

# City of Batavia Vision Statement

Batavia is a Community that...

Engages its citizens in a spirit of  
volunteerism and participation.

Is self-sufficient.

Provides high-quality, reliable  
and sustainable city services.

Preserves a strong relationship with  
the natural environment.

Fosters a small-town atmosphere  
of friendliness and caring.

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# List of Officials

**Honorable Jeffery D. Schielke, Mayor**

## **City Council**

Ward 1:	<b>Garran Sparks</b>	<b>Jodie L. Wollnik</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>Nancy S. Vance</b>

**City Administrator**  
William R. McGrath

**Assistant City Administrator**  
Randall R. Recklaus

**City Clerk**  
M. Hannah Volk

**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

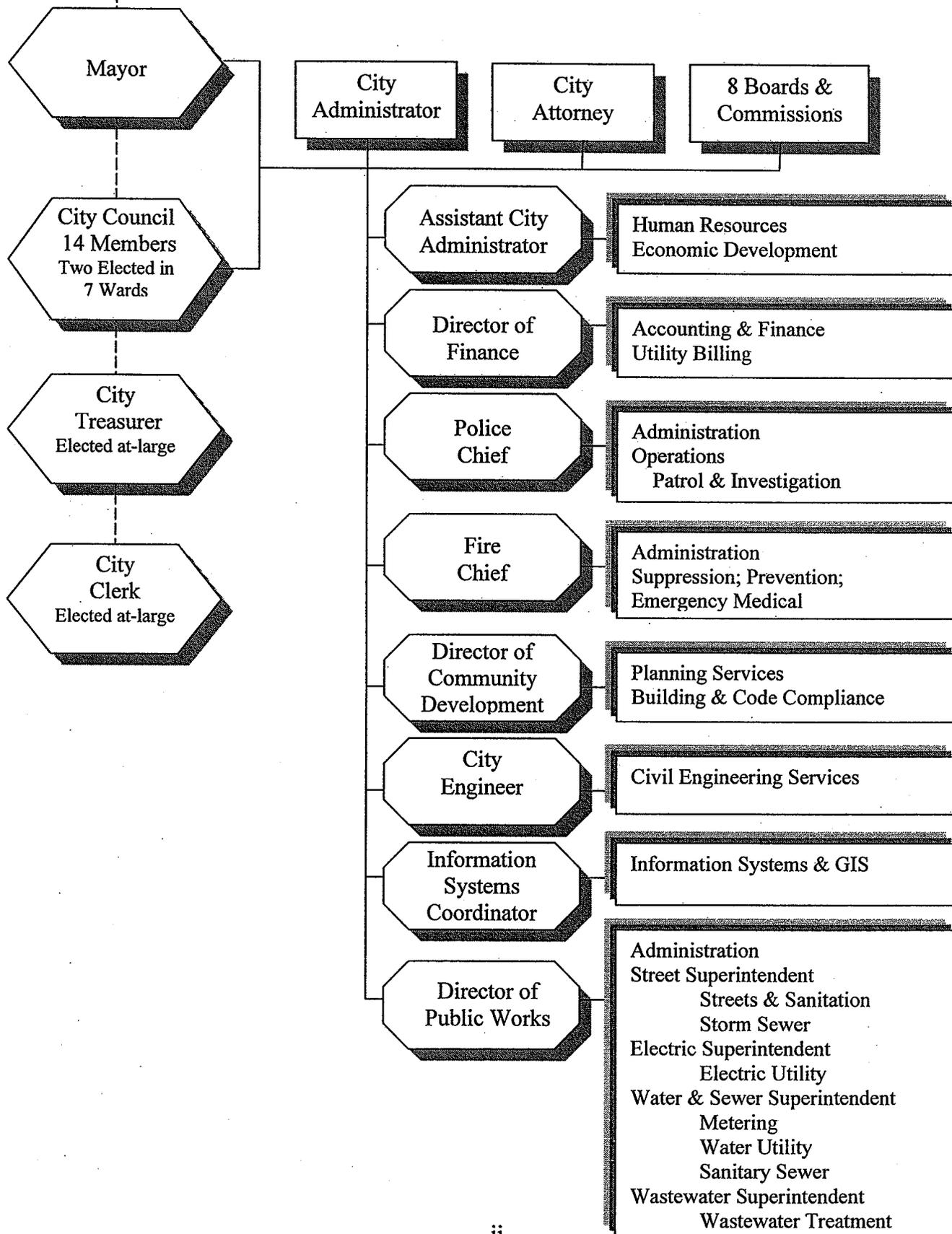
**Superintendent of Streets**  
Scott Haines

**Superintendent of Water & Sewer**  
John Dillon

# City of Batavia

## Organizational Structure

Citizens of Batavia



# City of Batavia

## 2009 Annual Budget



December 16, 2008

*Mayor Schielke, Members of the Batavia City Council, and the Community of Batavia:*

Attached is the City of Batavia 2009 Budget. This document reflects the recommendations for use of public resources to maintain the quality of life in the City of Batavia. The resources are allocated to achieve the goals adopted by the City Council in the Comprehensive Plan. The budget is presented in a manner which shows the governments fiscal profile for the past 2 years, projects the status as of the end of 2008 as well as the projected status at the end of 2009. Additionally, several multi-year projects are included in the Capital Improvement Projects section to offer a glimpse of some long-term planning for the use of public resources in the future.

Despite an overall economic slowdown, Batavia moves ahead. We are excited by the interest shown in downtown redevelopment, not only by potential new investors, but also by the long-time major property owners and business operators. The formation of a special service area to help support Batavia MainStreet is a major step forward in the relationship between City government and the commercial downtown sector, and staff continues to work on several significant projects which, when completed, will add to the vibrancy of the heart of the community. The 2009 budget includes funding for design of a new parking deck planned to be meshed with an apartment project behind East Wilson Street. This project, if concluded, would raise the commercial viability of tens of thousand of square feet of our precious historical resources. The contemplated sale and redevelopment of the Thomle Building, in the immediate vicinity may add new construction to the riverfront.

