



OFFICE OF THE CITY MANAGER

Memorandum

To: Mayor Jim Ardis
Members of the Peoria City Council

From: Henry Holling, Interim City Manager

Date: March 24, 2009

Re: Adjustments to FY2009 Budget

Beginning with the presentation and adoption of the FY2009 Budget, the City Council and staff took a position of caution about Peoria's economic climate. The approved "maintenance budget" dictated that the City live within its means without reducing services or raising revenues. Revenue for the upcoming year was based on very conservative projections. As local economic news took a turn for the worse in late 2008 and early 2009, the City instituted a sensible hiring freeze and began to take other steps to plan for potential revenue shortfalls. These additional steps include some intense planning at the departmental level for possible reductions.

Based on recent sales tax receipts for December 2008, combined with stiffly declining state revenue sources, the City's Finance Department has now revised its revenue forecast for FY2009. The result is an anticipated deficit of approximately \$3.3M. Attachment 1 outlines this revenue decrease in greater detail, but the segments of decline are as follows:

Revenue Source	Approved 2009 Budget	Re-Forecasted 2009 Budget	Difference
Home Rule Sales Tax	\$24,247,800	\$23,115,740	\$ (1,132,060)
Less Rebate	\$ (51,150)	\$ (20,000)	\$ 31,510
State Sales Tax	\$24,530,080	\$23,839,851	\$ (690,229)
State Income Tax	\$11,369,200	\$11,071,500	\$ (297,700)
Personal Property Replacement Tax	\$ 8,245,650	\$ 7,000,000	\$ 1,245,650)
Totals	\$68,341,580	\$65,007,091	\$ (3,334,129)

As stated above, the City has already taken a number of steps to begin addressing this anticipated revenue shortfall. Most of the pro-active steps have been on the personnel front. A number of vacancies ("intentional vacancies") have been purposefully left unfilled. A number of others ("incidental vacancies") are not subject to the hiring freeze but

represent savings nonetheless. For these positions, staff has attempted to maximize remaining human resources so that re-filling positions is delayed as long as possible without impacting services. The following actions represent total savings realized between January 1, 2009 and March 31, 2009 (please see Attachment 2 for more detail):

Actions to Date	Amount
Intentional Vacancies (Hiring Freeze)	\$ 34,406
Incidental Vacancies (Regular Turnover)	\$104,653
Contract Savings	\$162,000
Salary Adjustments	\$ 22,930
Operational Adjustments	\$ 23,620
Debt Re-Financing	\$450,000
Total Savings	\$797,609

Of these steps, only the vacancies will continue to realize additional savings. Each subsequent week after March 31st results in an additional savings of \$12,433. Savings from new vacancies – whether intentional or incidental – will be calculated and included in future budget revisions.

The savings to date identified above represents 23.9% of anticipated budget deficit. City staff has considered a number of options to make up the difference:

- **Street Seal Coating:** For the summer of 2009, the Public Works Department will seal coat 30 lane miles of street, rather than the planned 60 miles. The rise in the cost of materials was already dictating a reduction in service, and this additional step will allow the City to reduce its hiring of temporary summer employees from 33 to 15. The total savings are estimated at \$780,000 (23.4%).
- **Operational Fund Reserves:** The City has been diligently saving money over the past 5 years in anticipation of some day needing a cash reserve. Staff recommends funding not more than 33.3% of the total budget deficit with fund reserves (\$1,110,265).

These three items together total \$2,687,874 or 80.6% of the anticipated budget deficit. City staff is working together to identify ways to make up the remaining difference. Early in 2009, each department put together a plan to reduce operating budgets by up to 5%. Some of the steps identified have already been taken, and are represented above. The remaining steps are currently being evaluated.

At the April 28th City Council meeting, Staff will present Council with a comprehensive plan that addresses the deficit. These intervening weeks will allow the Finance Department to receive additional revenue distributions during the 2nd week of April; allow staff to further investigate opportunities within the stimulus bill to offset budgeted costs; and develop additional savings opportunities.

Living within our means, while still meeting our critical obligations, remains our highest priority. Together, joined by our shared vision, we will continue to insure the highest quality services to our citizens, visitors and businesses.

