

City of Batavia

Home Rule Information Meeting

October 8, 2018 7:00 PM

Panelists

Laura Newman – City Administrator
Peggy Colby – Director of Finance
Dan Eul – Chief of Police
Kevin Drendel – City Attorney

Facilitators:

Christopher Cudworth – Communications Coordinator
Anthony Isom – Administrative Assistant

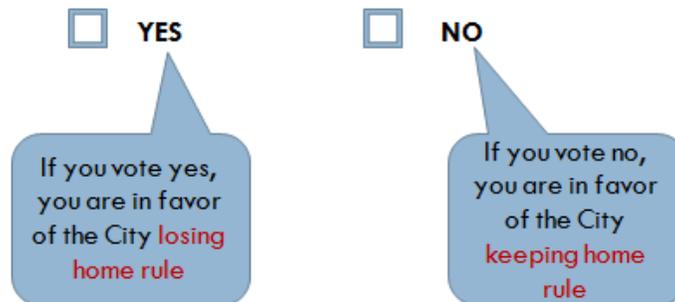
Agenda

- What will be on the ballot November 6th
- What home rule means in Illinois
- Batavia finances and home rule
- Crime Free Housing
- Questions and Answers

Referendum Question Explanation

On November 6, 2018, the following binding question will be on the ballot:

Shall the City of Batavia cease to be a home rule unit?



What is Home Rule in Illinois?

- The state grants home rule **automatically** to units of government with populations greater than 25,000. Home rule grants local authority over local matters. Batavia became home rule in 2009.
- Article VII, Section 6(a) of *the Illinois Constitution of 1970* provides: Except as limited by this Section, a home rule unit may exercise any power and perform any function pertaining to its government and affairs including, but not limited to, the power to regulate for the

protection of the public health, safety, morals and welfare; to license; to tax; and to incur debt.

- Non-home rule may only exercise authority specifically granted to them by the state.
- State Statutes must specifically state whether Home Rule Authority is being limited or preempted. If it does not specifically state that a Home Rule unit cannot do it, then it can.
- Home Rule provides the ability to diversify the tax base, to govern through local adjudication, to enact local controls tailored to local concerns and to issue debt without referendum.

What Home Rule Cities Cannot Do

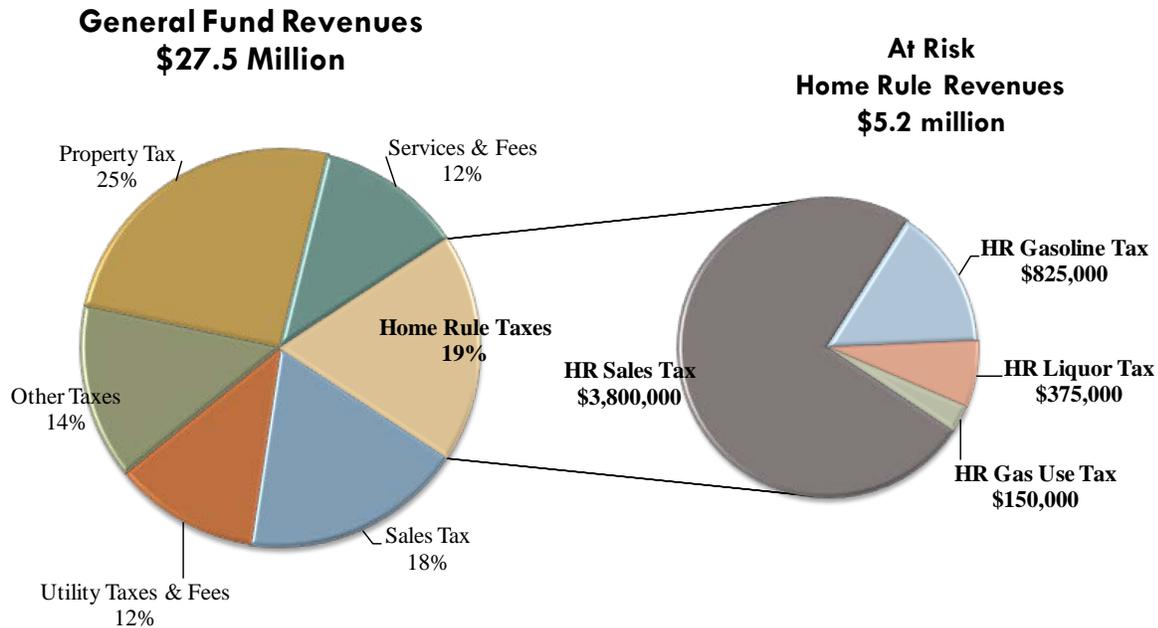
- Incur debt payable from property taxes maturing more than 40 years after debt is incurred;
- Define and provide for punishment of a felony;
- Do the following without legislative authority:
 - Punish by imprisonment for more than six months;
 - License for revenue;
 - Tax income, earnings or occupations;
- Exercise the following authority without referendum:
 - Adopt, alter or repeal the form of government;
 - Change the type of City officers and manner of selection

