

**ITEM NO. \_\_\_\_\_ TO THE CITY COUNCIL OF PEORIA, ILLINOIS, IN COUNCIL,  
ASSEMBLED YOUR COMMITTEE OF THE WHOLE to Whom was  
Referred a POLICY SESSION Regarding the 2018-2019 Biennial  
Budget**

A Policy Session was held on Tuesday, October 3, 2017, beginning at 6:05 P.M. at City Hall, Council Chambers (Room 400), 419 Fulton Street, with Mayor Jim Ardis presiding, and with proper notice having been given.

**ROLL CALL**

Roll Call showed the following Council Members present: Akeson, Cyr, Moore (Electronic Attendance), Oyler, Riggenbach, Ruckriegel, Turner, Mayor Ardis –8; Absent: Grayeb, Jensen, Montelongo - 3.

Others present: City Manager Patrick Urich, Corporation Counsel Donald Leist, Public Works Director Scott Reeise, Police Chief Jerry Mitchell, Fire Chief Chuck Lauss, Community Development Director Ross Black, Communication Specialist Stacey Peterson, Chief Information Officer Sam Rivera, Chief Deputy City Clerk Stefanie Tarr, Deputy Clerk I Dan Sullivan, interested citizens, and members of the media.

**2018-2019 Biennial Budget Policy Session**

Mayor Ardis stated the Policy Session was for the City Manager to provide an overview of the budget and to receive direction from Council. He stated the feedback received regarding the City's expenses and revenues would assist the City Manager in his preparation for a balanced budget proposal, which would be presented at a future Council Meeting.

City Manager Patrick Urich presented a Power Point presentation discussing the City's current financial report and review of the 2018-2019 budget.

City Manager Urich explained the expected revenues and expenses for the General Fund and for all funds for the 2015-2019 proposed budget. He said for 2018, expected revenues were estimated at \$93.3 million and expected expenses were estimated at \$101.2 million, which would be a \$7.9 million shortfall in the City's budget.

**2018 Budget Challenge & Community Feedback**

City Manager Urich reported the City held five public budget meetings that were attended by 94 people, he stated over the five meetings nearly 32 citizens that were not City employees heard about the fiscal trends facing the City and were able to ask questions pertaining to the City budget. Discussions were held regarding the results of the 2018 Budget Challenge, which received 1336 responses. City Manager Urich stated out of the 1336 responses the City received 100 email responses who provided feedback on the Budget Challenge.

Council Member Cyr expressed concern for the low number of attendees at the public budget meetings and asked was that the best way to spend the City's resources to receive public input. He questioned the cost of the Budget Challenge software, which City Manager Urich responded was a onetime licensing fee of \$10,000. Council Member Cyr requested the City to develop a program to better engage the public.

Council Member Oyler asked if the City could compare the data from the Budget Challenge of the 100 email responses versus the remaining responses to see if any duplicates occurred.

Council Member Akeson expressed her concern with the low turnout for public engagement. She agreed with Council Member Cyr in regards to the City developing a program to provide better public engagement. She recommended an opportunity for City employees to provide feedback without any retributions.

City Manager Ulrich reviewed several categories of the Budget Challenge and explained the most popular choices in each category. He stated 66% of the respondents were able to balance the budget. He indicated that expenses showed support for maintaining public safety, especially Fire Service (57%). He said respondents preferred to cut Administration (89%), Community Development (75%), and Public Works (65%), and 46% preferred cutting capital projects. He stated 82% of the respondents did not want to pursue the Water Company Buyout, and 78% of the respondents preferred keeping pension funding at its current funding levels. City Manager Ulrich reviewed the proposed cuts outlined in the 2018 Budget Challenge as follows: Police Department cut \$2.7 million, the Fire Department cut \$1.6 million, Public Works cut \$1.5 million, Administrative Service cut \$2 million, Community Development cut \$250,000, and capital projects cut \$2.0 million.

