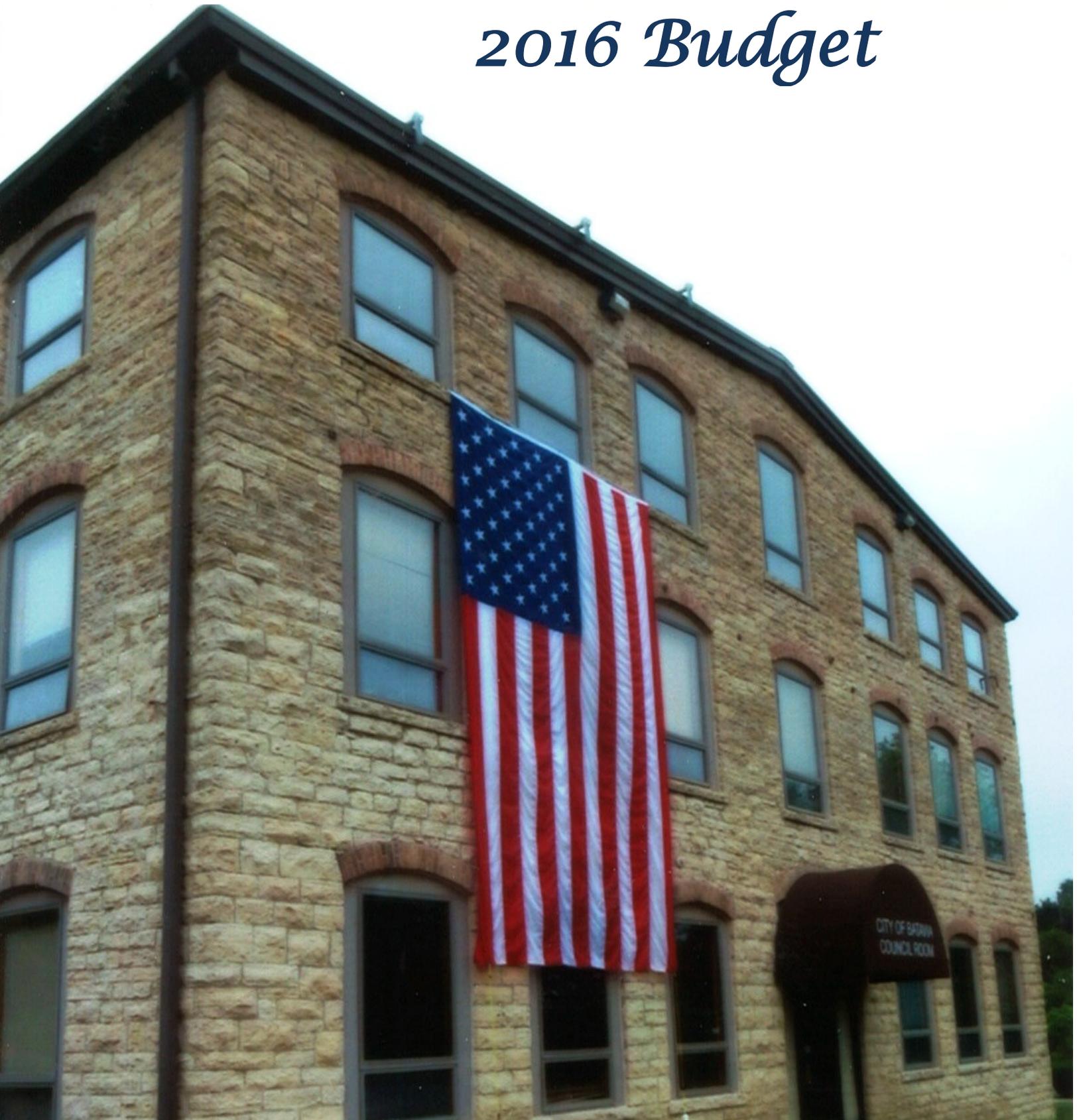


*City of Batavia,  
Illinois*

*2016 Budget*



## **City of Batavia Values, Vision and Mission**

### **Values Statement:**

We value the diversity, productivity and innovation of our residents and the contributions they make to our community.

We value friendliness and caring in creating a sense of community, quality of life and hometown atmosphere.

We value a commitment to continually improve the quality, reliability and affordability of city services.

We value the preservation of our historical character while seeking to develop growth and prosperity.

We value the stewardship of our natural environment through the protection and conservation of natural resources.

We value honesty and integrity in all that we say and do.

### **Vision Statement:**

The vision for the City of Batavia is to be the most vibrant and welcoming community for our residents and visitors with a full range of housing, business, cultural and recreational opportunities in a safe, sustainable and attractive environment.

### **Mission Statement:**

The mission of the City of Batavia is to continually enhance the quality of life enjoyed within our community through the development and delivery of reliable and efficient municipal services.

# City of Batavia Strategic Plan

## Strategic Themes & Rationales

### Service Delivery & Financial Sustainability

**Strategic Rationale:** To develop a financial plan that determines what resources will be available to meet the objectives of the City of Batavia's Strategic Plan, while at the same time, ensuring that the City of Batavia remains financially sustainable. To achieve financial sustainability means that the City will manage its finances so it can meet its spending commitments, both now and in the future. The City will ensure that the current spending plan does not leave an unmanageable bill for government services provided to the current generation to be paid by future generations. City policies will support the commitment to continually improve the quality, reliability and affordability of city services. The strategies implemented will include seeking diverse revenues to ensure that the City is able to manage through various economic cycles without having to increase fees and taxes or reduce services in such a way that it has a significant impact on a resident's cost of living and or on the social well being of the community.

### Strategic Goals & Objectives for Service Delivery & Financial Sustainability

1. Develop a five-year financial management plan
  - a. Prepare a preliminary macro level General Fund five-year outlook
  - b. Prepare a five-year General Fund plan by department
  - c. Prepare a five-year plan for all funds
2. Link the Annual Budget to the Strategic Plan
  - a. Highlight strategic objectives in Narratives and Budget Overview
  - b. Set annual budget using both short and long-term goals for direction and priorities
  - c. Support and encourage collaboration among departments for identification and prioritization of budget needs and allocation of resources
3. Maintain adequate operating reserves/fund balances
  - a. Review and follow Fund Balance Policy
  - b. Consider and evaluate impact on reserves during the budget process
4. Deliver high quality City services that meet the needs of the community while continually working to control expenditures
  - a. Implement organizational efficiencies through process evaluation
  - b. Optimize use of technology and foster innovation
  - c. Maintain efficient and effective staffing levels
  - d. Maintain a competitive compensation and benefit system
  - e. Create an environment of trust and empowerment through a partnership of management and staff
  - f. Foster a work environment of accountability, integrity, and collaboration
  - g. Provide the resources needed to support quality service delivery
  - h. Encourage citizen feedback and incorporate changes when suitable
  - i. Maintain and review internal controls

## Strategic Goals & Objectives for Service Delivery & Financial Sustainability (Continued)

5. Diversify and augment revenues
  - a. Assess user fees when identifiable
  - b. Utilize SSA's or TIF's where appropriate
  - c. Seek funding through grants
  - d. Adopt a policy for the levy of property tax
  - e. Utilize utility shutoff and collection procedures and services to maximize accounts receivable collection
  - f. Maximize investment return within the parameters of Investment Policy
  - g. Survey other communities for types and rates of revenues
  
6. Provide for the adequate maintenance of capital
  - a. Develop a Facilities Capital Plan
  - b. Develop/Implement the Infrastructure Capital Plan
  - c. Provide funding to the Capital Fleet/Equipment Reserve while optimizing the useful life of the fleet and assessing fleet replacement
  
7. Plan for long-term liabilities and commitments
  - a. Adopt a pension and other post employment benefits funding policy
  - b. Implement a debt policy
  - c. Continue efforts to develop a diversified energy portfolio
  - d. Follow Bond recordkeeping policy
  
8. Ensure availability of financial information for the City Council and community
  - a. Maximize public access to financial data and reports
  - b. Provide comparative analysis with financial ratios and benchmarks
  - c. Review, develop and implement financial policies
  - d. Ensure financial reports and tax returns are filed and made available by required dates
  
9. Be proactive on legislative issues with financial implications for the City
  - a. Develop process for formal response to legislative opportunities and/or threats
  - b. Cultivate information resources for City Council and staff
  - c. Review and implement all new applicable accounting pronouncements

# City of Batavia Strategic Plan

## Strategic Themes & Rationales

### Business Development & Retention

**Strategic Rationale:** The success and overall health of businesses within our community is directly linked to the quality of life experienced by the residents of our community and therefore, of great importance to the City of Batavia as a whole. A healthy business community, through the creation of jobs and revenue, is a major element in allowing the City to carry out and sustain its various functions. Business development and retention is a multi-faceted approach to the development of policies and programs designed to preserve, enhance and promote a vibrant, welcoming and successful business community.

### Strategic Goals & Objectives for Business Development & Retention

1. Develop a business/economic development plan
  - a. Assess the current economic environment
  - b. Prepare a business/economic plan document
2. Develop and Implement a Comprehensive Business Retention and Expansion Plan.
  - a. Be a proactive resource for existing businesses, developing policies, incentives and programs to assist in their growth
  - b. Annually survey existing business constituents, by sector and by geography, to obtain their input concerning the general business climate in the City
  - c. Bi-annually assess neighboring and competitive communities with respect to those elements listed in subparagraph 2.b
  - d. Schedule and conduct no fewer than three retention visits each month to individual businesses located within the City of Batavia
  - e. Maintain a website portal focused on “Doing Business in Batavia”
3. Develop and Implement a Comprehensive New Business Recruitment Plan.
  - a. Conduct initial and thereafter ongoing (minimal every five years) cluster analyses to determine existing strong and emergent business sectors in the city and immediate surrounding area
  - b. Conduct initial and thereafter ongoing (minimal every three years) gap analyses to determine leakage/opportunities in local retail trade
  - c. Identify and target specific business types and specific businesses within said types for recruitment
  - d. Develop and employ a comprehensive marketing strategy for business recruitment, by business sector type and by targeted areas within the City
  - e. Schedule and make on-site recruiting trips to meet with key personnel representing ownership for site selection purposes, providing marketing material and discussing the advantages of making a Batavia site selection
  - f. Attend key trade shows (ICSC, AIRE, IOREBA, NAIOP), as an attendee and/or showroom participant, facilitating personal meetings with real estate brokers, developers and property owners/managers to recruit new business enterprises and commercial, office/research and industrial development activity for the City

## Strategic Goals & Objectives for Business Development & Retention (Continued)

4. Develop a marketing/branding initiative
  - a. Business-to-Business
  - b. Consumer-Focused
  
5. Develop and expand effective partnerships with business-oriented non-governmental organizations
  - a. Identify appropriate NGOs for potential partnerships
  - b. Appoint City representatives as liaisons to NGOs
  
6. Encourage the development of public policies and public improvements to support business development
  - a. Streamline the process for approval of developments that retains efficiency and effectiveness
  - b. Identify priority development projects and position staff to accelerate its review and recommendation processes to bring such projects to approval authority in the earliest possible time-period
  - c. Explore ways to fund improvements to telecommunication systems, such as wireless internet, fiber optics, broadband
  - d. Explore ways to fund improvements to City-owned utilities, including but not limited to enhanced efficiency and reliability of the City's electric distribution system
  
7. Develop the Area's Workforce
  - a. Survey local business community, particularly manufacturing and service sectors, to determine its employment needs, especially as these needs relate to skill set deficiencies
  - b. In cooperation with Batavia High School, Waubonsee Community College, River Valley Workforce Investment Board and KCDEE, and the Illinois Department of Commerce and Economic Opportunity to explore new and enhance existing programs that will serve both our local workforce and business community, by ensuring employee workforce skill sets match employer-desired skills sets
  - c. In cooperation with our local manufacturing sector, consider creating a high school and/or community college scholarship program benefitting Batavia student residents to assist them in meeting educational costs, in exchange for their agreeing to be employed as interns by our local manufacturing businesses
  
8. Examine various revenue sources for ED:
  - a. Explore creation of additional TIF Districts  
Use of DCEO

# City of Batavia Strategic Plan

## Strategic Themes & Rationales

### Housing

**Strategic Rationale:** A diverse, quality housing stock will best serve existing and prospective residents of Batavia. Such housing will promote safe, stable and attractive neighborhoods, which will enhance the quality of life and increase the overall health of the community. The City should be a catalyst in promoting housing diversity and development consistent with the Comprehensive Plan. The City's long-term plan must focus on influencing the private sector through supportive planning policies and partnerships.

### Strategic Goals & Objectives for Housing

1. Address the availability of diverse housing choices
  - a. Complete a comprehensive housing study
    - i. Document existing housing stock by type
    - ii. Assess demographic changes
    - iii. Identify needs
    - iv. Analyze study recommendations and develop action plan for implementation
  - b. Utilize housing study to determine appropriate locations for various types of housing
  - c. Consider comprehensive plan and zoning map changes to address the housing needs analysis
  - d. Accommodate persons and families of varied income levels
  - e. Accommodate persons and families of varied levels of physical and mental abilities
  - f. Provide quality rental housing choices
  - g. Provide a balance of housing types suitable to accommodate changes in the needs of an individual's lifestyle or family status
  - h. Consider creating a Housing Commission to address housing needs
2. Maintain and enhance the quality of housing stock
  - a. Maintain and enforce reasonable building maintenance codes and uniform compliance standards
  - b. Implement changes to the City's Crime Free Housing program to become a comprehensive Rental Dwelling Inspection Program
  - c. Consider positive programs to encourage homeowner "investment" in their neighborhood to raise pride
  - d. Review and analyze transportation planning needs to support various housing types
3. Support private sector development/redevelopment of housing
  - a. Identify locations for housing development/redevelopment and market them to the development community
  - b. Develop incentive programs to financiers and developers of underrepresented housing types
  - c. Analyze the development review process and streamline it where possible

## **Strategic Goals & Objectives for Housing (Continued)**

- d. Review codes to ensure that requirements are clear and simply stated for prospective developers.
  - e. Work with other government entities to understand impacts of different types of development
4. Actively pursue all County, State, Federal and private housing grant opportunities
- a. Apply for relevant grants that will support housing objectives and that are financially sustainable
  - b. Investigate opportunities for partnerships with other non-profit or governmental organizations to be co-applicant on grants geared towards private or public-private development

# **City of Batavia Strategic Plan**

## **Strategic Themes & Rationales**

### **Environmental Identity**

To integrate Environmental Sustainability considerations into all aspects of City operations including the water, wastewater and electric utilities and capital programs such as storm water mitigation, small creek drainage into the Fox River and erosion of riverbanks. The City will promote the use of environmentally sensitive building practices and sustainable infrastructure. The City's environmental identity will be reinforced through policies supporting our value as stewards of our natural environment through the protection and conservation of natural resources. The City will seek to build awareness of the impact we all have on our environment and take steps to address that impact by developing innovative solutions to increase conservation, reuse and recycling of natural resources. The City will utilize its own environmental identity to foster a culture of sustainability within the community.

### **Strategic Goals for Environmental Identity**

1. Re-establish the Fox River as a central feature of the community
  - a. Continue to integrate relationship and identity with River in streetscape design elements, new City logo, downtown development themes and other activities such as Art in Your Eye, Celebration of Lights
  - b. Consider some type or river-based community event, or art display
  - c. Emphasize River Cleanups
  - d. Consider new City logo incorporating the River
  - e. Apply for grants to study river corridor and to develop Fox River Corridor Study and Plan
2. Adopt and codify policies to promote conservation of natural resources
  - a. Assess Municipal Code regarding water cleanliness, energy efficiency and use of sustainable materials and practices such as LEED compliance in zoning and building activities
  - b. Remain active member of Fox River Ecosystem Partnership
  - c. Recognize and regard businesses that promote environmental responsibility and awareness
3. Enhance surface water quality
  - a. Consider remaining life of dam and implications
  - b. Review codes re fertilization of lawns, buffer requirements, runoff filtration
4. Integrate environmental principles into Utility operations
  - a. Analyze environmental impacts of operations
  - b. Research and/or create environmental best utility practices
5. Promote alternative transportation methods
  - a. Investigate methods of dealing with the "First Mile" i.e. car pools, PACE vans
  - b. Investigate limited use of Fox River trail for soft tired commuter transit
  - c. Investigate potential for Batavia railroad tracks to link to Aurora and/or West Chicago for commuter purposes

## Strategic Goals for Environmental Identity (Continued)

- d. Investigate “Batavia bike commuter” bike lockers at Geneva commuter station
  - e. Work with PACE, Kane County, Geneva, St. Charles, Chamber (at a minimum) regarding bus services to support industrial parks and Mall areas along transit routes.
  - f. Analyze future need for transportation expertise in City staff ( engineer, planner, consultant, or community advisory group)
  - g. Bus service to Fifth Third Ball Park (Cougar Stadium) and River Edge Park (Aurora) and future Settler’s Hill venues
6. Educate the public on conservancy through media and programs
- a. Conservation articles in Neighbors, Earth Friendly shows on BATV, Conservation lectures with Library
  - b. Invite/involve students to sit in on meetings re environmental issues
  - c. Actively participate in efforts to work with surface water pollution from land uses affecting waters coming through the City.

# City of Batavia Strategic Plan

## Strategic Themes & Rationales

### Downtown Development

**Strategic Rationale:** Downtown Development will seek to provide a downtown that is a vibrant city center for recreation and business activity by re-establishing the downtown as the heart of the community. The downtown should be more than just a place for residents and visitors to pass through; it should be a destination where people can live, work, recreate, dine, shop, conduct business, and spend leisure time. Downtown development initiatives will incorporate all modes of transportation that provide ease of access and aid in the safe and efficient management of traffic. The Downtown should provide safe, accessible gathering areas for a host of activities, ranging from casual conversations, to festivals, races and other events. Downtown revitalization will provide small town ambience accented with attractive streetscape, significant historic buildings and unique architecture that is highlighted with views and use of the Fox River. Through engagement of all stakeholders, downtown development will improve and maintain Downtown Batavia as a special place to be.

### Strategic Goals & Objectives for Downtown Development

1. Review and update the comprehensive plan as it relates to the downtown
  - a. Promote mixed use development
  - b. Recognize value of open space and natural amenities of the Fox River
2. Identify suitable locations for and promote the development of residential uses in the downtown.
3. Identify and promote missing or underutilized public/private amenities
  - a. Encourage pedestrian and bicycle friendly improvements to the public realm, such as streetscape improvements, signage, access to trails and public transportation
  - b. Provide adequate funding for infrastructure maintenance to sustain desired amenities
4. Assess the viability/continued funding for Main Street
5. Evaluate existing special events and/or festivals and consider developing new events to bolster shopping and dining activity in the City's downtown in collaboration with Batavia Main Street and the Batavia Chamber of Commerce
6. Review TIF
  - a. Consider existing and anticipated future available TIF Funds and determine policy balance between further streetscape and infrastructure improvements versus use for redevelopment agreements
  - b. Study authority and advisability of splitting various sites from existing TIFs in event of significant, prospective developments.

## **Strategic Goals & Objectives for Downtown Development (Continued)**

7. Coordinate with other City Departments to maximize and integrate ED impact
  - a. Explore opportunities for grants to support infrastructure projects in downtown
  - b. Identify and coordinate Summer workers wearing “Downtown Info” t-shirts
  - c. Collaborate with MainStreet, Chamber and Special Events groups to create and coordinate Winter projects and events

# **City of Batavia Strategic Plan**

## **Strategic Themes & Rationales**

### **Community Connectivity**

**Strategic Rationale:** To create an environment that fosters citizen engagement, collaboration, and contribution through the investment in physical and social capital. A physically connected community is one that provides infrastructure for the facilitation of movement within and through the City of Batavia. A connected physical community is one that has an integrated system of bicycle lanes and paths, pedestrian walkways, bridges and an efficient street network. Social connectedness means that residents recognize and identify themselves as part of the City of Batavia, so that when people speak about themselves, they will identify this community as part of who they are, and where they like to spend time. The City will maximize connectivity through the expanded use of all aspects of communication media.

### **Strategic Goals & Objectives for Community Connectivity**

1. Incorporate “connected infrastructure”
  - a. Adopt policies to update the City’s bicycle and sidewalk plans and incorporate into GIS
  - b. Identify solutions to pedestrian crossing problem areas
  - c. Identify, design and construct gathering places, kiosks, corners, benches.
  - d. Address the “islands” of unincorporated parcels within City limits
  - e. Identify regional connection issues, bus routes, trails.
2. Facilitate communication pathways
  - a. Construct City external communications program
  - b. Review and prepare for the changing role of standard media
  - c. Adopt social media use policy and maximize their use in City communication
  - d. Clarify & strengthen relationship and use of BATV, both television and streaming
  - e. Review and update the design, function, and content of the City/community website
  - f. Leverage the City’s fiber-optic infrastructure for business and entertainment uses
  - g. Educate about local governance
  - h. Harness skill, number & presence of employees for communication
3. Nurture participation/volunteerism in community activities and programs
  - a. Facilitate the connection between community organizations and potential volunteers
    - i. Short-term volunteer opportunity matching through web
  - b. Review the role and structure of ACCESS - Batavia Corps
  - c. Encourage participation in governance- commissions, task forces, advisory groups
4. Collaborate with other governments and community organizations
  - a. Initiate annual meeting with other government and community organizations to engage in strategic planning/goal development.
  - b. Identify and realize opportunities for operational and resource collaboration
  - c. Develop policies on memberships & representation on other boards and organizations

## Strategic Goals & Objectives for Community Connectivity (Continued)

5. Foster neighborhood organizations and neighborhood collaboration
  - a. Identify and compile a comprehensive list of neighborhood groups for communications
  - b. Encourage formal and informal HOAs, neighborhood watch programs, block parties, community gardens
  - c. Consider indentifying neighborhoods on basis other than subdivision names
  - d. Consider naming areas of the community to give identity (West Main area-"West Town")
  - e. Develop programs to strengthen neighborhood cohesion: neighborhood gardens, renter integration, block parties, watch programs, tool sharing, care of elderly or infirm to retain them in neighborhood, neighborhood nights downtown, storm drain stenciling & cleanout, landscaping competitions.
  - f. Investigate 2015 as "Year of the Neighborhood"
  
6. Use the Arts and other forms of self expression to encourage and support community connectivity and identity
  - a. Catalogue comprehensive list of arts and special interests groups in the community
  - b. Investigate collaboration with schools, other governments & orgs to leverage interest and resources in arts
  - c. Investigate whether Water Street Studios model or similar can be used for other activities, such as West Suburban Robotics Center, Industrial Arts Hacker Shack
  - d. Consider policy for setting aside % for art in public projects
  - e. Investigate regional/national art draw such as sculpture park, river based art

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# List of Officials

**Honorable Jeffery D. Schielke, Mayor**

## **City Council**

Ward 1:	<b>Carl Fischer</b>	<b>Michael F. O'Brien</b>
Ward 2:	<b>Martin Callahan</b>	<b>Alan P. Wolff</b>
Ward 3:	<b>Dan Chanzit</b>	<b>Kyle Hohmann</b>
Ward 4:	<b>Susan Stark</b>	<b>Paula Mueller</b>
Ward 5:	<b>Lucy Thelin Atac</b>	<b>Kevin Botterman</b>
Ward 6:	<b>Nicholas Cerone</b>	<b>Michael Russotto</b>
Ward 7:	<b>David J. Brown</b>	<b>Drew McFadden</b>

