2020/2021 COVID-19 Budget Restructuring

2020 / 2021 BUDGET REVISION AND FEEDBACK

JUNE 9, 2020
Small Business hours have declined 58% compared to January 2020.
Economic News

Small business earnings have declined **83.4%** compared to January 2020.
Economic News

The Peoria MSA has the second highest unemployment rate in the State at **17.8%**.

The City of Peoria Unemployment Rate was **19.3%**

Illinois has lost 806K jobs in the last month and has the 7<sup>th</sup> highest unemployment rate of any state in the nation

Illinois Department of Employment Security
State Revenue Estimates

Key Illinois revenues Year over Year Change:

April Sales Tax receipts down 19.6%
May Sales Tax receipts down 23%
New car and truck registrations down 55.1%
Total exports statewide down 12.9%
Chicago Purchasing Managers Index down 40.4%

With one month remaining in the SFY 2020, personal income taxes are down 5.4%, corporate income taxes are down 14.9%, and sales taxes are down 1.5%

Compared to SFY 2019, the current COGFA estimates for SFY 2021 are personal income taxes down 3.9%, corporate income taxes are down 12.5%, and sales taxes are down 11.1%

Source: Commission on Government Forecasting and Accountability
On May 12th, Council offered guidance on the Levers of Response for the development of a new budget.
Budget Restructuring: Summary of Proposed Actions

**Revenue:** $5.0M increase in revenue estimate based on Municipal League estimates and new State revenue

**Capital:** cuts $27.3M in Capital Expense (in 2020) and additional $10.0M in 2021

**Borrowing and Savings:** borrows $20.0M of new debt & restructures $10.25M in existing debt

**Operations:** cuts 94 FTEs resulting in a full year reduction of $10M in operating costs (2021)
Recent Illinois Municipal League estimates revise the state revenues upward. State budget sweeps $1.8 million from PPRT.

Additional MFT revenue from State Capital Bill offsets declines in motor fuel taxes.

Reopening in June rather than July improves estimated revenues for 2020.
## Sales Tax Trends

Q1 2020 versus Q1 2019 trends:

- Food for home consumption up 19%
- Drinking and Eating Places down (9%)
- Apparel is down (31%)
- Lumber, building and hardware up 12%
- Auto sales down, Automotive products up

<table>
<thead>
<tr>
<th>Standard Industrial Classification (SIC) Code</th>
<th>State</th>
<th>Home</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Merchandise</td>
<td>(6%)</td>
<td>(10%)</td>
</tr>
<tr>
<td>Food</td>
<td>19%</td>
<td>(1%)</td>
</tr>
<tr>
<td>Drinking and Eating Places</td>
<td>(9%)</td>
<td>(9%)</td>
</tr>
<tr>
<td>Apparel</td>
<td>(31%)</td>
<td>(31%)</td>
</tr>
<tr>
<td>Furniture, Household, Radio</td>
<td>(1%)</td>
<td>(1%)</td>
</tr>
<tr>
<td>Lumber, Building, Hardware</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Automotive, Filling Station</td>
<td>(10%)</td>
<td>16%</td>
</tr>
<tr>
<td>Drugs and Misc Retail</td>
<td>6%</td>
<td>(2%)</td>
</tr>
<tr>
<td>Agriculture and All Others</td>
<td>(7%)</td>
<td>(8%)</td>
</tr>
<tr>
<td>Manufacturers</td>
<td>(7%)</td>
<td>(8%)</td>
</tr>
<tr>
<td>Total Change 2020/2019</td>
<td>(1%)</td>
<td>(5%)</td>
</tr>
</tbody>
</table>
Overall Revenues are down ($5.5M) from 2019

Overall Expenses are up $10.8M from 2019 due to the timing of bond expenses

General Fund Revenues down ($3.6M) from 2019

General Fund Expenses down ($2.7M) from 2019

City has begun to draw down cash reserves with the month of May by $1.1M
### Capital Expense Reduction

2020 reduction of $27.3M and 2021 reduction of $10M from original, biennial budget.

