



City of Batavia

2011 Annual Budget

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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:	Thomas L. Schmitz	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

Randall R. Recklaus

City Clerk

Heidi L. Wetzel

City Attorney

John Noble

City Treasurer

Gerald R. Miller

Department Heads

Director of Community Development

Jerry Swanson

Director of Finance

Peggy Colby

Chief of Police

Gary Schira

Director of Public Works

Gary Holm

Superintendent of Electric

Bob Rogde

Superintendent of Wastewater

Byron Ritchason

City Engineer

Noel Basquin

Information Systems Coordinator

Howard Chason

Fire Chief

Randy Deicke

Superintendent of Streets

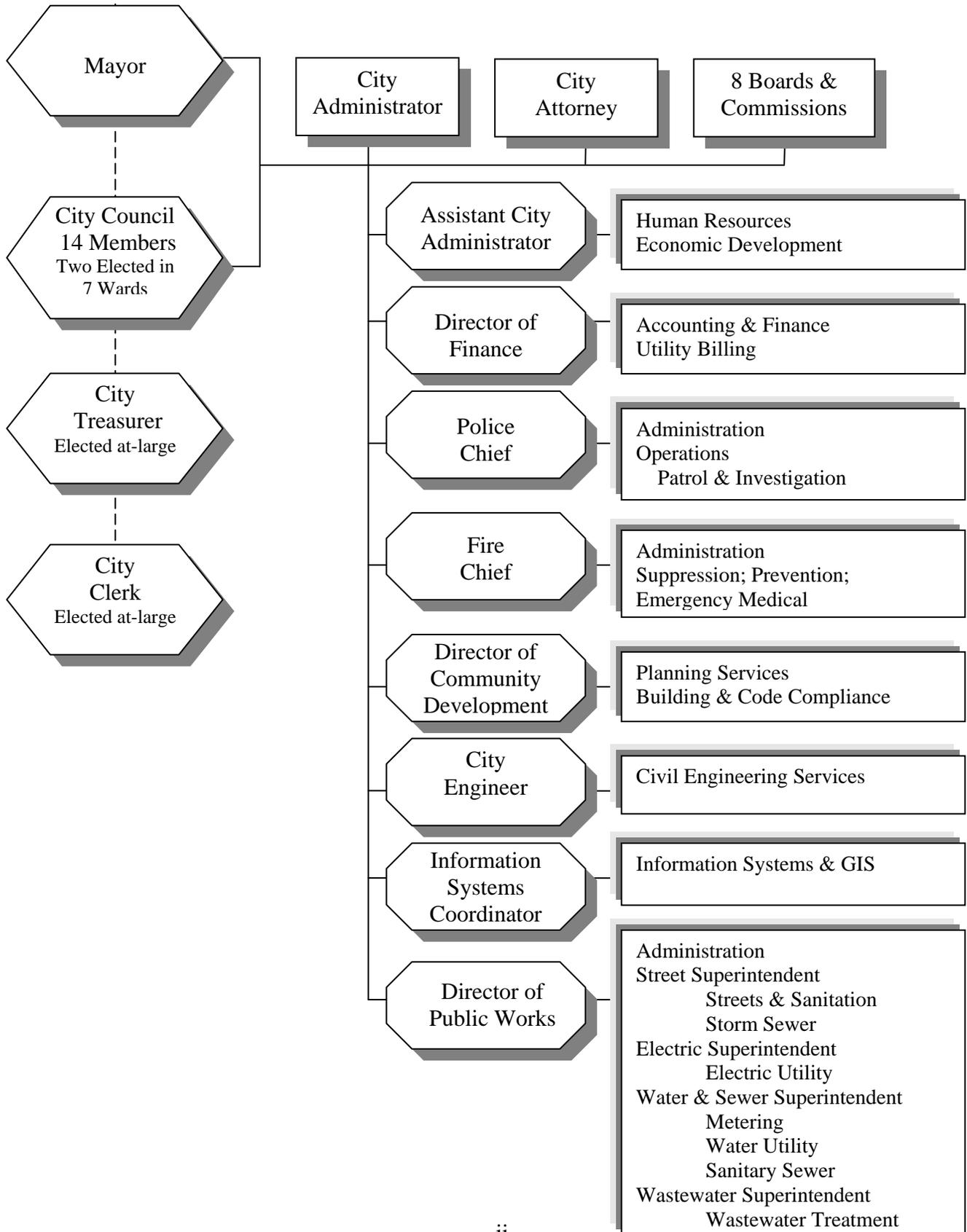
Scott Haines

Superintendent of Water & Sewer

John Dillon

City of Batavia Organizational Structure

Citizens of Batavia



City of Batavia

2011 Budget Summary

Total Budget	Operating	Capital	Debt	Interfund
\$94,645,487	\$62,075,508	\$15,351,150	\$5,904,934	\$11,313,895

Total by Fund	Operating	Capital	Debt	Interfund
General \$28,958,981	\$25,819,411	\$ 1,433,145	\$ -	\$ 1,706,425
Major Capital \$ 172,405	\$ -	\$ 172,405	\$ -	\$ -
Minor Capital \$10,325,600	\$ -	\$10,325,600	\$ -	
Debt Service \$ 9,993,569	\$ -	\$ -	\$ 2,146,559	\$ 7,847,010
Electric \$36,410,478	\$32,029,744	\$2,295,000	\$ 1,423,830	\$ 661,904
Water \$ 3,877,950	\$ 2,251,872	\$ 115,000	\$ 942,563	\$ 568,515
Wastewater \$ 4,896,504	\$ 1,974,481	\$ 1,010,000	\$ 1,391,982	\$ 520,041
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.

