

**MOAB CITY COUNCIL MINUTES
SPECIAL CITY COUNCIL MEETING
April 1, 2020**

Special Meeting & Attendance: The Moab City Council held a Special City Council Meeting on April 1, 2020. Per Executive Order 2020-5 issued by Governor Gary R. Herbert on March 18, 2020, this meeting was conducted electronically. An anchor location was not provided. A recording of the meeting is archived at www.utah.gov/pmn/index.html. A video recording is archived at: <https://www.youtube.com/watch?v=GNpKECaReCg>.

Mayor Emily Niehaus called the meeting to order at 3:03 PM. Participating remotely were Councilmembers Rani Derasary, Karen Guzman-Newton, Tawny Knuteson-Boyd, Mike Duncan and Kalen Jones. Staff participating remotely were City Manager Joel Linares, Assistant City Manager Carly Castle, City Attorney Laurie Simonson, Finance Director Rachel Stenta, and City Recorder Sommar Johnson.

Presentation of Proposed Fiscal Year End 2021 Budget

Finance Director Stenta presented the proposed Fiscal Year End 2021 Budget. She explained that our City Code requires that a proposed budget be presented to the City Council no later than April 1 by the Budget Officer and it also requires that the budget be balanced. She was happy to say that we have a balanced budget. She explained that in previous years the budget was emailed out to the Council on April 1 and then budget workshops are scheduled to go through the details of budget revenue, budget expenditures, and the department's various requests. She explained that the presentation will be a very high-level overview and that she shared a Google shared drive containing the entire tentative budget with highlights for Council's review. She hoped that as we near the end of the proposed budget conversation today that Council can have some discussion amongst themselves of what they would like the budget process to look like. She explained that in previous years Council scheduled one budget workshop per week to get through all the departmental information, but the second half of this presentation is going to be a COVID-19 financial presentation to talk about how this budget might change next year. She stated the information presented later might drive the conversation as to how much time and energy Council would like to put into the front end of the budget process knowing that it will most likely change after July 1.

She began her presentation by showing the Council the shared Google drive that contains all the documents pertaining to this budget process. She explained that her format was the same as last year with a two-page summary hitting the top highlights of the budget. She stated that this budget was put together prior to COVID-19 and we had the task of cutting \$1.2 million from operations in the general fund to make sure we had a break-even budget. She said that we successfully did and thanked the entire team for making the \$1.2 million cuts to get the budget balanced. She explained that at the point we were dealing with the \$1.2 million in cuts we thought that was the worst-case scenario but that was prior to COVID-19. She stated that the \$1.2 million in cuts actually turned out to be the best-case scenario.

Finance Director Stenta continued the presentation explaining where operational money comes from including sales-based taxes, property tax, utility fees, and recreational user fees as well as where the money goes including public safety, public works, parks and recreation, community services, general government, and personnel salaries and benefits. She also explained that infrastructure is looking very slim next year with only one major project, the Walnut Lane project, included in next year's budget. She explained that the parameter for the Walnut Lane

project is that it must pay for itself, so we anticipate funding it through a combination of loans, grants, and private donations. She stated the goal for the project is that it supports itself for maintenance and operations in the long term so that no sales tax funding is going towards that project. She stated the only additional capital project scheduled is the second half of the payment to UDOT of \$1 million for storm water mitigation in the Stewart Canyon area that is part of the Highway 191 widening project currently underway. She stated the first \$1 million payment was made from this fiscal year and the second \$1 million payment she believes is due in September. She explained that the bottom line was good news prior to COVID-19 because operations is balanced to zero and the general budgeted revenue covers expenses and is budgeted to contribute to reserves in the amount of \$175,028. She stated over the last three years we have taken money out of reserves to fund operations. She also said that Class C is budgeted to contribute over \$230,000 to their reserves and the recreation fund had a small amount to reserves which was a big victory for recreation. She said they worked very hard and are budgeted to contribute \$14,253 to their reserves.

Mayor Niehaus asked if the document was internal or if it would be posted on our website. Finance Director Stenta said right now it is internal but will be posted on our website because the tentative budget is expected to be adopted by City Council on April 14, 2020. She said for the purpose of this meeting it was placed in a Google shared drive, but it will be available to the public after this meeting.

