

City of Batavia

2006 Annual Budget



November 21, 2005

Mayor Schielke and Members of the Batavia City Council:

Following is the City of Batavia 2006 Budget. This document is the manifestation of staff's efforts to carry out the goals and vision of the City Council. It reports the economic results of the City's finances for the last two years, expected results for the current year and the proposed allocation of resources for the coming year. The budget illustrates strong financial health for the City both now and at the end of 2006. The City has benefited, somewhat unexpectedly, from resilient growth in revenues over the last few years. This boost in revenues will provide for some reassurances until the uncertainties of the future impact of retail development around Batavia are known.

The City of Batavia is a service organization; thus personnel are at the heart of the operation. This year's budget responds to increasing service demands by adding two new personnel and fine-tuning a few other positions for efficiency. One new full-time Firefighter is requested, which will allow the new Battalion Chief system to be implemented and provide full staffing on all shifts. Also new for 2006 is an Assistant to the Street Superintendent to help deal with the increased need for "inside" analysis and monitoring of the ever-increasing long-term coordination of the maintenance of public improvements. A minor change is requested for replacement of a part-time customer service representative in Utility Billing with a half-time Office Assistant, which will allow more consistent customer service and office operation. A proposal from Community Development is included to shift the contractual Planner to full-time employee after several years of successful use of the position as an intern and then contract planner. A reduction to staff will also be made in Community Development by replacement of the promoted building inspector with only a half-time position. Lastly, an additional crew leader position is being created in the Water Department but this change will not increase the overall number of personnel.

The total General Fund Budget projects a surplus of \$266,247 for the year 2006. The increase in overall revenues and specifically the Non-home Rule Sales Tax contributed to the surplus. The General Fund budget is comprised of General Activities, Self-Insurance Activities and Street/MFT Activities. The General Activities portion of the General Fund projects a deficit of (\$102,885). General Activities revenues are expected to increase 14.5% and expenditures are expected to increase 22.8%; however, the total expenditures include a one-time capital purchase of \$715,000 and a transfer to Capital Development for \$200,000. The projected increase in expenditures without those one-time expenditures is 17.6%. The projected available cash reserves in General Activities at the end of 2006 are expected to be \$7,390,093, or 129 days of operations. This level of reserves is healthily above the commonly used 60-day standard.

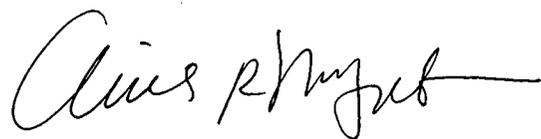
The budget includes increases in revenues from utility taxes due to overall increased consumption and due to the water and possibly electric rate increase; however, the true increase cannot be taken at face value as the budget reflects a change in accounting for utility taxes. One percent of the utility taxes had been received into the Street/MFT Activities as a City Policy to support the Street Program. With the new revenue source of non-home rule sales tax and its accompanying requirement to be used for infrastructure, that policy has shifted so that the additional sales tax will now be used to augment the street program. The change in funding source will not change the funding amount designated for the street program. The additional utility taxes that will be made available will provide additional monies available for general expenditures and thus available to be used for the new debt service that will result from the fire station renovations.

While this budget also includes new debt service for the Bridge reconstruction, the City will continue the policy of not levying property taxes for bond payments approved by the taxpayers years ago for the public works facility. The budget also includes the addition of new major revenue sources: the solid waste transfer station, expected to open in December should begin collecting tipping fees for the City and the Wal-Mart development should boost retail sales. Both of these sources are expected to increase over the next few years. As already mentioned, the non-home rule sales tax will also be a beneficial new revenue source.

There are significant dollars planned for spending on the downtown, primarily using the TIF. In addition to continuing preparation for the bridge, there are funds for planning and design of both the 100 block of West Wilson Street (from Island to Water) as well as the 0-100 block of North River. The Downtown Facade Grant program continues, repairs to the River Street parking deck, and completion of the North River Street Alley leading to the river are all in the TIF budget. There are also funds for the new downtown financial development consultant.

For a detailed analysis of the budget, please see the Budget Highlights on the following pages. The budget is the culmination of the hard work of all departments in the City. Each department prepares their own budget and works very diligently to ensure a balanced budget. I would like to thank all those involved in the process for their dedication to providing the very best service to residents for the best possible cost. In addition, I would like to thank the Mayor and City Council for their support of City Staff and their commitment to the current and future citizens of Batavia.

Sincerely,

A handwritten signature in black ink, appearing to read "William R. McGrath", with a long horizontal flourish extending to the right.

William R. McGrath
City Administrator

List of Officials

Honorable Jeffery D. Schielke, Mayor

City Council

Ward 1:	Garran Sparks	Jodie L. Wollnik
Ward 2:	Victor Dietz	Alan P. Wolff
Ward 3:	Cathy Barnard	Linnea C. Miller
Ward 4:	Thomas L. Schmitz	James T. Volk
Ward 5:	Eldon Frydendall	Forrest L. Nelson Jr.
Ward 6:	Robert F. Liva	Lisa Clark
Ward 7:	David J. Brown	Nancy S. Vance

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

Gary Larsen

Administrative Assistant

Bob Popeck

Superintendent of Wastewater

Byron Ritchason

Director of Community Development

Jerry Swanson

Chief of Police (Acting)