In regards to the revenue side of the 2018 Budget Challenge, City Manager Ulrich stated respondents supported maintaining the current tax rates including Motor Fuel Taxes (75%), Pensions (64%), Utility Taxes (59%), and Sales Taxes (53%). He said a majority of the respondents supported maintaining Property Taxes (47%) and the HRA Tax (46%). He indicated a majority also supported increasing the Garbage Fee (47%) and Licenses Permits and Fees (46%). He reported the Budget Challenge Tool identified 4 other revenue options that were not well received: a package liquor tax (40%); a non-profit fire service fee (29%); a payment in lieu of taxes (PILOT) from non-profit hospitals (23%); and a vehicle registration fee (17%). He stated 63% of the respondents supported establishing a Stormwater Utility Fee, and he said more respondents were supportive of an initial fee that would generate \$8.0 million annually (and remove \$2.5 million of current expenses from the General Fund) than a more robust Stormwater Utility Fee that would generate \$13.0 million annually.

### **Expense Reduction Options**

City Manager Ulrich continued to discuss the current budget gap amount of \$7.9 million in the General Fund. He reported an 8% reduction in the General Fund and he said if Council wanted to reduce expenditures to close the budget gap, there were several alternatives to consider. He remarked that many alternatives would impact service levels. He said the City Council just approved a Voluntary Separation Initiative, which could help the budget deficit.

Discussions were held regarding recommended expense reduction options from the Budget Challenge for the Administrative Departments, Community Development Departments, Police, Public Works, and Fire would be as follows:

**Administrative Departments** -reduce by \$1,100,000, the reductions in Administrative Departments would be 10% of the total operating budget. City Manager Urich stated support to the line departments would be reduced and departmental support, research, and response time would increase. He indicated workforce in the Administrative Departments (52 FTEs) would be reduced by 6 FTEs and the flexibility to respond to Council directives would be affected.

**General Governmental Expenses** – reduce by \$900,000, which would adjust the funding for Liability and Worker’s Compensation, training would be restricted and OPEB contributions would be reduced by \$100,000.

**Community Development Department** – reduce by \$250,000, which would affect planning and neighborhood services. Planning special projects (future land use/growth plan, Form District review, Thoroughfare Plan, neighborhood plans) would be reduced. Less funds would be available for work orders on private property, only garbage and litter would be picked up. Tall grass and weeds would no longer be completed by work order and permitting turnaround would be extended.

**Police Department** – reduce by \$2,700,000, by adjusting the salaries from an estimated budget to the actual negotiated contract reduced the deficit in the Police Department, by \$700,000. The Police Cadet and Explorer programs would be eliminated, and community outreach would be significantly curtailed. An elimination of the 4<sup>th</sup> shift and replace it with a 10-hour 4<sup>th</sup> shift from 6:30 PM to 4:30 AM. The Information Office would only be open one shift per day and staff would be reassigned back to patrol from certain assignments – public information, traffic and nuisance abatement.

**Public Works** – reduce by \$1,500,000, which would suspend the Mayor’s Youth Program, reduce materials and supplies that would affect forestry, engineering services, and streets maintenance. Contracted snow routes would be eliminated and performed with all City staff (permanent and temporary). This will increase the service level agreement for snow response time from 18 hours to 24 hours. Vacant lot mows would be reduced from 18 times a year to 16 times. New traffic calming equipment purchases would be reduced and summer temporary help would be reduced from 12 employees to 5 employees along with a reduction in preventative road maintenance.

**Fire Department** –reduce by \$1,600,000, by adjusting the salaries from an estimated budget to the actual salaries negotiated. The Fire Cadet and Explorer programs would be eliminated. Current vacancies in the Fire Department would not be filled, which through attrition would allow for an engine company to be decommissioned. This reduction would affect the flexibility of the department and would stretch training times and response times of the Department.

**Capital Improvement Program Reduction** – reduce by \$2,000,000, by restricting essential projects. The capital budget for 2017 was \$27,937,500 of this, \$5,429,000 was unrestricted capital requests. The total submission for 2018 was \$8,926,797.

Council Member Akeson voiced concerns regarding expenses associated with overtime pay. In response to Council Member Akeson’s question regarding a percentage amount paid in overtime, City Manager Urich said the City paid \$5.7 million in overtime expenses in 2016.

