



SAN RAFAEL CITY COUNCIL AGENDA REPORT

Department: City Manager's Office

Prepared by: Cristine Alilovich,
Assistant City Manager

City Manager Approval: _____

TOPIC: COVID-19 ECONOMIC RECOVERY PLAN

SUBJECT: INFORMATIONAL REPORT ABOUT THE CITY OF SAN RAFAEL'S DRAFT COVID-19 ECONOMIC RECOVERY PLAN

RECOMMENDATION: Accept report and provide feedback on the draft COVID-19 Economic Recovery Plan (CERP)

BACKGROUND:

Marin County and six other Bay Area jurisdictions have been under a Shelter in Place public health order due to COVID-19 since March 17, 2020. Marin County has developed a reopening initiative called [Marin Recovers](#). It calls for a sequential reopening of the economy informed by 13 industry-specific advisory work groups that have been formed to develop protocols that support social distancing protocols, a safe working environment, and describe specifically how each type will operate once re-opened. City staff are involved in both leading and participating in these efforts.

On [May 4, 2020](#) the City Council heard an informational report describing preliminary financial impacts of COVID-19 on the City's services based on projected revenue losses of almost \$12M through fiscal year 2020-21. The report described initial, but sudden impacts on service delivery and revenues due to the closure of City facilities, business and commerce, parks and open space, and more. It also detailed the efforts of the City and its partners to address the community's needs during this time through public safety, caring for vulnerable populations, assisting businesses, workplace safety, and public information.

The City Council also approved several initial programs to begin curbing expenses including a voluntary retirement separation program, voluntary work hours reduction program, and a mandatory furlough program.

FOR CITY CLERK ONLY

File No.: _____

Council Meeting: _____

Disposition: _____

Lastly, the May 4th informational report called for a COVID-19 Economic Recovery Plan (CERP). The purpose of this staff report is to present the draft CERP (Attachment 1) and seek initial feedback from the City Council.

For general context, below is the latest information related to COVID-19 cases in Marin County and California.

COVID-19 Activity (as of May 12, 2020)

	Marin County	California
Confirmed Cases (cumulative)	271	69,347
Deaths	14	2,779
Persons Tested	7,732	955,664
Confirmed Hospitalizations (cumulative)	48	3,218

ANALYSIS:

The purpose of the CERP is to communicate how the City plans to economically recover from this public health and subsequent financial crisis. The CERP has the following four sections:

- **Introduction and Purpose** – including City EOC response examples
- **Budget and Fiscal Impacts of COVID-19** – including estimates for City revenue losses and expense reductions and specific recovery strategies both already taken and in-progress/future
- **How City Services will be Impacted** - including a brief overview of likely impacts
- **Getting to Economic Recovery** - including preparing for a phased reopening, getting people back to work, and the City economic recovery actions already taken and in-progress/future.

The plan will be amended as needed due to the changing nature of the public health and fiscal crisis. Progress reports and updates will be made regularly to the City Council and to the community.

Staff’s intention is to receive your feedback and comments on this draft CERP and would then bring back a final for your consideration as part of our annual budget in June.

COMMUNITY OUTREACH:

The City has been communicating COVID-19 information through regular email, video, and social media updates. The May 4 City Council meeting was streamed on YouTube and has over 400 views. Staff has developed portions of this plan based on regular communication with the San Rafael Chamber of Commerce and other partners.

FISCAL IMPACT:

As this is an informational report, there is no fiscal impact to accepting it and providing feedback on the CERP.

OPTIONS:

The City Council has the following options to consider on this matter:

1. Accept informational report and provide staff with feedback on the CERP.
2. Take no action.

RECOMMENDED ACTION:

Accept informational report.

ATTACHMENTS:

1. Draft COVID-19 Economic Recovery Plan (CERP)

COVID-19 ECONOMIC RECOVERY PLAN



DRAFT MAY 2020

PURPOSE

The goal of the COVID-19 Economic Recovery Plan (CERP) is to communicate to San Rafael's residents, businesses, elected officials, and the City workforce how the City plans to economically recover from this public health and subsequent financial crisis. We must respond with urgency to preserve the vitality of our City and remain resilient during these unprecedented times by controlling costs and finding innovative ways to create new revenues.

