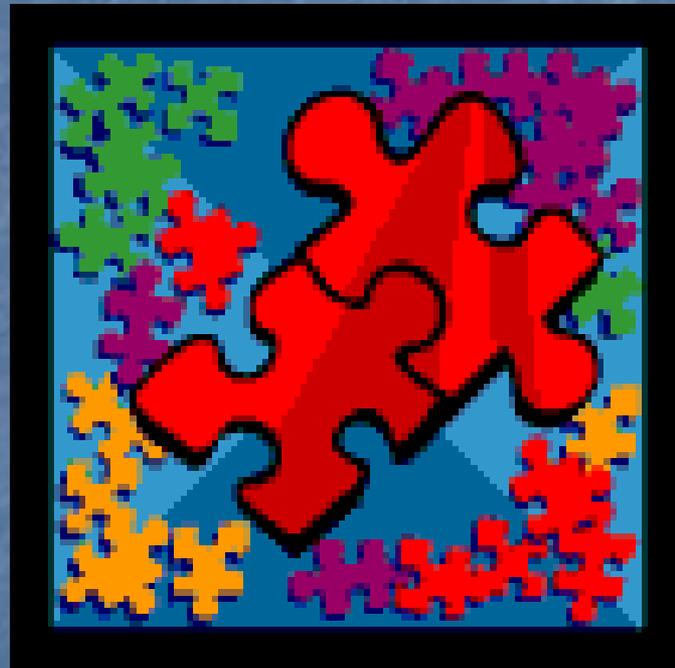
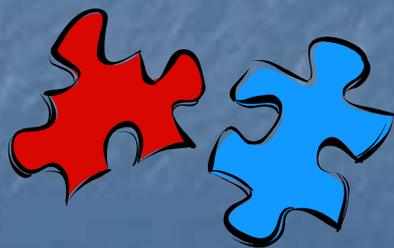


Peoria Leadership Institute
Finance & Budget
Departments



How all the pieces fit together . . .



Governmental Accounting

- “Accountability” - the cornerstone of financial reporting
- The budget is law
- Keeping track of the resources - “Fund Accounting”
 - Over 100 different funds
 - Each fund segregates revenues and expenditures based on their purpose
- A tool for management





Types of Funds

Fund Type

General Fund

Special Revenue

Capital Projects

Debt Service

Enterprise Funds

Internal Service Funds

Use

Day to day City operations

Restricted revenue sources

Large construction projects

Interest & principal on debt

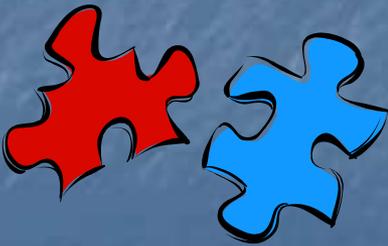
Running a business

Service to other departments

Planning and Reporting

- What are the guidelines? - Financial policies
- How did we do? - Comprehensive Annual Financial Report (CAFR)





City's Investment Program

Certified Investment Policy Approved by Council

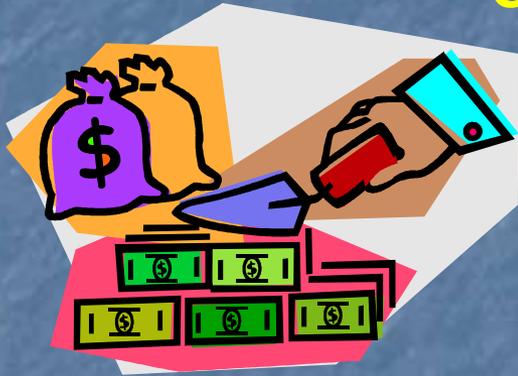
Safety

Liquidity

Diversification by Sector & Maturity

Legality

Yield



Investment Portfolio Approximately \$335 Million

Utilize External Investment Advisors

Third Party Safekeeping in City's Name

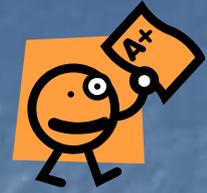


Debt Management

- Issue and manage debt
- Funding Capital Improvement Projects
- Maintain relationships with the rating agencies



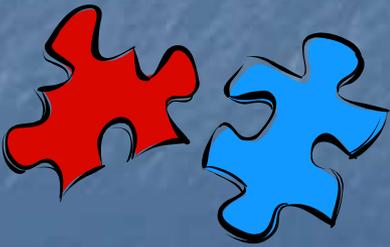
City of Peoria General Obligation Bond Ratings



Standard & Poors	AA+
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Moody's	Aa1
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Fitch	AA+
--------------	------------



Sales Tax

Business License

- Privilege License (sales tax)
- Occupational License (professional services)

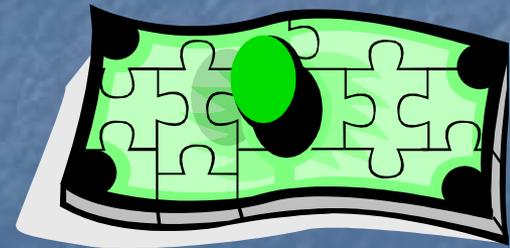
Business License Inspections

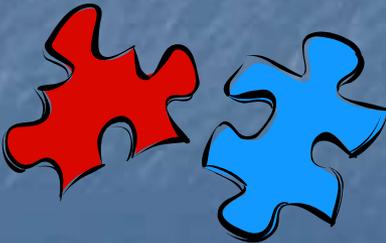
- Special Events
- Canvassing

Sales Tax Auditing

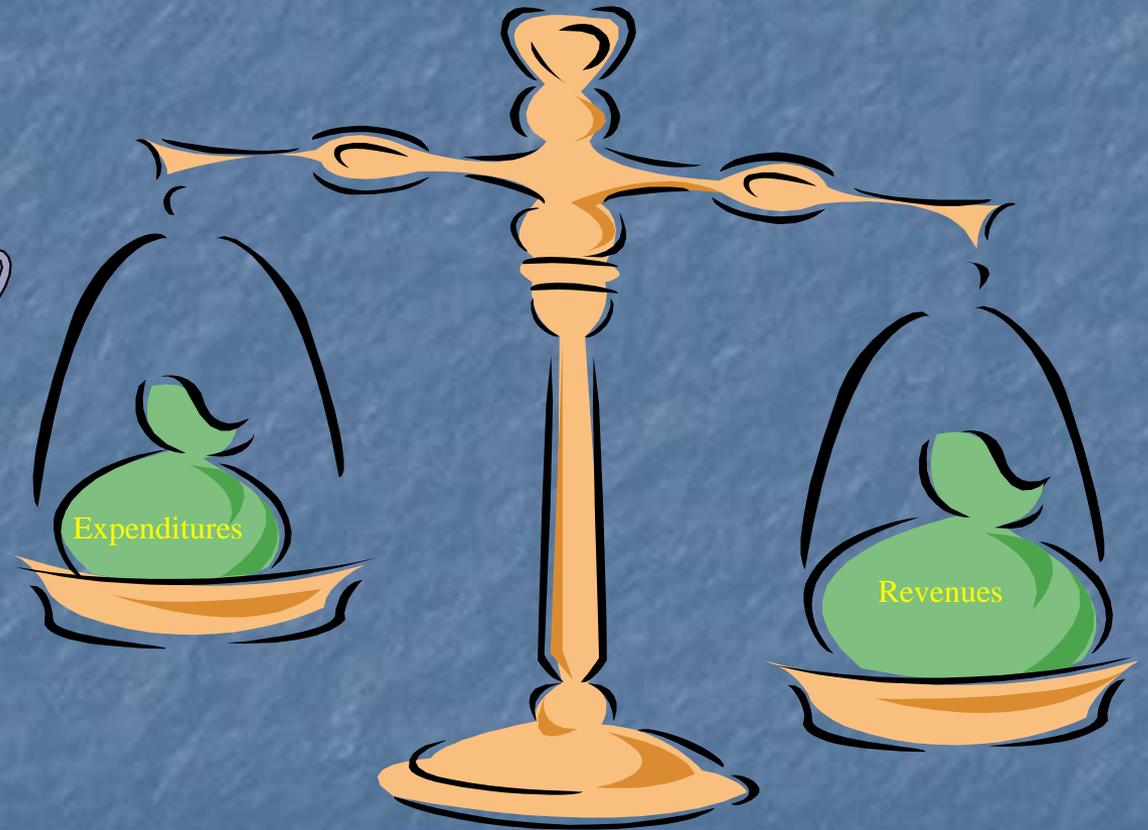
- Delinquent Taxes
- Unlicensed Taxpayers

STARS





A Balanced Budget?



What is the Role of the Budget?

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

A Political Process

Budget Issues Impacting Arizona Communities

- **Regional Economy**
- **State Financial Situation**
- **Public Safety**
- **Growth-Related Issues**
- **Street & Right-of-Way Maintenance**
- **Community-Oriented Objectives**
- **Revenue Reliance**
 - **Leakage**
 - **Cooperation/Competition Between Cities**
- **Unfunded Mandates (Homeland Security, Arsenic Levels, Airborne Pollutants, Stormwater Runoff...)**
- **Industry Retention (base closures, manufacturing industry)**
- **Economic Development (fee waivers, sales tax rebates)**
- **Water Supply/Allocations**
- **Transportation-related Issues**
- **Costs above regular inflation rate**
- **Managing Growth**

Putting a Cost on Development

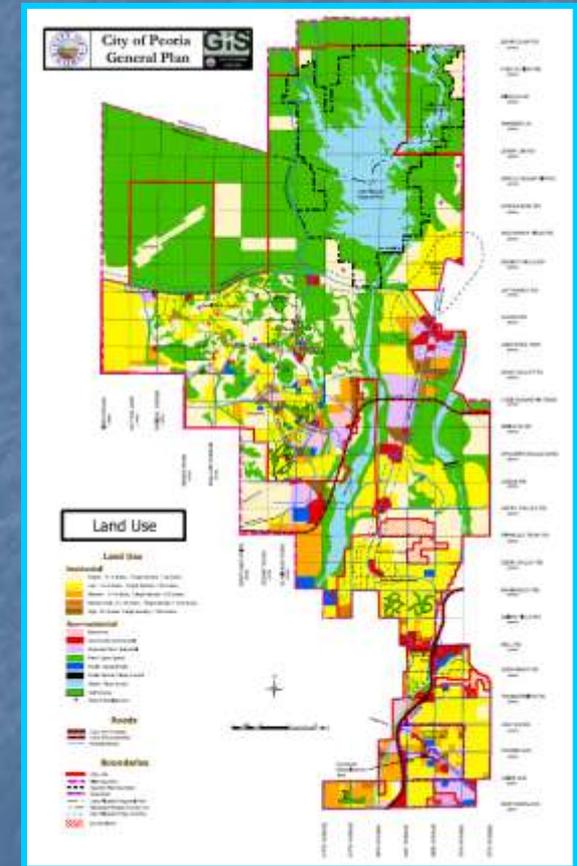
Does Growth Pay for Itself?

Paying for the Infrastructure

- One-Time Cost
- Lots of Possible Solutions

Paying for the Services

- Ongoing Cost
- No Easy Solutions
- Reliance on Sales Tax
- Usually Commercial Lags Residential



Normal Roles in a Public Budgeting 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?

Peoria Revenue Overview



So...Why So Many Different Taxes?

- Sales Tax
- Income Tax
- Property Taxes
- Special Assessments



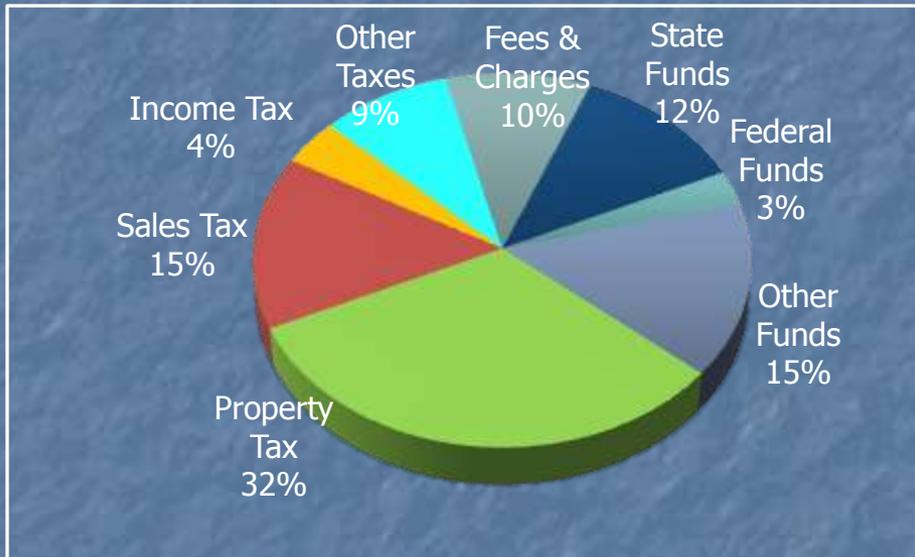
Who Should Pay For What Services?

