



Office of the City Manager

October 15, 2010

The Honorable Jim Ardis
Members of the City Council
City of Peoria, Illinois

Dear Mayor Ardis and City Council Members:

Your administrative team has assembled and is presenting to you the City of Peoria's preliminary budget for fiscal year 2011. To say that this has been an incredibly difficult task would be an understatement. Since December of 2008, the City has encountered significant financial problems. As the economy began to stall and then decline, local revenues were tremendously impacted. Over the past two years, the City Council has partnered with staff to make a series of difficult choices. This has included making a mid-year adjustment of \$3.3 million in April of 2009; balancing the FY2010 budget by trimming \$14.5 million in projected costs; and implementing three different budget reductions totaling \$3.6 million throughout 2010. Additionally, the City saw its unrestricted reserve funds depleted by \$6.8 million in 2009 due to a precipitous drop in revenues.

In many ways, the situation for 2011 is even more difficult. The cuts we partnered to make for 2010 – especially the elimination of 84 positions (including PAWS) – have already brought the City to a critical staffing level given the demands for service. Many of our other cost cutting measures, such as bond refunding and partnering with the Civic Center and Library, were “one-time” efforts that are difficult to repeat. While revenues in 2010 appear to have leveled, we are still experiencing continued weakness in certain areas that give caution in forecasting future revenues.

The preliminary budget shows forecasted revenues of \$165,853,722 in 2011. The revenue projections reflect no growth in sales taxes, a modest 1.5% increase in property taxes, and a combined \$2 million *reduction* in State shared revenues.

On the other side of the ledger, the budget shows \$179,280,828 in projected expenses. These figures include the following budget categories:

Community Investment Plan	\$ 30,164,646
Operating	\$ 81,890,481
Benefits	\$ 43,403,491
Support to Other Agencies	\$ 4,322,733
Debt Service	\$ 19,499,477
Total	\$179,280,828

Reductions in spending from unrestricted sources in the Community Investment Plan, as discussed by Council on October 5, 2010, have helped close the potential budget gap by \$5,622,575. Regarding the operating budget, in June we directed department heads to prepare 2011 budgets at a target of 95% of 2010 funding. These adjusted budgets were then adjusted to account for contractual obligations (COLA and steps for Police; COLA for Crafts and Trades and IBEW; and steps only for AFSCME and Fire). The identified operating budget reductions resulted in an additional reduction of \$3,508,872 over projected expenses, but do so with some critical impacts. Of note:

- The elimination of 8 additional firefighter positions, which combined with the 7 positions being held vacant in 2010, will total the elimination of 15 firefighter positions and will require the closing of one fire machine.
- The elimination of 13 sworn and 5 civilian positions within the Police Department. The Department of Justice recently announced a COPS grant that may be able to retain 10 of these positions.
- Elimination of three full-time Maintenance Worker positions in Public Works, plus the elimination of all remaining temporary summer positions.

Staff has also identified \$882,000 in revenue sources, mainly consisting of payments related to landfill and garbage contract, which can be applied toward the deficit. Staff has also identified three additional expenditures totaling \$528,171. These are all outlined in the “2011 Preliminary Budget Summary” (page iii).

Taken together – proposed changes in revenue, capital and operating – the FY2011 budget still stands unbalanced by \$3,177,410. At our October 19, 2010 Special City Council meeting we will review the current plan and discuss alternatives for closing the remaining budget gap.

Crafting a budget is a team effort, and we would like to take this opportunity to personally thank the entire staff of the City of Peoria, each of whom works tirelessly to serve our community. Our thanks also extend to the Mayor and City Council, who continue to provide leadership and direction for our community.

We look forward to the budget discussions of the upcoming months.

Sincerely,

Scott Moore
City Manager

James R. Scroggins
Finance Director/Comptroller