

CITY OF NEW RICHMOND

**Financial State of the City  
&  
Sustainability Plan**



***NR Strong Together***  
**Efficient | Inclusive | Transparent**

June 8, 2020

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### Our Mission

The City of New Richmond's primary mission is to provide its citizens with reliable, efficient and economic public services.

### Our Communication Principles

- We serve our community.
- We show respect to everyone.
- We are open to feedback and new ideas.
- We embrace transparency.
- We listen and empathize with others.
- We are responsive to citizen's needs.

# **FINANCIAL STATE OF THE CITY**

## **Introduction**

The City of New Richmond began preparing reorganization, mobilization, and response efforts related to COVID-19 in early March, 2020. Although the pandemic's full social and financial impact was (and remains) unknown, City Council and staff moved quickly to ensure financial sustainability and community health to the fullest extent possible. Collaborative efforts like NR Strong, CERT, realignment of City services, enhanced financial controls, and expanded communications programs (highlighted below) have allowed the City to remain proactive and responsive to community needs during these uncertain times. On March 23, 2020, the City Council directed staff to reduce expenditures while continuing to provide core services and community support, a balanced approach designed to:

- ✓ Bridge anticipated revenue shortfalls.
- ✓ Safeguard financial reserves.
- ✓ Continue delivering essential services.
- ✓ Provide business and community support in these unprecedented times.
- ✓ Maintain financial capacity to take advantage of the eventual economic recovery.

The first part of this report outlines actions taken to reduce expenditures, cost containment results to date, analysis of the City's current revenue position, and a brief history of the last 75 days. The second half looks forward, summarizing current financial trends and outlining a financial sustainability plan for City Council consideration.

## **Cost Containment Summary**

Beginning March 23, 2020, the City took the following actions to reduce expenditures and safeguard reserves, while maintaining focus on the delivery of essential services:

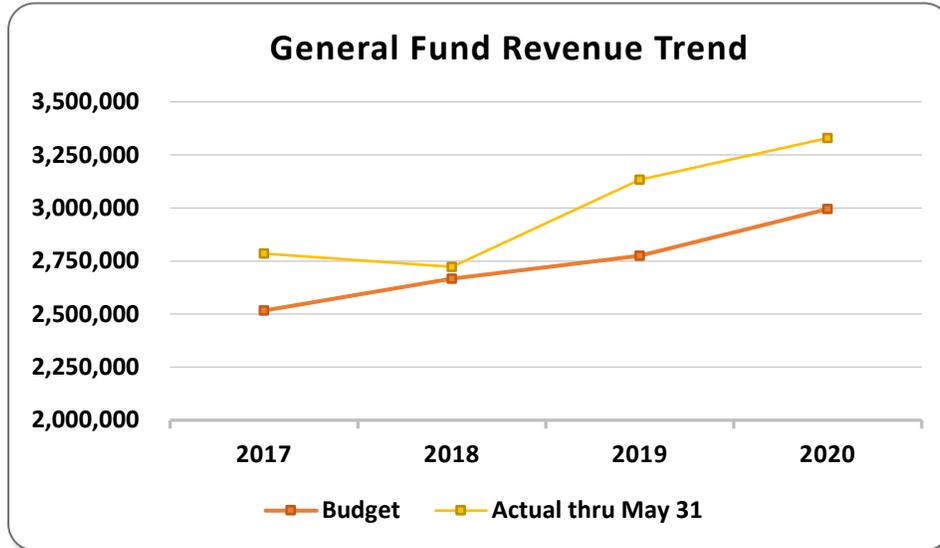
Immediate reductions in operating, capital, and non-essential expenditures:

- ✓ \$971,000 in expenditure reductions organization-wide through April 30.
- ✓ Capital projects reduced by \$657,000.
- ✓ Operating budgets reduced by 25%.
- ✓ Hiring freezes for intern, seasonal, and Library Director positions.
- ✓ Cancellation or postponement of non-essential contracts.
- ✓ Training, wellness, and staff development budgets suspended.
- ✓ Review and tracking process introduced for all purchases over \$100.
- ✓ Tracking of all COVID-related purchases for potential future reimbursement.

