



ADDRESSING CAPITAL/INFRASTRUCTURE NEEDS & OTHER UNFUNDED OBLIGATIONS

PAVING NEW ROADS FOR A MORE STABLE PEKIN

KEY QUESTIONS

1. Are citizens happy with the current state of their infrastructure (i.e. pot-holes, deteriorated curbs, etc.)?
 2. Are citizens aware about the impending negative impacts of the looming pension crisis on the City?
 3. Are these issues worth solving? How do we do it?
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INFRASTRUCTURE DETERIORATION

1. Front Street will cost \$6,000,000+ to reconstruct
 2. Court Street will cost \$20,000,000+ to resurface (not rebuild)
 2. Derby Street will cost \$7,000,000+ to resurface (not rebuild)
 3. The City needs \$4,000,000 a year just to keep up and maintain its current inventory of roads
 4. Cost of road repair gets more expensive with time
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UNFUNDED PENSIONS

1. Unfunded Liability: The City's actuary estimates that the Firefighters' unfunded pension liability will total \$41,692,958 as of May 1, 2019
 2. State Mandate: The State mandates that local pension funds have to be 90% funded by 2040
 3. Increasing Annual Costs: the city's costs are scheduled to increase by 7.00% annually to meet the 2040 deadline
 4. Negative Impact: The annual increases are unsustainable and if left unaddressed, will require drastic tax increases or service cuts
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FIREFIGHTER'S PENSION FUND

UNFUNDED PENSION AMORTIZATION SCHEDULE

THE STATUS QUO IS
UNSUSTAINABLE

Valuation Date	Paid in FY	Unfunded Liability	Payment	Interest	Principal	Total Contribution
5/1/2018	FY20	41,649,514	2,872,022	2,915,466	(43,444)	2,872,022
5/1/2019	FY21	41,692,958	2,965,362	2,918,507	46,855	2,965,362
5/1/2020	FY22	41,646,103	3,061,736	2,915,227	146,509	3,061,736
5/1/2021	FY23	41,499,594	3,161,243	2,904,972	256,271	3,161,243
5/1/2022	FY24	41,243,323	3,263,984	2,887,033	376,951	3,263,984
5/1/2023	FY25	40,866,372	3,370,063	2,860,646	509,417	3,370,063
5/1/2024	FY26	40,356,955	3,479,590	2,824,987	654,603	3,479,590
5/1/2025	FY27	39,702,352	3,592,677	2,779,165	813,512	3,592,677
5/1/2026	FY28	38,888,840	3,709,439	2,722,219	987,220	3,709,439
5/1/2027	FY29	37,901,620	3,829,995	2,653,113	1,176,882	3,829,995
5/1/2028	FY30	36,724,738	3,954,470	2,570,732	1,383,738	3,954,470
5/1/2029	FY31	35,341,000	4,082,990	2,473,870	1,609,120	4,082,990
5/1/2030	FY32	33,731,880	4,215,688	2,361,232	1,854,456	4,215,688
5/1/2031	FY33	31,877,424	4,352,698	2,231,420	2,121,278	4,352,698
5/1/2032	FY34	29,756,146	4,494,160	2,082,930	2,411,230	4,494,160
5/1/2033	FY35	27,344,916	4,640,220	1,914,144	2,726,076	4,640,220
5/1/2034	FY36	24,618,840	4,791,028	1,723,319	3,067,709	4,791,028
5/1/2035	FY37	21,551,131	4,946,735	1,508,579	3,438,156	4,946,735
5/1/2036	FY38	18,112,975	5,107,504	1,267,908	3,839,596	5,107,504
5/1/2037	FY39	14,273,379	5,273,499	999,137	4,274,362	5,273,499
5/1/2038	FY40	9,999,017	5,444,887	699,931	4,744,956	5,444,887
5/1/2039	FY41	5,254,061	5,621,845	367,784	5,254,061	5,621,845
5/1/2040	FY42	-	-		-	-

Source of Data: Lauterbach and Amen

HOW DO WE SOLVE THE PUZZLE?