2011 Budget Calendar

August 30, 2010	Finance Rolls Budget (sets up new funds/accounts/sets IMRF rate)
August 30, 2010	Finance Enters 2009 Actual Expenditures & Cash Balances
August 30, 2010	Departments Begin Budget Planning Process & Entry
September 18, 2010	Complete 2010 Budget Projection Data Entry
September 18, 2010	2010 Revenue Estimates to Finance - Engineering, Community Dev. & Utilities
September 18, 2010	2011 Revenue Estimates to Finance - Engineering, Community Dev. & Utilities
September 24, 2010	Closing for Data Entry - no Entry after this date
September 24, 2010	Submit Department Narrative Electronically
September 24, 2010	Submit Department CIP Workbook Electronically
September 24 -	
October 7, 2010	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)
October 8, 2010	Finance Provides Administration with Draft Budget
October 11 - 15, 2010	2nd Round Meetings with Department Heads for Final Modifications (adjustments to 2010 projections may be given to Finance up to this date)
October 15, 2010	Cut-off Date for Final Modifications/Amendment Requests to Admin/Finance
October 18 -	
November 1, 2010	Finalize Budget and Prepare for Distribution
November 1, 2010	Distribute to City Council & Staff & make available to the Public (must be made available at least 10 days prior to passage)
November 5, 2010	Budget Public Hearing Notice Published (must be published one week or more prior to hearing)
November 1, 2010	Comment Period Begins (until Passage)
November 10, 2010	Government Services Budget Meeting
November 15, 2010	2011 Budget Public Hearing*
November 24, 2010	2010 Tax Levy Public Hearing Notice Published (must be published not more than 14 days but not less than 7 days prior to hearing)
November 29, 2010	Additional Government Services Meeting for Budget (if needed - Great Room)
December 6, 2010	2010 Tax Levy Public Hearing*
December 6, 2010	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 20, 2010	City Council to Approve 2010 Tax Levy for 2011 Collection
December 20, 2010	Alternate Approval Date for 2011 Budget
January 1, 2011	Budget Year Begins

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

City of Batavia

Financial Overview

2011 Budget

Following is the City of Batavia's 2011 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.

The 2010 year has thus far been very difficult for staff operations. All departments have been operating with a 5% reduction in hours for administrative employees in addition to operating with a reduction in staffing citywide by 12% with 23.7 full-time equivalent positions not filled since 2009. While there has been some impact on services, there has been no reduction in services provided. Any further change to hours or employee numbers will undoubtedly have an impact on the level and quality of services provided.

The 2010 budget year also included pay cuts for everyone with many employees earning less than 2008 levels. The pay cuts provided a time for evaluation to see how the economics of the City would be impacted by the nationwide economy. The current budget year also provided for several early retirements that will provide monetary relief in the 2011 budget. Overall wages are budgeted at 5.2% less than they were in 2009 and 6.6% lower for just the General Activities Fund, where nearly all cuts occurred. City staff at all levels have been diligently monitoring all other expenditures throughout the year. All employees continue to evaluate processes for further financial savings for the City. The 2011 budget plan includes a planned spend down of operating reserves in General Activities and Wastewater with a partial return of the sacrifices made by employees in all funds in 2010. The budget must be passed before many expenditures are known and for 2011, that includes salaries for all of our unions. We have budgeted figures that may or may not be accurate depending on the outcome of those contracts.

The total budget for all funds is \$83.3 million net of interfund transfers. The total budget is \$8.2 million over projected spending for 2010. The increase is attributable to the \$9 million budgeted for the streetscape project in the TIF funds. *The TIF projects are supported by TIF revenues and do not affect the operations of the City or any of the utilities.* The total budget can be broken down into three distinct sections: General Fund, TIF Funds and Enterprise Funds (Utilities). The separate budgets for debt service and other capital projects 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 Activities Fund or from property tax levied for General Obligation Bonds. The City currently has two GO debt funds: City Hall Debt and Donovan Bridge Debt. Other capital funds that are funded by transfers from the General Activities Fund are for the Deerpath Bridge construction, Fire Apparatus and Public Works Vehicles and Equipment. The following analysis will cover the General Activities Budget and the Enterprise Fund Budgets.

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 2011 continues to be to provide a spending plan that will position the City in a sustainable position for the future. The last 3 years have resulted in deficit budgets; however, the 2010 deficit is projected to be much lower than initially budgeted due to spending cutbacks in Police, Fire and Streets. The cutbacks in spending although not sustainable, did contribute to a lower deficit for 2010. Cutbacks made by those departments, which included police squad replacements had to be included in 2011 and therefore now contribute to the deficit in 2011, which is comparable to past deficits and represents 1.8% of total spending. The deficit may end up lower than what is budgeted due to the practice of budgeting conservatively.

