

*City of
Batavia, Illinois*

2015 Budget

City of Batavia Values, Vision and Mission

Values Statement:

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

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

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

We value 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.

Vision Statement:

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

Mission Statement:

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

City of Batavia Strategic Plan

Strategic Themes & Rationales

Service Delivery & Financial Sustainability

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

Strategic Goals & Objectives for Service Delivery & Financial Sustainability

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

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

5. Diversify and augment revenues
 - a. Assess user fees when identifiable
 - b. Utilize SSA's or TIF's where appropriate
 - c. Seek funding through grants
 - d. Adopt a policy for the levy of property tax
 - e. Utilize utility shutoff and collection procedures and services to maximize accounts receivable collection
 - f. Maximize investment return within the parameters of Investment Policy
 - g. Survey other communities for types and rates of revenues

6. Provide for the adequate maintenance of capital
 - a. Develop a Facilities Capital Plan
 - b. Develop/Implement the Infrastructure Capital Plan
 - c. Provide funding to the Capital Fleet/Equipment Reserve while optimizing the useful life of the fleet and assessing fleet replacement

7. Plan for long-term liabilities and commitments
 - a. Adopt a pension and other post employment benefits funding policy
 - b. Implement a debt policy
 - c. Continue efforts to develop a diversified energy portfolio
 - d. Follow Bond recordkeeping policy

8. Ensure availability of financial information for the City Council and community
 - a. Maximize public access to financial data and reports
 - b. Provide comparative analysis with financial ratios and benchmarks
 - c. Review, develop and implement financial policies
 - d. Ensure financial reports and tax returns are filed and made available by required dates

9. Be proactive on legislative issues with financial implications for the City
 - a. Develop process for formal response to legislative opportunities and/or threats
 - b. Cultivate information resources for City Council and staff
 - c. Review and implement all new applicable accounting pronouncements

City of Batavia Strategic Plan

Strategic Themes & Rationales

Business Development & Retention

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

Strategic Goals & Objectives for Business Development & Retention

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

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

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

City of Batavia Strategic Plan

Strategic Themes & Rationales

Housing

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

Strategic Goals & Objectives for Housing

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

Strategic Goals & Objectives for Housing (Continued)

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

City of Batavia Strategic Plan

Strategic Themes & Rationales

Environmental Identity

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

Strategic Goals for Environmental Identity

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

Strategic Goals for Environmental Identity (Continued)

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

City of Batavia Strategic Plan

Strategic Themes & Rationales

Downtown Development

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

Strategic Goals & Objectives for Downtown Development

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

Strategic Goals & Objectives for Downtown Development (Continued)

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

City of Batavia Strategic Plan

Strategic Themes & Rationales

Community Connectivity

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

Strategic Goals & Objectives for Community Connectivity

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

Strategic Goals & Objectives for Community Connectivity (Continued)

5. Foster neighborhood organizations and neighborhood collaboration
 - a. Identify and compile a comprehensive list of neighborhood groups for communications
 - b. Encourage formal and informal HOAs, neighborhood watch programs, block parties, community gardens
 - c. Consider indentifying neighborhoods on basis other than subdivision names
 - d. Consider naming areas of the community to give identity (West Main area-"West Town")
 - e. Develop programs to strengthen neighborhood cohesion: neighborhood gardens, renter integration, block parties, watch programs, tool sharing, care of elderly or infirm to retain them in neighborhood, neighborhood nights downtown, storm drain stenciling & cleanout, landscaping competitions.
 - f. Investigate 2015 as "Year of the Neighborhood"

6. Use the Arts and other forms of self expression to encourage and support community connectivity and identity
 - a. Catalogue comprehensive list of arts and special interests groups in the community
 - b. Investigate collaboration with schools, other governments & orgs to leverage interest and resources in arts
 - c. Investigate whether Water Street Studios model or similar can be used for other activities, such as West Suburban Robotics Center, Industrial Arts Hacker Shack
 - d. Consider policy for setting aside % for art in public projects
 - e. Investigate regional/national art draw such as sculpture park, river based art

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List of Officials

Honorable Jeffery D. Schielke, Mayor

City Council

| | | |
|---------|-------------------------|---------------------------|
| Ward 1: | Carl Fischer | Michael F. O'Brien |
| Ward 2: | Martin Callahan | Alan P. Wolff |
| Ward 3: | Dan Chanzit | Kyle Hohmann |
| Ward 4: | Susan Stark | Jamie Saam |
| Ward 5: | Lucy Thelin Atac | Steve Vasilion |
| Ward 6: | Nicolas Cerone | Lisa Clark |
| Ward 7: | David J. Brown | Drew McFadden |

City Administrator

William R. McGrath

City Treasurer

Heidi L. Wetzel

City Treasurer

Gerald R. Miller

City Attorney

Drendel & Jansons Law Group

Department Heads

Director of Finance

Peggy Colby

Director of Public Works

Gary Holm

Director of Information Systems

Howard Chason

Director of Community Development

Scott Buening

Fire Chief

Randy Deicke

Police Chief

Gary Schira

Director of Human Resources

Vacant

City of Batavia

2015 Budget Summary

| Total Budget | Operating | Capital | Debt | Interfund Capital/Debt |
|----------------------|---------------------|---------------------|--------------------|---------------------------|
| \$102,256,827 | \$80,956,629 | \$15,607,141 | \$4,364,607 | \$1,328,450 |

| Total by Fund | Operating | Capital | Debt | Interfund Capital/Debt |
|---|--------------|--------------|--------------|---------------------------|
| General \$24,767,990 | \$23,169,521 | \$ 270,019 | \$ - | \$ 1,328,450 |
| Motor Fuel Tax \$ 1,693,094 | \$ - | \$ 1,693,094 | \$ - | \$ - |
| Capital Projects \$ 5,618,428 | \$ - | \$ 5,618,428 | \$ - | \$ - |
| Debt Service \$ 854,276 | \$ - | \$ - | \$ 854,276 | \$ - |
| Electric \$51,892,137 | \$47,295,331 | \$2,895,000 | \$ 1,701,806 | \$ - |
| Water \$ 5,287,120 | \$ 3,108,929 | \$ 1,245,000 | \$ 933,191 | |
| Wastewater \$ 7,560,882 | \$ 2,799,948 | \$ 3,885,600 | \$ 875,334 | |
| Insurance Funds \$ 4,582,900 | \$ 4,582,900 | \$ - | \$ - | \$ - |

City of Batavia Budget Process

Budgetary Law and Internal Controls

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

Budgetary Goals and Strategic Planning

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

Budget Preparation and Entry

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

Needs Assessment/Finalizing the Budget

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

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

City of Batavia Budget Process - Continued

Inspection, Review and Adoption

In late October a preliminary budget is prepared and 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 Government Services Committee meeting is held in early November to officially 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 increase in fees or rates that are part of the budget are presented for review and approval. If changes to the budget are requested, the changes are made and amended copies of the budget are distributed to the Council. More than one Committee meeting may be held if necessary.

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

Amendments

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

Carryover from one budget year to the next is allowed for a budgeted item that will not be received or for contracts that will not be completed within the calendar year. This procedure allows for appropriate accounting. Departments are encouraged to order budgeted items sufficiently in advance to reduce the necessity for carryovers. The maximum carry over allowed is \$75,000 for contracts and \$25,000 for all other items. All carryovers must be completed by January 30th of the following year and reported to the City Council in February. Items that exceed the dollar limitations must be brought to the City Council as a resolution. Carryovers that are done as part of the budget process before the new budget is passed are not subject to the dollar limitation as this essentially means that the item is being re-budgeted.

2015 Budget Calendar

- July 1, 2014 Finance Rolls Budget (sets up new funds/accounts/sets IMRF rate)
- July 7, 2014 Finance Enters 2013 Actual Expenditures & Cash Balances
- July 14, 2014 Departments Begin Budget Planning Process & Entry
- September 2, 2014 Complete 2014 Budget Projection Data Entry
- September 2, 2013 2014 Revenue Estimates to Finance - Eng., Community Dev., Police & Utilities
- September 8, 2014 2015 Revenue Estimates to Finance - Eng., Community Dev., Police & Utilities
- September 19, 2014 Closing for Data Entry - No Entry after this date
- September 19, 2014 Submit Preliminary Department CIP Workbook
- September 22 -
- September 30, 2014 Meetings with Department Heads for Line Item Review & Potential Budget Cuts
(D.H. to bring backup for all budget requests to the meeting:
i.e. vehicle replacement sheets, contractual & training detail)
- September 30, 2014 Submit Department Narrative Electronically
- September 30, 2014 Submit Final Department CIP Workbook (If necessary)
- September 30, 2014 Finance Provides Administration with Draft Budget
- October 01 - 03, 2014 2nd Round Meetings with Department Heads for Final Modifications
(adjustments to 2013 projections may be given to Finance up to this date)
- October 3, 2014 Cut-off Date for Final Modifications/Amendment Requests to Admin/Finance
- October 6 -
- October 30, 2014 Finalize Budget and Prepare for Distribution
- October 31, 2014 Distribute Electronically to City Council/Staff & make Hard Copy available to the Public
(must be made available at least 10 days prior to passage)
- October 31, 2014 Comment Period Begins (until Passage)
- November 5, 2014 Budget Public Hearing Notice Published
(must be published one week or more prior to hearing)
- November 6, 2014 Special JCOW Budget Meeting 7:00 PM Start
- November 13, 2014 Additional JCOW Meeting for Budget 7:00 PM Start
- November 20, 2014 2015 Budget Public Hearing*
- November 20, 2014 2014 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 1, 2014 2014 Tax Levy Public Hearing (if required)*
- December 1, 2014 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 15, 2014 City Council to Approve 2014 Tax Levy for 2015 Collection
- December 15, 2014 Alternate Approval Date for 2015 Budget
- January 1, 2015 Budget Year Begins

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

City of Batavia Financial Overview

2015 Annual Budget

To the Mayor, City Council and Citizens of Batavia:

Following is the City of Batavia Budget for the calendar year 2015. The City of Batavia passes a budget for the following funds and fund types:

Governmental Fund Type

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

Proprietary Funds

Enterprise Fund Type – Business Type Activities

Electric Fund
Water Fund
Wastewater Fund

Internal Service Fund Type

Health Insurance Fund
Workers Compensation Insurance Fund

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

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

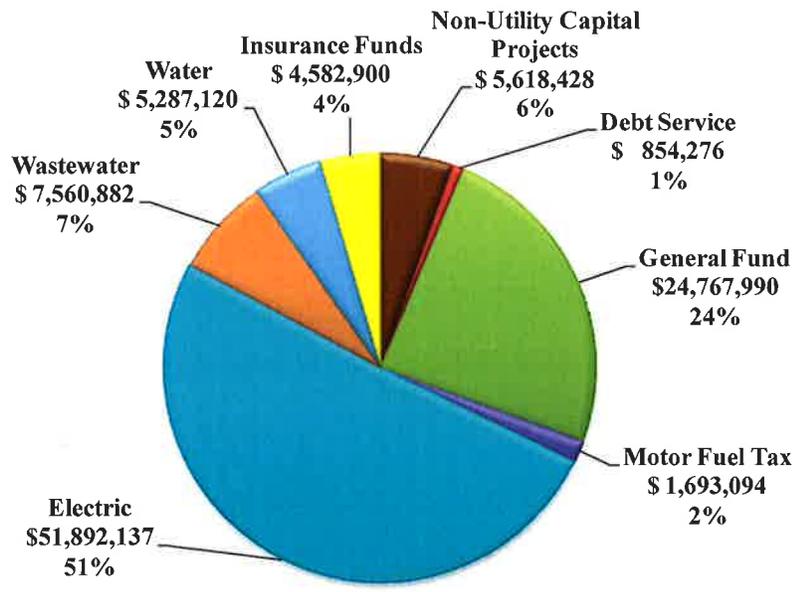
The Surplus and Reserves balance referred to in the City’s budget is not the same as the fund balance reported in the City’s Comprehensive Annual Financial Report (CAFR). Fund balance in the CAFR is the difference between assets and liabilities. This does not necessarily represent spendable funds, therefore the budget reserves only includes cash and investments as adjusted for current receivables and current payables. The City Council adopted an amended fund balance policy in 2014. 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 \$100.9M net of inter-fund transfers of \$1.3M. The total budget is \$9.7M over projected spending for 2014. The increase is attributable to capital improvements in capital project funds and the utility funds. The budget provides funding for \$15.6M in capital improvements compared to \$7.0M in 2014. The General Fund and the Utility Funds are all budgeted with an operating surplus for 2015. The budget calls for level property taxes for 2015 but rate increases in all three utilities.

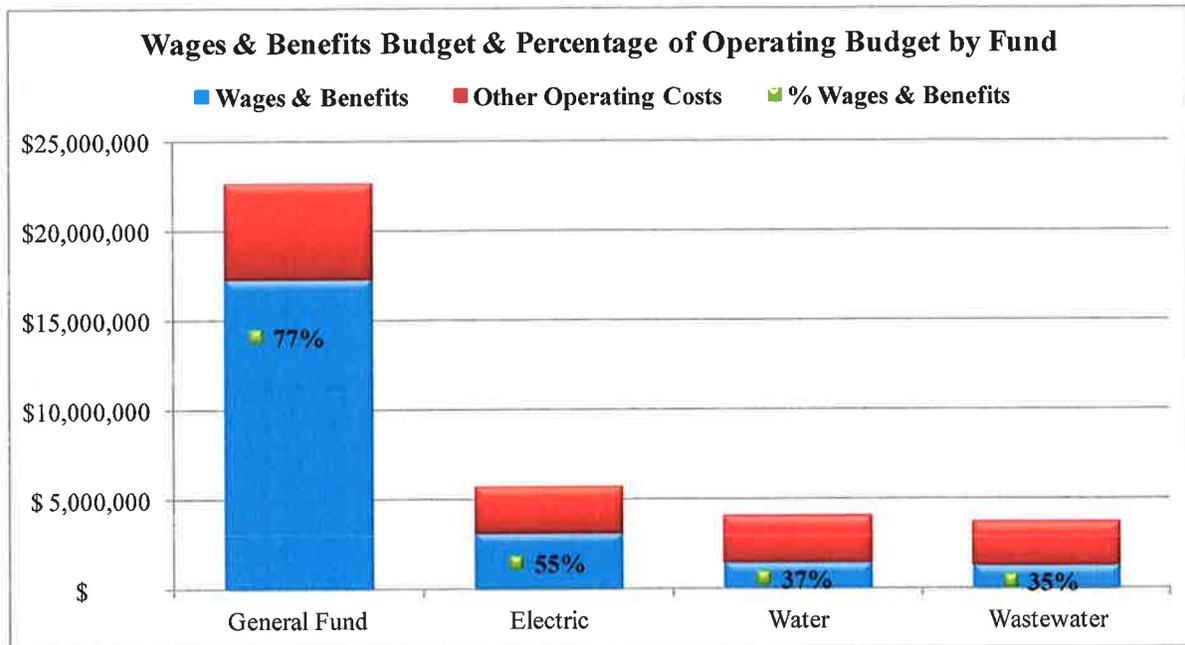
The total budget can be broken down into six distinct sections: General Fund, Special Revenue Fund (MFT), Capital Project Fund, Debt Service Fund, Enterprise Funds (Utilities) and Internal Service Funds (Self-Insurance Funds).

The separate budgets for debt service and capital projects (aside from TIF) are funded through the General Fund and are subsets of accounts required for accounting purposes. All monies for those activities flow from transfers from the General Fund, Motor Fuel Taxes or from Property Tax levied for General Obligation Bonds.

City of Batavia 2015 Budget by Fund
Total Budget \$102,256,827



The City's primary role is that of a service organization. For the General Fund 77% of operating costs are related to personnel. The Water & Sewer utilities require about 36% of their direct operating budgets to provide for personnel and the electric utility spends about 55% on personnel, not including purchased power costs. These figures have been adjusted to account for wages budgeted in one fund but charged back to a different fund. Operating costs include annual debt service payments. Since utilities have more debt, their percentage of wages in the operating budget is lower. Only capital and non-recurring expenditures are removed.



Strategic Goals for Service Delivery and Financial Sustainability

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

The 2015 budget maintains current staffing levels and the recommendation to add one position in Administration. City staff has been providing the same or greater level of service in spite of significant staff reductions since 2009. The 2015 budget also includes the 4th year of a temporary increase in hours in engineering for the engineering assistant and the continuance of a contract position in electric. There were other requests for increases to staff that were not included in the budget recommendation, because there is insufficient funding to provide for the positions or an expansion of positions at this time. In spite of a large percentage of operating costs dedicated to personnel, the City of Batavia has a very lean staff in contrast to other comparable cities. This increases the amount of work placed upon our employees and recognition should be given to that.

The budget provides for wage increases for all employees with estimates for the five union contracts that will be open in 2015. Wage increases are necessary to mitigate compression between union and non-union positions and to retain quality employees. The position of Human Resources Director has been a combined position for many years. City Administration reviewed this when a vacancy occurred and it was determined that it would be in the City’s best interest to have a Department Director dedicated to the 170+ employees here. The budget recommendation is that this position be filled and that the position of Assistant City Administrator be left vacant. This will result in a small cost savings.

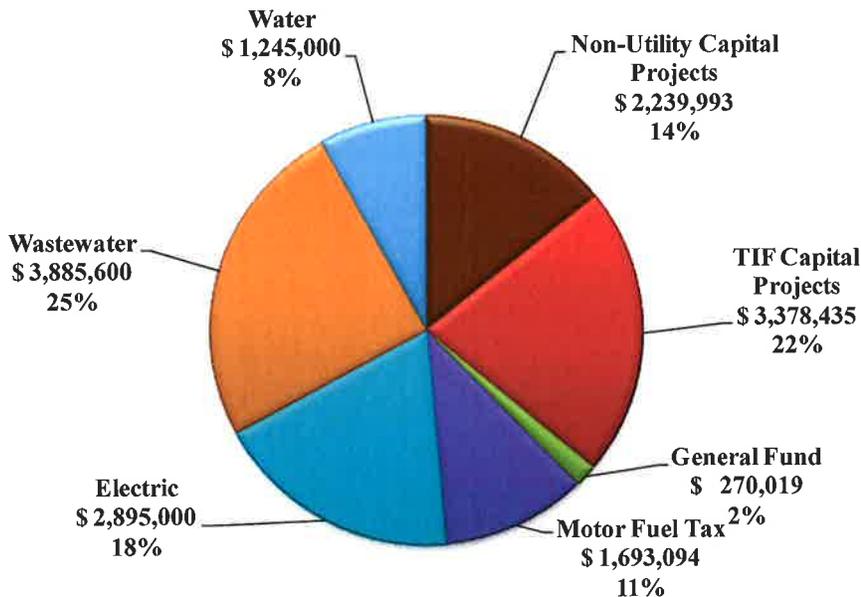
Strategic Goals for Service Delivery and Financial Sustainability

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

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

All of the utilities have long-range capital plans ensure the sustainability of City infrastructure. There are significant infrastructure improvements on the horizon for the wastewater utility that will require the issuance of debt. All three utilities are in the midst of a rate study to evaluate the current rates and ensure that there is adequate cash flow to provide for the operations of the utilities and adequate debt service coverage. The Wastewater Fund capital-spending plan for the wastewater treatment plant is just getting underway and although it represents the largest amount of capital spending in the 2015 budget, the amount being spent in 2015 is only a small portion of the \$25M capital investment planned over the next five years. Please refer to the Capital Improvement Project detail sheet (C-19) in the Appendix for more details on this \$65M project.

