

Revenue Shortfall Contingency Plan

INTRODUCTION

On March 28, 2009, City Council was informed that lower sales tax receipts from December 2008, coupled with lower state shared revenues through March, had resulted in a revised revenue projection for 2009. Staff is anticipating \$3,334,129 less revenue than previously forecasted, which would result in a budget deficit of an equal amount. Staff will revise projections in mid-April based on receipt of January 2009 sales tax figures, property tax information, and an additional distribution of state income and personal property replacement taxes. While the predicted budget deficit might grow or shrink to some degree based on this new information, the City will need to adjust its operations to meet the mandate of a balanced budget.

Beginning with the 2009 budget discussions, Council and staff partnered to create a “maintenance budget” that maintained services and did not raise taxes. That budget was created with an eye on the near future where an uncertain economic picture could greatly impact revenues and expenditures. In that budget, the Council approved a plan that reduced headcount and approved only critical capital programs. Through the end of 2008 and into 2009, staff has continually monitored revenues and looked for opportunities to save money. The steps taken have included debt re-financing, renegotiation of certain contracts, a selective hiring freeze, and savings reaped from regular turnover.

Staff has prepared an initial list of steps that could be taken to close the projected deficit. A spreadsheet of these steps can be found in Appendix A. In keeping with the focus on the core functions of government that began with the 2009 budget process, each item, where possible, is categorized as Public Safety, Infrastructure, Neighborhoods, Land Use, Economy and Stewardship. A breakdown of all steps according to core function is available in Appendix B.

The first section describes the savings already realized from steps taken between January 1 and the present. The remaining three items represent policy issues for the City Council:

1. Expenditure reductions;
2. Revenue-generating activities; and,
3. Withdrawal of funds from operational reserves.

Accounting for the savings to date (through 4/30/2009), staff estimates the budget deficit to be approximately \$2,347,998.

SAVINGS TO DATE (TOTAL: \$986,131)

Throughout any year, staff is consistently looking for ways to save money. Understanding the uncertainty of the City's financial situation, staff redoubled its efforts and made sure to note savings as they materialized. The savings to date fall into one of five categories:

\$168,000	<u>Contract Adjustments</u> : Savings realized from lower than budgeted contract costs, sometimes realized through negotiation.
\$450,000	<u>Debt Re-Financing</u> : Lower payments due to repay bonds due to re-financing.
\$ 23,620	<u>Operational Changes</u> : Pro-active steps to alter the budgets of certain operations.
\$ 41,340	<u>Salary Adjustments</u> : Savings gained by eliminating standby and overtime pay, lower salaries than budgeted, etc.
\$157,503	<u>Hiring Freeze Vacancies</u> : Consists of salary costs saved from date of vacancy through 12/31/2009.
\$145,667	<u>Turnover Vacancies</u> : Consists of salary costs saved from date of vacancy through date of hire.

A note on vacancies: Only three positions have been subject to the City's hiring freeze: Fiscal Technician I (Finance), Administrative Specialist IV (Fire), and Permanent Maintenance Worker (Public Works). As each position becomes vacant, the City Manager reviews the need for the position with the Department head and makes a decision. As an employer of nearly 800 employees, however, there are also a number of vacancies that are simply the result of regular turnover. While Human Resources is actively seeking to fill these positions, a gap will necessarily exist. All savings calculated for this report start with the position's date of vacancy and, if not yet filled, end on April 30, 2009. The only exceptions for this calculation are the vacancies for Director of Human Resources and City Manager. Staff anticipates that the earliest either of these positions will be filled is July 1, 2009. Those savings are calculated from January 1 to June 30, 2009.

EXPENDITURE REDUCTIONS (TOTAL: \$1,553,536)

The City of Peoria provides a vast array of services to its citizens, ranging from public safety to economic development. In order to support these services, it must also employ financial resources in areas ranging from City Council leadership to legal representation to payroll. Given that the potential deficit is projected as greater than \$2M (after savings to date), reducing budgets in areas such as travel, training, postage, office supplies, etc. will not close the gap very quickly. These types of costs support a larger service. The Manager has asked staff to pare back their travel and training budgets to only the most necessary or mandatory events. The proposed savings from those reductions is not included in this report, but will be available prior to the April 14, 2009 City Council meeting.

In order to close a gap of this size, some services may need to be scaled back or eliminated altogether. At the request of the City Manager, each department has provided options regarding potential savings. Departments were asked to consider actions that would have the least impact on critical citizen services. A small number of the suggestions are the cancellation or delay of certain capital projects; the remaining steps are operational steps. Regardless, these steps represent very difficult decisions, for both staff and the Council. The grand total of all steps listed below is \$1,553,536. Each possibility includes an explanation of the potential impact on services.

