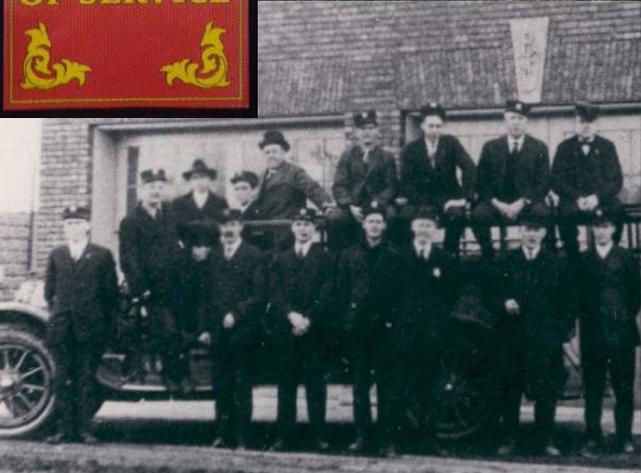


**BFD**  
CELEBRATES  
**150**  
YEARS  
OF SERVICE



# City of Batavia, Illinois 2017 Budget



## **City of Batavia**

### **Mission, Vision and Values**

#### **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.

#### **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.

#### **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 fiscal responsibility.

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.

# 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 of 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>Michael F. O'Brien</b>	<b>Scott Salvati</b>
Ward 2:	<b>Martin Callahan</b>	<b>Alan P. Wolff</b>
Ward 3:	<b>Dan Chanzit</b>	<b>Elliot Meitzler</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**

Laura Newman

### **Deputy City Clerk**

Chris Simkins

### **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**

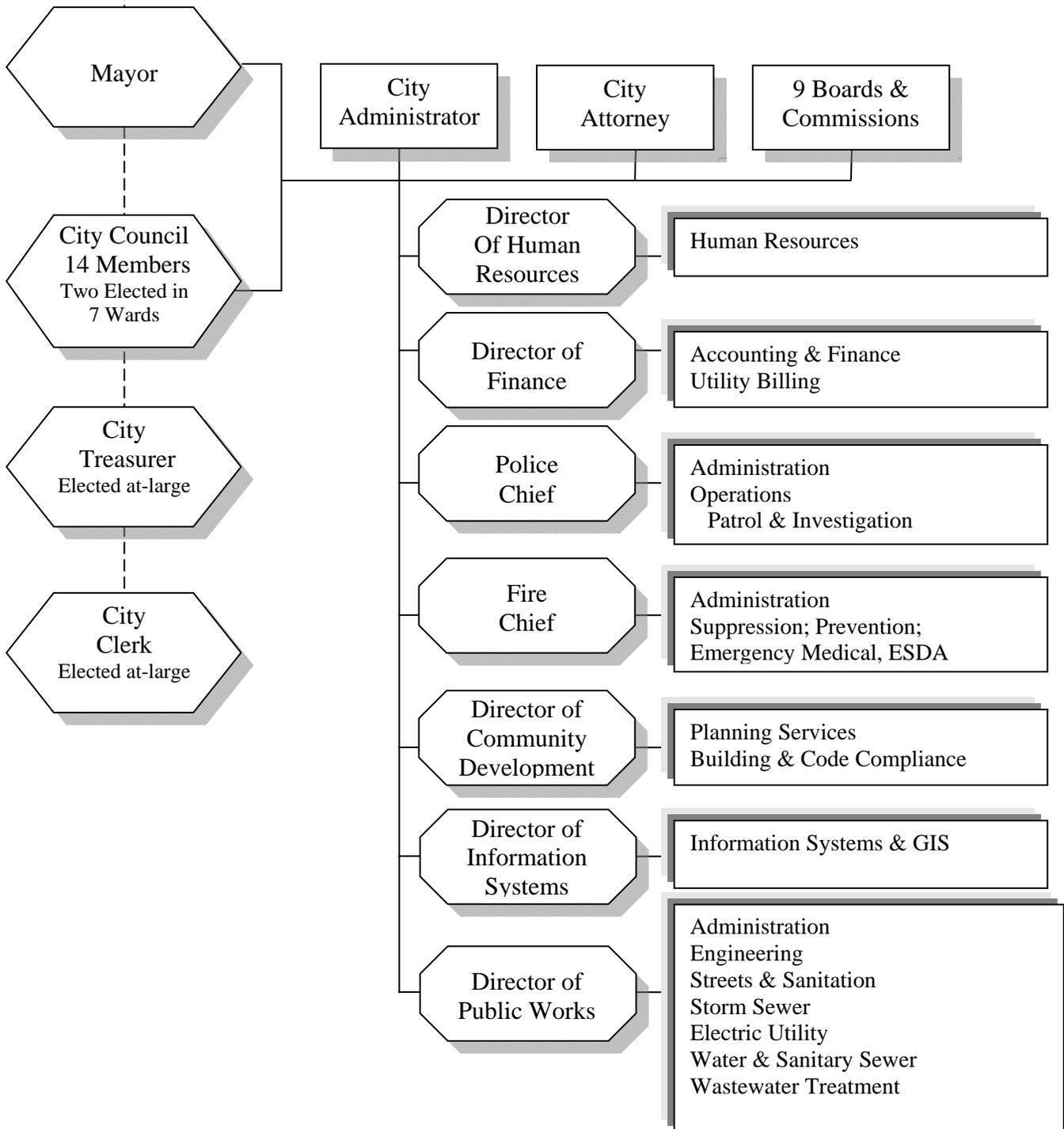
Gary Schira

### **Director of Human Resources**

Wendy Bednarak

# City of Batavia Organizational Structure

## Citizens of Batavia



# City of Batavia

## 2017 Budget Summary

Total Budget	Operating	Capital	Debt	Interfund Capital/Debt
\$133,262,461	\$81,905,295	\$43,810,187	\$4,142,775	\$3,404,204

Total by Fund	Operating	Capital	Debt	Interfund Capital/Debt
<b>General</b> \$27,121,212	\$23,436,853	\$ 286,534		\$ 3,397,825
<b>Special Revenue</b> \$ 1,998,740	\$ 1,868,740	\$ 130,000	\$ -	\$ -
<b>Capital Projects</b> \$17,574,382	\$ -	\$17,568,003	\$ -	\$ 6,379
<b>Debt Service</b> \$ 852,525	\$ -	\$ -	\$ 852,525	\$ -
<b>Electric</b> \$50,405,661	\$45,873,061	\$3,044,000	\$ 1,488,600	\$ -
<b>Water</b> \$ 7,878,185	\$ 3,078,017	\$ 3,865,000	\$ 935,168	
<b>Wastewater</b> \$22,665,503	\$ 2,882,371	\$18,916,650	\$ 866,482	
<b>Insurance Funds</b> \$ 4,766,253	\$ 4,766,253	\$ -	\$ -	\$ -

# **City of Batavia Budget Process**

## **Budgetary Act and Internal Controls**

The City of Batavia operates under the Municipal Budget Act as defined under Illinois Compiled Statutes. The budget estimates for both revenues and expenditures/expenses for the fiscal year provide the legal level of control at the fund level and provide the spending authority for the fiscal year. The budget is administered by the Director of Finance under the appointed title of Budget Officer. The Budget Act 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. Deletions to the budget can be made at any time and reported to the City Council with the report on transfers.

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.

# 2017 Budget Calendar

- July 25, 2016 Finance Rolls Budget (sets up new funds/accounts/sets IMRF rate)
- July 25, 2016 Finance Enters 2014 Actual Expenditures & Cash Balances
- August 2016 Departments Begin Budget Planning Process & Entry
- September 16, 2016 2016 Revenue Estimates to Finance - Eng., Community Dev., Police & Utilities
- September 16, 2016 2016 Revenue Estimates to Finance - Eng., Community Dev., Police & Utilities
- September 16, 2016 Closing for Data Entry - Submit change requests to Finance after this date
- September 16, 2016 -
- September 23, 2016 Meetings with Department Heads for Line Item Review & Potential Budget Cuts
- September 29, 2016 -
- October 4, 2016 2nd Round Meetings with Department Heads for Final Modifications  
(Adjustments to 2016 & projections & 2017 Budget may be given to Finance up to this date)
- October 7, 2016 Submit Department CIP Workbook
- October 7, 2016 Cut-off Date for Final Modifications/Amendment Requests to Admin/Finance
- October 7, 2016 Submit Department Narrative Electronically
- October 7, 2016 Submit Final Department CIP Workbook (If necessary)
- October 10, 2016 Finance Provides Administration with Draft Budget
- October 10, 2016
- October 28, 2016 Finalize Budget and Prepare Draft for Distribution
- November 3, 2016 Distribute Electronically to City Council/Staff & make Hard Copy available to the Public  
(must be made available at least 10 days prior to passage)
- November 3, 2016 Comment Period Begins (until Passage)
- November 7, 2016 Budget Public Hearing Notice Published  
(must be published one week or more prior to hearing)
- November 10, 2016 Special COW Budget Meeting 7:00 PM Start
- November 17, 2016 Second COW Meeting for Budget 7:00 PM Start
- November 21, 2016 2017 Budget Public Hearing\*
  
- November 23, 2016 2016 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 5, 2016 2016 Tax Levy Public Hearing (if required)\*
- December 5, 2016 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 19, 2016 City Council to Approve 2016 Tax Levy for 2017 Collection
- December 19, 2016 Alternate Approval Date for 2017 Budget
- January 1, 2017 Budget Year Begins

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

# **City of Batavia Financial Overview 2017 Annual Budget**

To the Mayor, City Council and Citizens of Batavia:

Following is the City of Batavia Budget for the calendar year 2017. The City of Batavia passes a budget for the following funds and fund types:

## **Governmental Fund Type**

General Fund  
Special Revenue Funds  
Capital Project Funds  
Debt Service Funds

## **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

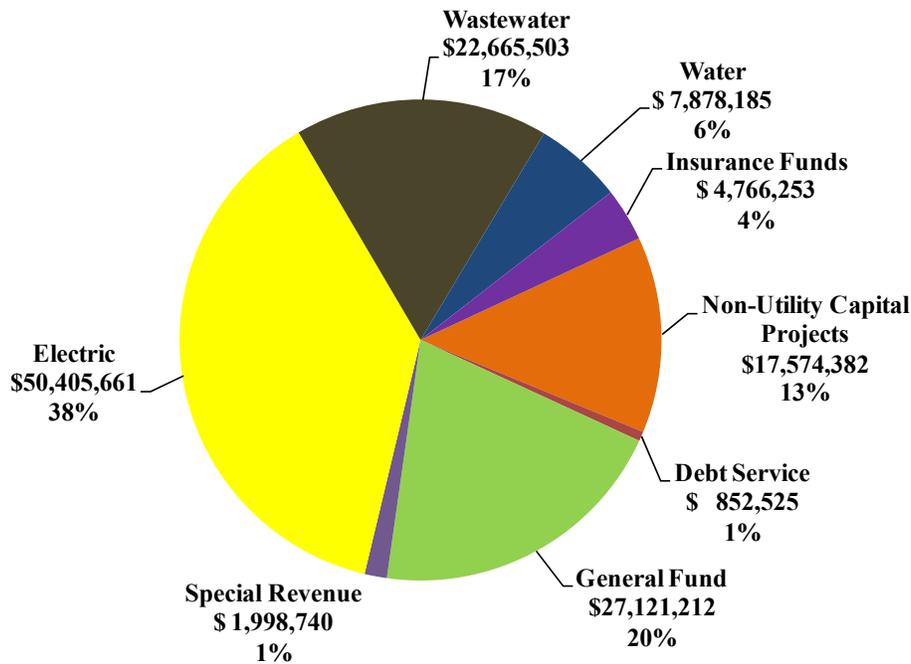
The budget must be approved by the City Council prior to January 1 of the budget year. The City of Batavia operates under Budget Law and the budget is administered by the Finance Director under the appointed title of Budget Officer. Budgetary spending control is monitored by the City's financial software. 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.

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*.

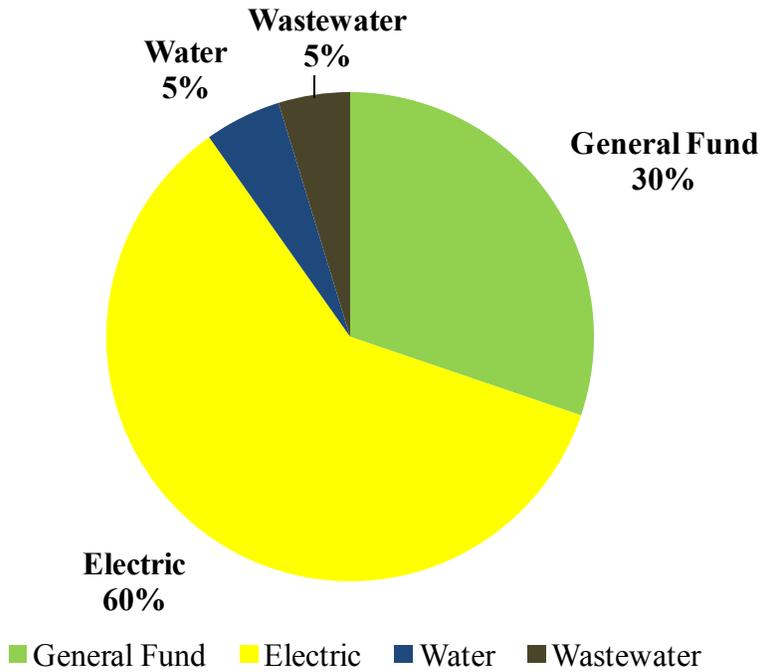
The total budget for all funds is \$130.57M net of inter-fund transfers of \$2.8M. The total budget is \$33.3M over projected spending for 2016. The increase is attributable to the capital improvements for the wastewater treatment facility and for capital improvements in the TIF. The increase in operational costs amounts to \$1.2 million for all funds. The General Fund is budgeted at an operating surplus after accounting for a TIF loan and repayment. The Utility Funds are all budgeted with an operating surplus for 2017.

**City of Batavia 2017 Budget by Fund**  
**Total Budget \$133,262,461**



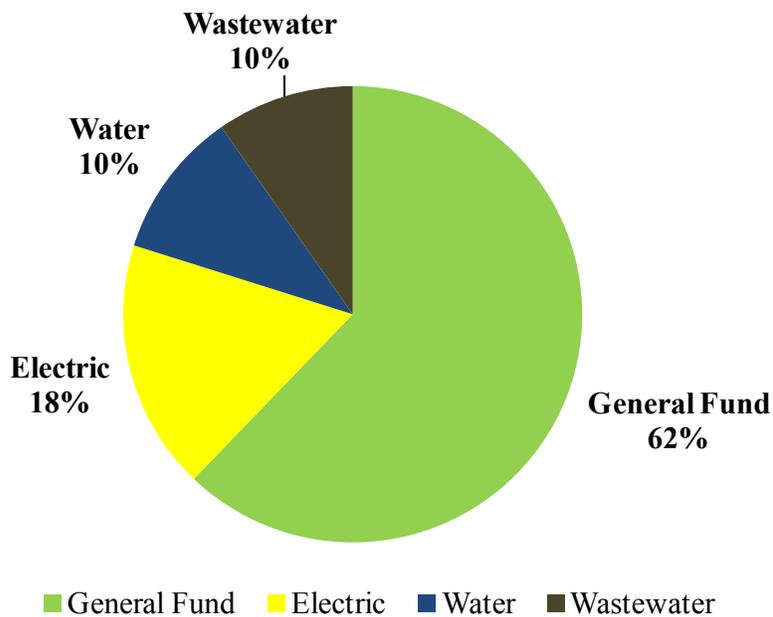
The Electric Utility accounts for 38% of the total budget followed by the General Fund. The Wastewater Fund is the third largest budget in 2017 due to the rehabilitation of the treatment plant that is scheduled to begin construction next year. Non-Utility Capital Projects include the TIF (Tax Increment Finance) Funds along with Drainage and Street Improvements, all of which have substantial capital projects in the 2017 budget.

### 2017 Operating Budget



When capital is excluded, the electric utility accounts for 60% of total spending. The bulk of the electric utilities costs are directly related to purchased power. If power costs are removed from the equation, the General Fund, which accounts for the bulk of day-to-day operations of the City, accounts for 62% of operational spending for the 2017 Budget.

