

# Table of Contents

## Page Number

### **Introduction and Budget Overview**

List of Officials .....	i
Organizational Structure .....	ii
Budget Summary .....	iii
Budget Process .....	iv
Budget Calendar .....	vi
Budget Overview .....	vii

<b>Budget – All Funds</b> .....	01
---------------------------------	----

### **General Fund**

All    General Fund Summary (Activities 10, 15, 20, 18).....	03
--	----

#### **General Activities**

10    General Activities Summary.....	04
General Activities Revenue Detail.....	05
10    Administration & Legislative .....	08 a
12    Human Resources .....	10 a
13    Community Development.....	12 a
14    Public Works.....	14 a
15    Engineering.....	16 a
16    Building and Grounds.....	18 a
17    Finance and Accounting .....	20 a
18    Information Systems .....	22 a
19    Utility Billing .....	25 a
27    Subsidized Transportation .....	27 a
31    Police.....	28 a
32    Fire .....	32 a
33    ESDA .....	36 a
45    Streets & Sanitation .....	38 a
90    Interfund Allocations .....	41

#### **Self-Insurance Activities**

15    Health Insurance Summary.....	43
20    Worker’s Compensation Summary.....	47

# Table of Contents (Continued)

	<u>Page Number</u>
<b>Street/Motor Fuel Tax Activities</b>	
18	Street Improvement/MFT Summary.....51
47	Street Improvements .....54
99	General Obligation Debt.....56
<b>Debt Service Fund</b>	
All	Debt Service Fund Summary (Activities 41, 51, 53, 54 ,55, 56).....58
<b>Debt Service Activities</b>	
41	Fire Stations .....59
51	City Hall Building Renovation .....63
53	2002 Refunding Fire & Public Works .....67
54	TIF #1 .....71
55	Flood Control.....75
56	Donovan Bridge.....79
<b>Major Capital Project Fund</b>	
All	Major Capital Project Fund Summary (Activities 33, 46, 47, 59).....83
<b>Major Capital Project Activities</b>	
42	Deerpath Bridge.....84
43	Wilson T.S. Interconnect Summary.....87
46	Fire Stations Renovations Summary..... 91
59	Donovan Bridge Project..... 94
<b>Minor Capital Project Fund</b>	
All	Minor Capital Project Fund Summary (Activities 11, 12, 71, 72)..... 97
<b>Minor Capital Project Activities</b>	
11	Batavia T.I.F. District #1 ..... 98
12	Batavia T.I.F. District #3 ..... 102
71	Public Works Capital Development..... 107
72	Fire Department Capital Development ..... 111

# Table of Contents (Continued)

	<u>Page Number</u>
<b>Electric Fund</b> .....	116 a
21 Electric Utility Fund Summary (Activities 61, 62, 64, 90, 98).....	116
Electric Utility Revenue Detail.....	117
61 Electric Improvements.....	118
62 Meter Reading.....	121 a
64 Transmission & Distribution.....	122
90 Interfund Allocations.....	126
98 Revenue Bond Debt.....	127
<b>Water Fund</b> .....	129 a
30 Water Utility Fund Summary (Activities 71, 72, 73, 90, 98).....	129
Water Revenue Detail.....	130
71 Water Improvements.....	131
72 Water Production.....	133
73 Water Distribution.....	136
90 Interfund Allocations.....	138
98 Revenue Bond Debt.....	139
<b>Wastewater Fund</b> .....	141 a
31 Wastewater Utility Fund Summary (Activities 81, 82, 83, 90, 98).....	141
Wastewater Revenue Detail.....	142
81 Wastewater Improvements.....	143
82 Wastewater Treatment.....	145
83 Sanitary Sewer Maintenance.....	147
90 Interfund Allocations.....	149
98 Revenue Bond Debt.....	150
<b>Permanent Fund</b>	
60 Perpetual Care Cemetery Trust Fund.....	152
<b>Appendix</b>	
General and Demographic Statistics.....	A-1
Capital Improvement Plan.....	A-3
Glossary.....	A-53

# List of Officials

**Honorable Jeffery D. Schielke, Mayor**

## **City Council**

Ward 1:	<b>Garran Sparks</b>	<b>Michael F. O'Brien</b>
Ward 2:	<b>Victor Dietz</b>	<b>Alan P. Wolff</b>
Ward 3:	<b>Cathy Barnard</b>	<b>Linnea C. Miller</b>
Ward 4:	<b>Thomas L. Schmitz</b>	<b>James T. Volk</b>
Ward 5:	<b>Eldon Frydendall</b>	<b>Forrest L. Nelson Jr.</b>
Ward 6:	<b>Robert F. Liva</b>	<b>Lisa Clark</b>
Ward 7:	<b>David J. Brown</b>	<b>Dawn Tenuta</b>