## **City Administrator**

William R. McGrath

### **City Treasurer**

Heidi L. Wetzel

### **City Treasurer**

Gerald R. Miller

## **City Attorney**

Drendel & Jansons Law Group

## **Department Heads**

### **Director of Finance**

Peggy Colby

### **Director of Public Works**

Gary Holm

### **Director of Information Systems**

Howard Chason

### **Director of Community Development**

Scott Buening

### **Fire Chief**

Randy Deicke

### **Police Chief**

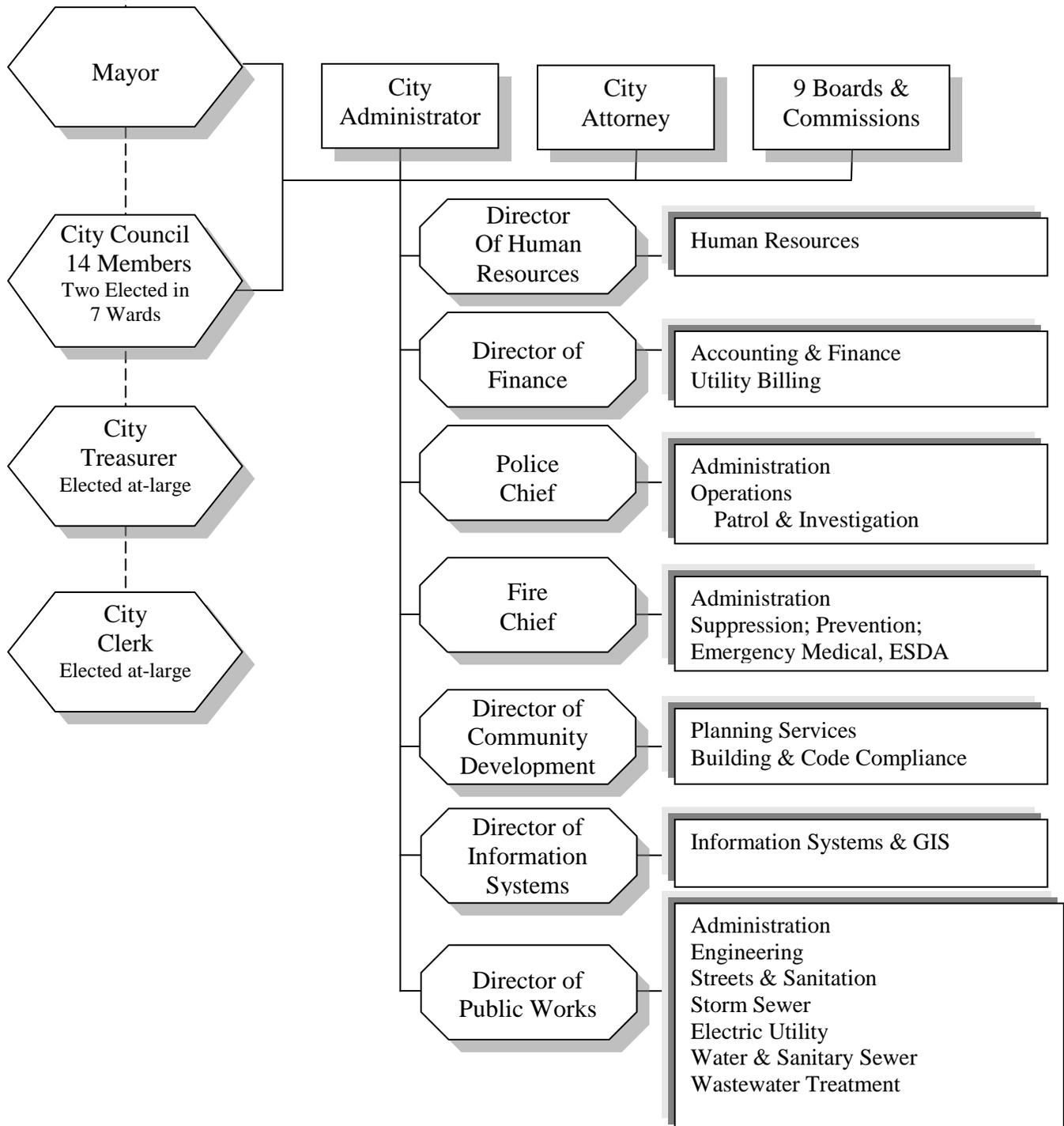
Gary Schira

### **Director of Human Resources**

Wendy Bednarak

# City of Batavia Organizational Structure

## Citizens of Batavia



# City of Batavia

## 2016 Budget Summary

Total Budget	Operating	Capital	Debt	Interfund Capital/Debt
<b>\$104,714,464</b>	<b>\$84,166,819</b>	<b>\$14,308,008</b>	<b>\$4,369,760</b>	<b>\$1,869,877</b>

Total by Fund	Operating	Capital	Debt	Interfund Capital/Debt
<b>General</b> \$26,713,321	\$24,654,771	\$ 275,100	\$ -	\$ 1,783,450
<b>Motor Fuel Tax</b> \$	\$ -	\$	\$ -	\$ -
<b>Capital Projects</b> \$ 7,197,935	\$ -	\$ 7,111,508	\$ -	\$ 86,427
<b>Debt Service</b> \$ 856,876	\$ -	\$ -	\$ 856,876	\$ -
<b>Electric</b> \$52,823,706	\$48,180,370	\$2,939,000	\$ 1,704,336	\$ -
<b>Water</b> \$ 5,074,005	\$ 3,282,292	\$ 855,000	\$ 936,713	
<b>Wastewater</b> \$ 6,883,481	\$ 2,884,246	\$ 3,127,400	\$ 871,835	
<b>Insurance Funds</b> \$ 5,165,140	\$ 5,165,140	\$ -	\$ -	\$ -

# **City of Batavia Budget Process**

## **Budgetary Law and Internal Controls**

Budget Law governs the City of Batavia's budgetary operations as provided for in the Illinois Compiled Statutes. The budget is administered by the Director of Finance under the appointed title of Budget Officer. Budget Law does not require appropriations to be passed but rather an annual budget must be adopted prior to the year the funds will be expended. The City of Batavia's fiscal year begins January 1. Budgetary control is maintained on a line item basis. The City's financial software issues a report anytime a line item exceeds the budgeted amount. Under Budget Law, individual line items may exceed the budget. A review of the total department budget is done monthly by the accounting department and a request for revision/amendment is sent out if deemed necessary. Purchase orders do not roll over from one budget year to the next and must be re-issued and re-budgeted in the next year if they are not completed within the same budget year.

## **Budgetary Goals and Strategic Planning**

The City Council begins establishing budget goals early in the year often through strategic planning sessions. The City Administrator and Finance Director begin asking departments to review their current year budgets and plans for the next year in August. At that time, departments begin determining what projects will see completion and what if any projects will need to carry over into the next budget year. In addition, departments are asked to prepare requests for any new services or programs being planned for the coming year. While the City of Batavia does not do multi-year budgeting, long-range plans are discussed each budget year and are reviewed as part of the current budget goals and objectives. Long-range plans must be incorporated into the planning process to assure current year decisions are made prudently. Additionally, planned capital projects are included in the back of the budget for discussion and informational purposes.

## **Budget Preparation and Entry**

The City of Batavia Budget includes the two prior years of actual expenses, the current year budget and projected actual expenses along with the proposed budget. Beginning in August, the Finance Department rolls the budget year to allow data entry into the City's budget program. At this time, departments may begin entering current year projections and the proposed budget. Departments also begin compiling and reporting revenue projections to the Finance Director. Historical trends and projected economic and community growth are used in making revenue projections. Once all data entry is completed in early October, an initial report is prepared for the City Administrator to begin "balancing" the budget.

## **Needs Assessment/Finalizing the Budget**

In October the City Administrator and Finance Director meet with the individual department heads to review any major changes, discuss objectives and review capital requests and requests for additional staff. Budget cuts are always part of this process. While it is difficult to make cuts to any one department, the City Administrator must weigh the individual department needs against the needs of the City as a whole.

During this time, the Finance Director projects what fund/unreserved cash balances will remain at the end of the current fiscal year. These levels will be used in determining the "bottom line". The City of Batavia seeks to maintain cash reserves to cover at least 60 days of operating expenses in the General Activities Fund and 90 days of operations for the Enterprise Funds.

## **City of Batavia Budget Process - Continued**

### **Inspection, Review and Adoption**

In late October, a preliminary budget is distributed to the City Council, department heads, the press, and copy is available at City Hall for review by the public. The City must make the tentative budget conveniently available for public inspection at least ten days prior to passage.

After the budget has been distributed to the City Council, the City Administrator accepts written questions from the Council and responds to the entire City Council. This allows the City Council members to request more information and to clarify questions on budgeted items and to address any concerns they may have prior to the Committee Meeting.

A Committee meeting is held in early November for official review the budget. A presentation is made and major budget items or changes from the prior year are addressed. In addition, revenue trends are discussed and any recommendations to increase fees or rates that are part of the budget are presented for review and approval. If changes to the budget are requested, the changes are made and amended copies of the budget are distributed to the Council. More than one Committee meeting may be held if necessary.

The notice of the public hearing for the budget must be published in a newspaper having general circulation at least one week prior to the hearing. The public hearing is held at the second City Council meeting in November. After the public hearing is held, the budget may be further revised and passed without any further inspection, notice or hearing.

### **Amendments**

After the budget is passed, a change may become necessary. The City Council has authorized line item transfers within funds to be done with approval from the City Administrator and Director of Finance. An annual report of line item transfers is sent to the City Council for review on an annual basis. Line item transfers may not be used to increase salaries to hire staff nor may they increase the overall budget. Any increases to the budget must be presented to the City Council as a resolution for approval and at no time is an increase to the budget approved unless funds are available for the increase.

Carryover from one budget year to the next is allowed for a budgeted item that will not be received or for contracts that will not be completed within the calendar year. This procedure allows for appropriate accounting. Departments are encouraged to order budgeted items sufficiently in advance to reduce the necessity for carryovers.

# 2016 Budget Calendar

- July 31, 2015 Finance Rolls Budget (sets up new funds/accounts/sets IMRF rate)
- July 31, 2015 Finance Enters 2014 Actual Expenditures & Cash Balances
- August 2015 Departments Begin Budget Planning Process & Entry
- September 22, 2015 2015 Revenue Estimates to Finance - Eng., Community Dev., Police & Utilities
- September 22, 2015 2016 Revenue Estimates to Finance - Eng., Community Dev., Police & Utilities
- September 22, 2015 Closing for Data Entry - Submit change requests to Finance after this date
- September 24, 2015
- September 29, 2015 Meetings with Department Heads for Line Item Review & Potential Budget Cuts
- September 29, 2015 Submit Preliminary Department CIP Workbook
- October 06 - 08, 2015 2nd Round Meetings with Department Heads for Final Modifications  
(Adjustments to 2015 & projections & 2016 Budget may be given up to this date)
- October 8, 2015 Cut-off Date for Final Modifications/Amendment Requests to Admin/Finance
- October 9, 2015 Submit Department Narrative Electronically
- October 9, 2015 Submit Final Department CIP Workbook (If necessary)
- October 9, 2015 Finance Provides Administration with Draft Budget
- October 9, 2015
- October 23, 2015 Finalize Budget and Prepare Draft for Distribution
- October 26, 2015 Distribute Electronically to City Council/Staff & make Hard Copy available to the Public  
(must be made available at least 10 days prior to passage)
- October 26, 2015 Comment Period Begins (until Passage)
- November 5, 2015 Budget Public Hearing Notice Published  
(must be published one week or more prior to hearing)
- November 5, 2015 Special COW Budget Meeting 7:00 PM Start
- November 12, 2015 Second COW Meeting for Budget 7:00 PM Start
- November 16, 2015 2016 Budget Public Hearing\*
  
- November 25, 2015 2015 Tax Levy Public Hearing Notice Published if Required  
(must be published not more than 14 days  
but not less than 7 days prior to hearing)
- December 7, 2015 2015 Tax Levy Public Hearing (if required)\*
- December 7, 2015 City Council to Approve Final Budget  
(budget can be modified & adopted anytime after the public hearing  
without further review but must be approved before Jan 1.)
- December 21, 2015 City Council to Approve 2015 Tax Levy for 2016 Collection
- December 21, 2015 Alternate Approval Date for 2016 Budget
- January 1, 2016 Budget Year Begins

\*The hearing on the Budget may not coincide with the hearing on the Levy

# **City of Batavia Financial Overview 2016 Annual Budget**

To the Mayor, City Council and Citizens of Batavia:

Following is the City of Batavia Budget for the calendar year 2016. The City of Batavia passes a budget for the following funds and fund types:

## **Governmental Fund Type**

General Fund  
Motor Fuel Tax Fund  
Capital Project Fund  
Debt Service Fund

## **Proprietary Funds**

## **Enterprise Fund Type – Business Type Activities**

Electric Fund  
Water Fund  
Wastewater Fund

## **Internal Service Fund Type**

Health Insurance Fund  
Workers Compensation Insurance Fund

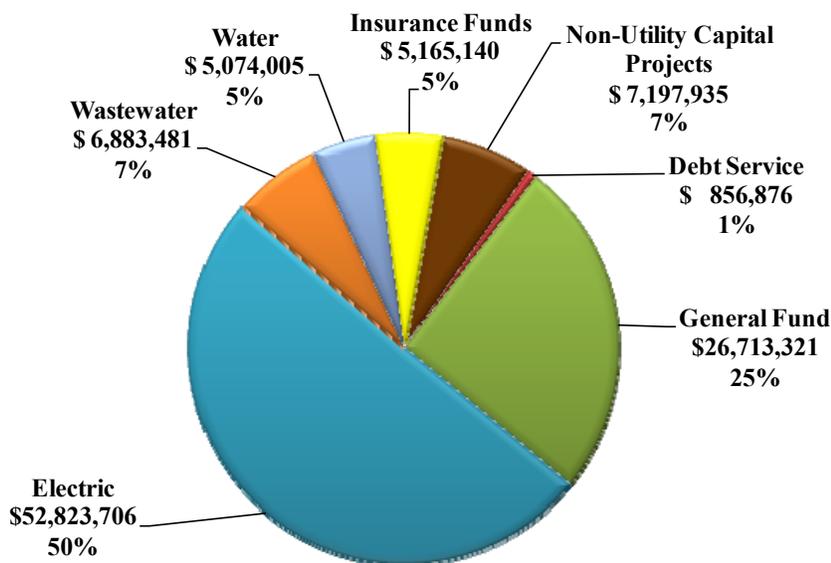
The budget must be approved by the City Council prior to January 1 of the budget year. The City of Batavia operates under Budget Law and the budget is administered by the Finance Director under the appointed title of Budget Officer. Budgetary spending control is monitored by the City's financial software. Line item budgets may exceed the budget without requiring a budget amendment as long as the total budget at the fund level is not exceeded. Although an overage by line item is allowed, an overage by department is discouraged and a review of each department's budget is made on a monthly basis and line item budgets are sometimes adjusted to account for unplanned expenditures. Budget amendments through a resolution are required to increase the budget. A reduction to a budgeted line item may be made at any time with a report to the City Council at the end of the budget year along with a report of lateral transfers between line items.

The City of Batavia passes a total budget that includes the operating budget and the capital budget. The total budget or fund level budget may report a deficit due to capital spending. The goal of the budget process is to ensure a balanced or surplus *operating* budget. Reserves are the surplus of total revenues over total expenditures. The budget reports a surplus/deficit by year for the proposed budget, the current year budget, the projected current year actual and the actual revenues and expenditures for the two prior years. The surplus of any year adds to the City's reserves while a deficit uses surplus from prior years. Reserves are necessary for emergency operating funds, capital spending or large one-time expenditures. Major capital expenditures, are financed through issuance of bonds or other borrowing and are accounted for in a capital project fund rather than in the General Fund.

The Surplus and Reserves balance referred to in the City’s budget is not the same as the fund balance reported in the City’s Comprehensive Annual Financial Report (CAFR). Fund balance in the CAFR is the difference between assets and liabilities. This does not necessarily represent spendable funds, therefore the budget reserves only includes cash and investments as adjusted for current receivables and current payables. The City Council adopted an amended fund balance policy in 2013. The policy lays out the minimum fund balance/reserves that the City should strive to maintain. For the General Fund it is 60 days and for the City’s Enterprise Funds it is 90 days. Further discussion on reserves is at the end of this letter under *Surplus and Reserves*.

The total budget for all funds is \$103.1M net of inter-fund transfers of \$1.9M. The total budget is \$8.7M over projected spending for 2015. The increase is attributable to increases in operational costs in the Electric Utility, Insurance Fund and General Fund and to capital improvements in the electric and wastewater utilities. The budget provides funding for \$14.8M in capital improvements compared to \$10.2M in 2015. The General Fund is budgeted at an operating deficit and the Utility Funds are all budgeted with an operating surplus for 2016.

**City of Batavia 2016 Budget by Fund**  
**Total Budget \$104,714,464**



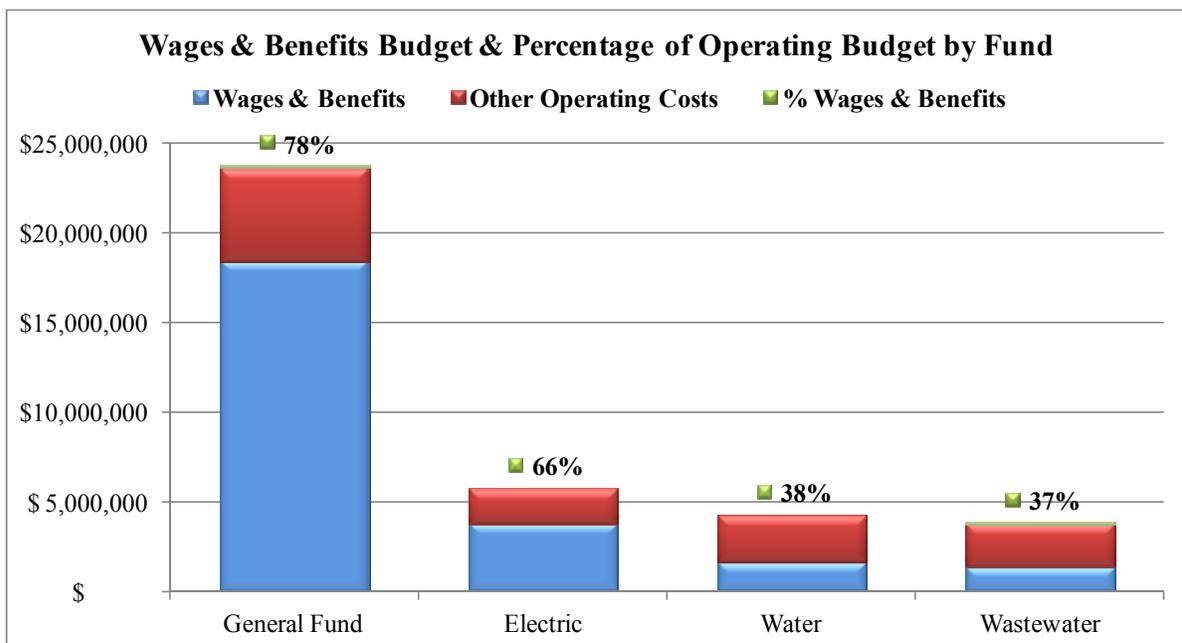
The Electric Utility accounts for 50% of the total budget with purchased power and the associated costs representing 84% of the electric budget. The General Fund represents 25% of the total budget and provides for the majority of general city services.

The most important data to draw from this budget are the increases called for to support General Fund services and the City’s three utilities. The budget calls for an increase in the City’s leaf and brush fee from \$3.00 per month to \$4.00 per month. It also includes an increase to the gasoline tax from one-cent per gallon to two-cents per gallon. Lastly, revenue increases for the general fund include a proposed two percent liquor tax. The utility costs for an average use are projected to increase by \$75 for water and sewer as rates are proposed to increase January 1. The electric rates have not been proposed as of yet but if approved as recommended by the City’s rate study, the average home would increase \$40 for 2016 and \$75 for a full year as that rate increase will be proposed for May 1 of 2016.

The total budget can be broken down into six distinct sections: General Fund, Special Revenue Fund (MFT), Capital Project Fund, Debt Service Fund, Enterprise Funds (Utilities) and Internal Service Funds (Self-Insurance Funds).

The separate budgets for debt service and capital projects (aside from TIF) are funded through the General Fund and are subsets of accounts required for accounting purposes. All monies for those activities flow from transfers from the General Fund, Motor Fuel Taxes or from Property Tax levied for General Obligation Bonds. The utility funds are self-supporting through rates and service fees. The insurance funds are supported by transfers from the General Fund and Utility Funds to pay for health insurance premiums and claims and workers compensation premiums and claims.

**The City’s primary role is that of a service organization.** For the General Fund 78% of operating costs are related to personnel. The Water & Sewer utilities require about 37% of their direct operating budgets to provide for personnel and the electric utility spends about 66% on personnel, not including purchased power costs. These figures have been adjusted to account for wages budgeted in one fund but charged back to a different fund. Operating costs include annual debt service payments. Since utilities have more debt, their percentage of wages in the operating budget is lower. Only capital and non-recurring expenditures are removed.



### ***Strategic Goals for Service Delivery and Financial Sustainability***

- **Deliver high quality City services that meet the needs of the community while continually working to control expenditures**
  - **Maintain efficient and effective staffing levels**
  - **Maintain a competitive compensation and benefit system**

The 2016 budget maintains current staffing levels. A Communications Coordinator that was approved with the 2015 budget was included in the draft 2016 budget but was eliminated during the budget approval process. At this point of uncertainty with State funding, it would not be prudent to fill the position if the City may lose significant funding. The budget can be amended during the year should the City Council decide to fund the position. City staff has been providing the same or greater level of service in spite of significant staff reductions since 2009. The 2016 budget includes the return of the Fire Marshal position that has been vacant since 2010. This position was budgeted for a later start date until more is known on the State's budget.

There were other requests for increases to staff that were not included in the budget recommendation, because there is insufficient funding to provide for the expansion of positions at this time. Some examples of positions that have been requested are an additional Community Service Officer, an additional Code Enforcement Officer, a Street Maintenance Worker, and IT Technician and a Budget Analyst. In spite of a large percentage of operating costs dedicated to personnel, the City of Batavia has a very lean staff in contrast to other comparable cities. This increases the amount of work placed upon our employees and recognition should be given to that.

The budget provides for wage increases for all employees with estimates for the two unions that have or will have an open contract for 2016. Wage increases are necessary to mitigate compression between union and non-union positions and to retain quality employees. The newly created position of Human Resources Director was filled in 2015 and it is expected that there will be input on the City's wage structure and positions sometime during 2016. Job duties and comparisons to outside sources for most positions has not been evaluated completely since more than ten years ago and the last professional study was in 1999.

Another pressing issue for the City is the cost of healthcare. The City has very good health care benefits. Those benefits come directly from funds provided by employees and the City. The year 2014 and 2015 were big years for claims and that has resulted in a drawdown in those reserves and it is expected that the stop loss premium (insurance for claims over a certain level) will be substantially higher at renewal. The Human Resources Director has indicated a goal of keeping our employees healthy through a wellness program. While these programs don't always result in a cost savings, it is a worthwhile goal to work towards the overall physical health of the organization and not just the fiscal health.

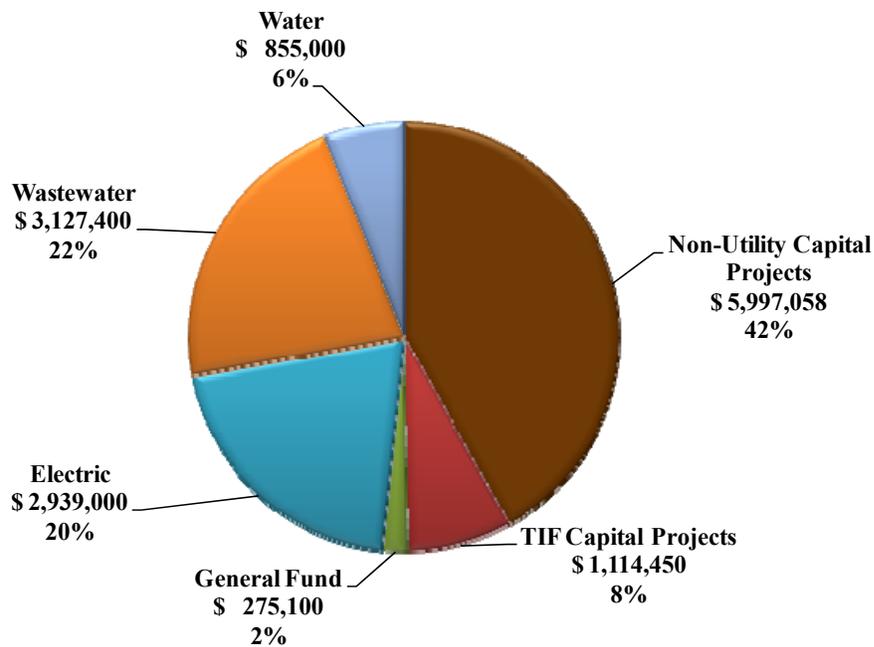
**Strategic Goals for Service Delivery and Financial Sustainability**

- **Provide for the adequate maintenance of capital**

Capital funds receiving transfers from the General Fund are for Fire Apparatus, Public Works Vehicles and Equipment, City Hall Capital Improvements and Drainage Improvements. These transfers provide budget stability from year-to-year while at the same time working towards the strategic goal of providing for the adequate maintenance of capital

All of the utilities have long-range capital plans ensure the sustainability of City infrastructure. There are significant infrastructure improvements on the horizon for the wastewater utility that will require the issuance of debt. All three utilities recently had rate studies completed that indicated the need for infrastructure maintenance and increases to rates. The Wastewater Fund capital-spending plan for the wastewater treatment plant is just getting underway; the amount being spent in 2016 is only a small portion of the \$25M capital investment planned over the next five years. Please refer to the Capital Improvement Project detail sheet in the Appendix for more details on this \$65M project.