What are the key differences between Home Rule and Non-Home Rule?

- **REVENUE**
 - HR units can create diverse alternate revenues to address the need for additional financial resources.
 - Non-HR can only raise property tax or implement taxes and fees that are explicitly allowed by statute.
- **DEBT**
 - HR units can incur debt without a referendum
 - Non-HR needs a referendum for general obligation bonds (backed by property taxes) but can incur other types of debt either with a backdoor referendum or no referendum depending on the type of debt.
- **PROPERTY TAX**
 - HR units are not limited by the property tax cap laws
 - Non-HR are subject to the property tax cap laws
- **LEGISLATIVE AUTHORITY**
 - HR units have broad authority to implement local ordinances about local matters
 - Non-HR only have authority to enact laws specifically granted to them by the state

REVENUE

What Revenues has the City enacted with Home Rule?



What Revenues has the City enacted with Home Rule?

- Implemented HR Taxes and Fees:
 - Home rule sales tax .50% \$1.9 Million (total is now \$3.8M)
 - Used to avoid an electric rate increase over a 4 year period
 - In 2017 began using for operations in the General Fund
 - Converted existing .50% Non-HR sales tax to HR in 2009 to remove restrictions that it only be spent on infrastructure. It is unknown if this tax will be lost (\$1.9 million) if HR is repealed. Current opinion is that it is subject to challenge and should be brought to a new referendum.
 - Gas Tax - Currently \$825,000
 - Implemented in 2012 at 1 cent
 - Raised in 2016 to 2 cents, 2017 to 3 cents and 2018 to 4 cents
 - The gas tax is used (and must be) to support City Streets (plowing, resurfacing, patching etc).
 - Liquor Tax - \$375,000
 - Video Gaming Owner and Operator Fees - higher license fees with HR
 - Natural Gas Use Tax - \$140,000-\$150,000 collected from non-Nicor Customers
 - **Many of these taxes and fees reduce the burden on property owners by raising funds from non-residents.** Gas, liquor and sales tax have been impacted by the closing of Sam's Club.

Could the City Restore Lost Revenue if it Loses Home Rule Status?

- The City could not restore:
 - Liquor Tax
 - Gas Tax
 - Natural Gas Tax
- The City could only restore by referendum:
 - Sales Tax*
 - If the referendum failed, the tax would **not** be restored
 - ½% sales tax was implemented by referendum prior to home rule and the City **may** be able to keep it for that reason. Again, current opinion is that it is subject to challenge and should be brought to a new referendum.
- The City could add:
 - Places for Eating Tax
 - Vehicle Stickers – for road maintenance and repair
 - Stormwater Utility – stormsewer maintenance and repair
 - Increases to the amount charged for permits, fees, and licenses for building permits, liquor licenses etc.

