



- General Fund Balance Policy
- Operating Budget Administrative Policy
- Policy of Dedicated Revenue
- Property Tax Levy Policy
- Capital Asset Capitalization Policy
- Capital Budget Administrative Policy
- Limitation on Amount of General Obligation Bonds

The City of Peoria financial policies establish the basic framework for the fiscal management of the City. These policies are intended to assist the City Council, City Manager, Finance Director/Comptroller and Finance Department in both decision-making and the establishment of procedures for the operating departments.

Management recognizes that unanticipated occurrences can affect the City's fiscal condition. In order to prepare for these non-recurring events it is advisable to establish policies to meet the unexpected increases in service delivery costs.

The City of Peoria considers that it is prudent to establish a policy for its fund balances. The purpose of the Fund Balance Policy is threefold: to enable realistic long-term planning, to assist with effective development of annual budgets, and to promote clear communications with the general public, staff, and administration. The elements of the policy are created by the City Council for its own purposes and may, therefore, be revised by the City Council as needed in the future.

The General Fund Balance Policy is intended to provide guidelines during the preparation of the annual budget to ensure that sufficient reserves are maintained for unanticipated expenditures or revenue shortfalls. It is also intended to preserve flexibility throughout the fiscal year to make adjustments in funding programs approved in connection with the annual budget. The General Fund Balance Policy should be established based upon long-term perspective recognizing that stated thresholds are considered minimum balances. The main objective of establishing and maintaining a General Fund Balance Policy is for the City to be in a strong financial position that will allow for a better position to weather negative economic trends.

The General Fund Balance consists of five categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

- **Nonspendable Fund Balance** consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.
- **Restricted Fund Balance** consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.
- **Committed Fund Balance** consists of funds that are set aside for a specific purpose by the City's highest level of decision making authority (Council). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.
- **Assigned Fund Balance** consists of funds that are set aside with the intent to be used for a specific purpose by the City's highest level of decision making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.
- **Unassigned Fund Balance** consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources.

This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

### **Nonspendable and Restricted Funds**

Nonspendable funds are those funds that cannot be spent because they are either:

- 1) Not in spendable form (e.g. inventories and prepaids)
- 2) Legally or contractually required to be maintained intact

It is the responsibility of the Finance Director to report all Nonspendable Funds appropriately on the City's Financial Statements.

Restricted funds are those that have constraints placed on their use either:

- 1) Externally by creditors, grantors, contributors, or laws or regulations of other governments
- 2) By law through constitutional provisions or enabling legislation.

It is the responsibility of the Finance Director to report all Restricted Funds appropriately in the City's Financial Statements.

### **Authority to Commit Funds**

The City's governing body has the authority to set aside funds for a specific purpose. Any funds set aside as Committed Fund Balance requires a passage of a resolution by a simple majority vote. The passage of the resolution must take place prior to December 31st of the applicable fiscal year.

### **Authority to Assign Funds**

Upon passage of the Fund Balance Policy, authority is given to the City Manager to assign funds for specific purposes. Any funds set aside as Assigned Fund Balance must be reported to the City Council at their next regular meeting and recorded in the minutes. The City Council has the authority to remove or change the assignment of the funds with a simple majority vote.

The City Council has the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as Assigned Fund Balance requires a simple majority vote and must be recorded in the minutes. The same action is required to change or remove the assignment.

Upon passage of a budget ordinance where fund balance is used as a source to balance the budget, the Finance Director shall record the amount as Assigned Fund Balance.

**Order of Use of Restricted and Unrestricted Funds**

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last.

**Unassigned Fund Balance**

Unassigned Fund Balance is the residual amount of Fund Balance in the General Fund. It represents the resources available for future spending. An appropriate level of Unassigned Fund Balance should be maintained in the General Fund in order to cover unexpected expenditures and revenue shortfalls.

Unassigned Fund Balance may be accessed in the event of unexpected expenditures up to minimum established level upon approval of a budget amendment by the City Council. In the event of projected revenue short falls, it is the responsibility of the Finance Director to report to the City Council on a quarterly basis and shall be recorded in the minutes.

The General Fund Balance Policy establishes a minimum Unassigned Fund Balance equal to 25% of General Fund expenditures. In the event the balance drops below the established minimum level, the City's governing body will develop a plan to replenish the fund balance to the established minimum level within five years.

All reserve requirements shall be made before allocating for expenditures.