- General Taxes and Other Revenues
 - Police, fire, library, parks, administration
- User Fees
 - Recreation classes, building permits
- Enterprise Funds-Full Cost Recovery
 - Water, Wastewater, Solid Waste



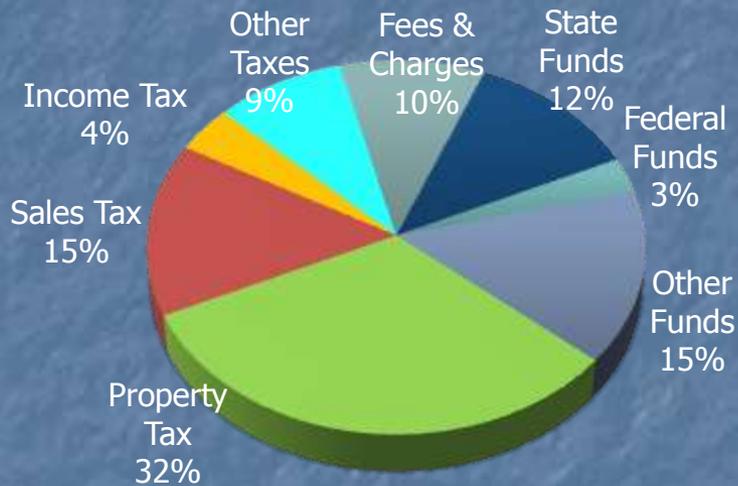
City of Peoria Revenue Composition – General Fund

