Keeping Resort Towns Afloat: Managing Revenue Shortages and Tourism Messaging During COVID-19

COVID-19 Webinar Series
May 12, 2020
Speakers & Agenda

Jim Lewis
City Manager
Pismo Beach

Chris Freeland
City Manager
Indian Wells
Two Options to Join the Discussion

1. To verbally ask a question or make a comments, use the ‘raise hands’ feature once the Q&A portion begins.
   
   Click on the icon labeled “participants” at the center of your zoom controls menu.
   
   A new window will appear on the right hand of your screen. Look for the little blue hand icon labeled “raise hand”.

2. For written questions – select the chat icon in your Zoom window. Send questions to Meghan McKelvey.
Keeping Resort Towns Afloat
Managing Revenue Shortages and Tourism During COVID-19

Presented By
Christopher Freeland
Indian Wells City Manager
In this session we will:

- Provide reflections about the revenue losses being faced by resort communities during the pandemic and strategies for dealing with these losses. Including ...
  - Financial Impacts: Cost reduction strategies and use of reserves
  - Forecasts for the summer
  - Messaging to tourists during the crisis
  - Managing tourists who are traveling regardless of Stay at Home orders
Financial Impacts of COVID-19
Financial Impacts from COVID-19

• Closure of 5 City hotels
• Cancelation of 2020 BNP Paribas Open Tennis Tournament
• Closure of Indian Wells Golf Resort (owned by the city)
• Overall loss of tourism due to Shelter-in-Place
## Financial Losses from COVID-19

### City - Revenue Impacts

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transient Occupancy Tax FY 2020</td>
<td>$ 4,100,000</td>
</tr>
<tr>
<td>Transient Occupancy Tax FY 2021</td>
<td>$ 1,200,000</td>
</tr>
<tr>
<td>Admissions Tax</td>
<td>$ 3,350,000</td>
</tr>
<tr>
<td>General Sales Tax</td>
<td>$ 480,000</td>
</tr>
<tr>
<td>Interest Income (for FY 2021 only)</td>
<td>$ 440,000</td>
</tr>
<tr>
<td>Current services charges</td>
<td>$ 90,000</td>
</tr>
<tr>
<td>State &amp; County Tax (HUTA and RMRA)</td>
<td>$ 68,000</td>
</tr>
<tr>
<td>License and Permit Fees</td>
<td>$ 50,000</td>
</tr>
<tr>
<td><strong>Total City Impact</strong></td>
<td><strong>$ 9,778,000</strong></td>
</tr>
</tbody>
</table>

### IWGR

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>IWGR Operations</td>
<td>$ 1,333,488</td>
</tr>
<tr>
<td><strong>Total City and IWGR Impact</strong></td>
<td><strong>$ 11,111,488</strong></td>
</tr>
</tbody>
</table>
How Our City Prepared

• City Council began preparing us for tough fiscal times years ago
  
  • Since 2012: Comprehensive Cash Reserve Policy
    • Save nearly $2.0 million annually
    • Nearly $40 million in total reserves
  
  • Since 2016: Improving City’s Fiscal Health
    • Medical billing program
    • Increasing the Hotel Tax rate
    • Citywide Fee Study
Moving Forward

• Cost Savings Plan and Deferrals
  • Planning for updates and re-forecasts

• City communication is essential
Cost Savings Plan

- City staff has identified the cost savings and deferral opportunities needed to maintain positive cash flow through June 30, 2021.
- Deliberately greater than current fiscal impact to serve as “financial hedge” against the unknown.
## Savings Opportunities

### Saving Reductions

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure Reductions</td>
<td>$ 871,829</td>
</tr>
<tr>
<td>IWGR Amenity fee FY 2020 savings</td>
<td>$ 600,000</td>
</tr>
<tr>
<td><strong>Total Expenditure Reductions</strong></td>
<td><strong>$ 1,471,829</strong></td>
</tr>
</tbody>
</table>

### Cash Flow Savings and one-time Revenues

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated General Fund: FY 2020 Surplus</td>
<td>$ 2,781,036</td>
</tr>
<tr>
<td>Estimated General Fund: FY 2021 Surplus</td>
<td>$ 2,780,327</td>
</tr>
<tr>
<td>Estimated IWGR: FY 2021 Surplus</td>
<td>$ 507,822</td>
</tr>
<tr>
<td>Club Drive - Sale of Property</td>
<td>$ 630,000</td>
</tr>
<tr>
<td>Transportation and Sale of backfill</td>
<td>$ 360,000</td>
</tr>
<tr>
<td><strong>Total Cash Flow Savings</strong></td>
<td><strong>$ 7,059,185</strong></td>
</tr>
</tbody>
</table>
Expenditure Deferral Opportunities

