

City Council Work Session Handouts

July 13, 2020

- I. Review and Discuss COVID-19 Response
- II. Review and Discuss Hotel and Performing Arts Update



COVID-19 STATUS REPORT #8

City Council Briefing: July 13, 2020

COVID-19 CASES

	<u>Cases</u>	<u>Deaths</u>
▪ World	12,552,765	561,617
▪ U.S	3,236,130	134,572
▪ TX	258,658	3,192
▪ Dallas County	33,800	451
▪ Collin County	4,533	56
▪ Richardson	553	17

As of July 13, 2020 at 12:00 pm

RECENT EXECUTIVE ORDER ACTIVITY

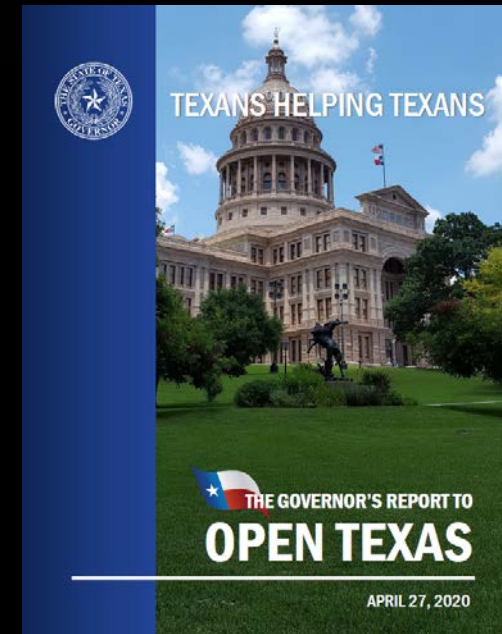
- Since our last briefing, Governor Abbott issued Executive Orders GA:27, GA:28 and GA:29
 - GA:27 – Hospitals in 100 plus counties shall postpone all surgeries and procedures that are not medically necessary to diagnose or correct a serious medical condition of, or to preserve the life of a patient
 - GA:28 – Details current Reopening Guidelines
 - GA:29 – Requires every person to wear a face covering when inside a commercial entity or other building or space open to the public or in an outdoor public space when it is not feasible to maintain 6' of social distancing



EXECUTIVE ORDER GA:28

- Every business establishment in Texas shall operate at no more than 50% of the total listed occupancy of the establishment
- Exception:
 - Bars are prohibited from operating
 - Drive-thru, pickup, or delivery options for food and drinks is allowed to the extent authorized by TABC
 - Commercial rafting or tubing services are prohibited from operating

GOVERNOR'S STRIKE FORCE TO 
OPEN TEXAS



EXECUTIVE ORDER GA:28

- There is no occupancy limit for the following:
 - Services listed by the U.S. Department of Homeland Security's Cybersecurity and Infrastructure Security Agency
 - Religious services, including those conducted in churches, congregations, and houses of worship
 - Local government operations, including county and municipal governmental operations relating to licensing, permitting, recordation, and document-filing services
 - Child-care services
 - Youth camps, including all summer camps and other daytime and overnight camps for youths
 - recreational sports programs for youths and adults

EXECUTIVE ORDER GA:28

- The 50% occupancy limit does not apply to outdoor areas, events, or establishments, except that the following outdoor areas or outdoor venues shall operate at no more than 50% of the normal operating limits as determined by the owner:
 - Professional, collegiate, or similar sporting events
 - Swimming pools
 - Water parks
 - Museums and libraries
 - Zoos, aquariums, natural caverns, and similar facilities
 - Rodeos and equestrian events
 - Amusement parks

EXECUTIVE ORDER GA:28

- The 50% occupancy limit also does not apply to the following establishments that operate with at least 6' of social distancing between work stations:
 - Cosmetology salons, hair salons, barber shops, nail salons/shops, and other establishments where licensed cosmetologists or barbers practice their trade
 - Massage establishments and other facilities where licensed massage therapists or other persons licensed or otherwise authorized to practice under Chapter 455 of the Texas Occupations Code practice their trade
 - Other personal-care and beauty services such as tanning salons, tattoo studios, piercing studios, hair removal services, and hair loss treatment and growth services