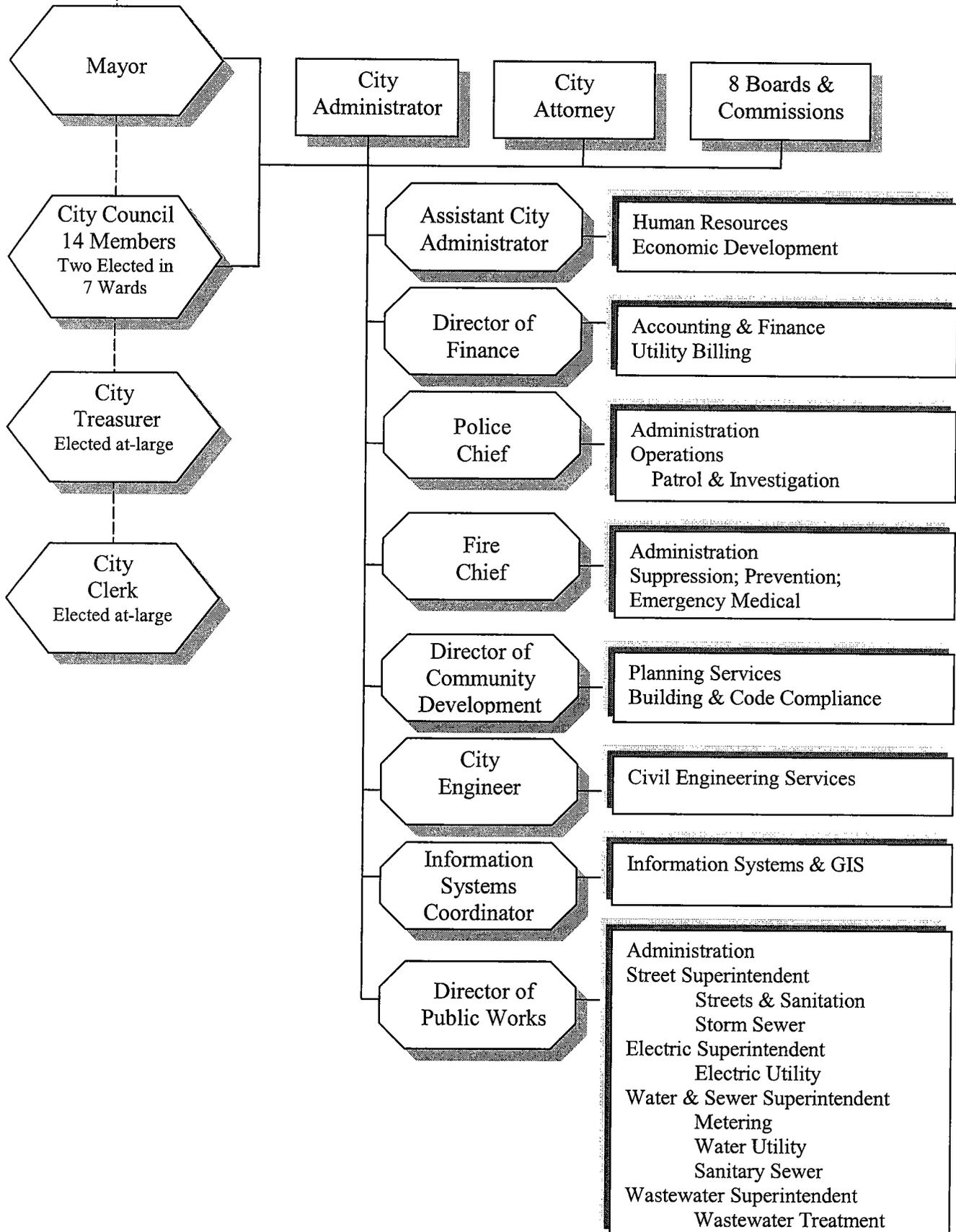
Dennis Thomas

Superintendent of Electric

Hank Vejvoda

City of Batavia Organizational Structure

Citizens of Batavia



City of Batavia

2006 Budget Summary

Total Budget	Operating	Capital	Debt	Interfund
\$99,398,716	\$55,378,850	\$34,414,184	\$4,972,965	\$4,632,717

Total by Fund	Operating	Capital	Debt	Interfund
General \$26,960,303	\$24,244,965	\$ 915,000	\$ 163,158	\$ 1,637,180
Major Capital \$ 6,020,477	\$ -	\$ 6,020,477	\$ -	\$ -
Minor Capital \$ 2,120,000	\$ -	\$ 2,120,000	\$ -	\$ -
Debt Service \$ 1,817,961	\$ -	\$ -	\$ 1,482,961	\$ 335,000
Electric \$49,464,988	\$26,910,393	\$20,558,285	\$ 765,017	\$ 1,231,293
Water \$ 8,335,667	\$ 2,136,164	\$ 4,257,422	\$ 1,192,870	\$ 749,211
Wastewater \$ 4,669,320	\$ 2,087,328	\$ 543,000	\$ 1,368,959	\$ 670,033
Permanent \$ 10,000	\$ -	\$ -	\$ -	\$ 10,000