- Delay Eisenhower contribution: $2,000,000
- Reprioritize capital projects: $985,000
- Delay of Drainage Master Plan: $187,500
- Delay of Pavement conditions assessment: $103,500
- Delay Living Desert Capital Contribution: $100,000

Total Savings or Deferrals: $3,376,000

Total Savings: $11,907,014

Projected two year cashflow/ (loss): $795,526
IW Tourism Update of COVID-19
Regional Impact

• Tourism is #1 industry in the region, responsible for 1 out of every 5 jobs over 53,000 tourism employees.

• Hospitality Workforce Relief Fund – Provided $200 in immediate economic relief. Goal to raise $20,000 for impacted workers.

• California economic loss is 72B and over 600,000 tourism jobs.
Strategic Approach based on Conditions and Consumer Sentiment

**Phase 1 (March/April) - Pause**

- ‘Pause Now. Play Later.’ for consumers and “Pause Now. Meet Later.” for meeting professionals as messaging
- Resource and providing education to the community with Coronavirus Resource pages for partners and consumers.
- Connection residents with resources through campaigns such as “Stay In. Take Out.”, “Greater Together”, “Seniors First”, and “Stay in Place”
Phase 2 (May) - Inspire

- Staying connected virtually with consumers
- Oasis at Home: virtual experiences
- Safer Together Destination Pledge
- Hotel task force with strategy and guidelines for re-opening
Phase 3 (June - September) - Activate

- “Long Live SUN Days” messaging
- Consumer travel sentiment
- Region positioning
- Call to action messaging to the drive market
- Important to have clear health and safety measures in place for all visitors
- Air travel is expected to take longer to recover
Keeping Resort Towns Afloat During Covid-19

CITY OF PISMO BEACH
JAMES R. LEWIS, CITY MANAGER

MAY 12, 2020
About the City of Pismo Beach

• 88 full-time employees, approximately 60 part-time.
• Full-service City (Police, Water, Wastewater Treatment, Engineering, Planning, Recreation, CVB).
• Located in the central coast of California, equidistant to LA and SF, the beach for the central valley.
• General Fund operating budget of $26 million, $47 million for all funds.
• Roughly 65% of our GF revenue comes from tourism.
Oh No... Now What?
MANAGING FINANCES WHEN THE BOTTOM FALLS OUT...
Current Fiscal Year

FY 2020
### General Fund Projection FY 2020

<table>
<thead>
<tr>
<th></th>
<th>FY 2019 Actuals</th>
<th>FY 2020 Revised Budget</th>
<th>FY 2020 Year-End Projected Actuals</th>
<th>Variance (Actuals-Budget)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unassigned Fund Balance</strong></td>
<td>$7,106</td>
<td>$6,642</td>
<td>$6,642</td>
<td>$-</td>
</tr>
<tr>
<td><strong>Committed Fund Balance</strong></td>
<td>$5,724</td>
<td>$7,569</td>
<td>$7,569</td>
<td>$-</td>
</tr>
<tr>
<td><strong>Beginning Fund Balance</strong></td>
<td><strong>12,829</strong></td>
<td><strong>14,210</strong></td>
<td><strong>14,210</strong></td>
<td><strong>$-</strong></td>
</tr>
<tr>
<td><strong>b Operating Revenues</strong></td>
<td>23,677</td>
<td>24,976</td>
<td>20,789</td>
<td>(4,187)</td>
</tr>
<tr>
<td><strong>c Operating Expenditures</strong></td>
<td>20,016</td>
<td>22,649</td>
<td>21,230</td>
<td>(1,419)</td>
</tr>
<tr>
<td><strong>d = b - c Net Operating Surplus/(Deficit)</strong></td>
<td><strong>3,661</strong></td>
<td><strong>2,327</strong></td>
<td><strong>(442)</strong></td>
<td><strong>(2,769)</strong></td>
</tr>
<tr>
<td><strong>e One-time Revenues</strong></td>
<td>460</td>
<td>618</td>
<td>75</td>
<td>(544)</td>
</tr>
<tr>
<td><strong>f One-time/Capital Expenditures</strong></td>
<td>2,576</td>
<td>11,277</td>
<td>10,254</td>
<td>(1,023)</td>
</tr>
<tr>
<td><strong>g = a+d+e-f Ending Fund Balance</strong></td>
<td><strong>$14,374</strong></td>
<td><strong>$5,879</strong></td>
<td><strong>$3,590</strong></td>
<td><strong>$(2,289)$</strong></td>
</tr>
</tbody>
</table>

