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# **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 the Budget Act, 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.

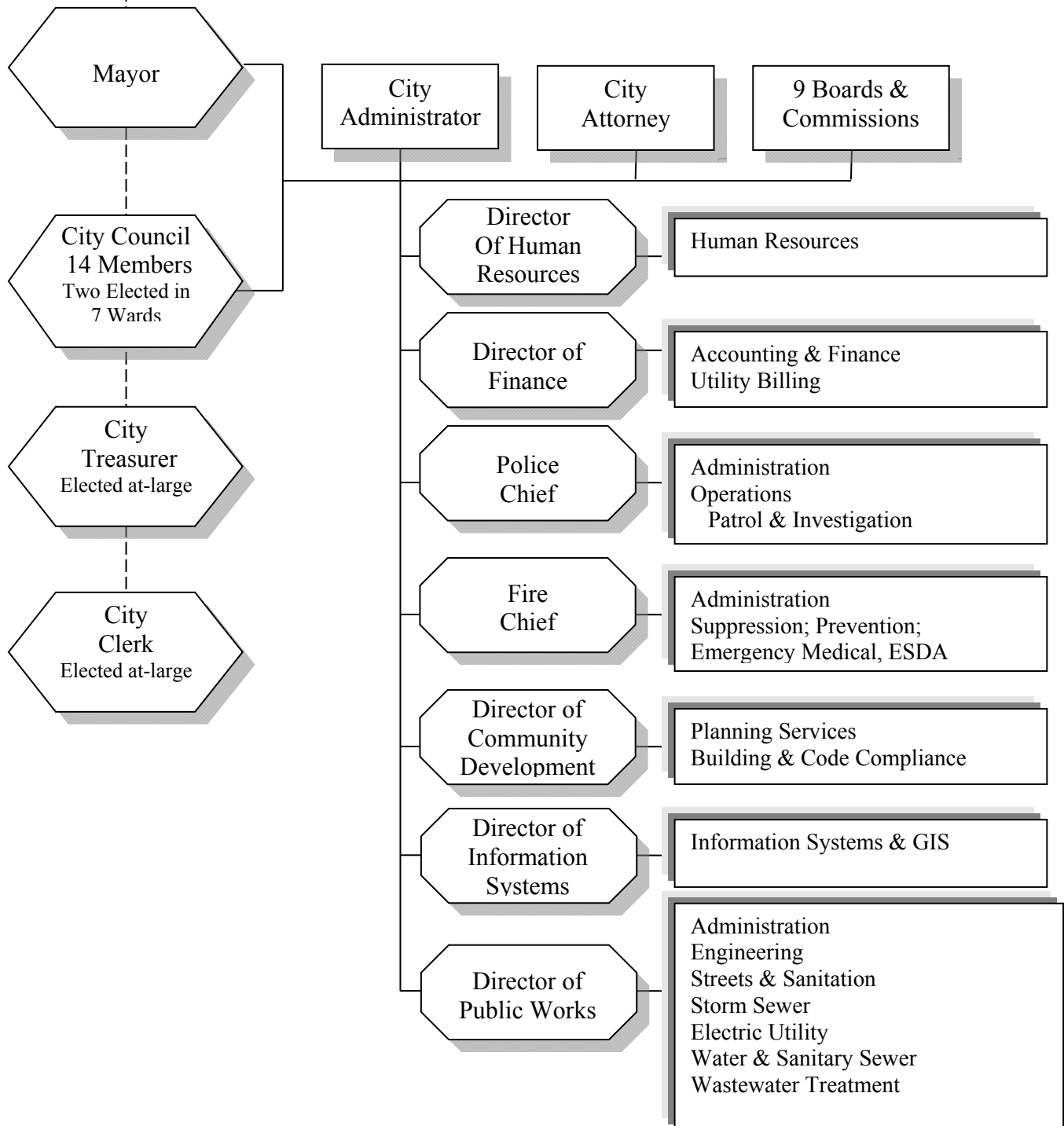
# 2019 Budget Calendar

- July 2018 Finance Rolls Budget (sets up new funds/accounts/sets IMRF rate)
- July 2018 Finance PY Actual Expenditures & Cash Balances
- August 2018 Departments Begin Budget Planning Process & Entry
- September 14, 2018 2018 & 2019 Revenue Estimates to Finance
- Sept. 17- 8:00 AM Closing for Data Entry - Submit change requests to Finance after this date
- Sept. 17- 8:00 AM Submit Department CIP Workbook
- September 17, 2018
- September 28, 2018 Meetings with Department Heads for Line Item Review & Potential Budget Cuts
- September 28, 2018 Cut-off Date for Final Modifications/Amendment Requests to Admin/Finance
- September 28, 2018 Submit Department Narrative Electronically
- September 28, 2018 Submit Final Department CIP Workbook (If necessary)
- October 2, 2018 Finance Provides Administration with Draft Budget
- October 2, 2018
- November 7, 2018 Finalize Budget and Prepare Draft for Distribution
- November 8, 2018 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 8, 2018 Comment Period Begins (until Passage)  
(must be published one week or more prior to hearing)
- November 8, 2018 Budget Public Hearing Notice Published
- November 8, 2018 Special COW Budget Meeting**
- November 13, 2018 COW Meeting to include Budget**
- November 27, 2018 2019 Budget Public Hearing at COW meeting - Hearing at 7:00**
- December 3, 2018 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 17, 2018 Alternate Approval Date for Budget
- December 17, 2018 City Council to Approve 2018 Tax Levy for 2019 Collection
- January 1, 2019 Budget Year Begins

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

# City of Batavia Organizational Structure

## Citizens of Batavia



# City of Batavia Statistics

## Form of Government

Mayor/Council	
Founded	1833
Incorporated as a Village	1856
Incorporated as a City	1891

## Land Area in Square Miles

2016	10.63	2004	9.17
2012	10.41	2003	9.08
2006	9.71	2002	9.02
2005	9.64	2001	8.92

## Population

2010	26,045	2000	23,866
2004	25,264	1990	17,076
2003	24,978	1980	12,574

## Demographics (2010 Census)

Gender	Number	Percent
Female population	13,370	51
Male population	12,675	49

### Age

Under 18	7,165
18 & Over	18,880
65 & Over	2,940

Race	Number	Percent
White	23,934	92
Black	636	2
Indian/Native	60	-
Asian	473	2
Other Race	532	2
Two or more races	410	2

### Ethnicity

Hispanic	1,775	7
Non-Hispanic	24,270	93

**Median Family Income** \$89,570

## Number of Housing Units

Occupied	9,554
Owner Occupied	7,462
Rental	2,092
Vacant	488
<b>Total Units</b>	<u>10,042</u>

## Number of Building Permits Issued

2017	1,698	2013	1,511
2016	1,907	2012	1,394
2015	2,123	2011	1,371
2014	1,844	2010	2,025

## New Construction Permits

	Industrial	Commercial	Residential
2017	0	1	10
2016	1	0	22
2015	1	2	15
2014	0	0	15
2013	0	2	7

## Police Department

Current Force 40

### Police Calls for Service

2017	14,652	2013	13,186
2016	14,505	2012	12,740
2015	14,751	2011	11,754
2014	12,587	2010	12,690

## Criminal Offenses

	Total	Violent	Theft/Other
2017	449	33	416
2016	446	26	420
2015	380	31	349
2014	416	36	380
2013	373	20	353
2012	518	33	485

## Auto Accidents

2016	924	2012	817
2015	887	2011	723
2014	817	2010	772
2013	885	2009	777

## Fire Department

Number of Firefighters	23
Number of Paid on Call	34
Number of Fire Stations	2

**Fire Fleet**

Engines	4	Ambulances	3
Ladder Trucks	1	Staff Vehicles	7
Pumpers	1	Brush	

**Calls for Service**

	<b>EMS</b>	<b>Fire</b>
2017	2,335	1,675
2016	2,391	1,613
2015	2,392	1,416
2014	2,104	1,578
2013	2,110	1,429
2012	2,057	1,401
2011	1,943	1,321

