



December 7, 2004

The Honorable David P. Ransburg
Members of City Council
City of Peoria, Illinois

Dear Mayor Ransburg and City Council Members:

I am pleased to present the fiscal year 2005 City of Peoria budget adopted on December 7, 2004. The 2005 budget continues our efforts to deliver a wide variety of City services to meet the needs of our diverse community. It is a service-oriented budget seeking to create a safer community, build better neighborhoods, and plan for our future growth.

BUDGET OVERVIEW

The budget is a blueprint for what is to be accomplished by the City of Peoria in 2005 with the resources available. The goals, objectives and strategies provide a plan of action for the City throughout the year. The budget numbers reflect the allocation of available resources to accomplish the stated goals and objectives.

The total 2005 City budget, which includes the Library, is \$138,604,214, an increase of \$10,417,140 (8.1%) compared to the fiscal year 2004 adopted budget of \$128,187,074. The operating budget of \$104,090,400 represents an operating expenditure budget increase of 7.7% over the 2004 adopted budget of \$96,572,681.

The Library requested and received a 2-1/2 cent property tax levy increase to support and maintain operations, which represent an 11% increase over their 2004 operating budget.

The total revenues and other financing sources for the fiscal year 2005 budget are \$162,458,465, compared to the fiscal year 2004 budgeted revenue of \$155,501,456, a 4.5% increase. Anticipated city-owned land sales contribute to the increase in fiscal year 2005. Other anticipated increases include additional state shared revenues as a direct result of the special census conducted in 2004. The increase is the result of additional population since the 2000 census. Overall, revenues are budgeted to exceed expenditures.

The total personnel count remains nearly constant from 2004 with an increase from 775 to 778 full-time positions. Two (2) positions were added in the Fire Department Hazardous Materials Program in response to the independent consultant's findings and one (1) position in Economic Development in response to the need to enhance economic development activities.

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BUDGET HIGHLIGHTS

This 2005 budget continues to concentrate on the Council strategic initiatives, adopted as part of Vision 2020 in January 2003. The budget being presented is based on several key premises:

- **Council Goals** – aligning and targeting services to address the City Council's goals and adopted policies;
- **Key Services** – providing key services to the citizens of Peoria that are both efficient and effective; and
- **Financial Stability** – establishing an affordable and predictable foundation for the City government's fiscal health.

In addition to addressing the Council initiatives, the proposed budget calls for the following:

- ◆ Compliance with the Council adopted property tax rate policy of limiting the rate so as not to exceed \$1.3061. The rate for FY 2003 and FY 2004 was \$1.2649. The original rate recommended for FY 2005 was \$1.2649. This recommendation has taken into consideration the newly enacted legislation from the State of Illinois regarding an increase in the general homestead exemption. It is estimated that the increase in the exemption will reduce property tax revenues by approximately \$640,000. With the approved 2-1/2 cent increase for the Library the amount increased to \$1.2899. The rate is still within Council's adopted property tax rate policy.
- ◆ Total operating appropriations of \$98,762,191 for the City (excluding Library operations) is an increase of \$6,993,928 over the 2004 operating appropriations for the City of \$91,768,263. Operating expenditure increases of 7.6% include employee wage increases, the net cost of additional overtime to have two Fire Battalion Chiefs on duty at all times, hiring two full time Hazardous Materials Inspectors, increased utility costs, increased cost relating to software maintenance, addition of an Economic Development Specialist position, increase in Inspections Department demolition services and increase EDC Initiative to aide in the marketing efforts of the City of Peoria.
- ◆ The budget also includes a 15.9% increase in employee benefits to \$27,621,812 for 2005, representing \$3,798,834 over the 2004 budgeted benefit amount of \$23,822,978. These are required increases to support the benefit packages currently provided to employees.
- ◆ The 2005 Capital budget is \$18,684,523, an increase of \$2,215,674 or 13.4% from \$16,468,849 in 2004. The bonding requirement for 2005 is approximately \$3 million

for capital infrastructure projects and \$3 million for the sewer rehabilitation project. Revenues supporting capital include the 2 cents per gallon motor fuel tax, a portion of the 5% utility tax on telephones and electricity, and gaming revenue. In addition, we will defer the transfer of the additional 8% of the utility tax to finance capital spending.

