

Home Rule Questions and Answers

The following questions about Home Rule were asked during the Home Rule Informational Meeting October 8, 2018, Batavia City Hall

Questions were asked by citizens in attendance at the meeting and were answered by a panel consisting of City Administrator Laura Newman, Chief of Police Daniel Eul, Finance Director Peggy Colby and City Attorney Kevin Drendel.

Some questions were submitted in form of a commentary and others as a statement. The questions and answers have been compiled by the nature of the topic(s) raised. For convenience, the questions have been organized under categories including:

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The Home Rule Informational meeting was recorded in entirety by BATV and can be viewed by clicking on the Home Rule Informational page link on the front of the CityofBatavia.net website. The handout and presentation from the meeting are also available on the website.

Any additional questions can be directed to lnewman@cityofbatavia.net

HOME RULE AND TAXES

Q: What is your estimate of home rule taxes paid by non-Batavia residents?

The City does not receive shopping data related to resident vs. non-resident. Non-residents do shop, dine and buy gasoline in Batavia but we do not have that data. Each and every store would need to collect the address of every shopper as zip code would not differentiate in or out of the City's borders. We do know that if taxes are required to be collected via property tax that the tax is being paid solely by residents.

Q: Does home rule give you \$5.2 million a year to spend as you see fit without a vote from voters?

No, home rule does not provide spending authority. The budget provides the annual spending authority. Also, the City Council approves resolutions for contracts and large purchases.

Q: Without home rule: (we would lose the gas tax forever).

That is correct. The City would lose \$825,000 that the City is using for street maintenance.

Q: What are property tax cap rules?

Under the property tax cap, taxing bodies can only increase property tax by the change in CPI or 5% whichever is lower. New construction values, levies for debt/bonds and a portion of the fire pension levy are excluded from the tax cap.

Q: Does the tax cap apply only to the city government?

No the tax cap applies to all units of local government that are in the collar counties (surrounding Chicago). Only home rule cities are exempt from the tax cap. The tax cap restricts property tax increases to the lower of the change in Consumer Price Index from the prior year or 5% whichever is lower. Property tax for debt payments, new property and a portion of fire pension are not subject to the tax cap and are allowed to increase without regard to the CPI.

Q: Does it apply to the school district?

Yes, school districts are subject to the tax cap.

Q: How much revenue is projected to be lost from home rule taxes paid by non-residents example sales tax, gas, liquor tax, etc?

The City will lose \$3.9million in home rule sales tax (possibly, only \$1.9 million but current legal opinion is that we would lose it all), \$825,000 in gasoline tax, \$375,000 in liquor tax and \$150,000 in natural gas use tax.

Q: Is there a home rule effect on home values? (higher taxes imply lower home values).

Actually higher taxes can be triggered by a number of things. The assumption stated here implies that each governing body requests the same or higher amount of property tax and at the same time that there is no new property and that home values are decreasing. During the recession most homeowners saw property values decrease – here in Batavia they decreased over a four-year period as the assessor revalues by quadrant. When the property value decreases but the tax amount requested by all the governing bodies stays the same or increases, then the rate paid will increase but the amount paid may stay the same. Higher taxes can also occur when a community is growing and values are increasing. The school or city may need to ask for a larger tax levy to fund operations.

Generally, cities have higher home values when there is a good school district, crime rates are low, and when there are nice amenities like a library and park system. In addition, gathering places in downtown areas, walking and biking paths as well as restaurant and shopping options offer attractions that could lead to higher home values. A City that is able to provide good services will certainly be more attractive and create higher home values than one that cannot.

HOME RULE AND SPENDING

Q: What spending adjustments are anticipated if home rule is abandoned?

The City would have to look at spending related to salaries and benefits as 73% of spending in the General Fund (the fund that pays for day-to-day operations) is related to salaries and benefits.

Q: Who determines how funds (home rule or non home rule) are dispersed?