This policy shall be administered with regard to the operating budget administrative policy and any established revenue policies.

The City of Peoria financial policies establish the basic framework for the fiscal management of the City. These policies are intended to assist the City Council, City Manager, Finance Director/Comptroller, and Finance Department in both decision-making and the establishment of procedures for the operating departments.

Following are the primary tenets to this policy:

1. The City will attempt to maintain its present service level for all priority and essential services. In order to accomplish this, staff will prepare an expenditure guideline that reflects current economic trends and the City's financial condition. This will be presented to the City Council for approval. This guideline will be controlled increase in the overall operating budget excluding state, federal or local mandates.
2. Exceptions to the operating budget will be categorized and prioritized by the Finance Director/Comptroller and City Manager for inclusion in the annual budget. The fund balance policy shall be considered for this recommendation. Exceptions include increased staff, reflecting full costing, and new programs. The City Council shall have final approval for the inclusion of any exception.
3. The City will maintain a budgetary control system to ensure adherence to the budget and will prepare regular reports comparing actual revenues and expenditures to budgeted amounts.
4. The City will integrate performance measurement and productivity integrators with the budgeted amounts.

The City of Peoria financial policies establish the basic framework for the fiscal management of the budget. These policies are intended to assist the City Council, City Manager, Finance Director/Comptroller and Finance Department in both decision-making processes and the establishment of procedures for the operating departments.

#### **SECTION I: IDENTIFICATION OF REVENUE SOURCES**

In order to maintain a revenue stream to continue capital projects, infrastructure improvements, equipment replacement and neighborhood revitalization, City of Peoria desires to dedicate certain general revenue for this purpose. It is further recognized that certain other revenues are restricted in nature for certain purposes:

1. State and Local Motor Fuel Tax will be used according to applicable State and Federal laws.
2. Gaming revenue will be dedicated for infrastructure projects and recognized in the Capital Fund.
3. Electric Utility tax revenue (5%) and Telephone Utility tax revenue (5%) will be allocated to the Capital Fund.
4. An amount equivalent to 25% of the Hotel Tax collected will be transferred to the Road Fund to be used for infrastructure projects within City right-of-ways.

#### **SECTION II: CONFORMANCE WITH THE PROPERTY TAX LEVY POLICY**

It is intended that new development will not decrease services to existing residents but will generate revenues to provide essential services to the new areas. In order to stabilize property tax rates in periods of economic downturn, the Council may need to consider directing this revenue or a portion thereof to the operating budget.

In negotiating development and redevelopment agreements, operating revenue shall not be allocated to debt or capital projects in excess of the revenue identified herein. Operating revenue may be used as a measure to guide the use of the restricted revenue identified above.

In accordance with Chapter 65 Section 5/8-3-1 of the Illinois Compiled Statutes, the City of Peoria is authorized to levy a property tax for corporate purposes.

The City levies property taxes to support the following funds:

- Illinois Municipal Retirement Fund (IMRF)
- Federal Insurance Contribution Act (FICA)
- Road and Bridge Fund
- Firefighter's Pension Fund
- Police Pension Fund
- Library Fund

It is the intention of the City Officials to provide revenues needed for essential services of public safety, public works and administration. Property tax will be levied to the extent other revenues are not available to fund essential services and to the extent that other adopted ordinances have committed their use, for example, debt service on general obligation bonds, or special service area bonds when other revenue has not been committed.

It is intended that new development will not decrease services to existing residents but will generate revenues to provide essential services to the new areas. Property taxes will, therefore, be assessed in a manner that assures that new developments generate revenues sufficient to provide essential services to all citizens. To this end the City will attempt to maintain the City's portion of the property tax at a rate not to exceed \$1.3061 per one hundred dollars (\$100) of equalized assessed valuation, however, the dollars requested will reflect the need of the particular funds.

Trends in federal and state government may require that the revenues received from property taxes be reviewed in the future. Those trends include:

- decreases in federal revenue
- general inflation which increases the cost of municipal services
- changes in federal tax law, for example, the change which retains the deductibility of property taxes from taxable income for federal tax purposes but which excludes deductibility of sales taxes
- Mandates by the state and federal government, which increase the cost of municipal services or impose new services, such as Americans With Disability act and various pension legislation.

Factors, which may warrant a decrease in property tax, include:

- any source of new, recurring revenue
- a reduced cost for providing current services
- a reduction in services funded through the levy, e.g., Library operations were this function assumed by the Library District.

