



REQUEST FOR COUNCIL ACTION

To: Honorable Mayor and Members of the City Council
From: Patrick Urich, City Manager

AGENDA DATE REQUESTED: November 8, 2011

ACTION REQUESTED: REQUEST FOR THE CITY COUNCIL TO PROVIDE DIRECTION REGARDING THE FY2012 OPERATING BUDGET.

BACKGROUND: The City Manager will provide additional information and seek direction on the FY2012 operating budget.

FINANCIAL IMPACT: n/a

NEIGHBORHOOD CONCERNS: n/a

IMPACT IF APPROVED: n/a

IMPACT IF DENIED: n/a

ALTERNATIVES: None.

EEO CERTIFICATION NUMBER: Click here to enter text.

WHICH CRITICAL SUCCESS FACTOR(S) FROM THE COMPREHENSIVE PLAN DOES THIS RECOMMENDATION IMPLEMENT?

1. Have an efficient government.

REQUIRED SIGNATURES

Department Director

City Manager

Finance Director

(Certification of Availability of Funds)

Corporation Counsel

City Manager



Memorandum

To: Mayor Jim Ardis
Members of the Peoria City Council

From: Patrick Urich, City Manager

Date: November 8, 2011

Re: Estimated Package Liquor Tax Revenue

At the October 17, 2011 City Council meeting, staff was asked to update its projections for revenue that might be generated by a 2% package liquor tax. When last done in 2009, staff based its estimate of \$700,000 on two factors:

1. Sales at package liquor stores (only) representing an assumed 35% of all package liquor sales in Peoria.
2. Review of collections by other communities with a package liquor tax.

The information underlying the first factor was provided by the Illinois Department of Revenue. Staff has requested updated information, but has yet to receive a response.

Staff has completed an update of the second factor. Staff has contacted most of the communities outside of the Chicago area that have a package liquor tax. The results show a fairly wide range of revenue collections from the 7 communities who have enacted a tax:

City	Population (2010 Census)	Tax Rate	Revenue	Revenue for Each Tax % Point	Revenue Per Capita
<i>Adopted and enacted</i>					
Pekin	34,094	2%	\$ 173,000 ¹	\$ 86,500	\$2.54
Normal	52,497	4%	\$ 767,300 ²	\$191,825	\$3.65
Bloomington	76,610	4%	\$ 737,300 ²	\$184,325	\$2.41
Danville	32,467	3%	\$ 297,266 ¹	\$ 99,089	\$3.05
Rockford	152,871	1%	\$ 495,032 ¹	\$495,032	\$3.24
Aurora	197,899	2.75%	\$ 873,000 ¹	\$317,455	\$1.60
Urbana	41,250	1%	\$ 140,000 ²	\$140,000	\$3.39
<i>Considered, not enacted</i>					
Champaign	81,055	4%	\$ 700,000	\$175,000	\$2.16
Springfield	116,250	5%	\$ 1,370,000	\$274,000	\$2.36
Averages (All)			\$ 616,989	\$218,136	\$2.71
Averages (Enacted Only)			\$ 497,557	\$216,318	\$2.84

¹ Actual
² Budgeted

* DeKalb also has a 2% package liquor tax, but was not able to provide figures that were separated from their general restaurant tax.

The tax rates range from 1% (Rockford, Urbana) to 4% (Bloomington, Normal). The per capita revenue collections (equalized by the number of percentage points taxed) also range greatly from \$1.60 (Aurora) to \$3.65 (Normal). Also included are Champaign and Springfield, two communities who proposed package liquor taxes (in 2011 and 2009, respectively) but did not enact them. Their proposals included an estimate of potential revenue, which is included in the table above.

The wide variation in per capita revenue is difficult to explain. Normal and Urbana have large college-age student populations, which might explain some of the variation. Champaign and Springfield likely kept their estimates low for discussion purposes. Aurora and Rockford seem to be fairly similar cities and yet have drastically different experiences.

Given the range of experiences, it is difficult to estimate what Peoria's tax would generate. The average per capita, per percentage point revenue in the seven communities that have enacted a package liquor tax is \$2.84. Based on Peoria's population and a proposed 2% package liquor tax, Peoria might expect to raise \$653,418 annually. As the attached chart shows, the range could be from about \$370,000 to about \$840,000.

If Peoria were...	Amount Raised
Aurora	\$368,971
Bloomington	\$553,418
Pekin	\$583,569
Danville	\$701,998
Rockford	\$744,839
Urbana	\$780,654
Normal	\$840,475
Average	\$653,418

Aurora clearly appears to be an outlier. If it were removed from the list, the average would instead be \$3.05 per capita per percentage point of tax. In Peoria, this would yield revenues of \$700,826. Since the actual revenue is unpredictable, based on the information collected to date, an estimate of \$700,000 to \$750,000 is a reasonable projection.

Early Impact of the Early Retirement Incentive on the Reduction-in-Force Plan

On October 4, 2011, the City Council was presented with a three-point plan to address the City's FY2012 budget deficit that included identifying over 50 positions for lay off, creating an early retirement incentive (ERI) for eligible IMRF members, and a restructuring plan. That night, the City Council authorized the initiation of the ERI, whose window opened on November 1, 2011. Through Tuesday, November 8th, eighteen employees (exclusive of the library) have officially enrolled in the program. Between fifteen and twenty have indicated they will be retiring but have not yet given a date of completed the paperwork. Staff believes that many more are seriously considering retirement. A representative from IMRF has been meeting individually with eligible employees during the week of November 7 and staff expects to get more official retirement forms soon. The deadline to announce retirement and be eligible for the \$5000 bonus is December 1, 2011.