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2006 Budget Overview

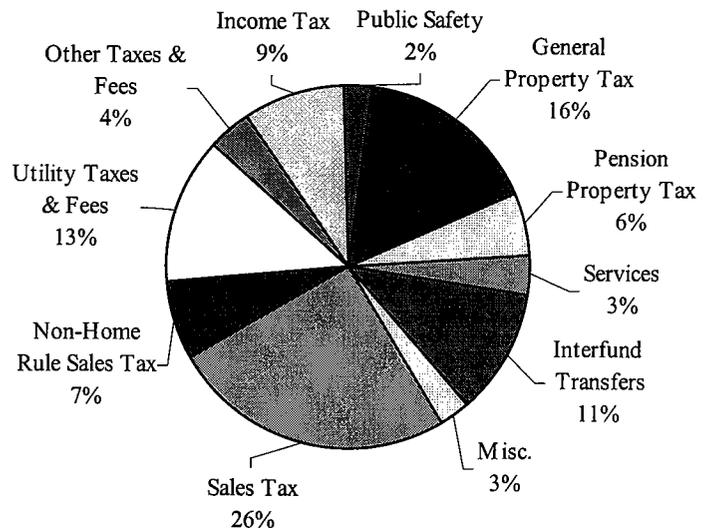
Following is the City of Batavia's 2006 Budget. The budget provides the legal authority for spending tax dollars. Under Illinois Budget Law, the budget must be passed before the first day of the City's fiscal year, which is January 1. After the budget is passed, no increase may be made without City Council approval.

The total budget for all funds for 2006 is \$94,766,001, net of inter-fund transfers, of \$4,632,715. This total includes capital expenditures of \$34,214,184 compared to \$8,156,894 in 2005. A detailed description of Capital Projects for 2006 can be found in the Appendix. The total budget net of capital projects reflects a 16.8% increase over 2005 projected total expenditures for all funds. Of the overall increase, salaries are expected to increase 6.7%. The changes include normal wage increases, increases due to vacancies and new hires. Fringe benefits including pension and health insurance are expected to increase 12.8%. Other changes to the budget relate to changes in commodity costs, contractual obligations and new debt payments.

The total budget, while informational, should not be used in assessing budgetary trends. Capital costs and financing proceeds can cause the total budget to fluctuate significantly from year to year. This budget contains both capital expenses and bond proceeds for the fire station renovations and water and electric projects. The City of Batavia budgets for the General Fund, Capital Projects, Debt Service and Electric, Water and Wastewater Utilities. The Utility or Enterprise Funds are primarily supported through user fees or rates. The City strives to ensure that it provides safe, reliable utility services at fair and reasonable rates.

The General Fund is comprised of General Activities, Self-Insurance and Street/MFT Activities. General Activities account for the day-to-day operations of the City. Services such as police and fire protection are financed from taxes and fees. The Debt Service and Capital Project Funds in the budget are considered Governmental Funds, like General Activities but are separated for accounting purposes.

General Activities Revenues



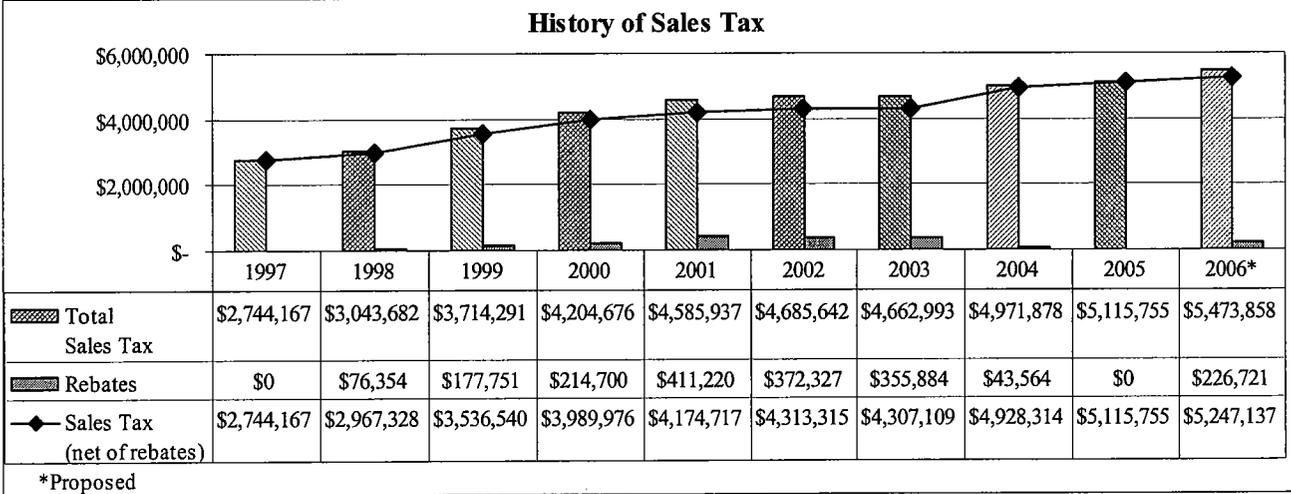
Budgeted revenues for General Activities are \$21,711,568; a 14.5% increase over 2005 estimated receipts. The majority of this increase is attributable to the new non-home rule sales tax. The graph provides a breakdown of the major revenue sources for General Activities. At 26%, sales taxes represent the largest share. Receipts for 2005 are expected to end the year as budgeted at 2.7% over 2004. A 7% increase has been budgeted for 2006 due to the opening of Wal-Mart and other retail development. The corresponding sales tax rebate with Wal-Mart was established with guaranteed minimum receipts before any tax is rebated.