**Revised 2009
Revenue Estimates**

	2008 Budget	2008 Estimated Actual	2008 Actual Unaudited	2009 Budget	Dollar Change	Percent Change	Re-forecasted 2009 Budget	Dollar Change	Percent Change
LOCAL TAXES									
Property Taxes									
Current	\$ 23,469,379	\$ 23,234,684	\$ 23,412,019	\$ 25,187,548	\$ 1,952,864	8.40%	\$ 25,187,548	\$ -	0.00%
Library General Obligation Debt	\$ -	\$ -	\$ -	\$ 1,871,462	\$ 1,871,462		\$ 1,871,462	\$ -	0.00%
Other	\$ 5,909,364	\$ 6,073,747	\$ 5,635,125	\$ 6,271,331	\$ 197,584	3.25%	\$ 6,271,331	\$ -	0.00%
Sales Tax	\$ 23,608,300	\$ 23,772,350	\$ 23,115,444	\$ 24,247,800	\$ 475,450	2.00%	\$ 23,115,740	\$ (1,132,060)	-4.67%
Less Rebate	\$ (51,000)	\$ (50,500)	\$ (14,896)	\$ (51,510)	\$ (1,010)	2.00%	\$ (20,000)	\$ 31,510	-61.17%
H.R.A. Taxes	\$ 7,542,900	\$ 8,015,350	\$ 8,220,620	\$ 8,175,600	\$ 160,250	2.00%	\$ 8,175,600	\$ -	0.00%
Real Estate Transfer	\$ 1,010,000	\$ 1,074,200	\$ 1,031,789	\$ 1,020,100	\$ (54,100)	-5.04%	\$ 1,020,100	\$ -	0.00%
Gambling Boat	\$ 3,893,903	\$ 3,372,550	\$ 3,234,926	\$ 3,375,000	\$ 2,450	0.07%	\$ 3,375,000	\$ -	0.00%
Gambling Boat: Joint Riverfront Funds	\$ 432,653	\$ 374,728	\$ 359,436	\$ 375,000	\$ 272	0.07%	\$ 375,000	\$ -	0.00%
Utility Taxes	\$ 8,747,408	\$ 8,664,600	\$ 8,629,442	\$ 8,751,200	\$ 86,600	1.00%	\$ 8,751,200	\$ -	0.00%
Local Motor Fuel Tax	\$ 953,844	\$ 870,000	\$ 855,599	\$ 878,700	\$ 8,700	1.00%	\$ 878,700	\$ -	0.00%
Franchise Fees	\$ 2,517,989	\$ 2,603,760	\$ 2,634,260	\$ 2,642,600	\$ 38,840	1.49%	\$ 2,642,600	\$ -	0.00%
Off Track Betting	\$ 70,350	\$ 70,300	\$ 66,808	\$ 70,702	\$ 402	0.57%	\$ 70,702	\$ -	0.00%
TOTAL LOCAL TAXES	\$78,105,090	\$78,075,769	\$77,180,572	\$82,815,533	\$4,739,764	6.07%	\$81,714,983	(\$1,100,550)	-1.33%
LICENSES & PERMITS									
Amusement Licenses	\$ 44,374	\$ 42,500	\$ 41,680	\$ 44,818	\$ 444	1.00%	\$ 44,818	\$ -	0.00%
Occupational Licenses	\$ 91,197	\$ 90,500	\$ 98,670	\$ 92,109	\$ 912	1.00%	\$ 92,109	\$ -	0.00%
Liquor Licenses	\$ 377,233	\$ 379,000	\$ 370,894	\$ 381,005	\$ 3,772	1.00%	\$ 381,005	\$ -	0.00%
Permits	\$ 1,816,846	\$ 2,189,400	\$ 2,857,034	\$ 1,878,000	\$ (311,400)	-14.22%	\$ 1,878,000	\$ -	0.00%
Other	\$ 5,717	\$ 5,350	\$ 5,100	\$ 5,700	\$ 350	6.54%	\$ 5,700	\$ -	0.00%
TOTAL LICENSES & PERMITS	\$2,335,367	\$2,706,750	\$3,373,378	\$2,401,632	(\$305,922)	-11.27%	\$2,401,632	\$0	0.00%
FINES & FORFEITURES									
Animal	\$ 58,338	\$ 60,655	\$ 65,083	\$ 62,000	\$ 1,345	2.22%	\$ 62,000	\$ -	0.00%
Traffic/Court	\$ 984,750	\$ 693,800	\$ 736,933	\$ 717,800	\$ 24,000	3.46%	\$ 717,800	\$ -	0.00%
Parking	\$ 712,858	\$ 700,000	\$ 593,441	\$ 719,987	\$ 19,987	2.86%	\$ 719,987	\$ -	0.00%
Demolitions/Weeds	\$ 277,750	\$ 275,500	\$ 231,831	\$ 280,750	\$ 5,250	1.91%	\$ 280,750	\$ -	0.00%
Other	\$ 780,427	\$ 763,030	\$ 584,492	\$ 787,540	\$ 24,510	3.21%	\$ 787,540	\$ -	0.00%
TOTAL FINES & FORFEITURES	\$2,814,123	\$2,492,985	\$2,211,780	\$2,568,077	\$75,092	3.01%	\$2,568,077	\$0	0.00%
FEES & USER CHARGES									
Sewer Fees	\$ 3,245,130	\$ 3,319,600	\$ 3,270,600	\$ 3,386,000	\$ 66,400	2.00%	\$ 3,386,000	\$ -	0.00%
Animal Fees	\$ 1,097,065	\$ 970,079	\$ 922,551	\$ 1,040,615	\$ 70,536	7.27%	\$ 1,040,615	\$ -	0.00%
Public Safety	\$ 1,151,337	\$ 1,099,000	\$ 851,724	\$ 1,155,597	\$ 56,597	5.15%	\$ 1,155,597	\$ -	0.00%
Parking	\$ 2,603,300	\$ 2,751,354	\$ 2,709,733	\$ 2,868,200	\$ 116,846	4.25%	\$ 2,868,200	\$ -	0.00%
Other	\$ 3,394,963	\$ 3,277,100	\$ 3,216,978	\$ 3,334,100	\$ (60,863)	-1.79%	\$ 3,334,100	\$ -	0.00%
TOTAL FEES & USER CHARGES	\$11,491,795	\$11,417,133	\$10,971,586	\$11,784,512	\$249,516	2.55%	\$11,784,512	\$0	0.00%
MISCELLANEOUS									
Interest Earnings	\$ 3,117,343	\$ 2,492,970	\$ 2,390,239	\$ 1,849,500	\$ (643,470)	-25.81%	\$ 1,849,500	\$ -	0.00%