EXECUTIVE ORDER GA:28

- Amended by Proclamation on July 2
 - For any outdoor gathering in excess of 10 people, other than gatherings addressed elsewhere the GA:28, the gathering is prohibited unless the mayor of the city in which the gathering is held, or the county judge in the case of a gathering in an unincorporated area, approves of the gathering, and such approval can be made subject to certain conditions or restrictions not inconsistent with this executive order
 - Except as provided in this executive order or in the minimum standard health protocols recommended by DSHS people shall not be in groups larger than 10 and shall maintain 6' of social distancing from those not in their group

STATUS OF RICHARDSON DECLARATION/ORDER

- The City's Declaration of Disaster of May 4, 2020 will continue until terminated by the City Council
- Ordinance 4351:
 - Adopts the provisions of Governor Abbott's Executive Orders as they are issued or amended automatically
 - Maintains the City Council/City Manager's authority to cancel Council Meetings for as long as the Declaration of Disaster is continued
 - Maintains the City Manager's authority to waive the imposition and collection of certain fees and penalties for as long as the Declaration of Disaster is continued
 - Maintains up to a \$1,000 fine for failure to comply with any provision of the new Order

CITY OPERATIONS – MODIFIED COVID-19 PROTOCOLS

- City Hall – Customer Service Center and first floor common areas are open to the public; first and second floor offices remain employee only
- Library – Floors 1, 2 and 3 and curbside checkout are open to the public
- Eisemann Center – Lobby, gallery and ticket office are open to the public; events are case by case
- Municipal Court – Lobby open; limited bench trials, hearings by Zoom
- Animal Shelter – Open to the public by appointment only
- Sherrill Park Golf Course – Club house and restaurant are open at 50% capacity
- Recreation Centers – Open at 50% capacity; select programming occurring
- Gymnastics Center – Open at 50% capacity
- Tennis Center – Pro shop open at 50% capacity
- Summer Camps – Open
- Adult and Youth Athletic Programs – Open
- Swimming Pools – Open
- Bush Central Dog Park - Open
- Ann Eisemann Inclusive Playground – Open
- Senior Center – Closed until further notice

CITY PROGRAMMING RECENT CHANGES

- Sherrill Park Golf Course
 - Returned to one person per cart if not within same household
- Swimming Pools
 - Will operate daily through Sunday, August 16
- Event Cancellations
 - Cottonwood Art Festival
 - October 3-4
 - Huffines Art Trails/Pawtowler Festival
 - October 17-18
 - Exploring “alternate” approach to celebrating these events

NEXT STEPS

- Continue to monitor Governor Abbott's reopening announcements and adjust our operations accordingly
- Continue to track CARES Act initiatives of Dallas and Collins County
 - Commence with strategic acquisition of technology and facility assets as we work to finalize our CARES Act funding strategy
- Continue to update COVID-19 information and share via communication strategies





COVID-19 STATUS REPORT #8

City Council Briefing: July 13, 2020



Hospitality and Performing Arts Update

Richardson City Manager's Office

City Council Briefing: July 13, 2020



Presentation Outline

- Overview of Hospitality and Performing Arts Environment
- FY2020 Hotel/Motel Fund Overview
- FY2021 Hotel/Motel Fund Preliminary Projection
- Multi-Year Recovery Strategies
- Next Steps

Challenging Hospitality Environment United States

- Hospitality Industry Nationally*:
 - As of June 24, 2020, nearly 6 out of 10 hotels rooms were empty, in addition to thousands of hotels shuttered completely. Since mid-February hotels have already lost \$38 billion in room revenue
 - Hotels are estimated to lose \$400 million in room revenue per day
 - Projected revenues losses are 57.5% for 2020 with an occupancy rate below 20%**.
 - 7.7 million hospitality and leisure jobs were lost in April 2020. 70% of direct hotel employees have been laid off or furloughed
 - According to the American Hotel & Lodging Association, the impact to the travel industry is 9 times worse than 9/11
 - The forecasted occupancy rate for 2020 is worse than the Great Depression

* American Hotel and Lodging Association

** Smith Travel Research and Tourism Economics

Composition of Richardson Hotels

21 Hotels currently in Richardson

- Focused primarily on business travel as opposed to leisure travel
- Full Service Hotels
 - 28.6% of hotels
 - 54.6% of FY19 revenue
- Limited Service/Economy Hotels
 - 71.4% of hotels
 - 45.4% of FY19 revenue

Challenging Hospitality Environment Richardson

- Hospitality Industry in Richardson:
 - April 2020 Occupancy Report:
 - 13% average occupancy rate, 2.7% for full service hotels
 - May 2020 Occupancy report:
 - 32% occupancy rate, 5.8% for full service hotels
 - 360 events in Richardson hotels have been canceled from March 1st through June 30th. This represents 50,176 lost room nights.
 - 417 hotel employees in Richardson have been laid off or furloughed. 223 hotel employees are employed in Richardson as of June 30th.