This CERP describes the strategies the City has already taken to address the economic impacts of the COVID-19 Shelter in Place (SIP) orders on the City of San Rafael, both as a provider of critical government services and as a community. Additionally, it forecasts additional strategies to reduce expenses, increase revenues, and enhance the economic vitality of our City.

The CERP also outlines our work plan to reopen and reinvigorate local businesses and the economy of San Rafael.

EMERGENCY MANAGEMENT RESPONSE TO COVID-19

To better coordinate our response to COVID-19 and the SIP orders, the City of San Rafael has been operating our remote Emergency Operations Center (EOC) since the proclamation of a Local State of Emergency on March 10, 2020. Through the EOC, City staff has been managing the logistical and operational activities behind the City's response to the pandemic, including public information communications, supporting non-profits and local businesses, and maintaining a continuity of government through innovative digital solutions in the face of disaster. The City has a [dedicated section of the City website](#) for resources and the latest information on COVID-19. Throughout the crisis, the City's public safety first responders have been there for all of us responding to calls and serving as the City's front line of defense against COVID-19.



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EXAMPLES OF SAN RAFAEL EMERGENCY OPERATIONS CENTER (EOC) EFFORTS TO DATE



Emergency Childcare Program for Essential Workers

Early in the crisis the City of San Rafael's Library and Recreation Department began providing popup childcare for healthcare workers, first responders, disaster service workers, and other essential workers working or living in the county while classroom instruction is suspended. All childcare centers are following social distancing, sanitation, and hygiene guidelines.



Support for Local Businesses

The City has partnered with the County of Marin, Chamber of Commerce, BID, and others to create a San Rafael Small Business COVID-19 Disaster Relief Fund to help businesses struggling to maintain cash flow and financial solvency during these unprecedented times. To date, over \$200,000 has been raised and over 280 grant applications were submitted. The City has also assisted businesses to interpret the Federal CARES Act and Payroll Protection Program (PPP), provided financial and legislative advocacy, maintained a directory of open businesses on the website and is playing a leadership role in the Marin Recovers reopening plan.



COVID-19 Testing and Surge Planning

The City of San Rafael Office of Emergency Services and Fire Department have worked in coordination with the County of Marin Health and Human Services in the setup of drive-thru COVID-19 testing facilities and surge planning for potential increases in patient volume.



Assistance for Our Vulnerable Communities

Staff has worked in coordination with local service providers to set up food distribution and local lodging providers to provide shelter for people who were experiencing homelessness and who are medically vulnerable or required to be in quarantine due to exposure to COVID-19. The City has also supported food banks, blood drives, and have even turned book drops into face covering donation sites. A [Neighbor to Neighbor Toolkit](#) was created to harness the superpower of neighbors helping neighbors to get through these difficult times together.



Equitable Access to Information and Services

Staff has also worked in coordination with the County of Marin and San Rafael School District to expand internet access to students and families with limited or no access. The City has developed stronger translation services for public information to ensure public safety messaging is reaching as much of our community as possible, including regular informational videos in English and Spanish.



Online Access to City Services

City staff has developed remote access to City services including a Virtual Recreation Center and an Online Library where you can participate in online story times, workshops, and live chat, or get books delivered to your doorstep. Many services are now being offered online such as remote access to building and planning permit applications.



BUDGET AND FISCAL IMPACTS OF COVID-19

In addition to the health impacts of COVID-19, the restrictions put into place through the public health order have taken an unprecedented toll on our federal, state, and local economy. Economists are predicting cities such as San Rafael who are heavily reliant on sales tax, transaction and use tax (TUT), and transient occupancy tax (TOT) will endure the hardest financial hit.

As of April 30, it is preliminarily projected that over the next 16 months, the City will experience reductions in revenue in the range of approximately \$11,790,000, which is 14% of the City's General Fund budget. The breakdown of this financial hit is as follows: 71% of the revenue reductions are due to loss of sales and TUT, 10% is attributed to TOT, 6% is attributed to business licenses and the remaining 13% is an accumulation of several smaller revenue generating sources.

