



Legislation Text

File #: 21-317, Version: 7

ACTION REQUESTED:

Communication from the City Manager and Finance Director/Comptroller with a Request to RECEIVE and FILE the 2022-2023 BIENNIAL BUDGET.

BACKGROUND: 11/23 Update - Report backs will be provided to Council under separate communication and attached to this item upon completion.

Based upon the motions and actions that Council took on 11/9 and 11/16 and the reduction of \$25,000 of pension related expenses that will not be spent, the recommended 2022-2023 Biennial Budget is as follows:

Council Revisions to Biennial Budget	2022	2023
Revenues	\$257,001,529	\$239,523,824
Council Revisions	(\$1,604,274)	(\$2,305,000)
Revised Revenues	255,397,255	237,218,824
Expenses	261,356,598	242,272,779
Council Revisions	988,427	(\$91,125)
Revised Expenses	262,345,025	242,181,654
Increase (Decrease) in Fund Balance	(4,355,070)	(2,749,438)
Council Revisions	(2,592,000)	(2,213,390)
Increase (Decrease) in Fund Balance	(\$6,947,770)	(\$4,962,828)

With the removal of the pension expenses that will not be spent, the state of the public safety pension budget is reflected below:

Year	General Fund Balance	General Fund Pension Transfer	Pension Property Tax	Pension Obligations Police	Pension Obligations Fire	Pension Fund Balance
2022	\$75,720	\$6,427,623	\$14,871,293	\$14,533,557	\$13,234,528	(\$1,979,070)
2023	\$97,599	\$7,624,956	\$15,168,718	\$15,405,570	\$14,028,600	(\$2,059,594)

The shortfall within the pension funds is \$4,038,664 over the next two years. Over the last two weeks, staff presented Council 5 options to balance the public safety pension budget. They include:

Option 1: Cut expenses by \$4.130 million over 2 years.

Option 2: Lower the pension contribution by \$2.2 million and cut expenses by \$1.930 million over 2 years.

Option 3: Lower the pension contribution by \$2.2 million and set aside \$1.93 million of 2021 excess revenues to cover pension obligations in 2022 and 2023. (Rejected by Council 5-5-1)

Option 4: Lower the pension contribution by \$2.2 million, eliminate the pension fee expenses, set aside \$1.22

million of 2021 excess revenues to cover pension obligations in 2022 and 2023, and reduce the Police Department budget by \$621,000 by managing vacant positions.

Option 5: Lower the pension contribution by \$2.2 million, eliminate the pension fee expenses, set aside \$1.84 million of 2021 excess revenues to cover pension obligations in 2022 and 2023. (Rejected by Council 6-5)

Any of these options can still be discussed as well as other considerations. Council could take parts of each motion and vote on them individually, such as a vote on reducing pension contributions, or a vote on transferring money from the General Fund, or a vote on directing the City Manager to reduce expenses.

The Finance Director and City Manager have reviewed current spending trends and revenue receipts within the General Fund. We believe there will be sufficient fund balance within the General Fund to transfer the \$4,038,664 to the public safety pension fund, or to designate \$4,038,664 in 2021 fund balance for pension payments in 2022 and 2023.

11/16 Update - Report backs will be provided to Council under separate communication and attached to this item upon completion.

11/9 Update - Report backs will be provided to Council under separate communication and attached to this item upon completion.

Based upon the motions that Council took on 11/2, the recommended 2022-2023 Biennial Budget is as follows:

Council Revisions to Biennial Budget	2022	2023
Revenues	\$247,661,953	\$235,644,458
Council Revisions	9,339,576	3,878,883
Revised Revenues	257,001,529	239,523,341
Expenses	255,135,027	238,455,102
Council Revisions	6,221,571	3,817,677
Revised Expenses	261,356,598	242,272,779
Increase (Decrease) in Fund Balance	(7,473,074)	(2,888,442)
Council Revisions	3,118,004	61,206
Increase (Decrease) in Fund Balance	(\$4,355,070)	(\$2,749,438)

11/2 Update - Report backs will be provided to Council under separate communication and attached to this item upon completion.

10/26 Update - Report backs will be provided to Council under separate communication and attached to this item upon completion.

Staff will present an overview of the City Manager's Recommended 2022-2023 Biennial Budget and answer Council's budget questions.

Expenses for fiscal year 2022 are recommended at \$255,135,027, an increase of 24.6% from the 2021

Projected Actuals. 2023 expenses decrease to \$238,455,102 or -6.5% as less capital spending is planned in 2023. 2022 Capital spending increases \$33,992,303 or 142.6%. The first year of spending on the combined sewer overflow, coupled with the backlog of capital projects coming out of the pandemic is the largest increase in the budget. Operating expenses increase by \$17,379,017 or 10.8%, as the City spends American Rescue Plan funds and restores positions cut over the last several years and due to the pandemic. Personnel expenses increase 7.9% or \$5,001,026, with an increase in total headcount of thirty-eight (38) positions. Employee Benefits increase by 1.0% or \$323,773. Notably, public safety pension cost growth continues to grow faster than the rate of inflation. Contractual services increase by 19.9% or \$12,073,255. The City will have the ability to spend down the Coronavirus State and Local Fiscal Recovery Funds over the next four years. Supplies and materials decrease -0.5%, or \$19,036. Debt Service decreases by -4.9% or \$1,012,239 as the City continues to aggressively refinance debt and take advantage of low interest rates.