Total Budget \$15,607,141

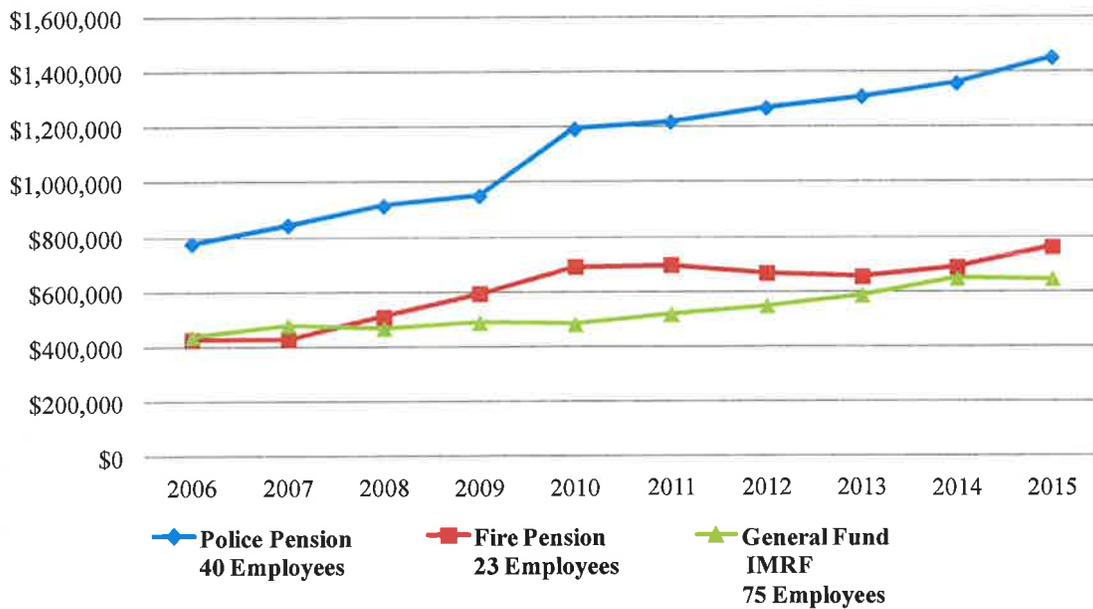


Strategic Goals for Service Delivery and Financial Sustainability

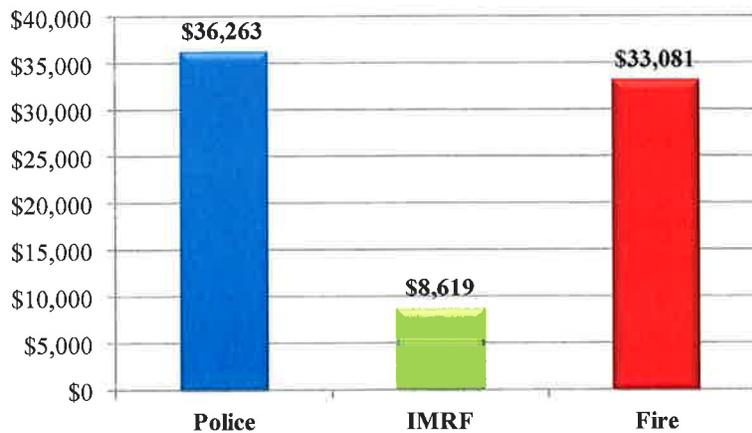
- **Plan for long-term liabilities and commitments**

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 2015, the City will contribute 13.16% 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 2015 can be found under 10-31-6123 and 10-32-6123. The City has budgeted \$1,450,502 to pay into the police pension fund. This represents 37% of police salaries. The fire contribution is \$760,874 and is 31% of salaries. There have been some legislative changes made in the last few years to help ease the financial burden of pension funding but further changes are still needed. Staff will continue to recommend full funding of the pension obligation but as the amount increases cuts must be made elsewhere in the budget to allow for it.

History of Pension Funding by Pension Type



2015 Pension Cost per Employee



City pension contributions are funded through property taxes. The City has maintained a level property tax levy for several years so 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 highest-funding option uses a 27-year amortization period, the 2000 mortality table, an interest rate of 6.75%, a smoothed market for investments and 100% amortization. Factors that affect the level of funding include increases in pension benefits, expansion of staff, wage increases, disability pensions and changes to the actuarial calculations.

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. As part of this budget, we are including a macro-level five-year outlook for the City’s General Fund, which is the main operating fund of the City. These documents have been prepared for internal use in the past and are provided now for the City Council to see the direction of revenues and expenditures beyond the current budget year. This information is useful in evaluating whether or not to expand current services and most importantly whether or not there needs to be a major change in operations going forward.

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

General Fund Five-Year Projections

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------|--------------|--------------|---------------|--------------|---------------|
| Revenues | \$24,769,280 | \$24,990,861 | \$24,308,825 | \$25,281,432 | \$25,506,663 |
| Expenditures | \$24,767,990 | \$25,874,453 | \$25,857,396 | \$26,024,658 | \$26,655,616 |
| Surplus/Deficit | \$1,290 | (\$883,593) | (\$1,548,571) | (\$743,226) | (\$1,148,953) |
| Reserves | \$10,487,282 | \$9,603,689 | \$8,055,119 | \$7,311,893 | \$6,162,940 |
| Days Operation | 169 | 148 | 124 | 112 | 92 |

One important note for 2016 is the fact that a 27th payroll will occur. This is an anomaly to the bi-weekly pay schedule caused by calendar creep that cycles every 11 years. It is staff’s recommendation that reserves be used to fund the payroll in the year it occurs as it is not an on-going operational expenditure with the next one not occurring until 2027.

Another important factor in this review is that there are no revenue increases in these assumptions aside from normal economic growth. An increase to property tax or some other new revenue will need to be put in place in a future year. It is not realistic for a City to sustain on economic growth alone. The City must provide for wage and commodity increases along with funding for infrastructure replacement.

In addition to the extra payroll in 2016, this projection also includes the funding of an economic development agreement that will be paid out over a six-year period beginning in 2014. The funds will be recouped through the elimination of the City’s annual transfer to the street improvement fund. The elimination of this transfer was made possible through an Illinois Department of Transportation grant. The full recovery of funds paid out will be over a 15-year period, therefore, there will be a number of years when General Fund reserves are artificially reduced. In addition, in the recovery period years 7-15, the budget will have a substantial surplus to replenish the reserves.

The economic development agreement was put in place to retain the City’s largest electric user. The electric utility will be contributing \$300,000 in the years 2015, 2016 and 2017 and will recover those funds through a reduction in expense in years 7-15 of the recovery period. The General Fund will be advancing a total of \$3,685,000 in the years 2014 through 2019. Therefore, the 5-year projection shows the General Fund Reserves reduced to 92 days in 2019. The funds will be fully recovered in the year 2028 and the net effect to the general fund and the electric utility will be zero. Because of this agreement, the electric utility will have retained its largest customer, which is a benefit to all ratepayers.

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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|--|-----------|-----------|-----------|-----------|-----------|-----------|--------------------|
| 10-22-6353 | 1,264,167 | 1,264,167 | 1,264,167 | 1,264,167 | 1,264,167 | 1,264,165 | 7,585,000 |
| 10-75-6628 | - | (300,000) | (300,000) | (300,000) | - | - | (900,000) |
| 21-64-6630 | | 300,000 | 300,000 | 300,000 | | | 900,000 |
| 10-90-7018 | (500,000) | (500,000) | (500,000) | (500,000) | (500,000) | (500,000) | (3,000,000) |
| GF Advance | 764,167 | 464,167 | 464,167 | 464,167 | 764,167 | 764,165 | 3,685,000 |
| Total advance from General Fund for Business Retention 2015-2019 | | | | | | | 3,685,000 |
| Electric Expense Advance for Business Retention 2015-2019 | | | | | | | 900,000 |
| Payment in lieu of Street Program Transfer 2015-2019 | | | | | | | 3,000,000 |
| Total of Economic Development Agreement | | | | | | | 7,585,000 |
| | | | | | | | 2020-2028 |
| Payment in lieu of Street Program Transfer 2015-2019 | | | | | | | (3,000,000) |
| Reimbursement to Electric for ED Payment 2020-2028 | | | | | | | (900,000) |
| GF repayment to Electric for ED Advance | | | | | | | 900,000 |
| Payment in lieu of Street Program Transfer 2020-2028 | | | | | | | (4,585,000) |
| Funds fully Recovered | | | | | | | (7,585,000) |

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

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

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

Below is a table of the estimated taxes and credits to the utility. These figures will change once the amount of tax is known and the costs to the utility are calculated each year. If the amount of tax collected is higher, the adjustments in 2016 and 2017 will be reduced or eliminated, thus increasing the benefit to the utility.

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

| Home Rule Sales Tax Credits to Electric | 2014 | 2015 | 2016 | 2017 | Total |
|--|------------------|------------------|------------------|------------------|------------------|
| Payments in Lieu of Taxes | 732,000 | 750,000 | 750,000 | 750,000 | 2,982,000 |
| General Administration | 725,000 | 780,699 | 784,602 | 788,526 | 3,078,827 |
| Adj. to Exp. Credit (to equal total Sales Tax) | | | (135,323) | (280,447) | (415,770) |
| Net Credit to Electric Expense | 1,457,000 | 1,530,699 | 1,399,279 | 1,258,079 | 5,645,057 |
| Projected HR Sales Tax 1/2 Cent Receipts | 950,000 | 1,853,812 | 1,881,619 | 959,626 | 5,645,057 |
| (Over)/Under Credit by Year | (507,000) | 323,113 | 482,340 | (298,453) | (0) |

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.

Level 1: **Emergency** – An expenditure that is required because without the expenditure, there would be eminent danger to an employee or resident.

Level 2: **Legal Requirement** – An expenditure that is required as the result of some legislative or court action, which if ignored, would result in legal action.

Level 3: **Maintain Present Service Levels** – An expenditure that is necessary to continue to provide the same services at the same level of quality as in the past.

Level 4: **Expanded Service** – An expenditure that will expand the current level of services offered or will expand the quality of existing services.

The most difficult part of preparing the budget is meeting with Department Staff to review budget requests. Often several meetings are held to determine priorities. If an item has been included in the budget document, it has been thoroughly vetted. As discussed earlier in this document, adding to staff has significant and on-going costs for the City, particularly so for police and fire, so personnel requests receive the most scrutiny. An alternative to adding to staff is contracting for services the City currently provides. This can achieve the same benefit of expanding staff but at a lower cost. 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. In addition, 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.

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 2015 continues to be to provide a spending plan that will position the City in a sustainable position for the future.

Strategic Goals for Financial Sustainability

- **Continually work to control expenditures**

The budget process requires many meetings with staff to evaluate the requests made by departments. Inevitably, items must be reviewed and evaluated for necessity. In these economic times, it is especially important to separate real need from enhancements. The 2015 budget is presented with a surplus of \$1,290.

The surplus was the result of the cutting of expenditure requests from departments with the most significant cuts to requests for personnel. The Community Development Department, Fire Department and Police departments requested additional personnel that were not included in this budget. At this time and with the five-year outlook we cannot make the recommendation to add further to personnel except for one position in Administration. The City is in need of a Communications person. Currently, all departments are responsible for their own communications. There is no one avenue for communication to the public or for the updating of the website or social media sites. In addition, the amount of outside events has grown to such a level that someone needs to be in charge of communicating with the event organizers. There is also a need for backup administration in the department as there is currently only one administrative support person. The new position would fill these needs and possibly others once a job description is prepared.

Strategic Goals for Financial Sustainability

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

With the current budget plan, General Fund reserves are projected to be at 169 days at the end of 2015. It is important to note that the number of day's operation is one tool to be used as a guide and should not be the only measure of financial solvency. The Government Finance Association recommends that cities maintain a minimum operating reserve of 60 days. Adequate reserves ensure that the city could continue to operate for a period of time should revenues stop unexpectedly. Reserves are also there to provide for fluctuation in revenue collection and to provide a cushion through economic cycles. It is acceptable to utilize reserves during weak economic times as long as reserves are sufficient to provide for such downturns and are expected to be replenished or remain above minimum levels. Batavia is in a good position with the number of days of reserves. See the section *Surplus and Reserves* for further information.

General Fund Revenues

General Fund Revenues are budgeted at \$24,769,280 for 2015 and represent a 3.3% increase over 2014 projected revenues. The largest change from 2014 to 2015 is a full year of an additional ½-cent home rule sales tax, which took effect in July of 2014. The increase in revenues due to that tax though is not a true increase as the additional sales tax is being passed on to the electric utility for rate stabilization. The electric utility will receive the sales tax via a reduction to expense reimbursements and payment in lieu of taxes made to the General Fund. The tax has a sunset provision and is set to end in July 2017.

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. We must also consider the state of the economy and the burden of the taxes or fees we impose. It is the City's obligation to strike the balance of funding sufficient services at the lowest cost, while utilizing user fees whenever possible. The budget has no proposals for revenue enhancements for 2015.

Strategic Goals for Financial Sustainability

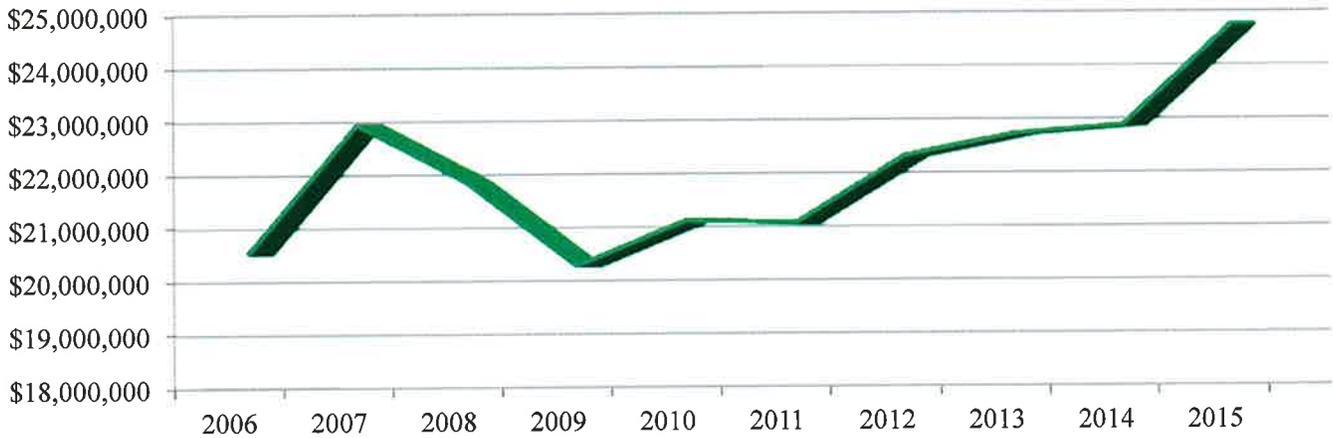
- **Diversify and augment revenues**

Over the last few years, the City Council has taken action to implement a new user fee for leaf and brush pick up, a gasoline tax and conversion from a municipal utility tax to a gas use tax. In addition, property tax revenues were increased by \$450,000 in 2012 in order to fund City services. These decisions support the strategic goal of financial sustainability by diversifying and augmenting revenues as necessary. While it is always a difficult decision to implement new revenues, it is a necessary part of providing services. The City of Batavia has more revenue choices than a non-home rule community, which allows the City to hold the line on property taxes. Of course, at the times these decisions need to be made, there is always the choice to scale back or eliminate some services.

No additional revenues were added in the 2103 or 2014 and no additional revenues are being proposed in this budget. This was possible through the passage of prudent spending plans. There will be a time in the near future though that will require some source of new revenue in spite of prudent spending as the growth of expenditures will surpass the growth of our revenues.

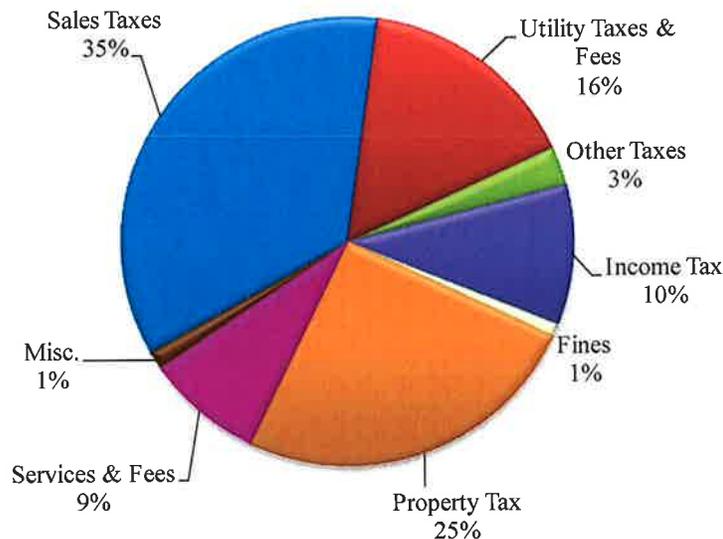
The following chart shows the history of revenues over the last ten years. The initial increase in 2007 was due to the implementation of a ½ cent non-home rule sales tax (later converted to home rule) to fund the debt payments for the City's two fire stations. The chart clearly shows the decline in revenues that occurred due to the economy. Both our regular sales tax and home rule sales tax declined dramatically in 2008 and 2009. The increase in revenues in 2012 was a result of new revenue sources put in place as mentioned earlier.

History of General Fund Revenues



The chart below depicts the source of General Fund revenues. Sales tax remains the largest revenue source followed very closely 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 46% of the general levy go to fund police, fire and IMRF pensions.