While the fiscal year 2019-20 general fund budget for operating expenses was more than \$80 million, approximately \$43 million or more than 53% was for the funding of public safety operations. Although staff is recommending reductions to these operations, the majority is planned to come from the non-public safety operating budget. Theoretically, if staff was asked to make cuts of \$12 million solely in non-public safety areas, it would take closing down the libraries, eliminating all recreation activities, cutting community development services and we still would not get to the target amount.

The economic impacts of the pandemic and shelter in place orders have a direct negative impact on our local businesses and the revenues used to operate our city. To meet our financial challenges, the City is taking steps that will create a balanced budget for fiscal year 2020-21 in line with the City Council's goals and strategies. Budget development is guided by tenets such as:

- Continually assess and improve efficiency in the delivery of services.
- Manage the size and compensation of the workforce to best deliver services given our current and anticipated financial realities.
- Seek additional revenues from all sources to meet the community's expectations of a high level of service.
- Collaborate with other Marin governmental agencies to consider partnerships and/or regionalized services to leverage resources and improve efficiency.


REVENUE LOSS ESTIMATES

REVENUE ITEM	% LOSS	FY 19/20	FY 20/21	TOTAL LOSSES
Sales/Transaction & Use Tax	71%	\$4,930,000	\$3,440,000	\$8,370,000
Transient Occupancy Tax	10%	\$860,000	\$290,000	\$1,150,000
Business Licenses	6%	\$240,000	\$500,000	\$740,000
Permitting/Franchise/Investment Earnings	13%	\$1,120,000	\$410,000	\$1,530,000
Projected Revenue Losses as of 4/30/2020		\$7,150,000	\$4,640,000	\$11,790,000


PROJECTED REDUCTION OVER THE NEXT 16 MONTHS

\$11,790,000

THAT'S ROUGHLY...

 **\$24,194,338**

1/2 of our Police Department General Fund Budget for one year

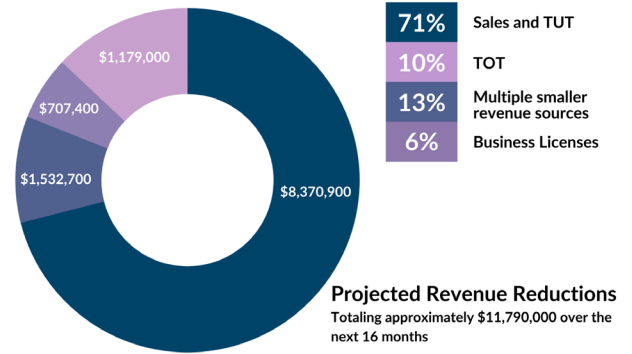
 **\$18,925,306**

2/3 of our Fire Department General Fund Budget for one year.

 **\$12,021,259**

Our entire Department of Public Works General Fund Budget for one year.

There are a number of efforts and programs that will be necessary to reduce expenses and increase revenues. In an effort to meet the revenue loss estimates, the below table lists current and potential future actions. A hiring freeze has already been instituted which would result in approximately \$1.4 million in savings annually. The City Council approved a mandatory furlough program for non-safety employees which is expected to save approximately \$700,000 for the year. This would reduce non-public safety compensation by 5%.



The City Council also approved a Voluntary Retirement Separation Program which will result in on-going salary and benefit savings to the City by not filling the vacant positions or restructuring around the vacancies. This program is expected to yield approximately \$600,000 but it is completely dependent upon the number of applications and selections.

The Council additionally approved a Voluntary Work Hours Reduction Program. This program will depend upon the number and position of the employees participating and would lower that employee's base annual pay for a period of time.

These measures will significantly help to address the projected General Fund deficit, however additional efforts will be needed including using one-time funds available from the prior year and use of the City's Emergency Reserve.

Following the Great Recession, the City has been able to build its Emergency Reserves from less than 3% to meet its policy of 10%. While a reserve figure of 15% or 20% would be optimal, the below chart illustrates reducing our reserve by a total of 5% (bringing it to 5%) through Fiscal Year 20/21. Even with these reductions, an additional \$4.2 million could be needed to meet the estimated revenue losses on the prior page. These additional budget reductions will significantly add to the negative impacts on city services, such as described on pages six and seven.