Total revenues increase 8.3% or \$18,994,663 from the 2021 Projected Budget to \$247,661,953, mostly due to the second year of the CSO, and debt issuances. 2023 Revenues decrease -4.9% due to the Central Business District TIF expiring and no bond issues. Local Sources are estimated to increase 0.1% or \$80,870 from the 2021 Projected Budget. State income taxes, personal property replacement taxes and sales taxes have all increased considerably. Staff considers this to be a high-water mark in revenue collections due to federal assistance and record corporate profits. State Sources in 2022 are anticipated to be \$4,683,499 lower than this high-water mark (-7.4%), but still nearly \$8,041,373 higher than the budget adopted a year ago. Federal sources will achieve a highwater mark in 2022 at \$21,413,877 an increase of 53.9%. City staff will continue to seek state and federal funding for projects and services that aid our resident. The advantage of such a strong recovery from the pandemic is that the City will begin 2022 with unrestricted General Fund balances nearing 20% of expenses.

Below is a brief overview of some of the highlights included in this spending plan:

- The City is projected to end 2021 in a much stronger position than anticipated. The 2021 revised budget had a surplus of \$1.75 million in the general fund. Due to strong state shared revenues, the City is projected to end the year with a \$10.8 million surplus in general fund. This includes an \$8 million transfer in 2021 to the Capital Fund to pay off the negative balance.
- The 2022 budget treats local source and state shared revenues as hitting a high-water mark in 2021 and anticipates modest growth in future years. For this reason, the budget includes reductions in many revenue line items based on projections from the Illinois Municipal League.
- This spending plan includes a **\$34 million** increase in capital expenditures during 2022. This will help the City catch up on projects that were delayed during the pandemic.
- In 2022, Staffing is recommended to increase by 38 employees. Some of these highlights include:
 - This includes additional staff in Community Development to assist with code enforcement and assistance with projects as part of the American Rescue Plan (ARPA);
 - Hiring of 30 police officers to bring the department to full staffing;
 - Staffing in Public works to assist with Engineering, Parking, infrastructure and facility maintenance, and seasonal workers to increase snow routes from 17 to 21;
 - Through overtime and a SAFER Grant application, restore an engine company for the Fire Department; and
 - Additional support staff to assist with day to day operations of the City.

- Includes the use of \$10.2 million in ARPA funds in both 2022 and 2023, an increase of \$1 million in what was presented to council at your policy session in September:
 - \$3.2 million for infrastructure;
 - \$2.5 million for neighborhood stabilization;
 - \$2.4 million for economic development;
 - \$1.3 million for violence prevention; and
 - \$0.6 million for health promotion.
- The City would end the year at \$28.5 million in fund balance in the general fund, of which \$19.0 million is unobligated. This is 19% of the City's 2022 general fund expenditures.

Please see the budget calendar below:

- 12-Oct** Proposed 2022-2023 Biennial Budget Placed on File in the City Clerk's Office for Public Viewing
- 12-Oct** Proposed 2022-2023 Biennial Budget Operating / Capital Budget document to City Council (**Regular Meeting**)
- 15-Oct** Publish Notice of Public Hearing for 2021 Revised Annual Budget (at least 10 days before hearing)
- 19-Oct** Budget discussions (Operating & Capital) with the City Council (**Special Meeting**)
- 19-Oct** Estimate of Levy to Council (not less than 20 days before adoption)
- ~~**22-Oct** *Publish Notice of Truth-In-Taxation Hearing for Tax Levy (**Not necessary**)~~
- 26-Oct** Public Hearing for Budget - Start @ 6:00 p.m.
- 26-Oct** Continue Budget discussions (Operating & Capital) with the City Council (**Regular Meeting**)
- ~~**2-Nov** Truth in Taxation Hearing (**Not necessary**)~~
- 2-Nov** Continue Budget discussions (Operating & Capital) with the City Council (**Special Meeting**)
- 9-Nov** Finalization of 2021 Revised Annual Budget (**Regular Meeting**)
- 16-Nov** ***RESOLUTION Adopting the 2022-2023 Biennial Budget for the City of Peoria and Ordinance Approving 2021 Tax Levy (**Special Meeting**)
- 19-Nov** File 2020 Tax Levy with Peoria County and Annual Budget with Peoria County
- December** Publish Final 2021 Revised Annual Budget Documents

FINANCIAL IMPACT: The City is required to have a balanced budget.

NEIGHBORHOOD CONCERNS: The budget has direct impact upon services delivered in City

neighborhoods.

IMPACT IF APPROVED: N/A

IMPACT IF DENIED: N/A

ALTERNATIVES: Alternatives will be discussed.

EEO CERTIFICATION NUMBER: N/A

WHICH OF THE GOALS IDENTIFIED IN THE COUNCIL'S 2017 - 2032 STRATEGIC PLAN DOES THIS RECOMMENDATION ADVANCE?

1. Financially Sound City
2. Safe Peoria
3. Grow Peoria
4. Beautiful Peoria

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

1. Reduce crime.
2. Improve District 150.
3. Grow employers and jobs.
4. Invest in our infrastructure and transportation.
5. Support sustainability.
6. Reinvest in neighborhoods.
7. Keep taxes and fees competitive.
9. Have an efficient government.

DEPARTMENT: City Manager's Office