### 2017 Operating Budget (Less Purchased Power Costs)

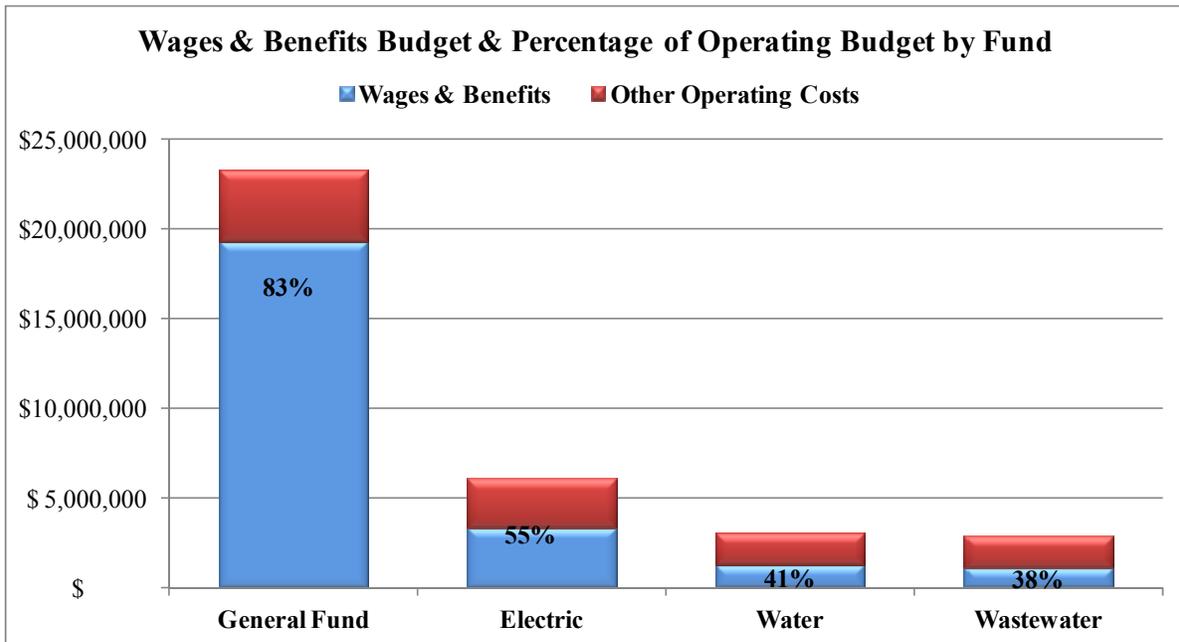


The total budget can be broken down into six distinct sections: General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, Enterprise Funds (Utilities) and Internal Service Funds (Self-Insurance Funds).

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 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 and Utility Funds to pay for insurance premiums and claims.

**2017 Tax, Fee and Rate Increases** included in this budget is a one-dollar increase for leaf and brush pickup, a continuation of a half-cent home rule sales tax and a three-cent property tax increase to provide funding for drainage capital improvements. It also includes rate increases for water (3%) and wastewater (6%) that have already been approved by the City Council. More discussion on the details of the increases can be found under the **General Fund Revenues**.

**The City’s primary role is that of a service organization.** For the General Fund 83% of operating costs are related to personnel. The Water & Sewer utilities require about 40% of their direct operating budgets to provide for personnel and the electric utility spends about 55% on personnel, not including purchased power costs. Costs included in this number include wages, overtime, employment taxes, pension contributions, health insurance and workers compensation insurance.



### ***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 2017 budget includes the addition of two positions, a Communications Coordinator and an Administrative Assistant for the City Administrator. The Communications position is a new position that is being recommended to ensure that the City provides timely and consistent information to the community. In addition, the Communications Coordinator can strengthen social cohesion and networks for community engagement with City leaders. The Administrative Assistant was a funded position until 2011 when it was eliminated as a cost savings measure. The position is necessary to assist with correspondence, research, report preparation, scheduling and to provide a direct conduit for timely communication with the City Administrator's office. The City Administrator currently has no support staff with the elimination of the both the Administrative Assistant the Assistant City Administrator.

All city staff has been providing the same or greater level of service in spite of significant staff reductions since 2009. While some efficiency can be achieved with technology, it is not reasonable to assume that a growing community can continue without some additions to staff. There were other requests for increases to staff that were not included in the budget recommendation, because there is insufficient funding. Positions that have been requested include an additional Community Service Officer, an additional Code Enforcement Officer/Inspector, two Street Maintenance Workers, a Budget Analyst, an Administrative Sergeant and an increase to records clerk hours. In spite of a large percentage of operating costs dedicated to personnel, the City of Batavia has a very lean staff and many salaried employees work well beyond a normal workweek. Merit/bonus pay for salaried employees was eliminated after 2008 for financial sustainability reasons. While other pay cuts were reinstated, that program has not been put back in place. Another smaller recognition program of giving a token gift card to employees during the holidays was also never reinstated. Recognizing and valuing employees is crucial to being a successful service organization. In addition, excessive workload carried for many years is not healthy for the City as an organization or for our employees.

The budget provides for wage increases for all employees including all six of the City's union contracts. All contracts expire at the end of 2017. The budget includes \$15,000 for a wage and salary study. This study should only move forward if the Council is open to implementing the changes that may be recommended. That discussion can occur when the study is ready to be initiated.

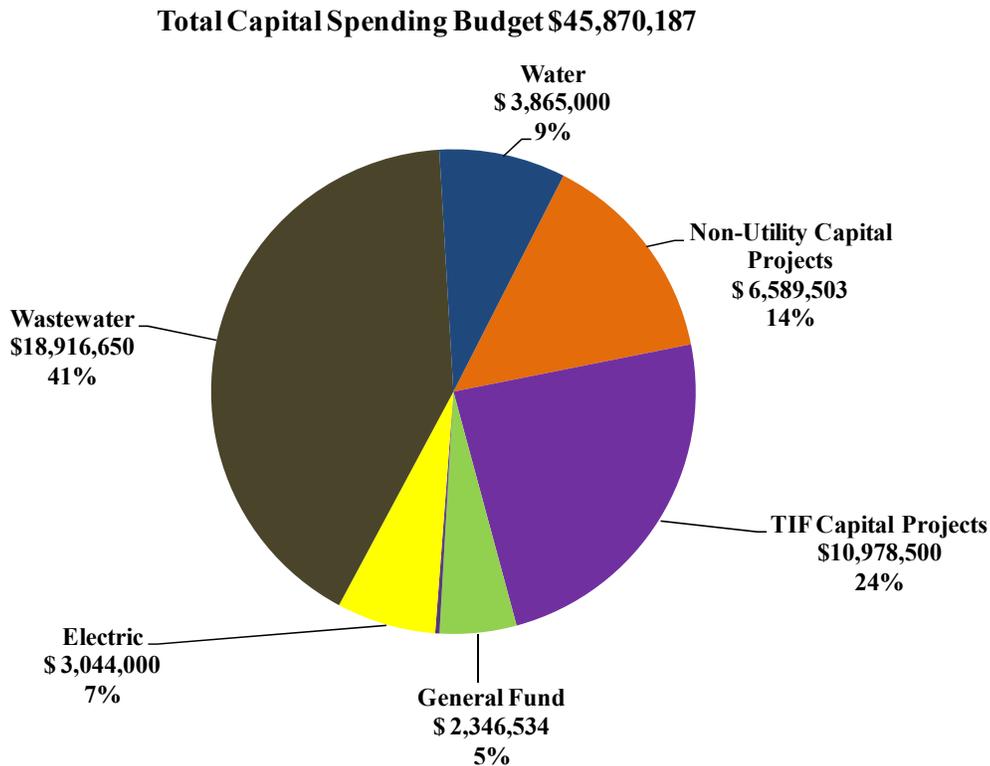
A pressing issue for the City has been the cost of healthcare. The City has very good health care benefits. Those benefits come directly from funds provided by employees and the City. The last three years have had substantial health claims. The City did receive significant reimbursement from its stop loss policy but in light of facing a large renewal, the City chose to join an intergovernmental health insurance pool beginning in December of 2016.

**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, Street 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. The addition of a transfer to the Street Improvement Fund is needed as the fund has been drawn down to zero with no funding source. The City had eliminated the transfer for street programs due to the receipt of a large transportation grant, however the grant does not fund for sidewalk programs, patching or parking lot maintenance and it was known that some kind of funding would have to be put back in place for those programs. The 2017 budget includes \$240,000 that will provide for right-of-way acquisition for Main Street that also has no funding source.

All of the utilities have long-range capital plans to 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. Only the Water and Sewer Funds have rate increases budgeted. The Wastewater treatment plant has significant capital spending planned totaling \$70 million over five years. Construction is slated to get underway early next year with \$18 million budgeted. Please refer to the Capital Improvement Project detail sheet in the Appendix for more details on this project.



An area of recent discussion is how to fund storm water improvements which include the separation of the City's combined sewers. The choices are a storm water utility or a property tax. There are pros and cons to both choices. A storm water utility captures the "user" fees based on impervious surface area and puts more of the cost on businesses than homeowners. There is an administrative burden of collecting fees through a utility as not all property owners receive a utility bill whereas a tax is collected by the County. It is also more difficult to enforce collection of the utility fee than a property tax. The utility collects from tax-exempt organizations and a larger share from businesses. This can be seen as a pro or a con. The pro is that those that contribute to drainage issues pay for them. The con is that it could be a detractor for new business in our industrial park. Another thought is that collecting from tax-exempt organizations just shifts the burden by forcing higher tax increases to be put in place by other governmental entities. There are many factors the Council will need to consider but it is a decision that needs to be made so that a plan for improvements can move forward.

One other area of concern not part of this budget but certainly one that will be part of future budgets is how the City will fund street improvements once the transportation grant is fully expended. The receipt of this grant and several others has allowed the City to move ahead with many street capital projects such as Main Street and Pine Street. These funds will end sometime in 2019. There will need to be a funding source to provide for at least \$1.5 million in annual street resurfacing that will include sidewalks, parking lots and in the more distant future maintenance of a 350 space-parking garage. The City benefitted from major growth and the contribution of paved streets by developers in the eighties and nineties, however, those streets are all needing attention now or in the near future. In addition, there are older streets that are facing reconstruction. The engineering department has been working on a street resurfacing plan for several years, working to identify how best to "catch" streets before they fall into reconstruction. The City must provide sufficient funds to ensure that as many streets as possible are preserved and maintained. The City Council must also consider this factor when evaluating how to address drainage issues. As the Council knows, streets, curbs and sidewalks are all very important to our residents just as drainage is when it rains. A comprehensive plan and funding policies must be in place to address all of these issues.

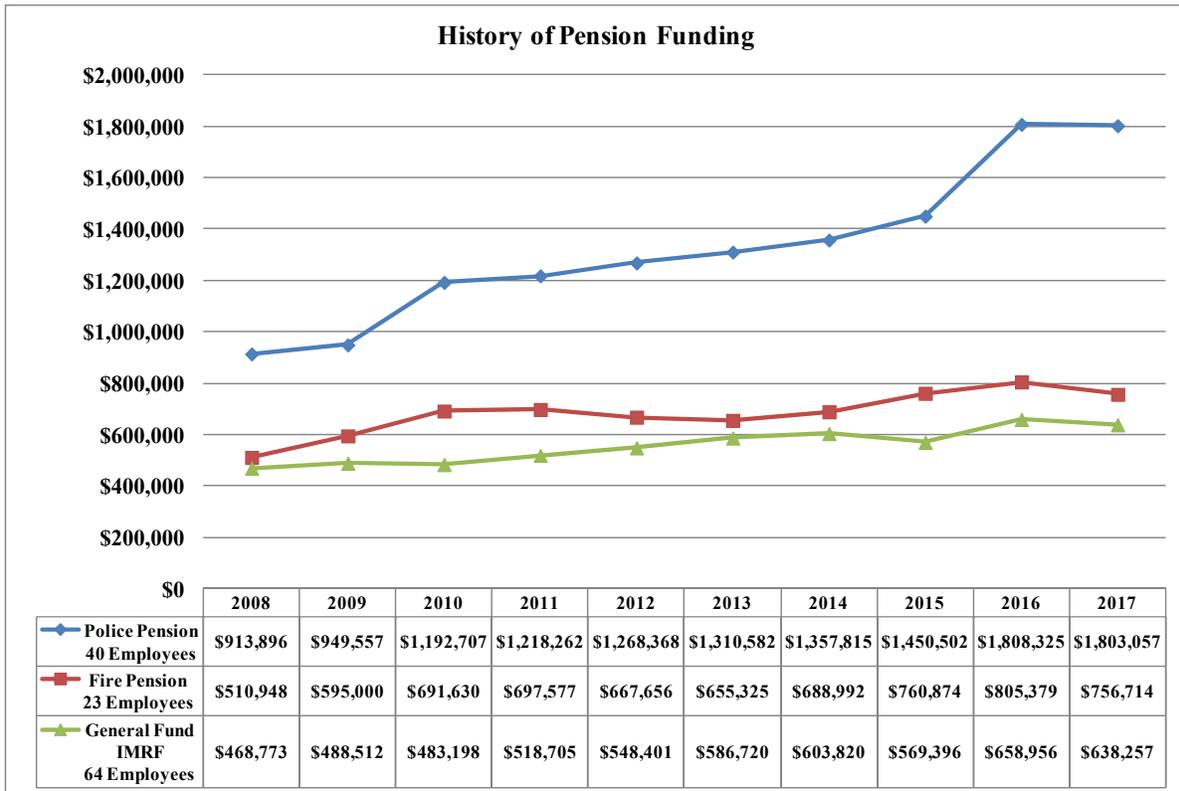
### ***Strategic Goals for Service Delivery and Financial Sustainability***

- **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 2017, the City will contribute 12.36% 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 2017 can be found under 10-31-6123 and 10-32-6123.

The City has budgeted \$1,803,057 to pay into the police pension fund. This represents 46% of police pension salaries. That means that for every \$1.00 in salary paid, the City

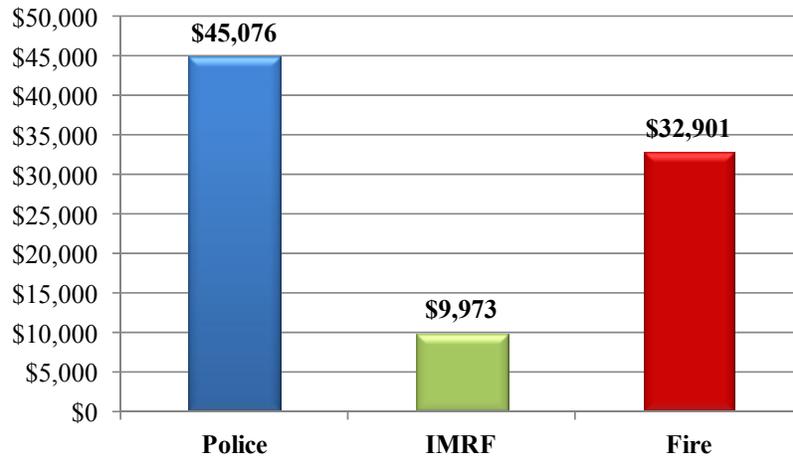
contributes 46 cents to pension. The fire contribution is \$756,714 and is 36% of salaries. Staff will continue to recommend full funding or greater of the pension obligation as recommended by the City's actuary, but as the liability goes up, cuts must be made elsewhere in the budget to allow for it. This year's contributions are \$40,000 over the recommended amount for police and the \$10,000 over for fire. The additional amounts are to bring up the funded level.



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 actuarial cost method used for police and fire is entry age normal with a target of 100% funding by 2040. As of 12/31/2015, the fire pension is funded at 69.96% and the police pension is funded at 56.94%. The largest factor to impact pensions is the investment return. Other 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, length of service, age 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.

### 2017 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 summary 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 are based on historical trends and could change significantly but they can be used as a planning tool for current 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 (Net of TIF Loan & Repayment)**

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Revenues	\$26,031,857	\$26,800,263	\$27,528,227	\$28,361,629	\$28,879,529
Expenditures	\$26,306,087	\$27,040,626	\$28,007,319	\$28,852,412	\$29,690,830
Surplus/Deficit	(\$274,230)	(\$240,363)	(\$479,092)	(\$490,783)	(\$811,301)
Reserves	\$7,176,104	\$7,560,741	\$7,706,649	\$7,490,866	\$6,679,565
Days Operation	109	113	112	105	91

The City is in a good position with the existing cash reserves. The revenues and expenditures in the table have been adjusted to remove the revenue repayment and provision of a new loan to the TIF in 2017. These amounts do not represent true revenues and

expenditures to the General Fund but they are included in the budget to demonstrate the temporary reduction in spendable cash reserves. The table does not include these amounts for projecting future trends in revenues and expenditures but the repayment amounts have been added back to the reserves each year. With the retaining of the half-cent home rule sales tax and the full return of the PILOT payment from the electric utility beginning in 2018 the trend appears tolerable until 2021. This is assuming no additional hires during this time and no new revenues. Additionally, it assumes revenues will grow slightly during this time frame with no major losses. One area of concern as in past budgets is the potential for the state to tap into the local distribution fund and reduce the amount that is shared with municipalities. Should that occur, the City Council will need to address it at that time.