EXPENSE REDUCTION RECOMMENDATIONS

COST CUTTING MEASURES FOR FY 19/20 & FY 20/21	AMOUNT
Hiring Freeze for non-public safety employees	\$1,420,000
Furloughs for non-public safety employees	\$700,000
Voluntary retirement separation program	\$600,000
One-time funds available from prior year	\$1,104,000
Emergency Reserve up to 2.5% per year for 2 years	\$3,766,000
Additional budget reductions	\$4,200,000
Estimated Sources to Fund Projected Deficit	\$11,790,000

RECOVERY STRATEGIES

The City's immediate response to the economic downturn was to implement a variety of measures to reduce expenses and City staff have also identified additional cost-savings opportunities to be implemented over the coming months. We will continue to monitor the impacts of revenue and expenses and make additional recommendations for the City Council's consideration as the situation evolves.



Actions Taken:

- Implemented a hiring freeze for non-essential positions.
- Left 14 positions vacant since March and all new, non-essential vacancies will remain unfilled.
- Halted all non-essential/discretionary spending and projects.
- Eliminated planned cost of living compensation increases for executives, management and bargaining units without closed contracts for fiscal year 2020-21.
- Offered a Voluntary Retirement Separation Program that provides an incentive to encourage employees to retire earlier than they would otherwise.
- Offered a Voluntary Work Hours Reduction Program which allows employees to voluntarily take time off work without pay.
- Actively seeking COVID-19 related state and/or federal financial assistance through the support of our local legislators.



Actions in Progress/Future:

- Implement a Mandatory Time Off Work (MTO)/Furlough Program for non-public safety employees which is a 5% pay reduction. **(in progress)**
- Focus on re-opening the local economy and enhancing efforts on business attraction and retention during the recovery process to support businesses and increase revenues. **(in progress)**
- Continue to pursue any federal stimulus funding made available to local governments and other grants that can provide resources for projects and other one-time needs. **(in progress)**
- Finalize the fiscal year 2020-21 budget including reducing the Emergency Reserve to 5%, if needed, as well as implementing additional departmental reductions in expenses. **(in progress)**
- Evaluate savings associated with the voluntary retirement, voluntary time off without pay, and mandatory furlough program to determine if reductions in force are necessary to balance the budget.
- Meet with employee unions to work on collaborative ways to control costs and analyze other operational cost savings opportunities. **(in progress)**
- Consider increasing the Paramedic Tax within the current voter-approved cap limits.
- Evaluate the City's "master fee schedule" to bring them in line with the costs of similar Bay Area agencies and insure total cost recovery of our services. **(in progress)**
- Continue to explore and gauge community interest in other revenue generating possibilities.
- Collaborate with the County and all Marin cities and towns to evaluate opportunities for savings through partnerships, shared services, and/or other consolidation efforts. **(in progress)**
- Participate in regional groups such as Marin Recovers (and its Industry Advisory Groups) and the Marin County Council of Mayors and Councilmembers Adhoc Economic Recovery Committee that are working on reopening businesses and regional financial recovery solutions. **(in progress)**

HOW WILL CITY SERVICES BE IMPACTED?

The City Council adopts specific [goals and strategies](#) each year along with the budget adoption process. The goals are broken down into the following 5 categories:

1. Neighborhood & Economic Vitality
2. Quality of Life
3. Public Safety
4. Public Assets
5. Foundational Services

The public health crisis has made it nearly impossible for City staff to remain focused solely on the goals/strategies developed pre-COVID-19 as the EOC and other disaster service work has been more urgent and a much higher priority in serving the community. In addition, the specific impact of the mandatory furlough means City services will need to be closed to the public for 13 calendar days during fiscal year 2020-21. Described below are some of the anticipated impacts to city services by each goal category:



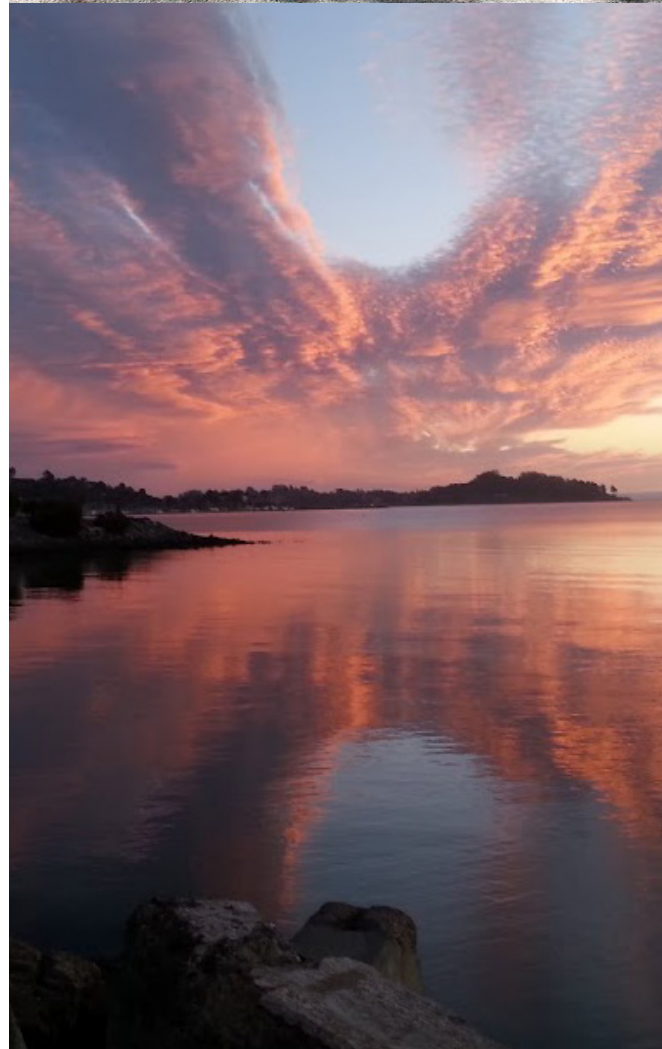
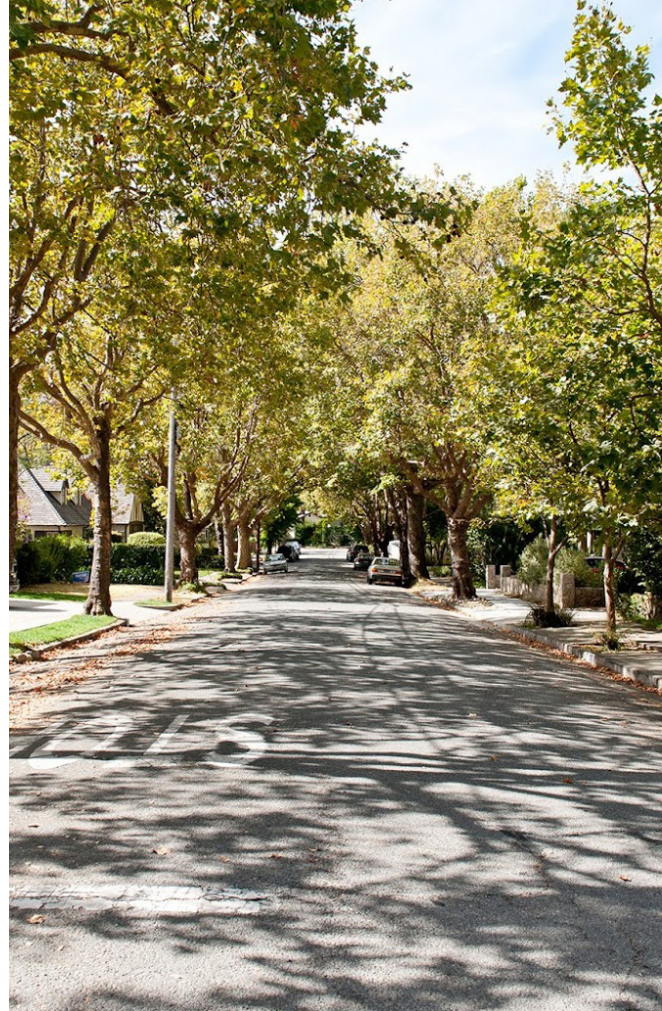
Neighborhood & Economic Vitality

