



Legislation Details (With Text)

File #: 20-125 **Version:** 2 **Name:** 2020-2021 Budget Restructuring Due to COVID-19
Type: Action Item **Status:** Received and Filed
File created: 5/21/2020 **In control:** City Council
On agenda: 9/22/2020 **Final action:** 9/22/2020

Title: Communication from the City Manager with a Request to APPROVE the Recommended 2020 - 2021 BUDGET RESTRUCTURING as a Result of the COVID-19 Pandemic.

Sponsors:

Indexes: Goal 1 - Financially Sound City, Goal 2 - Safe Peoria, Goal 4 - Grow Peoria, Have an efficient government., Keep taxes and fees competitive

Code sections:

Attachments: 1. 2020 - 2021 Budget Adjusted COVID19 July 1 Scenario - Updated 090220, 2. 2020 Community Investment Plan Project Reductions Per Council as of 8-28-20, 3. Budget Report Back 10

Date	Ver.	Action By	Action	Result
9/22/2020	2	City Council	approved	Pass
9/22/2020	2	City Council	approved	Fail
9/8/2020	1	City Council	amended	Pass
9/1/2020	1	City Council		
9/1/2020	1	City Council		
9/1/2020	1	City Council	substitute motion	Pass
9/1/2020	1	City Council	approved	Pass
9/1/2020	1	City Council	received and filed	Pass
9/1/2020	1	City Council	divided the question	
8/25/2020	1	City Council	called the question	Fail
8/25/2020	1	City Council	approved	Fail
8/25/2020	1	City Council	substitute motion	Fail
8/25/2020	1	City Council	closed policy session	Fail
8/11/2020	1	City Council	received and filed	Pass
7/28/2020	1	City Council	received and filed	Pass
7/14/2020	1	City Council	received and filed	Pass
6/23/2020	1	City Council	received and filed	Pass
5/26/2020	1	City Council		
5/26/2020	1	City Council		
5/26/2020	1	City Council		
5/26/2020	1	City Council		

ACTION REQUESTED:

Communication from the City Manager with a Request to APPROVE the Recommended 2020 - 2021

BUDGET RESTRUCTURING as a Result of the COVID-19 Pandemic.

BACKGROUND: On April 14th, the City Manager presented to Council the projected revenue impact of the COVID-19 pandemic. At that time, \$54.6 million was anticipated to be lost due to the pandemic - \$1.5 million in less property taxes, \$25.2 million in less local taxes, \$14.3 million in state taxes, and \$15.2 million in bond proceeds. By May 12th, the revenue situation had become clearer, with state and local revenues improving by \$5.0 million. The proposed restructuring plan included balancing near-term and long-term needs, redeployment funds for recovery, reduction of capital programs, debt restructuring and various operating reductions. The Council provided direction to reduce capital programs by \$26.7 million and to restructure January 1, 2021 debt payments of approximately \$10 million. At the May 12th Council meeting, the City Council directed the City Manager to come back with a recommended \$10 million in operational cuts.

On May 26th, the City Manager presented recommendations to reduce staff by 94 positions and contractual and supply reductions of \$3.3 million. Council directed the City Manager to reduce 33 non-public safety positions in City Hall, Community Development, Public Works and Police, and to reduce 5 vacant fire fighter positions and 7 police officer positions.

To reduce the number of employees laid off, a resolution adopting an Early Retirement Incentive (ERI) for eligible members of the Illinois Municipal Retirement Fund (IMRF) was approved by Council on June 23, 2020. The ERI will be available for the period August 1, 2020 through July 31, 2021. As a result, it is anticipated that some layoffs may be avoided. Three (3) positions slated for layoff will take the ERI. Several other individuals slated for layoff have taken other positions within the City or have left their positions. At this time, four (4) positions slated for layoff will be assigned to complete a COVID-19 long term recovery effort, payable with CURES reimbursement funds through December 31, 2020. Three (3) positions have been given layoff notices, effective September 1, 2020.

Public Safety Reductions

The initial plan for public safety reductions included three engine companies totaling thirty-three (33) positions, and twenty-nine (29) police positions. Following the civil unrest and violence on the riverfront, the City Manager recommends that no additional police positions be reduced at this time. Currently, the Police Department is down 14 positions, and will have three more retirements in the next six (6) weeks. The new authorized strength of the department is 222, due to the reduction of seven (7) police positions. Nine (9) officers will be starting at the academy in October, and the City can fill an additional ten (10) positions in January. With additional retirements in 2021, the City will continue to struggle to fill all police positions in 2021.