The year 2006 will also include the City's first receipts for non-home rule sales tax. A referendum in April 2005 authorized the City to establish the tax. The .50% tax will take effect January 1, bringing the City's total sales tax rate on general merchandise to 7.0%. The tax will not apply to most groceries, drugs or registered vehicles. The City receives 1.0% of general sales tax and will receive the full additional .50% of the non-home rule tax. Non-home rule tax is limited to .50% and must be used for infrastructure or property tax relief. As a result, the City will replace the 1.0% utility tax formerly pledged to the City's street program with this tax and utilize the utility tax for other expenditures such as the debt service anticipated for the fire station renovations. This change is an internal accounting change and will not impact the amount of support pledged to the Street Program. The receipt of the non-home rule sales tax will be an important revenue source for the City.

surrounding areas continue to grow and add venues to attract shoppers. An increased emphasis has been placed on economic development to ensure maximum possibilities for Batavia.

The economic outlook for 2006 holds the expectations that consumer spending will remain relatively strong in spite of hurricane Katrina. Product prices are expected to increase for the short term and then stabilize early in the year. The current 5.7% unemployment rate in Illinois is higher than the national average of 5.1%; however the rate in Batavia is lower at 4.5%, which is a positive factor for sales here. Strong sales are expected at the new Wal-Mart development; however, the transfer of sales from other stores within the City is an unknown, but realistic factor. It is also anticipated that a new retail store along with two restaurants will open at the former State Farm property. The following chart displays the last ten years of sales tax along with the rebates paid. The agreement with Wal-Mart will begin with this budget and will not expire until the full amount of \$1,500,000 has been paid.

With the City's reliance on sales tax it will be necessary for the City to maintain a strong retail base. A very real concern for Batavia is increased competition for sales as



The rebate obligations have been met for Sam's Club and Windpoint (Kohl's) Center. The rebate for Wal-Mart will begin in 2006 and the amount shown is projected.

Income taxes were higher than expected in 2004 and in 2005. The State provides per capita projections for this shared revenue and the receipts have exceeded that level for the past two years. This increase was a welcome change after three years of declining payments. The increase is due in part to the State's tax amnesty program, which resulted in taxpayers fulfilling tax obligations without penalty.

Waste transfer station fees were expected in 2005 but delays in the permitting process pushed back the opening and now revenues are not expected until early 2006. The fees are collected on a per ton basis and should increase as more waste passes through due to the closing of the landfill. The City also benefited from some one-time payments from Onyx as part of the siting process. Included in this budget is one more payment of \$50,000 due at opening. Also included are tipping fees of \$45,000 along with an expenditure to begin repayment to Kane County for a \$100,000 research grant. The grant must be returned from fees when the transfer station opens.

Utility taxes helped augment general revenues in 2003 and 2004 and are expected to come in at budget for 2005. These taxes have provided funding for general expenses and the street program. If it were necessary, the current rates would allow the City to increase the electric franchise fee and the water and natural gas tax by 1%. However, if a new revenue source were needed, other alternatives would be pursued rather than to increase these taxes.

Even though Batavia has the lowest municipal property tax rate in the area these taxes account for 20% of revenues with 6% 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. This increase will taper off when new construction slows down.

Community Development is projecting an increase in building permits due to higher than normal commercial permits and several large industrial permits expected. In addition, residential permits should increase with the progress of Prairie Commons.

Court fines were higher than normal in 2005, thanks in part to the truck enforcement program. It is not expected that the fines will continue as the intent of the program is for trucks to begin compliance or take an alternate route.

Reimbursements in general activities were exceptionally high in 2005 due to receipts for the McKee Tributary. Normal reimbursements come from the City's liability insurance or payroll reimbursements for workers compensation payments. Even though the City is self-insured for worker's compensation, these reimbursements provide an internal accounting of costs.

Lastly, Inter-fund transfers between funds including payments from the City's utility funds 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 projects like the extensive water projects currently underway, which require more time from the finance department assisting with loan funding and accounting for capital assets.

Expenditures in General Activities are budgeted at \$21,814,453. The increase over 2005 projected expenses is 22.8%. This increase includes a significant one-time expense of \$715,000 for the purchase of land for possible future ROW or other public use. The unexpectedly high revenues in 2004 and 2005 provided enough of an increase in available reserves to allow for the purchase without going to the market for short-term financing. This purchase resulted in a 2006 budget deficit for general activities. Another one-time expense in general activities is a transfer to the fire capital improvement fund to supplement available funds for the replacement of Fire Engine 1, a twenty-year old fire pumper. Declining revenues in capital development for both fire and public works will necessitate the establishment of a capital replacement-funding program. This recommendation will be made in 2006 for inclusion in the 2007 budget after the completion of the five-year capital improvements plan.

Careful consideration and evaluation is given to all budget requests during the budget process. Requests are reviewed by the Department Head, City Administrator and Finance Director. A justification is required for all new budget items or for any expenses that increase the budget more than nominally beyond the prior year's operations. A separate form for vehicle and equipment replacements must be filled out to evaluate the cost benefit of replacing the equipment or investing more into maintenance costs. Personnel costs and the related benefits represent 64% 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.

