



COVID-19 Emergency Budget Restructuring

ORIENTATION TO THE CURRENT CHALLENGE AND INITIAL PLANNING



BALANCE NEAR-
TERM AND
LONG-TERM
NEEDS



REDEPLOY
FUNDS TO
RECOVERY



NEW
PROGRAMS

Response
Priorities



2020 Budget was BALANCED

COVID-19 has disrupted this plan.

Projected 2020 Revenue Shortfalls



Property

-5%



Home Rule
Sales

-39%



Hotel Tax

-64%



Restaurant Tax

-54%



Sewer/
Stormwater

-25%



Licenses,
Permits, Fees

-20%



State Sales

-39%



Income

-33%



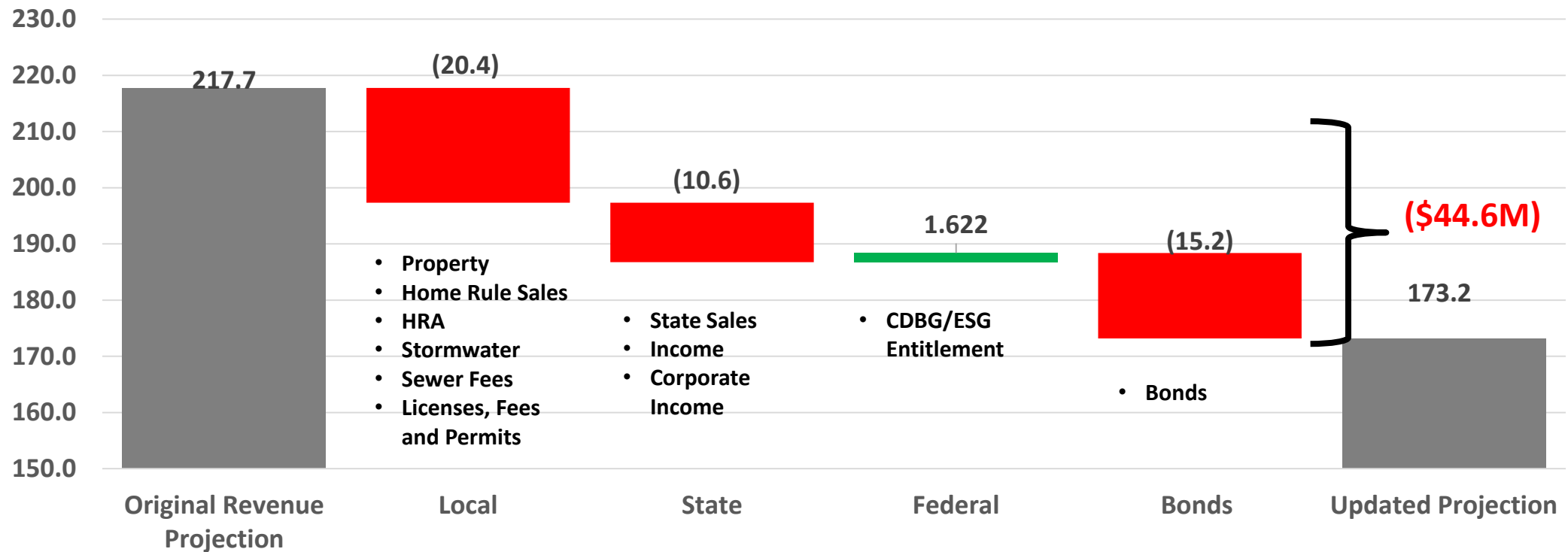
Corporate
Income

-33%

May: COVID-19 Revenue Projection (\$M)

- Shut down until May 1
- No new federal or state support
- No additional revenue delay
- Recovery curve below 80% of original projection by year end

