

The background of the page features a photograph of a brick archway on the left side, supported by a stone pillar. The sky is filled with soft, white clouds, and the overall lighting is warm and natural.

City of Batavia

2013 Annual Budget

City of Batavia

Values, Vision and Mission

Values Statement:

- We value the diversity, productivity and innovation of our residents and the contributions they make to our community.
- We value friendliness and caring in creating a sense of community, quality of life and hometown atmosphere.
- We value a commitment to continually improve the quality, reliability and affordability of city services.
- We value the preservation of our historical character while seeking to develop growth and prosperity.
- We value the stewardship of our natural environment through the protection and conservation of natural resources.
- We value honesty and integrity in all that we say and do.

Vision Statement:

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

Mission Statement:

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

City of Batavia Strategic Plan 2013-2017

Approved by City Council March 5, 2012

Strategic Themes and Rationales

Financial Sustainability

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 for Financial Sustainability

1. Prepare a five-year financial management plan
2. Link the annual budget to the Strategic Plan
3. Maintain adequate operating reserves/fund balances
4. Continually work to control expenditures
5. Diversify and augment revenues
6. Provide for the adequate maintenance of capital
7. Plan for long-term liabilities and commitments
8. Ensure availability of financial information to properly develop financial policies for the City Council and community.
9. Be proactive on legislative issues with financial implications for the City

Housing

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 for Housing:

1. Address the availability of diverse housing choices
2. Maintain and enhance the quality of housing stock
3. Support the private sector development/redevelopment of housing
4. Actively pursue all County, State, Federal and private housing grant opportunities

City of Batavia Strategic Plan 2013-2017

Strategic Themes and Rationales (Continued)

Business Development and Retention

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 for Business Development & Retention:

1. Develop a business/economic development plan
2. Be a proactive resource for existing and prospective businesses
3. Develop a marketing/branding initiative
4. Develop and expand effective partnerships with business-oriented Non-Governmental Organizations
5. Create a welcoming environment and “can do” attitude for businesses

Community Connectivity

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 for Community Connectivity:

1. Incorporate “connected infrastructure”
2. Facilitate communication pathways
3. Collaborate with other governments and community organizations
4. Nurture participation/volunteerism in community activities and programs
5. Foster neighborhood organizations and neighborhood collaboration
6. Use the Arts and other forms of self expression to encourage and support community connectivity and identity

City of Batavia Strategic Plan 2013-2017

Strategic Themes and Rationales (Continued)

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
2. Adopt and codify policies to promote conservation of natural resources
3. Enhance surface water quality
4. Integrate environmental principles into Utility operations
5. Promote alternative transportation methods
6. Educate the public on conservancy through media and programs

Downtown Development

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 for Downtown Development:

1. Review and update the comprehensive plan as it relates to the downtown
2. To identify and promote missing or underutilized public/private amenities and activities necessary to re-energize the downtown
3. Provide and maintain the necessary infrastructure to sustain desired amenities and activities

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List of Officials

Honorable Jeffery D. Schielke, Mayor

City Council

Ward 1:	Garran Sparks	Michael F. O'Brien
Ward 2:	Victor Dietz	Alan P. Wolff
Ward 3:	Dan Chanzit	Janet Jungels
Ward 4:	Susan Stark	James T. Volk
Ward 5:	Eldon Frydendall	Lucy Thelin Atac
Ward 6:	Robert F. Liva	Lisa Clark
Ward 7:	David J. Brown	Dawn Tenuta

City Administrator

William R. McGrath

Assistant City Administrator

Jason Bajor

City Clerk

Heidi L. Wetzel

City Attorney

Drendel & Jansons Law Group

City Treasurer

Gerald R. Miller

Department Heads

City Engineer

Noel Basquin

Director of Community Development

Scott Buening

Director of Information Systems

Howard Chason

Director of Finance

Peggy Colby

Fire Chief

Randy Deicke

Director of Public Works

Gary Holm

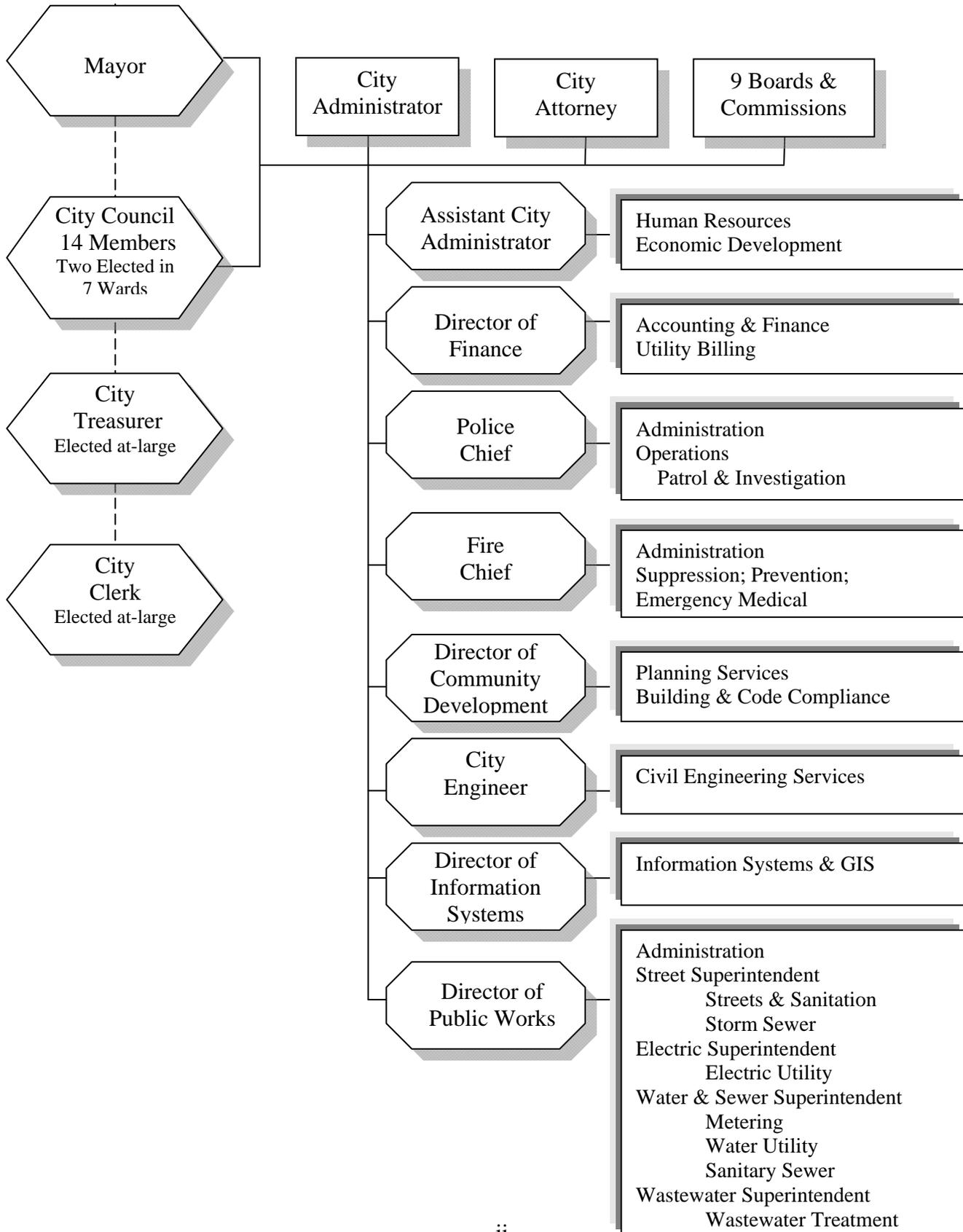
Police Chief

Gary Schira

City of Batavia

Organizational Structure

Citizens of Batavia



City of Batavia

2013 Budget Summary

Total Budget	Operating	Capital	Debt	Interfund
\$93,388,633	\$71,459,824	\$13,238,969	\$4,927,582	\$3,762,258

Total by Fund	Operating	Capital	Debt	Interfund
General \$29,743,045	\$26,115,097	\$ 1,752,786	\$ -	\$ 1,875,162
Capital Projects \$ 4,191,503	\$ -	\$ 4,191,503	\$ -	
Debt Service \$ 1,393,889	\$ -	\$ -	\$ 1,393,889	\$
Electric \$48,112,172	\$39,901,984	\$5,785,000	\$ 1,703,606	\$ 721,582
Water \$ 4,624,286	\$ 2,680,102	\$ 430,680	\$ 942,564	\$ 570,940
Wastewater \$ 5,313,738	\$ 2,762,641	\$ 1,079,000	\$ 887,523	\$ 584,574
Permanent \$ 10,000	\$ -	\$ -	\$ -	\$ 10,000

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.