Although the City has benefited from the revenues related to growth, it has also realized an increased need for services. Therefore, the General Activities budget requests additions to staff in four departments. They are as follows:

Community Development
City Planner
(Modify Temporary to Permanent)

Utility Billing
Office Assistant
(Increase of 12 hours per week)

Fire Services
Firefighter

Streets & Sanitation
Assistant to Street Superintendent

Individual justifications for these additions may be found in the department narratives. The total increase in salaries for General Activities is 7.4% with the new and modified positions. The increase includes normal wage increases and vacancies throughout 2005. The Community Development department had significant staffing changes and vacancies in 2005, which resulted in a \$125,000 budget variance between the budget and actual expense. The increase in benefit costs associated with all General Activity salaries is 14.2% due to rising health care costs.

Other reasons for increases to the 2006 budget include a 25% increase over 2005 actual expense for fuel. Evaluations of projected average fuel price indicate that this should be sufficient. The General Activities budget will not be as adversely affected by the higher cost of natural gas price as the City receives an allotment of free therms for governmental use. The City pays for natural gas for general activities when it uses more than the allowance.

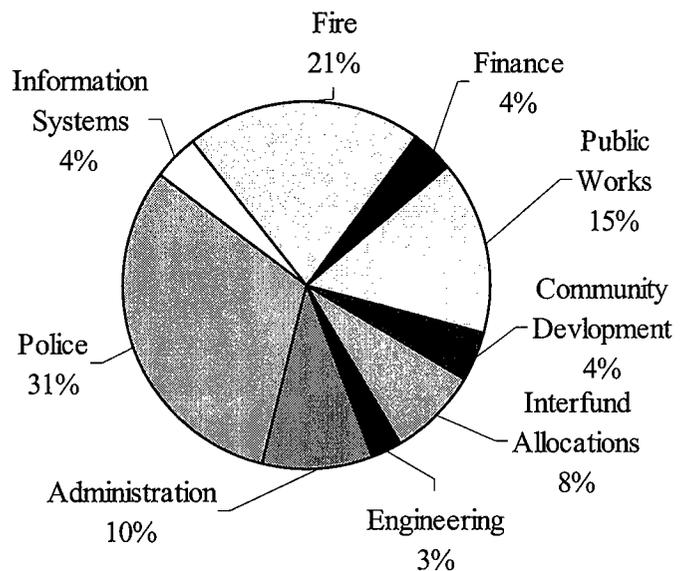
Other increases to the General Activities budget are related to software purchases and contractual services. The Parcel Permit software budget has been delayed for the last two years due to priorities of other projects. The amount budgeted for this project has been removed from the 2005 budget and is re-budgeted in 2006. Also included in this budget is \$212,000 for a police record management system. The net cost to the City will be less as a Federal Grant for \$147,000 was awarded to the City for the purchase. The City was also awarded a Corridor Grant to be used for research of the Wilson Street Corridor to study alternate routes for the flow of traffic. It is ultimately expected that a second bridge will be needed to relieve the traffic congestion for efficient flow of traffic across the Fox River. As with most grants, the City will be responsible for a portion of the study, therefore \$80,000 has been budgeted with a corresponding revenue of \$61,500.

The Administration budget includes funding to support various community organizations and programs. Art in Your Eye, the first ever Art Festival held in 2005, was a very successful event and this budget includes \$20,000 in support of the festival in 2006. This budget also includes funding of \$30,000 for the Batavia Main Street Program, which has been revitalized and should produce beneficial results for both the business community and the City. Administration is supportive of funding these types of programs whenever possible in recognition of the City's Vision and role in the Community.

The police and fire departments account for 52% of General Activities expenditures for which the majority of the expense is for personnel and related benefit costs.

The police department includes 43 sworn officers while the fire department employs 23 full-time and 30 paid-on-call firefighters. The increases in these budgets have been the result of contract wages and increased contractual obligations for TriCom dispatch and Tri-City Ambulance. The Fire Department has been operating 2 short of full staffing and therefore shows a larger increase in regular wages but also a significant decrease in overtime.

General Activities Expenditures



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. In addition to normal operations, the Street department has budgeted several projects related to drainage issues. A change to operations for 2006 is the proposal to move the Brush Pickup Program to a contracted service. As a result of this proposal, a vacancy for a laborer has not been filled. By contracting this service, the City can avoid purchasing a new chipper and can allocate the staff time made available to other projects.

The Street department is responsible for the sidewalk program, which is budgeted under the Streets/MFT Activities (18-47) utilizing taxes pledged for street improvements. In addition the Public Works Capital Project Activity (71-37) includes two pieces of equipment for replacement; a street vac and ½ of a sewer vactor. The other ½ of the sewer vactor is in Sanitary Sewer (31-83).

In an effort to meet the challenges of increasing capital equipment costs for Fire and Streets, the fees in Public Works Capital Development (#71) and Fire Department Capital Development (#72) were increased in 2005. Fees are now collected at the final plat and when a permit is issued. This increase has not yet provided significant revenues. As mentioned earlier, it is anticipated that a capital replacement funding policy will need to be implemented in 2007 to begin supplementing reduced revenues in anticipation of necessary capital replacements for the City's fleet. Although this budget is separated from the General Activities budget, it is only an accounting designation. All Capital Project Funds are in actuality a General Fund expense as they are supported through general fees, transfers or general obligation debt and the expenses are for the benefit of the General Fund.

Engineering includes increases for fringe benefits related to staffing changes that were approved in 2004. It also includes \$50,000 for a study of the storm water overflow issue at McKee Street and Randall Road. The Engineering department is responsible for the Street Program in Street/MFT Activities. The reconstruction of Deerpath road has been budgeted for 2006. This project will be funded in part by developers whose projects impact this road. Engineering will also oversee the installation of sewer along Waubonsee Trail.

