Gahanna

To: Laurie Jadwin
Members of Council
City Attorney

From: Joann Bury
Director of Finance

Date: April 20, 2020

Department of Finance Action Item:

Action Item #1 – Ordinance to Issue Bonds or Notes to Retire Judgement Notes Previously Issued

The General Obligation Judgment Notes issued on August 8, 2019 will mature on August 6, 2020. The 2020 appropriation Ordinance included appropriations to pay ½ of the notes (or $2,500,000) and the associated interest of $149,166.67. Because of the unforeseen circumstances related to COVID-19, this proposed Ordinance would provide Council with maximum flexibility in paying the notes upon maturity. We are introducing this legislation as early as possible to give Council and the Administration ample time to discuss the various alternatives. Below are the alternatives provided for in this legislation (in no particular order):

- Continue with the original plan to pay half of the notes and associated interest in 2020 and issue a new one- year note for the balance. The new note would be paid in full in 2021.
- Issue a new note with a maturity of up to 19 years for the full amount of principal due or any portion thereof, and pay the interest.
- Issue a new note with a maturity of up to 19 years for the full amount of principal and interest due.
- Issue General Obligation Bonds with a maturity of up to 25 years for the full amount of principal due or any portion thereof, and pay the interest.
- Issue General Obligation Bonds with a maturity of up to 25 years for the full amount of principal and interest due.
- Participate in the Ohio Market Access Program (OMAP) which provides a standby note purchase agreement with the State of Ohio. Should the City be unable to pay the new notes and interest upon maturity, the State either would purchase the Notes from the holders or purchase the renewal notes of the City.

The following outlines work currently being done by the Administration to assist with making this decision.

Update Items:

Scenario Modeling

In an effort to reduce financial outlay in 2020, the Administration reviewed positions that were included in the 2020 appropriations that had not yet been filled as of the beginning of the COVID-19 onset. By not filling those positions in 2020 or deferring hire until later in 2020 (depending upon the extension of the Stay at Home Orders), the Administration will create a projected savings of $757,000 for the General Fund and $108,000 for other funds through the end of April. At this time, appropriations will not be reduced, although the Administration will continue to gather information and evaluate whether or to what extent additional action may need to be taken. For example, programs and activities are being evaluated for postponement or cancellation, and those that already have been cancelled will result in expenditures below what was planned and appropriated. The amount of reduced expenditures is more difficult to calculate at this time due to invoice processing and open encumbrances; however, by the end of April, all Q1 invoices should be paid, which will allow an analysis of what the actual reduction to planned expenditures will be.

With some very useful information from the National GFOA, the Administration is working on various financial scenarios as it relates to the pandemic and the potential impact to the economy. The first quarter of 2020 was not really impacted by COVID-19. Looking ahead, GFOA notes that there are four different scenarios as to what may happen to the economy. The likelihood of each scenario is contingent on the length of time we are to remain on a Stay at Home Order and how long certain businesses remain closed. The availability of Federal and or State assistance also will be a factor, but at this time, no information is available as to what each local government can expect.

Over the next several weeks, the Administration will work on modeling four different scenarios of projected revenues and expenditures, with a goal to present this information to Council on May 4. These four scenarios are:

- Small "V" – This reflects an immediate and significant dip in the economy with a quick recovery period. This is based on activity beginning to return to "normal" in May.
- Large "V" – This reflects a significant dip in the economy with a longer recovery period, and would be based on activity beginning to return to "normal" in June or July.
- "W" – This scenario reflects two small or large Vs back-to-back, assuming a return to "normal" in early to mid-summer and then a re-occurrence in the fall.
- "L" – This reflects a long term economic decline and long recovery period, and is based on a return to "normal" sometime after the summer months - possibly extending into early 2021.

These models will not be static and will be updated as new designation periods are identified, and as the Federal and State assistance becomes more concrete. In addition, there is no exact science to predicting potential revenue losses, and some revenue may simply be lost forever. The projections will be based on the best information that is available to us, but actual results may vary widely because of all of the uncertainties surrounding this event.

Emergency Reserve Policy Update

The final item being presented to Council is a request to consider a change to the Emergency Reserve Policy. When the Policy originally was adopted by Council, the mindset was that any emergency for Gahanna likely would be a “one and done” type of scenario – such as a weather-related event, and that there would be large, one-time outlays for repairing critical infrastructure. This included a small carve out for a brief economic downturn. A global pandemic puts more pressure on meeting operational costs over a longer period of time, and the current Policy does not allow for the Emergency Reserve to be used for recurring operations. Control mechanisms could be included to put limitations into place or establish end dates in order to avoid running out the reserve for this purpose.