



2020 COVID-19 Budget Restructuring

LONG-TERM REVENUE PROJECTIONS,
MAJOR MANAGEMENT OPTIONS, AND
GUIDANCE REQUEST

*We must consult our means rather
than our wishes”*

- GEORGE WASHINGTON

What Cities Our Size are Seeing –

National League of Cities survey (April 1-7, 2020)



98%
ANTICIPATE A
REVENUE
DECLINE



63%
ANTICIPATE
HAVING TO
CUT PUBLIC
SERVICES



MORE THAN
HALF
OF ALL CITIES
REPORTED THAT
POLICE WILL BE
AFFECTED



55%
WILL
FURLOUGH
EMPLOYEES



36%
WILL LAYOFF
EMPLOYEES

What are Larger Cities Doing?



Los Angeles (CA) – 26 furlough days for thousands (a 10% pay cut)



Nashville (TN) – 20% property tax increase under consideration



Hamilton County (OH) – Cutting 20% across their \$267M Budget



Cincinnati (OH) – Furlough 1,700 municipal employees



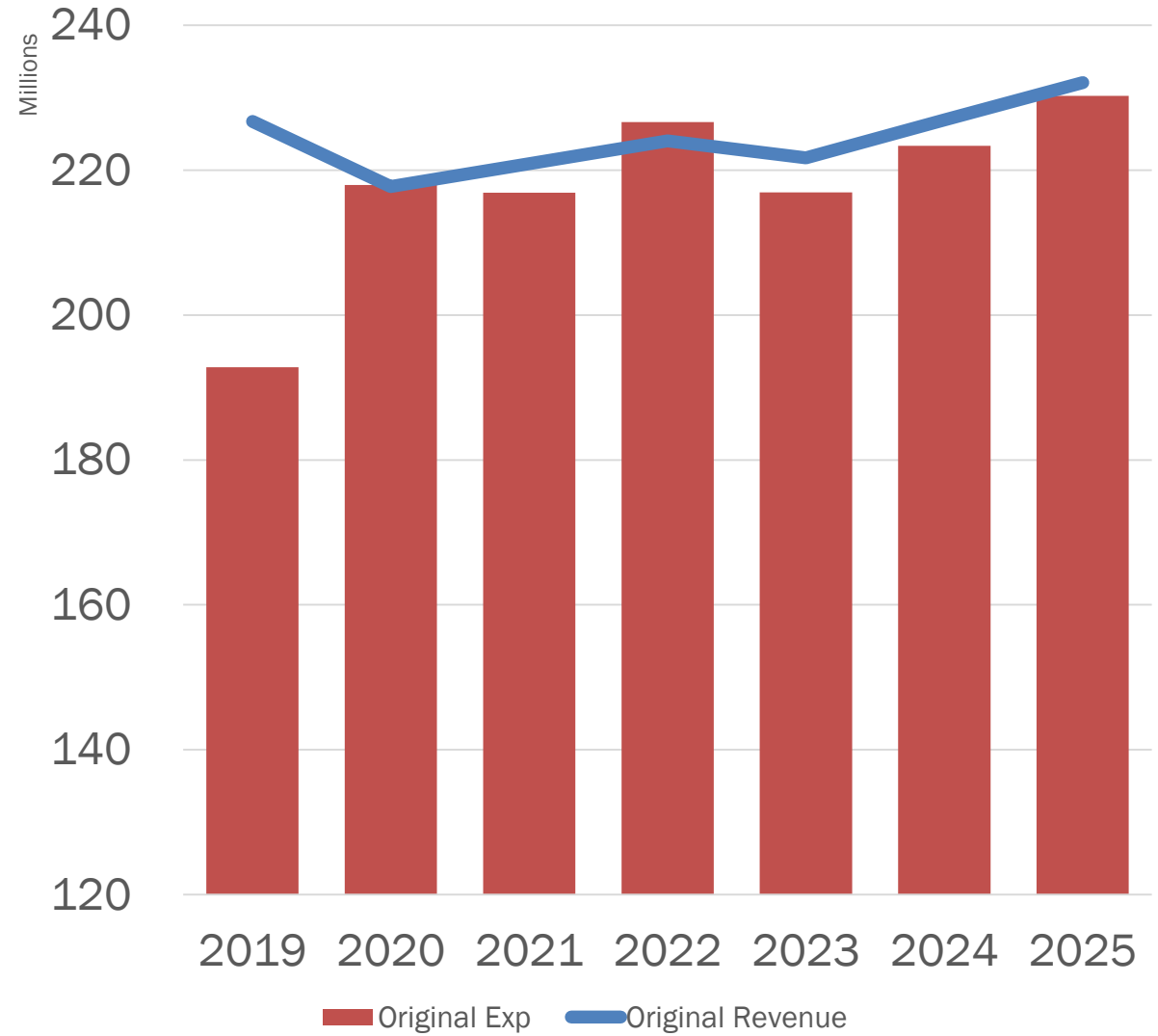
Phoenix (AZ) – 25% cut, aggressive fund transfers to prepare for shortfall of \$25M to over \$100M



