

*This time, like all times, is a very good one,  
if we but know what to do with it.*

—RALPH WALDO EMERSON



SUSTAINABLE

RELIABLE

QUALITY

SERVICES

*City of Batavia*

2008 ANNUAL BUDGET

# *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.*

# Table of Contents (Continued)

	<u>Page Number</u>
<b>Street/Motor Fuel Tax Activities</b>	
18	Street Improvement/MFT Summary.....54
47	Street Improvements .....56
99	General Obligation Debt.....58
<b>Debt Service Fund</b>	
All	Debt Service Fund Summary (Activities 41, 51, 53, 54 ,55, 56).....60
<b>Debt Service Activities</b>	
41	Fire Stations .....61
51	City Hall Building Renovation .....65
53	2002 Refunding Fire & Public Works .....69
54	TIF #1 .....73
55	Flood Control.....77
56	Donovan Bridge.....81
<b>Major Capital Project Fund</b>	
All	Major Capital Project Fund Summary (Activities 33, 46, 47, 59).....85
<b>Major Capital Project Activities</b>	
33	Flood/Building Projects .....86
42	Deerpath Bridge.....89
46	Fire Stations Renovations .....93
47	Route 25 Jog ..... 96
59	Donovan Bridge Project..... 98
<b>Minor Capital Project Fund</b>	
All	Minor Capital Project Fund Summary (Activities 11, 12, 71, 72)..... 103
<b>Minor Capital Project Activities</b>	
11	Batavia T.I.F. District #1 ..... 104
12	Batavia T.I.F. District #3 ..... 108
71	Public Works Capital Development..... 113
72	Fire Department Capital Development ..... 118

# Table of Contents (Continued)

	<u>Page Number</u>
<b>Electric Fund</b> .....	123 a
21 Electric Utility Fund Summary (Activities 61, 62, 64, 90, 98).....	123
Electric Utility Revenue Detail .....	124
61 Electric Improvements .....	126
62 Meter Reading .....	128 a
64 Transmission & Distribution.....	129
90 Interfund Allocations .....	132
98 Revenue Bond Debt .....	133
<b>Water Fund</b> .....	135 a
30 Water Utility Fund Summary (Activities 71, 72, 73, 90, 98) .....	135
Water Revenue Detail .....	136
71 Water Improvements.....	138
72 Water Production .....	140
73 Water Distribution .....	143
90 Interfund Allocations .....	145
98 Revenue Bond Debt .....	146
<b>Wastewater Fund</b> .....	148 a
31 Wastewater Utility Fund Summary (Activities 81, 82, 83, 90, 98) .....	148
Wastewater Revenue Detail .....	149
81 Wastewater Improvements.....	151
82 Wastewater Treatment .....	153
83 Sanitary Sewer Maintenance.....	156 a
90 Interfund Allocations .....	158
98 Revenue Bond Debt .....	159
<b>Permanent Fund</b>	
60 Perpetual Care Cemetery Trust Fund.....	161
<b>Appendix</b>	
General and Demographic Statistics .....	A-1
Capital Improvement Plan .....	A-3

