

2020 City of La Crosse Economic Recession Plan



Purpose

The City and the US have seen over ten years of economic growth since the great recession of 2008. Until March 2020 this was the longest stretch of economic growth in US history. Taking measures to be prepared for economic downturns is critical to how well the City financially responds to a reduction in resources to provide ongoing services to the community. It is imperative to have strategic measures in place to plan for and react to such downturns. Toward that objective, the formulation of this Plan is intended to address the economic impacts that began in March 2020 and to also have a comprehensive plan that can be put into place at any point when revenues are impacted.

The purpose of this Recession Plan is to provide financial guidance and remedial measures during negative changes in the City's economic status. There are multiple stages of the Plan, which equate to anticipated incremental reductions in available City revenues.

Understanding Indicators and Impacts

Since the City's economy is dependent on discretionary spending of visitors and discretionary purchasing surrounding visitors and tourism, along with local businesses, projecting revenues and expenditures is challenging. Adding to this challenge is our reliance upon many national and regional variables. A plan to manage the financial impacts of an economic recession and net revenue shortfalls is paramount.

With those challenges in mind, this Plan, in conjunction with the City's policy on maintaining reserves, can be used to address a variety of economic uncertainties and identify potential corrective actions when revenues or reserves are jeopardized.

- A. Negative Indicators are warnings that potential budget impacts are an increasing probability based on the monitoring of key revenue sources such as room taxes, building activity, utility usage, and tourism related indicators. Inflation indicators, interest rates, and state and national trends may also be considered. State, national and global issues and crises should also be considered.
- B. Economic downturns can fluctuate in severity and in duration. Implementation of the strategies in this Plan should coincide with the duration of such events, and beyond as may be warranted to ensure full recovery economically.
- C. There are five identified stages representing the degree of the economic downturn and serve to classify and communicate the severity of the situation to the Common Council, staff, and the public. As the severity of the economic downturn increases (or is expected to increase in severity) the Plan's tiered approach will guide the City's actions accordingly.

Funds Have Different Indicators and Impacts

The City has multiple funds which have different revenue streams that have different indicators to be aware of. The largest of the funds is the City's General Fund which is largely used for general City services and labor. Some funds operate as enterprise funds premised upon self-sustaining revenues generated through the operation of an enterprise — essentially treated as government-operated businesses.

The indicators noted above will essentially apply to all City funds, noting that some funds, such as the General Fund, may be more vulnerable than other funds to economic fluctuation. Therefore, the Plan places significant focus on the General Fund. In addition, the General fund may need to sustain further cuts to assist other smaller/non self-sufficient enterprise or special funds.

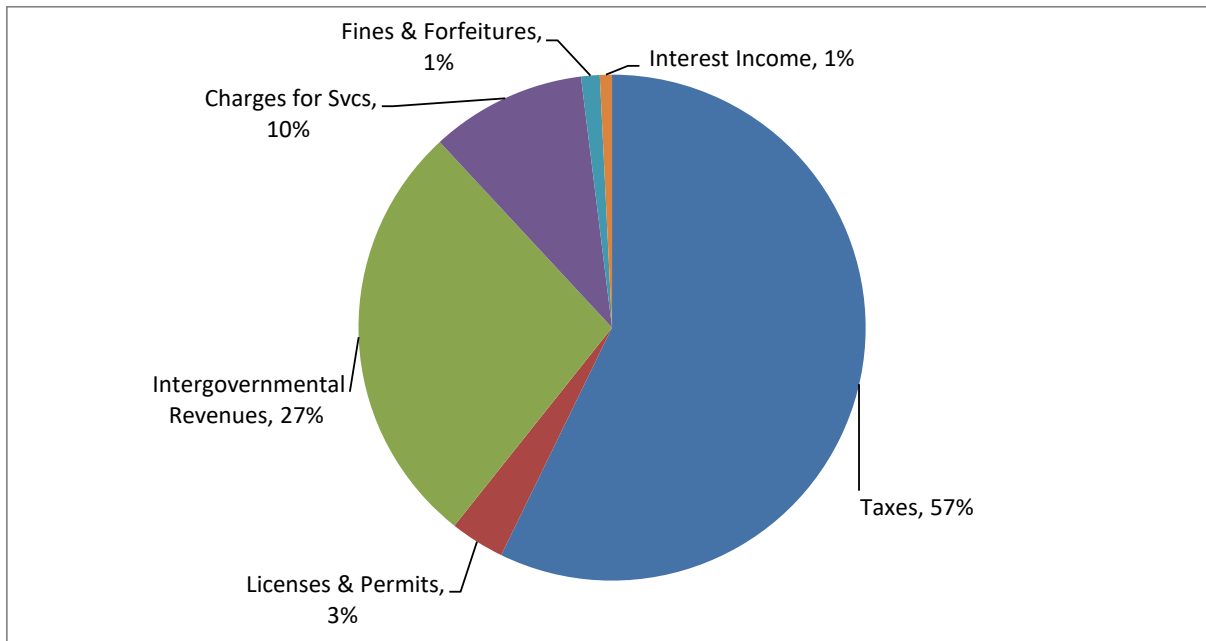
Below is a table of some of the major revenues in the General Fund, including the La Crosse Center that would be impacted:

General Fund*	Total Budget	Decline: Up to 2%	Decline: Up to 5%	Decline: Up to 10%	Decline: Up to 20%
Taxes	\$ 35,168,858	\$ 693,000	\$ 1,733,000	\$ 3,465,000	\$ 6,931,000
Licenses and Permits	2,139,490	42,790	106,975	213,949	427,898
Intergovernmental Revenues	16,863,658	337,273	843,183	1,686,366	3,372,732
Charges for Services	6,107,043	122,141	305,352	610,704	1,221,409
Fines and Forfeitures	730,000	14,600	36,500	73,000	146,000
Interest Income	475,000	9,500	23,750	47,500	95,000
Total	\$ 61,484,049	\$ 1,219,304	\$ 3,048,760	\$ 6,096,519	\$ 12,194,038

Excludes: Lease revenues, contributions, miscellaneous, financing resources and transfers

* 2020 Adopted Budget

General Fund Revenues-2020 Budget



In the General Fund (including the La Crosse Center functions) for FY 2020, of the City's total \$57.9 Million base operations budget, 75.5% (\$43.3 Million) is personnel; 17.5% (\$10.1 Million) is for contracted services/repairs and 7.0% (\$4.1 Million) is for supplies and commodities. Of the total General Fund and La Crosse Center base operations budget in FY 2020, 41.1% (\$23.7 Million) is related to Public Safety (police, fire, fire prevention and court).

General Fund Unrestricted Fund Balance and Contingencies Play a Role in Economic Financial Planning

A critical part of long-term financial planning is to ensure an adequate fund balance is maintained in the General Fund. Outside of economic downturns, the City's Fund Balance Policy requires a minimum unreserved fund balance of 20%. During downturns, the City could make strategic reductions in the fund balance while also implementing a plan to replenish reserves as economics allow. For FY 2020, 20% is equal to \$13,751,062. Reduction of fund balance will impact the security of the General Fund and could have an adverse impact on debt ratings.

There are proactive administrative tools that will ensure the maintenance of the 20% fund balance. Such tools include the centralization of various administrative services that may bring about economies by minimizing fragmentation. Cross-training and resource sharing between the divisions and sections should likewise be encouraged and implemented.

Revenue streams to fund programs and services that can be made sustainable through sources outside of the General Fund should be explored.

Taking Remedial Action Based Upon Revenue and Fund Balance Reductions

Planning what action steps will be taken positions an organization to proactively and responsibly plan for economic downturns.

The City has designed the following action plan based upon multiple stages of an economic downturn. The five stages set forth below equate to anticipated reductions in available revenues (the higher stages representing more severe reductions) and the resulting measures to be taken in each stage.

Five Stages:

Alert/Minor - An anticipated, unbudgeted, net reduction in available revenues up to 2%, less than \$1.3M

Action: Under this scenario, expenditures will be reduced where reasonably possible. Most services can be maintained without reduction or public impact, but some services may be scaled down. Recruitment for vacant positions may be prolonged for short periods, and unexpended operating appropriations will be diverted back into the General Fund. Efficiencies to reduce expenditures will be pursued with emphasis. Divisions and Sections are responsible for monitoring budgets and reducing expenditures.

Moderate - A projected and unbudgeted reduction in revenues in excess of 2% but less than 5%, \$1.3M to \$3.1M

Action: The City will maintain essential services, but non-essential services may be curtailed and the review of expenditures is intensified to include the deferment of large purchases, cancellation of contracts and consulting services, reduction/postponement of capital expenditures that are not mandatory or urgent, postponement of expenditures related to travel, meetings, and discretionary training, and delaying the recruitment for vacant positions when reasonable, including a partial hiring freeze, or relying upon other strategies to fill current or projected vacancies.

Significant - A projected and unbudgeted reduction in revenues in excess of 5% but less than 10%, \$3.1M-6.1M.

Action: Requires strong justification for large purchases, elimination of expenditures related to travel, meetings, and discretionary training, deferring a significant number of capital projects, implementation of a hiring freeze on all but essential health, safety, and welfare positions, and the suspension or reduction of services and programs or decrease level of service in programs that are not deemed essential to the community. A possible reduction of workforce with initial emphasis upon temporary, part-time, and contract employees. A possible draw down of reserves may be considered. The City will consider reduction of hours and/or temporary closures of facilities and/or increases in fees to maintain services. Possible deferral or postponement of salary increases (pay increases and COLAs).

Major - A projected and unbudgeted reduction in revenues in excess of 10% but less than 20%, \$6.1M-\$12.2M plus

Action: This phase requires actions aimed at major service cuts, continuation of a total hiring freeze, a reduction of workforce with emphasis upon temporary, part-time, and contract employees, suspend all types of salary increases, and may consider additional employee cost reduction policies, further reductions in capital expenditures, and development of a further reduction in workforce strategy. A draw down of reserves would be required to maintain essential or mandatory services. Longer term closures of non-essential city facilities will occur.

Crisis – This phase assumes that revenues have been almost entirely depleted, with reductions in excess of 20%. The potential for an overall budget deficit is present.

Action: At this point the City implements a reduction in workforce and employee cost reduction strategies, eliminates programs and services, and stops all capital improvement projects and purchasing. Further reductions in reserves will be required.

The origination of any of these strategies and actions will originate with the Executive Budget Team. Implementation of the First and Second stages (Minor/Moderate) can be performed administratively. Implementation of additional Stages (Significant through Crisis) will require the consent and resolution of the Common Council. The subsequent termination or reduction of these actions will be subject to the same approval requirements.

If the conditions leading to the implementation of the Economic Recession Plan are likely to continue for multiple years, the cumulative effect of the reduction in revenues or reserves should be considered in determining the appropriate phased response.