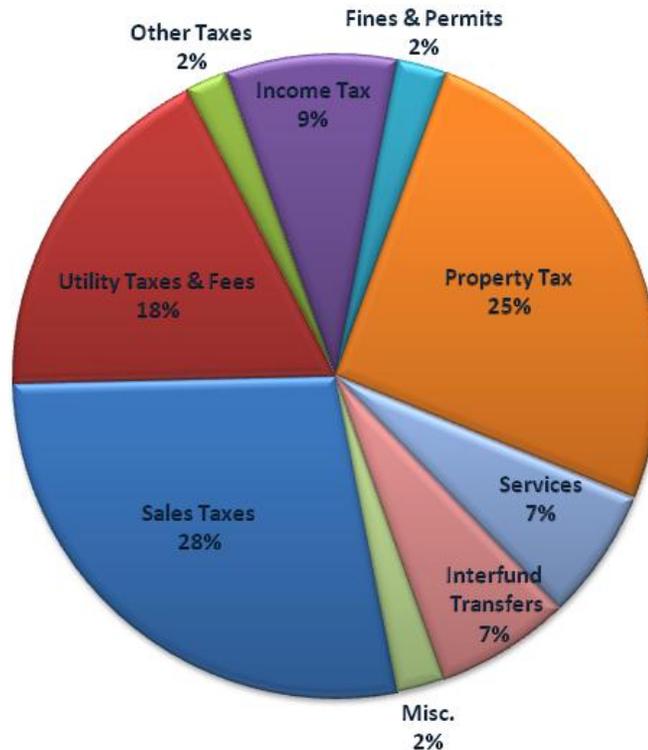
The Government Finance Association recommends that cities maintain a minimum operating reserve of 60 days. This amount is to be set aside and not used except in the event of a calamity to allow the city to continue operating during any downtime. Reserves are also there to provide for fluctuation in revenue collection and to provide a cushion through economic cycles. It is not unusual to utilize reserves during weak economic times as long as reserves are sufficient to provide for such downturns.

Reserves are also used to set aside funding for capital projects so that funding can be done on a pay as we go basis rather than financing smaller capital items. Lastly, reserves must be sufficient to cover any debt that is not backed by property tax. Currently, the City has two bond issues, the fire stations and flood bonds, which are backed by sales tax and total \$971,945 in 2011. With the current budget plan, reserves are projected to be at 126 days at the end of 2011, which includes debt service coverage. 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.

	2008	2009	2010	2011
Revenues	23,852,562	22,247,435	22,321,365	22,635,793
Expenditures	24,183,427	22,700,692	22,717,004	22,983,214
Deficit	(330,865)	(453,257)	(395,639)	(347,421)
Reserves	9,114,342	8,661,085	8,265,446	7,918,025
Days Operation	138	139	133	126

Following is a chart depicting the source of General Activities revenues. As evidenced, the City, like most governments, is reliant on taxes and fees to support services.

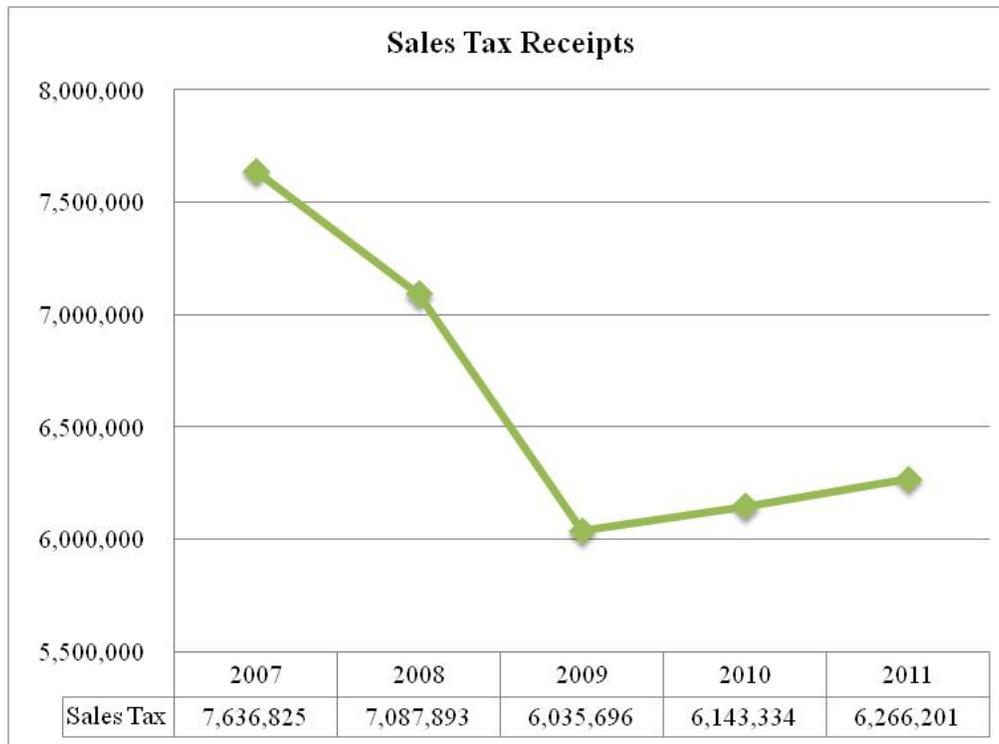
General Activities Revenues



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 as to the ability to pay and the burden of the taxes or fees we impose. However, we must provide public services and there may always be reluctance by taxpayers to fund services that they deem unnecessary or those they don't utilize. 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 2011 Budget does not include any recommendations for new revenues; however, to maintain services at the current level beyond 2011, it may be necessary to supplement revenues in 2012.