# 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**

### **Assist. City Administrator**

**Randall R. Recklaus**

### **City Attorney**

**John Noble**

### **City Clerk**

**M. Hannah Volk**

### **City Treasurer**

**Gerald R. Miller**

## **Department Heads**

### **City Engineer**

**Noel Basquin**

### **Director of Finance**

**Peggy Colby**

### **Information Systems Coordinator**

**Howard Chason**

### **Fire Chief**

**Bill Darin**

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

**John Dillon**

### **Superintendent of Streets**

**Scott Haines**

### **Director of Public Works**

**Vacant**

### **Administrative Assistant**

**Bob Popeck**

### **Superintendent of Wastewater**

**Byron Ritchason**

### **Chief of Police**

**Gary Schira**

### **Director of Community Development**

**Jerry Swanson**

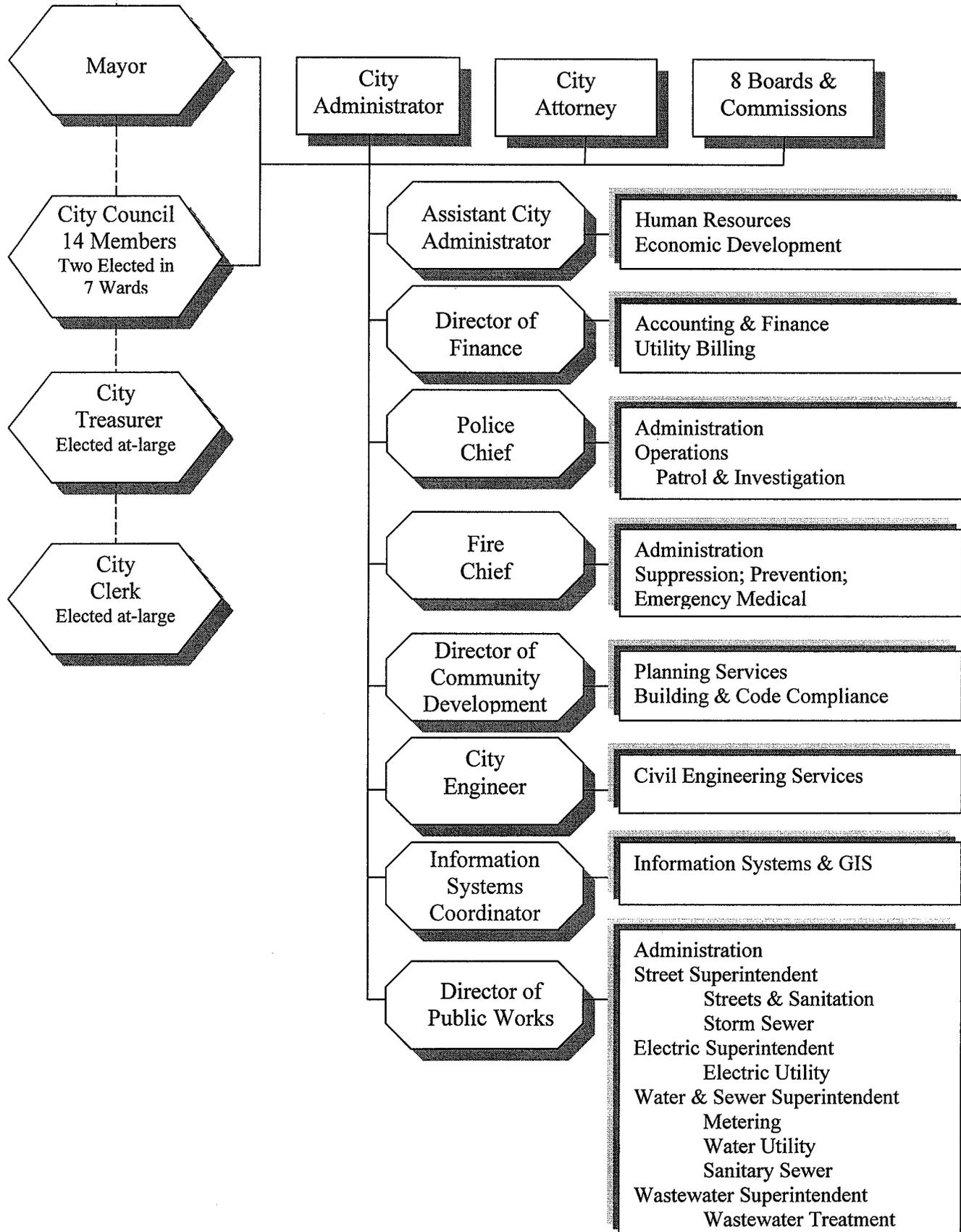
### **Superintendent of Electric**

**Hank Vejvoda**

# City of Batavia

## Organizational Structure

### Citizens of Batavia



# City of Batavia

## 2008 Budget Summary

Total Budget	Operating	Capital	Debt	Interfund
<b>\$83,617,742</b>	<b>\$64,095,174</b>	<b>\$7,563,148</b>	<b>\$5,697,969</b>	<b>\$6,261,451</b>

Total by Fund	Operating	Capital	Debt	Interfund
<b>General</b> \$30,358,660	\$26,998,590	\$ 400,000	\$ 129,080	\$ 2,830,990
<b>Major Capital</b> \$ 1,334,952	\$ -	\$ 1,334,952	\$ -	\$ -
<b>Minor Capital</b> \$ 2,533,109	\$ -	\$ 2,083,109	\$ -	\$ 450,000
<b>Debt Service</b> \$ 2,234,047	\$ -	\$ -	\$ 1,555,277	\$ 678,770
<b>Electric</b> \$36,286,404	\$32,697,906	\$1,363,023	\$ 1,424,756	\$ 800,719
<b>Water</b> \$ 5,881,159	\$ 2,417,742	\$ 1,450,000	\$ 1,219,900	\$ 793,517
<b>Wastewater</b> \$ 4,979,411	\$ 1,980,936	\$ 932,064	\$ 1,368,956	\$ 697,455
<b>Permanent</b> \$ 10,000	\$ -	\$ -	\$ -	\$ 10,000

# 2008 Budget Overview

Following is the City of Batavia's 2008 Budget. The budget provides the legal authority for spending tax dollars. Under Illinois Budget Law, the budget must be passed before the start of the City's fiscal year, which is January 1. After the budget is passed, no increase may be made without City Council approval.

The City of Batavia budget includes a budget for the General Fund, Capital Projects and Debt Service, which are all funded from general fees and taxes. The City also budgets for Electric, Water and Wastewater Utilities. The Utility or Enterprise Funds are primarily supported through user fees or rates. The total budget for operations and capital spending for 2008 is \$77,356,291. This number does not include inter-fund transfers of \$6,261,451, which denote transfers between funds but do not represent actual expenses.

The total budget includes \$7.6 million in capital expenditures compared to \$42 million in capital costs in 2007. The year 2007 was an unparalleled year for capital projects with three debt issues financing reconstruction of the City's two fire stations, reconstruction of the Donovan Bridge and construction of two 138 kV Substations and a 138 kV transmission line. These capital projects have a construction value of \$53 million and will all be substantially complete in 2008.

A detailed description of capital projects for 2008 can be found in the Appendix. Also included in the Appendix are capital projects recommended by staff for consideration in the years 2009 – 2012. These projects are not for approval with the passage of this budget and are informational only.

The total budget, net of capital expenses, reflects a 6% increase over 2007 projected expenditures for all funds. The following chart displays the change in operating cost in total and by fund.

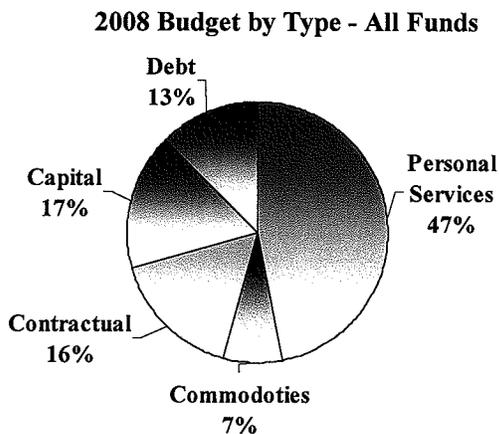
<b>Operating Costs</b>			
	<b>2007</b>	<b>2008</b>	<b>%</b>
	<b>Projected</b>	<b>Proposed</b>	<b>Change</b>
All Funds	67,807,169	72,084,834	6.31%
General Fund	28,376,072	28,682,947	1.08%
Electric	31,354,799	34,923,381	11.38%
Water	3,927,601	4,431,159	12.82%
Wastewater	4,148,697	4,047,347	-2.44%

Aside from normal operating increases, fluctuations in the operating budget can occur due to contractual expenses. The purchase of software and the cost to implement the software is one example of a non-recurring operating expense. The maintenance of infrastructure is also generally considered an operational expense and can cause the swings in the budget. One such example is the Water utility, which has several maintenance projects budgeted including removing Well #2 from service.