The completion of the William J. Donovan Bridge has bestowed upon the downtown a new focal point, one which respects the importance the Fox River plays in the city's identity. The wider sidewalks, more strategically placed street trees and furniture, make Wilson Street more pedestrian friendly. The connections between street level and the river frontage along which are located several restaurants, the Fox River Bike Trail and most recently Batavia MainStreet add hundreds of feet of new scenic, downtown pedways.

Meanwhile in the Northeast quadrant of the downtown, work continues on the assessment and planning for the Baptist Church property. But in 2009, it may be the Southwest quadrant, in an older limestone industrial building that may be the truest example of the new vitality in the heart of the City. With the assistance of the City, the Water Street Studios is planned to bring 28 new businesses to the downtown in the form of individual artist studios, gallery and class space. Unlike other studios, it will also include facilities for welding, allowing metal sculpture, and a kiln for clay work. There has been extremely strong response form the art community, and as of this writing, only 2 spaces are left for lease. The partnership among the art community, Batavia Enterprises and the City is another example of the power of numbers, vision and hard work.

At the same time, the City continues to use its other TIF district tools to stimulate private capital investment. 2008 saw the first use of the Sprinkler Grant program, which resulted in the conversion of 6 offices to residential use and, as of this writing, the introduction of 6 younger couples to the ranks of downtown residents.

As well all know, however, 2009 is unlike other years. There is tremendous uncertainty at all levels of government, including swings in revenue sources. As in other years, the budget shows the City to be in healthy financial condition, but realistically shows a transition due to the impact of several factors, some of which exacerbate each other, all of which will change the nature of the governing operation for the next several years. Reduction in sales tax revenue, revenue shared by the State of Illinois, the build out and competition from surrounding areas, and other factors are not peculiar to Batavia, but Batavia must work on its own solution. As indicated in the Finance Director's 2009 Budget Overview, the City's reserves at the end of 2009 will be healthy as well, in terms of the generally accepted standard of the number of operating days.

However moderate, the use of reserves to balance operations is not a responsible goal. Maintaining the level of reserves as projected for year-end 2009 has not come without cost. Though the General Activities budget anticipates approximately \$541,800 less in expenditures than in 2008, the vast majority of cuts have come from capital projects. Most capital costs have been removed except those determined to be necessary to responsibly carry on operations consistent with core services, including equipment and vehicles. Most importantly, following months of review, discussion and analysis, with more economic news coming from Washington and the State each day, the City Council has determined that responsibly balancing the future against the present, and taking into consideration the relationships between the City and its employees and between the City and its residents required a contraction of the work force. In this budget, 7 positions, a mixture from throughout the organization, are not funded past June 1, 2009. For a relatively small service organization, composed of people in order to serve people, the voluntary loss of good employees is a difficult step to take, and beyond the difficulty of absorbing that loss while maintaining the high level of services we are accustomed to providing, is a human calamity.

Even with this unprecedented action, the budget shows a shortfall of approximately \$297,374 in the General Activities Fund. With our necessary assumption that our basic revenue sources will see no significant turnaround for the next 2-3 years, and the fact that many, if not most of the expenses associated with this service organization will in fact increase (71% of City operations expenses are tied to personnel), we view 2009 as a transitional year in which the organization will have to reinvent itself in many ways. This is not only because we cannot continue to maintain the operations through use of the reserves, but because the community cannot put off significant, necessary capital projects, such as continuation of new sidewalks, or the reconstruction of Main Street, for example, forever.

At this point we have made reductions that do not, in the main, impact on base line service provision: other than leaving a vacancy open in Streets, no front line street, water, sewer, water police or fire personnel have had their ranks diminished from what was authorized at the beginning of 2008. The reductions in the budget, including elimination of the positions in June, may result in reviews taking extra time, approvals not happening as fast as normally, some projects eagerly anticipated being delayed, but public safety will be maintained at the usual excellent level, basic services such as utilities and roads will be provided at the high levels of service, and we will continue to work on the growth and redevelopment of the community to maintain is as a healthy center of economic and cultural life. We have made reductions that will

though, impact the community in non-essential areas, such as support for other organizations and activities, and this will be painful as well. Support for some programs will have to be found elsewhere, and Batavia's long tradition of activism and volunteerism brought to even greater levels, but the entire community will have to share some impacts of the current state of the economy along with its own government.

One tactic reflected within the budget is a change in funding level for the MFT/Street Fund from which the City supports street and sidewalk reconstruction and maintenance. When the City raised utility taxes approximately a decade ago to replace the vehicle sticker revenue (they have been further raised since), the monies collected were to be used for the Street Fund "unless otherwise authorized by the City Council." In order to protect reserves, this budget has capped the transfer from the utility taxes to the MFT/Street Funds at \$500,000 and the staff has recommended that that continue as policy until changed, but to be reviewed annually. Coupled with annual Motor Fuel Tax funds, we believe this will leave adequate, if not ideal, funding levels for streets and necessary sidewalk repairs for the next several years.

The City has aggressively pursued long-range capital projects in the utilities over the past several years, such as the Prairie State and 138kV electric projects, the major water system upgrade and several sanitary treatment system and plant improvements, and so there is also pressure on the various reserves in those areas. Reductions in capital expense, where responsible, have also been made, but continuing review of rates and the rate structures will be required in the first quarter of 2009 at the very latest.

Though staff has explored its revenue sources and made some minor changes during 2008, 2009 will require the City to continue to examine its revenue sources, both existing and potential, to see what role they can play going forward. The flexibility and responsiveness that home rule status will give the City will not be realized until at least 2011.

