

ITEM NO. _____

**CITY COUNCIL OF PEORIA, ILLINOIS, IN COUNCIL,
ASSEMBLED YOUR COMMITTEE OF THE WHOLE to Whom
was Referred a BUDGET POLICY SESSION to REVIEW BUDGET
POLICIES, the 2005-2014 CAPITAL IMPROVEMENT PROGRAM
(CIP), and 2005 PRELIMINARY BUDGET CALENDAR.**

A Budget Policy Session was held on Tuesday, May 25, 2004, in the Council Chambers, Room 400, City Hall, 419 Fulton Street, Peoria, Illinois at 6:16 P.M., with Mayor David Ransburg presiding.

ROLL CALL

Roll Call showed the following Council Members Present: Ardis, Grayeb, Gulley, Morris, Nichting, Sandberg, Teplitz, Thetford, Turner, Mayor Ransburg - 10; Absent: Spears – 1.

Others present: City Manager Randy Oliver, Corporation Counsel Randy Ray, Public Works Director Steve Van Winkle, Finance Director/Comptroller Jim Scroggins, Capital Budget Coordinator Jan Little, Human Resources Director Patrick Parsons, Neighborhood Development Manager Ross Black, Planning and Growth Management Director Pat Landes, Urban Planner Kim Smith, Fire Chief Roy Modglin Jr., Interim Police Chief Gary Poynter, Police Lieutenant Phil Benne, Deputy City Clerk Beth Ball, Joan Schaumburg from the City Clerk's office, interested citizens and members of the media.

****Clerk's Note:** Mayor Pro Tem Thetford chaired the meeting at the request of Mayor Ransburg due to his having laryngitis.

DISCUSSION REGARDING THE REVIEW OF BUDGET POLICIES

Council Member Thetford opened the Budget Policy Session to Review Budget Policies, the 2005-2014 Capital Improvement Program (CIP), and 2005 Preliminary Budget Calendar, and then she turned the meeting over to City Manager Randy Oliver.

City Manager Oliver, with the assistance of Capital Budget Coordinator Jan Little, presented a Power Point Presentation. City Manager Oliver discussed current budget policies, which included Capital Budget Administrative Policy, the Policy on Dedicated Revenue, the General Fund Balance Policy, the Operating Budget Administrative Policy, and the Property Tax Levy Policy. In discussion regarding capital budget policies, he discussed the Capital Budget Administrative Policy and the Policy on dedicated revenue. He identified revenue sources which included state and local motor fuel tax, gaming (dedicated for infrastructure projects), and the utility tax revenue which was allocated between general and capital. He explained under the current policy, the proposed changes would result in an approximate loss of \$800,000 from the General Fund over to the capital fund.

City Manager Oliver stated the City had an internal staff CIP committee which would present a five-year plan to the Council and would rank the requests.

City Manager Oliver discussed changes to the capital budget process and he said each department would rank their CIP requests in order of priority and provide background information and recommendations on each project so he could formulate a priority list to present to the Council.

City Manager Oliver said that capital expenditures totaled \$16,468,409 of which 26% went toward neighborhood revitalization, 26% was targeted for roads, 7% for economic development, 21% went for capital equipment, and 20% went toward storm water, sewers and landfill.

City Manager Oliver stated the target for the reserve requirement was three months of operating expenditures totaling \$19,340,00 and \$500,000 would be added to the fund balance annually until the reserve requirement was met. He said the current amount in the reserve was \$8.5 million. He said the largest amount of sales taxes were collected in February and March, with May being the high month for collection of property taxes, which would increase sufficient cash flow to bridge any shortfalls. He said the General Fund Balance Policy had separate reserves for health insurance, which was expected to increase twelve to fifteen per cent annually, with prescription costs slightly higher, and also for liability insurance.

City Manager Oliver pointed out that the state was currently negotiating the reallocation of revenue sharing that could reflect changes in amounts being given to the City from 1/10th, 1/11th or even 1/12th per cents, which could have a revenue impact on the City of approximately \$800,000, and he would have the final information when the legislative sessions were completed.

City Manager Oliver discussed the Property Tax Levy Policy and he pointed out the 2003 levy amounts for 2004 for IMRF, FICA and Medicare were \$2,934,097, the firefighter's pension fund was \$2,652,265, police pension fund was \$2,486,954, additional library funding in the amount of \$4,229,919, and the general fund was \$6,695,526, and the City's portion of property tax was not to exceed \$1.3061/\$100, which it has adhered to.