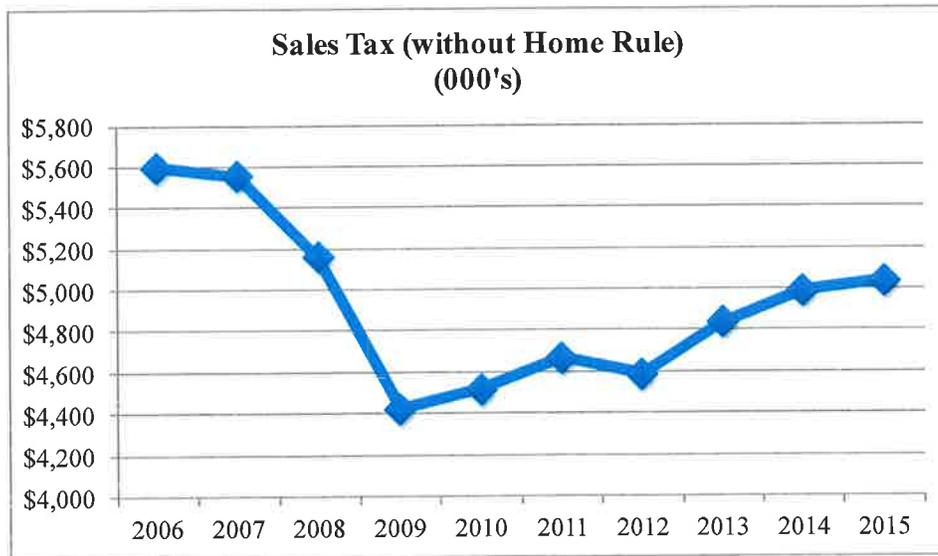
General Fund Revenues



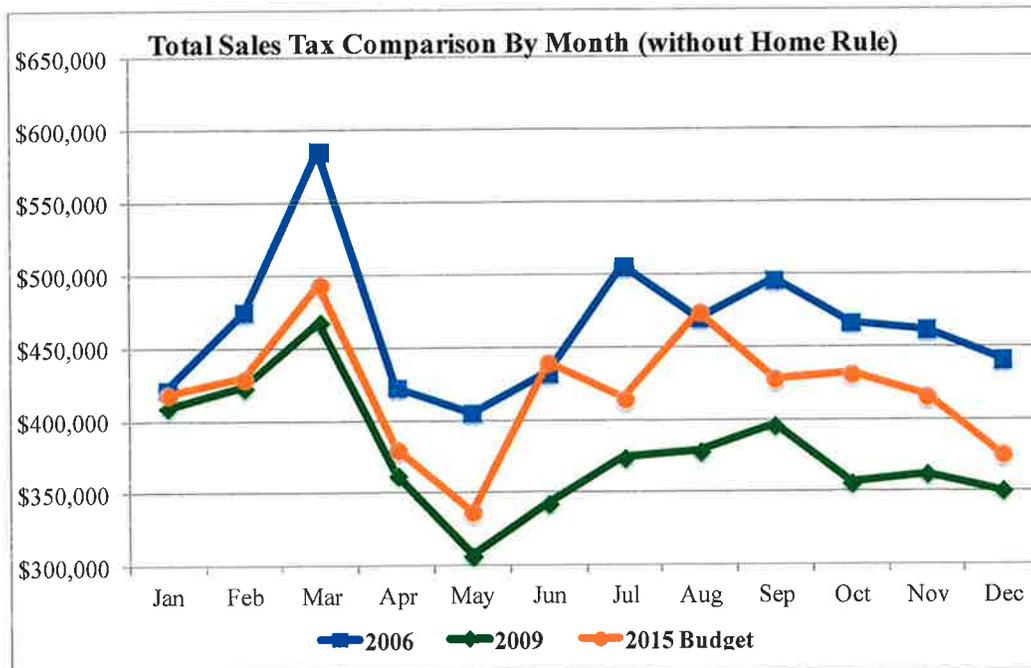
Overall, the City of Batavia has a diverse mix of revenues without being overly reliant on any one source. This diversity of revenues helps to keep the property tax levy low. Whenever possible, the City tries to assign costs to a service provided. However, as shown above only 9% of our revenue sources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

Sales Tax

Sales Tax receipts for 2014 are projected to end the year up 3.2% over 2013 receipts and 3.9% over the original budget. 2014 receipts will be 8.8% higher than 2012, which had a dip in collection from 2011. The chart below shows the history of the municipal sales tax alone without home rule tax. The budget for 2015 sales tax includes a 1% increase over projected 2014 receipts and a 4.7% increase over the 2014 budget.



The following chart shows the relationship by month of collection. Shown are our highest year, lowest year and the 2015 Budget. As shown, tax on holiday sales is received in March of the following year. The month-to-month trends are generally the same, with the budget for 2015 using the prior year month-to-month change for budgeting. The 2015 budget is still \$500,000 below 2006 in total but May and August are projected to match 2006 receipts.



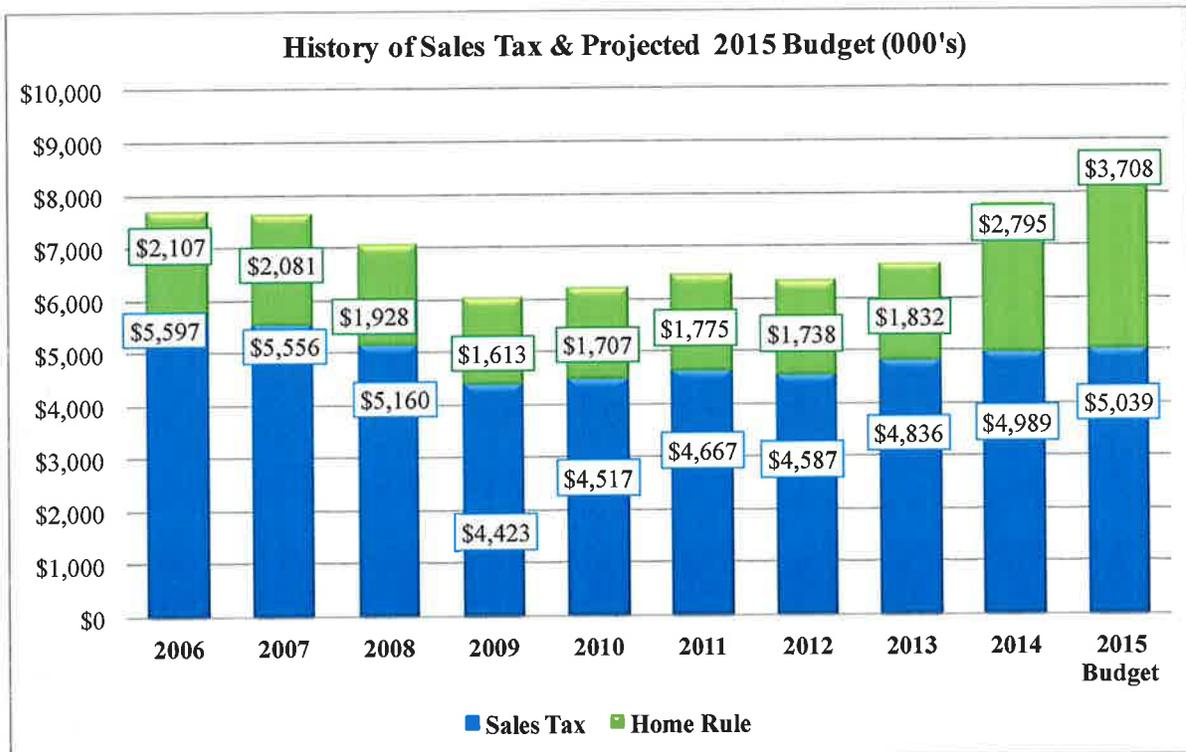
Staff plans to continue efforts in the retention of businesses that we have in the community and where possible work to augment our sales tax base.

Strategic Goals for Business Development & Retention

- **Develop and Implement a Comprehensive Business Retention and Expansion Plan.**
 - Be a proactive resource for existing businesses
 - Annually survey existing business constituents, by sector and by geography, to obtain their input concerning the general business climate in the City
 - Bi-annually assess neighboring and competitive communities
 - Schedule and conduct no fewer than three retention visits each
 - Maintain a website portal focused on “Doing Business in Batavia

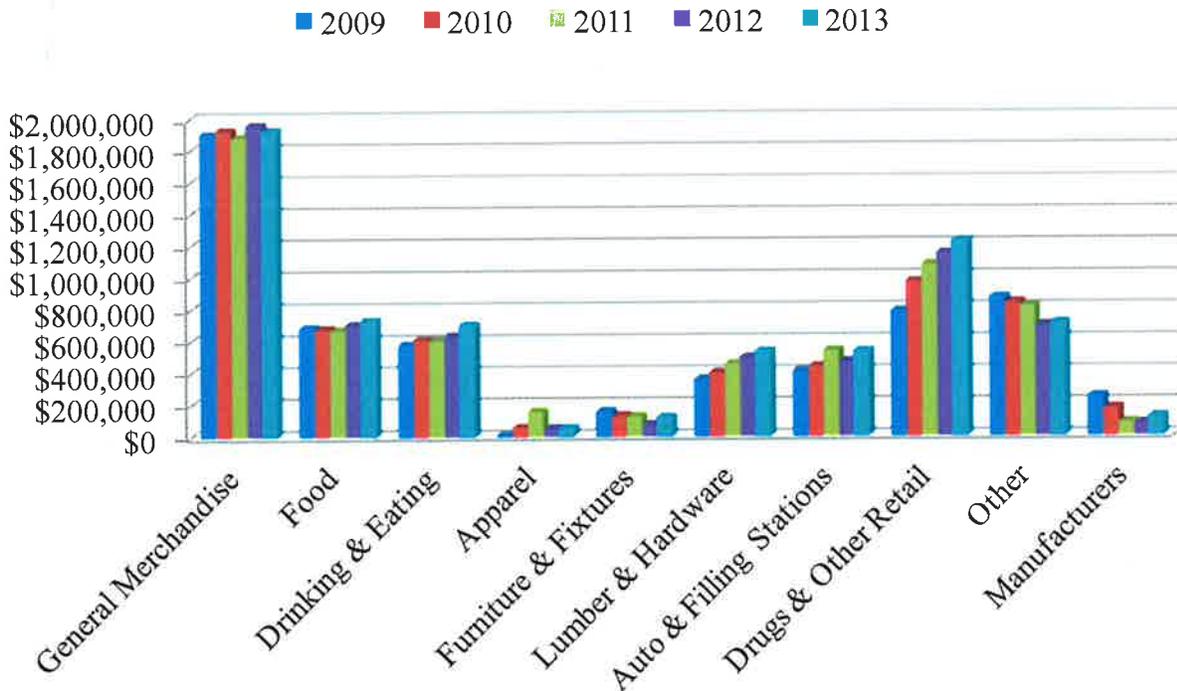
In line with this goal and in concert with staff efforts, this budget includes the second year of funding a full-time economic development consultant to help assist with these initiatives.

The City of Batavia implemented a ½-cent non-home rule sales tax in 2006 in part to fund the debt for construction of the City’s two fire stations. The tax was converted to a home rule tax in 2009 when the City became home rule through population. In addition, the City added another ½-cent home rule sales tax to be dedicated to the electric utility for rate stabilization as discussed earlier. The following chart shows the relational change of home rule sales tax and regular sales tax, which is 1%. The 2015 budget will be the first year that both home rule and regular sales tax will both be 1%. 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 following chart shows the history of sales tax collected by type (SIC code) and shows the combined total for regular municipal sales tax and home rule sales tax. The data is provided through 2013, which is the most recent available. The most significant declines in the last five years from Other and from Manufacturers while Drugs & Other Retail, Food, Drinking & Eating, and Lumber & Hardware have shown increases in each of the last five years. With the opening of a new furniture store in late 2013, we saw an increase in those receipts.

History of Sales Tax by Type



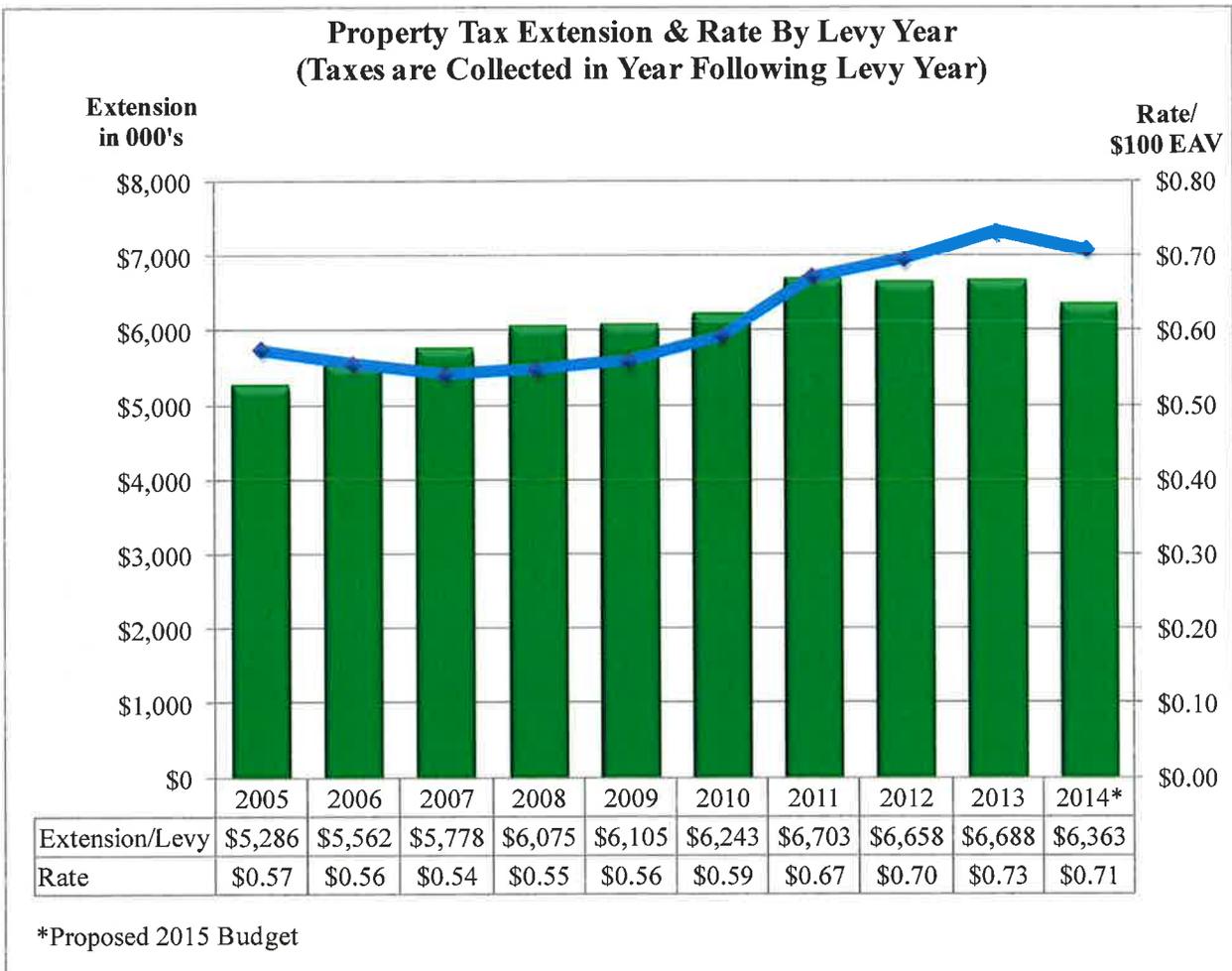
During the economic downturn, the City lost \$1.7M in sales tax, which had a significant impact on the City's budget and resulted in layoffs, early retirements, major cuts to programs and delayed capital programs. Not surprisingly, the categories that saw the most significant loss were General Merchandise, Furniture & Fixtures, Lumber & Hardware and Other. Those categories continue to have the largest decline in 2013.

| | 2006 | 2009 | Difference 2006-2009 | 2013 | Difference 2006-2013 |
|--|-------------|-------------|-------------------------|-----------|-------------------------|
| General Merchandise | \$2,420,541 | \$1,906,875 | (\$513,665) | 1,930,697 | (\$489,843) |
| Food | \$777,658 | \$685,294 | (\$92,364) | 731,679 | (\$45,979) |
| Drinking & Eating | \$613,786 | \$577,551 | (\$36,235) | 702,079 | \$88,292 |
| Apparel | \$83,576 | \$15,763 | (\$67,814) | 54,164 | (\$29,413) |
| Furniture & Fixtures | \$390,609 | \$157,151 | (\$233,458) | 121,170 | (\$269,439) |
| Lumber & Hardware | \$654,230 | \$358,810 | (\$295,420) | 534,677 | (\$119,553) |
| Auto & Filling Stations | \$502,971 | \$413,449 | (\$89,522) | 534,889 | \$31,918 |
| Drugs & Other Retail | \$867,737 | \$786,194 | (\$81,543) | 1,227,306 | \$359,569 |
| Other | \$1,195,797 | \$870,480 | (\$325,316) | 708,910 | (\$486,887) |
| Manufacturers | \$212,342 | \$248,517 | \$36,175 | 119,802 | (\$92,541) |
| Total | \$7,719,247 | \$6,020,083 | (\$1,699,164) | 6,665,372 | (\$1,053,875) |
| Loss from General Merchandies, Furniture, Lumber & Other | | | (\$1,367,860) | | (\$1,365,722) |

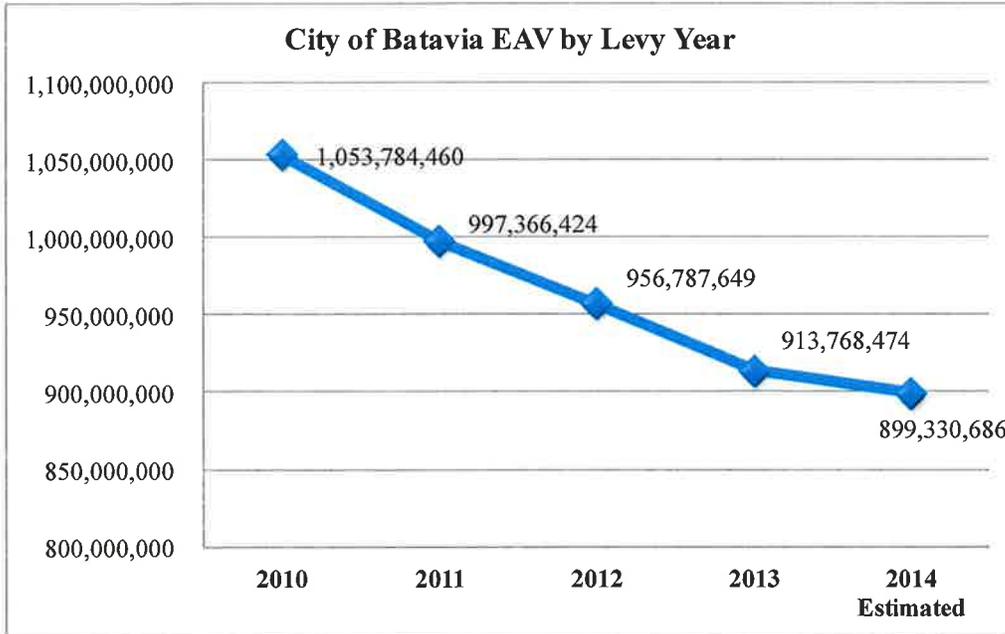
Property Tax

The 2015 Budget for property taxes is level with the 2013 Levy collected in 2014. The rate is expected to decrease just over two cents for the 2014 Levy collected in 2015 due to the end of a levy for debt service for City Hall. The bonds will be paid in full at the end of 2014. This will represent a direct savings to taxpayers. The City could choose to maintain the same levy and retain those revenues without having an impact to the tax bill. This budget does not include that recommendation in light of all three utilities having rate increases in 2015 as they did in 2014 as well. A savings, although perhaps small will be welcomed.