The recommendation for fire remains the reduction of three (3) engine companies. Currently the Fire Department has four (4) additional vacancies in addition to the five (5) firefighter positions previously eliminated. The number of layoffs required to close three (3) engine companies would be twenty-four (24) positions. A Voluntary Separation Incentive (VSI) for firefighters is included on the agenda and would provide an additional \$25,000 of health care premiums to employees willing to leave the City voluntarily. This would allow the City to reduce the number of positions that would need to be reduced involuntarily.

At the August 25th Council meeting, Council approved a Voluntary Separation Incentive for Firefighters. The VSI for firefighters is open from September 1, 2020 to October 31, 2020. To-date we have had six (6) firefighters' express interest in taking the VSI.

At the September 1st Special Council Meeting, Council approved the decommissioning of two (2) engine companies, twenty-two (22) positions. The current status of workforce reductions are reflected in the table below:

	Staffing	Vacant	ERI/VSI	Reassigned	Layoff	Reductio
Back Office	63	6	2	1	3	12 19%
Emergency Communications	35					0 0%

Community Development	36	5		1		6	17%
Public Works	92	7	1	2	4	14	15%
Fire	189	9	6		7	22	12%
Police	249	8				8	3%
Total	664	35	9	4	14	62	9%

Working Cash Bonds

Included in this packet is a revision to the financials for 2020-2023. Staff has reviewed additional revenues that have been received and revised the revenue estimates once again (as staff had previously advised Council). The increased public pension contributions identified in the Illinois Department of Insurance Valuation Reports have been included. The revised revenue estimates are attached. The revised estimates considered the improvement of State Revenues and Sales Tax revenues over the original estimates. As of August 20, staff projects lost revenues of \$20.5 million for 2020, considerably better than the \$41.0 million estimated loss from April of this year.

Due to the improvement in these revenues, City staff would recommend the issuance of a \$10 million working cash bond instead of a \$15 million working cash bond. Further, based upon these current revised estimates, **the City can assume the additional debt service payment without an additional property tax repayment source.**

At the September 1st Special Council Meeting, Council approved the issuance of \$10 million working cash bonds.

At the September 8th Council Meeting, Council approved the suspension of capital projects, to pay any outstanding invoices for work performed in capital to date and to freeze all capital expenditures that were unspent with the exception of stormwater utility projects that had a dedicated funding source, design work on roadways and any grant funding that required the City to meet its contractual obligations.

At this point there is one remaining decision for the City Council:

- **Direction regarding the funding the Peoria Civic Center due to loss revenues resulting from COVID-19**

The debt service for the Civic Center falls off in 2026. The City could borrow additional working cash and structure the debt payments to be back loaded once the current civic center debt is exhausted. The City could also loan the Civic Center funds and get repaid from future HRA tax proceeds. Lastly, the City should work with the State Legislators for assistance from the state for Civic Centers.

FINANCIAL IMPACT: The Capital Budget has been reduced; the non-public safety operations have been reduced; layoffs for the remaining non-public safety positions will begin September 1st, and October 1st for public safety personnel.

NEIGHBORHOOD CONCERNS: Service reductions of this magnitude will mean that the City will not be able to deliver services at the same level as today. Response times will increase fire services, snow routes will be longer and more time will be needed to complete plowing operations, law enforcement will be focused on maintaining patrol services, community development will have less staff for neighborhoods, and back office operations will be reduced.

IMPACT IF APPROVED: The budget restructuring plans will go into effect. City staff will also prepare a 2021 budget for council to approve in late September.

IMPACT IF DENIED: At some point, the City will exhaust cash reserves and be unable to pay vendors or

employees.

ALTERNATIVES: Council can suggest alternatives to the Manager's recommendations.

EEO CERTIFICATION NUMBER: N/A

WHICH OF THE GOALS IDENTIFIED IN THE COUNCIL'S 2017 - 2032 STRATEGIC PLAN DOES THIS RECOMMENDATION ADVANCE?

1. Financially Sound City
2. Safe Peoria
3. Grow Peoria

WHICH CRITICAL SUCCESS FACTOR(S) FROM THE COMPREHENSIVE PLAN DOES THIS RECOMMENDATION IMPLEMENT?

1. Have an efficient government.
2. Keep taxes and fees competitive.

DEPARTMENT: City Manager's Office