Sales tax, still accounts for the largest share of general revenues even in light of the steep declines we have experienced. Receipts for 2010 are projected to end the year 1.8% higher than 2009 receipts. The 2009 receipts, however, were 14.9% lower than 2008, and the 2010 projected total is 19.6% below 2007 collections, which means there is still a tremendous gap in revenues from where we were.

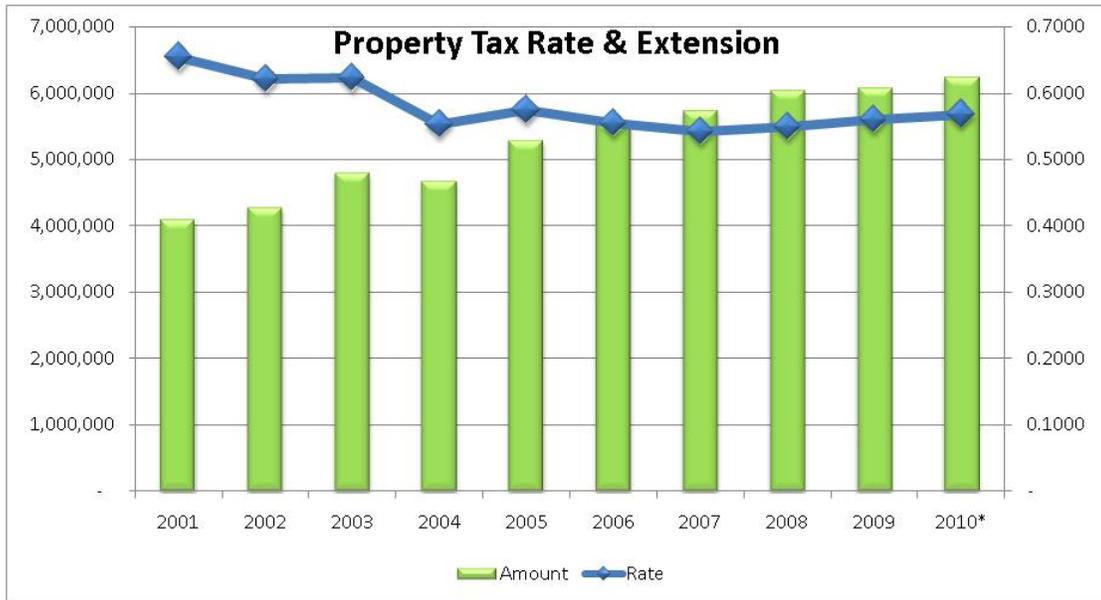
The 2011 budget provides for an increase of 2% above 2010. The number is supported by modest increases to receipts since May of 2010 after a stream of double-digit declines in the previous 20 months.



The economy most certainly was the largest factor in our declining sales tax revenues and attributing to the City operating with \$1.4 million less in sales tax revenues in each of the past three years compared to 2007. There have been positive factors though, with two grocery retailers and one general retailer undertaking major renovations in their stores in 2010 and another planned for completion in 2011. The remodeling of the stores supports the fact that retailers still feel we are a favorable location and destination for shoppers. In addition, there has been substantial interest in our open retail areas with several new restaurants/shops opening in 2010 or early 2011. As the economy rebounds, it will also demonstrate how neighboring retail areas are affecting our sales. Sales tax provides a good source of funding, yet we need to consider its elasticity and be sure to include other revenue sources that provide stable funding.

The other major revenue source for the city's general fund is property tax. Preliminary projections on the city's EAV project a flat or slightly lower EAV for the 2010 levy year. It is anticipated that existing property will actually decrease again with 2010 values but new property should offset most of the decrease. The projected tax levy, which is adjusted for the change in CPI of 2.7% and new property, should leave the tax rate in the range of \$0.58 cents per \$100 of EAV compared to last year's rate of \$0.56. The tax levy was calculated using the same methodology as if we were still under the tax cap and does not utilize any further taxing powers provided through home rule authority. Batavia's tax levy provides funding for operations of general activities such as police, fire and streets. In addition, the City levies taxes to fund pensions for police, fire and IMRF. The city's portion of a typical total tax bill has been about 8%. Although this budget does not recommend any deviation from the property tax cap legislation, future budgets will require a review of the city's property tax collections in conjunction with services provided, as we may not be able to sustain the current level of services without some

increase to revenues. An increase would not have to come from property tax, however, Batavia's tax rate is very low in comparison to other municipal rates in the vicinity and it would be an area where a small increase could provide needed revenues without adding to the administrative cost of collection as some other revenue sources do. The chart depicts how the amount collected over the years has increased even while the rate has decreased. This is due to growth in our equalized assessed valuation.



Income tax receipts, which are a shared revenue source distributed by the State of Illinois, have experienced declines the past two years due to the economy. Receipts for 2010 and 2011 are projected to be about \$430,000 less each year than received in 2008. Our income tax receipts are also an area of concern as the State has considered reducing the amount they share with municipalities by as much as 30%. Considering the extreme budget situation of the State, there is bound to be some kind of change to the State's income tax structure. How that will play out will not be known until sometime early next year and may not affect our budget if at directly until 2012.

