going to be to sit in the middle of hundreds of people they don't know on an airplane to fly here for a vacation? Who has enough confidence in their family's finances to even go on a vacation when 26 million people have filed unemployment claims in the last few weeks? Who has enough confidence in their family's finances to buy a new car?

The point is ... this is bad. And, while hope is good, hope is not a financial strategy.

Any Good News? – Indomitable American spirit. Advances in science since the 1918 flu. Creativity, commitment and caring of the Seaside team. Diversification of revenue and growth of the City's reserves from a little over \$4 million to \$12.5 million in recent years. Incoming revenue sources not impacted by the pandemic (which I'll get to later).

The Crux Of It – We may run out of money within the year if we don't significantly reduce our personnel expenses. This is what one payroll looks like:



▣ That Last Chart – If you multiply those amounts by 26, you’ll get an approximation of what our personnel expenses look like in a year. Because we are a City, delivering front-line public services, personnel expenses are the vast majority of our budget. The big blue (Police), red (Fire) and green (Public Works) totals at the bottom of the chart reflect that we spend the strong majority of our revenue on the basic services necessary for public health and safety. You could add the thinnest bars at the top together, and not get to half the police budget.

▣ The Crux Of It, Again – So, because basic health and safety services are necessary AND we CAN run out of money, we did some modeling. There’s big spreadsheets involved but, for the sake of simplicity, the results looks like this:



As an example, if revenue drops 30% and we make no personnel expense reductions as we burn through \$1 million a month in reserves, we run “out” of money in January of next year. Technically, we’d still have \$4 million in reserves, but that would be gone in just over two months. We’d be completely out of money in March. If revenue drops 15% and we cut personnel expenses by 10% as we burn through reserves at \$1 million a month, we can’t meet payroll and retain \$4M in reserves in August of next year. Same revenue reduction and same reserves “burn rate” with a 25% personnel cost reduction, and we make it to October, 2022 before we don’t have enough reserves for basic cash flow.

- ▣ We Have To Reduce Personnel Expenses – There’s no way to avoid it. The only way to avoid it is to imagine a vaccine is created, tested and distributed to ~~hundreds of millions~~ billions of people in a month or two, and life snaps back to “normal”. We burn through a few million dollars of reserves as that happens, and everything is ok.

That is not going to happen. Particularly with the likes of Las Vegas mayors and Georgia governors in the shallow end of the leadership pool.

Our first mission in this emergency was to compartmentalize operations and protect employees so we could provide public health and safety services through the first peak of this pandemic. We’ve done that.

Our next mission is to insure we are able to provide basic services and community recovery assistance for as long as possible. The goal is to arrive at the point where the economy (and thus our revenue) starts to recover before we run out of money to field enough police officers, firefighters and public works employees to provide the basic city services Seaside citizens need. The most impactful way under our control to extend the point at which the economy can start to again provide the revenue we need to function is to substantially reduce personnel expenses, and do so sooner rather than later.

- ▣ This Ain’t 2008 – The one thing (there were many, but THE ONE thing) they hammered into us at NPLI was that each event is different. Do not think the launch of a space shuttle at 36 degrees is the same as a launch at 51 degrees. Do not think a hurricane across a city below sea level is the same as one across Florida. Do not – EVER – (they hammered into us) fight the prior fight. This isn’t 2008, with just one sector of the economy staggered. This isn’t 1918, nine years and one ridiculously optimistic 25 year-old prior to the first intercontinental flight. This is new. This is global. This is evolving.

- ▣ In The Next Month – **We need to reduce personnel expenses in the next fiscal year by 20% - 25%. We are facing a \$10+/- million revenue reduction in the next fiscal year, and we’ll run out of money in less than a year if we don’t act soon, and at sufficient scale to make a difference.**

The department heads and I have started, by cutting our own salaries 10%. We’ve implemented a hiring freeze for all but the most critical and unique of tasks. We’ve stopped spending on travel, training and other discretionary expenses not related to the emergency we’re in, and the long slog back to better times.

We've also started to assemble a plan to reduce personnel expenses by 20% to 25%. That plan will include decreasing services and having fewer employees, through layoffs. Laying off employees is never a positive circumstance, but there are few foreseeable scenarios where layoffs cannot be part of the City's necessary response to the emergency we find ourselves in. Monterey is in process of laying off 87 employees. Larger cities will be laying off thousands.

The plan, including authorization to issue layoff notices, will be presented to the City Council on May 7. In advance, we've released an **Early Retirement** option for employees with more than ten years of service, with a **May 1 deadline** to indicate interest in the option. We've also started reaching out to our collective bargaining leadership, to discuss potential collaborations to meet the fiscal challenges before us.

