

Covid-19 Economic and Fiscal Impacts

DISCUSSION WITH MONONA TERRACE BOARD FINANCE COMMITTEE

MAY 14, 2020

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Historic Unemployment Levels

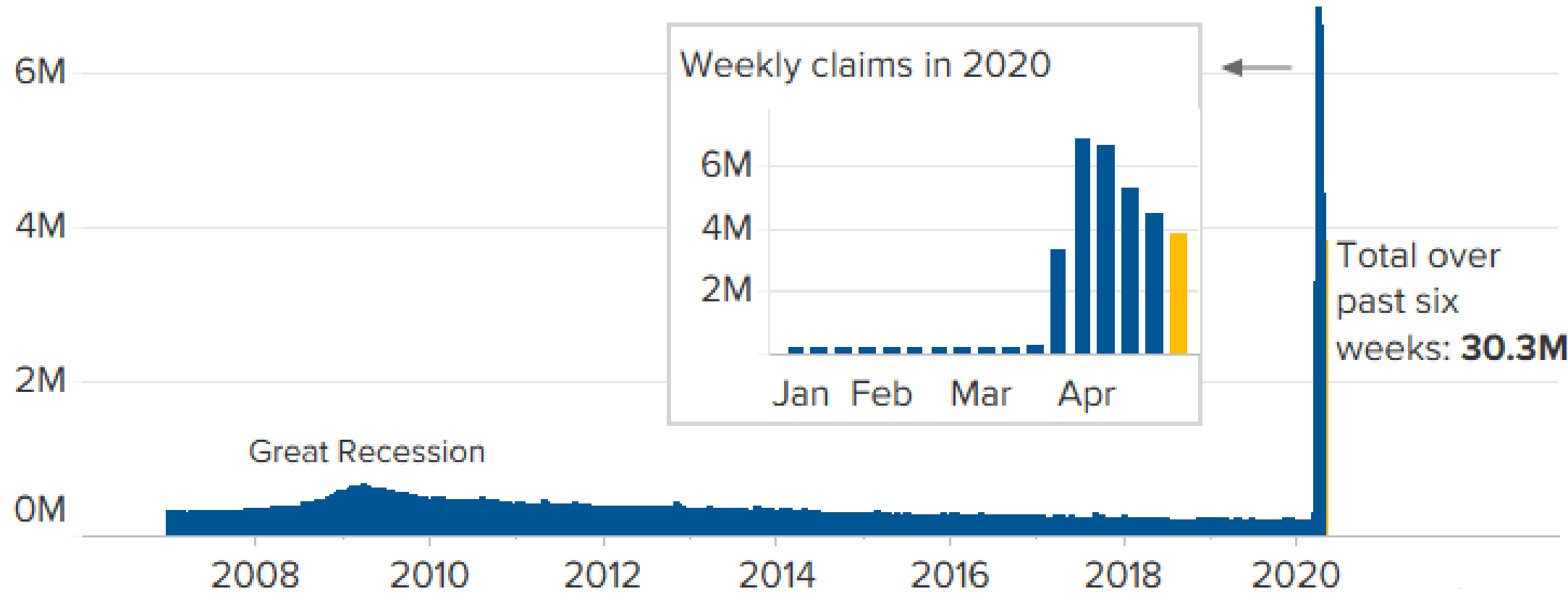
Officially 14.7% unemployment rate in April -- closer to 23% due to incorrect classification of workers as absent rather than laid off and historic drop in labor force participation.

Great Depression unemployment rate reached 25%

Over 30 million people have lost their jobs since mid-March -- 19% of workforce

Surge in initial claims continues

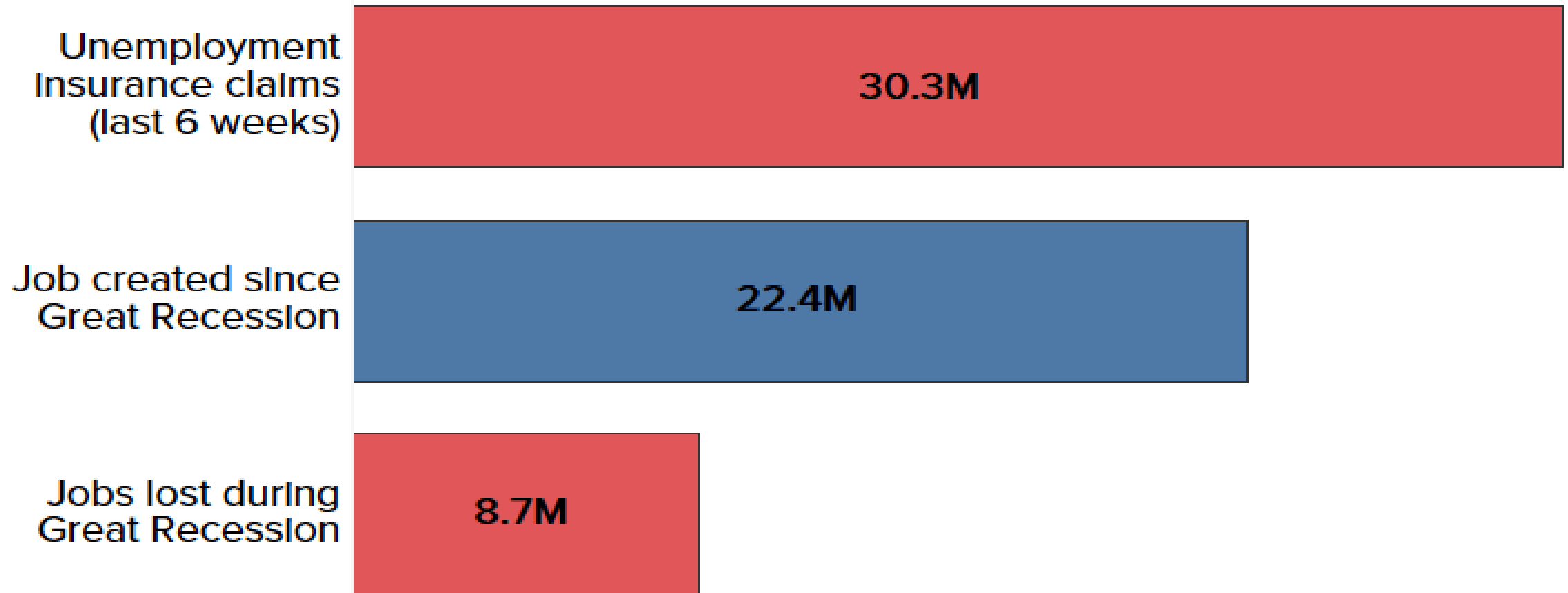
Weekly initial unemployment insurance claims



SOURCE: Department of Labor. Data is seasonally adjusted.