**Total Capital Spending Budget \$14,283,008**



One area that has come up in the last year, and talked about for a few years before, is the idea of forming a storm water utility. There are improvements citywide that would benefit the entire City. The separation of the City’s combined sewers should help to alleviate sewer backups and some street flooding in excess rain events. This is a very costly endeavor though and will need to be phased in over time. How should the City fund these capital projects? There are three main options. The first is status quo - continue to make transfers from the General Fund to the Drainage Fund of \$100,000 to \$200,000 per year and complete projects at a slow pace. The second is levy a property tax or increase general fund revenues by some other revenue source to allow for a larger transfer and the third is to form a storm

water utility which captures the fees based on impervious surface area. This type of fee puts more of the cost on businesses than homeowners. A utility calls for a “user” fee whereas a tax implies a general benefit to property owners based on the same assumption as streets that are paid for through property taxes. There is an administrative burden of collecting fees through a utility as not all property owners receive a utility bill. It is also more difficult to enforce collection of the utility fee than a property tax. Those reasons should not be the only justification against forming a utility.

Since no decision was made as of this budget, a \$400,000 transfer from the General Fund to the Drainage Fund was budgeted to begin funding some of the issues that arose during the rain event in June of 2015.

The \$400,000 that was budgeted in Fund 33 specifically did not indicate the project(s) that would be chosen first. There is time to decide on project priorities in 2016 so that the projects themselves do not impede or influences the decision on how to fund the storm water capital projects.

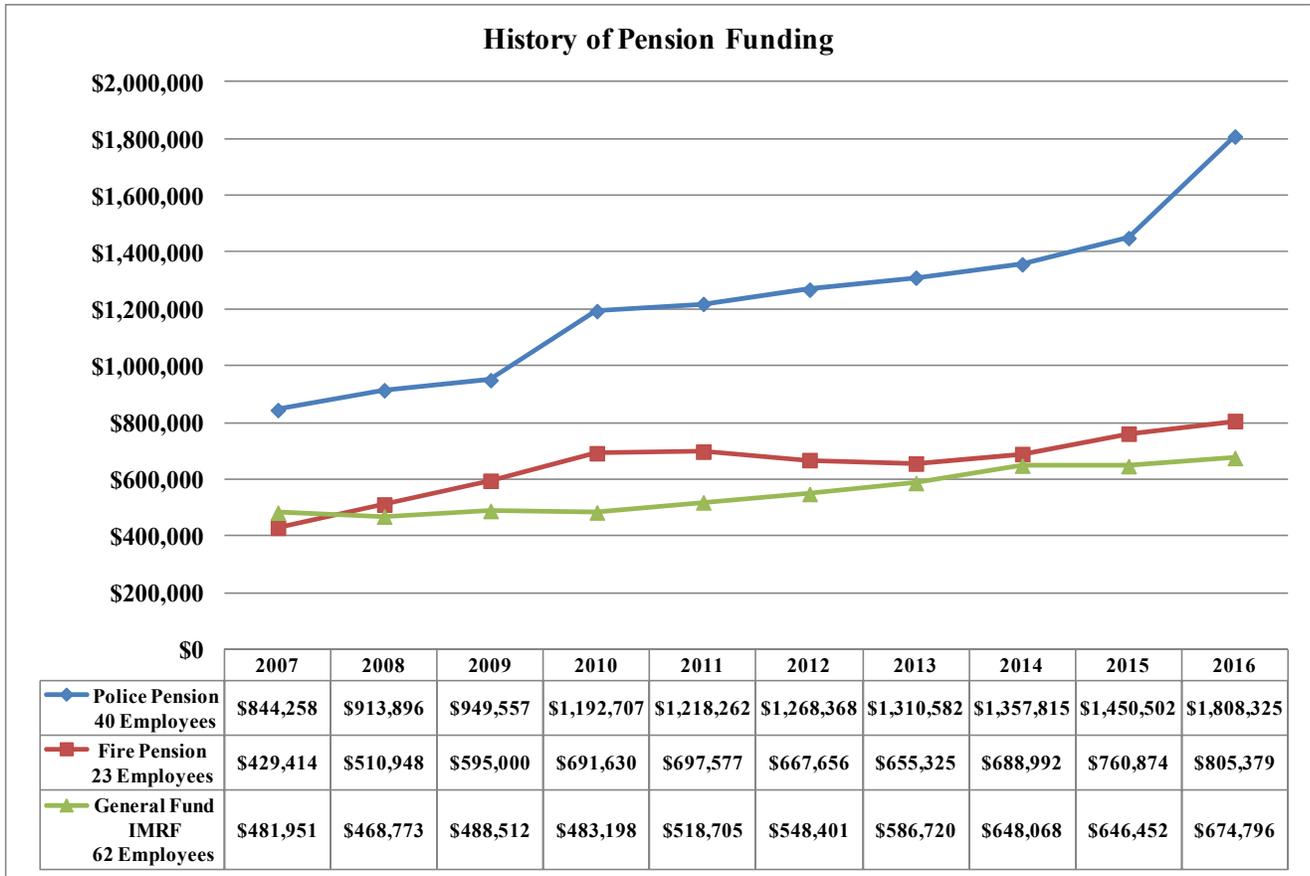
### ***Strategic Goals for Service Delivery and Financial Sustainability***

- **Plan for long-term liabilities and commitments**

The City funds three pension funds, IMRF, Police and Fire. The IMRF funding is based on a percentage of the employee’s payroll. Employees contribute 4.5% and in 2016, the City will contribute 13.13% of salaries for IMRF. Police and Fire pension funding is based on a calculation prepared by an actuary. Police employees contribute 9.91% of their base salary and fire employees contribute 9.455% of their base salary. The City’s contribution for 2016 can be found under 10-31-6123 and 10-32-6123.

The City has budgeted \$1,808,325 to pay into the police pension fund. This represents 44.8% of police salaries. That means that for every \$1.00 in salary paid, the City contributes 45 cents to pension. The fire contribution is \$805,379 and is 36% of salaries. Staff will continue to recommend full funding or greater of the pension obligation as recommended by the City’s actuary, but as the liability goes up, cuts must be made elsewhere in the budget to allow for it.

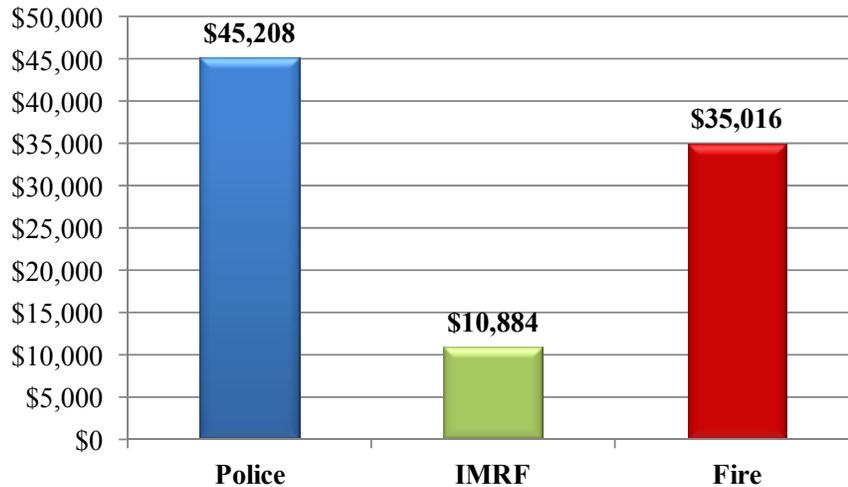
This year’s amount represents a very large increase for the police pension fund and it is expected that the following years will increase further as our aging department continue to retire. The current contribution for police is \$210,000 more than the City’s actuary has recommended but the same as the minimum level that the actuary hired by the Board recommended. This amount is \$357,000 more than last year. The Board actuary actually indicated and the Pension Board concurred that the City should fund at a level \$800,000 more than the last year’s contribution. While that kind of funding contribution would certainly bring up the level funded, it is impossible for the City to fund the request. The Fire Pension Fund has increased \$45,000 over last year. IMRF funding has increased \$27,000 since 2014 and \$28,000 over last year. Pension contributions account for a year over year increase of \$430,000 for the 2016 budget.



The City has maintained a level property tax levy for several years. As the pension obligation has increased, the amount of property taxes available to fund general city services has been reduced. This budget meets the strategic goal of planning for long-term liabilities by funding at or above the actuarial recommendation for police and fire pensions. The pension funding options uses a 26-year amortization period, the 2012 mortality table, an interest rate of 7.00%, a smoothed market for investments and 90% amortization. Factors that affect the level of funding include increases in pension benefits, expansion of staff, wage increases, disability pensions and changes to the actuarial calculations.

The following chart reflects the result of the pension contribution divided by the current number of active employees participating in the plan. This is not the actual cost per employee as the actual cost is based on the salary of each employee and the projected final rate of earnings. The cost will be higher for some and lower for others. Multiple factors as listed previously affect the actuarial calculation.

### 2016 Pension Cost per Active Employee



#### *Strategic Goals for Service Delivery and Financial Sustainability*

- **Develop a five-year financial management plan**
  - **Prepare a preliminary macro level General Fund five-year outlook**

One of the goals of the strategic plan is to develop and maintain a five-year financial management plan. Long-term sustainability has always been a factor when going through the budget process. This information is useful in evaluating whether or not to expand current services and most importantly whether or not there needs to be a major change in operations going forward.

A table of revenue, expenditures and reserves for the City’s general fund over the next five years follows. A more detailed report is provided in the *Appendix*. These forecasts use actual numbers for current debt service along with long-term revenue and expenditure trends. A plan will be put in place to fund each budget annually with solutions provided to the City Council to use in making budgetary decisions such as new revenues, cuts to expenditures or use of reserves or a combination of the three.

#### **General Fund Five-Year Projections**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Revenues	\$25,746,283	\$25,033,547	\$24,984,085	\$25,203,033	\$25,424,855
Expenditures	\$26,713,321	\$26,670,857	\$26,623,967	\$27,478,986	\$28,235,017
Surplus/Deficit	(\$967,038)	(\$1,637,309)	(\$1,639,882)	(\$2,275,953)	(\$2,810,162)
Reserves	\$12,738,045	\$11,100,736	\$9,460,854	\$7,184,901	\$4,374,739
Days Operation	197	165	141	104	59

One important note for 2016 is the fact that a 27<sup>th</sup> payroll will occur. This is an anomaly to the bi-weekly pay schedule caused by calendar creep that cycles every 11 years. It is staff's recommendation that reserves be used to fund the payroll in the year it occurs as it is not an on-going operational expenditure with the next one not occurring until 2027. The projections do not provide for any expansion of staff or programs/services provided beyond the return of the Fire Marshal. In preparing the 2016 budget all expenditure, line items were reviewed for necessity.

The City is in a good position with the existing cash reserves which allow for the funding of the additional payroll and other one-time expenditures. The high reserve level will provide for the drawdown of the reserves through 2019 for the advance funding of an economic development agreement that is being paid out over a six-year period that began in 2014. The funds will be recouped through the elimination of the City's annual transfer to the street improvement fund. The elimination of this transfer was made possible through an Illinois Department of Transportation grant. The full recovery of funds paid out will be over a 15-year period, therefore, there will be a number of years when General Fund reserves are artificially reduced. In addition, in the recovery period years 7-15, the budget will have artificially reduced expenditures to replenish the reserves through the elimination of the normal budget transfer to the street fund.

Below is a table that shows how the funds will be paid out and recovered.

		<b>Prior Yrs</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total</b>
ED GF Exp	10-22-6353	<b>2,528,334</b>	<b>1,264,167</b>	<b>1,264,167</b>	<b>1,264,167</b>	<b>1,264,165</b>	<b>7,585,000</b>
No Street Transfer	10-90-7018	<u>(1,000,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>(3,000,000)</u>
GF Advance		1,528,334	764,167	764,167	764,167	764,165	4,585,000
Total advance from General Fund for Business Retention 2015-2019							4,585,000
Payment in lieu of Street Program Transfer 2015-2019							<u>3,000,000</u>
<b>Total of Economic Development Agreement</b>							<b>7,585,000</b>
							<b>2020-2028</b>
Payment in lieu of Street Program Transfer 2015-2019							(3,000,000)
Payment in lieu of Street Program Transfer 2020-2028							<u>(4,585,000)</u>
<b>Funds fully Recovered</b>							<b>(7,585,000)</b>

The economic development agreement was put in place to retain the City's largest electric user. The General Fund will be advancing a total of \$4,585,000 in the years 2014 through 2019. Therefore, the 5-year projection shows the General Fund Reserves artificially reduced by that amount over the six years of the grant. The funds will be fully recovered in the year 2028 and the net effect to the general fund will be zero. At any time during the repayment period, the City Council could choose to reinstate funding to the Street Fund if the reserves are at an acceptable level. In doing so, the City Council would be making the choice to fund more to the street fund than it had been on an annual basis because the street fund was made whole by the grant funds. In light of the necessity of street maintenance, it would be the recommendation to do just that in future years if the level of reserves allows for it.

Another factor in the surplus and deficit by year is also related to the electric utility and the adjustments made to allow for the provision of funds equal to the amount of ½-cent home rule sales tax. The tax was approved for rate relief for the electric utility and was implemented for three years. It will be collected over four years with one-half year collection in 2014 and one-half year collection in 2017.

In order to utilize these funds in the electric utility and include them in the calculation for revenue bond coverage, the tax must offset an expense in the electric utility, thereby reducing operating costs of the utility. If an inter-fund transfer were made, the funds would not be included in operating revenue and would not be used in the calculation for revenue bond purposes. Since the funds are planned to delay rate increases, the funds must be incorporated into operations. This is an accounting requirement and will not affect the end goal of providing funds for rate stabilization.

To achieve the credit of the sales tax over the four-year period the General Fund will waive the payment in lieu of taxes (PILOT) each of the four years and the General Fund will also reduce the reimbursement for General Fund services provided to the utility in each of the four years. The General Fund will offset these charges with the home rule sales tax. Over the course of the four years, the electric utility will receive the full amount of the ½-cent sales tax. The General Fund will over credit the utility in the half-years of collection and under credit the utility in the full years of collection to level the credit provided each year. A full reporting of the accounting of the sales tax will be provided to the City Council to reflect the credit to the utility.

Following is a table of the estimated taxes and credits to the utility. These figures will change once the amount of tax is known and the costs to the utility are calculated each year. If the amount of tax collected is higher (or lower), the adjustment to balance the total tax provided will be done in 2017. Overall, the current projected benefit to ratepayers over the four-year term is \$5.8 million in rate relief.

**Estimated Credits to Electric Utility for Home Rule Sales Tax  
For the Provision of Rate Relief**

<b>Home Rule Sales Tax Credits to Electric</b>	<b>Prior Yrs.</b>	<b>2016</b>	<b>2017</b>	<b>Total</b>
Payments in Lieu of Taxes	1,482,000	750,000	750,000	2,982,000
General Administration	1,505,699	846,845	830,000	3,182,544
Adj. to Exp. Credit (to equal total Sales Tax)			(396,745)	(396,745)
<b>Net Credit to Electric Expense</b>	<b>2,987,699</b>	<b>1,596,845</b>	<b>1,183,255</b>	<b>5,767,799</b>
Projected HR Sales Tax 1/2 Cent Receipts	<b>2,879,168</b>	<b>1,907,184</b>	<b>981,447</b>	<b>5,767,799</b>
<b>(Over)/Under Credit by Year</b>	<b>(108,531)</b>	<b>310,339</b>	<b>(201,808)</b>	<b>-</b>

## **Budgeting and Accounting Relationship**

The budget is done on a basis consistent with generally accepted accounting principles (GAAP) except for some items, which are adjusted on the City's accounting system at year-end. It is standard practice for municipalities to budget in this manner. During the year, the adopted budget is maintained and monitored on the City's accounting system. Budget variances are reviewed by the Finance Director.

There are no differences between this budget and GAAP for Governmental Funds. Enterprise Fund (utility fund) differences are: a) debt principal, and capital outlay are recorded as expenses for budgetary purposes as opposed to the GAAP adjustment of the balance sheet accounts; b) debt proceeds is recorded as revenue as opposed to the GAAP recording of a liability on the balance sheet; c) depreciation is recorded as an expense (GAAP) and not recognized for budgetary purposes.

## **Budget Policies & Priorities**

The budget is the method by which departments provide services, however not all requests can be funded. During the budget process, priorities are used to determine where cuts should be made.

### **Priorities**

- *Level 1:*        **Emergency** – An expenditure that is required because without the expenditure, there would be eminent danger to an employee or resident.
- *Level 2:*        **Legal Requirement** – An expenditure that is required as the result of some legislative or court action, which if ignored, would result in legal action.
- *Level 3:*        **Maintain Present Service Levels** – An expenditure that is necessary to continue to provide the same services at the same level of quality as in the past.
- *Level 4:*        **Expanded Service** – An expenditure that will expand the current level of services offered or will expand the quality of existing services.

The most difficult part of preparing the budget is meeting with Department Staff to review budget requests. Often several meetings are held to determine priorities. If an item has been included in the budget document, it has been thoroughly vetted. As discussed earlier in this document, adding to staff has significant and on-going costs for the City, particularly so for public safety personnel. An alternative to adding to staff is contracting for services the City currently provides. This can sometimes achieve a cost benefit if it is for a specialized service. There is a balance between the cost savings in salary and benefits and contractual costs that can work against us if not monitored and analyzed regularly.

## **Policies**

- Maintain Adequate Fund Balances/Reserves
- Maintain Diversified and Stable Revenue Sources
- Align Budgetary Spending with the Strategic Plan
  - A review of services provided must be evaluated each year to determine if the services are still meeting the City Council's goals in the strategic plan.
- Provide for Adequate Maintenance of Capital
- Operate on a Pay-As-You-Go Basis
  - The budget will strive to operate on a balanced budget each year only utilizing reserves for non-recurring or capital costs or short term economic fluctuations.
- Utilize Debt
  - The budget will recommend debt to provide for inter-generational equity for the financing of capital assets that provide a long-term benefit.

## **General Fund**

The General Fund accounts for the day-to-day operations of the City. Services such as police and fire protection, engineering, community development and streets and sanitation, in contrast to utilities, are financed from taxes and fees. The goal for 2016 continues to be to provide a spending plan that will position the City in a sustainable position for the future.

### ***Strategic Goals for Financial Sustainability***

- **Continually work to control expenditures**

The budget process requires many meetings with staff to evaluate the requests made by departments. Inevitably, items must be reviewed and evaluated for necessity. In these economic times, it is especially important to separate real need from enhancements. After accounting for the additional payroll, the economic development payment and the sales tax allocation, the 2016 budget is presented with a deficit of (\$22,909).

The small deficit was the result of the cutting of expenditure requests from departments with the most significant cuts to requests for personnel, technology and equipment. Several departments requested additional personnel that were not included in this budget.

### ***Strategic Goals for Financial Sustainability***

- **Maintain adequate operating reserves/fund balances**

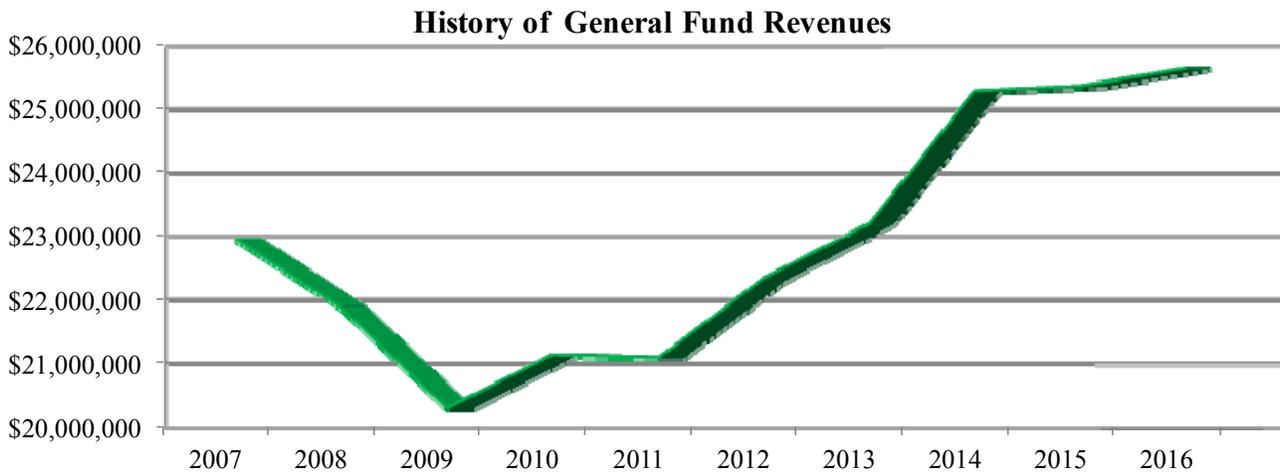
With the current budget plan, General Fund reserves are projected to be at a healthy 197 days at the end of 2016. It is important to note that the number of day's operation is one tool to be used as a guide and should not be the only measure of financial solvency. The Government Finance Association recommends that cities maintain a minimum operating reserve of 60 days.

Adequate reserves ensure that the city could continue to operate for a period of time should revenues stop unexpectedly. Reserves are also there to provide for fluctuation in revenue collection and to provide a cushion through economic cycles. It is acceptable to utilize reserves during weak economic times as long as reserves are sufficient to provide for such downturns and are expected to be replenished or remain above minimum levels. Batavia is in a good position with the number of days of reserves. See the section *Surplus and Reserves* for further information.

## General Fund Revenues

General Fund Revenues are budgeted at \$25,746,283 for 2016 and represent a 1.2% increase over 2015 projected revenues. Nearly all revenues are projected to remain stable or increase slightly except for income tax which is budgeted \$200,000 below projected 2015 receipts. The most significant changes to revenue are the liquor tax increase, the gasoline tax increase and the leaf and brush increase.

The following chart shows the history of revenues over the last ten years. The chart clearly shows the decline in revenues that occurred due to the economy.



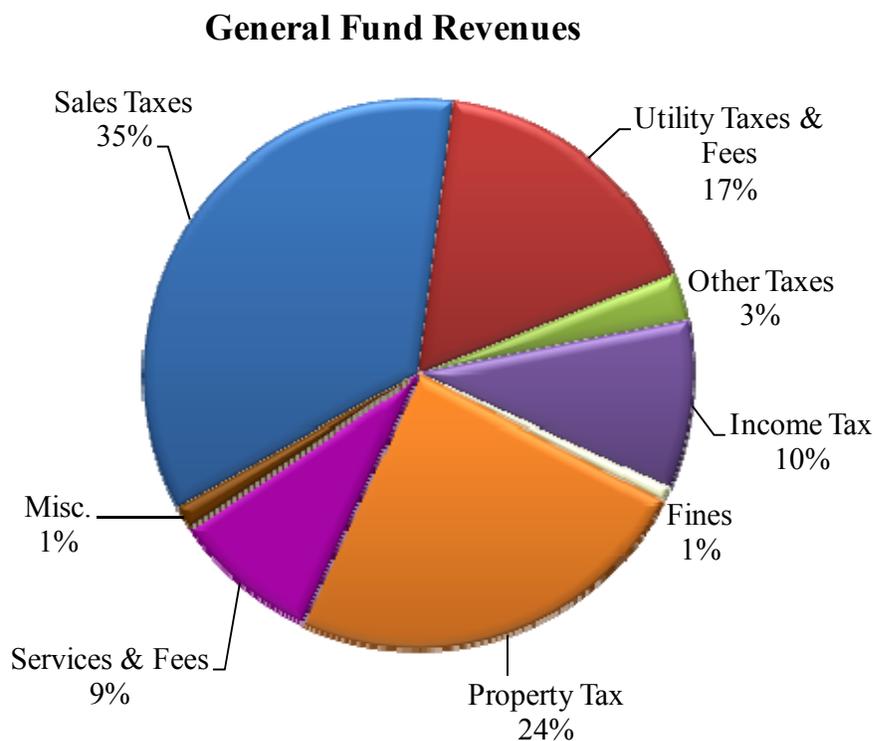
### *Strategic Goals for Financial Sustainability*

- **Diversify and augment revenues**

Over the last five years, the City Council has taken action to implement a new user fee for leaf and brush pick up, a gasoline tax and conversion from a municipal utility tax to a gas use tax. Property tax revenues were increased \$450,000 in 2012 for the first time in many years. The City of Batavia has more revenue choices than a non-home rule community, which has allowed the City to hold the line on property taxes. As an example, the 2015 budget had a *reduction* in property taxes of \$325,000 when bonds were paid off.

A mix of different revenue sources comprises the most sustainable budget so that the City does not become reliant on any one source. Taxes and fees are essential to fund City services and they constitute the majority of revenues for daily operations. As a Government, it is essential that we are mindful of the impact of all taxes and fees for services. It is the City's obligation to strike the balance of funding sufficient services at the lowest cost, while utilizing user fees whenever possible. It would be ideal if the City never had to increase taxes or fees but it is not realistic. As with any business, costs increase. Those increases, though, are not taken in stride; department heads and administration regularly review spending to look for cost saving measures.