These options do not represent the only ones available, but simply the first round of possibilities for ways to save money in the short term. Of course, personnel costs (salaries and benefits) comprise nearly 80% of the City's expenses. Each City employee, however, provides a service – either directly to citizens or in support of those who do – so any reduction in headcount will consequently result in a reduction in service levels. Furthermore, current laws that would require the City to reimburse the cost of unemployment compensation and 65% of COBRA makes layoffs less of a total savings. Current headcount is not reduced by any of the steps listed below, though some workforce reduction is realized by not hiring temporary employees as usual.

Infrastructure (Total: \$1,052,778)

- **Reduce seal coating of residential streets by 50% in 2009 (\$782,778).** Each year, the City hires 33 temporary employees between April and October to accomplish certain street maintenance projects. The largest activity on which temporary employees work is the residential street seal coat program. The City annually seal coats about 60 miles of residential streets. Under this plan, only 18 temporary employees would be hired. The result would be that only half of the residential streets would be treated this year. This does not impact improvements to any thoroughfares, filling of potholes or other routine street repairs. In addition to the salary and benefit savings, approximately \$630,000 in Motor Fuel Tax funds (which would have been used to purchase the seal coat supplies) would be diverted into other street maintenance projects. Staff is recommending that these funds be used to repair Rockwood Avenue north of Scenic.
- **Cancel upgrades to 4 parking garages (\$140,000).** The 2009 CIP budgeted \$35,000 for each of four City parking decks to install new ticket machines. This project will be cancelled and applied for in the 2010 budget.
- **Eliminate spraying of weeds in gutters (\$50,000).** The City pays the Peoria Park District to spray weeds each summer. The contract would be modified and this service would not be provided.

- **Reduce HVAC central units line item in Facilities budget (\$10,000).** This account is for replacement and/or parts for HVAC units. Reducing these might result in retaining a unit, rather than purchasing a new one.
- **Reduce costs to accomplish architectural and engineering services for Fire Station 16 (\$8,000).** Staff has identified that it can save approximately half of the costs (\$16,995) budgeted in the 2009 CIP. (Public Works, Fire)
- **Reduce maintenance-security line item in Facilities budget (\$10,000).** \$40,000 was budgeted for a full year of contracting with MIDCO to provide service to electronic equipment at City facilities. The contract starts 4/1/2009, so this amount (25%) will not be spent.
- **Offset salaries with funds from Energy Efficiency and Conservation Block Grant (EECBG) (\$40,000).** The funding notice for the EECBG states that applicants can utilize up to 10% of the award to administer the funds. While the ultimate use of these funds has not been approved by Council or authorized by the Department of Energy, any project is likely to have some administrative costs (plan creation, purchasing, finance, construction management). The funds can be spent over 3 years, so only \$40,000 is included in this option. Other corporate costs, such as the salaries of City electricians, may also be covered depending on the projects selected. (Public Works)
- **Cancel purchase of one vehicle for Planning and Growth Management (\$12,000).** A vehicle was transferred from the Public Works Department to Planning and Growth Management, eliminating the need for the purchase of a new vehicle.

Public Safety (\$364,200)

- **Offset salaries of 5 positions with funds from COPS Grant (\$51,000).** Through the federal stimulus bill, Peoria has an opportunity to apply for funding for police officers. One allowable use of funds is to cover the cost of vacancies created by economic distress. While the City's police force has not been subject to the hiring freeze, the impending budget issues may have impact on the force, most likely in transferring officers from specialty details (MEG, vice, etc.) back into patrol to save costs associated with overtime. If awarded, the COPS Grant will fund the salaries and benefits of 5 existing officer positions and 5 new officer positions for 36 months. The impact on the 2009 budget is to cover the cost of 3 months of the salaries of the existing positions. This funding will also greatly help the 2010 budget, both by paying salaries and benefits as well as reducing overtime.
- **Reduce patrol overtime in Police Department (\$187,500).** Current policy requires a set number of officers to be assigned to each shift. When enough officers are not available (due to vacation, sickness, etc.), police command pay officers overtime to make up the difference. Such a situation creates a great deal of overtime costs and provides no discretion for command to adjust shifts as the situation demands (weather, call load, etc.). The result may be that in certain situations – at the discretion of command – there may be one less officer on the street for certain shifts (and up to two during shift changes). These savings are prorated for the final 9 months of 2009; a similar policy in 2010 should save an additional \$250,000.
- **Eliminate allowance of overtime for report writing (\$22,500).** Reports of minor incidents will be completed by the officer on his/her next shift.