## **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 and determine priorities when funding is limited. 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. An example would be the cost of snow removal in the downtown.

### **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 2017 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***

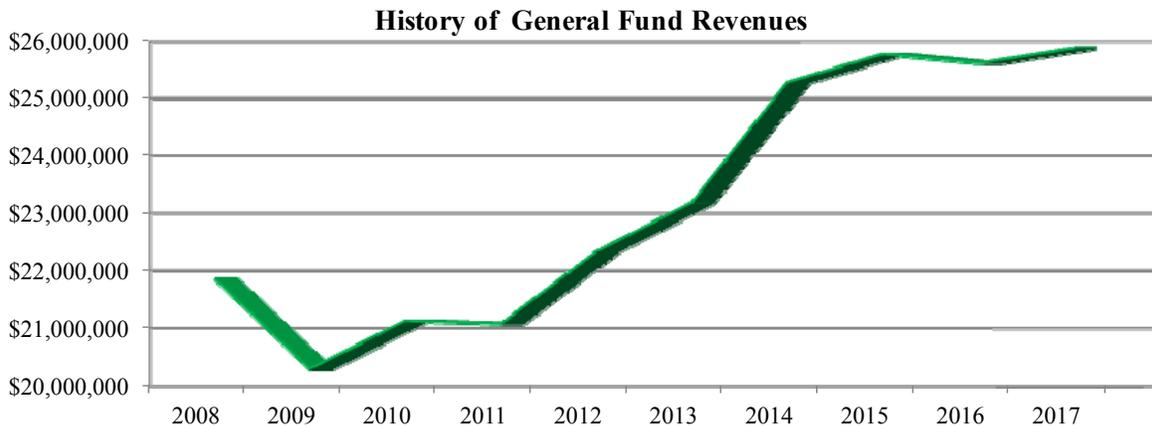
- **Continually work to control expenditures**

The budget for the general fund is presented with a deficit of (\$894,055). The deficit is actually much smaller because the budget includes a loan to the TIF that will be paid back. The revenues also include the 2<sup>nd</sup> year of payback from a prior loan to the TIF for Houston Street. After adjusting for these factors, the deficit is (\$428,930). The operational budget is at a surplus of more than \$1 million if capital transfers for future capital are removed. The capital transfers are a very good way of “saving” for pay as we go capital spending. Capital items that remain in the General Fund are for technology equipment and non-public works vehicles and equipment.

## General Fund Revenues

General Fund Revenues are budgeted at \$26,227,157 for 2017 and represent a 2.4% increase over 2016 projected revenues. This change includes an increase to property taxes to provide funding for drainage improvements. After accounting for that change, revenues are projected to increase 1%. The 2016 and 2017 revenues also include TIF loan repayments. Nearly all revenues are projected to remain stable. Some revenues are expected to decrease slightly, most notably income tax and utility taxes. Utility taxes are expected to go down as a result of two large power users closing this year. Significant changes to revenue in 2016 were the liquor tax, the gasoline tax increase and the leaf and brush increase. These three revenues added \$615,000 to the general fund in 2016 and are expected to increase slightly in 2017. The addition of these revenues allowed for higher transfer to the drainage capital fund.

The following chart shows the history of revenues over the last ten years. The chart still shows a decline in revenues that occurred due to the economy in 2008. The most significant change to revenue is due to the new revenues mentioned above and the accounting for home rule sales tax. The new home rule sales tax that has provided rate relief for the Electric Utility was facilitated by eliminating the Payment in Lieu of Taxes in the General Fund (lower revenue by \$750,000) and the elimination or reduction of the contra expense for services provided by the General Fund. The net effect is an artificial increase to revenue and expenditures (they cancel each other out) in the general fund in the years that this occurred. The history of general fund expenditures will also show an increase.



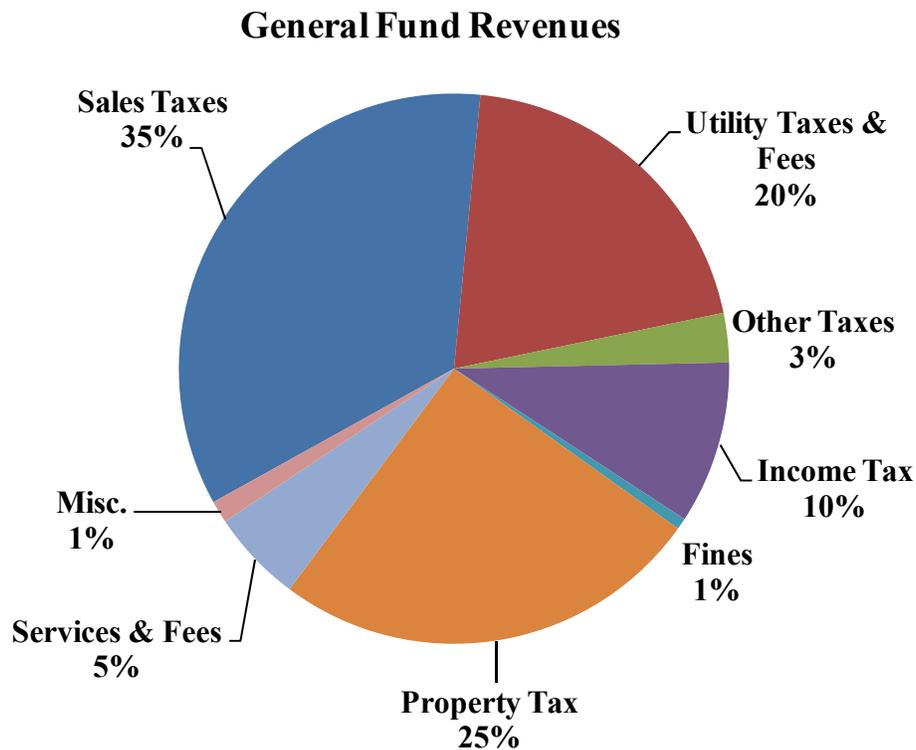
### ***Strategic Goals for Financial Sustainability***

- **Diversify and augment revenues**

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 nearly half of the levy go to fund police, fire and IMRF pensions leaving with the remaining portion for use in operations.



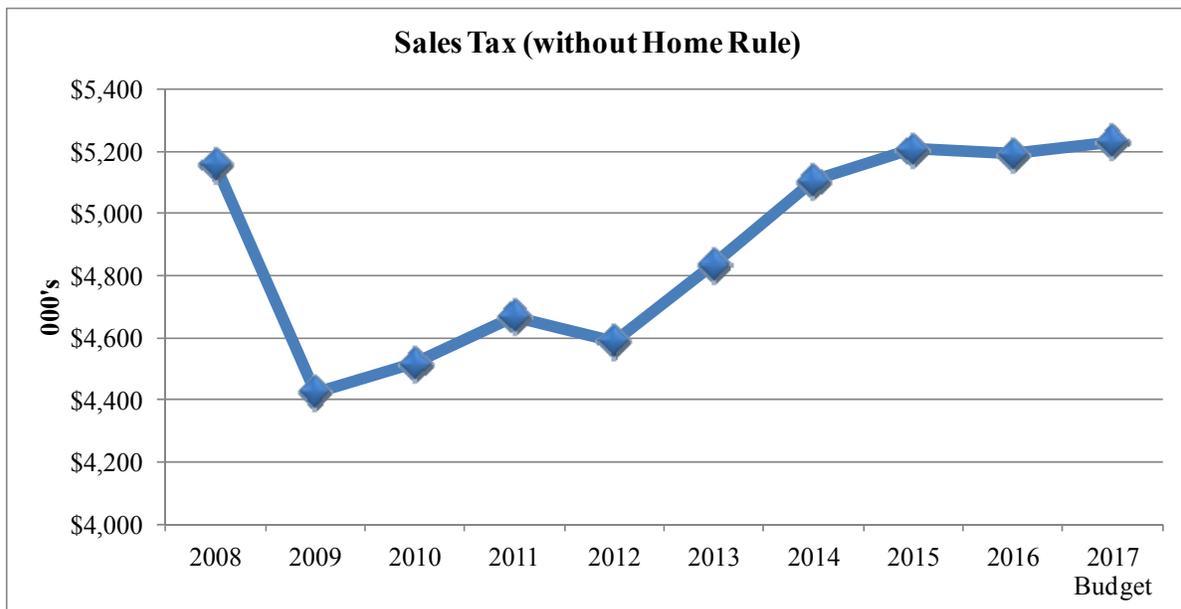
Overall, the City of Batavia has a diverse mix of revenues without being overly reliant on any one source. This diversity of revenues helps to keep the property tax levy low. Whenever possible, the City tries to assign costs to a service provided. However, as shown above only 5% of our revenue sources are provided from fees. As typical with most local governments, the majority of costs are provided for by some type of tax.

The budget for operations for the General Fund includes a fee increase of \$1.00 for the leaf and brush fee. The fee is currently \$4.00 per month and the budget proposes to increase it to \$5.00. The increase would provide for total revenue of \$453,400 which would come close to covering the cost of both programs. General Fund Revenue also includes the continuation of the additional .50% home rule sales tax that the City Council approved with the 2014 budget to offset rate increases in the electric utility. At the time the tax was approved the City Council asked that it only run for a period of 3 years. That will end in July of 2017. The General Fund is in need of revenues. It is requested with this budget that the City

Council pass an Ordinance to remove the sunset provision for this tax. There could be discussion, about sunset provisions' not being honored by governments, however, the City needs the funds and leaving this tax in place would be the least painful way to provide for such funds. Revenue increases are a necessary part of government service and we try to find the most palatable means to provide them. Without the continuation of the home rule sales tax, a property tax increase for operations will be necessary or major cuts to programs will be required.

## Sales Tax

Sales Tax receipts for 2016 are projected to end the year down 0.3% under 2015 receipts and \$31,000 under budget. The chart below shows the history of the municipal sales tax without home rule tax. The budget for 2017 sales tax includes a 1% increase over projected 2016 receipts. Sales tax has rebounded since the lowest collection year in 2009.



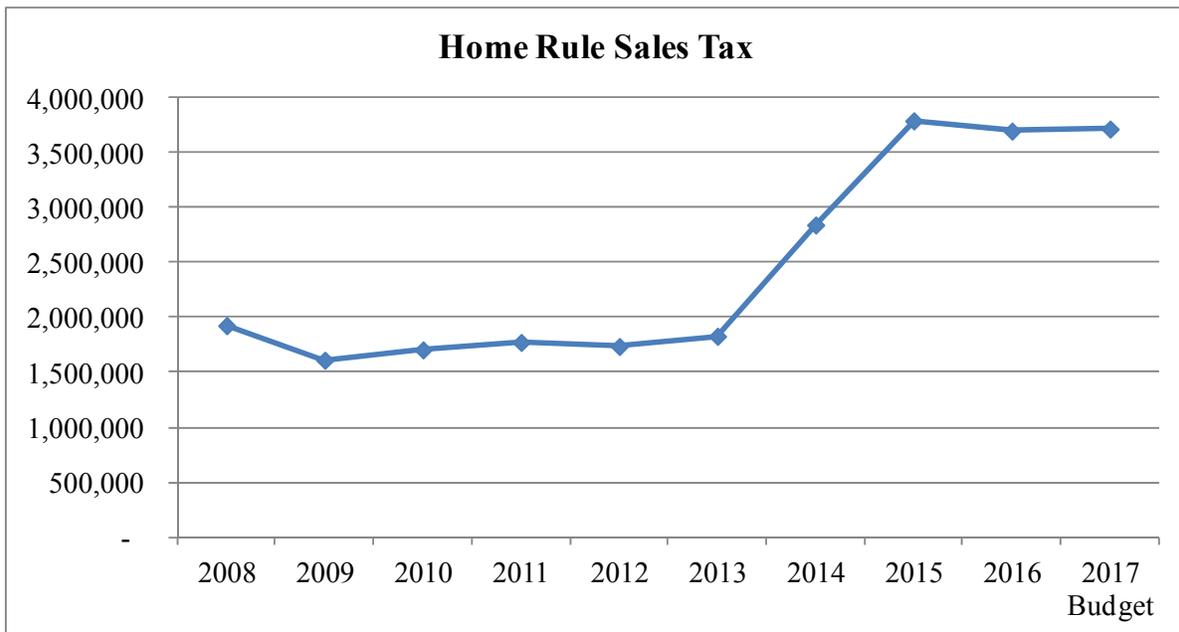
Staff plans to continue efforts in the retention of businesses that we have in the community and where possible work to augment our sales tax base.

### *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 continued funding of 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 put the City in line with most surrounding communities and should not have impacted sales. The total sales tax rate for general merchandise is 8.0%. 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 chart below shows the history of collection. As mentioned prior, 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 for a period of three years collection spread out over four years. Home rule sales taxes received after July of 2017 will be used for General Fund Expenditures.

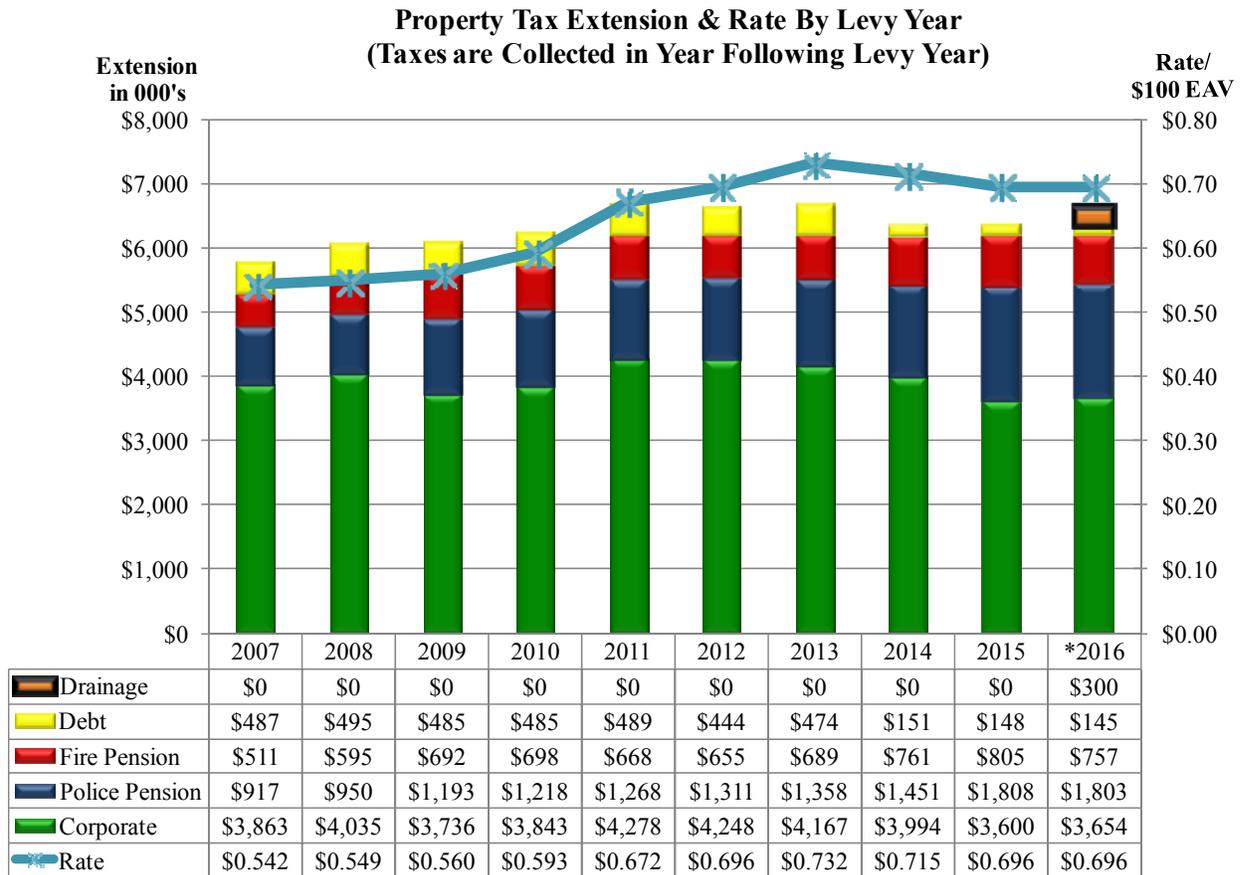


## Property Tax

A proposed property tax increase has been included with this budget to provide funding for drainage capital improvements. The tax is necessary if the City Council wants to move ahead as budgeted for storm water improvements. The tax increase could be for just one year if it is decided by the Council that a storm water utility is the desired funding mechanism. It will take time for a study to be completed and for implementation so it would be unlikely that any revenue could be generated in 2017 if that was the direction of Council. That does not mean that the Council has to decide on a storm water utility with the passage of this budget. This budget calls for an additional \$300,000 to make the total funding of \$1.8 million available for drainage projects next year. The increase in taxes would represent a three-cent increase to the expected rate for next year if there was no change in EAV; however, the EAV is expected to increase therefore even with a small tax increase the rate is expected to remain the same as last year. When the EAV increases the rate decreases. A decision on whether to move ahead with the storm water utility can be made after the start of the budget year. No funds have been included in the budget to complete the work to form

the utility. There had been discussion on the City issuing debt to allow for completion of all the storm water improvements over a shorter period of time. The cost of debt is low and that would be an option. However, there has to be a source of repayment for the debt (tax or a utility). The timing of when and if it would be desirable to issue debt can be decided on outside of the budget process. A full analysis of the costs and timing of projects as well as consideration as to the type of debt will all need to be evaluated.