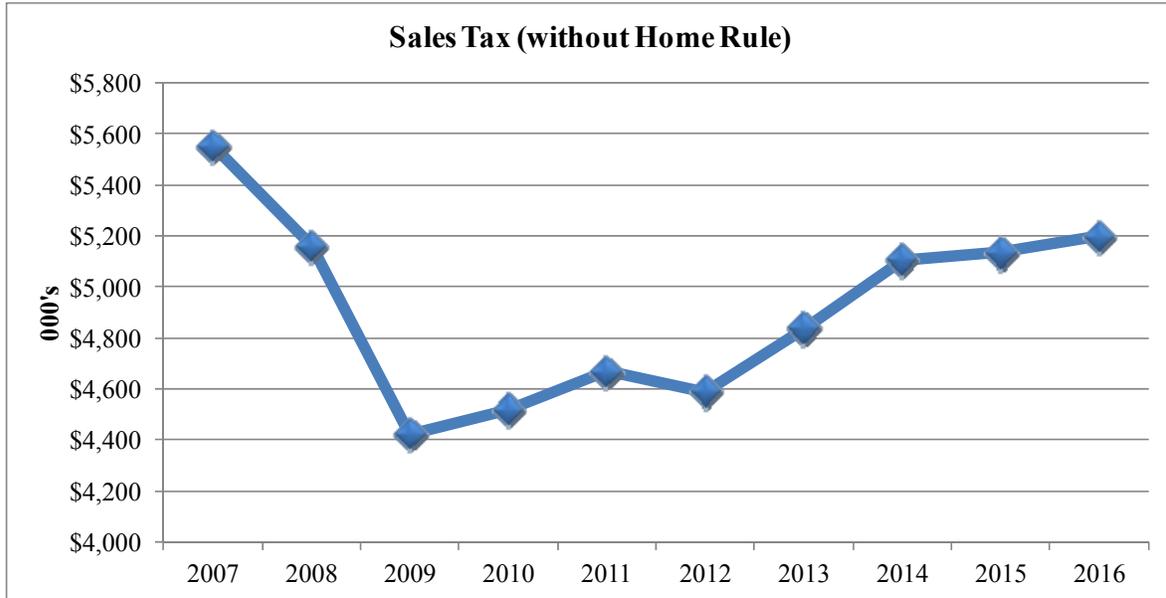
The chart below depicts the source of General Fund revenues. Sales tax remains the largest revenue source followed by property tax. The City has committed a portion of sales taxes to fund debt payments for the fire stations. The property tax levy requires that 47% of the general levy go to fund police, fire and IMRF pensions.



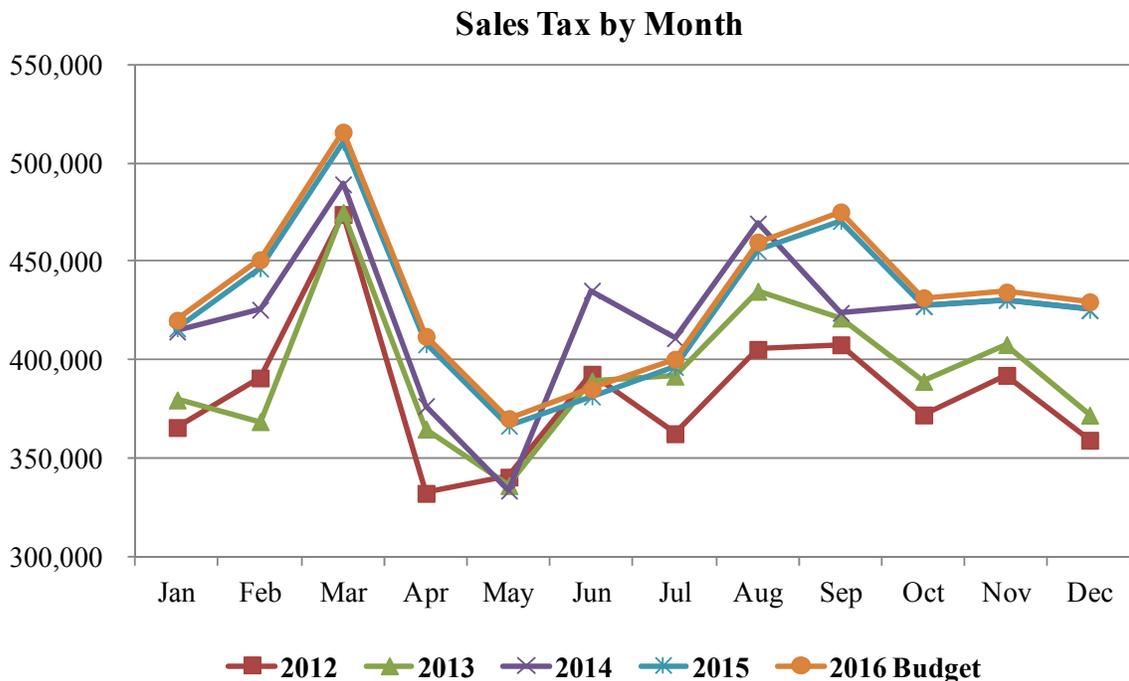
Overall, the City of Batavia has a diverse mix of revenues without being overly reliant on any one source. This diversity of revenues helps to keep the property tax levy low. Whenever possible, the City tries to assign costs to a service provided. However, as shown above only 9% of our revenue sources are provided from fees. As typical with most local governments, the majority of costs are provided for by some type of tax.

## Sales Tax

Sales Tax receipts for 2015 are projected to end the year up 0.5% over 2014 receipts and \$100,000 over the original budget. The chart below shows the history of the municipal sales tax without home rule tax. The budget for 2016 sales tax includes a 0.75% increase over projected 2015 receipts as only modest growth over 2015 is expected. It should be noted that sales tax has rebounded by over \$775,000 since the lowest collection year in 2009.



The following chart shows the relationship by month of collection. As shown, tax on holiday sales is received in March of the following year. The month-to-month trends are generally the same, with the budget for 2016 using the prior year month-to-month change.



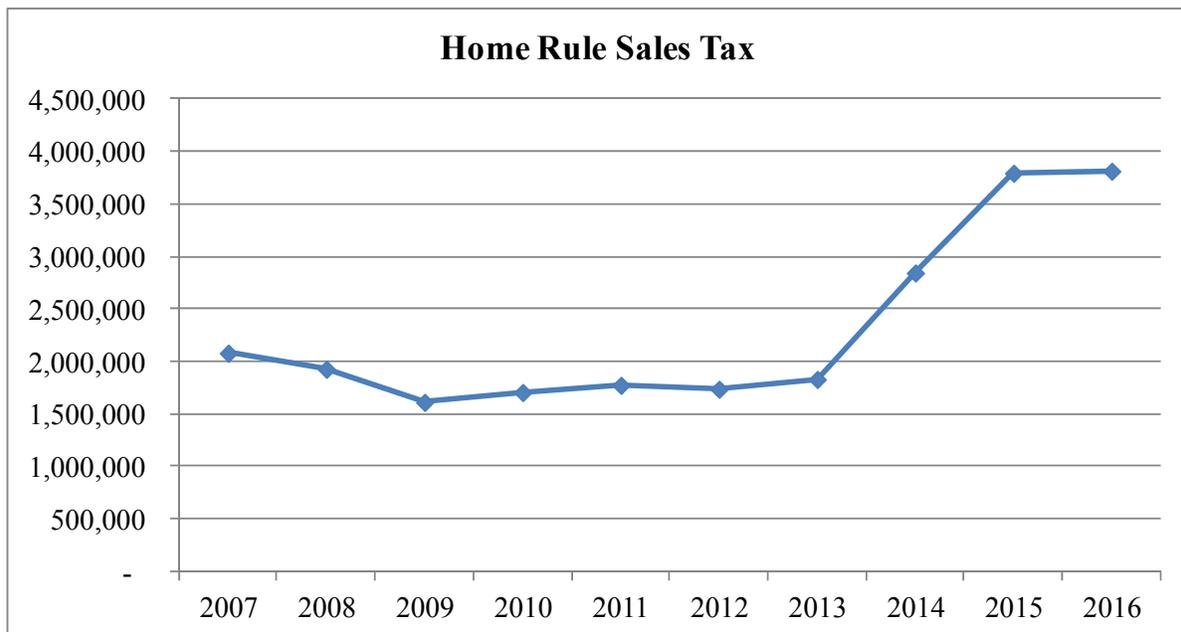
Staff plans to continue efforts in the retention of businesses that we have in the community and where possible work to augment our sales tax base.

***Strategic Goals for Business Development & Retention***

- **Develop and Implement a Comprehensive Business Retention and Expansion Plan.**
  - **Be a proactive resource for existing businesses**
  - **Assess neighboring and competitive communities**
  - **Schedule and conduct retention visits**

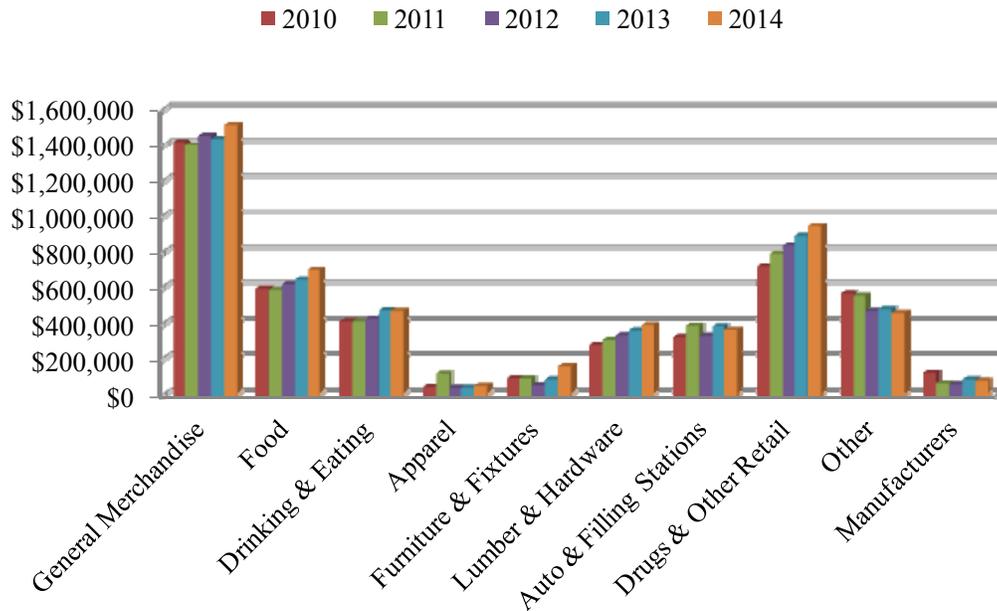
This budget includes the third year of funding a full-time economic development consultant to help assist with these initiatives.

Sales tax is our highest revenue source and so the City must strive to maintain balance and competition for the stores within the community with the sales tax rates of nearby communities. The implementation of an additional ½ percent of home rule sales tax in July of 2014, thus far does not appear to have had a negative impact on sales. Home rule sales tax is not collected on food, drug or registered vehicles and thus home rule does not equate to 50% of regular sales tax receipts. The total sales tax rate for general merchandise is 8.0%. The chart below shows the history of collection since 2007. First HR receipts were received in late 2006. The additional home rule sales tax received since 2014 is being used to offset charges to the electric utility thus reducing electric expenses for rate relief.



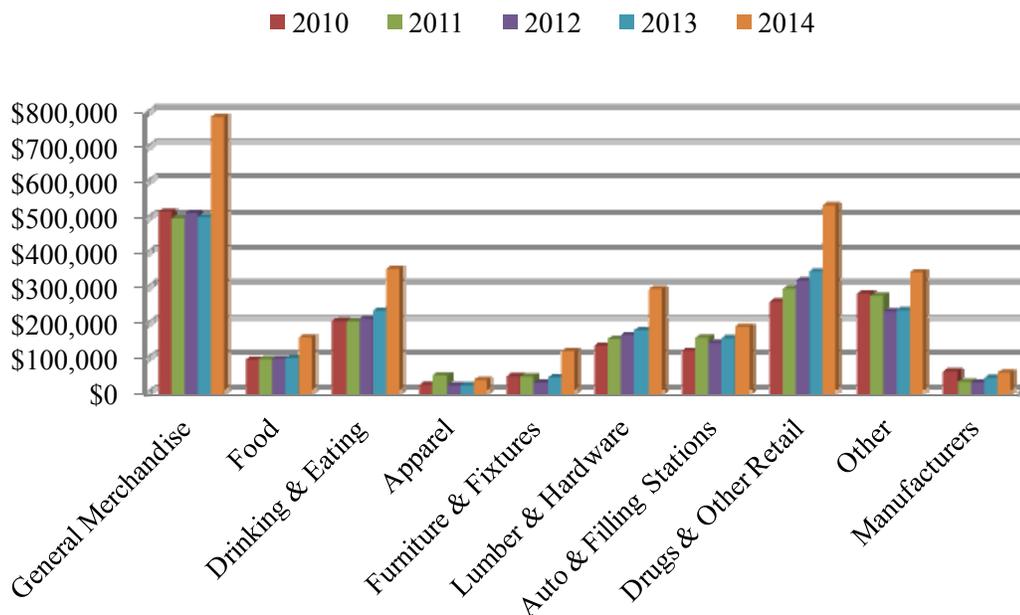
The following chart shows the history of sales tax collected by type (SIC code) and shows the total for regular municipal sales tax. The data is provided through 2014, which is the most recent available. There are no significant declines in the last five years in any category as sales tax has increased overall but Auto and Other have had slight declines. The largest amounts to increase by category are General Merchandise, Food and Furniture.

### History of Sales Tax by Type - Municipal Share



All categories increased for Home Rule sales tax due to the increase in rate. Categories that increased more than 50% were General Merchandise, Food, Apparel, Furniture, Lumber and Other Retail. It will be more telling once two full years of data are available.

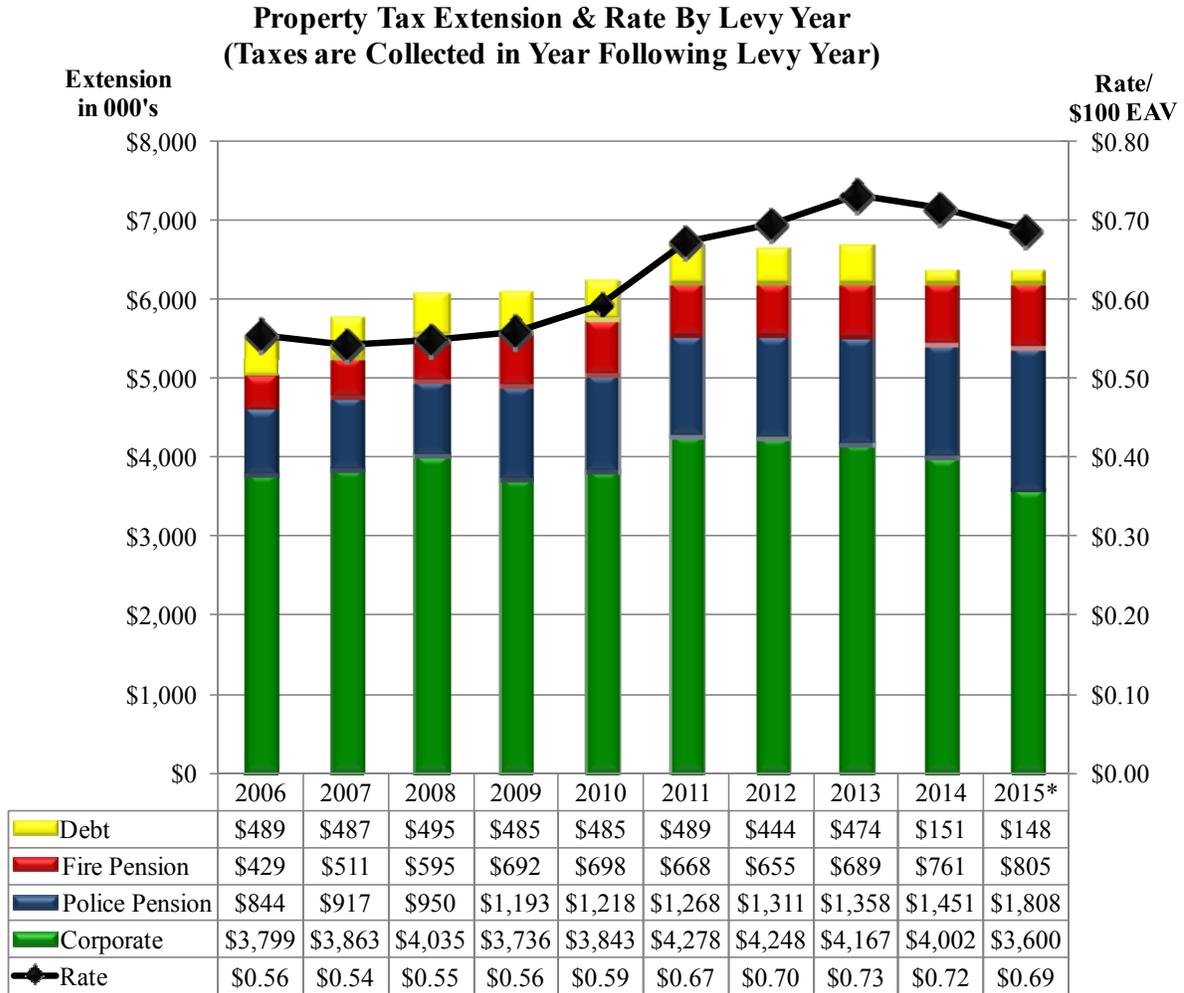
### History of Sales Tax by Type - Home Rule



## Property Tax

The 2016 Budget for the 2015 levy for property taxes for the General Fund is at the same level as the 2015 budget per direction from the City Council.

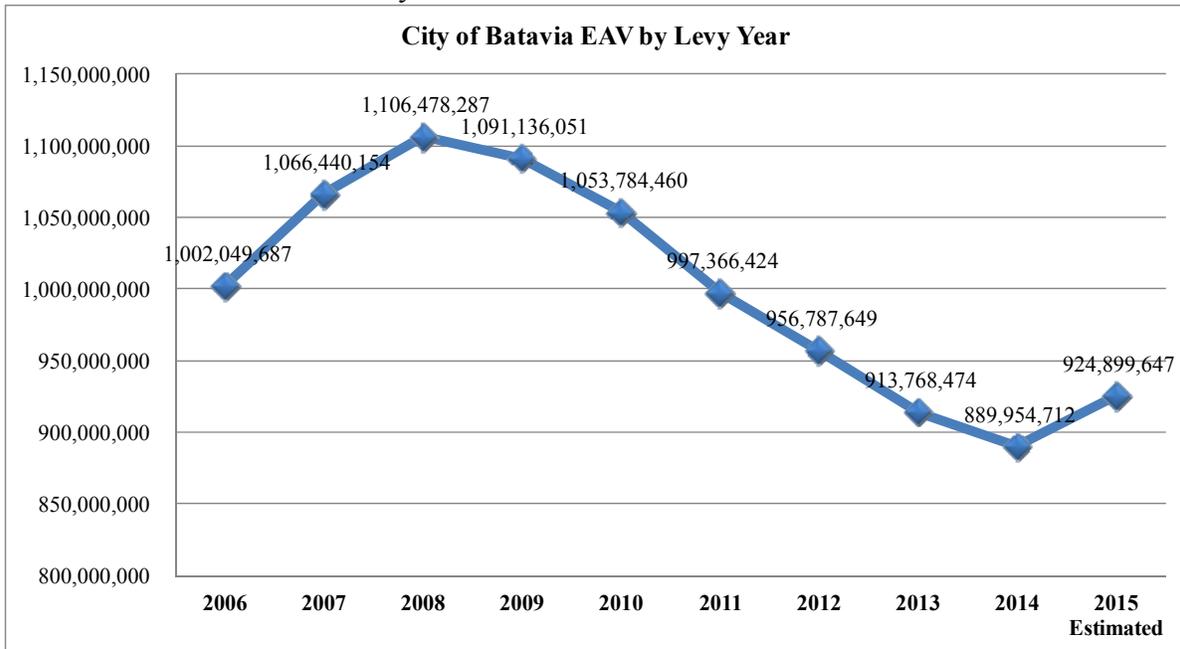
The following chart shows the history of the City's Levy and property tax rate. As shown, the amount of tax collected decreased by \$325,000 with the 2014 levy (debt) and remains at the lower level for the 2015 levy. The rate is projected to decrease further next year.



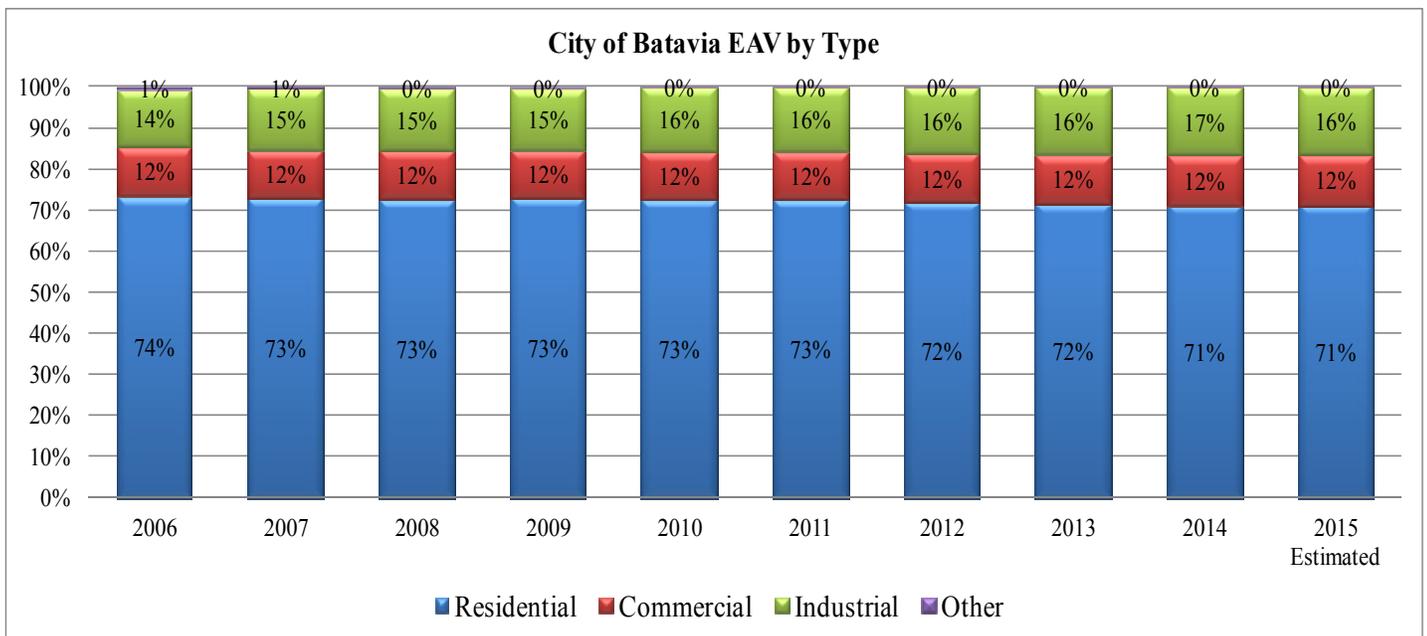
\*Collected in 2016

The amount available for spending for corporate purposes has decreased due to the increases necessary to fund the pensions. As noted in the chart, the City had \$3.8M for corporate purposes in 2006 and only \$3.6M 10 years later.

The City's EAV (Equalized Assessed Value represents 1/3 of the market value of property) is expected to increase for the first time since 2008. The reduction in EAV was the result of the Assessor's office adjusting the values to market over time. Not all property is reassessed each year and so it can take 3-4 years for all property to be reassessed. A lower property value can result in a lower tax bill but still result in a rate increase. The rate is a function of EAV and the amount of the levy.



As shown below, the mix of taxable property is primarily residential. In addition, the mix between residential, commercial and industrial has remained the same.