The Wastewater utility shows a decrease in operations due to the completion of the majority of SSES study in 2007. Notwithstanding the decrease, this budget calls for a 5% increase in sewer rates, with the last increase done in 2003.

The Electric utility operations are higher in 2008 due to an increase of \$3.3 million for purchased power, which reflects both an increase in the amount of power purchased and higher costs. Unfortunately, that higher cost must be recouped through user rates. This budget includes the second of two 8.9% increases in rates approved in 2006.

Salaries and wages for all funds are expected to increase 4.4%. The increase is due to normal wage increases and projected increases for three of the six union contracts that expire at the end of 2007. The City has 169 full time employees of whom 102 are union members and 59 part time employees including 36 paid-on-call firefighters. Benefit costs, such as pension and health insurance contributions account for one-third of personal service costs. The chart below indicates, personal services account for nearly one-half of all City spending.



\*Purchased power not included

Careful consideration and evaluation is given to all budget requests during the budget process. Budget requests are reviewed line item by line item with the Department Head, City Administrator and Finance Director. The current year to date expenses and projections are also reviewed to ensure realistic projections are made.

A separate form for vehicle and equipment replacements is used to evaluate the cost benefit of replacing the equipment or investing more into maintenance costs. The goal is to ensure maximum useful life of all capital without hindering operations. The sharing of equipment between departments is utilized whenever possible.

The total budget, while informational, should not be used in assessing budgetary trends or financial condition. The budget should be evaluated by Fund and Activity to assure sustainability of services based on the revenues that support the service.

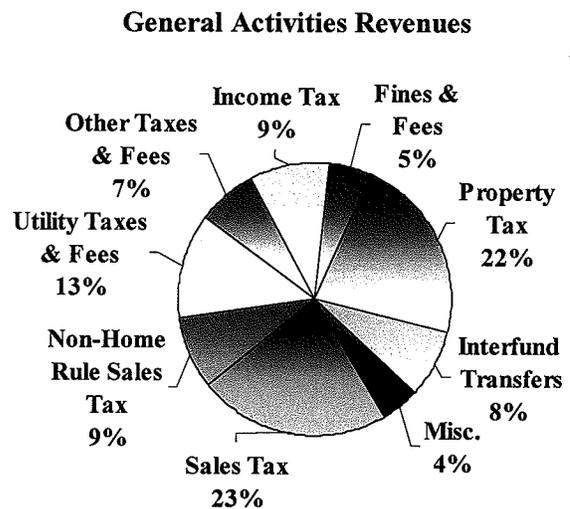
### General Fund – General Activities

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.

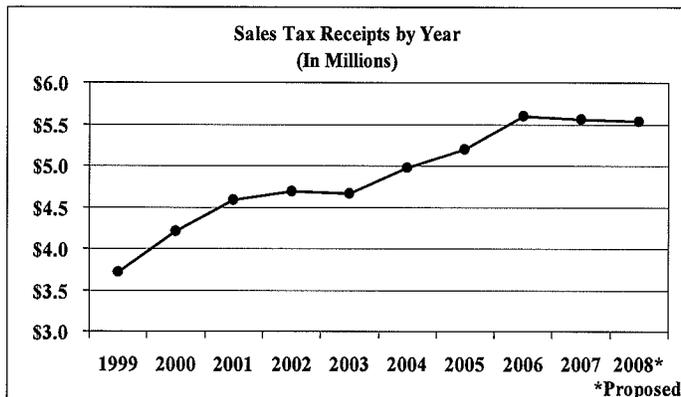
#### Revenues – General Activities

Budgeted revenues for General Activities are \$24,326,686. Total revenues for 2008 are projected to be less than 2007 due to a reimbursement from the TIF Fund in 2007 of \$500,000 for a past property purchase that

is now defined as a redevelopment project. Without the reimbursement, 2008 revenues are 1.1% over 2007.



Sales tax, which accounts for the largest share of general revenues, is expected to end the year 2007 slightly under budget and slightly less than 2006 receipts. It was anticipated that sales tax would begin to face challenges due to the growing sales tax base of surrounding communities. Therefore, the 2008 budget actually plans for a further .50% decrease in sales tax in light of further new retail developments under construction just outside of the City's borders.



The 2008 budget includes plans to hire a contract Economic Development Analyst to focus on maintaining existing stores and sales tax base. While adding to expenses in a declining revenue environment may appear unsound, administration is recommending the employee be hired on a contract basis. The added efforts are essential to maintain and develop revenue and to foster ideas and partnerships for a diverse retail base throughout Batavia. As the chart indicates, sales tax revenues increased through 2006, however, it appears that they may have reached a static level. The very real concern now is to ensure that we don't see further decreases in receipts.

The economic outlook for 2008 holds the expectations that consumer spending will continue to be impacted by the slowdown in housing. The impact of the real estate market has caused a spillover effect into household and business spending.

The current US unemployment rate of 4.7% is lower than the Illinois rate of 5.1% but the rate for Batavia is lower than both at 3.6%. The local unemployment rate has increased slightly compared to one year ago, which could have influenced some consumer spending; however, the generally good employment data for Batavia and the Chicago area has helped sustain consumer spending amid the weak housing market.

The new .50% non-home rule sales tax implemented in 2006 is providing the expected revenues. Receipts for 2007 will be just over \$2 million. Of that, \$730,000 is dedicated to funding the debt service for the fire stations. The remaining balance was used to fund the portion of construction that exceeded the debt proceeds. Additionally, it is expected that \$1.1 million will be needed to supplement the bridge construction, with a transfers in 2007 and 2008.