Spending at the City level is decided on by the budget as presented to the City Council from staff recommendations and as discussed and approved the City Council. This is how spending is decided whether a city is home rule or not. Residents are encouraged to come to committee of the whole and City Council meetings throughout the year and particularly during the budget meetings and meetings on the property tax levy. Anyone may provide comments and concerns about City spending at any time via the meetings or through a City Council member or a city staff member.

Q: Does the City have a balanced budget?

Yes, the City passes a balanced operating budget. The City can designate the use of reserves to fund a short-term operating deficit or to fund capital improvements. The City also reviews revenues and expenditures for a 5-year outlook. The City uses past trend, future projections and also State of Illinois projections for revenue sharing with local governments. The City has always been cautious to expand staff or implement new programs. As mentioned earlier, the most significant cost to the City is personnel, so additions to staff (including when there is a vacancy) are thoroughly evaluated for necessity. The City regularly reviews processes for efficiency and services provided for cost effectiveness. The majority of contracts are subject to an RFP (bidding) to ensure the lowest cost. Smaller supplies require comparison pricing before purchase.

Q: Are the City's finances audited by an independent auditor?

Yes, the City is audited every year. The City's current auditor is Sikich, LLP, a respected governmental auditor. The City started submitting its Comprehensive Annual Financial Report (CAFR) to the Government Finance Officers Association (GFOA) in 2007 for the award of Excellence in Financial Reporting. The City has received this award (the highest a City can attain) every year since that time.

HOME RULE AND SALARIES OF CITY EMPLOYEES

Q: With home rule do you need a referendum to increase salaries for administrative personnel etc? How many City employees?

No, a referendum is not needed with or without home rule. The budget provides spending authority each year. Salaries are also authorized via union contracts and a Wage and Salary Ordinance for non-union employees. The City has about 155 full time and 60 part time employees.

HOME RULE BONDS/BOND RATING

Q: If Batavia loses home rule what will that do to our bond rating as a city?

Our bond rating may go down depending on the City's ability to replace lost revenues. Being home rule does play a part in rating agency assessment because it generally means that the City can enact new revenues quickly if needed and that provides more of an assurance to bond holders and thus would carry a slightly lower interest rate (lower cost to the City).

Q: Will we have to pay back the bonds we currently have at a higher rate than what they were issued at?

No, the City will not have to reissue existing bonds. The City will continue with the current bonds that are in place.

Q: What was the difference in interest rates in 2006 vs. 2012 when the fire station bonds were refinanced?

Interest rates were much lower in 2012 than they were in 2006.

Q: How much of a savings would there have been had the 2006 bonds been refinanced without home rule in 2012?

The portion of interest savings related to home rule for the Alternate Revenue Bonds for the fire stations was not a large portion of the \$639,000 in total savings, because they were Alternate GO Bonds already. The City did realize about \$2 million in interest savings related just to home rule for all bond refundings done between 2009 and 2015.

ECONOMIC IMPACT OF HOME RULE

Q: What new businesses have been brought to Batavia since the master plan was designed in 2008 to help broaden the tax base?

Cities provide zoning and building use and design guidelines for potential development. Many cities have economic development departments that are dedicated to business attainment and retention. Batavia hired a part-time employee in 2008 (paid for out of administration) and then when that employee left, hired a full time contract employee in late 2013.

An economic development department can get the city's name out to developers and retail and create marketing materials (as budget allows). ED cannot create the most fundamental and essential reason for a developer to build or a retail store to locate in a community and that is demographics (number of people and buying power), location for ease of access/visibility and transportation routes. The City does not control or have the ability to cause major retailers to locate in our City. That aside, there have been many new stores within the City since 2008. Art Van, Buy Buy Baby, Sierra Trading, Smashburger, Denny's, Dunkin Donuts, Speedway, and Fruitful Yield are some chain names with many individual businesses as well.

Q: Where does the group that opposes home rule plan to get the money to run the government without interruption of services? Where do they think the City will get the money?