## **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**

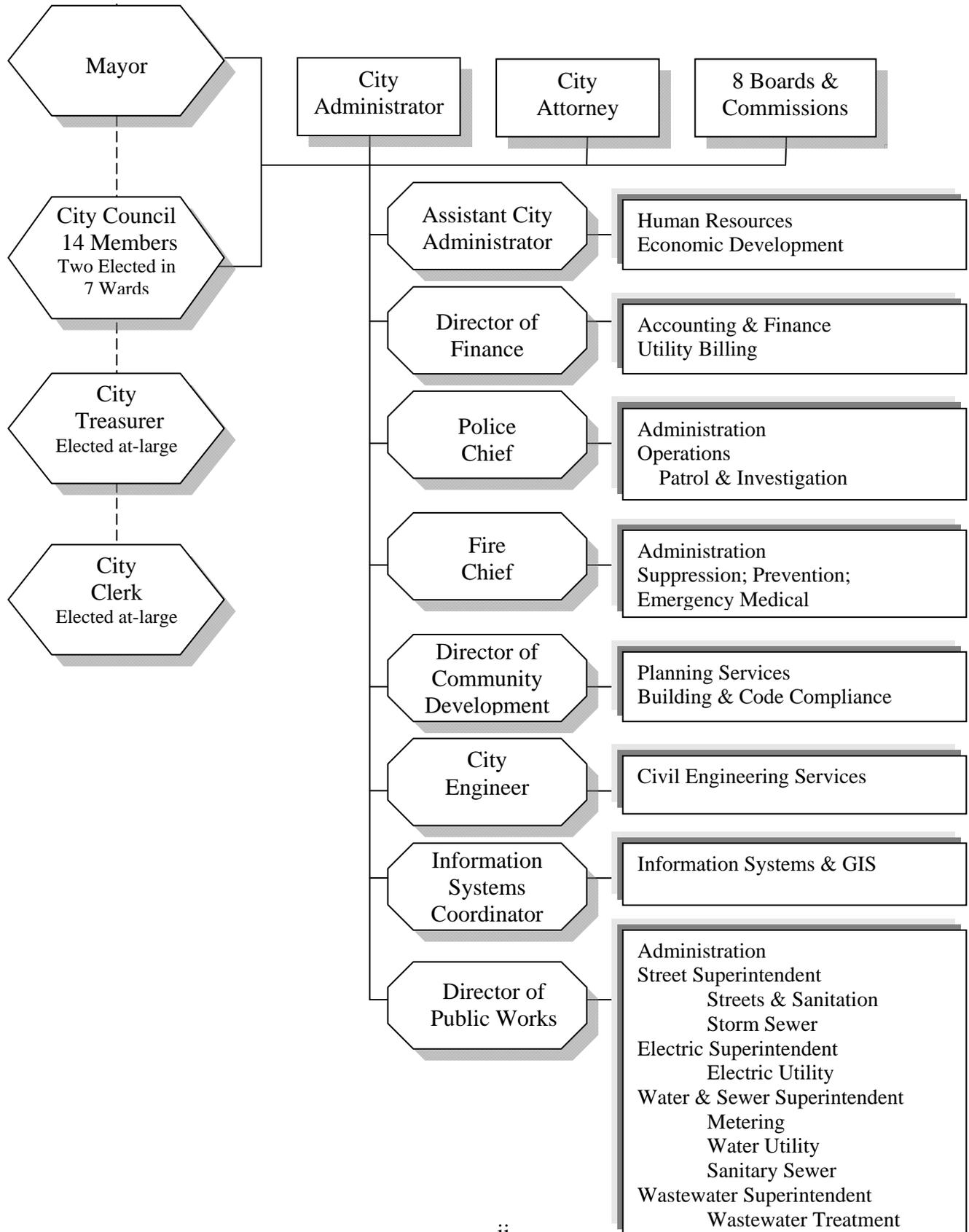
Scott Haines

### **Superintendent of Water & Sewer**

John Dillon

# City of Batavia Organizational Structure

## Citizens of Batavia



# City of Batavia

## 2010 Budget Summary

<b>Total Budget</b>	<b>Operating</b>	<b>Capital</b>	<b>Debt</b>	<b>Interfund</b>
<b>\$81,273,646</b>	<b>\$63,254,603</b>	<b>\$7,924,469</b>	<b>\$5,766,578</b>	<b>\$4,327,996</b>

<b>Total by Fund</b>	<b>Operating</b>	<b>Capital</b>	<b>Debt</b>	<b>Interfund</b>
<b>General</b> \$29,332,796	\$25,407,619	\$ 1,971,064	\$ 132,870	\$ 1,821,243
<b>Major Capital</b> \$ 220,405	\$ -	\$ 220,405	\$ -	\$ -
<b>Minor Capital</b> \$ 2,161,000	\$ -	\$ 2,161,000	\$ -	
<b>Debt Service</b> \$ 2,242,763	\$ -	\$ -	\$ 1,552,763	\$ 690,000
<b>Electric</b> \$38,729,502	\$33,845,851	\$2,780,000	\$ 1,424,505	\$ 679,146
<b>Water</b> \$ 3,975,580	\$ 2,026,080	\$ 65,000	\$ 1,287,484	\$ 597,016
<b>Wastewater</b> \$ 4,601,600	\$ 1,975,053	\$ 727,000	\$ 1,368,956	\$ 530,591
<b>Permanent</b> \$ 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 30<sup>th</sup> 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.

## 2010 Budget Calendar

August 25, 2009	Finance Rolls Budget (sets up new funds/accounts/sets IMRF rate)
August 25, 2009	Finance Enters 2008 Actual Expenditures & Cash Balances
August 25, 2009	Departments Begin Budget Planning Process & Entry
September 10, 2009	Staff Meeting to discuss Information Systems Budget
September 18, 2009	Complete 2009 Budget Projection Data Entry
September 18, 2009	2009 Revenue Estimates to Finance - Engineering, Community Dev. & Utilities
September 18, 2009	2010 Revenue Estimates to Finance - Engineering, Community Dev. & Utilities
September 25, 2009	Closing for Data Entry - no Entry after this date
September 25, 2009	Submit Department Narrative Electronically
September 25, 2009	Submit Department CIP Workbook Electronically
September 28 -	
October 8, 2009	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 12, 2009	Finance Provides Administration with Draft Budget
October 12 - 16, 2009	2nd Round Meetings with Department Heads for Final Modifications (adjustments to 2009 projections may be given to Finance up to this date)
October 16, 2009	Cut-off Date for Final Modifications/Amendment Requests to Admin/Finance
October 19 -	
November 3, 2009	Finalize Budget and Prepare for Distribution
November 3, 2009	Distribute to City Council & Staff & make available to the Public (must be made available at least 10 days prior to passage)
November 3, 2009	Budget Public Hearing Notice Published (must be published one week or more prior to hearing)
November 3 -	
November 12, 2009	Comment Period for City Council Members & Public
November 12, 2009	Government Services Budget Meeting
November 16, 2009	2010 Budget Public Hearing*
November 19, 2009	Additional Government Services Meeting for Budget (if needed - Great Room)
November 24, 2009	2009 Tax Levy Public Hearing Notice Published (must be published not more than 14 days but not less than 7 days prior to hearing)
December 7, 2009	2009 Tax Levy Public Hearing*
December 7, 2009	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 14, 2009	City Council to Approve 2009 Tax Levy for 2010 Collection
December 14, 2009	Alternate Approval Date for 2010 Budget
January 1, 2010	Budget Year Begins

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

# Financial Overview

## 2010 Budget

Following is the City of Batavia's 2010 Budget. The process of preparing the budget and presenting it for review is always a significant task. Careful review of current year revenues and expenditures is the essential first step. Accurate estimating is essential to establish a proper benchmark for evaluating the budget for the coming year.