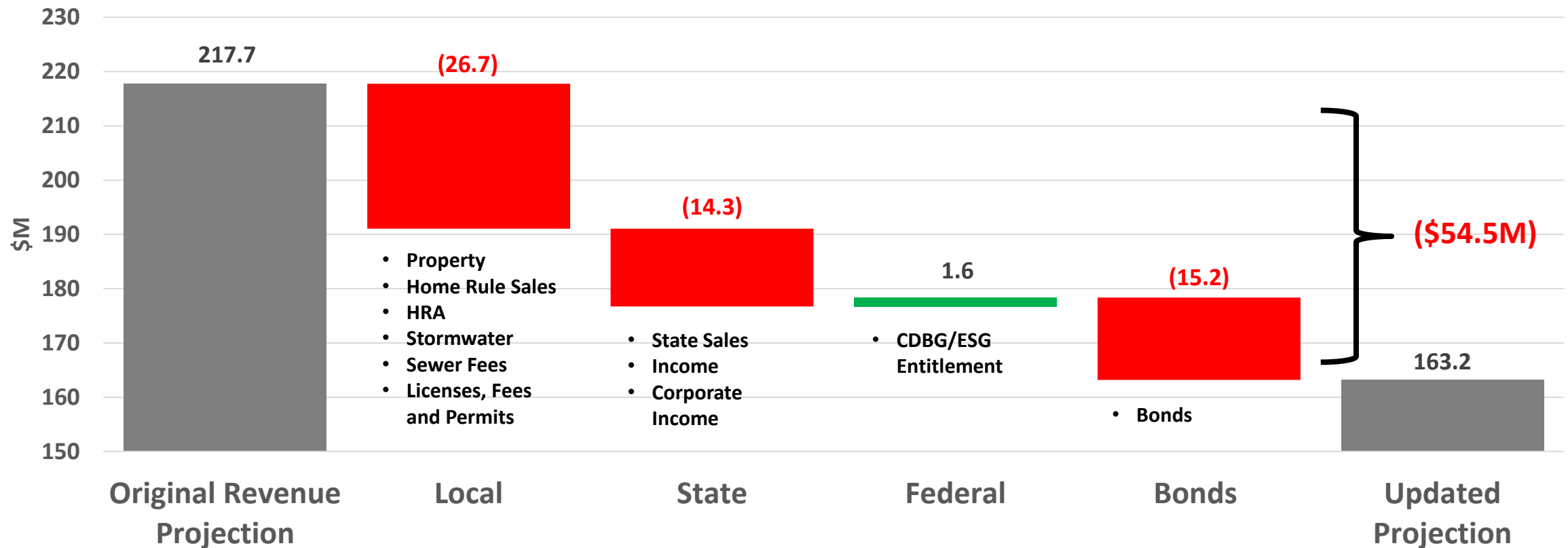
Revenue Projection in Millions, As of April 7, 2020

