A SIMPLIFIED OVERVIEW OF HOW THE CITY RAISES MONEY, BUDGETS RESOURCES AND RESPONSIBLY ALLOCATES FUNDS

City of Peoria

Budget in Brief

FY2020
Introduction

The city of Peoria’s annual budget is a complex spending plan made up of hundreds of funds and accounts that can be difficult to absorb. Even so, it is important for residents and other stakeholders to understand how the community’s resources are being used. While the budget in all its detail is always available at www.peoriaaz.gov, this Budget in Brief document summarizes the most essential elements of the city’s budget. Thank you for taking the time to be informed about the important budgetary decisions made by your city council.
Council Priorities
The Fiscal Year 2020 Budget was developed around the following six council initiatives:

**Arts, Cultural and Recreational Enrichment**
Under this initiative:
• The arts are celebrated, appreciated, supported
• We celebrate heritage and unique, diverse culture
• We encourage the community to be healthy, play, recreate every day

**Economic Prosperity**
With this initiative we strive to build:
• A reputation as a city of world class industry clusters, standards, and practices
• A community of sustainable high-quality jobs that keep Peoria citizens working in Peoria
• A future-ready economy with trend-setting industry clusters and cutting-edge innovation

**Smart Growth**
This initiative includes our efforts to:
• Build community by linking distinctive destinations through strategic and sustainable land use
• Advance quality housing options throughout the community
• Preserve and protect the city's cultural and natural heritage
• Foster a strong sense of place through the meaningful integration of art, public spaces and recreational amenities

**Integrated Transportation**
Within this initiative, we:
• Provide a public transit system that facilitates seamless travel throughout the city
• Provide pedestrian and bicycle improvements that provide comfortable, safe, and convenient access throughout the city
• Provide transportation infrastructure that is well-maintained and safe, preserving past investments for the future
• Implement technology advancements for all modes of transportation, providing effective networks and corridors
• Provide signature streets that identify our city's uniqueness and incorporate placemaking and identity creation

**Superior Public Services**
With this initiative, we recognize that:
• Every day, Peoria provides responsive services that are timely, available and accessible
• Dedicated, well-trained and well-equipped staff provide Peoria residents with reliable services
• Peoria services focus upon community safety
• Peoria delivers services in a caring, engaging, and ethical manner reflecting our compassion for the people we serve
• Peoria is known for innovation and solution-oriented problem solving through the use of technology and strategic planning

**Healthy Neighborhoods**
This initiative captures our commitment to:
• Engage and encourage neighborhoods to honor the cultures, characteristics and communities within
• Promote safety and cleanliness through communication, activation and healthy design
• Advocate a sense of community pride that inspires collaboration, pooling of resources and healthy social interaction
• Enhance access to resources that meet basic human needs
Where the Money Comes From

The city generates income, or revenue, from a host of sources, including taxes, grants, utility billings, program fees, and more, which are deposited into different funds, similar to bank accounts. Revenue that is not reserved for a specific purpose goes into the general fund, which pays for the general operations of the city. Revenues that are reserved for a specific purpose are deposited into separate funds to ensure that they are used only for that purpose.
**Use of Fund Balance** ($201,228,539)
Revenue received but not expended in a fiscal year is added to the balance of that particular fund. Any fund balances above the required reserve requirements can be spent, typically for one-time projects.

**Utility Charges** ($90,819,805)
The City of Peoria operates water, sewer and solid waste utilities. These utilities function like a private business in that they are expected to cover the costs of providing these services through customer fees. For example, money collected for water consumption from residential and commercial customers pays to operate and maintain the city’s water treatment and distribution system.

**Sales Taxes** ($90,735,800)
When you purchase goods in Peoria, you pay 8.1 percent of the purchase price in sales taxes—5.6 percent to the state, .7 percent to Maricopa County and 1.8 percent to the City of Peoria. Peoria’s sales tax is the most important source of revenue for the general fund, accounting for 26 percent of total revenues. Sales taxes are also a volatile source of revenue, meaning that collections can swing dramatically depending on economic conditions.

**Intergovernmental Revenue** ($65,332,888)
The state of Arizona distributes a portion of state sales, income, vehicle license and gasoline taxes to municipalities based on population. Peoria’s allocation of state-shared sales, income and vehicle license taxes can be used for any government purpose and are deposited into the general fund. The Highway User Revenue Fund (HURF) and various federal and state grants are also included in this category.

**Debt Proceeds** ($60,809,286)
The city uses various debt instruments to finance large capital projects with estimated useful lives of 10 years or more. The proceeds from bonds and loans are deposited in separate capital project funds to pay for the costs of designing and constructing infrastructure and facilities.

**Charges for Service** ($63,198,381)
This category includes charges to both external and internal customers for services rendered. Examples include recreation fees, ambulance transport charges, and interfund service charges.

**Development Fees** ($65,332,888)
Peoria is a growing city, and there are significant costs involved in reviewing, permitting and extending infrastructure to serve new areas. To the extent possible, the city tries to recover those costs through impact fees for new infrastructure and fees charged for plan review and inspection services.