As was explained in the City Manager's presentation, enrollment in the ERI should allow the administration to reduce the number of employees who need to be laid off. Doing so allows the City to capture additional savings from earnings differentials, saves the City the costs of paying unemployment benefits and allows for greater flexibility in creating a workforce to accomplish Council's goals.

The following information is a preliminary summary of how early success in the ERI may be reducing the number of employees laid off. This layoff avoidance does not necessarily reduce the number of positions reduced, but does prevent active employees from facing involuntary termination. This may change as other employees elect to retire and other vacancies are created through attrition. Additionally, the finalization of the reduction-in-force plan that will be codified by an approved budget will initiate union bumping rights that will ultimately result in knowing which employees are laid off.

City Manager's Office

Three positions in the City Manager's Office were included in the reduction in force: Development Specialist, Senior Development Specialist (1 of 2) and Communications Manager. To date, a Senior Development Specialist has elected to retire, which will prevent one lay off.

Emergency Communications

The Reduction-in-Force (RIF) identified two positions for elimination: one (of six) ECC Supervisor positions and the Electronics Technician (1 of 1). To date, three of the six EEC Supervisors have indicated that they will be retiring ERI and have worked with the ECC Manager and HR staff to stagger their departure. This may prevent one Supervisor from being laid off. The salary differential between a retiring Supervisor and their replacement is approximately \$17,000. The Electronics Technician was also eligible for the ERI and has indicated his intention to enroll. The result would still be the reduction of one position, but not a lay off. While no telecommunications were recommended for reduction, 4 eligible employees have indicated that they will be taking the ERI (again, staggering their departure to allow sufficient time for training). The average earnings difference between these exiting employees and their replacements is \$21,500.

Finance

There are no changes to the Finance department plan. However, there is an additional vacancy in the Accounts Receivable division (Parking Enforcement Coordinator).

Fire

The Fire Department was scheduled to reduce one of its two Administrative Specialist II positions. One of the existing employees in that position has elected to take the ERI which may eliminate the need for a lay off.

Human Resources

There are no changes to the Human Resources department plan.

Information Systems

The Director of Information Systems has indicated that she will be retiring before the end of 2011. This position is not recommended be replaced, but the retirement creates enough budget flexibility to potentially retain one of the four positions slated for reduction. Given the importance of upgrading the City's financial and land use system in 2012, the City Manager recommends retaining a Programmer/Analyst position. Additionally, the PC Specialist position slated for reduction has been vacated.

Legal

There are no changes to the Legal department plan.

Public Works

In the Operations Division, five Maintenance Workers have submitted their retirement paperwork and a sixth position may soon be vacated as well. The proposed reduction in force eliminated 5 Maintenance Worker positions by laying off three employees and holding two other open positions vacant. The ERI may prevent these layoffs and also may require the hiring of additional replacement Maintenance Workers. The earnings difference between exiting employees and replacements is \$6,500. Two additional employees have indicated their retirement: The Facility Operations Engineer, which was slated for elimination, will retire before the end of 2011. This position is recommended to be replaced by a management class Facility Manager. One of the two Parking Meter Technicians has also announced his retirement. This position was not slated for elimination, but according to the AFSCME contract, the Parking Enforcement Officer position proposed for elimination in the Police Department will be able to fill this vacancy.

In the Engineering Division, one Civil Engineer II has notified the City of his retirement date. Per the recommendation, this position may be replaced with a Program and Budget Analyst. While other retirements in this division are anticipated to be announced, the plan as presented is not likely to change.

Police

A total of three positions in the Police Department were included in the reduction in force: an Administrative Specialist I, a Parking Enforcement Officer, and a Records Technician I. Two Police Administrative Specialists I have enrolled in the ERI which may eliminate the need for one lay off and create an additional vacancy. Two other Police Department employees – a Records Technician II and an Information Technician have enrolled in the ERI. Management is trying to determine what impact these additional retirements might have on the budget plan. As noted above, the retirement of a Parking Meter Technician (Public Works) will allow the eliminated Parking Enforcement Officer to retain employment with the City.

Planning and Growth Management/Inspections

The considerable number of announced retirements in these two departments may allow the City to accelerate the Manager's proposal to consolidate these two departments (plus Economic Development) into a new Community Development Department. In Planning and Growth Management, the Director and one Senior Urban Planner have announced their retirement. In Inspections, one Code Enforcement Officer and one Administrative Specialist II have announced their retirement. The Director has also indicated his retirement. The retirements of within the management ranks will allow for several positions slated for layoff to be reinstated including an Administrative Specialist IV, two Senior Urban Planners, and the Code Enforcement Manager position. In speaking with employees, more retirements within the planner, inspector and administrative groups are expected. Staff is confident that eight employees in these departments will be retiring, and reasonably sure that another five employees will also retire. If all thirteen decide to retire, the City Manager will have an opportunity to revisit the reduction-in-force plan in order to lessen the impact of potential layoffs.