Peoria Leadership Institute
Finance & Budget
Different Objectives and Focus

For-Profit Business
- Shareholders
  - Profits
  - Market Share
  - Supply / Demand

Governments
- Use of Public Funds
- Affordability
- Accountability & Compliance

Citizens
Different Legal Requirements

Business

- Substantial discretion on revenues
- No legal requirement for a budget
- Audit required if public

Governments

- Substantial restriction on revenues
- Budget is law
- Audit is required by law
Fundamentals of Government Accounting and Financial Reporting

Accountability
- Fiduciary Responsibility

Transparency
- Fund Accounting

Compliance
- Federal, State and Local Laws
Accountability
Our Financial Foundations

✓ Sound Financial Policies
✓ Discipline
✓ Work within our means
✓ Long range perspective
✓ Revenue – expenditure nexus
Transparency

What is Fund Accounting?

Self-Balancing Set of Accounts
Fund Types

Governmental Funds
- General Fund
- Special Revenue
- Capital Projects
- Debt Service

Legal Restricted Revenues

Proprietary Funds
- Enterprise
- Internal Service

Fee Supported
The City’s Operating Funds

<table>
<thead>
<tr>
<th>General Fund</th>
<th>Special Revenue Funds</th>
<th>Enterprise Funds</th>
<th>Internal Service Funds</th>
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</thead>
<tbody>
<tr>
<td>-Police</td>
<td>-Street funds</td>
<td>-Water</td>
<td>-IT</td>
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<tr>
<td>-Fire</td>
<td>-Impact fees</td>
<td>-Sewer</td>
<td>-Facilities</td>
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<td>-Parks &amp; Rec</td>
<td>-Grants</td>
<td>-Solid Waste</td>
<td>-Fleet</td>
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<td>-Development</td>
<td>-Dedicated sales tax</td>
<td>-Stadium</td>
<td>-Self Insurance</td>
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<td>-Other general government operations</td>
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<td>-Storm Drain</td>
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What are the Standards and Guidelines?

- National Government Accounting Standards
- Arizona Revised Statutes / Budget Law
- Federal Laws
- City Financial Policies

How did we do?

- Annual audit
- Comprehensive Annual Financial Report (CAFR)
Debt Rating

General Obligation Bond Ratings

S&P Global Ratings AA+

Moody’s Investors Service Aa1

Fitch Ratings AAA

Our Credit Score

[Pie chart showing credit score ratings: Excellent, Very Good, Good, Fair, Poor]
City of Peoria Factoids

City Awards:

- GFOA Distinguished Budget Award
- ICMA Certificate of Excellence for Performance Management
- GFOA Excellence in Financial Reporting Award (33 consecutive yrs!!)
City of Peoria Finance Activities

- **$340M** Cash & Investments
- **$350M** Debt
- **$354M** Operating Budget
- **$256M** Capital Budget

- **61,700** Utility Accounts
- **58,000** Water Meters
- **16,800** Sales Tax Accounts
- **9,000** Business/Liquor Licenses
- **6,800** POs
- **28,700** Vendor Invoices
- **1,600** Paychecks
- **2,000** W2s
Budget

Peter Christensen, Budget Manager
What is a Budget?

A statement of a government's planned or expected financial position for a specified period of time (usually one year)

**Revenues**
Various sources of income that will be available for paying for expenditures

**Expenditures**
Comprehensive plan of what the government will spend for its various programs
What is the Purpose of the Budget?

✓ Financial Planning Tool
✓ Legal Document
✓ Managerial - Operational Guide
✓ Communication Device - To Lots of People
✓ Public Policy - Statement of Values/Priorities
Arizona Constitutional/Statutory Requirements

- Budget Adoption (Maximum Appropriation)
- Property Tax
- Voter Authorization (Bonds)
- Fund Set-up
- Expenditure Limitations
- Budget Must Be Balanced
Principles of Sound Financial Management

Budget Guidelines

- Provide Five-Year Forecast for Operating Funds
- Use Recurring Sources for Recurring Expenses
- Maintain Appropriate Reserves
- Excess Fund Balance Budgeted in Following Year

Sustainable Long Term Financial Approach
Critical Features of a Good Budget Process

✓ Long-Term Perspective
✓ Linkage to Broad Organizational Goals
✓ Focus Decision on Results/Outcomes
✓ Promotes Communication
✓ Incentives to Management/Employees
Who is Involved in the Budget Process?