National Composition

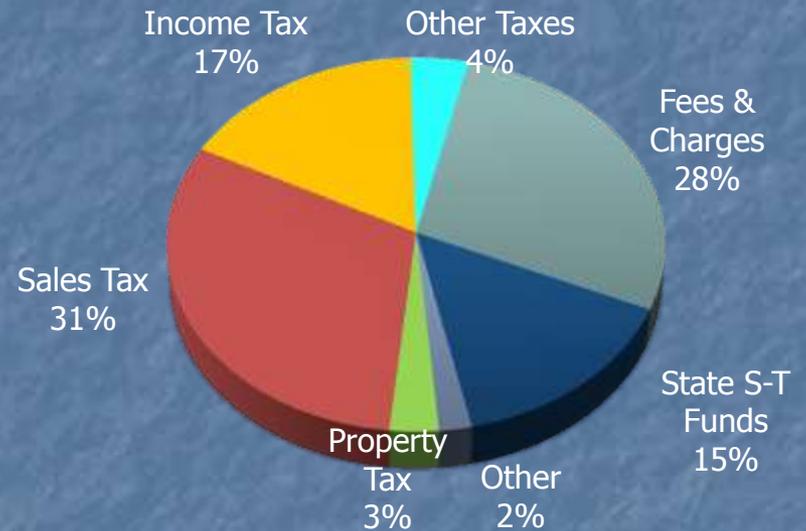


City of Peoria Revenue Composition – General Fund

National Composition

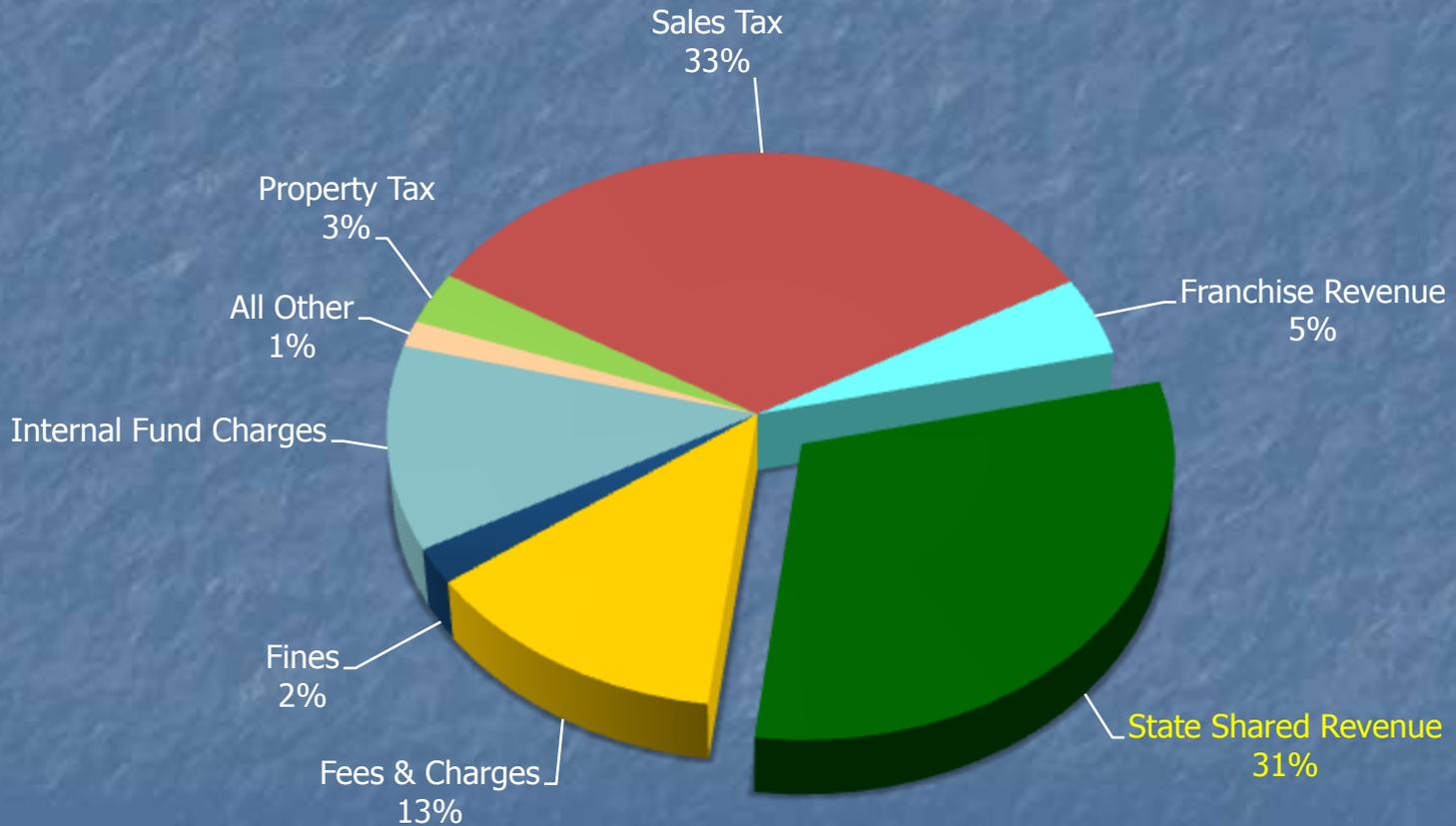


Peoria



City of Peoria Revenue Composition

General Fund



Average Peoria Homeowner Property Tax Breakdown

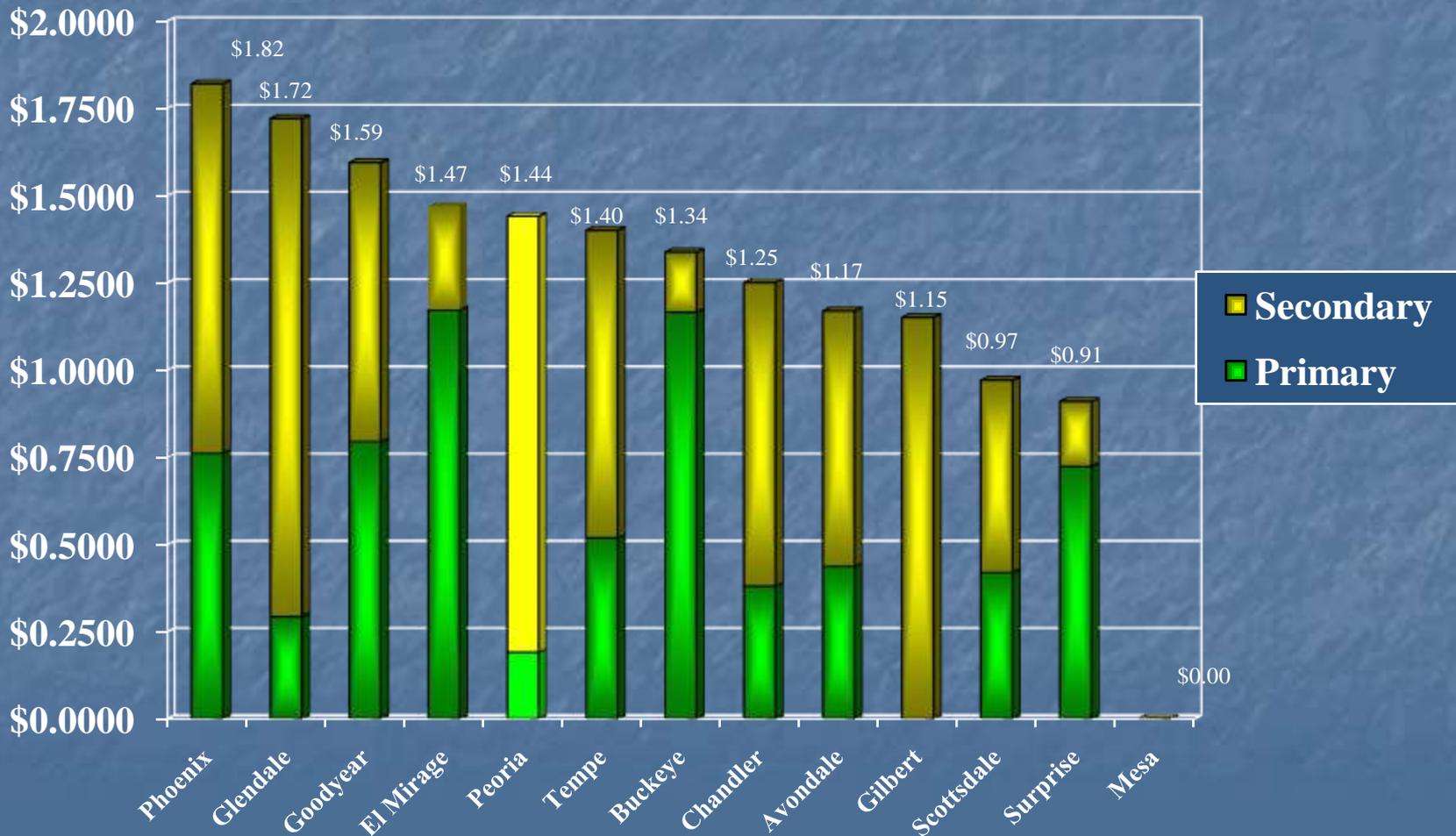
School District-58%

County/Districts-27%

City-15%



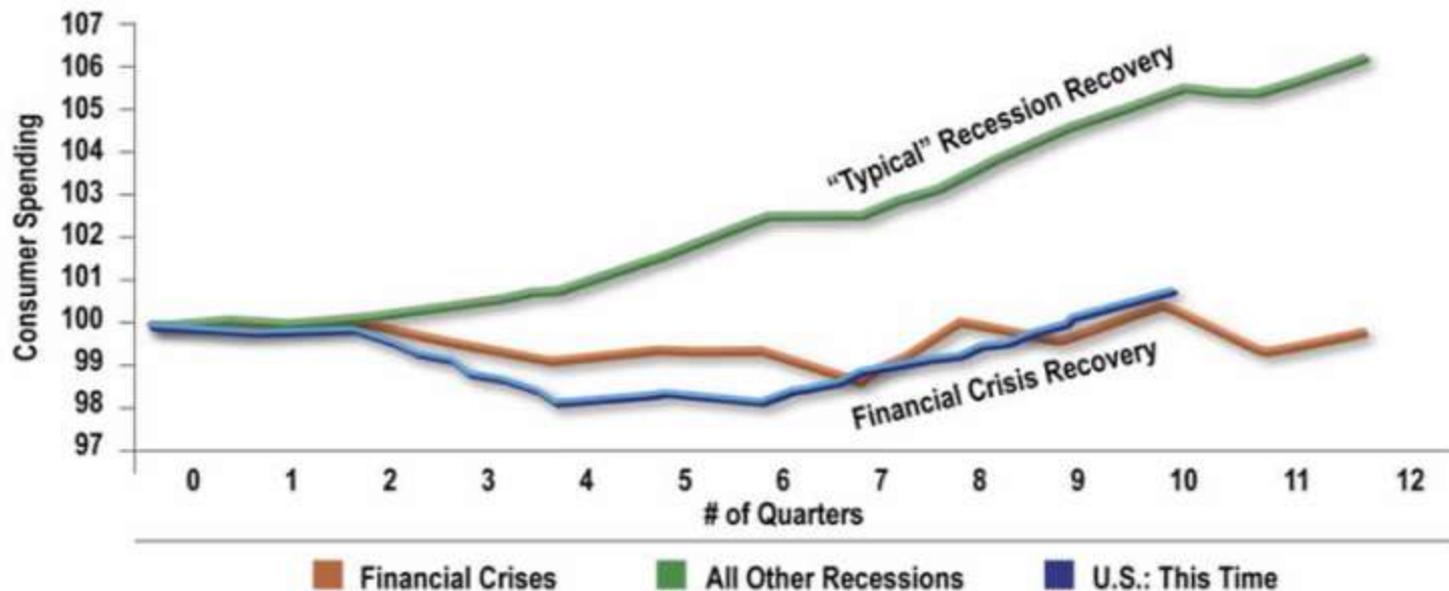
Combined Property Tax Rate City Comparison



What's Happening Out There?

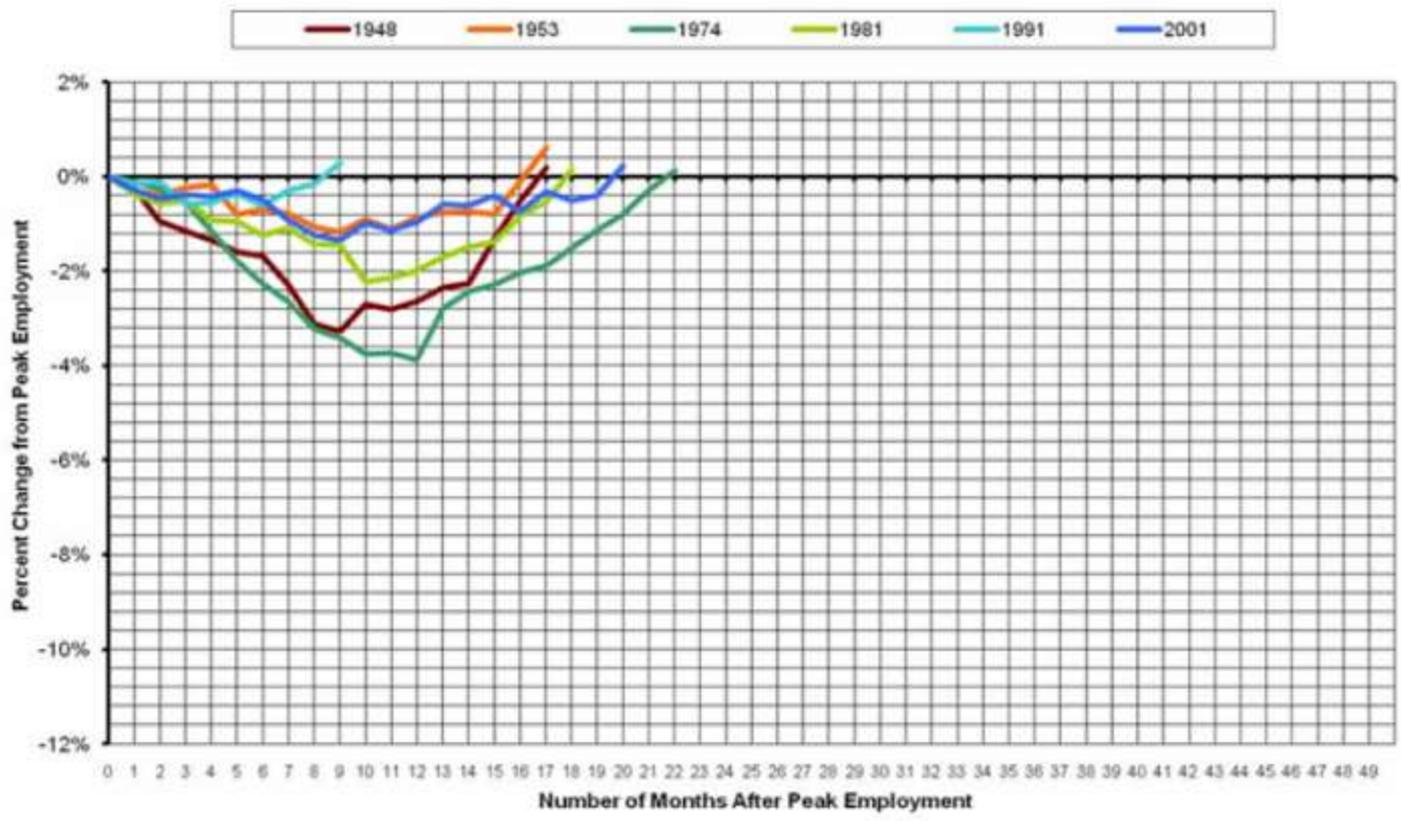
Dennis Hoffman-WP Carey School of Business

January 26, 2011

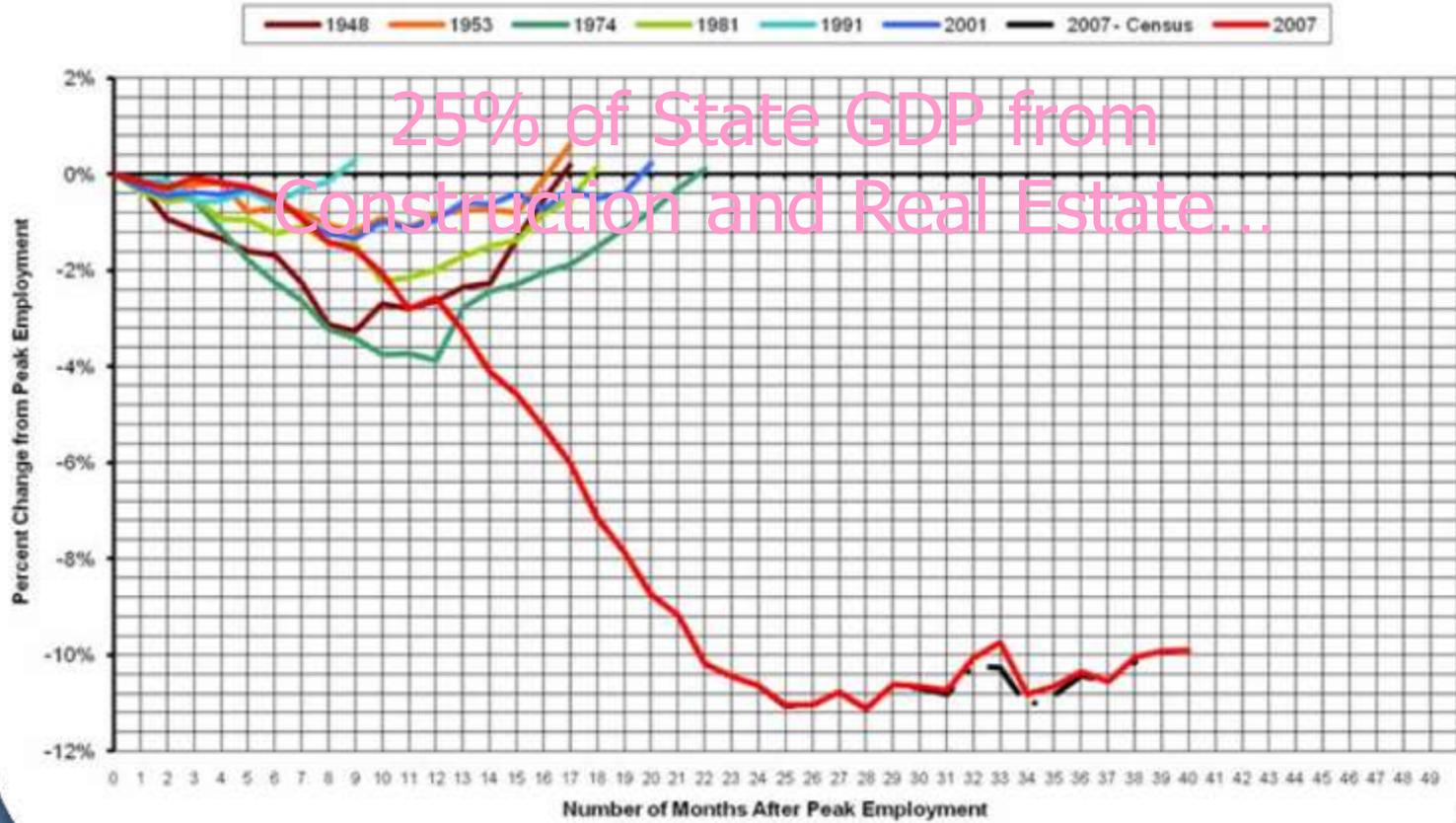


Source: Empirical Research Partners Analysis; Illustrates real private consumption three years after business cycle peaks. Period shown is 1960 through May 2010; Median = 100 at Quarter 0 (when output peaked). 122 recessions were analyzed. Additional information is provided on the Disclosures page

Arizona
Number of Months needed to surpass a peak in employment.

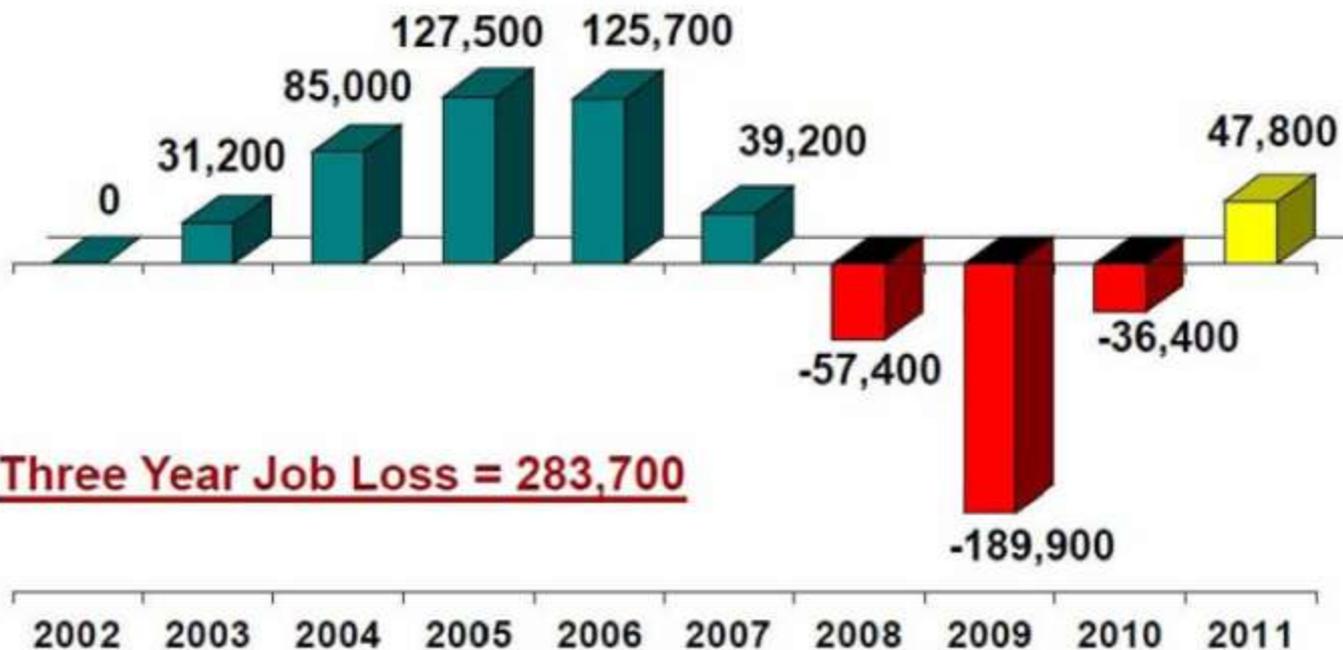


Arizona
Number of Months needed to surpass a peak in employment.