Detroit (MI) – Layoffs and Furloughs

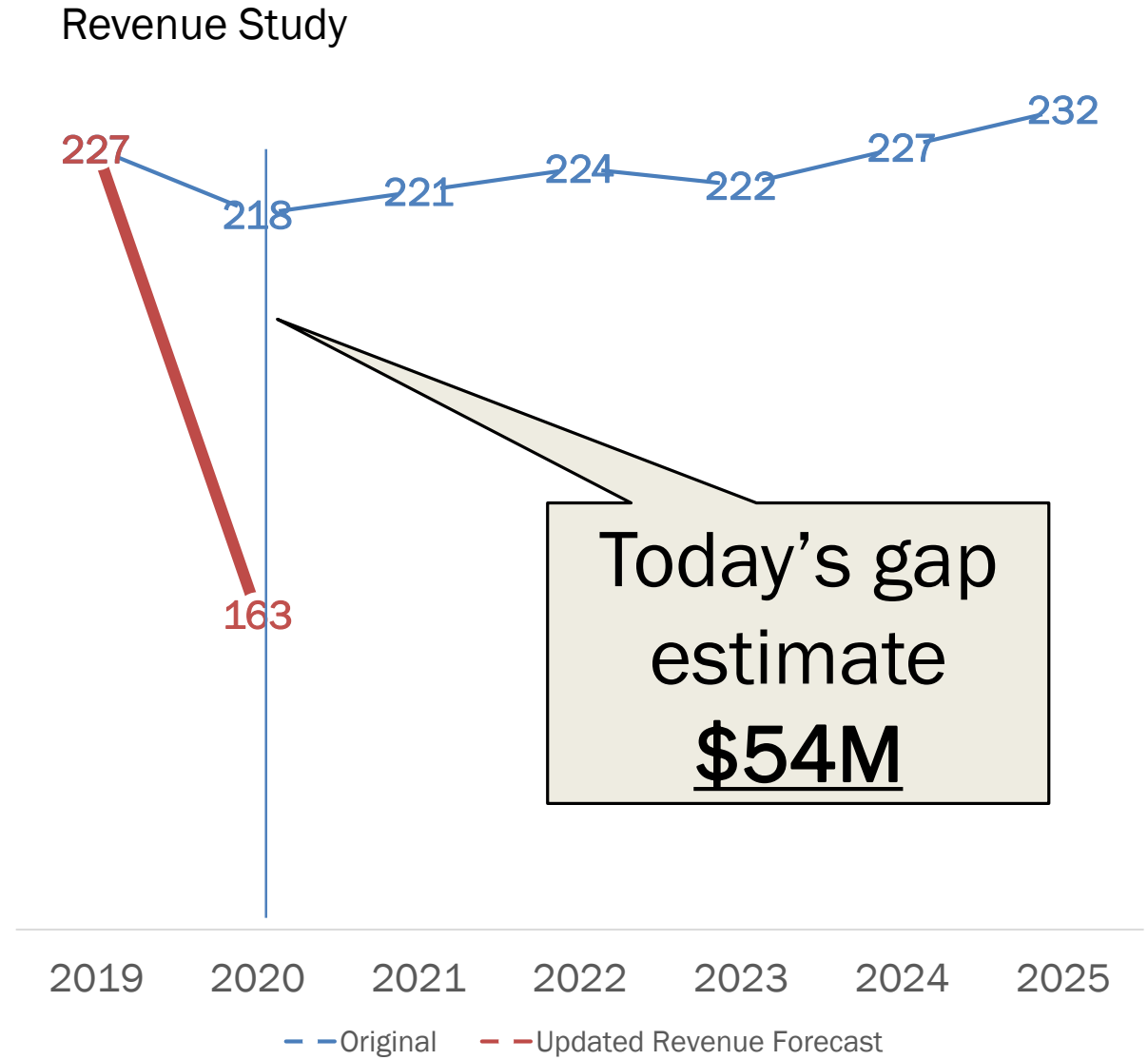
Original 2025 Budget Outlook

AT THE END OF 2019, THE
CITY OF PEORIA HAD A
BALANCED OUTLOOK ON
THE FUTURE.