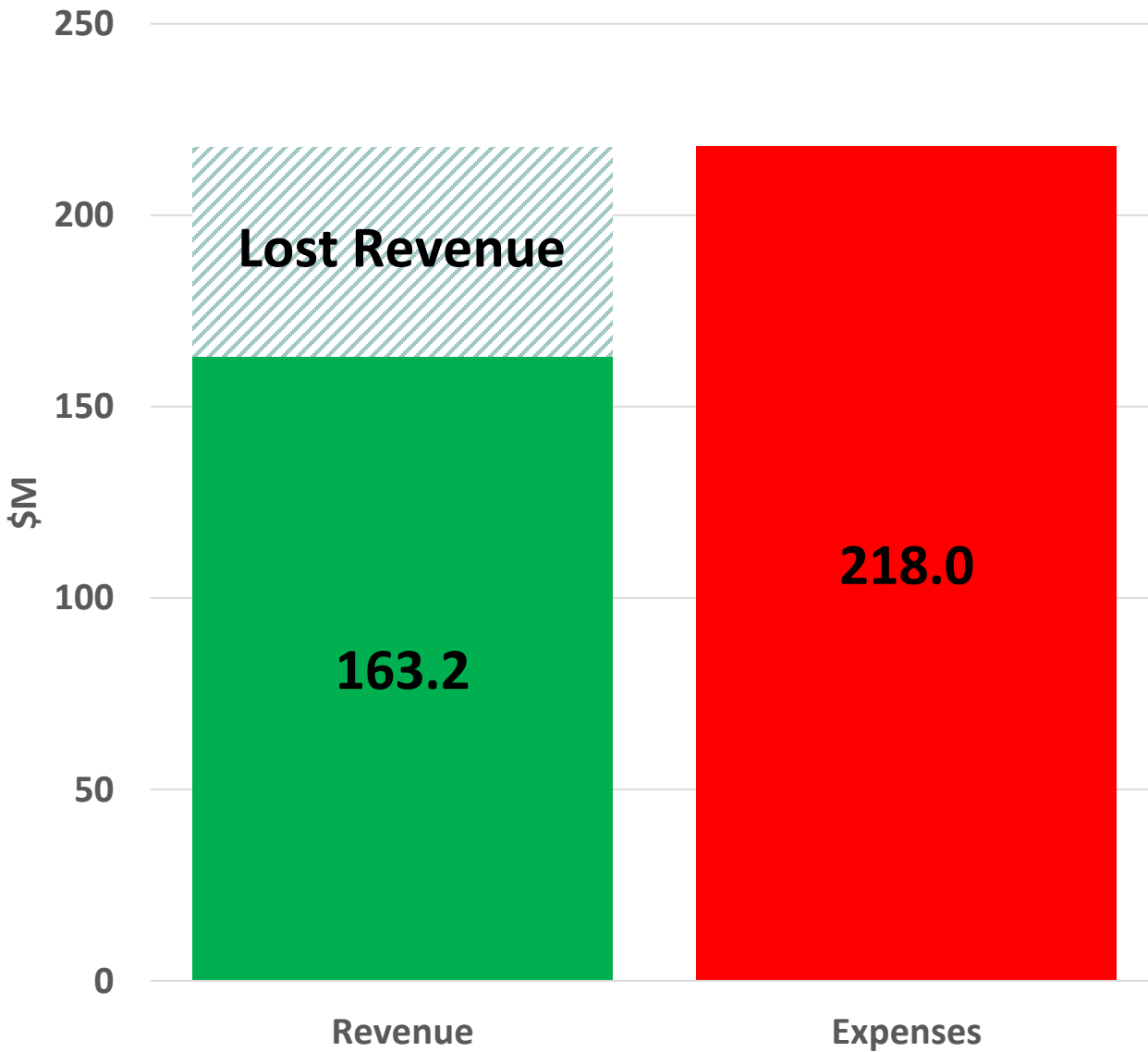


July: COVID-19 Revenue Projection (\$M)

- **Shut down until July 1**
- No new federal or state support
- No additional revenue delay
- Recovery curve below 75% of original projection by year end

Revenue Projection in Millions, As of 4/7/20





COVID-19 has tipped the balance in the extreme...

Capital Improvement Program Reductions

\$26.7M

Has the money already been spent or committed?

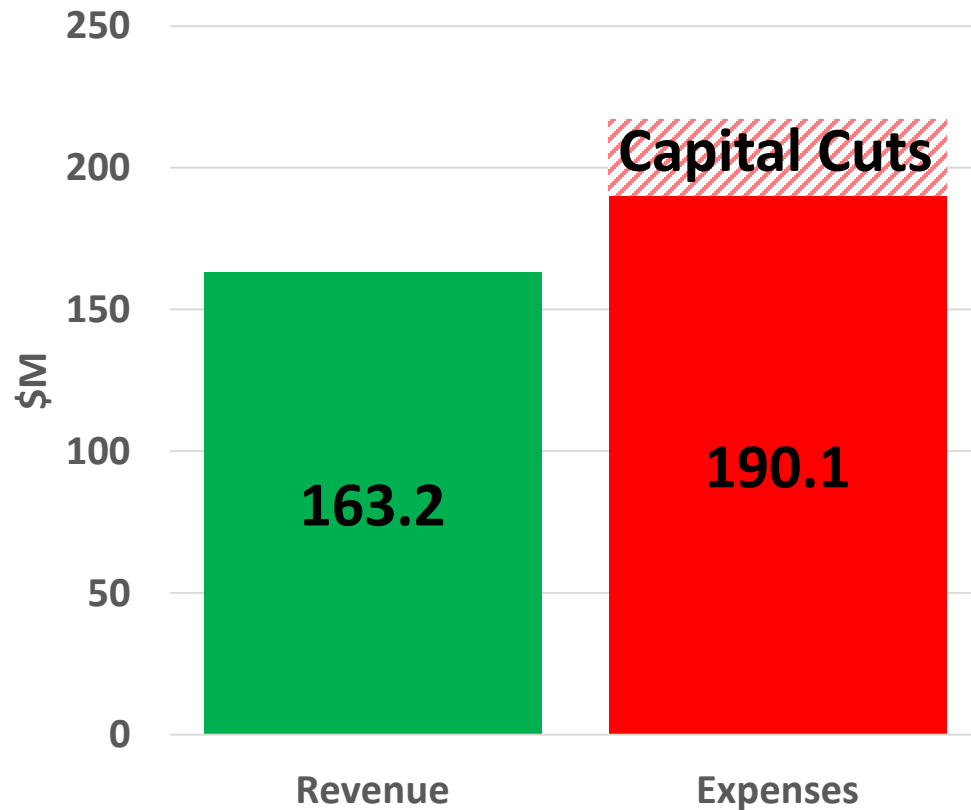
Will the cut create funds that can be used or reduce debt requirements?