The addition of the Economic Development analyst coupled with a relative slowdown in large developments will allow us to spend more time on the increasing activity on Randall Road, now basically 20 years of age, and in need of revitalization as its market area slowly contracts. The fact that it is located on the County's major roadway can be capitalized upon, and it is already being studied as a mass transit route. 2009 will see more brainstorming and planning along with the property and business owners there to strengthen this important commercial service center and revenue generator.

The budget is the culmination of the hard work by all departments in the City, and this year has been especially difficult. With the support of the Mayor & City Council, Staff believes this proposed budget evidences a reasonable allocation of the resources made available by the citizens of Batavia in order to maintain and improve, where possible, the quality of life. .

William R. McGrath, City Administrator

# **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.

## 2009 Budget Calendar

July 15, 2008	Finance Rolls Budget (sets up new funds/accounts/sets IMRF rate)
July 15 - 25, 2008	Finance Enters 2007 Actual Expenditures & Cash Balances
August 25, 2008	Departments Begin Budget Planning Process & Entry
September 19, 2008	Complete 2008 Budget Projection Data Entry
September 19, 2008	2007 Revenue Estimates to Finance - Engineering, Community Dev. & Utilities
September 19, 2008	2008 Revenue Estimates to Finance - Engineering, Community Dev. & Utilities
September 23, 2008	Staff Meeting to discuss Information Systems Budget
September 26, 2008	Closing for Data Entry - no Entry after this date
September 26, 2008	Submit Department Narrative Electronically
September 26, 2008	Submit Department CIP Workbook Electronically
September 29 -	
October 8, 2008	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 detail, training & seminar detail and requests for additional personnel)
October 10, 2008	Finance Provides Administration with Draft Budget
October 13 - 17, 2008	2nd Round Meetings with Department Heads for Final Modifications (adjustments to 2008 projections may be given to Finance up to this date)
October 17, 2008	Cut-off Date for Final Modifications/Amendment Requests to Admin/Finance
October 18 -	
November 3, 2008	Finalize Budget and Prepare for Distribution
November 3, 2008	Distribute to City Council & Staff & make available to the Public (must be made available at least 10 days prior to passage)
November 4, 2008	Budget Public Hearing Notice Published (must be published one week or more prior to hearing)
November 4 -	
November 12, 2008	Comment Period for City Council Members & Public
November 12, 2008	Government Services Budget Meeting & Presentation
November 17, 2008	Budget Public Hearing & Presentation to City Council*
November 19, 2008	Alternate Date for Additional Government Services Meeting for Budget
November 20, 2008	Tax Levy Public Hearing Notice Published (must be published not more than 14 days but not less than 7 days prior to hearing)
December 1, 2008	Tax Levy Public Hearing*
December 10, 2008	Alternate Date for Additional Government Services Meeting for Budget
December 15, 2008	City Council to Approve Final Budget (budget can be modified & adopted anytime after the public hearing without further review but must be approved before Jan 1.)
December 15, 2008	Approve Tax Levy & Abatements
January 1, 2009	Budget Year Begins

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

# City of Batavia

## 2009 Budget Summary

<b>Total Budget</b>	<b>Operating</b>	<b>Capital</b>	<b>Debt</b>	<b>Interfund</b>
<b>\$83,384,409</b>	<b>\$65,113,165</b>	<b>\$7,739,932</b>	<b>\$5,791,084</b>	<b>\$4,740,228</b>

<b>Total by Fund</b>	<b>Operating</b>	<b>Capital</b>	<b>Debt</b>	<b>Interfund</b>
<b>General</b> \$29,708,654	\$26,088,222	\$ 1,635,125	\$ 133,600	\$ 1,851,707
<b>Major Capital</b> \$ 80,000	\$ -	\$ 80,000	\$ -	\$ -
<b>Minor Capital</b> \$ 2,134,307	\$ -	\$ 2,134,307	\$ -	
<b>Debt Service</b> \$ 2,298,966	\$ -	\$ -	\$ 1,571,994	\$ 726,972
<b>Electric</b> \$39,978,335	\$34,720,239	\$3,057,500	\$ 1,424,830	\$ 775,766
<b>Water</b> \$ 4,332,191	\$ 2,222,659	\$ 90,000	\$ 1,291,704	\$ 727,828
<b>Wastewater</b> \$ 4,841,956	\$ 2,082,045	\$ 743,000	\$ 1,368,956	\$ 647,955
<b>Permanent</b> \$ 10,000	\$ -	\$ -	\$ -	\$ 10,000

# Financial Overview

## 2009 Budget

Following is the City of Batavia's 2009 Budget. The process of preparing the budget and presenting it for review is always a significant task so as to ensure the most efficient use of the taxes and fees that support City Services. Unfortunately, the City is being faced with the same economic impacts as most cities across the country. Decreasing sales taxes, building permits and other revenues coupled with increased costs for all commodities and increased contract costs and employee salary and benefit costs. If these economic matters were expected to change in the near future, then the 2009 budget deficit might not be as significant but even more of a concern is what will happen in 2010 and 2011 when the impact of declining property values will first be realized along with substantial increases for pension funding due to the significant drop in the market value of the pensions investments. The 2009 budget must provide a spending plan that will establish the City in a sustainable position for the future.

This year was not unlike other years in that current year expenses were reviewed and evaluated for comparison with the 2009 budget requests. Every year all line item expenses are reviewed in detail by the finance department and any variances are reviewed with the department. As with any year, departments are asked if they can find efficiencies that would create cost savings. An integral part of this process is the projection of revenues that will fund services. If the revenues are not sufficient to cover operating expenses, then further cuts to expenses are made along with an evaluation of possible new revenues or means to augment current revenues.