**Electric Utility**

% Overhead	45
% Underground	55
Number of Substations	6
Miles of Fiber	33
Number of Streetlights	1,925
2015 MW Billed	456,253
2015 Peak MW Demand	92.655
Number of Customers	10,909

**Water Utility**

Deep Well # 4	Emergency(Standby)
Deep Well # 5	Emergency(Standby)
Deep Well # 9	Active
Deep Well # 10	Active
Deep Well # 11	Active
Shallow Well # 6	Active
Shallow Well # 7	Active
Shallow Well # 8	Active

Miles of water main	190 miles
Water valves	1,800
Hydrants	1,850
Number of Services	9,336

**Annual Water Pumped (Billion Gallons)**

2016	0.97	2011	1.14
2015	1.02	2010	1.10
2014	1.01	2009	1.08
2013	1.01	2008	1.05
2012	1.12	2007	1.02

Average Daily Pumpage	2.66 MG
Maximum Daily Pumpage	4.69 MG

**Wastewater Utility**

Number of Lift Stations:	18
Average Daily Flow	3.9 MGD

**Plant Capacity – Peak Wet Weather Flow**

12 MGD - Flow With Full Treatment
13 MGD - With Excess Flow Treatment Only
25 MGD - Peak Wet Weather Flow

Number of Services	9,143
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**Public Works**

Miles of Urban Streets	106.89
Miles of Rural (no Sewer)	5.25
Miles of Rural (with Sewer)	1.24
Miles of Alley	.73
Miles of Sidewalk	157.56
Number of Bridges (River Crossing)	1
Number of Bridges (Other)	1
Number of Cemeteries	2

**Equalized Assessed Value**

2017	977,594,114	2012	913,768,374
2016	955,521,844	2011	956,787,649
2015	914,945,274	2010	997,366,424
2014	889,954,712	2010	1,053,784,460

**Tax Rate (per \$100 of EAV)**

2017	\$0.742796	2013	\$0.731342
2016	\$0.697011	2012	\$0.695886
2015	\$0.695527	2011	\$0.672037
2014	\$0.715334	2010	\$0.592473

# City of Batavia 5 Year General Fund Budget Projection

## Revenues

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Local Use Tax	735,000	738,675	742,368	746,080	749,811
Pers Property Repl Tax	185,000	185,925	186,855	187,789	188,728
State Income Tax	2,525,000	2,562,875	2,614,133	2,666,415	2,719,743
B & C Fire Prot Dist	250,000	247,000	250,000	250,000	250,000
Maintenance-State Highways	48,900	49,145	49,390	49,637	49,885
Township Transit Reimb.	40,000	40,000	40,000	40,000	40,000
<b>Intergovernmental</b>	<b>3,783,900</b>	<b>3,823,620</b>	<b>3,882,746</b>	<b>3,939,921</b>	<b>3,998,167</b>
Simplified Telcom Tax	720,000	705,600	691,488	691,488	691,488
Elec FF & Water Utility Tax	2,065,000	2,075,325	2,085,702	2,096,130	2,106,611
Liquor Sales Tax	380,000	381,900	383,810	385,729	387,657
Natural Gas Tax	700,000	703,500	707,018	710,553	714,105
Waste Transfer Fee	520,000	521,300	522,603	523,910	525,220
Payments in Lieu of Taxes	770,700	771,085	771,471	771,857	772,243
ROW Franchise Fees	450,000	452,250	454,511	456,784	459,068
<b>Municipal Taxes/Fees</b>	<b>5,605,700</b>	<b>5,610,960</b>	<b>5,616,602</b>	<b>5,636,449</b>	<b>5,656,391</b>
Real Estate Taxes - General	4,258,011	4,198,095	4,136,980	4,074,643	4,011,059
Real Estate Taxes - Pension	2,995,823	3,055,739	3,116,854	3,179,191	3,242,775
Other Property Tax	40,000	40,000	40,000	40,000	40,000
<b>Property Taxes</b>	<b>7,293,834</b>	<b>7,293,834</b>	<b>7,293,834</b>	<b>7,293,834</b>	<b>7,293,834</b>
State Sales Tax	5,075,000	5,113,063	5,164,193	5,215,835	5,267,993
Home Rule Sales Tax	3,675,000	3,702,563	3,739,588	3,776,984	3,814,754
<b>Sales Taxes</b>	<b>8,750,000</b>	<b>8,815,625</b>	<b>8,903,781</b>	<b>8,992,819</b>	<b>9,082,747</b>
Licenses	76,500	76,500	76,500	76,500	76,500
Building Permits	285,000	285,000	285,000	285,000	285,000
Engineering Plan Review Fee	80,000	40,000	40,000	40,000	40,000
Engineering Inspection Fee	200,000	100,000	100,000	100,000	100,000
Plumbing Inspection Fee	40,000	40,800	41,616	42,448	43,297
Planning & Zoning Fees	55,000	55,825	56,662	57,512	58,375
Survey Monumentation	50,000	5,000	5,000	5,000	5,000
Leaf & Brush Collection	458,000	458,000	458,000	458,000	458,000
Cemetery Fees	60,000	60,000	60,000	60,000	60,000
Police Reimbursements	130,000	132,600	135,252	137,957	140,716
Household Haz Waste Fee	26,000	26,000	26,000	26,000	25,863
<b>Fees &amp; Services</b>	<b>1,460,500</b>	<b>1,279,725</b>	<b>1,284,030</b>	<b>1,288,418</b>	<b>1,292,751</b>
Fines & Fees	225,000	155,000	155,000	155,000	155,000
Parking Tickets	34,000	34,000	34,000	34,000	34,000
<b>Fines and Forfeitures</b>	<b>259,000</b>	<b>189,000</b>	<b>189,000</b>	<b>189,000</b>	<b>189,000</b>
Video Gaming	45,000	45,675	46,360	47,056	47,761
Miscellaneous Revenue	225,000	225,000	225,000	225,000	225,000
Investment Income	240,000	250,000	200,000	200,000	200,000
<b>Other Revenues</b>	<b>510,000</b>	<b>520,675</b>	<b>471,360</b>	<b>472,056</b>	<b>472,761</b>
<b>Total Revenues</b>	<b>27,662,934</b>	<b>27,533,439</b>	<b>27,641,353</b>	<b>27,812,497</b>	<b>27,985,652</b>