Finance Director Stenta presented the tentative budget to the Council and explained that the total change in position is zero which means revenue balances with expenditures. She further explained that enterprise funds are not required to balance to zero because they are run as a business. She said they are either operating at an increase to reserves or a decrease to reserves and the amount that the fund generates carries over into their capital needs for the year.

Councilmember Jones asked what the sales tax was based on. He wondered if it was a percentage increase to a prior year or if it was flat. Finance Director Stenta stated it was flat, a zero percent increase over the previous year.

Covid-19 Financial Plan

Finance Director Stenta began her Covid-19 presentation. Councilmember Derasary asked if the presentation was currently in a shared drive or if she could receive a copy after the presentation. Finance Director Stenta said she would provide a copy after the meeting.

Finance Director Stenta said she attended a meeting through the Government Finance Officers Association, and they put together a webinar on financial planning during a crisis. She said they offered a lot of valuable information on how to try and plan for the unknown, which is difficult, but she thinks we have some good tools that we can use moving forward. She also stated that the Utah League of Cities and Towns put together a finance committee made up of financial representatives from cities across the state of Utah to examine the impacts that COVID-19 is having on local municipalities. She wanted to share the information that she learned and what she put together in response to COVID-19.

She explained that we put together this year's budget thinking \$1.2 million was a lot to cut with a lot of sacrifices and once we got to the end of it, COVID-19 took over and completely rearranged everything that we thought we knew about the economy and our finances. She hoped this tool would help Council as the decision makers and city administration be able to make the best financial decisions during these uncertain economic times. She explained that we do not know

how long social distancing will be in effect or how long our tourism industry will be shut down, which is our main source of revenue, so we need to plan for a recession. She continued her presentation providing an economic history for the city as well as potential ranges for revenue shortfalls and strategies to employ based on standard accounting practices of how to deal with recessions and financial crises.

She explained that there is a six-month lag on our sales-based tax collections, so we are expecting our revenues for May and June to be much lower than budgeted. She said we have spending freezes in place and other cost savings measures to try and offset for the current fiscal year that we are in because it will be affecting the last two months of revenue. She explained that her presentation is focused on next fiscal year because depending on how long COVID-19 lasts, how long the safety measures last, and how long it takes our economy to recover, the recession could affect the entire budget year. She stated that she put together a range of revenue shortfalls from 2% to 22% and the associated loss of revenue with those percentages. She stated some financial strategies to employ as an organization would be to reduce materials or contractor costs, reduce capital spending, review discretionary spending, and reduce personnel costs. She also suggested exploring new revenue sources including implementing new or revised fees, diversifying revenue streams, and refinancing existing debt.

Finance Director Stenta presented a four-tiered plan for dealing with revenue shortfalls based on different categories of costs and expenditures. She said that the categories of costs and expenditures are color-coded to reflect the percentage ranges of revenue shortfalls.

Councilmember Guzman-Newton asked about the sales tax numbers from March and April presented at the last Council meeting. Finance Director Stenta clarified that approximately \$1.5 million is the total revenue at risk but that is not the predicted shortfall. She explained that the amount presented at the previous Council meeting was the amount of revenue collected in 2018 on all sales tax combined. She stated the \$850 thousand is the total sales-based tax collection for that given month on all sales in the city, not just lodging. Councilmember Guzman-Newton asked if it was safe to think that we are looking at close to \$600 thousand a month in revenue loss. City Manager Linares confirmed that it is half of March and probably all of April. He explained that the \$800 thousand was all sales so her guess of \$600 thousand for April maybe be a good guess. Finance Director Stenta explained that we are working on costs-saving measures to offset the revenue that we potentially won't be receiving this year. She stated the plan we are looking at for next year is revenue shortfalls from July 1st forward.

Councilmember Guzman-Newton asked if March, April, and May were potentially half or a third of our budget for the year. Finance Director Stenta explained that our total sales-based taxes are \$9.5 million for the entire year. She stated May and June that were looked at during the last council meeting which represent March and April was right around \$850 thousand. City Manager Linares said it would be about 16%.