The beginning of the curve

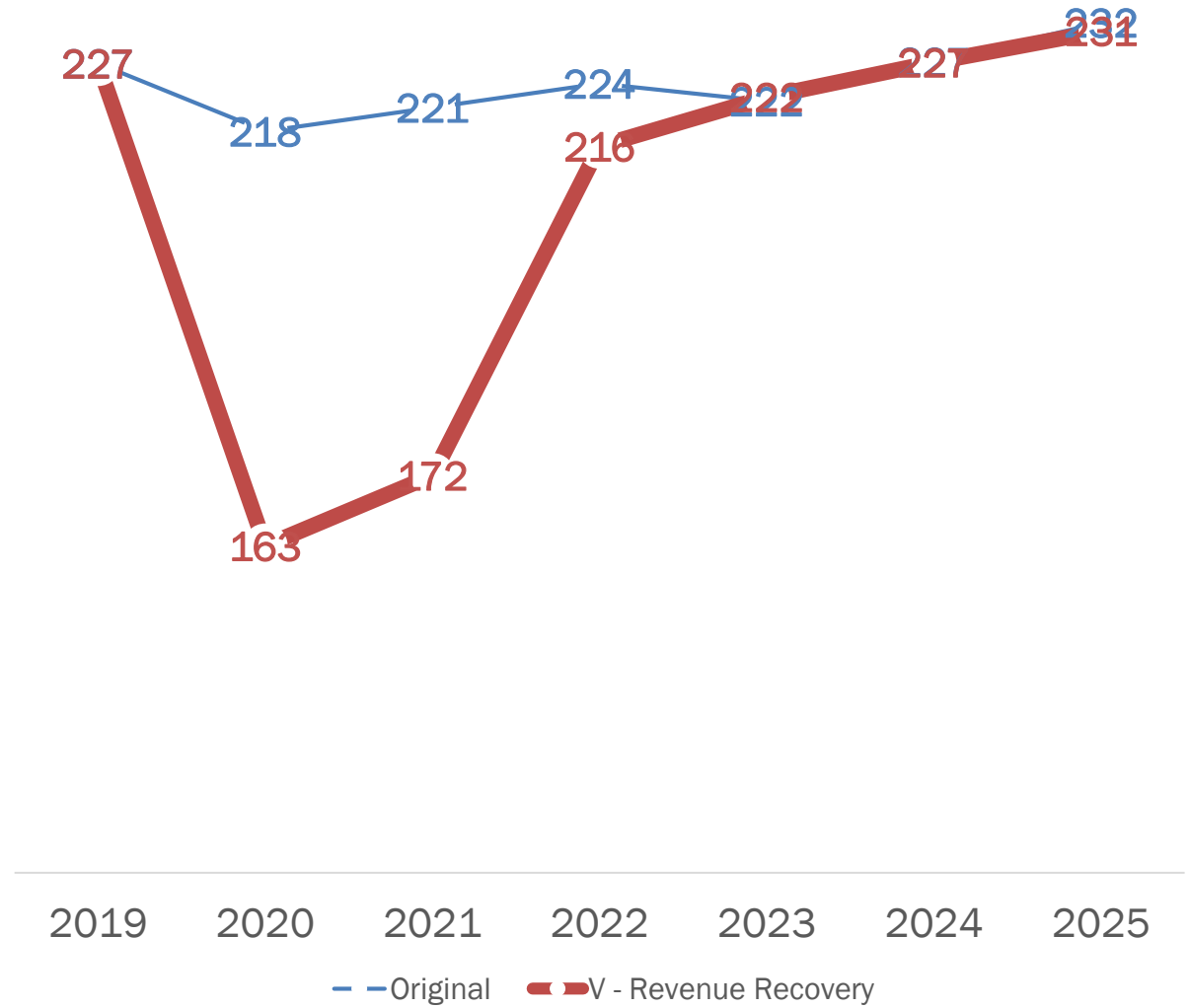
WHILE THE SHAPE OF RECOVERY IS UNKNOWN, THE REALITY IS THAT IN THE NEXT TWO YEARS WE WILL NEED TO DELIVER A MULTIMILLION DOLLAR SOLUTION TO THIS YEAR'S REVENUE SHORTFALLS.



