Financial Status Update

City of Mesa
COVID-19 Financial Impact
March 26, 2020
Candace Cannistraro, Management & Budget Director
• FY 20/21 economic correction/recession was first discussed with City Council during the FY 17/18 budget process
  • The impact was included in the Spring 2019 forecast presented to City Council
  • The impact was based on Mesa’s experience with recessions prior to the great recession

• General fund balance has been greater than what the City’s financial policies call for
  • FY 18/19 ending fund balance was $90.5M (19.3% of the FY 19/20 adopted expenditure budget)

• In FY 19/20, an additional $7M of general fund dollars is set aside
The following operational actions have been taken:

- Hold on adding new on-going operational expenses
- Hold on recruiting activities for vacant positions related to non-critical/non-essential services
- Hold on capital projects that are not obligated

Financial impact analysis is underway
FY 20/21 Budget Process

• Adopt a budget consistent with the current level of operations
  • No salary step-pay increase July 1, 2020

• Develop budget modifications to remain within revised forecasted revenues

• Discuss revised revenue forecast scenarios and department reduction proposals with City Council

• Implement identified expenditure reductions as necessary
Impact of COVID-19

• Anticipated economic correction/recession occurred earlier and will be deeper than anticipated

• Recovery is difficult to predict due to the situation being on-going

• Pre-emptive closing of public facilities was not anticipated and will skew the impact toward those operations
Possible Scenarios

- 6-month ~ Oct. 1, 2020
- 9-month ~ Jan. 1, 2021
- 12-month ~ Apr. 1, 2021
6-month scenario ~ Oct. 1, 2020

• Facility closures
  • Mesa Arts Center
  • i.d.e.a. Museum
  • Natural History Museum
  • Convention Center
  • Amphitheater
  • Libraries
  • Red Mountain Center
  • Community recreation centers

• 2020 Summer seasonal programming will be canceled
  • Aquatics
  • Recreational programs
  • Contemporary Arts classes

• Financial Impact/Response
  • Reduction in expenses related to service not being provided
  • Seasonal positions will not be filled
  • Year-round positions evaluated for continuation
  • Other City departments to evaluate non-mission critical services/programs for delay and/or reductions
9-month scenario ~ Jan. 1, 2021

- Continuation of facility closures
- FY 20/21 Winter seasons affected
  - MAC – Performing Live
  - Convention Center
  - Amphitheater

- Financial Impact/Response
  - Reduction in expenses related to service not being provided
  - Closed facilities to reduce positions to minimal staffing
  - Evaluate departments’ non-mission critical services/programs for reductions and/or discontinuation
12-month scenario ~ Apr. 1, 2021

• Continuation of facility closures
• FY 20/21 Winter seasons cancelled
  • MAC – Performing Live
  • Convention Center
  • Amphitheater
• 2021 Spring Training season at risk
  • Optimistic that 2021 season will go forward, but staff will continue to assess

• Financial Impact/Response
  • Reduction in expenses related to service not being provided
  • Closed facilities to reduce positions to minimum staffing
  • Longer time needed for the facilities to ramp back up
  • Greater impact to the economy as a whole and overall revenues
  • Evaluate all services/programs for reductions and/or discontinuation

• Continuation of facility closures
• FY 20/21 Winter seasons cancelled
• 2021 Spring Training season at risk
• Financial Impact/Response
• Adopt the FY 20/21 budget without scenario modifications to expenses
  • May 2020 adoption

• Implement the 6-month scenario
  • Determine the cost avoidance related to facility closures, in conjunction with the departments
  • Evaluate non-critical services for delay and/or reduction

• Financial evaluation results scheduled for presentation to City Council on Thursday, April 2nd