Challenging Performing Arts Environment United States

- Arts Industry Nationally*:
 - Financial losses to nonprofit arts and cultural organizations is estimated to be \$6.7 billion as of June 15, 2020
 - 96% of arts organizations have canceled one or more event. Arts organizations have lost 234 million admissions
 - 29% of arts organizations have reduced their staff/artistic workforce. 10% of arts organizations report that they are “not confident” that they will survive the COVID-19 pandemic
 - 62% of the nation’s artists/creatives are now unemployed and 94% report income loss.
- Dallas Arts and Culture Community**
 - Arts organizations lost \$33.6 million from March 13-May 31
 - 650 artists/staff members were laid off or furloughed

* Americans for the Arts, COVID-19 Impact on the Arts Study

** TACA (The Arts Community Alliance) community survey, June 2020

Challenging Performing Arts Environment Richardson

- Eisemann Center:
 - 7 Eisemann Center Presents performances have been canceled since March 1st
 - 87 offerings at the Eisemann Center have been canceled from March 1- July 8 2020
 - 19 future offerings at the Eisemann Center that have already been cancelled for 2020
 - 8 client events are still on the schedule through September 30th
 - 88% of Richardson arts grants organizations have canceled offerings since March 1st

Hope for the Future - Hospitality

- Occupancy in the U.S. hotel industry is projected to increase 48% in 2021, after a 57.5% decline in 2020*
- CBRE Hotels foresees demand for U.S. lodging accommodations returning to pre-crisis levels in the third quarter of 2022, with recovery in the average daily rate in 2023**
- Richardson hotels have strategies for moving forward:
 - Keeping property operational and ready to quickly ramp up when occupancy returns
 - Rebooking all groups that have canceled
 - Focusing on local and regional business travel, rather than national and global accounts

* Smith Travel Research

** CBRE Hotels

Hope for the Future – Performing Arts

- In a recent survey of over 1,000 Eisemann Center patrons, 55% responded that they would be very likely or likely to return to the Eisemann Center. The most frequent response regarding timing was 42% of those surveyed would be interested in attending performances *within a few months*.
- Eisemann Center has made strategic investments in technology that can help facilitate digital performances
- Arts organizations have been resourceful in connecting with audience members in new formats
 - Richardson Symphony Orchestra’s podcast “Portraits in Music”
 - Richardson Community Band’s “Virtual Patriotic Concert”