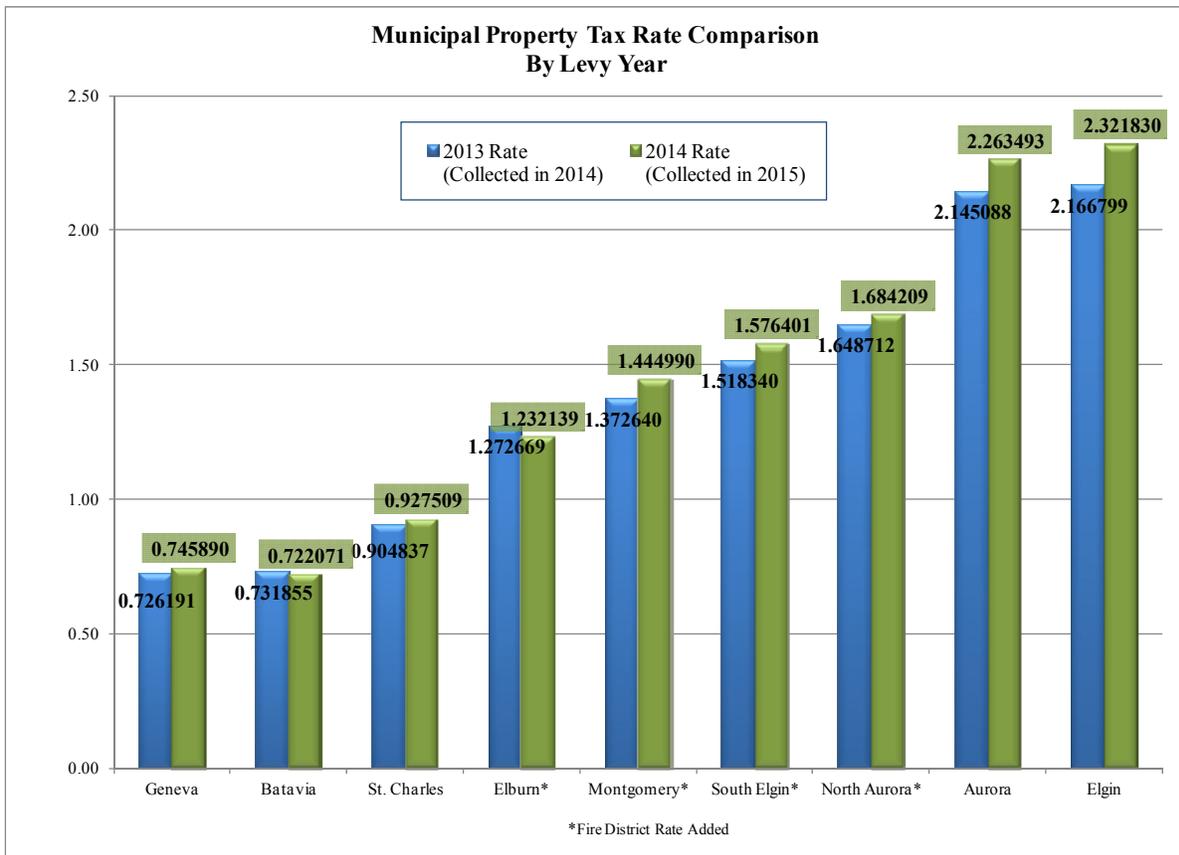


The City portion of a typical tax bill in the City of Batavia is about 7% of the total bill. The owner of a \$300,000 home would have paid about \$672 to support City services in 2015 (2014 Levy). The typical total tax rate for 2015 payable was \$9.862/\$100 of EAV. Some of the City services provided with property taxes include police and fire protection, snow plowing, street maintenance, cemetery and property maintenance and general administration of the City.

**Typical Tax Bill for 2014 Collected in 2015**

Taxing Entity	Rate	% of Total
City of Batavia	0.715334	7.25%
Kane County & Forest Preserve	0.780990	7.92%
Batavia Township & Road District	0.153683	1.56%
Batavia Schools	6.570553	66.62%
Waubensee College	0.595432	6.04%
Batavia Park District	0.576525	5.85%
Batavia Library	0.469560	4.76%
<b>Typical Total for 2014</b>	<b>9.862077</b>	<b>100.00%</b>

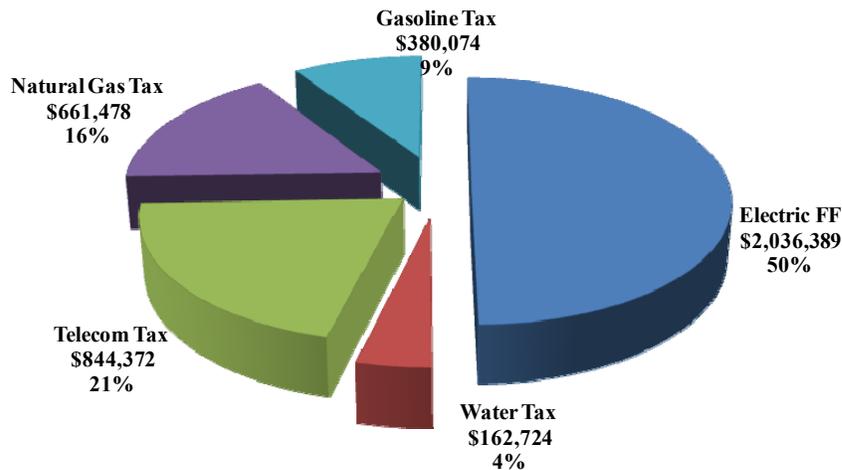
The following chart is a comparison of 2013 and 2014 municipal tax rates of surrounding communities. Those marked with an asterisk have the fire district rate added into the municipal rate to make a fair comparison, as those communities do not have their own fire departments. Ratepayers in those villages pay to the fire district for fire protection rather than the village. The rates are charged for every \$100 of Equalized Assessed Value (EAV). As shown, the City of Batavia had the lowest rate in the area for the 2014 levy year.



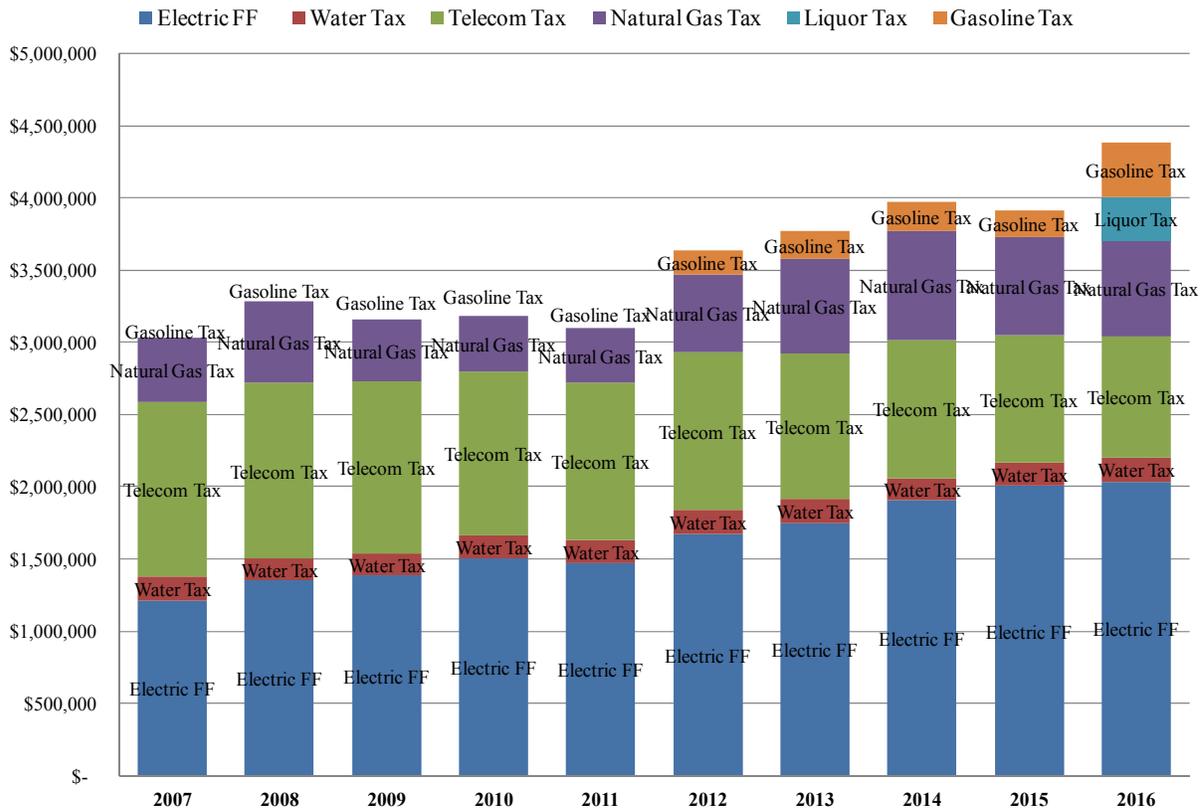
## Utility Taxes and Fees

Utility taxes are the City's third largest General Fund revenue source accounting for 17% of the 2016 Budget. Utility taxes increased in 2012 from the addition of a one-cent gasoline tax and the change from a municipal utility gas tax (MUT) to a gas use per therm tax (GUT). The GUT tax expanded the tax to natural gas customers that use an alternative supplier. The GUT is not a tax on the total bill but a tax on total therms used, which means if natural gas prices go up, the customer will still pay the same tax for the same use. Utility tax revenues for 2016 are projected to be higher as a result of the increase from one cent to two cents to the gasoline tax and the new liquor tax of 2%.

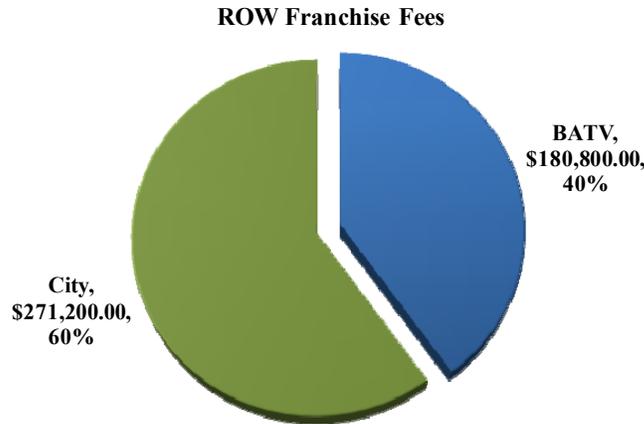
**Budgeted Utility Tax by Type 2016**



**History of Utility Tax by Type**

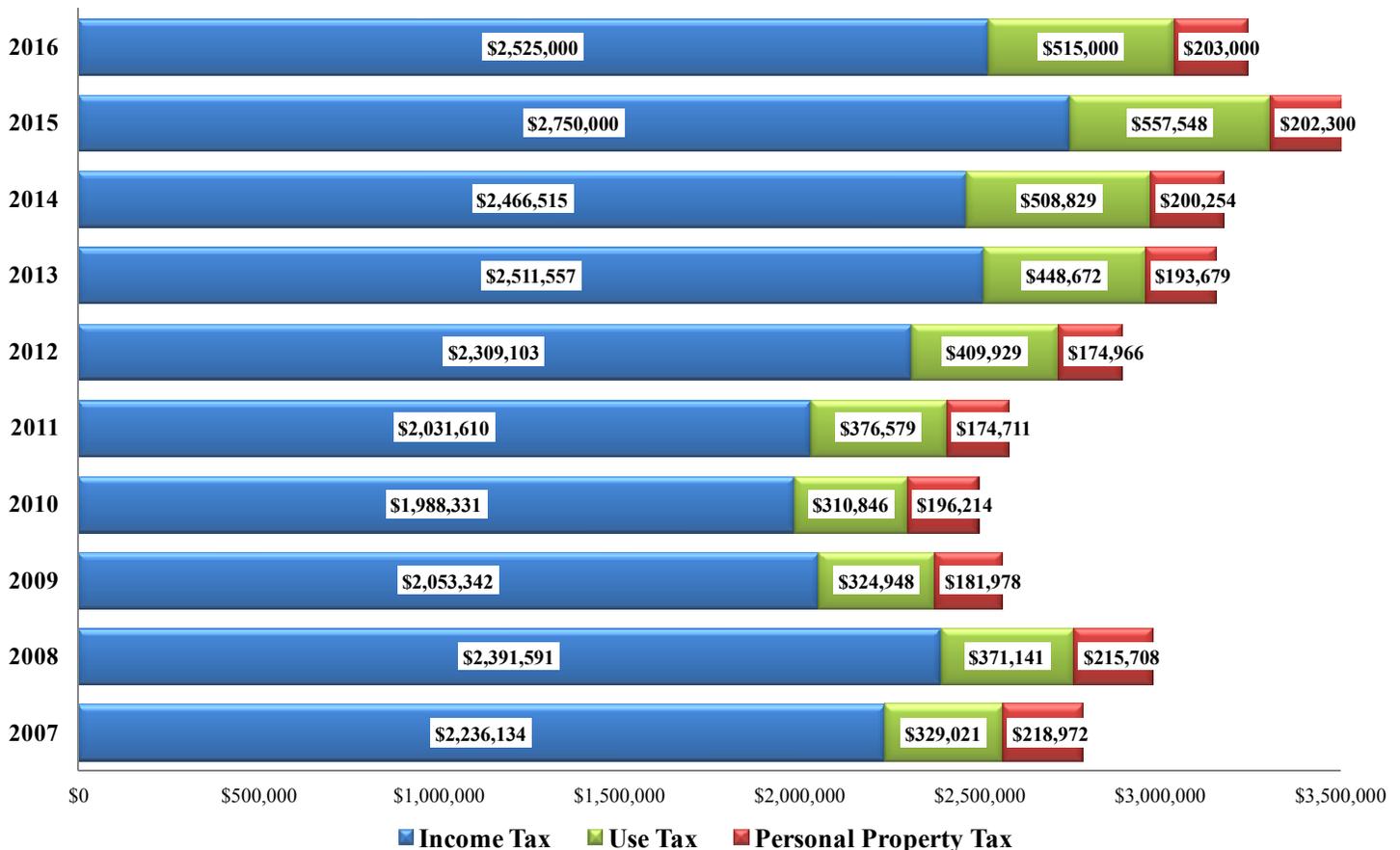


The City also collects a 5% franchise fee from television providers. The City passes through 40% (2% of the 5%) to BATV to provide local programming to the community. The payment to BATV is budgeted under administration (10-10-6359) and the total amount of revenue is reported in General Fund revenue (10-00-4325 ROW Franchise Fees).



### Intergovernmental and Other Revenues

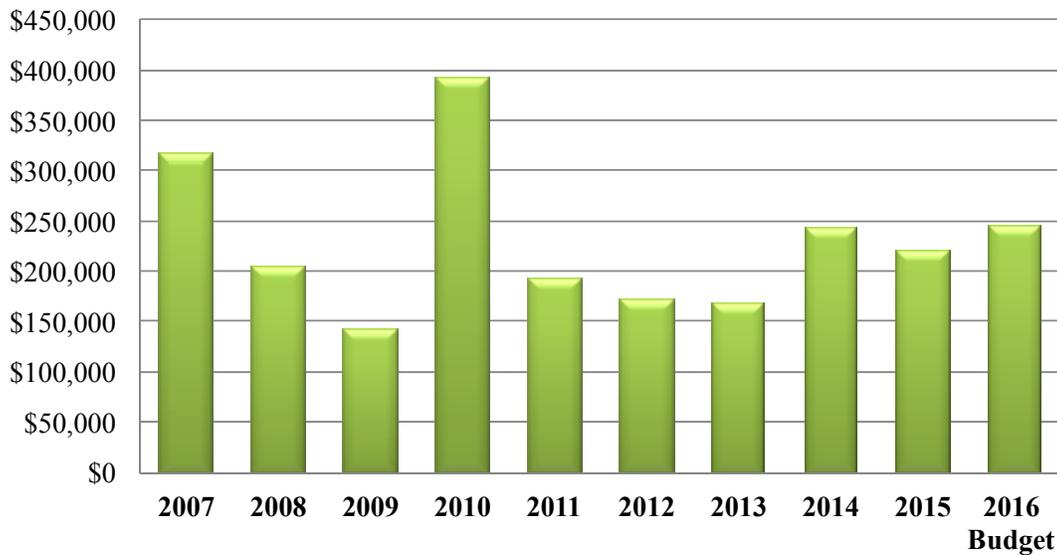
After steep declines in 2009 and 2010, State shared revenues began to rebound. It is difficult to budget for this revenue due to the fluctuations. The budget provides for a decrease in Income Tax and Use Tax for 2016. At this time, it is unknown how the state will share this revenue with municipalities.



Charges for services saw a boost in revenues in 2014 due to a new residential development and the engineering plan review fees associated with that. The other main revenue source in charges for service is the leaf and brush pick up fee that has provided about \$270,000 a year in revenue since it was implemented in 2010. Fines and fees from ticket revenue have averaged \$175,000 over the last five years with a 2016 budget of \$180,000. Parking tickets have averaged \$45,000 over the same time-period and have a 2016 budget of \$45,000.

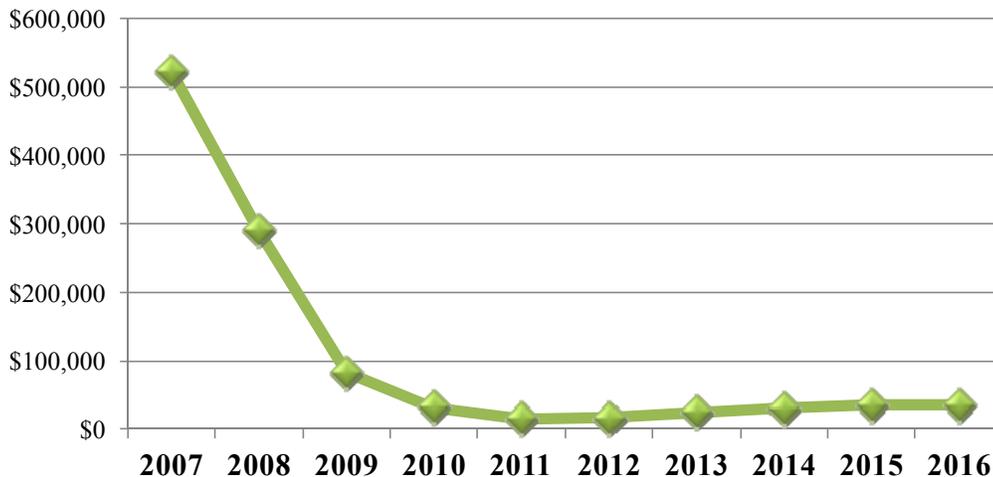
Building permits are budgeted at \$25,000 more than 2015 projected revenues. The 2016 Budget includes a slight increase in residential activity with normal activity in the commercial industrial segment. The chart shows, permits can vary widely. This peak in 2010 was due mainly to one very large industrial permit. The year 2009 was the lowest of the last 15 years with receipts only reaching \$143,000.

**History of Building Permits**



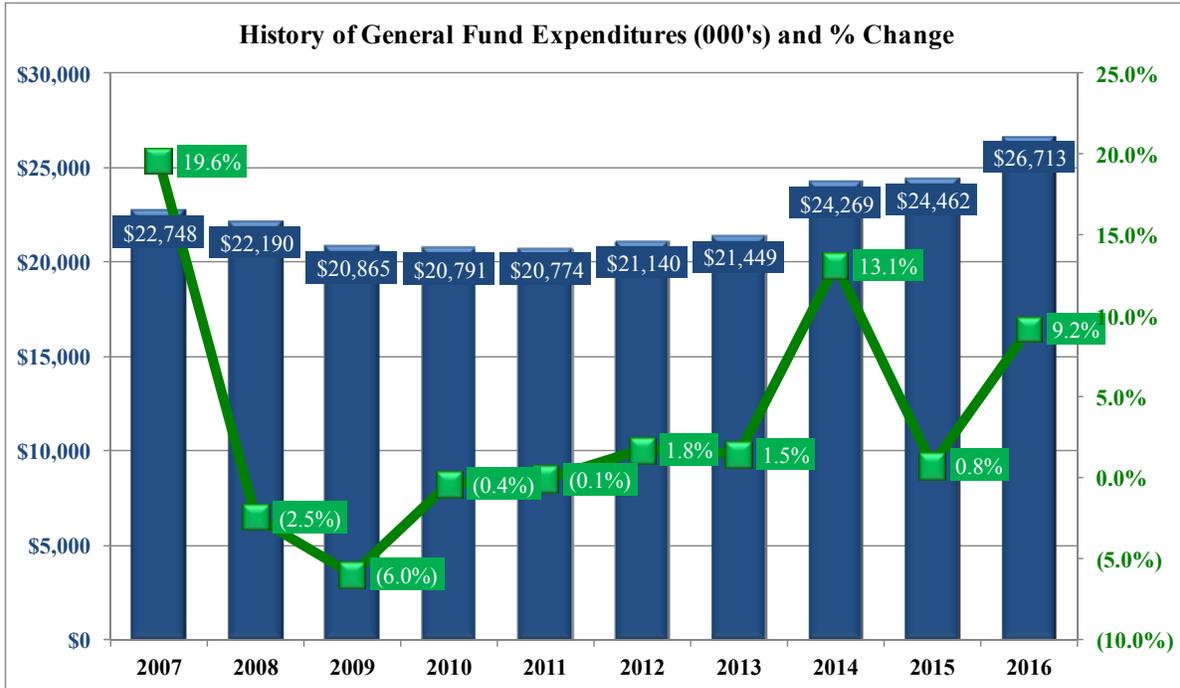
While investment income has been next to nothing since 2010, the chart below demonstrates that it was a significant source of revenue prior to 2008. The benefit though of low interest rates is that we have been able to refund all but one of our outstanding bond issues at a much lower interest rate.

**Investment Income**



## General Fund Expenditures

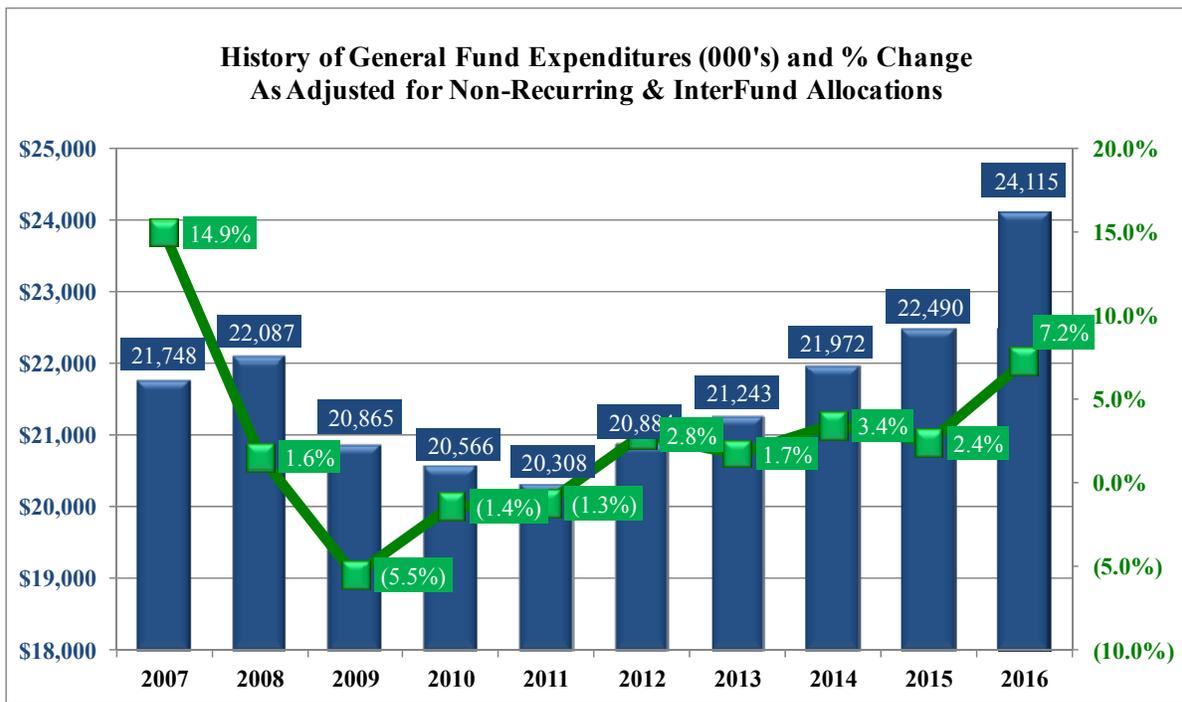
Expenditures in the General Fund are budgeted at \$26,713,321. This represents a \$2.3M increase over 2015 projected expenditures. The 2016 Budget is 9.2% higher than 2015 projected spending and 7.3% more than the 2015 amended budget.



Expenditures in the General Fund were first cut in 2008 with the most significant changes to spending occurring in 2009 thru 2013. Increases to spending were made in 2012 with some vacated positions refilled.