The opening of the waste transfer station in 2005 resulted in the City's first receipts for host fees in 2006. The fees are collected on a per ton basis for waste that passes through the station. Fees in 2007 are expected to be about \$396,000 and revenue for 2008 is expected to be \$445,000. The siting of the waste transfer station, though a long and arduous process is proving to be a prudent decision and is providing substantial revenue to support General Activities.

Utility taxes have augmented general revenues for the past several years and are necessary to support general fund programs. These taxes have provided funding for general expenses and the street program. While the current rates would allow the City to increase the electric franchise fee and the water and natural gas tax by 1%, it is not proposed in this budget.

If revenues in general activities see further declines, one alternative to fund operations would be to set a limit on the amount of utility tax funding that is transferred to the streets/MFT activity. The current policy is to transfer 1% of all utility taxes collected, which is projected to be \$656,000 in 2008. An alternative would be to cap the amount at \$500,000 per year thus allowing the increased revenues to be used for general operations as needed.

Even though Batavia has one of the lowest municipal property tax rates in the area these taxes account for 22% of revenues with a quarter of total receipts restricted for funding of the police & fire pensions. The City is reliant on these taxes to support services and has been fortunate to see increases in receipts in spite of the property tax cap. Due to the increasing tax base, revenues have increased while the rate has decreased. With the City's growth in new construction slowing down the increase in revenue is less apparent. The increase in revenues due to property taxes not restricted for pensions is expected to only be about \$75,000 over 2007 tax receipts.

Community Development is projecting building permits for new residential construction to increase some over 2007. Commercial and industrial development is also expected to provide a boost to permit revenue in 2008. There are still areas available for new residential, commercial and industrial development that should occur in the next few years. There are also several possibilities for re-development within the downtown.

Other changes to revenues occurred in grant revenues. The City received several grants in 2007 all related to public safety. The most significant grants were to assist with the purchase of police records management

software and funding for self-contained breathing apparatus for the fire department. Grant funding in 2008 includes the carryover of the corridor study funding and a possible grant for police body armor.

As mentioned previously, reimbursement revenues for 2007 include a \$500,000 reimbursement from TIF #1 for a property that was initially purchased from general activities. The property is now eligible for redevelopment since the abandonment of the Route 25 Jog project and therefore should be a TIF expense. The transfer of funds does not represent true revenue to general activities but is in actuality a reduction of a prior year expense.

Citywide, revenues were boosted from increased investment income in 2007 as a result of higher interest rates. Total income is expected to be lower in 2008 due to the recent drop in interest rates which is expected to continue into next year and the expected drawdown in reserves resulting in fewer funds available for investment.

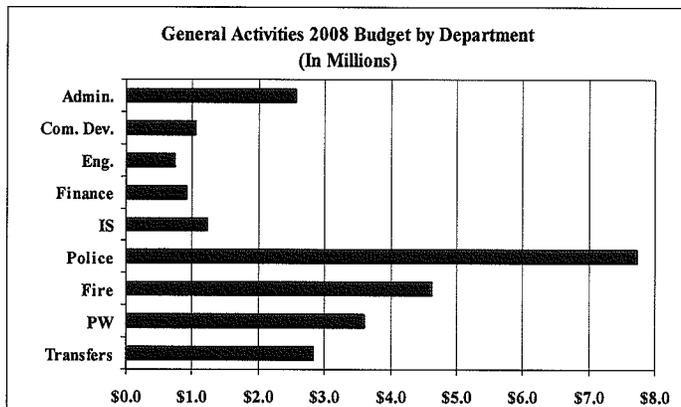
The last category of general activities revenues is Interfund Allocations. Transfers from the City's utility funds are to reimburse general activities for services provided to the utilities such as billing, finance, and administration. The chargeback for these services is evaluated each year to account for changes in service levels provided such as additional time spent assisting one utility over another during major capital projects assisting with loan funding and accounting for capital assets.

Overall a 1.1% increase in revenues is not sufficient to sustain inflationary increases which will most certainly occur in future years and other sources of revenue must be established in order to maintain the current level of service. One alternative is to cap

funding for the street program, as mentioned earlier; however, minimum funding must be maintained to ensure adequate maintenance of infrastructure. Also mentioned was the additional 1% that could be added to utility taxes; however, taxing necessities should not be a first alternative. Other possible sources of revenue are a leaf/brush pickup fee or the re-implementation of the vehicle sticker program. The addition of one of these revenue sources could provide the funding necessary to fill the gap in sales tax. It is being recommended that a full evaluation of these programs be done in 2008 and possibly implemented by the end of the year if necessary.

### General Activities Expenditures

Expenditures in General Activities are budgeted at \$25,306,308. The increase over 2007 projected actual expenditures is only a .69% due to some one-time expenditures in 2007. The increase to operations for 2008 is 5.8%, and is primarily related to personal services. Significant efforts were put forth by all departments to cut expenditures.



The first strategy when balancing the budget is to eliminate expenditures; however, since the budget is driven to a great degree by salaries, it is often very difficult to find areas within the budget to cut. It is becoming the

norm to ask departments to do more with less and the result is added pressure on our most valuable resource, our employees.

This year's budget called for reductions to training and conferences, elimination of equipment, reductions to promotional items used for fire and police safety and no new staff aside from the contract position of Economic Development Analyst. One item that was slated to begin in 2007 was required to be re-evaluated due to the exceptional cost. That item being a much needed software program for land development and permitting. Funding for the software was re-budgeted in 2008 with hopes of finding a lower cost alternative.

Personnel costs and the related benefits represent over half of the General Activities budget and for that reason any request to add personnel is thoroughly reviewed and evaluated. Options for contracting services or delaying projects are all assessed before any recommendations to add employees are included in the budget. For that reason, the position of Economic Development Analyst is being proposed as a temporary contract position so as not to burden personal services costs in future years.