We will, absolutely, respect and support our employees to the best of our ability through this process. But we also must take necessary actions to meet the needs of the community we serve. That is our obligation as public servants. We cannot just draw down in excess of a million dollars a month in reserves (which will be about \$10 million in total in July) and hope for a quick rebound. We need a plan that reduces expenses in excess of \$5 million, to extend the time that our reserves can carry us to an economy that can sustain us, moving forward. To be clear from the start, the plan will need to be revisited if things get even worse than a \$10 million revenue shortfall.

- ▣ You've Probably Noticed – Some projects are moving forward. There will be sewer work on Canyon Del Ray, because sewers are essential. McDonalds is moving forward, because food is an essential business, and there's demolition happening on Broadway because the "Ascent" housing project will include affordable housing, and that's essential under the County's shelter in place order.
- ▣ The Months Ahead – In addition to making the challenging adjustments of delivering services with fewer employees, we'll be pivoting to support businesses, employees and citizens within our limited financial resources (see Attend If You Can on next page).

Those limited City resources are expected to be bolstered by millions in on-going regional and state road repair funding and upwards of \$10 million in new funds to tear down old Army buildings from bonds expected to be sold by the Fort Ord Reuse Authority before FORA closes up shop at the end of June. Using these major capital funding sources strategically to boost Seaside employment is a potential opportunity.

📄 Attend If You Can - The City was awarded \$199,874 of federal CDBG-CV funds to be used in COVID-19 efforts. This may include: food bank donations, COVID-19 testing, meals on wheels, and/or business loan programs. On Monday, April 27 at 7pm, CDAC will hold a virtual meeting (details available on our web site). Seaside businesses can also participate in a virtual meeting on May 4th 5:30 pm. NOTE: CDBG-CV funds differ from the “regular” CDBG funds and are more restricted in use.

📄 Help If You Can – As the City continues to deliver services, there’s need beyond what we can do alone.

- Food – If you’ve not yet volunteered at a food distribution, it is a hauntingly sobering experience. Community members waiting patiently, and so grateful for a few bags of food. MPUSD is doing heroic work, and City employees are helping them and the Monterey County Food Bank when we can. We expect to have a food distribution at City Hall on Saturday, May 2, starting at 10:00 AM. Confirmation and details to follow. If you’d like to help the food effort, visit <https://foodbankformontereycounty.org/donate/>. If you’re a City employee, Finance has set up a voluntary payroll deduction program. You can get a form from, and return it to, salcaraz@ci.seaside.ca.us.
- Masks - Earlier this week, we began calling all sewing aficionados/community volunteers to help assist with sewing reusable masks for free distribution throughout the community. Simple homemade facemasks can prevent spreading of the coronavirus in situations where it is hard to maintain social distance, and the best part is they are washable and reusable.

All skill levels are welcome! Community volunteers can pick up the pre-cut kit from City Hall, sew the masks at home and return for distribution throughout our community.

Older or health compromised members of the Seaside community can sign up to have a mask delivered to their house as they become available or to be delivered with our senior food deliveries on Fridays. Sign up here: <https://bit.ly/SeasideMasksforSeniors> or call 831-899-6821.

Wanna help us sew? Contact Assistant City Manager Lesley Milton at lmilton@ci.seaside.ca.us

- ▣ Are We Sure This Is Sticking To The Videotape? – Letterman used to ask that when things weren't going great on The Late Show. This is gonna be difficult to keep out of my head during our pilot video effort next week, but I'll try.

Mayor Oglesby and I have been discussing all the challenges the City is working on fairly regularly on the veranda outside City Hall these past few weeks. There's a lot going on, and it's changing rapidly, and we're both going from meeting to meeting to meeting nearly all day, so we sit outside with good physical distance and excellent ventilation to catch each other up and coordinate efforts.

We're gonna video a few segments of this next week and start putting them on the City's YouTube channel and social media accounts so we can update citizens on where we're at and where we're going.

Necessity is the mother of invention.

- ▣ Optional Reading Below

Dog Days – These are daunting times, and while I have no idea if this will help, I do have a little extra space on this page, so I'll share something that may or may not be worthwhile (quite the buildup, huh?). I've started watching concert videos on YouTube at night just to smile about how things used to be and will be again, someday. And the one I like best is a Florence + the Machine song from way back when. When we were all young. And will be again. <https://www.youtube.com/watch?v=wiDIObd8Yal>

When in doubt, add a few feet to physical distancing and always practice kindness.