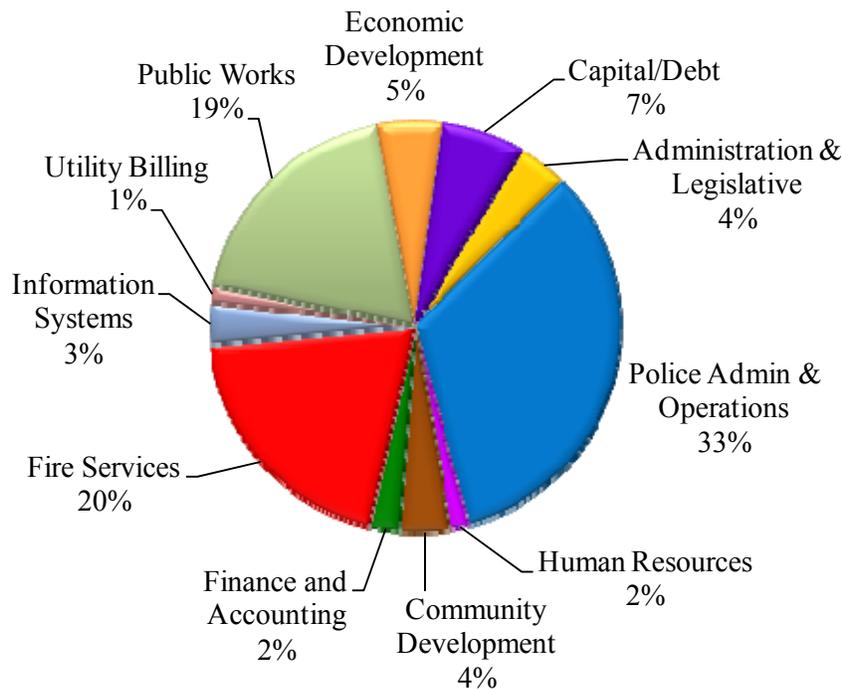
As mentioned in the introduction, this budget includes expense credits given to the electric utility in lieu of home rule sales tax that increases expenditures for the general fund (see department budget 10-75). The budget also includes funding of an economic development grant mentioned earlier both of these items artificially increase expenditures in the General Fund. The home rule sales tax revenue offsets the increased expenditures. These two items reflect the significant increase to spending that is shown on the chart starting in 2014.

Also mentioned earlier was the occurrence of a 27<sup>th</sup> payroll. The additional payroll amounts to \$0.5 million. If the expenditure budget is adjusted for these extraordinary items then the percentage increase for 2016 is 7.2% over 2015 spending. The change is still significant compared to prior years due to multiple vacancies throughout 2015 and the addition of the one position in the 2016 budget. The following chart shows the change in spending after adjusting for non-recurring expenditures and removing inter-fund allocations. The chart only includes departmental spending which is a more true depiction of the changes to operations in the General Fund.



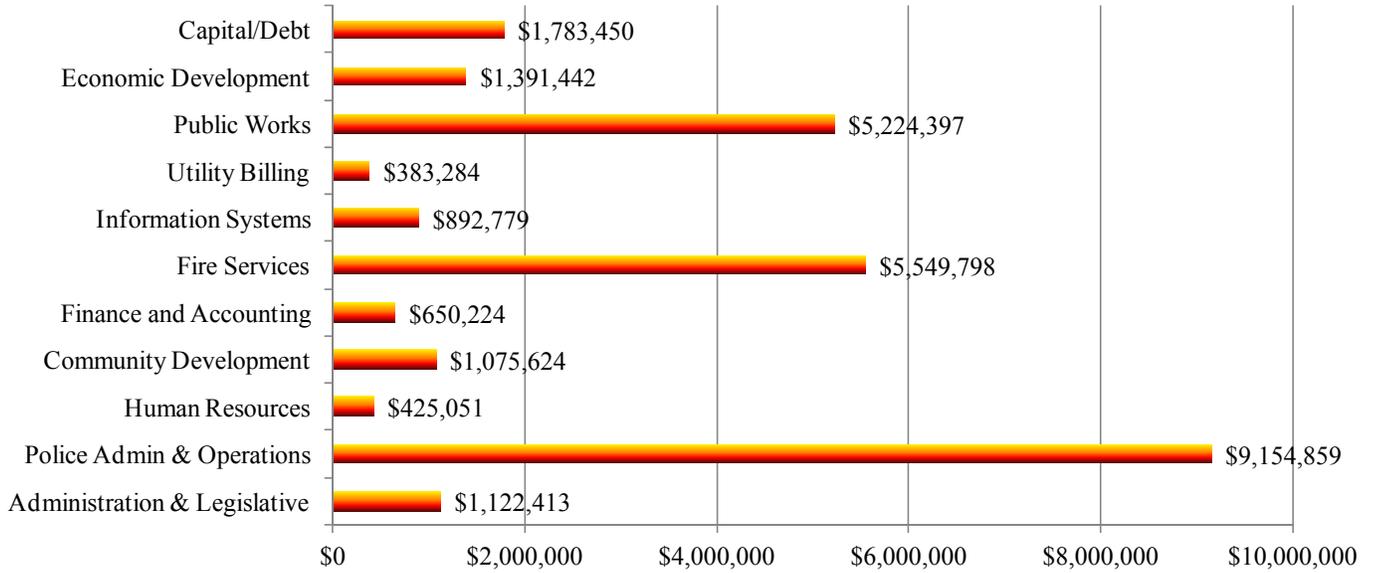
As shown above after adjusting for non-recurring spending, the year-to-year changes to operational spending have been low.

### General Fund Expenditures by Department 2016 Budget



The chart above displays the allocation by department with the Police Department accounting 33% of spending followed by 20% for Fire. Public Works accounts for the third highest at 19% with all the remaining departments accounting for 5% or less. Capital/Debt are Inter-fund Allocations for transfers to Debt Service from Sales Tax and transfers to capital projects as part of an ongoing capital-funding program.

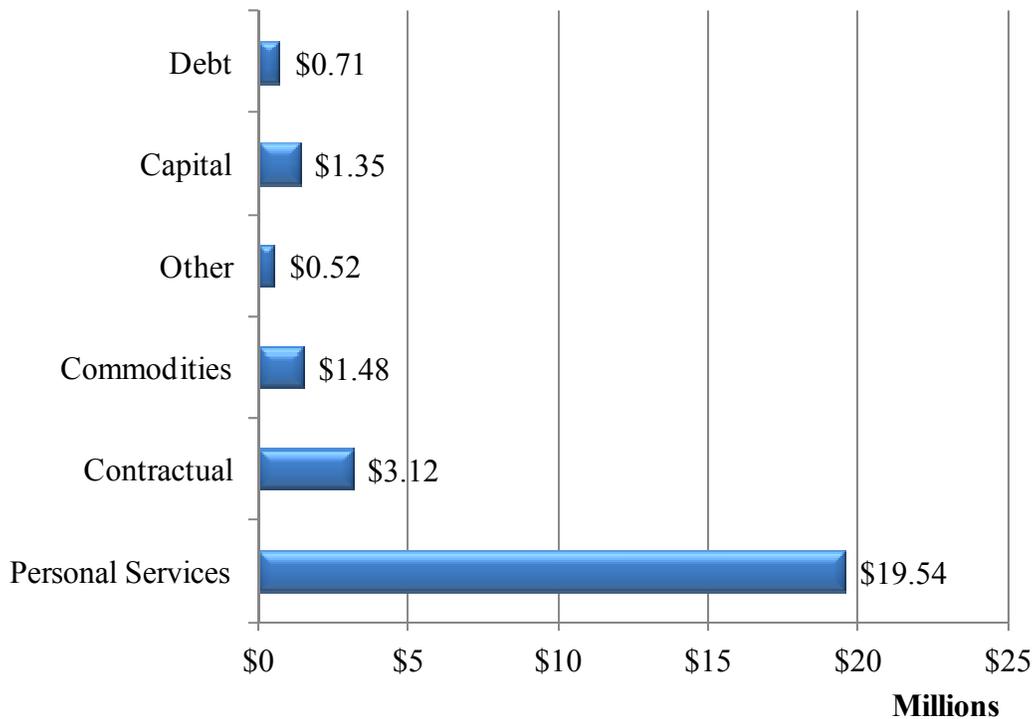
### General Fund 2016 Budget by Department



As expected, our public safety departments comprise the largest share of General Fund expenditures. The police department is staffed with 40 sworn officers and the fire department has 23 sworn members.

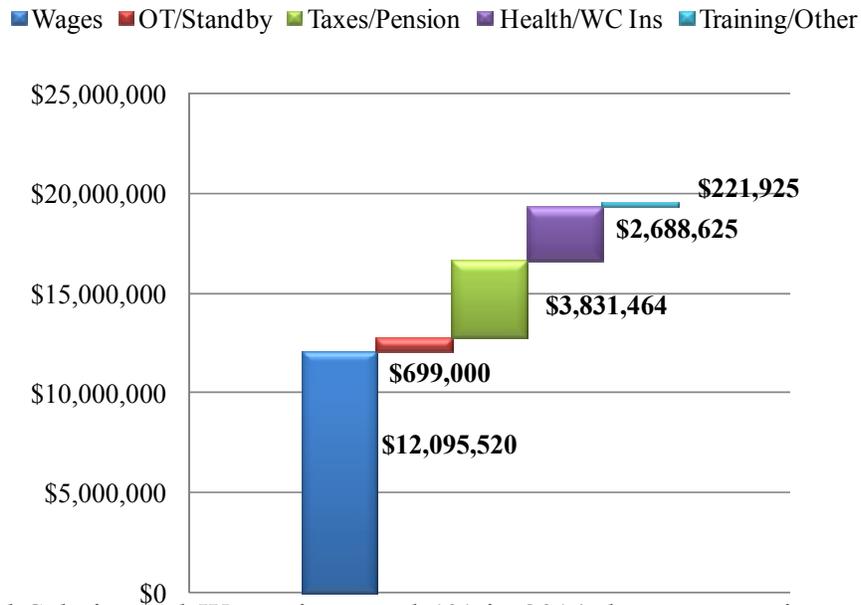
The largest cost for the general fund is personnel with the total cost of wages, benefits and insurance budgeted at \$19.6 million in 2016. For this chart debt is the amount of transfers made out of the General Fund to Debt Service. Capital is the amount budgeted directly in Fund 10 and the transfers made to Capital Funds for future capital purchases.

### 2016 General Fund Budget by Type (Millions)



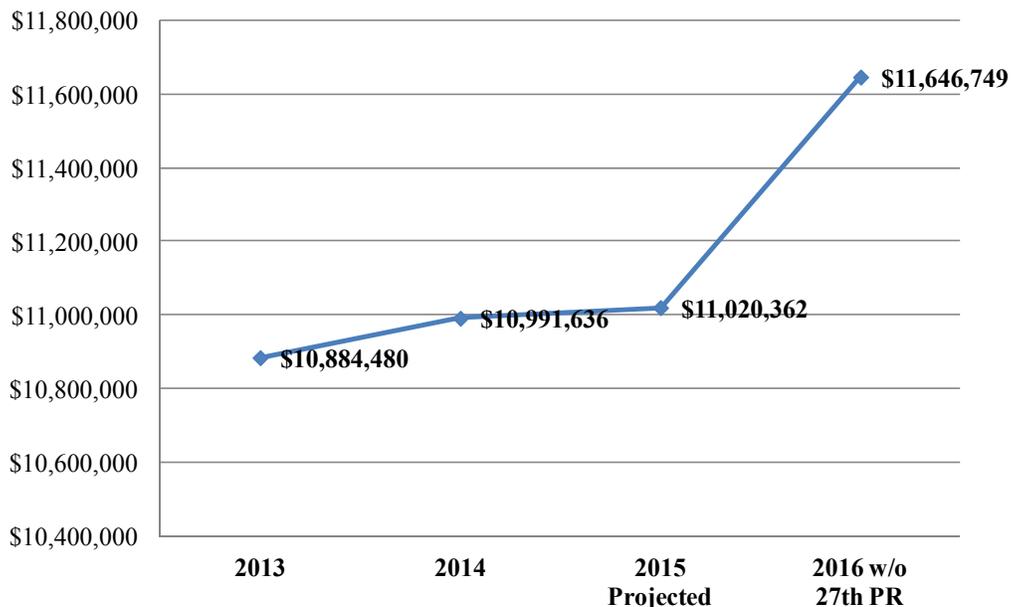
The following chart breaks down the components of Personal Services costs. Direct wages account for 62% of costs with another 3% spent on overtime and standby pay. Taxes and pension payments account for 20% with health and worker's compensation insurance accounting for the remaining 14% of costs and training and other employee related expenses at 1%. Health Insurance costs are budgeted with an 8% increase as a placeholder until actual rates are determined at a later date. Reserves are sufficient in the workers compensation fund so a reduction in contribution was done for all funds.

### 2016 General Fund Personnel Cost



General Fund Salaries and Wages increased 1% in 2014 due to vacancies and wages are projected to end the year 2015 only 0.3% over 2014 due to even more vacancies during the year. Wages are projected to increase 5.6% in 2016 outside of the 27<sup>th</sup> payroll. The higher increase is due to filling the vacancies and the return of the Fire Marshal for a partial year.

### General Fund Salaries and Wages



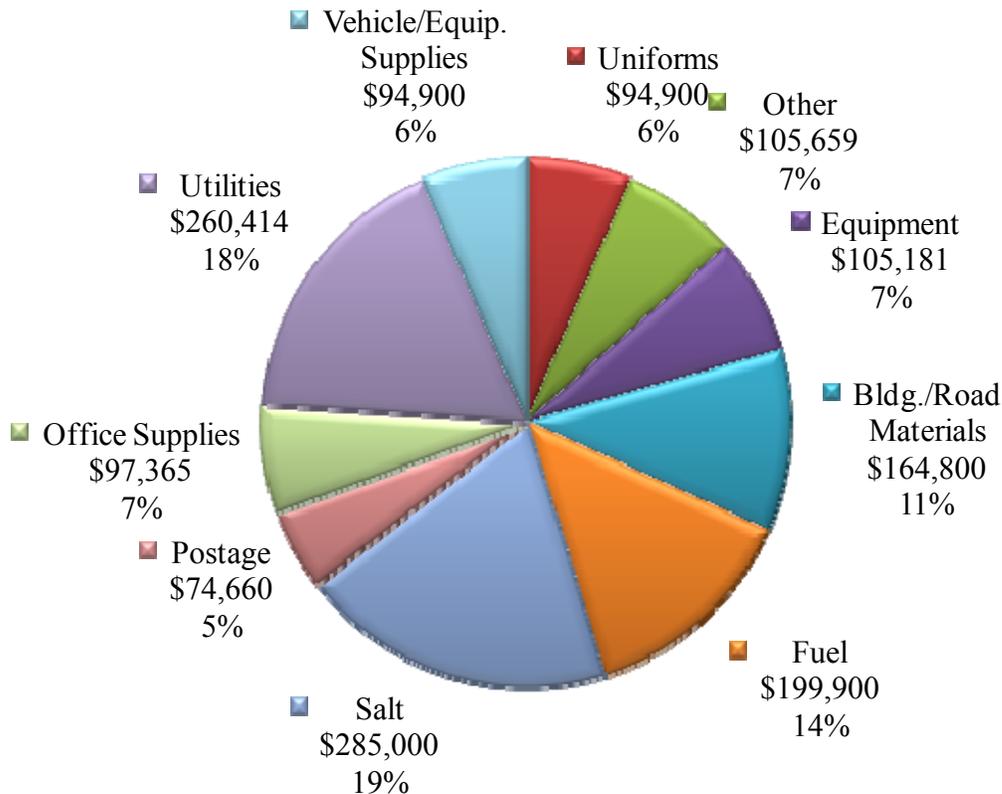
A breakdown by department of wages and salaries in the previous chart is provided below. Vacancies, retirements and replacement employees will affect the total amount spent. Amounts in bold reflect departments with significant vacancies.

### General Fund Full and Part Time Wages

	2013	2014	2015 Projected	2016 Budget (Net 27th PR)
Administration & Legislative	\$460,597	<b>\$418,947</b>	<b>\$392,931</b>	\$400,492
Human Resources	\$158,640	<b>\$128,304</b>	<b>\$154,362</b>	\$228,117
Community Development	\$608,374	\$637,870	\$653,273	\$689,560
Public Works Administration	\$142,094	\$145,639	\$154,652	\$158,383
Engineering	\$454,637	\$465,600	<b>\$365,850</b>	\$452,890
Building and Grounds	\$53,956	\$53,963	\$62,000	\$67,348
Finance and Accounting	\$371,181	\$379,119	\$382,977	\$397,452
Information Systems	\$276,700	\$290,832	\$288,841	\$296,062
Utility Billing	\$164,125	\$170,233	\$176,400	\$184,536
Police Admin & Operations	\$4,333,592	\$4,433,392	<b>\$4,443,749</b>	\$4,568,347
Fire Services	<b>\$2,577,080</b>	<b>\$2,580,358</b>	<b>\$2,634,196</b>	\$2,841,910
Streets and Sanitation	\$1,283,504	\$1,287,379	\$1,311,131	\$1,361,652
	<b>\$10,884,480</b>	<b>\$10,991,636</b>	<b>\$11,020,362</b>	<b>\$11,646,749</b>

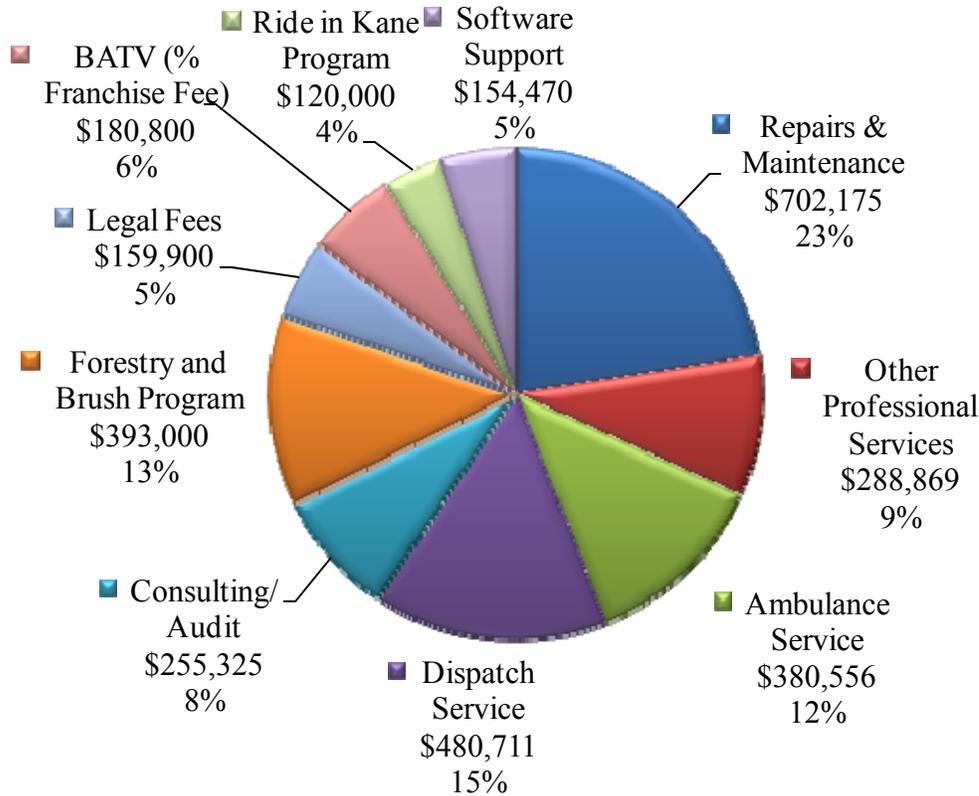
The General Fund budget has very little room to trim expenditures without eliminating personnel. Commodities account for only 6% of the operating budget. Salt and Road materials account for 30% while the costs related to vehicles account for 19%.

### 2016 Commodities



The Professional Services budget account for 13% of the operating General Fund Budget. Below is a breakdown by type of contract. Some contractual services have their own line items in the budget while others are all under 6355 and for those the detail is provided in the budget detail by department. Repairs and Maintenance include repairs to vehicles, buildings and equipment as well as contracted maintenance of buildings and grounds. The contract for dispatch service represents the single largest contract followed by the contract for ambulance services.

### 2016 Professional Services



### Department Highlights

Following is a discussion of notable budget changes for 2016 by department for the General Fund. If a department is not mentioned, then spending remains relatively unchanged.

The spending for **Administration** for 2015 is under the original 2015 budget by \$137,000 in part due to not having filled the communications position. The 2016 final budget does not include the communications position. It should be noted that a new administrator may request some kind of change to staff during the 2016 year, as there is currently no support staff for administration except for one position that provides support to the Mayor and City Administrator.

**Human Resources** spending has generally remained consistent in spending from year-to-year but the 2016 budget is considerably higher as the result of hiring a full-time Human Resources Director. The amount of time required for administering six union contracts and a wage and benefit program for over 170 employees requires more than part-time attention. Salaries in this department for 2016 reflect an increase of \$75,000 to reflect the shift of budgeting some wages in Administration. The budget also includes additional monies for 2015 and 2016 for recruitment of a new City Administrator. The current Administrator who has been in the position for 18 years is retiring in July 2016.

The **Engineering** department lost the City Engineer and the Assistant City Engineer and the two positions were vacant for a significant period resulting in a budget surplus in salaries for 2015 of \$100,000. While the cost savings was a benefit, the department suffered with much of the work that was planned for 2015 delayed. Both positions have now been filled and the 2016 budget reflects the full department.

**Information Systems** has an increase of \$53,000 in budgeted spending for 2016 due to hardware purchases planned in 2016. Purchases include MDC 's (police squad computers) personal computers and laptops, i-pads for mobile field work, a tape backup library with a server, a plotter scanner for engineering and public works, desk phone replacements and the largest expense is for core network switches at a cost of \$43,000.

**Economic Development** had a significant budget increase in 2014 that will continue through 2019. As discussed earlier, payment related to an economic development agreement entered into with our largest electric user will be paid from this department budget. The remainder of the budget has no increases with the main expenditure being the contract with the consultant for economic development services. In addition, there are funds slotted for marketing and attraction efforts.

The largest General Fund department budget is the **Police Department** with a \$9.2M budget. The 2016 budget is \$837,000 more than projected 2015 spending. The increase is entirely related to wages and benefits while nearly all other line items are equal or less than 2015 spending. Wages are budgeted \$300,000 more than 2015 actual spending of \$4,388,749 for full and part time wages. The difference to budget represents a full year of filled positions and expected wage increases. The contribution to the pension fund also reflects a \$357,000 increase.

Tri-Com dispatch is charged to each City based on the number of calls for service. The costs for Tri-Com are also up for 2016 with an expected increase of almost \$100,000. This contract is not within the City's *direct* budgetary control. The inter-governmental agreements for Tri-Com Dispatch and Tri-City Ambulance are managed by Boards made up of members from each community. The City of Geneva fronts all the costs related to Tri-Com and the City of St. Charles fronts all the costs related to Tri-City Ambulance. Batavia is invoiced for these costs on a quarterly basis.

Vehicle replacements are up about \$30,000 due to the price differential in replacing the squads versus unmarked vehicles. The department has begun rotating in replacements with

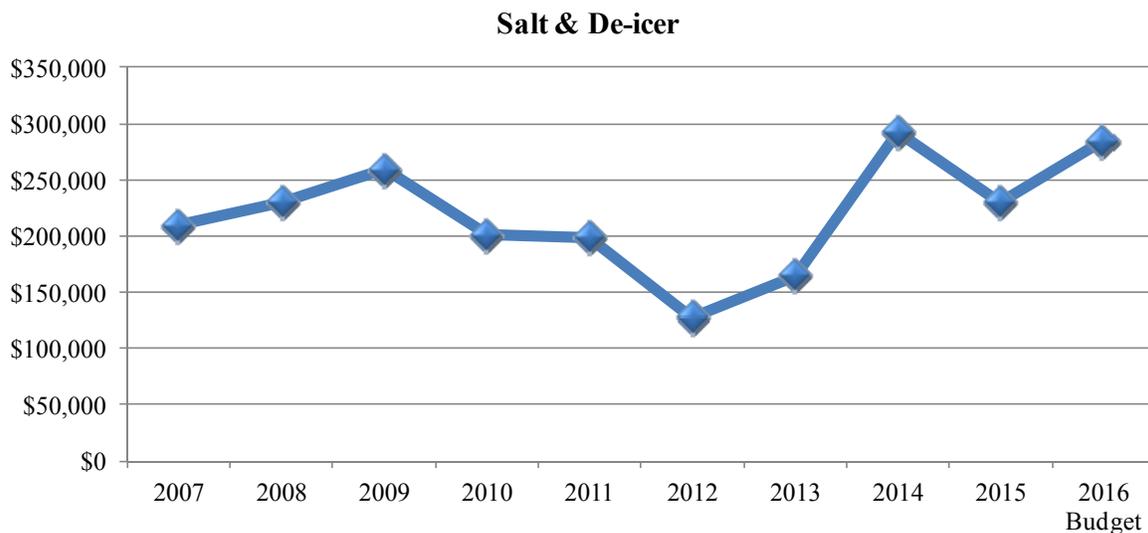
the Explorer model now that the Crown Victoria has been phased out. The Explorer may be slightly more to purchase and maintain with all-wheel drive but these vehicles are more practical for our climate than the other car options available. For other equipment, a gradual replacement of the department's radar units is continuing in 2016.