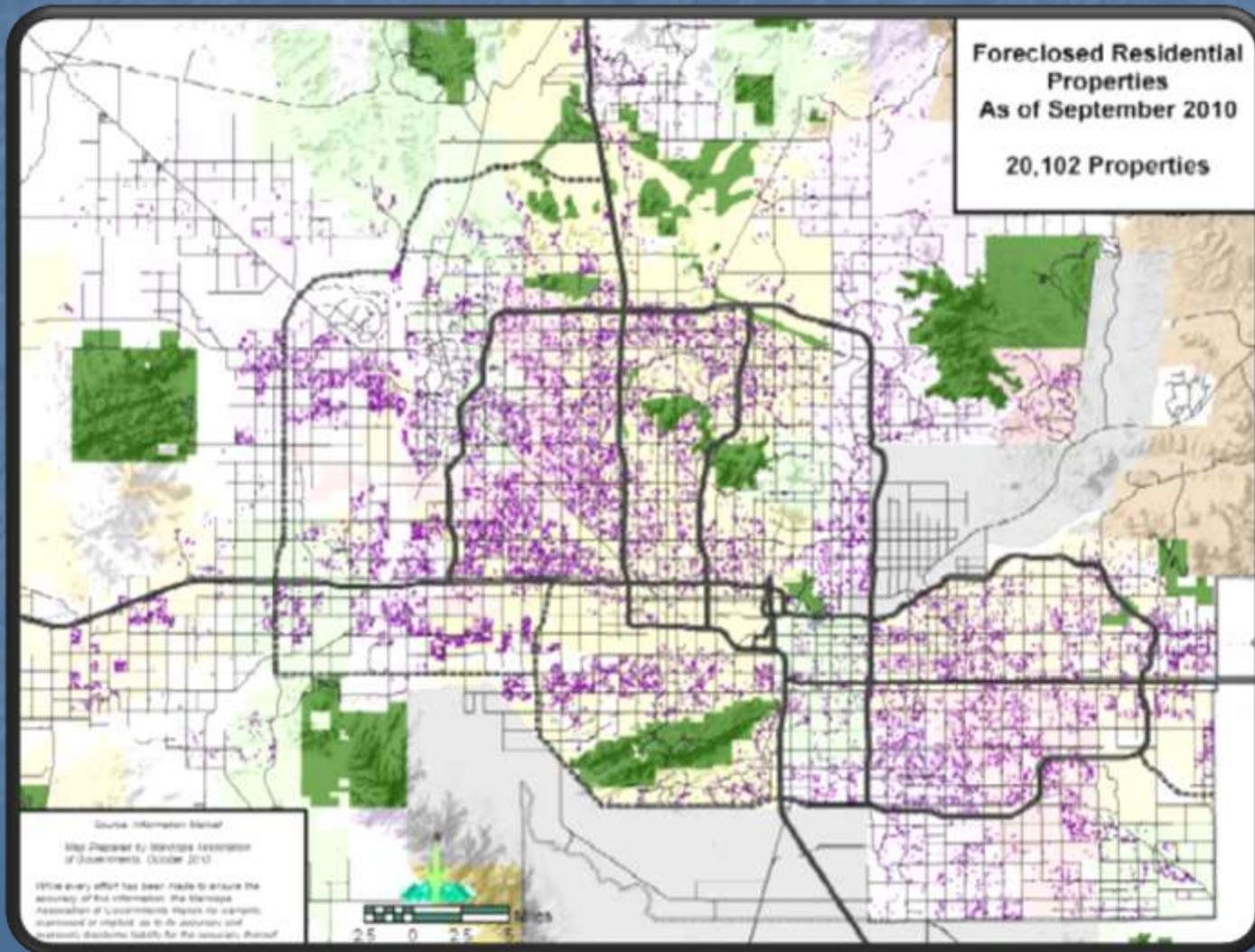
Annual Job Losses Ending

Annual Numeric Change In Arizona Employment



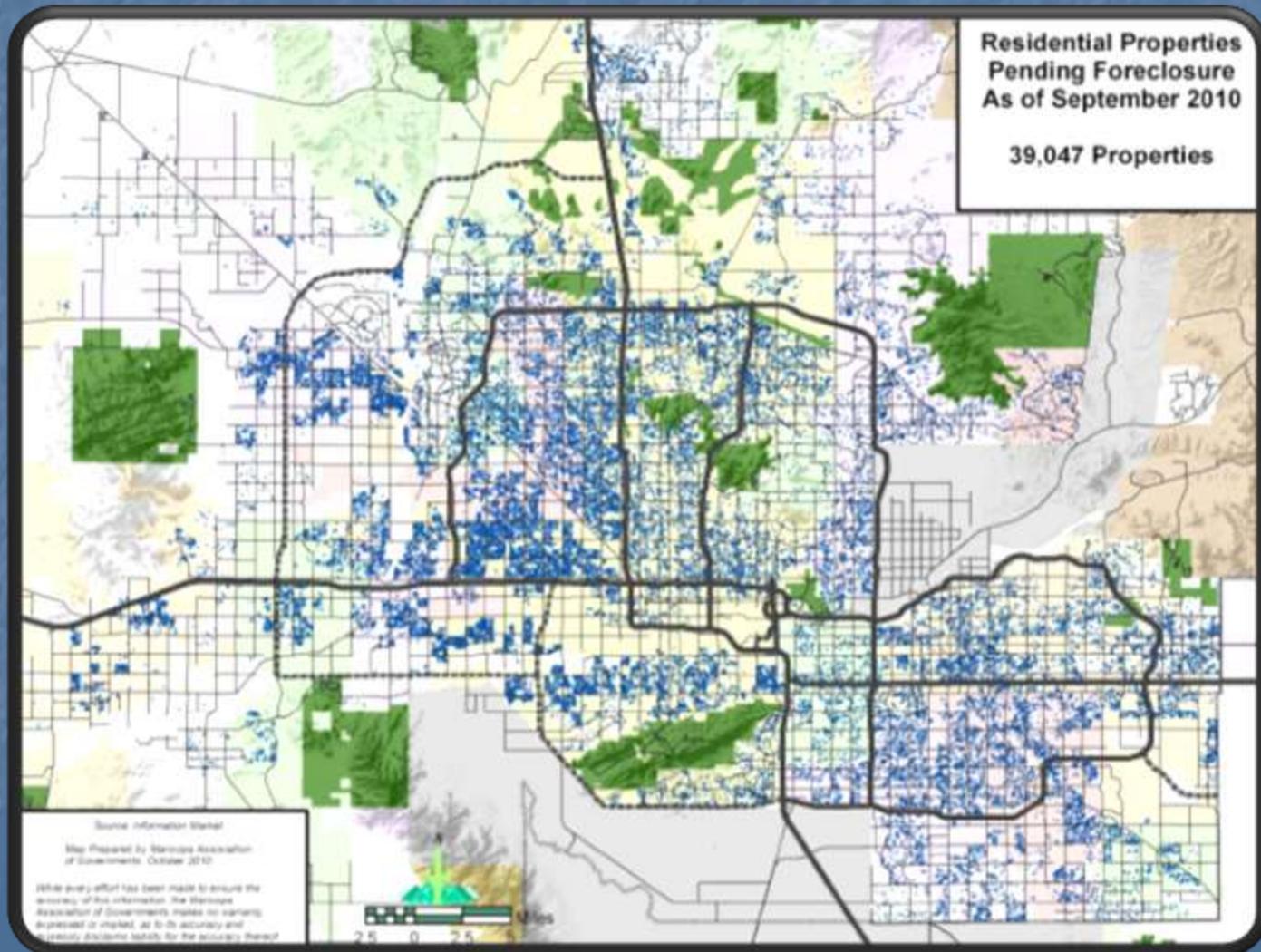
The Latest...

Foreclosed Properties in Phoenix Metro Area...



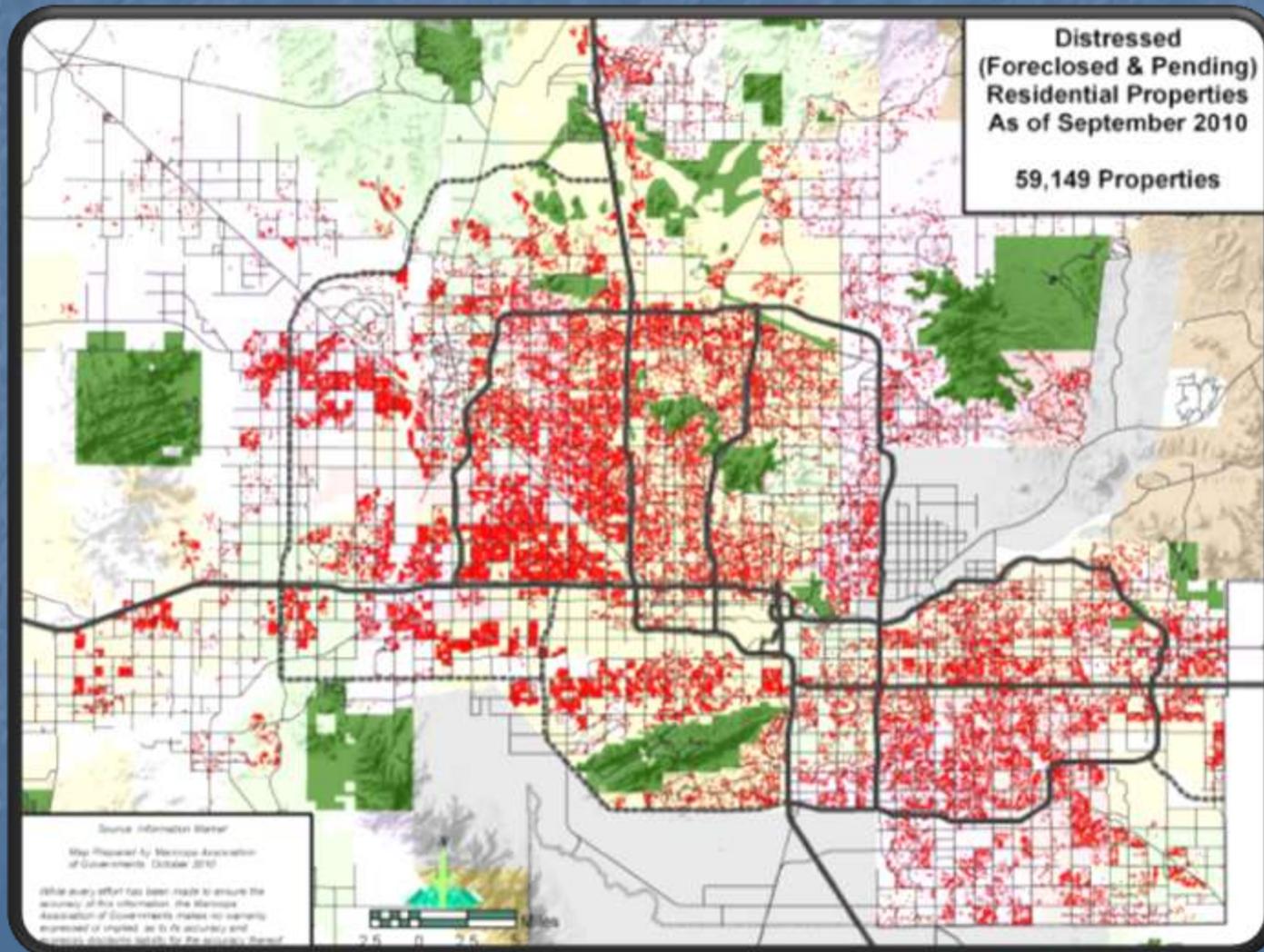
The Latest...