**City of Batavia 5 Year General Fund Budget Projection**  
**Expenditures, Surplus (Deficit), Reserves and Days Operation**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Salaries and Wages	12,671,397	12,988,182	13,345,357	13,678,991	14,020,966
Overtime	605,500	611,555	620,728	630,039	639,490
Double-time	104,000	105,040	106,616	108,215	109,838
Stand-by	30,000	30,900	31,827	32,782	33,765
Outside Work Agreement	30,000	30,450	30,907	31,370	31,841
Part-time Wages	748,217	766,922	786,095	805,748	825,892
<b>Wages</b>	<b>14,189,114</b>	<b>14,533,049</b>	<b>14,921,530</b>	<b>15,287,145</b>	<b>15,661,791</b>
City Health Ins Contribution	2,831,953	2,916,912	3,004,419	3,094,552	3,187,388
City IMRF Pension Contribution	603,888	618,985	634,460	650,321	666,579
City Share FICA and Medicare	614,231	629,587	645,326	661,460	677,996
City Pension Contribution	2,995,823	3,055,739	3,116,854	3,179,191	3,242,775
Workers Compensation Contrib	255,425	255,425	255,425	255,425	255,425
<b>Benefits</b>	<b>7,301,320</b>	<b>7,476,648</b>	<b>7,656,484</b>	<b>7,840,949</b>	<b>8,030,164</b>
Police & Fire Board	18,400	21,986	15,100	21,986	15,100
Meal Allowance	1,550	1,300	1,300	1,300	1,300
Medical Exams & Testing	16,610	16,942	17,281	17,627	17,979
Employee Recruitment	6,200	6,200	6,200	6,200	6,200
Memberships	43,246	43,678	44,115	44,556	45,002
Employee Recognition	26,475	26,740	27,007	27,277	27,550
Training & Seminars	119,180	119,776	120,375	120,977	121,582
<b>Employee Related</b>	<b>231,661</b>	<b>236,622</b>	<b>231,378</b>	<b>239,923</b>	<b>234,713</b>
Resource Materials	6,200	6,231	6,262	6,293	6,325
Postage & Shipping	71,775	72,134	72,495	72,857	73,221
Office Supplies	60,445	61,049	61,660	62,277	62,899
Computer Software and Access	135,675	137,032	138,402	139,786	141,184
Vehicle & Equip. Supplies	98,000	99,470	100,962	102,476	104,014
Printing & Photo	54,450	54,995	55,544	56,100	56,661
Communication Supplies	27,200	27,472	27,747	28,024	28,304
Police Supplies	11,470	11,585	11,701	11,818	11,936
Materials	100,000	101,500	103,023	104,568	106,136
Fuel	166,070	169,391	172,779	177,099	181,526
Salt & Deicers	255,000	256,275	257,556	258,844	260,138
Ammunition & Safety	27,673	27,950	28,229	28,512	28,797
Telephone	109,484	111,126	112,793	114,485	116,202
Fire Program Supplies	5,000	5,050	5,101	5,152	5,203
Clothing & Uniforms	112,300	113,423	114,557	115,703	116,860
Rescue Materials	11,000	11,110	11,221	11,333	11,447
Medical Supplies	7,000	7,070	7,141	7,212	7,284
Meals & Refreshments	6,100	6,192	6,284	6,379	6,474
Utilities	177,200	182,516	187,991	193,631	199,440
Safety Supplies	3,000	3,045	3,091	3,137	3,184
General Supplies	57,320	58,180	59,052	59,938	60,837
Other Equipment	73,623	73,807	73,992	74,177	74,362
Landfill Fees	12,000	12,180	12,363	12,548	12,736
Ornamental Supplies	30,000	30,450	30,907	31,370	31,841
<b>Commodities</b>	<b>1,617,985</b>	<b>1,639,232</b>	<b>1,660,853</b>	<b>1,683,718</b>	<b>1,707,013</b>

**City of Batavia 5 Year General Fund Budget Projection**  
**Expenditures, Surplus (Deficit), Reserves and Days Operation**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
R & M Vehicles	151,700	153,217	154,749	156,297	157,860
R & M Building	329,000	230,645	231,798	232,957	234,122
R&M Office Equipment	56,780	57,348	57,921	58,500	59,085
R&M City Properties	285,000	285,000	290,000	292,000	298,000
R & M Field Equipment	60,400	61,004	61,614	62,230	62,852
<b>Repair &amp; Maintenance</b>	<b>882,880</b>	<b>787,214</b>	<b>796,083</b>	<b>801,985</b>	<b>811,920</b>
Liability & Property Insurance	236,125	240,848	245,664	250,578	255,589
Plumbing Inspections	45,000	45,675	46,360	47,056	47,761
Professional Services	709,520	716,615	723,781	731,019	738,329
Pest & Animal Control	75,000	75,750	76,508	77,273	78,045
Forestry and Tree Service	362,000	425,000	425,000	425,000	425,000
Legal Fees	134,000	136,680	139,414	142,202	145,046
BATV (% Franchise Fee)	180,000	180,900	181,805	182,714	183,627
Tri-City Ambulance	219,102	223,484	235,000	250,000	275,000
Tri-Com Dispatch	435,559	437,737	439,925	442,125	444,336
Ride in Kane Program	80,000	80,000	80,000	80,000	80,000
Green Initiatives	35,000	-	35,000	-	35,000
Software Support	189,465	192,307	195,192	198,119	201,091
<b>Professional Services</b>	<b>2,700,771</b>	<b>2,754,996</b>	<b>2,823,649</b>	<b>2,826,085</b>	<b>2,908,825</b>
Bad Debt Expense	6,000	6,180	6,365	6,556	6,753
Utility Administration	(1,735,000)	(1,737,603)	(1,740,209)	(1,742,819)	(1,745,433)
Transfer to Fire Station DS 41	709,700	711,500	709,700	709,700	717,450
Transfer to Storm&Ch DS 53	410,007	410,007	410,007	410,007	410,007
<b>Other</b>	<b>(609,293)</b>	<b>(609,916)</b>	<b>(614,137)</b>	<b>(616,556)</b>	<b>(611,223)</b>
Technology Equipment	186,700	175,000	175,000	175,000	175,000
Capital Repairs/Improvements	132,000	-	-	-	-
Vehicles & Equipment	149,970	153,719	157,562	161,501	165,539
Transfer to Drainage Improv Fd33	362,981	400,000	400,000	400,000	400,000
Transfer to Street Imp. Fd43	350,000	600,000	700,000	800,000	1,000,000
Transfer to City Hall Capital Fd48	100,000	125,000	150,000	150,000	150,000
Transfer to PW Capital Dev Fd71	275,000	275,000	275,000	300,000	300,000
Transfer to Fire Capital Dev Fd72	250,000	250,000	250,000	275,000	275,000
<b>Capitla</b>	<b>1,806,651</b>	<b>1,978,719</b>	<b>2,107,562</b>	<b>2,261,501</b>	<b>2,465,539</b>
<b>Total Expenditures</b>	<b>28,121,089</b>	<b>28,796,565</b>	<b>29,583,402</b>	<b>30,324,750</b>	<b>31,208,741</b>
<b>Surplus/Deficit</b>	<b>(458,155)</b>	<b>(1,263,126)</b>	<b>(1,942,049)</b>	<b>(2,512,253)</b>	<b>(3,223,088)</b>
<b>Reserves</b>	<b>11,129,668</b>	<b>9,866,542</b>	<b>7,924,493</b>	<b>5,412,240</b>	<b>2,189,152</b>
<b>Days Operation</b>	<b>154</b>	<b>134</b>	<b>105</b>	<b>70</b>	<b>28</b>

## CITY OF BATAVIA FUND BALANCE/NET POSITION POLICY

### **Purpose**

A Fund Balance/Net Position Policy establishes reporting categories for fund balance/net position in the City of Batavia Comprehensive Annual Financial Report and establishes the formal process for use and commitment or assignment of fund balance. It also establishes a minimum level for the projected end-of-year fund balance/net position for the governmental and proprietary funds to meet during the budget process. This policy is to provide financial stability, cash flow for operations, and the assurance that the City of Batavia will be able to respond to emergencies with fiscal strength. More detailed fund balance financial reporting and the increased disclosures will aid the user of the financial statements in understanding the availability of resources.

It is the City of Batavia's philosophy to support long-term financial strategies, where fiscal sustainability is its first priority, while also building funds for future growth. It is essential to maintain adequate levels of funds balance/net position to mitigate current and future risks and to ensure appropriate tax and utility rates. Fund balance/net position levels are also a crucial consideration in long-term financial planning. Credit rating agencies carefully monitor levels of fund balance/net position and unrestricted and unassigned fund balance in the General Fund to evaluate the City of Batavia's continued creditworthiness.

### **Definitions**

#### ***Governmental Funds***

The fund balance will be composed of three primary categories:

- 1) Nonspendable Fund Balance – portion of a Governmental Fund's fund balance that are not available to be spent, either in the short-term or long-term, or through legal restrictions (e.g., inventories, prepaid items, land held for resale and endowments).
- 2) Restricted Fund Balance – portion of a Governmental Fund's fund balance that are subject to external enforceable legal restrictions (e.g., grantor, contributor and property tax levies).
- 3) Unrestricted Fund Balance – is made up of three components:
  - A) Committed Fund Balance – the portion of a Governmental Fund's fund balance with self-imposed constraints or limitations that have been placed at the highest level of decision making through formal City Council action. The same action is required to remove the commitment of fund balance.
  - B) Assigned Fund Balance – the portion of a Governmental Fund's fund balance to denote an intended use of resources but with no formal City Council action.
  - C) Unassigned Fund Balance – available expendable financial resources in a Governmental Fund that is not the object of tentative management plan.