Additional capital cuts in 2020 come from Fire Station 16 and One Tech Deck payment deferral.

Capital road funding allows 2021 to increase for major road projects.

<table>
<thead>
<tr>
<th></th>
<th>2020 (Capital Expense)</th>
<th>2021 (Capital Expense)</th>
<th>2022 (Capital Expense)</th>
<th>2023 (Capital Expense)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>$12.6</td>
<td>$20.4</td>
<td>$31.3</td>
<td>$31.3</td>
</tr>
<tr>
<td>Revised</td>
<td>$12.0</td>
<td>$24.6</td>
<td>$31.6</td>
<td>$29.0</td>
</tr>
<tr>
<td>Variance Inc/ (Dec)</td>
<td>($0.6)</td>
<td>$4.2</td>
<td>$0.3</td>
<td>($2.3)</td>
</tr>
</tbody>
</table>
The second year of the six-year State Capital Bill includes a number of projects within the City of Peoria. Overall, there are more than $106 million of capital projects within Peoria County. Rollout of this funding will likely be in 2021.

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Springdale Cemetery</td>
<td>$0.4M</td>
</tr>
<tr>
<td>East Bluff Community Center</td>
<td>$0.9M</td>
</tr>
<tr>
<td>Pioneer Parkway</td>
<td>$3.0M</td>
</tr>
<tr>
<td>Fire House / Community Center</td>
<td>$5.0M</td>
</tr>
<tr>
<td>County: Lake St. &amp; Gale Ave</td>
<td>$6.0M</td>
</tr>
<tr>
<td>Riverfront Development</td>
<td>$15.0M</td>
</tr>
<tr>
<td>Main Street</td>
<td>$25.0M</td>
</tr>
<tr>
<td>Civic Center</td>
<td>$25.0M</td>
</tr>
</tbody>
</table>
Borrowing & Savings

Restructuring $10M in debt service will cost $2M over 20 years.

A working cash bond of $20M will require a repayment source of $2M per year.

- $20M New Borrowing (Working Cash Bond)
- $10M Debt Restructuring - reducing debt service payment in 2020
- $2M Annual Repayment Required (2021-2040)
- Property tax of $33.33 per year per $100K of Fair Market Value
Operations: Staff Reduction

To reduce operations $10 million, 94 full-time and 28 temporary positions would be reduced. 14% of the total workforce reduced.

Back office operations (19%) sees the largest impact, followed by Community Development and Fire (17%) and Public Works (15%).

### 37 Vacant positions eliminated
- 4 | 6% Back office
- 3 | 8% Community Development
- 7 | 3% Public Works
- 5 | 3% Fire
- 18 | 7% Police

### 57 Positions reduced by layoff
- 8 | 13% Back office
- 3 | 8% Community Development
- 7 | 8% Public Works
- 28 | 15% Fire
- 11 | 4% Police

### 94 Total Reductions (14% of the Workforce)
- 12 | 19% Back Office
- 6 | 17% Community Development
- 14 | 15% Public Works
- 33 | 17% Fire
- 28 | 12% Police

### 28 Temporary Workers
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28 Temporary Workers

Phase 1 (August) 55 vacant and reduced positions and 28 temp workers
Phase 2 (October) 39 reduced positions
Operations: Reduction in Service

A variety of service reductions are anticipated from this restructuring.

It will take time to find ways to improve – if possible.

The City will be providing less service than it is today.

Some Examples:

- Cadets, Explorers, Accreditation, Traffic, Detectives, Special Investigations
- Three Engine Companies – Engine 4, Engine 20, Truck 1, Higher response times
- Longer snow routes, less residential plowing, significantly smaller maintenance workforce
- Emergency demolitions only, fewer neighborhood resources
- Slower IT response and fix time (systems and equipment)
- Slower response to Citizen requests & complaints
City is required to bargain over the impact and implementation of workforce reductions with our bargaining units.

As discussed at Council on April 28, a 10% pay cut would eliminate the need for layoffs.

Meetings held with PPBA, AFFI, AFSCME, and Crafts and Trades to date.