V-shape is the fastest recovery

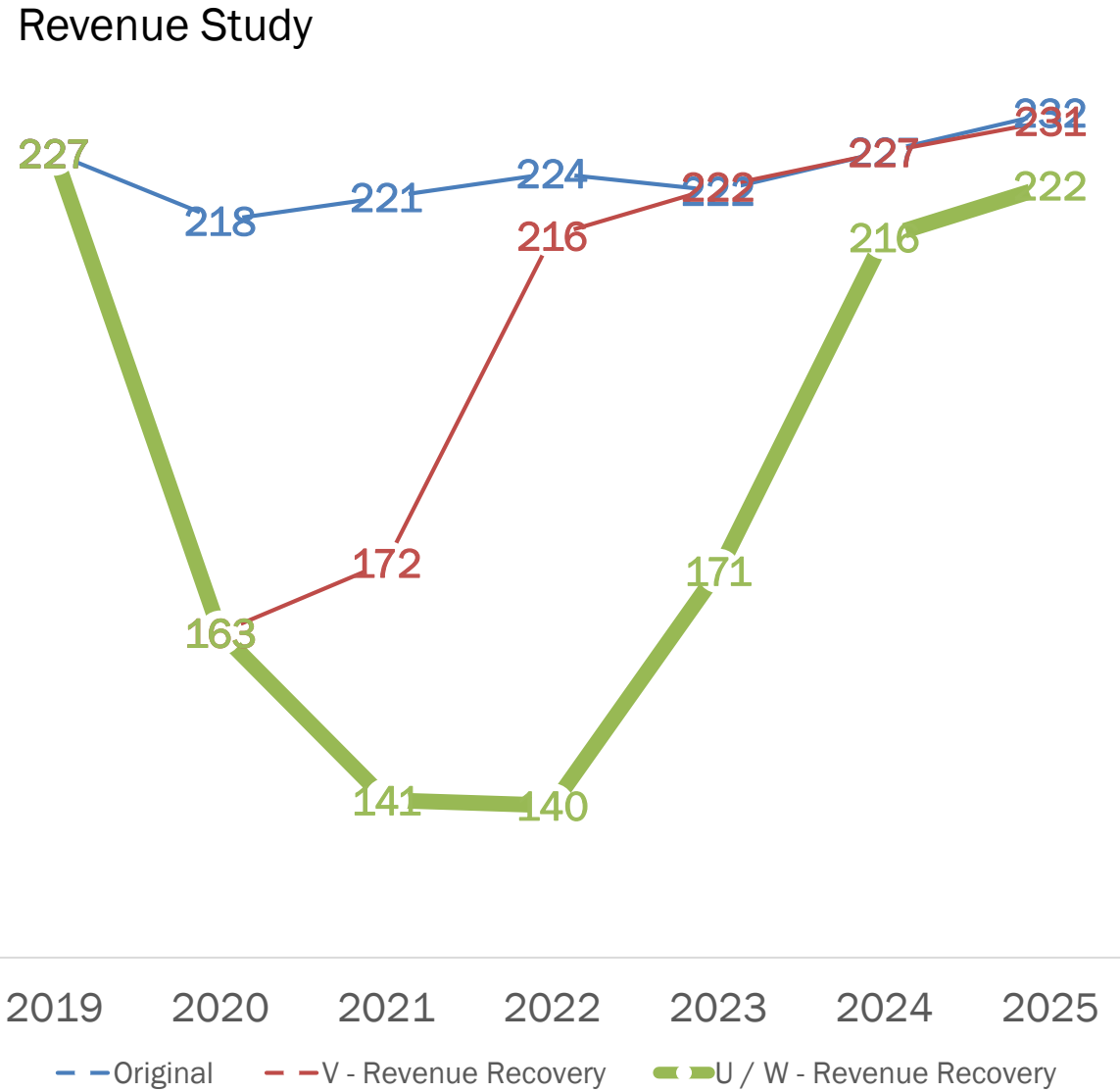
THE MOST OPTIMISTIC RECOVERY MODEL IS THE V-SHAPE RECOVERY MODEL. IN THIS CASE THE ECONOMY (AND ASSOCIATED REVENUE) BOUNCE BACK AS QUICKLY AS IT WAS LOST AND CATCHES UP TO THE PREVIOUS ECONOMIC TRAJECTORY.