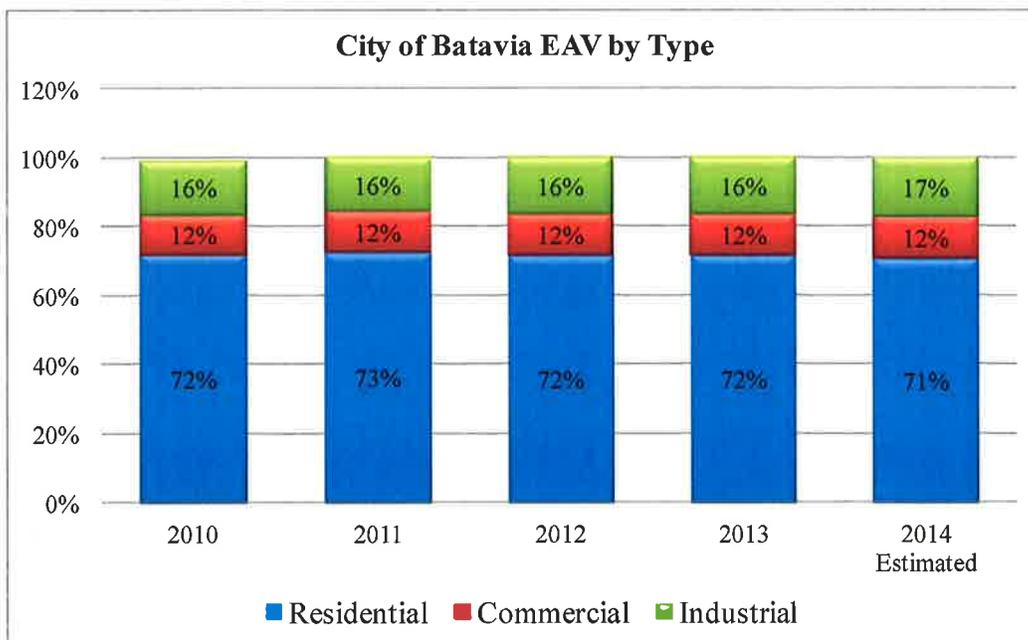
The following chart shows the history of the City's Levy and property tax rate. As shown, the amount of tax collected will be \$325,000 less than the prior year.



The City's EAV (Equalized Assessed Value represents 1/3 of the market value of property) is expected to decline further for the 2015 tax rolls. The reduction in EAV is 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. Since the EAV has gone down, the rate will go up even if there has been no increase for tax levied. With the decrease in EAV if the City maintained the same levy as 2013 the rate would go up by 1 penny, however with a lower levy the rate will decrease next year.



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

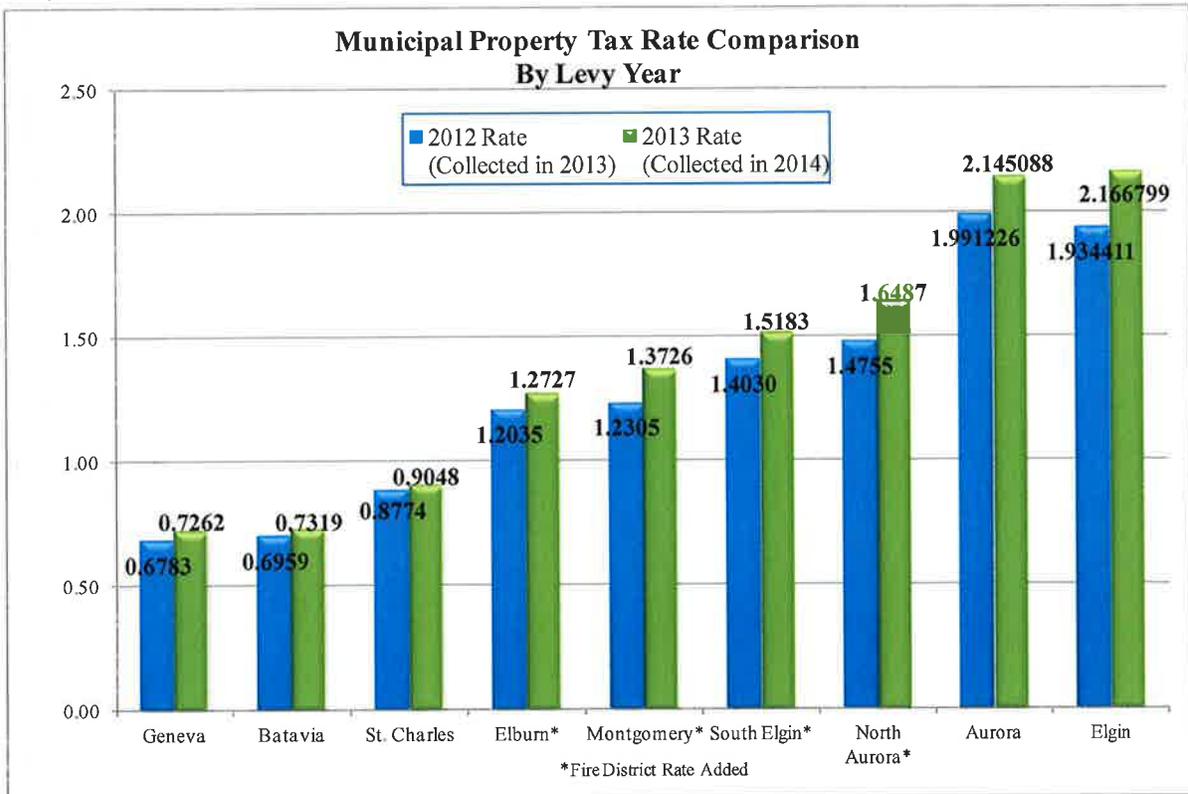


The City portion of a typical tax bill in the City of Batavia is about 8% of the total bill. The owner of a \$300,000 home would have paid about \$687 to support City services in 2014 (2013 Levy). The typical total tax rate for 2014 payable was \$9.605213/\$100 of EAV. Some of the City services provided 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 2013 Collected in 2014

| Taxing Entity | Rate | % of Total |
|----------------------------------|-------------------|----------------|
| City of Batavia | \$0.731855 | 7.62% |
| Kane County & Forest Preserve | \$0.766160 | 7.98% |
| Batavia Township & Road District | \$0.149616 | 1.56% |
| Batavia Schools | \$6.372536 | 66.34% |
| Waubensee College | \$0.580694 | 6.05% |
| Batavia Park District | \$0.552758 | 5.75% |
| Batavia Library | \$0.451594 | 4.70% |
| Typical Total for 2013 | \$9.605213 | 100.00% |

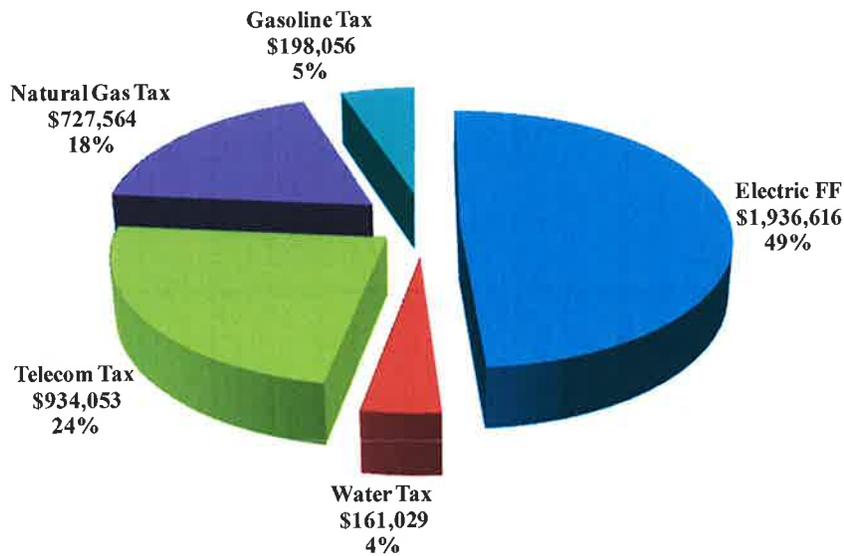
The following chart is a comparison of 2012 and 2013 municipal tax rates of surrounding communities. Those marked with an asterisk have the fire district rate added into the municipal rate to make a fair comparison, as those communities do not have their own fire departments. Ratepayers in those villages pay to the fire district for fire protection rather than the village itself so it is fair to include that portion for comparison. The rates are charged for every \$100 of Equalized Assessed Value (EAV). As shown the City of Batavia has the second lowest rate in the area and should Geneva’s rate stay the same or increase next year, Batavia will have the lowest rate in the area.



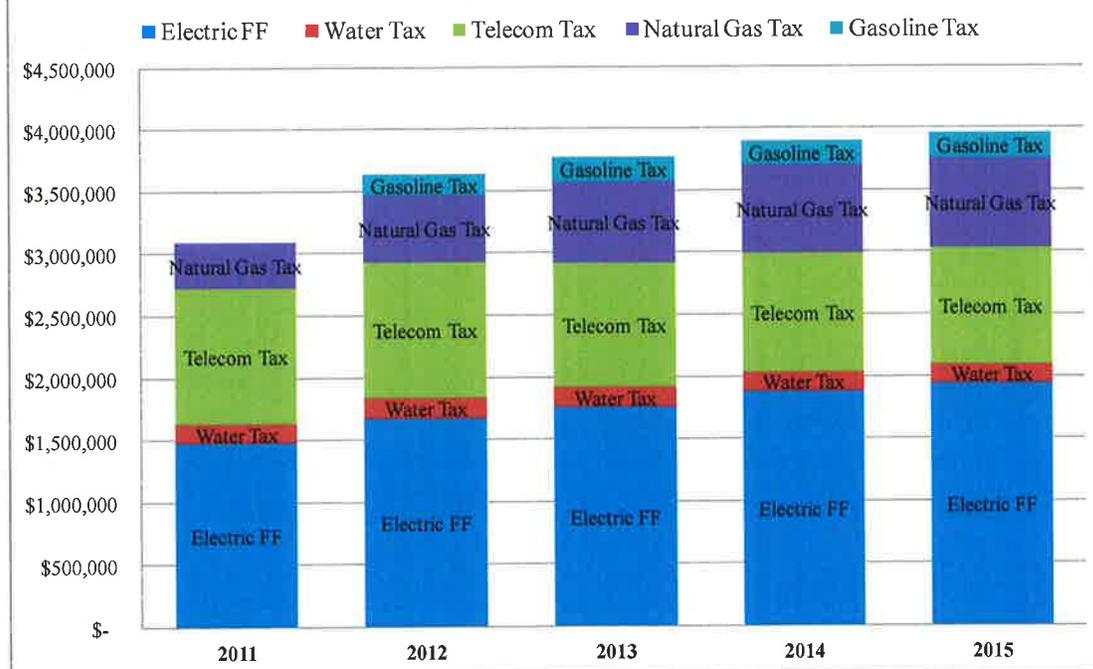
Utility Taxes and Fees

Utility taxes are the City's third largest General Fund revenue source accounting for 16% of the 2015 Budget. Utility taxes increased in 2012 from the addition of a one-cent gasoline tax and the change from a municipal utility gas tax (MUT) to a gas use per therm tax (GUT). The GUT tax expanded the tax to natural gas customers that use an alternative supplier. The GUT is not a tax on the total bill but a tax on total therms used, which means if natural gas prices go up, the customer will still pay the same tax for the same use. Utility tax revenues for 2015 are projected to be slightly higher in all categories but telecommunications tax that has had annual declines likely due to the elimination of home phone lines.

**Budgeted Utility Tax by Type
2015**

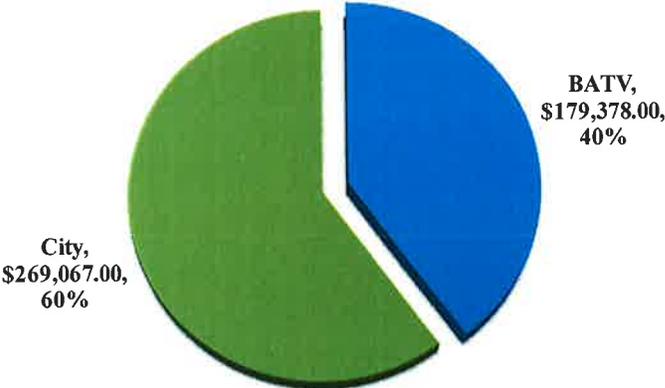


History of Utility Tax by Type



The City also collects a 5% franchise fee from television providers. The City passes through 40% (2% of the 5%) of that 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 budget for 2015 revenues includes a 3% increase over the prior year. The last two years have had 4% increases to revenue.

ROW Franchise Fees



Intergovernmental and Other Revenues

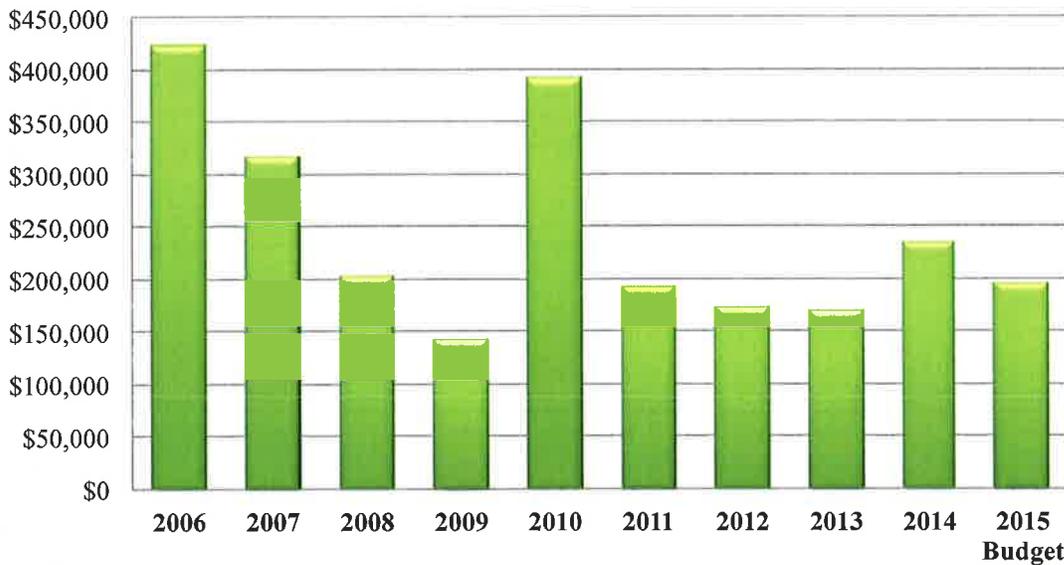
After steep declines in 2009 and 2010, State shared revenues began to rebound. It is very difficult to budget for this type of revenue since it is dependent on personal and corporate incomes and the funding history has not been consistent. The budget provides for less than a 1% increase in funding in 2015.



Charges for services saw a boost in revenues in 2014 due to a new residential development and the engineering plan review fees associated with that. The other main revenue source in charges for service is the leaf and brush pick up fee that has provided about \$270,000 a year in revenue since it was implemented in 2010. Fines and fees from ticket revenue have averaged \$175,000 over the last five years with a 2015 budget of \$185,000. Parking tickets have averaged \$45,000 over the same time-period and have a 2015 budget of \$50,000.

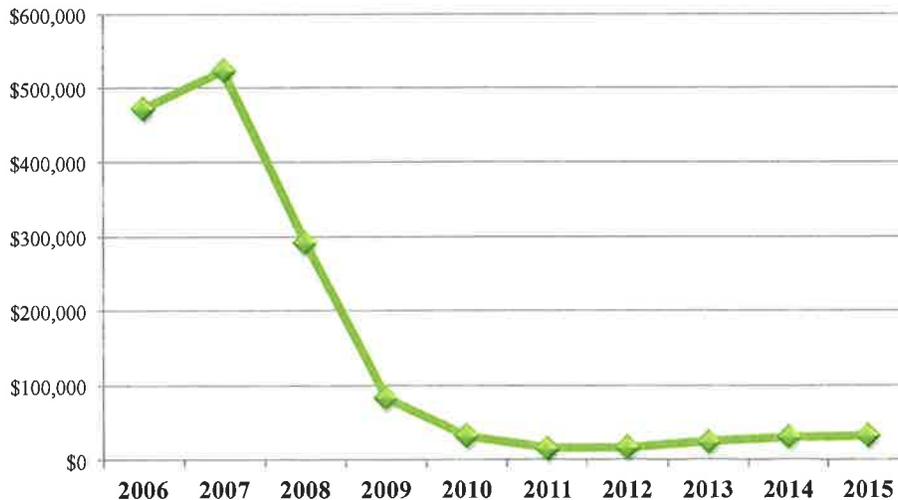
Building permits are budgeted at \$40,000 less than 2014 projected revenues. The number of permits for residential is expected to increase but there are not significant commercial projects budgeted. As the chart shows, permits can vary widely. This peak in 2010 was due mainly to one very large industrial permit. The year 2009 was the lowest of the last 15 years with receipts only reaching \$143,000.