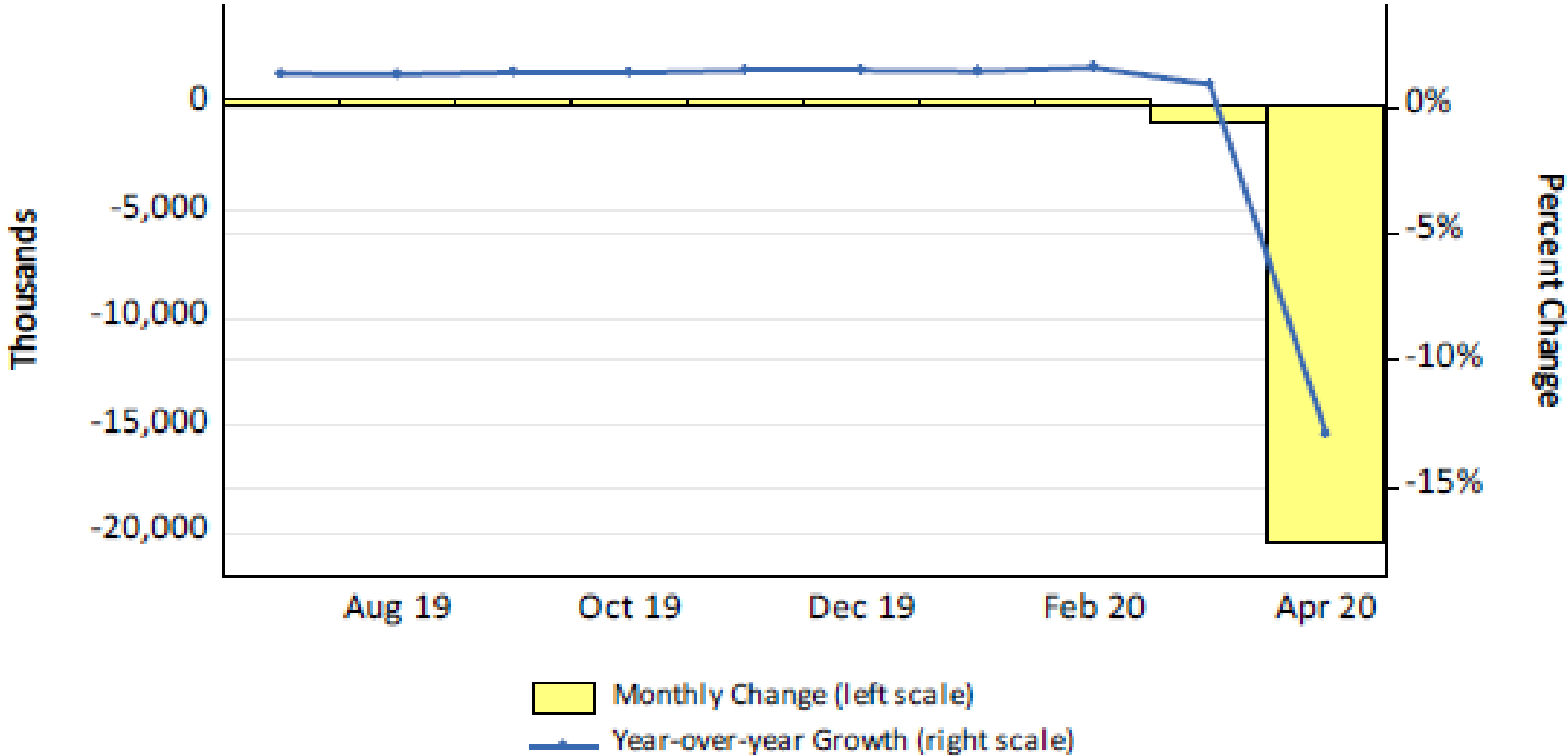
Coronavirus job losses surge



SOURCE: Dept. of Labor, Bureau of Labor Statistics



National Employment



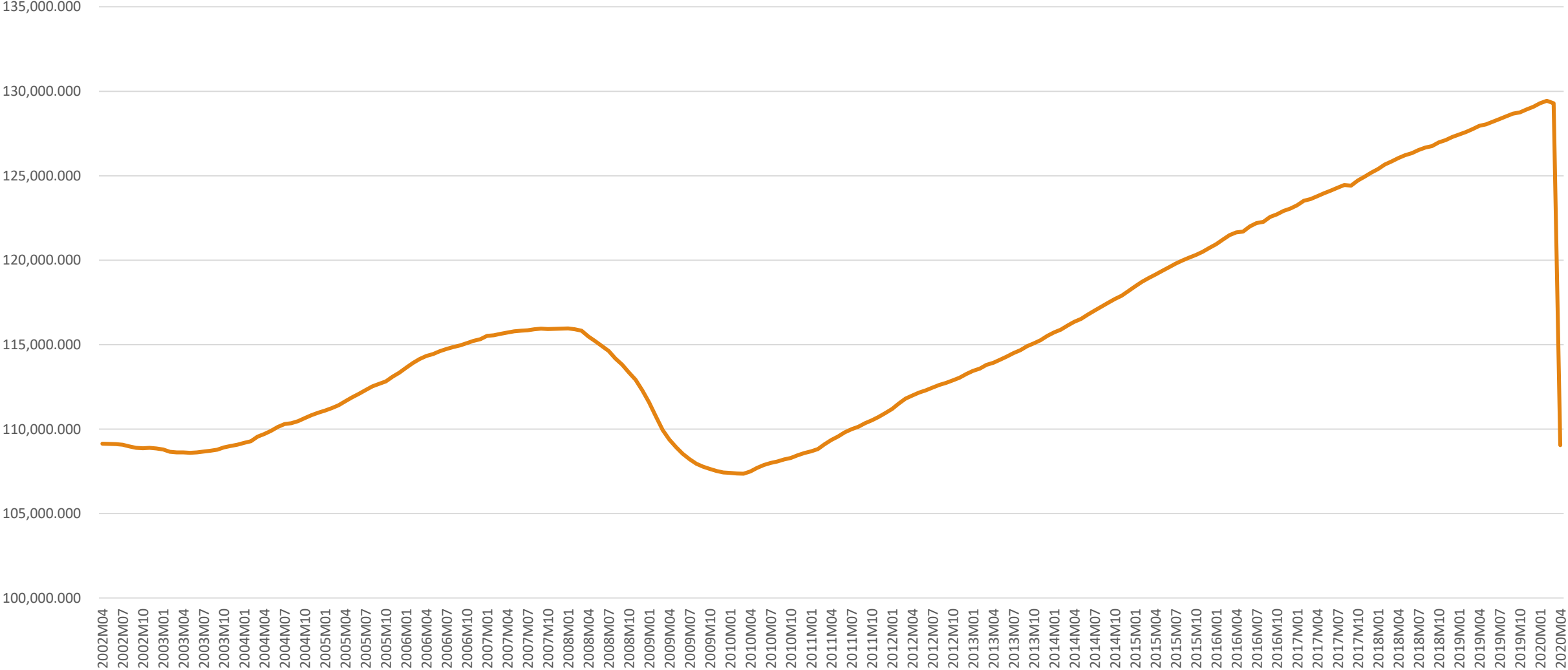
Unemployment rate



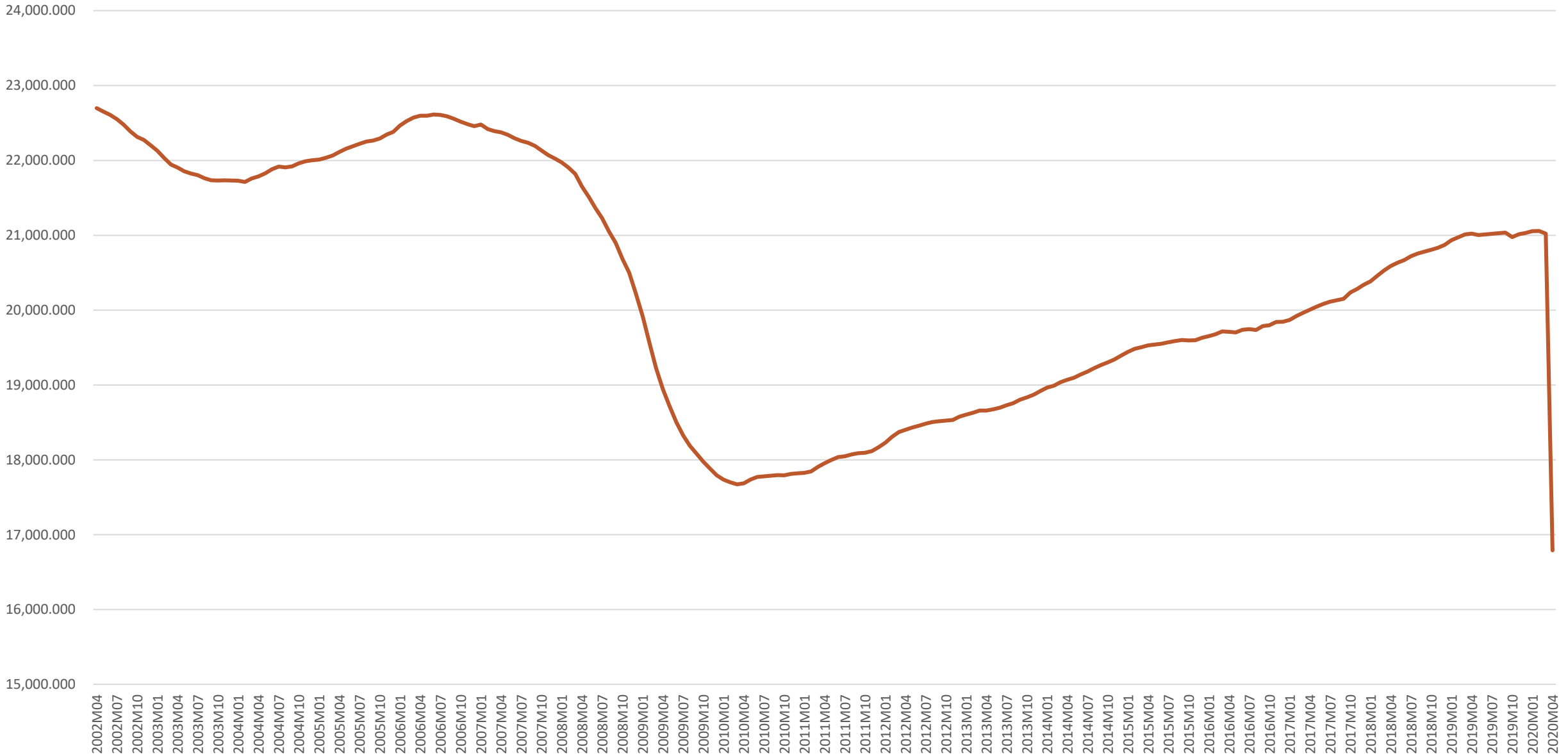
Source: Department of Labor

Over 20 million fewer employed in April

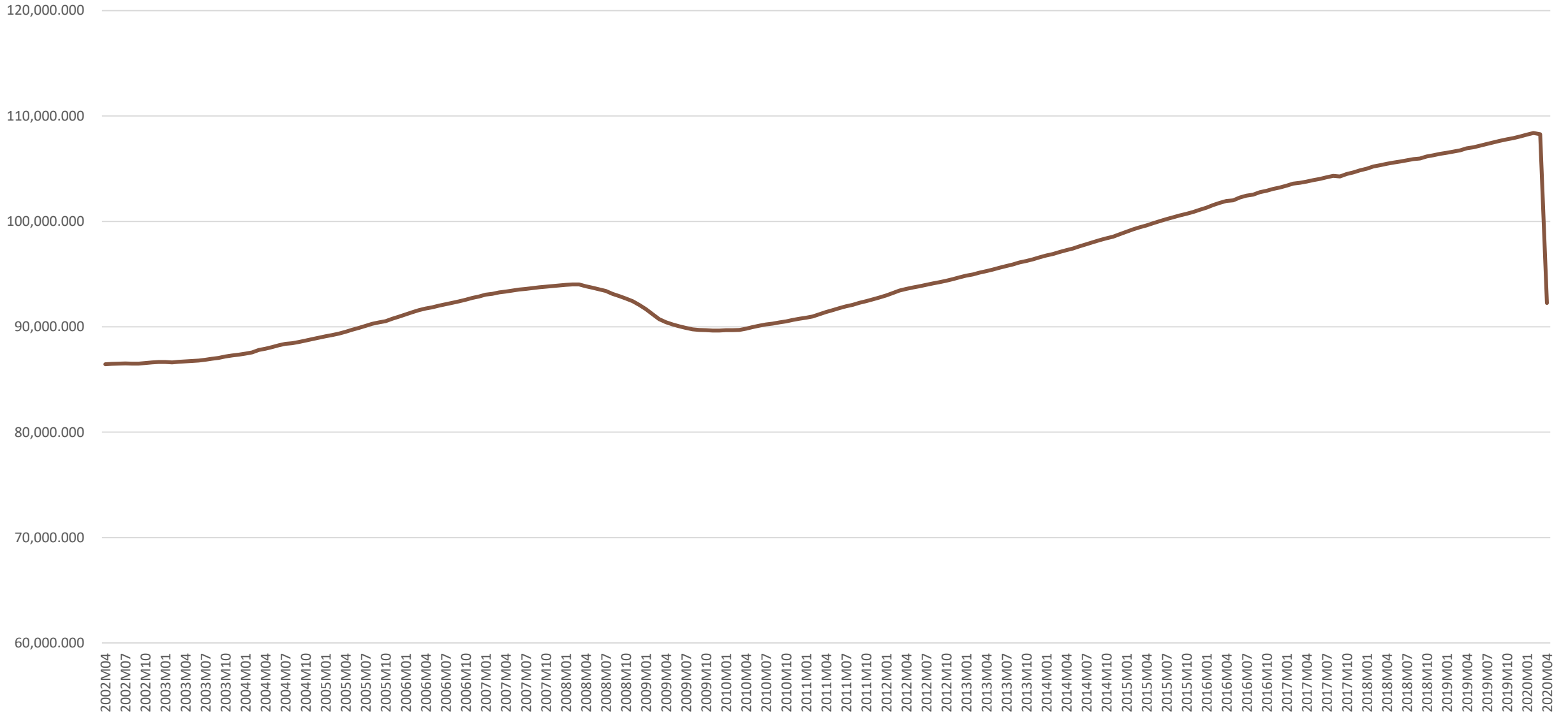
Private Sector Employment has fallen to 2002 Level



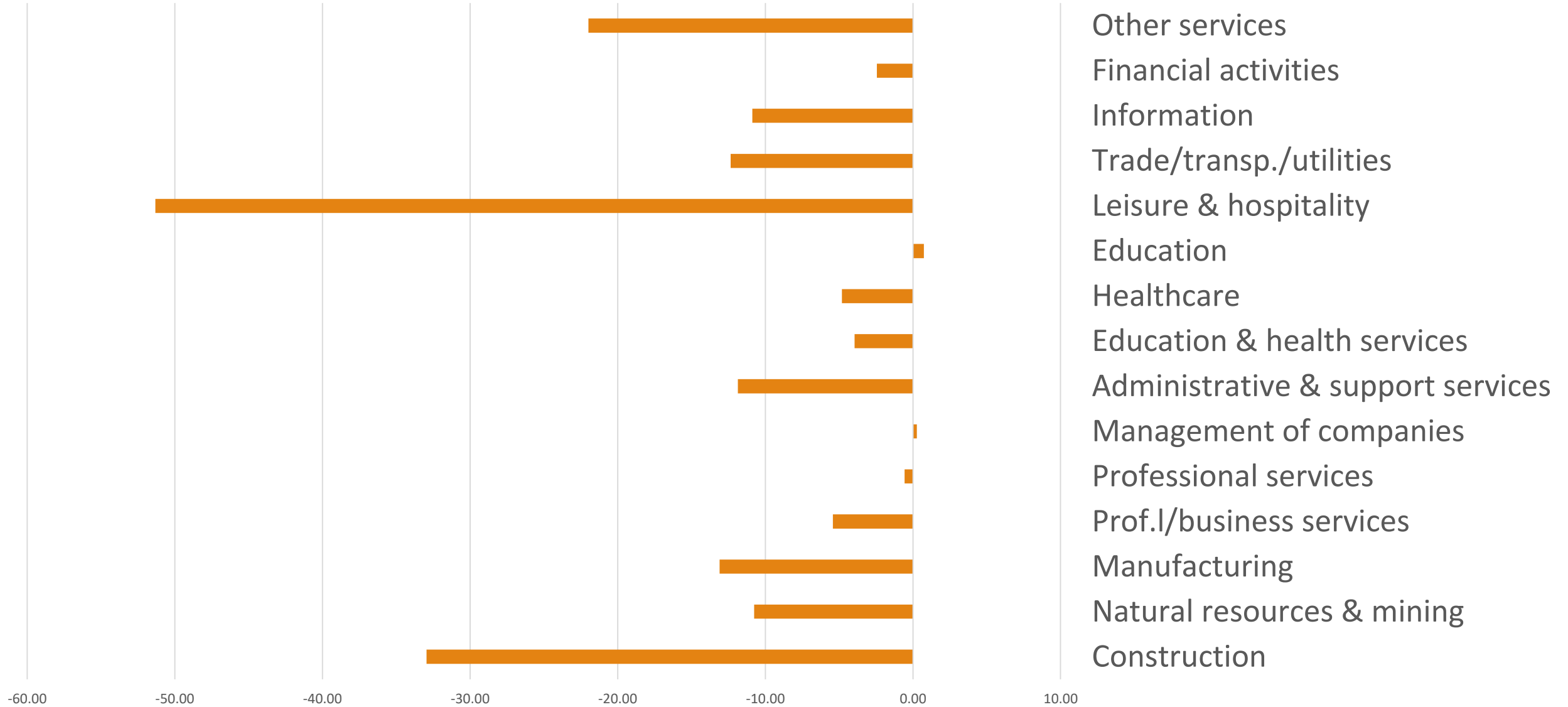
Goods Producing Sector



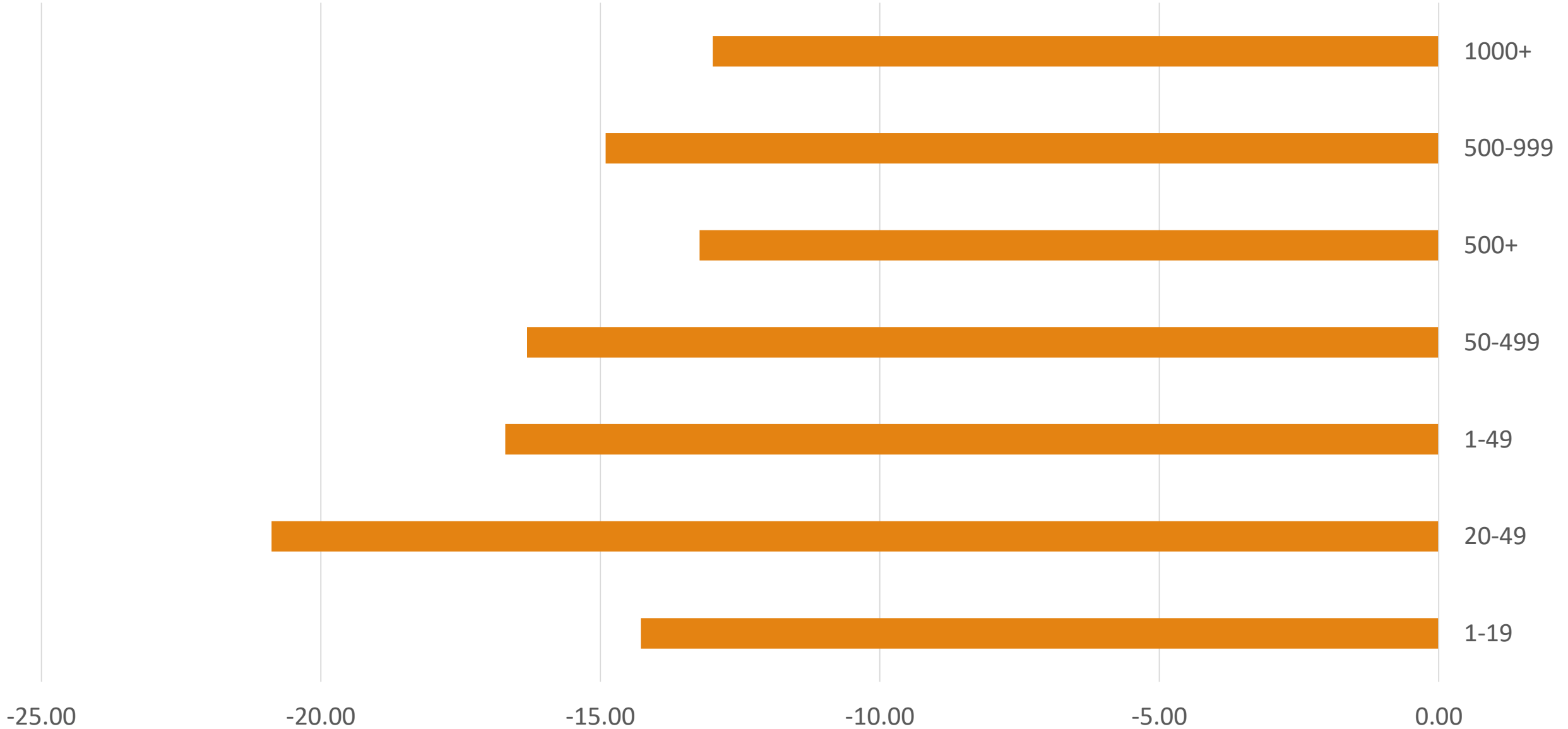
Service Sector



Change by Employment Sector – March 2020 to April 2020



Percent Change in Employment by Size of Business



COVID-19 Could Shutter Many Small Businesses

52% will be out of business within 6 months

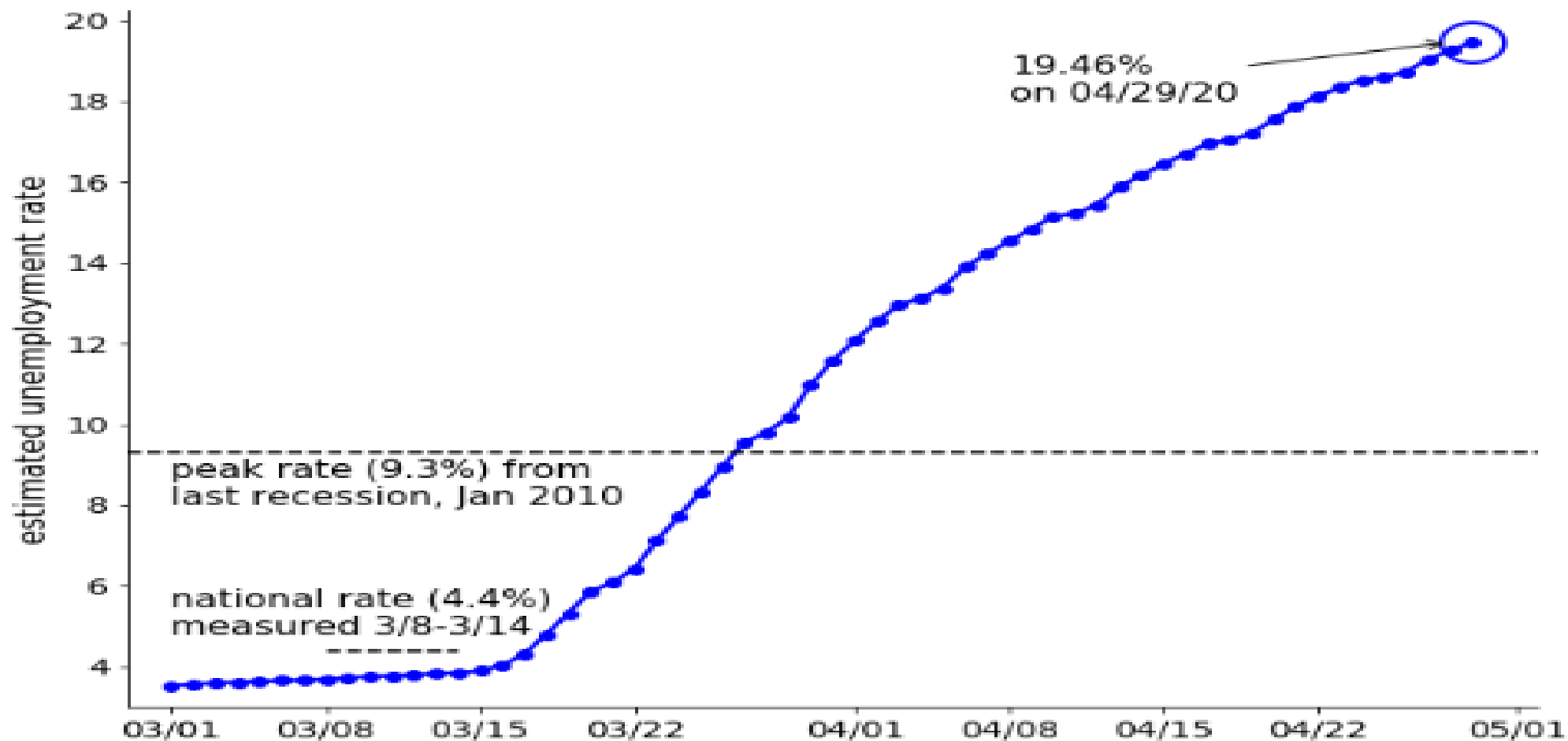
54% have laid off employees; another 22% have furloughed employees

62% report a decrease in revenue; 12% report an increase

- 10% to 30% decrease – 47%
- Over 30% decrease – 41%
- 100% decrease – 13%

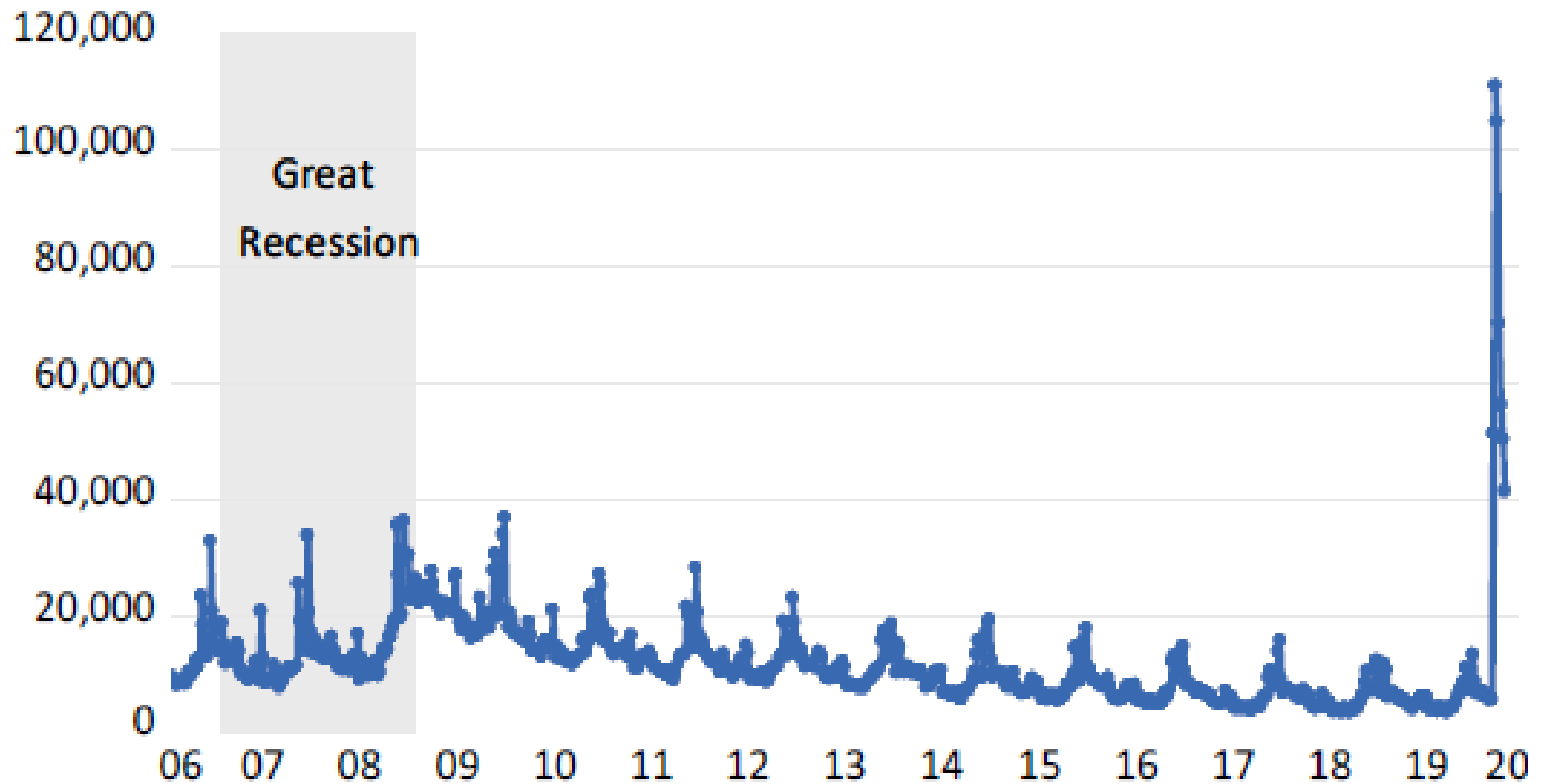
Society for Human Resources Management Survey (375 small businesses)