City Manager Oliver explained the process and schedules of the budget process and he said the preliminary budget would be distributed to the Council in October. He pointed out the budget year ran from January 1st to December 31st, the budget policy session would be distributed in October, the state required Public Hearing would be held on November 2nd and the 2005 Budget adopted on December 7th.

City Manager Oliver pointed out the operating revenues were \$97,281,945, with 20% from property taxes, 39% from sales taxes, 8% from other local taxes, 16% from other local sources, 15% from other state sources, and 2% targeted for federal grants. He pointed out, as an example, that based on a \$100,000 home, about 12% or \$316 went to the City.

City Manager Oliver explained on the expense portion that 71% was spent on the three major entities which were 29% for police, 22% for public works, and 20% for fire. He continued that 14% included ESDA, ECC, Library, Band, Support to other agencies and Workers' Comp & Retiree Benefits, 4% for Administrative purposes, 4% was for Inspections, 2% for Information Systems, 2% for Planning & Growth Management, 2% for Elected Officials/Commissions, and 1% went for Economic Development. City Manager Oliver summarized the operating expenditures were 78% for personnel services and benefits, 15% went for contractual services, 4% for supplies, and 3% went for support to other agencies.

In discussion with Finance Director/Comptroller Scroggins and City Manager Oliver, Council Member Nichting determined the approximate operating budgets for 2002 was \$91.2 million, 2003 adjusted budget was \$94.6 million, and 2004 was \$96.5 million, and the majority of budget increases were for personnel benefits and salaries, largely due to the early retirement benefit packages that were provided to qualified retirees.

City Manager Oliver discussed other budgetary considerations including the expiration of three of the City's major contracts which included AFSCME, Fire, the Police, and also the Crafts & Trades contracts, and the possibility of State Legislators reducing the municipal's share of income tax revenue.

Several Council Members discussed their concerns regarding the introduction of a bill by State Legislators to reduce the Municipal share of Income Tax Revenue and they directed the City Manager to send a letter to the City's local state representatives expressing the Council's concerns as a body and encourage the representatives to vote against this bill. City Manager Oliver stated he would send a letter if it was the will of the Council. It was also suggested individual letters from members of the Council regarding this matter would be helpful.

Council Member Sandberg clarified that two to three months ago the Council sent resolutions to Springfield requesting them not to rob money from Peoria's tourism, and now the Council wanted to send another resolution requesting them not to rob funds from the City revenue. He stated the City wanted more funds to go towards education, and we couldn't have it both ways. He said he felt this was a financial crisis that had nothing to do with the current legislation, as they didn't place the State of Illinois in a bankrupt situation. He said he didn't feel it was incumbent upon City Councils to tell the State how to solve their problems with their funding priorities.

Further discussion was held regarding the importance of scheduling future face to face meetings with the City's representatives to discuss various issues and concerns that might have an impact on the community.

City Manager Oliver summarized the remaining budgetary considerations which included the estimated levy of property taxes at \$241,600, home rule sales tax of \$800,000, state sales tax was \$700,000, income tax was \$800,000, and the personal property and replacement tax amounted to \$200,000. He said in the \$94 million budget, the City was roughly even with \$258,400 to the good.

At this time, City Manager Oliver requested feedback from the Council.

In response to Council Member Morris' inquiry regarding the reasons for the City policy of maintaining three months of operating cash, City Manager Oliver responded he felt a sufficient amount of income was necessary to help the City pay for unexpected expenses during the year to avoid borrowing money on a short term basis, and he added he felt this policy warranted further research and could possibly be changed if that was the Council's wish.

It was determined in discussion the interest generated from the \$8.5 million reserve was invested by the City and was budgeted in the General Fund Balance and used as a revenue source when needed.

Discussion was held regarding various programs awarding employees thereby creating work incentives. Some options included having departments set goals and incentives and awarding employees who meet the goals with an increase in salary; project a revenue figure into the budget process for certain activities, and if achieved, would become part of the performance evaluation; and award those employees in the area of workman's comp.

Council Member Sandberg said he felt the Council needed to develop a clear consensus to define what services were a priority and essential and then attempt to maintain the present service level.