The increase in total wages and overtime for General Activities is 4.5%. This includes the salary for the new position and projected increases for two expiring union contracts that are under General Activities. Fringe benefits will actually see a decrease in 2008 due to the one-time supplement to the City's self-insurance health fund done in 2007. Taking that factor out of the equation results in an increase to fringe benefits of 5.9%. The majority of that increase is to provide funding for the police & fire pension funds. The funding rate for IMRF will decrease in 2008 and the contribution should remain about the same as 2007.

### **Administration**

The Administration budget includes funding to support various community organizations as it has in the past. The budget calls for an increase in funding for a total of \$75,000 designated for the Batavia Main Street Program to support efforts within the downtown. Additionally, Batavia will reach a hallmark year in 2008 that requires recognition and therefore \$25,000 has been budgeted for a sesquicentennial celebration.

### **Human Resources**

The Human Resources budget is the only budget that calls for a recognizable increase to training and that is to continue with the SMILE! Program. Another change to the HR budget includes the implementation of fitness exams for public safety and field personnel. It is anticipated that this expense will prove beneficial by ensuring the health and fitness of these employees.

### **Community Development**

A 2007 expenditure of \$77,000 has been re-budgeted in Community Development in 2008 for research of the Wilson Street Corridor to study alternate routes for the flow of traffic. An evaluation of the merits of a second bridge will be included in the process. An Illinois Corridor Grant will offset the majority of the expense.

### **Engineering**

For 2007 the Engineering staff time was focused on the reconstruction of the Donovan (Wilson Street) Bridge and will continue through completion in 2008. While the period of construction has most likely resulted in some inconvenience to commuters, the City has been doing all it can to mitigate any issues. The new bridge will provide the structural requirements needed for movement across the river but it will also be a beautiful asset for many years to come.

The drainage programs that had formerly been budgeted in the Street Department have been moved to the Engineering Department. The program calls for two projects in 2008 one in the Industrial Park (Fermi) and one in the Cherry Park subdivision.

The Engineering department is responsible for the Street Program in Street/MFT Activities. Several projects are slated for funding in the next five years and are included in the CIP section in the Appendix. Funding will need to be determined before the projects can actually be budgeted. An Engineering project in the TIF fund in 2008 is the reconstruction of North River Street. This project also includes replacement of water and sanitary sewer.

### **Buildings and Grounds**

The budget for Buildings and Grounds includes funding to complete an upgrade to the HVAC system at City Hall. Two smaller units were installed in 2007 on the Police Department end of the building. Other projects in 2007 included resealing of the garage floor and painting of the walls in the police garage.

Both the 2007 and 2008 budget include monies for a space study. Space for many employees within City Hall is inefficient. With the evacuation of some tenants, further space has become available and a plan for best use of that space is needed. A search for a firm to conduct the study began in 2007. The study will result in a three-phase plan with Phase I providing a plan for immediate use of space at the least cost. Phase II will include suggestions that require minor construction and Phase III will be a long-term evaluation of the building with possible build-out of the third floor. The last phase will only be conceptual.

### **Information Systems**

The budget for Information Systems increased 141% in 2007 and remains at that level for 2008. Causes for the increase include additions to staff for GIS, hardware purchases, the new phone system and the Police Records Management Software. The total cost of the software is expected to be \$355,000 with a net cost to Batavia of \$264,000. The partnering of this project with Geneva and St. Charles will provide reduced maintenance costs and compatible software among the Tri-Cities. Some spending on the records management software will still be needed in 2008 to implement the mobile solution in the squads. The final phase of upgrading all of the Mobile Data Computers in the squads is also part of the 2008 IS budget. The Parcel Permit software project, mentioned earlier, shifted implementation to 2008.

### **Police Department**

The Police Department replaced two squads in 2007 and the 2008 budget calls for the replacement of four squads and a CSO vehicle. The replacement of squads is considered an operational expense. Police staff take all measures to ensure full life of the squads before replacement is made. Whenever practical, squads that cannot be relied upon for patrol are used within the fleet for less taxing purposes or they are offered to other departments before they are auctioned off. As part of the budget review process, the Police Department has agreed to reduce their fleet on a test basis by one patrol vehicle in 2008. If it proves to hinder operations, then the patrol vehicle will be added back into the replacement rotation.

### **Fire Department**

The Fire Department budget calls for increased efforts to train and maintain a sufficient contingent of paid-on-call firefighters. There are no significant

changes from the 2007 budget except for increased utilities, which may occur with the expanded space of the new fire stations. Additionally, a replacement vehicle and fire engine are budgeted in the Fire Capital Fund (under Minor Capital Fund 72).

### **Public Works/Streets and Sanitation**

The Public Works portion of the General Activities budget includes administration and streets and sanitation. Public Works Administration oversees Streets and Sanitation in General Activities and all of the Utilities including Electric, Water and Wastewater. The position of Public Works Director was vacated in 2007 and a search for a new director is underway to fill this very important position.

Contracts that are in the Street department are the brush program, mosquito abatement, lawn mowing of all City properties and tree trimming of all parkway trees. The 2008 forestry budget also includes additional monies for evaluation and the start of remediation of the emerald ash borer, which was confirmed as infested in some trees within the community in 2007. While the beauty of mature trees is a benefit to the community, it also requires additional maintenance as the trees age. The Street department is also responsible for the sidewalk program, which is budgeted under the Streets/MFT Activities (18-47).

### **Interfund Allocations**

There are three transfers to Major Capital Projects from General Activities in 2008. The first is a transfer to cover the shortfall of financing proceeds for the reconstruction of the City's two fire stations. The scope of the project and end goals for completion of the stations required a transfer of \$653,733 in 2007 and a final transfer of \$92,736 in 2008.

