



Office of the City Manager



Date: June 25, 2018
To: Mayor Jim Ardis
City Councilmembers
From: Patrick Urich, City Manager
Subject: Mid-Year 2018 Staffing Adjustment

Due to the financial realities facing the City at this time, Staff will be proposing that City employees, other than sworn Police and Fire and Emergency Communications staff, take 88 hours without pay, before the end of the year, beginning as early as the end of July. Of course, the impact and implementation must be bargained with the City's various unions so the final framework may be amended. In addition, this information is being provided to all of the City's bargaining units simultaneously with the issuance of this correspondence.

In 2018, Council adopted a Budget for 2018 which provided that \$1,622,780 be reserved and placed into the General Fund in order to replenish the City's diminishing cash reserves. The chart below depicts the Adopted 2018 Budget, which made the following assumptions:

2018 Adopted Budget

Revenue \$94,606,742
Expense \$92,983,962
Change in Fund Balance \$1,622,780

However, based upon projections of our Finance Director, the following charts depict the revised first quarter estimates:

Revised 1st Quarter Estimates

Revenue \$92,704,737
Expense \$94,267,191
Change in Fund Balance (\$1,562,454)

Therefore, the City will have a short fall of \$1,562,454 if something is not done to correct this imbalance. In light of these facts, it is Staff's judgment that the most viable solution

City Hall
419 Fulton Street, Suite 207
Peoria, IL 61602

Mid-Year 2018 Staffing Adjustment Memo

at this time is to seek the staffing changes through the end of 2018. Staff would propose the implementation of 88 hours without pay for all employees, with the exception of sworn, non-command staff Police and Fire, as well as the entire Emergency Communications staff. Beginning at the end of July, City Hall would be closed on Mondays every other week through early December. Public Works staff would operate with a rolling layoff process where a portion of the staff would be laid off for a week at a time. The imposition of 88 hours of furloughs would save the City approximately \$617,000, and the amount of unpaid hours has been narrowly tailored to achieve cost savings in light of the revenue shortfalls anticipated during 2018.

City Staff has spent the last several weeks examining spending and identifying opportunities to reduce its spending, and where possible, adjust revenues. This process has identified \$182,000 of spending adjustments that could be made that would reduce the impact on the General Fund outside of the Fire Department. In addition, the State of Illinois budget did not impact the City as badly as originally envisioned. The amount held back through the Local Government Distributive Fund (LGDF) and the charge for collecting Home Rule Sales Tax were less than envisioned, adding \$175,000 to the revenue estimates. The legislative change to tax internet sellers without a presence in Illinois is anticipated to bring \$75,000 to the City when it goes into effect in October. The Emergency Communications Center Contracts with Peoria Heights, Chillicothe, and the Chillicothe Fire Protection District should bring in an additional \$192,000 of revenue. Thus, revenue estimates would increase \$442,000.

The Fire Department has now hired all vacant positions, but is maintaining the temporary brownouts until such time as all new hires can work on the street. This is a \$1,500,000 change to the budget estimates. The gap insurance plan within the Health Insurance Fund will be adjusted, reducing spending by \$173,000. Technology purchases in the Capital Fund will be reduced \$75,000, as will neighborhood programming and demolitions (\$200,000). Only emergency and grant funded demolitions will be undertaken through the end of this year. Staff will ask to use TIF funds for not only the Station 4 improvements (\$150,000), but also a small portion of the MacArthur Bridge project (\$200,000).

	<u>2018</u> <u>Adopted</u> <u>Budget</u>	<u>Revised 1st</u> <u>Quarter</u> <u>Estimates</u>	<u>Changes</u>	<u>Adjusted</u> <u>General Fund</u>
Revenue	\$94,606,742	\$92,704,737	\$442,192	\$93,146,929
Expense	\$92,983,962	\$94,267,191	(\$2,480,000)	\$91,787,191
Change in Fund Balance	\$1,622,980	(\$1,562,454)		\$1,359,738

These adjustments would result in the General Fund putting \$1,359,738 back into Fund Balance, still not the plan adopted by the Council. In order see that City expenditures do not exceed amounts available, additional changes are necessary.

Mid-Year 2018 Staffing Adjustment Memo

The imposition of the furlough days would close the gap and put the City on a stronger financial footing going into 2019. The City Council and the management team may need to have a discussion going forward about what City services need to be eliminated. With fewer staff and fewer resources, the City can no longer continue to provide as many services as we currently provide. Staff will be preparing for the 2019 budget and will work on making programmatic recommendations to Council for their consideration.

Staff does not make this recommendation lightly and understands that its employees are being asked to make sacrifices, but this action is necessary for the long-term financial stability of the City. Please do not hesitate to contact me should you have any questions relative to the above.