

Memo



To: City Division & Department Heads
From: Mayor Nadine Woodward
Cc: Wes Crago, City Administrator
Tonya Wallace, Chief Financial Officer
Date: March 17, 2020
Re: COVID-19 Response Plan – City of Spokane Financial Impact

As you are well aware, the response to COVID-19 will impact the City's finances, primarily the City's sales tax; which in turn may impact certain services and programs. Other economically sensitive revenues will also be impacted, such as recreational revenues, hotel/motel tax, and parking revenues; however, to a much lower level.

Currently, the 2020 Adopted Budget includes \$53.1M in local sales tax revenue. With uncertainty surrounding the length and breadth of a potential economic downturn related to COVID-19, the City is preparing for a decrease in sales tax revenue between three and eight percent, or \$3.5-6.0 million. The majority of that impact will be felt by General Fund and General Fund-supported departments that may have up to 2.9 percent less in available resources for 2020.

The Finance, Treasury, and Administration Division will calculate the potential impacts to departments and prepare a series of financial recommendations to mitigate the overall impact. Currently, some of the recommendations include:

- Postponing large purchases (greater than \$100,000)
- Delay entering into new contracts (all current contracts will be honored)
- Implementing a temporary hiring freeze on full-time temporary/seasonal staff (some hiring will still occur subject to approval by the Mayor and City Administrator)
- Implementing a temporary hiring freeze on full and part-time permanent staff (some hiring will still occur subject to approval by the Mayor and City Administrator).
- Activating the use of reserves at the direction of the Mayor and approval by City Council. The current balance of the Revenue Stabilization Reserve is \$6.3 million.

Once those potential fiscal impacts are calculated for departments, the Finance, Treasury, and Administration Division will work with departments to determine the best financial mitigation strategy to deploy and report back to me.

These are unprecedented times, and we will do our best to endure this crisis and thrive in the months of economic recovery to come. I ask for your patience and understanding as the recommendations will most likely create strain among your divisions and departments, but we will get through this by working together.