

CORONAVIRUS – FISCAL IMPLICATIONS

Thursday, March 26, 2020



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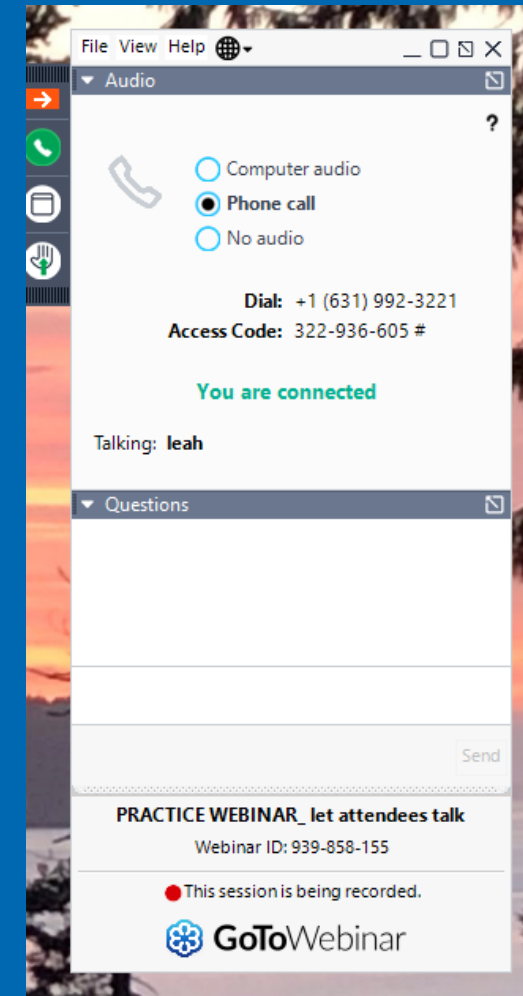
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Presenters



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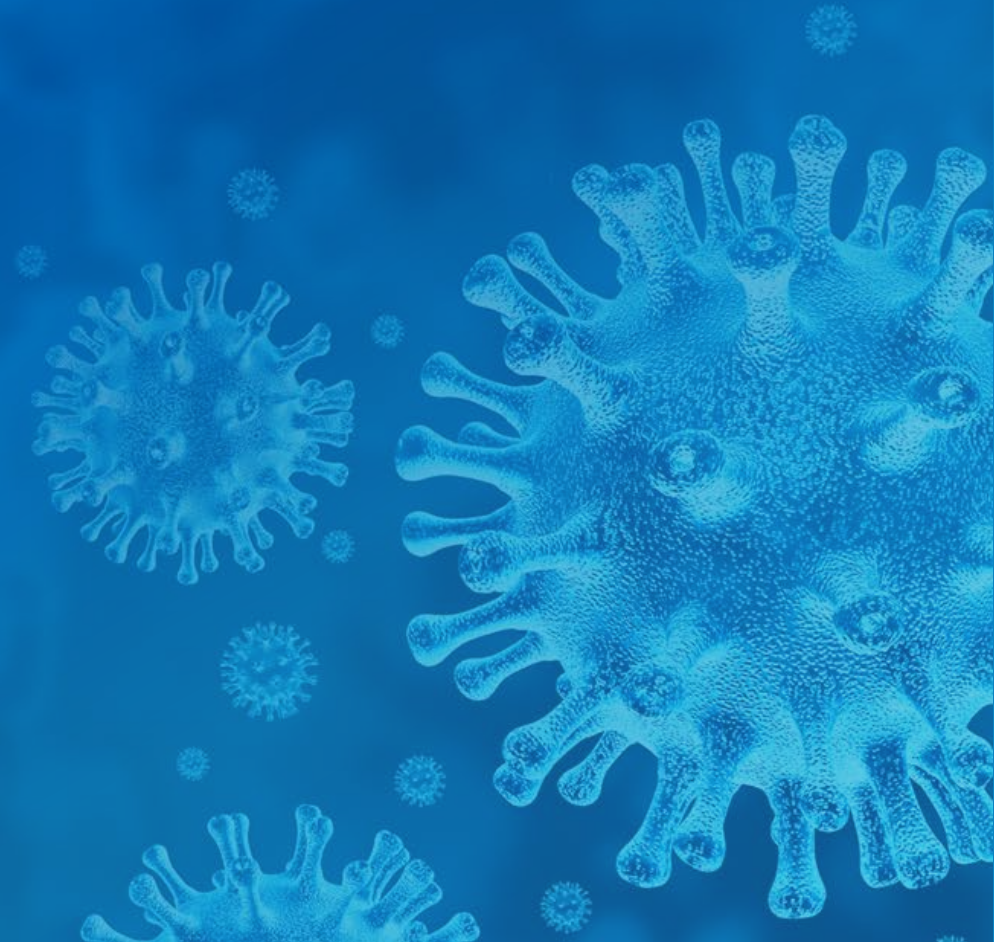