The City maintains reserves to carry it through deficit budgets when known revenues will be available in the near future and also for one-time expenses or capital spending to avoid financing and the related expense. Batavia is projected to be in a good position with reserves at the end of 2008 allowing for a drawdown in 2009.

What made the 2009 budget very difficult was the projected deficit was a result of operations and not one-time expenses. The gap between revenues and expenditures was too great to maintain going forward and required a serious review of our operations. Although the budget includes additional revenue sources, the added revenues are not sufficient. Many projects were eliminated from the 2009 budget in an attempt to balance the budget, but cannot be delayed indefinitely. A reduction in operating expenses had to be made that will continue into future years. While review of the budget includes expenses for items like training and supplies, those kinds of purchases are necessary to continue to operate and provide services safely and responsibly. Since salaries and benefits represent 71% of operating expenses, the only way to significantly reduce expenses is to reduce those costs. This budget regrettably incorporates staff reductions.

Many suggestions for reducing expenses were received. Some are being incorporated and some are not. Any ideas used must be such that they can be implemented without adding costs to a future budget such as financing or delaying payment for expenses. It would be irresponsible of management to create a liability that is uncertain of how it will be repaid. Short furloughs could be used to save cash for the year but they do not provide for future years. This budget does not include any mandatory furloughs but department heads could approve requests for limited time off without pay on a case-by-case basis should the need become evident as the year progresses.

Delay of capital purchases can be a solution if retaining the vehicles or equipment longer does not end up costing more in repairs. We must always be careful not to delay replacements that result in an unreasonable number of replacements in any one-year. Due to the cost and size of the fleet, a funding plan was established for fire and public works vehicles and equipment so that sufficient funds will be available when needed. The funding for this program was scaled back for 2009 in anticipation of a complete fleet review and re-prioritization for replacements.

Other capital that often gets delayed in lean times is maintenance of streets. The City has always taken this seriously and has pledged 1% of utility taxes in addition to motor fuel taxes to fund the street program. The utility taxes have augmented this program but since the general fund is in need of revenues this budget includes the recommendation to change the policy from 1% of utility taxes to a set transfer of \$500,000 annually. This change to policy provides an additional \$225,000 in revenues to the general fund. While it is never good to delay maintenance of streets, this amount should still provide \$1,000,000 to the program each year after paying the motor fuel tax bonds.

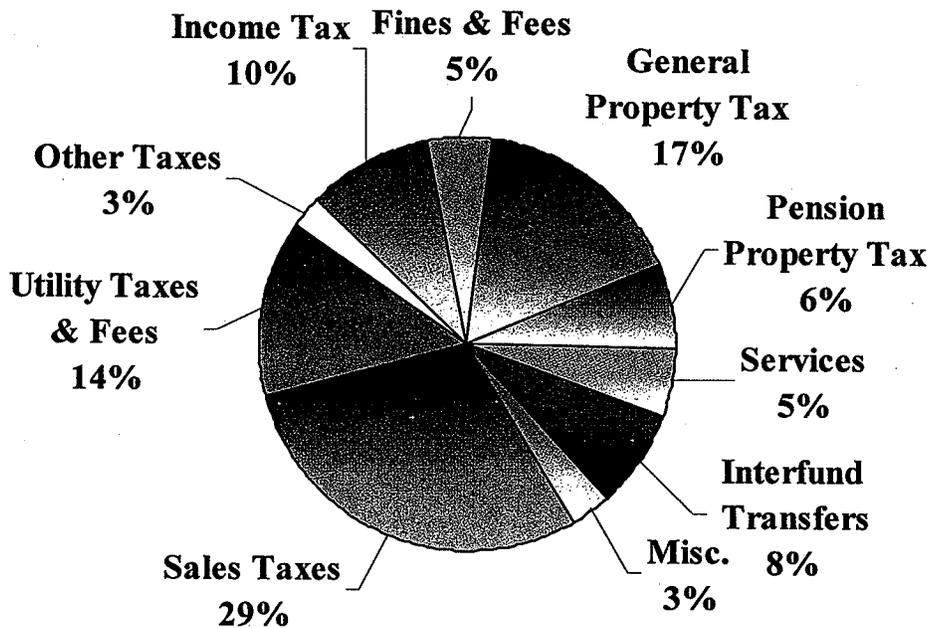
Capital expenses that were delayed but are certainly a concern for future years are various repairs that are needed for the City Hall building. The windows are one area that needs to be addressed in the near future and it is anticipated that this could be a significant expense. The only capital that is included in the 2009 Budget that is not funded by grant money is funding for a study of the 2008 flooding issues and some money to respond to issues that can be addressed without debt issuance.