## General Fund Overview to Date

### Revenues

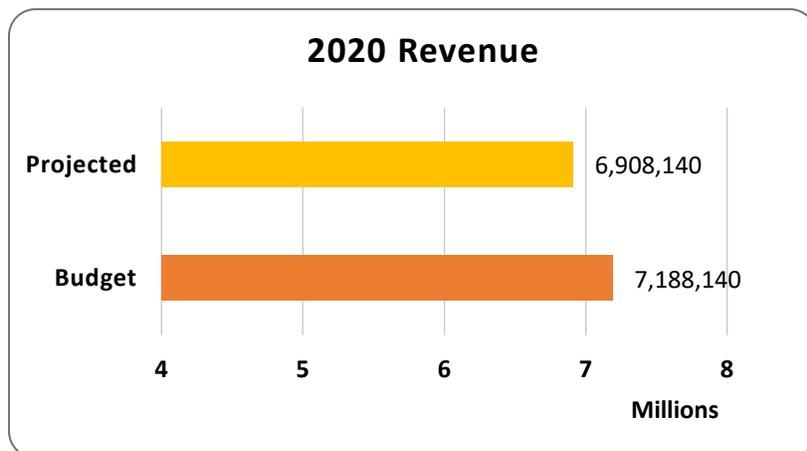
Revenues through May 31 total \$3,329,247, or 46.3% of adopted revenues, which is similar to prior years. In absolute terms, year-to-date revenues are 6.3% (\$196K) greater than same period 2019 revenues and 22.3% (\$607K) greater than 2018.



### Revenue Projections

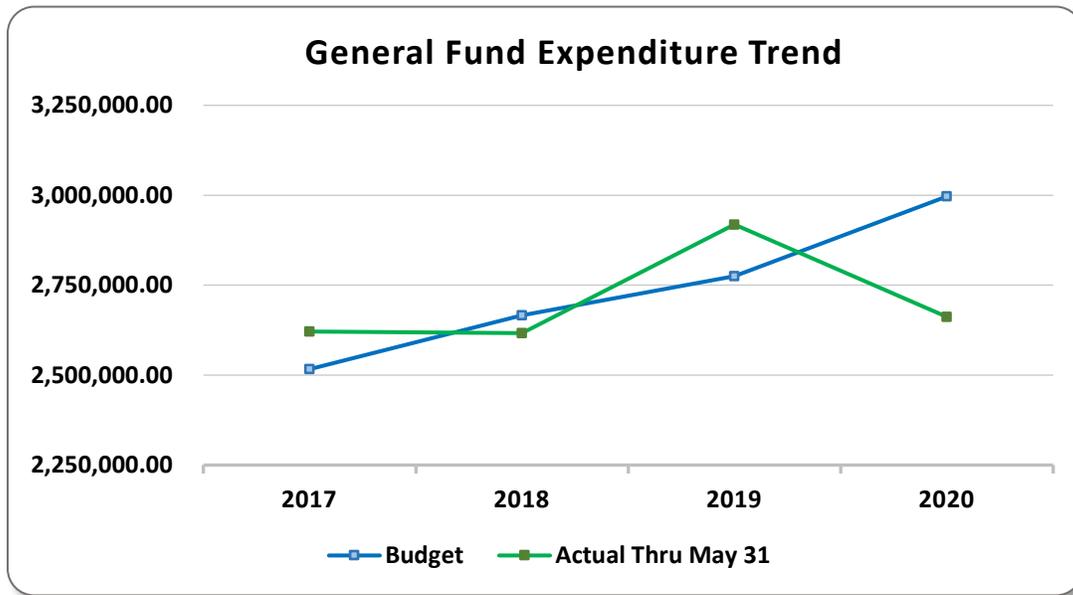
Early projections had anticipated a \$450,000 decrease in revenues due to the COVID-19 pandemic, but current trends and additional information since late March suggests that revenues will end approximately \$255,000 to \$280,000 short of the budgeted amount. Note that these projections remain fluid, and could change depending on future circumstances. The two largest funding sources, property taxes and shared state revenue, are *not* anticipated to experience significant shortfalls. The following areas are expected to end short of budget:

- Building Permits (\$150,000)
- Room Tax (\$55,000)
- Clerk, Fines, and Other Fees (\$50,000 - \$75,000)

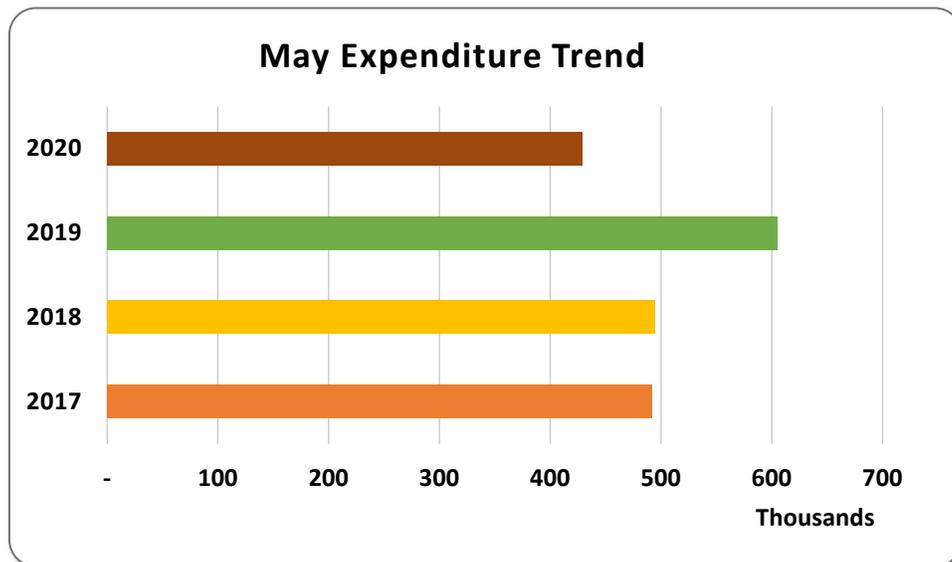


## Expenditures

Expenditures through May 31 total \$2,660,018, approximately 9% less than same period 2019 expenditures of \$2,918,776. Year-to-date expenditures represent 37% of the annual budget, compared to 2019 expenditures that were 43.8% of budget through May.



Cost reductions are more pronounced when looking at May-only expenditures. May 2020 expenditures of \$401,592 were approximately 40% less than May 2019 expenditures of \$675,357, and 19% less than May 2018 expenditures of \$494,758.

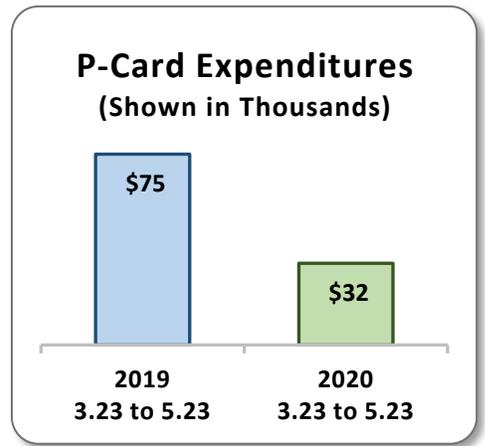
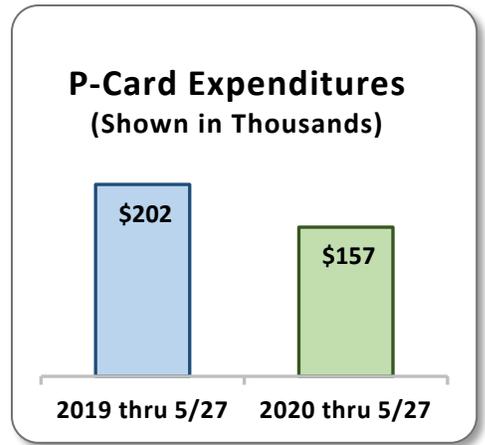


Comparing year-on-year purchase card (P-card) activity shows the effect of cost control measures on routine and day-to-day purchasing, generally items less than \$3,000. Common P-card transactions include cleaning supplies, fuel, replacement parts, testing chemicals, and office supplies.