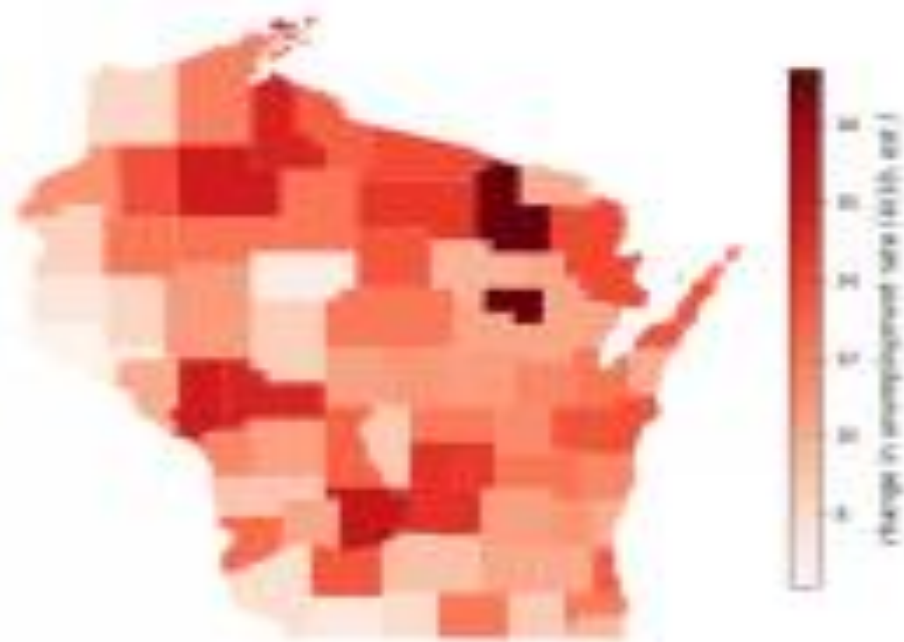
Wisconsin Estimated Unemployment Rate – April 30, 2020



Estimated Wisconsin unemployment rate, daily, Kim Ruhl, 30 April, 2020.

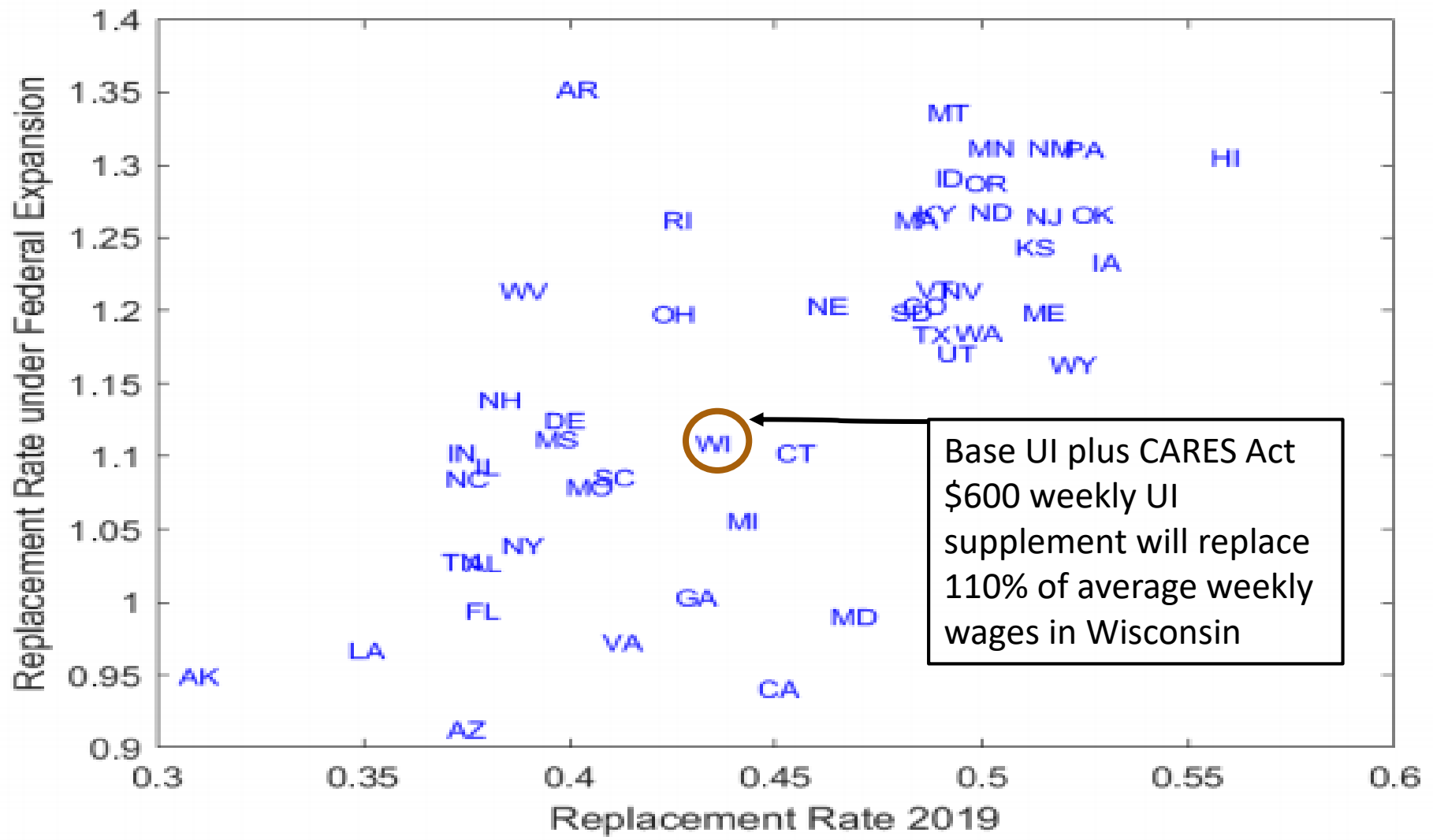
Initial Claims for Unemployment Insurance in Wisconsin





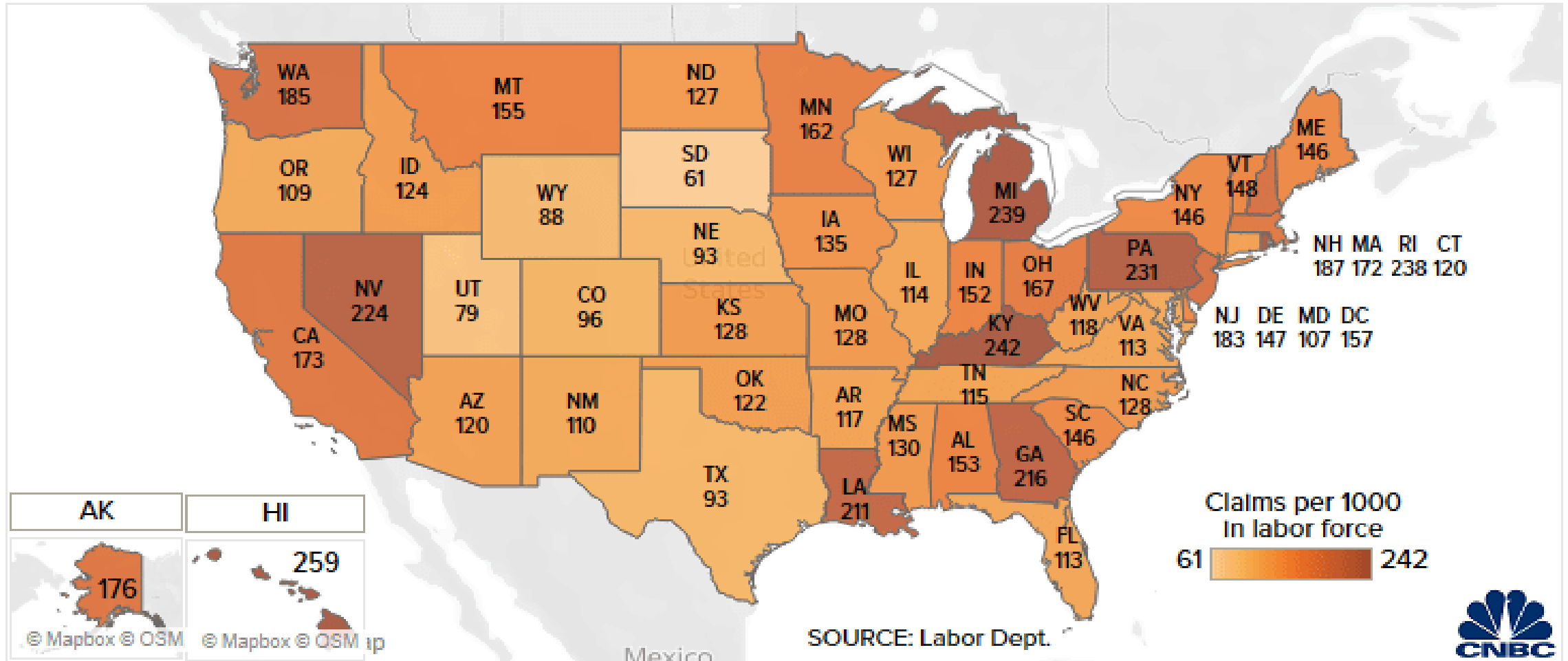
Increase in unemployment rate by county: Feb 2020 to April 18, 2020 (est.)

Unemployment Benefits under the Federal COVID-19 Relief Package

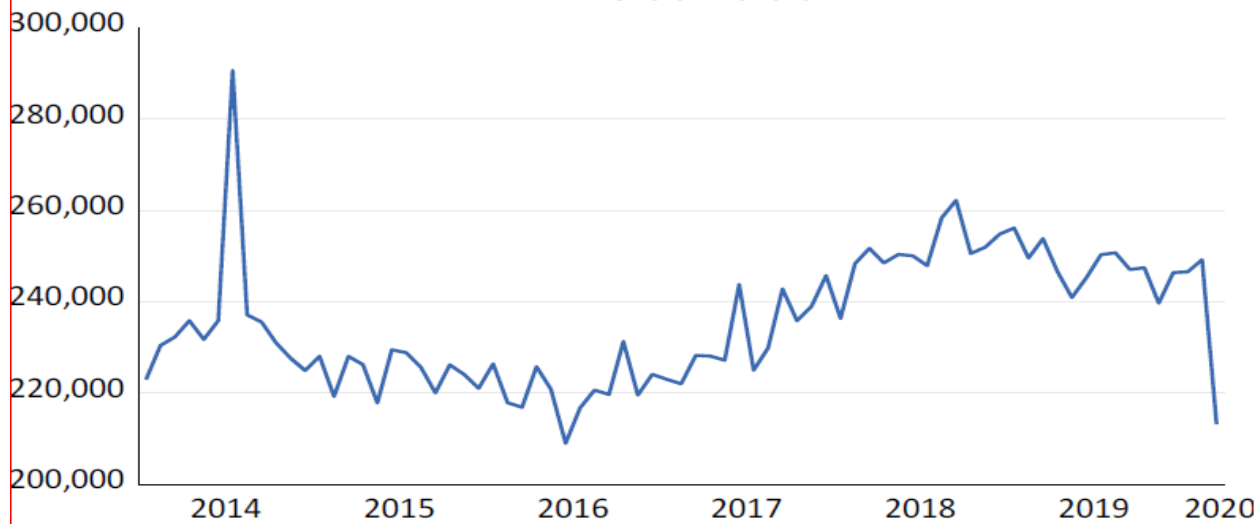


Coronavirus job losses

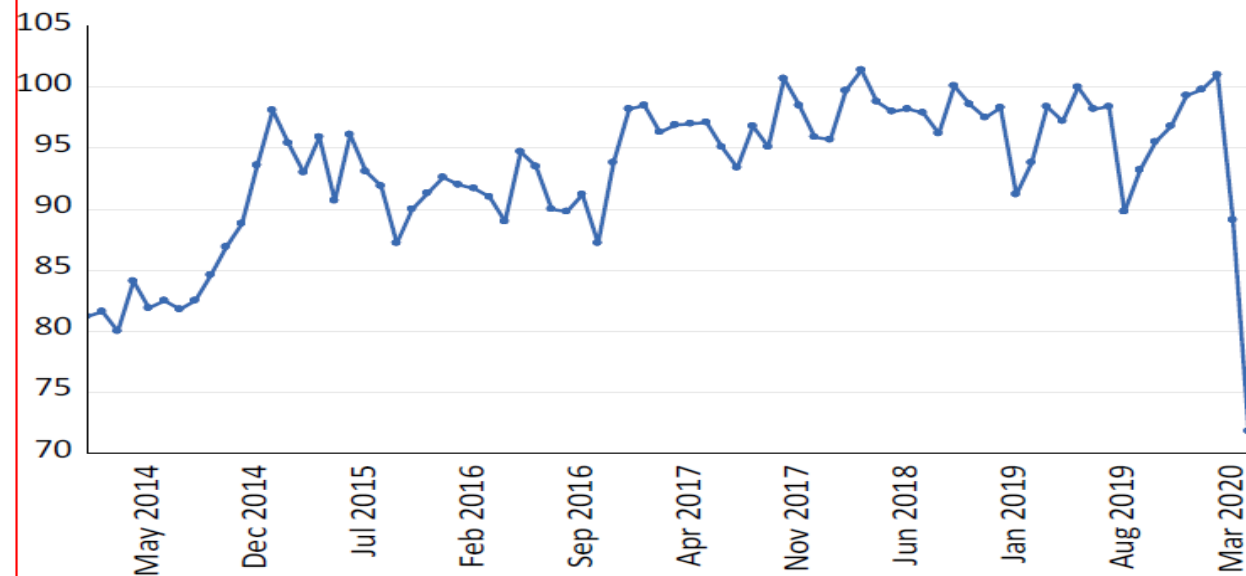
Here are the total initial jobless claims over the last five weeks, adjusted for the size of each state's labor force. (As of Apr 23, 2020, per 1,000 in state labor force as of Feb, 2020, not seasonally adjusted.)