## 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.

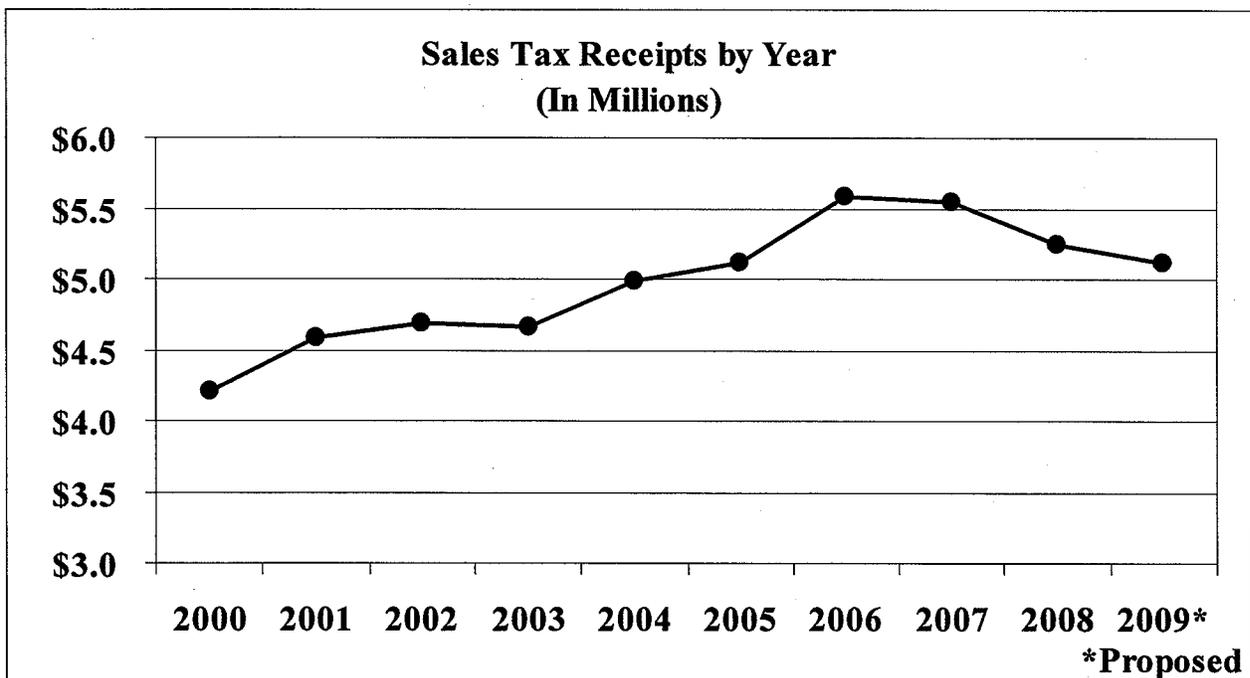
### General Activities Revenues



During the budget process this year, there were many questions as to why the City does not simply implement new revenues to pay for services. The answer to that question is that first and foremost the City, as a Government, must be very astute to the impact on taxpayers paying for our services. We must consider the state of the economy as to the ability to pay and the onus of more taxes or fees. While everyone understands that taxes and fees must be paid to fund government services, we have an obligation to do our utmost to ensure we do not put too much of the burden on any one particular group of tax payers or rate payers or too many taxes in general as it could deter individuals or businesses from choosing to locate here. Additionally, the City does not have a multitude of alternate revenue sources to choose from. We could add an additional 1% onto the electric franchise fee, water utility tax and gas tax. That increase would add as much as

\$500,000 a year to utility taxes. However, the reason that amount would be so great is because rates have increased for these utilities, thus a higher utility bill multiplied by a higher tax would generate this revenue. Staff is not recommending this option and has not included it in the budget but present it here as an option for additional funding in future years if necessary. Another option is the addition of an amusement tax, which would generate about \$50,000 in new revenues per year. Red light enforcement through the installation of cameras at certain intersections may be a revenue source in late 2009 but the program needs to be evaluated to ensure that the true goal is to reduce accidents and not to generate income; therefore no revenue has been included in the budget.

Sales tax, which accounts for the largest share of general revenues, is expected to end the year 2008 5.2% less than 2007 receipts. It was anticipated that sales tax would begin to face challenges due to the growing sales tax base of surrounding communities, however it was not anticipated that the economy would have such significant effect. Therefore, the 2009 budget plans for a further 2.5% decrease in sales tax in light of economic predictions and the continued retail competition from outside of the City's borders.



Of significant concern is the opening of a wholesale store in a neighboring community that will be direct competition for the wholesale store in Batavia, one of our largest sales tax generators. This decrease in sales tax for 2008 combined with the decrease expected in 2009 is a very real concern for the operations of the City. General sales tax combined with the non-home rule sales tax implemented in 2006 are expected to be \$186,000 less in 2009 than 2008 and \$586,000 less than 2007 receipts. Finance staff will be monitoring sales tax throughout the year watching for any variations up or down from projections.

The effect of lower property tax values should not impact the 2009 tax receipts; however, the increase in contribution to the fire and police pensions has reduced the amount available for general use. It is expected that lower property values will begin to impact the budget in 2010 since assessed valuations lag behind one year. Additionally, the expected increase for the pensions due to investment losses could have a dramatic impact on the amount available for general use in 2010. In conjunction with the impact of reduced property values is the dramatic decline in new construction. Permit revenue is expected to end the year at half the budgeted amount and 2009 is only budgeted at \$220,000, which is \$100,000 lower than 2007 permits and \$200,000 lower than 2006.

Income tax receipts increased more than expected in 2008. It is expected that it will level off in 2009 due to the economy. Police fines had a large reduction in 2008 due to a drop in truck enforcement tickets. This is due to several reasons including the implementation of a permit process that is being utilized. While the permits reduce fines issued, the ultimate result is that it extends the life of the streets, which is the real goal. The waste transfer station host fees are expected to provide a little over \$400,000 in fees in 2008 and about the same level in 2009. Utility taxes also provided \$200,000 more in revenue than what was budgeted. The 2009 budget increases that amount by \$75,000 since we have to assume that people will be monitoring their utility consumption more than usual due to the economy but it is projected that consumption will increase some over 2008. Finally, as already mentioned, the budget includes an additional \$225,000 in net revenues due to the change in funding policy to the street program, allowing a larger share of the utility tax to remain in general activities.