The city must act, while there is still time on its side, to designate a funding source to:

- Create a local infrastructure bank to utilize on streets, sidewalks, sewer, storm sewer projects, as well as, other capital expenditure items like facility repair and vehicle replacement.
 - Make additional payments to reduce the principal balance amount owed (like on a loan or credit card), thus stabilizing and reducing the annual payment.
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FIREFIGHTER'S PENSION FUND

ADDITIONAL PAYMENT OPTION

Valuation Date	Paid in FY	Unfunded Liability	Payment	Interest	Principal	Additional Payment	Total Contribution
5/1/2018	FY20	41,649,514	2,872,022	2,915,466	(43,444)	900,000	3,772,022
5/1/2019	FY21	40,792,958	2,901,350	2,855,507	45,843	900,000	3,801,350
5/1/2020	FY22	39,847,115	2,929,478	2,789,298	140,180	900,000	3,829,478
5/1/2021	FY23	38,806,934	2,956,129	2,716,485	239,644	900,000	3,856,129
5/1/2022	FY24	37,667,291	2,980,977	2,636,710	344,267	900,000	3,880,977
5/1/2023	FY25	36,423,024	3,003,640	2,549,612	454,029	900,000	3,903,640
5/1/2024	FY26	35,068,995	3,023,660	2,454,830	568,831	900,000	3,923,660
5/1/2025	FY27	33,600,165	3,040,488	2,352,012	688,477	900,000	3,940,488
5/1/2026	FY28	32,011,688	3,053,456	2,240,818	812,638	900,000	3,953,456
5/1/2027	FY29	30,299,050	3,061,748	2,120,933	940,814	900,000	3,961,748
5/1/2028	FY30	28,458,235	3,064,344	1,992,076	1,072,267	900,000	3,964,344
5/1/2029	FY31	26,485,968	3,059,957	1,854,018	1,205,939	900,000	3,959,957
5/1/2030	FY32	24,380,029	3,046,928	1,706,602	1,340,326	900,000	3,946,928
5/1/2031	FY33	22,139,703	3,023,062	1,549,779	1,473,283	900,000	3,923,062
5/1/2032	FY34	19,766,421	2,985,382	1,383,649	1,601,733	900,000	3,885,382
5/1/2033	FY35	17,264,688	2,929,683	1,208,528	1,721,155	900,000	3,829,683
5/1/2034	FY36	14,643,533	2,849,751	1,025,047	1,824,704	900,000	3,749,751
5/1/2035	FY37	11,918,829	2,735,786	834,318	1,901,468	900,000	3,635,786
5/1/2036	FY38	9,117,361	2,570,917	638,215	1,932,702	900,000	3,470,917
5/1/2037	FY39	6,284,658	2,321,955	439,926	1,882,029	900,000	3,221,955
5/1/2038	FY40	3,502,630	1,907,330	245,184	1,662,146	900,000	2,807,330
5/1/2039	FY41	940,485	1,006,319	65,834	940,485	-	1,006,319
5/1/2040	FY42	-	-	-	-	-	-

HOW DO WE DESIGNATE A FUNDING SOURCE?

WHERE WOULD REVENUES COME FROM?

WHERE WOULD REVENUE COME FROM?

1. Existing Revenue Sources

- Local Gas Tax Currently in use and would need increased

2. New Revenue Sources

- Electric & Gas Utility Tax Currently not in use and would need enacted
 - Natural Gas Use Tax Currently not in use and would need enacted
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WHERE WOULD REVENUE COME FROM?

Local Motor Fuel Tax (aka Local Gas Tax)

- Local Gas Tax applied to every gallon of gas sold in Pekin.
 - Every \$.01 generates approximately \$130,000
 - City currently charges a \$.04 / gallon generating approximately = \$530,000 annually
 - Currently used to support infrastructure and street maintenance costs
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WHERE WOULD REVENUE COME FROM?