Some funds are funded by a variety of resources, including both restricted and unrestricted (committed, assigned and unassigned). The City of Batavia assumes that the order of spending fund balance is as follows: restricted, committed, assigned, unassigned.

## **Definitions – Continued**

### ***Proprietary Funds***

Proprietary funds for the City of Batavia include enterprise funds. The net position will be composed of three primary categories:

- 1) Net Investment in Capital Assets – portion of a proprietary fund’s net assets that reflects the fund’s net investment in capital assets less any amount of outstanding debt related to the purchase/acquisition of said capital assets. Related debt, for this purpose, includes the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of said capital assets.
- 2) Restricted Net Position – portion of a proprietary fund’s net assets that are subject to external enforceable legal restrictions (e.g., grantor, contributor and bond covenants).
- 3) Unrestricted Net Position – portion of a proprietary fund’s net assets that is neither restricted nor invested in net capital assets.

### **Authority**

#### ***Governmental Funds***

Committed Fund Balance – A self-imposed constraint on spending the fund balance must be approved by ordinance or resolution of the City Council. Any modifications or removal of the self-imposed constraint must use the same action used to commit the fund balance. Formal action to commit fund balance must occur before the end of the fiscal year. The dollar amount of the commitment can be determined after year end.

Assigned Fund Balance – A self-imposed constraint on spending the fund balance based on the City of Batavia’s intent to use fund balance for a specific purpose. The authority to assign or remove a prior assignment of Fund Balance is delegated to the Finance Director through the direction and consent of the City Administrator as authorized by the passage of this policy by the City Council.

#### **Minimum Unrestricted Fund Balance Levels**

##### ***Governmental Funds***

###### **General Fund**

Purpose – Is a major fund and the general operating fund of the City of Batavia. It is used to account for all activities that are not accounted for in another fund.

Fund Balance – Unrestricted fund balance targets should represent no less than two months of operating expenditures and Unassigned fund balance no more than six months of operating expenditures. Operating expenditures include amounts reported under other financing uses that are transfers for recurrent capital funding and recurrent debt service transfers. Balances above the maximum may be transferred to other funds or to capital projects or committed at the City Council’s discretion or assigned as determined by the City Administrator or Finance Director under authority of the City Administrator.

## **Minimum Unrestricted Fund Balance Levels – Continued**

### **Special Revenue Fund**

Purpose - Used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Financing – Special revenue funds are provided by a specific annual property tax levy or other restricted and/or committed revenue source. Financing may also be received from other charges for services, etc.

Fund Balance – Derived from property taxes (or another restricted revenue source); therefore, legally restricted. The portion of fund balance derived from property taxes will be legally restricted. The remaining fund balance amount (restricted and/or committed) will be targeted at a minimum level of 25% of annual budgeted expenditures. This will be adjusted annually with the adoption of the annual budget and is calculated at a minimum of two months of expenditures not including capital, debt service and transfers.

### **Debt Service Fund**

Purpose – Established to account for financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Financing – The municipality levies an amount or transfers in an amount close to the principal and interest that is anticipated to be paid.

Fund Balance – Derived from property taxes; therefore, legally restricted. Any fund balance accumulation should be a maximum the amount of the next principal and interest payment due.

### **Capital Projects Fund**

Purpose - Established to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets, excluding those types of capital related outflows financed by proprietary funds.

Financing – Debt financing, grants, or interfund transfers are used to finance projects.

Fund Balance – Considered segregated for maintenance, construction and/or development; therefore, considered committed, restricted, or assigned depending on the intended source/use of the funds.

## **Minimum Unrestricted Fund Balance Levels – Continued**

### ***Proprietary Funds***

#### **Enterprise Fund**

Purpose - Established to account for and report financial resources that are invested in capital assets, net of related debt, restricted, or unrestricted for future spending related to the fund. The focus of enterprise fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Enterprise Funds are required to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

Financing – User fees, debt financing, or grants are used to finance operations, capital outlay and improvements, and debt service retirements.

Net Position – Considered invested in capital assets net of related debt (for amounts capitalized as capital assets, less the outstanding debt related to the acquisition of said assets). Restricted net position relates to bond covenant reserves as outlined in the bond ordinance. Unrestricted net position targets should represent no less than three months of operating expenses (excludes debt service and capitalized asset expenses).

#### **Other Considerations**

In establishing the above policies for unrestricted or unassigned fund balance/net position levels, the City of Batavia considered the following factors:

- The predictability of the City of Batavia's revenues and the volatility of its expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile)
- The City of Batavia's perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts)
- The potential drain upon General Fund resources from other funds as well as the availability of resources in other funds (i.e., deficits in other funds may require a higher level of unrestricted or unassigned fund balance be maintained in the General Fund)
- Liquidity (i.e., a disparity between when financial resources actually become available to make payments and the average maturity of related liabilities)

If any of the above factors change, the City of Batavia will readdress current unrestricted fund balance/net asset levels to ensure amounts are appropriate. Should the City of Batavia not meet a minimum fund balance level due to an unforeseen or uncontrollable occurrence, a written plan shall be made to return the fund(s) to the minimum level within a reasonable time frame without causing an undue burden on taxpayers or ratepayers.

## City of Batavia Policy for Investment of Public Funds

- A. Statement of Investment Policy: It is the policy of the City to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statutes governing the investment of public funds.
- B. Scope: This investment policy applies to all financial assets and investment activities of the city with the exception of the financial assets and investment activities of the police and fire pension funds which are governed by independent boards of trustees and the assets in the internal revenue code section 457 deferred compensation plan which, while titled to the city, are governed by individual employees. The financial assets of all funds, excepting police and fire pension funds and the deferred compensation agency fund, accounted for in the city's comprehensive annual financial report, including the general fund, special revenue funds, capital project funds, debt service funds, enterprise funds, and any other funds that may be created from time to time, shall be administered in accordance with the provisions of this section.
- C. Objectives: The primary objectives of investment activities shall be Safety, Liquidity and Total Return:
1. Safety: Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
    - a. Credit Risk: The City will minimize credit risk, the risk of loss due to the failure of the security issuer or backer by:
      - Limiting investments to the safest types of securities
      - Pre-qualifying the financial institutions, brokers, intermediaries and advisers with which the City will do business,
      - Diversifying the investment portfolio so potential losses on individual securities will be minimized.
    - b. Interest Rate Risk: The City will minimize the risk that the market value of the securities in the portfolio will fall due to changes in general interest rates by:
      - Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity,

- Investing operating funds primarily in shorter-term securities or investment pools.
2. Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. A portion of the portfolio also may be placed in local government investment pools which offer same-day liquidity for short-term funds.
  3. Total Return: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed

D. Standards of Care:

1. Prudence: The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this Section.

Investments shall be made with judgment and care under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their principal as well as the probable income to be derived.

2. Ethics and Conflicts Of Interest: In addition to the prohibitions contained in the Public Funds Investment Act, officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Council any material financial interests in financial institutions that conduct business with the City, and they shall further disclose any large personal financial or investment positions that could be related to the performance of the City's portfolio. To the extent possible, employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City. The Mayor and/or City Council shall disclose any large personal or investment positions in institutions which the City Council and Mayor formally considers to furnish financial services to the City.



3. Delegation of Authority: The establishment of investment policies is the responsibility of the City Council. Management and administrative responsibility for the investment program of the City is hereby delegated to the Director of Finance, who, under the direction of the City Administrator, shall establish written procedures for the operation of the investment program, consistent with this investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in any investment transaction except as provided under the terms of this policy and the procedures established by the Director of Finance. The Director of Finance shall be responsible for all transactions undertaken and shall establish a system of internal controls to safeguard City assets. The Director of Finance may from time to time amend the written procedures in a manner not inconsistent with this Section or with State law. The responsibility for investment activities of the Police and Fire Pension Funds rests with the City Council for each of those funds.
4. Internal Controls: The Director of Finance shall establish and maintain an internal control structure designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the City. To assure compliance with such policies and procedures, the internal control structure shall be reviewed annually by an external auditor in conjunction with the annual examination of the financial statement of the City.
5. Maintaining the Public Trust: All participants in the investment process shall seek to act responsibly as custodians of the public trust and shall avoid any transactions that might impair public confidence in the City.