While every budget has always planned for the most efficient use of taxes and fees that support City Services, the 2009 and 2010 budget have had to incorporate sacrifices in spending. The 2009 budget included a planned spend down of reserves, layoffs, retirement offers and a hiring freeze that has caused several departments' operational difficulties. Remaining staff members have had to step in and take on additional workload. While this is what must be done it does not negate or ease the burden on employees and I would be remiss not to recognize everyone that is working that much harder to provide quality services to our residents and customers.

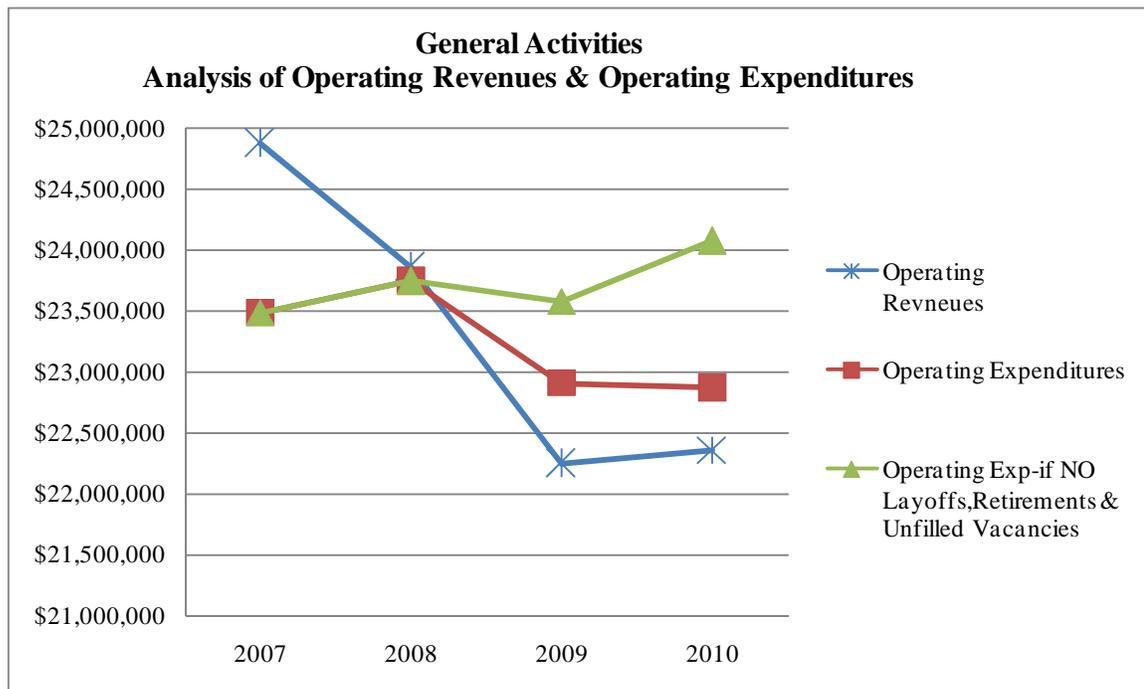
All departments are keenly aware of the City's declining revenues. City staff at all levels have been diligently monitoring expenditures throughout the year. All employees have been evaluating processes and brainstorming all possible financial savings for the City. The 2010 budget plan also includes a planned spend down of reserves, proposed wage freezes, wage cuts, continued unfilled vacancies and early retirements. *A budget with these types of forfeitures allows the City to maintain a certain level of services until we have more data as to the extent our revenues will recover.* The goal continues to be to provide a spending plan that will position the City in a sustainable position for the future. Since the 2010 Budget already includes substantial sacrifices by all employees and it still does not create a balanced budget, unless revenues recover significantly beyond expectations, we will not be able to meet that goal for the year 2011.

Realizing that concern, we must look to how we plan to use the City's reserves. The City maintains reserves to carry it through deficit budgets when it is known that revenues will be available in the near future or for one-time expenditures or capital spending. However, if reserves are expended to temper cyclical revenues, it is expected that revenues will again rise above expenditures and replenish the reserves. This is a key factor when considering the appropriate use of reserves.

The Government Finance Association recommends that cities maintain a minimum operating reserve 60 days. This amount is to be set aside and not used except in the event of a catastrophe such as a tornado demolishing stores that provide sales tax revenue. The City would need to continue operating during any downtime. Any natural disaster that took out a main retail corridor would take a longer time to recover from and a higher number of days in the 90 to 120 day range would not be unreasonable especially in light of the fact that Batavia is heavily reliant on sales tax.

In addition to operating reserves, we should have funds in our reserves for capital spending so as to avoid issuance and interest expense. It is most appropriate to issue debt for capital when the cost is high and the asset has a long-term benefit thus spreading it out to more than one generation receiving the benefit. In addition, if debt is not levied against property taxes, we must always be sure to have appropriate debt service coverage in our reserves. Currently the fire stations bonds, flood bonds and public works bonds are not levied, but rather they are pledged by sales tax and so we must ensure adequate reserves to cover those debt payments. While all of these factors play a role in the decision to spend reserves, we can take some solace in the fact that Batavia has spent wisely in past years and has benefitted from several years of high sales taxes. This has provided reserves that are projected to be at 134 days at the end of 2009. With the current budget plan, reserves are projected to be at 120 days at the end of 2010.

The 2010 budget includes expenses for training and supplies and those kinds of purchases that are necessary to continue to operate and provide services safely and responsibly. Capital spending must also continue or sizable costs could escalate to an unmanageable level. Since salaries and benefits represent 71% of operating expenses, the only way to bridge the gap between revenues and expenses is to reduce those costs. Savings in salaries and benefits in the general fund for 2009 amount to \$671,000 and add to \$1.2 million for 2010 when accounting for a full year of savings over 2009. The total reaches and \$1.6 million for all funds for 2010. This savings along with the wage and hour reductions amounts to a 5% savings in employee costs for 2010 for the general fund. The chart below depicts how extreme the gap between revenues and expenditures would be had the City not been able to achieve the savings.