We can't answer that question, as the questions are not directed to the City.

Q: How would this lost revenue be made up?

The City could put sales tax to referendum in April and if voters approve it then that could be restored as early as July. That is if it is approved. We can't project one way or the other on how people would vote. In lieu of a liquor tax, the City could impose a "Places for Eating tax". The City could not have a liquor tax or a gasoline tax or a natural gas use tax. The City could implement a vehicle license sticker program. That program has costs associated with it for the stickers, revenue collection and for enforcement.

There are not many options for other revenue besides property tax. The City could choose to levy for existing bonds by not abating the property tax and that would provide property tax revenue until the debt service on those bonds is paid. Bonds are not subject to the tax cap.

The City would have to cut spending in conjunction with the revenue measures. The City would also lose between \$950,000 and \$1,900,000 in sales tax revenue in the interim of a referendum for non-home rule sales tax (assuming it would pass via referendum in April and the City would start collecting the tax again in July).

Q: How did the City of Batavia pay for everything prior to 2009? \$5.2 million is a huge number in such short time.

The City had \$1.9 million in non-home rule sales tax prior to being home rule but as mentioned, the City converted that tax to a home rule tax in 2009 when it became home rule and that tax may be lost. But since the City had that tax in place, the difference is \$3.3 million from 2009 to 2018. The total of new revenue has gradually increased as the need came up during the budget process each year. The gas tax was implemented at one-cent in 2012 and was increased by another one-cent each year in 2016, 2017 and 2018. The gas use tax was created in 2012.

These two taxes accounted for an increase to revenues of about \$350,000 in new revenues from 2012-2015 when the liquor tax was added and the gas tax increased by more a penny. The year 2016 had \$915,000 providing revenue to the General Fund from those three home rule taxes. The gas tax increases in 2017 and 2018 added revenue directly to the street capital fund. The new home rule sales tax of .5% was added in July 2014 and was used to offset rate increases to the electric utility from July 2014 through June 2017. Had the City not had the ability to add the tax, the City would have had to increase electric rates further during that time. Beginning in July 2017 the City started using the home rule sales tax for General Fund operations. That portion amounted to about \$1 million in 2017 and \$1.9 million in 2018. Real changes to General Fund revenue occurred in 2016, 2017 and 2018.

How is that \$3.3 million in 2018 being used? If the City's main revenue sources do not increase (regular sales tax and property tax) for operations, then some revenue source must be found to pay for operational increases. There are spending increases each year tied to salary/wage increases and benefit cost increases. The salaries and associated benefits (health and worker's compensation insurance, FICA, pension contributions) account for 73% of the City's operational spending.

The City employs 40 police officers, 10 police records and community service, 24 firefighters, 30 paid on call firefighters, 18 Street Maintenance Workers, 5 engineering employees, 8 employees in planning/building/zoning, and about 25 for support staff in these departments and administrative and internal service type departments like administration, IT, finance and billing. The balance of City employees are paid from the utility funds. The City did replace some job positions that were left vacant during the recession. The Deputy Fire Chief and Billing Supervisor were restored in 2012, the Fire Marshall in 2016 and an Administration Assistant in 2017 along with the first new position of Communications Coordinator also in 2017 followed by a Buildings and Grounds employee in 2018. The home-rule revenues provided the funding. If the City did not have the home rule revenues, then the City would not have been able to restore those positions and would be facing the same types of issues it did during the recession, cut spending and services levels via cuts to personnel and capital repairs.

Q: What are the immediate and long-term benefits of home rule for the City?

The immediate and long-term benefits of home rule is the ability to raise different types of revenue through sources other than property tax and to self-govern via programs like the crime-free housing program. The ability to create different types of revenue allows for the tax burden to spread outside of the community by collecting taxes from people who shop and dine in our City.