|                      | $3,647        | $2,879                 | $567                               | $(2,312)                  |
|**Unassigned Fund Balance** | $3,647        | $2,879                 | $567                               | $(2,312)                  |
|**Committed Fund Balance** | 7,569         | -                      | 1,023                              | 1,023                     |
|**Contribution to Reserves** | 158           | -                      | -                                  | -                         |
|**Budget Stabilization Set-Aside** | 2,000         | 2,000                  | 2,000                              | -                         |
|**CalPERS Pre-Payment Set-Aside** | 1,000         | 1,000                  | -                                  | (1,000)                   |

17% loss in Operating Revenues

Reduced operating expenditures by 6%

Use CalPERS Prepayment Set-Aside $1.0 M

Preserves $2.0 M Budget Stabilization Set-Aside and GF Reserves for Future
Creating a Culture of Frugality

• Every dollar counts during severe financial distress.
• Being frugal is more important now than ever.
• No sacred cows, all programs and areas are considered.
• Publicly acknowledge employees in the organization who find ways to cut cost in responsible and constructive ways.
• Goal is to be prepared for next upturn in economy.
Focus – Look for Value & Results

• Crisis is “game-changing” – use non-traditional fixes:
  • remote working (formerly only allowed for certain management staff – now a necessity),
  • electronic processes (reinforces efforts on paperless improvements – Accounts Payable, Purchase Orders, Payroll via email, Contracts, Public Outreach through website and social media)

• Look for value and emphasize Results – (i.e. improving public health) – don’t cut things that prevent City from achieving results or prevent taking advantage of upturn in economy

• Expenditure reductions should consider long-term implications
Ensure a Balanced Budget this Fiscal Year and into the Future

• Review and reduce low-hanging fruit – no travel costs, reduced fuel costs, supplies, offset event costs, utilities, etc.
• Review monthly cash flow to ensure operations
• Create revenue scenarios (pessimistic, realistic, optimistic)
• Create expenditure scenarios (no changes, expenditure reductions)
• Expenditure reductions should consider long-term implications
• Freeze projects or Prioritize projects that provide benefit now and in the near future (i.e., some street project costs may be cheaper with reduced traffic)
Determine Realistic Revenue Projections

• Typically in economic downturns, actual revenues are worse than expected and in economic growth, revenues are better than expected
• City of Pismo Beach – reduced revenues by $5.2 M across all funds, a 7% loss in 1 quarter.
• Focus on key revenues – work with business community, consultants, etc to determine revenue projection
• Determine decrease in fee-for-service revenues as services decrease
Reduce Non-Priority Expenditures

• Completed projects $73K
• Personnel cost savings – salary savings, temporary worker savings $567K
• Delayed projects – delay non-priority projects $1.0M
• Operational savings due to reduced services, reducing consultant work and doing things in house $1.2M

• Other things to consider:
  • Delay or cancel noncritical purchases or contracts.
  • Cut back on office equipment
  • Cut back on non-essential travel & meeting costs
  • Delay vehicle replacement
  • Look at technology (including necessary training) for labor-saving cost savings
Maintained/Increased Priority Expenditures

• Maintained full Police and Technology Budgets
• Technology Budget increased to purchase equipment to move to virtual workforce and provide more transparency to public
Continued Monitoring of Activity

• Continue to Monitor Revenues and Expenditures in all funds at least monthly or key times to ensure receipt and manage timing

• Cash flow monitoring

• Create purchasing controls

• Investments are being called due to lower rates – re-invest only if can maintain cash flow – these are lower rates
• Employees
  • Increase communication during remote working through video and chat
  • Outlook, texts, trained staff on Microsoft Teams (chat, virtual meetings, sharing files), Zoom meetings, Microsoft Planner
  • Use these tools to enforce Culture of Frugality and Teamwork

• External
  • Weekly Business Calls
  • Update Emails and Forward Relevant Info
  • Development of Recovery Plans and Safe Operations
  • Personal calls with lodging owners and General Managers
  • BE RESPONSIVE
Next Fiscal Year and Beyond
FY 2021-FY 2026
## City of Pismo Beach General Fund Reserves