History of Building Permits



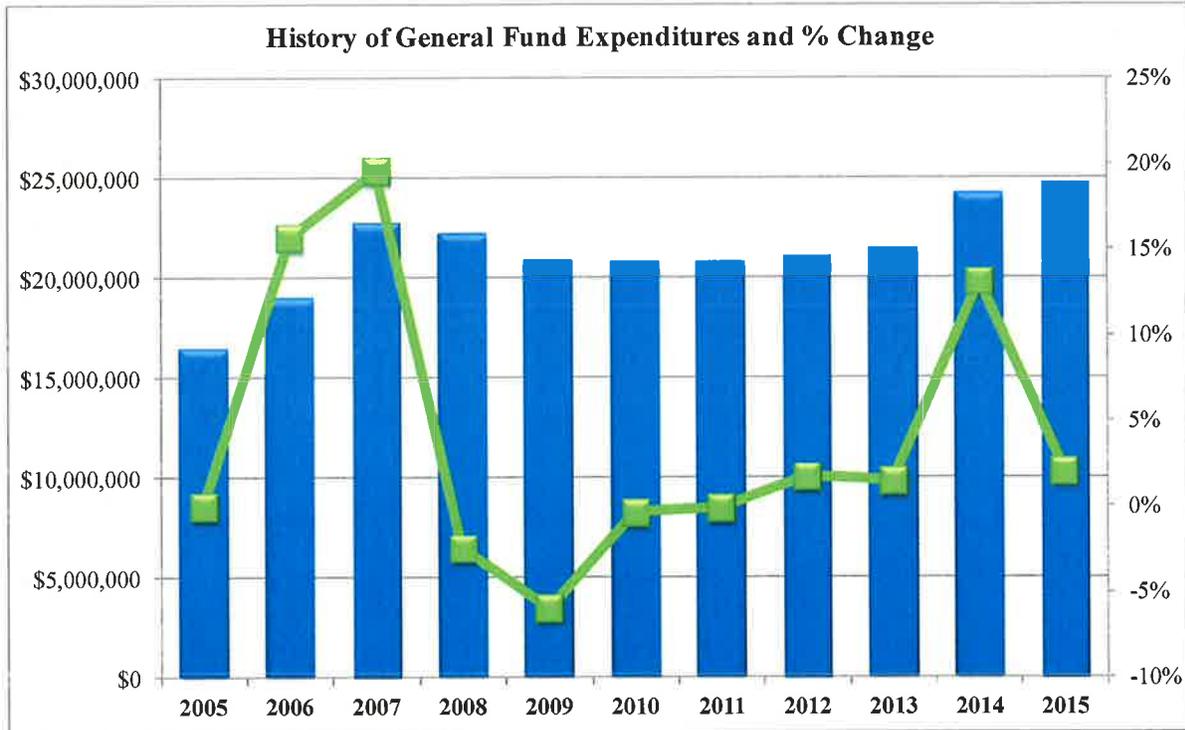
While investment income has been next to nothing since 2010, the chart below demonstrates that it was a significant source of revenue prior to 2008. The benefit though of low interest rates is that we have been able to refund all but one of our outstanding bond issues at a much lower interest rate.

Investment Income



General Fund Expenditures

Expenditures in the General Fund are budgeted at \$24,767,990. This represents a \$498,699 increase over 2014 projected expenditures. The 2015 Budget is 2.1% higher than 2014 projected spending and 1.2% more than the 2014 amended budget.

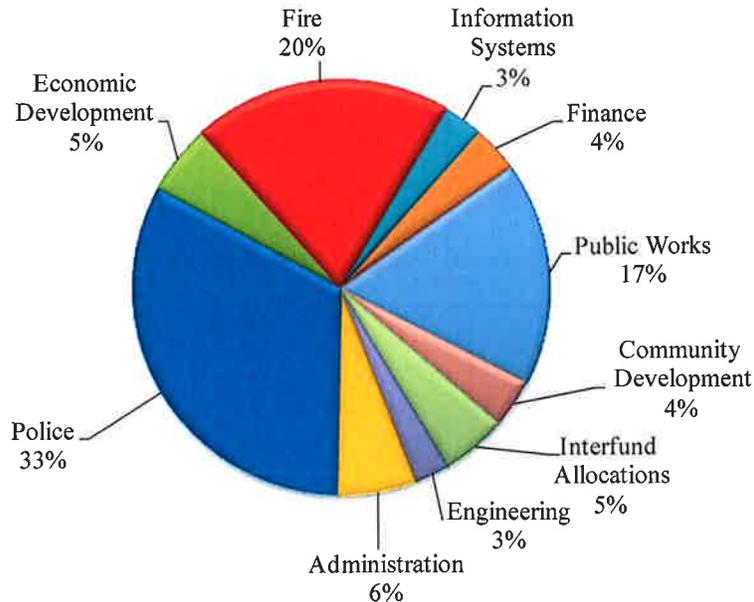


As mentioned in the introduction, this budget includes expense credits given to the electric utility in lieu of home rule sales tax that increases expenditures for the general fund (see department budget 10-75). The budget also includes funding of an economic development grant that was not in the original 2014 budget. The grant will be recovered over time and will increase expenditures in the general fund considerably over the next five years after which time expenditures will be lower for the following ten years as the funds are recouped through elimination of an inter-fund transfer to the street program.

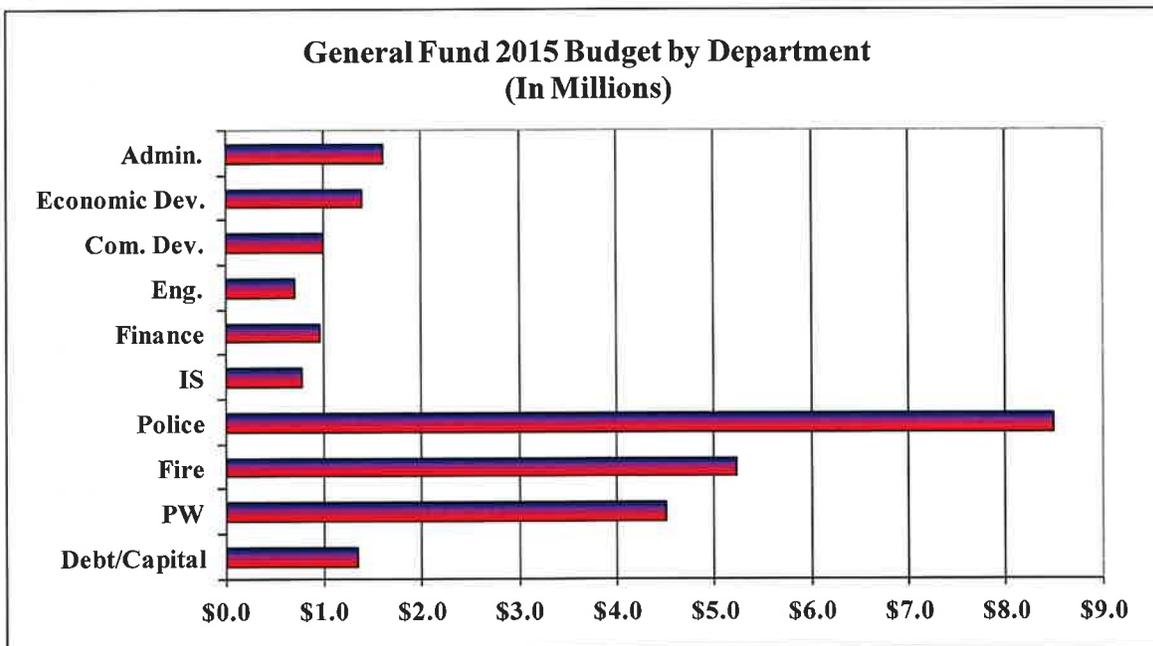
If the expenditure budget is adjusted for those extraordinary changes then the percentage increase for 2015 is 3.3% for the total budget and 3.8% for the operating budget.

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 some vacated positions refilled. The total expenditures for 2011 in the chart above were adjusted by \$1,500,000 for capital transfers to establish two capital project funds, as it did not represent actual expenditures.

General Fund Expenditures 2015 Budget



The chart above displays the allocation percentage by department and the following chart provides the amount budgeted by department. Administration includes Human Resources. Finance includes Utility Billing. Fire includes ESDA and Public works includes Public Works Administration, Streets and Buildings and Grounds. Inter-fund Allocations include transfers to Debt Service from Sales Tax and transfers to capital projects as part of an ongoing capital funding program.



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

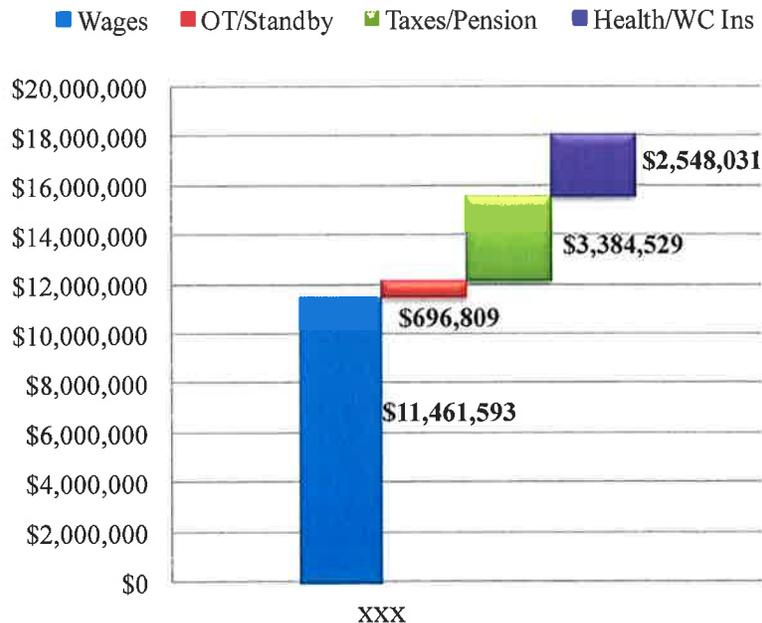
The largest cost for the general fund is personnel with the total cost of wages, benefits and insurance budgeted at \$18.09 million in 2015. This comprises 73% of the total General Fund budget and 77% of the operating budget. For this chart debt is the amount of transfers made out of the General Fund to a Debt Service. Capital is the amount budgeted directly in Fund 10 and the transfers made to Capital Funds for future capital purchases.

2015 General Fund Budget by Type (Millions)



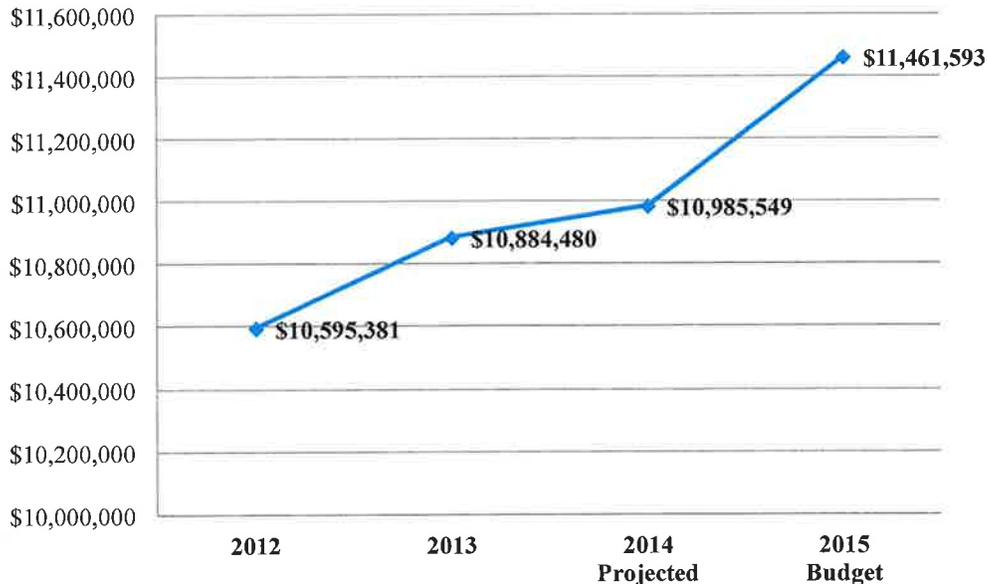
The following chart breaks down the components of Personal Services costs. Direct wages account for 63% of costs with another 4% spent on overtime and standby pay. Taxes and pension payments account for 19% with health and worker’s compensation insurance accounting for the remaining 14% of costs. Health Insurance costs are budgeted without an increase with planned dividends from reserves being used to supplement cost increases. Reserves are also sufficient in the workers compensation fund so a reduction in contribution was done for all funds.

2015 General Fund Personnel Cost



General Fund Salaries and Wages increased 2.7% in 2013 with the new hires in place for a full year. Wages are projected to end the year 2014 less than 1% over 2013 due to vacancies during the year. Wages are projected to increase 4.3% in 2015. The higher increase is due to vacancies that are still open, a new position in Administration and higher step increases for newer hires that are still in the steps of their wage range.

General Fund Salaries and Wages

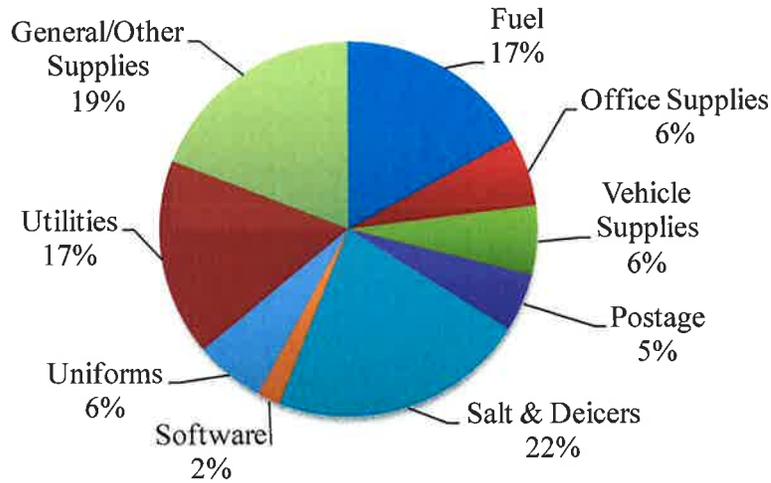


A breakdown by department of wages and salaries in the previous chart is provided below. Vacancies, retirements and replacement employees will affect the total amount spent.

| | 2012 | 2013 | 2014 Projected | 2015 Budget |
|------------------------------|---------------------|---------------------|---------------------|---------------------|
| Administration & Legislative | \$429,375 | \$423,118 | \$410,839 | \$459,379 |
| Human Resources | \$152,536 | \$158,640 | \$136,000 | \$226,605 |
| Community Development | \$610,993 | \$608,374 | \$629,435 | \$648,686 |
| Public Works Administration | \$136,743 | \$142,094 | \$144,500 | \$147,625 |
| Engineering | \$425,409 | \$454,637 | \$474,087 | \$467,079 |
| Building and Grounds | \$62,849 | \$53,956 | \$57,525 | \$63,580 |
| Finance and Accounting | \$375,404 | \$371,181 | \$376,872 | \$386,300 |
| Information Systems | \$263,311 | \$276,700 | \$288,586 | \$288,841 |
| Utility Billing | \$142,828 | \$164,125 | \$169,037 | \$176,600 |
| Economic Development | \$56,244 | \$37,479 | \$20,000 | \$0 |
| Police Admin & Operations | \$4,247,218 | \$4,333,592 | \$4,396,000 | \$4,536,966 |
| Fire Services | \$2,501,814 | \$2,577,080 | \$2,575,000 | \$2,714,332 |
| Streets and Sanitation | \$1,190,657 | \$1,283,504 | \$1,307,668 | \$1,345,600 |
| | \$10,595,381 | \$10,884,480 | \$10,985,549 | \$11,461,593 |

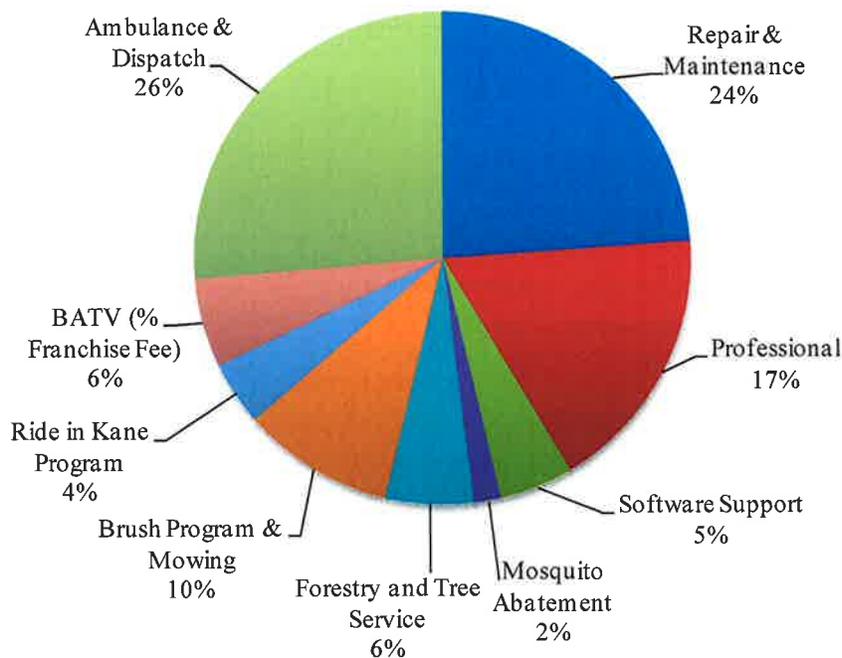
The General Fund budget has very little room to trim expenditures without eliminating personnel. Commodities account for only 6% of the operating budget. Salt, General Supplies, Fuel and Utilities are the largest expenditures. Salt was budgeted based on current price projections that are very high. The amount spent may be less than budgeted. It will also depend on the weather and the amount needed. General supplies include building material supplies, stone, asphalt, black dirt and sign supplies.

2015 Commodities

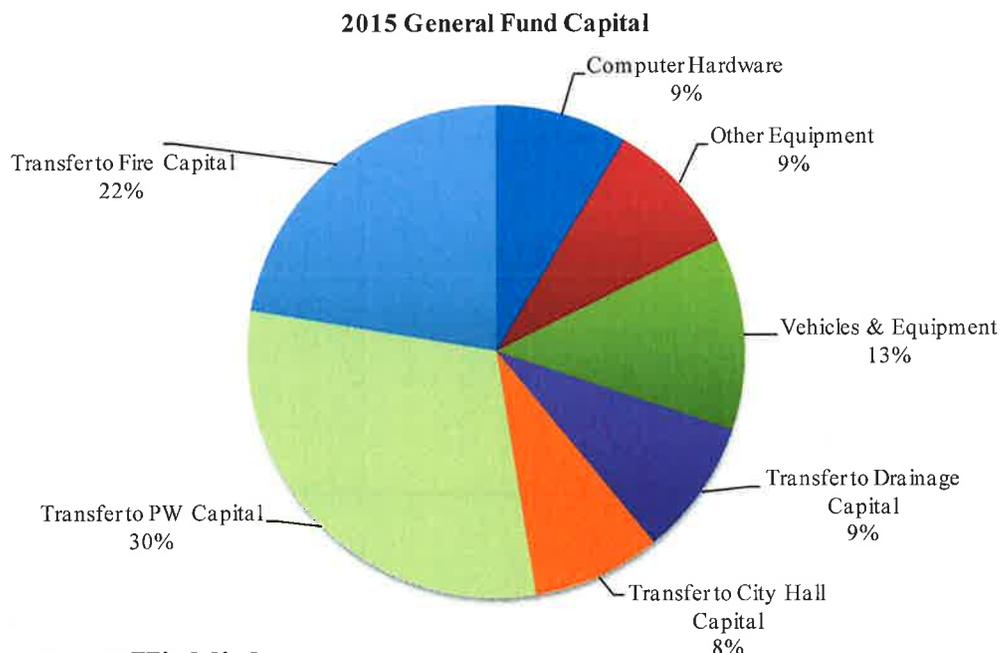


Contracted services account for 14% of the operating General Fund Budget. Below is a breakdown by type of contract. Some contractual services have their own line items in the budget while others are all under 6355 and for those the detail is provided in the budget detail by department.