**Revised 2009
Revenue Estimates**

	2008 Budget	2008 Estimated Actual	2008 Actual Unaudited	2009 Budget	Dollar Change	Percent Change	Re-forecasted 2009 Budget	Dollar Change	Percent Change
Special Assessment	\$ 277,750	\$ 250,000	\$ 359,175	\$ 321,300	\$ 71,300	28.52%	\$ 321,300	\$ -	0.00%
Loan Repayment	\$ 206,293	\$ 255,000	\$ 327,346	\$ 141,800	\$ (113,200)	-44.39%	\$ 141,800	\$ -	0.00%
Health Insurance Reimbursements	\$ 6,208,841	\$ 6,208,841	\$ 5,851,785	\$ 6,082,304	\$ (126,537)	-2.04%	\$ 6,082,304	\$ -	0.00%
Rent Collections	\$ 94,506	\$ 115,000	\$ 131,692	\$ 116,200	\$ 1,200	1.04%	\$ 116,200	\$ -	0.00%
Other	\$ 1,385,243	\$ 1,247,674	\$ 4,821,476	\$ 1,300,500	\$ 52,826	4.23%	\$ 1,300,500	\$ -	0.00%
Donations/Contributions	\$ -		\$ 128,712	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
TOTAL MISCELLANEOUS	\$11,289,976	\$10,569,485	\$14,010,425	\$9,811,604	(\$757,881)	-7.17%	\$9,811,604	\$0	0.00%
TOTAL LOCAL SOURCES	\$106,036,351	\$105,262,122	\$107,747,741	\$109,381,358	\$4,000,569	3.91%	\$108,280,808	(\$1,100,550)	-1.01%
STATE SOURCES									
Sales Taxes	\$ 23,881,383	\$ 24,049,100	\$ 23,839,851	\$ 24,530,080	\$ 480,980	2.00%	\$ 23,839,851	\$ (690,229)	-2.81%
Income Tax	\$ 10,134,321	\$ 11,256,600	\$ 11,456,986	\$ 11,369,200	\$ 112,600	1.00%	\$ 11,071,500	\$ (297,700)	-2.62%
Personal Property Replacement Tax	\$ 7,613,178	\$ 8,164,000	\$ 7,690,109	\$ 8,245,650	\$ 81,650	1.00%	\$ 7,000,000	\$ (1,245,650)	-15.11%
State Motor Fuel Tax	\$ 3,437,329	\$ 3,375,390	\$ 3,234,706	\$ 3,362,400	\$ (12,990)	-0.38%	\$ 3,362,400	\$ -	0.00%
Police Services	\$28,000	\$ 28,000	\$ 43,296	\$28,000	\$ -	0.00%	\$ 28,000	\$ -	0.00%
Other/Miscellaneous Grants	\$ 232,098	\$ 234,926	\$ 634,306	\$ 234,926	\$ -	0.00%	\$ 234,926	\$ -	0.00%
TOTAL STATE SOURCES	\$45,326,309	\$47,108,016	\$46,899,254	\$47,770,256	\$662,240	1.41%	\$45,536,677	(\$2,233,579)	-4.68%
FEDERAL SOURCES									
Federal Grants									
C.D.B.G. Entitlement/ESG	\$2,056,807	\$ 1,988,422	\$ 2,532,898	\$ 1,988,305	\$ (117)	-0.01%	\$ 1,988,305	\$ -	0.00%
HOME	\$841,161	\$ 805,062	\$ 899,287	\$ 805,103	\$ 41	0.01%	\$ 805,103	\$ -	0.00%
Other	\$80,200	\$ 80,200	\$ 521,926	\$ 80,276	\$ 76	0.09%	\$ 80,276	\$ -	0.00%
Police Services	0		\$ 513,806		\$ -	0.00%	\$ -	\$ -	0.00%
TOTAL FEDERAL SOURCES	\$2,978,168	\$2,873,684	\$4,467,917	\$2,873,684	\$0	0.00%	\$2,873,684	\$0	0.00%
TOTAL REVENUES	\$154,340,828	\$155,243,822	\$159,114,913	\$160,025,298	\$4,662,809	3.08%	\$156,691,169	(\$3,334,129)	-2.08%
OTHER FINANCING SOURCES									
Sale of Property Proceeds	\$75,000	\$ 75,000	\$ 175,941	\$75,000	\$ -	0.00%	\$75,000	\$ -	0.00%
Bond/Loan Proceeds	\$0	\$ 28,000,000	\$ 28,000,000	\$7,525,000	\$ (20,475,000)		\$7,525,000	\$ -	0.00%
TOTAL OTHER FINANCING SOURCES	\$75,000	\$28,075,000	\$28,175,941	\$7,600,000	(\$20,475,000)	-72.93%	\$7,600,000	\$0	0.00%
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$154,415,828	\$183,318,822	\$187,290,854	\$167,625,298	(\$15,812,191)	8.55%	\$164,291,169	(\$3,334,129)	-1.99%