E. Safekeeping, Custody and Selection of Institutions:

1. A list of financial dealers and institutions authorized to provide investment services will be maintained. In addition, a list of approved security broker/dealers selected by creditworthiness will be maintained. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following as appropriate:

All financial institutions and brokers/dealers who desire to become qualified bidders for investment transaction must supply the following as appropriate:

- a. Proof of membership in the Security Investor Protection Corporation (SIPC).
- b. Audited financial statements.
- c. Proof of National Association of Securities Dealers (NASD) certification.
- d. Certification of having read the City's investment policy.

An annual review of the financial condition and registration of qualified bidders will be conducted by the Director of Finance.

2. Delivery versus Payment: Except for commercial paper, all security transactions entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis. Securities shall be held by a third party custodian designated by the Director of Finance and evidenced by safekeeping receipts.
3. Selection of Financial Institutions, financial advisors and money managers shall be made following the parameters of this policy, including the City of Batavia's primary objectives of safety, liquidity and total return.
4. Collateralization: It is the policy of the City to require that funds on deposits in excess of FDIC insurable limits be secured by some form of collateral. The City will accept any of the following assets as collateral:
  - a. U.S. Government securities.
  - b. Obligations of Federal agencies.
  - c. Obligations of Federal instrumentalities.
  - d. Obligations of the State of Illinois; General Obligation Municipal Bonds of the State of Illinois and its political subdivisions which have a bond rating of Upper Medium Grade or better.

(The City reserves the right to accept/reject any form of the above named securities).

The amount of collateral provided shall not be less than one hundred two percent (102%) of the fair-market value of the net amount of public funds secured. Pledged collateral will be held in safekeeping, by an independent third party depository designated by the City and evidenced by a safekeeping agreement. The City shall require monthly reports that include the market value of the securities pledged in the City's name.

Collateral agreements shall preclude the release of the pledged assets without an authorized signature from the City. Substitutions of collateral of the same or more value may be made at the discretion of the institution with prompt notice provided to the City of such substitution.

5. No financial institution shall receive funds unless it has complied with the requirements established pursuant to section 6 of the Public Funds Investment Act, 30 Illinois Compiled Statutes 235. In addition, the City will not maintain funds in any financial institution that is not a member of the FDIC system.

All depositories of the City of Batavia shall comply with the requirements of this policy, including collateralization of City funds invested at such depository and the

related safekeeping requirements of the pledged securities. From time to time, as determined by the City and pursuant to a Request for Proposals, the City shall enter into a separate contract with an "operating bank" for purposes of daily operations.

All depositories of the City of Batavia shall provide financial data to the Director of Finance to so as to provide the current financial condition of the institution. Such data shall include but not be limited to audited financial statements and FDIC regulatory reports, and shall be provided at least annually by the financial institutions to the Director of Finance. Any refusal to provide such information to the City may cause the termination of the deposit agreement with such institution.

F. Suitable And Authorized Investments:

1. Investment Instruments: The City may invest in any type of security authorized by section 2 of the Public Funds Investment Act 30 Illinois Compiled Statutes 235 and all revisions thereto, as may be made by the Illinois Legislature. Such investments include but are not limited to the following:

In bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;

In bonds, notes, debentures, or other similar obligations of the United States of America, its agencies, and its instrumentalities;

In interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act;

In short term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (i) such obligations are rated at the time of purchase at one of the 3 highest classifications established by at least 2 standard rating services and which mature not later than 270 days from the date of purchase, (ii) such purchases do not exceed 10% of the corporation's outstanding obligations and (iii) no more than one-third of the public agency's funds may be invested in short term obligations of corporations; or

In money market mutual funds registered under the Investment Company Act of 1940, provided that the portfolio of any such money market mutual fund is limited to obligations of the United State of America or it agencies or instrumentalities;

In interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the municipality or

county or held under a custodial agreement at a bank. The bonds shall be rated at the time of purchase within the 4 highest general classifications established by a rating service of nationally recognized expertise in rating bonds of states and their political subdivisions;

In a Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act;

In repurchase agreements of government securities having the meaning set out in the Government Securities Act of 1986, as now or hereafter amended or succeeded, subject to the provisions of said Act and the regulations issued there under. The government securities, unless registered or inscribed in the name of the public agency, shall be purchased through banks or trust companies authorized to do business in the State of Illinois.

#### G. Investment Parameters:

1. Diversification: It is the policy of the City to diversify its investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting in over concentration in a specific maturity, issuer, or class of securities. Diversification strategies shall be determined and revised periodically by the Director of Finance or his/her designee with approval by the Director of Finance. In no case however shall the following diversification limits be exceeded unless specifically authorized by the City Council:
  - a. No financial institution shall hold more than forty percent (40%) of the City's investment portfolio, exclusive of U.S. Treasury securities in safekeeping.
  - b. Monies deposited at a financial institution shall not exceed sixty five percent (65%) of the capital stock and surplus of that institution.
  - c. Commercial paper shall not exceed thirty percent (30%) of the City's investment portfolio.
  - d. Deposits in the Illinois Public Treasurer's Investment Pool shall not exceed forty percent (40%) of the investment portfolio.
2. Maximum Maturities: To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow requirement, or controlled by specific ordinance, the City will not directly invest in securities maturing more than five (5) years from the date of purchase.

Reserve funds may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

#### H. Reporting Methods:

1. The Director of Finance shall submit to the City Council, at least quarterly, an investment report which shall describe the portfolio in terms of types, percentages, and amounts of investments by fund. The report shall include names of institutions and the percentage of total investment funds purchased through those institutions. A quarterly report shall be produced listing type, institution, fund, rate, market value, book value, purchase date, and maturity date.

#### I. Review of the Investment Portfolio

1. Performance Standards: The Finance Director shall review of the investment portfolio at least quarterly to assess its effectiveness in meeting the city's needs for safety, liquidity, rate of return, and diversification, and its general performance. The basis to be used by the City to determine whether market yields are being achieved shall be the six (6) month U.S. Treasury bill.

# **City of Batavia, Illinois Debt Management Policy**

## **I. PURPOSE AND GOALS**

The City of Batavia faces continuing capital infrastructure requirements to meet the needs of its citizens. The costs of these requirements will be often times be met through the issuance of various types of debt instruments. The City of Batavia has often used a pay as we go funding method of paying for infrastructure and has only issued debt for major projects. The City may need to utilize debt more in future years as the pace of infrastructure aging outpaces the ability to fund the replacement. The effect of decisions regarding the type of issue, method of sale, and payment structure becomes an important aspect for the City's financial sustainability. To help ensure the City's credit worthiness, an established program of managing the City's debt becomes essential.

A "Debt Management Policy" is financially prudent and in the City's best economic interest. The purpose of this policy is to provide a functional tool for debt management and capital planning, as well as, enhance the City's reputation for managing its debt in a conservative and prudent manner.

### **GOALS RELATED TO THE ISSUANCE OF DEBT**

In following this policy, the City shall pursue the following goals when issuing debt:

- Maintain a credit rating in the A level category through careful cash management and spending policies and maintenance of healthy fund balances.
- Take all practical precautions to avoid any financial decision which will negatively impact current credit ratings on existing or future debt issues.
- Effectively utilize debt capacity in relation to City growth and the tax base, or utility rate base to meet long-term capital requirements while considering the impact on property taxes, fees and utility rates.
- Consider market timing and seek to minimize debt interest costs.
- Select an amortization schedule which will best fit with the overall debt structure of the City's general obligation debt and related tax levy at the time the new debt is issued. For issuance of revenue bonds or GO Bonds for the utilities, the amortization schedule which will best fit with the overall debt structure of the enterprise fund and its related rate structure will be considered. Consideration will be given to coordinating the length of the issue with the lives of assets, whenever practicable, while considering repair and replacement costs of those assets to be incurred in future years as an offset to the useful lives, and the related length of time in the payout structure.