A transfer of \$428,681 was needed to fund a portion of the bridge reconstruction in 2007 and a further transfer of \$688,548 will be necessary in 2008. The exact amount of the transfer will depend on the final contract amount and final funding from the BRRP grant and other grant funding.

The transfer to Streets/Motor Fuel Tax Activity represents the 1% share of utility tax revenues that is pledged to support the street program. A portion of this transfer is the third transfer to Major Capital Projects and is designated for the 20% share of the City's cost for the Deerpath Bridge Rehabilitation project slated to begin design engineering in 2008.

This budget includes the second year of a capital replacement-funding program for fire

and public works vehicle purchases. An analysis of the fleet and future replacements along with an analysis of expected revenues from development resulted in the establishment of this program. The transfer of monies to these funds on an annual basis will ensure that adequate funds will be available for fleet replacement without causing undue pressure in any one year.

Also budgeted here are any transfers for debt service payments that are funded by a revenue source other than property tax. The current debt service transfers are for the fire stations, flood infrastructure bonds and fire & public works bonds. The final payment for the fire & public works bonds will be in 2010 and the final payment for the flood bonds will be in 2013

## **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 City transmits and distributes electricity for those within the municipal borders. The Electric department works diligently to ensure adequate capital maintenance and new infrastructure to maintain quality service while sustaining competitive rates. The electric utility has undergone several changes in the last year. The main driver of that change was the end of a long-term contract with Commonwealth Edison for purchased power. As a result of deregulation, the City was no longer able to enter into the same type of contract. The City was faced with certain cost increases in

the form of higher wholesale rates and a charge for local distribution to our 34.5 kV system. After careful evaluation of all power options and recommendations by consultants, it was decided to construct two 138 kV substations and a 138 kV transmission line to avoid the local distribution charge and to have a more reliable power source. The City borrowed \$27 million at the end of 2006 to fund the project. After reserve funding, debt issuance expense and payments of capitalized interest, there was \$23.9 million available to fund the project. It is anticipated that the project will ultimately cost \$28.8 million causing a shortfall of \$5 million. As a result of the cost overruns it is expected that a rate study planned for 2008 will recommend an additional rate increase to the two 8.9% increases of 2007 and 2008. While not certain it may be necessary to ensure adequate reserves for operations and capital

replacement. The City is keenly aware of the impact of utility rates on its customers and will ensure all measures are taken to keep rates at their lowest. It should be stressed that the increase in rates is not only the result of capital costs but is driven more by the expiration of the purchased power contract and the cost of new purchased power contracts in a new and more costly power market. The current contracts secure power needs through 2010.

As a result of the 138 kV project, the Electric utility is cutting costs wherever possible until reserves can be replenished. One such measure includes not replacing one of the electrical engineers that left in 2007. It should be noted that the utility is not in any danger of not meeting revenue bond covenants nor is it expected that it will not be able to meet all financial obligations. The budget simply encompasses a reactionary measure in light of the 2007 expenses. Capital projects for 2008 include only the necessary completion of items for the 138 kV and a minor service upgrade.

### **Water Utility**

The Water utility has reached completion of a set of major capital projects that spanned from 2004 to 2007. The projects were necessary to bring the City into compliance with the EPA radium levels for drinking water. Radium is a natural occurring element and not uncommon in water. The City is now fully compliant for radium levels in all City water.

The City was fortunate to obtain low interest loans from the IEPA to fund the projects. The projects included a water treatment plant, a cross-town water main, a booster pump station, three deep wells and two new water towers.

The 2008 capital budget calls for sandblasting and painting the existing northeast water tower, reconstruction of water main on North River St. and construction of bulk chemical storage at the new water treatment plant. Maintenance projects include costs to remove Well # 2 from service and pump repairs on Well #9.

### **Wastewater Utility**

The City's Wastewater Fund borrowed \$11,000,000 from the IEPA for renovations completed in 2001. The expansion at the plant increased the capacity and increased the quality of treated effluent discharged to the Fox River.

A comprehensive sanitary sewer study that began in 2005 is nearing completion. The study involved many tasks including field-testing, evaluation of the entire collection system, assessment of the lift stations, review of the treatment plant processes and capacity and development of a 10-year capital improvement plan. Although updates on the progress of work have been provided, the final results of the study have not yet been presented. It is expected that the final report will be done in early 2008.

This budget calls for a 5% rate increase in January 2008. The last rate increase for the sewer fund was five years ago. An increase to rates is not only necessary for inflationary reasons, but to fund future capital improvements that are expected as a result of the SSES capital plan.

Capital improvements planned for 2008 include upgrades at the Carriage Crest lift station, one of the City's 18 lift stations. The budget also includes replacement of sanitary sewer main on North River St. in conjunction with the street and water improvements.

## 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.

Governments typically issue general obligation bonds to fund capital improvements. Other methods of financing include installment contracts, debt certificates, revenue bonds, tax increment finance bonds (TIF) and special service area bonds (SSA). Revenue bonds are used to finance enterprise activities and are paid by user fees. TIF and SSA bonds are used to provide improvements to a limited area for a specific purpose and are repaid through taxes from the specific district. It is anticipated that a TIF debt issue will be done in 2008 or 2009 if some proposed initiatives are approved and can move forward.

General Obligation bonds carry the full faith and credit of the issuer and the pledge of full taxing powers to ensure repayment. Because these bonds carry less risk, cities can issue them at a lower rate than revenue bonds. At the end of 2007 the City will have \$16,145,000 in principal outstanding for general obligation debt. This total includes \$10,000,000 in bonds issued in 2006 for the Fire Station reconstruction. Of the total G.O. debt, \$971,550 is attributable to the water fund and is being repaid through user fees and \$355,000 is being repaid with motor fuel taxes.

There are no plans to issue General Obligation debt in 2008. The following table outlines all GO debt and indicates what revenue source will be used for repayment. The table reports the both principal and interest to demonstrate budgetary impact.