Revenue Study



U/W shape extends the bottom but recovers quickly

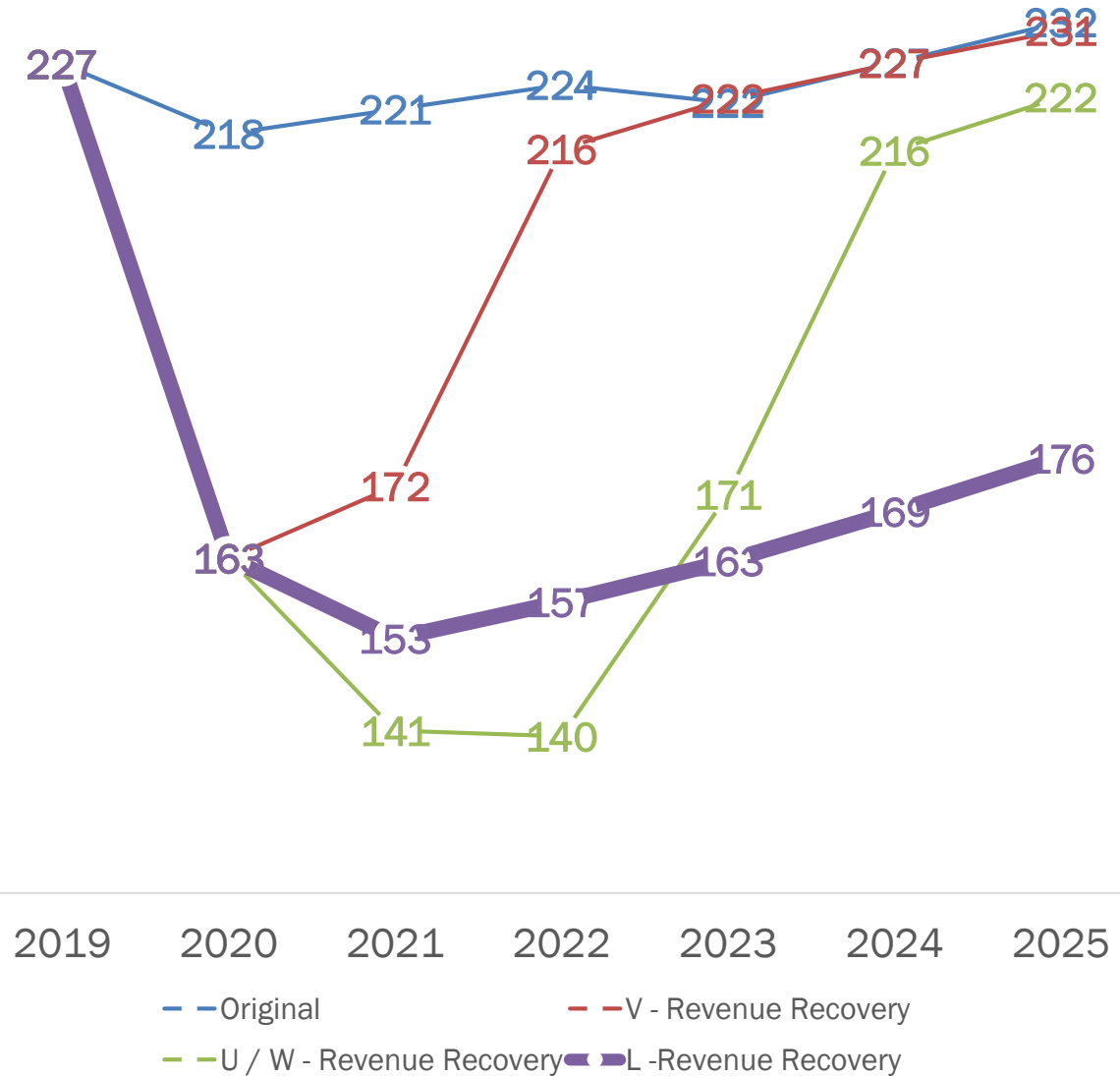
ANOTHER VIEW IS THAT RECOVERY WILL REQUIRE SOME TIME AND THAT COVID-19 MAY CONTINUE TO ACT AS A DRAG ON THE ECONOMY FOR SOME TIME AND WITH A DELAY BEFORE RECOVERY CAN BEGIN.



L-shape does not go as low at the bottom but does not bounce back

IN THE MOST CONSERVATIVE VIEW, THERE IS NO BOUNCE IN THE RECOVERY, BUT RATHER WE NEED TO WORK FROM A NEW NORM AND GROW AT HISTORICAL RATES FROM A SINGLE LOW POINT.