2015 Contractual Services



Budgetary spending towards capital for 2015 accounts for 3.6% of total General Fund spending with the majority of spending in the form of transfers to a capital account. Computer hardware, vehicles & equipment, and other equipment represent items budgeted directly in the General Fund. Transfers for capital are not necessarily spent in the year of transfer. Transfers are made based on an estimated replacement or spending schedule and adjusted as needs change. The Drainage Fund and the City Hall fund were established in 2012.



Department Highlights

Following is a discussion of notable budget changes for 2015 by department for the General Fund. If a department is not mentioned, then spending remains relatively unchanged.

The spending for **Administration** for 2014 is over the original 2014 budget by \$60,000 due to an accounting entry for \$86,000 to expense a prior year revenue reduction. The City received notifications from the Illinois Department of Revenue that they would be reducing the City's monthly allotment for telecommunication revenue for a period of nine months as a result of a federal class action lawsuit settlement. Accounting requires that the current revenue be reported at the correct amount (not the reduced amount) and that the amount of the settlement be expensed. The City must expense \$86,777 in prior revenues that were improperly paid to the City. Other line items in administration were at or under budget aside from the Ride in Kane Program where costs have been higher than expected. The 2015 budget has been adjusted accordingly. The 2015 budget includes the only increase to staff requested in the budget as mentioned earlier. The position will fill a communications and other administrative needs as previously described.

Human Resources generally has remained consistent in spending from year-to-year but the 2014 projected spending is considerably lower than normal due to the long-term vacancy of the Assistant City Administrator position that was budgeted 50% in HR. As also previously mentioned, this budget reflects a change in position funding with a full-time Human

Resources Director budgeted within the department. The amount of time required for administering six union contracts and a wage and benefit program for over 170 employees requires more than part-time attention. Salaries in this department for 2015 reflect an increase of \$66,000 to reflect the shift of budgeting some wages in Administration and some in Economic Development. The budget also includes an additional \$10,000 for employee recognition to provide for some type of employee dinner or get together for employees during the year. The exact nature of such will be determined by the new director. This amount represents just a small portion of what had been programmed for the annual holiday dinner and summer picnic that were eliminated in 2009.

The **Engineering** department again requested an addition to the budget for the Engineering Technician of 520 hours to allow for CAD work related to Main Street and other projects. Engineering has expressed the desire for this to become a full time position. The staff recommendation at this time is to continue with a year-to-year review of the hours and work load. Salaries in total will remain the same as 2014 with the expectation that the recent vacancy of Assistant Engineer will be filled at the mid-range for the position rather than at the maximum.

The budget for 2015 will be the same as projected spending in 2014 but the spending among line items will shift. The \$20,000 that is being spent on Survey monuments will not be spent in 2015. It should be noted also that the funds being spent for the monuments have been collected through the developer fees in prior years.

The budget also includes \$20,000 for the replacement of a 1996 truck used by the Sr. Engineering Assistant. The truck is rusting and has reached the end of its useful life.

Building and Grounds had turnover of staff in 2013 as well as the change of reporting of the position to the Water and Sewer Superintendent. Without a Buildings and Grounds department and a staff of only one, it was difficult to prioritize and manage the necessary projects. The move to public works oversight has been a success in developing a strategy to meet the needs of both the public works building and City Hall by also utilizing some public works staff.

Snow removal at City Hall that was contracted out in 2013 was eliminated in 2014 with the plan to use existing staff. Snow removal at City Hall will remain in house again for 2015. There is an increase in overtime in anticipation of this. In addition 2015 will be the 2nd year that seasonal summer help will be used to assist with some of the more basic tasks required in summer. This adds \$5,000 to the budget. The budget for maintenance of the building is \$30,000 over projected 2014 spending but only \$7,000 over the 2014 budget. Some of the bigger items include \$22,000 to replace carpeting in the Council Chambers and \$15,000 for windmill maintenance.

Major capital improvements for City Hall are now budgeted in the City Hall Capital Improvements Fund (48). See the section on capital for a discussion of these items that are also being overseen by the Water and Sewer Superintendent.

Information Systems has a decrease of \$149,420 in budgeted spending for 2015 due to higher spending on projects in 2014. Spending on hardware will be \$92,000 less in 2015 and contractual services will be \$66,000 less. Projects that were done in 2014 included replacement of the live scan fingerprint system, servers for the phone system upgrade and the new world upgrade, MDC (police squad computers) replacement, personal computer replacement and a Wi-Fi upgrade for City Hall. The increase in contract labor was for the phone system upgrade, website development and for the update of the New World Software (police). Some of the cost of the upgrade of the police software will be reimbursed to the City by other Cities that will share in the upgrade. The reimbursement is budgeted in 2014 revenue. The 2015 budget includes continued replacement of MDC's at \$26,000 for police and network switches at a cost of \$37,000. The 2015 budget also includes implementation costs related to the asset and infrastructure software that will be phased in over a three-year period for all Public Works departments and Engineering.

Economic Development has a significant budget increase for 2014 that will require a budget amendment. As discussed earlier, there will be a budgeted expense for payment related to an economic development agreement entered into with our largest electric user. The agreement calls for annual payments of up to \$1,264,167 in credits to the electric bill. The funding for this agreement will initially come from the General Fund with a minor contribution from electric. Both funds will be reimbursed in full by the elimination of the General Fund annual transfer to the Street Program. The agreement will be paid out over six years but the recovery of funds will require a fifteen-year period. The elimination of the transfer to the street program was made possible by an Illinois Department of Transportation grant for \$7,585,000.

Other items to note in the 2015 budget are the second year of contracting for an economic development consultant to concentrate efforts in this area and the elimination of wages for the Assistant City Administrator. In addition, there are funds slotted for marketing and attraction efforts.

The largest General Fund department budget is the **Police Department** with an \$8.5M budget. The 2015 budget is nearly even with the 2014 budget but is \$275,000 over 2014 projected spending. The increase is entirely related to wages and benefits while nearly all other line items are equal or less than 2014 spending. Wages are budgeted \$150,000 more than 2014 actual spending of \$4,396,000 for full and part time wages. The difference to budget represents a full year of filled positions and expected wage increases. The contribution to the pension fund also reflects a \$93,000 increase.

Tri-Com dispatch is charged to each City based on the number of calls for service. The costs for Tri-Com as a whole are expected to be decrease some in 2015 and in addition, Batavia Police Department had fewer calls compared to total calls and the budget reflects a \$42,000 savings in those costs for 2015.

There is no change in the vehicle replacement program with a level budget from 2014 to 2015. For other equipment, a gradual replacement of the department's radar units will be made to ensure accuracy of the equipment.

The **Fire Department** has a 2015 budget of \$5,158,326 that is \$177,335 over the 2014 budget and \$299,545 over 2014 projected spending. The main reason for the difference in the 2014 budget to actual spending is unfilled vacancies. The department has two open firefighter positions as of the date of this budget. It is expected that they will be filled by early 2015. In addition, the cost of Tri-City Ambulance ended up being \$35,000 less than budgeted. Batavia is on a calendar year budget and TCA is on an April 30 year- end so it makes budgeting for this contract a little uncertain since TCA has not prepared the budget yet. The only other significant change was to pension funding for \$71,000.

The Fire department also administers the ESDA budget. This budget includes \$21,000 the replacement of a tornado siren at the Alice Gustafson School location and for \$5,000 for general siren maintenance. This should be the last year of replacement for some time as there was also a replacement done in 2014 at the Louise White School location.

The **Street Department** has a 2015 budget of \$3,872,156, which is less than the 2014 amended budget and only \$30,000 over 2014 projected spending. However, this budget is \$824,000 over 2012 spending which represent the largest increase to spending for the general fund by department. Therefore a breakdown of the increases is provided below which demonstrates that the majority of the increases were related to personnel and weather.

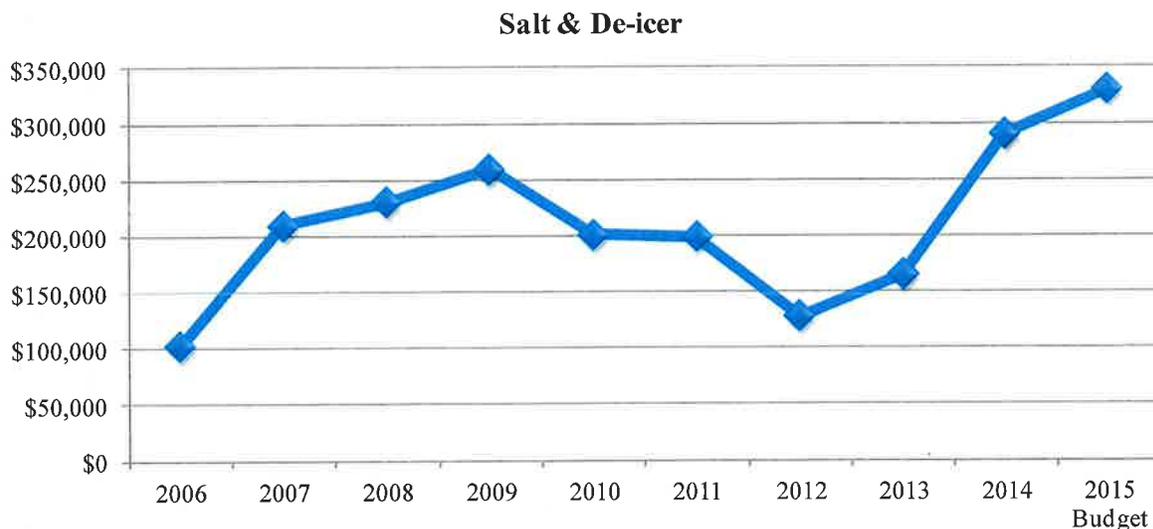
The first half of the winter of the 2014 budget was nothing less than atrocious for the amount of snowfall and weather related events that required a significant investment in salt, overtime, double time and contractual snow removal. Wages and benefits represent the largest increase from 2012 to 2015.

| | 2012 | 2013 | 2014 Projected | 2015 Budget |
|--------------------------------|--------------------|--------------------|---------------------------|------------------------|
| Wages | \$1,292,078 | \$1,452,408 | \$1,567,668 | \$1,539,600 |
| Benefits | \$670,710 | \$742,095 | \$760,592 | \$766,193 |
| Commodities | \$155,753 | \$183,813 | \$161,150 | \$171,300 |
| Materials | \$86,922 | \$77,555 | \$90,000 | \$100,000 |
| Fuel | \$71,047 | \$86,939 | \$94,000 | \$92,000 |
| Salt & Deicers | \$127,484 | \$164,500 | \$290,000 | \$330,000 |
| Repair & Maintenance | \$76,110 | \$70,097 | \$173,500 | \$141,500 |
| Contractual Services | \$81,344 | \$66,372 | \$96,000 | \$118,500 |
| Brush Program | \$93,100 | \$94,325 | \$177,000 | \$204,000 |
| Downtown Snow Removal | \$4,375 | \$13,128 | \$77,000 | \$70,000 |
| Property Maintenance | \$81,417 | \$93,784 | \$80,000 | \$100,000 |
| Mosquito Abatement | \$42,017 | \$38,100 | \$50,000 | \$55,000 |
| Forestry and Tree Service | \$212,191 | \$182,574 | \$200,000 | \$175,000 |
| Liability & Property Insurance | \$53,843 | \$37,307 | \$40,466 | \$50,063 |
| | \$3,048,391 | \$3,302,997 | \$3,842,376 | \$3,872,156 |
| | | Increase | \$539,379 | \$29,780 |
| | | % Increase | 16.3% | 0.8% |

The 2015 budget for over time is less than projected spending for 2014 but it is \$90,000 more than 2012 overtime levels, which were very low. In light of the winter experienced in 2014 and spending in 2013 the overtime budget for 2015 is appropriate.

The increase to wages aside from the addition of a maintenance worker was only 2.3% and 3.3% in 2014 and 2015. This department has the highest IMRF salaries and thus there was a large increase in cost for IMRF, similar to increases for the police and fire pensions.

As shown the most significant increase from 2012 to 2015 is \$435,000 for salt and the contracts for brush removal and downtown snow removal. Spending for salt in 2012 was below normal levels but as shown on the graph the 2014 and 2015 spending are both significantly higher than in the past ten years. The budget for 2013 includes a high estimate for the price per ton. If the actual cost ends up being lower there could be some savings over the budget for next year.



The increase in contracts includes the addition of a contract for snow removal in the downtown. Spending on downtown snow removal was \$14,000 in 2013, is projected to be \$77,000 in 2014 and is budgeted at \$70,000 for 2015. The other large increase to contracts was for the brush program. The budget for 2015 is \$110,000 more than what it cost in 2013 which is a 116% cost increase. One last item of note is an increase of \$20,000 for contract mowing at the cemeteries rather than staff. The budget for part-time help was reduced by \$15,000 and the replacement of a \$7,000 mower was eliminated so the total budget is less for 2015 when accounting for those cuts but going forward it would not be as the mower is a one-time replacement, so the program will require review during the 2016 budget process.

While the increase in budgetary spending has been significant for the street department, many of the increases were out of the City's control, including the increase to the brush contract, the weather related overtime and double time and the significant increased cost (and need for) of salt. The good news is that the 2015 budget is only \$30,000 over 2014 spending.

Motor Fuel Tax Fund (18)

The Motor Fuel Tax Fund was split into two funds with this budget. The City's street program had been funded from Motor Fuel Taxes received from the State of Illinois, grants and from a \$500,000 transfer from the General Fund each year.

The Illinois Department of Transportation (IDOT) has strict guidelines on how motor fuel tax funds are spent. With the advent of the \$7.585M grant, it was decided that it would be best to separate motor fuel tax funds from the funds from the City's general fund. The balance of the funds, though are subject to an IDOT audit. The state has not been out to audit those funds since 2004 due to decreased staffing. We have requested a compliance review so that we can be sure that the funds are separated correctly. Finance staff just submitted 9 years of supporting documents along with all bank statements and vendor payments for review. It is likely that some items the City has listed as MFT will be adjusted during multiple project closeouts that the state will have to do and we are anticipating that the cash balance between the funds will change. The separation of funds merely shifts how the funds can be spent. If the funds are MFT they must go through the IDOT process and if they are general funds there are no restrictions on how the contracts are let or what type of capital project it is.

The 2015 budget includes \$1.1 Million in spending for the street program and an additional \$500,000 for Main Street engineering and \$130,000 for crack sealing and pavement preservation. All of these items are eligible for reimbursement from the IDOT grant and have corresponding revenue budgeted.

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 five 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 and new for 2014 and 2015 is the addition of a capital fund for non-MFT street programs. 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 \$565,000 for 2015. Some of the projects included have not been thoroughly vetted and may see a reduction in scope. The budget includes continued work on the replacement of windows at City Hall with \$250,000 budgeted. Other improvements include a budget of \$125,000 for life safety upgrades to be made to the Elevator at City Hall. A review will be made to determine if it would be more cost effective to make the upgrades or replace the elevator entirely. There is no imminent danger for use of the elevator and a full report will be brought before the City Council before the work commences.

There is a budget of \$150,000 for security measures at City Hall. The budget plans for panic buttons in a few key areas and security entrance cards within some areas and the upgrade and addition security cameras. There is also \$30,000 budgeted for changes to the stairs at the north end of the building by the police department.

Drainage Improvement Fund (33)

The Drainage Improvement Fund has a budget of \$320,740 with some items carried over from 2014. The budget includes \$90,000 for a study on the establishment of a stormwater utility. Presentations have been made to City Council on the need for major improvements to drainage areas throughout the City. The establishment of this separate fund in 2012 was in response to the recognition that more funding is needed to address the matter. A determination on the best way to fund the improvements needs to be made. There are both pros and cons to establishing a new utility such as this one and a thorough review of both should be made.

Maintenance Projects in this fund include storm sewer and storm manhole lining, detention pond maintenance and Braeburn Marsh maintenance. Capital Projects include work along Mahoney Creek, the Kingsbury sump extension project and the conversion of a basin back to native at Edwards and Raddant. The conversion of the basin will require ongoing stewardship not currently being done. Fifty percent of the cost for conversion will be funded with money collected from recycling. For further information on the Mahoney Creek please reference the CIP sheet in the Appendix.

Non-MFT Street Improvement Fund (43)

This new fund was established from splitting off the portion of fund 18 that came from general fund monies and not motor fuel tax funds. This fund will not have a funding source for several years since the transfer of \$500,000 will be forfeited for the next fifteen years to offset the MFT grant revenue that will go into the motor fuel tax fund. There are funds available and generally these funds will be used for sidewalks and smaller projects.

There is a large project coming from these funds though in 2015 and that is an agreed funding amount for Houston Street reconstruction. There is a \$500,000 budget to help offset the cost of the street reconstruction. The funds would be eligible for MFT funding but due to the timing of the project, there is not time to go through the IDOT process for the project.

Other projects budgeted in this fund now include the Pedestrian crossings, the completion of the Wilson Street Interconnect project and Phase 1 of the Deerpath and Main Street Intersection. Funds for Phase 1 of the Deerpath project will be 50% from developer funds and 50% from Kane County. When the project is ready for construction, it will be budgeted in the MFT fund, as the construction phase is an eligible MFT expense.

Vehicle and Equipment Funds (71 & 72)

Other funds include the fire and public works capital funds that were established for the replacement of vehicles and equipment. These funds receive funding from development and transfers from the General Fund. Public Works has budgeted to replace \$385,000 in vehicles and equipment. Included are two dump trucks with plows, a heavy-duty pickup, a new leaf machine and a salt brine machine to begin an anti-icing program.

The Fire Department plans to replace a 1992 Brush Pumper at an estimated cost of \$37,000. The next large replacement planned is an engine in 2018 followed by the ladder truck in 2023. The Fire Department has been successful in the past in applying for and receiving grant funds to help offset the cost of apparatus. The current funding schedule may need to be increased in future years if no grant funds are received.

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

Both of these projects have a majority of their funding coming from grants. The Deerpath Bridge is funded at 80/20 with our share 20% expected end cost of \$368,377 to be funded with funds from the motor fuel tax fund. This project has been put on hold for one year until the improvements at Deerpath and Main Street are engineered. The Safe Routes to School Fund has \$113,000 in budgeted projects with the entire amount coming from grants. These projects have CIP sheets in the Appendix with further details.