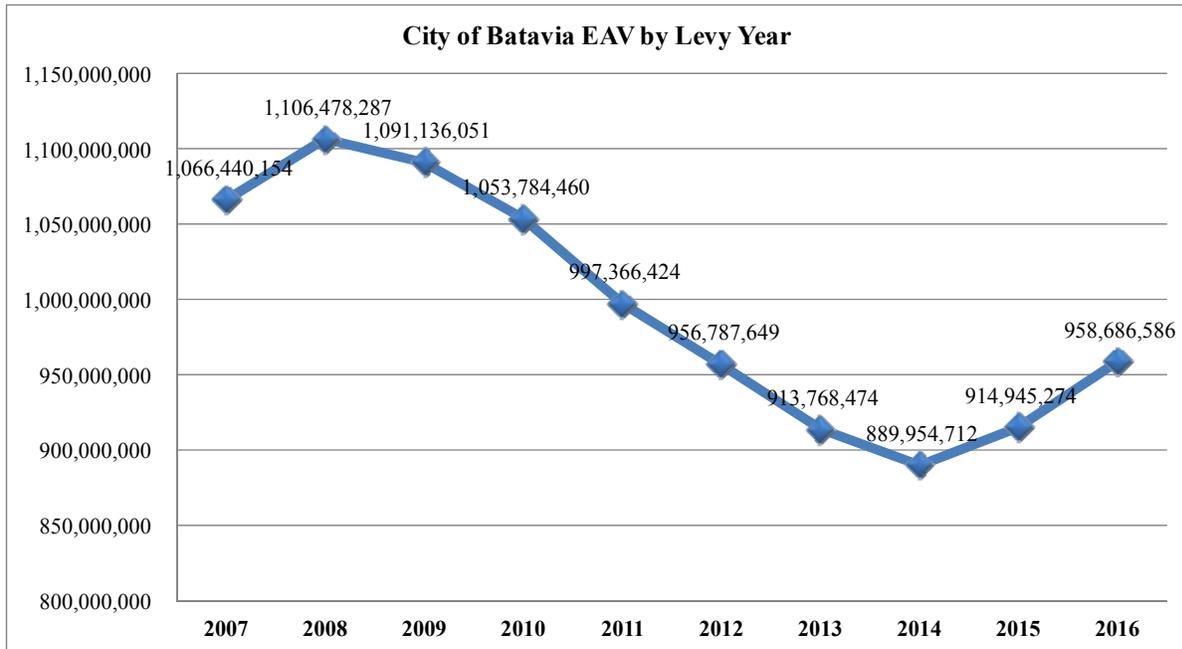
The following chart shows the history of the City’s Levy and property tax rate. As shown, the amount of tax collected decreased by \$325,000 with the 2014 levy (debt) and an increase is shown for the proposed increase for drainage in 2017. The total tax is very close to the same amount of tax levied for years 2011-2013 with the addition for drainage.



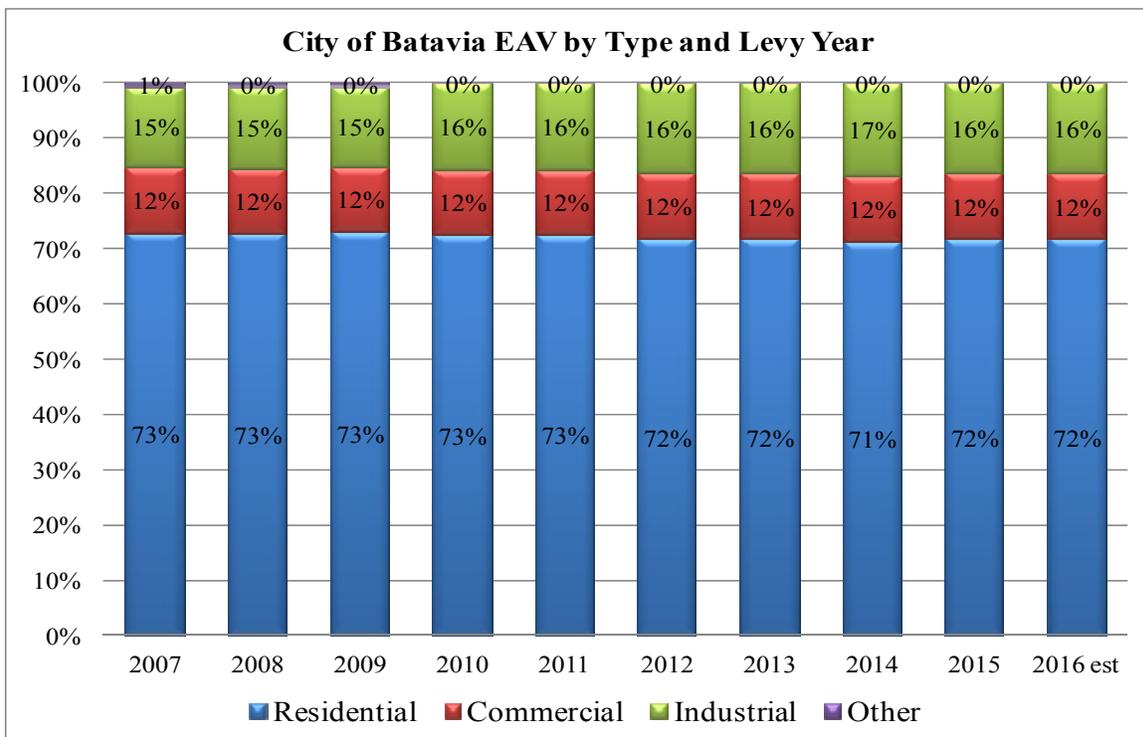
\*Proposed 2017 Budget

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 \$4.3M for corporate purposes in 2011 (2012 budget) and only \$3.7M for this budget.

The City's EAV (Equalized Assessed Value represents 1/3 of the market value of property) is expected to increase for the 2<sup>nd</sup> year on the heels of steady declines 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.



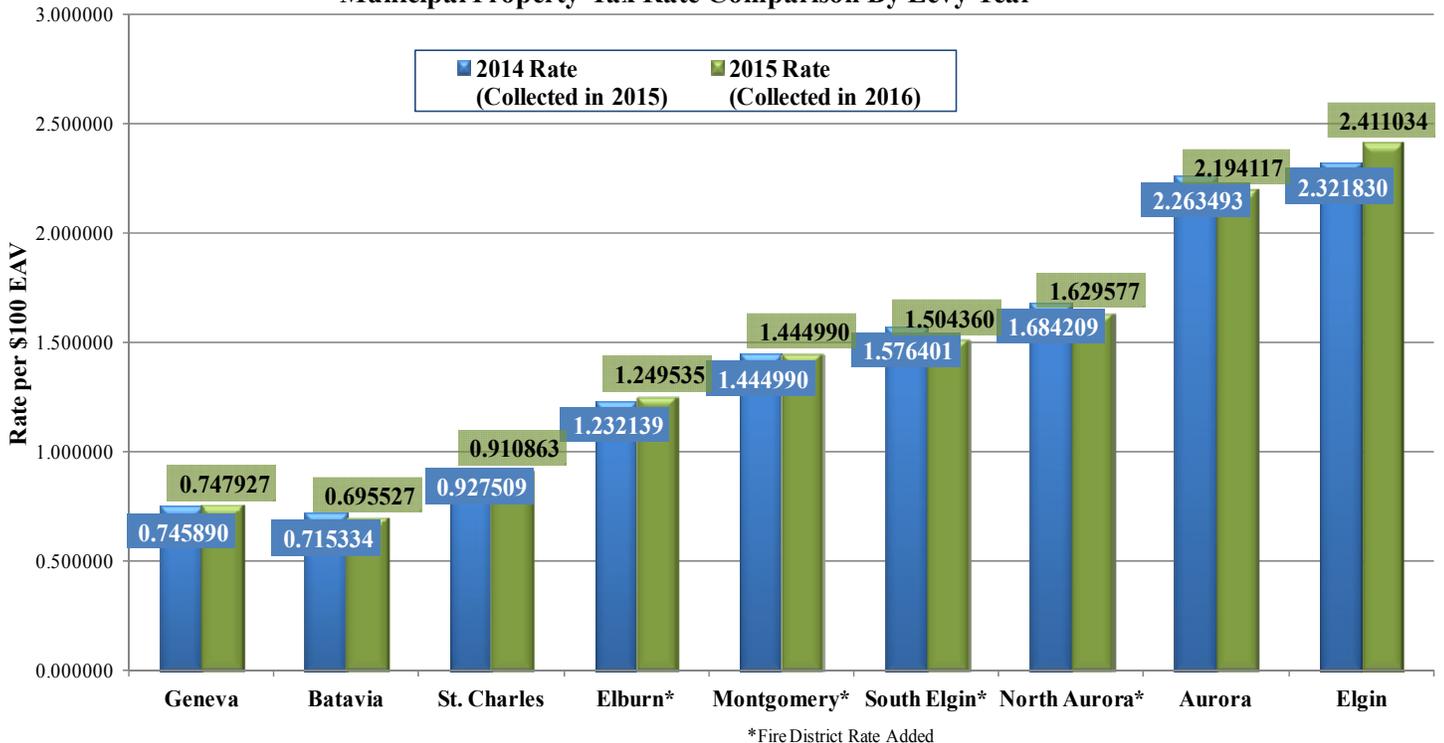
The City portion of a typical tax bill in the City of Batavia is about 7% of the total bill. The owner of a \$300,000 home would have paid about \$654 to support City services in 2016 (2015 Levy). The typical total tax rate for 2016 payable was \$9.61/\$100 of EAV. Some of the City services provided 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 2015 Collected in 2016

Taxing Entity	Rate	% of Total
City of Batavia	0.695527	7.24%
Kane County & Forest Preserve	0.742238	7.72%
Batavia Township & Road District	0.148256	1.54%
Batavia Schools	6.404197	66.64%
Waubonsee College	0.587468	6.11%
Batavia Park District	0.570712	5.94%
Batavia Library	0.461813	4.81%
<b>Typical Total for 2015 Levy</b>	<b>9.610211</b>	<b>100.00%</b>

The following chart is a comparison of 2014 and 2015 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 both years.

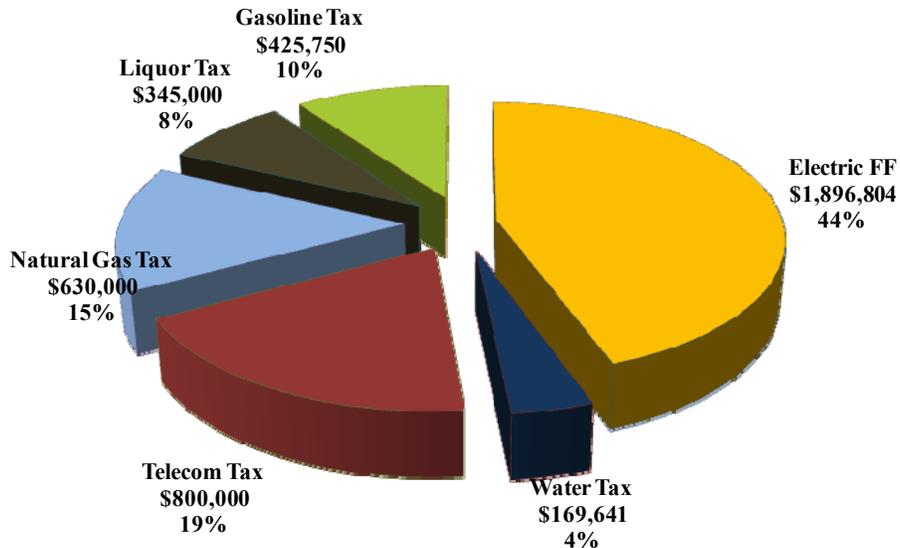
### Municipal Property Tax Rate Comparison By Levy Year



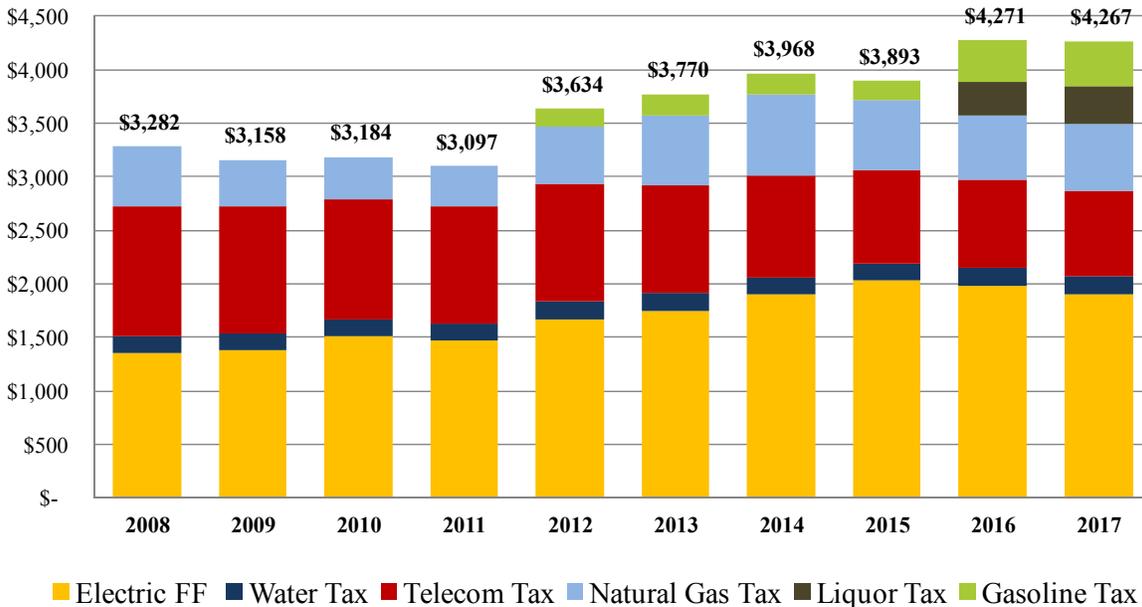
## Municipal Taxes and Fees

Utility taxes are the City's third largest General Fund revenue source accounting for 20% of the 2017 Budget. Utility taxes increased in 2012 with 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. In 2016, the gasoline tax was increased to two –cents per gallon and a 2% liquor tax was implemented. Utility tax revenues for 2017 are projected to be slightly lower as a result of the loss of two large power users and further loss of the simplified telecom tax due (phones). The 2017 Budget includes a one-cent increase to the gas tax but that portion will be received directly into the Street Improvement Fund and therefore it is not reflected in the chart below.

**Budgeted Utility & Excise Taxes by Type 2017**



**History of Utility & Excise Taxes by Type (000's)**



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). The funding of BATV is at the full discretion of the City Council.