The **Fire Department** has a 2016 budget of \$5.5M is \$485,000 over the 2015 projected spending. The main reason for the difference for the increase is wages and benefits. The year 2015 was under budget to actual spending due to unfilled vacancies and a lower cost for the Tri-City Ambulance contract than budgeted. The year 2016 should have a full staff and the partial year of the Fire Marshal. In addition, the cost of Tri-City Ambulance is projected to increase \$60,000 in 2016. Batavia is on a calendar year budget and TCA is on an April 30 year- end so it makes budgeting for this contract a little uncertain since TCA has not prepared the budget yet. The only other significant increase was for pension funding with an increase of \$45,000.

The Fire department also administers the ESDA budget. This budget will be lower in 2016 as the 2015 budget provided for the replacement of a tornado siren for \$21,000. That should be the last year of replacement for some time as there was also a replacement done in 2014.

The **Street Department** has a 2016 budget of \$3.9M, which is almost the same as the 2015 amended budget but \$270,000 over 2015 projected spending. The increase is attributable to wage and benefits, salt prices and the contract for snow removal in the downtown.

The following chart shows how the Street budget can be impacted not only by weather but also by the cost of salt



The increase in professional services includes a higher cost for the contract for snow removal in the downtown. Spending of \$14,000 on downtown snow removal in 2014 is now budgeted at \$75,000 in 2016. The brush program increased significantly in 2015, increasing by \$110,000. The budget for 2016 is only slightly higher than 2015.

## **Motor Fuel Tax Fund (18)**

The Motor Fuel Tax Fund has no planned expenditures for 2016 due to the number of projects being facilitated through the non-MFT Street Fund.

## **Capital Project Funds**

Capital Project Funds receive funding through direct transfers from the General Fund, Property Taxes, via TIF (Tax Increment Finance), Grant Funds or Bonds. This budget includes four Capital Funds that are funded from the General Fund as operating transfers to provide for the long-term benefit and replacement of equipment or capital building needs. The process of funding incrementally each year, levels the burden over several years, rather than funding all at once through reserves or borrowing and incurring interest expense. This process also ensures that the City is planning adequately for future costs.

## **City Hall Improvement Fund (48)**

The budget for City Hall Capital Improvements is \$452,500 for 2016. Some of the projects are being carried over from the 2015 budget. The budget includes continued work on the replacement of windows at City Hall with \$230,000 budgeted. Other improvements include \$100,000 for security measures at City Hall. The budget plans for panic buttons in a few key areas and security entrance cards within some areas and the upgrade and addition of more security cameras. There is also \$40,000 budgeted for changes to the stairs at the north end of the building by the police department, \$25,000 for air quality improvements and \$25,000 for fire alarm updates. These improvements are possible as a result of an initial transfer of reserves from the General Fund of \$1,000,000 and annual funding of \$75,000.

## **Drainage Improvement Fund (33)**

The Drainage Improvement Fund has a budget of \$851,170. Discussion on funding drainage improvements was discussed earlier in the letter. The budget provides \$400,000 to begin to address drainage issues that were exacerbated during the rain event of June 2015. The funding source is a new property tax. Other items in the budget include \$160,000 to further evaluate and implement a storm water utility. The \$100,000 to implement a utility would not be spent if the City Council does not go forward with the utility. There are both pros and cons to establishing a utility and a thorough review of both should be made.

Maintenance Projects in this fund include storm sewer and storm manhole lining, maintenance on Braeburn Marsh, Mahoney Creek and Nagel Basin. Capital Projects include the conversion of the Nagel Basin to native and re-grading of the basin. There is also \$50,000 for a study on conservation/protection of our riverbank that supports our strategic goal for environmental identity.

### ***Strategic Goals for Environmental Identity***

- Re-establish the Fox River as a central feature of the community

## **Non-MFT Street Improvement Fund (43)**

This fund was established in 2014 by splitting off the portion of fund 18 (motor fuel tax) that came from general fund monies and not motor fuel tax funds. This fund will not have a funding source, aside from the \$7.5M grant from IDOT, for several years since the transfer of \$500,000 will be forfeited for the next fifteen years to offset the economic development grant being paid out from the General Fund.

There are \$3.5M in projects budgeted for 2016. The largest amount is planned street resurfacing projects budgeted at \$2M. Other projects budgeted in this fund include the continuing of design for Main Street and also the intersection of Main St. and Deerpath Rd. Both of these projects also have land acquisition budgeted. Remaining projects are the start of engineering for Prairie Street reconstruction and sidewalk construction and repair.

## **Vehicle and Equipment Funds (71 & 72)**

Other funds include the fire and public works capital funds that were established for the replacement of vehicles and equipment. These funds receive funding from development and transfers from the General Fund. Public Works has budgeted to replace \$485,000 in vehicles and equipment. Included are two dump trucks with plows, a heavy-duty pickup (one is a carryover from 2015), a smaller dump truck, a wheel loader (3 way split with other departments), sewer inspection equipment (2 way split) and the salt brine machine to begin an anti-icing program (carryover).

The Fire Department plans to replace a staff command vehicle at an estimated cost of \$39,000. The next large replacement planned is an engine in 2018 followed by the ladder truck in 2023. The Fire Department has been successful in the past in applying for and receiving grant funds to help offset the cost of apparatus. The current funding schedule may need to be increased in future years if no grant funds are received.

## **Deerpath Bridge and Safe Routes to School (42 & 45)**

Both of these projects have a majority of their funding coming from grants. The Deerpath Bridge is funded at 80/20 with our share 20% expected end cost of \$362,427 to be funded with funds from the street fund and IDOT grant. The Safe Routes to School Fund has \$90,000 in budgeted projects with the entire amount coming from grants. These projects have CIP sheets in the Appendix with further details.

## **TIF 1 (11) and TIF 3 (12)**

The two remaining Capital Project Funds are for the City's two active TIF Districts. TIF funds are generated through the difference in a set base value of property when the TIF is established and the increase in value through development. A TIF is established to revive an area of a community. The taxes that fund the district come from that change in value. The amount that is returned to the City is the taxes from all taxing bodies. TIF Districts do not increase taxes for the taxpayer; they only change how the taxes are distributed. TIF's

sometimes are frowned upon by taxpayers that feel that if the TIF were not receiving the tax dollars that the other taxing bodies might levy less taxes. What is often not understood though is that were it not for the TIF and the money available for improvements, the tax dollars would not be generated because the property would not likely have been developed on its own. In the end, taxpayers will benefit by having development that will provide long-term property tax payments to the taxing districts when the TIF expires via improvement dollars put directly into the area.

TIF spending can include public infrastructure, land acquisition, demolition, utilities, street lighting, water supply, landscaping, street furniture, environmental remediation, bridge work, parking structures, public art, and economic development endeavors. All of these uses are acceptable uses of TIF dollars and it is up to the City Council to determine the most appropriate use of this limited funding. Any use of TIF monies should consider the impact on the operating budgets of the City after the TIF expires to ensure that TIF improvements will be properly maintained.

The 2016 budget for TIF includes \$67,950 for Batavia MainStreet. The difference over the normal \$40,000 in funding is being done to return additional funds received by the TIF through the downtown Special Service Area levy that artificially increased payments to the TIF. Were it not for the SSA the funds would not have come into the TIF so the City Council has committed those funds be returned via a reduction in the SSA levy over a three year period – 2016 is the last year.

The Façade and Downtown Improvement Grant Programs are budgeted at a total of \$100,000 for 2016. Also budgeted is \$200,000 for other possible redevelopment projects. project that may come up during the year. The \$450,000 for the Walgreens project initial payment was made in 2015. The remaining payments will begin in 2017.

The Houston Street Streetscape project requires a loan from the City's General Fund. The repayment will begin in 2016.

***Strategic Goals for Community Connectivity:***

- **Use the Arts and other forms of self expression to encourage and support community connectivity and identity**

There is \$30,000 for a Donovan Bridge Art Sculpture. There is also \$5,000 for the Art in Your Eye festival that has become a very successful event for the community and directly supports a strategic goal of the City Council. More importantly, the Streetscape projects support the goal of community connectivity.

A spending plan for the remaining years of the TIF will be brought to the Council in 2016. There are other streetscape projects that are planned such as Batavia Avenue and Water Street that will need consideration. Those projects may need to be re-evaluated if a development opportunity arises.

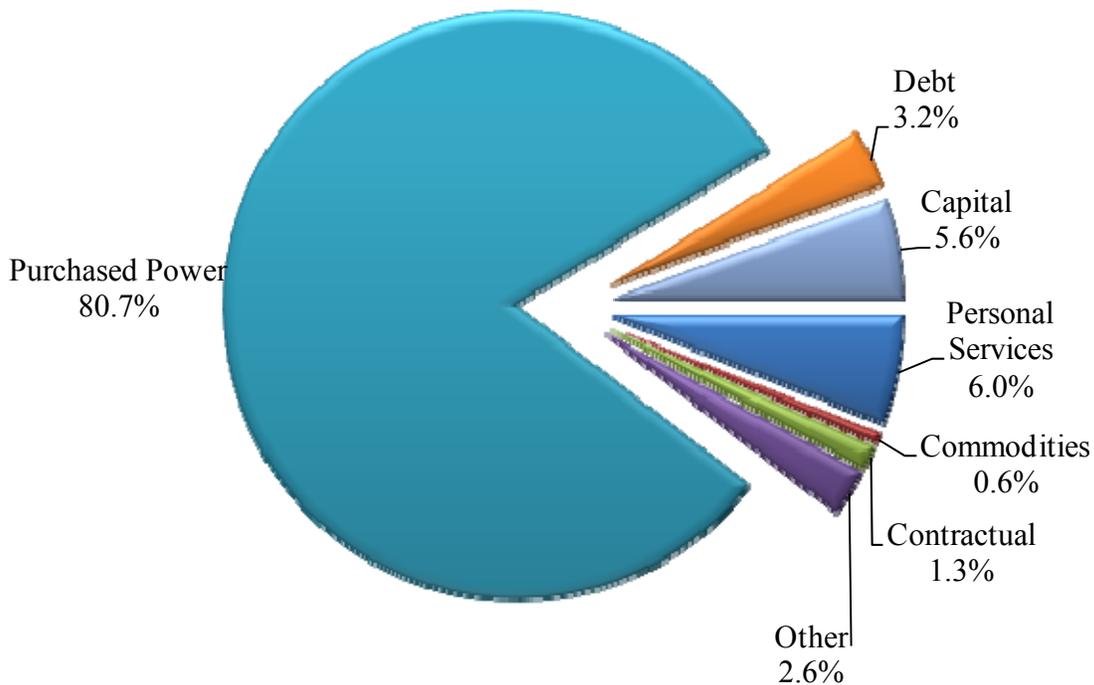
## Enterprise Funds – Business Type Activities

The Enterprise Funds of the City are the Electric, Water, and Wastewater Funds. These funds are considered self-supporting through user fees. The City strives to ensure that it provides safe, reliable utility services at fair and reasonable rates.

### Electric Utility

The Electric Utility provides service to over 9,500 residential customers and 1,340 commercial and industrial customers. The utility is a transmission and distribution utility and does not directly own generation. The following chart shows the breakdown in spending for the Electric Utility for the 2016 Budget. As shown purchased power accounts for 80% of expenses. Purchased Power includes all costs associated with the purchase and transmission of power through NIMPA, Summer Power and Capacity contracts, net market power and transmission related charges.

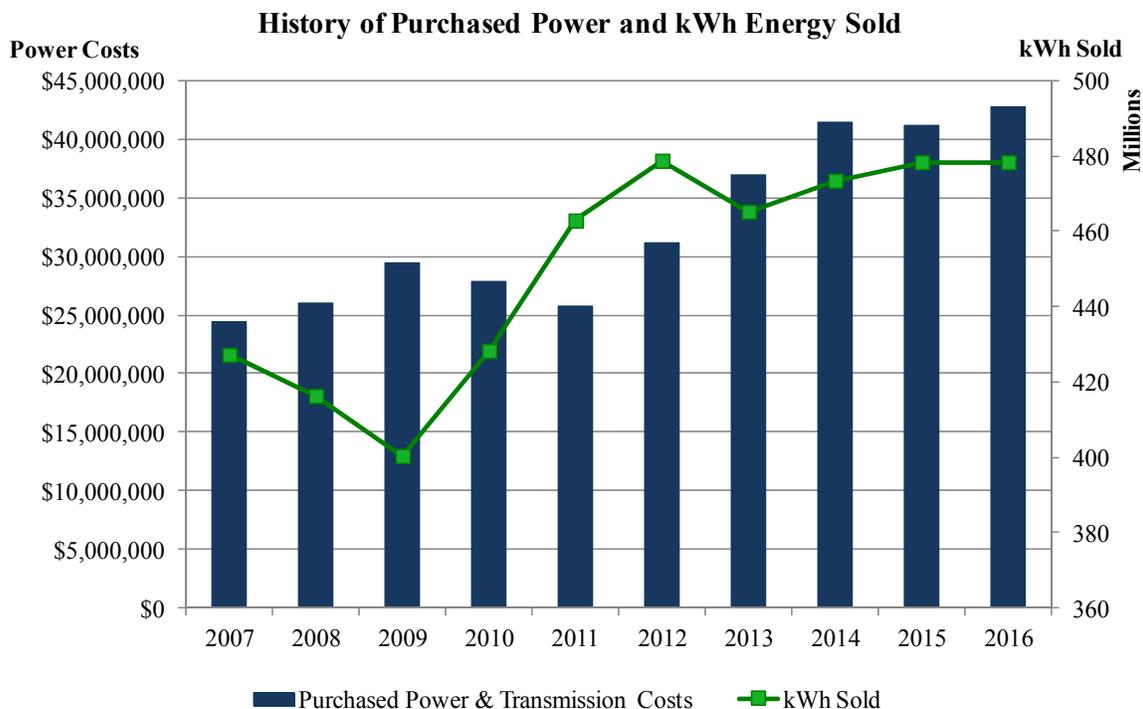
**Electric Utility 2016 Budget by Category**



Power is provided through take or pay contracts. Beginning in 2012, the utility started receiving power through ownership in the Prairie State coal mine project via NIMPA, an intergovernmental group of three cities. NIMPA is an independent organization with its own Board and own financial accounting and reporting. The Board is made up of members of the three cities but the accounting and financial reporting is contracted through an outside source. NIMPA is also independently audited in much the same manner as the City.

Power costs were much higher in 2013 (\$5.9M) and 2014 (\$4.4M) due to costs associated with the startup of a newly constructed power plant. As owners, through NIMPA, we must pay our share of these costs. In addition, if the plant is down for maintenance, NIMPA must secure power on our behalf from another source. Projected 2015 expenses are expected to be slightly lower than 2014. Power costs for 2016 are expected to increase \$1.5M over accrued 2015 expenses. Current projections show our power costs remaining fairly steady until 2019 when it is expected there will be a 5.5% increase. These numbers are subject to change based on the operational needs of the plant. We as NIMPA have voting rights, but no direct operational control of plant.

The chart below shows the increase in our power costs since deregulation and the change in our energy sold. Our costs have increased while our load has decreased which unfortunately translates into higher costs per kWh because of our fixed costs and fixed commitment for purchased power.



The current rate structure provides that the difference between the city’s base power costs and true power costs be collected monthly through a purchased power adjustment factor (PPAF) applied to bills. The Council enacted a \$2M rate stabilization fund (RSF) in 2009 to help stabilize the PPAF whenever possible. The RSF was increased to \$5M in 2014. The passage of this budget will provide authorization from the City Council to use up to the full amount available in the RSF during the year. It is projected that the RSF will have a balance of a little over \$1.5M to start 2016.

The City Council approved a two-year rate increase in 2014, effective May 1 of each year. The rate increases that were recommended in 2014 were based on estimates prepared by the Finance Department. A formal rate study was done in 2015 that recommends a 6% rate

increase for residential rates and various increases (1.45%-8.8%) for business customers. The report has not been presented to the City Council formally yet and will be discussed early next year. The study did not call for rates to be increased until May 1, 2016 so there should be sufficient time to consider the matter after the start of the budget year.

As already discussed earlier, the City Council implemented a ½-cent home rule sales tax to be collected over four years and utilized for rate stabilization. The revenue will flow through to the utility via a reduction in expenses that the electric utility pays the General Fund each year. The General Fund will replace those charges with the sales tax revenue. It is anticipated that the utility will receive the benefit of \$5.8M over the four years to be put towards rate relief.

NIMPA is a 7.6% owner and has a debt obligation of approximately \$502 million of which Batavia's share is \$230 million. Batavia pays the debt service in the form of a power contract through NIMPA.

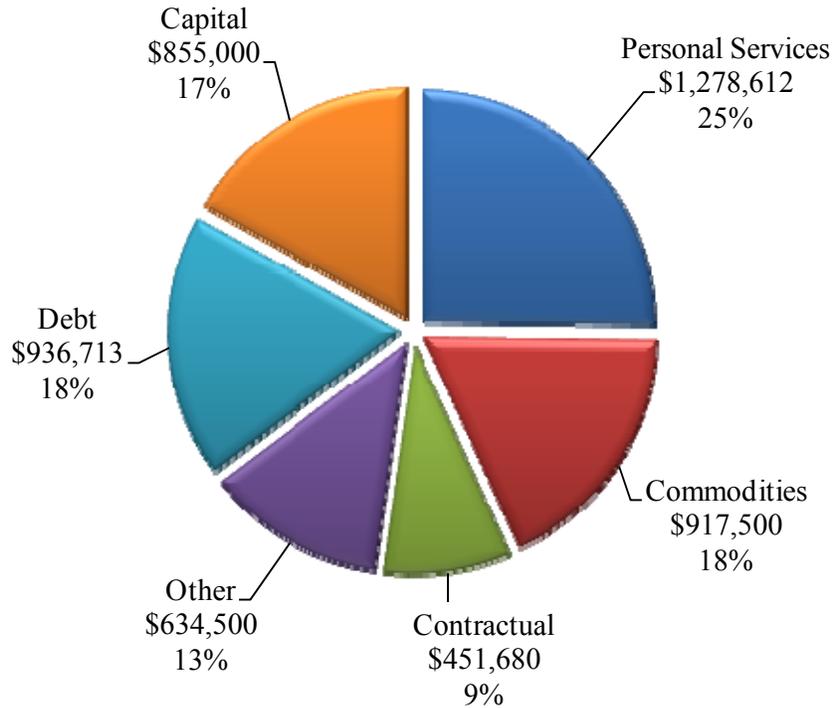
City staff and the City Council are very cognizant of the impact our electric rates have on our utility customers. Staff has worked diligently to keep costs that are within our control to the lowest level possible. However, at the same time the utility needs to keep operating and working to provide reliable electric service. To that end, there is \$2.9M of capital spending included in the 2016 budget. The largest project is \$0.8M to complete replacement of the poles, wire and transformers along Fabyan Parkway and Western Avenue. A capital sheet in the Appendix shows the map line for this project. Two similar projects are also planned, one on Carlisle Road and Batavia Avenue at a cost of \$280,000 to be completed in 2016 and one for the Colonial Village area at a cost of \$610,000 that will be completed in 2017. Also included in this budget is \$535,000 to complete a fiber optic loop at I-88 for redundancy.

## **Water Utility**

The water utility services 9,322 customers from five deep wells (three active and two standby) and three shallow wells. The utility mixes and treats the water from the wells at its two water treatment plants. Water is transmitted from the east side plants to the west side via a cross-town water main and pump station. The City has three water towers for storage. The majority of these capital items were constructed between 2002 and 2005 through the use of IEPA loan funds.

The Water Utility has a total 2016 budget of \$5.1M. Of that, \$0.9M is slated for water main improvements and \$0.9M is for debt repayment. The remainder of the budget is for production and distribution. The budget also calls for a rate increase of 3%. Operational plans for the Water Utility for 2016 include continued phasing in of an automated meter reading system. This project cost is being shared by the wastewater utility (31-83) since sewer billings are based on water meter readings. Maintenance is also planned for deep well 4, which is a standby well.

## Water Utility 2016 Budget by Category



The capital budget includes water main replacement on Hart Road from Kickapoo to Chillem and for a chlorine generator to be installed at the water treatment plant. The department will be replacing a utility truck in 2016 as part of its replacement schedule as well as sharing in the cost to replace a backhoe.

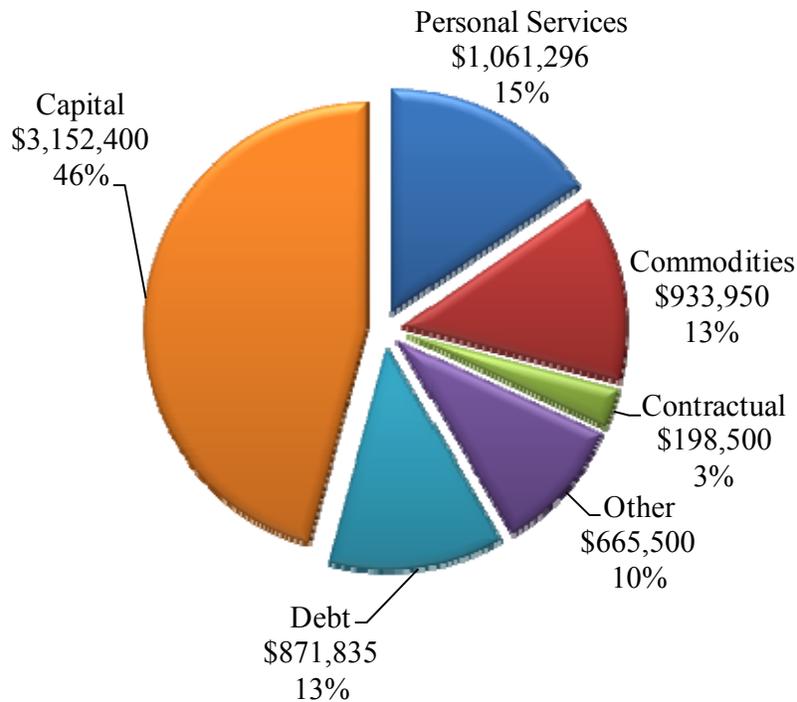
## Wastewater Utility

The Wastewater Utility serves 9,140 customers. The utility utilizes an aerobic biologic treatment plant. Sewerage reaches the plant through 100 miles of sanitary sewer lines and 18 lift stations. The last major upgrade to the treatment plant was completed in 2001. As a result of EPA mandate, the City has been studying various design options for improvements to the plant. Some capital equipment has been replaced with significant improvements planned over the next four years. Phosphorous removal is one portion that is being required via mandate. It is expected that portion will cost about \$3.5M. Other planned improvements include rehabilitation of excess flow clarifiers, chlorination systems, primary clarifiers and anaerobic digestion systems. Also, the sludge handling building, digester operations building and intermediate pump station will be reconstructed during the first phase of the overall improvements.

Please review the capital improvements project sheet for more information on this expansive project. The scope of the project is so large that there will be multiple phases. The City also has been utilizing a firm to conduct value engineering on the project. All but a small portion of the early phases of the project will be eligible of loan funds under the IEPA low interest loan program. Unlike the issuance of bonds, the IEPA loans are done on a reimbursement

basis that will require that the City have sufficient cash flow to fund construction payouts in advance. This may require a working capital loan in the main years of construction. In addition, the utility will need to borrow funds from a bank or through a small bond issue to cover the costs that are not eligible under the IEPA loan. The amounts of such loan will be finalized in 2016 but there is a placeholder in the budget of \$2M.

### Wastewater Utility 2016 Budget by Category



The total budget for 2016 is \$6.9M of which \$2.7M is for capital related to the projects mentioned above. An additional \$0.5M is planned for sanitary sewer capital improvements. Debt repayment accounts for \$0.9M of the total budget. \$2.8M will go towards operations.

The budget also calls for a 6% rate increase that will begin January 1, 2016.

### Internal Service Fund Type: Self – Insurance Activities

#### Health (15) and Workers Compensation (20) Insurance

The City is self-insured for both Health Insurance and Workers Compensation. Employees pay between 13% and 20% of the cost of health insurance. Payment is made through a payroll deduction and the City contributes their share to the fund on a bi-weekly basis in conjunction with payroll. The city’s share of costs is budgeted as a line item expense within each department under account 6120. Rates are determined by a third-party broker based on

estimated claims and using claims history. For the current year claims up to \$140,000 are paid by the City. Reimbursement from an excess carrier is received for claims over that amount. There can be exposures greater than that amount if the excess carrier insists on a laser of a higher deductible for for an insured with a serious health condition. The renewal for the current year is not yet known but it is anticipated that the request will be for the City to take on more of that risk based on the number of claims that the City had go over that amount in 2014 and 2015. It is also expected that the premium will increase significantly based on the amount of reimbursements that the insurance company had to pay out.