2013 Budget Calendar

July 1, 2012	Finance Rolls Budget (sets up new funds/accounts/sets IMRF rate)
July 9, 2012	Finance Enters 2011 Actual Expenditures & Cash Balances
July 10, 2012	Departments Begin Budget Planning Process & Entry
September 7, 2012	Complete 2012 Budget Projection Data Entry
September 7, 2012	2012 Revenue Estimates to Finance - Engineering, Community Dev. & Utilities
September 7, 2012	2013 Revenue Estimates to Finance - Engineering, Community Dev. & Utilities
September 14, 2012	Closing for Data Entry - No Entry after this date
September 17, 2012	Submit Department Narrative Electronically
September 17, 2012	Submit Department CIP Workbook Electronically
September 17 -	
September 27, 2012	Meetings with Department Heads for Line Item Review & Budget Cuts (D.H. to bring backup for all budget requests to the meeting: i.e. vehicle replacement sheets, contractual & training detail)
September 28, 2012	Finance Provides Administration with Draft Budget
October 01 - 04, 2012	2nd Round Meetings with Department Heads for Final Modifications (adjustments to 2012 projections may be given to Finance up to this date)
October 12, 2012	Cut-off Date for Final Modifications/Amendment Requests to Admin/Finance
October 15 -	
October 26, 2012	Finalize Budget and Prepare for Distribution
October 30, 2012	Distribute to City Council & Staff & make available to the Public (must be made available at least 10 days prior to passage)
October 30, 2012	Comment Period Begins (until Passage)
November 5, 2012	Budget Public Hearing Notice Published (must be published one week or more prior to hearing)
November 8, 2012	Government Services Budget Meeting
November 19, 2012	2013 Budget Public Hearing*
November 23, 2012	2012 Tax Levy Public Hearing Notice Published (must be published not more than 14 days but not less than 7 days prior to hearing)
November 28, 2012	Additional Government Services Meeting for Budget (if needed - Great Room)
December 3, 2012	2012 Tax Levy Public Hearing (if required)*
December 3, 2012	City Council to Approve Final Budget (budget can be modified & adopted anytime after the public hearing without further review but must be approved before Jan 1.)
December 17, 2012	City Council to Approve 2012 Tax Levy for 2013 Collection
December 17, 2012	Alternate Approval Date for 2013 Budget
January 1, 2013	Budget Year Begins

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

City of Batavia

Financial Overview

2013 Budget

The City Council approved a Strategic Plan in early 2012 that lays out the primary goals and objectives of the City Council over the next five years. This plan is included at the beginning of the budget. Wherever possible, comments have been included to demonstrate how the budget is providing for the goals and objectives of the plan.

Strategic Theme: Financial Sustainability

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.

This budget meets this theme by providing a balanced budget without cuts to service or issuance of debt. This doesn't mean that there may not be impacts to service provided. There continues to be pressure on staff to provide the outstanding level of service that we have in the past and at the same time accept that we may not be able to always do so. The City Council will need to evaluate service goals in the coming years and establish priorities for funding if revenue constraints do not ease or are not augmented in future years to accommodate the gap in the growth pattern between revenues and expenditures.

The City's primary role is that of a service organization. For the General Fund 77% of operating costs are related to personnel. The utilities require about 55% of their direct operating budgets to provide for personnel, not including purchased power costs or debt. The 2013 budget provides for wage increases for all employees with estimates for the six union contracts that are subject to negotiation. Wage increases are recommended to mitigate any further compression between union and non-union positions which occurred due to non-union wage cuts in prior years combined with union increases.

Following is the City of Batavia's 2013 Budget. The process of preparing the budget begins with a review of current year revenues and expenditures to establish a proper benchmark for evaluating the budget for the coming year. Projections for 2012 in all of the main funds provide for better than budgeted results. All had deficit spending plans originally budgeted and all but Wastewater are projected to end the year 2012 with a surplus. The General Fund is expecting a surplus due to lower operational costs because of unplanned personnel vacancies and lower insurance costs. The Electric and Water utility will realize a surplus due to reduced capital spending. All three of the utilities will have operational surpluses.

Overall, staff has been providing the same level of services in spite of significant staff reductions since 2009 that included some layoffs and early retirements as well as unfilled vacancies. The 2012 budget process included filling three vacancies that could not be sustained and a part time position was added mid-year in wastewater and a part time position was made full time in engineering at the end of August. The 2013 budget includes a temporary increase in hours in engineering for the engineering assistant and the continuance of a contract position in electric but no other additions to staff. There were requests for increases to staff that were not included in the budget recommendation, not necessarily because they weren't warranted but because there is insufficient funding to provide for the positions or an expansion of positions at this time. Future staffing increases will likely require funding in future budgets.

The total budget for all funds is \$89.6 million net of inter-fund transfers. The total budget is \$7.7 million over projected spending for 2012. The increase is attributable to capital improvements in capital project funds and the utility funds, primarily the electric utility. The total budget can be broken down into three distinct sections: General Fund, Capital Project Funds and Enterprise Funds (Utilities).

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 General Activities, Motor Fuel Taxes or from Property Tax levied for General Obligation Bonds. The City currently has two GO debt funds that are on the tax levy rolls: City Hall Debt and Donovan Bridge.

Strategic Goals for Financial Sustainability

- Provide for the adequate maintenance of capital

Other funds receiving transfers from the General Activities Fund are for Street Improvements, 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.

Strategic Goals for Financial Sustainability

- Plan for long-term liabilities and commitments

Payments from all funds through employee and or employer contributions provide the funding for the City's Self-Insurance Funds. These costs are budgeted as a line item expense within each department. The expense accounts are 6120 City Health Insurance and 6515 Workers Compensation Self-Ins. These transfers support all claims and costs associated with the programs. Both of our self-insurance funds have sufficient reserves should we have an unusual claim year. In addition, both funds have stop loss coverage to ensure protection above a set level of exposure. The funding of these self-insurance funds at the level they are meet the strategic goal of planning for commitments and potential liabilities.

General Fund – General Activities

For accounting purposes, the General Fund includes General Activities, Self-Insurance and Street/MFT Activities. Review of the General Fund budget should be done at the Activity level since the reserves from the self-insurance funds and MFT/Street should not be included when evaluating cash available for operations. The reserves of these activities are reviewed during the budget process to ensure that they are sufficient and that our insurance rates will support required expenditures. General Activities 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 2013 continues to be to provide a spending plan that will position the City in a sustainable position for the future. For the last four years we have passed deficit budgets; however, three of the last four ended with a surplus due to delayed capital projects, cutbacks in all departments, unexpected vacancies and delays in filling vacancies along with lower benefit and insurance costs due to those vacancies. With the majority of capital projects budgeted for outside of general activities, it will be easier to monitor fluctuations in spending due to operations going forward.

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 2013 budget is presented with a small surplus.

The surplus was the result of the cutting of expenditure requests from departments with the most significant cuts to requests for personnel, software, hardware and to forestry. It should be noted that the City is still committed to funding of forestry with double the funding of the 2009 level provided last year and this year. An additional \$90,000 was requested this year but not funded. Due to changes in costs related to the prevailing wage act, it may take an additional year or more to complete the program for removal of all ash trees. All safety issues will continue to be addressed but to maintain budget stability; this budget recommends extending the five year program rather than increase the budget.

The street department also requested the addition of a laborer to provide for additional maintenance required for the new streetscape and for additional maintenance in the downtown. The position was not funded at this time. Staff is in agreement that there are downtown maintenance issues currently and that the addition of streetscape will increase the volume of maintenance required. Since the streetscape additions will be minimal in 2013, this budget calls for additional seasonal help and some funding for contractual assistance as may be needed for snow removal or landscape issues. The addition of this

position could add as much as \$75,000 in salary and benefits that would be on going so this budget proposes that the additional workload be covered by seasonal and contractual assistance until more is known on the impact to the workload and how best that can be accomplished. In addition, staff is exploring other avenues to provide some relief to the street department personnel workload.

The police department requested two full time positions and the equivalent of one part time position. Staff felt that these positions should not be funded with the 2013 budget as service needs are being met with the current staffing. Again, staff is reviewing alternatives that could provide some workload relief.

In planning for future years, we must be mindful of adding to staff and review all alternatives to providing a service. There is a balance between the cost savings in salary and benefits and contractual costs that can work against us if not monitored and analyzed regularly.

Lastly, two software programs totaling \$200,000 were cut from the General Activities Fund budget. The first was a document management system and the second was an asset management system. While there appears to be a need for both of these systems, there is not sufficient staff or research to fully implement either of the systems in 2013. Instead, funding was budgeted in the electric utility for the first phase of an asset management system since the need is greatest there. The program can then be expanded in future years to include other departments. A document management program will also likely, come up in a future budget.

Strategic Goals for Financial Sustainability

- Maintain adequate operating reserves/fund balances

With the current budget plan, reserves are projected to be at 132 days at the end of 2013. 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 following chart reflects the change in revenues, expenditures and reserves.

	2010*	2011	2012	2013
Revenues	22,690,386	22,600,000	23,700,493	23,753,294
Expenditures	22,354,441	22,297,114	23,049,768	23,750,493
Deficit	335,945	302,886	650,725	2,801
Reserves	7,617,779	7,920,665	8,571,390	8,574,191
Days Operation	124	130	136	132

*Prior period adjustment for audit accruals/non-cash items

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.

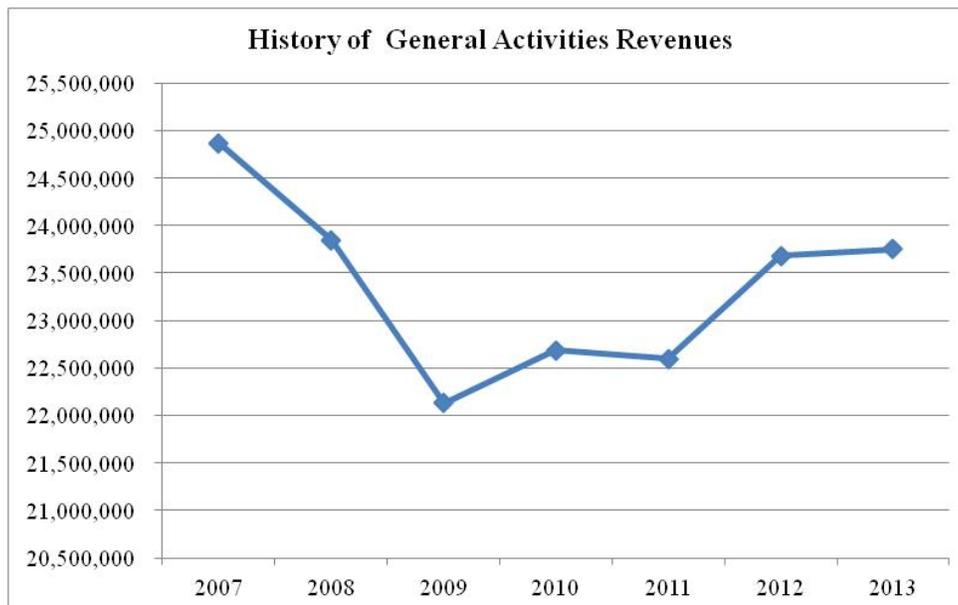
General Activities Revenues

General Activities Revenues are budgeted at \$23,753,294 for 2013 and are relatively flat compared to 2012 projected revenues but are 5% higher than 2011. 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.