<table>
<thead>
<tr>
<th>Reserve</th>
<th>Amount ($ thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund 25% Reserve</td>
<td>$5,613,000</td>
</tr>
<tr>
<td>City Building Reserve</td>
<td>500,000</td>
</tr>
<tr>
<td>Risk Management Reserve</td>
<td>250,000</td>
</tr>
<tr>
<td><strong>Total Reserves</strong></td>
<td><strong>$6,363,000</strong></td>
</tr>
<tr>
<td>Budget Stabilization Set-Aside</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>CalPERS Prepayment Set-Aside</td>
<td>$1,000,000</td>
</tr>
<tr>
<td><strong>Total Reserves &amp; Set-Asides</strong></td>
<td><strong>$9,363,000</strong></td>
</tr>
</tbody>
</table>
Revenue and Expenditure Scenarios

- **Realistic w Exp Cuts - Total Expenditures**
- **Optimistic w Exp Cuts - Total Expenditures**
- **Pessimistic w Exp Cuts - Total Expenditures**
- **Realistic - Total Expenditures**
- **Optimistic w Exp Cuts - Total Revenues**
- **Pessimistic w Exp Cuts - Total Revenues**
- **Realistic - Total Revenues**

**Revenues**

- Realistic - Total Revenues
- Optimistic w Exp Cuts - Total Revenues
- Pessimistic w Exp Cuts - Total Revenues
- Realistic w Exp Cuts - Total Revenues

**Expenditures**

- Realistic w Exp Cuts - Total Expenditures
- Optimistic w Exp Cuts - Total Expenditures
- Pessimistic w Exp Cuts - Total Expenditures
- Realistic - Total Expenditures
- Optimistic w Exp Cuts - Total Expenditures
- Pessimistic w Exp Cuts - Total Expenditures
- Realistic - Total Expenditures
Example: General Fund Outlook – Realistic Scenario

<table>
<thead>
<tr>
<th></th>
<th>Unassigned Fund Balance</th>
<th>GF Reserve Remaining</th>
<th>Total Expenditures</th>
<th>Total Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>(15,000,000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(10,000,000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(5,000,000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sum of FY 2020</td>
<td>5,000,000</td>
<td>10,000,000</td>
<td>15,000,000</td>
<td>20,000,000</td>
</tr>
<tr>
<td>Sum of FY 2021</td>
<td>10,000,000</td>
<td>20,000,000</td>
<td>30,000,000</td>
<td>40,000,000</td>
</tr>
<tr>
<td>Sum of FY 2022</td>
<td>15,000,000</td>
<td>30,000,000</td>
<td>45,000,000</td>
<td>60,000,000</td>
</tr>
<tr>
<td>Sum of FY 2023</td>
<td>20,000,000</td>
<td>40,000,000</td>
<td>60,000,000</td>
<td>80,000,000</td>
</tr>
<tr>
<td>Sum of FY 2024</td>
<td>25,000,000</td>
<td>50,000,000</td>
<td>75,000,000</td>
<td>100,000,000</td>
</tr>
<tr>
<td>Sum of FY 2025</td>
<td>30,000,000</td>
<td>60,000,000</td>
<td>90,000,000</td>
<td>120,000,000</td>
</tr>
<tr>
<td>Sum of FY 2026</td>
<td>35,000,000</td>
<td>70,000,000</td>
<td>105,000,000</td>
<td>140,000,000</td>
</tr>
</tbody>
</table>

- Budget Stabilization Set-Aside
- Unassigned Fund Balance
- GF Reserve Remaining
- Total Expenditures
- Total Revenues
Creating Benchmarks and Actionable Plan

• Data driven benchmarks
• Results Oriented Actionable Plan
• Ensure Dept Heads Manage their Budget
• For example:
  • If revenues do not meet this target $x xxx by June 30, then will need to reduce expenditures by $x xxx while still focusing on public health and safety (Police and technology costs prioritized for these efforts vs % across all Depts)
  • If revenues exceed target by $xxx, put back in Reserve
Pismo Beach covid-19
Recovery Plan
Since many travelers will seek to avoid air travel in the weeks and months ahead, we will focus on road trippers and drive markets, providing travelers with the inspiration and information they need to embark on a road trip to Pismo Beach. Focusing on these audiences in drive markets, we will shift our social media messaging to focus on Road Trip verbiage and easy drive accessibility. We will continue to promote solo and family travel, wide open spaces, wellness activities, and preserves/sanctuaries, as visitors are initially going to want to stay away from large group gatherings.
Travel Tends-Avoiding...
Travel Trends - Replacements
Travel Trends- Road Trips!