DISCUSSION REGARDING THE 2005-2014 CAPITAL IMPROVEMENT PROGRAM (CIP)

In response to Mayor Pro Tem Thetford's concerns regarding the manner in which capital projects and capital funding for these projects were reprogrammed, and the manner in which CIP Projects were rated and that smaller projects needed to be placed on the list of future CIP Projects, City Manager Oliver said the policies could be rewritten for better clarification.

Discussion was held regarding what guiding principles staff would utilize to perceive what Council's priorities were to help formulate the future budget presentation. It was determined that City Manager Oliver planned to meet with each Council member to discuss their list of concerns and recommendations regarding issues they felt were a priority, and if changes were recommended, the City Manager would present options and alternatives as to how the changes could be achieved.

City Manager Oliver stated he felt he had received some strong feedback and had a good understanding of what the Council wanted to be included in the upcoming budget. He said he would comprise the best budget he could within the allocated dollars and present a document that would serve as a platform for Council discussion.

Council Member Grayeb inquired when the Council would receive the emergency service study for review. The City Manager Oliver said the contract called for the responses to be completed within 120 days of the issuance date of the contract and it was his goal to have the information as a basis for making decisions as part of the budgetary process.

Council Member Morris pointed out that for the last two to three years he had served as Council liaison for the Library Board of Trustees. He said he felt there needed to be a clear process defined regarding the Library's budget before the budget process started.

DISCUSSION REGARDING THE 2005 PRELIMINARY BUDGET CALENDAR

Council Member Teplitz said in looking over the material provided for the meeting, she felt it was clear there would be a future series of meetings regarding critical issues that would be scheduled for the Preliminary Budget Calendar, and she expressed concern there needed to be a better time frame in providing the Council with information pertaining to these issues.

Finance Director/Comptroller Scroggins responded that by formulating the preliminary budget early in June last year, he had actuary numbers, and this year's budget information would be distributed to the Council approximately the first of September. He said he had preliminary drafts from some departments, but he would need to contact those he had not heard from, and he would know more by September 1st.

Council Member Turner stated some of the critical priorities the Council needed to include in the upcoming budget were 1) Unfunded mandates; 2) Continued cuts from local aid to other cities; 3) Increase in healthcare costs; 4) Contractual issues that could cripple the City; and 5) The City would not accept any Tax Increase. He said he felt these issues would have a major impact on the City.

City Manager Oliver distributed a handout regarding Finance Department – Bi-Monthly Status Report for Period Ending December 31, 2003.

Council Member Gulley pointed out he would like see staff utilize the previous budget report format, which was an easy tool to follow during budget discussions in helping to make decisions and projections for the new budget. He added he also felt the trend report was another vital tool and should remain as a guideline in budget discussions.

Council Member Grayeb pointed out that within the past 2-1/2 years, the City had made budget cuts totaling about \$14.4 million, and he said he felt these massive budget cuts had basically dismantled effective government in the City of Peoria which resulted in a bare bones situation relating to basic services. He said he felt the City had met the challenge of maintaining basic services amidst budget cuts and performing within their operating revenue. He said he felt the

Council was in a precarious position relating to the viability of the City and the ability to maintain the basic services. He inquired if the City Manager had some thoughts regarding this issue, and if there were areas in the budget that could be trimmed.

City Manager Oliver said he had outlined his ideas of what he felt to be potential issues in the future. He pointed out that 78% of costs were labor costs and historically the City had included a 4% cost escalator on that. He explained one option was an increase of revenues either by improved economy or through revenue enhancement, or through management of the expense side of the equation to reduce expenses through efficiencies.

City Manager Oliver continued that he felt the area regarding traffic tickets should be reviewed, since tickets were currently written and entered into the system manually. He said one recommendation would be for the Police Department to automate that process enabling them to upload the information, and if that occurred, it would result in freeing up those positions and reassigning the personnel effected by the change. He said he wanted to reassure everyone the City had sufficient vacancies to absorb those positions within the organization.

ADJOURNMENT

Council Member Morris moved to adjourn the Budget Policy Session to Review Budget Policies, the 2005-2014 Capital Improvement Program (CIP), and the 2005 Preliminary Budget Calendar; seconded by Council Member Turner.

Approved by viva voce vote.

The Policy Session adjourned at 7:55 P.M.

/s/ Mary L. Haynes / Beth Ball

Mary L. Haynes, MMC
City Clerk, Peoria, Illinois

BY: /s/ Beth Ball

Beth Ball, Deputy City Clerk
Peoria, Illinois

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