

# COMMUNITY PROFILE

## I. PEORIA COMMUNITY PROFILE

### General Characteristics

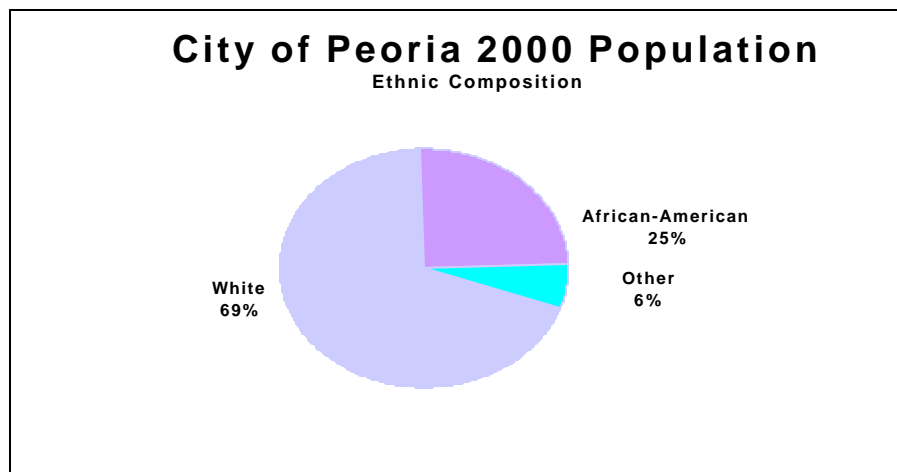
The City of Peoria was chartered on April 12, 1845. In 1952, a referendum passed to organize under the Council/Manager form of government. Following the 1969 Illinois Constitutional Convention, Peoria became a home rule municipality that allowed the City more flexibility in determining its direction. The City Council is elected on a non-partisan basis and is composed of ten Council Members and a Mayor. Five of the Council Members are elected from districts, while the other five and the Mayor are elected at large. Council members serve four-year terms with elections staggered every two years. The other elected officials are the City Clerk and City Treasurer; both serve four-year terms. The City Manager is appointed by the City Council as the chief administrative officer for the City and is responsible for day-to-day operations of all departments. The City Manager appoints all department heads.

The City of Peoria is located in the middle of Illinois, central to the Midwest, and in the heart of the nation. Peoria, unlike many other cities, does not operate the park system, airport, transit system, or utilities. Other governmental bodies or the private sector operate these functions.

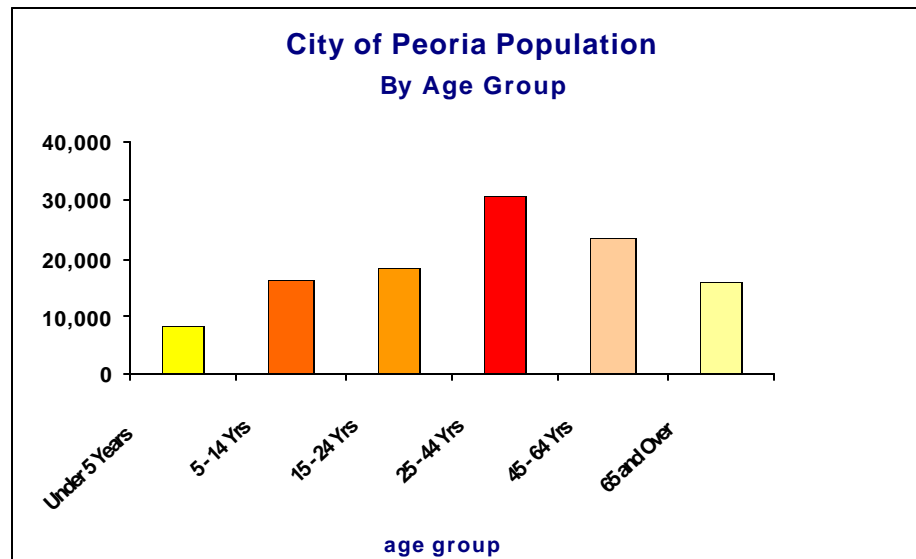
Peoria is the fifth largest municipality in the State of Illinois, according to the 2000 census and is the economic center of the Peoria Metropolitan Statistical Area (MSA). The 2000 Census lists the City of Peoria's population count at 112,936 and the Peoria MSA population as 347,387. In 2004, a special census was conducted by the United States Department of Commerce to include newly incorporated areas and specific blocks within the City of Peoria. The special census indicated an increase in population of 5,199 within the special census boundaries.

A recent redistricting of the MSA has annexed two additional counties to the Peoria MSA. Under the new boundaries, the MSA population is 366,899, making Peoria the largest MSA in Illinois outside Chicago. The following statistics about Peoria are taken from the 2000 Census and the following two graphs depicts Peoria's diversity in regards to ethnicity and age.

**Figure 1. City of Peoria Ethnic Composition**



**Figure 2. City of Peoria Age Composition**



### **Educational Institutions**

Peoria has the largest public school district in the Peoria MSA. Peoria School District #150 has 14 elementary, 12 middle, 4 senior high, 1 magnet, 1 gifted, 8 special alternative schools, and 5 pre-kindergarten early childhood developmental centers with a total enrollment of approximately 16,000 students. For several years, the Valeska Hinton Early Childhood Education Center has been the premier institution of learning in District #150 because of the innovative and enhanced approach to teaching and learning for both students and parents. The comprehensive program teaches good parenting skills for the enrollees' parents and incorporates health issues for preschool children. The center is also a professional development site where other teachers in the district are trained. Further, in an effort to address the needs of families and bring into operation a different delivery of learning curriculum, District #150 engaged Edison, Inc., a private company, as an option of choice for the community. This particular endeavor is based on an expanded school day and year, (approximately 20 days longer) and teaches learning skills that include foreign languages and technological skills. Beginning in the fall of 2003, the district opened a preparatory school of fine arts and an international baccalaureate program for high school students. In addition to the public school system, Peoria also has a number of parochial and private schools.