FY2019-2020 Hotel/Motel Fund Overview

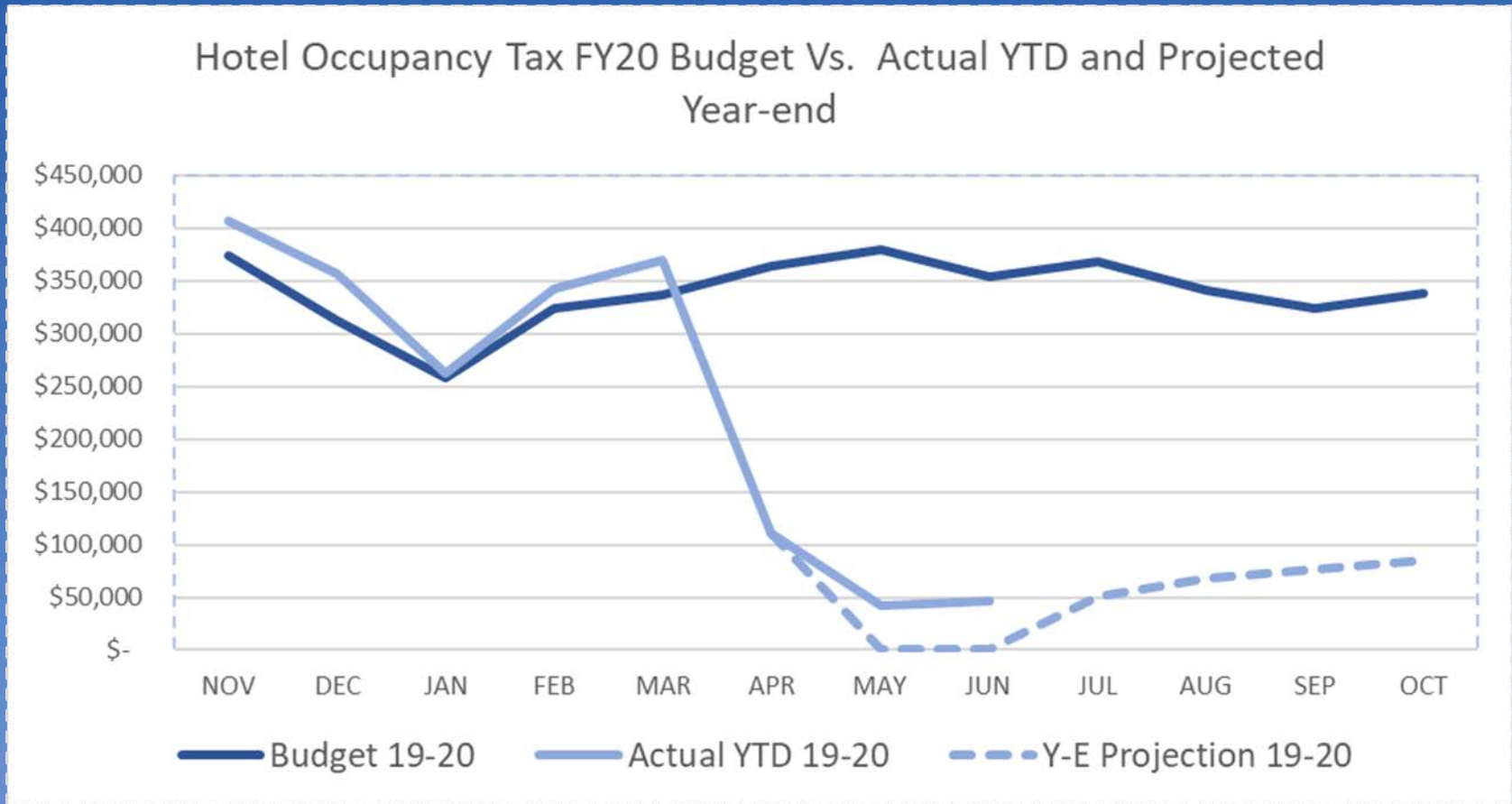
Category	FY20 Budget	FY20 Estimate	\$ Reduction from Budget FY 20
REVENUES			
Hotel Occupancy Tax	\$4,073,310	\$2,266,145	(\$1,807,165)
Eisemann Center Revenues	\$2,127,000	\$1,141,225	(\$985,775)
Parking Garage, Misc.	\$308,000	\$142,254	(\$165,746)
Transfer In*	\$ --	\$600,000	\$600,000
TOTAL	\$6,508,310	\$4,419,624	(\$2,358,686)
EXPENSES			
Operating	\$4,933,892	\$4,293,462	(\$640,430)
Capital	\$300,000	\$98,327	(\$201,673)
Others/Transfers	\$1,196,047	\$756,124	(\$439,923)
TOTAL	\$6,429,939	\$5,147,913	(\$1,282,026)

Hotel Motel Fund Balance*

	FY20 Budget	FY20 Estimate	FY21 Prelim.
Beginning Fund Balance	\$2,536,065	\$3,069,357	\$2,071,068
Eisemann Roof Reserve	\$1,000,000	\$0	\$0
Ending Fund Balance	\$1,614,436	\$2,071,068	\$835,317

* No formal Fund Balance policy for this fund

FY20 Hotel/Motel Occupancy Tax Analysis: Budget vs. Actual/Projected



Updated Fiscal Impact of COVID-19: FY2019-2020 Hotel/Motel Fund Revenues

- **Hotel/Motel Occupancy Tax**

- Payments are one month behind activity (i.e. May stays make up June's hotel tax payment)
- Hotel/motel occupancy tax revenue is impacted by reduced occupancy and ability of hotels to pay

Actual:

May (April rooms): \$41,173 received

June (May rooms): \$43,464 received

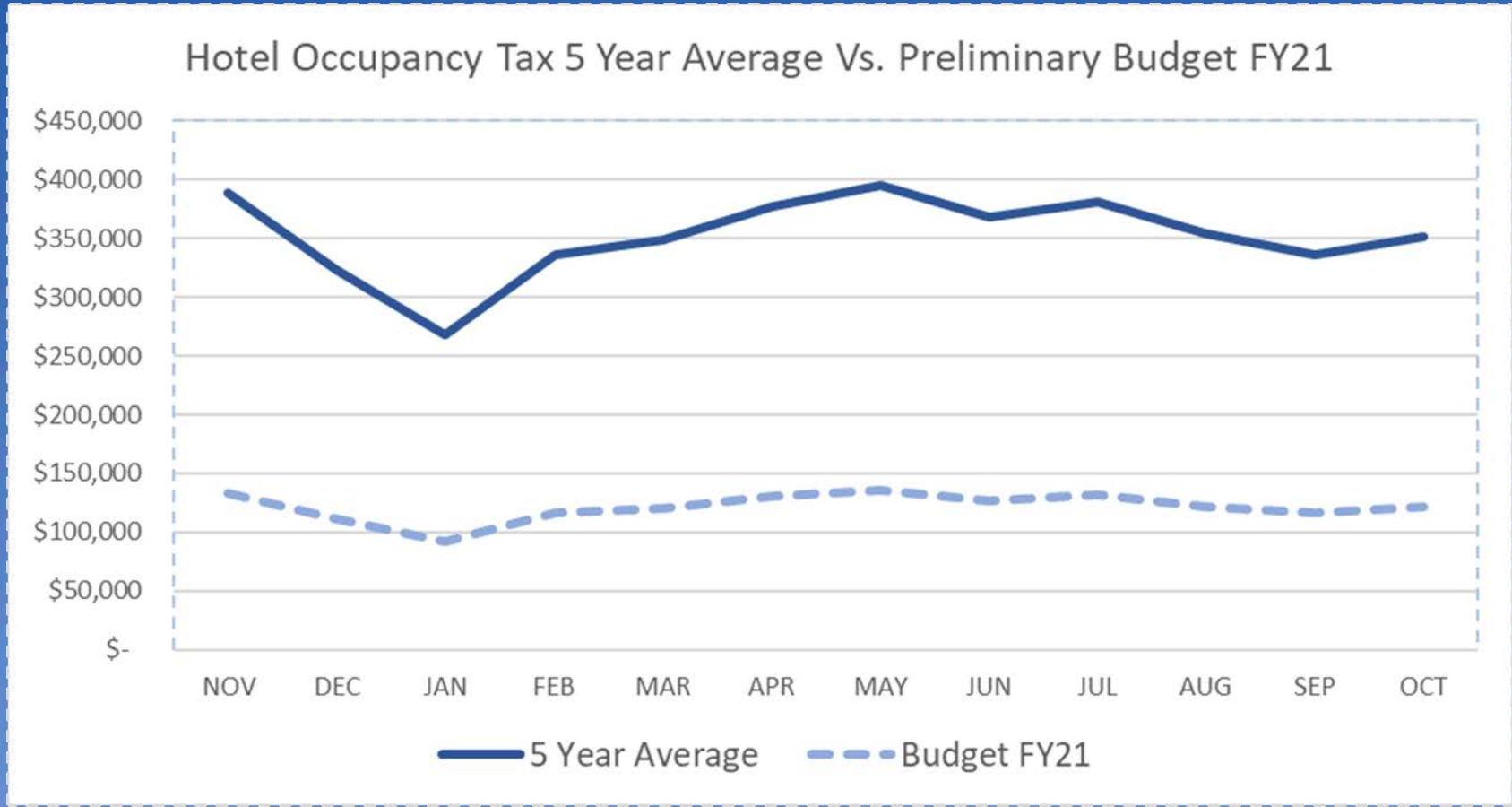
Assumptions (as of July 7th):

- July (June rooms): \$53,000 projected, 86% reduction, full month of COVID-19 impact
- August (July rooms): \$63,000 projected, 85% reduction, unknown impact of COVID-19
- September (August rooms): \$70,000 projected, 79% reduction, unknown impact of COVID-19
- October (September rooms): \$77,000 projected, 78% reduction, unknown impact of COVID-19

FY2020-2021 Preliminary Hotel/Motel Fund Revenues

Category	FY21 Prelim. Revenue	\$ Reduction from FY20 Budget
Hotel Occupancy Tax	\$1,456,308	(\$2,617,002)
Parking Garage	\$45,000	(\$185,000)
Eisemann Center	\$153,524	(\$1,973,476)
Interest Income	\$15,000	(\$55,000)
TOTAL	\$1,669,832	(\$4,830,478)