Foreclosed Properties in Phoenix Metro Area...



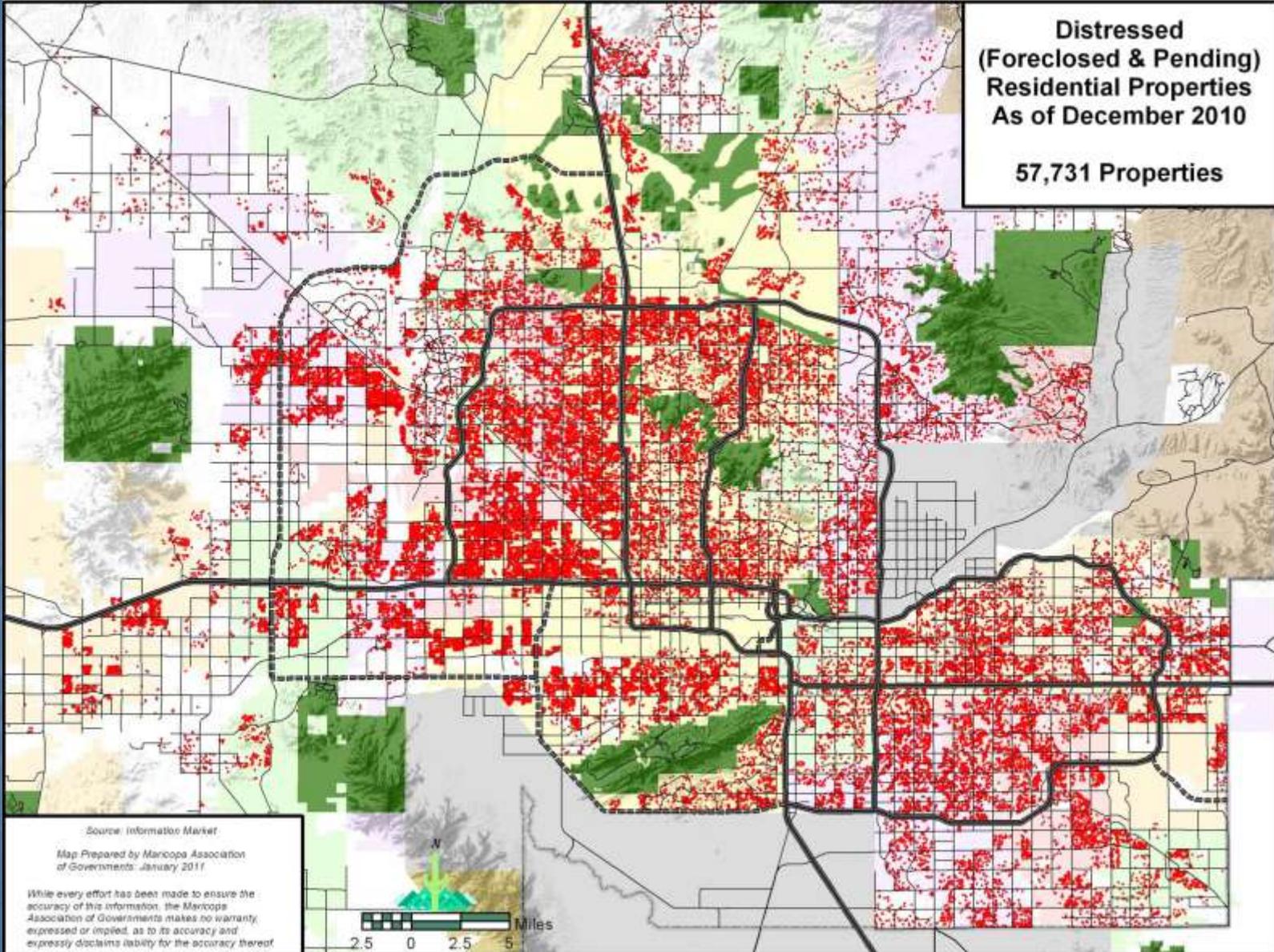
The Latest...

Foreclosed Properties in Phoenix Metro Area...



**Distressed
(Foreclosed & Pending)
Residential Properties
As of December 2010**

57,731 Properties



Source: Information Market

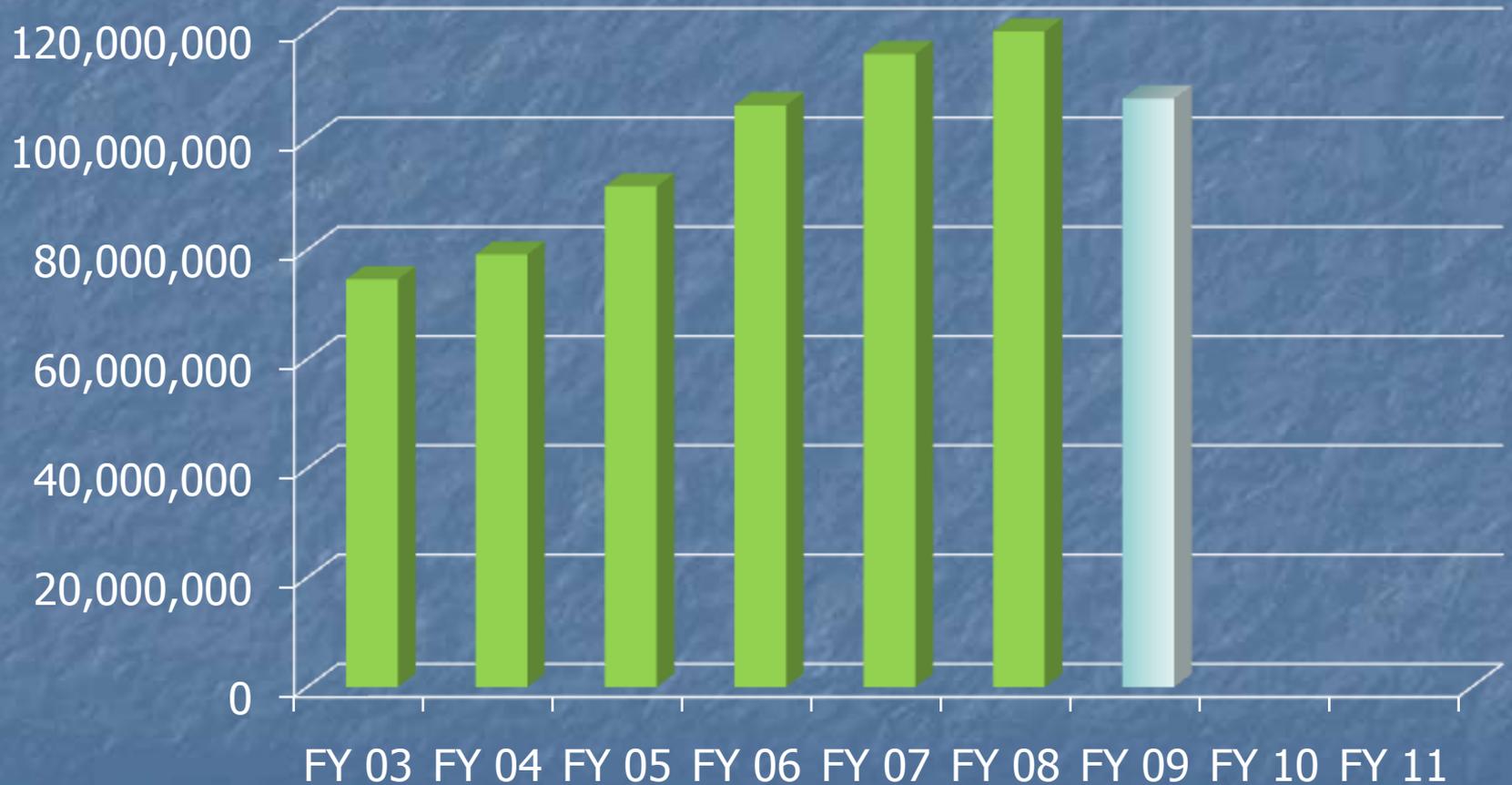
Map Prepared by Maricopa Association
of Governments: January 2011

While every effort has been made to ensure the accuracy of this information, the Maricopa Association of Governments makes no warranty, expressed or implied, as to its accuracy and expressly disclaims liability for the accuracy thereof.