Peoria is also home of Bradley University, a private university with nationally recognized graduate and undergraduate programs in fields such as engineering and business. Bradley University has an enrollment of 5,000 undergraduates and 1,000 master's degree students. Bradley offers over 90 programs in 5 colleges plus a graduate school. Bradley receives national recognition annually, including being ranked in the top colleges and universities by *Princeton Review* and *U.S. News & World Report*. Bradley is also a major player in leading a renovation of Main Street which is the major city corridor leading to the University. This project is a joint private/public partnership.

Also located in Peoria, is Illinois Central College, which provides an affordable avenue to quality education, serving over 12,000 full and part-time students annually. Illinois Central College's main campus is located in East Peoria with two satellite campuses in downtown Peoria and a north Peoria campus, which opened in fall 2002. In addition to typical college courses, ICC's Leon Perley downtown campus provides a full professional

development curriculum and houses major teleconferencing facilities. The other satellite campus facilitates those enrolled in the health occupations, police and fire science curriculums.

The Peoria campus of Robert Morris College offers degrees in Business Administration, Computer Networking and Medical Assisting. Located in One Technology Plaza, a modern office building in the heart of Peoria's business district, the Peoria campus is accessible for day and evening students seeking Bachelor and Associates degrees, offering the latest technological facilities in education.

### **Medical Institutions**

The City of Peoria is considered the regional medical center for central Illinois with three major hospitals, a Veterans Administration Clinic, and the University of Illinois College of Medicine. Both the V.A. Clinic and Medical School were constructed as a result of the City's redevelopment initiative. Over the past several years, all of the main medical facilities, OSF St. Francis, Methodist Medical Center and Proctor Community Hospital, have constructed additional facilities in neighborhoods closer to the populations that they serve. These three medical facilities are among the top ten employers in the area and employ a combined total of more than 8,000 people. A major effort is underway to make Peoria the regional center for bioscience research and development by building on the area's existing resources and assets.

### **Economic Profile**

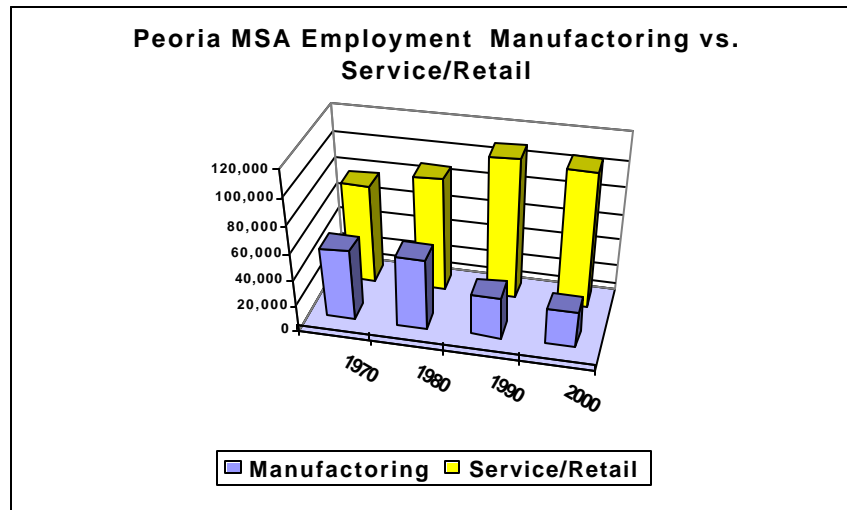
Built on a base of heavy manufacturing and best known as corporate headquarters of Caterpillar Inc., Peoria's primary economic activity has long been associated with the manufacturing of earthmoving equipment. Today, Caterpillar, a Fortune 100 Company exports more than 50% of its products, and has set numerous sales and profit records. Caterpillar employees have earned more than 2,800 patents in the past six years. Caterpillar's technology center, located in the Peoria area, includes 80 PhDs (Caterpillar has 300 PhDs worldwide) and conducts world-class research in materials, electronics, computer science, structures, emissions, hydraulics, manufacturing processes, global positioning, drive train and control systems. Additionally, the increased demand for Caterpillar products has resulted in the creation of a number of high-tech subcontractors, who have also experienced tremendous economic growth.

However, with the decline in manufacturing and the downsizing of Caterpillar during the 1980's, the community was forced to diversify. As a result, manufacturing has given way to the services and trade sectors such as health services, insurance, retail and telemarketing, which provide for more than two out of every three jobs. Educational, health and social services jobs represent 25% of Peoria's economy (2000 Census data).

The City is home to The National Center for Agricultural Utilization Research (NCAUR); the USDA's largest of four agricultural research laboratories in the United States. Since its inception, in the 1940's, this lab has received more than 1,300 patents for its inventions. The NCAUR invents new uses of agricultural commodities for industrial and food products, develops new technology to improve environmental quality, and provides technical support to Federal regulatory agencies. The NCAUR has an annual research budget of \$30 million.

Additionally, the city's growth includes technology-based firms involved in direct marketing, insurance, electronics, computer graphics, telecommunications and retail advertising. Included are companies such as Affina, (formerly Ruppman Marketing Technologies) and Choice Point Precision Marketing, (formerly Customer Development Corp.) which assembles, processes and transmits information for many of the world's best-known corporations. Other leading companies in the area include: Multi-Ad Services Inc., Dynamic Graphics, Inc. and Maui Jim, a former subsidiary of RLI Corp. **See Figure 3.**

**Figure 3. Change in Employment Sector**



### **Tourism**

Tourism, including hotels and restaurants, has also emerged as an important industry in Peoria. Peoria is home for the Illinois High School Associations (IHSA) boy's basketball state tournaments. Construction of the O'Brien Stadium, a new professional minor league stadium located in the heart of Downtown Peoria, adjacent to the Riverfront, was completed in 2002. The stadium is home to the Peoria Chiefs.

Peoria's Riverfront has also become a tourism destination, due to the significant public/private investment (\$200 million) that has occurred within the last ten years. The Riverfront has been transformed and is now the place to hold community events and festivals, not only in the summer, but also throughout the year. The area includes such gathering spots as Festival Park, Riverfront Village and Riverfront Landing. In 2001, the Peoria Park District opened the RecPlex, a \$40 million dollar health club and recreational complex on the riverfront. The RecPlex is a public-private partnership between the Park District and OSF St. Francis Medical Center. Other Riverfront development includes converting a former warehouse into upscale loft apartments, shops and boutiques at 401 Water.