**Property Taxes** ($22,418,423)
Arizona property taxes are divided into primary and secondary levies. The primary levy may be used for any government purpose, whereas the secondary levy may only be used to repay debt. Peoria’s primary property tax rate of $0.29 per $100 of assessed value generates $4.3 million for the general fund, while the secondary rate of $1.15 generates $17 million for debt repayment.
Peoria’s budget for FY 2020 is $670 million. This total is made up of four major categories: operations, capital projects, debt service, and contingency. The $311.7 million operating budget accounts for almost half of the city’s budget. The $256.5 million capital budget pays for projects like new or expanded streets, water and sewer infrastructure, stormwater mitigation, parks and trails and buildings. Principal and interest payments on outstanding debt are budgeted at $43 million, or 6.4 percent of the total. The city has a $58.9 million contingency budget for unplanned expenditures like a major emergency or natural disaster.
General Government
This category includes all of the central support functions of the city, including the city manager’s office, finance, human resources, legal, communications, information technology, etc.

Maintenance & Operations
Garbage collection and disposal, recycling, public transit, water distribution, and wastewater treatment are core municipal services common in most cities, including Peoria. Also, the city owns substantial infrastructure assets that require regular maintenance — things like buildings, vehicles, streets, traffic signals, storm drains, and water and sewer facilities.

Public Safety
The Police and the Fire-Medical departments are committed to preserving and protecting life and property of residents in Peoria.

Community Services
This category includes a host of activities that seek to enhance the quality of life in Peoria, including parks and trails, recreation programs, arts and cultural experiences, special events, adaptive programs, code compliance, neighborhood beautification and community assistance.

Development Services
In a growing city, planning the character of the natural and built environments and ensuring that development complies with applicable standards are critical functions. This category also includes the planning and oversight of capital projects, traffic management and business attraction and retention.

Self-Insured Health & Risk Programs
Like any large organization, Peoria provides health and medical benefits to its employees and takes measures to protect itself against loss events and claims.

Capital Projects
Each year the city invests significant resources to design and construct the infrastructure and facilities needed to deliver services to residents and businesses.

Debt Service
Peoria uses long-term debt to finance certain capital projects. This category represents the principal and interest payments on outstanding debt.

Contingency
This budget is for unplanned expenditures.
Unrestricted revenues are deposited into the general fund, which serves as the city’s checking account for day-to-day operations, including police and fire, parks and recreation, development services and administration. Because of its size and importance, the general fund is often the focus of the annual budget process. However, some of the most critical functions of the city are paid for out of other funds, including street maintenance, traffic signal operations, the Peoria Sports Complex, water distribution, wastewater treatment, and solid waste disposal.

The general fund picture is quite different from overall city revenues. Sales taxes and intergovernmental revenues account for a much larger share of general fund revenues than overall revenues. Sales taxes account for 26 percent of general fund revenues compared to 14 percent of overall revenues, while intergovernmental revenues account for 24 percent of general fund revenues compared to 10 percent of overall revenues. If you combine city sales taxes with state-shared sales taxes, sales taxes account for more than a third of general fund revenues, which makes this fund particularly susceptible to fluctuations in the economy.
General Fund Expenditures

As in the case of revenues, the general fund expenditure composition is quite different from overall city expenditures. Most notably, public safety accounts for almost half of general fund expenditures, but only 14 percent of total city expenditures. General government, community services, and development services are primarily general fund functions, whereas maintenance and operations are funded elsewhere. The general fund does not pay for any debt, but does have a large contingency budget.

<table>
<thead>
<tr>
<th>Category</th>
<th>Expenditure</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Public Safety</td>
<td>$89,159,753</td>
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<td>Community Services</td>
<td>$32,101,910</td>
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<tr>
<td>General Government</td>
<td>$30,361,164</td>
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<td>Development Services</td>
<td>$12,288,830</td>
<td>6%</td>
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<tr>
<td>Capital Projects</td>
<td>$7,627,517</td>
<td>4%</td>
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<tr>
<td>Contingency</td>
<td>$23,000,000</td>
<td>11%</td>
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</table>
The Capital Improvement Program (CIP) is a major component of the overall budget. By preventing the deterioration of existing infrastructure and adding new infrastructure in response to growth, capital improvements help to ensure the city can continue to provide the level of service residents have come to expect.

Peoria’s CIP is a 10-year plan for projects needed across eight categories: drainage, economic development, operational facilities, parks and recreation, public safety, streets and traffic control, wastewater and water. The city identifies funding sources based on reliable revenues to support both the capital and operating costs for each project. Each year, a great deal of effort goes into updating this plan to ensure critical needs are being met and that the cost, scope and timing of all projects are coordinated.

The first year is the only year that is budgeted by the city council and becomes the capital budget. The FY 2020 capital budget includes newly funded projects, but also any unspent money carried over from the previous year. The last nine years of the CIP are for planning purposes only; future funding is not guaranteed. The 10-year CIP totals $726 million, $256 million for FY 2020 alone.
Notable capital projects for FY2020

SECTION 12 NEIGHBORHOOD DRAINAGE IMPROVEMENTS ($5,687,583)

PLACEMAKING INITIATIVE ($955,000)

MAIN LIBRARY RENOVATION ($1,774,695)

PALOMA COMMUNITY PARK ($33,373,321)

THE MEADOWS NEIGHBORHOOD PARK ($4,437,521)

HAPPY VALLEY PARKWAY WIDENING ($19,988,116)

103RD AVENUE WIDENING ($2,655,942)

PEORIA AUTO DISTRICT ($1,204,064)

WESTLAND RESERVOIR AND BOOSTER STATION ($2,315,666)

JOMAX WATER RECLAMATION FACILITY EXPANSION ($3,397,825)

PYRAMID PEAK WATER TREATMENT PLANT EXPANSION ($52,576,365)