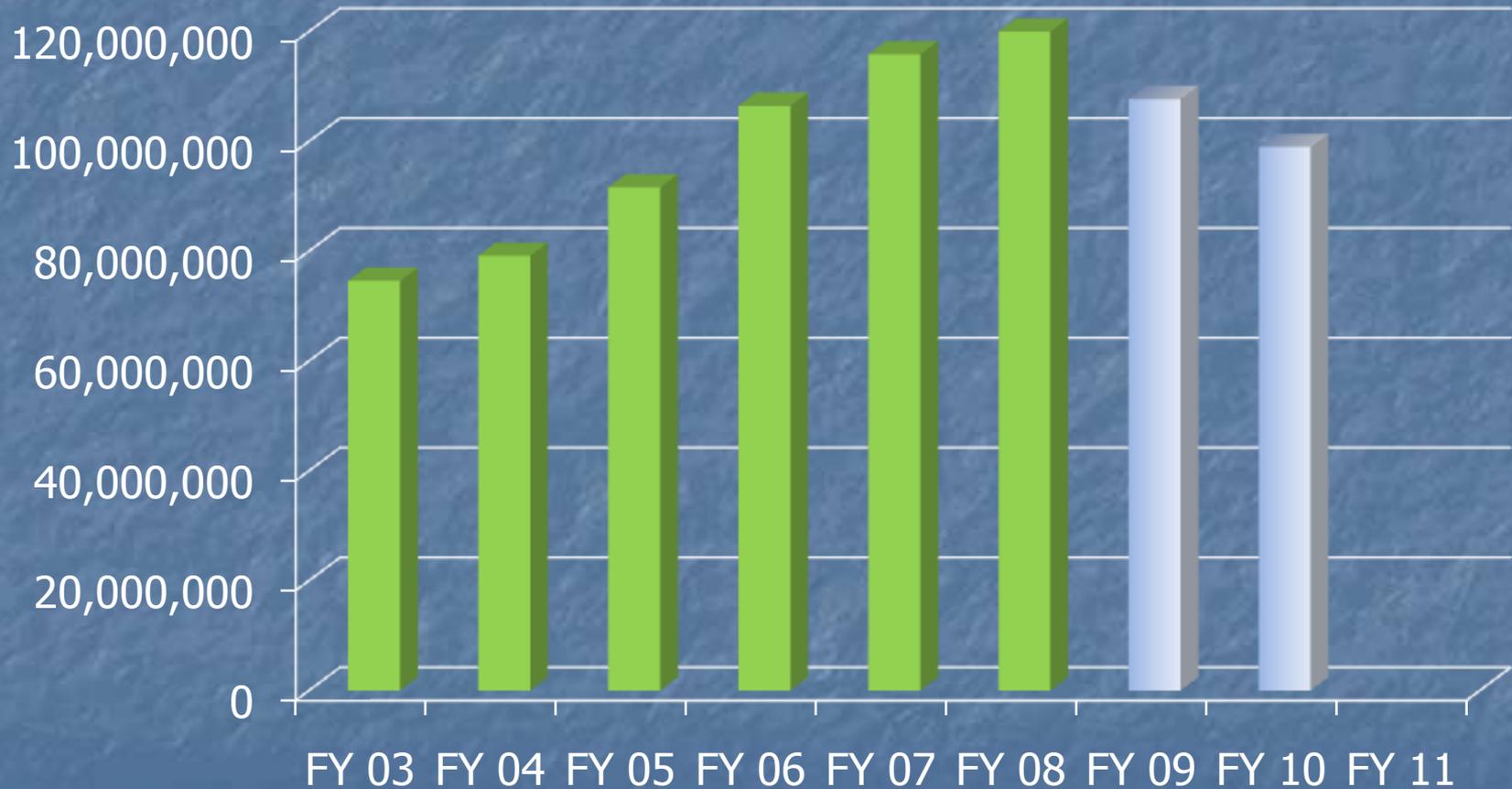
General Fund Revenue History



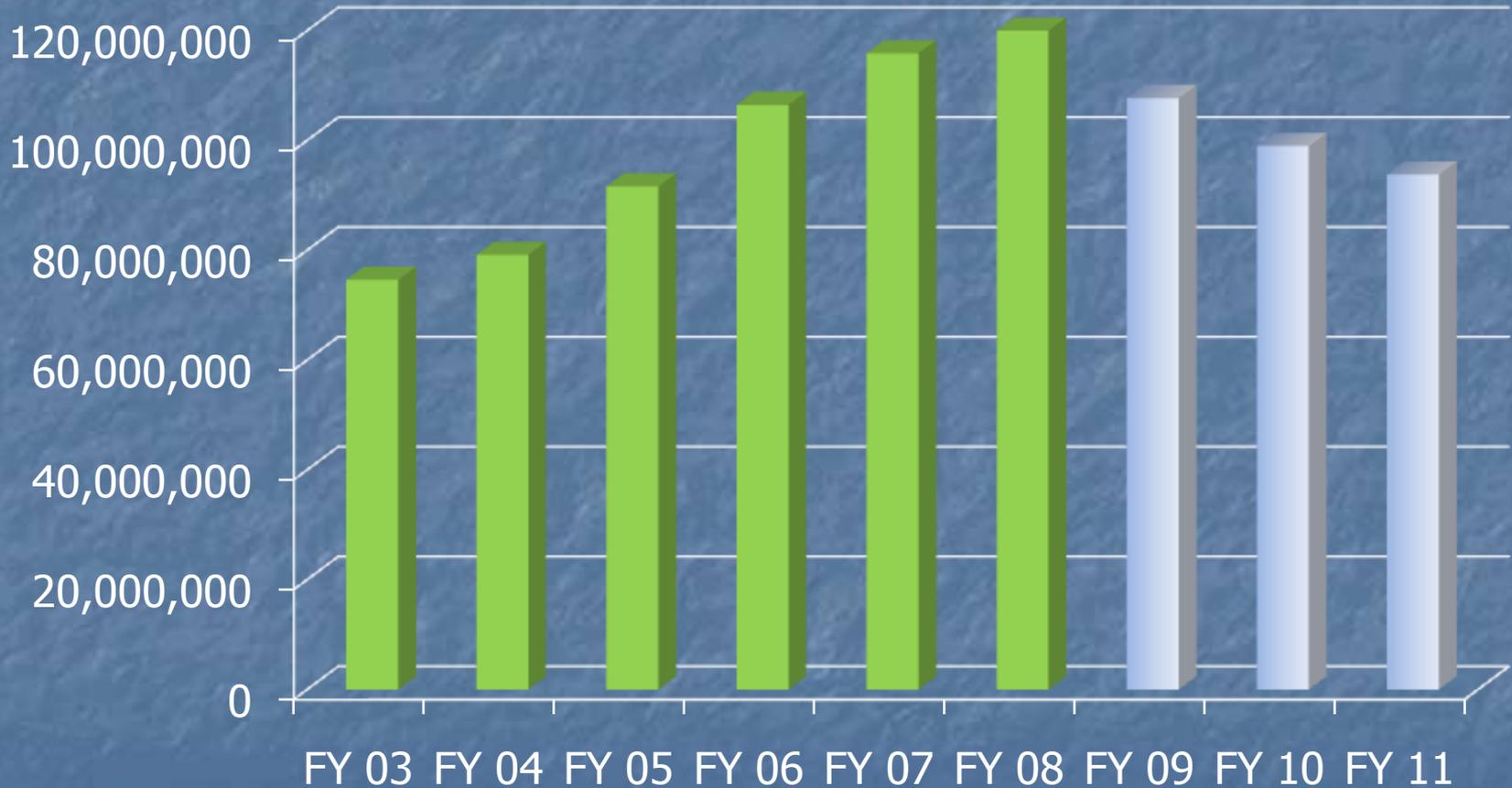
General Fund Revenue History



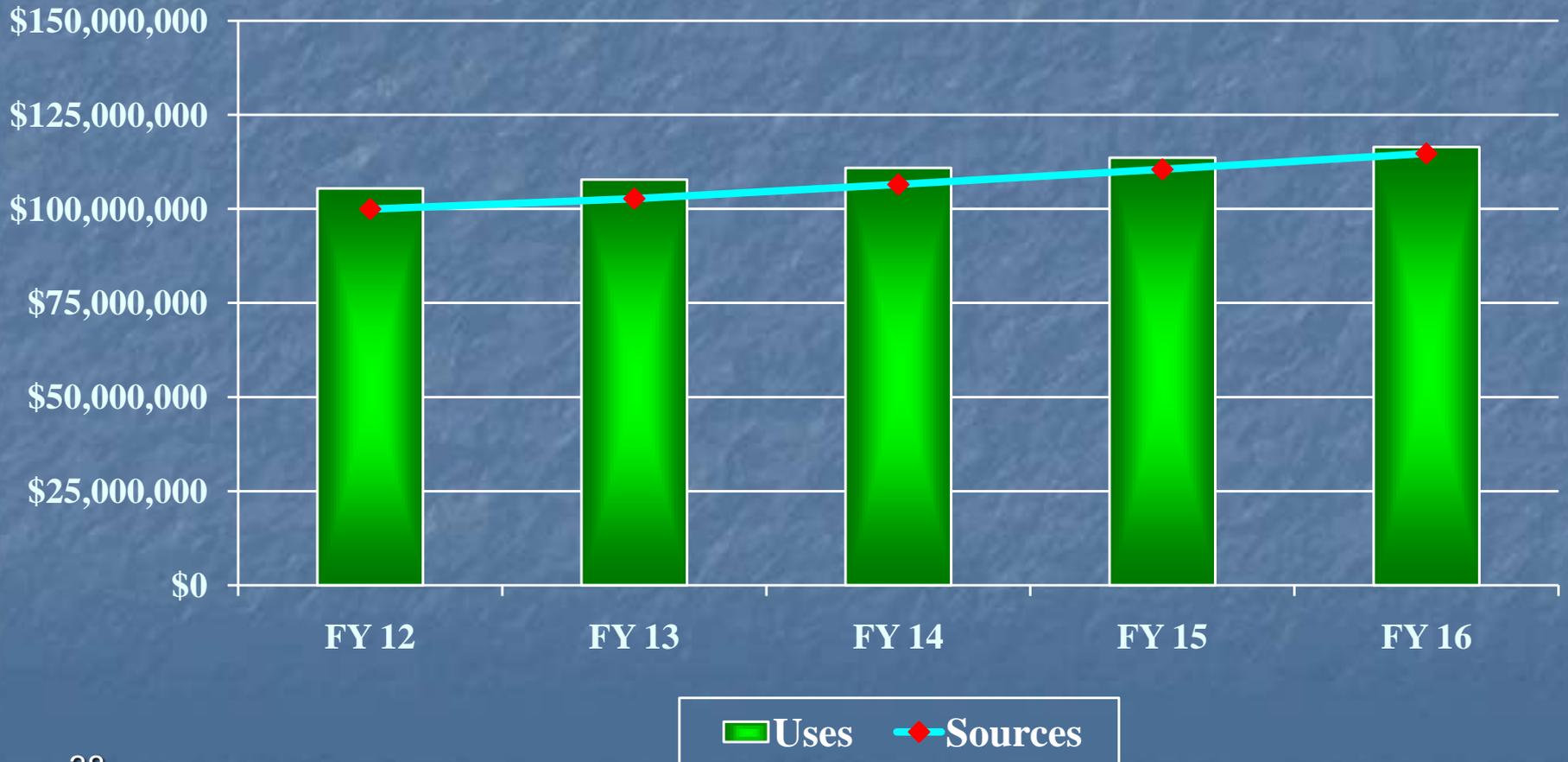
General Fund Revenue History



General Fund Revenue History



General Fund FY 2012-2016 Forecast



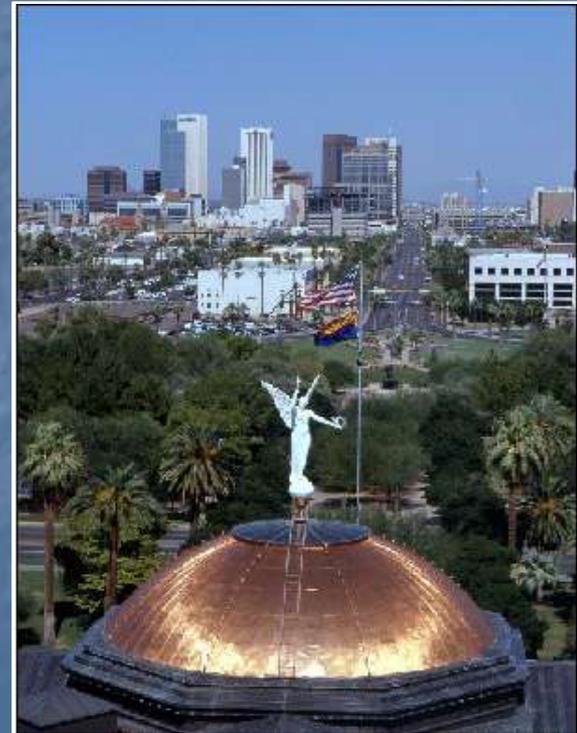
State Budget Implications

Highway User Revenue Fund

- Diverted Funding to Department of Public Safety
- \$600,000 Impact to Peoria

New Fees/Charges

- ADWR Fees
- DPS Laboratory Fees
- Licensing Fees-AM/PM Program

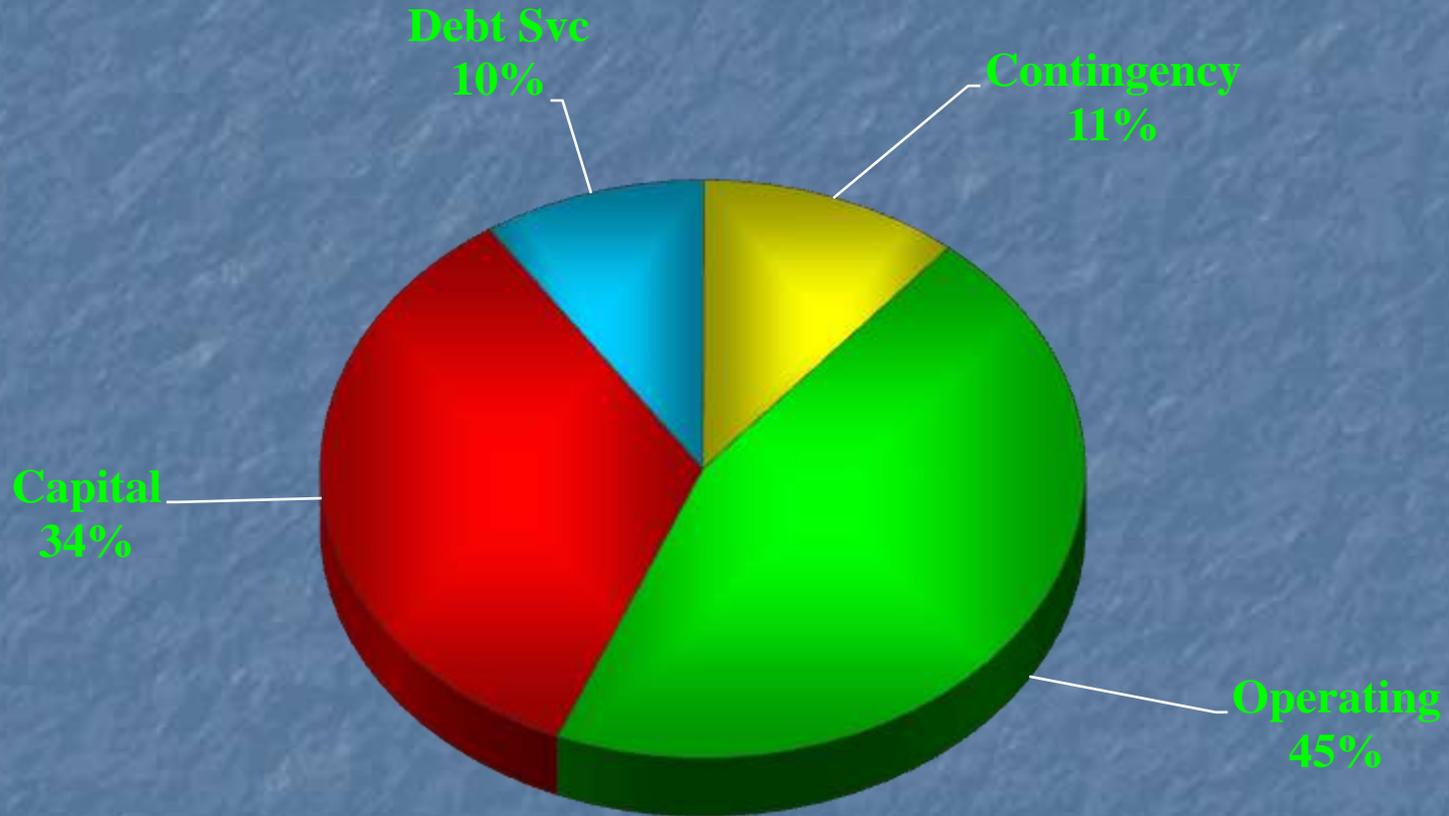


Where Does the Money Go?