Why doesn't the City Cut Spending?

- General Fund Spending (supported by HR) is \$27M
 - Salaries are \$13.5M
 - Administration, Human Res., PW Admin, Community Dev., Eng, B&G, Finance, IT, Utility Billing, Police, Fire, ESDA, Streets (all employees except those in Electric, Water and Sewer).
 - Benefits (Insurance, FICA, Medicare, Pension) are \$6.4M
 - Pensions are State Mandated
 - Salaries & Benefits account for 73% of spending
 - Most Departments have fewer employees than in 2009
 - Capital, Debt and Net Transfers are \$1.8M
 - We need more funding for street capital
 - Operating costs are \$5.5M
 - Tri-Com, Tri-City Ambulance, Brush Pickup, Property Maintenance, Forestry, legal, BATV, Software Support, pest and animal control, building and vehicle maintenance and Ride in Kane are largest contract costs.
 - Utilities, Fuel, phones, road salt, road materials (fill, stone), postage and vehicle supplies account for most supplies.

DEBT

Debt

- Two ways cities fund larger projects:
 - Depending upon the nature of a project, the City may create a special savings account (called a Capital Fund) and put a specific amount in each year to save until it is ready to use the funds for the project.
 - Another way that the City might fund a project is by incurring debt, primarily through loans or bonds.
- Bonds typically carry a lower interest rate than bank loans.
- General obligation bonds typically carry a lower interest rate than alternate revenue bonds.

- Whatever the type of debt, Home Rule units of government typically receive lower interest rates than non-HR units because they are not subject to the property tax cap laws and have the ability to generate revenue sources that non-HR units are not allowed to implement.

More information on bonds...

- Cities that are home rule may issue general obligation debt without putting a referendum on the ballot. General obligation debt carries the lowest interest rate and is therefore less expensive for the City to issue than revenue bonds. Generally home rule units will issue GO bonds rather than another form of debt because it is cheaper and less burdensome on the taxpayers.
 - The City has issued new debt one time since becoming HR and that was in 2017 for stormwater and sewer separation work. The City began researching ways to fund the work in 2014 and there was much consideration as to the best approach, including many discussions on funding it through stormwater utility. It was decided last year to fund the work through property tax and debt issuance. The City was aware that the work needed to get done years ago, but did not act on it during the recession.
 - The City refunded all revenue bonds and an IEPA loan by refunding the debt with GO Bonds. This action saved the City over \$2M in interest over the life of the bonds over and above refunding the savings compared to refunding with the same type of debt.
- Couldn't the City have done these things w/o HR?
 - The City could have issued the storm water bonds if a referendum was successful in April 2019 but it could not have done any of the bond refundings on the alternate debt. The City can still issue debt w/o a referendum but it is a more complicated process and generally costs taxpayers more in interest.
- Cities that are home rule may regulate housing. The concern is intrusion of government.
 - The City enacted the crime fee housing (discussed later) on properties with 6 or more units.
 - The City has not enacted rental housing inspection (it could with home rule).

2 New Fire Stations Funded by Bonds

- In 2006, by referendum, the City implemented a .5% non-HR sales tax pledged to pay for alternate revenue bonds that allowed the City to build the east and west side fire stations.
- The City converted the non-home rule sales tax to home rule sales tax when the city became home rule in 2009. The City continued to use sales tax to pay the bonds that were refunded (refinanced) in 2012 for an interest savings of \$639,000 over the remaining life of the bonds

2017 GO Bonds for \$6M

- Issued debt to fix drainage problems in areas prone to flooding and replacing windows and tuckpointing City Hall – only new debt issue since becoming HR

PROPERTY TAXES

Home Rule and Property Taxes

- Home Rule cities have the ability to raise property taxes without limit. Studies have shown that the majority of home rule cities have levied about the same as they could have without home rule. Some have levied more and some have levied less.
 - The City of Batavia has levied less than \$100,000 more than it could have without home rule over the 9 years it has been a home rule city.
 - The City could use property tax to pay for GO debt. Over the last 25 years, the City has only put debt on the tax rolls twice - for City Hall in 1994 and the bridge in 2005 (both before HR). The 2017 bonds will only be partially supported by property tax through an increase to the General Levy, but that would be true without home rule (the full bond payment is planned to be abated each year).