Strategic Goals for Financial Sustainability

- Diversify and augment revenues

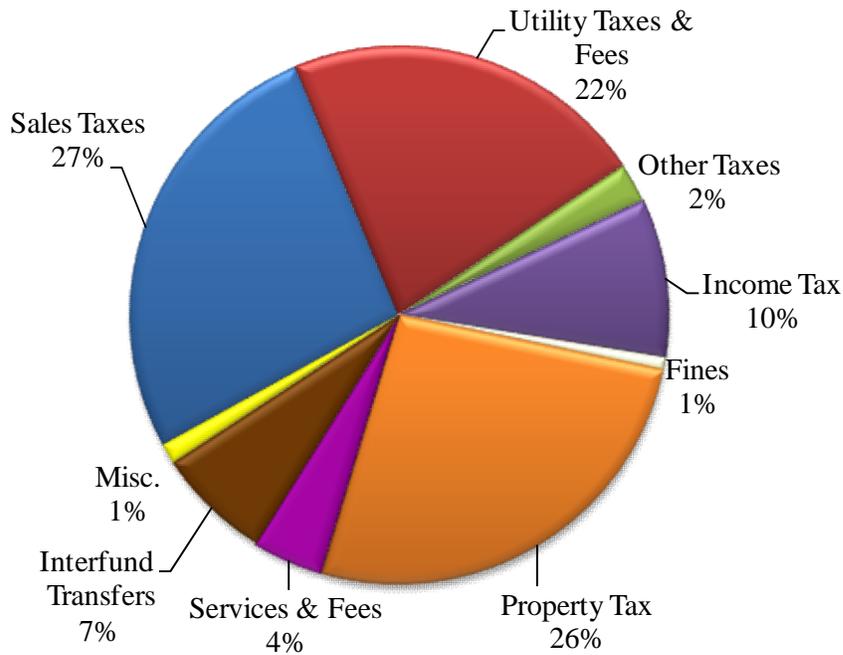
Over the last few years, the City Council has taken action to implement a new user fee for leaf and brush pick up, a gasoline tax and conversion from a municipal utility tax to a gas use tax. In addition, the not preferable but necessary action to increase property tax revenues by \$450,000 was committed to in 2012 in order to fund city services. These decisions support the strategic goal of financial sustainability by diversifying and augmenting revenues as necessary.



The previous chart shows the history of revenues since the year before revenues started to decline. 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 the new revenue sources put in place as mentioned above.

Following is a chart depicting the source of General Activities revenues. Sales tax remains the largest revenue source followed very closely by property tax. Portions of these revenues are dedicated for a specific purpose and cannot be used to fund general operations. The City has committed 15% of sales taxes to fund debt payments for the fire stations and debt payments for drainage improvements done after the 1996 flood. The property tax levy requires that 37% of the levy go to fund police, fire and IMRF pensions.

General Activities Revenues

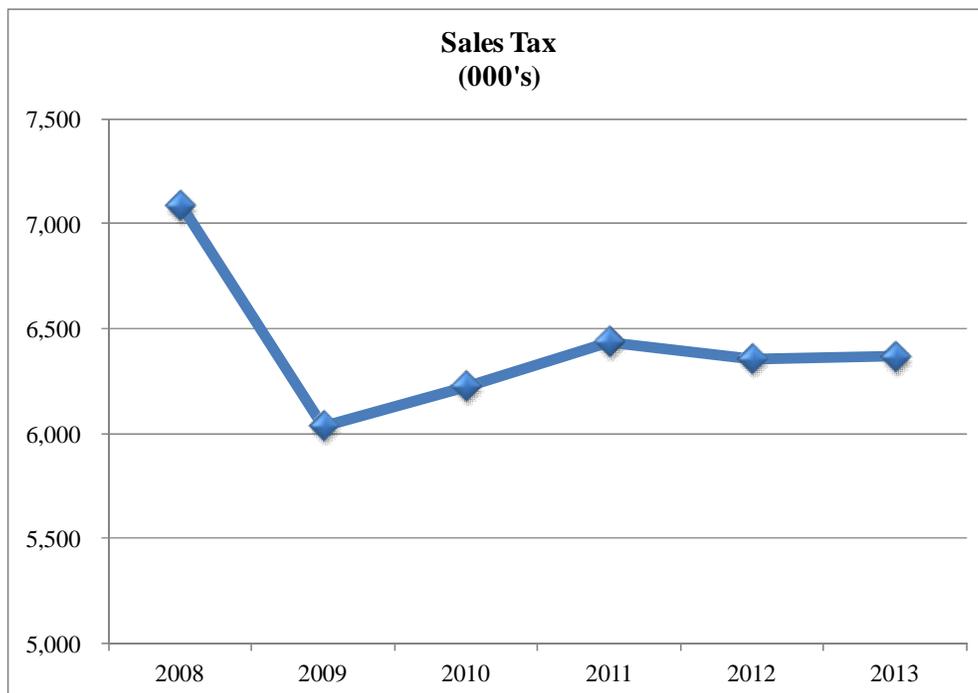


Sales tax, still accounts for the largest share of general revenues even in light of the steep declines we have experienced. Overall, the City of Batavia has a nice mix of revenues without being overly reliant on any one source.

Sales Tax

Sales Tax receipts for 2012 are projected to end the year down 1.5% from 2011 receipts. 2011 receipts were up 4% over 2010 so the budget for 2012 included a further increase in the hopes that sales were returning to prior levels. It is unclear why there was a slight dip in receipts for the year as there were no real significant changes to our sales tax base.

The 2013 budget only includes a .05% increase to sales tax. Even with that projection, we were able to provide a balanced budget. We are hopeful that sales will increase at a better pace but decided to budget more conservatively in light of the prior year's experience. There are many positives that we have to look forward to in 2013 including the opening of several restaurants and businesses within the community.



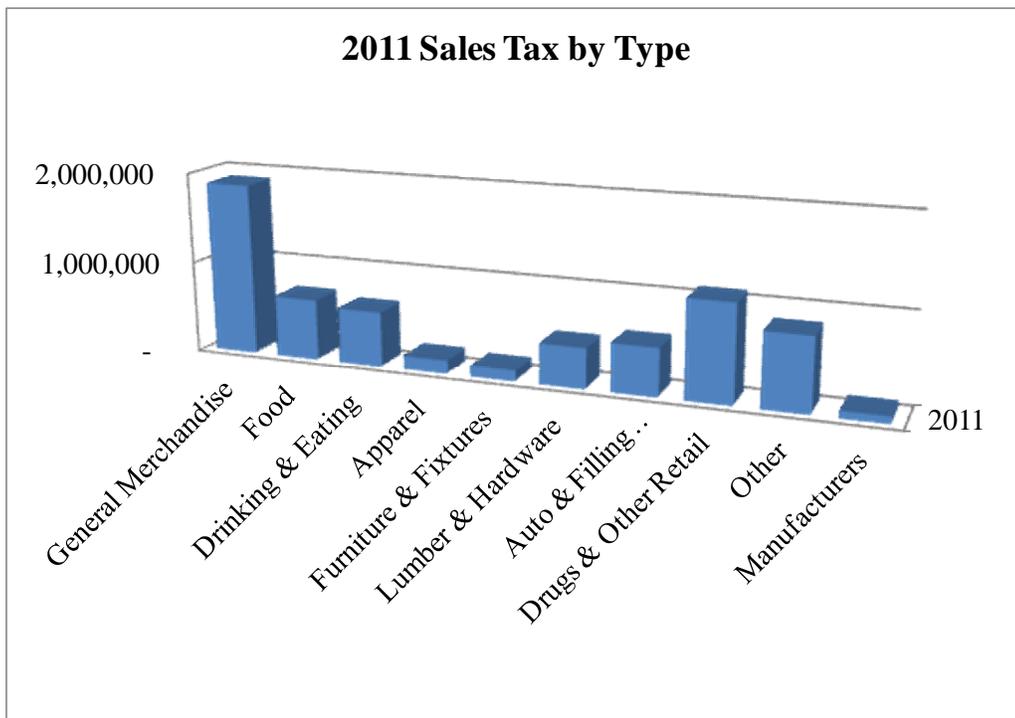
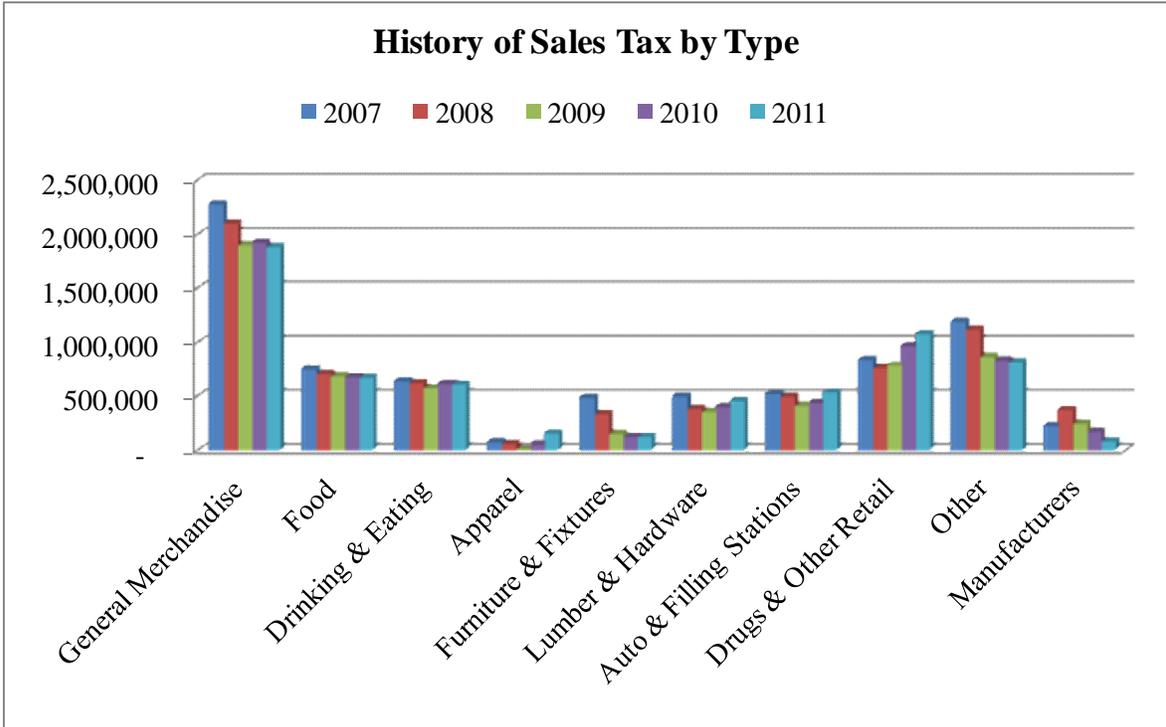
The economy most certainly was the largest factor in our declining sales tax revenues in prior years. It was most likely a factor in 2012 as well. Staff plans to continue efforts on the retention of businesses that we have in the community and where possible work to augment our sales tax base.