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

Issue	Fire Stations	Fire & PW	Flood Bonds	Bridge	City Hall	Streets	Total P & I by Year
Funding	Sales Tax	Sales Tax	Sales Tax	Property Tax	Property Tax	MFT	
2008	730,369	106,855	235,580	170,563	314,112	127,780	1,685,259
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
2018-2025	4,575,862			957,250			5,533,112

The City incurred sizeable debt at the end of 2006 through the issuance of \$26,970,000 in electric revenue bonds to fund the 138 kV project mentioned earlier. The debt issue included \$1,705,000 in Bond Reserve, which will be held in escrow for the final debt payment in 2037. A rate increase of 8.9% for both 2007 and 2008 were approved prior to the debt issue to assure bondholders that there would be sufficient revenue to repay the debt.

The Water Fund is repaying the GO bonds mentioned previously, which financed a water treatment plant. In addition the Water Fund also has five low-interest loans through the IEPA totaling \$13,315,000. Repayment for these loans has already begun, although final repayment schedules will not be available until the EPA closes out the projects. Wastewater currently has \$10.9 million in principal outstanding in IEPA loans.

Enterprise Fund Debt Requirements (Principal and Interest)			
	Electric	Water*	Wastewater
2008	1,424,406	1,217,900	1,368,959
2009	1,424,430	1,218,867	1,368,959
2010	1,424,106	1,214,975	1,368,959
2011	1,423,430	870,054	1,279,457
2012	1,702,406	870,054	1,030,579
2013	1,703,206	870,054	781,701
2014	1,703,006	870,054	781,701
2015	1,701,806	870,054	781,701
2016	1,704,606	870,054	781,701
2017	1,701,206	870,054	781,701
2018 -2027	32,363,756	6,546,058	2,300,010

\*Debt Schedules are not finalized for IEPA Water Loans

### 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, except the Electric Utility in 2008.

### General Fund – General Activities

As a result of higher than normal revenues in past budgets the City's General Activities reserves will allow for draw downs mentioned earlier for funding the additional costs for the fire stations and the bridge. The projected reserves for the end of 2008 are still expected to be at a healthy 115 days after these expenses. Although the 2008

budget does not dip into reserves for operating expenditures, that was only the 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.

### **Electric Fund**

Reserves in the Electric Fund are expected to end the year at 80 days with a projected balance of \$7,704,681. The reserves were directly impacted by the \$5,000,000 overage for capital improvements made in 2007 that had to be paid from existing reserves. While it became known as the project progressed that the budget was being exceeded, at that juncture the project had to continue. Value engineering was done where it could and some aspects of the project that could be delayed were put off. The expected reserves will still be sufficient to meet the bond requirements set forth in the Bond Ordinance and should not be a cause for alarm but a signal that a rate increase will most likely be needed.

It should be pointed out the number of days for reserves is a projection based on budgeted numbers. The end result will depend on the actual purchased power costs, which are now reliant in part on the daily market. Since we have only had a very short time to gauge our estimates, the actual costs could be quite different than what we have projected. City staff will closely monitor both revenues and expenses throughout the next year to ensure prompt action is taken if need be. A rate study is planned for 2008,

which will provide some guidance as to the appropriate rate structure and any required rate increases.

### **Water Fund**

The reserves for the Water Fund are projected to be at 158 days at the end of 2008. There are adequate reserves in the Water utility to pay for the purchase of land from the electric utility in 2008. The land may be needed for future water infrastructure. 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.

### **Wastewater Fund**

The reserves for the Wastewater Fund are projected to be at 100 days at the end of 2008, if the requested rate increase is implemented. Without a rate increase the reserves would be at 90 days. It is expected that there will be a need to fund capital projects either outright or from debt, which would then require repayment from reserves; therefore the rate increase is highly recommended.

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.

## Conclusion

The current economic position of the City is still quite favorable when evaluating our low debt burden and assessing the reserves. The year 2008 will prove to be a pivotal year in determining which direction our revenues are headed. We will need to take note of revenue trends as the year progresses. If revenues begin to turn around, then we can take a wait and see approach; however, if revenues do not improve, the options will be to implement new revenue sources or to cut services.

Most certainly there are still opportunities for development within our community and prospects for growth in all areas is likely. What is unknown is the length of time it may take to bring all those possibilities to fruition. Now, like always, is the time for prudent spending and careful planning.

Comments or questions on this budget may be directed to the City Administrator, William McGrath or to the Finance Office.

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.

The total budget for all funds is on the following pages.