General Obligation Bond Debt and Property Taxes

- Each year, the City levies property taxes sufficient to pay its annual payment on outstanding general obligation bond debt.
- Because it has sufficient other revenue (including home rule revenues) the City has abated (cancelled) the property taxes that would have been used to pay the general obligation debt payment.
- If the City loses home rule revenues, those sources will not be available and the City would have to choose between using reserves (while they last) or not abating the property tax levied for the bond payment.
 - **If this was the case, the owner of a \$300,000 home would have to pay an additional \$325.**

Breakdown of a 2017 Tax Dollar Collected in 2018

The City portion of the tax bill on a \$300,000 home was \$698



LEGISLATIVE AUTHORITY

**CRIME FREE
MULTI-HOUSING
PROGRAM
CITY OF BATAVIA
ORDINANCE 11-27
Batavia Police Department**

Program Management Team:

Watch Commander Eric Blowers
CFMH Program Manager

Detective Jason Kaluzny
CFMH Assistant Program Manager

Training Topics FOR LAND MANAGEMENT TEAMS

- *City of Batavia Crime Free Lease Addendum
- *Crime Prevention Orientation
- *C.P.T.E.D. (Safe By Design)
- *Applicant Screening
- *Combating Illegal Activity
- *Community Rules and Leases
- *Partnership With The Police
- *Dealing With Non-Compliance

Total Number of Units

Batavia Apartments	290 Units
Lorlyn Apartments	253 Units
Green Meadows	150 Units
Lincoln Court	62 Units
Washington Court	38 Units
Revere House	26 Units
Morton House	11 Units
Bellevue Place	14 Units

Total Units 844

Why Crime Free Housing?

- Disparity in CFS volume and consumption rates for police services between multi-family housing neighborhoods and single family residential neighborhoods had long been identified
- Pre-2009: Strategy of saturation patrolling in higher volume areas
- 2009-2011: Economic recession requires reductions in sworn patrol force: 45 officers in 2009 to 40 officers in 2011(loss of 10,000 plus man-hours)

- We realized we would have to determine alternate strategies of in order to reduce time in high density areas to provide preventive police services to the entire community at the rate expected by our citizens
- Crime Free Multi-Housing Ordinance adopted by City Council near the end of 2011

Crime Free Lease Addendum - What does it cover?

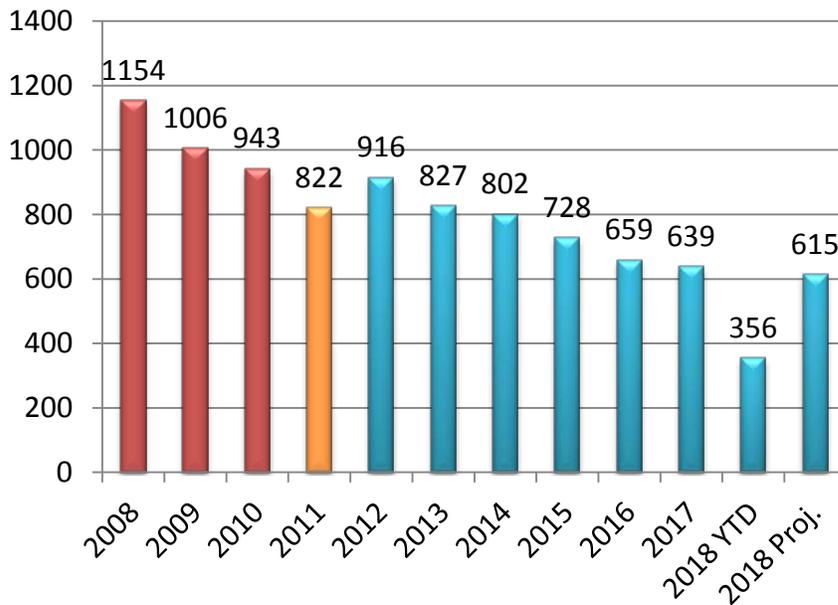
- Engaging in criminal activity, on or off premises
- Engaging in acts intended to facilitate criminal activity or permitting dwelling to be used for said purposes
- Engaging in illegal drug activity
- Engaging in any other illegal activity
- Breaches of lease agreement that jeopardize the health, safety and welfare of the landlord, his agent, or another tenant, or involvement in imminent or actual serious property damage