Electric Utility Tax

- Electric Utility Taxes are applied to customers based on the usage of electricity in the City.
- Maximum rates –see chart below:

<u>Kilowatt-Hours Used or Consumed in a Month</u>	<u>Max Cost Per KW-Hour</u>
First 2,000	\$0.006100
Next 48,000	\$0.004000
Next 50,000	\$0.003600
Next 400,000	\$0.003500
Next 500,000	\$0.003400
Next 2,000,000	\$0.003200
Next 2,000,000	\$0.003150
Next 5,000,000	\$0.003100
Next 10,000,000	\$0.003050
All in excess of 20,000,000	\$0.003000

WHERE WOULD REVENUE COME FROM?

Electric Utility Tax

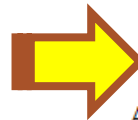
Customer Classification:	Residential	Commercial	Industrial	Total
Number of Customers:	14,079	1,564	10	15,653

Electric Utility Tax Rate % of Max	50%
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Usage Tiers	Residential Usage	Commercial Usage	Industrial Usage	Total Electric Usage
First 2,000 kwh:	130,045,460	20,228,289	183,742	150,457,491
Next 48,000 kwh:	4,361,700	58,874,355	3,972,774	67,208,829
Next 50,000 kwh:	-	13,158,755	3,615,081	16,773,836
Next 400,000 kwh:	-	28,854,786	24,723,250	53,578,036
Next 500,000 kwh:	-	5,029,883	28,735,352	33,765,235
Next 2,000,000 kwh:	-	-	70,823,161	70,823,161
Next 2,000,000 kwh:	-	-	46,000,000	46,000,000
Next 5,000,000 kwh:	-	-	103,250,997	103,250,997
Next 10,000,000 kwh:	-	-	24,621,516	24,621,516
All over 20,000,000 kwh:	-	-	-	-
Total kwh:	134,407,160	126,146,068	305,925,873	566,479,101
	23.7%	22.3%	54.0%	

Maximum Rate per IL Statute (kwh)	Proposed Rate
0.006100	0.0030500
0.004000	0.0020000
0.003600	0.0018000
0.003500	0.0017500
0.003400	0.0017000
0.003200	0.0016000
0.003150	0.0015750
0.003100	0.0015500
0.003050	0.0015250
0.003000	0.0015000

Residential Revenue	Commercial Revenue	Industrial Revenue	Electric Utility Tax Revenues
\$ 396,639	\$ 61,696	\$ 560	\$ 458,895
\$ 8,723	\$ 117,749	\$ 7,946	\$ 134,418
\$ -	\$ 23,686	\$ 6,507	\$ 30,193
\$ -	\$ 50,496	\$ 43,266	\$ 93,762
\$ -	\$ 8,551	\$ 48,850	\$ 57,401
\$ -	\$ -	\$ 113,317	\$ 113,317
\$ -	\$ -	\$ 72,450	\$ 72,450
\$ -	\$ -	\$ 160,039	\$ 160,039
\$ -	\$ -	\$ 37,548	\$ 37,548
\$ -	\$ -	\$ -	\$ -
Totals \$ 405,362	\$ 262,177	\$ 490,483	\$ 1,158,022
% Share 35.0%	22.6%	42.4%	
Annual Cost per Customer \$28.79	\$168	\$49,048	
Monthly Cost per Customer \$2.40	\$13.97	\$4,087.36	
Average KWH Use per Customer 9,547	80,656	30,592,587	



Annual Cost per Customer
Monthly Cost per Customer
Average KWH Use per Customer

Source of Data: Ameren
Date Report Generated: 3/9/2019
Usage for 12 rolling months ending 2/2019

WHERE WOULD REVENUE COME FROM?

Gas Utility Tax

- Gas Utility Taxes are applied to those engaged in the business of distributing, supplying, furnishing, or selling gas for consumption within the city limits.
- Maximum allowable rate is up to 5% of gross revenues.