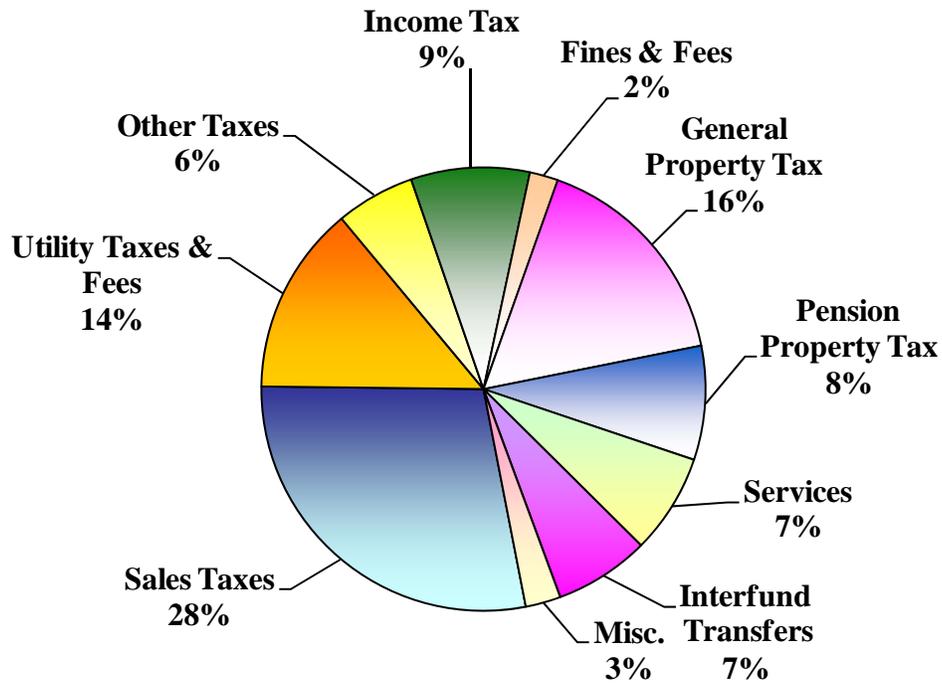


## General Fund – General Activities

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. 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.

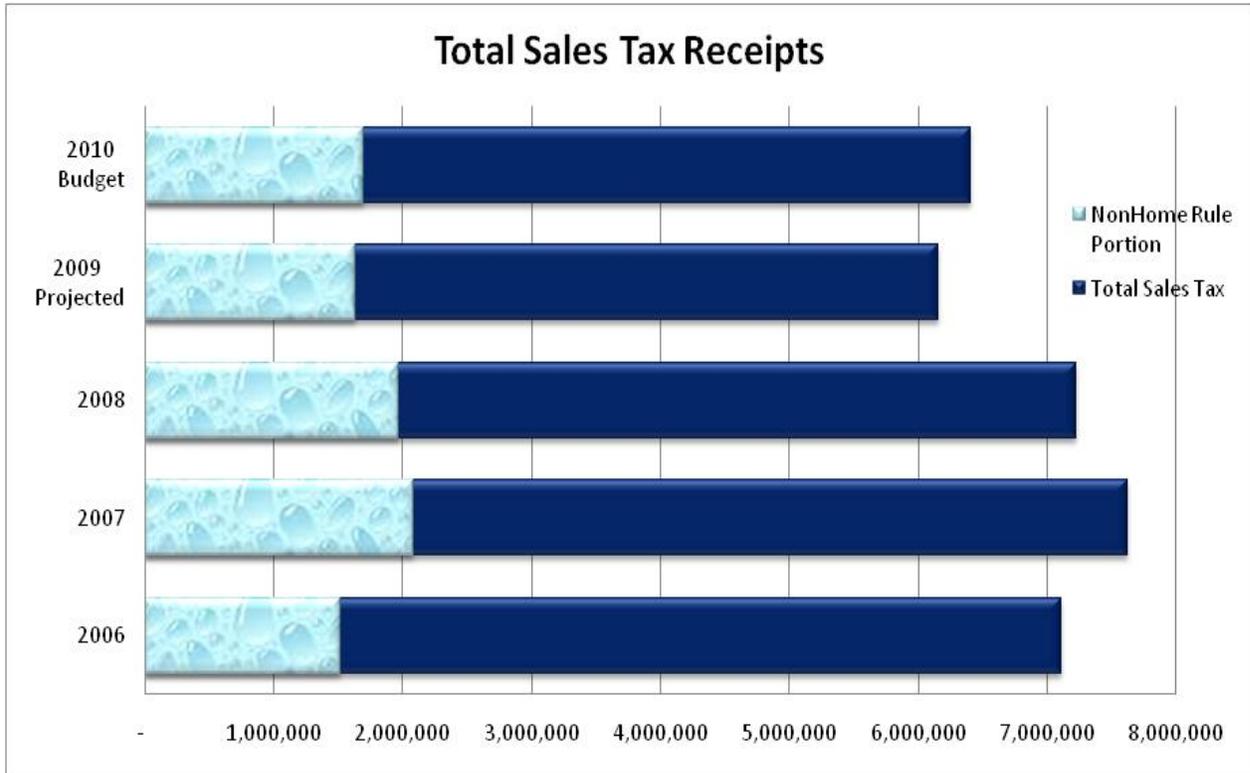
Following is a chart depicting the source of General Activities revenues. As evidenced, the City, like most governments, is reliant on taxes and fees to support services.

### 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, we must be very astute to the impact on of all taxes and fees for services. We must also consider the state of the economy as to the ability to pay and the onus of more taxes or fees. We have an obligation to do our utmost not to over burden any one particular group of taxpayers or ratepayers or the community as a whole. After much discussion and consideration during the budget process this year, the recommendation of a leaf and brush pickup fee of \$3.00 per resident was added to the 2010 budget. This fee is expected to provide annual revenues of approximately \$300,000 and is included in the services category on the chart.