- Consider the impact of such new debt on taxpayers and future generations including the consideration of overlapping debt and the financing plans of other taxing districts which overlap the City.
- Assess financial alternatives to include new and innovative financing approaches, including, whenever feasible, categorical grants, revolving loans or other state/federal aid.
- To the extent possible, ensure a debt repayment stream that will pay for the intended project with the intended revenue stream so as not to resort to use of a property tax levy if that was not the original intention of the bond issue.
- Heed the advice of the City's financial advisors and other professionals and present all information related to a debt issuance to the City Council prior to any issuance.
- The Director of Finance, City Administrator and Department Heads that seek to issue debt shall consider the most conservative approach to debt issuance while considering the needs of the community.

## II. DEBT ISSUANCE IN GENERAL

### A. Authority and Purposes of the Issuance of Debt

The laws of the State of Illinois authorize the issuance of debt by the City. The Local Bond Law confers upon municipalities the power and authority to contract debt, borrow money, and issue bonds for public improvement projects as defined therein. Under these provisions, the City may contract debt to pay for the cost of acquiring, constructing, reconstructing, improving, extending, enlarging, and equipping such projects or to refund bonds. The City may incur debt by issuing bonds for any lawful municipal purpose as authorized by the State Constitution or its Home Rule Powers.

### B. Types of Debt Issued

1. Short-Term. (three years or less) The City may issue short-term debt which may include, but not be limited to, bond anticipation notes, loans and those instruments which allow the City to meet cash flow requirements or provide increased flexibility in financing programs.
2. Long-Term. (more than three years) The City may issue long-term debt which may include, but not limited to, general obligation bonds, certificates of participation, capital appreciation bonds, special assessment bonds, Revenue (self-liquidating) bonds, double-barreled bonds and Installment Contracts. The City may also enter into long-term leases for public facilities, property, and equipment with a useful life greater than one year.

**C. Capital Improvement Program**

The Capital Improvement Program (CIP), prepared in conjunction with the budget, shall determine the City's capital needs. The program shall be a five-year plan for the acquisition, development and/or improvement of the City's infrastructure with longer-range projections maintained within each department. Projects included in the CIP shall be prioritized; and the means for financing each shall be identified. The City's Capital Improvement Plan shall be revised each year in keeping with the City's stated policies on debt management.

**D. Structure of Debt Issues**

The duration of a debt issue shall not exceed the economic or useful life of the improvement or asset that the issue is financing. The City shall design the financing schedule and repayment of debt so as to take best advantage of market conditions and, as practical, to recapture or maximize its credit capacity for future use, and moderate the impact to the taxpayer.

**E. Sale of Securities**

All debt issues shall be sold through a competitive bidding process based upon the lowest offered True Interest Cost (TIC), unless the City's financial advisor deems a negotiated sale the most advantageous to the City.

**F. Credit Enhancements**

The City may enter into agreements with commercial banks or other financial entities for the purpose of acquiring letters of credit, municipal bond insurance, or other credit enhancements that will provide the City with access to credit under terms and conditions as specified in such agreements when their use is judged cost effective or otherwise advantageous.

**G. Best Practices**

The City shall follow the Best Practices recommendations set forth by the Government Finance Officers Association or other such professional organizations to the extent possible and when in the best interest of the City. The City will follow all accounting procedures for reporting of and for debt issuances as laid out by the Governmental Accounting Standards Board (GASB) and the recommendations of the City's Auditors.

**III. LEGAL CONSTRAINTS AND LIMITATIONS ON THE ISSUANCE OF DEBT**

**A. State Law**

30 ILCS 305/0.01, et. seq.: the short title is "The Bond Authorization Act."



**B. Authority for Debt**

The City may, by bond ordinance, incur indebtedness or borrow money, and authorize the issue of negotiable obligations, including refunding bonds, for any capital improvement of property, land acquisition, or any other lawful purpose except current expenses, unless approved by the City Council.

**C. Debt Limitation**

Because the City of Batavia is a Home Rule community, the City is not subject to the debit limitation of the bond laws.

**D. Methods of Sale**

All bonds shall be sold at a public sale via sealed proposal, except that bonds may be sold at a private/negotiated sale in accordance with 30 ILCS 350/10. The City may issue temporary notes by negotiated sale if the bond ordinance or subsequent resolution so provides.

1. Bonds All bonds will mature within the period or average period of usefulness of the assets financed; and the bonds will mature in installments, the first of which is generally payable not more than three years from the dated date of the bonds. Term bonds may be allowable if recommended by the City's financial advisor, in lieu of a fixed maturity schedule, and approved by the City Council.

**IV. DEBT ADMINISTRATION**

**A. Financial Disclosures**

The City shall prepare appropriate disclosures as required by the Securities and Exchange Commission, the federal government, the State of Illinois, rating agencies, underwriters, investors, agencies, taxpayers, and other appropriate entities and persons to ensure compliance with applicable laws and regulations. The City shall follow all policies on Continuing Disclosure and Bond Recordkeeping Policies.

**B. Review of Financing Proposals**

All capital financing proposals that involve a pledge of the City's credit through the sale of securities, execution of loans or lease agreements and/or otherwise directly involve the lending or pledging of the City's credit shall be referred to the Director of Financer who shall determine the financial feasibility, and the impact on existing debt of such proposal, and shall make recommendations accordingly to the City Administrator.

**C. Establishing Financing Priorities**

The Director of Finance shall administer and coordinate the City's debt issuance program and activities, including timing of issuance, method of sale, structuring the issue, and marketing strategies. The Director of Finance along with the City's financial advisor shall meet, as appropriate, with the City Administrator and the City Council regarding the status of planned debt and to make specific recommendations.

**D. Rating Agency Relations**

The City shall endeavor to maintain effective relations with the rating agencies. The City Administrator, Director of Finance, and the City's financial advisors shall meet with, make presentations to, or otherwise communicate with the rating agencies on a consistent and regular basis in order to keep the agencies informed concerning the City's capital plans, debt issuance program, and other appropriate financial information.

**E. Investment Community Relations**

The City shall endeavor to maintain a positive relationship with the investment community. The Director of Finance and the City's financial advisor shall, as necessary, prepare reports and other forms of communications regarding the City's indebtedness, as well as its future financing plans. This includes information presented to the press and other media. The City will post debt information including Final Official Statements on its Website.

**F. Primary Market Disclosure**

The City is responsible for providing information to prospective investors that reasonable investors would consider to be important in making an investment decision. This information includes relevant financial and operating information as well as legal and tax considerations. In preparing offering documents, the City shall consider information that may be material to investors when compiling primary market information.

The preliminary official statement (POS) should contain specific information about the securities, including a detailed description of the purpose of the issue and legal opinions regarding the City's authority and the tax status of the securities. It shall also identify the City's Municipal Advisor of the issue and certain information regarding compensation. In addition, the POS should provide the most recent financial information available that may be useful to investors. It shall be the primary responsibility of the Finance Director to provide this information to the City's Financial Advisors and Bond Counsel. It shall also be the role of the Finance Director to participate in and prepare information for the underwriters and participate in any necessary due diligence calls or meetings. The final Official Statement (OS) shall incorporate any updates to the POS and the final terms of the bonds. It shall also disclose the underwriter who purchased the securities if the bonds were sold competitively.

**G. Refunding Policy**

The City shall consider refunding outstanding debt when legally permissible and financially advantageous. A net present value debt service savings of at least two percent or greater should be achieved. The City will defer to its financial advisor for guidance on refunding.

**H. Investment of Borrowed Proceeds**

The City acknowledges its ongoing fiduciary responsibilities and shall actively manage the proceeds of debt issued for public purposes in a manner that is consistent with Illinois statutes that govern the investment of public funds, and consistent with the permitted securities covenants of related bond documents executed by the City. The management of public funds shall enable the City to respond to changes in markets or changes in payment or construction schedules so as to (i) optimize returns, (ii) insure liquidity, and (iii) minimize risk.