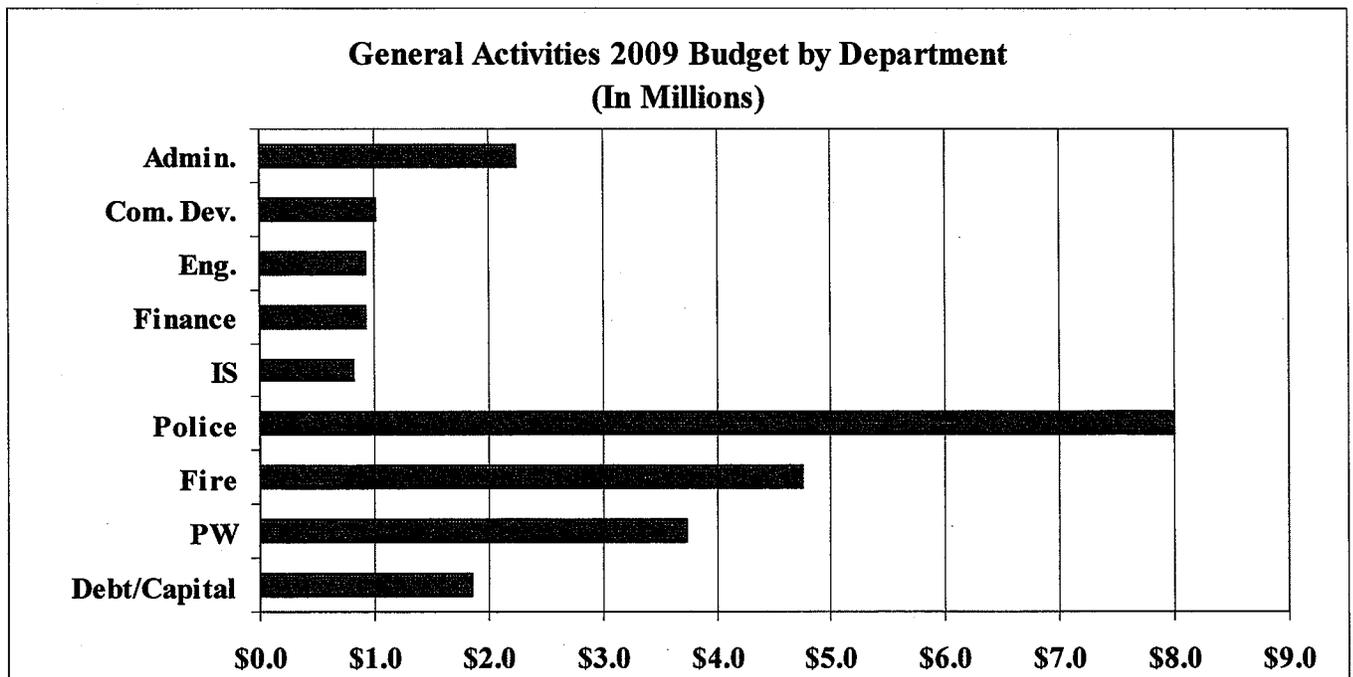
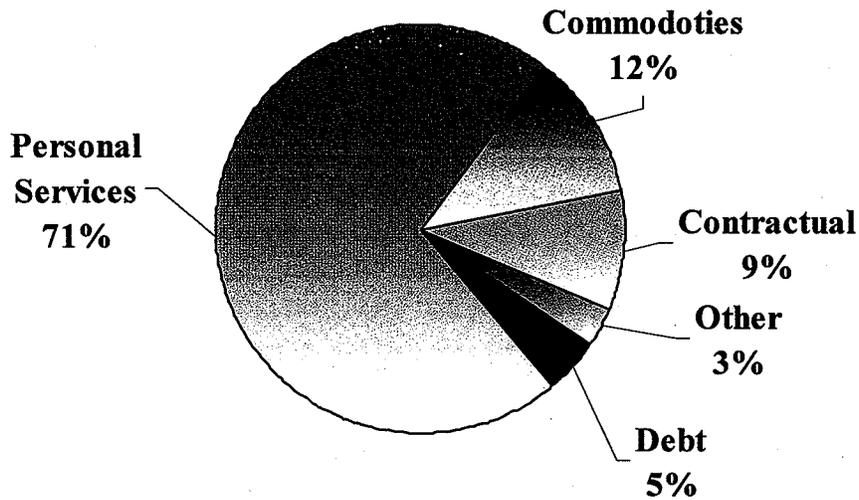
## **General Activities Expenditures**

Expenditures in General Activities are budgeted at \$24,277,609. This represents a 2% decrease from 2008 projected expenditures. This decrease is the result of cutting many programs and initiatives, cutting supplies and training, eliminating interns, cutting back in hours for some full-time staff to part-time, not filling a vacant position, eliminating a position from an anticipated vacancy, and ultimately cutting 7 positions from the budget at June 1, 2009. While these staff reductions are necessary to bridge the gap in funding, it is expected that some services may suffer time constraints due to the additional burden that will be placed on remaining staff. Every employee is valuable to the City organization and it would be flippant to not take pause at the loss of staffing both directly on the workload and on the morale of all employees. During the course of 2009 it is expected that staff will be evaluating any vacancies that may occur due to retirements or moves and determining if the position can be eliminated or re-tooled and redistributed among existing staff.

There are no significant items included in 2009 expenses except for a study of the 2008 flooding issues and some funds to make some corrective measures. Other items such as the Safe Routes to School, the Corridor Study and the Wilson St. Interconnect are funded through grant monies. Additionally, there are some monies budgeted for equipment that will only be purchased if grants are awarded.

Following is a breakdown of the General Activities Operating Budget (no capital) by type and then the total General Activities Budget by Department. 71% of Operations is related to wages and associated benefits.

### 2009 General Activities Operating Budget



## **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 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 two 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 will be needed in 2009 but it is anticipated that the next increase will be in the range of 5%. City staff will be reviewing the results of a cost of service study before a final recommendation can be made. Capital spending in 2009 will include further work on the 138 kV project and on distribution upgrades.

### **Water Utility**

The Water Utility has no significant projects budgeted aside from an update to the system model so that priorities can 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 planned for the 2009 budget.