Sincerely,



Peggy Colby,  
Finance Director

# CITY OF BATAVIA 2008 BUDGET

## Total 2008 Budget - All Funds and Activities

DESCRIPTION	ACTUAL 2005	ACTUAL 2006	APPROVED		PROPOSED
			BUDGET 2007	ESTIMATED 2007	BUDGET 2008
<b>Surplus and Reserves</b>	<b>\$18,960,034</b>	<b>\$23,807,028</b>		<b>\$58,083,737</b>	<b>\$24,663,883</b>
01 Intergovernmental	\$3,534,466	\$4,785,348	\$12,587,613	\$5,018,058	\$4,509,596
01 Municipal Taxes/Fees	\$8,203,225	\$10,612,259	\$11,252,928	\$11,357,186	\$11,500,202
01 Property Taxes	\$5,288,191	\$6,095,808	\$6,423,361	\$6,456,095	\$6,706,167
01 Utility Operating Revenues	\$33,559,384	\$34,832,320	\$39,958,863	\$38,856,008	\$43,149,263
02 Contributions	\$2,814,373	\$3,390,403	\$4,494,468	\$4,527,790	\$3,860,386
02 Utility Nonoperating Revenues	\$1,242,537	\$877,112	\$823,285	\$786,624	\$636,910
03 Licenses and Permits	\$504,569	\$481,698	\$345,450	\$393,355	\$482,053
04 Charges for Services	\$994,920	\$931,159	\$1,183,384	\$942,980	\$1,050,228
05 Fines and Forfeitures	\$262,939	\$262,228	\$238,500	\$234,898	\$241,000
06 Other Revenues	\$3,373,359	\$4,839,913	\$2,184,681	\$3,569,315	\$1,778,990
07 Interfund Allocations	\$3,832,331	\$4,591,695	\$6,106,151	\$6,000,125	\$6,261,451
08 General Obligation Debt Proceeds	\$2,100,000	\$10,000,000	\$0	\$0	\$0
08 Revenue Bond Proceeds	\$5,015,645	\$30,175,759	\$2,144,196	\$1,913,674	\$0
<b>Total Revenue</b>	<b>\$70,725,939</b>	<b>111,875,702</b>	<b>\$87,742,880</b>	<b>\$80,056,108</b>	<b>\$80,176,246</b>
TIF District Projects	\$147,877	\$127,898	\$1,849,025	\$1,517,318	\$1,373,764
Administration & Legislative	\$1,197,265	\$1,942,822	\$1,939,817	\$1,700,788	\$1,662,386
Human Resources	\$277,793	\$285,691	\$342,295	\$306,010	\$388,958
Community Development	\$716,006	\$802,495	\$988,954	\$969,016	\$1,054,161
Public Works Administration	\$313,907	\$321,416	\$354,892	\$405,126	\$345,623
Engineering	\$540,782	\$606,154	\$759,593	\$715,912	\$745,204
Building and Grounds	\$323,666	\$295,937	\$408,455	\$405,470	\$456,382
Finance and Accounting	\$428,739	\$464,388	\$517,426	\$516,739	\$521,001
Information Systems	\$616,524	\$505,087	\$1,404,891	\$1,255,818	\$1,229,452
Utility Billing	\$312,750	\$331,776	\$404,527	\$391,338	\$393,325
Worker's Compensation Plan	\$494,936	\$315,888	\$324,000	\$449,250	\$359,500
Subsidized Transportation	\$53,740	\$57,893	\$58,975	\$58,775	\$58,873
Police Admin & Operations	\$6,164,854	\$6,451,185	\$7,446,152	\$7,574,074	\$7,729,764
Fire Services	\$3,807,844	\$4,086,311	\$4,616,532	\$4,584,588	\$4,581,708
E.S.D.A.	\$27,390	\$32,448	\$31,781	\$34,077	\$51,840
Drainage Capital Projects	\$69,349	\$0	\$0	\$0	\$0
Public Works Capital Acquisition	\$355,807	\$264,067	\$0	\$0	\$175,000
Fire Capital Acquisition	\$23,596	\$831,864	\$541,000	\$42,730	\$534,345
Health Benefit Plan	\$3,648,343	\$3,138,685	\$3,444,538	\$3,237,669	\$3,533,772
Deerpath Bridge Construction	\$0	\$0	\$0	\$0	\$80,000
Streets and Sanitation	\$2,647,815	\$2,804,475	\$3,232,501	\$3,200,835	\$3,256,641

# CITY OF BATAVIA 2008 BUDGET

## Total 2008 Budget - All Funds and Activities

DESCRIPTION	ACTUAL 2005	ACTUAL 2006	APPROVED		PROPOSED
			BUDGET 2007	ESTIMATED 2007	BUDGET 2008
<b>Surplus and Reserves</b>	<b>\$18,960,034</b>	<b>\$23,807,028</b>		<b>\$58,083,737</b>	<b>\$24,663,883</b>
Fire Stations Renovations	\$270,080	\$1,578,035	\$8,931,849	\$9,389,335	\$92,736
Street Improvements/Construction	\$1,529,875	\$2,033,839	\$1,182,458	\$1,282,296	\$1,030,000
Route 25 Jog Capital Project	\$0	\$23,158	\$0	\$0	\$0
Donovan Bridge Project	\$241,008	\$906,734	\$11,065,775	\$3,291,607	\$1,162,216
Electric Improvements	\$1,135,109	\$8,098,761	\$23,028,419	\$26,330,953	\$1,363,023
Meter Reading/Locating	\$430,888	\$474,861	\$578,193	\$547,939	\$480,497
Transmission & Distribution	\$24,929,403	\$23,966,821	\$30,852,156	\$28,873,332	\$32,217,409
Water Improvements	\$4,290,223	\$3,422,563	\$1,215,000	\$737,834	\$1,450,000
Water Production	\$681,835	\$1,013,219	\$1,174,285	\$978,388	\$1,260,370
Water Distribution	\$960,176	\$954,446	\$1,107,684	\$1,065,701	\$1,157,372
Wastewater Improvements	\$0	\$0	\$455,845	\$99,500	\$736,064
Waste Water Treatment	\$1,485,513	\$1,619,603	\$1,748,375	\$1,725,220	\$1,743,025
Sanitary Sewer	\$464,508	\$382,813	\$375,245	\$452,640	\$433,911
Interfund Allocations	\$3,756,281	\$4,591,695	\$6,106,151	\$5,998,655	\$6,261,451
Utility Revenue Bond Expenses	\$2,390,313	\$2,880,823	\$3,436,021	\$3,574,758	\$4,013,612
General Obligation Debt Service	\$1,144,750	\$1,985,142	\$1,762,196	\$1,762,271	\$1,684,357
<b>Total Expense</b>	<b>\$65,878,945</b>	<b>\$77,598,993</b>	<b>121,685,006</b>	<b>113,475,962</b>	<b>\$83,617,742</b>
<b>Surplus/(Deficit)</b>	<b>\$4,846,994</b>	<b>\$34,276,709</b>	<b>(\$33,942,126)</b>	<b>(\$33,419,854)</b>	<b>(\$3,441,496)</b>
<b>Surplus and Reserves</b>	<b>\$23,807,028</b>	<b>\$58,083,737</b>		<b>\$24,663,883</b>	<b>\$21,222,387</b>