Peoria Expenditure Overview

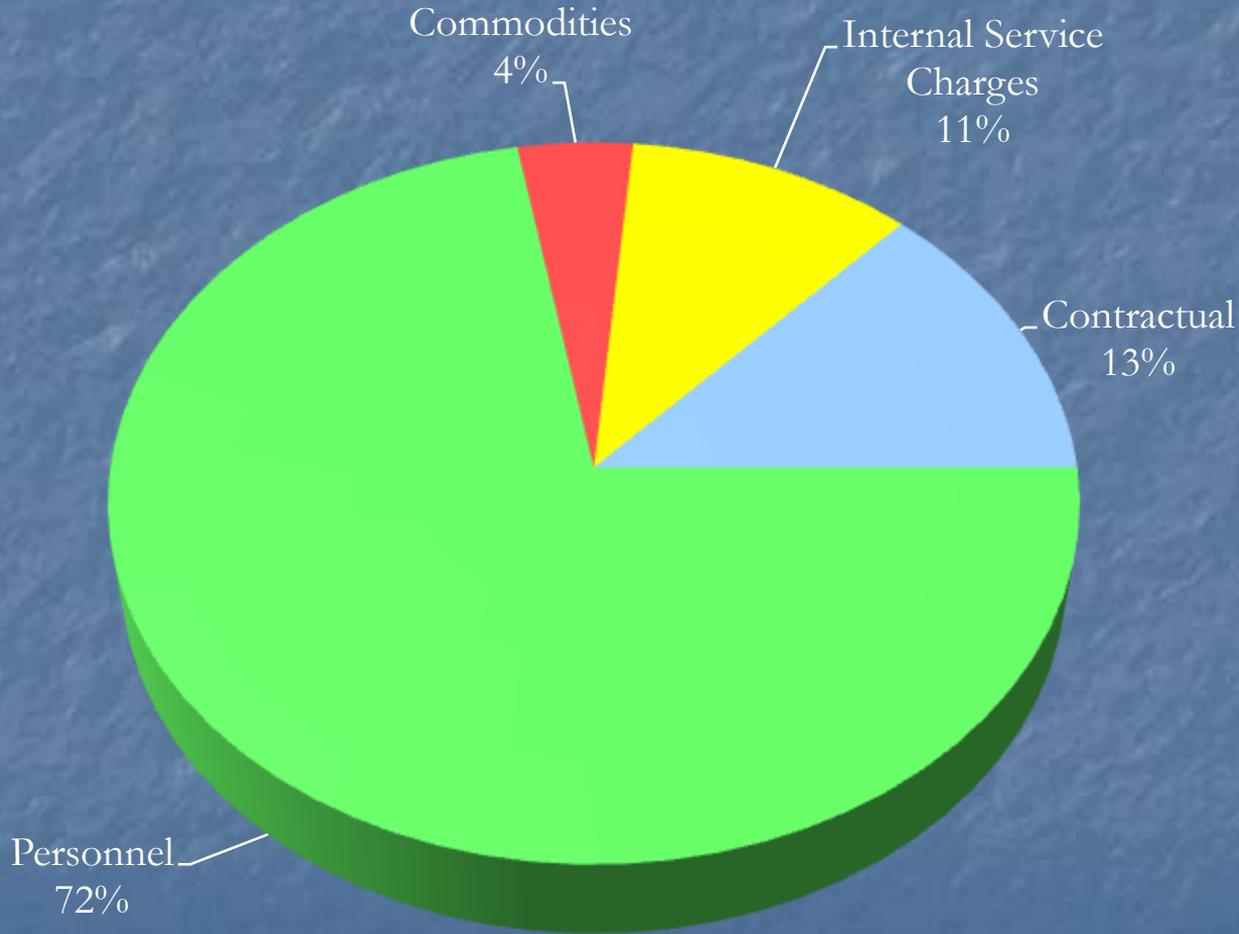


City of Peoria Total Budget by Category



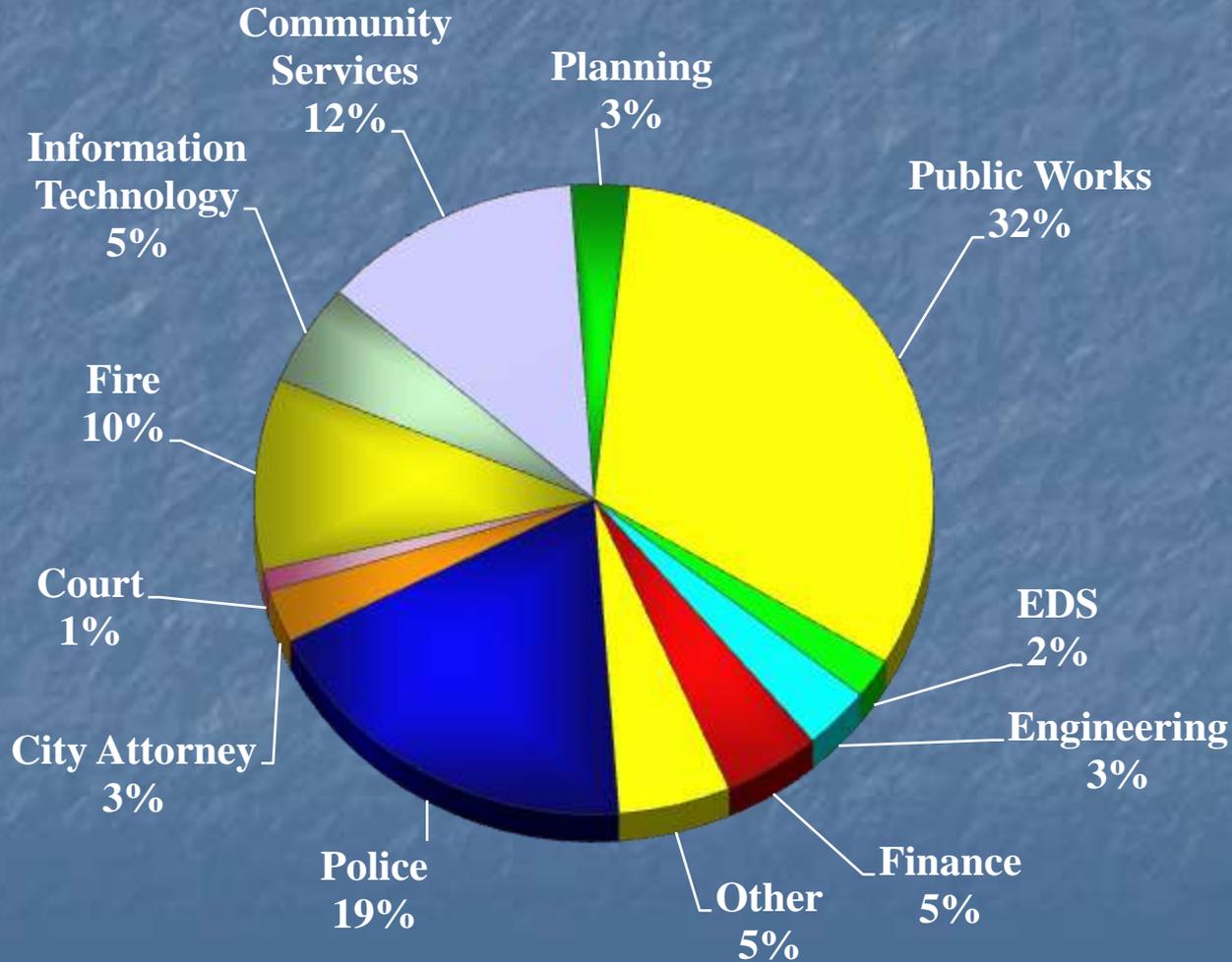
Total \$460 Million

General Fund Operating Cost Categories

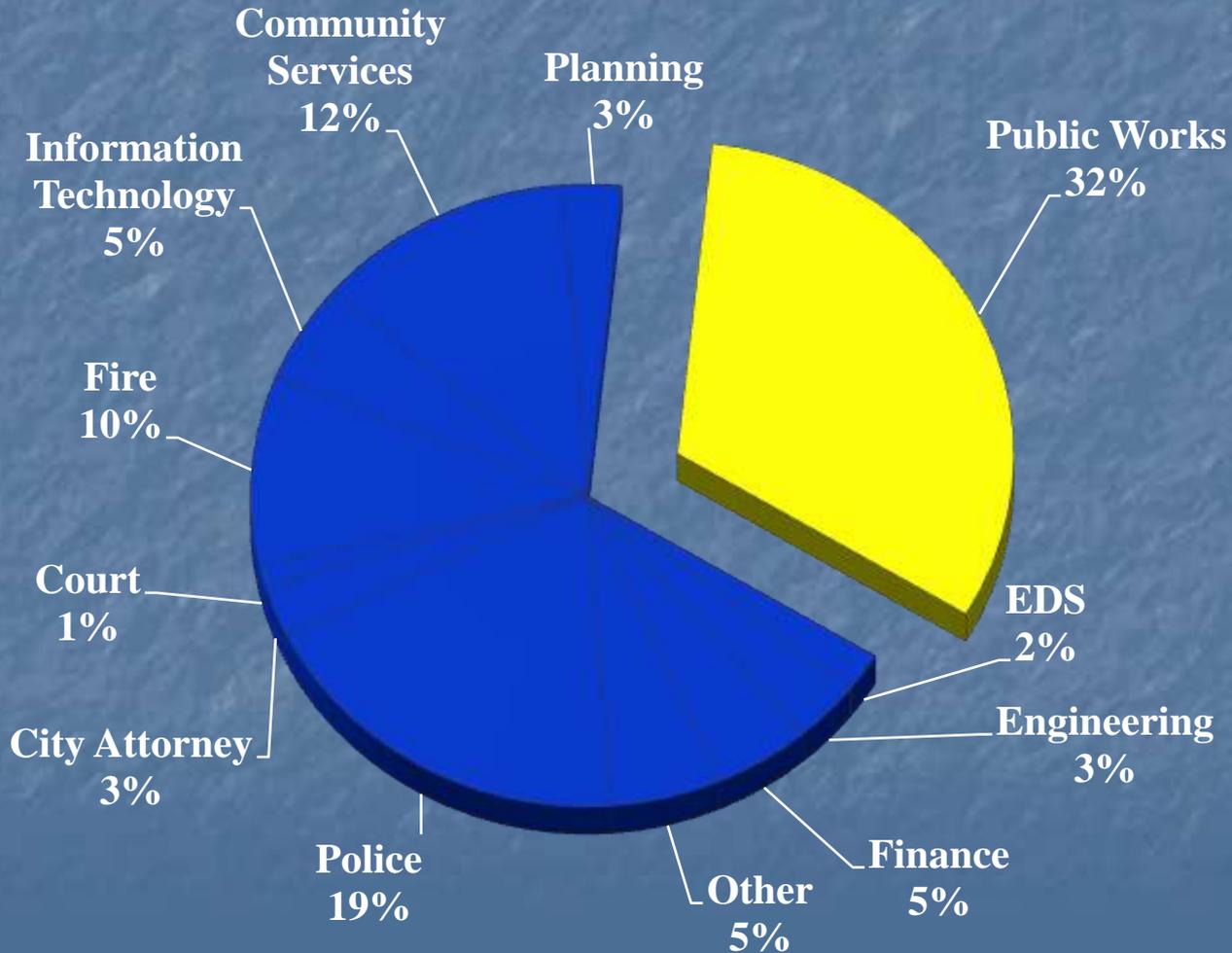


Total General Fund Operating - \$106.9 million

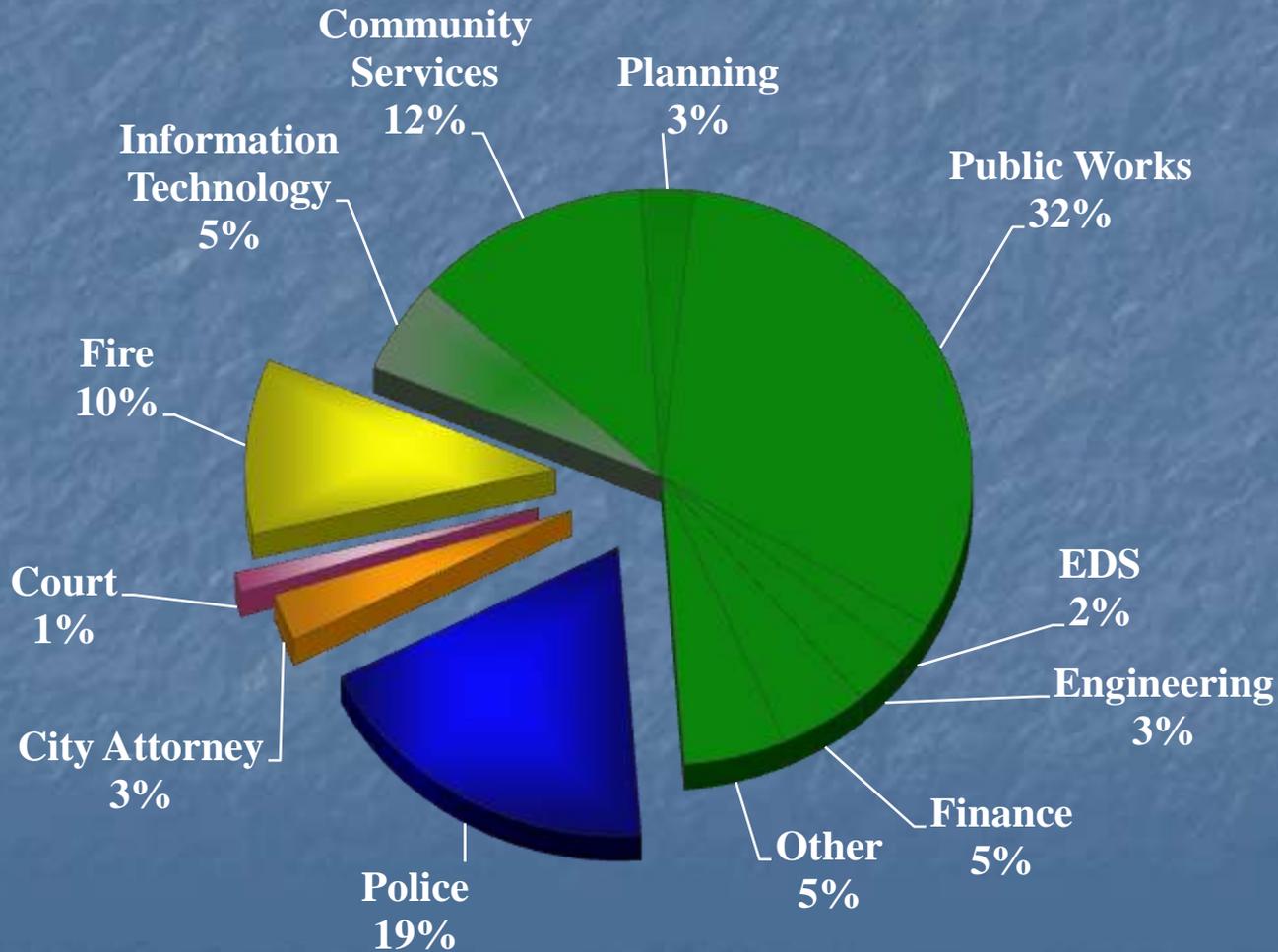
Operating Expenditures by Department



Operating Expenditures by Department



Operating Expenditures by Department





Managing the Financial Downturn...

Managing the Gap

Key Principles

- Steady & Measured Approach
- Not all Services are Created Equal
- Respond to Changing Community Needs
- Engage the Whole Organization
- Look Strategically



Steady & Measured Approach

Steps taken so far...

FY 2009

1. *December 2008*

- Scrubbing of FY2009 Budget
- Mid-Year Budget Reductions

FY 2011

4. *July 2010*

- Voluntary Severance Program
- Energy Saving Efforts
- Reduce Contract/Consulting Services
- Revenue Action Teams
- Department Reductions

FY 2010

2. *July 2009*

- Department Reorganization
- Froze Positions
- Froze Contracting
- Incentivized
- Core Services
- Department Reductions

3. *December 2009*

- Management Team Brainstorming Sessions
- Cross-Functional Teams
- Vacancy Reviews

Over last three fiscal years...
Ongoing Savings of \$17 million
Reduction of 121 Positions

ctions

FY 2012 Capital Program

Project Highlights

- **Complete Necessary Capital Projects**
 - Lake Pleasant Parkway
 - Community Park #2
- **Economic Development**
- **Preserving Our Assets**
- **Enlivening Our Campus**
- **Continues “Complete Project” Approach**



