COVID-19 2020
Financial Impacts
City of Evanston
April 27, 2020
Agenda

▪ Impact of COVID-19 crisis on City revenues
▪ COVID-19 cost projections and reimbursement opportunities
▪ Expense reductions for current year

City’s #1 Priority

▪ Eliminate an immediate threat to health, life, and safety presented by COVID-19 emergency.
▪ Follow all guidance provided by public health authorities (e.g., CDC, IDPH, City Health Department)
Revenue Projections

- Staff focusing on about twenty General Fund revenue sources impacted by COVID-19 crisis, including:
  - Sales and income taxes
  - Athletic, amusement, liquor, and hotel taxes
  - Parking tax and ticket revenue
  - Recreation program fees

- Projections are evolving, based on new information from state partners (IDOR, IML, etc.) and continued actions taken by state and federal governments.

- Budget impacts expected to continue into 2021 and beyond.
Revenue Projections

- Current projected revenue shortfall in General Fund through end of 2020 = $10.6 million

- Assumes most economic activity closed through end of May, continued major revenue losses through June and July, and trailing losses through end of the year.

- Situation likely to get worse - $15-20 million

- If stay-at-home extends further into summer or if local economic activity does not recover, **City will face major cash shortages.**
General Fund Balance by Month

Budgeted Year-End Balance: $17,180,802
Projected Year-End Balance: $6,474,287
Worst Case: -$3,477,755
Hotel, Amusement, Liquor Taxes

2020 Pre-COVID  Post-COVID Projection
Expense Reductions Enacted

- Hiring freeze on all non-essential positions

- Layoff of 8 full-time, non-union employees

- Layoff of Parks and Recreation part-time employees - Instructors, Program Assistants, Rec. Aides, Inclusion Aides = $40,000 savings per pay period

- Retirement incentive offered to all employees - coverage of 5 months health insurance after retirement date of April 30 or sooner; 3 additional employees to take advantage of incentive
Expenses Reductions Enacted (cont.)

▪ Including existing vacancies, non-union layoffs, and retirements = 51 vacant full and permanent part-time positions

▪ Of these, 38 positions are in General Fund and will be held vacant

▪ Savings for each month held vacant = $292,000
  Vacant through December 31, 2020 (8 months) = $2.3 million

▪ Other positions are in other funds, including Human Services, CDBG, Water, Sewer, and Solid Waste. Non-essential positions will be held vacant, yielding further savings in these funds.
Expense Reductions Enacted (cont.)

- Reduction to other non-personnel expenses = $1 million
  - Currently known:
    Crossing Guard contracts = $150,000
    Changes to Elm Tree Inoculation = $450,000
    Move JLL contract payment to Capital Fund

- Possible reductions in transfers to Debt Service, Insurance, Equipment Replacement Funds = $1.5 million
Expense Reductions Enacted (cont.)

- Renegotiated contract with SP+ for management of City-owned parking garages
  - Reduced personnel on-site for maintenance and security, will use existing City employees for these functions
  - **Savings of $600,000 by year end to Parking Fund**, which has also experienced significant revenue loss
  - Full-year savings of $1 million expected in 2021

- Discussion of reduced 2020 Capital Improvements Plan at April 13 City Council Meeting
  - Reduction of 2020 bonds by **$3.5 million for Capital Fund** and **$1 million for Water Fund**
## Expense Reductions Enacted (cont.)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund Projected Revenue Loss</td>
<td>$10.6 million</td>
</tr>
<tr>
<td>Adopted budget surplus</td>
<td>$1.6 million</td>
</tr>
<tr>
<td>Enacted layoffs and vacancies</td>
<td>$2.3 million</td>
</tr>
<tr>
<td>Non-personnel expense reductions</td>
<td>$1 million</td>
</tr>
<tr>
<td>Reductions to interfund transfers</td>
<td>$1.5 million</td>
</tr>
<tr>
<td><strong>Total budget savings enacted</strong></td>
<td><strong>$6.4 million</strong></td>
</tr>
<tr>
<td>Preliminary Remaining Deficit Estimate*</td>
<td><strong>$4.2 million</strong></td>
</tr>
</tbody>
</table>
Expenses Reductions Considered