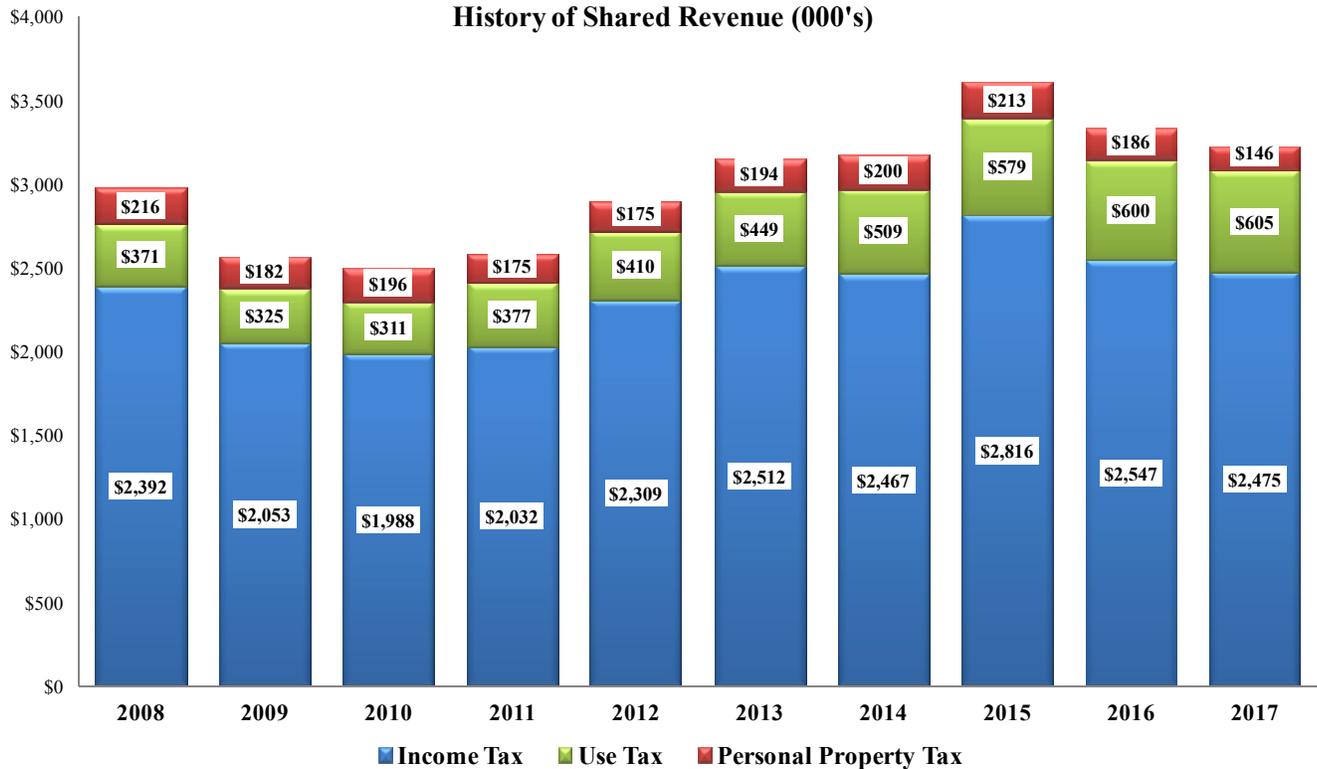
**ROW Franchise Fees**



### 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 PPRT for 2017. The State is going to use a portion of PPRT before distributing it next year. It is unknown if it will be permanent. Use tax has increased due to the collection of e-commerce sales tax from sales such as Amazon.

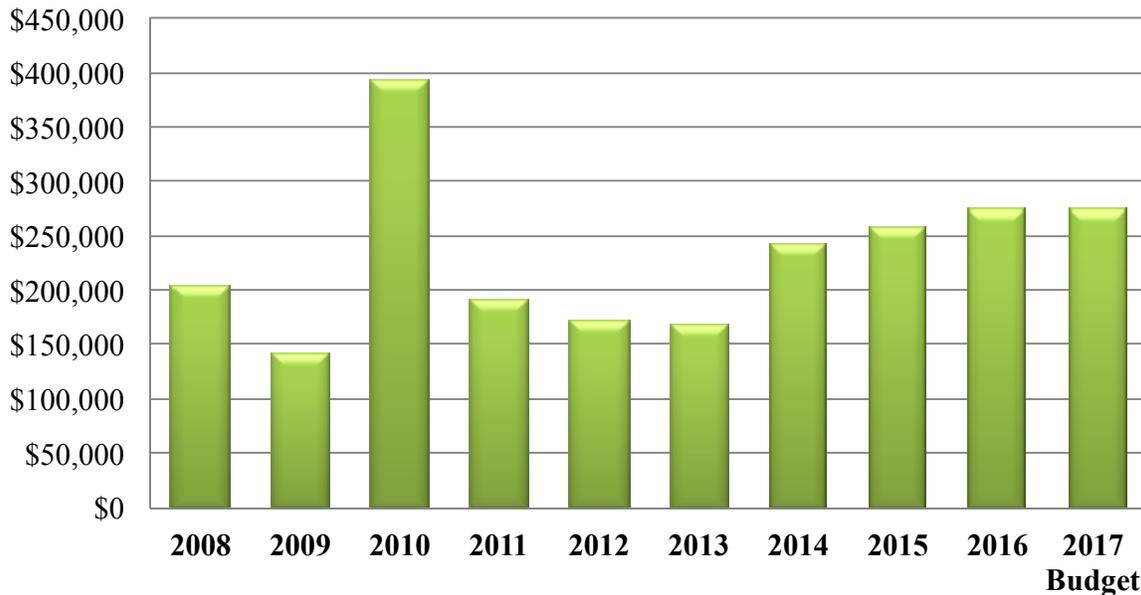
**History of Shared Revenue (000's)**



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 a proposed increase of \$1.00 per month per household for 2017 bringing the total revenue to \$453,400. Fines and fees from ticket revenue have decreased in part as a result of truck enforcement compliance.

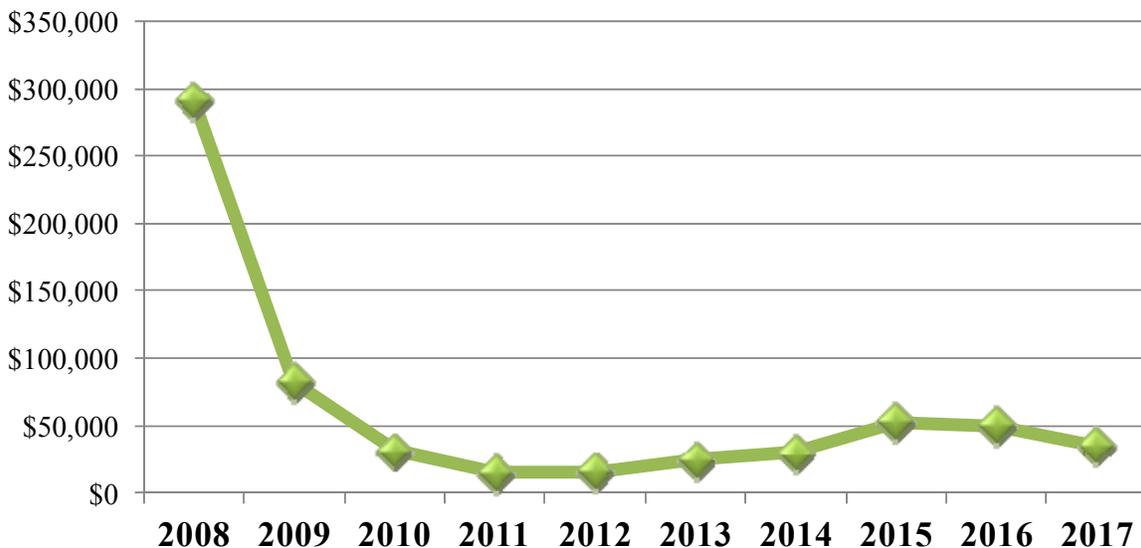
Building permits are budgeted at the same level as 2016 projected revenues. 2016 has had higher levels of building activity and that is expected to continue. The chart shows, permits can vary widely. The peak in 2010 was due mainly to one very large industrial permit. The year 2009 was the lowest of the last 15 years with receipts only reaching \$143,000.

### History of Building Permits



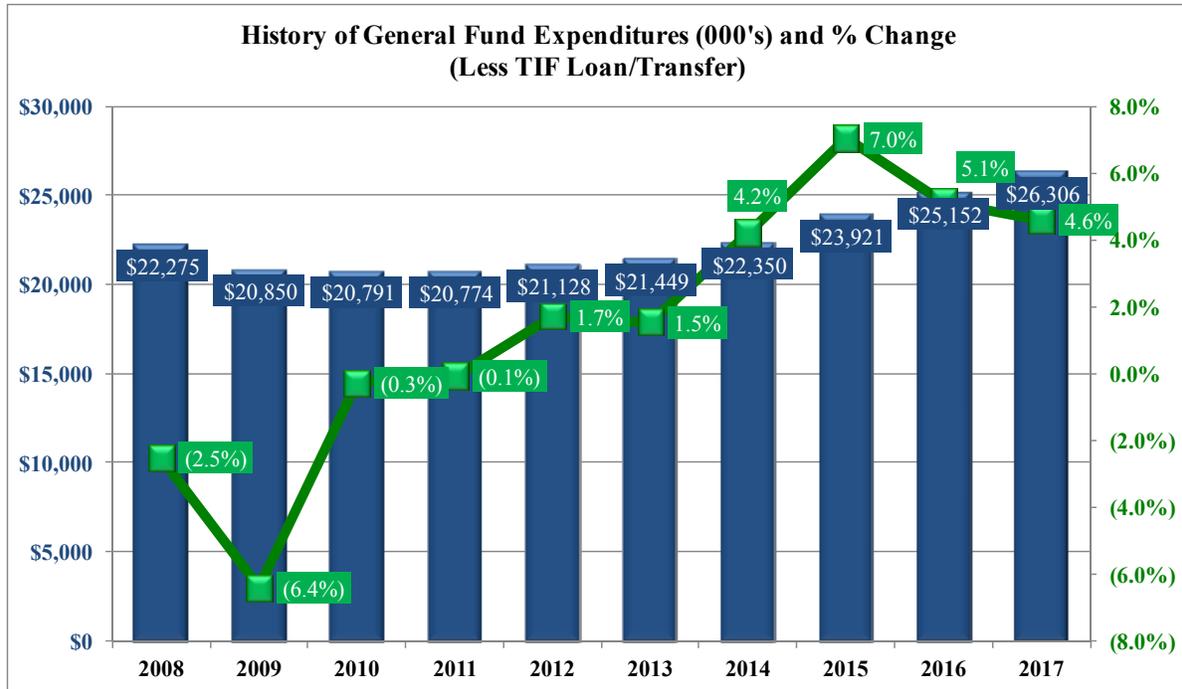
While investment income has been next to nothing since 2010, the chart below demonstrates that it was a significant source of revenue prior to 2008. The benefit though of low interest rates is that we have been able to refund all of our outstanding bond issues at a much lower interest rate.

### Investment Income



## General Fund Expenditures

Expenditures in the General Fund are budgeted at \$27,121,212. This represents a \$1.3M increase over 2016 projected expenditures. The 2017 Budget is 4.8% higher than 2016 projected spending and 6.2% more than the 2016 amended budget. Both the 2016 and 2017 budget has a transfer to TIF for a temporary loan/transfer. After removing these from spending, total 2017 budgeted expenditures are \$26,306,087 which is a 1.7% increase over 2016 projected spending.



Expenditures in the General Fund were first cut in 2008 with the most significant changes to spending occurring in 2009 thru 2011. Increases to spending were made in 2012 with a few vacated positions refilled.

As mentioned earlier, 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). This credit to electric reduces the contra expenditure and artificially increases expenditures in the years 2014-2017. Revenues in the general fund were also higher in those years with the net effect to the General Fund as zero and a reduction to spending in electric which allowed for delayed/lower rate increases.

There was a 27<sup>th</sup> payroll in 2016 that increased spending by \$0.4 million. If the expenditure budget is adjusted by this, then the increase in spending is \$1.4 million or 5.5% over a normal budget spending cycle. In addition, the total expenditures include transfers to other funds for capital funding. Increases to these transfers can make changes to the operating budget seem larger than they are.

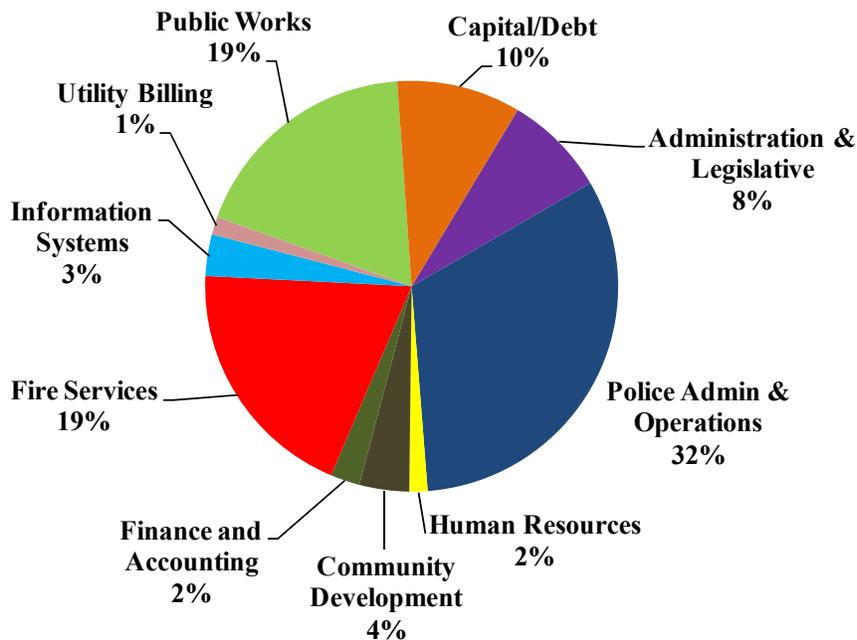
The following chart only includes departmental spending which is a more true depiction of the changes to operations in the General Fund. The chart demonstrates the cuts to spending in 2008 and only moderate increases for operations. The increase for 2016 is due to several vacancies during 2015 as evidenced by only a 1.2% increase in spending that year.

**History of General Fund Expenditures (000's) and % Change  
As Adjusted for Non-Recurring & InterFund Allocations**

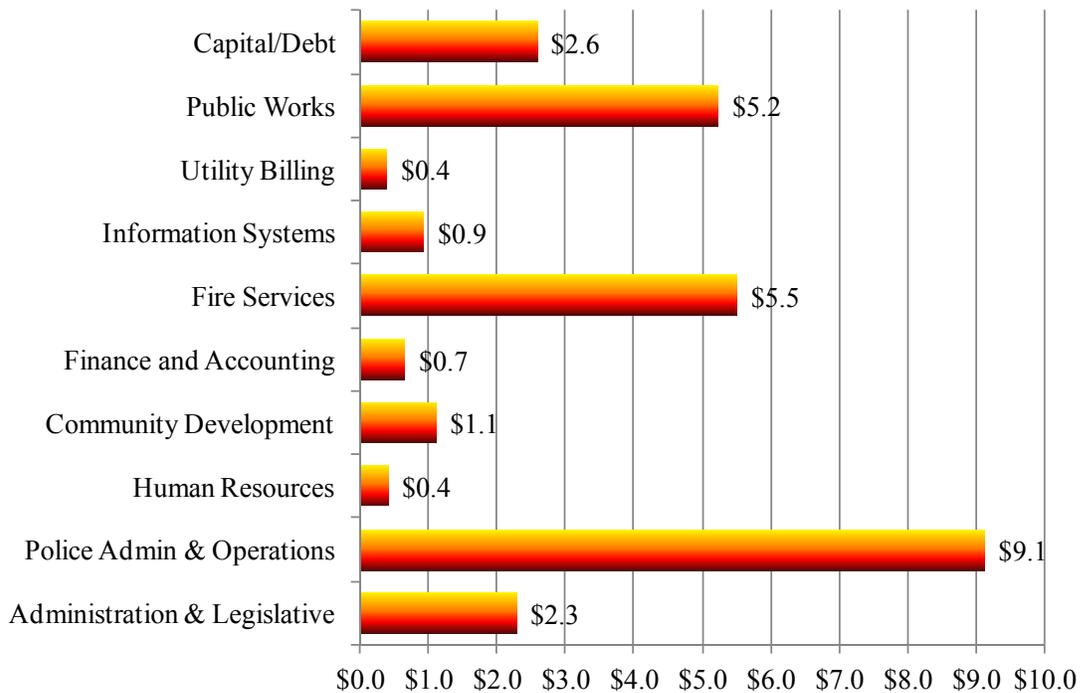


The following chart shows the spending by department for the General Fund. Police and fire account for more than 50% of the expenditures. The police department is staffed with 40 sworn officers and the fire department has 24 sworn members with the reinstatement of the Fire Marshall.