- **Eliminate summer temporary employee in Building Inspections (\$16,200).** A temporary Inspector is hired by Building Inspections to inspect sidewalks and curbs. In addition, they do inspections on erosion control. These inspections will be absorbed by current staff.
- **Delay purchase of Outdoor Warning Siren (\$37,000).** The 2009 CIP budget included the purchase of one Outdoor Warning Siren. This purchase would be delayed for one year and re-applied for in the 2010. Staff may pursue funds from the County Public Safety Tax to make a purchase of this siren in 2009. (Fire)
- **Delay purchase of generators (\$30,000).** The purchase of generators authorized in the 2009 CIP budget will be delayed and re-applied for in 2010. (Fire)
- **Cancel purchase of SCBA Harness testing equipment (\$10,000).** Originally, the Fire Department had considered purchasing this testing equipment. Subsequently, a local vendor has been found to provide this service. The cost in future years will be paid out of the operating budget.
- **Reduce summer temporary employee in Electronic Shop for vehicle installations (\$10,000).** A temporary employee is hired every summer to assist with the installation of radios and other electronics in newly purchased vehicles. A reduction in this line may cause either a slow-down in the turnaround time for vehicle installation. The one remaining technician at the Electronic Shop is able to perform installs but at a much slower pace than outside vendors. This reduction could result in additional costs paid to Supreme Radio and United Radio Service during those times when large numbers of vehicles arrive needing equipment at the same time. This will occur in late April as eight new police vehicles are expected to arrive at the same time. (ECC)

Neighborhoods (\$76,208)

- **Eliminate summer temporary employees in Code Enforcement (\$50,000).** Temporary Code Enforcement employees do over 1600 Environment Inspections every year. They issued over 200 environmental warnings and abated over 110 properties. In addition, they helped to collect between 3000-4000 tires for disposal. Reducing temporary help may cause a delay in service by current CE Inspectors and the processing procedure of our administrative staff.
- **Reduce litter/garbage programming (\$26,208).** The funds were included in the Litter Control Fund and had been planned to purchase concrete litter containers to be distributed by Public Works in the Glen Oak Impact Zone and other neighborhoods that are currently on a waiting list for containers. \$50,000 was identified for this use to purchase approximately 80 containers. The reduction of \$26,208 will reduce the amount of containers to 40. (Planning)

Economy (\$15,500)

- **Reduce marketing line item (\$10,000).** Staff would continue marketing efforts with the funds that remain within this line item, but would cut down on marketing pieces that were distributed through various mediums. (Economic Development)
- **Reduce taxes line item (\$3,000).** Due to the development of a strong relationship with the County, the amount of taxes which the City must pay on new purchases has decreased dramatically over the years. \$17,000 will remain in this line item, and staff believes this amount will cover existing tax liabilities. (Economic Development)

- **Reduce research/survey line item for Equal Opportunity Office (\$2,500).** Staff will cancel the purchase of some printed materials and access to an online research service used to stay abreast of current discrimination and disability case law and theory. (Equal Opportunity)

Stewardship (\$44,850)

- **Offset cost of salary of existing position through management of the Homeless Prevention and Rapid Re-housing Program (\$9,750).** Subject to Council's future approval of the use of the formula grant received through the stimulus bill, \$39,000 will be available for administering the program. Staff estimates using 25% in 2009 and the remainder in 2010. This will not create a new position, but will offset corporate funds currently paying salaries in the Finance Department.
- **Eliminate part-time temporary employee in Clerk's Office (\$12,100).** Scanning of older paper records into electronic format would cease.
- **Reduce hearing officer line item in Human Resources (\$3,000).** The City of Peoria pays its share of fees for an Arbitrator in the event matters move to the arbitration phase. The total amount of the line item \$9,225, accounted for three (3) arbitrations this year (arbitrations arising from contract negotiations and/or grievances that the parties were unable to resolve). The tentative agreement reached on one important contract may very well have alleviated one of the contemplated arbitrations and as such there may not be any significant detriment caused by the diminished funds in that line.
- **Reduce investigations line item in Human Resources (\$3,500).** The City hires an investigative firm to do surveillance work for the City or otherwise provide information to the Labor Relations Manager regarding an employee's off site activity that may be impacting the workplace. The lesser funded line here will require that we give significant thought to prioritizing these cases and be able to identify those that appear to be the most likely to cause significant expense to the City if not reviewed through this mechanism first.
- **Delay major upgrades to City Website in 2009 (\$10,000).** The website committee has identified areas for enhancements and additional functionality. This reduction will eliminate any funding for any major changes in the website this year. Some of these enhancements include: interactive online forms, digital signatures, searchable content management, auto-cad map (PW) and re-working of image database and e-alerts function. The annual support contract will still provide minimal contractual work and staff will continue to make cosmetic changes.
- **Eliminate funds for part-time clerical intern (\$6,500).** The remaining members of the department will cover duties reserved for the intern: attendance before the housing hearing officer, ordinance court and legal research. With this position in place, staff was able to stay current on its clerical duties in the above areas. There may be some difficulty keeping up with hearing officer and ordinance court orders.