- ◆ Current allocation for debt service is \$15,829,291 reflecting an increase of \$387,434 or 3.2% over the 2004 adjusted budget debt service amount. The increase is attributed to the bond issued in August 2004 to finance sewer rehabilitation and capital improvement projects.

Despite challenging economic times the City has maintained a very strong General Fund balance. The fact that the City is able to maintain such a strong financial condition reaffirms our continuing practice of being financially conservative and willing to make hard difficult decisions. The City continues to maintain an AA rating from Standard and Poor and an Aa3 from Moody's Investors Services.

The City's demonstrated commitment to structural balance through conservative budgeting has resulted in a stable and healthy financial position. The fiscal year 2003 General Fund balance of \$20.3 million represented a healthy 22% of General Fund revenues, which is consistent with prior years. In spite of significant financial pressures due to escalating expenditures coupled with stagnate revenues, the City has successfully stabilized operations by taking significant proactive budgetary action. As a result of the immediate actions taken by the City Council in 2003 to address budget difficulties, the City of Peoria was able to increase the General Fund balance in 2003 by more than \$747,000 and budget a \$700,000 increase in General Fund balance for 2004.

Although achieving a balanced budget was certainly difficult, it is important to note that we were able to accomplish this with no increase in the City's millage rate and modest changes to some user fees.

The proposed capital budget is the first year of the five-year Capital Improvement Program (CIP). The 2005-2009 Capital Improvement Program consists of infrastructure repair and maintenance, economic growth and development, neighborhood development, and enhancements that will allow the City to maintain its current infrastructure while funding the projects necessary to fulfill the objectives for economic and neighborhood development, within the current financial constraints.

City services still remain a "best buy". Taxes are the primary means by which we determine to shift buying power from individual choice to community choice. For only \$2.29 per person per day ($\$98,762,191 / 118,135$ *revised census* population / 365 days = \$2.29), we have available to us an extraordinary range of services, from law enforcement to street maintenance, from fire protection to the animal shelter. The budget priorities reflect the goals of the City Council and the result of team oriented staff planning.

The wide range of services, coupled with our infrastructure reinvestment efforts, enables Peoria to improve its position in the continuing competition for population and economic growth, job creation and culture. In the upcoming year, we will continue to examine ways to improve our revenue structure and better contain our expenditures. We will survey what comparable cities are doing in terms of health benefit contributions and use this data to make better informed decisions in terms of our own health benefit contributions. In addition, we will further scrutinize and appraise our property tax and other revenue structures.

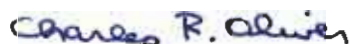
CONCLUSION AND ACKNOWLEDGEMENTS

This budget seeks to balance the competing service demands in our diverse community. It maintains our focused efforts on public safety, law enforcement and neighborhood renewal. It emphasizes the need for infrastructure reinvestment in our older areas and in a growing Peoria. It provides the means to communicate with our taxpayers and to encourage them to become an active part of the Peoria team.

Our employees are the most important resource of the City government. Our taxpayers, residents and businesses alike, are the most important resource of our community. Together our team can overcome the challenges that face us and take advantage of tomorrow's opportunity, as we have taken advantage of them in the past.

I would like to take this opportunity to personally thank Jan Little and all the departments for their tireless effort and hard work in getting to a balanced budget. I would also like to thank the members of Council for their continued leadership and service to this fine community and I look forward to working with you on implementing this submitted budget.

Respectfully Submitted,



Charles R. Oliver, CPA, PE
City Manager



James R. Scroggins, CPA
Finance Director/Comptroller