The chart at top right compares 2019 to 2020 P-card expenditures for the period from January 1 to May 27. So far this year, the City has reduced P-card expenditures by 22.3% compared to prior year. The chart at bottom right compares 2019 to 2020 P-Card expenditures for the period from March 23 (when expenditure controls began) to May 23 to better display the effect of cost controls and budget reductions. Comparing this time period, P-card expenditures were reduced by 57.2%.

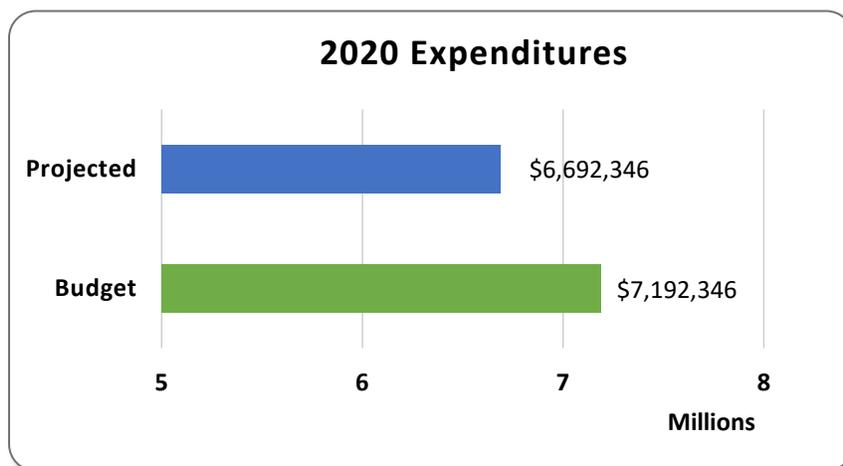
Operating budget reductions will have a more pronounced effect over time as several identified cost reductions would have been incurred during the summer months, and essential annual services such as annual heating/cooling system maintenance and sprinkler system testing are performed in the spring months.

COVID-19 expenses through May 31 total \$137,507. Approximately 94.2% (\$129,494) of expenses were wage related, while 5.8% (\$8,013) was for supplies. To date the City has been awarded two grants under the federal CARES act. In late April, the airport was awarded an operations grant from the Federal Aviation Administration for \$30,000, while the City was awarded a local government aid grant for \$151,000 to help offset COVID-19 related expenses.



**Expenditure Projections**

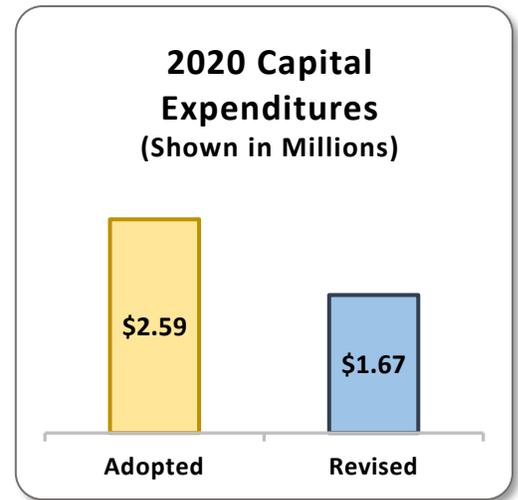
To date, expenditure reduction strategies have significantly offset potential revenue shortfalls while preserving the City’s fund reserves. Continuation of cost containment strategies through the end of this year are projected to reduce expenditures by \$500,000 from \$7.2M to \$6.7M.



## Capital Projects

The 2020 Capital Plan provided for \$2.59M in capital project improvements. However, in response to the pandemic these projects were evaluated and revised to \$1.67M, a reduction of \$917,814 or 35%. The following projects were postponed or cancelled:

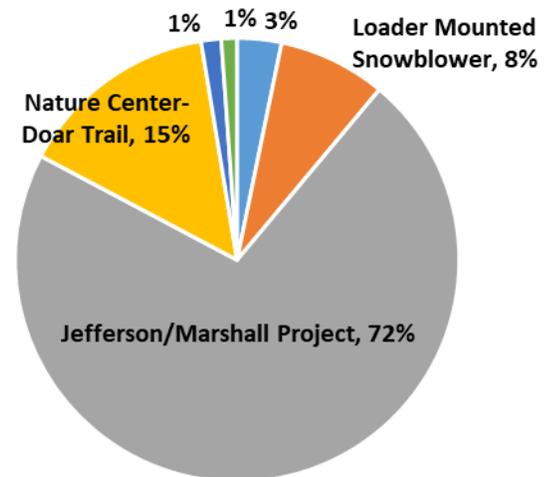
- X PD vehicle replacements – \$70K
- X Facility improvements - \$133K
- X FD equipment replacements – \$32K
- X Street and Parks Department vehicle and equipment replacements/purchase – \$105K
- X Housing study and ordinance updates – \$55K
- X Park improvements – \$130K
- X Municipal management software - \$350K
- X General vehicle replacements – \$41K



Capital projects authorized to move forward include:

- ✓ Jefferson/Marshall street and utilities reconstruction – \$1,187M
- ✓ Replacement of loader-mounted snow blower – \$130K
- ✓ Fire Department SCBA replacements – \$53K
- ✓ Nature Center to Doar Prairie Trail – \$243K
- ✓ CTH A Trail Project Phase II (Design) – \$24K
- ✓ Badger Books – \$19K

Projected expenditures for the Nature Center to Doar Prairie Trail and the CTH A Trail Project represent the City’s portion of costs. State/federal grant funding covers 50% of total costs for the Nature Center to Doar Prairie Trail, and 80% of total costs for the CTH A Trail.

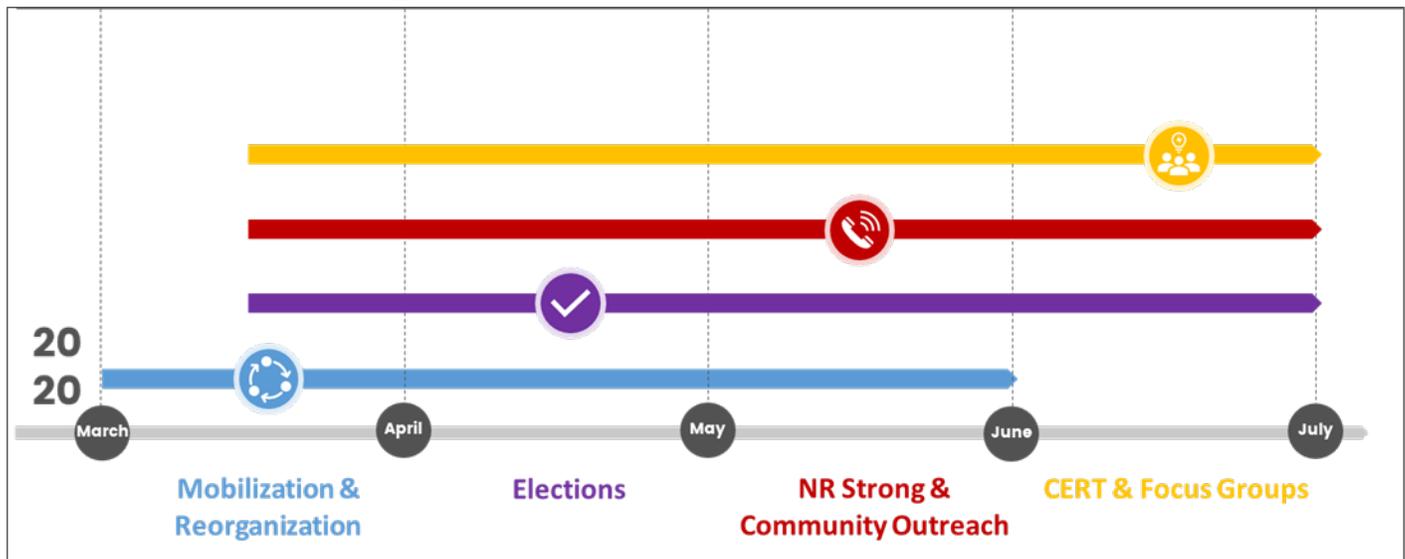


## Summary Outlook

So far, the City is successfully weathering the storm. Revenues have remained at normal levels, while we are beginning to see the effects of cost-control measures initiated in late March. It is important to note that capital project reductions such as vehicle replacements (\$171K) and municipal management software implementation (\$350K) will not have an immediate impact on the City’s expenditure position, but will give the organization more financial breathing room in 2021.