**I. Federal Arbitrage Rebate Requirement**

The City shall maintain or cause to be maintained an appropriate system of accounting to calculate bond investment arbitrage earnings in accordance with the Tax Reform Act of 1986, as amended or supplemented, and applicable United States Treasury regulations related thereto. Such amounts shall be computed annually and transferred from the Bond Construction Fund (i.e., interest earnings revenue account) to the Debt Service Fund escrow account, or other appropriate accounts, for eventual payment to the United States Treasury.

In order to avoid arbitrage earnings on bond proceeds, City staff shall recommend issuance of debt based upon the cash flow needs of the Departmental Capital Improvement Program Project Budgets in which contracts for construction or other goods and services can reasonably be expected to be awarded during the calendar year. Consideration shall be given to the feasibility of obtaining rights-of-way, engineering services, or other matters which may affect the completion of the project in a timely manner, before a recommendation to issue debt is made.

## City of Batavia Glossary

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**Abatement:** A partial or complete cancellation of a property tax levy imposed by the City.

**ACH (Automated Clearing House):** A system used for direct debit from a customer's checking account to pay for City water charges.

**Accrual Basis:** A basis of accounting utilized by proprietary fund types where revenues and additions are recorded when earned and expenses and deductions are recorded at the time liabilities are incurred.

**Ad Valorem Tax** - A direct tax based "according to value" of property.

**Advanced Refunding Bonds** - Bonds issued to refund an outstanding bond issue prior to the date on which the outstanding bonds become due or callable. Proceeds of the advanced refunding bonds are deposited in escrow with a fiduciary, invested in United States Treasury Bonds or other authorized securities, and used to redeem the underlying bonds at maturity or call date.

**Amortization** - the process of paying the principal amount of an issue of bonds by periodic payments either directly to bondholders or to a sinking fund for the benefit of bondholders.

**Annexation:** The incorporation of land into an existing City with a resulting change in the boundaries of that City.

**Arbitrage** - Usually refers to the difference between the interest paid on the tax-exempt securities and the interest earned by investing the proceeds in higher yielding taxable securities. Internal Revenue Service

regulations govern arbitrage (reference I.R.S. Reg. 1.103-13 through 1.103-15).

**Arbitrage Bonds** - Bonds which are deemed by the I.R.S. to violate federal arbitrage regulations. The interest on such bonds becomes taxable and the bondholders must include this interest as part of gross income for federal income tax purposes (I.R.S. Reg. 1.103-13 through 1.103-15).

**Assessed Value:** A valuation set upon real estate or other property by the Township Property Appraiser as a basis for levying taxes.

**Audit:** A systematic collection of sufficient, competent evidential matter needed to attest to the fairness of the presentation of the City's financial statements. The audit tests the City's account system to determine whether the internal accounting controls are both available and being used.

**Balanced Budget:** A balanced budget is a budget in which revenues and reserves meet or exceed expenditures. The City will sometimes use cash reserves or fund balance to finance a significant capital improvement or capital project. This use of reserve to finance a capital project will convey the impression that the budget is not balanced when in fact the financing of a capital project with cash reserves was the result of good financial planning.

**Bond:** A written promise to pay a specified sum of money, called face value or principal, at a specified date in the future, called maturity date, together with periodic interest at a specified rate.

**Bond Counsel** - An attorney retained by the City to render a legal opinion whether the City is authorized to issue the proposed bonds, has met all legal requirements necessary for issuance, and whether interest on the bonds is, or is not, exempt from federal and state income taxation.

**Bonding:** The act of borrowing money to be repaid, including interest, at specified dates.

**Bond Refinancing:** The payoff and re-issuance of bonds, to obtain better interest rates and or bond conditions.

**Budget:** A comprehensive financial plan of operations for a given time period.

**Capital Improvements:** Major projects that typically involve the construction of or improvement/repair to buildings, roads, electric, water, sewer, sanitary sewer, and other related infrastructure.

**Capital Project Fund:** A fund established in order to account for the financial resources and costs associated with the construction of major capital facilities or other major capital improvements.

**Cash Management:** The management of cash necessary to pay for government services while investing temporary cash excesses in order to earn interest revenue. Cash Management refers to the activities of forecasting the inflows and outflows of cash, mobilizing cash to improve its availability for investment, establishing and maintaining banking relationships, and investing funds in order to achieve the balance of the highest interest and return, liquidity and minimal risk with these temporary cash balances.

**Census:** An official population count of all or part of a municipality by the federal government. An official census count determines the amount of revenues that the

City receives from the State for certain major revenue sources.

**Charges for Service:** User charges for services provided by the City to those specifically benefiting from those services.

**Collector Street:** A term used to define a roadway that provides for traffic movements between local and major streets in a transportation network.

**Commodities:** Items that, after use, are consumed or show material change in, or an appreciable impairment, of their physical condition, and which are generally of limited value and characterized by rapid depreciation.

**Comprehensive Plan:** An official public document adopted by the local government as a policy guide to decisions about the physical development of the community. It is a general long-range physical plan.

**Debt:** A financial obligation from the borrowing of money.

**Debt Service:** The payment of principal and interest on borrowed funds.

**Decouple:** A term used to describe a situation where, for example, the State of Illinois may decide to disconnect its income tax rules and exemptions from the federal income tax rules and exemptions.

**Deficit:** Most commonly used to describe an excess of expenditures over revenues for a fiscal year. However, deficits are often planned for due to the use of accumulated monies for capital or other projects. In addition, municipalities often have accumulated cash balances that they intend to use to fund expenditures for a given fiscal year.

**Department:** An organizational unit responsible for carrying out a major governmental function.

**Depreciation:** The decrease in value of physical assets due to use and passage of time.

**Draft Budget:** The preliminary budget document distributed to the City Council and available for inspection by the public.

**Enterprise Fund:** Used to account for operations that are financed and operated in a manner similar to private business enterprises - where the costs of providing goods or services are financed or recovered primarily through user charges or rates.

**EPAY:** An acronym used to describe the State of Illinois credit card payment system.

**(EAV) Equalized Assessed Value:** The value of property resulting from the multiplication of the assessed value by an equalization factor to make all property in Illinois equal to one-third of its market value. The EAV of property is one-third of the market value.

**Expenditures:** Payment by the City for goods or services that the City has received or will receive in the future.

**FICA (Federal Insurance Contributions Act):** Monies paid to the federal government to fund for future social security benefits as may be defined by the government in future years.

**Fiduciary Funds:** Funds that are used when a government holds or manages financial resources in an agent or fiduciary capacity.

**Fiscal Year (FY):** Any consecutive twelve-month period designated as the budget year. The City's budget year follows the calendar year and begins on January 1.

**Fixed Assets:** Assets of a long-term character that are intended to continue to be held or used. Examples of fixed assets include items such as land, buildings, machinery, furniture and other equipment.

**Forecast:** The projection of revenues and expenditures usually for a time period that is greater than one year based on clearly defined assumptions and predictions related to future events and activities.

**Franchise Agreement:** An agreement between the City and a utility setting forth the terms and conditions under which a utility, such as a cable company, may provide a service to residents. A franchise agreement often provides compensation to the City for the use of the public right-of-way by the utility company.

**Full-Time Equivalent (FTE):** A method of determining the total number of employees in terms of each position's number of hours when compared to a full-time employee. Full-time positions have a FTE of 1.00. A part-time position is a fraction of 1.0

**Fund:** A set of accounts to record revenues and expenditures associated with a specific purpose.

**Fund Balance:** The difference between assets and liabilities reported in a governmental fund. Changes in fund balances are the result of the difference of revenues to expenditures. Fund balances increase when revenues exceed expenditures and decrease when expenditures exceed revenues. Fund balance is often used to describe the total available financial resources in a governmental fund. For Proprietary Fund-types, fund balance is typically defined as the difference between current assets and current liabilities. This equivalent is also known as Unrestricted Net Assets (see term for details).

**GASB (Governmental Accounting Standards Board):** An independent organization that has ultimate authority over the establishment of Generally Accepted Accounting Principles (GAAP) for state and local government. GASB members are appointed by the Financial Accounting Foundation (FAF), however the GASB enjoys complete autonomy from the FAF in all technical and standard-setting activities.