Much needed renovations at both Fire Stations are projected to begin during 2006. Projected expenses to begin construction are budgeted in Major Capital Projects (46-46). Plans are actively underway for this project and estimated costs for construction are being determined. This project includes financing proceeds of \$10,000,000. Debt payments will also begin in 2006. A transfer from General Activities to a debt service fund will be made from Sales or Utility Taxes, which will be pledged for this project. In the event that it is determined that the full amount of financing is not needed for the fire station project, the funds will be used or reserved for improvements and office expansion needed at City Hall. A space study is budgeted in General Activities in Administration to evaluate the current use of space.

The City's two self-insurance funds are used to account for the cost of the plans. The City's health insurance plan has seen dramatic increases to costs over the last few years. Increases in both the City's contribution and the employee's have not kept pace with the claims. As a result, a new broker was hired in 2004 and plans to implement their recommendations are included in the 2006 budget. One proactive step is to begin an employee wellness program to encourage preventive health care. These types of programs have proven effective in studies of other health plans. The benefits included in the plan will continue to be reviewed for possible cost savings. The choice to become self-insured for worker's compensation in 2005, did not realize much in savings compared to purchased premiums as a result of a few claims; however, the cost savings of being self-insured for worker's compensation is not usually realized for the first few years.

The Enterprise Funds of the City are the Electric, Water, and Wastewater Funds. These funds are considered self-supporting through user fees. The City transmits and distributes electricity for those within the municipal borders. Residents are fortunate to pay lower rates than those receiving power outside the City. The Electric department works diligently to ensure adequate capital maintenance and new infrastructure to maintain quality service while sustaining competitive rates. The City is currently under contract to purchase its power from Commonwealth Edison until 2007. The terms of the contract allow the City to purchase or generate 20% of peak demand from an alternate source.

Major capital projects in the Electric Fund next year include plans to begin construction of a 138 kV substation and transmission line. Once completed, the 138 kV capabilities will provide the City with more cost-effective and reliable transmission. This project is expected to have high implementation costs of up to \$20,000,000 with a payback over a twenty-year period. Financing proceeds that offset the amount budgeted of \$13,256,785 have been included in the 2006 budget. Other improvements include a system extension for Fabyan Parkway and Pine St. & Raddant Rd. and expansion of the McKee Street Substation.

Also included is \$4,667,400 for the continuing development costs related to the Prairie State Generation Project for the participation and ownership in a mine mouth coal generating plant in Southern Illinois. Interim financing is included to offset this initial expense. It is anticipated that revenue bonds will be issued through the Northern Illinois Municipal Power Agency (NIMPA) to fund the entire endeavor if the project proves beneficial for future power needs.

These major projects coupled with expected increases for power supply support the inclusion of a 5% electric rate increase in the 2006 budget. The current rates have not been increased since 2001.

Capital improvements for the water utility will continue in 2006. The projects were necessary to bring the City into compliance for the EPA radium levels in drinking water. Radium is a natural occurring element in water and many other municipalities and water districts are being confronted with the same issues. The City has been fortunate to obtain low interest loans for these projects. Five loans have been signed and drawdowns have been received. Projects that are near completion are the construction of a water treatment plant, a cross-town water main and a booster pump station. Plans for 2006 include construction of two new deep wells and two water towers.

A requirement for the City to receive IEPA loan funding was to ensure repayment through an established revenue stream. This requirement necessitated a series of rate increases of 40% in 2004, 15% in 2005 and a final 10% increase included in this budget.

The City's Wastewater Fund borrowed \$11,000,000 for renovations completed in 2001. The upgrades were also financed through low interest loans from the IEPA. The expansion at the plant increased the capacity to projected build out of the community and it increased the quality of treated effluent discharged to the Fox River.

Capital improvements planned for 2006 include upgrades at the Carriage Crest lift station, one of the City's 18 lift stations. Also included is the possible purchase of a tractor-trailer that might be necessary to haul sludge long-distance when Settlers Hill landfill closes in 2006.

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. The City's only TIF loan will be paid with this budget and an Installment Contract for the McKee Tributary will be paid in 2007.

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 2005 the City will have \$8,585,000 in principal outstanding for general obligation debt. This total includes \$2,000,000 in bonds issued for the reconstruction of the Donovan (Wilson St.) Bridge. Of the total debt, \$1,560,600 is attributable to the water fund and is being repaid through user fees and \$625,000 is being repaid with motor fuel taxes.

Plans for 2006 are to issue \$10,000,000 in General Obligation alternate revenue bonds for the fire station renovations. The following table outlines all GO debt and indicates what revenue source will be used for repayment. The table reports the outlay of both principal & interest.