Revenue Study

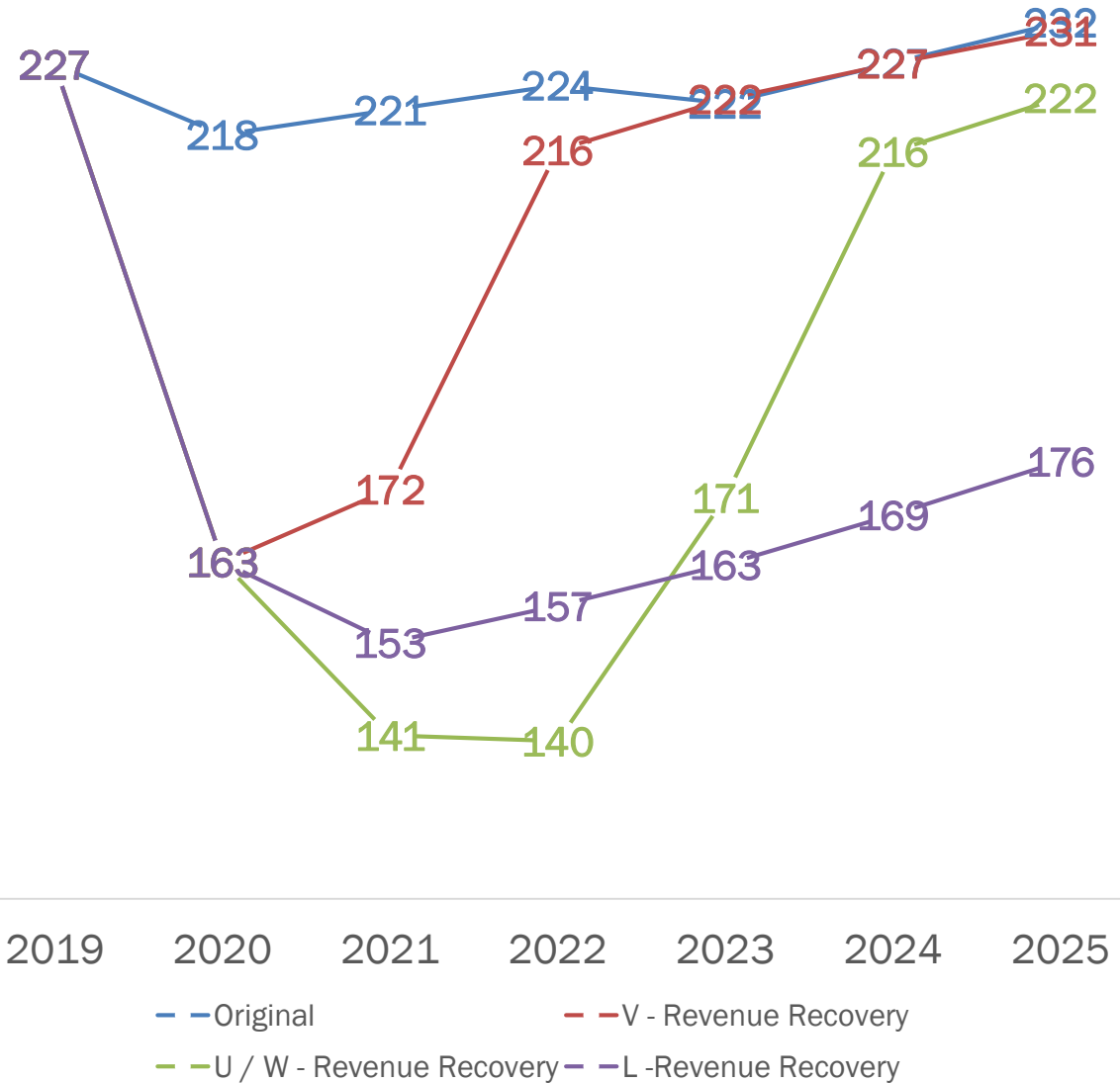


What is the shape?

WHILE THE SHAPE OF RECOVERY IS UNKNOWN, THE REALITY IS THAT IN THE NEXT TWO YEARS WE WILL NEED TO DELIVER A NEW NORMAL IN BOTH EXPENSE AND SERVICE.