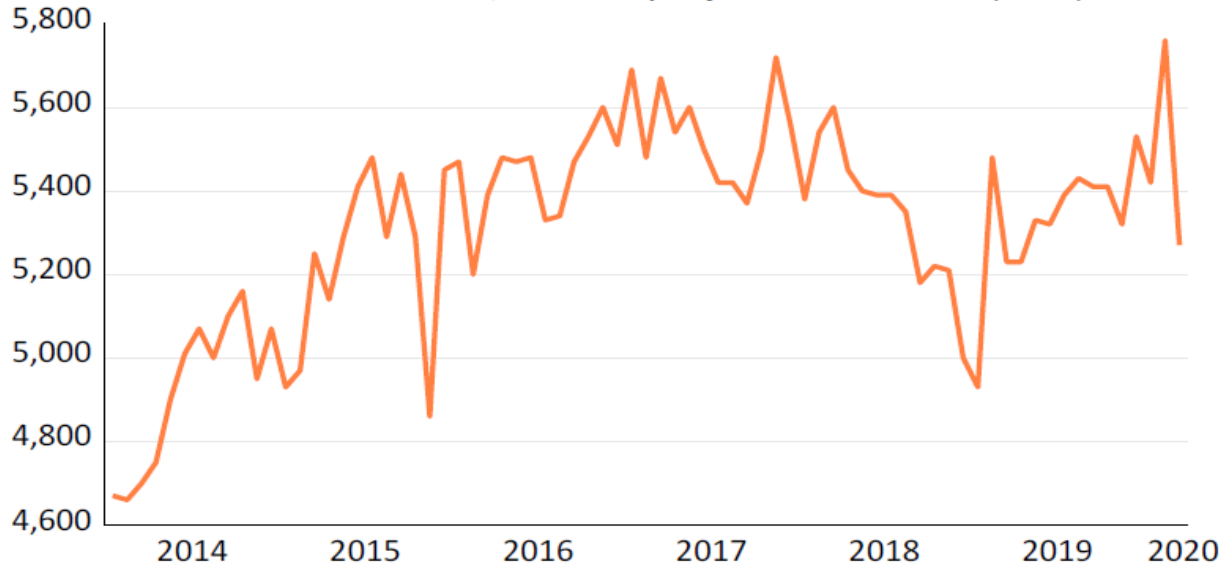
Manufacturers' New Orders: Durable Goods
Billions of Dollars



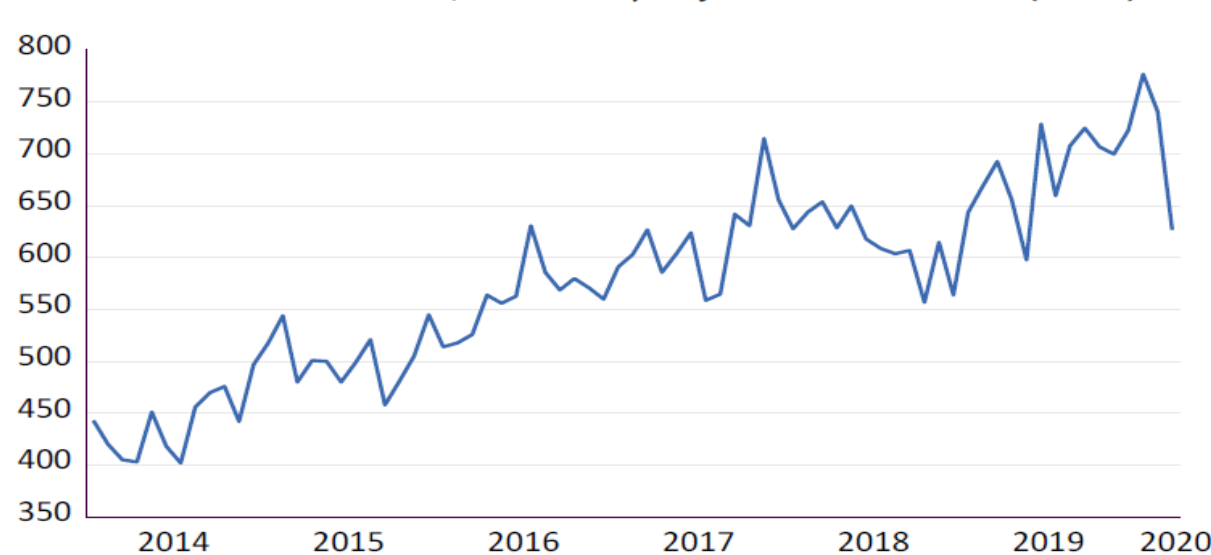
Consumer Sentiment - Michigan Survey

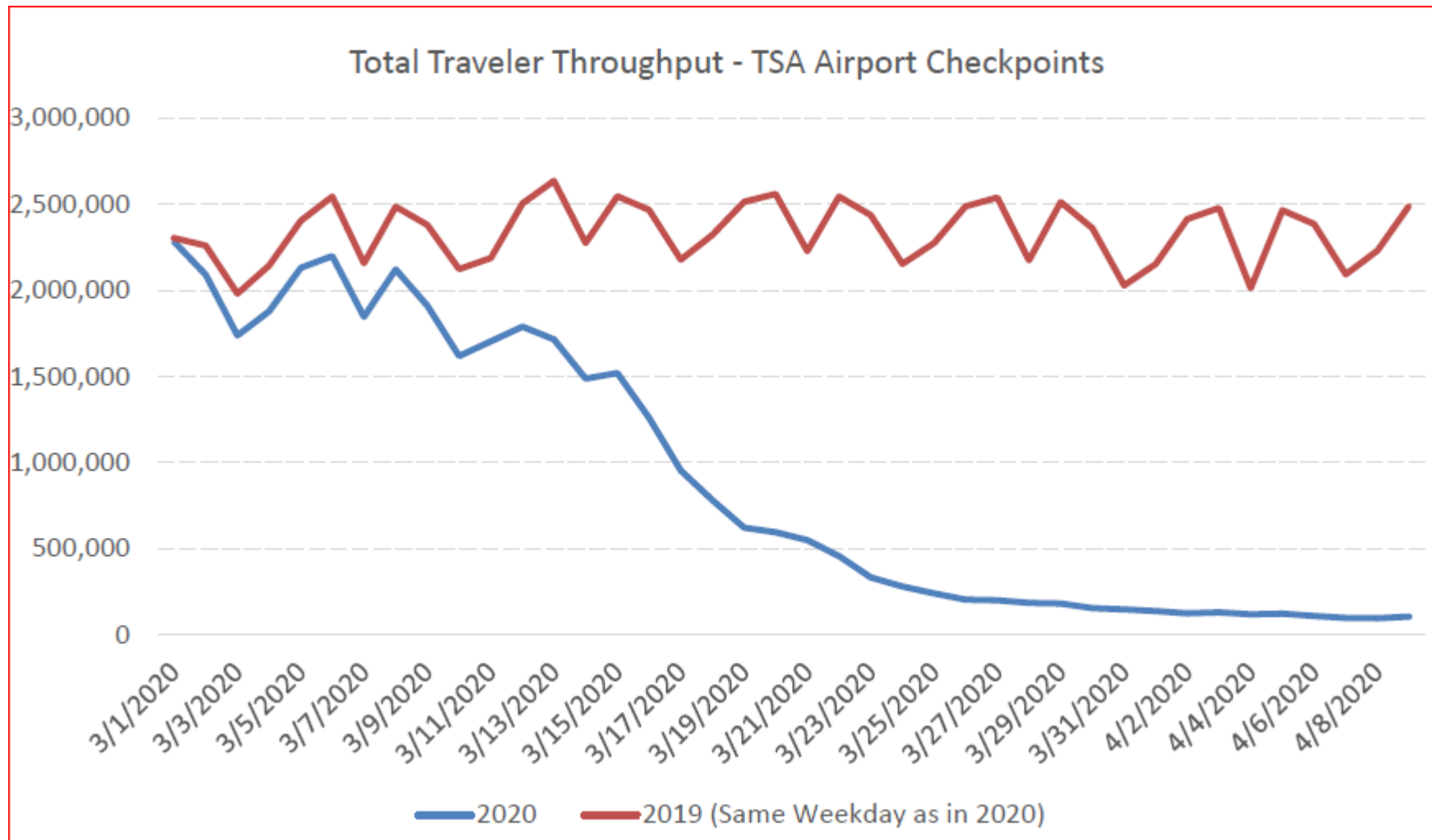


Existing Home Sales
Thousands of units, Seasonally Adjusted Annual Rate (SAAR)



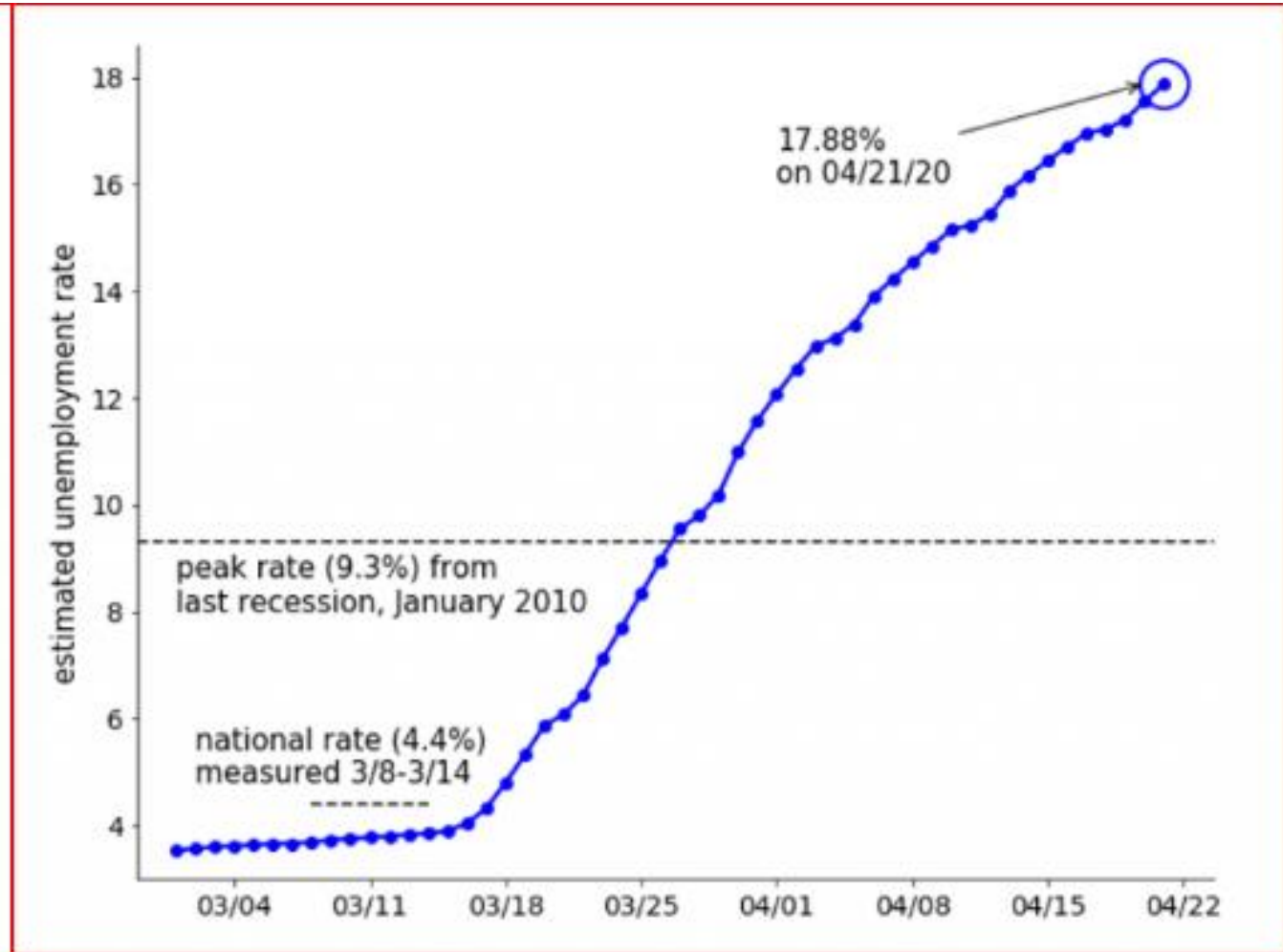
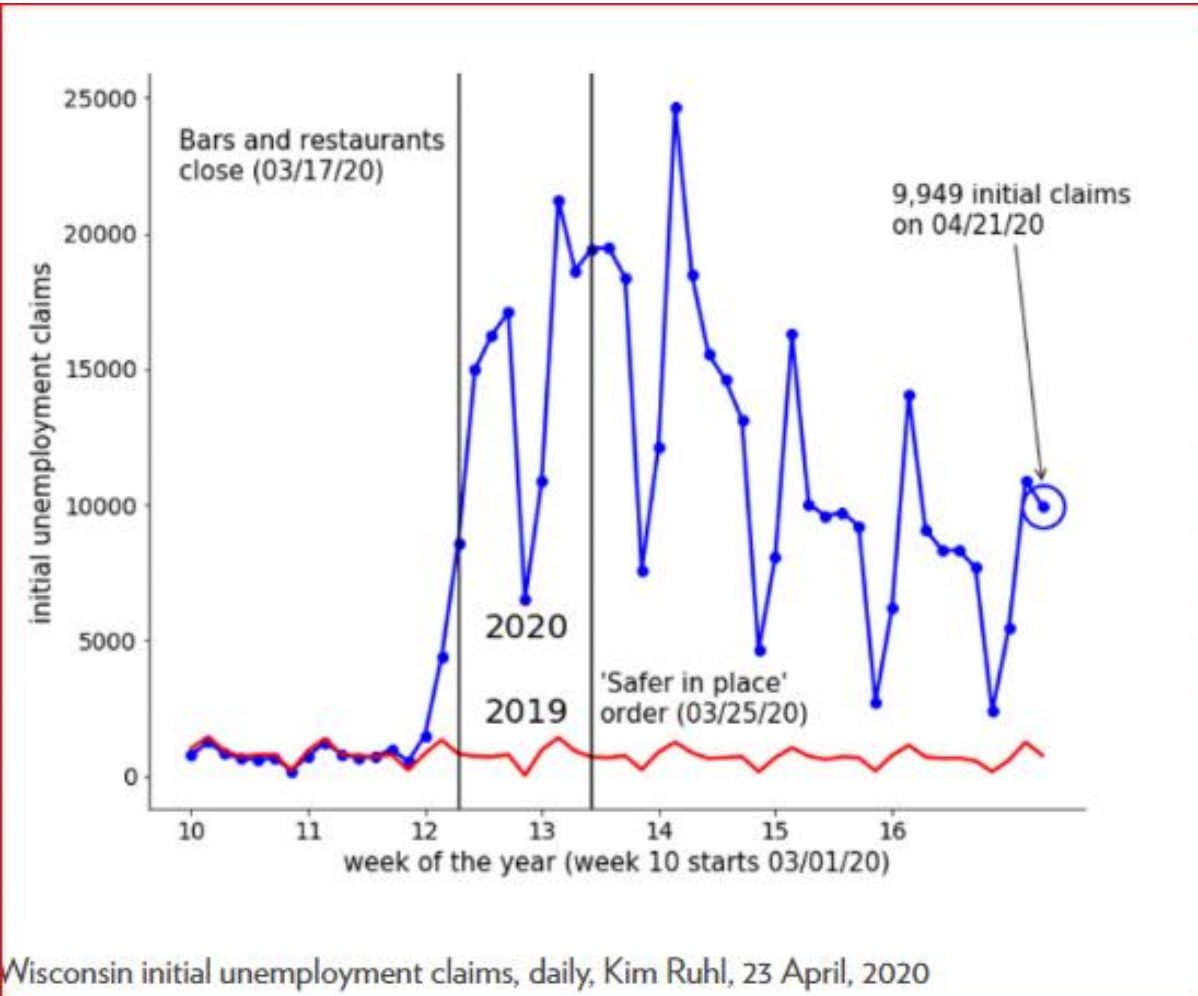
New Home Sales
Thousands of Units, Seasonally Adjusted Annual Rate (SAAR)



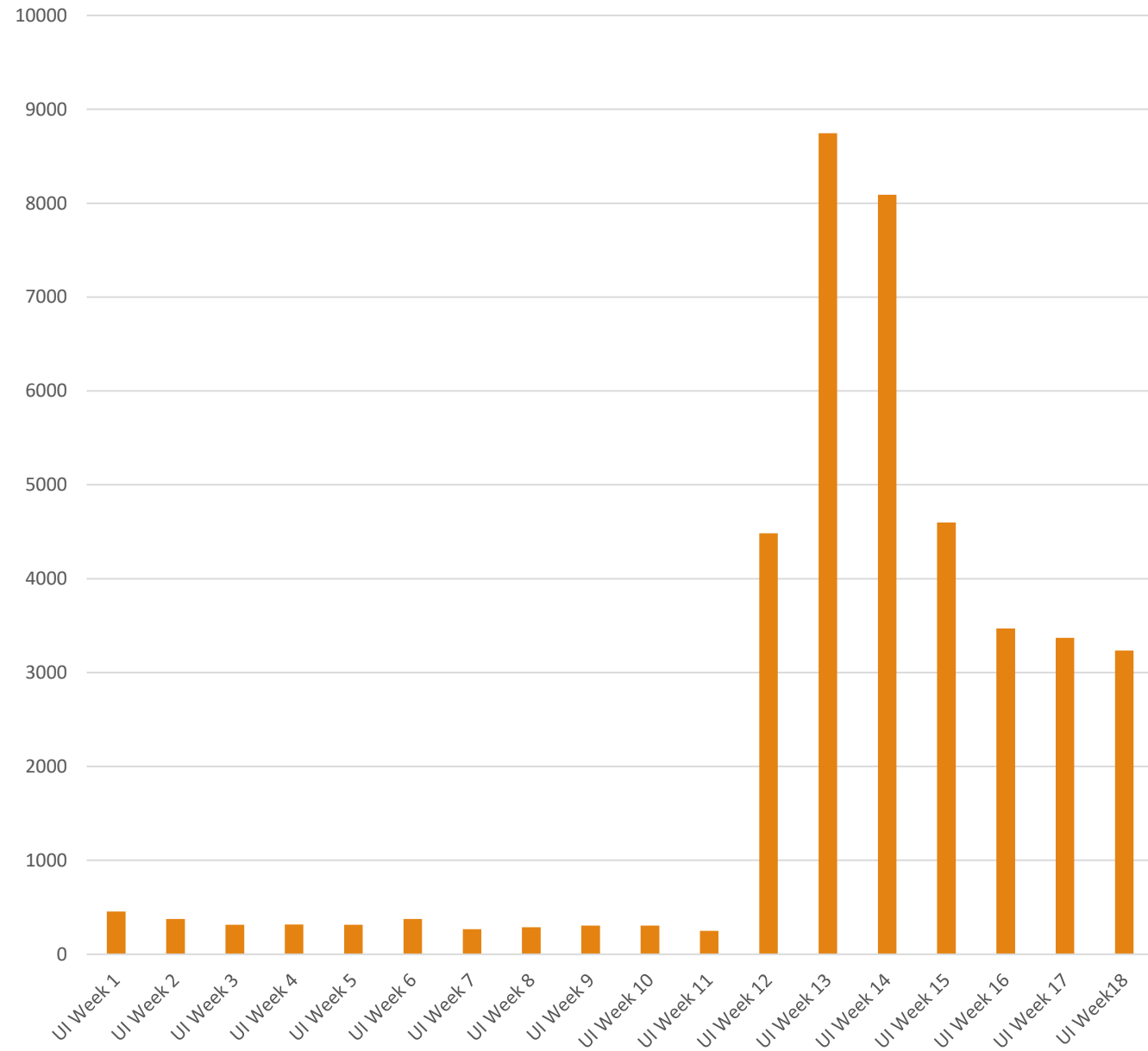


Dane County Regional Airport – typical day – 2,000 passengers; recent – 60 passengers