Item	Type	Savings to Date	Notes
Reduction in garbage contract budget	Contract Savings	\$150,000	Based on revised CPI for 2008
Adjustment to T1 costs (IS)	Contract Savings	\$12,000	
Savings from bond re-issuance	Debt Re-Financing	\$450,000	
Vacancy: HR Director	Incidental Vacancy	\$29,795	Vacant since 11/7/07
Acting HR Director	Incidental Vacancy	(\$1,252)	Acting pay for Kim King
Acting HR Director	Incidental Vacancy	(\$1,030)	Acting pay for Joe Smith
Vacancy: City Manager	Incidental Vacancy	\$42,482	Vacant since 2/15/08
Interim City Manager	Incidental Vacancy	(\$32,222)	Salary for Henry Holling
Vacancy: Admin I (PAWS)	Incidental Vacancy	\$5,168	Vacant since 1/31/09
Vacancy: Police Recruit	Incidental Vacancy	\$10,923	Vacant all year
Vacancy: Police Recruit	Incidental Vacancy	\$5,462	Vacant since 2/16/09
Vacancy: Police Recruit	Incidental Vacancy	\$3,034	Vacant since 3/6/09
Vacancy: Police Recruit	Incidental Vacancy	\$2,670	Vacant since 3/9/09
Vacancy: Firefighter	Incidental Vacancy	\$15,674	Vacant all year
Vacancy: Admin II (Inspections)	Incidental Vacancy	\$2,576	Vacant btwn 1/16/09 and 2/16/09
Vacancy: Police Info Tech	Incidental Vacancy	\$2,962	Vacant btwn 2/1/09 and 3/8/09
Vacancy: Accounting Coordinator	Incidental Vacancy	\$18,410	3 months disability
Vacancy: Perm. Maint. Worker	Intentional Vacancy	\$11,659	Vacant since 7/7/08
Vacancy: Fiscal Tech 1 (AR)	Intentional Vacancy	\$10,631	Vacant all year
Vacancy: Admin IV (Fire)	Intentional Vacancy	\$12,116	Vacant since 1/26/09
Take-home vehicles eliminated	Operational Adjustment	\$20,592	14 in PW, 1 in Insp, 1 ECC
Reduce costs in Radio shop	Operational Adjustment	\$528	Less in books, dues, pager
Audit of street lights	Operational Adjustment	\$2,500	pending results
Eliminate OT, Standby pay in Radio Shop	Salary Adjustment	\$6,300	All on-call taken by ECC Mgr.
Eliminate OT, Standby pay in Code Enforcement	Salary Adjustment	\$9,106	
Adj. to City Engineer salary	Salary Adjustment	\$1,460	adj salary + car allowance
Difference in Admin III salary for Clerk	Salary Adjustment	\$6,064	Diff btwn budget and actual
Total Savings		\$797,609	