### **Wastewater Utility**

A comprehensive sanitary sewer study is expected to be complete by the end of 2008. The study involved many tasks including evaluation of the collection system, assessment of the lift stations, review of the treatment plant processes and capacity and development of a 10-year capital plan to be used to prioritize improvements for the sanitary sewers.

Capital improvements planned for 2009 include upgrades at the Carriage Crest lift station, one of the City's 18 lift stations. The costs are quite significant though and review of the scope of the project needs to be done to secure any possible cost savings. The wastewater utility reserves will fall below the recommended level in 2009 if the project does not come in lower. The decrease is not a concern yet but revenues will have to be monitored in 2009. There was a 5% rate increase in 2008 but due to the summer sewer-averaging program, the increase was not notable. A change to the summer sewer-averaging program is recommended through this budget and further changes may be made to that in early 2009, when the Ordinance change will be presented.

## 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 2009. The City will save about \$100,000 per year after the maturity of some bonds 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
2009	736,969	107,152	237,480	167,375	319,830	132,300	1,701,106
2010	737,769	105,956	238,930	169,188	324,830	131,270	1,707,943
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
2019-2025	5,369,468			796,750			6,166,218

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 that were financed with low interest loans through the IEPA. Debt for the utilities is not unexpected and is the most practical way to fund costly infrastructure improvements. The water utility will be free of \$350,000 of annual debt after 2010 and the wastewater utility will realize about the same relief by 2014. It is not anticipated that any of the utilities will issue debt in the near future.

Enterprise Fund Debt Requirements  
(Principal and Interest)

	Electric	Water	Wastewater
2009	1,424,430	1,291,203	1,368,956
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 -2036	30,661,950	6,234,678	1,519,117

## **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 due to the fact that 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. The available cash balance is the amount of cash and investments on hand less any amount restricted for debt payments or held in escrow. A standard measure of available cash on hand

recommended by the Government Finance Officers Association is to maintain a balance sufficient to remain in operation for a minimum of 62 days for General Activities and 90 days for Enterprise Funds. 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 2009.

While City staff always makes every effort to present a balanced budget, it is sometimes necessary and appropriate to utilize reserves during downturns in the economy or to provide for capital purchases. Available reserves should never be used to fund an increase to operations for personnel or for on-going contractual obligations. Available reserves should also not be the only indication of the City's economic health. A thorough review of outstanding debt, contractual obligations, and planned capital improvements is needed to ensure that adequate planning for the future will allow the City to continue to provide services at the current level.

In addition a continuing review of the City's revenue sources must be done. The City should not be heavily reliant on any one revenue source or only on elastic revenues that fluctuate with the economy. All of these factors are considered during the budget process and throughout the year.

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

As a result of higher than normal revenues in past budgets the City's General Activities reserves will allow for drawdowns mentioned earlier. The projected reserves for the end of 2009 are still expected to be at a healthy 125 days. The 2009 budget does dip into reserves for operating expenditures, although that number was greatly reduced as a result of many budget cuts that cannot be delayed indefinitely. Certainly, efficiencies and lower cost alternatives are always researched and implemented whenever possible; however, buildings and equipment must not be allowed to fall into disrepair or become dangerous to operate. Additionally, a viable plan is required for funding future capital projects. Therefore, this budget strongly recommends the review of 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 92 days with a projected balance of \$9,308,104. The reserves were directly impacted by the capital improvements made in the last few years that were over the bond issue and had to be paid from existing reserves. The 2009 budget will utilize \$661,000 of reserves to fund further capital improvements. The expected reserves will be sufficient to meet the bond requirements set forth in the Bond Ordinance. It was anticipated a further rate increase would be needed; therefore a cost of service and rate study was conducted. The results of the study will be examined in early 2009.

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

The reserves for the Water Fund are projected to be at 187 days at the end of 2009. 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 have 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 92 days at the end of 2009, if the change to the Summer Sewer Averaging program is implemented. Additionally, the utility is reaching into reserves to meet ongoing operations, which cannot and should not be continued. A comprehensive review of operations will be done in 2009 and a rate increase will be recommended with the 2010 budget.

### **Conclusion**

The current economic position of the City is such that we will be able to weather the economic downturn and transition. The state of the reserves coupled with our low debt burden allow for this. The year 2009 will prove to be a pivotal year in determining which direction our revenues are headed. Careful monitoring of revenues will be essential as the year progresses. If the economy rebounds earlier than expected, then the 2010 budget process might be easier than this year; however, if revenues do not improve significantly, further cuts to services may be necessary. Of course we will be working on implementing the new revenue sources mentioned earlier and evaluating processes for changes that will result in cost savings.

