

CITY MANAGER BUDGET MESSAGE

Fiscal Year 2015

Mayor Barrett and Members of the Peoria City Council,

I am pleased to provide you with a recommended FY 2015 Annual Budget and 10-Year Capital Improvement Program for the City of Peoria. These spending plans reflect our commitment to provide quality services and amenities to our residents, while preserving our organization's long-term financial viability.

As the city continues to manage through a tempered economic recovery, we see positive signs of improvement to our five-year forecast. The revenue picture is improving; however, the costs to deliver current services are also growing, restricting our ability to support new or enhanced services in the upcoming year. The recommended budget continues to provide basic services, and maintains the quality standards our residents have come to expect. This balanced and strategic approach results in a spending plan that adapts to the changing needs of our community, without compromising our financial future.

BUDGET APPROACH

Setting long-term priorities for the city is one of the most important responsibilities for Peoria's elected officials. Last March, the City Council re-affirmed their 24-month policy goals. These policy statements set the direction for the organization and act as a touchstone for making financial and operational decisions to achieve community expectations. The following broad policy priorities are reflected throughout the recommended budget:

Community Building
Enhancing Current Services
Preserving our Natural Environment
Total Planning
Economic Development
Leadership and Image

Over the past few months, staff has provided Council with information briefings regarding significant policy issues. This includes discussions on economic development initiatives, and service discussions in anticipation of planned growth in Peoria. The recommended budget includes appropriate funding to begin addressing these new demands in a thoughtful and deliberate manner, without disrupting our existing services.

Each year, as part of the city's strategic budgeting approach, department directors engage their employees to discuss trends, options, and opportunities for addressing citizen needs. As part of this process, the departments perform an analysis to determine the true cost of the services they provide. This information is included in the City Council budget workbooks at the beginning of each department section. Using this information, department directors then align their work plans with the Council's policy goals and submit associated budget requests to achieve desired performance outcomes.

The result is a FY 2015 recommended budget that works within existing resources, but also includes modest additions to ensure service levels are maintained in our programs and activities. Also, the plan strives to maintain or replace existing assets as needed and address demands of new growth throughout the city. Lastly, the city's vigorous economic development efforts continue to be funded in a manner that produces beneficial results. A key focus of the city's economic development pursuits is to ensure that services and amenities are well balanced and targeted to maximize business opportunities throughout the community.

PEORIA'S FISCAL POSITION

The city's revenue stream is largely influenced by overall economic conditions. The gradual national recovery has continued to improve but at a slow pace, hampered at times by a nagging level of unemployment, federal policy indecision and a slower rate of recovery in the housing industry. There are, however, encouraging bright spots at the national, state, and local levels, such as 1) improving home resale values; 2) modest improvements in job growth at the national level and slightly improved growth at the state level; 3) healthy gains in stock market indices, restoring some of the wealth lost during the recession; and 4) increased spending on big ticket items like automobiles that reflect a willingness by consumers to spend again.

Locally improving consumer confidence has resulted in modest city sales tax growth during FY 2014. We expect sales tax revenues for this fiscal year to exceed FY 2013 actuals by 3.5 percent, with strong performance in the retail (especially auto sales), restaurants and bars, and construction categories. For FY 2015, we are forecasting roughly a 2.5 percent growth in city sales tax revenues, which may be tempered by state and local tax policy changes.

Property tax collections continue to be impacted by the local housing market. Although home valuations have been increasing for the last two years, the lag between the time properties are valued and the time they are billed means we will see property tax collections finally begin to increase in FY 2015. Recent information from the County Assessor's Office projects a 5.8 percent increase in the city's assessed valuation in FY 2014. Future valuations should continue to increase, leading to tax collection increases in subsequent years.

TAXES, RATES AND USER FEES

Given the current economic climate, the budget as submitted limits the financial burden placed on our residents. The FY 2015 recommended budget assumes no increase to property tax rates for the upcoming year. Likewise, the city's retail sales tax rate remains at 1.8 percent. One notable change in our tax structure is a two-tenths of a cent (0.02) reduction in the sales tax category of "food for home consumption," which will bring the rate for this sales tax category to 1.6 percent.

The FY 2015 budget does not recommend any utility rate adjustments for water, wastewater, residential, or commercial solid waste services. Overall, Peoria residents continue to enjoy comparatively low utility rates among Valley cities.

The city regularly evaluates its user charge system to ensure that appropriate fees are assessed for the services we provide. For FY 2015, this analysis resulted in adjustments to a small number of recreation fees to help recover the full cost of these services per Council policy.

USE OF FUND RESERVES

The City Council-adopted Principles of Sound Financial Management have established strong policies on reserve levels for our major operating funds. It is important to remember that much of these reserves are established to address immediate and dramatic fiscal difficulties. To address such emergencies, the budget includes contingency appropriation for crisis events, but does not apply any reserves to address recurring expenses. As a result, the budget remains compliant with the city's stated policies.

BUDGET PRIORITIES

The city's top priority is to preserve and enhance the high quality of life Peoria residents have come to expect. The FY 2015 budget provides the financial resources necessary to meet these expectations.

One of the keys to any community's quality of life is a vibrant and diversified economic base, with both a qualified workforce and quality jobs. As such, the recommended budget includes investments in a number of economic development initiatives and projects. One example is continued support for the BioInspire Medical Device Incubator project. Housed on the Plaza del Rio medical campus, this partnership brings significant expertise in both managing startup biotechnology companies as well as cultivating entrepreneurship, which are the basis on which to build a bioscience economic cluster in Peoria. Another example is the planned construction of the Vistancia Commercial Core infrastructure, which supports future economic development opportunities in the northern area of the city. This is a key investment zone for the city's economic development efforts.