**General Fund Expenditures by Department 2017 Budget**

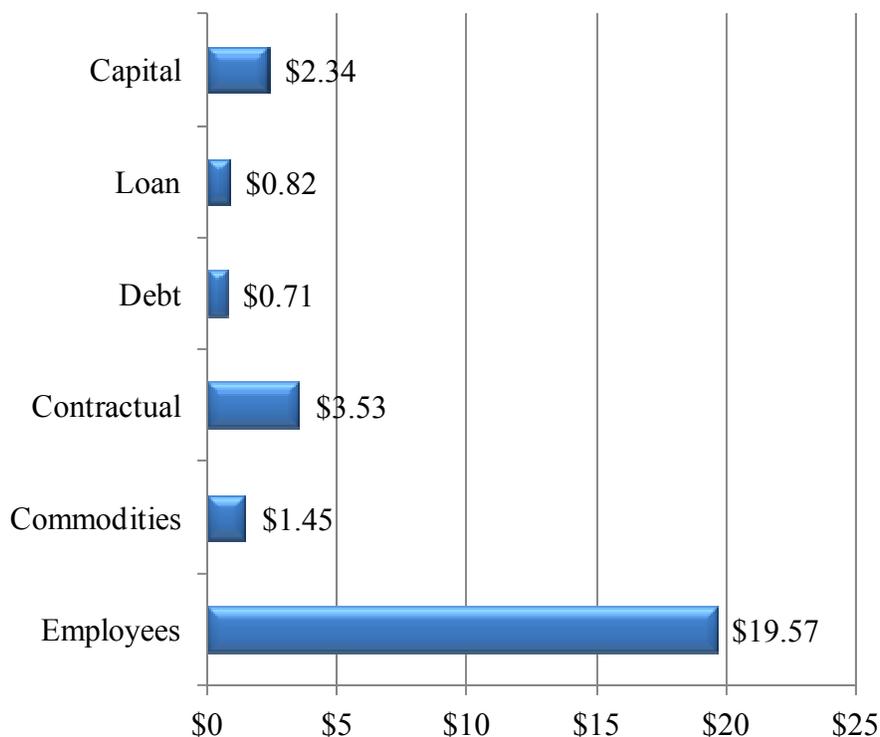


### General Fund 2017 Budget by Department (Millions)



The largest cost for the general fund is personnel with the total cost of wages, benefits and insurance budgeted at \$19.6 million in 2017. 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. The loan is to the TIF.

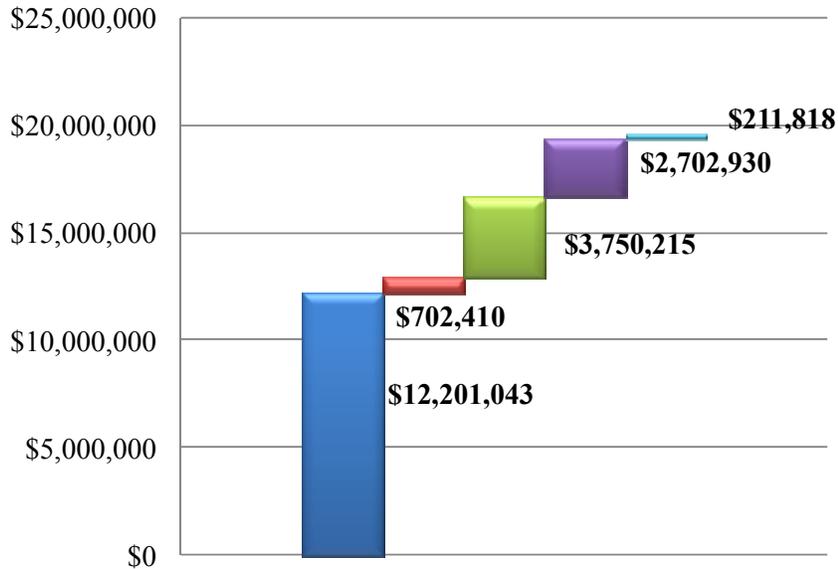
### 2017 General Fund Budget by Type (Millions)



The following chart breaks down the components of Personal Services costs. Direct wages account for 62% of costs with another 3.6% spent on overtime and standby pay. Taxes and pension payments account for 19% with health, worker's compensation insurance and training accounting for the remaining 15% of costs.

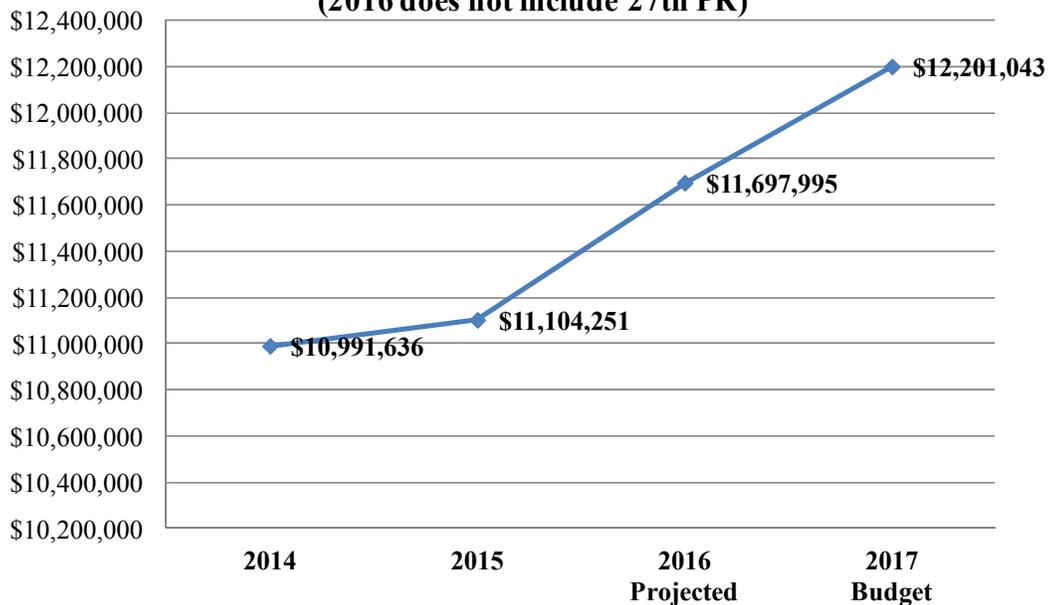
### 2017 General Fund Personnel Cost

■ Wages ■ OT/Standby ■ Taxes/Pension ■ Health/WC Ins ■ Training/Other



General Fund Salaries and Wages increased only 1% in 2015 with wages abnormally low due to vacancies. Wages are projected to end the year 2016 5% over 2015 not including the 27<sup>th</sup> payroll. Wages are projected to increase 4% in 2017 again outside of the 27<sup>th</sup> payroll.

### General Fund Salaries and Wages (2016 does not include 27th PR)



A breakdown of wages and salaries by department is provided below. Vacancies, retirements and replacement employees affect the total amount spent. Amounts in bold reflect departments with significant variances for 2016 and 2017.

**General Fund Full and Part Time Wages (less 27th 2016 PR)**

	<b>2014</b>	<b>2015</b>	<b>2016 Projected</b>	<b>2017 Budget</b>	<b>% Change</b>
Administration & Legislative	\$418,947	\$393,747	<b>\$471,283</b>	<b>\$533,324</b>	13.2%
Human Resources	\$128,304	\$162,812	\$229,091	\$236,450	3.2%
Community Development	\$634,355	\$655,287	<b>\$655,354</b>	\$700,228	6.8%
Public Works Administration	\$145,639	\$154,860	\$158,158	\$162,972	3.0%
Engineering	\$465,600	\$359,305	<b>\$406,204</b>	<b>\$442,785</b>	9.0%
Building and Grounds	\$57,478	\$63,347	<b>\$86,044</b>	<b>\$108,600</b>	26.2%
Finance and Accounting	\$379,119	\$388,702	\$395,770	\$410,938	3.8%
Information Systems	\$290,832	\$289,598	\$296,062	\$307,344	3.8%
Utility Billing	\$170,233	\$176,640	\$183,893	\$191,010	3.9%
Police Admin & Operations	\$4,433,392	\$4,458,652	\$4,589,511	\$4,759,383	3.7%
Fire Services	\$2,580,358	\$2,687,592	<b>\$2,870,928</b>	\$2,924,037	1.8%
Streets and Sanitation	\$1,287,379	\$1,313,709	\$1,355,698	\$1,423,972	5.0%
	<b>\$10,991,636</b>	<b>\$11,104,251</b>	<b>\$11,697,995</b>	<b>\$12,201,043</b>	
		<b>1.0%</b>	<b>5.3%</b>	<b>4.3%</b>	

The Administration department had higher than expected wages for 2016 as a result of overlap of hiring a new City Administrator. The 2017 budget includes the request to hire a Communications Coordinator and an Administrative Assistant for the City Administrator mentioned earlier.

Community Development had a vacancy in 2016 that was filled with temporary help and paid through professional services resulting in a larger than normal increase for 2017.

The Engineering department had vacancies in 2015 that resulted in abnormally low salaries. In 2016, the City Engineer was promoted to Engineering Manager shifting some wages to the Electric Utility. The 2017 budget includes the full replacement of an engineer at one pay grade lower than the City Engineer.

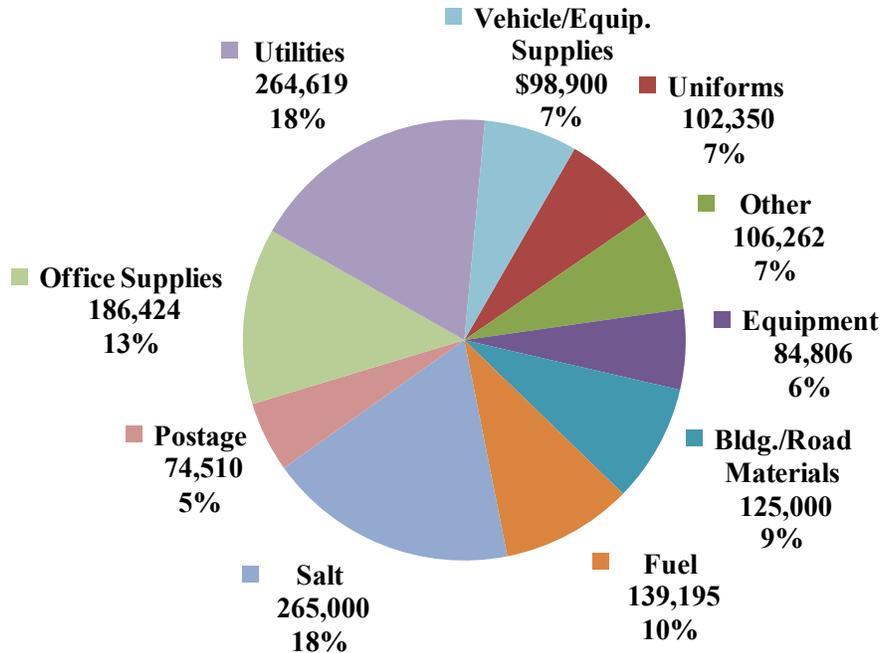
Buildings and Grounds had a part-time position created in 2016. The position had been funded through a chargeback to the General Fund from the Water Fund prior to 2016. The chargeback was netted with services provided by the General Fund to the Water Fund. The 2017 budget also proposes hiring a part-time skilled assistant in lieu of seasonal help. The net differential is a \$10,000 increase to spending.

The Fire department had two significant payouts for retirements in 2016 creating an abnormally high payroll in spite of vacancies during the year. The lower level starting salaries for new hires to fill open positions also make 2017 budget lower than the prior year resulting in only a 1.8% increase.

Streets reflects a slightly higher increase due to multiple positions not at the maximum.

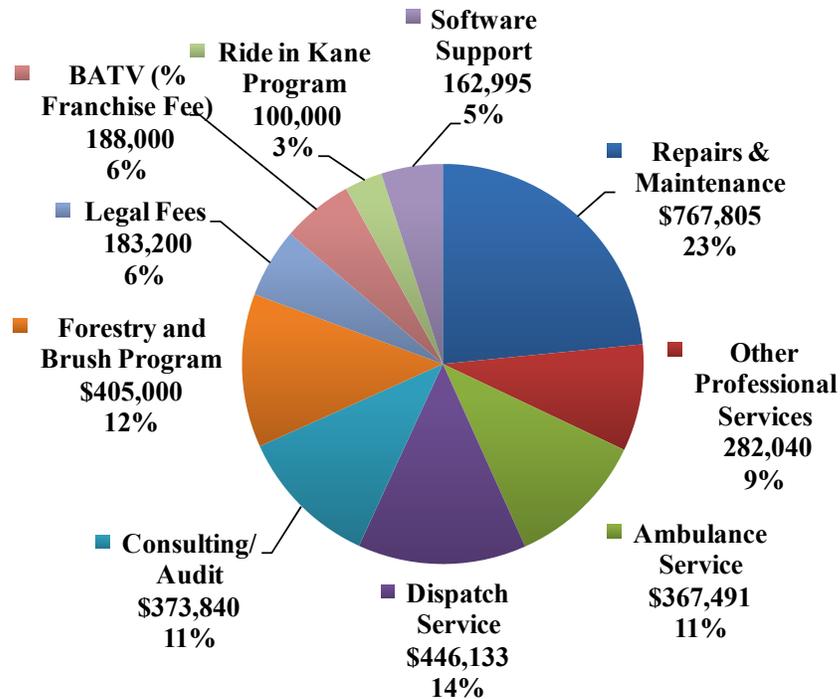
The General Fund budget has very little room to trim expenditures without eliminating personnel. Commodities account for only 6% of the operating budget. Salt and Road materials account for 27% while the utilities account for 18%.

### 2017 Commodities



The Professional Services budget accounts for 13% of the operating General Fund Budget. 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.

### 2017 Professional Services



## Department Highlights

Following is a discussion of notable budget changes for 2017 by department for the General Fund. If a department is not mentioned, then spending remains relatively unchanged.

The spending for **Administration** for 2016 is over the original 2016 budget for salaries due to the overlap of two Administrators. The 2017 budget includes two new positions as previously mentioned. Additionally, there is a larger budget for a strategic planning session.

**Human Resources** The budget increased in 2014 due to the hiring a full-time Human Resources Director. The 2016 budget was higher to provide for recruitment of the new City Administrator. The 2017 budget includes \$15,000 for a wage and salary study.

The **Community Development** department had a variance for wages due to a vacancy. Plumbing Inspections are expected to increase in 2017. Also budgeted under this department is a branding study slated at \$50,000.

The **Engineering** department had vacancies for a significant period of time in 2015, therefore the 2016 budget is significantly higher. The 2017 budget has \$25,000 budgeted for survey monumentation (paid for by prior fees collected). The 2017 budget has the addition of Repair and Maintenance to the Public Works building. The Engineering department had previously been located at City Hall and only recently moved to Public Works. The costs to maintain the PW building are shared by all departments that occupy the building and this added \$30,000 to the engineering budget in 2017.

The largest General Fund department budget is the **Police Department** with a \$9.1M budget. The 2017 budget is nearly the same as projected 2016 spending. Wages are budgeted the same because there is a 27<sup>th</sup> payroll in 2016. In addition, there have been several retirements with newer officers coming in at a lower starting salary. Four vehicles are scheduled to be replaced in 2017. The only new item to note is the first year of a lease program for Taser Units.

The **Information Systems** department has \$40,000 budgeted to re-cable the public works building. The project will replace and organize the cable and add labeling to make future work easier. In addition, there is \$20,000 budgeted to replace some of the landline phones.

The **Fire Department** has a 2017 budget of \$5.5M, \$26,000 over the 2016 projected spending. Wages are projected to be lower for 2017 even with a full year of the Fire Marshall salary due to the 27<sup>th</sup> payroll and two large retirement payouts made in 2016. Increases to the fire budget are for the Tri-City Ambulance and Tri-Com Contract.

The **Street Department** has a 2017 budget of \$3.9M, which is \$190,000 over 2016 projected spending. The increase is attributable to salt and various items for repair and maintenance of city properties.

