



# CITY OF ALMA

## Letter to City of Alma Commission regarding the year ending 2021 Budget

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Dear Commission Members and Citizens of Alma,

As we enter our fourth week of social distancing and quarantine, it would be an understatement to say that this global pandemic has changed the world's economy.

On rare occasions when we venture away from home, we see the stark economic impact from COVID-19 in very real terms: restaurants are closed, long lines at the grocery stores and empty shelves, schools are closed and friends and neighbors are working from home or have lost their jobs. We too closed the doors of City Hall and transitioned to work from home for some essential staff while emergency responders bravely continue to risk their health by coming to work every day. These measures are necessary from a public health standpoint; it is saving lives as we try to control the spread and flatten the curve.

We are still responding daily to new mandates, requirements and directives. We carefully monitor and analyze what is happening and react in the best way that we can. Our priorities are to the residents, to continue to provide critical services and support provided by the the city and to keep our employees safe.

However, it is not without financial impact and difficult decisions. The loss of revenue projected in the budget as a result of the pandemic is staggering and we are facing budget challenges that you would have thought were crazy just 2 months ago. We are conservatively estimating that the city would lose nearly 1 million dollars in revenue in 2021.

As you know, our fiscal year runs July to June and the City Manager is required by charter to present to the Commission a balanced budget for the next fiscal year by April 20<sup>th</sup>. We are fulfilling that requirement this evening; however, we need your help over the next couple weeks to help us make difficult decisions that will impact how we operate and what level of service we can be provided to the community. As we adjust to new social norms and economic realities personally, we must also continue to plan and adapt at the City as well.

### Some Bright Points

1. The City of Alma is financially very healthy despite this overwhelming situation. Operationally, the City manager's office and the finance department has struggled in the past, but their conservative nature has given us the opportunity to react responsibly and not out of desperation. The fund balance in the General Fund is currently at \$4,781,040.24 up from \$3,713,675.86 in April 2019. It is likely that we will have to use some fund balance to balance the budget.
2. Right now, the costs of responding to the crisis' day-to-day costs cannot be reduced. Our highest priority is providing public safety and we will do whatever we can to provide services to our residents. There is a reasonable chance that we will get some reimbursement from the Federal and State government. We do not expect all costs will be covered but no direct documentation on funding has been provided, so we have not included any Covid-19 disaster funding in the analysis. The finance department is maintaining records associated with the costs so if reimbursement is possible, we will have documentation.
3. In January, Treasury implemented a new credit card processing system through our accounting software. This system gives us many more opportunities to communication with residents and provide other payment options like pay by an 800 number, pay by text, payment reminders and flexible autopay arrangements.

4. Over the last few months, the City Manager has redefined several positions to provide better operational support to staff and the community. The new Human Resources Manager and part time IT Support Services rep were critical in making sure the city was able to respond quickly to operational challenges.
5. The need for certain supplies changed very quickly in early March but department heads were all ready ahead of it and their forward thinking allowed the City to collect the resources needed to establish remote work options, maintain a rigorous cleaning regime and keep staff informed of changes.

#### **Planning Recommendations**

1. The full extent of the damage to the economy and to the City will continue to change through the fall of 2020. While we know that a balanced budget is required by June 30<sup>th</sup>, it is likely to change, and it would be prudent to revisit the budget on a quarterly basis to revisit State and Federal funding levels as well as appropriations.
2. The City Manager and I are recommending a wage freeze until December 31, 2020 on cost of living increases as well as merit increases. December will be halfway through the fiscal year and with hope, the impact of this crisis may be more defined, and a clearer projection can be determined whether the freeze on wage increases can be lifted.
3. There are many capital projects that have already been put in place for year ending 2020 and at this point, those projects are expected to be completed. There are many projects for year ending 2021, and due to the scope of the situation, we feel that guidance from either the full commission or the finance committee as what projects should be prioritized is necessary.
4. The City Manager and I will prepare recommendations for other reductions that may have to occur. Other areas of consideration are:
  1. Training
  2. Overtime
  3. Maintenance and Supplies
5. The completion of a balanced budget by June 30<sup>th</sup> under these circumstances is a difficult task to ask a Commission to assist with but we feel it is important that the full Commission or Finance Committee should be part of the process.

Many of the departments began discussing options when we closed building to public and reduced operations last month. We have been operating in a two-week window for the past month. Over the next few days, directors will be submitting options that will include changes to programs, services and staffing levels for the next month if operations continue to be shut down. Our leadership team will continue working this week to assess options and to make recommendations.

I know this is a difficult message in an already difficult time. I want to assure you that we are making these decisions with compassion and a heavy heart. Thank you for all that you have done and continue to do to support our community.

With deep appreciation,

#### **Kathrine Phillips, MBA**

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