Strategic Goals for Business Development & Retention

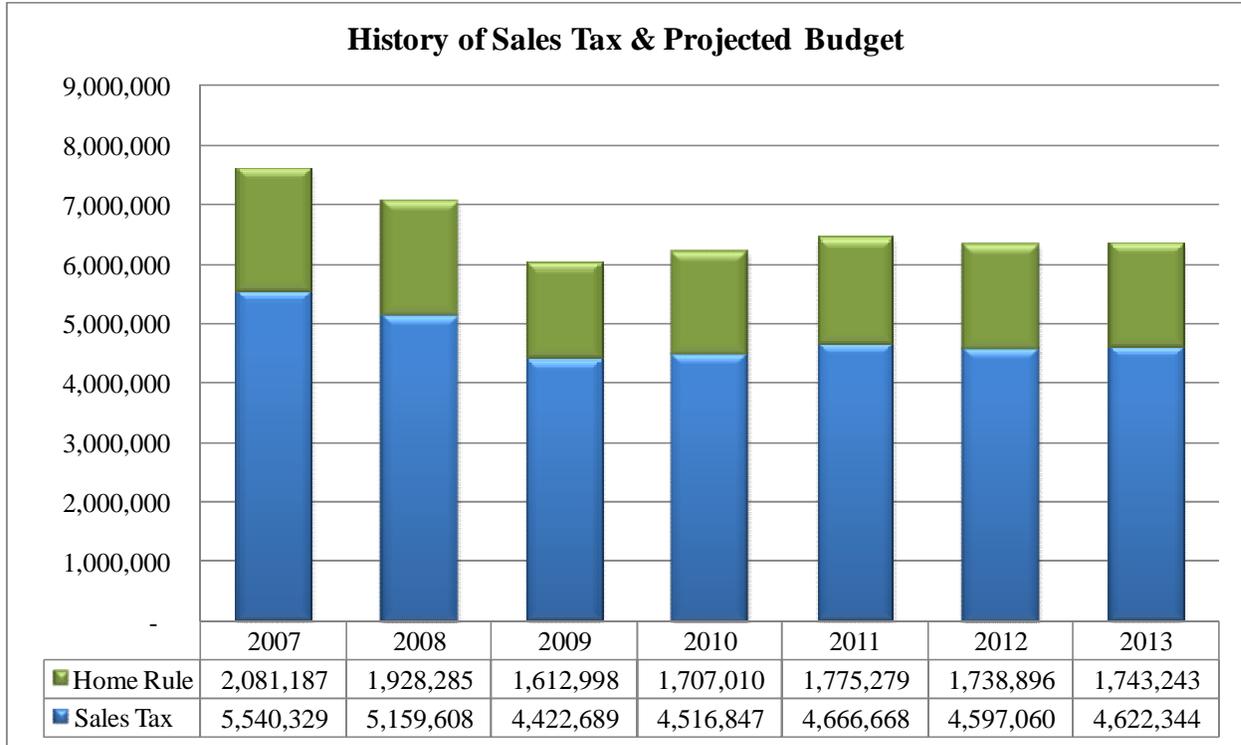
- Develop a business/economic development plan
- Be a proactive resource for existing and prospective businesses
- Develop a marketing/branding initiative

In line with this goal, there is \$25,000 budgeted in Economic Development to help fund this initiative.

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 2011 which is the most recent available. As there has been an overall decrease in sales tax since 2007, all categories show a decrease except Apparel and Auto and Filling Stations and Drugs and other Retail which have increased over the 2007 receipts. The most significant declines are in General Merchandise, Furniture and Fixtures and Other. The next chart shows the breakdown for just 2011.



The City of Batavia implemented a non-home rule sales tax in 2006 in part to support and 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. The fire station debt is about \$750,000 per year so the balance is available to fund city operations.



Property Tax

The 2013 Budget does include a small reduction in the property tax levy due to a bond refunding done in 2012. The refunding provided a slightly lower tax levy throughout the remaining years of the bonds but it also provided for a refund of taxes already levied for 2012. The rate is expected to increase just over a penny due to continued reductions in the City’s total EAV. The rate is a function of EAV and the amount of the levy. A higher rate combined with a lower value can result in the same amount of tax.

The charts on the following page show the history of the City’s EAV (1/3 market value of all taxable property) along with the rate and amount of taxes extended. Also provided is a comparison of 2010 and 2011 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. Property 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 of rate.

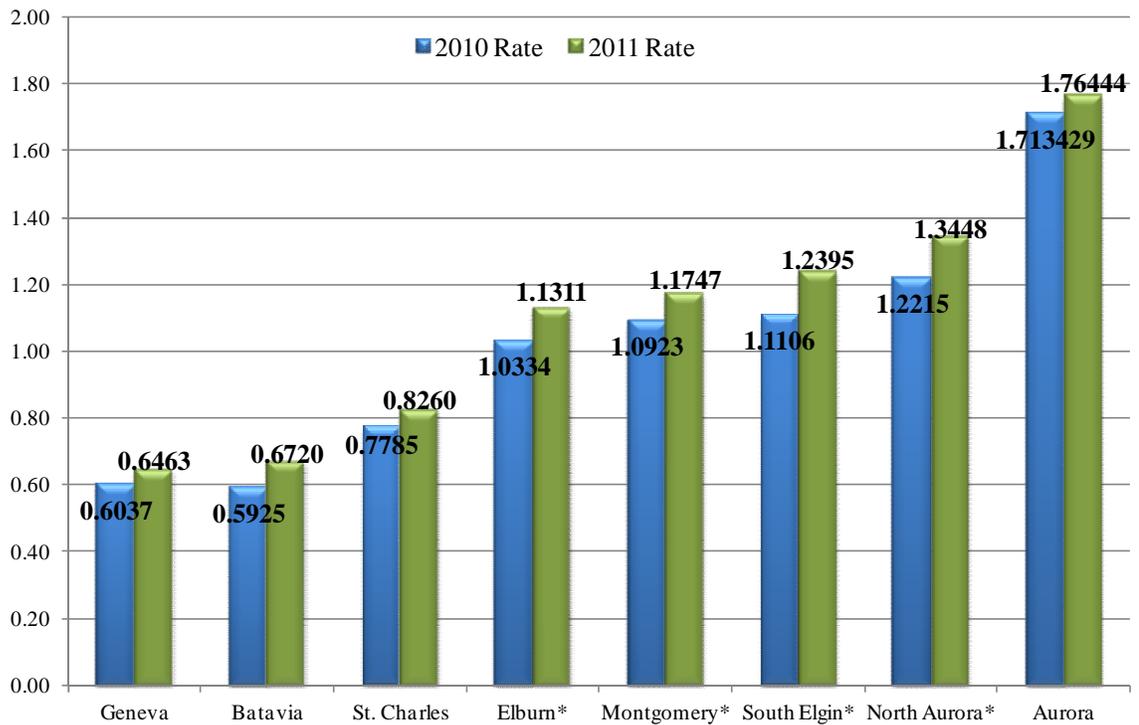
The City portion of a typical tax bill in the City of Batavia is about 8% of the total bill. The owner of a \$300,000 home would have paid about \$632 to support city services in 2012 (2011 Levy). The typical total tax rate for 2012 payable was \$8.60/\$100 of EAV.