Agenda

- The Situation: A Health Emergency
- Continuity of Operations
- Fiscal Implications for Your Agency
 - Revenue Impacts
- Fiscal First Aid
- Economic Development Impacts



The Situation: A Health Emergency



The Situation

- Officially Declared Health Emergency
 - National Emergency Declaration
 - State Emergency Declaration
 - Others
- Authorizes Certain Procedures
 - Waiver of some procurement obligations
 - Waiver of some budgetary limitations

Changing Rapidly

- Guidance on workplace behaviors evolving
 - Working remotely
 - Avoid congregating and crowds
 - Certain populations at greater health risk
- Your leadership should establish a way to stay current
 - Being nimble to respond to evolving guidance

Continuity of Operations



Need to Continue Business Operations

- Often local governments are needed most during crisis
- Frontline staff rely on back office operations
 - For payroll and continuity of benefits
 - For access to resources (procurement / services)
 - For administrative needs

Your staff may need reassurance during this time

Similar to Other Emergencies

- Earthquakes
- “Bird Flu” or “H1 N1”
- Can lead to **staff unavailability** (for a variety of reasons)
 - Guidance re: social distancing
 - Exposure to the coronavirus (or to those who were exposed)
 - Need to stay home for childcare or other needs

Reliance on Key (Essential) Personnel

- Many have a few (or even one) person who can perform a certain (essential) function
- Redundancy is key – consider:
 - How you would perform that function without essential personnel
 - How you might “distance” essential personnel to keep them healthy
 - Rotating staff through other functions (cross training)
 - Ultimately – consider alternative approaches

Examples of Essential Functions

- Payroll, withholding and benefit payments / management
- Accounts payable
 - Electronic payments if possible – printing checks
- Procurement
 - Purchasing card programs can be helpful
- Receipting – getting checks into the bank

Additional Essential Functions

- Record keeping
 - Accounting, bookkeeping, etc.
- The potential for recovery of emergency related funds relies on very good record keeping during the emergency
- General care and support of your organization and staff

Fiscal Implications for Your Agency



Fiscal Implications

Costs – see previous slide

- Good records are essential to track health emergency costs

Revenues

- (It now appears that)
There could be significant revenue impacts

Revenue Impacts

“In the \$87 trillion global economy, one person’s spending is another’s income. That simple idea explains the threat posed by the pandemic...”

Source: New York Times, March 17, 2020

This sentiment essentially summarizes the potential impacts on commerce and, as a result, on many local government revenues

The article goes on to say, “what happens when major portions of our economy shutdown for an undetermined amount of time? We are about to find out.”

Revenue Impacts Vary by Type

- Property tax – relatively stable. Consider:
 - Based on prior revenues, not tax base or levy rate
 - Forecast on additions to tax base
 - Exposure to commercial property (could shift burden)
- Real Estate Excise Tax (REET)
 - Lower consumer confidence could dampen building industry

Sales Tax

- Certain industries could see significant impacts
 - Retail trade, travel, tourism, restaurants / bars
 - Layoffs are beginning in these industries
 - Lower consumer confidence could impact other retail trade
- Impacts likely to begin occurring now
 - Very unclear as to how long they might last
 - Some are suggesting the economy will be changed

Revenue Impacts

- Business & occupation taxes
 - Including utility taxes
- Lodging taxes
- Admissions taxes
- Gambling taxes
- State Shared Revenues
 - Liquor distributions
 - Motor vehicle excise taxes

Revenue Impacts

- Franchise fees
- Various other fees
 - Recreation fees
 - Development / building permits
 - Others
- Investment earnings (especially if you use your reserves)

Fiscal First Aid

The background of the slide is a blue-tinted image. It features a stethoscope in the upper right quadrant and a black pen with a silver tip in the lower right quadrant. Both are resting on a surface with a light-colored grid pattern, possibly graph paper. The overall aesthetic is professional and clinical.