In addition, the City has the ability to issue debt fairly quickly and easily. The City has only issued debt once since becoming home rule and it was discussed during multiple meetings at which the public could comment. Once the decision was made via the budgetary process, the City was able to move

forward to begin the capital repairs that addressed ongoing flooding problems without having to wait for a referendum process. As previously mentioned, being home rule saves on interest costs that taxpayers ultimately pay.

Home Rule does not affect projects that are approved or budgetary spending except for that it allows for revenue options to provide for spending. The main difference in home rule aside from revenue options is the property tax cap which was mentioned previously, which limits increases and the way in which debt is issued. A non-home rule community must put general obligation bonds to referendum and alternate revenue bonds through a back-door referendum process. Debt along with a request for non-home rule sales tax and an increase over the property tax cap are generally the only times that a referendum would be put to vote by a non-home rule community.

CRIME FREE HOUSING AND HOME RULE

Q: Can you still have crime free housing project passed on a referendum without home rule? Yes or no?

No. Non-home rule units of government are not permitted to enact crime free housing even by referendum.

Q: Are you saying we will lose crime free housing without home rule?

According to two legal opinions that the City has received, the law on this matter is unclear. While an argument can be made that a municipality may maintain legislation enacted under home rule, there is no clear legal precedent. Therefore, the matter could be susceptible to legal challenge that could be costly for the City to defend. There is so little legal precedent on this matter is because there have only been six instances since 1970 that a city has voted to remove home rule. Few of those cases involved subsequent legal disputes from which to analyze how this question would be resolved by the courts.

Q: For Chief of Police: Have you seen a change in the people living and/or visiting the crime free housing...in your opinion to do think if we lose home rule and we lose crime free the multi home family units would have increase in crime/issues with drugs/violence?

I have seen a change in the relationship between the police and those living within the covered areas. We spend less time in those areas now than we did prior to the implementation of the program, and the time we do spend there is more proactively focused rather than reactive to calls for service. It would be pure speculation on my part to guess what will happen if we lose the program. I do believe that the relationships that have been cultivated between landowners, residents and the police has improved as a result and we will go to great lengths to maintain them in the future regardless of the outcome of the Home Rule referendum.

Q: With the downward trend in calls for service already in effect before crime free housing how can you claim crime free housing is responsible for the continuing downward trend? Why were calls decreasing before crime free housing?

Prior to the enactment of the crime free housing, the police department was using a saturation method of patrolling in areas that we were receiving higher than normal call volume (which in some of the covered complexes was 6-7 times greater than a single-family residential neighborhood of similar size). After the reductions in sworn police officers occurred as a result of the economic recession, it was determined that saturation patrolling was no longer feasible. The crime free housing ordinance was recommended as an alternative strategy to bring call volumes in the high density housing areas more in line with those of similarly sized residential neighborhoods, so preventive patrols could be conducted more evenly throughout the community.

Q: How many evictions have there been since crime free housing took effect that could not have happened with the ordinance? Since the real “teeth” of the ordinance is eviction, should that be the measure of success?

We do not actively track eviction numbers in the complexes covered by the ordinance. Eviction is not the goal of the crime free housing ordinance/program. Nor is it the only way violators can be removed from covered properties. (Landlords also have the flexibility of non-renewal of leases for those who are determined to have breached their lease agreement). At the beginning of the program, evictions and non-renewals were a more frequent occurrence. In the past 18 months, none have been recommended nor have any occurred to our knowledge as a result of the crime free program. This is the best illustration to us that the program does work. Residents know that criminal/illegal activity, committed by themselves or their guests, is not acceptable and can be grounds for eviction/removal.

Note: information sharing on reports of domestic violence or sexual violence is prohibited by law. The police department does not share this information with landowners or management teams.

Q: For the Crime Free Housing Program, the Chief mentioned there was no (or negligible) expense for this program, but that the home rule allowed the police to insert themselves between the property owner and the renter by inserting specific verbiage in the lease about evictions based on tenant and non tenant activities. What within the home rule specifically allows this action? If we were not home rule, could the property owner not insert the same verbiage about illegal activities by the renter being grounds for eviction as part of their lease? Could the city not require the same verbiage using an ordinance?