REVENUE OPTIONS (TOTAL: \$848,000)

The City of Peoria's budget is supported by a number of revenue streams. Most of these sources cannot be immediately altered in response to dipping revenues. In seeking potential enhancement to receipts, staff investigated steps that could be instituted relatively quickly and would not have a deleterious effect on development. Like service reductions, none of the revenue suggestions are easy to consider, but do represent alternatives to cutting some services. Of the four options below, the first two have been discussed by Council within the past few years. Estimates for all options, except Rental Registration, are based on six months of collection: July 1 through December 31.

- **Rental Registration Fee (\$200,000).** Earlier in 2009, City Council created an ordinance that would annually charge \$25 per rental property. The fees for the first year should be collected by the end of September 2009, and had not been previously budgeted. This revenue is an estimate, and takes into account the loss in revenue from interior rental inspections.
- **Water franchise fee of 5% (\$600,000).** This fee would be attached to each water bill in the City, including corporations and non-profit users.
- **Raise cost of parking tickets (\$45,000).** Tickets would be raised from \$10 to \$15, \$30 if not paid within the first 30 days. There would likely be some cost to printing tickets with new prices.
- **Raise the cost of banner installation (\$3,000).** Increasing the cost of the banner installation program to \$25 per banner per month would bring the price more in line with the cost of the service.

OPERATIONAL RESERVES

For the past five years, the City of Peoria has done a commendable job of building up its operational reserve fund. The goal has been to bring operational reserve levels to a level equal to three months worth of operations. This has been accomplished by reserving \$500,000 each year. Additionally, the City reserves \$100,000 each for medical and liability insurance. The medical reserve should equal 25% of health care expenditure. The liability insurance reserve should equal 2.5% of the value of fixed assets, excluding infrastructure.

The City policy states, "The City shall establish an adequate fund balance to pay for expenses caused by unforeseen emergencies or for shortfalls caused by revenue declines." As with expense reductions and revenue enhancements, any withdrawal from operational reserves should be done with caution and concern. More important, if done, a plan should be put in to place to replace the amount withdrawn in the very near future.

Staff does not make a recommendation regarding the amount of reserves that should be utilized, if any. Rather, the operational reserve funds stand as an option to make up the difference not covered by choices to reduce expenses or increase revenues.

Appendix A

Savings To Date

Core Function	Action	Type	Total Savings
Infrastructure	Reduction in garbage contract budget	Contract Adjustment	\$150,000
Stewardship	Adjustment to T1 costs (IS)	Contract Adjustment	\$12,000
Public Safety	Contract from ILEAS	Contract Adjustment	\$6,000
Contract Adjustment Total			\$168,000
Stewardship	Savings from bond re-issuance	Debt Refinancing	\$450,000
Debt Refinancing Total			\$450,000
Public Safety	Reduce costs in Radio shop	Operational Changes	\$528
Infrastructure	Audit of street lights	Operational Changes	\$2,500
Infrastructure	16 Take-home vehicles eliminated	Operational Changes	\$20,592
Operational Changes Total			\$23,620
Stewardship	Difference in Admin III salary for Clerk	Salary Adjustment	\$6,064
Public Safety	Eliminate OT, Standby pay in Radio Shop	Salary Adjustment	\$6,300
Stewardship	Vacancy: Accounting Coordinator	Salary Adjustment	\$18,410
Public Safety	Eliminate OT, Standby pay in Code Enforcement	Salary Adjustment	\$9,106
Infrastructure	Adj. to City Engineer salary	Salary Adjustment	\$1,460
Salary Adjustment Total			\$41,340
Stewardship	Fiscal Tech 1 (AR)	Vacancy - Hiring Freeze	\$42,998
Public Safety	Admin IV (Fire)	Vacancy - Hiring Freeze	\$67,860
Infrastructure	Permanent Maintenance Worker	Vacancy - Hiring Freeze	\$46,646
Vacancy - Hiring Freeze Total			\$157,503
Stewardship	City Manager	Vacancy - Regular	\$84,488
Stewardship	Interim City Manager	Vacancy - Regular	(\$64,082)
Stewardship	HR Director	Vacancy - Regular	\$59,249
Stewardship	Acting HR Director	Vacancy - Regular	(\$2,480)
Stewardship	Acting HR Director	Vacancy - Regular	(\$2,046)
Neighborhoods	Admin II (Inspections)	Vacancy - Regular	\$4,140
Public Safety	Admin I (PAWS)	Vacancy - Regular	\$7,753
Public Safety	Firefighter	Vacancy - Regular	\$14,484
Public Safety	Police Info Tech	Vacancy - Regular	\$3,131
Public Safety	Police Recruit	Vacancy - Regular	\$14,450
Public Safety	Police Recruit	Vacancy - Regular	\$8,981
Public Safety	Police Recruit	Vacancy - Regular	\$6,554
Public Safety	Police Recruit	Vacancy - Regular	\$6,190
Public Safety	Police Recruit	Vacancy - Regular	\$4,855
Vacancy - Regular Total			\$145,667
Savings to Date Subtotal			\$986,131