Projected 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**
2006	398,362	105,462	341,159	171,130	306,848	163,158	1,486,119
2007	796,725	105,133	284,324	168,363	312,888	159,345	1,826,778
2008	796,725	106,855	235,580	170,563	314,112	127,780	1,751,615
2009	796,725	107,152	237,480	167,375	319,830	132,300	1,760,862
2010	796,725	105,956	238,930	169,188	324,830	131,270	1,766,899
2011	796,725		239,930	170,813	319,098		1,526,566
2012	796,725		240,480	167,250	323,028		1,527,483
2013	796,725		240,580	167,500	326,200		1,531,005
2014	796,725			167,500	333,600		1,297,825
2015	796,725			167,250			963,975
2016-2025	6,373,800			1,280,250			7,654,050

*Projected issuance in 2006

**Does not include TIF debt of \$160,000, which is funded from TIF revenues

The City's Electric Fund has a small amount of debt, which was issued to pay for its portion of the public works facility. The 2006 budget includes two bond issues totaling \$17,924,185 to offset budgeted expenditures; however, it is anticipated that up to \$20,000,000 in revenue bonds may be issued to fund the electric improvements for the 138kV project alone. In addition, bonds or an interim note may be obtained to fund the payments related to the Prairie State project until future power plans are more solidified. At that time it is expected that the electric fund will take on considerable debt in the form of a long-term purchased power contract.

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 loan agreements in process with the IEPA totaling \$15,419,583, of which \$9,341,050 has been received. These loans were needed to finance the EPA radium compliance projects. The loans are funded on a reimbursement basis. The City advances the costs and then submits paperwork to receive the loan funds. The amount received in 2006 will correspond to the amount completed on the projects. The Wastewater Fund currently has \$12.9 million in principal outstanding in IEPA loans.

Projected Enterprise Fund Debt Requirements (Principal and Interest)			
	Electric*	Water**	Wastewater
2006	714,017	1,177,895	1,368,959
2007	1,428,032	1,358,732	1,368,959
2008	1,428,032	1,364,335	1,368,959
2009	1,428,032	1,365,303	1,368,959
2010	1,428,032	1,361,411	1,368,959
2011	1,428,032	1,016,489	1,279,457
2012	1,428,032	1,016,489	1,030,579
2013	1,428,032	1,016,489	781,701
2014	1,428,032	1,016,489	781,701
2015	1,428,032	1,016,489	781,701
2016 -2026	13,566,323	13,467,481	3,874,970

*This amount only reflects debt issuance included in the budget to offset expenditures in the amount of \$17,924,185.

**Includes estimate of ultimate financing for all IEPA projects

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 2006.

As a result of higher than normal revenues in 2004 and 2005 the City's General Activities reserves are projected to be 129 days at the end of 2006. This level of reserves should be beneficial to the City when issuing bonds for the fire station renovations. The bond rating agencies review reserve balances and sufficient reserves are viewed very positively.

Reserves in the Electric Fund will end the year just above the recommended 90-day reserve at 101 days. Several factors could impact this reserve such as the delay of the 138kV project or not borrowing funds for the R&D costs associated with the Prairie State Project. The 5% rate increase included in this budget is a necessary first step in light of the upcoming projects. Further rate increases will most likely be necessary in future budgets.

The reserves for the Water Fund will be back up to a healthy level of 135 days at the end of 2006 if the IEPA loan funds are received as projected. In addition, the Water Fund should receive the balance of a Federal Grant in 2006, which will boost reserves by \$745,000 over the 2005 and 2006 budget years. The final rate increase of 10% in 2006 should be sufficient for debt repayment and most minor capital improvements.

The reserves for the Wastewater Fund are projected to be 182 days at the end of 2006. Rates were last increased in 2003 to allow for repayment of the IEPA loans for the expansion project and in anticipation of major capital outlay for the aging sanitary sewer lines. The impact of repairs will be known when the Sanitary Sewer study is complete. The current rate structure is expected to be sufficient.

While City staff always makes every effort to present a balanced budget, it is sometimes necessary 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 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 evaluated during the budget process when reviewing department requests for the coming year. While it may appear to help the budget to delay capital expenditures, it is not a long-term solution. It is important to maintain adequate capital without burdening any one budget year, which is the reason Staff will be recommending a capital replacement funding policy in the 2007 budget. City staff will be actively working on a 5-year Capital Improvements Plan during 2006.

Conclusion

The current economic position of the City is certainly very positive. This would not be the case, had the community not approved the non-home rule sales tax. The tax was essential for the City to provide for the renovations at the City's two fire stations and for general operations. The outlook for 2006 is cautiously optimistic. Prudent

planning through the implementation of a Capital Improvements Plan, wise use of debt issuance and ongoing review of operating expenses should help to ensure that the City will be able to continue providing services at the current level and beyond. The total budget for all funds is on the following pages.