Councilmember Duncan asked if the fiscal year beginning in July includes sales taxes that were made up until the point two months earlier. He asked if they were budgeted at the time in which they are incurred or the time at which they are collected. Finance Director Stenta clarified that it is that time at which we receive them. She explained that the sales-based tax that we realize in July represents sales that took place in Moab in the month of May. She explained that this is a plan to help mitigate what potentially could happen to our revenue next year. Councilmember Duncan asked if the loss of sales tax revenue in the last half of March and potentially April would impact the 2019 budget amount, not the 2020 budget. Finance Director Stenta stated he was correct. She said the cost-saving measures that we currently have in place probably won't

completely offset the revenue loss for this year and we may have to make up some of the cost difference out of reserves at the end of this year. City Manager Linares explained that what we may lose in May and June we feel we have taken steps right up front to try and offset that to get us through this fiscal year. He said those steps include the spending freeze that has been in place for over a month as well as the hiring freeze that has been in place since January. He explained that we are already doing things in an attempt to save money to get to June 30 and then we will see where we are after July 1. Councilmember Duncan asked if the various cost-saving reduction measures will still allow us to be able to balance the fiscal year ending 2019 budget. City Manager Linares confirmed that to be the case.

Mayor Niehaus stated that hotel parking lots are empty, there is no dining in, and stores are closing. She said that it is not a possibility of loss of revenue, it is an absolute plannable loss of revenue for us and the businesses in Moab. She said we can absolutely plan for a loss of significant revenue. She said it was important to hear about the expense savings that we are doing now.

City Manager Linares explained that we speak in terms of June 30 to July 1 because legally we are obligated to keep those two things separate and we have to close one budget to open another. He said it is not that we are thinking of this as two separate time frames in our operations, but we are thinking of it in two separate time frames to stay within our legal guidelines. He said everything we are doing is to get us to June 30 to close out the budget and then keep that going into July. He believes we will see the economic ramifications of COVID-19 in July, August and September and explained that between the layoffs and furloughs, the salary surveys, and the spending freeze, we have taken steps to prepare for the impacts.

Councilmember Duncan stated that he read that federal legislation that was recently passed included \$150 billion to be allocated to state and local governments. He asked if there is any chance that some of that will filter down to us.

Finance Director Stenta stated that the portion coming to Utah is \$1.5 billion but how that will be distributed remains to be seen. City Manager Linares explained that we are already participating in the FEMA program and we submit information to them every Friday on what our wages and losses have been. He stated we can recoup some but not all of those costs, but we are submitting everything that we can. He said that it can be a long time frame before we see that money.

Finance Director Stenta presented an overview of the March tax collection amounts. She explained that the information represents sales from January. She said we receive sales tax distributions by the 25th of the month but it was a little late which made her nervous. She reached out to Roger Tew with Utah League of Cities and Towns, formerly with the State Tax Commission, to express concerns about the possibility of the state postponing the filing requirements for sales tax and if those distributions would be delayed and he told her that there was no intention of delaying those filings. She felt reassured after talking to Roger that sales tax would not be delayed.

Councilmember Derasary asked for a reminder of the key meetings and dates the Council tries to hit for the normal budgeting process. Finance Director Stenta presented a schedule of dates for the budget process. City Manager Linares stated that we are on our normal pace for the budget. He explained that we are required by City Code to present the tentative budget by April 1 and required by State code to adopt the tentative budget by the first meeting in May. Finance Director Stenta explained that we have to adopt the final budget by the second meeting in June