The City of Peoria financial policies establish the basic framework for the fiscal management. These policies are intended to assist the City Council, City Manager, Finance Director/Comptroller and Finance Department in both decision-making processes and the establishment of procedures for the operating departments.

A capital asset is defined as land, improvements to land easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

It is the policy of the City of Peoria that capital assets, including infrastructure, owned by the City shall be capitalized in the government-wide financial statements that **individually** equal or exceed \$25,000 and depreciated, other than land, using the straight-line depreciation method, according to the following schedule.

Asset Class	Useful Life
Vehicles	7 years
Buildings	40 years
Computers	5 years
Radios	5 years
Major Movable Equipment	10 years
Site Improvement	15 years
Roads	20 years
Sewers	40 years
Sidewalk	15 years
Traffic Signals	20 years

For capital assets that are depreciated, expenditures that extend the useful lives of capital assets beyond their initial estimated useful lives or improve their efficiency or capacity are capitalized, whereas, expenditures for repairs and maintenance are expensed.

For infrastructure assets that are not depreciated under the modified approach, expenditures for additions and improvements to eligible infrastructure assets (which increase the capacity or efficiency of assets rather than preserve their useful lives) are capitalized. All other expenditures, even preservation costs, are expensed in the period incurred.

This policy is effective for fiscal years 2002 and thereafter until amended.



The City of Peoria capital financial policies establish the basic framework for the fiscal management of the capital budget and the capital projects within it. These policies are intended to assist the City Council, City Manager, Finance Director/Comptroller, and Finance Department in both decision-making processes and the establishment of policies for the Operating Departments implementing the Capital Budget. Current activities and future projects are evaluated on City Council's approved criteria and policies outlined below.

The Community Investment Plan (CIP) is the long-range plan of improvements throughout the City, which adheres to any or, all of the following components: A) the project exceeds \$10,000, B) the project extends more than one fiscal year, and/or C) the project is a non-recurring item too costly for the operating budget. The Operating Departments of the City submit requests annually, which are reviewed by the CIP Committee, which consists of representatives from the various departments within the City. The CIP is prepared as a five year planning document with year one of the CIP serving as that year's capital budget. The capital budget is the yearly appropriation in the Annual Budget addressing the City's capital needs. A capital project is an element of the CIP; it demonstrates one or all of the previously outlined components classifying it as a capital project.

Presently, the City manages six (6) capital funds. They include the **Capital Fund** (comprised of public benefit, special assessment, drainage, economic development, and capital equipment projects), **Riverfront Development Fund**, **Road Fund**, **TIF (Tax Increment Financing) Development Funds**, **Sewer Fund** and **Solid Waste Fund**. Each fund operates under various revenue constraints, which provide the necessary cash flow to fund the various projects (e.g., state and local motor fuel taxes provide the revenue stream to the Road Fund).

The following tenets are underpinnings to this policy:

- 1) **Maintenance of Capital Fund Balance** - It will be the policy to maintain annually a minimum available (i.e., unreserved) Capital Fund balance of \$500,000. This available fund balance shall serve two purposes: 1) cover any unanticipated capital projects which may occur throughout the year and 2) cover any project cost overruns. While this may drop below \$500,000 during the year, it is intended to replenish annually if needed. This balance will cover any shortages incurred by the other five (5) special project funds mentioned above (i.e., CDBG, Riverfront Development, Road, Southtown Development, and Landfill Funds).
- 2) **Inactive Capital Project Review/Reprogramming** - All projects which have either minimally expended funds and/or have not started within two (2) years of being budgeted will be reviewed at the end of the second year. "Minimally expended funds" refers to projects which, when reviewing the cost of the entire project, have expended a proportionally minimal amount in the overall budgeted cost of the project. "Projects not started" refers to projects which have expended zero funds budgeted.

At the time of review, based upon information acquired from the department managing the project, the City Manager and Finance Director/Comptroller shall determine the appropriateness of reprogramming a project's budgeted funds; subsequently, submit a recommendation and progress

report to Council. With Council's guidance during budget discussion, the projects shall then be designated as inactive and the funds reprogrammed.

The City Council will have the final approval of projects to be reprogrammed.