He stated the City had 690 full-time employees and 650 were eligible for overtime pay. City Manager Ulrich stated the Fire Department had 10 vacancies while the Police Department had 13 vacancies and in order to maintain service levels overtime was required for these positions.

Council Member Akeson requested a Report Back about the City's overtime policy, who approved the overtime and the circumstances requiring such overtime. She requested the employee compensation report should have totals listed on the bottom of each page for clarification and be placed on the City's website.

Council Member Moore voiced concerns regarding the potential budget cuts for Community Development, which would directly affect the First District. She stated the Special Project Funds helped revitalize neighborhoods within the First District. She requested the City Manager provide a breakdown on special project funds and indicate where those funds were mostly utilized.

Council Member Oyler echoed Council Member Akeson's concerns regarding overtime pay. He remarked that with the potential cut in workforce, how would the City ensure those positions would not be covered next year with overtime pay. He voiced concerns with the \$6 million shortfall in City expenses compared to its revenue and how overtime for the remainder of 2017 could play a factor regarding the City's unallocated cash flow.

Council Member Ruckriegel remarked on the real challenges the City of Peoria faced with regards to the budget. He indicated Sales and Property Taxes were down and questioned if future revenues would return to a higher level. He stated Utility Taxes were down because less energy was being used and landline telephones were becoming obsolete. He revealed the City needed to focus on the revenue side of the budget in order to know how much money could be spent on the expense side of the budget. He stated if the City shadowed 2018 like 2017, it would leave the City with approximately \$2 million in reserve funds. He indicated he was looking forward to the Report Back on the Overtime Policy and a Report Back on employee take home vehicles, which was requested at the September 12, 2017, Regular City Council Meeting. He asked for an additional Report Back on ways the City could expand the life of its capital.

Council Member Cyr inquired if the City charged a Special Event Fee to cover overtime for the Police Department and Public Works who assisted with the special event. In response to Council Member Cyr's question, City Manager Ulrich stated he would provide a Report Back on a potential Special Event Fee.

Mayor Ardis reiterated the need to look into a Special Event Fee. He said the public needed to know how much the City provided back to the community. He requested the City impose some type of compensation package for services that would be paid by all groups including not-for-profit organizations. He requested a list of fire calls for each station in order to better understand how services would be effected if a reduction in force was implemented.

## **Revenue Options**

### **Property Tax**

City Manager Urich discussed options for additional revenues within the City of Peoria. He stated that Property Taxes were 19% of the City's total revenue. He explained that the City's portion of the real estate tax was approximately 12% of the total real estate tax for residents of the City of Peoria. When including the Library, the portion of the real estate tax bill increased to 17%. He said the City levied property taxes to fund three pension funds for City employees and the Library. He said any remaining funds are used for City operations. He said City operations consist of public safety, public works, and administrative support. Due to the rising pension funding requirements, he said the amount levied and available for general operations declined from \$6.7 million in 2010 to \$0.7 million in 2017. As a home rule city, he said Peoria could raise property tax rates to meet the City's needs.

### **Sales Tax**

He stated sales taxes were 25.6% of the City's total revenue. He said the local home rule sales tax rate was 1.75% and the combined total for both the local and state rates of 9.00%. He explained the sales taxes paid in the City were allocated as follows: 5% to the State of Illinois, 2.75% to the City of Peoria, 0.75% to the County of Peoria and 0.5% to School Districts. He said local sales taxes and state sales taxes are dedicated to general operations with the exception of approximately \$0.5 million pledged for debt service. He said local sales taxes and state sales taxes for 2017 were projected to generate \$47.3 million or approximately 25.6% of the City's total revenue.

