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?

<table>
<thead>
<tr>
<th>City</th>
<th>Action Description</th>
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<tbody>
<tr>
<td>Los Angeles (CA)</td>
<td>26 furlough days for thousands (a 10% pay cut)</td>
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<td>Nashville (TN)</td>
<td>20% property tax increase under consideration</td>
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<td>Hamilton County (OH)</td>
<td>Cutting 20% across their $267M Budget</td>
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<td>Cincinnati (OH)</td>
<td>Furlough 1,700 municipal employees</td>
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<td>Phoenix (AZ)</td>
<td>25% cut, aggressive fund transfers to prepare for shortfall of $25M to over $100M</td>
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<td>Detroit (MI)</td>
<td>Layoffs and Furloughs</td>
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AT THE END OF 2019, THE CITY OF PEORIA HAD A BALANCED OUTLOOK ON THE FUTURE.
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.

Today’s gap estimate $54M
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.
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.
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.
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 Reductions

- 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.
Operations Changes

1. Reduce Service
2. Furlough / Lay off staff
3. Pay cuts
4. Restructure / Outsource
Structure of Response

- Revenue
- Borrowing & Savings
- Operations
- Capital