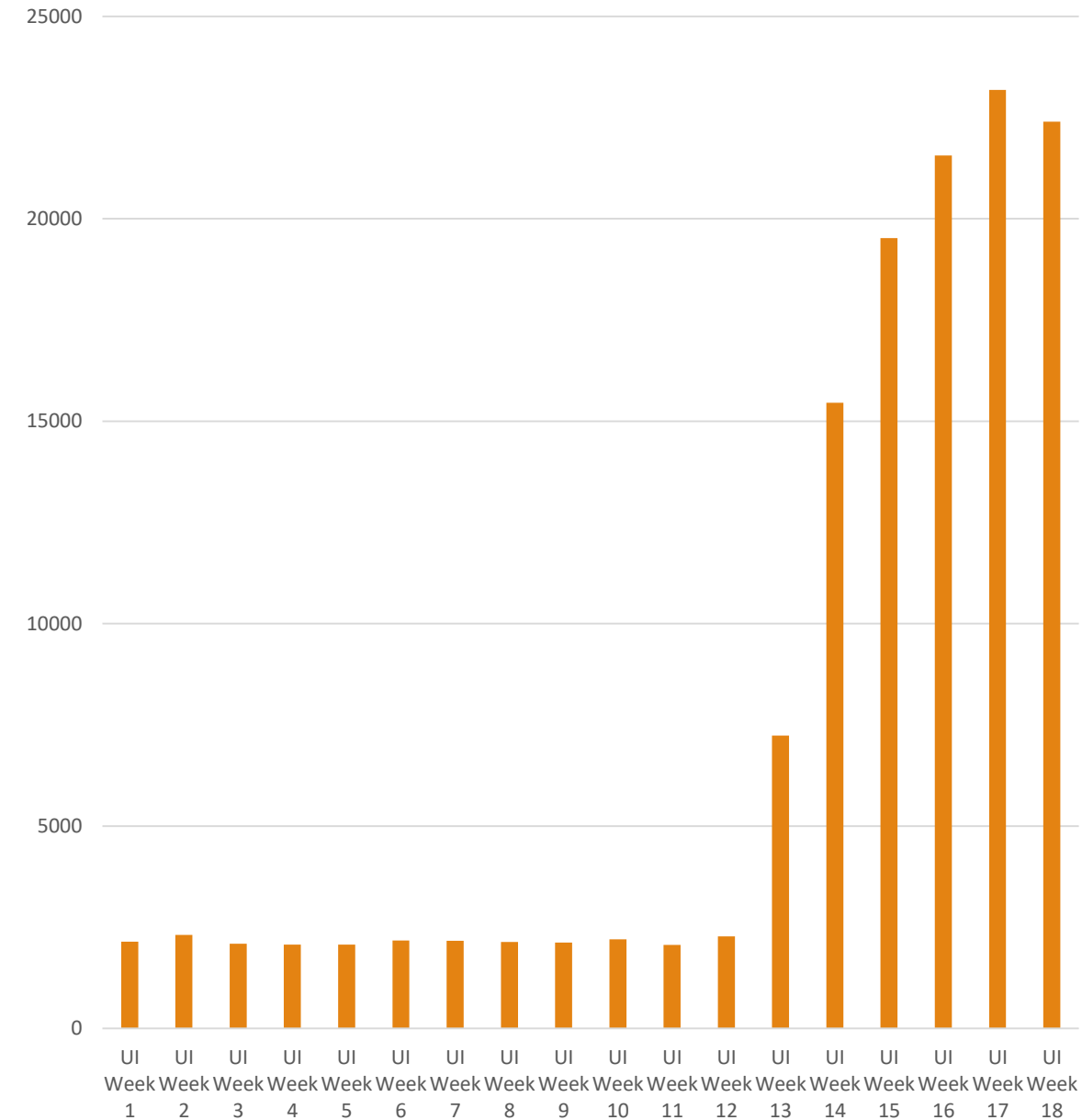
Wisconsin Unemployment rate could exceed 25%



Dane County Initial Claims

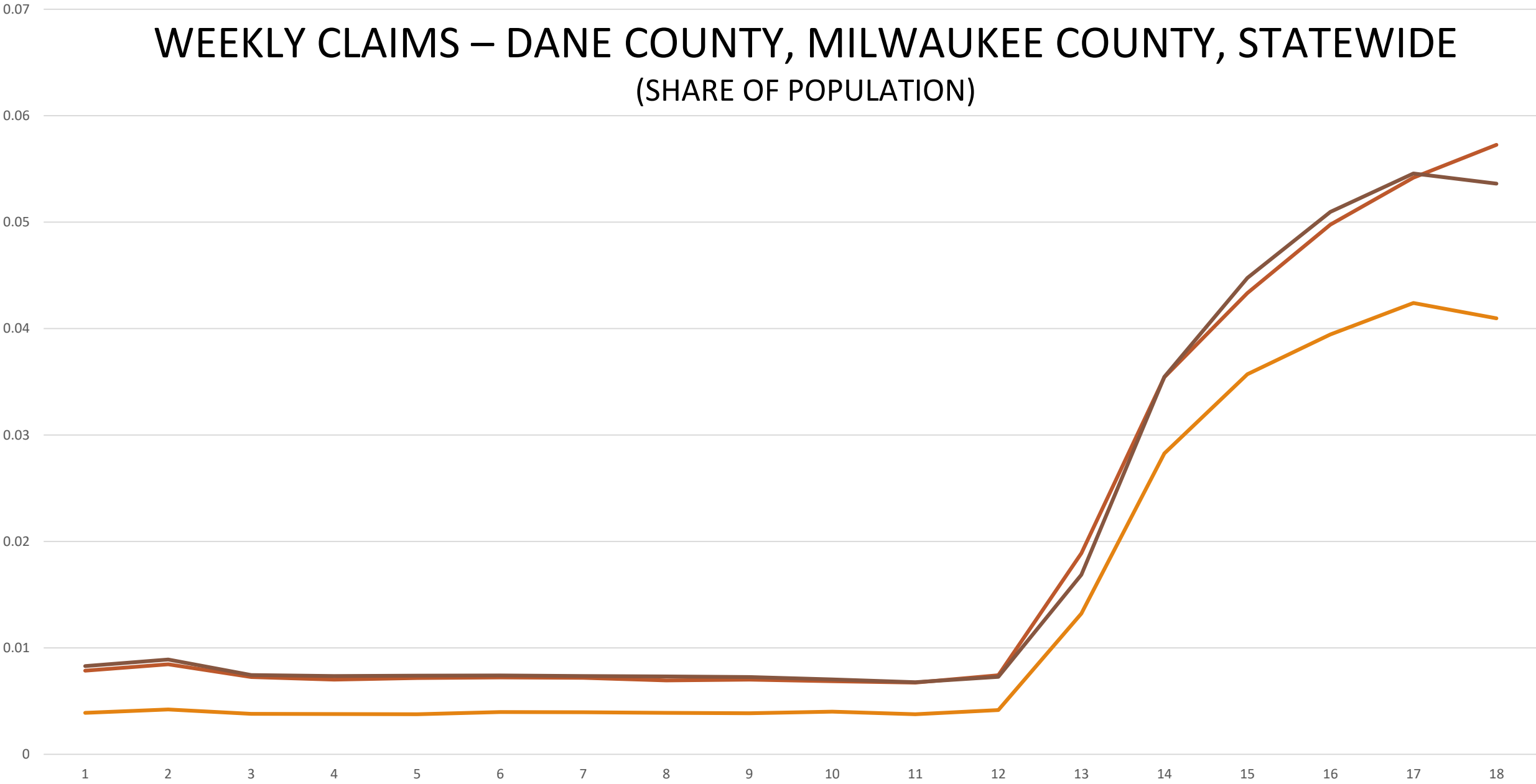


Dane County Weekly Claims

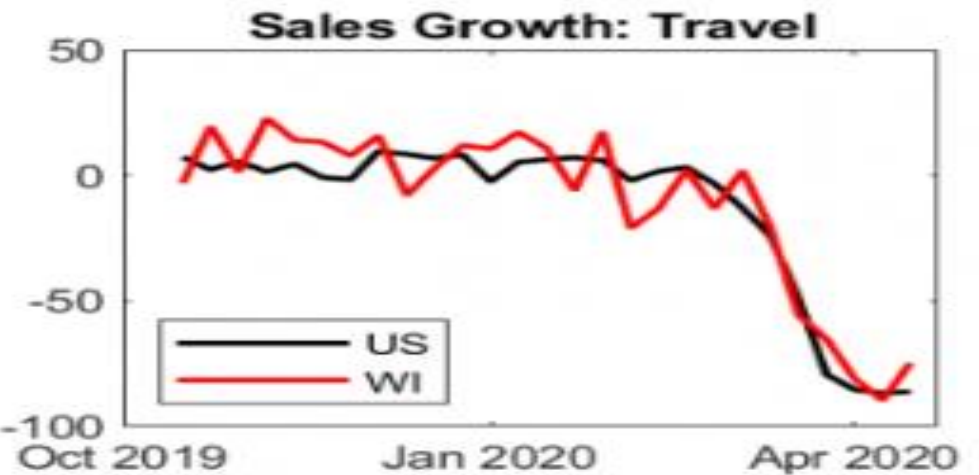
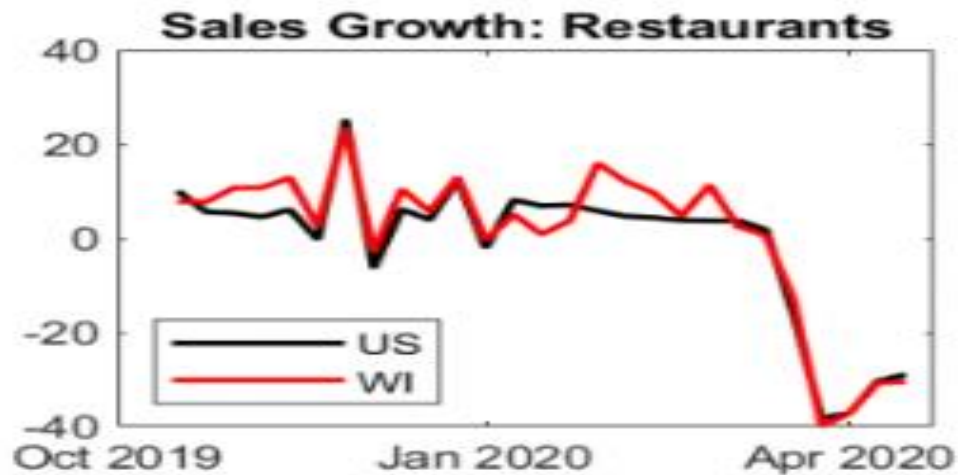
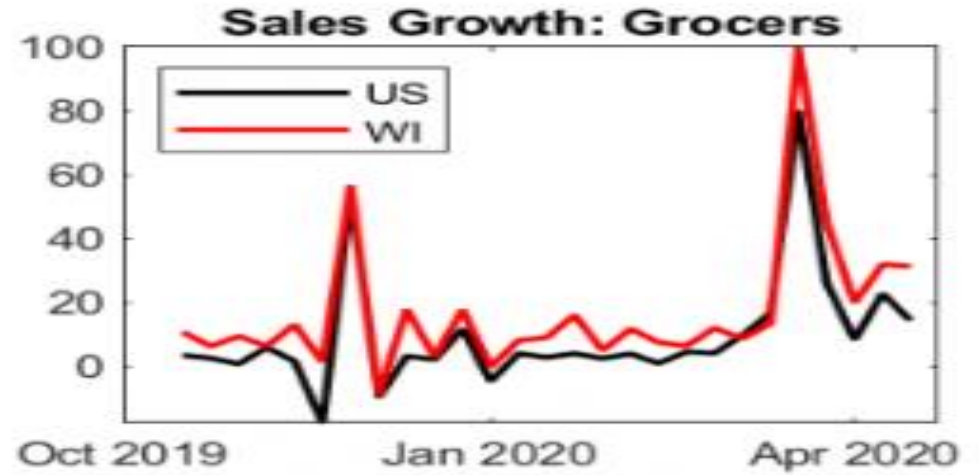
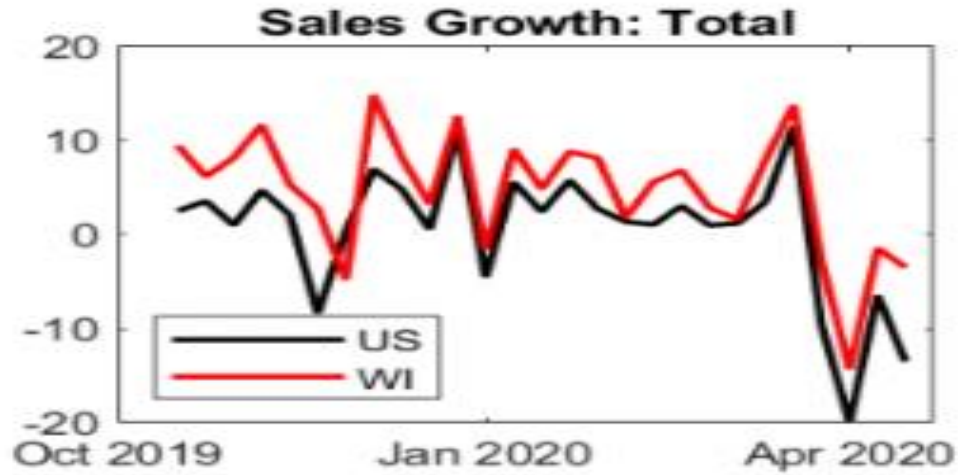