TIF 1 (11) and TIF 3 (12)

The two remaining Capital Project Funds are for the City's two active TIF Districts. TIF funds are generated through the difference in a set base value of property when the TIF is established and the increase in value through development. A TIF is established to revive an area of a community. The taxes that fund the district come from that change in value. The amount that is returned to the City is the taxes from all taxing bodies. TIF Districts do not increase taxes for the taxpayer; they only change how the taxes are distributed. TIF's sometimes are frowned upon by taxpayers that feel that if the TIF were not receiving the tax dollars that the other taxing bodies might levy less taxes. What is often not understood though is that were it not for the TIF and the money available for improvements, the tax dollars would not be generated because the property would not likely have been developed on its own. In the end, taxpayers will benefit by having development that will provide long-term property tax payments to the taxing districts when the TIF expires via improvement dollars put directly into the area.

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

The 2015 budget for TIF includes \$80,000 for Batavia MainStreet. Prior funding was made at \$40,000 but funding will be at \$80,000 in 2015 and \$68,000 in 2016 before returning to \$40,000. The increase in funding is being done to return additional funds received by the TIF through the downtown Special Service Area levy that artificially increased payments to the TIF. Were it not for the SSA the funds would not have come into the TIF so the City Council has committed those funds be returned via a reduction in the SSA levy over a three year period. There is also \$60,000 for the two remaining Donovan Bridge Art Sculptures and \$5,000 for a study of the Batavia Avenue Streetscape plan.

Strategic Goals for Environmental Identity

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

The TIF budget supports the strategic goal of Environmental Identity as it includes \$40,000 for a study of the Fox River.

The Façade and Downtown Improvement Grant Programs are budgeted at a total of \$100,000 for 2015. Also budgeted is \$200,000 for possible redevelopment of projects such as the Thomle building or the Baptist Church property or a project that may come up during the year. There is also \$450,000 for the Walgreens project initial payment.

The Route 25 and Route 31 Pedestrian crossings will have a net cost to the TIF of \$56,000 of which \$46,286 will be the net payout in the 2015 TIF budget. This represents one-half of the project with the other half budgeted in the street program fund 43. There is also \$100,000 for the Art Stop parking lot.

The largest project for the TIF budget for 2015 is the Houston Street Streetscape project. The current projection of revenues and expenditures for 2015 show a cash deficit of \$1,345,300 if all budgeted projects occur. The Houston Street project is budgeted at a total cost of \$2,723,850 with \$2,223,650 coming from TIF funds and \$500,000 coming from fund 43 from the Street Capital Fund. The cash shortfall will require a loan from the General Fund or a bank loan depending on the cash flow needed and timing of all projects. Loan funds for \$1,345,300 have been included in the TIF budget so as not to show a negative surplus.

Strategic Goals for Community Connectivity:

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

The budget includes a token amount for the Art in Your Eye festival that has become a very successful event for the community and directly supports a strategic goal of the City Council. More importantly, the Streetscape projects support the goal of community connectivity.

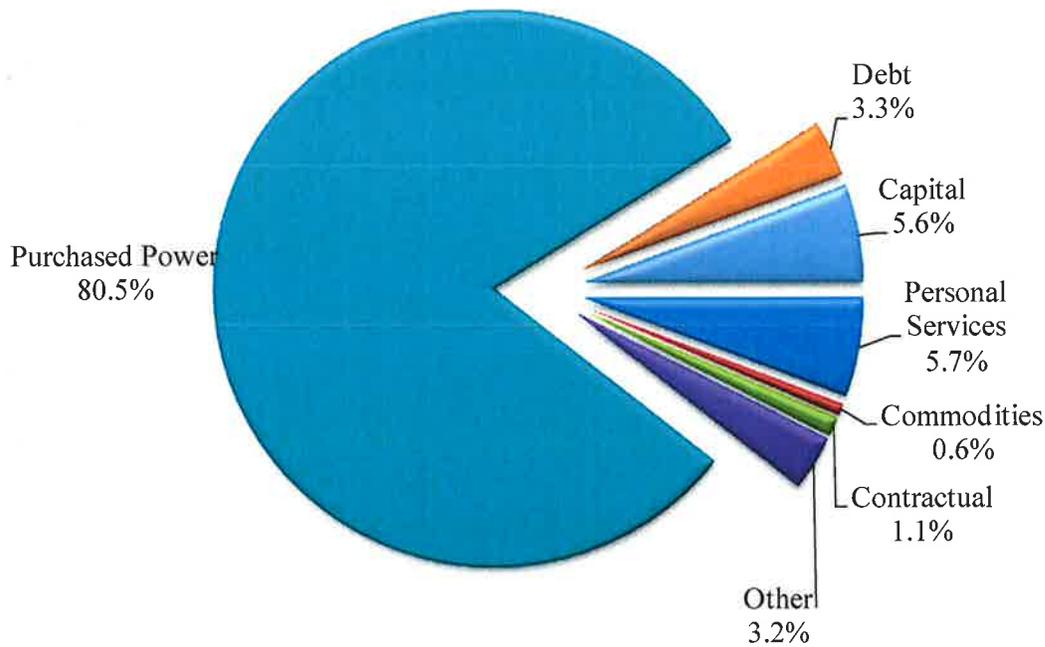
Enterprise Funds – Business Type Activities

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

Electric Utility

The electric utility provides service to over 9,500 residential customers and 1,340 commercial and industrial customers. The utility is a transmission and distribution utility and does not directly own generation. The following chart shows the breakdown in spending for the Electric Utility for the 2015 Budget. As shown purchased power accounts for 80% of expenses. Purchased Power includes all costs associated with the purchase and transmission of power through NIMPA, Summer Power and Capacity contracts, net market power and transmission related charges.

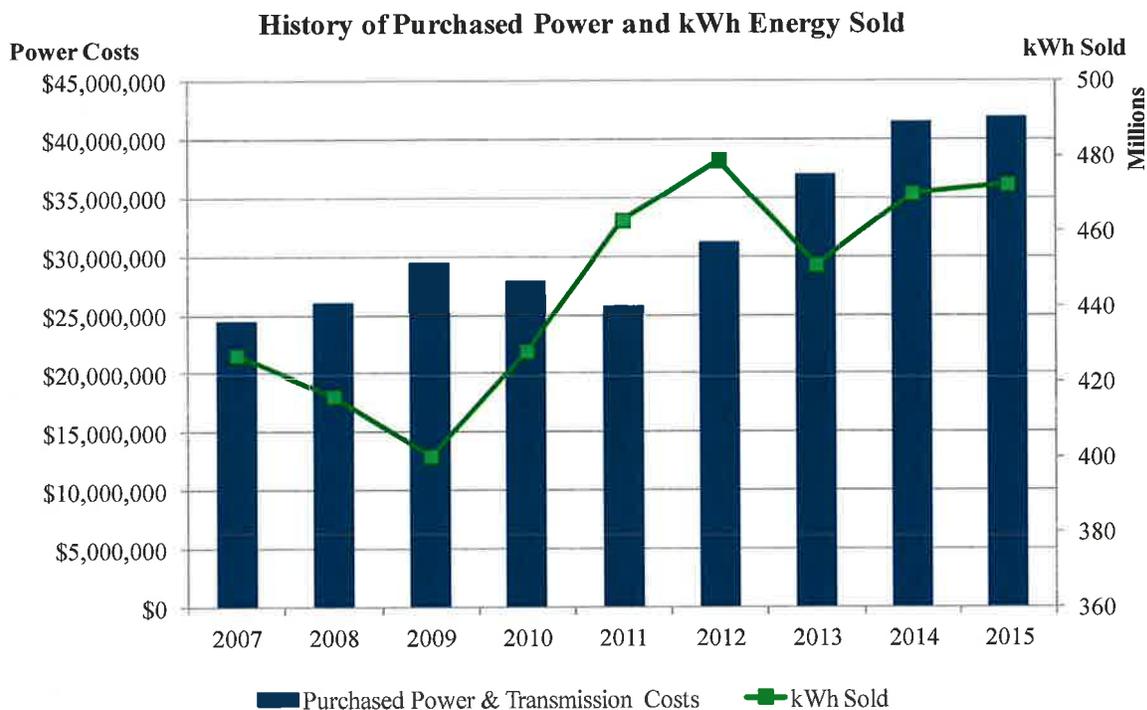
Electric Utility 2015 Budget by Category



Power is provided through take or pay contracts. Beginning in 2012, the utility started receiving power through ownership in the Prairie State coal mine project via NIMPA, an intergovernmental group of three cities. NIMPA is an independent organization with its own Board and own financial accounting and reporting. The Board is made up of members of the three cities but the accounting and financial reporting is contracted through an outside source. NIMPA is also independently audited in much the same manner as the City. In 2013, both units of Prairie State were in operation and all but some of the City's peak power was supplied through this source.

Power costs were much higher in 2013 (\$5.6M) and 2014 (\$4.4M) due to costs associated with the startup of a newly constructed power plant. As owners, through NIMPA, we must pay our share of these costs. In addition, if the plant is down for maintenance, NIMPA must secure power on our behalf from another source. Power costs for 2015 are expected to increase just slightly over accrued 2014 expenses. Current projections show our power costs increasing by 3.5% in 2016 and then remain steady until 2019 when it is expected there will be a 5.5% increase. These numbers are subject to change based on the operational needs of the plant. We as NIMPA have voting rights, but no direct operational control of the plant.

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



The current rate structure provides that the difference between the city’s base power costs and true power costs be collected monthly through a purchased power adjustment factor (PPAF) applied to bills. The Council enacted a \$2M rate stabilization fund (RSF) in 2009 to help stabilize the PPAF whenever possible. The RSF was increased to \$5M in 2014. The passage of this budget will provide authorization from the City Council to use up to the full amount available in the RSF during the year. It is projected that the RSF will have a balance of a little over \$1M to start 2015.

The City Council approved a two-year rate increase in 2014, effective May 1 of each year. The rate increases that were recommended in 2014 were based on estimates prepared by the Finance Department. A formal rate study is currently underway to ensure that the increases put in place will be sufficient and to determine future year needs. As already discussed

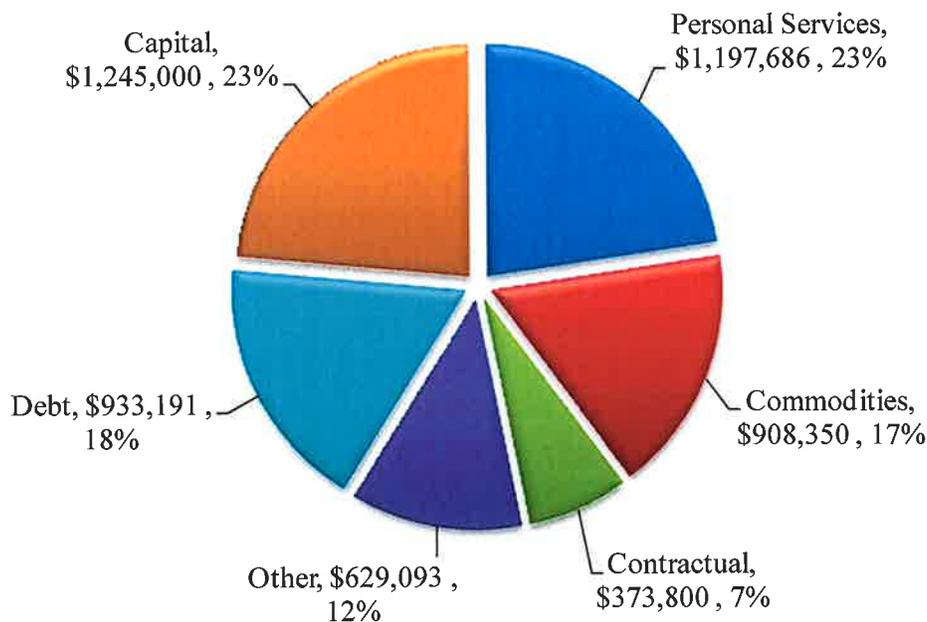
earlier, the City Council implemented a ½-cent home rule sales tax to be collected over four years and utilized for rate stabilization. The revenue will flow through to the utility via a reduction in expenses that the electric utility pays the General Fund each year. The General Fund will replace those charges with the sales tax revenue. It is anticipated that the utility will receive the benefit of \$5.7M over the four years to be put towards rate relief. A reconciliation of the benefit will be reported to the City Council each year.

NIMPA is a 7.6% owner and has a debt obligation of approximately \$530 million of which Batavia’s share is \$240 million. Batavia pays the debt service in the form of a power contract through NIMPA. The debt costs for some of the bonds issued by NIMPA have been higher because of the federal sequestration that reduced the interest subsidy provided by the federal government for the Build America Bonds.

City staff and the City Council are very cognizant of the impact our electric rates have on our utility customers. Staff has worked diligently to keep costs that are within our control to the lowest level possible. However, at the same time the utility needs to keep operating and working to provide reliable electric service. To that end, there is \$2.9M of capital spending included in the 2015 budget. The largest project is \$1M for replacement of the poles, wire and transformers along Fabyan Parkway and Western Avenue. A capital sheet in the Appendix shows the map line for this project. Two similar projects are also planned, one for the Colonial Village area at a cost of \$550,000 and one for Carlisle Road and Batavia Avenue at a cost of \$250,000. The last large project for 2015 is to replace the underground wire at Batavia Apartments with a budget of \$305,000.

Water Utility

Water Utility 2015 Budget by Category



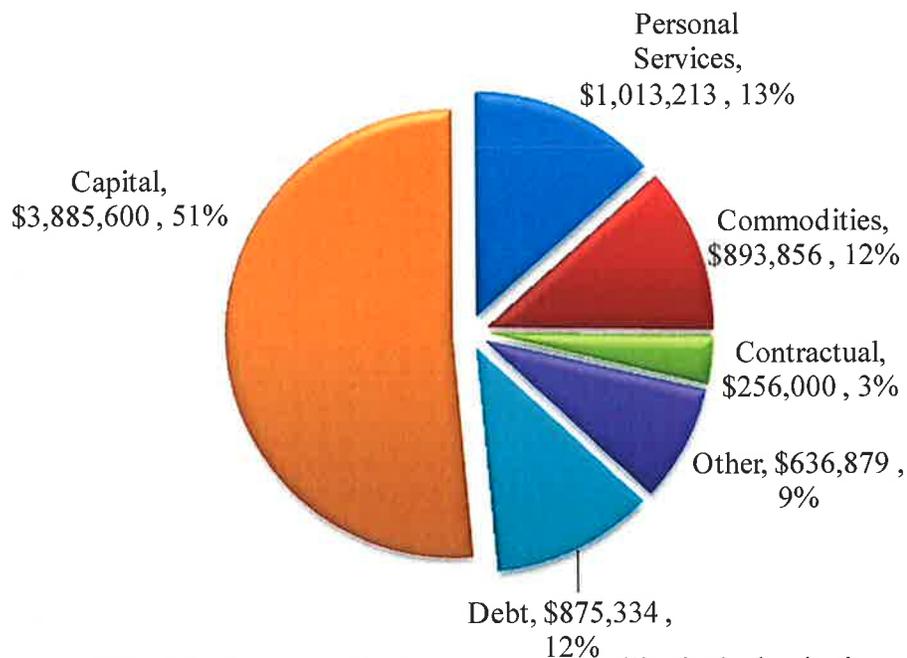
The Water Utility will have the final year of a 4-year 3% rate increase go into effect on January 1, 2015. A water rate study is also underway in 2014 to determine what our future rate needs will be. Plans for the Water Utility for 2015 include continued phasing in of an automated meter reading system. This project cost is being shared by the wastewater utility (31-83) since sewer billings are based on water meter readings. Maintenance is also planned for deep well 4, which is a standby well.

The capital budget includes \$635,000 for water main replacement on Maple Lane from Batavia Avenue to VanNortwick Avenue. A smaller water main replacement is budgeted at \$115,000 in the near west downtown area of Wilson Street to complete a loop that will provide for increased fire flows. Also included in the budget is \$90,000 for the change out of water services on Batavia Avenue to move all the services to a new water main that was installed in a prior year. The department will be replacing a utility truck in 2015 as part of its replacement schedule.

Wastewater Utility

The Wastewater Utility will have the last year of a 4-year 8% rate increase that will begin January 1, 2015. Plans for spending in 2015 include wastewaters share of the meter replacement program and ongoing sanitary sewer work including \$450,000 for pipeline and collection system rehabilitation both budgeted under 31-83.

Wastewater Utility 2015 Budget by Category



The most significant budget item for the wastewater utility is the beginning of up to \$65M in planned improvements for the rehabilitation and future expansion of the plant. The budget for 2015 is \$3.2M and includes the completion of design engineering and the start of construction.

Please review the capital improvements project sheet for more information on this expansive project. The scope of the project is so large that there will be multiple phases. The City also has plans to engage a firm to conduct value engineering on the project. All but a small portion of the early phases of the project will be eligible of loan funds under the IEPA low interest loan program. Unlike the issuance of bonds, the IEPA loans are done on a reimbursement basis that will require that the City have sufficient cash flow to fund construction payouts in advance. This may require a working capital loan in the main years of construction. In addition, the utility will need to borrow funds from a bank or through a small bond issue to cover the costs that are not eligible under the IEPA loan. The amounts of such loan will be finalized in 2015 but there is a placeholder in the budget of \$1M.

Internal Service Fund Type: Self – Insurance Activities

Health (15) and Workers Compensation (20) Insurance

The City is self-insured for both Health Insurance and Workers Compensation. Employees pay between 13% and 20% of the cost of health insurance. Payment is made through a payroll deduction and the City contributes their share to the fund on a bi-weekly basis in conjunction with payroll. The city’s share of costs is budgeted as a line item expense within each department under account 6120. Rates are determined by a third-party broker based on estimated claims and using claims history. Claims up to \$140,000 are paid by the City. Reimbursement from an excess carrier is received for claims over that amount. There can be exposures greater than that amount if the excess carrier insists on a laser of a higher deductible for for an insured with a serious health condition. Such was the case in 2014 when the City was required to pay the first \$500,000 in claims for one individual. This resulted in a drawdown on reserves for just over that amount in 2014. Reserves were good in the fund prior to that and the City still currently has sufficient reserves to pay claims.