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 2009 Annual Budget

## Total 2009 Budget - All Funds and Activities

Description	Actual 2006	Actual 2007	Approved Budget 2008	Estimated 2008	Proposed Budget 2009
<b>Surplus and Reserves</b>	<b>\$22,075,425</b>	<b>\$56,372,247</b>		<b>\$29,112,497</b>	<b>\$26,936,412</b>
01 Intergovernmental	\$4,777,355	\$5,229,756	\$4,501,096	\$4,150,156	\$4,287,176
01 Municipal Taxes/Fees	\$10,599,946	\$11,482,018	\$11,500,202	\$11,402,820	\$11,142,398
01 Property Taxes	\$6,095,808	\$6,470,013	\$6,706,167	\$6,737,133	\$7,072,550
01 Utility Operating Revenues	\$34,832,320	\$40,246,957	\$43,149,263	\$42,704,865	\$46,186,270
02 Contributions	\$3,390,403	\$4,535,258	\$3,860,386	\$3,895,139	\$4,329,126
02 Utility Nonoperating Revenues	\$877,112	\$912,475	\$636,910	\$484,642	\$467,103
03 Licenses and Permits	\$481,698	\$380,021	\$482,053	\$241,140	\$278,070
04 Charges for Services	\$928,062	\$929,524	\$1,048,028	\$980,854	\$1,077,277
05 Fines and Forfeitures	\$262,228	\$221,761	\$241,000	\$159,800	\$172,000
06 Other Revenues	\$4,851,003	\$5,967,330	\$1,789,690	\$1,962,422	\$1,746,316
07 Interfund Allocations	\$4,591,695	\$5,914,480	\$6,261,451	\$5,560,143	\$4,740,228
08 General Obligation Debt Proceeds	\$10,000,000	\$0	\$0	\$0	\$0
08 Revenue Bond Proceeds	\$30,175,759	\$188,600	\$0	\$75,500	\$0
<b>Total Revenue</b>	<b>111,863,389</b>	<b>\$82,478,193</b>	<b>\$80,176,246</b>	<b>\$78,354,614</b>	<b>\$81,498,514</b>
TIF District Projects	\$127,898	\$1,049,153	\$1,373,764	\$666,175	\$1,917,582
Administration & Legislative	\$1,910,396	\$1,722,668	\$1,658,681	\$1,585,757	\$1,402,251
Human Resources	\$285,691	\$335,948	\$388,958	\$315,064	\$316,049
Community Development	\$802,495	\$954,388	\$1,054,161	\$977,307	\$1,018,812
Public Works Administration	\$321,416	\$391,306	\$345,623	\$310,471	\$332,715
Engineering	\$606,154	\$695,882	\$745,204	\$673,986	\$925,312
Building and Grounds	\$295,937	\$393,505	\$456,382	\$509,977	\$482,022
Finance and Accounting	\$464,388	\$509,228	\$521,001	\$519,003	\$525,169
Information Systems	\$505,087	\$993,794	\$1,377,675	\$1,232,330	\$812,996
Utility Billing	\$331,776	\$383,020	\$393,325	\$394,535	\$393,861
Worker's Compensation Plan	\$315,888	\$494,998	\$359,500	\$1,416,857	\$504,500
Subsidized Transportation	\$57,893	\$59,496	\$58,873	\$34,449	\$52,000
Police Admin & Operations	\$6,451,185	\$7,472,241	\$7,729,764	\$7,693,442	\$8,003,870
Fire Services	\$4,086,311	\$4,559,147	\$4,581,708	\$4,488,261	\$4,703,238
E.S.D.A.	\$32,448	\$35,899	\$51,840	\$40,575	\$51,145
Public Works Capital Acquisition	\$264,067	\$0	\$175,000	\$53,165	\$216,725
Fire Capital Acquisition	\$831,864	\$42,729	\$534,345	\$532,761	\$0
Health Benefit Plan	\$3,138,685	\$3,218,021	\$3,533,772	\$3,035,189	\$3,524,820
Deerpath Bridge Construction	\$0	\$0	\$80,000	\$0	\$80,000
Streets and Sanitation	\$2,804,475	\$3,237,290	\$3,411,641	\$3,457,736	\$3,406,462

# City of Batavia 2009 Annual Budget

## Total 2009 Budget - All Funds and Activities

Description	Actual 2006	Actual 2007	Approved Budget 2008	Estimated 2008	Proposed Budget 2009
<b>Surplus and Reserves</b>	<b>\$22,075,425</b>	<b>\$56,372,247</b>		<b>\$29,112,497</b>	<b>\$26,936,412</b>
Fire Stations Renovations	\$1,578,035	\$9,303,010	\$92,736	\$81,166	\$0
Street Improvements	\$2,033,839	\$1,210,317	\$1,053,686	\$1,141,400	\$1,268,125
Route 25 Jog Capital Project	\$23,158	\$0	\$0	\$0	\$0
Donovan Bridge Project	\$906,734	\$2,608,234	\$1,162,216	\$1,190,871	\$0
Electric Improvements	\$8,098,761	\$23,853,126	\$1,398,023	\$1,746,165	\$3,057,500
Meter Reading/Locating	\$474,861	\$534,417	\$480,497	\$477,988	\$499,171
Transmission & Distribution	\$23,966,821	\$29,419,374	\$32,217,409	\$31,576,906	\$34,221,068
Water Improvements	\$3,422,563	\$535,597	\$1,470,350	\$1,061,165	\$90,000
Water Production	\$1,013,219	\$1,028,206	\$1,285,370	\$1,002,399	\$1,041,269
Water Distribution	\$954,446	\$1,104,353	\$1,182,372	\$1,131,860	\$1,181,390
Wastewater Improvements	\$0	\$54,410	\$736,064	\$0	\$743,000
Waste Water Treatment	\$1,619,603	\$1,781,729	\$1,743,025	\$1,739,508	\$1,872,307
Sanitary Sewer	\$382,813	\$458,166	\$433,911	\$178,760	\$209,737
Interfund Allocations	\$4,591,695	\$5,914,480	\$6,261,451	\$5,567,977	\$4,740,228
Utility Revenue Bond Expenses	\$2,880,823	\$3,626,675	\$4,013,612	\$4,013,137	\$4,085,491
General Obligation Debt Service	\$1,985,142	\$1,757,136	\$1,684,357	\$1,684,357	\$1,705,594
<b>Total Expense</b>	<b>\$77,566,567</b>	<b>109,737,943</b>	<b>\$84,046,296</b>	<b>\$80,530,699</b>	<b>\$83,384,409</b>
<b>Surplus/(Deficit)</b>	<b>\$34,296,822</b>	<b>(\$27,259,750)</b>	<b>(\$3,870,050)</b>	<b>(\$2,176,085)</b>	<b>(\$1,885,895)</b>
<b>Surplus and Reserves</b>	<b>\$56,372,247</b>	<b>\$29,112,497</b>		<b>\$26,936,412</b>	<b>\$25,050,517</b>