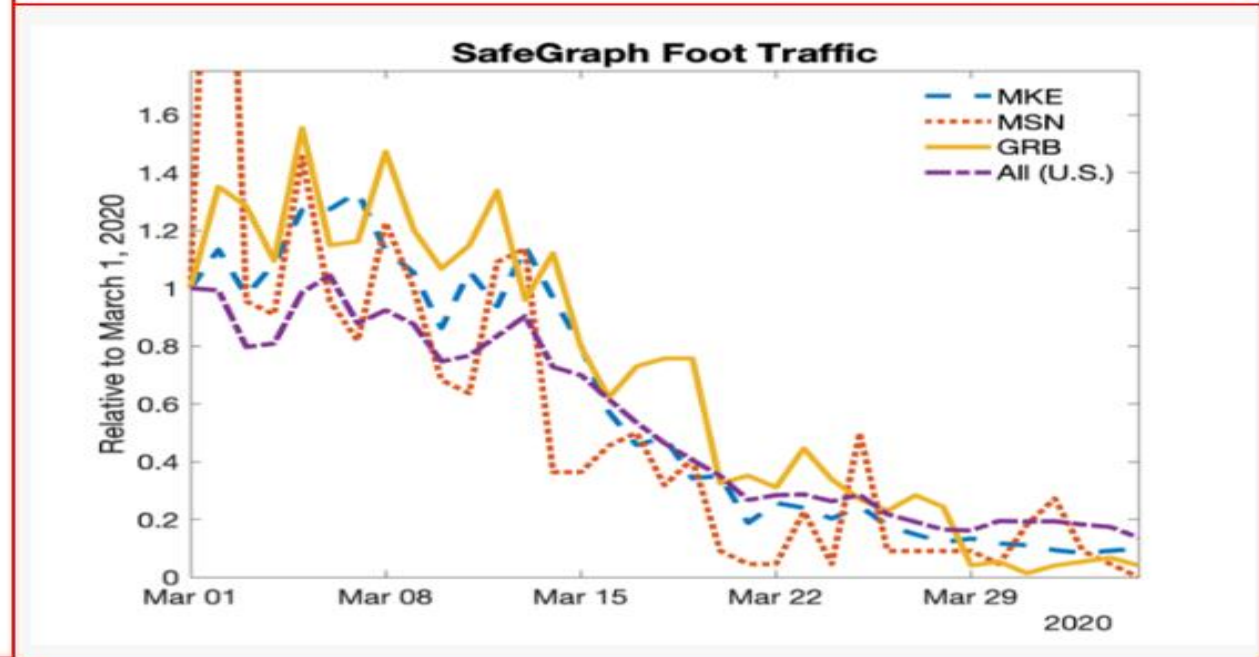
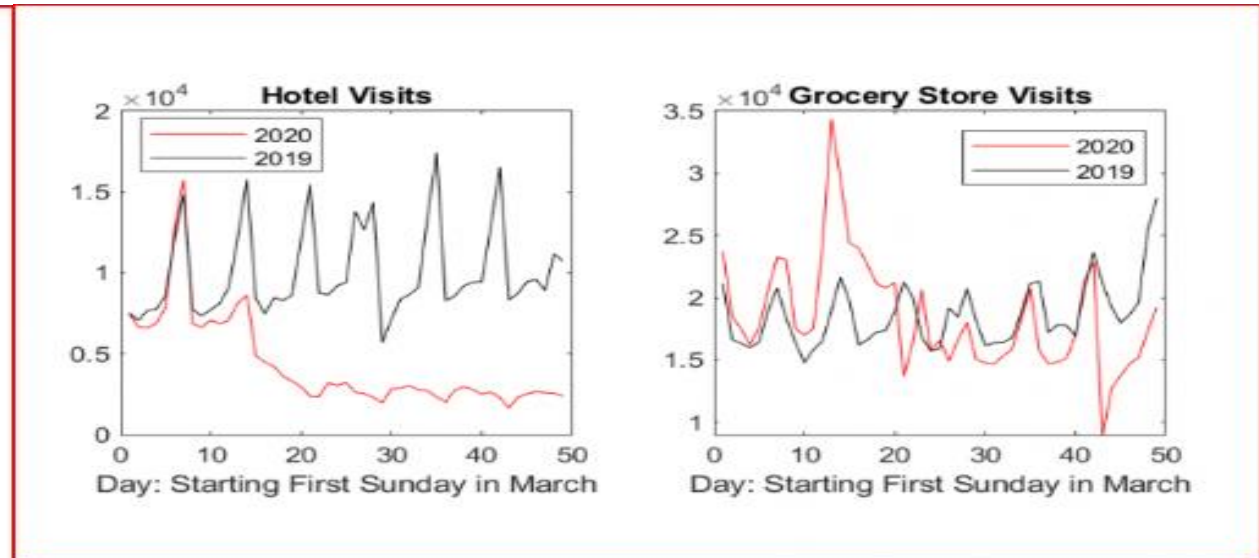
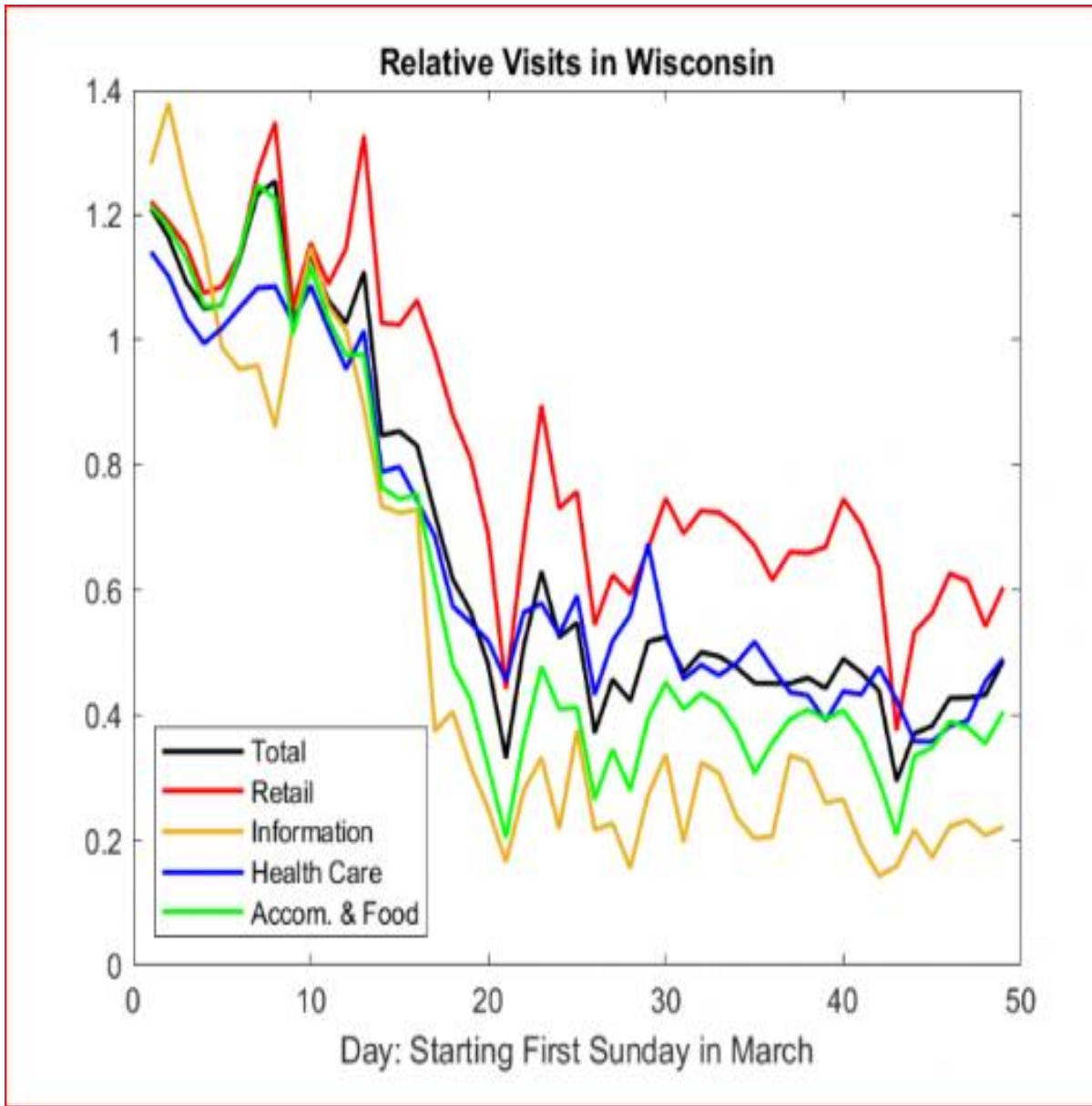
WEEKLY CLAIMS – DANE COUNTY, MILWAUKEE COUNTY, STATEWIDE

(SHARE OF POPULATION)



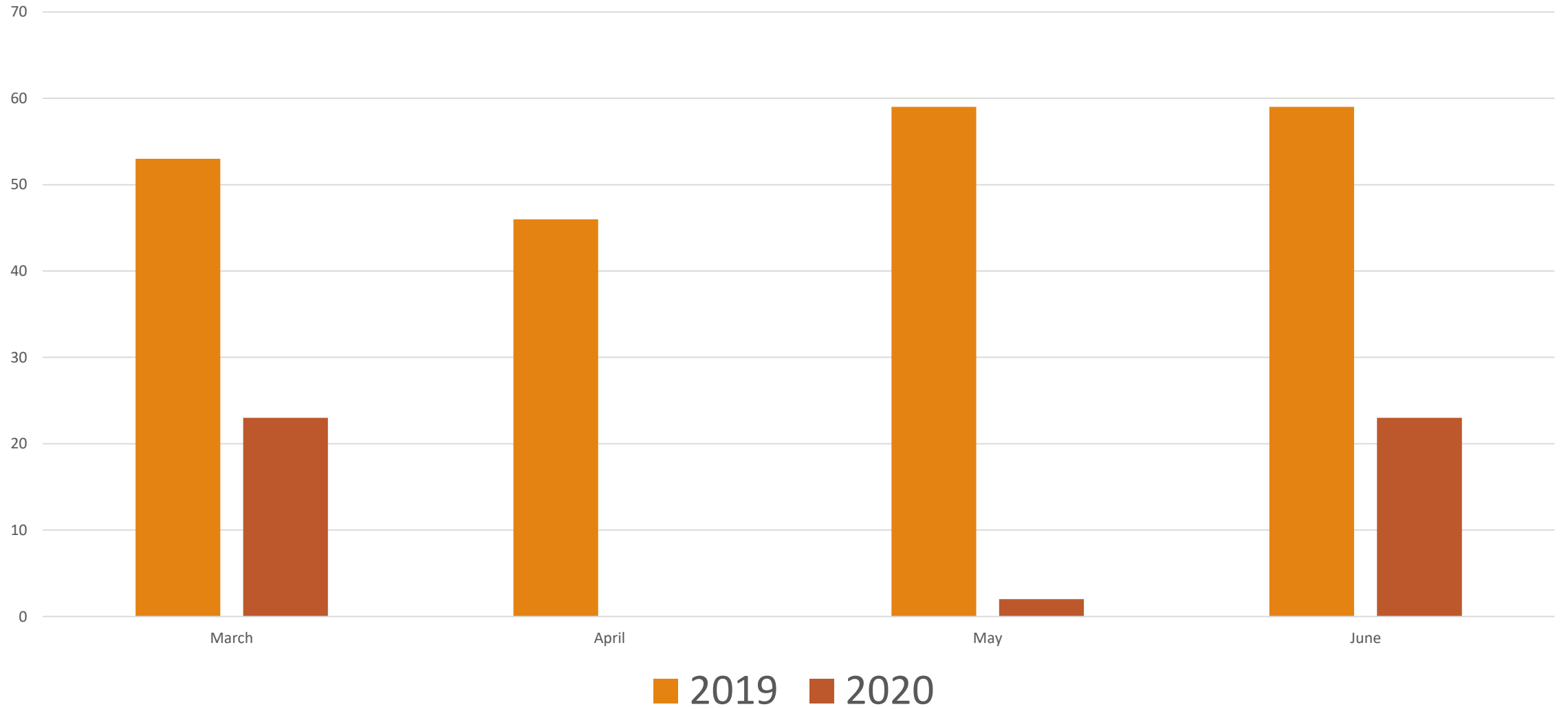
MadREP / UW-Oshkosh / WEDC Survey – More than one-third of Wisconsin businesses will close permanently if “safer at home” lasts for more than three months (1.3% business response rate)





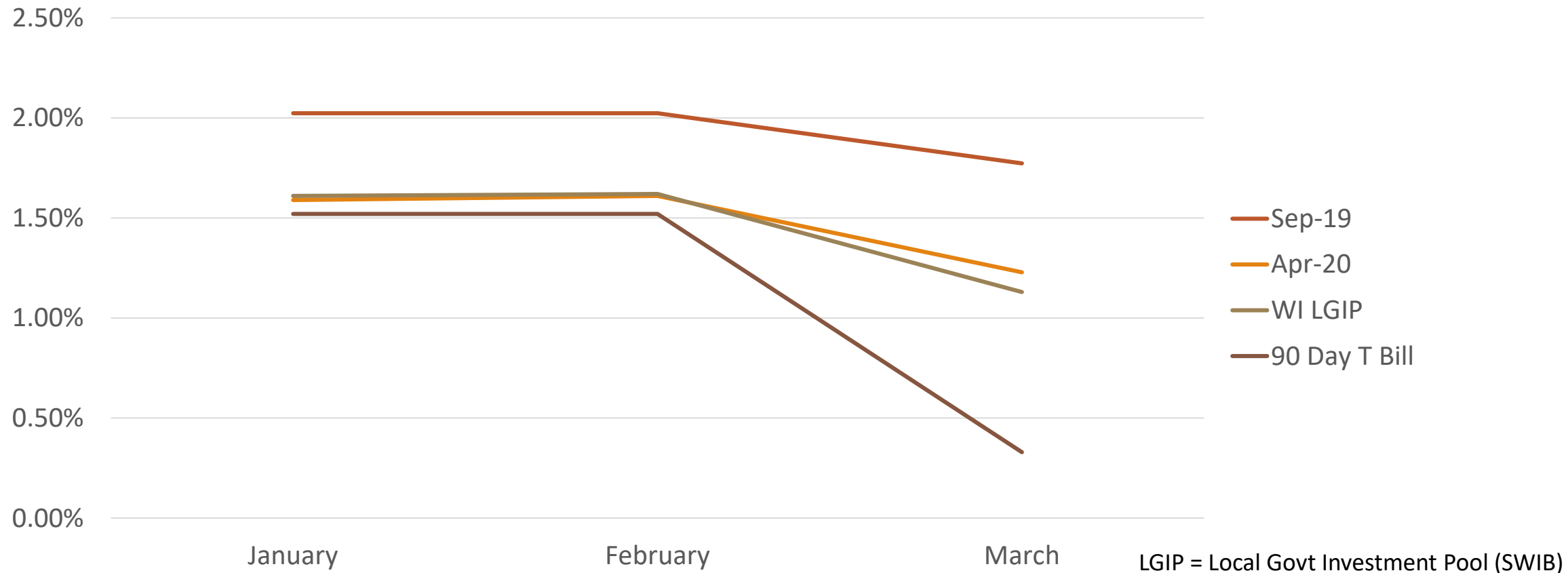
Graphs on this and previous two slides from Kim Ruhl and Noah Williams – UW Center for Research on Wisconsin Economy

Monona Terrace Events



City Investment Earnings Yield

January-March 2020



Congressional Budget Office – April 24

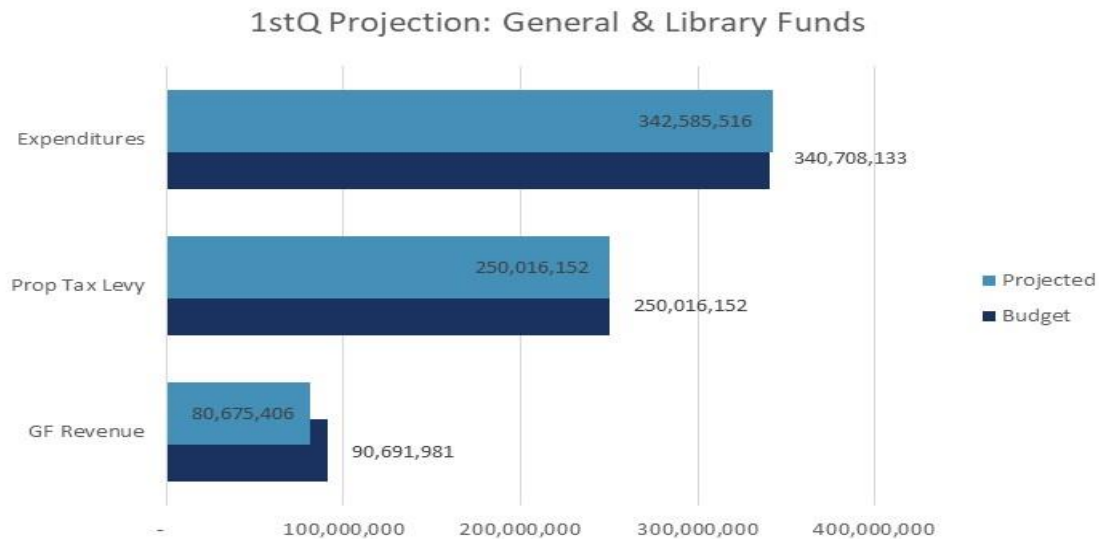
Gross Domestic Product – 12 percent decline in Q2 2020; annualized rate of 40 percent; -5.6% for 2020; 2.8% growth in 2021.

Unemployment Rate – 14 percent in Q2 2020; 11.4 percent for 2020 and 10 percent in 2021

- Social distancing continues for next three months (until July 2020)
- Later outbreaks of virus occur; social distancing declines by only 75 percent during second half of 2020.

Interest rates on 10 year Treasury notes expected to be 0.6% during Q2 2020

1st Quarter Overview: General vs. Other Fund Impacts



General & Library Fund Projection=\$11.9m Deficit

The projected deficit in the General Fund is primarily driven by revenue loss

- Expenditures: Projected Deficit=\$1.8m
- Prop Tax Levy: No Deficit
- GF Revenue: Projected Deficit=\$10.0m

Other Fund Summary		Projected Surplus/Deficit
1250 - ROOM TAX COMM		(4,061,488)
2100 - WATER UTILITY		(3,180,803)
2110 - SEWER UTILITY		(124,460)
2120 - STORMWATER UTILITY		1,459,460
2130 - PARKING UTILITY		(5,358,473)
2140 - CONVENTION CENTER		(3,582,974)
2150 - METRO TRANSIT		(3,416,917)
2160 - GOLF COURSES		(901,762)
2200 - FLEET SERVICES		276,482
5100 - CDA		(170,660)
6100 - PUBLIC HEALTH MADISON DANE		187,732
		(18,873,862)

Other Funds Projection=\$18.8m Deficit

- Red: May require General Fund Subsidy
- Yellow: Deficit will be funded by expenditure reductions and/or use of Reserves

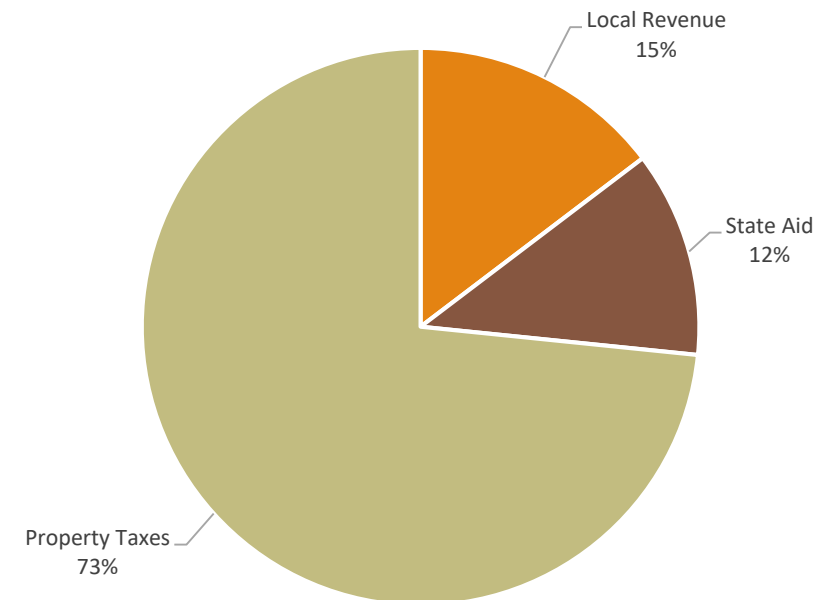
Green: No Projected Deficit

General Fund Revenue

Total Budgeted Revenue=\$340.7m

- 73% (or \$250.0m) of General Fund revenue comes from the property tax. 1st Quarter projections assume this full amount will be realized (tax bills sent-collections underway)
- 12% (or \$40.7m) of General Fund revenue comes from various State Aid programs-At this time there are no projected cuts to State Aid in 2020
- 15% (or \$49.9m) comes from other sources of revenue more susceptible to Stay at Home orders
 - Total Projected Revenue loss from these sources=\$10.0m
 1. Ambulance Conveyance Fees: \$1.2m deficit (Down 15%)
 2. Licenses and Permits: \$1.5m deficit (Down 21%)
 3. Fines (traffic and parking): \$1.5 million (Down 25%)
 4. Room Tax: \$3.0m deficit (Down 50%)
 5. Interest Revenue: \$2.25m deficit (Down 56%)