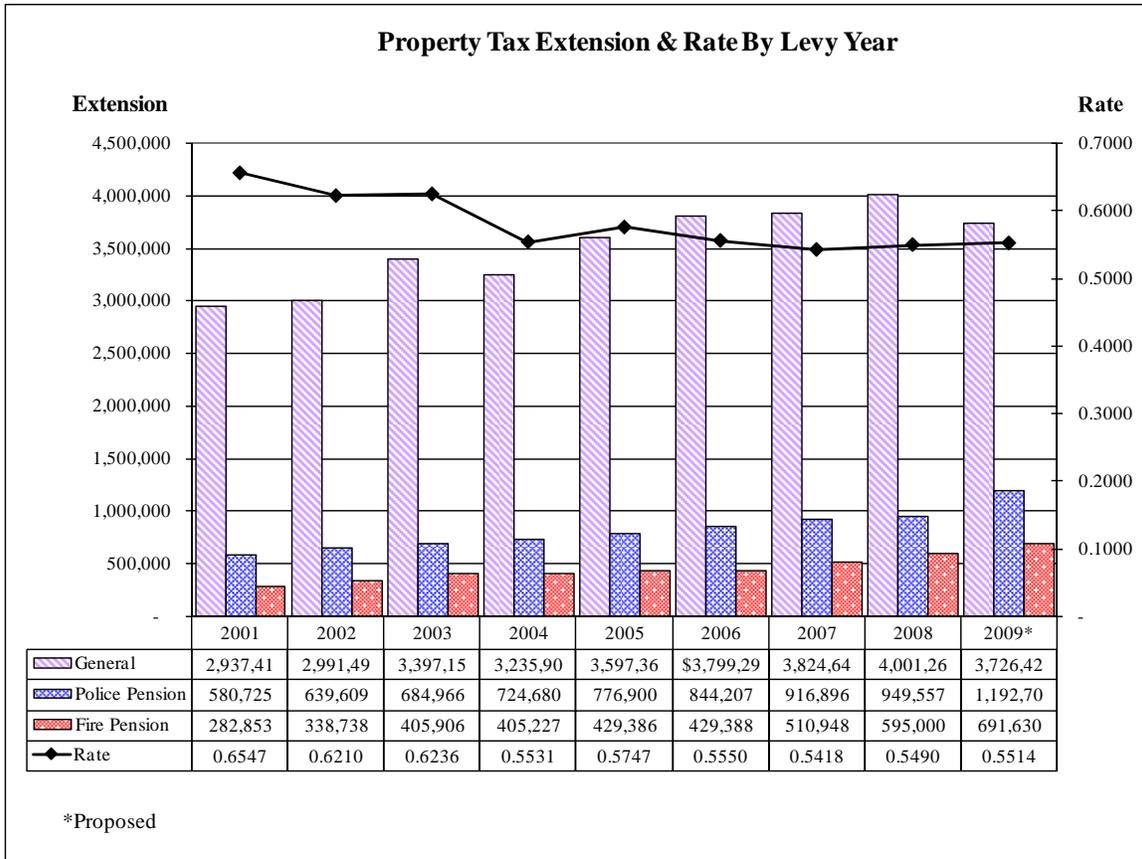
Sales tax, still accounts for the largest share of general revenues even in light of the steep declines. Receipts for 2009 are projected to be 13% less than 2008 receipts. The 2009 budget assumed that there would be continued challenges from the growing sales tax base surrounding Batavia and that the economy would be a factor, however it was not anticipated that the economy would have such significant effect. The 2010 budget plans for a 4% rebound from the 2009 low but continued retail competition from outside of the City's borders will most likely remain a factor indefinitely.



The City became home rule in late 2009 and the non-home rule tax will become home rule mid-way through 2010. This change will not affect the amount of tax.

The opening of a wholesale store in a neighboring community is believed to have attributed to a large portion of our sales tax decrease in 2009 as it is in direct competition with a wholesale store in Batavia, one of our largest sales tax generators. The decrease in sales tax from 2008 to 2009 amounts to \$1 million less in receipts and \$1.4 million under the 2007 funding level. Staff is actively working on a shop local campaign to promote spending of sales tax dollars at Batavia retail stores. Additionally, active work continues on forms of assistance to encourage and support new businesses in our TIF districts and throughout the city using other grants and funding available. While sales tax is a major revenue source, we must put effort into diversifying our revenues to the extent possible to include sources that are not as subjective to the economy.

The other major revenue source for the city's general fund is property tax. Preliminary projections on the city's EAV project a flat EAV for the 2009 levy year. The projected tax levy adjusted for the change in CPI of 0.1% is an increase of \$30,000 in revenue. That amount is offset by the increase in our required contribution to the fire and police pensions of \$340,000, effectively causing a decrease to spendable revenues of \$310,000 next year. The City currently levies about 8% of a typical total tax bill. Future budgets will require a review of the city's property tax collections in conjunction with services provided, as we will not be able to sustain the current level of services without a significant increase to revenues in the general fund.



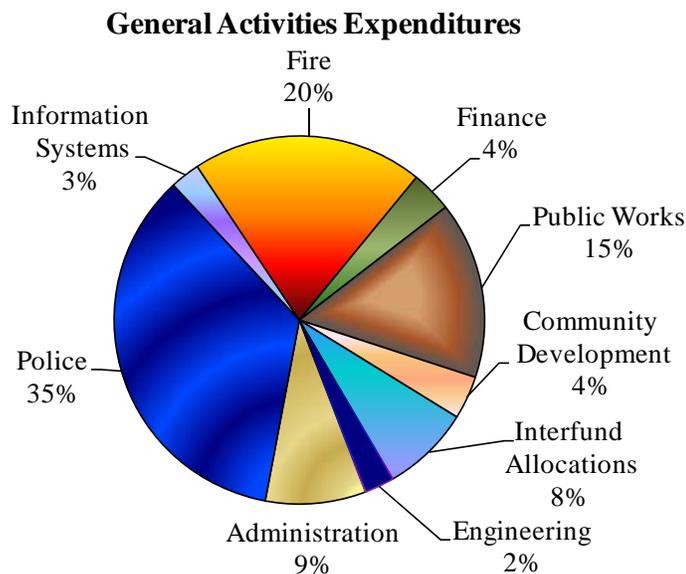
Income tax receipts are expected to come in \$300,000 under budget for 2009. The Illinois Municipal League had predicted higher receipts in late 2008 but has twice since reduced their projections due to economic factors. Projections for 2010 have this line item decreasing slightly more than 2009. Utility taxes and fees decreased from 2008 due to lower natural gas prices. Prices are expected to remain steady so this line item is budgeted at about the same level as 2009. Interfund Allocation revenues, transfers the utilities for services provided by the general activities will experience a reduction in 2010. Since the charges are based on the cost and there were significant cost decreases for Utility Billing and Information Systems (GIS), the fees charged to the utilities were also reduced. While this has no effect on the general activities – lower expenditures and lower revenues, it does result in lower costs to the utilities.