Appendix A

Possible Expense Reductions

Core Function	Action	Type	Total Savings
Public Safety	Delay purchase of Outdoor Warning Sirens	Possible Capital Step	\$37,000
Public Safety	Delay purchase of generators (Fire)	Possible Capital Step	\$30,000
Public Safety	Cancel purchase of SCBA testing equipment	Possible Capital Step	\$10,000
Infrastructure	Reduce cost of engineering services for Fire Station 16	Possible Capital Step	\$8,000
Infrastructure	Transfer vehicle from Public Works to Planning	Possible Capital Step	\$12,000
Infrastructure	Delay improvements to parking deck ticket machines	Possible Capital Step	\$140,000
Possible Capital Step Total			\$237,000
Infrastructure	Reduce Seal Coat Schedule	Possible Operations Step	\$782,778
Public Safety	Reduce patrol overtime in the Police Department	Possible Operations Step	\$187,500
Neighborhoods	Eliminate summer help in Code Enforcement	Possible Operations Step	\$50,000
Infrastructure	Eliminate spraying of weeds	Possible Operations Step	\$50,000
Public Safety	Eliminate summer help in Building Inspections	Possible Operations Step	\$16,200
Neighborhoods	Reduce garbage/litter programming in Planning	Possible Operations Step	\$26,208
Public Safety	Offset salaries through COPS grant	Possible Operations Step	\$51,000
Stewardship	Eliminate p/t Clerk position	Possible Operations Step	\$12,100
Economy	Reduce marketing line item (ED)	Possible Operations Step	\$10,000
Economy	Reduce taxes line item (ED)	Possible Operations Step	\$3,000
Economy	Reduce research/survey line item (EEO)	Possible Operations Step	\$2,500
Stewardship	Offset salaries through Homeless Prevention grant	Possible Operations Step	\$9,750
Stewardship	Reduce budget for HR hearing officer	Possible Operations Step	\$3,000
Stewardship	Reduce budget for investigations	Possible Operations Step	\$3,500
Public Safety	Reduce summer temporary for vehicle installations	Possible Operations Step	\$10,000
Stewardship	Delay major upgrade of website in 2009	Possible Operations Step	\$10,000
Stewardship	Reduce part-time clerical intern (Legal)	Possible Operations Step	\$6,500
Public Safety	Eliminate Police OT for report writing	Possible Operations Step	\$22,500
Infrastructure	Offset salaries through EECBG grant	Possible Operations Step	\$40,000
Infrastructure	Reduce HVAC central units line item	Possible Operations Step	\$10,000
Infrastructure	Reduce security line item (Fac. Maint.)	Possible Operations Step	\$10,000
Possible Operations Step Total			\$1,316,536
Expense Reductions Subtotal			\$1,553,536

Possible Revenue Enhancements

Rental Registration	\$200,000
Water Franchise Fee	\$600,000
Raise Parking Ticket Fees	\$45,000
Raise Cost of Banner Program	\$3,000
Subtotal	\$848,000

Grand Total	\$3,387,667
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Budget Reductions by Core Function

Core Function of Government	Savings to Date	Potential Steps	Total
Economy	\$0	\$15,500	\$15,500
Infrastructure	\$221,198	\$1,052,778	\$1,273,976
Neighborhoods	\$4,140	\$76,208	\$80,348
Public Safety	\$156,192	\$364,200	\$520,392
Stewardship	\$604,601	\$44,850	\$649,451
Total	\$986,130	\$ 1,553,536	\$2,539,666