Yes, presumably a landlord could include verbiage into a rental agreement similar in fashion to what is contained within the text of our crime free lease addendum, but without the ordinance there would be nothing to compel a landlord to do so, and without it information sharing between the police department and landlords/management teams would be greatly reduced.

Q: As a side note on this issue, why is it that the police department, not our legal department (lawyers, not police officers) or even the property owner's own lawyer, is providing this information, meaning the templates for leases, etc...is there a legal issue here for the city if the landowner is sued?

The police department does not provide legal advice to the land management teams during our training sessions. That piece of the training is more of a sharing of information regarding things that management may want to consider when building their lease documents. The land management teams are ultimately responsible for creating their own documents for entering into contracts with renters.

Q: How much extra does it cost each year?

The costs to operate the crime free housing program are negligible. The program is managed within the police department by general case detectives as a supplementary duty during regular work hours. Since crime free housing is now a long-standing program, the program managers have become efficient in the management of the program, and required action tasks have reduced greatly.

Q: What would change in your relationship with the apartments if home rule went away?

The most significant change in the relationship would be in our ability to share information with the landowners and management teams, which would be greatly restricted. Part of the crime free housing addendum which each prospective tenant signs prior to initiating their lease includes authorization from the resident for the police to share report information with on site management, which would include information on criminal and other illegal activity attributed to the tenant and their guests, based upon a preponderance of evidence. Without the crime free program, the information that would be shared would be limited to only that which is allowed by the Freedom of Information Act, and then only when requested by the managing authority.

Q: Would you stop communicating policy?

If this relates to the current level of communication between the land owners/management teams, then the answer here is closely related the answer above. In a more general sense, we (police department) would hope (and plan) to continue to grow the relationships that have developed through the crime free housing program, but communications post crime free housing (i.e. information sharing) would be significantly different, and reduced to only that which would be otherwise allowed by law.

HOME RULE AND PROJECTS IN CITY OF BATAVIA

Q: Why does the legal counsel of Geneva and Westmont say that a storm water utility would require a referendum for non-home rule municipalities? Would Batavia require a referendum if voters vote down home rule and the city wants to implement a storm water utility?

Upon further review by the Batavia City Attorney, he advises that without home rule we would not have the authority to implement a storm water utility with or without a referendum. Powers cannot be granted by referendum to a non-home rule unit that the state has not specifically allowed.

Q: What is the source of funds used for the large Washington apartment complex to be developed with Shodeen Development Company?

The source of funds is TIF – Funds from TIF 1 and TIF 3 were used for land acquisition and demolition. Larson Becker was not part of the OWP project but TIF Funds were used for that land purchase and for the parking lot as well. TIF is funded through incremental property taxes from an increase in value associated with new development. Taxpayers located in a TIF pay the same property tax rate as others not in a TIF but the tax is all paid to the City for a period of 23 years rather than distributed to the other taxing bodies. TIF funds can only be used in the TIF area or for an adjacent TIF – they cannot be used for general spending by the City.

Q: How is the City of Batavia funding Shodeen’s property (Rt. 25 and Wilson)?

Answered above, TIF increment

Q: How when there is no tax increment to collect today and in the future until property is sold to Shodeen and built upon, will the project be financed?

There were amendments made to the Redevelopment Agreement (RDA) earlier in 2018 providing that the developer would be responsible to make up any shortfall in the bond payments that may be due prior to sufficient increment being available. It is unclear if this question is asking what type of debt will be issued if there is no increment for TIF Bonds. The City was given options from its Financial Advisor as to how the City could proceed if it were to lose home rule. If the question is more general, how will the City pay the debt on whatever type of debt there is, then the answer is that the City has a back-up Special Service Area that only includes the developer and will fund the debt payment if the increment is insufficient.

Q: Why is the city involved in purchasing of real estate?