# THE LAST 75 DAYS

## Mobilization and Reorganization



Timeline representing the City of New Richmond's response to the COVID-19 pandemic.

In response to the COVID-19 pandemic, the City of New Richmond initiated a comprehensive mobilization and reorganization plan to provide essential services to residents while ensuring the health, safety, and general welfare of the community. These plans required collaboration, outreach, and financial sustainability during the onset of the pandemic and beyond. Government services were streamlined into four pillars of operations:

- Emergency Management
- Administration, Finance, and Human Resources
- Public Facilities and Management
- Community Outreach

Mobilization included innovative responses to the “new normal” created by the pandemic, including how the City holds elections. On April 7 and May 12, staff created a drive-up polling site at the Civic Center to accommodate safe and efficient voting. Due to a poll worker shortage across the state, both elections were staffed by City of New Richmond employees. The next election is scheduled for Tuesday, August 11, 2020.

## NR Strong & Community Outreach

Almost immediately after the Safer at Home order was announced, the City initiated several community-centered outreach and support initiatives that are collectively known as **NR Strong**. Highlights include:

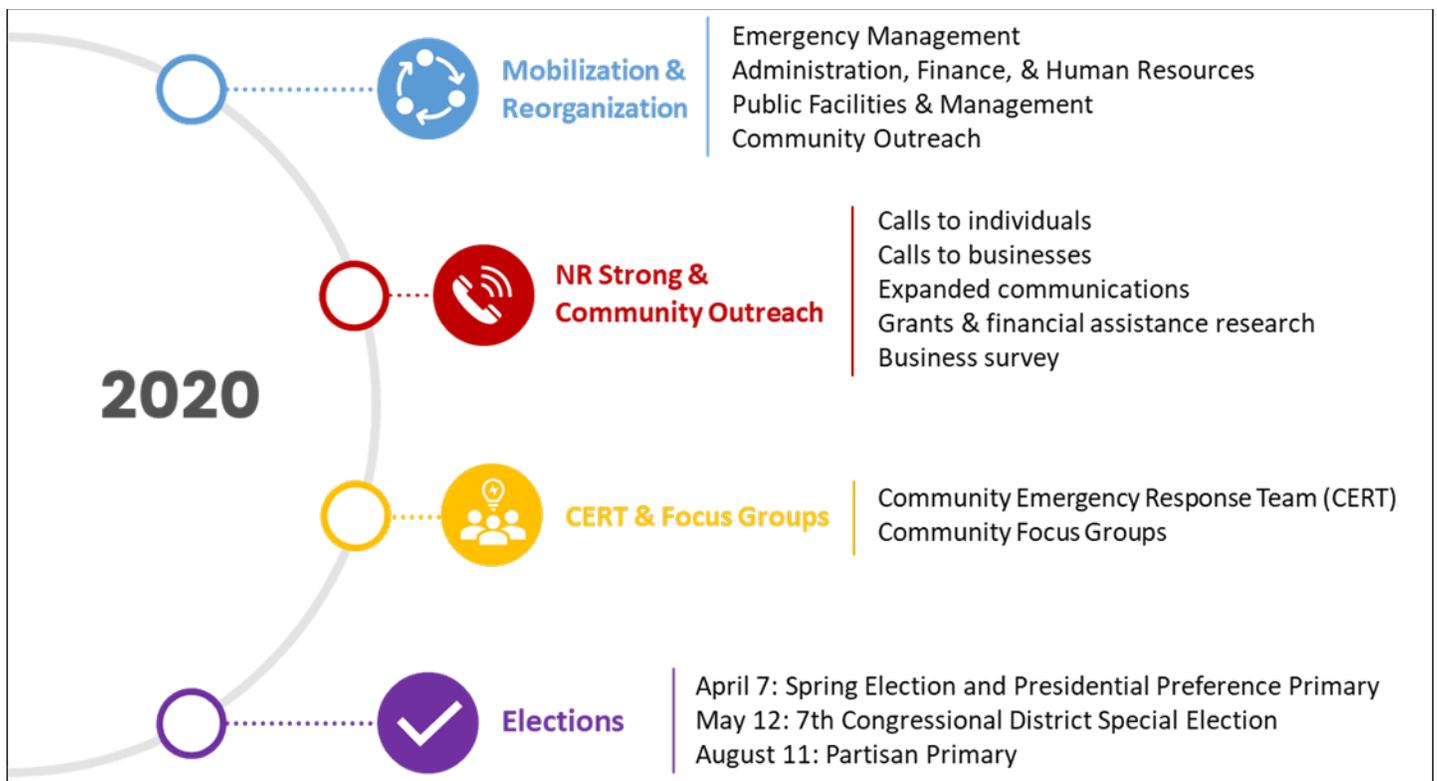
- Weekly phone calls to isolated individuals who may need social connection and support.
- Dedicated phone line and email address for citizens, businesses, and organizations to inquire about support services and share concerns.