[Graph showing percentage of Americans who agree to take more road trips this year to avoid airline travel, categorized by generation and date: March 13-15: Millennial or younger 43.4%, Gen X 44.7%, Baby Boomer or older 30.2%; March 20-22: Millennial or younger 41.9%, Gen X 40.2%, Baby Boomer or older 31.3%; March 27-29: Millennial or younger 41.1%, Gen X 39.4%, Baby Boomer or older 35.0%; April 3-5: Millennial or younger 43.3%, Gen X 34.4%, Baby Boomer or older 39.2%; April 10-12: Millennial or younger 49.4%, Gen X 46.5%, Baby Boomer or older 40.8%]
### Travel Trends - Where to Go...

<table>
<thead>
<tr>
<th>Destination Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beach destinations/resorts</td>
<td>38.2%</td>
</tr>
<tr>
<td>Small towns, villages or rural destinations/attractions</td>
<td>30.0%</td>
</tr>
<tr>
<td>Cities or metropolitan areas</td>
<td>26.6%</td>
</tr>
<tr>
<td>U.S. National Parks</td>
<td>20.4%</td>
</tr>
<tr>
<td>Mountain destinations/resorts (including ski resorts)</td>
<td>19.7%</td>
</tr>
<tr>
<td>State, county or regional parks or recreation areas</td>
<td>16.1%</td>
</tr>
<tr>
<td>Theme or amusement parks</td>
<td>13.6%</td>
</tr>
<tr>
<td>Desert destinations/resorts</td>
<td>9.9%</td>
</tr>
<tr>
<td>Campground or cabin site</td>
<td>9.3%</td>
</tr>
<tr>
<td>Cruise trip</td>
<td>5.7%</td>
</tr>
<tr>
<td>RV or motorhome trip</td>
<td>4.8%</td>
</tr>
</tbody>
</table>
Travel Trends- When?
RECOVERY PLAN – THE DRIVE IS ON FOR PISMO BEACH

Far from the crowds, Not far from home.

We all could use a change of scenery right about now. Take the short drive to the beach town you always dreamed about. Get away from the noise and the city and experience our oceanfront hotels with stunning vistas, affordable motels. Located between Los Angeles and San Francisco, Pismo Beach is the escape you’ve been looking for.

Change of scenery. Change of culture. The drive is on to Pismo Beach.

This Classic California beach town is just a short drive away. Located between Los Angeles and San Francisco, Pismo Beach has oceanfront hotels with stunning vistas, affordable motels. Pismo Beach, your uncrrowded haven away.

NO PLANES, CROWDS, WORRIES
Help travelers find calm and let them know we’re thinking of them with virtual looks at beautiful scenes within the our destination:

#ExperiencePismoBeachNOW – use this new tag to promote a social campaign around traveling now. Ask local businesses and hotels to use this hashtag to promote similar messaging about experiences travelers can have when they’re ready to travel again.

Seek out and emphasize solo travelers—Instagammers love to post wide shots of themselves, alone, amid a beautiful setting. Amplifying these sorts of images will help convey that Pismo Beach features plenty of elbow room and all sorts of majestic scenery.
Help travelers find calm and let them know we’re thinking of them with virtual looks at beautiful scenes within our destination:

Get off the grid— Highlight remote, small town offerings of Pismo Beach, great for avoiding crowds, recharging, and finding solitude. Additionally focus on opportunities to eat and shop locally, supporting small businesses.

Was your event or special occasion canceled because of coronavirus? Visitors might have had to cancel a birthday/anniversary/honeymoon/celebration trip due to coronavirus, so, we will also message about them being able to re-book and “celebrate now.”
Visit Pismo Beach
Just now · ⏳

While some precautions still need to be taken, we would like to welcome you back to Pismo Beach with open arms. Our town is open and ready for you to #ExperiencePismoBeachNOW.

Please remember to continue to practice safe social distancing and wear a face mask or covering.
Visit Pismo Beach

Solitude and serenity await you.

Breathe in the fresh ocean and soak up the California coastline.
Two Options to Join the Discussion

1. To verbally ask a question or make a comments, use the ‘raise hands’ feature once the Q&A portion begins.

   Click on the icon labeled “participants” at the center of your zoom controls menu.
   
   A new window will appear on the right hand of your screen. Look for the little blue hand icon labeled “raise hand”.

2. For written questions – select the chat icon in your Zoom window. Send questions to Meghan McKelvey.
JOIN US NEXT THURSDAY!

What Now? Reopening City Operations

Thursday, May 14 • 11:00 – 12:00 p.m.

To register, please visit
www.cacities.org/events