## **Economic Development Fund (14)**

This is a new fund this year created by moving cash reserves out of the General Fund that are slated for a redevelopment agreement with our largest power user. Prior years have been moved to this fund to show spending history. This fund is to provide for the payment of grant funds (via offset) to our largest power user. The agreement provides for payment to the business when the City receives grant funds for certain street projects. The City is using the grant funds to pay for the street projects and so the money that would have been used for those projects is being used to retain the business. As a result of the business remaining in the community, they are in the process of an expansion of their operations. Delay of funding the grant by the State has resulted in slower than desired payout.

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

The Motor Fuel Tax Fund has one expenditure line item budgeted for 2017. The Crackfill program will be paid for through MFT. Other street projects are funded through Fund 43.

## **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 \$515,000 for 2017. The budget includes continued work on the replacement of windows at City Hall with \$150,000 budgeted. Other improvements include \$275,000 for renovations to the stair area and relocation of some departments at City Hall to provide for easier flow for those visiting the building. There are concept plans in process now so that a budget for all improvements and a staged implementation can be put in place. Other improvements include a safety cable for the roof at \$50,000, a PA system at \$15,000 and \$15,000 for Air Quality Improvements.

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

The Drainage Improvement Fund has a budget of \$2,021,481. Discussion on funding drainage improvements was discussed earlier. The budget provides for design engineering and construction for Area 2 sewer separation. It also provides for design and the start of construction for Area 3 sewer separation. The budget includes \$155,000 for Ward 1 design engineering to further address drainage issues that were exacerbated during the rain event of June 2015. The funding source is currently budgeted with a transfer of \$1,270,000 from the

General Fund which includes the use of reserves. Other items in the budget include Riverbank Stabilization, separation of sewers at Batavia Ave. and First Street, replacement of storm sewers along Roberts Lane, the start of replacement of storm sewers from Mahoney Creek to Cleveland and lastly a Dam Engineering study. Maintenance Projects in this fund include storm sewer and storm manhole lining, maintenance on Braeburn Marsh, Mahoney Creek and Nagel Basin and clearing of ditches on Kirk Road.

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

This fund provides for street improvements that are not funded by motor fuel tax. Grant funds and transfers from the general fund are the revenue source. This fund is depleted of funds for all projects that are not covered by the Illinois Department of Transportation Grant. A transfer from the General Fund of \$240,000 will be necessary in 2017 to cover projects that include sidewalks, parking lot maintenance and right of way acquisition. In addition, the budget includes an increase of one-cent in the gas tax that will be dedicated to street improvements.

There is \$3.6M in projects budgeted for 2017. The largest amount is planned street resurfacing budgeted at \$1.7M. Other projects budgeted in this fund include the continuing of design for Main Street and also the intersection of Main St. and Deerpath Rd. Remaining projects are engineering for Prairie Street reconstruction and sidewalk repairs.

### **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 fees and transfers from the General Fund. Public Works has budgeted to replace \$415,000 in vehicles and equipment. Included are two dump trucks, a leaf collection machine, ½ the cost of the sewer-vac truck, the carryover of the salt brine machine and an addition to the fleet of a truck for downtown maintenance. The Fire Department has a cardiac monitor replacement budgeted for \$29,000.

### **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 split. The project was substantially completed in 2016 and only minor closeout work is budgeted in 2017. The Safe Routes to School Fund has \$28,000 budgeted for design for JB Nelson and Wintergreen.

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

The two remaining Capital Project Funds are for the City's two active TIF Districts. The City has an inactive TIF where the Library now stands and a new TIF that will receive tax increment in 2017 for the first time. No budget was set for these funds, as it is not known how much that amount might be and there are no spending plans for it.

The 2017 budget for TIF includes \$7.3 million to start construction of a parking garage that is part of an RDA for redevelopment of the corner at Illinois Route 25 (Washington Street) and Wilson Street. A new TIF is in the process of being formed for this project and expenditures will be paid from the appropriate TIF once it is established. Debt will be issued for this project. The debt will total \$14 million to cover the cost of the parking garage and other public improvements that are part of this new development that also includes 181 apartments. All of the debt will be repaid by property tax increment generated from the project. There is a backup special service area that will be put in place to ensure that the debt will be covered. This project is exciting for the downtown as it meets the desire of a mixed-use downtown. The project will also include some retail development. More information on this project can be found on the City's website. Other funds are budgeted are for the acquisition of land near the river that will be used as a temporary parking lot and funds for a potential redevelopment agreement for the locating of a boutique grocer downtown. Loan funds will be needed until sufficient increment to cover all spending is generated.

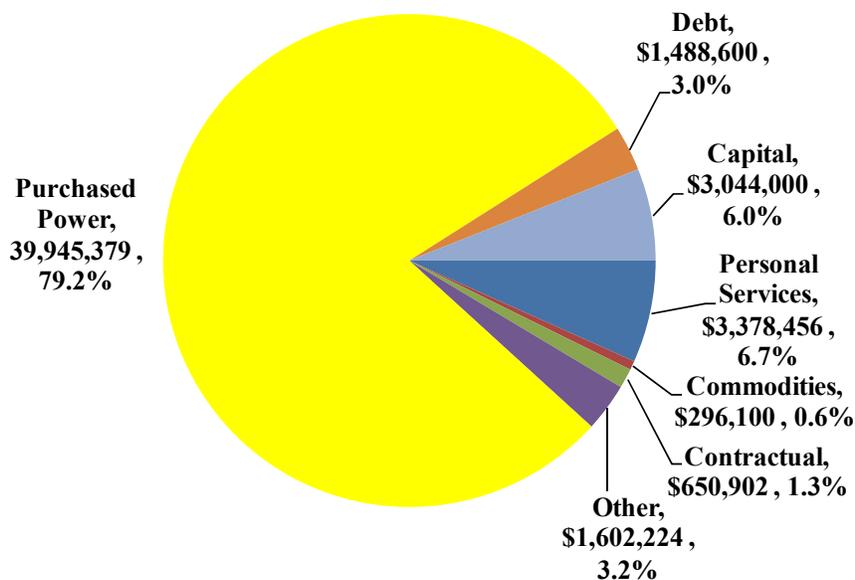
## Enterprise Funds – Business Type Activities

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 \$50.4 million 2017 Budget. As shown purchased power accounts for 79% of expenses. Purchased Power includes all costs associated with the purchase and transmission of power through NIMPA, Capacity contracts, market power, transmission and scheduling.

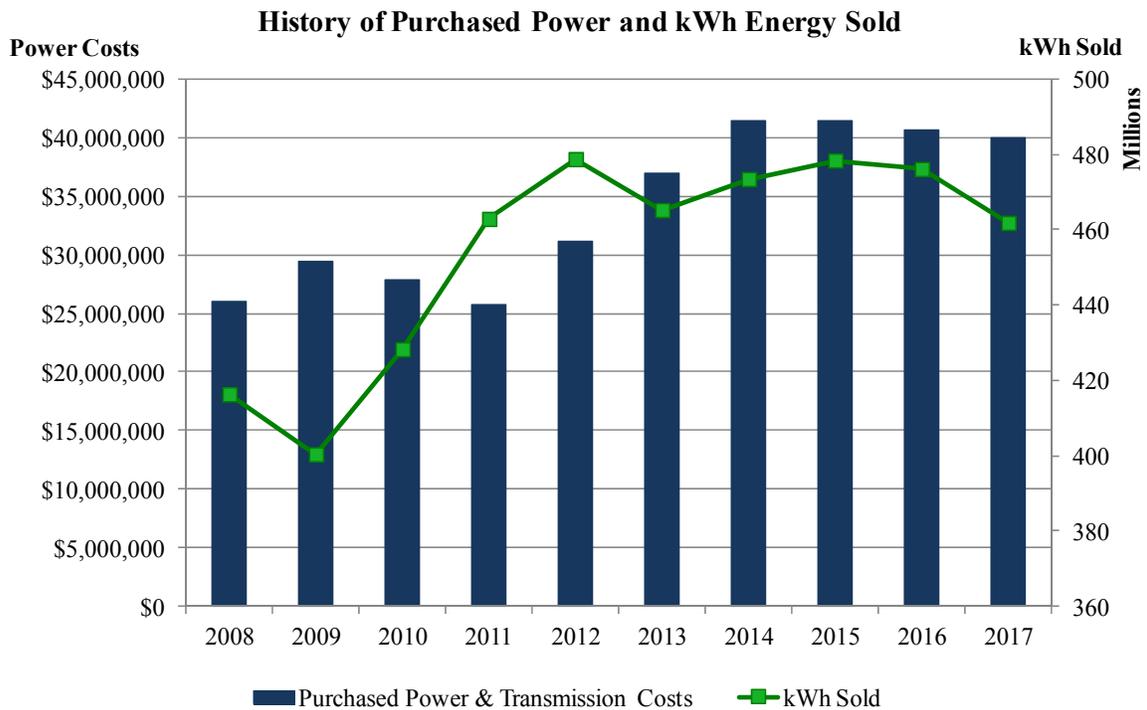
**Electric Utility 2017 Budget by Category**



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. 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 for 2017 are expected to decrease about \$0.6M from 2016 accrued 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. The City as part of NIMPA has voting rights, but no direct operational control of plant.

The chart below shows the change in our power costs 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 for true power costs to be collected monthly through a purchased power adjustment factor (PPAF) applied to bills. The Council enacted a rate stabilization fund (RSF) in 2009 to help stabilize the PPAF whenever possible. The passage of this budget will provide authorization from the City Council to use funds available in the RSF during the year if needed. It is projected that the RSF will have a balance of \$3.5M to start 2017 (from \$5M). Lower power costs have allowed the reserve to build up from a low of less than \$1M.

The last rate increase was in May 2015. There is no rate increase proposed for 2017. Reserves are sufficient at this time to delay an increase until 2018. 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 flows through to the utility via a reduction in expenses that the electric utility pays the General Fund each year. The General Fund replaced 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. This budget year is the last year of the rate relief. The 2018 budget will have a full year of costs.

NIMPA is a 7.6% owner of Prairie State and has a debt obligation of approximately \$500 million of which Batavia's share is \$230 million. Batavia pays the debt service in the form of a power contract through NIMPA. NIMPA was able to refund a large portion of debt in 2016 that will result in significant interest savings to Batavia of about \$1M per year.

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 \$3M of capital spending included in the 2017 budget. The detail of each project is in the appendix but the largest project is for the completion of improvements for the Fabyan-Western transmission line.

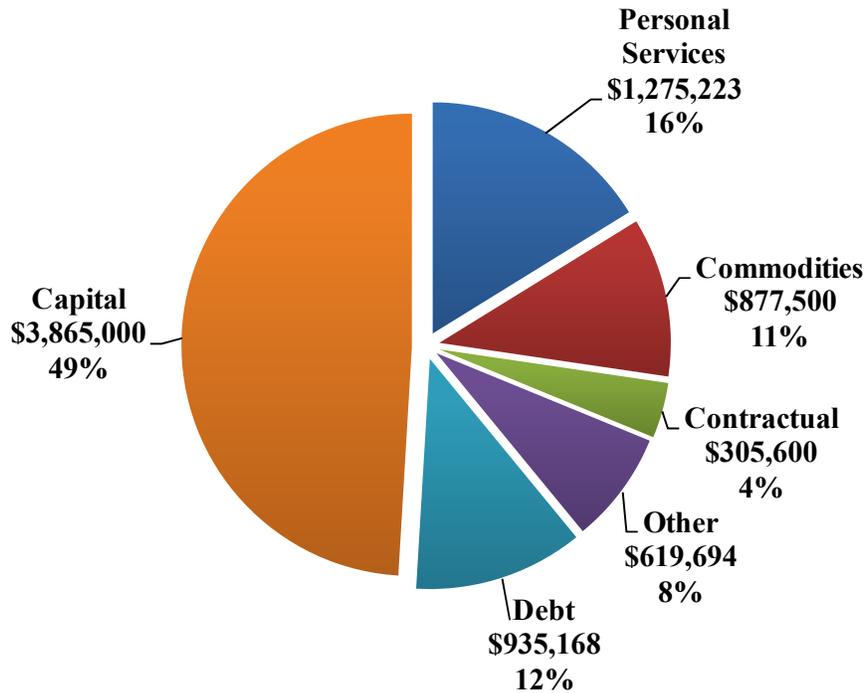
## **Water Utility**

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 2017 budget of \$7.9M. Of that, \$3.7M 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 2017 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.

The utility will have to issue debt to cover the cost of moving a water main that is in Kane County right of way. The county notified the City that the water main would have to be moved but the project was not in any near term capital budget and therefore has not been funded. The other large project in the budget is for Main Street water main and that project cannot be delayed or it would delay the road project and possibly jeopardize STP funding. City staff is hopeful that the County will reverse the decision on moving the water main.

## Water Utility 2017 Budget by Category



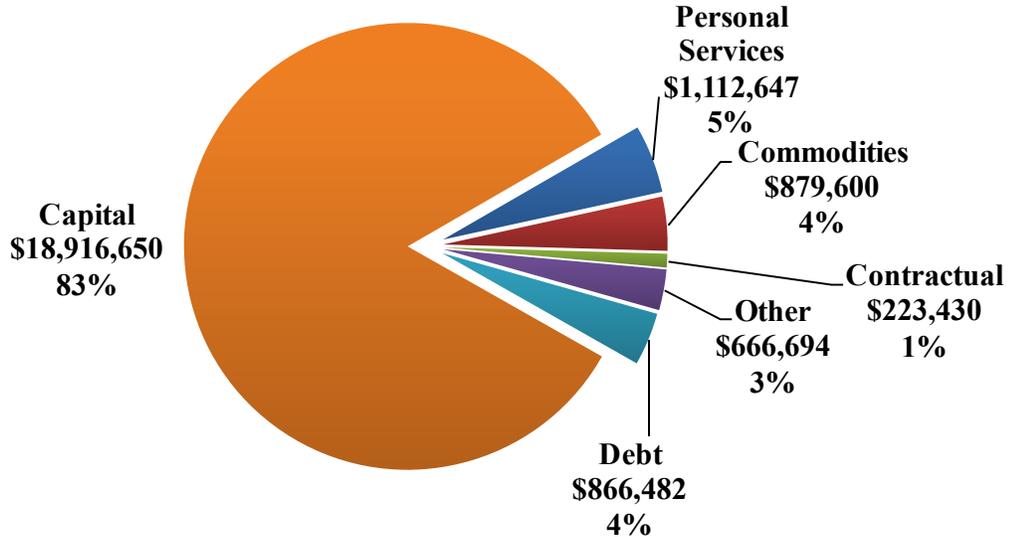
## Wastewater Utility

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. Some capital equipment has been replaced with significant improvements planned over the next five years. Phosphorous removal is one portion of improvements that is being required via EPA mandate. Other planned improvements include demolition of an existing structure and construction of a new Main Building that will include administration, maintenance, laboratory, and dewatering facilities. Also included will be the construction of a new Digester Operations Building, rehabilitation of the existing anaerobic digesters, rehabilitation of the excess flow disinfection facilities, replacement of the existing main electrical service, and improvements to the non-potable water system.

Please review the capital improvements project sheet for more information on this expansive project. The City will be funding the project 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.

The sanitary sewer budget has \$175,000 for ½ of the sewer-vac truck and \$685,000 for Main Street Sanitary Sewer Lining and \$100,000 for cleaning and televising.

## Wastewater Utility 2017 Budget by Category



The total budget for 2017 is \$22.7M of which \$18.9M is for capital related to the projects mentioned above. \$2.8M will go towards operations.

The budget also calls for a 6% rate increase that will begin January 1, 2017.

### 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 **\$6,625,000** in outstanding principal General Obligation debt at the start of the 2017 budget year. One of the City's outstanding debt issues is backed by sales tax and one is supported through property taxes.

The City plans to issue General Obligation debt for the parking garage TIF project in 2017. The debt will be abated each year though and paid from TIF increment.

<b>Principal Balance</b>	<b>Fire Stations</b>	<b>Donovan Bridge</b>	<b>Total Outstanding</b>
<b>1/1/17 Budget</b>	<b>\$5,590,000</b>	<b>\$1,035,000</b>	<b>\$6,625,000</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 Funding</b>	<b>Fire Stations Sales Tax</b>	<b>Donovan Bridge Property Tax</b>	<b>Total P &amp; I by Year</b>
<b>2017</b>	<b>707,700</b>	<b>144,825</b>	<b>852,525</b>
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. At the end of 2015, the bonds were advance refunded with GO Bonds to be paid with electric revenues. The annual savings is \$300,000 per year. The principal balance for Electric Fund debt as of January 1, 2017 will be **\$21,790,000**.