In 2004, the City of Peoria, Lakeview Museum and Caterpillar Inc. entered into a Redevelopment Agreement for the construction of a Regional Museum and Caterpillar's Worldwide Visitor Center on Peoria's Riverfront. This project will continue to revitalize Peoria's Riverfront and Downtown, resulting in the redevelopment of a 7-acre site that originally served as a Sears Roebuck Store. It is estimated to bring an additional 350,000 annual visitors to Peoria.

The Peoria Civic Center is located in the heart of Peoria's Central Business District and within two blocks of the Riverfront. In addition to being the major concert venue outside of Chicago, the Civic Center annually hosts the Illinois High School Boys State Basketball Tournament. Also, national conventions and corporate meeting space is provided. In 2004, a \$55 million expansion was approved that will double the convention space and construct a 30,000 square foot ballroom. Construction is anticipated to be completed in 2007.

In November 1991, the Par-A-Dice Riverboat started operations on the Illinois River and continues to draw thousands of tourists weekly. Annual passenger counts rose consistently until it reached a high in 1996 of 2.8 million passengers. In 1997, the numbers decreased slightly, and rose again in 1998. In 1999, the boat broke its previous record high due to the removal of restricted boarding times for all Illinois casinos.

In 2002, the growing trend continued as they underwent extensive renovations to accommodate the increase in passengers. In 2003 and 2004, revenues have been declining due to a nationwide economic downturn and an increase in state taxing on riverboat gaming. Through an inter-governmental agreement with the City of East Peoria, Peoria is sharing the gaming proceeds from the casino. This revenue sharing resulted in a revenue source, which the City has dedicated to infrastructure improvements and to debt service payments related to Riverfront Development.

### **Regional Shopping Destination**

Northwoods Mall continues to be a regional draw, however, several smaller centers are being revitalized with newer stores and these centers are also attracting regional customers. Other major shopping centers include Campustown, Evergreen Square, Glen Hollow, Knoxville Square, Metro Center, Northpoint, Junction City, Sheridan Village, Westlake, Willow Knolls Court and Midtown Plaza.

A new addition to the City and the region in spring 2003 was The Shoppes at Grand Prairie. The Shoppes at Grand Prairie is a retail development which boast over 985,000 square feet of retail space and consist of Shoppes at Grand Prairie, Grand Prairie Commons, The Plaza at Grand Prairie and Prairie Place. This development located in Peoria's northwest corridor serves as a regional draw for a ten county market area.

Due in part to the opening of The Shoppes at Grand Prairie, there has been a substantial rise in sale tax revenue for the City of Peoria. In 2003, sales tax revenue was approximately 6% over budget, an increase of \$2.2 million over estimated sales revenue. In 2004, the increase is approximately \$4.1 or approximately 10% over budget.

### **Targeted Redevelopment Areas**

Development is nearly complete in the Southtown Redevelopment Area, (approximately 4 acres remaining) which is the largest and oldest tax increment-financing district in Illinois. The City partnered with the Dinerstein Companies and created a 160 unit affordable multi-family housing complex. Spring Grove, a single-family subdivision continues to grow. Currently, a new hotel, bank, specialized medical facilities, such as Plattner Orthopedic and Midwest Kidney Center have been constructed in this thriving redevelopment area. Construction on a new bus transfer site adjacent to the Southtown TIF was completed in 2003. The City has also improved several major streets in Southtown due to the growth in businesses that have relocated to that area.

The City of Peoria and the Peoria Housing Authority partnered to help secure a federal Hope VI grant in the amount of \$41 million that provided for the construction of the RiverWest complex that consists of single family homes, townhouses and apartments for income eligible families. This new complex replaced the former Warner Home Housing Project. It also consists of two parks, a recreational complex, which features a library branch and computer center for residents.

In 1996, the Peoria Park District built an expanded recreational area adjacent to the Valeska Hinton Early Childhood Development Center and George Washington Carver Center. In 1999 a new aquatic center was built at the site of the former pool. Under new ownership, the Valley Park Shopping Center expanded to include new retail businesses. Corporate tenants in the Southtown Business Park, such as Superior Consolidated Industries, Inc., are providing increased employment opportunities to residents on the City's south side.

In 2000, a new TIF district was established to accommodate the construction of a new baseball stadium on the City's south side and that stadium opened in May of 2002. The City has reconstructed the major corridor around the site and relocated underground utilities. Other TIF Districts include the Northside Riverfront TIF and the Northside Business Park TIF, of which both were created to spur development on the City's north side bordering the river. These TIF districts are home to PMP Fermentation and O'Brien Steel. Both companies have invested millions of dollars in new facilities, equipment and expansion of areas surrounding their buildings. Residential areas and infrastructure upgrades have also occurred as a result of the creation of the two TIF districts.

## **II. BUDGET PROCESS**

The City's budget is the "action plan" used to implement the Goals and Objectives of the City Council. In past years, an Ad Hoc Fiscal Committee set budget guidelines, discussed difficult issues and choices that would have to be made, and made a recommendation to the entire City Council. However, starting with the 1999 budget, the Council abolished the committee structure and chose to have all budgets and related presentations made to the Council as a whole.

The 2005 budget continues to follow the directives of the City Council given to the City Manager. The first directive was to convert the City's budget from a program-based budget to the more progressive activity-based budget. This was accomplished in June 2003 in the form of a revised or "restructured budget" for 2003. The 2004 budget and the 2005 budget follow this format for activity-based budgeting (ABB). Activity-based budgeting is a method of estimating the total costs of a government service or activity. ABB isolates the costs of a government's operation by dividing the government into many different activities or support services. It includes the direct and indirect costs of labor, contractual services, materials and supplies.