Property Tax Extension & Rate By Levy Year



*Proposed

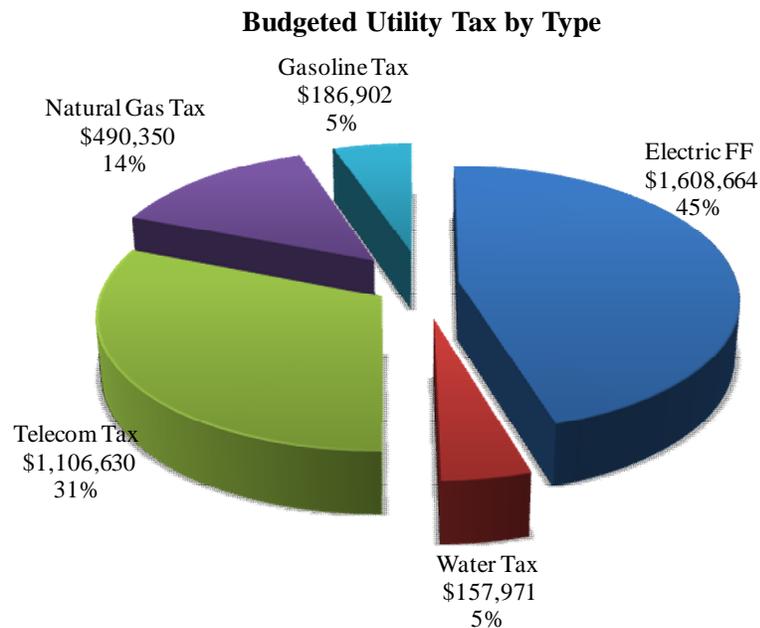
Municipal Property Tax Rate Comparison



*Fire District Rate Added

Utility Taxes and Fees

Utility taxes for 2012 increased due to the addition of the one cent gasoline tax and the change from a municipal utility gas tax (MUT) to a gas use per therm tax (GUT). The GUT is collected from all natural gas customers including those that use an alternative supplier. In addition, it benefits the end user in that it is not a tax on the total bill but rather a use tax on a therm basis which means if natural gas prices go up, the customer will still pay the same tax. In addition, revenues for the electric franchise fee increased in part due to higher consumption with the hot weather and also due to a large industrial customer's growth. The telecommunications tax has remained level since seeing significant decreases as customers moved away from landline phone service.



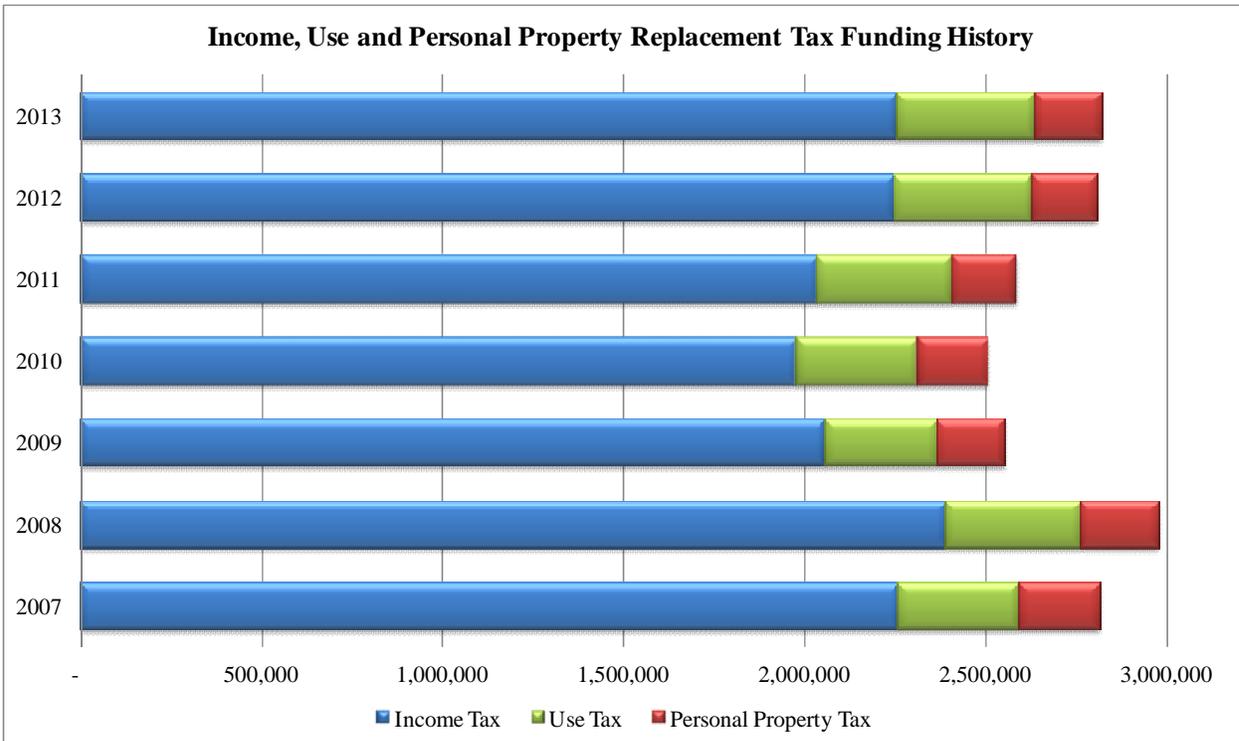
The City also collects a 5% franchise fee from television providers. The City passes through 40% (2% of the 5%) of that to BATV to provide local programming to the community. The payment to BATV is budgeted under administration and the total amount of revenue is reported in the general activities fund.

ROW Franchise Fees



Intergovernmental and Other Revenues

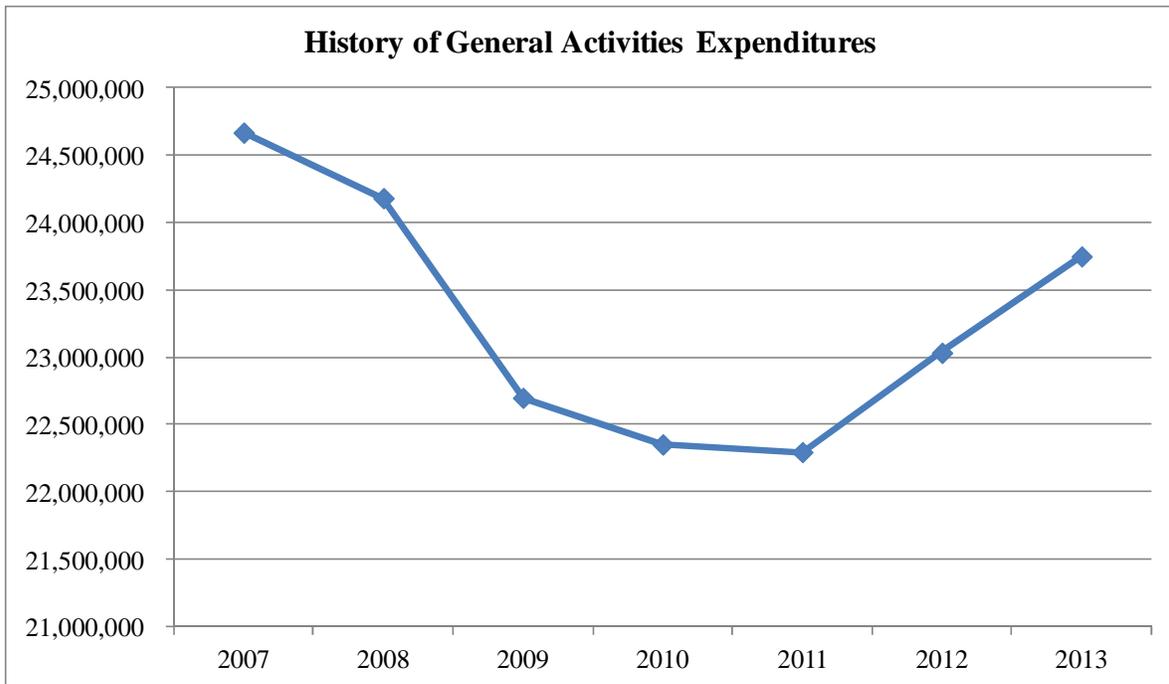
After two years of declines, State shared revenues rose by 3% in 2011 and by 7.5% in 2012 with most of the increase attributable to income tax. It is very difficult to budget for this type of revenue since it is dependent on personal and corporate incomes and the funding history has not been consistent. The budget provides for the same funding in 2013 which is still below 2008 levels but about even with the 2007 level.



Other revenues include, charges for services, building permits, fines, reimbursements, interest revenue and miscellaneous receipts. Charges for services are fairly consistent with the main revenue source the leaf and brush pick up fee which has provided about \$270,000 a year in revenue since it was implemented. Building permits are budgeted higher in 2013 based on projections from Community Development and are at the 2011 level of revenue. Fines and fees are down from 2010 and 2011 and it is unclear if that is related to the retirement of our dedicated traffic officer or if it is more directly related to compliance. With the delay in hiring new officers, the new traffic officer will not be assigned until the end of this year. Interest revenues were dismal again in 2012 as investment rates for short-term money was very low. The upside of that is that the City benefitted from two bond refundings that will result in substantial interest cost savings over the life of the bonds.

General Activities Expenditures

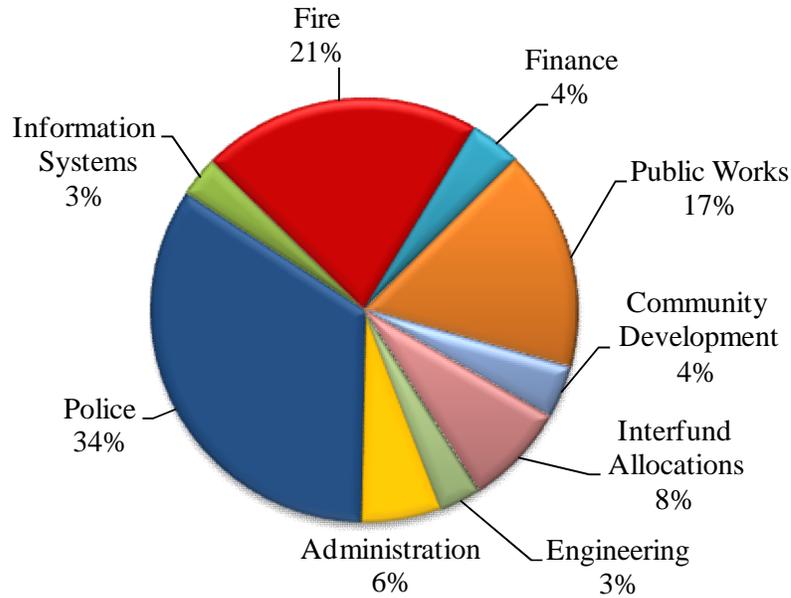
Expenditures in General Activities are budgeted at \$23,750,493. This represents a 3.1% increase over 2012 projected expenditures and a 1% decrease from the 2012 budget. The increase over projected spending is attributable to an increase in the cost for Tri-City Ambulance, union and non-union increases and a full year of positions budgeted that were not filled until later in 2012 than planned. Health insurance premiums are also budgeted to increase 5% in 2013.