12 Stage Financial Recovery Process

Financial Resiliency

1 Recognition

- Rapid determination of the problem
- Consider deeper questions (structural v. cyclical, etc.)
- Enlist the aid of others

12 Stage Financial Recovery Process

Financial Resiliency

2 Mobilize

- Build a recovery team
- Develop other teams (cross functional)
- Analyze stakeholders (identify and diagnose stakeholders)

12 Stage Financial Recovery Process

Financial Resiliency

3

Generic Treatments

(immediate stabilization until situation becomes clearer)

- Use of stabilization reserves
- Hiring freezes
- Deferring projects

12 Stage Financial Recovery Process

Financial Resiliency

4 Initial Diagnosis

- Look for recovery leverage
- Engage others in the diagnosis
- Forecasting – it is essential
(and also very difficult in this circumstance)

12 Stage Financial Recovery Process

Financial Resiliency

5 Fiscal First Aid

- Primary treatments
- Treatments to use with caution
- Treatments to use with **extreme caution**

12 Stage Financial Recovery Process

Financial Resiliency

6 Detailed Diagnosis

- Internal vs. External
- Economic / Technical vs. Political

12 Stage Financial Recovery Process

Financial Resiliency

7 Recovery Plan

- Balanced portfolio of strategies
- Comprehensive yet precise
- Communicate effectively
- Use a team approach
- Consider citizen engagement carefully

12 Stage Financial Recovery Process

Financial Resiliency

8 Long-term Treatments (look familiar?)

- Internal vs. External
- Economic / Technical vs. Political

12 Stage Financial Recovery Process

Financial Resiliency

9 Long Term Financial Planning

- What is a long-term plan?
- Why is it important?

12 Stage Financial Recovery Process

Financial Resiliency

10 Recovery Leadership

- Who is the leader? Leadership behaviors
- Credibility – Elected officials
- Communication – Leadership tasks

12 Stage Financial Recovery Process

Financial Resiliency

11 Manage the Recovery Process

- Crisis management
- Develop and implement the plan

12 Stage Financial Recovery Process

Financial Resiliency

12 Outcome of Recovery

- Financial resiliency
- Financial sustainability
- Avoid relapse

Economic Development Impacts

A Newton's cradle with five blue spheres is visible in the background. The spheres are arranged in a horizontal line, and the one on the far right is in motion, having just struck the others or about to. The background is a solid blue color.

Some Local Governments Engage in Economic Development

- Many small businesses have closed or are severely restricted in their operations
- We understand assistance is being developed
 - We are unsure of the form it might take
- Displaced employees are being directed to Employment Security (which has a special webpage on Coronavirus)

Conclusion

Local government is a “team sport”

- We have different roles
- We support each other (especially in times of crisis)
- This is a unique time in history

It's “all hands on deck”

- Communication among the team members is key

Resources

- **MRSC** (mrsc.org) – webpages & trainings
 - Coronavirus (COVID-19) Resources for Local Governments
 - Finance web pages – mrsc.org/finance
 - AskMRSC – Call / email with questions
- **GFOA** (gfoa.org)
 - GFOA Resource Center for Coronavirus Response
 - Best practice series
- **WA State Auditor's Office** (sao.wa.gov)
 - The Center – center@sao.wa.gov
 - SAO Helpdesk
- **AWC** (wacities.org) – Coronavirus (COVID-19) resources available

Questions?



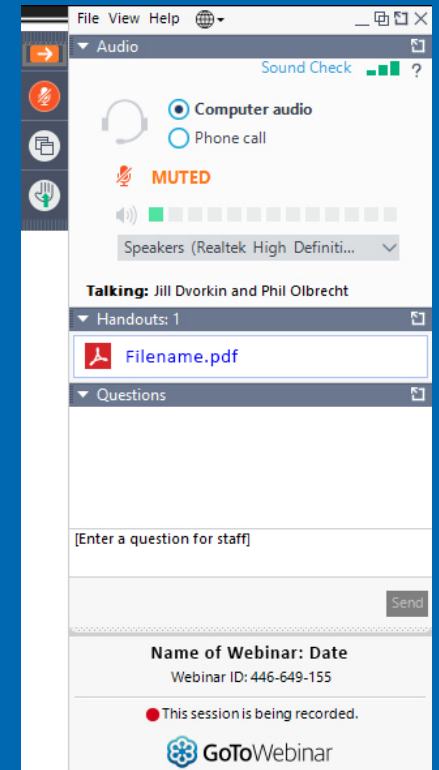
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