

VIRGINIA BEACH
VISION

May 4, 2020

The Honorable Robert M. "Bobby" Dyer
Members of City Council
City of Virginia Beach

Dear Mayor and Members of City Council:

Virginia Beach Vision has recently created two business task forces to focus specifically on the current economic challenges precipitated by the COVID-19 crisis. Vision's City Budget Review Task Force is following Council's budget reconciliation process while Vision's Crisis Recovery Task Force is considering necessary elements to reopen, sustain and reinvigorate our local economy over the months ahead.

While our efforts are ongoing, we would like to recommend that Council focus on four key budgetary areas that are now a part of the City's budget reconciliation deliberations.

1. **Revenue Projections:** In reviewing the proposed FY 20-21 Resource Management Plan (budget) we share the concern that revenue and recovery benchmarks may be overly optimistic. Available sources including JP Morgan Chase, Goldman Sachs, and Oxford Economics are projecting the pace of recovery will be well below city assumptions. To assume business will be back to normal by EOY 2020, particularly given the summer is our peak season, may well lead to inaccurate planning.

The budget needs to reflect the current situation with the City's mission, vision and values the foundation to guide necessary budget cuts and funding priorities. It should also plan for and reflect probable new costs associated with the pandemic that may develop in the days ahead.

Given the current level of unpredictability, it seems prudent for City Council to have monthly budget reviews and quarterly reassessments and adjustments to revenue projections.

2. **City Staffing:** As economic damage from the coronavirus extends beyond the private business sector to local governments, cities and counties across the nation are assessing how the loss of tax revenues from widespread shutdowns are affecting current budgets. We are hoping like most municipalities, Virginia Beach is starting to pare down payroll expenses.

Manager Leahy's proposed revised budget prudently includes a hiring freeze that began March 24, 2020 for all city departments. It also eliminates all new positions that had been proposed in the FY20-21 budget as well as the deferral of the initiatives recommended by the Hillard Heintz Study. Totaling over 800 planned positions, this may still prove insufficient to meet budget constraints. The suspension of pay raises and step increases previously projected may need to be deferred and

reassignment of some personnel, further elimination of positions or across the board pay reductions may become necessary. Staffing decisions, however, must be done with recognition that many personnel partially idled today will be essential to a quick recovery of city functions and business resumption when the current crisis has passed.

3. **Tourism Advertising:** With our tourist industry being most severely impacted by the COVID-19 restrictions, we share the belief that a quick recovery of the industry will take extraordinary efforts. Beyond sustaining previously planned visitor advertising levels, we recognize the need for expanded funding and marketing focused on a “We’re Open” theme, as soon as the opening of our beaches is green-lighted. To facilitate this immediate need, we support the pending ordinance to transfer \$2 million from the TIP fund to the TAP fund in the current fiscal year budget and to allow for similar adjustments in the proposed budget. The Virginia Tourism Corporation study in 2019 indicated a 7 to 1 return ratio for every dollar spent on tourism advertising.
4. **Preserve Virginia Beach’s unique assets:** It is essential that while we weather the current fiscal crisis that we do not jeopardize those organizations and institutions that make Virginia Beach a compelling place in which to live, work and visit. We believe it important that the city maintain funding to sustain our natural assets such as our beaches, parks, and bike trails as well as our cultural assets.

The city’s arts and cultural institutions have been particularly challenged by the elimination of public gatherings and must continue to receive city and philanthropic support to survive current conditions for as long as necessary. Many foundation grants expect or require matching support from a municipality to be considered. With the City’s recent survey showing that over 90% of our citizens are satisfied with our museums, aquarium and cultural arts organizations, city support must be sustained.

Over the days and weeks ahead, Virginia Beach Vision will be assessing survival and recovery efforts and will continue to share our findings with members of City Council as appropriate. We certainly understand that these extraordinary times require a cooperative, collaborative effort. Virginia Beach Vision is prepared to work with the city to help ensure an economically robust, livable city into the future.

Respectfully,



President



Executive Director

Cc: City Manager Leahy