No union has accepted the 10% income reduction proposed in lieu of layoffs.

Police and Fire have expressed interest in a Voluntary Separation Initiative (VSI), which would provide $25k for Healthcare upon separation.

The VSI would reduce the need for layoffs.
The interventions made in this restructuring balance the budget for 2020-2021.

Pension cost growth, and conservative revenue recovery cause the 2022 and 2023 budget deficits of $7.2M and $5.4M.

Additional expense cuts or revenue increases will be needed to balance future budgets.
## 2020/2021 Budget Restructuring

State revenue estimated for Personal Property Replacement Tax and Income Tax passed by the General Assembly are not included in these estimates.

A 5% increase in income taxes adds $500k to 2020 and 2021, offset by the reduction in PPRT being withheld by the state.

Net effect would be an additional $1.0 million decline in revenues.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Revenue</td>
<td>144.4</td>
<td>122.9</td>
<td>139.0</td>
<td>143.5</td>
<td>144.5</td>
</tr>
<tr>
<td>State Revenue</td>
<td>45.4</td>
<td>40.8</td>
<td>43.2</td>
<td>51.5</td>
<td>48.2</td>
</tr>
<tr>
<td>Federal Revenue</td>
<td>2.9</td>
<td>4.5</td>
<td>2.6</td>
<td>2.6</td>
<td>2.6</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>193.1</td>
<td>168.1</td>
<td>184.9</td>
<td>197.6</td>
<td>195.4</td>
</tr>
<tr>
<td><strong>Financing</strong></td>
<td>15.8</td>
<td>20.0</td>
<td>0.0</td>
<td>3.1</td>
<td>9.8</td>
</tr>
<tr>
<td><strong>Total Revenue Plus Financing</strong></td>
<td>208.9</td>
<td>188.1</td>
<td>184.9</td>
<td>200.8</td>
<td>205.2</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td>(152.8)</td>
<td>(153.8)</td>
<td>(150.4)</td>
<td>(155.1)</td>
<td>(160.3)</td>
</tr>
<tr>
<td>Capital</td>
<td>(30.2)</td>
<td>(12.0)</td>
<td>(24.6)</td>
<td>(31.6)</td>
<td>(29.1)</td>
</tr>
<tr>
<td>Debt</td>
<td>(21.3)</td>
<td>(9.9)</td>
<td>(21.6)</td>
<td>(21.4)</td>
<td>(21.3)</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>(204.3)</td>
<td>(175.7)</td>
<td>(196.6)</td>
<td>(208.0)</td>
<td>(210.6)</td>
</tr>
<tr>
<td>Surplus (Deficit)</td>
<td>4.6</td>
<td>12.4</td>
<td>(11.7)</td>
<td>(7.2)</td>
<td>(5.4)</td>
</tr>
<tr>
<td><strong>Net Cash (2020-23)</strong></td>
<td>0.0</td>
<td>0.7</td>
<td>(6.6)</td>
<td>(11.9)</td>
<td></td>
</tr>
</tbody>
</table>

*May 22, 2020
Path to a Plan

26 May
Council guidance on operating reductions

10 June
Continue bargaining impact & implementation of workforce changes

1 August
Implement non-public safety workforce reductions

9 June
Review budget restructuring, additional Council guidance

23 June
Approve final policy decisions.

1 October
Implement public safety workforce reductions
Next Steps

**Finalize Plan:** Approve in whole, in part, and/or advise correction in the plan as presented tonight.

**Plan:** The Council is on a path to approve policy for implementation by mid-year.

**Flexible Management:** The City Council should monitor the next 18 months in quarterly reviews. What information should City Staff provide to ensure the City Council understands if and when to change course?
Flexible Plan Management

- Early view of how recovery is going
- Assess need for more action or unwinding action
- Updated model and scenario study
- Actual expense versus forecast and need for more action.

Revenue Variance  Budget Review  Economic / Commercial Indicators  Phase Management
Quarterly Reviews will focus on new areas as we progress through the crisis to recovery.