Will co-funding be lost if we do not pursue now?

Are there smaller investments that can keep delay to a minimum as we recover and re-plan these investment?

Is it legally required?

Capital Cuts are Not Enough

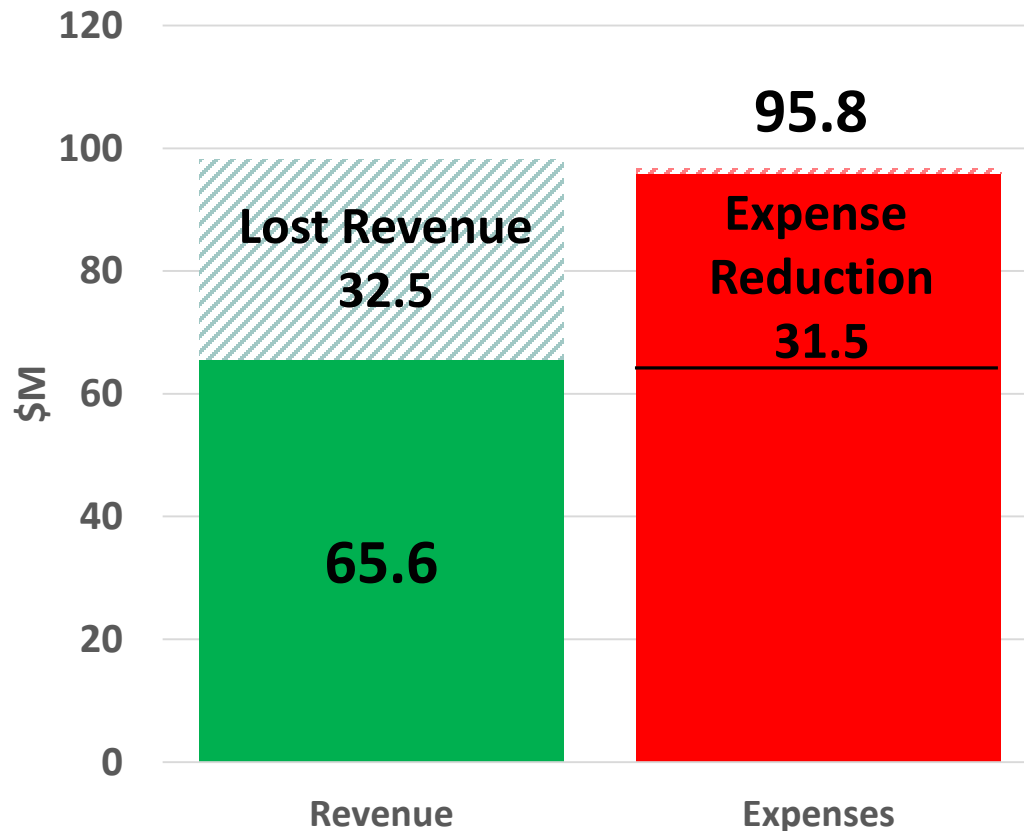


Reductions have been recommended to balance our 2020 capital spending.

Little to no opportunity to aid the operating budget exists by cutting capital.

The problem is **operating expenses** in the General Fund.

Focus on the General Fund



Revenues \$32.5M under budget.

Support for Civic Center, CVB, and arts cut to only service debt.