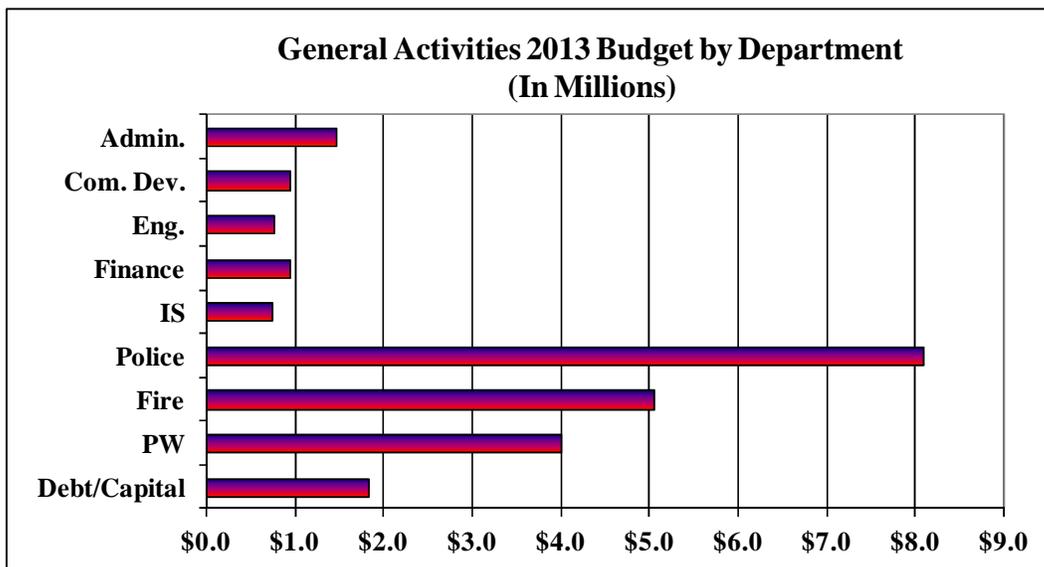
Expenditures in General Activities were first cut in 2008 with the most significant changes to spending occurring in 2009 thru 2011 with 2011 having the lowest level of spending. Although increases to spending were made in 2012 and 2013, total spending is still significantly below 2007 and 2008 levels.

	% Change
2008	-2.0%
2009	-6.1%
2010	-1.5%
2011	-0.3%
2012	3.3%
2013	3.1%

General Activities Expenditures

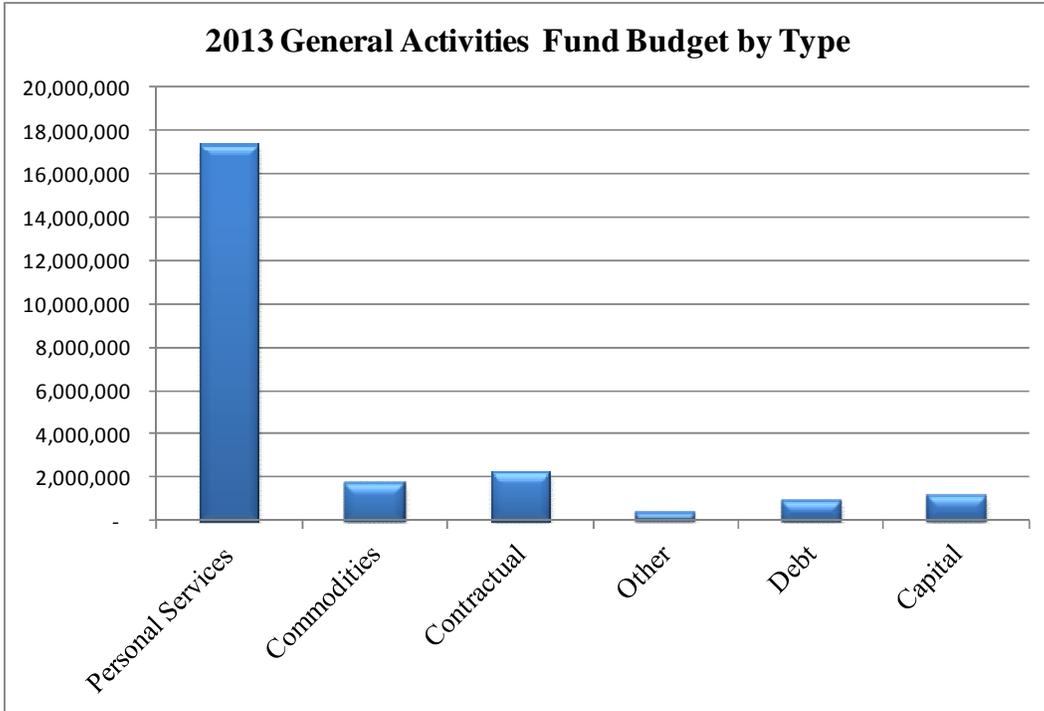


The chart above displays the allocation percentage by department and the following chart provides the amount budgeted by department. It should be noted that internal service departments (Finance, Information Systems and Administration) also provide services to the utility funds. Those services costs come back to the General Activities fund as revenue through the form of an inter-fund transfer. Administration includes Human Resources and Economic Development. Finance includes Utility Billing. Fire includes ESDA and Public works includes Public Works Administration, Streets and Buildings and Grounds.

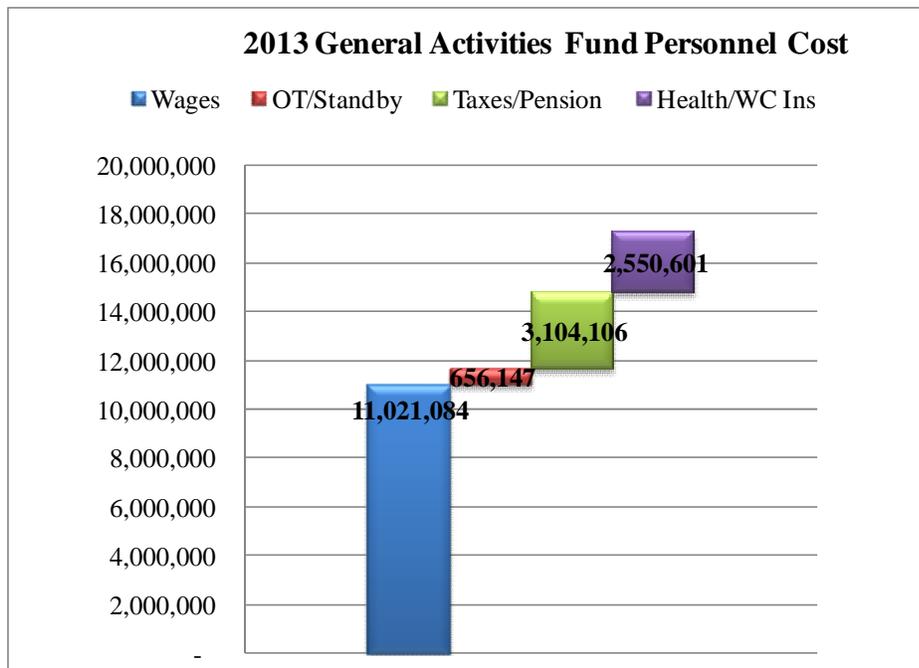


As expected, our public safety departments comprise the largest share of General Activities expenditures. The police department is staffed with 40 sworn officers and the fire department will have 23 members by year end.

The largest cost for general activities is personnel with the total cost of wages, benefits and insurance budgeted at \$17.3 million in 2013. This comprises 73% of the total General Activities budget and 77% of the operating budget. For this chart debt is the amount of transfers made out of General Activities to a Debt Service Activity. Capital is the amount of transfers made to Capital Activities and to the MFT/Streets Activity.



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 18% with health and worker's compensation insurance accounting for the remaining 15% of costs.



Department Highlights

Administration has decreased due to reduction in staff. The Administrative Assistant to the Mayor position was eliminated in 2010 and the Administrative Assistant to the City Administrator was eliminated in 2011. One full time Administrative Assistant remains with some additional help from the part time Administrative Assistant in Human Resources. Other changes include the transfer to TIF of funding for Main Street and Art in Your Eye which reduced spending in Administration.

Human Resources generally has remained consistent in spending from year to year but this budget includes the transfer of the cost of annual fitness physicals to our workers compensation fund since the expenditure is directly related to worker safety.

Community Development is now under the direction of a new director with the retirement of the past director in 2012. No new programs are proposed at this time. A transfer of a street vehicle is planned to replace the 2000 Dodge Dakota that has been having maintenance issues. The replacement of the Street vehicle is budgeted in the public works capital fund.

Strategic Goals for Housing:

- Address the availability of diverse housing choices

Community Development will be working with Geneva, North Aurora and St Charles on a multi-community housing plan through grant funding from CMAP beginning in 2013.

The Engineering department requested that the part time Staff Engineer position be made full time in mid 2012 due to the heavy workload. The position change was approved and this budget includes the full funding. Also requested, during the budget process, was an addition to the budget for the Engineering Technician of 520 hours to allow for CAD work related to Main Street. The increase in hours is considered temporary.

Building and grounds has a \$16,000 savings in maintenance costs due to the purchase of copy machines in 2012. There had been annual lease payments in prior years. Any useful life beyond 3.5 years will result in cost savings. The machines are projected to last five or more years. Major capital improvements are now budgeted in the capital fund (48). That budget includes the windows at City Hall, tuck pointing and HVAC upgrades.