Utility taxes for 2010 increased due to higher electric consumption from an unusually hot summer. The budget for 2011 is expected to be lower based on expected decreases for power costs in 2011 and steady natural gas prices. The budget, though, remains the same as 2010 due to tax revenues from a new large electric customer locating here in late 2010.

Interest revenues were practically non-existent in 2010 as investment rates for short-term money was less than 1%. A slight increase in interest revenues is budgeted for 2011.

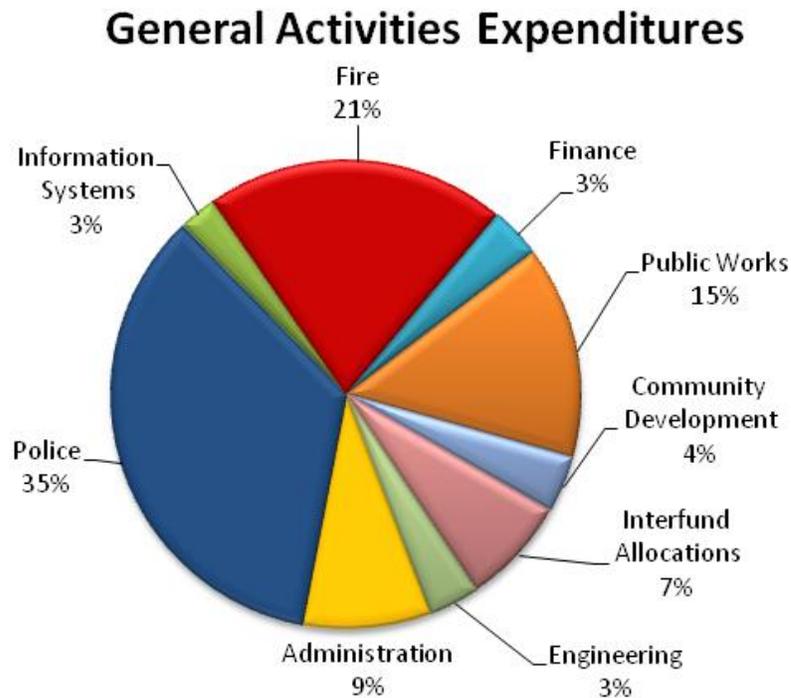
Interfund transfers from the utilities for services provided by the general activities will experience a reduction in 2011. Since expenditures in General Activities have decreased, particularly in Utility Billing and Information Systems (GIS), the fees charged to the utilities were also reduced, thus reducing the revenues for charges in General Activities.

General Activities Expenditures

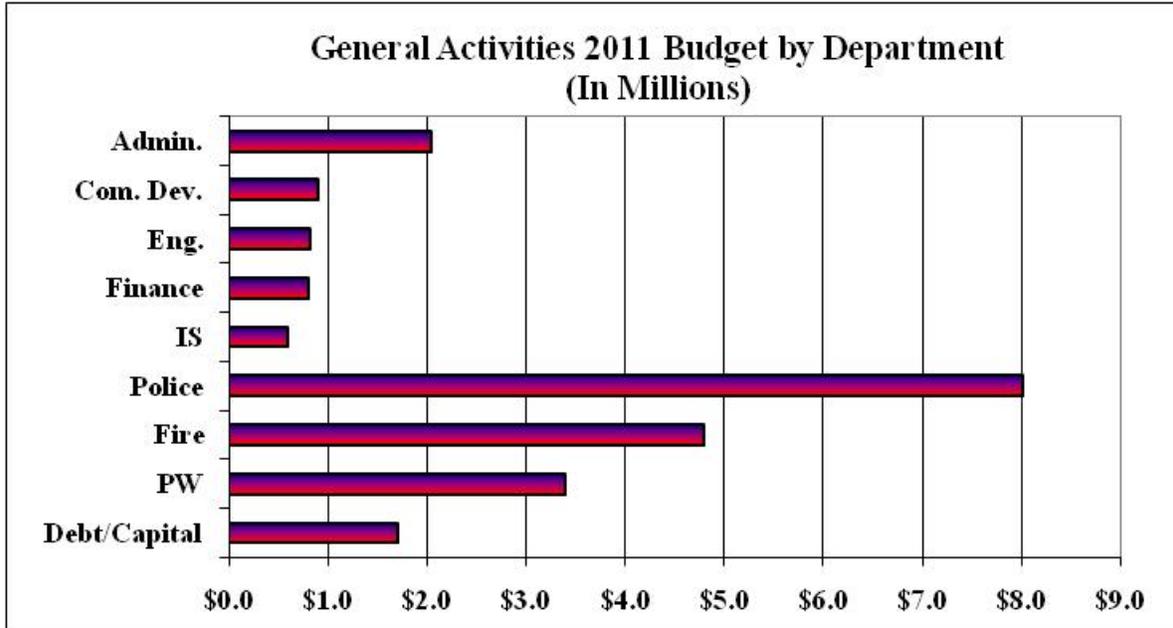
Expenditures in General Activities are budgeted at \$22,983,214. This represents a 1.2% increase over 2010 projected expenditures. The increase is attributable to budgeting for squad replacements, increased expenditures for building maintenance and various increased contractual expenses. The contract for Tri-City Ambulance is budgeted about \$80,000 higher than may be needed. The result will depend on if the St. Charles Fire Protection District leaves the group. While personnel costs have decreased significantly, pension contributions and health insurance costs have increased slightly.