**GAAP (Generally Accepted Accounting Principles):** Uniform minimum standards and guidelines for financial accounting and reporting. They govern the form and content of the financial statements of an entity. GAAP encompass the conventions, rules and procedures necessary to define accepted accounting practice at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. GAAP provide a standard by which to measure financial presentations. The primary authoritative body on the application of GAAP to state and local governments is the GASB.

**General Fund:** The general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. Most services provided by the City including police and fire protection, street maintenance, plowing, finance, engineering, administration, and building and zoning are accounted for in this fund.

**GFOA (Government Finance Officer's Association):** An organization representing municipal finance officers and other individuals and organizations associated with public finance.

**GIS (Geographic Information System):** A collection of information regarding parcels of land typically organized by property lines.

**G.O. Bonds (General Obligation Bonds):** Bonds that are backed by the "full faith and credit" of a municipality. The taxing power of the City is pledged in the covenant of one of these bond issues. An Alternate Source Revenue General Obligation first pledges a revenue source other than property taxes before the imposition of property taxes.

**Goal:** A long-term or short-term desirable development.

**Government Fund Types:** Funds that account for a government's "governmental-type" activities. These funds are the general fund, special revenue funds, debt service funds and capital projects funds.

**Grant:** State of Federal money designated for specific projects. Grant funds do not have to be paid back.

**Home Rule Municipality:** A home rule municipality may exercise any power and perform any function pertaining to its government and affairs including, but not limited to, the power to regulate for the protection of public health, safety, morals and welfare; to license; to tax; and to incur debt, unless preempted by the State of Illinois. A municipality is designated as a home rule municipality if its population reaches 25,000 or if the designation of home rule is approved by voters via a referendum.

**ICMA (International City/County Management Association) and ILCMA (Illinois City/County Management Association):** The professional and educational organization for chief appointed managers, administrators, and assistants in cities, towns, counties, and regional entities throughout the world

**IMRF (Illinois Municipal Retirement Fund):** State retirement system established for municipal employees other than sworn fire or sworn police personnel.

**Interfund Transfer:** A transfer of funds or assets from one fund to another.

**Kilowatt-Hour:** A kilowatt-hour is a unit of measure used to describe the amount of electricity used by a homeowner, business, or other entity for a defined period of time.

**L.E.A.D.S. (Law Enforcement Agencies Data System):** Statewide, computerized, telecommunications system, maintained by the Illinois State Police, designed to provide the Illinois criminal justice community with access to national database.

**Levy:** To impose taxes, special assessments or service charges for the support of governmental activities, usually based on the assessed value of property.

**Liability:** Debt or other legal obligations arising out of transactions in the past that must be liquidated renewed or refunded at some future date.

**Major Fund:** A classification given to a fund when the fund's total assets, liabilities, revenues or expenditures/expenses is equal to or greater than 10% of the total Governmental Fund or Enterprise Fund total of that category (whichever category the fund belongs to) *and* 5% of the total Governmental and Enterprise total combined for that category. The General Fund is always classified as a Major Fund.

**Modified Accrual Accounting:** A basis of accounting used by Governmental Fund types in which revenues are recorded when collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period, and, expenditures are recognized when the related liability is incurred.

**MFT (Motor Fuel Tax):** The Motor Fuel Tax is a tax on fuel consumption imposed and collected by the State. Distribution of

the tax to municipalities is based on the municipality's certified population. Batavia's MFT revenue is recorded in a separate fund due to the restrictions on the type of expenditures that Batavia may fund with MFT revenues.

**Municipality:** A term used to describe a unit of government in Illinois such as a city, village or town.

**NIMPA (Northern Illinois Municipal Power Agency)** NIMPA was officially certified by the Illinois Secretary of State designating it as an Illinois joint action agency on July 28, 2004. This agency consists of a combination of Illinois municipalities that own or operate an electric utility that furnish retail electric service to the public. Batavia is a member.

**NPDES (National Pollution Discharge Elimination System):** The NPDES is the U.S. Environmental Protection Agency's permit programs controls water pollution by regulating point sources that discharge pollutants into waters of the United States.

**Pension:** Future payments made to an eligible employee after that employee has left employment or retired. The City of Batavia has three pension funds: Police, Fire and Illinois Municipal Retirement Fund. Each plan has two tiers depending on the date of hire and prior service.

**Per Capita:** Per capita is a term used to describe an amount for every resident living within the City. For example, the City receives a percentage of the State income tax revenue on a per capita basis.

**Performance Indicators:** Specific quantitative (can be defined in numerical terms) and qualitative (cannot be counted, use of measures that require descriptive answers) measures of work performed as an objective of the department.



**Personal Services:** The cost of all wages and fringe benefits associated with that cost.

**Portfolio:** A list of investments for a specific fund or group of funds.

**Private Sector:** Businesses owned and operated by private individuals, as opposed to government-owned operations.

**PTELL:** An acronym which stands for Property Tax Extension Limitation Law that are a set of laws that restrict the amount a non home rule municipality can increase property taxes by inflation, plus an allowance to extend the rate on new construction.

**Public Hearing:** An official forum called for the purpose of soliciting input from residents, businesses, and other stakeholders regarding a topic, plan or document. Illinois State law requires municipalities to hold a public hearing on the budget before the budget is approved by the City Council.

**Public Sector:** The policies and procedures as conducted by local governments, states and the federal government.

**Property Tax:** A tax based on the assessed value of real property.

**Proprietary Fund Types:** The classification used to account for a City's ongoing organizations and activities that are similar to those often found in the private sector (i.e., enterprise funds). All assets, liabilities, equities, revenues, expenses and transfers relating to the government's business and quasi-business activities are accounted for through proprietary funds.

**Referendum:** The submission of a proposed public measure, law or question, which has been submitted by legislature, convention or council, to a vote of the people for ratification or rejection.

**Refunding Bonds** - Bonds issued to retire bonds already outstanding.

**RFP (Request for Proposal):** A document used to request specific information from vendors regarding the scope of goods or services they can provide to meet a specific need of the City as well as their proposed cost of providing those goods or services.

**Restricted Net Assets:** The portion of net assets that is held for a specific purpose. The City would typically restrict assets for debt service.

**Revenues:** Funds or monies that the government receives. It includes such items as tax receipts, fees from specific services, receipts from other governments, fines, forfeitures, grants, shared revenues, interest income and other financing sources.

**(SSA) Special Service Area:** An area of property legally designated by the City which provides a means for the City to levy and raise property taxes only from those properties within the area for services that specifically benefit the area subject to taxation.

**Surplus and Reserves:** A term used to describe the excess or deficit of revenues over expenditures (Surplus/Deficit). Reserves in this budget refers to the cash that is available to meet future obligations and has not been reserved for any future obligation.

**Sworn:** A term used to describe police or fire personnel who are sworn in by the Mayor.

**Tax Levy:** The total amount of money to be requested by the City before the calculation of the total permissible extension by the County.

**Tax-Exempt Bonds** – Tax-exempt bonds pay interest that the purchaser may exclude from gross income for federal income tax purposes; the bonds are not items of tax preference for purposes of the federal, alternative minimum income tax imposed on individuals and corporations; and the bonds are exempt from taxation by the State of Illinois.

**Tax Rate:** The amount of property tax levied for each \$100 of assessed valuation.

**TIF (Tax-Increment Financing):** A redevelopment tool available for use by municipalities where the City's cost of providing assistance with capital improvements and development or redevelopment of properties within the legally designated area are funded by the future property tax, sales tax, or other types of revenue that was generated with those capital or development/redevelopment improvements.

**TIF District:** An area of property legally defined by a municipality that meets a set of requirements that allow for formation of a district that separates the incremental increase in property taxes for a period of 23 years. TIF Districts are used for redevelopment.

**User Fees:** The payment of a fee for the direct receipt of a public service by the party who benefits from the service.

**WTP:** Water Treatment Plant

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**Web Site:** An Internet site that provides information and services and a means of communicating. The City's web site provides a significant amount of information and services that residents can access 24 hours a day and seven days a week.