The City Council goals and objectives are a large part of the budget planning process. The adopted Council Goals and Objectives served as a guide during the development of departmental budgets, as most programs or services address at least one of the Council's goals. In January 2003, a preliminary draft of the City of Peoria's Vision 2020 Strategic Plan was presented and the following goals adopted in principle:

### **City of Peoria Goals and Objectives**

#### **1. City Operating as a Service Business**

- Core City Services and Service Levels: Defined, Valued by Citizens, Benchmarked
- Changing the City's Corporate Culture: Business Oriented, Cost Conscious, Cost Effective Service Delivery
- Greater Accountability for Financial Resources, Performance, Results
- Financial Policies Followed in Budget and Council Decisions
- World-Class City Management and Workforce

## City of Peoria Goals and Objectives

2. Desirable Neighborhoods
  - Quality Public Infrastructure: Streets, Sidewalks, Curbs/Gutters
  - Safe Neighborhoods and Streets–Citizens Feeling Safe at Home, Out in Neighborhoods
  - Improved Neighborhood Appearance – Clean, Green and Painted
  - Increased Homeownership Opportunities within the City
  - Improved Quality of Affordable Rental Housing
3. Educational Excellence: Preschool to University
  - Reputation – Quality Education
  - Link Workforce Development and Jobs with Educational Programs (High School , ICC)
  - Strong Collaborative Link: City and Educational Districts, ICC, Bradley, University, Private/Parochial School
  - Students: High Achievement Scores at Grade Level
  - Educational Partnerships with Community Organizations, Business Community
4. Growing Peoria Economy
  - Retention and Growth of Current Businesses
  - Strengthened as a Major Medical Center Serving Regional and National Clientele
  - Development of Bio Collaborative Economy: Attracting and Developing Bio Tech Businesses
  - Development, Retention, and Attraction of a Strong Workforce Living in Peoria
  - Being the Home to Major Corporation Headquarters
5. More People Living in Peoria
  - Families Choice to Live in Peoria, Children’s Choice to Return to Peoria to Live and Raise Children
  - Greater sense of Community Pride – Citizen’s Contributing to a Better Peoria
  - MORE Jobs – Work Opportunities for All Skill Levels
  - Attracting Young, Educated Middle Class to Peoria
  - Increased Population within City: 3% Growth by 2007 = 116,000+
6. Vibrant Heart of Peoria
  - People Continue to Work Downtown – Alive During the Day
  - Peoria Living Downtown, Along the River – Alive 24/7
  - Business Development Expanded in the Downtown and River Corridor
  - Reuse of Properties, Buildings and Homes Consistent with Our City’s Plan
  - Downtown and Riverfront as a Major Cultural, Arts, and Sports Venue

## **Budget Process – Financial Policies**

Throughout the history of the City, the Council has set policies that drive the decision making process for the City's Administration. These policies seek to maintain the financial health of the city while giving optimal services to citizens. From time to time, these policies have been amended to address the changing operational needs of the City and other economic factors that impact service delivery.

- **Fund Balance Policy** – The City Council recognizes that economic downturns or unforeseen emergencies may occur that result in a decline in revenue. The fund balance policy intends to provide a minimum amount for cash flow to continue basic services in these instances.
  - **Operating Budget Administrative Policy** – This policy provides for the orderly administration of the budget process.
  - **Property Tax Levy Policy** – This policy establishes a maximum property tax to be levied on real property within the City limits. It provides guidelines for increases or decreases in assessment to maintain City services.
  - **Capital Budget Administrative Policy** – This policy is intended to assist in the decision making process, provide for project overruns and administration of capital projects.
  - **Limitation on Amount of General Obligation Bonds** – The City of Peoria's debt policy recognizes a long-term commitment to full and timely repayment of all debt while minimizing the impact on citizens and maintaining essential services. This is accomplished by utilizing revenues other than property tax whenever possible. In 1994, the City increased the utility tax from 2% to 5% over three years. This increase was dedicated to capital expenditures and debt service. For FY2002, sales tax was increased to support operations so that all utility tax would eventually support capital and debt commitments.
  - **Capitalization Policy** – This policy addresses GASB Statement No. 34 that requires fixed asset reporting including infrastructure, which raises the previous level of \$1,000 to \$25,000, limiting the number of assets that need to be tracked and depreciated.
  - **Dedicated Revenue Policy** – This is a formal policy that specifies revenues dedicated to capital would be the only revenues supporting capital expenditures. However, in economic downturns, capital revenue could be used to support operations.
- \* **Note:** A copy of the City's Financial Policies can be found in front of the "Glossary" section at the end of the budget book.

## **Legal Requirements**

The City's formal budget process begins in mid-spring and concludes with the final adoption in December, prior to the end of the fiscal year. The fiscal year commences on January 1 and ends December 31 as enacted under Ordinance 10,830 of the City Code. The Ordinance also adopts the budget procedure as provided in Illinois Compiled Statutes, Chapter 65, Section 8-2-9.1 et. seq. and in Chapter 10, Article III of the Code of the City of Peoria.

The statute specifies the time frame for budget adoption, as well as the required components of the annual budget. The budget must contain revenue estimates, as well as recommended expenditures for all City departments, boards, commissions, and funds. These estimates must include the prior year's actual, the budgeted amount for the current year, and the estimates for the upcoming fiscal year. It is the duty of the Budget Officer to compile the information for the annual budget and establish and encourage the use of efficient fiscal management procedures to plan and account for funds and present reports for periodic review.



It is also the responsibility of the Budget Officer to monitor and ensure that the budget conforms to legal requirements. The *Tax Levy Ordinance* is required by law to be filed after the formal budget is adopted.

### **Budget Amendment Process**

During the course of the year, unexpected events occur that require unbudgeted expenditures. The City also receives unbudgeted grants or donations and these revenues often require that certain unbudgeted expenditures occur within the fiscal year. The fiscal year budget is amended to recognize the use of funds and the receipt of these revenues. An ordinance to amend the budget is submitted to the City Council. A budget amendment must pass by a majority vote (six of eleven council members voting in favor of the amendment). The ordinance was changed in 2001 from a supermajority vote (eight of eleven members). When an ordinance to amend the budget passes, the City Clerk is responsible for filing it with the County Clerk to officially change the record, thereby amending the budget. The Budget Officer may transfer amounts within department line items, but may not cause a deficit in any category.