Building and Grounds has \$100,000 more budgeted than 2010 projections to address continuing HVAC issues and needed maintenance of the building's exterior. The replacement of squads that was cut from 2010 has been included in this budget. Replacements are necessary, as there have not been any purchases since 2008. In light of current projections, a 6.5% increase in fuel prices has been included in all fuel budgets (a change in consumption also affects total fuel costs). The fire department has \$15,000 budgeted for thermal imaging camera that is offset by grant funding. Repairs for fire apparatus are higher by \$40,000 due to maintenance to extend the life of the fleet. The forestry budget in 10-45 was increased by \$30,000 to continue removing trees affected by the emerald Ash Borer. Salt continues to be a large expenditure for the City but the budget is the same as 2010. The number and types of snow events have increased our salt requirements the last few years. The budget for the Safe Routes to School projects have been re-budgeted in 2011 but are offset by 100% funding in grant revenue.

Following is a chart depicting resource allocation by department.



This chart provides the amount budgeted by department.



Generally, if there is a large on-going capital project funded from general activities then a capital project activity (fund) is established. The funding from general activities for that project it is then done via an interfund transfer under 10-90. For 2011, there are transfers to capital activities for the City's share of engineering for the Deerpath Bridge.

If capital spending does not necessitate a separate activity then the expenditure is budgeted within the appropriate department in General Activities. The most significant capital item budgeted in 2011 is for the Safe Routes to School Projects.

Transfers to the Fire and Public Works Equipment replacement funds has been reduced to ease the burden on General Activities, however, we must be sure that we provide sufficient funding to ensure we will have adequate funds to replace the fleet when necessary. Staff continues to review the structure and size of the City Fleet. The delay of replacing dump trucks in 2010 enabled the transfer to the fund to decrease slightly.

It should be noted that a bond issue matured in 2010 and freed up \$85,000 in spending for 2011 by reducing the amount needed to transfer to a debt service fund. The next bond issue to mature will be in 2013 relieving the general fund of \$230,000 in debt payments starting with the 2014 budget year

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. All three utilities suffered from lower consumption in 2009. The weather added a boost to electric revenues in 2010, with power consumption up about 15% over the summer, and an annual increase projected at 6%. Water consumption is projected to end the year with a 3% increase in consumption but wastewater is expected to end the year 1% lower.

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. However, beginning in late 2011, the utility is expected to begin providing power through ownership in the Prairie State coal mine project via NIMPA, an intergovernmental group of three cities. Power costs, which are passed on to ratepayers were significantly higher in 2009 and that resulted in an increase in the purchased power adjustment factor (PPAF). The Council enacted a rate stabilization fund to help stabilize the PPAF over 2009, thus delaying the recovery of those costs. A total of \$1.7 million of reserves was used to supplement the PPAF rate to keep customer rates steady. The utility will have recouped about \$800,000 by the end of 2010. Staff was occupied for much of 2010 with a prospective industrial customer that ended up locating in our industrial park. The customer is projected to use up to 13 MW of power when at capacity. A market-based rate was put into place for customers that meet the criteria. The utility also benefitted by cost sharing system improvements with the customer. Capital spending for 2011 include distribution upgrades, wire replacement and SCADA enhancements.

Water Utility

Plans for the Water Utility include continued work on a water main replacement schedule for older water main sections throughout the City. The cost of these projects requires them to be done over a number of years. Engineering for one of the first projects on Houston Street is budgeted along with replacement of a truck next year.

Wastewater Utility

The Wastewater Utility has been under pressure for some time receiving lower revenues because of the summer sewer-averaging program, separate metering and reduced overall consumption. Capital improvements planned for 2011 is a project that has experienced some delays; the upgrade of the Carriage Crest lift station. Funding for the costs will be provided by Recovery Zone Bonds issued through Kane County. The bonds provide a relief to the reserves by allowing a 10-year payback. A rate increase is not included in this budget but one will be necessary soon, depending on the timing and necessity of any expansion or new mandates requiring capital enhancements.

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. Fortunately, the City has been careful when issuing debt and has a lower debt burden than many other communities. The most significant debt issued in the last 10 years was \$10,000,000 for the reconstruction of the City's two fire stations. There are no plans to issue debt in 2011 for the General Fund but debt issuance is slated in the City's two TIF funds to provide funding for the streetscape program and the possible parking deck. Projections are budgeted in those funds but repayments are not included below as they have a separate revenue source and would not increase taxes or fees.

Outstanding General Obligation Debt (Principal & Interest)

	Fire Stations	Flood Bonds	Bridge	City Hall	Total P & I
Funding	Sales Tax	Sales Tax	Property Tax	Property Tax	by Year
2011	742,969	228,975	170,813	310,812	1,453,569
2012	741,394	228,200	167,250	313,250	1,450,094
2013	744,182	231,750	167,500	314,700	1,458,132
2014	746,119		167,500	320,850	1,234,469
2015	747,207		167,250		914,457
2016	752,444		161,750		914,194
2017	751,619		161,250		912,869
2018	754,944		160,500		915,444
2019	757,206		159,500		916,706
2020-2025	4,612,262		637,250		5,249,512

The electric utility issued \$26,970,000 in revenue bonds debt in 2006 to fund the 138 kV project. There is also debt in both the water and sewer utilities through the IEPA. Debt for utilities is expected and is the most practical way to fund costly infrastructure improvements. The Wastewater Fund plans to borrow \$920,000 in 2011.