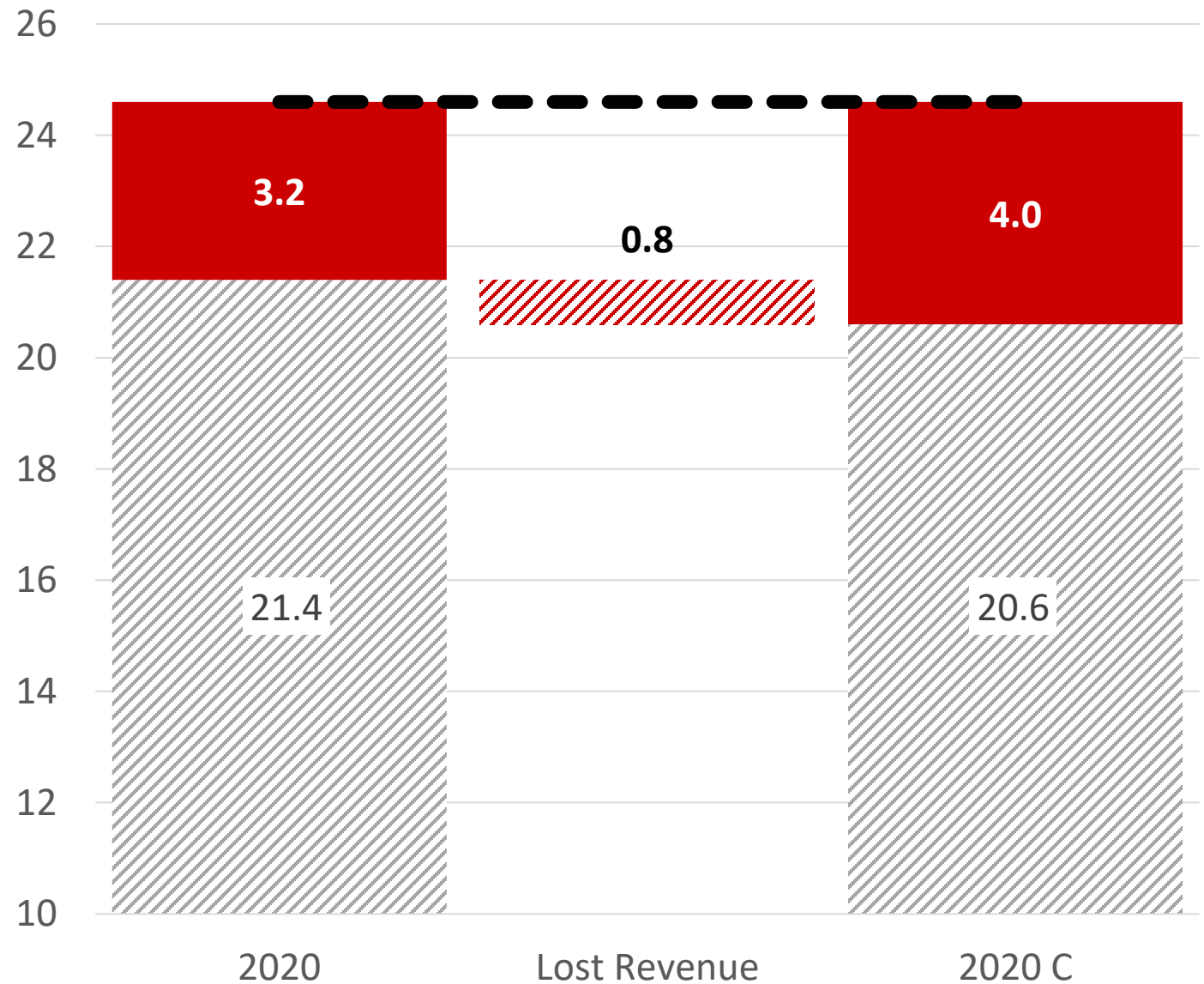
More support needed for public safety pensions

\$31.5M in expense cuts or short-term borrowing needed.