Regaining and sustaining the vibrancy of our City will be an enormous challenge in the years ahead, both as it relates to housing as well as business attraction and retention. Additionally, this goal includes the work that City staff has been successfully implementing to reduce the number of individuals experiencing homelessness in our community. Unfortunately due to job loss and economic hardships due to COVID-19 we expect to see those numbers increase. With greater needs and fewer staff resources available to help, some of the initiatives underway in this area might be slowed down and take longer to accomplish. In addition, the number of hours staff can provide public services over the counter for processing permits, etc. will be reduced and the processing of current planning development applications will be slowed. While greenhouse gas emissions are down due to the economy coming to a halt, however now is not a time to get complacent about climate change. Implementation of our Climate Change Action Plan is as important as ever.



Quality of Life

This category is focused on the arts, culture and recreational experiences of our community, as well as improving resident engagement and governmental transparency. Due to our revenue losses, the City's three library branches may need to reduce their operational hours of service. Staff will continue to look for ways to mitigate for closures to the public. In addition, some recreation programs may not be justified if we cannot achieve full cost recovery for our staff to operate them. There are many priority initiatives planned for the coming years to improve engagement with our Latinx community and develop a City-wide data program to monitor the success of City services. City staff may need to be re-directed to focus on critical/essential delivery of services, which may result in the deferral or reduced pace of progress in these areas.





Public Safety

We will continue to provide critical public safety services, protect our most vulnerable populations, and prioritize maintaining as much funding toward these activities as possible. However, due to the need to reduce budget in both police and fire we will need to defer equipment and vehicle purchase which in the longer term can become a safety issue. In addition, there will be less resources available for professional development/training available for our police officers and fire fighters.

In addition, the Police Department’s cadet program will be on hold which is a key strategy for identifying up and coming talent and training and retaining new public safety officers.



Public Assets

After years of deferred maintenance due to the Great Recession, the City was beginning to make progress in improving our roads and parks. Unfortunately, this economic crisis will result in continued deferral of maintenance projects of the City’s key facilities, such as the downtown San Rafael and Terra Linda community centers. With significant projected losses in gas taxes coming from the State, as well as reductions of other funding sources, the City’s Capital Improvement Program will be impacted and fewer core infrastructure projects will be able to be accomplished in the coming year. In addition, the City may not be able to implement another sidewalk application program this year, resurfacing of streets is likely to be reduced, and we will not be able to make improvements to outdated park structures and public restrooms.



Foundational Services

The City has a focus on exemplary service which relates to creating and sustaining a high performing team and improving our technology and digital presence. Our [Together San Rafael](#) culture initiative has grown over the last few years and has received significant awards from state and national organizations. Staff will continue to prioritize innovation and service design improvements, but it can’t be ignored that there will be far fewer staff carrying out initiatives. For example, existing staff will be needed to backfill for the many current and future vacant positions due to the hiring freeze.

While our City staff work to adapt services that meet health and safety requirements and move services online, enhancing our technological infrastructure and some improvements to digital services may need to wait until new revenue sources can be found for more costly projects. Delays in technology investments, enhancements, and automation will have a direct impact on efforts to improve service delivery.



GETTING TO ECONOMIC RECOVERY

The novel coronavirus is causing major disruptions to businesses and communities across the world. COVID-19 is compromising supply chains, workers' hours and income, and demand for products and services as consumers are encouraged to avoid public places.

Economic recovery requires a safe start and healthy workforce. Workplaces will continue to look and operate differently. Continued physical distancing, teleworking, and other measures will continue to be necessary to keep workers and customers safe.



A phased approach:

Businesses should be prepared for a phased comeback approach which will start with the State of California, and then be [customized by the County of Marin](#), to meet the specific needs of our community. Industries and venues will be reopened based on their ability to address health risks and comply with the state and county orders.