### **Budget Process – Timetable**

The budget process, for operating and capital proceeds simultaneously. In April, the budget staff begins preparation for the formal budget process. Revenue and expenditures are then estimated, worksheets are designed and distributed to the City Council, the City Manager, and Department Heads for review and discussion. The 2005 budget proceeded within the normal timelines for development. The following summarizes the budget schedule followed for the development of the 2005 operating budget and 2005-2009 capital improvement program (CIP):

<b>April</b>	Revenue and expenditure previews. CIP commencement notice to Council, department heads, and external groups.
<b>May</b>	Departments, Council, and External Group develop capital requests for the upcoming year. Begin developing capital improvement program.
<b>Mid-June</b>	Continue development of capital improvement program (CIP) review of capital budget requests.
<b>Late June</b>	Departmental performance measurement review. Begin operating budget (develop operating budget expenditure guidelines). Review revenue and expenditures projections.
<b>July</b>	Develop revenue projections and budget expenditure guidelines.
<b>August</b>	Preliminary operating expenditure guidelines distributed to Council
<b>September</b>	Department reviews, budget exceptions presented and approved or denied.
<b>October</b>	2005 Preliminary Operating and Capital Budget Document prepared for publication and distribution. Begin Budget Review sessions with the City Council.
<b>November</b>	Continue Budget Review sessions with the City Council. Public hearings are held and public input is formally accepted.
<b>December</b>	Final Budget is adopted. Tax Levy Ordinance is filed with the County Clerk.

### **Method of Budgeting and Basis of Accounting**

During the 1980's and early 1990's, the budget was presented for review to the Council in a summarized form depicting total dollar amounts in major categories. Today, department managers still develop line item worksheets in the budget preparation stages to allow detailed budgeting in all program activity areas for internal management purposes. The 2005 budget is presented with emphasis on department activities, measurable service levels, and measurable outcomes that quantify the department input resources and performance output of the departments as they strive toward accomplishing specific goals.

The City has not implemented full cost allocations throughout departments, however some indirect costs are allocated such as copying charges, cell phones, pager expenses and employee benefits. Presently, the City has centralized costs for utilities, major repairs, and telecommunication expenses. With the implementation of GASB Statement 34 in the fiscal year 2002 financial statements, the City is moving towards employing full cost accounting, that is, allocating all costs to departments.

The City utilizes fund accounting in its financial records. The operations of each fund are represented through a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The City has governmental-type funds. Governmental funds include the general fund, special revenue funds, capital funds and debt service funds. The City has no proprietary funds. GASB Statement 34 requires the use of full accrual basis for accounting. The accrual basis of accounting recognizes the financial effect of transactions, events and inter-fund activities when they occur, regardless of the timing of related cash flows. The City uses the modified accrual basis for both accounting and budget purposes. Revenues are recognized in the accounting period in which they become measurable and available (i.e. collected within the current period or soon enough thereafter to be used to pay liabilities of the current period). Expenditures should be recognized when an event or transaction is expected to draw upon current resources rather than future resources. Generally, bond principal and interest are recognized as expenditures when due.

As a policy, the City uses on-going revenues to support operations. Certain revenues are restricted in use by State mandate or Council directive. For instance, the State mandates that all Motor Fuel taxes received can only be used for road projects or related infrastructure projects. The City Council has the prerogative of designating any unrestricted revenues to specific use.

### **Relationship Between Operating Budget and Capital Budget**

The City has established a Capital Budget Process that is separate from, yet coordinated with, the operating budget process. A great deal of coordination is required between the two budgets. The Capital process begins in April as the departments are asked to prepare all capital proposals for the next five years. In 2004 a ten-year proposal was implemented, however in 2005 we have returned to the five-year plan. These proposals will, in the case of many departments, serve as the foundation upon which they develop their operating budget needs and build their work program for the upcoming year. Additionally, many capital expenditures, such as a new telephone system or new computer system, have a tremendous impact on a department's day to day operations.

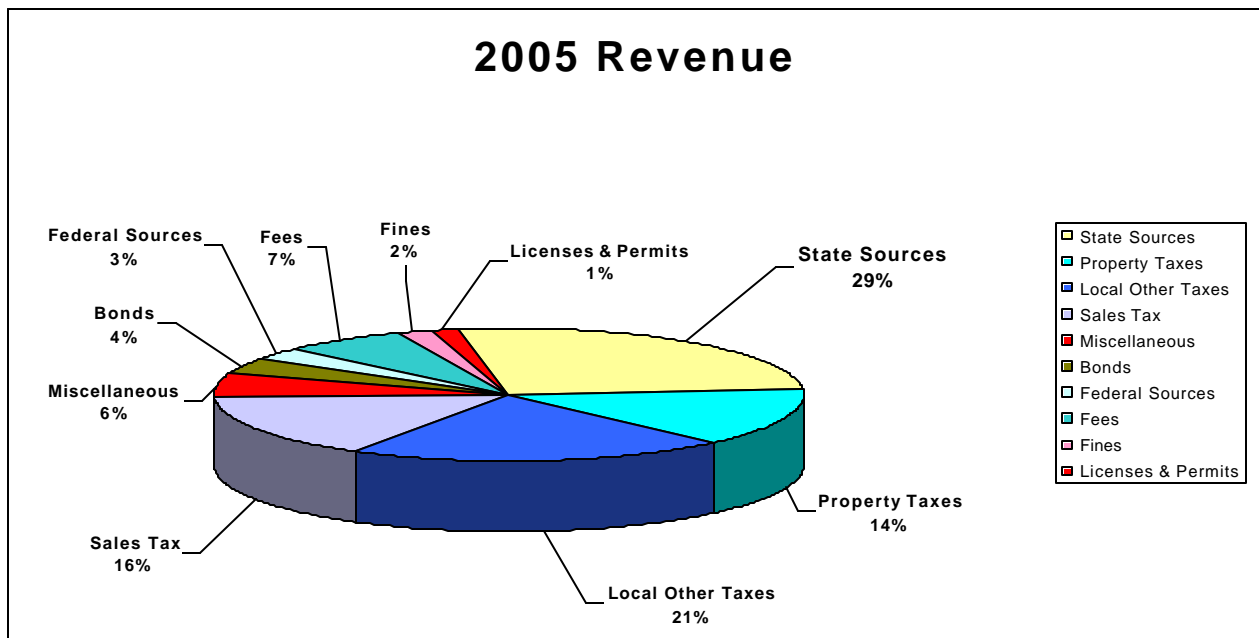
A committee, representing a variety of City operating departments, reviews and ranks capital project requests. The Committee process creates a greater awareness of the City's long-term infrastructure and capital needs. Each year staff works diligently to fine tune the CIP process and after months of planning presents the final plan to the City Council in conjunction with the operating budget. The first year of the CIP is then incorporated (in summary fashion) into the next fiscal year's budget. The Council reviews the CIP at the same time they review the operating budget.