so the proposed budget schedule can be adjusted but our target was to adopt it by the end of May. She explained that after City Council receives a copy of the tentative budget then budget workshops are scheduled between the City Manager, Budget Officer, staff, and Council to work through the details of the budget. She stated that with potential significant changes to next year's budget she was unsure of how much time the Council wanted to front-load going into the budget knowing that things will change. She explained that once the tentative budget is adopted it goes to public hearing. She said generally any changes Council would like to make based on priorities are done prior to the tentative budget adoption so the document going to public hearing reflects what is potentially going to be adopted. She stated that we have already cut \$1.2 million and we are probably looking at more severe cuts but if Council would like to make changes based on priorities then we would be in the position to cut from other departments to accommodate those priorities. She explained that financially we cannot bring in more resources. She said Council should be very well informed of what the budget represents, what has been cut already, and what services are contemplated. She stated that the tentative budget adoption could be pushed forward a meeting to allow more time for Council review depending on the number of workshops and engagement level they would like. She also said that at the time the budget goes to public hearing there is also a public hearing for the master fee schedule and the salaries ordinance. She said the final three pieces that get approved are the salaries, master fee schedule, and final budget. She said it is possible in May or June of this year that we may need a budget opening to address the issues that were discussed or reflect any shortfalls and how that will affect our balanced budget.

Councilmember Derasary questioned whether it makes sense to go with the budget as presented knowing that we are going to fall short and not knowing where we will fall on the 4% to 22% chart of potential losses. Finance Director Stenta suggested that they move forward with the budget as presented and then use the information she showed in the financial plan as an underlying budget amendment because we have balanced the budget based on the information we have. She stated if we go in preemptively and make cuts without knowing what the revenue shortfall will be it will be problematic for a couple of different reasons. City Manager Linares said we realize there is a problem ahead, but we have to treat this budget process the same as any other budget process because it is required by state law to pass a budget that is balanced. He said every year we pass a budget there may be unforeseen things and that is the purpose of budget amendments. He stated we know there will be shortfalls in areas, and we will address them in budget openings the same way we have done in the past. Councilmember Derasary wanted to confirm her understanding that the recommendation is to go with the 22 page budget in Google Drive and as time goes on and we can tell from the numbers if it is time to implement one of the tiered cost-savings recommendations. She said she is trying to mentally prepare for how the process works. City Manager Linares confirmed her understanding of the process and explained that we constantly monitor our budget and tax distributions to make sure they are in line with each other.

Mayor Niehaus stated that we are aware that we will have a revenue shortfall and that measures are being taken to reduce expenses and asked if we were going to proceed with approving a budget that does not reflect the expense reductions that are in place. City Manager Linares explained that we are required by law to approve a budget that is balanced but we do not know all the information that Council is asking for right now in order to pass a budget that addresses those issues. He said we are obligated to meet those legal deadlines, so we have to move forward with the information we have now and adjust the budget as we receive additional information. Finance Director Stenta stated that she realizes that COVID-19 has eclipsed everything but wanted to point out that the tentative budget reflects \$1.2 million in cuts that were made in order to get operations back in the black. She explained that for the last three years we have

taken from our reserves to fund operations and if we had a healthier reserve balance for the general fund it would be easier to adjust to decreasing revenues but we do not have the luxury to pull from our reserves. City Manager Linares noted that over the past three years we have budgeted 7% increases into our budget and that was not done this year. He said there is no proposed increase in revenue in the tentative budget.

Councilmember Derasary said she understands the logic of moving forward with this tentative budget by May and approve it by June 1 and then as the April numbers come in she asked if we take the time to digest the numbers and then wondered if we would revisit the budget once we review the numbers. She wondered if there was a time period that she should expect where the budget would be revisited. City Manager Linares explained that it will truly depend on how long this goes on to determine our strategy on how to offset the loss. Finance Director Stenta added that while it looks like we are going forward with a budget that was pre-COVID-19 knowing that we have big hits coming, it does not wipe the slate clean to the things that are in place like the hiring freeze and spending freeze and just because the budget is approved does not mean the departments and employees have the approval to spend the budget amounts. She explained that it is basically the budget framework and the extreme measures are in place because we are bracing for a recession. City Manager Linares stated that staff has done a really good job in cutting the \$1.2 million from the budget so far and he feels that we have the ability to cut more if necessary.

Mayor Niehaus questioned if we were going into any of the tiers right now. City Manager Linares explained that we have already cut out overtime and implemented a spending and hiring freeze and as we move to July 1 those things will be moved to next fiscal year as well. He said we are taking some of these steps because we know we need to, and we know we already have a problem.