In Finance, wages will go down slightly in 2013 due to the lowering of hours worked by the part time Finance Assistant. Hours had been increased when utility billing staff was shorthanded but with the hiring of the billing supervisor, the hours can be reduced. Utility Billing will have higher wage and insurance costs with the supervisor being in the position for a full year in 2013.

Economic Development has \$25,000 budgeted for marketing. Exactly how that money will be best used will be determined later this year or in early 2013.

The police budget has no change in total spending between 2012 and 2013; however the breakdown in spending is different. Wages are budgeted \$162,000 more than 2012 due to increased wages and a full year of having three positions filled that were vacant much of 2012. The traffic officer that was planned for the 2012 budget year was not able to begin that work due to the vacancies and will now begin that position for 2013.

The other significant change in police spending is for vehicles. A total of nine police vehicles were purchased in 2012. Originally three were planned for replacement and were purchased in early 2012. Later the City was awarded a grant to fund another vehicle and that was purchased. Then, unfortunately three police vehicles were totaled. Two were replaced with partial reimbursements from insurance and the third vehicle was replaced with an older fire vehicle. During the process of purchasing those replacements it was determined that it would be best to purchase the 2013 vehicles slightly ahead of schedule to take advantage of buying Crown Victoria's which are no longer being made. Therefore, an advance purchase was approved and no vehicles are budgeted in 2013.

The Fire department has higher than usual overtime costs in 2012 due to gaps in staffing due to both personal and work injuries. Overtime is budgeted at a lower level than 2012 but still 20% higher than 2011. Wages for 2013 will include a full year with the position of Deputy Chief filled. This position had been vacant since 2009 but was filled in 2012. Due to promotions within the department, the rank of firefighter is the last to be filled at the end of 2012. Staffing will be at 23 sworn members when that position is hired.

For the last two years the budget for Tri City Ambulance has been projected to be significantly higher but then ended up coming in less. The 2013 budget expects that costs will indeed be higher. The discrepancy is due to the fiscal year for Tri City Ambulance beginning later than the City's. There has been some work in determining the structure for ESDA during 2012. The budget has remained a separate department, however, this budget calls for the removal of the salary for ESDA with the intent being that ESDA come under the direction of the Fire department.

The Street department budget includes additional funding to address the issue of the emerald ash borer and the effect of dying trees within the community. The 2013 budget includes an additional \$100,000 to fund the task. As mentioned earlier, the thought was that this would be a five year program but with the change in prevailing wage law, it will be more costly to remove the trees and thus it will take longer to accomplish.

The Street department has had noteworthy staff reductions since 2009. Since the hiring freeze, three Maintenance Workers and one Crew leader position remain vacant. The new streetscapes that are being planned will affect the amount of maintenance needed and will require some type of funding. This budget provides an additional \$10,000 in part-time wages and \$22,000 in contractual services to begin to address these concerns in 2013. Only one street will be fully complete for the majority of the year so planning includes for coverage of that street by part-time employees and contract assistance as needed and as can be provided with that level of funding. An assessment of service will be done mid-year if needed and in advance of the 2014 budget.

Transfers to the Fire and Public Works Equipment replacement funds were increased 2012 and 2013 based on the funding schedule for needed replacements. Additionally, with the set up of the City Hall Improvements and Drainage Improvements funds, operating transfers to fund those programs continue in 2013 with funding based on the past year's expense and available balance. This will ensure the necessary funds are set aside thus smoothing the budget and reducing the need for financing smaller projects.

Motor Fuel Tax Fund

The City's street program is funded from Motor Fuel Taxes received from the State of Illinois and from a \$500,000 transfer from General Activities each year. Occasionally, the fund is also supplemented by grant funds. The last three years, the City received \$100,000 each year from the Jobs First program and it is expected that we will also receive the funding in 2013 and the final payment in 2014.

The 2012 budget included \$1 Million in spending for the street program and an additional \$400,000 for patching, sealing and sidewalks. Money was also spent to complete the Main Street LAPP project. The LAPP project covered resurfacing of a portion of this major arterial street. The remainder of the street that is east of Randall Road is planned for complete reconstruction in 2015 with STP funding supplementing 75% of the road project portion. Current estimates call for \$625,000 of the project to come from MFT reserves or the 2015 street program. The 2013 budget also includes the change in funding from General Activities to MFT for the City's share of the Deerpath Bridge.

Capital Project Funds

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

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 forgotten 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 2013 budget for TIF includes projects for new Wilson Street streetscape project and the traffic signal interconnect project. A review of remaining streetscape projects will need to be completed in 2013 to allow for adequate planning and use of future funds.

Strategic Goals for Community Connectivity:

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

Also included in the TIF budget is the funding of two bridge sculptures and a token amount to support 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.

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 currently provides power through take or pay contracts. It is anticipated that we will always have a portion of our power portfolio supplied in this form. Beginning in 2012, the utility started receiving a portion of its power through ownership in the Prairie State coal mine project via NIMPA, an intergovernmental group of three cities. Power costs are expected to be higher in 2013 due to both units of Prairie State being operational and the full costs of the Prairie State Project being billed to the City through power contracts with NIMPA.

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 rate stabilization fund to help stabilize the PPAF whenever possible. The passage of this budget will provide authorization from the

City Council to use funds from the rate stabilization fund up to the maximum of \$2 million in 2013. A portion of those funds were authorized for use in 2012 and about \$300,000 has been used to date for rate stabilization. It is expected that about \$1.5 Million will remain for use for 2013 supplementation.

An increase to the base rate in addition to a 10% rate increase was done in 2012 in anticipation of higher costs and capital needs. A rate study is expected to be completed by the end of 2012 to ensure that the current rates are sufficient to meet expected needs. This budget does not include any recommendations for a rate increase in 2013 as we will have rate stabilization funds available for use. Those funds are expected to be depleted during the year though and that will most likely mean that a rate increase will be needed in 2014. Although the City's power costs are anticipated to rise some in the short term, it is expected that costs will level out with the market and the long-term option of owning generation will benefit our customers. Based on a market comparison study, our rates are very comparable to surrounding utilities.

In addition to power supply, staff continues to work on providing a reliable utility. An upgrade to the Cherry Park sub-station began in 2012 and is scheduled to be completed in 2013. Fiber optic upgrades are planned along with transformer and wire replacements.

In addition, it is anticipated that a new market power customer added in late 2010 will expand their facility in 2013. There are both expenditures and revenues related to this customer with a net cost to the utility of \$475,000 in capital improvements to our system. Should the customer move ahead with their expansion, they will reimburse the utility approximately \$2.3 Million in expansion costs.

Water Utility

The Water Utility will have the 2nd year of a 4 year rate increase of 3% go into effect on January 1, 2013. The rate increase was needed to fund future capital improvements. Plans for the Water Utility for 2013 include the phasing in of an automated meter reading system. The current water meter technology used by the City is being phased out by the manufacturer and a new technology needs to be implemented. The amount included in the budget is a projection based on other communities experience in conjunction with the number of meters in Batavia. This project cost is being shared by the wastewater utility (31-83) since sewer billings are based on water meter readings. The expense is not budgeted under capital items because the City does not capitalize the cost of meters for water or sewer.

The capital budget includes water main replacement on Wilson Street in conjunction with the Streetscape project. There is also 1/3 share for the cost to replace an end loader that is shared among the departments.

Wastewater Utility

The Wastewater Utility will have the 2nd year of a 4 year rate increase in 2013. An 8% rate increase will begin January 1, 2013. Plans for Capital improvements in 2013 include wastewaters share of the meter replacement program. Other projects include Wilson St. sewer replacement and more significantly, plans to begin improvements to the collection system. EPA mandates make it imperative that we reduce non-sewerage water from entering the treatment plant as much as we can. The 2013 budget also includes \$200,000 to complete a study of the treatment plant and \$860,000 to begin improvements to the plant. These numbers are only preliminary as the results of the study will drive those decisions. Future improvements will need to be financed by bonds or low interest loans.

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.

General Obligation Debt – General Activities Fund

Fortunately, the City has been careful when issuing debt and has a low GO debt burden. The City will have \$9,900,000 in outstanding principal debt at the start of the 2013 budget year. Two of the City’s outstanding debt issues are backed by sales tax and two are supported through property taxes with one ending in 2014. There are no plans to issue debt in 2013. Property tax payers benefitted from one of two bond refundings completed in 2012 that will result in a lower tax levied for the bridge bonds. The fire station bonds were the other issue refunded in 2012. The combined savings from those two refundings amounted to \$865,000. The table below shows what will be included in the budget each year for debt payments.

General Obligation Debt Payments (Principal & Interest)

Funding	Fire Stations Sales Tax	Flood Bonds Sales Tax	Bridge Property Tax	City Hall Property Tax	Total P & I by Year
2013	697,013	231,750	150,425	314,700	1,393,888
2014	698,150		148,125	320,850	1,167,125
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 1/1/13 will be \$25,065,000. 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.

The debt in both the water and sewer utilities is through the IEPA. Though the water fund projects have been completed for several years, the State of Illinois has yet to finalize the loans and to provide the City with final debt service schedules for the projects. The Water Fund will have \$10,135,629 in outstanding principal on 1/1/13. The Wastewater Fund will start the year with \$6,370,065 in outstanding principal debt which includes \$778,800 in principal balance on Recovery Zone Bonds issued at the end of 2010 through the County.

Enterprise Fund Debt Payment Requirements (Principal and Interest)

	Electric	Water*	Wastewater
2013	1,703,206	942,390	887,525
2014	1,703,006	942,390	888,201
2015	1,701,806	942,390	889,035
2016	1,704,606	942,390	890,057
2017	1,701,206	942,390	891,280
2018	1,701,806	942,390	892,687
2019	1,701,206	942,390	894,279
2020	1,704,406	942,390	851,730
2021	1,705,376	942,390	
2022 -2036	25,550,962	3,407,508	

*Not finalized with IEPA

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. During the year, the adopted budget is maintained and monitored on the City’s accounting system. The difference between this budget and GAAP for Governmental Funds is that the self-insurance contributions are recognized as expenditures for budgetary purposes only. Enterprise 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) 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.