The Workers Compensation Insurance Fund is funded through charges to the departments based on claims history. The charge to each department is budgted under the account 6515. A higher fund balance is needed in this fund due to the very high deductible. We currently have the lowest self-insured retention offered and that is \$650,000. Employee safety is a top priority and regular review of claims is made to ensure proper safety procedures are in place and proper personal protective equipment is used.

| | 2015 Health | 2015 Workers Compensation |
|-----------------|------------------------|--|
| Revenues | \$3,796,632 | \$535,920 |
| Expenditures | \$3,961,250 | \$621,650 |
| Surplus/Deficit | (\$164,618) | (\$85,730) |
| Reserves | \$1,335,331 | \$1,198,596 |
| Days Claims | 123 | 704 |

Debt Management

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

General Obligation Debt – General Fund

The City has a low General Obligation debt burden. The City will have \$7,890,000 in outstanding principal General Obligation debt at the start of the 2015 budget year. One of the City's outstanding debt issues is backed by sales tax and one is supported through property taxes. The final levy for City Hall Bonds was collected in 2014, which save \$321,000 on future tax bills.

There are currently no plans to issue General Obligation debt in 2015. The City currently has only one GO bond issue on the tax levy rolls and that is for the Donovan Bridge. The Fire Station debt is paid with sales tax. 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).

| Principal Balance | Fire Stations | Donovan Bridge | Total Outstanding |
|----------------------------------|----------------------|-----------------------|--------------------------|
| 1/1/15 Budget | \$6,615,000 | \$1,275,000 | \$7,890,000 |
| Interest Cost | 2.41% | 2.20% | |
| Final Payment Budget Year | 2025 | 2024 | |

General Obligation Debt Payments (Principal & Interest)

| Project Funding | Fire Stations Sales Tax | Donovan Bridge Property Tax | Total P & I by Year |
|------------------------|--------------------------------|------------------------------------|--------------------------------|
| 2014 | \$703,450 | \$150,825 | \$854,275 |
| 2015 | 703,450 | 150,825 | 854,275 |
| 2016 | 708,450 | 148,425 | 856,875 |
| 2017 | 707,700 | 144,825 | 852,525 |
| 2018 | 711,500 | 146,225 | 857,725 |
| 2019 | 709,700 | 142,475 | 852,175 |
| 2020 | 717,450 | 144,975 | 862,425 |
| 2021 | 719,450 | 142,375 | 861,825 |
| 2022 | 720,850 | 144,450 | 865,300 |
| 2023 | 721,650 | 141,413 | 863,063 |
| 2024 | 731,850 | 138,206 | 870,056 |
| 2025 | 726,150 | | 726,150 |

Revenue Bond Debt – Enterprise/Utility Funds

All three utilities have outstanding debt that was issued to fund capital improvements of the respective utilities. The electric utility issued \$26,970,000 in revenue bonds in 2006 to fund the construction of two 138 kV substations and transmission lines. The principal balance for Electric Fund debt as of 1/1/15 will be \$23,780,000. All debt associated with the Prairie State Mine Project was issued through the inter-governmental Agency, NIMPA. Repayment of the debt is done through purchased power contracts between the City of Batavia and NIMPA. Ultimately, it is the obligation of the City of Batavia to repay the debt, but the debt does not appear as a long-term debt obligation in the City’s Financial Statements or in supplemental debt disclosure. NIMPA issues their own financial statements and information related to this debt can be found on their website: NIMPA.us.

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 Fund will have \$8,268,793 in outstanding principal on 1/1/15. The Wastewater Fund will start the year with \$4,807,280 in outstanding principal. The Wastewater Fund will need to issue IEPA loans beginning in 2015 to start funding improvements/rehabilitation at the wastewater treatment plant. The scope of the initial debt spans five years and will require \$25 million in IEPA loans.

IEPA loans are structured as a reimbursement as construction is completed rather than an upfront issuance like normal bonds. That type of loan reduces the ultimate interest cost since the debt isn’t issued until it is actually needed. However, reserves must be such to allow for advance payment of the contracts. The existing debt will be paid off in 2020, which will help with the payments on the new debt.

Enterprise Fund Debt Payment Requirements (Principal and Interest)

| | Electric | Water | Wastewater |
|-------------|--------------------|------------------|------------------|
| 2015 | \$1,701,806 | \$933,014 | \$866,436 |
| 2016 | 1,704,606 | 936,714 | 863,958 |
| 2017 | 1,701,206 | 933,614 | 866,481 |
| 2018 | 1,701,806 | 931,914 | 868,888 |
| 2019 | 1,701,206 | 935,114 | 871,180 |
| 2020 | 1,704,406 | 933,114 | 828,318 |
| 2021 | 1,705,376 | 936,014 | - |
| 2022 | 1,704,694 | 933,167 | - |
| 2023 | 1,701,894 | 933,367 | - |
| 2024 -2036 | 22,144,374 | 1,582,637 | - |

| | | | |
|----------------------------------|---------------------|--------------------|--------------------|
| Principal Balance | | | |
| 1/1/2015 Budget | \$23,780,000 | \$8,268,793 | \$4,807,280 |
| Final Payment Budget Year | 2036 | 2026 | 2020 |

Surplus and Reserves

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

For budget purposes, it is most appropriate to review the available cash on hand, which represents the current amount available for continuing operations. A standard measure is to maintain a balance sufficient to remain in operation for 60 days for the General Fund and 90 days for Enterprise Funds (utilities). The City will meet these reserve policies for all funds in 2015.

Fund reserve balances will be maintained that:

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

Surplus and Reserves - General Fund

The projected reserves for the end of 2015 are projected to be 169 days.

| | 2012 | 2013 | 2014 | 2015 |
|--------------------|--------------|--------------|--------------|--------------|
| Revenues | \$22,329,659 | \$23,189,089 | \$23,973,085 | \$24,769,280 |
| Expenses | \$22,639,569 | \$21,448,890 | \$24,269,321 | \$24,767,990 |
| Surplus/Deficit | (\$309,910) | \$1,740,199 | (\$296,236) | \$1,290 |
| Capital/Other | \$2,870,042 | \$572,705 | \$2,136,098 | \$2,159,186 |
| Operating Expenses | \$19,769,527 | \$20,876,185 | \$22,133,223 | \$22,608,804 |
| Reserves | \$9,042,029 | \$10,782,228 | \$10,485,992 | \$10,487,282 |
| Days Operation | 167 | 189 | 173 | 169 |

General Fund Reserves - Continued

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

As discussed earlier, the City entered into an economic development agreement that will draw down the General Fund Reserves by a total of \$3,685,000 by 2019. If current projections hold true, that will leave 92 days in reserves, which is still above the minimum of 60 days.

Surplus and Reserves - Electric Fund

Reserves in the Electric Fund are projected to end 2015 with 104 days of operations and a balance of \$13.9M. The reserves have gone down due to the use of reserves for rate stabilization in 2013 and 2014 and due to higher costs related to purchased power.

The current budget provides for a net operating income that will provide the required threshold for bond reserve purposes as well as maintaining 90 days of reserves. The bond coverage requirement is that net operating income must equal or exceed 1.25 x annual debt service.

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

| | 2012 | 2013 | 2014 | 2015 |
|--------------------|--------------|---------------|--------------|--------------|
| Revenues | \$43,713,428 | \$44,925,236 | \$48,787,254 | \$51,388,445 |
| Expenses | \$41,209,924 | \$47,984,667 | \$49,430,081 | \$51,892,137 |
| Surplus/Deficit | \$2,503,504 | (\$3,059,431) | (\$642,827) | (\$503,692) |
| Capital | \$1,384,001 | \$2,475,050 | \$1,266,000 | \$2,895,000 |
| Operating Expenses | \$39,825,923 | \$45,509,617 | \$48,164,081 | \$48,997,137 |
| Reserves | \$18,140,433 | \$15,081,002 | \$14,438,175 | \$13,934,483 |
| Days Operation | 166 | 121 | 109 | 104 |

Surplus and Reserves -Water Fund

The reserves for the Water Fund are projected to be at 265 days at the end of 2015. The reserve includes a drawdown in 2013, 2014 and 2015 for water main replacement projects undertaken in conjunction with the streetscape projects. Evaluation and prioritization of future water projects continues to ensure that adequate reserves will be available to fund the projects. The focus will be on replacement of water mains with the most pressing maintenance issues followed by the oldest water mains. City staff has made a concerted effort to coordinate capital planning across departments to time utility improvements with road improvements when appropriate.

| | 2012 | 2013 | 2014 | 2015 |
|--------------------|-------------|-------------|-------------|-------------|
| Revenues | \$4,576,648 | \$4,311,924 | \$4,452,226 | \$4,553,434 |
| Expenses | \$4,054,457 | \$4,360,909 | \$4,652,469 | \$5,287,120 |
| Surplus/Deficit | \$522,191 | (\$48,985) | (\$200,243) | (\$733,686) |
| Capital | \$365,188 | \$653,509 | \$729,000 | \$1,245,000 |
| Operating Expenses | \$3,689,269 | \$3,707,400 | \$3,923,469 | \$4,042,120 |
| Reserves | \$3,912,524 | \$3,863,539 | \$3,663,296 | \$2,929,610 |
| Days Operation | 387 | 380 | 341 | 265 |

Surplus and Reserves - Wastewater Fund

The reserves for the Wastewater Fund are projected to be at 96 days at the end of 2015. The reserves reflect the infusion of \$2M in IEPA and other loan funds to offset the planned capital investments to be made in 2015. The wastewater fund will be incurring significant debt over the next five years to fund necessary capital improvements. Rates will need to be sufficient to cover the new debt while maintaining an adequate number of days of reserves. Further review will be done in 2015 to plan for this.

| | 2012 | 2013 | 2014 | 2015 |
|--------------------|-------------|-------------|-------------|-------------|
| Revenues | \$4,313,885 | \$4,431,600 | \$4,512,920 | \$7,084,645 |
| Expenses | \$4,004,731 | \$5,309,112 | \$4,450,116 | \$7,560,882 |
| Surplus/Deficit | \$309,154 | (\$877,512) | \$62,804 | (\$476,237) |
| Capital | \$349,445 | \$1,605,305 | \$923,599 | \$3,885,600 |
| Operating Expenses | \$3,655,286 | \$3,703,807 | \$3,526,517 | \$3,675,282 |
| Reserves | \$2,252,935 | \$1,375,423 | \$1,438,227 | \$961,990 |
| Days Operation | 225 | 136 | 149 | 96 |

Conclusion

The 2015 General Fund budget is presented as a balanced budget without an increase to property taxes or other fees in the General Fund. Costs have been cut or held even in most commodity and contractual items except for the brush program. Additional staff has been requested in several departments but only the addition of a communications person in Administration has been included in this budget. The budget does provide for a modest wage increase for most workers.

Staff will continue to work towards long-term sustainability throughout the year by always looking for cost savings in purchasing and in processes. A budget will be presented each year that ensures there is a structure of revenues that will support the services that the City Council deems appropriate for funding. In addition, the budget will also be presented with the consideration of future years and the impact of current spending.

The five-year projection shows that expenditures in the General Fund will outpace revenues and this will need to be addressed through some type of revenue increase if services are to continue to be provided as they currently are in the 2015 budget. Service delivery and financial sustainability is a key portion of our strategic plan and staff will continue to work towards that goal.

The largest impact this budget will have on our residents and customers is the rate increases that are necessary in the electric, water and wastewater utilities. A balance between ensuring there is safe, reliable infrastructure with the increased cost of providing services must be established. The goal is to obtain the maximum useful life of our infrastructure. Ensuring that an adequate long-range capital plan is in place for all three of the utilities is a key factor in budgetary decision making for the utilities.

Reliable electric services along with clean safe drinking water and an environmentally safe wastewater system are all an important part of ensuring the economic and environmental sustainability of our City.

Following is the 2015 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 2015 Annual Budget

Total 2015 Budget - All Funds and Activities

| Description | Actual 2012 | Actual 2013 | Approved Budget 2014 | Estimated 2014 | Proposed Budget 2015 |
|----------------------------------|---------------------|---------------------|----------------------------|---------------------|----------------------------|
| Surplus and Reserves | \$39,205,215 | \$41,609,860 | | \$39,267,550 | \$38,140,199 |
| 01 Intergovernmental | \$4,727,147 | \$5,067,357 | \$5,614,503 | \$6,025,034 | \$5,907,639 |
| 01 Municipal Taxes/Fees | \$5,346,993 | \$5,536,193 | \$4,628,096 | \$4,943,316 | \$5,016,262 |
| 01 Property Taxes | \$7,870,416 | \$7,818,875 | \$7,868,022 | \$7,739,087 | \$7,433,730 |
| 01 Sales Taxes | \$6,325,405 | \$6,667,353 | \$7,575,012 | \$7,784,061 | \$8,746,991 |
| 01 Utility Operating Revenues | \$51,671,893 | \$52,983,600 | \$55,808,358 | \$57,317,913 | \$60,332,624 |
| 02 Contributions | \$4,057,726 | \$4,284,516 | \$4,167,505 | \$4,121,484 | \$4,297,552 |
| 02 Utility Nonoperating Revenues | \$385,080 | \$261,665 | \$200,400 | \$209,152 | \$263,400 |
| 04 Fees & Services | \$799,994 | \$736,274 | \$721,688 | \$955,195 | \$765,487 |
| 05 Fines and Forfeitures | \$186,264 | \$249,773 | \$225,000 | \$227,671 | \$235,000 |
| 06 Other Revenues | \$723,803 | \$573,012 | \$926,361 | \$825,086 | \$2,031,469 |
| 07 Interfund Allocations | \$3,382,824 | \$1,853,989 | \$1,812,366 | \$1,295,370 | \$1,328,450 |
| 08 Revenue Bond Proceeds | \$306,406 | \$196,494 | \$2,950,000 | \$0 | \$2,200,000 |
| Total Revenue | \$85,783,951 | \$86,229,101 | \$92,497,311 | \$91,443,369 | \$98,558,604 |
| TIF District Projects | \$3,775,308 | \$2,163,803 | \$1,500,937 | \$595,234 | \$3,378,435 |
| Administration & Legislative | \$1,008,370 | \$1,091,994 | \$1,128,413 | \$1,189,390 | \$1,217,378 |
| Human Resources | \$285,221 | \$303,882 | \$277,492 | \$237,701 | \$391,399 |
| Community Development | \$918,108 | \$901,559 | \$959,087 | \$962,658 | \$987,481 |
| Public Works Administration | \$200,755 | \$217,281 | \$225,684 | \$219,860 | \$228,818 |
| Engineering | \$624,419 | \$676,288 | \$709,141 | \$705,610 | \$703,342 |
| Buildings and Grounds | \$395,465 | \$341,583 | \$384,148 | \$349,214 | \$399,630 |
| Finance and Accounting | \$566,905 | \$557,217 | \$574,721 | \$574,971 | \$590,337 |
| Information Systems | \$709,871 | \$703,302 | \$941,210 | \$921,965 | \$772,545 |
| Utility Billing | \$301,339 | \$331,201 | \$349,849 | \$351,776 | \$362,772 |
| Worker's Compensation Plan | \$521,973 | \$474,965 | \$610,250 | \$609,500 | \$621,650 |
| Economic Development | \$74,374 | \$104,884 | \$1,424,943 | \$1,404,303 | \$1,391,467 |
| Police Admin & Operations | \$8,003,621 | \$7,889,147 | \$8,440,130 | \$8,220,550 | \$8,495,800 |
| Fire Services | \$4,724,069 | \$4,797,473 | \$4,980,991 | \$4,858,781 | \$5,158,326 |
| E.S.D.A. | \$25,425 | \$24,657 | \$51,065 | \$52,016 | \$54,271 |
| Drainage Capital Projects | \$57,401 | \$19,300 | \$268,750 | \$144,272 | \$320,740 |
| Public Works Capital Acquisition | \$294,193 | \$190,677 | \$560,000 | \$524,500 | \$385,000 |
| Fire Capital Acquisition | \$226,752 | \$0 | \$570,000 | \$455,053 | \$37,000 |
| Health Benefit Plan | \$3,523,960 | \$3,766,165 | \$3,579,045 | \$4,261,608 | \$3,961,250 |
| Safe Routes Program | \$6,408 | \$45,159 | \$409,319 | \$53,203 | \$113,643 |
| Deerpath Bridge Construction | \$51,974 | \$101,132 | \$136,100 | \$136,100 | \$0 |
| Streets and Sanitation | \$3,048,391 | \$3,302,997 | \$3,880,441 | \$3,842,376 | \$3,872,156 |

City of Batavia 2015 Annual Budget

Total 2015 Budget - All Funds and Activities

| Description | Actual 2012 | Actual 2013 | Approved Budget 2014 | Estimated 2014 | Proposed Budget 2015 |
|---------------------------------|---------------------|-----------------------|----------------------------|-----------------------|----------------------------|
| Surplus and Reserves | \$39,205,215 | \$41,609,860 | | \$39,267,550 | \$38,140,199 |
| Street Improvement Projects | \$1,545,071 | \$1,260,340 | \$2,378,629 | \$1,709,918 | \$2,511,704 |
| City Hall Capital Improvements | \$87,075 | \$32,178 | \$445,000 | \$85,000 | \$565,000 |
| Electric Improvements | \$1,384,001 | \$2,475,050 | \$1,890,000 | \$1,266,000 | \$2,850,000 |
| Meter Reading/Locating | \$237,698 | \$204,942 | \$198,082 | \$200,845 | \$216,520 |
| Transmission & Distribution | \$37,885,070 | \$43,601,470 | \$46,727,291 | \$46,260,230 | \$47,123,811 |
| Water Improvements | \$365,188 | \$653,509 | \$1,230,000 | \$729,000 | \$1,245,000 |
| Water Production | \$732,765 | \$680,613 | \$974,900 | \$915,500 | \$937,000 |
| Water Distribution | \$2,014,115 | \$2,041,908 | \$2,074,809 | \$2,073,755 | \$2,171,929 |
| Utility Share General Fund | \$-1,629,602 | \$-1,628,338 | \$-890,000 | \$-890,000 | \$-1,186,182 |
| Wastewater Improvements | \$81,973 | \$1,047,704 | \$3,460,000 | \$473,599 | \$3,435,600 |
| Waste Water Treatment | \$2,297,499 | \$2,321,005 | \$2,387,628 | \$2,349,998 | \$2,473,506 |
| Sanitary Sewer | \$488,145 | \$1,028,840 | \$956,094 | \$747,884 | \$776,442 |
| Interfund Allocations | \$3,382,824 | \$1,853,989 | \$1,812,366 | \$1,295,370 | \$1,328,450 |
| Revenue Bond Payments | \$3,782,658 | \$3,599,647 | \$3,516,780 | \$3,515,855 | \$3,510,331 |
| General Obligation Debt Service | \$1,380,524 | \$1,393,888 | \$1,167,125 | \$1,167,125 | \$854,276 |
| Total Expense | \$83,379,306 | \$88,571,411 | 100,290,420 | \$92,570,720 | 102,256,827 |
| Surplus/(Deficit) | \$2,404,645 | (\$2,342,310) | (\$7,793,109) | (\$1,127,351) | (\$3,698,223) |
| Surplus and Reserves | \$41,609,860 | \$39,267,550 | | \$38,140,199 | \$34,441,976 |