The P83 Entertainment District Improvements project represents a first step in a proposed 400,000 square foot mixed-use redevelopment project to be built on the west parking lot of the Peoria Sports Complex. Planned improvements are designed to create a unique year-round, outdoor, family-oriented urban destination. The initial phase of these improvements is budgeted in FY 2015.

Public safety is a critical component to our residents' quality of life. This budget underscores the city's ongoing commitment to this important local responsibility. The budget includes three additional sworn police officers and provides resources to train three firefighters as paramedics. Last year, six new firefighters were added to provide year-round, 24-hour coverage at the Lake Pleasant Fire Station. This year, the budget includes one-time funding for a rescue swimmer training program designed to ensure safe water rescue at the lake. Additionally, we have supported a number of one-time requests by the Police Department. This helps the organization continue its emphasis on a community-based policing approach, which proactively addresses neighborhood concerns while establishing vital relationships with community leaders.

These efforts will be supplemented by several other neighborhood-focused initiatives. Funding is provided to continue the successful Community Works program, which provides for small, targeted capital improvements that make an immediate difference. The neighborhood grant program is a partnership between the city and neighborhood organizations that results in aesthetic improvements to our neighborhoods. And the ever-popular Neighborhood Pride revitalization program is back for its 18th year, offering support to individual property owners.

Providing top-notch customer service to our development partners is a high priority for the city. The development services departments have experienced an increase in development activity over the past two years. New zoning and entitlement cases, along with increases in building and civil permits, have required additional support to adequately serve our development customers. The FY 2015 budget includes the equivalent of three new positions

to support these customer service needs, including a Building Inspector, Development Administration Coordinator, and Development System Supervisor.

Peoria has long boasted premier recreation programs, events, and facilities. Funding for an additional after-school program is proposed at the new Sunset Heights Elementary School in the Camino A Lago neighborhood. The city has a long history of providing family-friendly and culturally diverse events. The FY 2015 budget includes funding to continue these popular events throughout the community. Lastly, we have supported a number of one-time requests to repair and maintain key amenities at various parks and aquatic facilities.

Over the past year, the city finalized labor agreements with all four labor groups. The recommended budget includes funding for modest wage increases for city employees in line with the approved labor contracts.

CAPITAL IMPROVEMENT PROGRAM

Each year the Council updates the Capital Improvement Program (CIP). The CIP provides a schedule of planned improvements over the next 10 years and identifies the revenue sources that will pay for those improvements.

The recommended CIP includes major investments in economic development, parks, roadways, public safety facilities, and water and sewer infrastructure. This includes funding for the construction of several major projects already underway, such as the improvements to the clubhouses and stadium at the Peoria Sports Complex, the widening of Lake Pleasant Parkway from West Wing Parkway to the Loop 303, including the installation of new water and sewer lines, and roadway and drainage improvements along 91st Avenue near the city's southern border. All of these projects are on track to be completed in FY 2015.

The city continues to improve Peoria's transportation system. We are set to complete construction on the Agua Fria Truck Road Reliever, a \$10.5 million roadway that will reduce truck traffic on Beardsley Road. Maricopa County is moving forward with its extension of Deer Valley Road over the Agua Fria River, and we are working on a project to mitigate the impacts of increased traffic on our residents in that area. Also planned are the half-street improvements to 103rd Avenue between Olive and Northern and two federally funded intersection widening projects on 75th Avenue—one at Peoria Avenue and the other at Cactus Road.

Perhaps the most exciting development in our capital program is a project to build the first phase of a community park in northern Peoria. This area is in need of lighted sports fields and other recreational amenities. Other parks and trails projects planned for the next year or two include the Skunk Creek Trailhead at 83rd Avenue and Skunk Creek, Camino a Lago Neighborhood Park, the 99th and Olive Trailhead, and various New River Trail connections.

While supporting these higher profile new improvements, the program recognizes efforts to maintain existing city assets. The capital plan includes numerous ongoing programs and one-time projects to perform regular maintenance on infrastructure and to replace those assets that have reached the end of their useful lives. Examples include our IT network infrastructure projects, replacement of water slides at our swimming pools, equipment upgrades at the Butler Water Reclamation Facility, and maintenance of our roadways.

CONCLUSION

In summary, the proposed budget totals \$470 million, which represents a 0.43 percent increase over the prior year. The budget for the general fund, the city’s primary operating fund, is \$123.1 million—a 3.06 percent increase. The \$145.2 million capital budget for FY 2015 represents a 5.78 percent decrease over the FY 2014 plan, while the 10-year capital improvement program totals \$598.5 million, a 14.1 percent increase over last year’s program.

Overall the outlook is continuing to improve. We’ve managed through the recession and our revenues are now growing, albeit slowly. I believe this budget underscores a commitment by all city departments to maintain service levels in our core services, and to implement cost-saving efficiencies wherever possible, while preserving those things that make Peoria great.

I wish to thank the City Council for their guidance and support throughout the development of this proposed budget. In addition, I wish to thank the Finance and Budget Department staff, our deputy city managers, department directors, and all of the employees of the city who have contributed to make the FY 2015 budget a reality.

Sincerely,



Carl Swenson
City Manager