## General Activities Expenditures

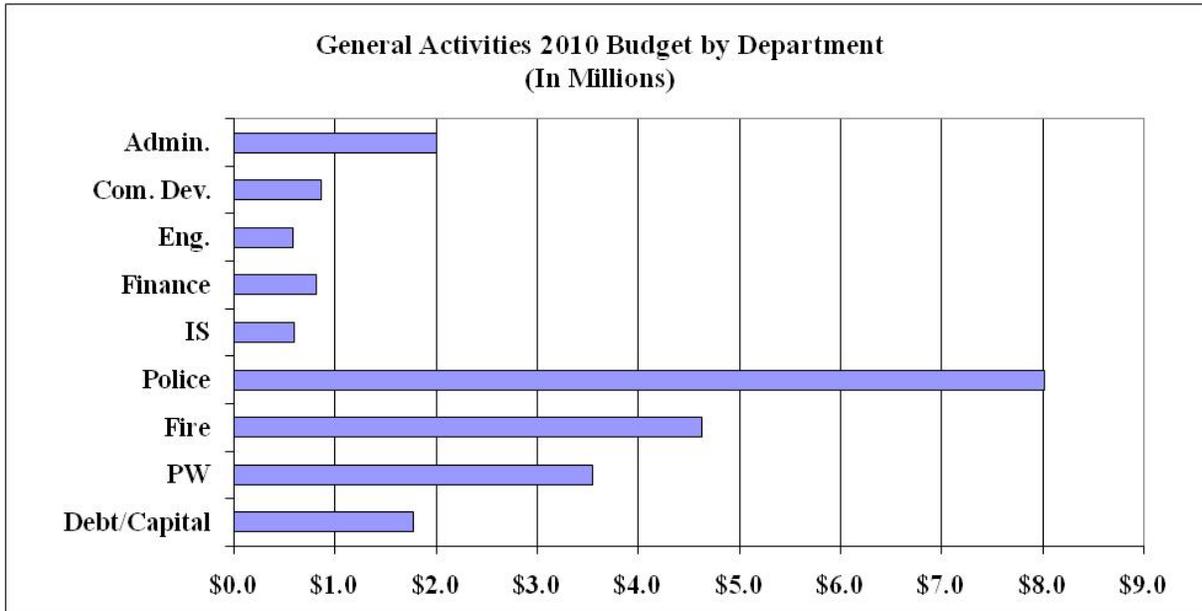
Expenditures in General Activities are budgeted at \$23,550,965. This represents a 2% increase over 2009 projected expenditures. The operating budget (with capital removed) for 2010 however, is .2% lower than the 2009 projected operating budget. Additionally, the 2009 operating budget reflects a 4% decrease from 2008 spending. These decreases are representative of the reductions to the City's personnel costs mentioned earlier. Funding to outside organizations has been eliminated aside from Batavia Main Street and a token amount for Art in Your Eye. The budget also reflects a reduction in funding to BATV, which began last year with a smaller reduction. An adjustment to the distribution of liability insurance premiums among departments increased some individual budgets but the total expense remains level with 2009.

Spending on software is down after a period of upgrades for many departments including police, finance, utility billing and community development. Software Support on the other hand has increased since 2007 from \$59,000 to \$136,000 (\$18,000 reimbursed from other cities) and is directly correlated to the recent software upgrades. Other items that are higher for 2010 include contractual payments for Tri-Com and Tri-City Ambulance. Also included in 2010 are two replacement squads for the police department, which had no replacements in the fleet in 2009. In light of current projections, a 14-15% increase in fuel prices has been included in all fuel budgets (a change in consumption also affects total fuel costs). The fire department has \$64,000 budgeted for turnout gear but that is offset by grant funding. The forestry budget in 10-45 was increased by \$50,000 to begin proactively removing trees affected by the emerald Ash Borer. Salt continues to be a large expenditure for the City. The number and types of snow events have increased our salt requirements the last few years with many days of freezing rain.

Following is a breakdown of the General Activities Operating Budget (no capital) by Department. As expected Public Safety, represent the largest share at 55% of costs.



This chart provides the amount budgeted by department but does not include capital spending.



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 2010, there are transfers to capital activities for the City's share of engineering for the Deerpath Bridge and for the Wilson Street Traffic Signal Interconnect Project.

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 2010 is for the Braeburn Marsh West work. Other items such as the Safe Routes to School and the remainder of the Corridor Study through grant monies.

## **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. Although the utilities are self-supporting through user rates and fees, they were not isolated from the impacts of our economy. The utilities have fixed costs for infrastructure and for electric fixed costs for power. A drop in consumption does not relieve the utilities from those obligations and all three utilities suffered from lower consumption in 2009.

### **Electric Utility**

The Electric department works diligently to ensure adequate capital maintenance and new infrastructure to maintain quality service while sustaining competitive rates. The utility has undergone several changes in the last few years; most significantly changing the means in which the City secures and delivers purchased power. This change, which was a result of deregulation, has caused an increase in power costs for the City. That cost must be passed on to ratepayers. The cost of power combined with significant investment in capital infrastructure resulted in two rate increases of 8.9% each in 2007 and 2008 and a further increase may be needed in 2010 but it has not been included in the budget until further information is available. Capital spending in 2010 will include further completion of work on the 138 kV project and on distribution upgrades along with wire replacements.