## **Budget Overview – Revenue Trends**

The City of Peoria maintains a diversified revenue base. The City generates 50.3% of its revenue from local taxes, 7.0% by assessing fees and user charges, 2.0% by imposing fines, and 1.4% from licenses and permits. The City also receives revenue from other entities: 26.5% of the City's revenue is derived from State taxes and grants, and 2.6% of the City's revenue comes from the Federal Government in the form of grants.

Additionally, the City generates 10.2% of its revenue through interest, loan repayments, other reimbursements, employee contributions for health care and other financing sources such as bonding and property sale proceeds. See Figure 5.

**Figure 5. Revenue Breakdown**

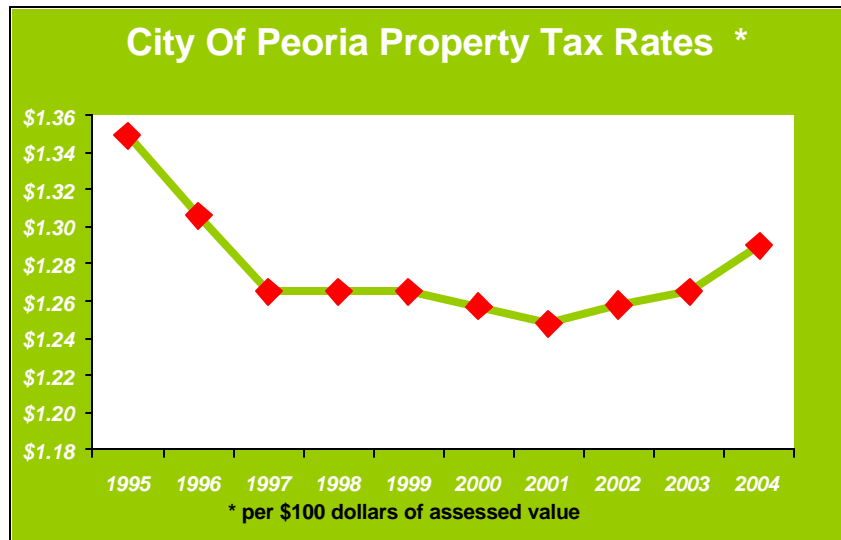


## **Property Taxes**

Property taxes produce \$19.5 million or 14% of the City's total revenue. Of these taxes, 71.8% is allocated to support library operations and pension obligations; this represents the primary funding source for these expenditures. The remaining 28.2% is used to support the general operations of the City.

A continued emphasis of the City Council in the 2005 budget process was to maintain a balanced budget with "no property tax increase" for City operations; however, a two and one-half cent rate increase was granted to the Library to support their basic operations. The increase slightly raised the levy amount from \$1.2649 to \$1.2899. Still well within the City's ten-year high rate in 1999 of 1.349 and within Council Policy.

**Figure 6. Property Tax Trends: Last 10 Years**

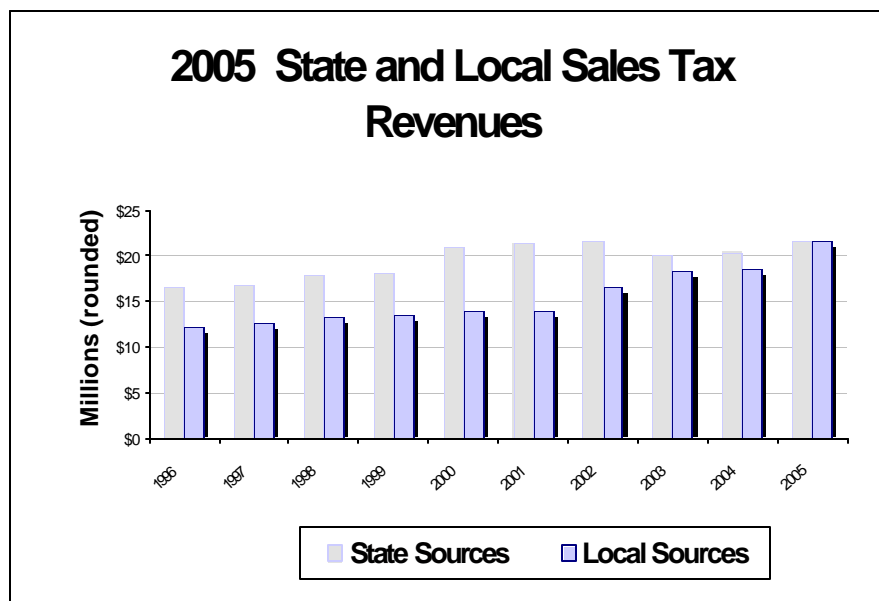


### Sales Taxes

State and local sales taxes produce \$43.3 million or 31.1% of the City's total revenue (See **Figure 7**). The revenue generated by these taxes has increased 50.3% since 1996. The local sales tax rate was increase by .5% in July 2002. That brings the City's local sales tax rate to 1.50% and the combined total local and state rate to 8%. All of the local sales taxes and most of the state sales taxes are dedicated to general operations.

A portion of the state tax represents TIF sales taxes that are dedicated to Campustown debt service and the Southtown and Downtown TIF Districts.

**Figure 7. State and Local Sales Tax Revenues**



### **Hotel, Restaurant, Amusement (HRA) Taxes**

The City adopted ordinances on August 31, 1976, which authorized the levying of the following taxes: a 3% tax on hotel and motel rental, a 2% tax on food and beverages purchased in restaurants or taverns, and a 2% amusement tax on admission fees to public movies, exhibitions, and performances. These revenues are primarily used to pay debt service related to the original construction, expansion, and renovation of the Civic Center. In 1988, the hotel/motel tax was increased from 3% to 5% and, in 1993, an additional .5% hotel/motel tax was enacted for tourism and development purposes. These taxes are projected to generate \$6.8 million in 2005, or 9.7% of the City's overall local taxes.