IN THE BEST CASE, THE FIRST TWO YEARS HAVE A \$103 M LOSS IN REVENUE

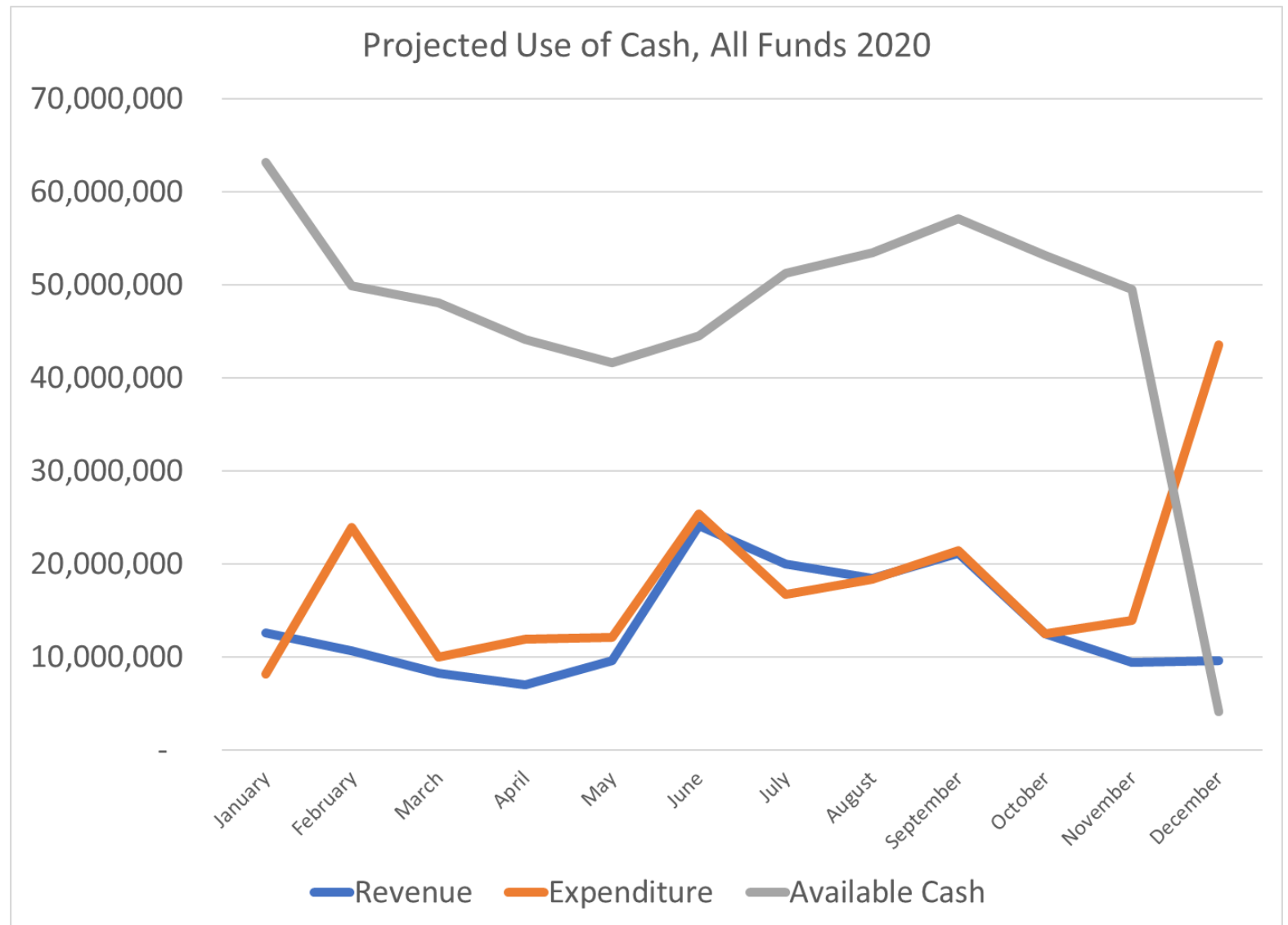
Revenue Study



City Cash Position

CASH IS AVAILABLE IN A VARIETY OF FUNDS, WHICH HAVE THEIR OWN RESTRICTIONS. THAT SAID AT A HIGH LEVEL WE HAVE ENOUGH CASH TO ...

MAINTAIN OPERATIONS, BY DRAWING DOWN **\$16M** THROUGH OCTOBER. **\$38M** WOULD BE DRAWN DOWN IN NOVEMBER AND DECEMBER.