					<div>Natural Gas Utility Tax Rate % of Max</div> <div>50.00%</div>					
Customer Classification:	Residential	Commercial	Industrial (No Gas Transport)	Total	<div>Maximum Rate</div> <div>Proposed Rate</div>					
Number of Customers:	12,324	887	6	13,289	5.00%	2.50%				
Total Revenues	\$ 9,545,901	\$ 2,733,048	\$ 724,081	\$ 13,003,030						
	73.41%	21.02%	5.57%							
					<div>Annual Cost per Customer</div> <div>Monthly Cost per Customer</div>					
					<div>50.00%</div> <div>2.50%</div>					

WHERE WOULD REVENUE COME FROM?

Gas Use Tax

- The Gas Use Tax is applied to customers on the usage of gas, measured in therms, in the City and applies to gas sold by both Ameren and out-of-state suppliers.
- Maximum allowable rate is up to \$.05 per therm.

					Natural Gas Use Tax Rate % of Max	6.00%					
Customer Classification:	Residential	Commercial	Industrial & Gas Transport	Total	Maximum Rate	Proposed Rate		Residential Revenue	Commercial Revenue	Industrial & Gas Transport Revenue	Natural Gas Use Tax Revenues
Number of Customers:	12,324	887	78	13,289							
Total Therms:	9,184,366	2,469,253	192,135,690	203,789,309	\$0.05000	\$0.003000	Totals	\$ 27,553	\$ 7,408	\$ 576,407	\$ 611,368
	4.5%	1.2%	94.3%				% Share	4.5%	1.2%	94.3%	
							Annual Cost per Customer	\$2.24	\$8	\$7,390	
							Monthly Cost per Customer	\$0.19	\$0.70	\$615.82	
							Average Therm Use per Customer	745	2,784	2,463,278	

Source of Data: Ameren

Date Report Generated: 3/9/2019

Usage for 12 rolling months ending 2/2019

SOURCE & USES OF FUNDS

<u>Source of Funds</u>	<u>Max Rate</u>	<u>Proposed Rate</u>	<u>Funding</u>
Local Gas Tax (MFT)	No Max	Inc. to \$.08/gallon	\$1,040,000
State MFT	N/A	N/A	\$ 875,000
Electric Utility Tax	.0030 to .0061	.0015 to .00305	\$1,158,022
Gas Utility Tax	5.00%	2.50%	\$ 325,076
Natural Gas Use Tax	\$.05/therm	\$. <u>00</u> 30/therm	<u>\$ 611,368</u>
			\$4,009,466

USES

Capital/Infrastructure projects	\$3,046,632	(76%)
Pension Pay-down	\$ 900,000	(22%)
Utility Collection/Admin Fee	<u>\$ 62,834</u>	<u>(2%)</u>
	\$4,009,466/year	

IMPACT ON THE RESIDENT

Source of Funds

Estimated Impact on Resident

Local Gas Tax (MFT)

\$.04 increase/gallon

State MFT

N/A

Electric Utility Tax

\$2.40/month

\$28.79/year

Gas Utility Tax

\$1.61/month

\$19.36/year

Natural Gas Use Tax

\$.19/month

\$ 2.24/year

\$4.20/month

\$50.39/year

OTHER CITIES WITH UTILITY TAXES

Peoria

Morton

Galesburg

Canton

Bloomington

Champaign

Urbana

Decatur

Lincoln

Mattoon

Effingham

Charleston

THE PURPOSE OF THIS STRATEGY

1. To take control of our own situation;
 2. To collectively address two complex and large issues with an appropriately sized response/strategy;
 3. Make investments in much needed capital expenditures;
 4. Make good on promises made long ago to our first responders;
 5. Minimize the impact on residents, business and industry (by not charging maximum rates);
 6. Remove the heavy weights hanging over our heads so we can better plan and build our future; and
 7. To position Pekin as a community of safety, stability and growth in Illinois.
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NEXT STEPS

1. Obtaining Feedback/Input

- City Council
- Business Community & Stakeholder Input
- Citizen

2. Determining the City Council's direction on the way to proceed

CONCLUSION

QUESTIONS?