### **Water Utility**

The Water Utility has no significant projects budgeted in 2010. Plans for the year include establishing a water main replacement schedule and establishing a funding program for the capital improvements. Priorities will be assigned to water main replacements for some of the older water main sections throughout the City. The reserves for the water utility are sufficient only to stagger improvements over several years, so it will be important to identify and prioritize capital needs before spending down the reserves. No rate increases are included in the 2010 budget but one may be needed in a future year based on the results of the capital plan.

### **Wastewater Utility**

A comprehensive sanitary sewer study was completed and the results of the study are under review. The development of a capital plan must also be done for the City's sanitary sewer system. Capital improvements planned for 2010 is the upgrade of the Carriage Crest lift station, one of the City's 18 lift stations.

## 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 2010.

Following is a chart of General Obligation Debt along with the source and use of funds.

Outstanding General Obligation Debt  
Debt Service Requirements (Principal and Interest)

Issue	Fire Stations	Fire & PW	Flood Bonds	Bridge	City Hall	Streets	Total P & I
Funding	Sales Tax	Sales Tax	Sales Tax	Property Tax	Property Tax	MFT	by Year
2010	737,769	105,957	238,930	169,188	324,830	131,270	1,707,944
2011	742,969		239,930	170,813	319,098		1,472,810
2012	741,394		240,480	167,250	323,028		1,472,152
2013	744,182		240,580	167,500	326,200		1,478,462
2014	746,119			167,500	333,600		1,247,219
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 City incurred sizeable revenue bond debt at the end of 2006 through the issuance of \$26,970,000 in electric revenue bonds to fund the 138 kV. Additionally, there is debt in both the water and sewer utilities for projects financed with low interest loans through the IEPA. Debt for utilities is expected and is the most practical way to fund costly infrastructure improvements. No debt is planned for 2010 in any of the utilities.

Enterprise Fund Debt Requirements  
(Principal and Interest)

	Electric	Water*	Wastewater
2010	1,424,106	1,287,311	1,368,956
2011	1,423,430	942,390	1,279,454
2012	1,702,406	942,390	1,030,576
2013	1,703,206	942,390	781,698
2014	1,703,006	942,390	781,698
2015	1,701,806	942,390	781,698
2016	1,704,606	942,390	781,698
2017	1,701,206	942,390	781,698
2018	1,701,806	942,390	781,698
2019	1,701,206	942,390	781,699
2019 -2036	28,960,744	5,292,288	737,419

\*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 carry out their goals for providing services. Since the budget must be submitted within the City's ability to pay, not all requests can be approved. During the budget process, priorities must be used to determine where cuts should be made. Following are the priorities used in making these difficult decisions.

*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 number of days is calculated by dividing

the amount of cash projected to be on hand at the end of the budget year divided by the total operating expenses (no capital) multiplied by 365 days. The City will meet these reserve policies for all funds in 2010 except for electric.

### **Surplus and Reserves - General Fund – General Activities**

The projected reserves for the end of 2010 are expected to be at 120 days. The 2010 budget dips into reserves for operating expenditures as already discussed. A viable plan is required for achieving a balanced operating budget for future years. Therefore, this budget strongly recommends the consideration of additional new and alternative revenue sources to support city services in conjunction with an ongoing review of revenues to ensure they remain on track with the budget.

### **Surplus and Reserves - Electric Fund**

Reserves in the Electric Fund are expected to end the year at 70 days with a projected balance of \$6.9 million. The reserves were directly impacted by the capital improvements made in the last few years and by the implementation of a rate stabilization fund to level out the purchased power adjustment factor on customer's bills. If the fund had not been used, then reserves would be at 88 days. The draw down on reserves makes it evident that the stabilization fund must be replenished in full as soon as it is reasonable to collect from ratepayers. The expected reserves will be still be sufficient to meet our bond requirements. It is anticipated that a rate increase may be needed and will be evaluated with the results of a cost of service and rate study in 2010.

### **Surplus and Reserves -Water Fund**

The reserves for the Water Fund are projected to be at 203 days at the end of 2010. While this number sounds sufficient, the dollar amount is \$2.2 million and any water main replacement would require a substantial portion of those funds. Since the utilities are capital intensive, they require a high use of reserves for either capital or debt payments. Evaluation and prioritization of future water projects is 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. With the completion of major capital improvements, the focus will be shifting to 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 100 days at the end of 2010. The reserves are in a better position due to the change in the Summer Sewer Averaging program implemented in 2009. However, the utility is still reaching into reserves slightly to meet ongoing operations. A small increase in consumption could offset that loss. 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 2010 budget is not ideal. We would all prefer a budget that provides for all service needs within our revenue constraints. Unfortunately, a balanced operational budget is not an option for Batavia this coming year without an additional \$500,000 in revenues, which is the amount of the operational deficit for 2010. This budget plan provides some time, time for the economy to recover and time for staff to research the means to reach a balanced operating budget in 2011 or 2012. The current economic position of the City is such that it should allow for this transitory period. While we had certainly hoped that we would be in a better place a year ago than we are now, we must continue to plan and prepare for whatever position we may be in when we present the 2011 budget. The sacrifices made by all employees are commendable but we know that they are not sustainable. We must be realistic in our future plans and we must address other revenue sources as an integral tool in bridging future year budget gaps in conjunction with ongoing expenditure review and evaluation of city services provided.