### **Gaming Revenues**

In November of 1991, the Par-A-Dice Riverboat began operations on the Illinois River. In January 1992, the Par-A-Dice Riverboat moved its dock to the East Peoria side of the Illinois River. Through an intergovernmental agreement with the City of East Peoria, the City of Peoria shares equally in the proceeds generated by the riverboat. In 1999, the State legislature enacted a law granting riverboat casinos in Illinois waters to remain dockside during hours of operation. This increased revenues in 2000 through 2002, but has since begun to decline. In 2005, we expect the trend to remain static generating approximately the same as the 2003 amount of \$3.9 million.

Gaming revenues (gambling boat and off track betting) for 2005 are projected at \$4 million, or 2.9% of the City's total revenue. These revenues are used for operations and capital improvements. In 2005, we will continue to utilize these revenues to support operations and citywide infrastructure improvements.

### **Joint Riverfront Funds**

Prior to 1997, 10% of all revenues generated by the riverboat were allocated to a Joint Riverfront Reserve. East Peoria maintained these funds and each city could draw up to 50% of these funds, on an as needed basis, for mutually agreed upon riverfront development purposes. In mid-1996 this reserve was abolished and the City now receives these funds on a monthly basis. These funds are used to service debt related to riverfront development.

### **Utility Tax**

In 2005, utility taxes are projected at \$8.4 million and comprise 6.1% of the City's total revenues. Prior to 1992, the City collected a 2% tax on intrastate telephone and electric utilities; all of these revenues were dedicated to the City's general operations. In 1994, the City Council approved an additional 3% utility tax to be implemented over a three-year period. Additional funds generated by this new tax are dedicated to the capital improvement program to maintain and improve the City's infrastructure and services. In 1997, the final 1% increment was implemented, bringing the tax rate to 5%. The base 2% utility tax was dedicated to the operating budget prior to 2002. In 2002, the City Council approved transferring all utility tax revenue to the Capital Fund over the next five years, as the operating budget was supplemented by a 0.5% increase in local sales tax. In 2005, 92% of the utility tax revenue was to be transferred to capital. However, to meet the anticipated increase in operating expenditures, 16% rather than 8% remained in operations; therefore only 84% will be transferred into the capital fund.

### **Local Gas Tax**

In 1995, the City adopted and implemented a \$.02 per gallon local gas tax to support Citywide infrastructure needs. In 2005, it is anticipated that \$924,000 will be generated by this tax, or 1.3% of all local taxes. These funds remain dedicated to infrastructure investment, maintenance and debt service.

### **Fees and User Charges**

Fees and user charges are assessed on such things as sewer fees, animal registrations, public safety and parking fees. These revenues go toward operations and are assessed to offset the cost of administration, enforcement and cost of running the programs. These were reviewed and increased where appropriate to support the 2003 and 2004 budget. Additionally, as a revenue enhancing strategy, the implementation of a \$6/month refuse collection fee was approved by the City Council in July 2003. The implementation of this fee will subsidize the cost of this service by approximately \$2.2 million.

### **State Sources**

The State collects an income tax of which a portion is dedicated to the general operation of the municipality in which it is collected. Growth has occurred in this revenue over the past few years primarily due to State allocation changes in 1994 and 1995. The State now returns 1/10th of the money collected for income tax versus the 1/12th of collections prior to mid-1994. This formula change offset the lost revenue from the State's discontinuation of the income tax surcharge allocation in June of 1994. Since 2002, this amount has steadily declined due in part to the State's own budgetary deficits. The 2005 projection of \$7,233,640 repeats this continual decline with a 4.9% decrease from the 2004 budget.

The State also returns revenue to the City of Peoria through the Motor Fuel Tax (MFT) Allotment. These revenues are placed in the Road Fund to pay for street maintenance and other infrastructure needs. Based on the Illinois Municipal League's estimate of \$29.15 per capita, the 2005 projected revenue is \$3,299,900.

The Illinois General Assembly abolished all *ad valorem* personal property taxes in 1979 and replaced the lost revenue with a personal property replacement tax. This tax is derived from the additional 2.5% corporate income tax and the .8% tax on the invested capital of utility companies. Approximately 53% of the \$4,526,116 budgeted, is used to support the general operations of the City. The remainder is utilized for library operations and pension obligations.