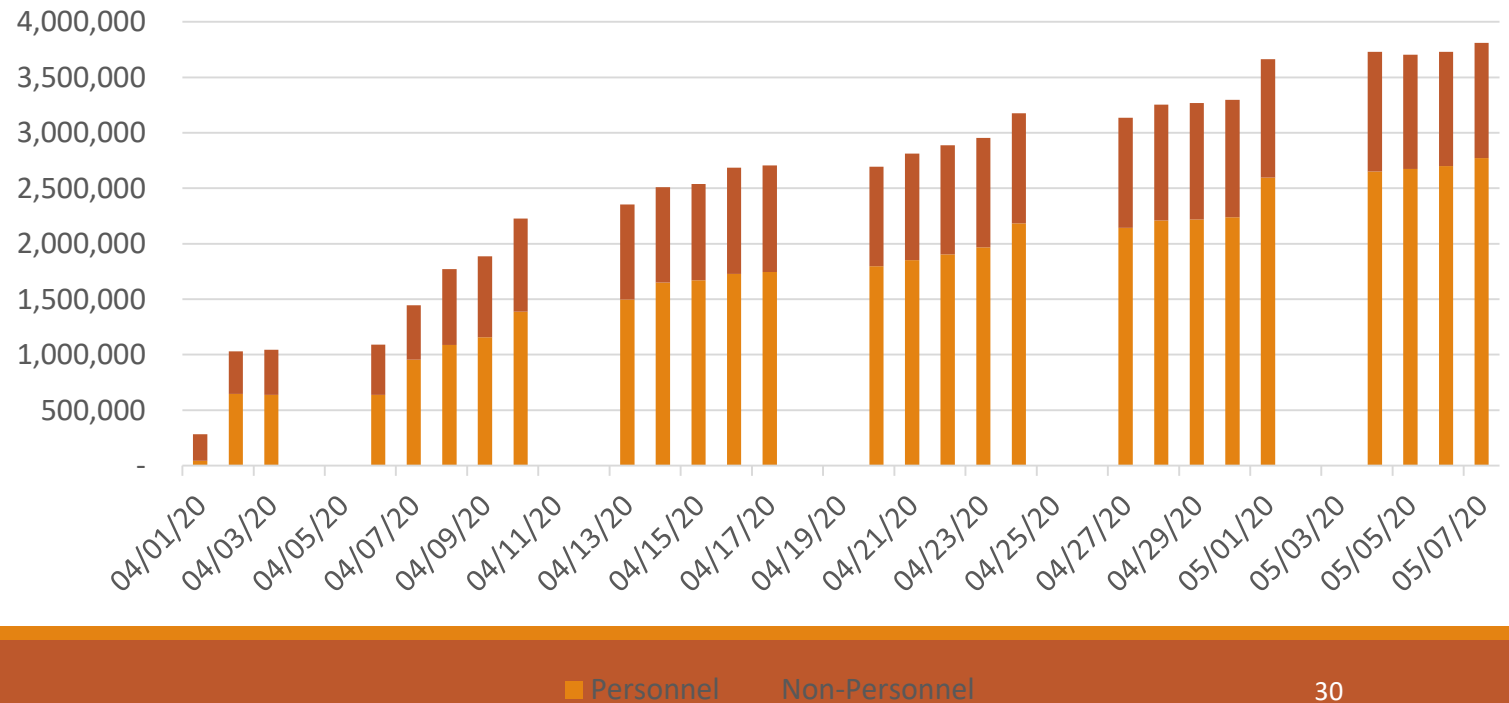
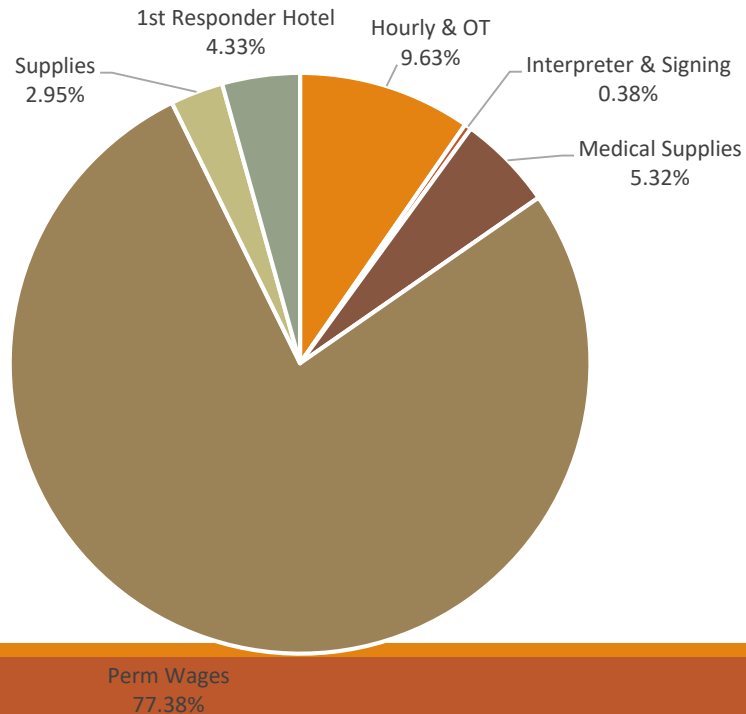
General Fund Budget by Funding Source



COVID COSTS

TOTAL COVID RESPONSE COSTS=\$3.4m (as of May 6th)

- 77% of costs are from permanent staff costs (likely not eligible for FEMA reimbursement)
- Remaining Costs w/o Perm Wages=\$760k
- Daily Spending=\$37k (w/o perm wages)
- Major expenditures have included: potential respite hotel for 1st responders, citywide supply purchasing, and medical supplies
- Does not include additional capital spending: telework tools (\$100k), disinfectant light (\$80k)



Administrative Actions

Immediate Hiring Freeze on All Positions, with some exceptions for essential services

- *Potential Savings=\$1.5m*
- Recommended guidance for filling positions:
 - Any positions newly created in the 2020 budget and not yet filled are on hold indefinitely.
 - Filling positions that do not result in backfill overtime should be suspended.
 - Before filling positions that may result in backfill overtime, agencies should consider service delivery changes that can accommodate providing the service with fewer positions.
 - Requests subject to Mayoral approval.

Seasonal/Hourly Staffing

- *Potential Savings=\$1.2-\$2.5m*
- Seasonal staffing requests need to be submitted to the Mayor's Office for approval.
- Wherever possible, activities performed by seasonal hourly staff should be performed by redeployed City staff.
- Hourly hiring for activities that will be impacted by reduced service levels should be not pursued.

Halt all non-essential supplies and purchased services spending.

- *Potential Savings=\$500-\$1.0m*
- Focus spending on COVID response and any associated work environment changes.
- Management and consulting contracts require Mayor's Office approval.
- P-card transactions will be closely monitored and agency heads asked for justification of non-essential expenditures.

Options for Balancing 2020

The path to balancing the remaining projected shortfall for 2020 will involve some combination of the following:

1. More aggressive slowing of seasonal hiring & consultant contracts (current assumptions only reflect 25% savings)
2. Use of General Fund Balance
 - Fund Balance @ 2019 year end= \$53 million (16.5% of budget)
 - Every \$3.2m appropriation from fund balance reduces the percentage by 1%
 - Major drop in fund balance will require future year appropriations to restore it back to 15% target.
3. Scaling down General Fund subsidy for Metro Transit due to CARES Act Stimulus Funding
 - Total CARES Act Stimulus Funding for Metro=\$24.5 Million

Additional Savings Option -- furloughs

- Another option to generate savings for 2020 is implementation of a furlough program to reduce fixed costs associated with maintaining the City's workforce
 - ***NO DECISION HAS BEEN MADE REGARDING THE POTENTIAL OF PURSUING THIS OPTION***
- The daily rate for all permanent positions is \$800,000 (without benefits)
- The goal of a furlough program will be to reduce the overall cost of the City's payroll while avoiding layoffs
- Potential programs could be weighted by salary to minimize impacts on lowest paid City employees

Projected Cost Savings

- 4-6 Day Furlough Program: \$4.0m Savings
- 5-7 Day Furlough Program: \$5.0m Savings

Targeted hours reduction (using DWD's Workshare Program) may be implemented sooner in certain units (e.g., Monona Terrace, Parking Utility, Library). Under CARES Act, Workshare is 100% federal funded through 2020; employees can apply for UI (including \$600 weekly add-on through 7/31/2020); requires a reduction of between 10% and 60% of normal hours in lieu of layoffs.

Lodging Revenue Projections

Top 24 Markets

Best Case: Total Forecasted Revenues

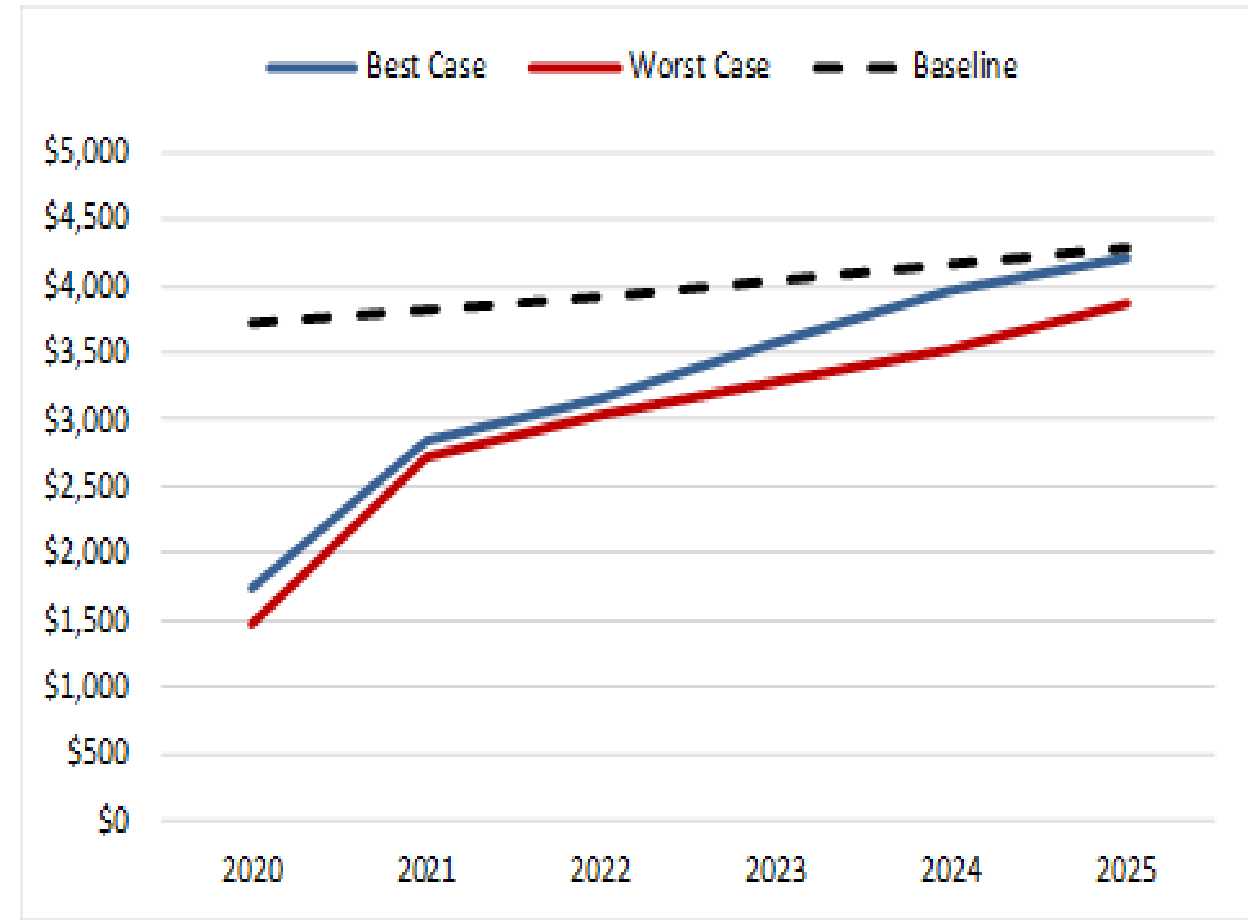
	Base Year	Best Case - Revenue Change (millions)					
	2019	2020	2021	2022	2023	2024	2025
Best Case Scenario	\$3,656	\$1,742	\$2,834	\$3,165	\$3,579	\$3,974	\$4,214
Baseline	3,656	3,725	3,811	3,925	4,043	4,164	4,289
Decline from Baseline		(\$1,983)	(\$977)	(\$760)	(\$463)	(\$190)	(\$75)
Percent Change (From Prior Year)		-52.35%	62.69%	11.68%	13.08%	11.04%	6.04%

Source: HVS

Worst Case: Total Forecasted Revenues

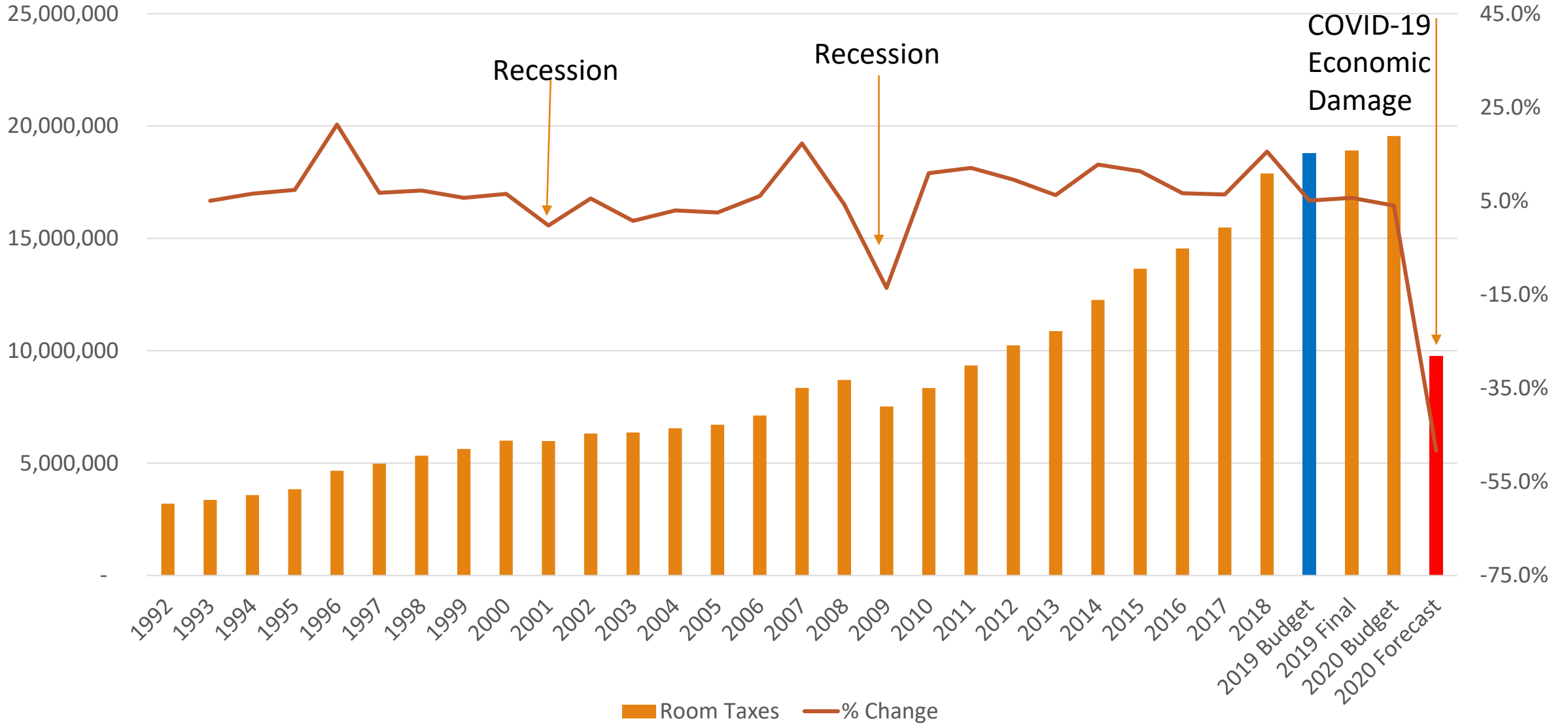
	Base Year	Worst Case - Revenue Change (millions)					
	2019	2020	2021	2022	2023	2024	2025
Worst Case Scenario	\$3,656	\$1,468	\$2,716	\$3,023	\$3,290	\$3,533	\$3,870
Baseline	3,656	3,725	3,811	3,925	4,043	4,164	4,289
Decline from Baseline		(\$2,257)	(\$1,095)	(\$902)	(\$753)	(\$631)	(\$419)
Percent Change (From Prior Year)		-59.85%	85.01%	11.30%	8.83%	7.39%	9.54%

Lodging Tax Revenues Forecast (\$ millions)