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. NIMPA issues their own financial statements and further information can be found on their website: [NIMPA.us](http://NIMPA.us). NIMPA did a bond refunding in 2016 that will result in significant savings in the power contract.

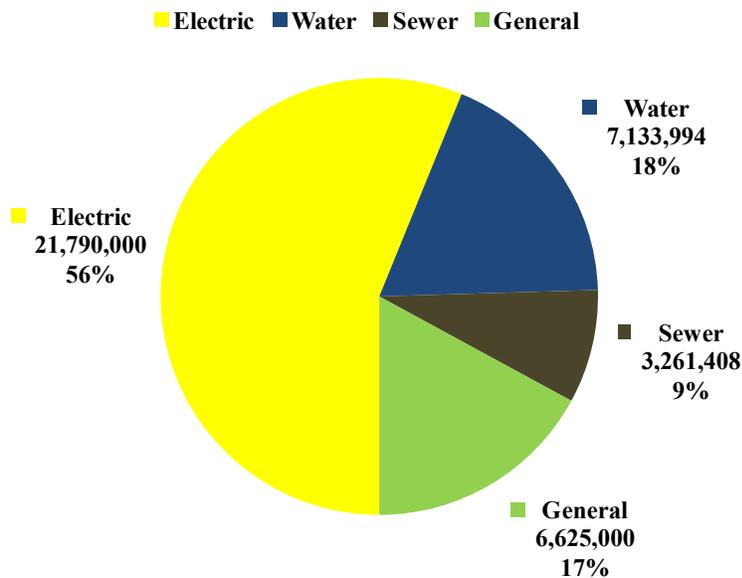
The debt in both the water and sewer utilities is through the IEPA and General Obligation Bonds issued in 2013 to refund some IEPA loans. The City of Batavia was the first entity in Illinois to refund IEPA loans at a lower interest rate. The **Water Utility** will have **\$7,133,994** in outstanding principal on January 1, 2017. The **Wastewater Utility** will start the year with **\$3,261,408** in outstanding principal.

The Wastewater Fund will issue new debt to start funding the rehabilitation of the wastewater treatment plant. The first phase of debt will require \$28M in IEPA loans. IEPA loans are structured as a reimbursement as construction is completed rather than an upfront issuance like normal bonds. The existing WW debt will be paid off in 2020, which will help when payments on the new debt begins. Following is a schedule of principal and interest payments that will be currently required of each utility annually.

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

	<b>Electric</b>	<b>Water</b>	<b>Wastewater</b>
2017 \$	<b>1,488,600</b>	<b>\$ 935,214</b>	<b>\$ 873,134</b>
2018	1,489,450	933,614	874,134
2019	1,489,550	931,914	874,834
2020	1,493,900	935,114	830,234
2021	1,492,350	933,114	
2022	1,495,050	936,014	
2023	1,491,850	933,167	
2024	1,492,900	933,367	
2025	1,493,050	290,169	
2026	1,492,300	290,169	
2027 -2036	0		
<b>Principal Balance 1/1/2016</b>	<b>\$21,790,000</b>	<b>\$7,133,994</b>	<b>\$3,261,408</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, 2017**



## 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 less 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 Comprehensive Annual Financial Report.

### *Strategic Goals for Financial Sustainability*

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

It is important to note that the number of day's operation is one tool to be used as a guide but should not be the only measure of financial solvency. Other factors to consider are debt levels, reliability of revenue sources, stability of contracted services, unfunded mandates and as mentioned several times throughout this letter, infrastructure needs.

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 2017.

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

With the current budget plan, General Fund reserves are projected to be at a healthy 109 days at the end of 2017. 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.

## General Fund Reserves - Continued

	2014	2015	2016	2017
Revenues	\$25,283,582	\$25,771,083	\$25,960,391	\$26,381,857
Expenses	\$22,349,770	\$23,954,653	\$25,871,499	\$27,121,212
Surplus/Deficit	\$2,933,812	\$1,816,430	\$88,892	(\$739,355)
Capital/Other	\$986,584	\$2,131,044	\$2,105,355	\$3,156,659
Operating Expenses	\$21,363,186	\$21,823,609	\$23,766,144	\$23,964,553
Reserves	\$6,131,040	\$7,947,470	\$8,036,362	\$7,176,104
Days Operation	105	133	123	109

The City has been very conservative in spending which has allowed the City to maintain very good cash reserves. The reserves have provided the ability to loan funds to the TIF for the completion of projects.

## Surplus and Reserves - Electric Fund

Reserves in the Electric Fund are projected to end 2017 with 141 days of operations and a balance of \$18.3M. 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 that are now filled.

	2014	2015	2016	2017
Revenues	\$49,947,869	\$52,720,399	\$51,080,789	\$47,558,270
Expenses	\$48,894,066	\$48,153,556	\$49,899,511	\$50,405,661
Surplus/Deficit	\$1,053,803	\$4,566,843	\$1,181,278	(\$2,847,391)
Capital	\$940,940	\$893,243	\$2,463,000	\$3,044,000
Operating Expenses	\$47,953,126	\$47,260,313	\$47,436,511	\$47,361,661
Reserves	\$15,384,805	\$19,951,648	\$21,132,926	\$18,285,535
Days Operation	117	154	163	141

The utility will realize the loss of two very large power customers at the end of 2016. The impact on the sales revenue can only be estimated in part since we do not know if the load required any market purchases during peak times. The City will not be hedging a summer contract in 2017. Even with the loss, there is not a rate increase planned due to the healthy level of reserves.

## Surplus and Reserves -Water Fund

The reserves for the Water Fund are projected to be at 96 days at the end of 2017. That level includes the borrowing of funds to cover the forced relocation of water main in Kane County right of way. Evaluation and prioritization of future water projects will be necessary to build the reserves back up. City staff has made a concerted effort to coordinate capital planning across departments to time utility improvements with road improvements when appropriate such as with Main Street slated for next year.

	2014	2015	2016	2017
Revenues	\$4,342,465	\$4,442,402	\$4,512,664	\$5,700,700
Expenses	\$4,651,264	\$4,873,973	\$4,405,986	\$7,878,185
Surplus/Deficit	(\$308,799)	(\$431,571)	\$106,678	(\$2,177,485)
Capital	\$742,722	\$946,616	\$563,000	\$3,865,000
Operating Expenses	\$3,908,542	\$3,927,357	\$3,842,986	\$4,013,185
Reserves	\$3,554,740	\$3,123,169	\$3,229,847	\$1,052,362
Days Operation	332	290	307	96

## Surplus and Reserves - Wastewater Fund

The reserves for the Wastewater Fund are projected to be at 180 days at the end of 2017. The reserves reflect the infusion of \$17.8M in IEPA loan funds to offset the planned capital investments to be made in 2017. 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.

	2014	2015	2016	2017
Revenues	\$4,539,169	\$4,818,281	\$5,069,079	\$23,148,966
Expenses	\$3,836,942	\$4,472,322	\$6,122,977	\$22,665,503
Surplus/Deficit	\$702,227	\$345,959	(\$1,053,898)	\$483,463
Capital	\$447,861	\$980,318	\$2,495,035	\$18,916,650
Operating Expenses	\$3,389,081	\$3,492,004	\$3,627,942	\$3,748,853
Reserves	\$2,077,648	\$2,423,607	\$1,369,709	\$1,853,172
Days Operation	224	253	138	180

## Conclusion

The 2017 Budget is presented with the following Fee/Tax Increases:

- Leaf and Brush Fee Increase: **\$1.00 per month** - \$90,000
- Property Tax Increase for Drainage: **\$300,000**
- Elimination of sunset clause: **Home Rule Sales Tax of 0.50%**
- Water Rate Increase: **3%** January 1, 2017
- Sewer Rate Increase: **6%** January 1, 2017

The 2017 Budget requests for spending have been discussed in detail with each department. Management and staff continue to look for new and innovative means of delivering services in order to dilute the required level of spending increases. Budget line items have been cut or held even in most commodity and contractual items. Additional staff was requested by several departments but only the addition of a Communications Coordinator and Administrative Assistant have been included in this budget.

The general fund revenues have remained static while expenditures have increased. Personnel and benefit costs continue to be the primary cost driver for spending. The City's pension contributions have increased significantly in the past few years. Health insurance costs while lower for 2017 as a result of joining an insurance pool, are still expected to increase in future years. This budget includes \$150,000 for health insurance premiums for six disabled pensioners and their dependents under PSEBA (Public Safety Employee Benefits Act). This law will continue to impact future budgets unless there is change in the legislature to clearly define what qualifies as a catastrophic injury that triggers this obligation for the City. However, due to the highly sensitive nature of the benefit, change is unlikely to happen and the City will continue to be required to fund the cost for those that are gainfully employed and could be insured under another employer's plan.

Staff will continue its efforts to focus on long-term sustainability beyond the 2017 Budget. The demand for services will have to be balanced with the level of funding that citizens are willing to pay. In addition, the City Council will be charged with balancing the conflicting demands among citizens as to what costs should be funded. It will be imperative in the coming years, that the City Council have effective programs and policies in place for meeting these demands in a way that provides the most benefit with the least impact.

Cultivating community understanding and appreciation for our vital infrastructure and the cost to provide it will require continued communication and discussions. While water management issues have been at the forefront recently, they are not the only infrastructure deficits facing the City. Well-designed initiatives that include a policy on the level and source of funding for storm water, streets, curb and sidewalk will allow staff to pursue City Council and community priorities. Although not popular, raising taxes or fees must be part of the solution for long-term sustainability.

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.

Lastly, the budget must also provide for continual public health and safety while meeting the daily service demands of our Citizens.

Following is the 2017 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 2017 Annual Budget

## All Funds

Description	Actual 2014	Actual 2015	Approved Budget 2016	Estimated 2016	Proposed Budget 2017
<b>Surplus and Reserves</b>	<b>\$38,544,079</b>	<b>\$42,708,432</b>		<b>\$46,964,103</b>	<b>\$45,969,583</b>
01 Intergovernmental	\$5,877,139	\$5,266,390	\$7,332,846	\$6,384,165	\$6,786,328
01 Municipal Taxes/Fees	\$5,083,751	\$4,979,196	\$5,468,237	\$5,315,378	\$5,461,570
01 Property Taxes	\$7,730,250	\$7,455,337	\$7,480,498	\$7,522,480	\$7,873,862
01 Sales Taxes	\$7,951,258	\$9,001,740	\$9,042,974	\$8,892,810	\$8,950,252
01 Utility Operating Revenues	\$57,974,216	\$61,163,995	\$62,345,610	\$59,970,060	\$56,955,588
02 Contributions	\$4,128,499	\$4,257,733	\$4,478,624	\$4,386,268	\$4,520,628
02 Utility Nonoperating Revenues	\$596,272	\$551,464	\$308,175	\$445,472	\$280,198
04 Fees & Services	\$949,059	\$1,035,332	\$908,000	\$982,663	\$1,111,673
05 Fines and Forfeitures	\$218,276	\$213,437	\$216,000	\$192,000	\$172,000
06 Other Revenues	\$2,383,823	\$3,080,458	\$1,188,796	\$2,391,484	\$3,173,989
07 Interfund Allocations	\$1,281,247	\$1,338,791	\$1,869,877	\$2,527,061	\$2,859,079
08 General Obligation Debt Proceeds	\$0	\$0	\$0	\$0	\$7,000,000
08 Revenue Bond Proceeds	\$0	\$0	\$2,000,000	\$0	\$18,956,650
<b>Total Revenue</b>	<b>\$94,173,790</b>	<b>\$98,343,873</b>	<b>102,639,637</b>	<b>\$99,009,841</b>	<b>124,101,817</b>
TIF District Projects	\$473,374	\$3,367,464	\$1,114,450	\$991,315	\$10,978,500
Administration & Legislative	\$1,151,194	\$2,337,041	\$1,127,063	\$1,251,891	\$2,151,427
Human Resources	\$230,763	\$313,997	\$425,051	\$425,210	\$406,389
Community Development	\$941,007	\$986,205	\$1,075,624	\$1,037,088	\$1,110,148
Public Works Administration	\$221,107	\$234,668	\$251,661	\$252,829	\$250,319
Engineering	\$661,569	\$578,569	\$701,065	\$621,717	\$713,667
Buildings and Grounds	\$346,263	\$357,420	\$381,757	\$395,186	\$424,704
Finance and Accounting	\$568,004	\$591,853	\$650,224	\$648,150	\$655,221
Information Systems	\$819,439	\$766,743	\$959,217	\$945,201	\$924,632
Utility Billing	\$346,947	\$352,325	\$383,284	\$377,798	\$395,614
Worker's Compensation Plan	\$496,855	\$641,333	\$618,000	\$540,000	\$623,500
Economic Development	\$126,348	\$121,746	\$127,275	\$142,275	\$131,315
Police Admin & Operations	\$8,091,876	\$8,235,623	\$9,175,825	\$9,121,245	\$9,123,565
Fire Services	\$4,783,690	\$5,012,890	\$5,517,067	\$5,446,168	\$5,472,227
E.S.D.A.	\$51,464	\$48,780	\$32,731	\$32,434	\$33,712
Drainage Capital Projects	\$133,377	\$149,447	\$851,170	\$156,732	\$2,021,481
Public Works Capital Acquisition	\$464,507	\$172,534	\$485,000	\$448,021	\$415,000
Fire Capital Acquisition	\$0	\$486,975	\$39,000	\$37,000	\$29,000
Health Benefit Plan	\$4,680,401	\$4,728,137	\$4,547,140	\$6,308,095	\$4,142,753
Safe Routes Program	\$54,375	\$39,819	\$89,868	\$3,931	\$28,443
Deerpath Bridge Construction	\$65,485	\$21,705	\$551,520	\$493,937	\$22,379
Streets and Sanitation	\$3,631,949	\$3,540,728	\$3,889,914	\$3,655,857	\$3,845,415

# City of Batavia 2017 Annual Budget

## All Funds

Description	Actual 2014	Actual 2015	Approved Budget 2016	Estimated 2016	Proposed Budget 2017
<b>Surplus and Reserves</b>	<b>\$38,544,079</b>	<b>\$42,708,432</b>		<b>\$46,964,103</b>	<b>\$45,969,583</b>
Street Improvement Projects	\$1,712,533	\$1,435,320	\$3,528,000	\$1,873,073	\$3,688,200
City Hall Capital Improvements	\$17,225	\$168,055	\$654,500	\$330,000	\$515,000
Electric Improvements	\$940,940	\$893,243	\$2,939,000	\$2,463,000	\$3,044,000
Meter Reading/Locating	\$200,359	\$165,710	\$236,485	\$240,105	\$242,420
Transmission & Distribution	\$46,049,762	\$45,983,572	\$48,043,367	\$45,705,478	\$45,630,641
Water Improvements	\$742,722	\$946,616	\$855,000	\$563,000	\$3,865,000
Water Production	\$828,889	\$862,033	\$943,000	\$683,800	\$780,000
Water Distribution	\$2,146,471	\$2,139,036	\$2,339,292	\$2,222,473	\$2,298,017
Utility Share General Fund	\$-890,000	\$-886,182	\$-940,000	\$-940,000	\$-1,284,843
Wastewater Improvements	\$241,099	\$587,960	\$2,690,260	\$1,900,000	\$17,956,650
Waste Water Treatment	\$2,300,490	\$2,385,412	\$2,552,010	\$2,562,772	\$2,618,302
Sanitary Sewer	\$428,668	\$629,087	\$902,271	\$788,370	\$1,224,069
Interfund Allocations	\$1,281,247	\$1,338,791	\$1,869,877	\$2,527,061	\$2,774,079
ED Grant Agreement	\$999,041	\$592,090	\$1,264,167	\$1,596,797	\$1,868,740
Revenue Bond Payments	\$3,502,872	\$2,907,182	\$3,512,884	\$3,299,476	\$3,290,250
General Obligation Debt Service	\$1,167,125	\$854,275	\$856,876	\$856,876	\$852,525
<b>Total Expense</b>	<b>\$90,009,437</b>	<b>\$94,088,202</b>	<b>105,240,895</b>	<b>100,004,361</b>	<b>133,262,461</b>
<b>Surplus/(Deficit)</b>	<b>\$4,164,353</b>	<b>\$4,255,671</b>	<b>( \$2,601,258)</b>	<b>( \$994,520)</b>	<b>( \$9,160,644)</b>
<b>Surplus and Reserves</b>	<b>\$42,708,432</b>	<b>\$46,964,103</b>		<b>\$45,969,583</b>	<b>\$36,808,939</b>