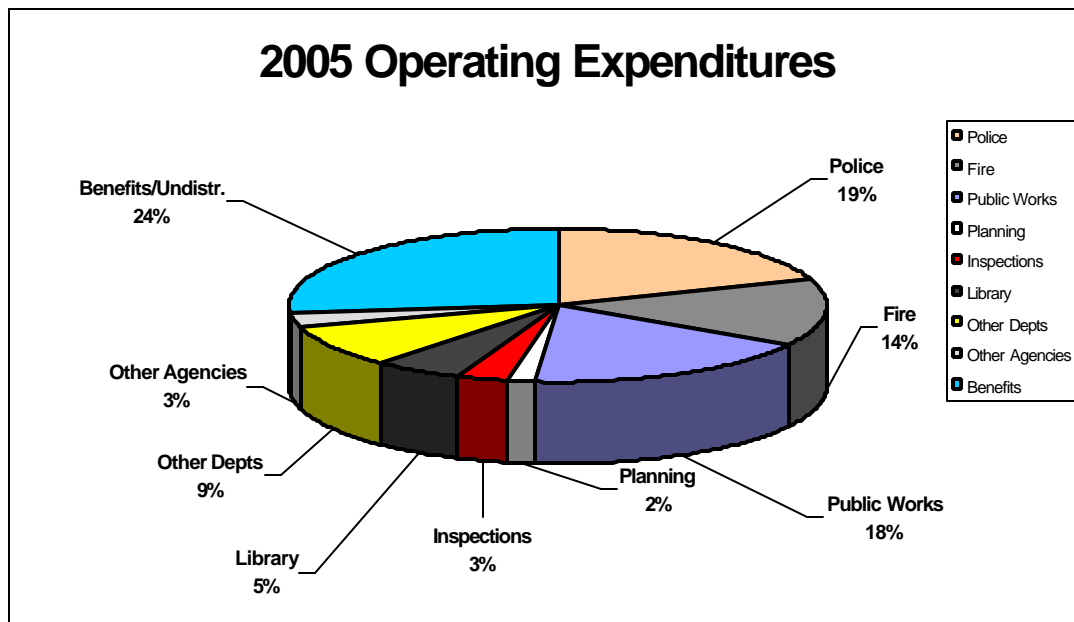
### **Federal Grants**

The primary source of federal funds is the Community Development Block Grant (CDBG) entitlement, used for projects, which improve the quality of life for low-to-moderate income individuals. The City received less funding in both 2003 and 2004, (\$3.34 million in CDBG entitlement and HOME funds) and anticipates less funding in 2005. This was approximately \$450,000 less than in 2002. The federal funding for law enforcement officers has ceased. From 1997 through 2004, the City received additional grant monies for the federal "COPS Grant" (Community Oriented Policing Services) and the Local Law Enforcement Block Grants. Specifically, the City will receive grant monies to enhance police service delivery, fund additional officers, promote victims advocacy, enforce DUI laws, and to combat domestic violence.

### **Budget Overview – Operating Expenditure Trends**

The 2005 budgeted increase in operating expenditures is 7.6%. This increase is the result of a 4.6% increase in personnel services, a 15.9% increase in employee benefits, and concerted efforts to trim overall expenses and enacting measures to hold down costs. Although the Council was faced with tough decisions regarding operating cost containment, it remained committed to providing effective city services and to improving neighborhood development initiatives. **See Figure 8.**

**Figure 8. 2005 Operating Expenditures**



### **Personnel Costs**

Historically, personnel costs have been approximately 75% of the City's expenditures. The 2005 budget continues this trend with 75% of operating expenditures being devoted to personnel costs. Personnel costs include salaries, as well as, pension, health insurance, and other employee benefits received by employees and retirees. Overall, salaries increased 4.6% from 2004 while benefits increased by 15.9%.

The number of full time employees has fluctuated greatly over the last 15 years. In 1982, the City employed 813 full-time employees; the lowest was in 1986 when the City employed only 712 full-time employees. Throughout the years, as new programs were added or old ones enhanced, personnel numbers increased. Inspection Services hired additional code enforcement staff to help combat blight that was starting to spread as a result of increasing numbers of non-owner occupied homes. In 1997 through 1998, fifteen police officers were hired after the City was awarded the "Cops Universal Hiring" grant and by 1998 with the continued emphasis on neighborhoods and expansion of services, the number of full-time employees increased bringing the total to 837 full-time employees. Another department that saw large gains in new positions was Public Works. Many of the new positions were in the form of temporary help that is utilized heavily during the summer months when our street maintenance program is in full swing. Also, with constant development occurring in the new growth cells, Public Works has taken on more capital projects to utilize in-house resources that saves the City hundreds of thousands of dollars each year. In 1999, more staff was added including six firefighters that were hired to man the new fire station in the northern part of the City.

In 2000, the employee count was at 863 due to 3 grant positions that were hired mid-year. In 2002, the count began with 864 employees. Due to the trickle down effect of the sluggish economy, both nationally and locally, the City had to make adjustment to meet a severe budget deficiency in both 2002 and 2003. The year began with an employee count of 816. Further, staff reduction were seen with the implementation of the early retirement incentive program as well as departments assessing their department needs according to the level of services they can efficiently provide. The employee count for the 2005 budget is 778 positions, a 10.0% decrease from 2002 and 4.7% decrease from 2003.

## **Public Safety**

Public Safety continues to be a top priority for the City of Peoria. In 2005, the costs of police and fire protection (without benefits) are \$20.2 million and \$14.7 million respectively (with benefits \$30.5 million and \$22.3 million respectively). In an effort to provide more services with limited additional resources, cost saving efforts are ongoing in the Police and Fire departments. Grant funding has allowed the Police Department to update technological services and equipment. The 2005 budget also is reflective of stepped up enforcement efforts with the deployment of more officers on patrol and assignment to neighborhood policing efforts. In 2004, the City contracted to have a fire and safety study conducted. One of the recommendations of the study was to hire 2 full time hazardous material inspectors. The Fire Department's budget is reflective of this more intense effort to identify hazardous materials stored in the city and also the increased efforts to provide training, not only to the city's fire fighting forces, but also to those in the surrounding areas as well.

## **Neighborhood Improvement**

Neighborhood improvement is another high priority for the City of Peoria. Two additional initiatives were added in 2003 to enhance and improve Peoria neighborhoods—the neighborhood crime initiative and the litter control program. The neighborhood crime program addresses target areas or “hot spots” in an effort to make neighborhoods safer in ten targeted high-crime areas of the City. The Litter Control Program involves additional contracted litter pickup service and provides support for neighborhood clean-up efforts.

Although the City has budgeted capital and infrastructure projects in all neighborhoods throughout the City, in 1998 a Neighborhood Development Commission was created to specifically address the needs brought forth by neighborhood associations. In 1999, \$425,000 was set aside for this commission to implement Phase II of their plan and in 2000, \$625,000 was targeted for specific Neighborhood Development Commission projects. In 2001, the NDC focused on “Focus Blocks” and “Target Area” initiatives. When blight starts to creep into areas of the city, those areas are then “targeted” and abandoned or vacant homes are purchased, rehabilitated and sold to those qualifying under federal home loan programs.

The City Council has stated that neighborhood improvement and stabilization is a top priority and has channeled resources to the NDC to make it a number one priority for all citizens as well.

## **Growth and Economic Development**

Growth and economic development in the City of Peoria is vital to retain and attract businesses and jobs and thus increase the City's tax base. Since 2000, the City of Peoria has budgeted over \$128.6 million for capital improvement projects with the majority of the budget being devoted to infrastructure improvements and new projects.

The 2005 capital budget totals \$18.6 million, which represents a 13% increase from the 2004 capital budget. The 2005 capital improvement program targets a disciplined method of addressing the City's capital needs. We have returned to a five-year capital improvement plan allocating approximately \$101.4 million to the capital needs of the City through the year 2009. Depicted below in figure 9 is the capital expenditure budget from 2000 to 2009.



**Figure 9. Capital Budget 2000-2009**