Enterprise Fund Debt Requirements (Principal and Interest)

	Electric	Water*	Wastewater**
2011	1,423,430	942,390	1,391,983
2012	1,702,406	942,390	1,143,105
2013	1,703,206	942,390	894,227
2014	1,703,006	942,390	894,227
2015	1,701,806	942,390	894,227
2016	1,704,606	942,390	894,227
2017	1,701,206	942,390	894,227
2018	1,701,806	942,390	894,227
2019	1,701,206	942,390	894,227
2020 -2036	28,960,744	5,292,288	849,940

*Not finalized with IEPA **Includes Projected Recovery Zone Bond Payments

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 2011 except for electric.

Surplus and Reserves - General Fund – General Activities

The projected reserves for the end of 2011 are expected to be at a satisfactory 126 days. The 2011 budget dips into reserves for operating expenditures as already discussed. A viable plan is required for achieving a balanced operating budget for future years. Further cuts to staff would require an assessment of the correlation in service curtailment. Unless revenues increase substantially in 2011, an addition to revenues through taxes or fees will be required in either 2012 or 2013 depending on the further use of reserves to sustain the current level of services. Therefore, this budget recommends the continued consideration of new and alternative revenue sources to support city services in conjunction with an ongoing review of current revenues and expenditures.

Surplus and Reserves - Electric Fund

Reserves in the Electric Fund are expected to end the year at 110 days with a projected balance of \$10.3 million. The reserves were hit hard in 2009 due to higher power costs; however, since our bond covenants require that we pass that cost on to our customers, the higher cost was partially recouped through our power cost adjustment (PPAF). The use of the rate stabilization fund with a balance of \$1,000,000 may or may not be replenished in 2011 depending on market conditions and power costs in the summer of 2011. The expected reserves will be sufficient to meet our bond requirements. Stronger reserves will be a boost to the utility entering into the Prairie State operations.

Surplus and Reserves -Water Fund

The reserves for the Water Fund are projected to be at 264 days at the end of 2011. While this number is good, there are several water main replacement projects on the horizon and we will need to evaluate carefully 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 or so that a financing plan can be put in place if necessary. 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 177 days at the end of 2011. This is due in entirety to the utility receiving funding through Kane County by borrowing Recovery Zone Bonds to fund the Carriage Crest Lift Station rehab. Reserves would be at 90 days without borrowing the funds. The reserves are in a better position due to the change in the Summer Sewer Averaging program implemented in 2009 but it is still not enough. The utility is still reaching into reserves slightly to meet ongoing operations. Changes made to operations during the financial sustainability project have helped but it is recommended that a rate increase be evaluated and implemented sometime in 2011. A review of capital will be completed in conjunction with water to establish a recommended program for the sanitary sewers for future years.

Conclusion

The 2011 budget, although not balanced, is still in a better position than we had anticipated a year ago. There are many positive factors to look forward to with anticipated revenues from new businesses and recovery from existing ones. We also continue to implement efficiencies that allow us to operate at lower costs. There are, however factors that we need to be observant of, especially those looming from the State of Illinois. There is potential for impact from the State's budget on local government funding, in addition there will most certainly be an added burden placed on all taxpayers from the State level. As always, we would prefer a budget that provides for all service needs within our revenue constraints but the recommendation for the use of reserves is only half of what was proposed for 2010. In addition, the budget cuts and givebacks by employees in 2010 allow us more time to recover without drastic changes to service provisions or staffing. Should our contracts not resolve within range of our budget or should the State implement immediate funding cuts after the new-year, we may need to amend our budget after passage. Barring any major changes to our revenues or expenditures, we should have no difficulty weathering economic variations to our budgeted numbers.

We must all remember, though, where we have been and what we have done to achieve the position that we have. We must 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 our budget.

This budget, as always, was the result of countless hours of review and meetings with the City Administrator and Staff. Recognition should be given to all of the Department Heads, Superintendents, Administrative Staff and the Staff of the Finance Department for their efforts in compiling this budget.