The City generally will acquire land for right of way needs or for future utility sites for sub-stations, water equipment or sewer lift station sites. In addition, the City has acquired property for parking in the downtown area. The Art Stop parking lot is an example of property acquisitions for a public purpose. The City had made a commitment to purchase the Baptist Church site for the potential straightening of

HOME RULE QUESTIONS AND ANSWERS

Route 25. Once the State study was complete, the City was already committed and therefore kept its word in acquiring the building. The City tried for many years to attract a developer and was unsuccessful. In 2013, the City purchased an adjacent building (using TIF funds) realizing that it would enhance the marketability of the site.

When the City hired a full time economic developer, he once again tried to attract development to the site. There were no offers. The City contacted Shodeen and asked why they didn't bid and thus began several years of negotiations that resulted in a plan for OWP. The final plan required the acquisition of two more buildings and the rights to two easements in order to complete the project. While the City generally is not in the business of acquiring property, the acquisition was necessary in order for the developer to construct a 350 +/- space public parking garage. The payment for the debt will be made by the developer in exchange for the land. Thus, the cost to the City for the parking garage is the cost of the land/buildings.

Another real estate transaction involved the City accepting property at no cost on Kirk Road that a company no longer wanted. The City accepted the land and fortunately, a few years later sold the land for the Speedway development. The City acquired the land for nothing and sold it for \$675,000. The City also acquired the Larson Becker buildings and land on North River Street. The acquisition was not for the OWP project. The City was contacted by the owners and asked if the City would be interested in acquiring the property. The City was fortunate in that the sale price was very reasonable and the property was in a TIF and had great potential for future development and so the decision was made to acquire the property and use it in the short-term for parking. It has always been the City's intention to sell the site for a future development.

Q: TIF funds are tax dollars are they not?

Tax Increment Finance (TIF) funds are property tax dollars received from the incremental change in value since the TIF was formed. The property tax bill is the same as any other taxpayers bill not in a TIF but the incremental portion (increase in value) of the taxes are sent to the City instead of other taxing bodies to use for redevelopment. The other taxing bodies continue to receive the same amount of property tax that they received when the TIF was established. The general concept of TIF's is to incentivize development for blighted areas. If the property were to remain in its current blighted condition the other taxing bodies would not see an increase in taxes and so the other taxing bodies agree to forgo taxes for 23 years in order to attract development and generate a higher tax base that will benefit all taxing bodies. TIF districts are not affected by home rule status.

Q: Does the council vote on all issues and areas detailed in the Comprehensive Plan, but not limited to the plan and if so are a super majority required for approval?

The City Council votes on all matters related to the City. The Mayor must vote if there is a tie. There are only some specific instances where a super majority vote is needed. Generally, it is a simple majority vote for most matters.

GENERAL QUESTIONS

Q: Does the City of Geneva have Home Rule? Yes or no?

No, Geneva would have to ask via a referendum as their population is too low.

Q: What is the rationale to give up home rule?

This question is best posed to the group supporting repeal of home rule.

Q: Which IL municipalities have given up their home rule?

Lisle (1977), Villa Park (1980), Lombard (1981), Rockford (1983) and Westmont (2012).

Q: What organizations, agencies, or parties have advocated giving up home rule?

This question is best posed to the group supporting repeal of home rule.

Q: Why was this added to the referendum this year?

A petition was filed with the City Clerk containing more than the required number of signatures of registered voters requesting that the question be placed on the November 6, 2018 ballot.

Q: Once a city decides on non-home rule can they decide to return to home rule at a later date?

Yes, either the City may pass a resolution or a registered voter may submit a petition with the required number of signatures to have the question be placed on a future ballot.

Q: Why is there no overnight parking downtown? By having bars etc then saying you can't park overnight your making it harder for the people not to drink and drive.