Maintain physical distancing and other public health requirements:

Businesses and public spaces will need to maintain physical distancing and make modifications as necessary to keep employees, customers and the public safe.

PREPARING FOR A PHASED REOPENING

Leverage lessons learned:

Apply best practices from industries and businesses that have adjusted to new COVID-19 safety standards.

Listen & Learn:

Engage with the business community to understand challenges and evolve our approach based on what we learn.

Assist small businesses:

Help prepare restaurants, main street businesses, and manufacturers, that are critical to local economies, understand changing health and safety protocols.

Support the recovery of regional economies:

Develop and use a data-based approach to determine support needed by sector and region to assist with recovery.





ECONOMIC RECOVERY

San Rafael's quality-of-life is maintained and sustained by a healthy local economy. The City's beautiful natural setting, sense of community, public safety, recreation facilities, and efficient government is supported by municipal revenues. These unprecedented times require us to respond swiftly to maintain the strength of our City while controlling costs and being innovative in stabilizing revenues. Staff will be focused on long-term COVID-19 business recovery, advancing key development projects, conducting business outreach and education, and keeping local partnerships strong.

ACTIONS TAKEN

- Partnered with the County of Marin, the San Rafael Chamber of Commerce, BID and others to administer Small Business COVID-19 Disaster Relief Grants
- Participating and advancing the County's [Marin Recovers](#) plan and taking part in the [County of Marin's Retail Industry Advisory Group](#)
- Continuing to communicate available small business federal, state, and local COVID-19 disaster relief and recovery programs
- Improving revenue stability by communicating business reopening health and safety protocols
- Promoting which San Rafael businesses are "Open for business" to the community

ACTIONS UNDERWAY | GETTING TO A SUSTAINED RECOVERY.



Business Recovery Support:

- Ensure businesses have a strong voice in the State and local reopening protocols and get people back to work.
- Directly assist our local businesses in taking advantage of Federal, State and Local recovery programs.
- Partner with the Chamber of Commerce and BID to find creative out-of-the-box ways to support our local businesses to maintain their viability.
- Continue to invest in our business ecosystem including infrastructure improvements (e.g. Third Street project, East and West Francisco Boulevards) and beautification efforts.



Continued business outreach, education, and marketing/promotions.

Partner with Chamber, BID, commercial property owners, merchants, developers, and brokers to support our existing commercial base and achieve our economic goals.



Stimulate business growth through retention, expansion, and advancing new development projects:

- Encourage business growth, private investment, and economic vitality including but not limited to: in-fill development, biotech, large format stores, hotel/lodging
- Create local employment opportunities
- Expand cannabis licenses and license types
- Improve the fiscal condition of the City by expanding the tax base



Develop a post-COVID-19 economic development recovery strategy

Work with our community partners to advance a comprehensive and forward-looking strategy to stimulate the economic vitality of San Rafael in the post-COVID world.



SUMMARY AND CONCLUSIONS

The City of San Rafael faces serious financial challenges to recover from the COVID-19 public health emergency and due to the unprecedented nature of this economic downturn, we will need to remain vigilant about updating our financial projections and assumptions in order to ensure we are doing enough. As economic conditions change our staff will continue to develop solutions that balance our expenses with available resources.

We have an amazing team who will work diligently to find innovative ways to keep our organization operating and providing the highest quality services to our community possible. However, we will face challenges in maintaining pre-COVID service levels with less funding and fewer staff to provide services. We will do our very best to continue building trust with our community and will always look for something we can say yes to. And we will take every necessary action to ensure the City's finances and operations remain resilient moving forward.

The City Council will move forward with the efforts outlined in this plan and will adopt the fiscal year 2020-21 budget in June. This plan will also be amended as necessary to keep up with the rapidly changing COVID-19 crisis environment. Progress reports will be prepared as part of the City's regular updates to the City Council. We will also provide updates regularly in the City Manager's Snapshot e-newsletter.

QUESTIONS OR COMMENTS

If you have questions or comments about the Economic Recovery Plan you can make them [online at the City Website](#).



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