### **Utility Tax**

City Manager Urich explained Utility Tax revenues included Electric Utility Tax (5%), Telephone Utility Tax (5%), Water Utility Tax (5%), and Natural Gas Utility Tax (3.5% for residential and small commercial uses). He said electric and telephone supported capital, while water and natural gas supported operations for a total Utility Tax revenues were projected at \$10.07 million for the year 2017. He stated that Utility Taxes were 6% of the City's total revenue. He indicated a 1.5% increase in natural gas utility taxes from 3.5% to 5% would generate an additional \$1.0 million of revenue to the City. He stated an increase in natural gas utility taxes would mean a \$1.70 increase per month for an average homeowner.

### **Garbage Fees**

City Manager Urich stated Garbage Fees were 3% of the City's total revenue. He said the City of Peoria contracted for garbage, recycling and yard waste services for residential properties, which promoted a safe, litter-free community. He mentioned the fee was \$14 per month, which was not covering the cost of the service. He said a \$1.00 per month increase would raise an additional \$456,000 annually.

Council Member Riggerbach inquired on how much the Garbage Fee needed to be raised to cover the cost of the service and when the RFP for garbage collection was due.

City Manager Ulrich explained a \$3.00 per month increase would set the rate at the cost of collection and allow for the replenishment of the General Fund and raise \$1.4 million annually. He mentioned the Residential Trash Fund currently owed the General Fund approximately \$4 million. He reported the City issued an RFP for garbage collection, which was due back November 4, 2017.

### **Stormwater Utility Fees**

City Manager Ulrich explained that communities throughout Illinois were implementing stormwater utility fees to assist in funding the needs of stormwater infrastructure. He said the upfront cost for stormwater management was substantial, but the investment would payoff in the long run. He estimated the stormwater utility fee for a household would be approximate \$8.00 per month. He remarked that everyone would pay for this utility tax, including schools, churches and non-profit organizations. He reported that a full wet weather infrastructure program would cost between \$8 and \$12 million dollars.

Council Member Riggensbach requested a range of fees other communities charged regarding their stormwater utility fees.

### **New Revenue Options**

Regarding the Budget Challenge, City Manager Ulrich said, Staff identified 4 other revenue options: a package liquor tax (\$700,000); a non-profit fire service fee (\$300,000); a payment in lieu of taxes (PILOT) from non-profit hospitals (\$1.8 million); and a vehicle registration fee (\$1.5 million). He said none of these revenue streams were well received by the public. He said, the City currently did not charge for special events, like 5k runs or street closures. He said fees could be established for special events, offsetting the overtime costs of City staff.

Mayor Ardis thanked the Staff for participating in the five public meetings and the Budget Challenge. He suggested that Property Tax and Sales Tax not be raised this budget cycle. He said a Stormwater Utility Tax could be an option for additional revenue. He asked the City Manager if a Stormwater Utility Tax was passed what date would it go into effect. In response to Mayor Ardis's question, City Manager Ulrich indicated a Stormwater Utility Tax would not go into effect until July 1, 2018.

Council Member Ruckriegel agreed with Mayor Ardis that Property Tax and Sales Tax should not be discussed this budget cycle as a potential revenue source.

Council Member Oyler stated the City's financial position long-term would improve if the housing market would improve. He indicated property taxes were a large factor in real estate sales and the City could not discuss increasing property taxes during this budget cycle. He echoed the same concerns for sales tax, which needed to be maintained in order to prevent citizens from buying outside the City.

Council Member Cyr spoke on the importance of communicating the City's priorities discussed at the strategic planning meetings. He said the public needed to know the City's priorities over the next four years.

City Manager Ulrich indicated he would schedule another meeting with Mr. Lyle Sumek to prioritize the list prepared from the strategic planning meetings.

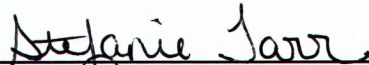
Mayor Ardis requested the City Manager to come back to Council for any expenses over a specific dollar amount regardless if item was approved or not.

City Manager Ulrich indicated continued discussion on the budget would occur at the Regular City Council Meeting scheduled for Tuesday, October 10, 2017, and a Policy Session scheduled for Wednesday October 11, 2017.

The Policy Session closed at 7:22 P.M.



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Beth Ball, MMC  
City Clerk, Peoria, Illinois



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By: Stephanie Tarr  
Chief Deputy City Clerk

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