CITY OF BATAVIA 2006 BUDGET

All Funds

DESCRIPTION	ACTUAL		APPROVED	ESTIMATED	PROPOSED
	2003	2004	BUDGET 2005	2005	BUDGET 2006
Surplus and Reserves	\$20,862,878	\$21,855,234		\$19,358,632	\$22,461,470
01 Intergovernmental	\$7,991,682	\$8,175,730	\$8,737,563	\$8,994,556	\$10,157,857
01 Municipal Taxes/Fees	\$2,733,492	\$3,055,271	\$3,252,108	\$3,035,987	\$5,025,315
01 Property Taxes	\$4,610,485	\$5,273,418	\$5,181,912	\$5,187,004	\$5,801,958
01 Utility Operating Revenues	\$28,340,249	\$30,350,140	\$33,005,029	\$31,388,577	\$37,163,992
02 Contributions	\$1,711,139	\$2,089,237	\$2,365,628	\$2,803,926	\$3,341,851
02 Utility Nonoperating Revenues	\$1,208,392	\$1,115,595	\$1,485,836	\$1,285,023	\$1,260,700
04 Fees for Ctiy Services	\$739,722	\$843,047	\$705,655	\$665,045	\$769,633
05 Public Safety	\$465,182	\$536,423	\$458,500	\$560,555	\$529,500
06 Miscellaneous Revenues	\$1,985,531	\$1,044,034	\$1,256,140	\$1,563,583	\$1,489,875
07 Interfund Allocations	\$2,828,119	\$3,399,745	\$3,710,607	\$3,736,214	\$4,632,715
08 General Obligation Debt Proceeds	\$0	\$0	\$0	\$2,100,000	\$10,000,000
08 Revenue Bond Proceeds	\$0	\$3,841,050	\$5,500,000	\$5,500,000	\$22,810,185
Total Revenue	\$52,613,993	\$59,723,690	\$65,658,978	\$66,820,470	102,983,581
TIF District Projects	\$204,323	\$144,538	\$322,000	\$156,000	\$532,000
Administration & Legislative	\$1,573,502	\$1,248,126	\$1,273,865	\$1,191,868	\$2,151,619
Human Resources	\$182,444	\$237,628	\$249,227	\$246,655	\$287,846
Community Development	\$646,641	\$687,651	\$854,564	\$657,194	\$934,502
Public Works Administration	\$272,620	\$299,351	\$312,527	\$313,839	\$332,569
Engineering	\$503,508	\$514,943	\$520,679	\$547,186	\$606,732
Building and Grounds	\$291,842	\$387,872	\$329,367	\$312,335	\$319,774
Finance and Accounting	\$435,212	\$421,245	\$436,878	\$433,440	\$467,818
Information Systems	\$312,724	\$448,683	\$634,015	\$619,228	\$839,046
Utility Billing	\$275,702	\$296,791	\$328,282	\$317,684	\$353,560
Worker's Compensation Plan	\$0	\$0	\$0	\$481,967	\$290,620
Subsidized Transportation	\$48,365	\$52,691	\$54,925	\$54,265	\$57,450
Police Admin & Operations	\$5,277,873	\$5,873,393	\$6,257,672	\$6,202,382	\$6,610,965
Fire Services	\$3,227,365	\$3,656,518	\$3,942,222	\$3,859,620	\$4,282,264
E.S.D.A.	\$46,711	\$32,532	\$53,472	\$28,037	\$44,915
Drainage Capital Projects	\$14,836	\$80,222	\$105,000	\$56,735	\$27,500
Public Works Capital Acquisition	\$131,921	\$107,009	\$439,270	\$385,000	\$270,000
Fire Capital Acquisition	\$0	\$28,000	\$25,607	\$25,000	\$1,318,000
Health Benefit Plan	\$2,167,992	\$2,327,984	\$2,424,008	\$2,533,540	\$2,779,072
Streets and Sanitation	\$2,275,520	\$2,487,150	\$2,666,154	\$2,527,125	\$2,888,213
Fire Stations Renovations	\$0	\$0	\$335,000	\$333,000	\$5,226,122
Street Improvements/Construction	\$1,107,433	\$1,175,292	\$1,281,875	\$2,177,642	\$1,913,000

CITY OF BATAVIA 2006 BUDGET

All Funds

DESCRIPTION	ACTUAL		APPROVED	ESTIMATED	PROPOSED
	2003	2004	BUDGET 2005	2005	BUDGET 2006
Surplus and Reserves	\$20,862,878	\$21,855,234		\$19,358,632	\$22,461,470
Route 25 Jog Capital Project	\$61,153	\$5,380	\$58,500	\$0	\$97,855
Donovan Bridge Project	\$148,140	\$250,610	\$57,000	\$290,000	\$669,000
Electric Improvements	\$1,501,022	\$3,144,216	\$5,493,900	\$3,065,767	\$20,558,285
Meter Reading/Locating	\$356,082	\$393,832	\$467,056	\$436,392	\$502,941
Transmission & Distribution	\$19,525,169	\$20,299,816	\$22,591,023	\$21,912,714	\$26,407,453
Water Improvements	\$1,436,550	\$8,023,005	\$6,303,200	\$3,781,000	\$4,257,422
Water Production	\$410,405	\$454,995	\$761,056	\$644,463	\$1,128,617
Water Distribution	\$834,799	\$950,895	\$984,054	\$925,828	\$1,007,548
Wastewater Improvements	\$906,883	\$126,914	\$554,250	\$64,392	\$543,000
Waste Water Treatment	\$1,306,671	\$1,375,587	\$1,422,491	\$1,450,105	\$1,549,930
Sanitary Sewer Maintenance	\$155,074	\$144,594	\$498,023	\$516,087	\$537,398
Interfund Allocations	\$2,828,119	\$3,399,745	\$3,710,607	\$3,736,214	\$4,632,715
Utility Revenue Bond Payments	\$2,017,889	\$1,990,429	\$2,777,369	\$2,262,356	\$3,326,846
General Obligation Debt Service	\$1,137,147	\$1,152,655	\$1,177,572	\$1,172,572	\$1,646,119
Total Expense	\$51,621,637	\$62,220,292	\$69,702,710	\$63,717,632	\$99,398,716
Surplus/(Deficit)	\$992,356	(\$2,496,602)	(\$4,043,732)	\$3,102,838	\$3,584,865
Surplus and Reserves	\$21,855,234	\$19,358,632		\$22,461,470	\$26,046,335