- **Citizens** – Offer perspective on service priorities, tax burden, level of trust

- **Elected Officials** - Set Policy Guidelines, Review and Modify Budget Where Necessary

- **Department Staff** - Develop Program Objectives, Identify Service Levels, Prepare Budget Requests

- **Executive Management** - Prepare a Recommended, Balanced Budget, Incorporate Council Priorities, Assess Service Levels
Where does the Money Come From?
Revenue Overview
General Fund
Revenue Composition

- Sales Tax: 35%
- State Shared Sales Tax: 11%
- Intergovernmental: 5%
- State Shared Income Tax: 15%
- Licenses & Permits: 5%
- All Other: 6%
- Property Tax: 3%
- Charges for Service: 21%
- State Shared Sales Tax: 11%

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Sales Tax: 35%
Combined Sales Tax Rate
City Comparison
A Planetary Perspective
Retail Sales Tax by Store Type
Combined Property Tax Rate
City Comparison

El Mirage: $3.96
Tempe: $2.42
Phoenix: $2.14
Glendale: $1.98
Buckeye: $1.80
Avondale: $1.76
Goodyear: $1.74
Peoria: $1.44
Surprise: $1.18
Chandler: $1.14
Scottsdale: $1.10
Mesa: $1.02
Gilbert: $0.99
Property Tax Breakdown
Average Peoria Homeowner

School District-59%
County/Districts-28%
City-13%
Where does the Money Go?
Expenditure Overview
Council Livability Elements
“A Community of Distinction”

- Efficient Transportation
- Healthy Neighborhoods
- Economic Competitiveness
- Superior Public Services
- Arts, Culture, and Recreation
- Smart Growth
Budget Challenges

- Increased Costs to Maintain Service Levels
- Cost of Growth Related Activities
- Asset Maintenance and Replacement
- Personnel Related Costs
- State Budget Impacts
FY2019 Total Budget: $660 Million

Money Spent:
- Capital Projects: 42%
- Operations: 45%
- Contingency: 7%
- Debt Service: 6%
City of Peoria
Budget History
City of Peoria
Budget History

Operating
Capital
Debt/Contingency

2009: Operating $233, Capital $107, Debt/Contingency $340
2010: Operating $204, Capital $129, Debt/Contingency $199
2011: Operating $204, Capital $139, Debt/Contingency $112
2012: Operating $207, Capital $158, Debt/Contingency $95
2013: Operating $218, Capital $170, Debt/Contingency $85
2014: Operating $229, Capital $154, Debt/Contingency $85
2015: Operating $237, Capital $145, Debt/Contingency $88
2016: Operating $256, Capital $169, Debt/Contingency $86
2017: Operating $269, Capital $130, Debt/Contingency $98
2018: Operating $277, Capital $212, Debt/Contingency $101
2019: Operating $294, Capital $88, Debt/Contingency $107
Operating Budget
Expenditures by Service Area

- Public Works: 28%
- Administration: 25%
- Public Safety: 28%
- Community Services: 13%
- Development Services: 5%

Operating Budget: $294 million
General Fund
Expenditures by Category

General Fund: $162 million

- Personnel 71%
- Contractual 22%
- Capital 5%
- Commodities 3%
City of Peoria
Authorized Strength (FTE)
General Fund Operating Budget
Expenditures by Service Area

GF Operating Budget: $154 million
Capital Improvement Program
Project Types

10-Year CIP: $731 million
Capital Improvement Program
Funding Sources

10-Year CIP: $731 million
Noteworthy Capital Projects
Forecasting
Structural Balance - Projected Inflows vs. Outflows

What do you do with the difference?
Structural Balance - Projected Inflows vs. Outflows

Outflows

Inflows

FY20
FY21
FY22
FY23
FY24

$50,000,000
$55,000,000
$60,000,000
$65,000,000
$70,000,000
$75,000,000
$80,000,000
$85,000,000
$90,000,000
Use of Reserves: Long-term impacts

- FY20: ($10,000,000)
- FY21: ($13,000,000)
- FY22: ($15,000,000)
- FY23: ($16,000,000)
- FY24: ($15,000,000)
Use of Reserves: Long-term impacts
Use of Reserves: Long-term impacts
Use of Reserves: Long-term impacts
Thank You!