- City in conversation with 4 employee unions (AFSCME, IAFF, FOP-Patrol, FOP-Sergeants) to determine other potential cost savings for 2020

- Options under consideration include unpaid holidays, furlough days, delay of annual sick and vacation payouts, reduction in hours, and additional staff layoffs

- Savings from each unpaid day taken by all full-time employees = $230,000 ($200,000 in General Fund)

- 10 unpaid days = $2.3 million savings
Equity in Budgeting Process

- Assistant City Manager Kimberly Richardson to lead equity-focused process

- Approach further adjustments to 2020 Budget from a service-level focus, with following guiding questions:
  - How do we address the resulting economic downturn and its immediate and future impact?
  - To what degree do we provide supportive services?
  - How should the City support local economic recovery?

- Identify core city services for the post-COVID-19 environment

- Develop budget allocations based on revenue projection scenarios (current and more severe impact scenario)
# Equity in Budgeting Process

<table>
<thead>
<tr>
<th>Evaluate current service needs</th>
<th>Traditional Model</th>
<th>Equity-Based Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>● What is legally required to be done?</td>
<td>● Health and safety needs to be prioritized for all residents</td>
<td></td>
</tr>
<tr>
<td>● What is nice to do?</td>
<td>● Current services adapted to health standards</td>
<td></td>
</tr>
<tr>
<td>● What can be discontinued?</td>
<td>● Current services put on hold</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assess current service levels</th>
<th>Traditional Model</th>
<th>Equity-Based Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>● What can be decreased?</td>
<td>● What service increases are needed for health risk and safety mitigation?</td>
<td></td>
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<tr>
<td></td>
<td>● What services are not viable in the era of social distancing?</td>
<td></td>
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<tr>
<td></td>
<td>● What are the vulnerable communities and communities of color impacted and how will they be impacted?</td>
<td></td>
</tr>
</tbody>
</table>
# Equity in Budgeting Process

<table>
<thead>
<tr>
<th>Rethink service delivery</th>
<th>Traditional Model</th>
<th>Equity-Based Model</th>
</tr>
</thead>
</table>
|                          | ● Consolidating services and departments both internally and externally should be part of this process. | ● Evaluate changes to services in response to the pandemic - focusing on health, safety and equity.  
● After service needs are established, develop costs of providing those services |

<table>
<thead>
<tr>
<th>Make hard choices</th>
<th>Traditional Model</th>
<th>Equity-Based Model</th>
</tr>
</thead>
</table>
|                   | ● Utilize financial strategies to balance the budget | ● Develop options based on revenue projection scenarios  
● Reorganize existing employees to new delivery models  
● Analyze the need to downsize and its impacts on vulnerable communities and communities of color |
Other Budget Options

▪ Line of credit with Byline Bank to improve current liquidity - also on agenda tonight

▪ Expand amusement tax to include streaming services (Oct. 1 effective date)

▪ Delay funding Reparations Fund until January 1, 2021.
COVID-19 Response Costs

- All expenses related to the City’s COVID-19 response are being closely tracked and reported daily to the EOC.

- City expects reimbursement from FEMA of approximately 75% of response-related expenses.

- Currently, CARES Act distributions for local governments are only to communities with populations of 500,000 or more. May receive distributions through Cook County or State of Illinois.

- City continues to pursue additional options for reimbursement, including HUD CDBG, CARES distributions through the state or Cook County, and others.
## COVID-19 Response Costs (cont.)

<table>
<thead>
<tr>
<th>COVID-19 Response Expenses</th>
<th>Through April 13</th>
<th>Total Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff Overtime</td>
<td>$46,567</td>
<td>$80,000</td>
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<tr>
<td>Supplies</td>
<td>$101,254</td>
<td>$150,000</td>
</tr>
<tr>
<td>Lodging (Hotels)</td>
<td>$270,031</td>
<td>$600,000</td>
</tr>
<tr>
<td>Transportation</td>
<td>$0</td>
<td>$5,000</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$417,852</td>
<td>$835,000</td>
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<tr>
<td>Estimated City Share (25%)</td>
<td>$104,463</td>
<td>$208,750</td>
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