FY21 Hotel/Motel Occupancy Tax Projection



FY2020-2021 Preliminary Hotel/Motel Fund Expenditures

Category	FY21 Prelim. Expenses	Reduction from Budget FY20
Eisemann Center	\$2,144,430	(\$1,386,624)
Eisemann Center Presents	\$49,280	(\$825,720)
Parking Garage	\$218,253	(\$309,585)
CVB/Hotel Incentive Program	\$302,920	(\$99,927)
Arts Grants	\$180,000	(\$195,000)
G&A Charges	\$0	(\$350,000)
Miscellaneous	\$10,700	(\$57,500)
Capital	\$0	(\$300,000)
Total	\$2,905,583	(\$3,524,356)

Multi-Year Recovery Strategies

- Many unknowns exist:
 - Hotel/Motel tax recovery
 - Willingness of audiences to attend offerings/events
 - Willingness/ability of performing arts organizations to perform
 - Ability of the Eisemann Center to host offerings that meets the needs of both audience members and arts organizations
- To work with these unknowns, City staff is proposing a conservative multi-year recovery strategy for the Hotel/Motel Fund with key actions identified both for the short-term and long-term

FY2020-2021 Hotel/Motel Fund Multi-Year Recovery Strategies

FY21 Strategies:

- **Conservatively budget Eisemann Center revenue for FY20-21**
 - On June 3rd, the Governor announced that performing arts facilities can open at 50% capacity with several social distancing recommendations. Social distancing requirements significantly lowers the capacity of Eisemann Center venues
 - Eisemann Center staff have begun working with clients with scheduled events to determine if events can be held. The first event to be held with these guidelines is scheduled for August 1th
 - Currently projecting Eisemann Center revenues very conservatively at approximately \$154,000

FY2020-2021 Hotel/Motel Fund Multi-Year Recovery Strategies

FY21 Strategies:

- **Eliminated G&A transfer to the General Fund**
 - \$350,000 budgeted in FY20, but not transferred in FY20
 - No transfer budgeted in FY21
- **Evaluate General Fund support**
 - Consider measured support from the General Fund
- **Suspended Eisemann Center Presents season for 2020-2021**
 - Consideration of a few events (i.e. Keyboard Conversations) that have a strong following for planned events in 2020-2021
 - Will consider special events as opportunities arise/are viable

FY2020-2021 Hotel/Motel Fund Multi-Year Recovery Strategies

FY21 Strategies:

- **Reduction of arts grants funding**
 - Arts funding capped by State Law to no more than 15% of Hotel Occupancy Tax
 - Recommending reducing art grants budget to match other reductions in expenses within the Hotel Fund
 - Cultural Arts Commission is only accepting applications from currently funded arts organizations. Arts organizations are aware of the financial impact of COVID-19 on the Hotel/Motel Fund.
- **Allocation of select expenses to other funds**
 - Reallocation of some custodial staff to the General Fund to assist with other facilities, while Eisemann Center activity is light

FY2022 and Beyond Hotel/Motel Fund Multi-Year Recovery Strategies

FY22 and Beyond Strategies:

- **Work closely with hotels on recovery strategies, carefully monitor Hotel/Motel occupancy tax trends**
 - Continue dialogue and support of local hotels
 - Increase efforts within the CVB to attract key markets/customers for Richardson hotels
- **Continue to conservatively budget Eisemann Center revenue for FY21-22 and beyond**
 - Seek opportunities for a modified 2021-2022 Eisemann Center Presents season that can be safely held and appeals to local audiences
 - Work closely with arts organizations on options for hosting performing arts offerings in a “modified environment” in the Eisemann Center
 - Continue to cultivate strong relationships with Eisemann Center patrons

FY2022 and Beyond Hotel/Motel Fund Multi-Year Recovery Strategies

FY22 and Beyond Strategies:

- **Increase funding for arts grants funding as allowed**
 - Continue strong support and partnerships with local arts organizations
 - As funding allows, incrementally increase funding available for arts grants in future years

- **If actual revenues are higher than projected, consider “incremental restoration” options**
 - Identify specific opportunities to support hotels and arts organizations as well as funding Eisemann Center operational needs as funding allows

Next Steps

- Tonight: Seek City Council direction on multi-year strategies and considerations
- Ongoing: Continue to monitor Hotel/Motel Tax Fund revenues and expenditures and identify balancing strategies as needed
- Late July: Provide updated revenue and expenditures projections at City Council Budget Workshop for City Council direction