Crime Free Lease Addendum - Violations

- Violations of any provision is a material breach of their lease and cause for immediate termination of tenancy
- Proof of violations does not require a conviction, only a preponderance of evidence
- Resident must authorize property management to use police generated reports and other business records to establish evidence of violations
- Residents are also held responsible for actions of other occupants, guests and invitees regardless of prior knowledge of illegal/unauthorized activities

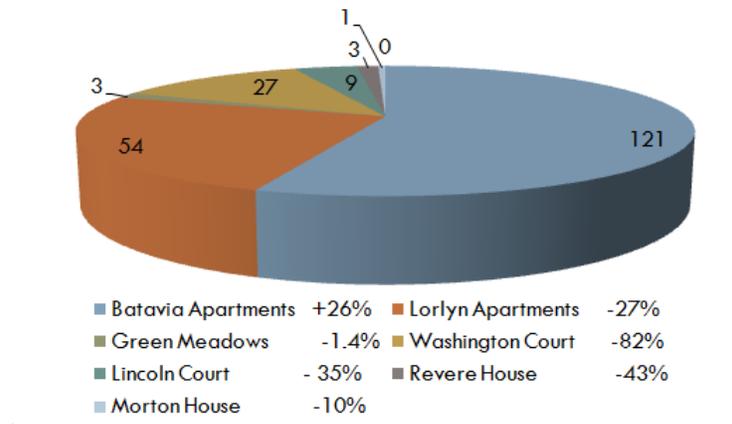
Calls for Service Statistics Totals:

Calls for Service 2008 – 2018 YTD



2011 – 2012 Call for Service Trends

Percentage of Calls +/-



CONCLUSION

- We believe the statistics indicate that the Crime Free Multi-Housing Program has been successful and is having a positive impact on the high density rental community as a whole
- Prospective tenants “know the rules” prior to taking up residence at any of the CFMH governed properties
- Managers/Land Owners are empowered through CFMH and become better risk managers, taking corrective action on issues before they become problematic or disruptive to the tenants, thus creating a safer environment and higher quality of life for renters
- Biggest benefit of CFMH is the **partnership** that has been established between property owners, managers and the police department

How do residents oversee the use of home rule?

- Residents oversee the use of home rule by participating in City Council and Committee of the Whole meetings. Anyone may address the governing body at every meeting, in addition to contacting their alderman or City Staff regarding concerns. Both Council and Committee meetings are broadcast on BATV
- All documents are published and discussed in open session prior to a vote and all agendas and documents are posted on the City’s website at least 48 hours before a meeting.
- The Budget process is the time when spending plans for the coming year are made. It provides the authorization and direction for how funds are allocated. The Budget is made available to the public at the end of October and is approved in December. A Public Hearing in November provides a formal process to comment on the budget, but public opinion may be given at any time.
- The property tax levy is discussed in open session and a public hearing is held if the increase is more than 5%. If a property tax increase is proposed, the City Council will discuss it over several meetings where the public may speak before the Council acts on it.
- Residents elect representation on the City Council through selection of a council person in their ward. Every two years, half of the aldermen are elected and every four years the Mayor is elected.