Management
Levers
Available

Capital reduction – project elimination and delay

Operations reduction – layoffs, furloughs, outsourcing, service reduction

Borrowing – bonds and debt management

Savings – drawdown of reserves

Borrowing Options

New debt – will require new taxes for repayment

Line of credit – short-term, need repayment source

Restructuring – lowering debt payments in 2021-beyond

Push out debt – “scoop and toss” of existing debt

Capital reduction of \$26.7M maxes out contribution in 2020

No help to General Fund where most of the personnel costs are

Will need to continue for several years at “new normal” levels.

Can pursue external sources (grants) to help keep larger projects alive

Break larger projects in to smaller pieces over a few years.

Capital Reductions

Operations Changes

1

Reduce
Service

2

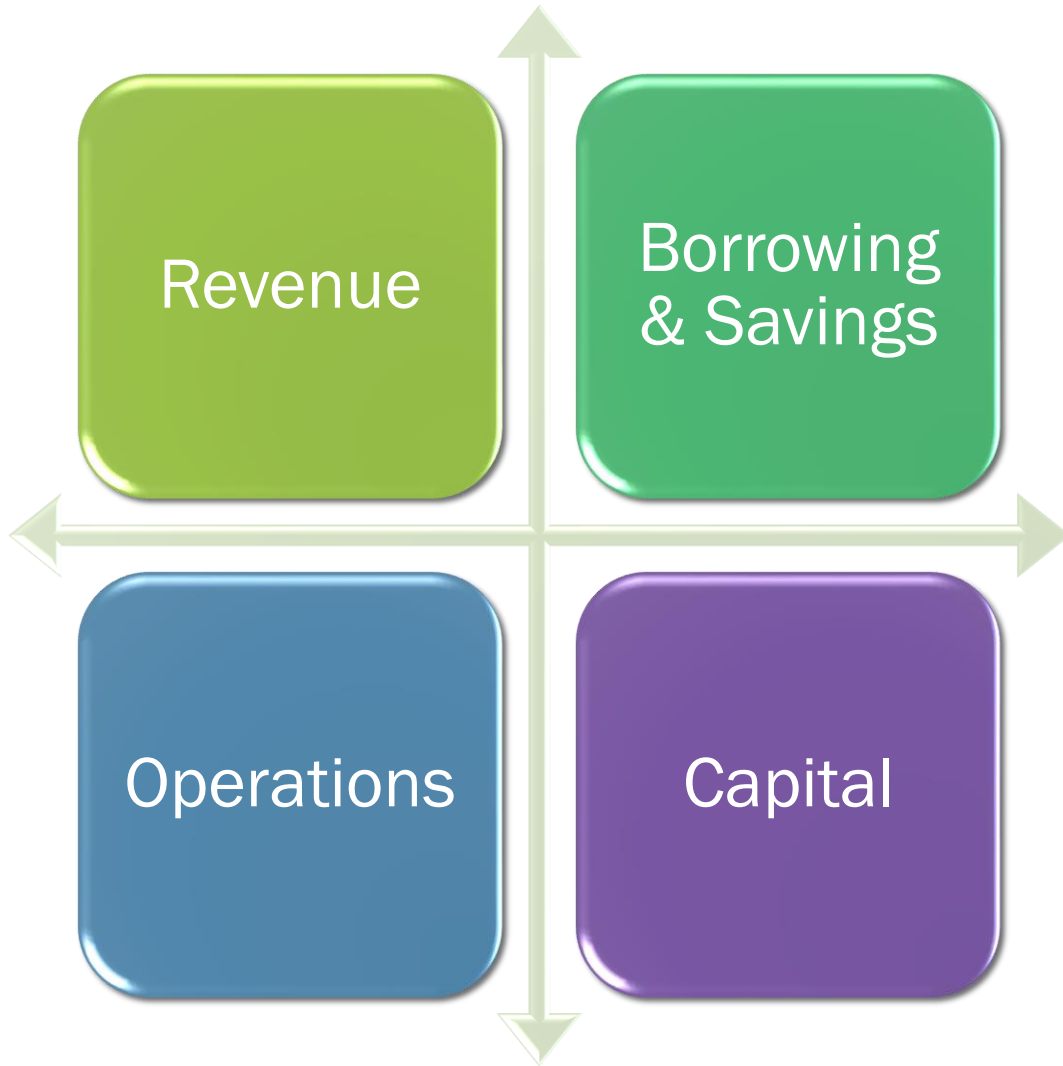
Furlough /
Lay off staff

3

Pay cuts

4

Restructure /
Outsource



Structure
of
Response