Police and Fire pensions \$24.6 M

Reduced property taxes require more money from the General Fund

Future obligations will be much higher



The Core of the Challenge

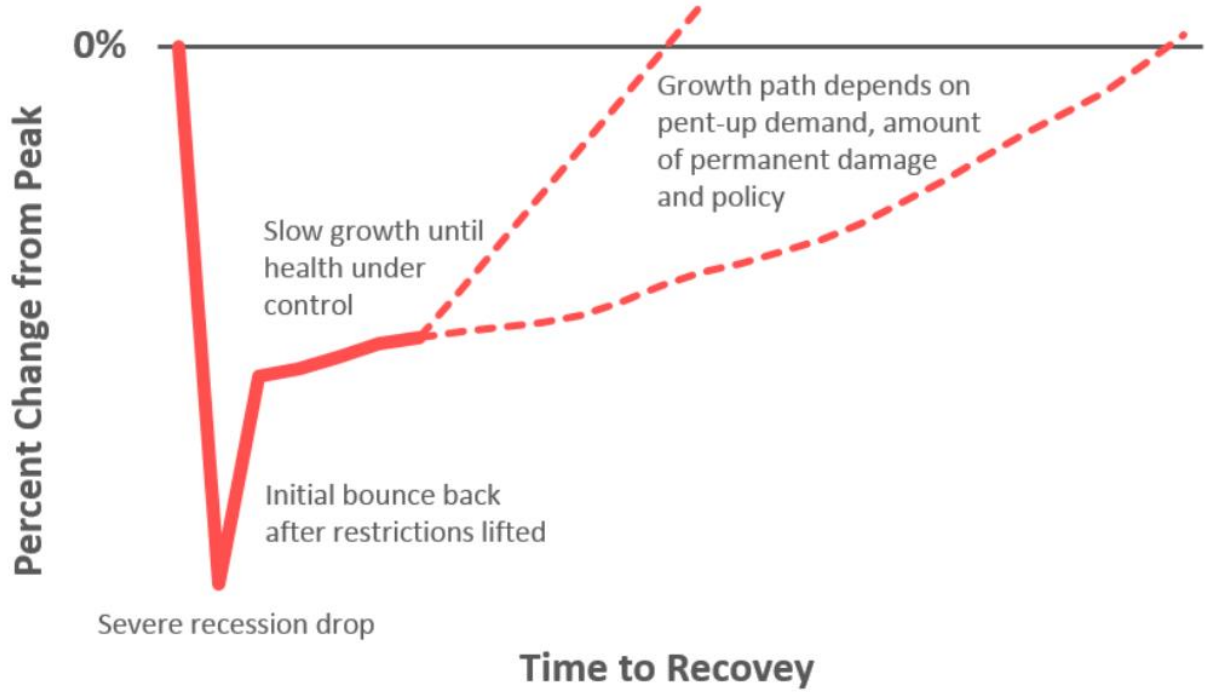
The \$31.5M gap is 46% of our personnel and benefit costs of \$67.8M. One third of the year is effectively over, so unspent personnel and benefit costs total \$45.1M. This gap is 70% of the unspent personnel and benefit costs.

The City cannot cut 7 out of every 10 employees to resolve this challenge. Salary and headcount reductions will be necessary, but staff needs guidance from the City Council on the amount of cuts desired.

Short term borrowing will provide the City with funds to retain operations, but comes at a cost. These funds must be repaid, and could be costly.

This challenge is ambiguous. State and federal assistance is not clear, but could change quickly. Some decisions will need to be made soon, because the longer we wait the larger the impact on FY2021.