- 3) ***Council Notification of Forecasted Capital Project Budget Overages*** - Projects over budget by less than \$10,000 will be adjusted administratively. Forecasted overages in excess of \$10,000 or 10% of original project budget, whichever is the greater, will require City Council action (specifically, when the total project costs exceed the budget by the greater of \$10,000 or 10% of original budget).
- 4) ***Active Projects Status Reporting System*** – Departments managing capital projects shall receive a monthly active projects status report indicating actual percent expended. Projects with expenditures over 90% will be identified and planned final expenditures will be summarized and submitted to the Finance Department. Additionally, Departments managing capital project will submit on a semi-annual basis a status report for each active project to the Finance Department. The status reports submitted to the Finance Department will include any forecasted project overages by the departments. A condensed report will be submitted to the City Council and City Manager subsequently; it will include, but is not limited to, a financial accounting of expenditures to date and a status update on the projects.
- 5) ***Completion of Capital Projects - Closing of Projects*** - Upon completion of capital projects, the Finance Department shall reconcile the project budgets versus actual expenditures. After the reconciliation occurs, the project shall be closed in the computer accounting system. Any funds other than bond proceeds which remain from budgeted projects (i.e., should the project be completed *under* budget) shall be reprogrammed in the available fund balance for future projects. Bond proceeds must be used according to the bond ordinance, which typically requires that the unexpended funds be applied to debt service; the Administration will follow the bond ordinances in reprogramming any remaining balances from completed projects.

The department managing the project shall submit a project summary upon completion to the Finance Department. A summary of completed capital projects shall be submitted to the City Council and City Manager.

*\*Cited from The City of Peoria Illinois Code of Ordinance Code Chapter 10 - Finance, Purchases And Contracts >> Article V. - Bonding >> Division 4. - Limitation On Amount Of General Obligation Bonds*

#### **DIVISION 4. LIMITATION ON AMOUNT OF GENERAL OBLIGATION BONDS**

##### **Sec. 10-176. Limitation on amount of general obligation bonds generally.**

Except as hereinafter provided the principal amount of all general obligation bonds of the city issued pursuant to section 10-131 at any one time outstanding shall not exceed ten percent of the total equalized assessed value of all taxable property, both real and personal, within the city as determined by the last assessment for state and county purposes, previous to the incurring of the indebtedness.

(Code 1957, § 11-58)

##### **Sec. 10-177. Exemption of certain indebtedness.**

The limitation prescribed in section 10-176 shall not apply to any indebtedness of the city listed below:

- (1) Bonds hereafter issued which are approved by referendum.
- (2) Bonded indebtedness assumed from another governmental unit.
- (3) Bonds issued for the purpose of paying the city's obligation to the police and fire pensions.
- (4) Alternate revenue bonds.
- (5) General obligation notes.
- (6) Notes issued pursuant to division 2 of this article.
- (7) Any obligation or debt of the city with a term of five years or less.
- (8) Any funding for a special service district.
- (9) Obligations of the city issued pursuant to the State Real Property Tax Increment Allocation Redevelopment Act.
- (10) Special assessment bonds payable from public benefit funds.
- (11) Bonds issued for which provision for payment has been made by an irrevocable deposit of funds in an amount sufficient to pay the principal and interest on any such bonds to their respective maturity date.
- (12) Bonds issued for which payment is intended to be derived from a revenue source other than ad valorem property tax.

(Code 1957, § 11-59; Ord. No. 14557, § 1, 8-18-98)

##### **Sec. 10-178. Prohibition, operating costs.**

The city shall be prohibited from using the proceeds of its general obligation bonds for the funding of or payment to the corporate fund, except for the limited purpose of funding costs incidental to projects funded by general obligation bonds.

(Code 1957, § 11-60)

**Sec. 10-179. Change of limitations; procedure.**

- (a) Any increase in the limitation prescribed in section 10-176 shall be accomplished by submitting to the electors of the city the question whether the city shall issue additional general obligation bonds in an amount that would exceed such limitation at the time such bonds are to be issued.
- (b) This question shall be submitted at a special election to be called within 60 days after the adoption of an ordinance by the city council, the ordinance setting forth the amount and purpose of the proposed general obligation bond issue, unless the ordinance is adopted within 120 days prior to a general, regular or municipal election, in which event the question shall be submitted at such election.
- (c) Notice of this election shall be given and the election shall be conducted as provided in the Illinois Municipal Code. The question shall be submitted to the electors of the city on a separate ballot.
- (d) If a majority of the votes cast on this question are in the affirmative, the issuance of additional general obligation bonds is approved.  
(Code 1957, § 11-61)

**Secs. 10-180--10-190. Reserved.**