The Workers Compensation Insurance Fund is funded through charges to the departments based on claims history. The charge to each department is budgted under the account 6126. A higher fund balance is needed in this fund due to the very high deductible. We currently have the lowest self-insured retention offered and that is \$650,000. Employee safety is a top priority and regular review of claims is made to ensure proper safety procedures are in place and proper personal protective equipment is used.

## Debt Management

Whenever possible or practical, the City has financed capital expenditures on a pay-as-we-go basis. There are times, however, when it is more prudent to issue debt and spread the cost of the asset over its useful life. This philosophy attempts to assess a portion of the cost to all who will benefit from use of the asset. The City of Batavia is a home rule community and does not have a legal limitation on the issuance of debt. The City currently has an excellent bond rating of **Aa1** issued by Moody’s.

## General Obligation Debt – General Fund

The City has a low General Obligation debt burden. The City will have **\$7,270,000** in outstanding principal General Obligation debt at the start of the 2016 budget year. One of the City’s outstanding debt issues is backed by sales tax and one is supported through property taxes.

There are currently no plans to issue General Obligation debt in 2016. The City currently has only one GO bond issue on the tax levy rolls and that is for the Donovan Bridge. The Fire Station debt is paid with sales tax.

<b>Principal Balance</b>	<b>Fire Stations</b>	<b>Donovan Bridge</b>	<b>Total Outstanding</b>
<b>1/1/16 Budget</b>	<b>\$6,115,000</b>	<b>\$1,155,000</b>	<b>\$7,270,000</b>
<b>Interest Cost</b>	<b>2.41%</b>	<b>2.20%</b>	
<b>Final Payment Budget Year</b>	<b>2025</b>	<b>2024</b>	

The table below shows what will be included in the budget each year for debt payments. Detailed debt information may be found in the City’s Comprehensive Annual Financial Reports (available on the City’s Website).

**General Obligation Debt Payments (Principal & Interest)**

<b>Project</b>	<b>Fire Stations</b>	<b>Donovan Bridge</b>	<b>Total P &amp; I</b>
<b>Funding</b>	<b>Sales Tax</b>	<b>Property Tax</b>	<b>by Year</b>
<b>2016</b>	<b>\$708,450</b>	<b>\$148,425</b>	<b>\$856,875</b>
2017	707,700	144,825	852,525
2018	711,500	146,225	857,725
2019	709,700	142,475	852,175
2020	717,450	144,975	862,425
2021	719,450	142,375	861,825
2022	720,850	144,450	865,300
2023	721,650	141,413	863,063
2024	731,850	138,206	870,056
2025	726,150	0	726,150

**Revenue Bond Debt – Enterprise/Utility Funds**

All three utilities have outstanding debt that was issued to fund capital improvements of the respective utilities.

The **Electric Utility** issued \$26,970,000 in revenue bonds in 2006 to fund the construction of two 138 kV substations and transmission lines. The principal balance for Electric Fund debt as of January 1, 2016 will be **\$23,100,000**. The bonds are callable in 2017. When bonds are callable, it makes it possible to refund the debt and reissue at a lower interest rate. It is highly possible that the City will be able to refund these bonds to achieve interest cost savings. The City consults with a financial advisor to determine the appropriate time for these types of transactions.

All debt associated with Prairie State was issued through the inter-governmental Agency, NIMPA. Repayment of the debt is done through purchased power contracts between the City of Batavia and NIMPA. Ultimately, it is the obligation of the City of Batavia to repay the debt through this contract, but the debt does not appear as a long-term debt obligation in the City’s Financial Statements. NIMPA issues their own financial statements and further information can be found on their website: [NIMPA.us](http://NIMPA.us). It should be noted that the debt associated with NIMPA also has corresponding assets in the mine and coal.

The debt in both the water and sewer utilities is through the IEPA and General Obligation Bonds issued in 2013 to refund some IEPA loans. The City of Batavia was the first entity in Illinois to refund IEPA loans at a lower interest rate. The **Water Utility** will have **\$7,876,516** in outstanding principal on January 1, 2016. The **Wastewater Utility** will start the year with **\$4,040,763** in outstanding principal.

The Wastewater Fund will need to issue new debt to start funding the rehabilitation of the wastewater treatment plant. The scope of the initial debt spans five years and will require \$25M-\$28M in IEPA loans. IEPA loans are structured as a reimbursement as construction is completed rather than an upfront issuance like normal bonds. That type of loan reduces the ultimate interest cost since the debt isn't issued until it is actually needed. However, reserves must be such to allow for advance payment of the contracts. The existing debt will be paid off in 2020, which will help with the payments on the new debt.

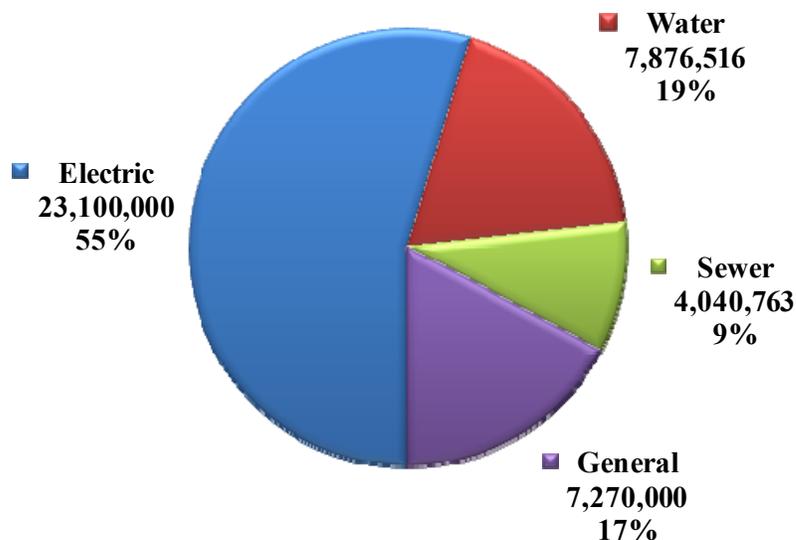
Following is a schedule of principal and interest payments that will be required of each utility annually.

**Enterprise Fund Debt Payment Requirements (Principal and Interest)**

	<b>Electric</b>	<b>Water</b>	<b>Wastewater</b>
<b>2016 \$</b>	<b>\$ 1,704,606</b>	<b>\$ 936,714</b>	<b>\$ 856,956</b>
2017	1,701,206	935,214	866,481
2018	1,701,806	933,614	868,888
2019	1,701,206	931,914	871,180
2020	1,704,406	935,114	828,318
2021	1,705,376	933,114	
2022	1,704,694	936,014	
2023	1,701,894	933,167	
2024	1,702,156	933,367	
2025	1,705,718	290,169	
2026 -2036	18,736,500	290,169	
<b>Principal Balance 1/1/2016</b>	<b>\$23,100,000</b>	<b>\$7,876,516</b>	<b>\$4,040,763</b>
<b>Budget Year for Final Payment</b>	<b>2036</b>	<b>2026</b>	<b>2020</b>

**Total City of Batavia Outstanding Debt on January 1, 2016**

■ Electric ■ Water ■ Sewer ■ General



## Surplus and Reserves

The Surplus/Deficit reported in the budget refers to the difference between Revenues and Expenditures for that particular budget year. The Surplus and Reserves refers to available cash on hand plus current receivables and current payables. The Surplus and Reserves does not refer to fund balance or net assets. As mentioned earlier, the budget is prepared on a basis consistent with GAAP except for certain accruals and accounting entries for debt and capital assets. Review of fund balance and net assets can provide useful information and should be reviewed as part of the City's Audited Annual Financial Report.

For budget purposes, it is most appropriate to review the available cash on hand, which represents the current amount available for continuing operations. A standard measure is to maintain a balance sufficient to remain in operation for 60 days for the General Fund and 90 days for Enterprise Funds (utilities). The City will meet these reserve policies for all funds in 2016.

Fund reserve balances will be maintained that:

- Provide adequate financial resources to conduct the normal business of the City and ensure the continued delivery of services in the event of any disruption stemming from short-term interruptions in cash flow
- Provide adequate financial resources to maintain the City's creditworthiness
- Provide for the accumulation of financial resources for use in capital acquisitions or to comply with legal requirements
- Provide adequate financial resources to respond, in a planned and decisive manner, to long-term or permanent decreases in revenues
- Provide adequate financial resources to ensure continued delivery of public safety, utility and essential infrastructure maintenance services

## Surplus and Reserves - General Fund

The projected reserves for the end of 2016 are projected to be 197 days.

	2013	2014	2015	2016
Revenues	\$23,189,089	\$25,283,582	\$25,431,205	\$25,746,283
Expenses	\$21,448,890	\$23,348,811	\$24,455,345	\$26,713,321
Surplus/Deficit	\$1,740,199	\$1,934,771	\$975,860	(\$967,038)
Capital/Other	\$572,705	\$1,985,625	\$2,370,237	\$3,104,568
Operating Expenses	\$20,876,185	\$21,363,186	\$22,085,108	\$23,608,753
Reserves	\$10,782,228	\$12,716,999	\$13,692,859	\$12,725,821
Days Operation	189	217	226	197

## General Fund Reserves - Continued

Although this budget is balanced after adjusting for the additional payroll and the economic development payment, the city must continue to be vigilant about adding to total expenditures for staffing or any other cost that would be ongoing. A dip into reserves to cover one-time or short-term costs is not a concern for the city in that our reserve levels are very healthy and should be used for those types of things.

As discussed earlier, the City entered into an economic development agreement that will draw down the General Fund Reserves by a total of \$4,585,000 by 2019. Reserves need to be strong to ensure there are enough funds to meet this obligation. It should be stressed that the agreement is not a cost to the City. The City is passing through grant funds from the state by investing in our infrastructure in a faster manner than the City normally would have.

## Surplus and Reserves - Electric Fund

Reserves in the Electric Fund are projected to end 2016 with 140 days of operations and a balance of \$19.2M. The reserves have increased in part as a result of rate increases coupled with the cost savings of the home rule sales tax. Reserves have also increased due to the delay of budgeted capital projects and personnel vacancies. The utility has been without a Manager of Business and Engineering (formerly Superintendent) for over a year. The vacancy played a part in some capital projects not getting completed when planned. The years 2014 and 2015 had planned capital spending of \$2M and \$3M respectively and total spending over those two years was \$2M thus increasing reserves by \$3M. These projects still need to be completed and are only an artificial increase to reserves.

The current budget provides for a net operating income that will provide the required threshold for bond reserve purposes as well as maintaining sufficient reserves. The bond coverage requirement is net operating income must be at least 1.25x annual debt service.

The reserves reported below include the restricted cash and investments for operations and maintenance and depreciation that are part of our bond covenant. Although the funds are restricted, they should be included in the calculation of days of reserves as the funds are held by the utility and could be accessed if needed. The bond covenant requires that funds be “restricted” for operations to ensure that the utility will be able to continue to operate.

	2013	2014	2015	2016
Revenues	\$44,925,236	\$49,947,869	\$51,542,298	\$53,536,956
Expenses	\$47,984,667	\$48,894,066	\$49,221,213	\$52,823,706
Surplus/Deficit	(\$3,059,431)	\$1,053,803	\$2,321,085	\$713,250
Capital	\$2,475,050	\$940,940	\$1,320,000	\$2,939,000
Operating Expenses	\$45,509,617	\$47,953,126	\$47,901,213	\$49,884,706
Reserves	\$15,081,002	\$16,134,805	\$18,455,890	\$19,169,140
Days Operation	121	123	141	140

## Surplus and Reserves -Water Fund

The reserves for the Water Fund are projected to be at 188 days at the end of 2016. The reserve includes a drawdown in all four years shown for water main replacement projects. Evaluation and prioritization of future water projects continues to ensure that adequate reserves will be available to fund the projects. The focus will be on replacement of water mains with the most pressing maintenance issues followed by the oldest water mains. City staff has made a concerted effort to coordinate capital planning across departments to time utility improvements with road improvements when appropriate.

	2013	2014	2015	2016
Revenues	\$4,311,924	\$4,343,389	\$4,374,063	\$4,412,554
Expenses	\$4,360,909	\$4,609,659	\$5,132,877	\$5,074,005
Surplus/Deficit	(\$48,985)	(\$266,270)	(\$758,814)	(\$661,451)
Capital	\$653,509	\$742,722	\$1,085,500	\$855,000
Operating Expenses	\$3,707,400	\$3,866,937	\$4,047,377	\$4,219,005
Reserves	\$3,863,539	\$3,597,269	\$2,838,455	\$2,177,004
Days Operation	380	340	256	188

## Surplus and Reserves - Wastewater Fund

The reserves for the Wastewater Fund are projected to be at 231 days at the end of 2016. The reserves reflect the infusion of \$2M in IEPA and other loan funds to offset the planned capital investments to be made in 2016. The wastewater fund will be incurring significant debt over the next five years to fund necessary capital improvements. Rates will need to be sufficient to cover the new debt while maintaining an adequate number of days of reserves. Further review will be done in 2016 to plan for this.

	2013	2014	2015	2016
Revenues	\$4,431,600	\$4,539,167	\$4,722,425	\$6,942,775
Expenses	\$5,309,112	\$3,836,942	\$4,498,654	\$6,883,481
Surplus/Deficit	(\$877,512)	\$702,225	\$223,771	\$59,294
Capital	\$1,605,305	\$447,861	\$909,195	\$3,152,400
Operating Expenses	\$3,703,807	\$3,389,081	\$3,589,459	\$3,731,081
Reserves	\$1,375,423	\$2,077,648	\$2,301,419	\$2,360,713
Days Operation	136	224	234	231

## Conclusion

The 2016 General Fund budget was presented with several factors for the City Council to consider. Ultimately, the City Council chose to increase other revenue sources and to keep the property tax level for the 2016 budget year. This budget includes the following:

- Leaf and Brush Fee Increase **\$1.00 per month** - \$90,000  
From \$3 to \$4
- Gasoline Tax Increase **1 cent** - \$190,000  
From \$0.01 to \$0.02
- Liquor Sales Tax **2%** - \$300,000
- Electric Rate Increase **6%** for Residential May 1, 2016
- Water Rate Increase **3%** January 1, 2016
- Sewer Rate Increase **6%** January 1, 2016

The General Fund required additional revenue as expenditures are outpacing revenues. One such area of expense that is increasing are the City's pension contributions. This budget does provide an additional \$270,000 in funding beyond what the City's actuary has indicated is required. The reason for the additional contributions budgeted for both police and fire is to bring up the funding levels of each fund. The Police Pension Fund is currently at 57.6% and the Fire Pension Fund is at 69.7%. Future GASB requirements will put that unfunded liability on the City's balance sheet in 2016.

It is highly likely that the pension contributions will continue to grow as the number of retirees is growing and officers are retiring at a young age thus increasing the funding requirement substantially. In addition, we have had several disability pensions granted which significantly increase the costs to the City. Generally, whenever a disability pension is granted, the City also becomes obligated under PSEBA (Public Safety Employee Benefits Act) to pay for the pensioner and their family (including future family) for life. The City of Batavia has \$150,000 budgeted for 2016 for health insurance premiums for 6 disabled pensioners and their dependents. There is change needed in the legislature to define clearly, what qualifies as a catastrophic injury that will require this obligation by the City. The law was put in place for a very good reason but without clear definitions, it is eliminating municipalities' ability to use those funds elsewhere. With the current law, those under PSEBA on a disability pension that are able to work other jobs that qualify them for health insurance can and do choose to keep the City's insurance at no cost to them for life. The impact is millions of dollars that should not be coming out of the pockets of taxpayers.

The 2016 Budget requests for spending have been discussed in detail with each department. Budget line items have been cut or held even in most commodity and contractual items. Additional staff was been requested in several departments but only the addition of a Fire Marshal has been included in this budget. Personnel and benefit costs will continue to be the primary cost driver of the City of Batavia's spending plans. Management is very aware of this and will continue to look for new and innovative means of delivering services that may help to dilute the required level of spending increases.

The following year will also be a year of change for the City Council and employees as a new City Administrator will be put in place after the current long-time Administrator retires. A new Administrator will certainly present new and different ideas to the City Council and to staff that will be incorporated into future years spending plans.

Staff will continue its efforts to focus on long-term sustainability beyond the 2016 Budget. The demand for services will have to be balanced with the level of funding that citizens are willing to pay. In addition, there will be conflicting demands among citizens as to what services are worth funding. Although not popular, raising taxes or fees must be part of the solution for long-term sustainability. A budget will be presented each year that ensures there is a structure of revenues that will support the services that the City Council deems appropriate for funding.

A balance between ensuring there is safe, reliable infrastructure with the increased cost of providing services must be established. The goal is to obtain the maximum useful life of our infrastructure. Ensuring that an adequate long-range operating and capital plan is in place for the General Fund and all the utilities is a key factor in budgetary decision-making. A top challenge for Batavia will be determining the optimal level of funding infrastructure replacements in the years ahead. Cultivating community understanding and appreciation for our vital infrastructure will require continued communication and discussions.

Reliable electric services along with clean safe drinking water, an environmentally safe wastewater system and well-maintained streets and storm sewers are all an important part of ensuring the economic and environmental sustainability of our City.

Following is the 2016 Budget that will serve as an operations guide and financial plan for the coming year. The budget is presented after careful review and examination. It provides the spending authority for staff to continue the effort of meeting the goals of the Strategic Plan as approved by the City Council.

This budget, as always, was the result of many hours of review and meetings with the City Administrator and Staff. Recognition should be given to all of the Department Heads and their Staff. I would also like to thank the Staff of the Finance Department for their assistance in compiling this budget.

Sincerely,  
*Peggy Colby,*  
Finance Director

# City of Batavia 2016 Annual Budget

## Total 2016 Budget - All Funds

Description	Actual 2013	Actual 2014	Approved Budget 2015	Estimated 2015	Proposed Budget 2016
<b>Surplus and Reserves</b>	<b>\$41,669,959</b>	<b>\$39,327,649</b>		<b>\$43,496,836</b>	<b>\$44,742,391</b>
01 Intergovernmental	\$5,067,357	\$5,877,139	\$5,998,039	\$5,302,110	\$7,332,846
01 Municipal Taxes/Fees	\$5,536,193	\$5,083,751	\$5,016,262	\$4,999,186	\$5,468,237
01 Property Taxes	\$7,818,875	\$7,732,779	\$7,433,730	\$7,462,468	\$7,480,498
01 Sales Taxes	\$6,667,353	\$7,951,258	\$8,746,991	\$8,975,782	\$9,042,974
01 Utility Operating Revenues	\$52,983,600	\$57,974,216	\$60,332,624	\$59,952,163	\$62,345,610
02 Contributions	\$4,284,516	\$4,128,499	\$4,297,552	\$4,251,445	\$4,478,624
02 Utility Nonoperating Revenues	\$261,665	\$596,272	\$263,400	\$450,150	\$308,175
04 Fees & Services	\$736,274	\$949,059	\$765,487	\$828,851	\$908,000
05 Fines and Forfeitures	\$249,773	\$218,276	\$235,000	\$216,400	\$216,000
06 Other Revenues	\$573,012	\$2,381,747	\$2,031,469	\$3,242,276	\$1,188,796
07 Interfund Allocations	\$1,853,989	\$1,281,247	\$1,351,050	\$1,357,450	\$1,869,877
08 Revenue Bond Proceeds	\$196,494	\$0	\$2,200,000	\$0	\$2,000,000
<b>Total Revenue</b>	<b>\$86,229,101</b>	<b>\$94,174,243</b>	<b>\$98,671,604</b>	<b>\$97,038,281</b>	<b>102,639,637</b>
TIF District Projects	\$2,163,803	\$498,374	\$3,378,435	\$3,774,890	\$1,114,450
Administration & Legislative	\$1,091,994	\$1,151,194	\$1,217,378	\$1,080,257	\$1,122,413
Human Resources	\$303,882	\$230,763	\$391,399	\$297,313	\$425,051
Community Development	\$901,559	\$941,007	\$987,481	\$981,304	\$1,075,624
Public Works Administration	\$217,281	\$221,107	\$228,818	\$236,448	\$251,661
Engineering	\$676,288	\$661,569	\$703,342	\$596,390	\$701,065
Buildings and Grounds	\$341,583	\$346,263	\$399,630	\$351,671	\$381,757
Finance and Accounting	\$557,217	\$568,004	\$590,337	\$592,306	\$650,224
Information Systems	\$703,302	\$819,439	\$847,495	\$838,711	\$892,779
Utility Billing	\$331,201	\$346,947	\$362,772	\$359,306	\$383,284
Worker's Compensation Plan	\$474,965	\$496,855	\$621,650	\$507,000	\$618,000
Economic Development	\$104,884	\$1,125,389	\$1,391,467	\$1,654,734	\$1,391,442
Police Admin & Operations	\$7,889,147	\$8,091,876	\$8,539,067	\$8,318,143	\$9,154,859
Fire Services	\$4,797,473	\$4,783,690	\$5,158,326	\$5,032,874	\$5,517,067
E.S.D.A.	\$24,657	\$51,464	\$54,271	\$53,329	\$32,731
Drainage Capital Projects	\$19,300	\$133,377	\$324,715	\$147,360	\$851,170
Public Works Capital Acquisition	\$190,677	\$464,507	\$432,451	\$174,444	\$485,000
Fire Capital Acquisition	\$0	\$0	\$497,000	\$486,974	\$39,000
Health Benefit Plan	\$3,766,165	\$4,680,401	\$3,961,250	\$4,439,688	\$4,547,140
Safe Routes Program	\$45,159	\$54,375	\$113,643	\$85,200	\$89,868
Deerpath Bridge Construction	\$101,132	\$65,485	\$113,000	\$110,000	\$551,520
Streets and Sanitation	\$3,302,997	\$3,631,949	\$3,872,156	\$3,620,291	\$3,889,914
Street Improvement Projects	\$1,260,340	\$1,712,533	\$2,511,704	\$1,471,805	\$3,528,000

# City of Batavia 2016 Annual Budget

## Total 2016 Budget - All Funds

Description	Actual 2013	Actual 2014	Approved Budget 2015	Estimated 2015	Proposed Budget 2016
<b>Surplus and Reserves</b>	<b>\$41,669,959</b>	<b>\$39,327,649</b>		<b>\$43,496,836</b>	<b>\$44,742,391</b>
City Hall Capital Improvements	\$32,178	\$17,225	\$601,300	\$404,000	\$452,500
Electric Improvements	\$2,475,050	\$940,940	\$2,850,000	\$1,320,000	\$2,939,000
Meter Reading/Locating	\$204,942	\$200,359	\$216,520	\$211,585	\$211,485
Transmission & Distribution	\$43,601,470	\$46,049,762	\$47,238,561	\$45,987,822	\$47,968,885
Water Improvements	\$653,509	\$742,722	\$1,245,000	\$1,085,500	\$855,000
Water Production	\$680,613	\$793,684	\$989,742	\$914,500	\$943,000
Water Distribution	\$2,041,908	\$2,140,071	\$2,187,419	\$2,199,686	\$2,339,292
Utility Share General Fund	\$-1,628,338	\$-890,000	\$-1,186,182	\$-886,182	\$-940,000
Wastewater Improvements	\$1,047,704	\$241,099	\$3,435,600	\$395,695	\$2,672,400
Waste Water Treatment	\$2,321,005	\$2,300,490	\$2,473,506	\$2,455,837	\$2,552,010
Sanitary Sewer	\$1,028,840	\$428,668	\$1,036,563	\$771,788	\$787,236
Interfund Allocations	\$1,853,989	\$1,293,471	\$1,351,050	\$1,357,450	\$1,869,877
Revenue Bond Payments	\$3,599,647	\$3,502,872	\$3,510,331	\$3,510,331	\$3,512,884
General Obligation Debt Service	\$1,393,888	\$1,167,125	\$854,276	\$854,276	\$856,876
<b>Total Expense</b>	<b>\$88,571,411</b>	<b>\$90,005,056</b>	<b>103,501,473</b>	<b>\$95,792,726</b>	<b>104,714,464</b>
<b>Surplus/(Deficit)</b>	<b>( \$2,342,310)</b>	<b>\$4,169,187</b>	<b>( \$4,829,869)</b>	<b>\$1,245,555</b>	<b>( \$2,074,827)</b>
<b>Surplus and Reserves</b>	<b>\$39,327,649</b>	<b>\$43,496,836</b>		<b>\$44,742,391</b>	<b>\$42,667,564</b>