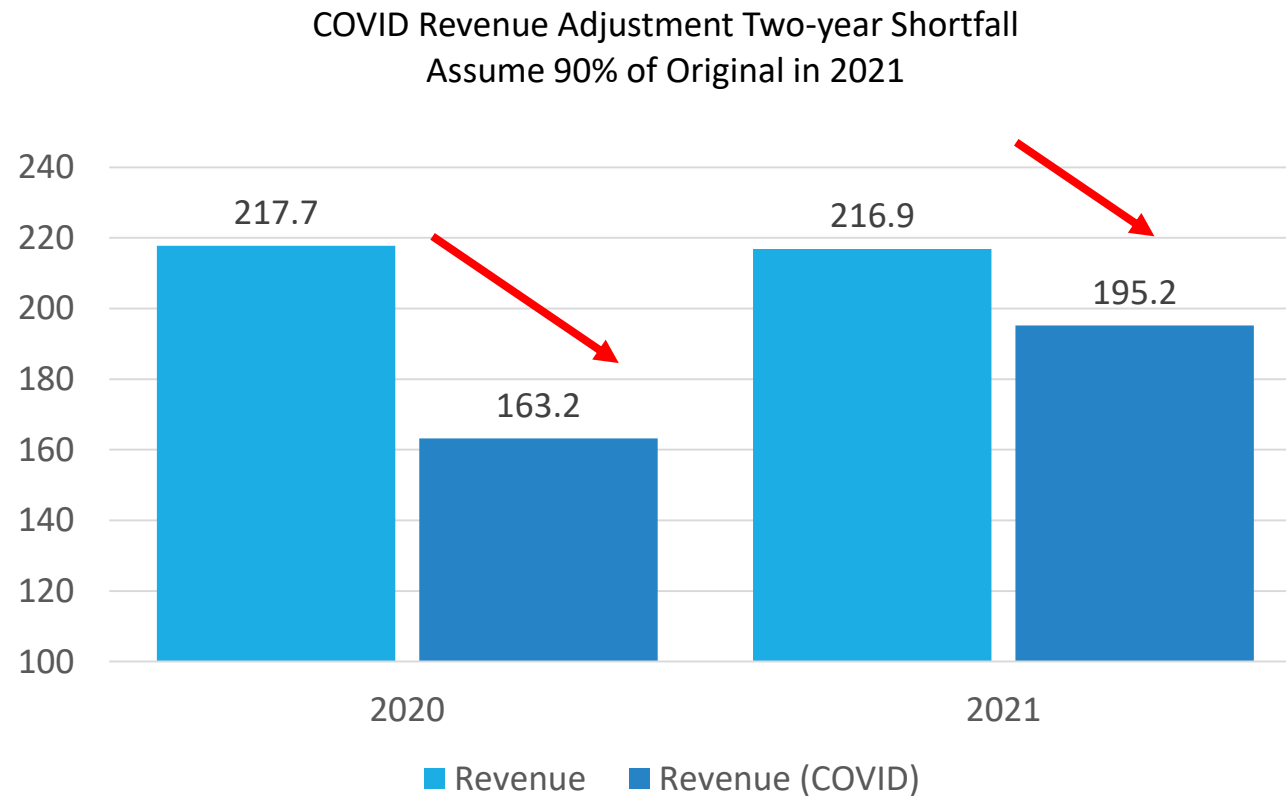
COVID-19: The Square Root Recovery?



Source: Oregon Office of Economic Analysis

We don't know what the recovery will look like or when it will start.

The Revenue Problem Continues in 2021



We need to prepare for:

1. Balancing the 2020 budget
2. A new financial normal
3. Economic and health recovery of our community

Preparations: First Steps

Balance 2020 & Beyond

- Financial levers
- Reduction in operations
- New ways of doing business

New Normal

- Need a range of scenarios to understand key elements
- Need to know drop dead dates for critical actions to manage 2020 and 2021

Recovery

- Long-term recovery planning team
- Program support and funding shifts
- Partnerships with health and financial organizations

Financial levers and challenges

CURRENT DEBT AND BOND MARKET

Changes in the bond markets make it VUCA!

- Volatility, Uncertainty, Complexity, Ambiguity

Can we restructure and extend current debt?

Can we work with the new Federal Reserve credit facility to assist Peoria?

BUSINESS RECOVERY

Use CDBG funding to assist in business and workforce recovery - \$1.7 M.

Model a program like Illinois.

LINE OF CREDIT / LOAN IN 2020

Solves the problem of cash but not the problem of missing revenue.

A \$30M loan/ line of credit would produce an on going expense increase of around \$3.5M for ten years.

OPERATING REDUCTIONS

Travel restrictions, operating expense reductions, and hiring freeze implemented.

Staffing reductions next step...

We need to phase response as we still don't have clarity on length of home stay, state tax responses and state / federal support that still may come.

But we do need to respond

1. Capital reductions now (delays)
2. Define and select financial levers
3. Prepare for service reductions & reorganizations and operational reductions under different scenarios
4. Strategic Priority: balance protecting recovery and maximizing public safety

Plan of Action

Key Council Decisions / Actions

Review and Respond to:

1. Landscaping adjustments
2. Sewer rate deferral
3. Thoughts and guidance on operational cuts and borrowing

Next Meeting:

1. Recommended capital decisions
 2. Recommended operational options / reorganization options
 3. Recommended financial options
- Remain Flexible as forecasts and information will change quickly
 - Discuss and engage support opportunities with Legislators
 - Support the flow of information as programs emerge

Due to the inherent cost of layoffs, at a minimum we anticipate a need to procure \$30M in budget coverage for 2020. The general fund would need \$8.0M in committed reduction and more to balance the 2020/2021 budget.