- COVID-19 Information section on the City’s website that provides a wide array of resources for businesses and residents.
- Phone calls with local businesses and organizations to listen to concerns and needs.
- Grant and other financial assistance research that is shared with the community through the City’s website and emails to local businesses, organizations, and City departments.
- Increased social media content to communicate updates, reminders of upcoming events or deadlines, and changes in City services or policies. Posts also highlight the work and accomplishments of local students, citizens, businesses, organizations, and City departments.

## CERT & Focus Groups

The Community Emergency Response Team (CERT) was formed to encourage dialogue among representatives of the City of New Richmond, New Richmond School District, and Westfields Hospital. These representatives met weekly to discuss current available information and to create guidelines that focused on the health, safety, and general welfare of the community.

Later during the extended Safer at Home order, a community focus group was initiated to include local business owners or managers, lawyers, medical professionals, faith leaders, high school students, citizens, mayor and aldermen, and City employees. This focus group was designed to be a cross-section of the community, including 29 community participants and 8 City staff, who engaged in meaningful dialogue and provided recommendations for the City Council to consider.



## **FINANCIAL SUSTAINABILITY PLAN**

The financial action taken by the City Council to date has provided for immediate cost reductions to mitigate potential revenue shortfalls. Further, these reductions are projected to fully offset 2020 revenue losses associated with COVID-19. However, as we continue to navigate the fluid circumstances and unknowns of this pandemic, it is financially prudent to continuously evaluate expenditures and focus on essential services.

Therefore, we recommend the following actions remain in place through the end of 2020:

- ✓ Hiring freeze of interns, seasonal, Library Director and positions that become vacant during the year.
- ✓ Training, wellness, and staff development budgets suspended.
- ✓ Operating budgets reduced by 25%.
- ✓ Purchases over \$100 require prior approval.

Continuing these measures provides the following:

- ✓ Preservation of City reserves.
- ✓ Projected surplus of \$200,000 to assist with 2021 budget reduction initiative.
- ✓ Provide necessary resources should a resurgence occur in the future.

It is further recommended that employees not forgo the 27<sup>th</sup> pay period as previously discussed in March given cost reductions to date and projected cost reductions.

## **2021 BUDGET APPROACH AND PROCESS**

The City recognizes the economic impact that the COVID-19 pandemic has had locally, regionally, nationally and globally. While the full magnitude of the pandemic may not be known for some time, we do know that the economic impacts to our local business community and residents are great. As we begin the 2021 budget process, it is important to understand the needs of businesses, residents and stakeholders in this new and dynamic environment. It is important for us to gather feedback related to service level expectations and hone in on innovative ways to accomplish the needs of our community during these difficult times.

While there are still many unknowns, we do know that we are stronger together through collaboration. Therefore, as we begin the 2021 budget process, input from our community is essential as we develop the budget. We will focus our 2021 budget approach on the following key initiatives:

- ✓ Collaborative, transparent budgeting process
- ✓ Gather feedback from our community to ensure proper alignment of financial resources
- ✓ Reduce expenditures by 10-20%