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. 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 fixed 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 General Activities and 90 days for Enterprise Funds (utilities). The City will meet these reserve policies for all funds in 2013.

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 – General Activities

The projected reserves for the end of 2013 are projected to be 132 days. The reserves now clearly delineate between operating reserves and capital reserves through the establishment of reserves in capital replacement funds for City Hall Improvements and Drainage Improvements. The 2013 budget makes a slight addition to reserves. 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.

Surplus and Reserves - Electric Fund

Reserves in the Electric Fund are expected to rise to 107 days with a projected balance of \$12.4 million. The reserves will be lower due to a planned use of the rate stabilization fund to offset some of the expected cost increases related to purchased power. The expected reserves will be sufficient to meet our bond requirements for reserves. The 2011 requirement was \$5.3 Million for operations and replacement. The bond reserve itself is not included in the reserves or the budget and is accounted for separately. In addition to these requirements, the projected net income will meet our revenue bond coverage requirement of 1.25 x debt service for net income.

Surplus and Reserves -Water Fund

The reserves for the Water Fund are projected to be at 286 days at the end of 2013. While this is a very good reserve, there are several water main replacement projects on the horizon and we will need to evaluate how to spend down the reserves. Evaluation and prioritization of future water projects has been underway to ensure that adequate reserves will be available to fund the projects. The focus will be on replacement of aging water mains. City staff has made a concerted effort to coordinate capital planning across departments to time utility improvements with road improvements when appropriate.

Surplus and Reserves - Wastewater Fund

The reserves for the Wastewater Fund are projected to be at 91 days at the end of 2013. This is due in part to the utility receiving funding through Kane County by borrowing Recovery Zone Bonds to fund the Carriage Crest Lift Station reconstruction. The reserves are in a better position due to the rate increases approved in 2011. The utility is now meeting its operating expenses and should start to accumulate funding for future capital needs. The budget includes \$1M in capital spending that will draw down the reserves so that any future capital will need to be financed creating a lower impact on reserves and spreading the cost out over the life of the improvements.

Conclusion

The 2013 budget is presented as a balanced budget. This is an accomplishment considering that sales tax did not meet budget projections for 2012. New revenues added in 2012 made it possible to present this budget in conjunction with continued cuts to budgetary requests by staff. The demands that have been placed on our most valuable asset, our employees, have been great and they should be acknowledged for the level of work not only that they continue to perform but also continue to take on. Services that have been provided in the past such as private property tree issues or additional services for our downtown business owners may need to be re-evaluated and re-prioritized. Staff will be bringing this matter to the appropriate committees in the coming months for consideration of services and planning and timing of projects. In addition, with the downtown SSA expiring with this year's budget, the matter of the funding for the downtown will need to be addressed in early 2013.

Staff will continue to work towards long-term sustainability one year at a time by ensuring there is a system of revenues that will support the services that the City Council deems appropriate for funding through the budget.

Strategic Goals for Community Connectivity:

- Incorporate “connected infrastructure”

The completion of the River Street streetscape project is one of the first steps in providing a type of infrastructure that is specifically designed to allow for community connectivity.

The 2013 Budget year will be an exciting year with the opening of this first streetscape project. It will be a learning year in many ways in seeing the benefits that the project will extend both aesthetically and economically. In addition, it will allow city staff to assess the impact of maintenance and expectations for the area. As we prepare for further streetscape projects, this data and experience will provide the needed information to assist in planning the scope and design of future projects.

This budget, as always, was the result of countless hours of review and meetings with the City Administrator, Assistant 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 2013 Annual Budget

Total 2013 Budget - All Funds and Activities

Description	Actual 2010	Actual 2011	Approved Budget 2012	Estimated 2012	Proposed Budget 2013
Surplus and Reserves	\$28,569,827	\$33,337,152		\$37,139,657	\$37,392,254
01 Intergovernmental	\$3,832,473	\$3,897,996	\$4,400,384	\$5,076,584	\$6,194,162
01 Municipal Taxes/Fees	\$4,800,608	\$4,763,345	\$4,975,169	\$5,171,022	\$5,221,517
01 Property Taxes	\$7,221,620	\$7,330,398	\$7,797,780	\$7,908,880	\$7,859,341
01 Sales Taxes	\$6,223,857	\$6,441,947	\$6,600,384	\$6,335,956	\$6,365,587
01 Utility Operating Revenues	\$46,825,485	\$45,771,791	\$50,358,939	\$51,447,174	\$51,255,684
02 Contributions	\$4,279,922	\$4,274,406	\$4,059,231	\$4,061,577	\$4,285,999
02 Utility Nonoperating Revenues	\$2,322,802	\$481,090	\$2,456,266	\$362,031	\$2,477,900
04 Fees & Services	\$1,014,483	\$766,412	\$761,500	\$765,585	\$730,572
05 Fines and Forfeitures	\$252,426	\$203,415	\$233,600	\$178,000	\$182,099
06 Other Revenues	\$1,324,611	\$656,506	\$568,452	\$609,638	\$562,750
07 Interfund Allocations	\$3,605,271	\$3,749,841	\$11,428,680	\$3,765,372	\$3,762,258
08 Revenue Bond Proceeds	\$0	\$448,184	\$7,600,000	\$309,323	\$0
Total Revenue	\$81,703,558	\$78,785,331	101,240,385	\$85,991,142	\$88,897,869
TIF District Projects	\$347,659	\$1,024,853	\$6,885,515	\$4,170,789	\$2,957,603
Administration & Legislative	\$1,151,950	\$1,228,338	\$1,147,292	\$1,046,588	\$1,081,511
Human Resources	\$276,823	\$277,342	\$270,780	\$292,277	\$274,974
Community Development	\$859,496	\$869,490	\$924,474	\$920,330	\$944,637
Public Works Administration	\$184,954	\$190,784	\$213,348	\$208,792	\$219,400
Engineering	\$923,868	\$537,298	\$628,823	\$620,429	\$750,179
Building and Grounds	\$364,280	\$431,550	\$412,270	\$392,558	\$410,947
Finance and Accounting	\$506,779	\$557,592	\$583,041	\$571,274	\$575,075
Information Systems	\$546,546	\$584,930	\$751,979	\$728,115	\$730,529
Utility Billing	\$260,109	\$216,475	\$311,056	\$298,058	\$353,553
Worker's Compensation Plan	\$497,357	\$621,759	\$612,500	\$582,500	\$600,000
Economic Development	\$67,366	\$68,076	\$82,927	\$82,752	\$108,771
Police Admin & Operations	\$7,788,816	\$7,654,652	\$8,336,543	\$8,064,228	\$8,072,954
Fire Services	\$4,615,505	\$4,653,944	\$4,958,701	\$4,771,391	\$5,004,995
E.S.D.A.	\$18,793	\$25,959	\$18,090	\$19,522	\$29,183
Drainage Capital Projects	\$0	\$0	\$170,000	\$74,525	\$99,000
Public Works Capital Acquisition	\$0	\$0	\$370,000	\$292,073	\$370,000
Fire Capital Acquisition	\$0	\$0	\$337,500	\$230,000	\$0
Health Benefit Plan	\$3,939,079	\$3,274,314	\$3,657,728	\$3,426,905	\$3,598,357
Safe Routes Program	\$0	\$0	\$386,322	\$42,673	\$439,870
Deerpath Bridge Construction	\$55,813	\$45,854	\$165,448	\$76,012	\$90,030
Streets and Sanitation	\$3,000,638	\$3,011,303	\$3,313,713	\$3,145,822	\$3,360,022

City of Batavia 2013 Annual Budget

Total 2013 Budget - All Funds and Activities

Description	Actual 2010	Actual 2011	Approved Budget 2012	Estimated 2012	Proposed Budget 2013
Surplus and Reserves	\$28,569,827	\$33,337,152		\$37,139,657	\$37,392,254
Street Improvements	\$613,567	\$1,280,908	\$1,622,975	\$1,554,854	\$1,752,786
City Hall Capital Improvements	\$0	\$0	\$258,000	\$123,545	\$235,000
Donovan Bridge Project	\$0	\$456,803	\$149,999	\$0	\$0
Electric Improvements	\$3,848,954	\$1,556,307	\$5,410,000	\$1,858,188	\$5,785,000
Meter Reading/Locating	\$386,958	\$413,757	\$426,854	\$431,359	\$444,210
Transmission & Distribution	\$33,646,353	\$32,145,081	\$39,234,527	\$37,762,046	\$39,457,774
Water Improvements	\$0	\$54,328	\$786,750	\$454,000	\$430,680
Water Production	\$695,967	\$749,173	\$1,062,500	\$697,000	\$1,142,000
Water Distribution	\$1,245,684	\$1,502,463	\$1,476,571	\$1,361,448	\$1,538,102
Wastewater Improvements	\$0	\$736,264	\$345,000	\$89,000	\$1,079,000
Waste Water Treatment	\$1,529,990	\$1,618,953	\$1,779,040	\$1,785,592	\$1,821,312
Sanitary Sewer	\$198,553	\$248,438	\$702,110	\$626,611	\$941,329
Interfund Allocations	\$3,605,271	\$3,749,841	\$11,457,680	\$3,765,372	\$3,762,258
Revenue Bond Payments	\$4,073,472	\$3,744,053	\$4,155,259	\$3,782,340	\$3,533,693
General Obligation Debt Service	\$1,685,633	\$1,451,944	\$1,450,094	\$1,389,577	\$1,393,889
Total Expense	\$76,936,233	\$74,982,826	104,855,409	\$85,738,545	\$93,388,623
Surplus/(Deficit)	\$4,767,325	\$3,802,505	(\$3,615,024)	\$252,597	(\$4,490,754)
Surplus and Reserves	\$33,337,152	\$37,139,657		\$37,392,254	\$32,901,500