Sincerely,
Peggy Colby,
Finance Director

City of Batavia 2011 Annual Budget

Total 2011 Budget - All Funds and Activities

Description	Actual 2008	Actual 2009	Approved Budget 2010	Estimated 2010	Proposed Budget 2011
Surplus and Reserves	\$29,119,166	\$28,032,633		\$29,150,385	\$31,349,345
01 Intergovernmental	\$4,301,220	\$3,658,692	\$4,119,852	\$3,657,903	\$5,375,310
01 Municipal Taxes/Fees	\$11,196,521	\$9,946,166	\$10,289,331	\$10,170,687	\$10,301,201
01 Property Taxes	\$6,767,017	\$7,116,278	\$7,067,699	\$7,143,862	\$7,315,719
01 Utility Operating Revenues	\$42,486,532	\$44,480,823	\$44,694,685	\$46,904,676	\$43,298,348
02 Contributions	\$3,913,196	\$4,369,153	\$4,188,777	\$4,281,963	\$4,447,466
02 Utility Nonoperating Revenues	\$571,240	\$474,527	\$357,485	\$2,331,101	\$397,085
03 Licenses and Permits	\$263,420	\$196,493	\$249,000	\$434,156	\$278,300
04 Charges for Services	\$1,011,943	\$1,194,424	\$1,365,130	\$1,221,965	\$1,259,620
05 Fines and Forfeitures	\$171,223	\$226,208	\$221,500	\$252,144	\$290,640
06 Other Revenues	\$1,676,884	\$1,258,902	\$979,075	\$938,197	\$921,975
07 Interfund Allocations	\$5,180,985	\$4,716,534	\$4,305,996	\$4,308,417	\$11,309,057
08 Revenue Bond Proceeds	\$0	\$0	\$0	\$0	\$8,420,000
Total Revenue	\$77,540,181	\$77,638,200	\$77,838,530	\$81,645,071	\$93,614,721
TIF District Projects	\$691,400	\$411,443	\$1,756,000	\$335,000	\$9,872,600
Administration & Legislative	\$1,643,311	\$1,238,122	\$1,230,923	\$1,242,533	\$1,180,220
Human Resources	\$312,106	\$258,743	\$286,335	\$277,985	\$304,149
Community Development	\$984,097	\$1,001,215	\$922,097	\$925,048	\$900,557
Public Works Administration	\$299,858	\$354,833	\$184,792	\$185,792	\$195,933
Engineering	\$664,822	\$629,217	\$1,120,267	\$867,546	\$800,096
Building and Grounds	\$551,968	\$336,863	\$399,488	\$377,637	\$454,241
Finance and Accounting	\$516,160	\$516,558	\$508,480	\$510,556	\$542,928
Information Systems	\$1,128,160	\$772,751	\$599,785	\$573,617	\$601,040
Utility Billing	\$388,354	\$346,740	\$314,574	\$281,484	\$247,262
Worker's Compensation Plan	\$1,547,243	\$344,235	\$682,912	\$693,848	\$776,320
Subsidized Transportation	\$39,971	\$45,767	\$50,000	\$50,000	\$50,000
Police Admin & Operations	\$7,455,742	\$7,560,161	\$8,025,123	\$7,857,990	\$8,002,387
Fire Services	\$4,444,816	\$4,525,280	\$4,695,019	\$4,629,849	\$4,767,819
E.S.D.A.	\$37,655	\$27,450	\$37,606	\$35,211	\$25,561
Public Works Capital Acquisition	\$53,165	\$0	\$180,000	\$0	\$180,000
Fire Capital Acquisition	\$524,856	\$0	\$225,000	\$0	\$273,000
Health Benefit Plan	\$2,976,546	\$3,539,420	\$3,681,049	\$3,766,928	\$4,013,002
Deerpath Bridge Construction	\$0	\$8,144	\$110,405	\$64,361	\$172,405
Streets and Sanitation	\$3,534,745	\$3,251,274	\$3,355,233	\$3,110,092	\$3,204,596
Fire Stations Renovations	\$85,362	\$0	\$0	\$0	\$0

City of Batavia 2011 Annual Budget

Total 2011 Budget - All Funds and Activities

Description	Actual 2008	Actual 2009	Approved Budget 2010	Estimated 2010	Proposed Budget 2011
Surplus and Reserves	\$29,119,166	\$28,032,633		\$29,150,385	\$31,349,345
Street Improvements	\$1,098,706	\$822,108	\$1,285,000	\$628,377	\$1,186,445
Donovan Bridge Project	\$815,062	\$0	\$0	\$149,999	\$0
Electric Improvements	\$1,381,340	\$1,059,214	\$2,780,000	\$3,810,000	\$2,295,000
Meter Reading/Locating	\$472,002	\$485,280	\$397,499	\$387,357	\$417,181
Transmission & Distribution	\$31,049,956	\$34,422,712	\$33,448,352	\$34,786,916	\$31,612,563
Water Improvements	\$876,778	\$0	\$65,000	\$15,000	\$115,000
Water Production	\$884,380	\$805,870	\$767,350	\$766,550	\$945,850
Water Distribution	\$1,380,022	\$1,284,021	\$1,258,730	\$1,260,444	\$1,306,022
Wastewater Improvements	\$0	\$27,000	\$727,000	\$0	\$1,010,000
Waste Water Treatment	\$1,734,768	\$1,699,257	\$1,716,962	\$1,560,963	\$1,721,154
Sanitary Sewer	\$162,720	\$208,027	\$258,091	\$220,033	\$253,327
Interfund Allocations	\$5,180,985	\$4,716,534	\$4,327,996	\$4,308,417	\$11,313,895
Revenue Bond Payments	\$4,025,001	\$4,085,314	\$4,080,945	\$4,080,945	\$4,451,365
General Obligation Debt Service	\$1,684,657	\$1,736,895	\$1,685,633	\$1,685,633	\$1,453,569
Total Expense	\$78,626,714	\$76,520,448	\$81,163,646	\$79,446,111	\$94,645,487
Surplus/(Deficit)	(\$1,086,533)	\$1,117,752	(\$3,325,116)	\$2,198,960	(\$1,030,766)
Surplus and Reserves	\$28,032,633	\$29,150,385		\$31,349,345	\$30,318,579