

*"Placerville, a unique historical past forging into a golden future."*

**City Manager's Report**  
**April 28, 2020, City Council Meeting**  
**Prepared by: Cleve Morris, City Manager**  
**Item #: 12.3**



**Subject:** Review Potential cost saving measures to address budget shortfalls and provide direction to staff.

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**Purpose:** To review and authorize the City Manager to pursue cost saving measures to address budget shortfalls due to the Covid-19 Pandemic.

**Background:** As outlined in the Mid-Year Budget Report presented by Dave Warren, the City is experiencing unprecedented revenue losses due to the Covid-19 Emergency. For the current fiscal year with only two months remaining, we project a \$1,023,495 General Fund budget deficit. This is a number that is impossible to makeup in the remaining two months of the year. In addition, our current projects show that revenues for the 20/21 Fiscal year are projected to be down an additional 1.5% creating an additional need for cost saving measures.

**Discussion:** Staff has reviewed many options to control spending until hopefully revenues recover. Current actions under consideration are as follows:

1. **Close the Aquatic Center for the 2020 Season:** This has a projected savings of \$135,796. Under the current Governor's order, the aquatic center would not be able to open. We are not sure whether or not that will even be lifted for this summer. The proposed action to not open our Aquatic Center is based on the Governors Order and on the need to cut costs. Staff is requesting approval of this item immediately.
2. **Hiring Freeze:** The City Manager has already instituted a hiring freeze. However, we are asking for Council ratification of that action effective immediately. We are asking however that the City Manager be granted discretion in this action to continue with hiring in safety sensitive area. Cost savings from this item are not known at this time and will depend on potential positions that may open up. However we do have some positions that are currently vacant that will remain vacant.
3. **Overtime:** The City Manager has instituted an order eliminating all non-safety related overtime. We will work closely with Department Heads to limit overtime. Savings from this action is being evaluated.
4. **Other Personnel Cost Containment Measures:** Direct the City Manager and the City's labor representatives to begin meeting with employee units to discuss and explore other personnel cost containment measures.
5. **Other**

Like other California cities, Placerville is very heavily personnel dependent. Our purpose is to provide service to the public. Therefore, any significant cost reductions will include personnel. The City has done a great job over the past 10 years to spend conservatively. As such, we have built up an approximate 16.94% General Fund Reserve. This is done to provide security during emergencies such as what we are now facing. As stated earlier, we cannot cut enough costs to balance the current year budget. Therefore the use of reserves will be necessary. As such, it is our recommendation that our reserve not be brought below 10%. Cost savings should be adopted that achieve that goal. Based on staff analysis, we anticipate necessary costs savings to be between 10% and 15%. Based on our current year projected budget of \$9.6 million the recommended cost cuts would be between \$960,000 and \$1.44 million.

**Options:**

1. Approve Closing of Aquatic Center, Hiring Freeze and Elimination of all non-safety related overtime. Authorize the City Manager and the City's labor representatives to begin discussions with employee units about potential personnel cost containment measures.
2. Direct staff to proceed with other cost saving measures.
3. Other

**Cost:** As stated above cost savings will be realized through closing the Aquatic Center for the 2020 season, implementing a hiring freeze and controlling non-health and safety overtime. Additional measures will be brought back to Council at our next meeting.

**Budget Impact:** Actions taken tonight will affect the budget as noted above. Future recommendations will be brought back that will affect the budget.

**Recommendation:** Review Potential cost saving measures to address budget shortfalls and provide direction to staff.



M. Cleve Morris, City Manager