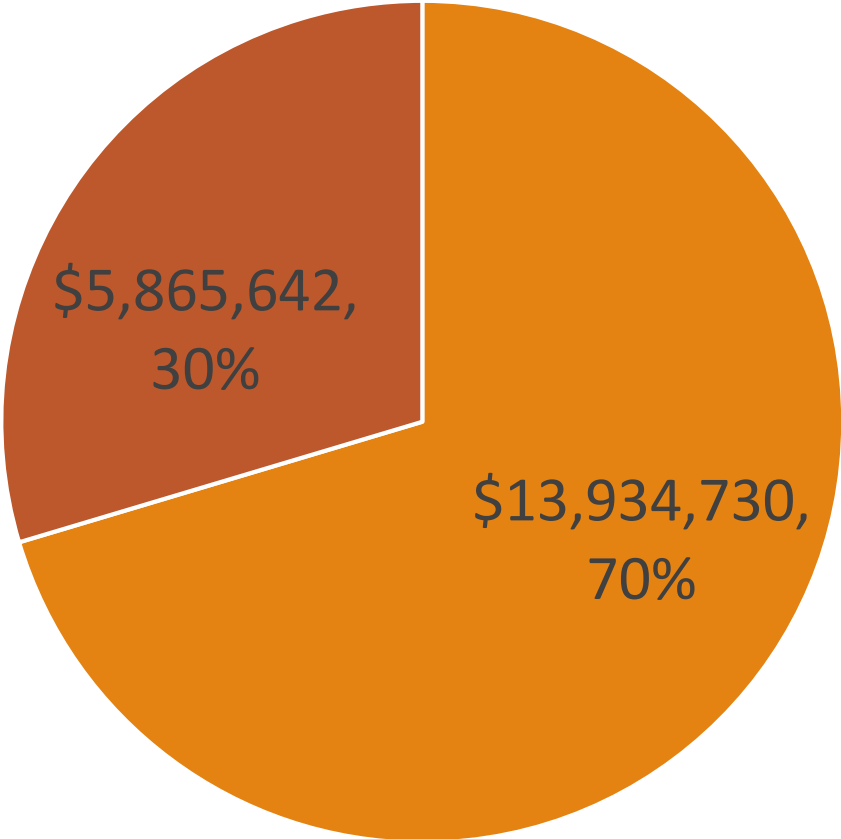


Source: HVS

Room Tax Revenues

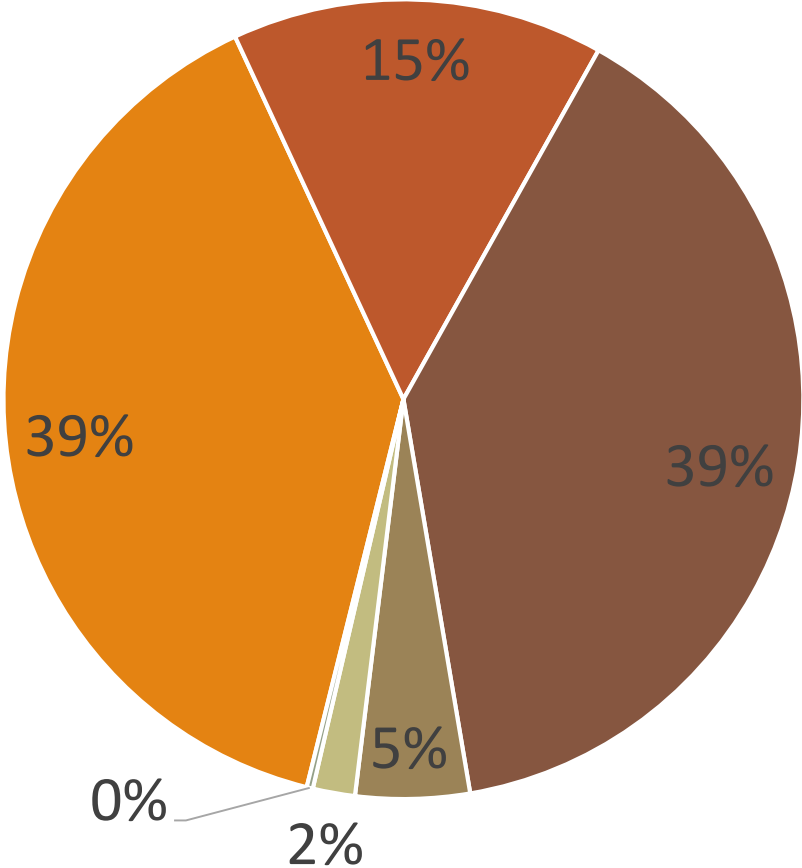


Room Tax Revenues -- 2020 Adopted Budget



■ Room Tax Commission ■ City General Fund

Room Tax Commission Allocations -- 2020 Adopted Budget



Monona Terrace

Overture

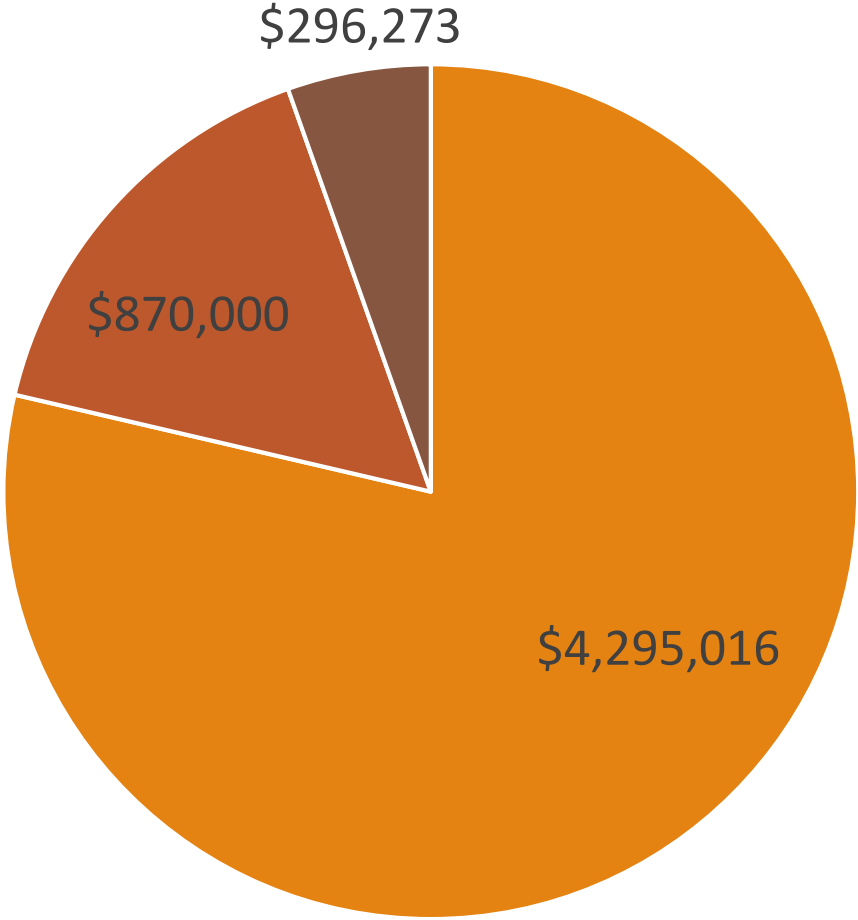
Destination Madison

Zoo and Olbrich

City Tourism

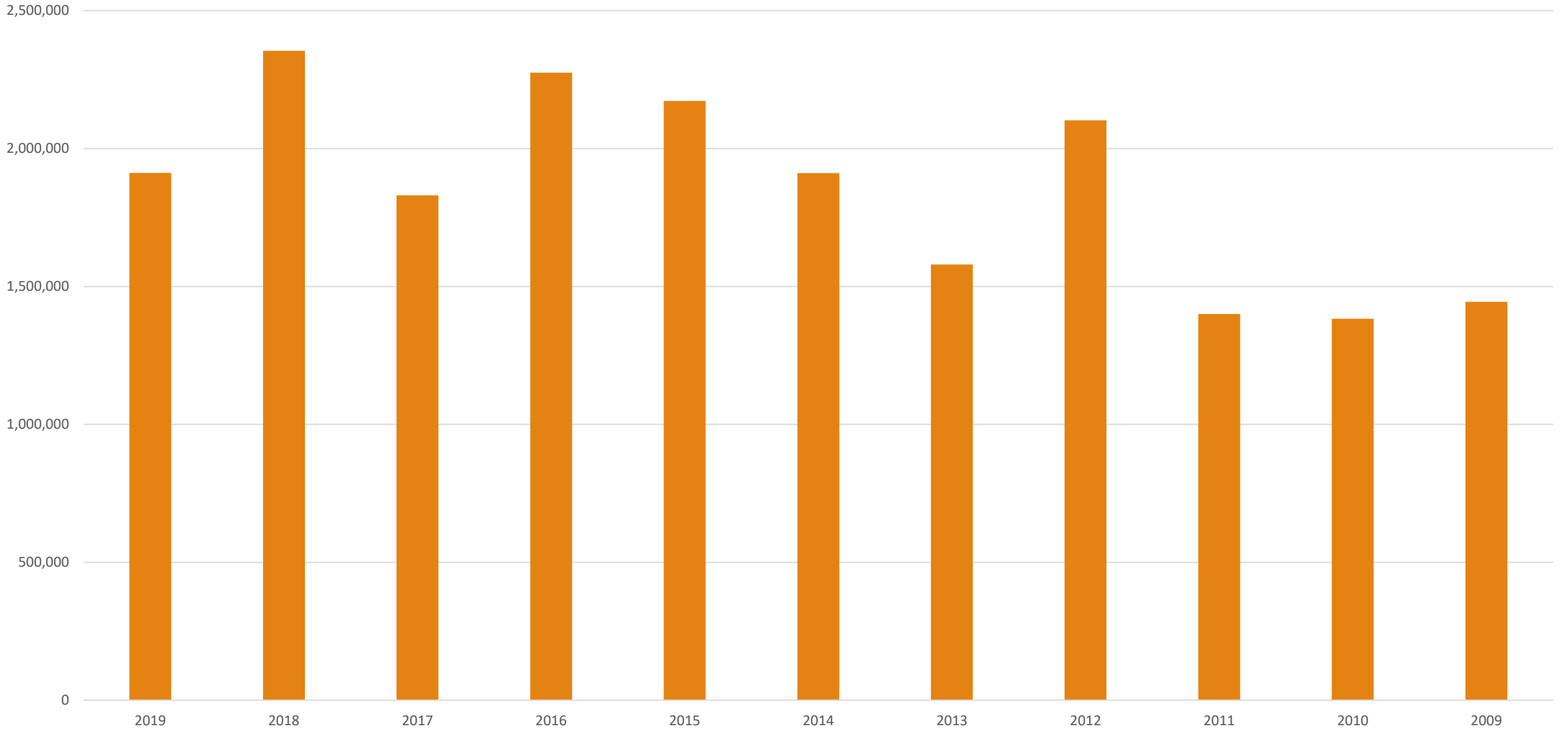
Administration

Allocation of Monona Terrace Subsidy -- 2020 Adopted Budget

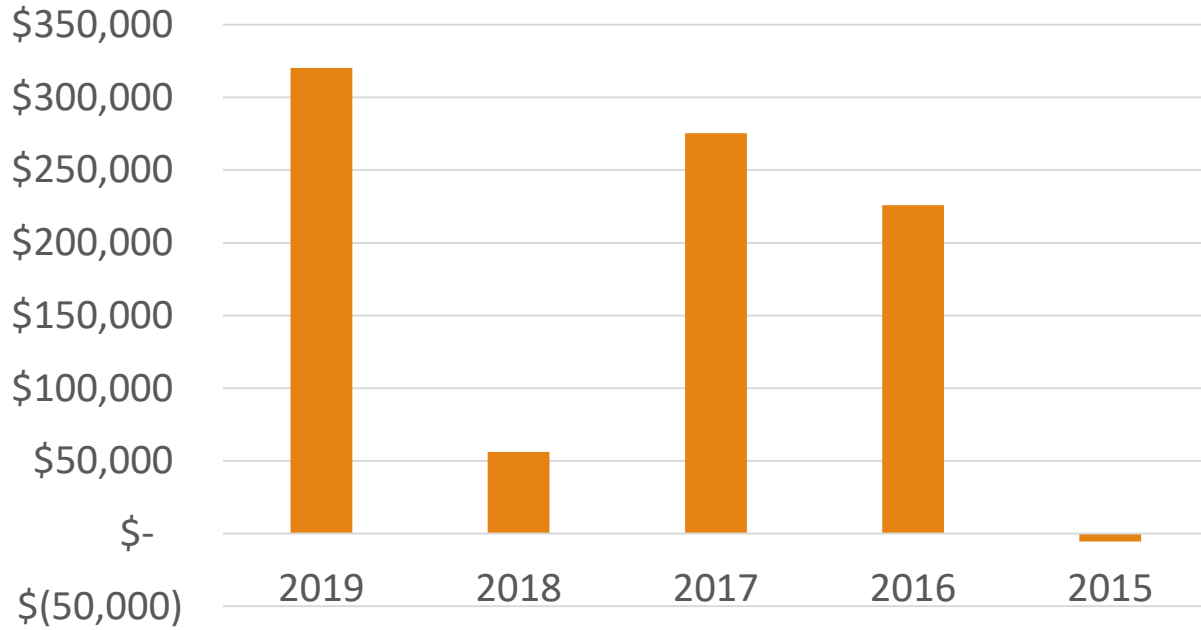


■ Operations ■ Capital ■ Debt Service

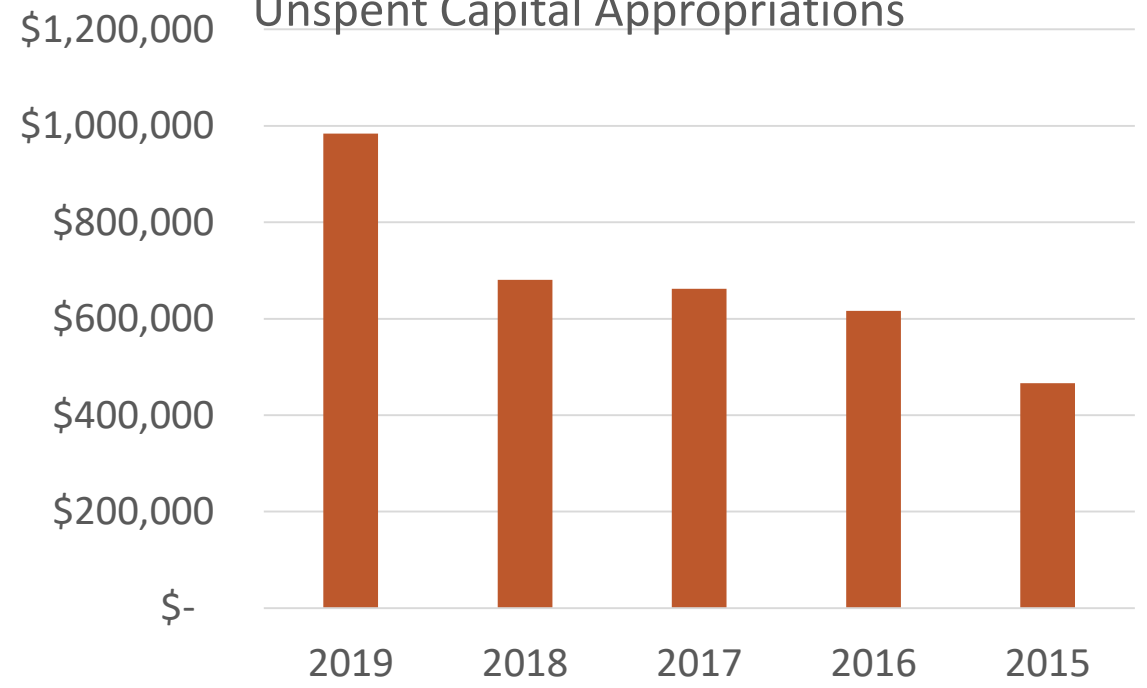
Cumulative Reserves



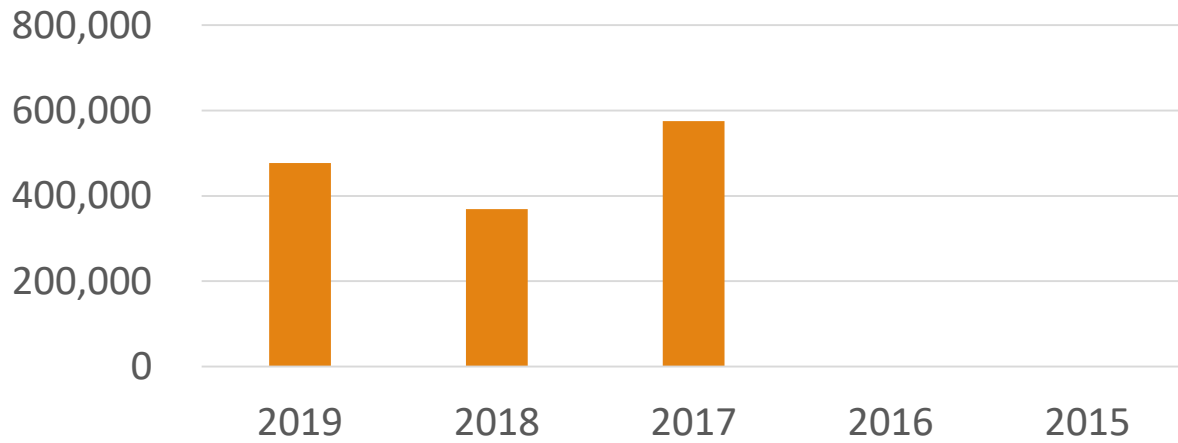
GASB 68 Pension Expense



Unspent Capital Appropriations



Capital Projects Expensed



Cash Balance