This budget 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 2010 Annual Budget

## All Funds and Activities

Description	Actual 2007	Actual 2008	Approved Budget 2009	Estimated 2009	Proposed Budget 2010
<b>Surplus and Reserves</b>	<b>\$56,375,546</b>	<b>\$29,116,596</b>		<b>\$28,042,943</b>	<b>\$25,919,886</b>
01 Intergovernmental	\$5,229,756	\$4,307,641	\$4,287,176	\$3,681,812	\$4,207,852
01 Municipal Taxes/Fees	\$11,482,018	\$11,196,521	\$11,142,398	\$10,046,110	\$10,289,331
01 Property Taxes	\$6,470,013	\$6,767,017	\$7,072,550	\$7,065,527	\$7,067,699
01 Utility Operating Revenues	\$40,247,562	\$42,486,532	\$46,186,270	\$42,799,531	\$44,694,685
02 Contributions	\$4,535,258	\$3,913,196	\$4,329,126	\$4,358,443	\$4,188,777
02 Utility Nonoperating Revenues	\$911,870	\$571,240	\$467,103	\$372,661	\$357,485
03 Licenses and Permits	\$380,021	\$263,420	\$278,070	\$182,985	\$249,000
04 Charges for Services	\$929,524	\$1,011,943	\$1,077,277	\$1,177,962	\$1,365,130
05 Fines and Forfeitures	\$221,761	\$171,223	\$172,000	\$217,325	\$221,500
06 Other Revenues	\$5,967,330	\$1,676,884	\$1,746,316	\$1,020,339	\$979,075
07 Interfund Allocations	\$5,914,480	\$5,180,985	\$4,740,228	\$4,695,597	\$4,327,996
08 Revenue Bond Proceeds	\$188,600	\$0	\$0	\$0	\$0
<b>Total Revenue</b>	<b>\$82,478,193</b>	<b>\$77,546,602</b>	<b>\$81,498,514</b>	<b>\$75,618,292</b>	<b>\$77,948,530</b>
TIF District Projects	\$1,049,153	\$691,400	\$1,917,582	\$447,619	\$1,756,000
Administration & Legislative	\$1,722,668	\$1,643,311	\$1,402,251	\$1,271,685	\$1,230,923
Human Resources	\$335,948	\$312,106	\$316,049	\$259,324	\$286,335
Community Development	\$954,388	\$984,097	\$1,018,812	\$985,234	\$922,097
Public Works Administration	\$391,306	\$299,858	\$332,715	\$361,838	\$184,792
Engineering	\$695,882	\$664,822	\$925,312	\$688,243	\$1,120,267
Building and Grounds	\$393,505	\$551,968	\$482,022	\$343,027	\$399,488
Finance and Accounting	\$509,228	\$516,160	\$525,169	\$520,763	\$508,480
Information Systems	\$993,794	\$1,128,160	\$875,346	\$813,086	\$599,785
Utility Billing	\$383,020	\$388,354	\$393,861	\$359,368	\$314,574
Worker's Compensation Plan	\$494,998	\$1,547,243	\$504,500	\$580,053	\$682,912
Subsidized Transportation	\$59,496	\$39,971	\$52,000	\$48,000	\$50,000
Police Admin & Operations	\$7,472,241	\$7,455,742	\$8,003,870	\$7,626,436	\$8,025,123
Fire Services	\$4,559,147	\$4,444,816	\$4,703,238	\$4,606,401	\$4,695,019
E.S.D.A.	\$35,899	\$37,655	\$51,145	\$29,396	\$37,606
Public Works Capital Acquisition	\$0	\$53,165	\$216,725	\$226,080	\$180,000
Fire Capital Acquisition	\$42,729	\$524,856	\$0	\$0	\$225,000
Health Benefit Plan	\$3,218,021	\$2,976,546	\$3,524,820	\$3,545,678	\$3,681,049
Deerpath Bridge Construction	\$0	\$0	\$80,000	\$0	\$110,405
Wilson T.S. Interconnect	\$0	\$0	\$0	\$0	\$110,000
Streets and Sanitation	\$3,237,290	\$3,534,745	\$3,406,462	\$3,243,710	\$3,355,233
Fire Stations Renovations	\$9,303,010	\$85,362	\$0	\$0	\$0
Street Improvements	\$1,210,317	\$1,098,706	\$1,268,125	\$861,200	\$1,285,000

# City of Batavia 2010 Annual Budget

## All Funds and Activities

Description	Actual 2007	Actual 2008	Approved Budget 2009	Estimated 2009	Proposed Budget 2010
<b>Surplus and Reserves</b>	<b>\$56,375,546</b>	<b>\$29,116,596</b>		<b>\$28,042,943</b>	<b>\$25,919,886</b>
Donovan Bridge Project	\$2,608,234	\$815,062	\$0	\$0	\$0
Electric Improvements	\$23,853,126	\$1,381,340	\$3,057,500	\$1,295,100	\$2,780,000
Meter Reading/Locating	\$534,417	\$472,002	\$499,171	\$505,785	\$397,499
Transmission & Distribution	\$29,419,374	\$31,049,956	\$34,236,068	\$34,458,002	\$33,448,352
Water Improvements	\$535,597	\$876,778	\$90,000	\$29,000	\$65,000
Water Production	\$1,028,206	\$1,094,055	\$1,041,269	\$1,040,305	\$956,995
Water Distribution	\$1,104,353	\$1,163,888	\$1,181,390	\$1,086,891	\$1,069,085
Wastewater Improvements	\$54,410	\$0	\$743,000	\$27,000	\$727,000
Waste Water Treatment	\$1,781,729	\$1,734,768	\$1,872,307	\$1,766,406	\$1,716,962
Sanitary Sewer	\$458,166	\$162,720	\$209,737	\$229,792	\$258,091
Interfund Allocations	\$5,914,480	\$5,180,985	\$4,740,228	\$4,695,597	\$4,327,996
Utility Revenue Bond Expenses	\$3,626,675	\$4,025,001	\$4,085,491	\$4,085,166	\$4,080,945
General Obligation Debt Service	\$1,756,336	\$1,684,657	\$1,705,594	\$1,705,164	\$1,685,633
<b>Total Expense</b>	<b>109,737,143</b>	<b>\$78,620,255</b>	<b>\$83,461,759</b>	<b>\$77,741,349</b>	<b>\$81,273,646</b>
<b>Surplus/(Deficit)</b>	<b>(\$27,258,950)</b>	<b>( \$1,073,653)</b>	<b>( \$1,963,245)</b>	<b>( \$2,123,057)</b>	<b>( \$3,325,116)</b>
<b>Surplus and Reserves</b>	<b>\$29,116,596</b>	<b>\$28,042,943</b>		<b>\$25,919,886</b>	<b>\$22,594,770</b>