Utility Rate Pressures...

Pressures

- Inflationary Costs
- Changing Consumer Patterns
- Financial Metrics-Debt Service Coverage
- Deferral of Rate Adjustments

Key Objectives

- Recover Costs
- Ensure Financial Stability
- Equity Among Users
- Minimize Impact to Customers
- Promote Water Conservation



Utility Rate Analysis Outcomes

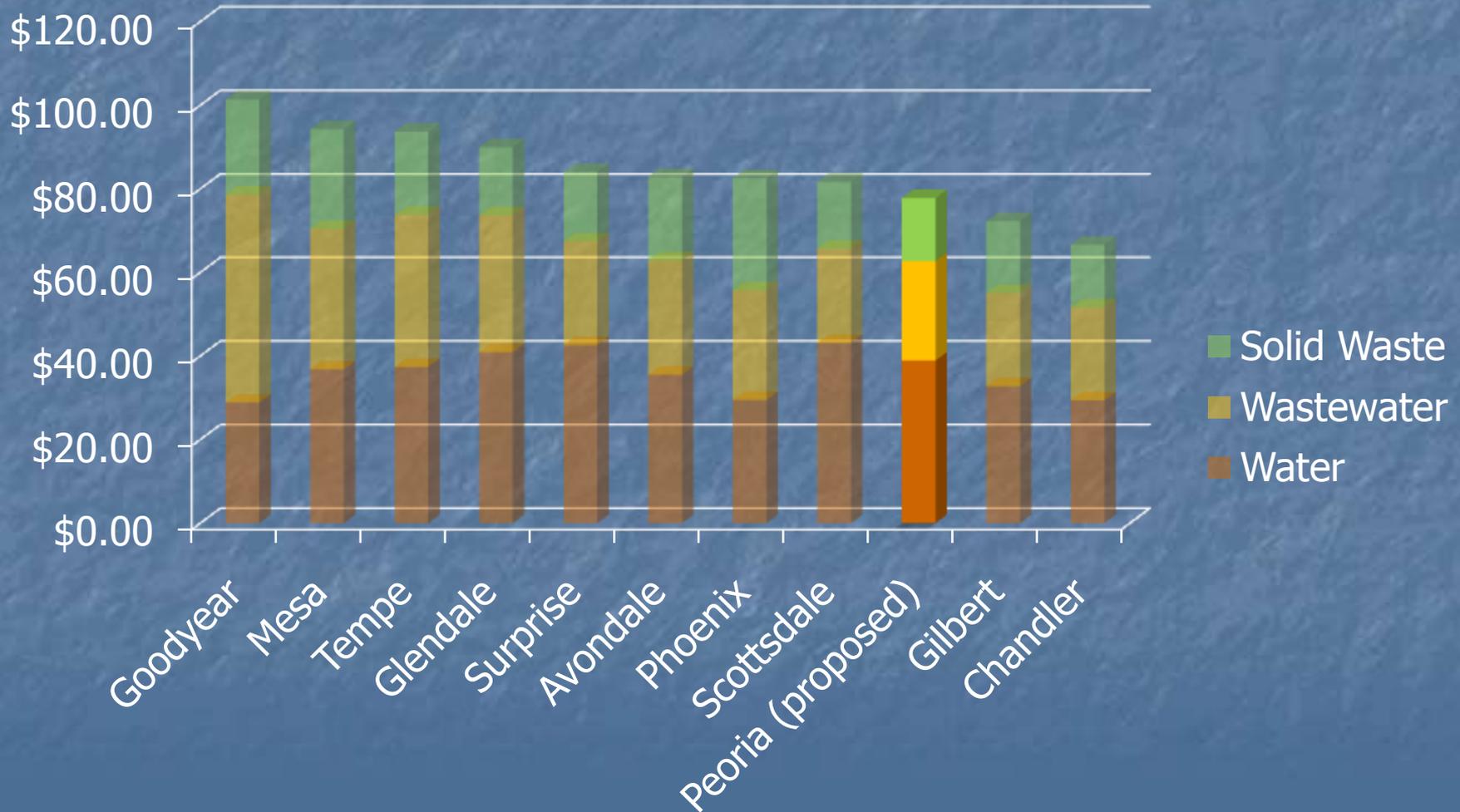
Keep Rate Increase Below 5%
Improve Rate Equity
Continue Water Conservation



City Comparison

Combined Utility Bill

(Medium Volume Water User)



Solving the Puzzle

Out FY 2012 Budget Approach

- **Continue with strategic approach**
- **Recognize “Core” Services**
 - Cost of Service
 - Service Levels
- **Managed Attrition**
 - Position Vacancies
 - Voluntary Severance
- **Mid-Year Budget Reductions**
 - Evaluate Vacant Positions
- **Consider Fee Levels**
- **Performance Matters**
- **Preserving Our Assets**
- **Quarterly Updates**
 - Financial
 - CIP
 - Performance



In Summary...

Addressed Budget Challenges

- \$3.7 million General Fund Shortfall
- Utility Rate Pressures
- Completing Capital Projects

• Council Priorities

- Strengthen Neighborhoods
- Economic Development
- Preserve Core Services

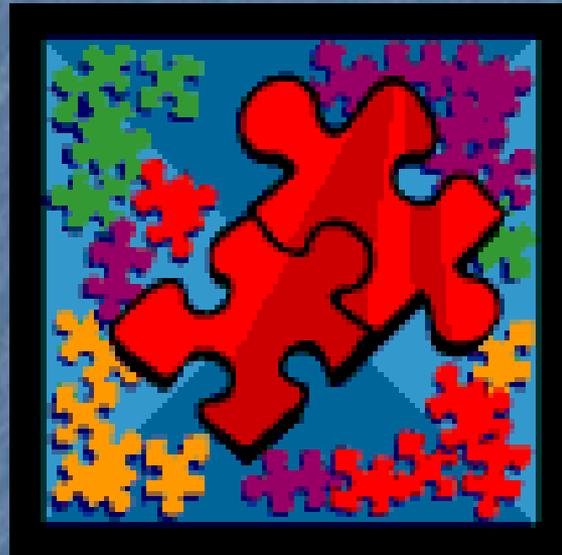


Citizen-Based Budgeting Education and Involvement

- **Education-How to become informed**
 - Council/Board Work Sessions
 - Published Documents
 - Website Information
 - Cable TV Productions
- **Involvement-How to provide feedback**
 - Public Hearings
 - Ad-Hoc/Standing Committees
 - Surveys
 - Board Involvement

Peoria Leadership Institute

Finance & Budget



Making sure all the pieces fit . . .