Councilmember Duncan asked if it would make sense to close things that are not quite “essential” city services including things like the MRAC, the MARC, and recreation programs. He wondered if it would help to suspend those services until the budget situation improves or if we even wanted to talk in those terms. City Manager Linares said it is not a question of whether we want to talk in those terms but a question of what problem we are trying to solve. He explained that if we are in tier 4 and have to save \$2.1 million then he thinks the cuts will be steeper than cutting recreation. He said he cannot give a definite answer to a problem that has not completely manifested itself.

Councilmember Derasary thanked staff for the cuts to get the budget where it is and asked about the process for spending after the budget was passed. She asked if there was an added level of spending approval that is not currently in place and also asked what resources the City has been able to offer to people that have been laid off or furloughed. City Manager Linares explained that everything being purchased right now is going through the administration office and they are approving every purchase where historically that has not been the procurement process. He explained that previously if something was budgeted and approved by Council and it is below a certain level then it could just be purchased but we have intervened in the process and said it has to be approved by administration. He said we are allowing essential purchases to continue for items that keep us functioning but if they are not necessary right now then we are not purchasing them.

City Manager Linares explained that since we are government and we are different from private industry the benefits for laid off or furloughed employees are different than for someone working in private industry. He said we are working with HR and implementing the rules that

we have to comply with based on legislation passed. He stated that they have spent numerous hours implementing the Families First Coronavirus Response Act that went into effect on April 1. He said our unemployment rules and penalties are completely different than private industry and felt it was inappropriate for him to speak to it because it is so different.

Councilmember Derasary said that at the beginning of the meeting it was requested from Council what was needed in the way of budget workshops. She said in the past they have gone through it in many different ways and wondered if the staff had envisioned doing them in any particular way this time. Finance Director Stenta stated that her last day is Friday but she is working with City Manager Linares to consult and could attend the budget workshops and answer questions but noted that her availability is limited. City Manager Linares said it is his intention to have Finance Director Stenta attend but they will need to work out the details. Finance Director Stenta said the budget workshops should be whatever helps the Council feel like they are invested and engaged in the budget because they are on the front lines with our citizenry to answer questions. City Manager Linares said that as the legislative branch the budget is their fiduciary duty and their single largest responsibility as a body. He recommended that we follow the outline put together by Finance Director Stenta and go from there.

Councilmember Derasary asked about the best process to get answers to questions that the Council may have about the budget. City Manager Linares said that staff could put together a council question worksheet in Google to have those questions directed toward staff and allow everyone to see the answers. He wanted to re-emphasize that the document must be staff oriented and not discussion or deliberation.

Mayor Niehaus said she prefers a working document for questions and answers as opposed to emails. Finance Director Stenta said she could export the tentative budget into a Google sheet that allows Councilmembers to insert comments on specific lines. Finance Director Stenta went back to Councilmember Derasary's comment about staff priorities from the retreat and explained that given the amount that had to be cut that those priorities could not be accommodated in this year's budget.

Councilmember Derasary said she needs a few days with the budget and a Google sheet where she can put down some simple questions and save the beefier questions for a workshop. Finance Director Stenta stated she would create two columns in the Google sheet showing the department request and the administrative recommendation in order for Council to see what changes were made.

Mayor Niehaus asked if we heard back from the County about the RAP tax. City Manager Linares said we have not heard back, and the deadline is April 17.

Councilmember Jones said he would like to look at the budget with a comparison to last year's budget in order to be better prepared to continue the discussion.

Councilmember Guzman-Newton asked where we were in the process of replacing the Finance Director position. City Manager Linares said the held interviews as well second interviews and they are close to a decision. He said Finance Director Stenta will continue working for us and will work with the new Finance Director.

Councilmember Knuteson-Boyd said she is comfortable with the schedule that was put out and she has more time to study but is okay with another workshop.

Adjournment: Councilmember Knuteson-Boyd moved to adjourn the meeting. Councilmember Guzman-Newton seconded the motion. The motion carried 5-0 aye. Mayor Niehaus adjourned the meeting at 4:47 PM.

APPROVED: _____
Emily S. Niehaus, Mayor

ATTEST: _____
Sommar Johnson, City Recorder