The overnight parking ordinance is in effect throughout the community, not just in the downtown area. Residents and guests that require parking on the street for short durations of time (typically up to 3 days) may simply call the police department desk at 630-454-2500 to request an overnight parking permit. The records technician on duty will ask for basic information (make, model, license plate number and location of vehicle, along with a contact number in case the vehicle has to be moved) and the vehicle will be exempted from the parking restriction.

Q: Will the PPA on our electric bill go away by keeping Home Rule (purchase power adjustment)?

No the purchased power adjustment factor (PPAF) is not related to home rule in any way. The PPAF was put in place initially as a contingency of the revenue bonds issued to pay for the two 138kV substations and transmission lines. The PPAF assured that there would be a means to collect revenues to pay the debt on the bonds. The PPAF allows for the City to keep the utility rates even each month so that utility bills do not fluctuate up and down from month to month.

Q: What are the complaints expressed by those who signed the referendum?

That should be answered by those that signed the petition.

Questions submitted via email to the City of Batavia:

Q: Looking historically, the city revenues from 2008 (pre home rule) and today seem to be about the same, yet between then and now we have added 3 new taxes.

City General Fund revenues from 2008 require an adjustment due to a change in accounting and budgeting in 2013 that would make a direct comparison in total incorrect. In 2008, transfers to the General Fund from the utility funds for their share of General Fund costs were accounted for as revenue to the General Fund. Beginning with the 2013 budget, those transfers were changed to a contra (negative) expenditure. In order to make a true comparison of revenues, those transfers should be removed from revenue. In addition, in order to make a true comparison of expenditures the revenue transfers should be made into a negative expenditure. This makes it more difficult to see trends over such a long time period because each year has to be adjusted for anything prior to 2013. The end result is the same but to look at just the total of revenues and expenditures and compare to 2018 would be incorrect.

After adjusting for the change in accounting, the 2008 budget for revenues was \$22,232,930 and 2008 expenditures were \$23,302,552. The 2018 general fund revenues were budgeted at \$27,083,076 and expenditures were \$27,108,482. The City did have the first .50% sales tax in 2008 so for comparison purposes you would remove only ½ of home rule sales tax to compare 2008 to 2018 revenues. After removing the 4 (1/2 sales, gas, liquor & natural gas) home rule taxes for 2018 the total is \$23,833,076 compared to \$22,232,930 for 2008. So other revenues have provided an increase of \$1,600,146 and home rule has provided \$3,250,000. As mentioned in the presentation and in other documents, the City is not sure if it would be able to retain the \$1.9 million in home rule sales tax that was converted from a non-home rule sales tax. That number accounts for the stated potential loss of revenue to be either \$3.3 or \$5.2 million. The City has been advised that it should assume the full loss of \$5.2 million and thus has used that number.

Q: What accounts for the drop off of city revenue from 2008? I ask since, during the meeting, it was specifically mentioned that home rule helped cover our revenues during the recession, where revenues should have been at their lowest, and now that the economy has recovered, revenues should have also recovered, yet if I remove the 3 new taxes, city revenue would drop substantially?

The impact of the recession was not fully reflected until 2009. Sales tax was the main revenue source that dropped off. Sales tax went from \$5.6 million in 2006 to \$4.5 million in 2009. Sales tax has still not returned to pre-recession levels with 2017 sales tax receipts of \$5.2 million. Total actual revenues in 2009 were \$20,386,495 compared to \$23,833,076 stated above as 2018 revenues without home rule revenues of \$3.3 million. The loss of home rule as stated above could include the possible loss of the converted non-home rule tax which further reduces revenues by another \$1.9 million.

Q: And while rising health insurance costs were mentioned as a reason, I noticed admin/ legislative costs have actually dropped since 2008.

The City realized in 2008 that spending would have to be significantly cut in 2008 and began the financial sustainability project. There were layoffs and all employees took pay cuts. The 2009 actual spending was \$20,839,752. The City's unions all cooperated and delayed wage increases including those that had contracts in place. Some departments lost several people and continue to operate with fewer staff today, including Administration.

	2008 Actual	2009 Actual	2018 Budget	2008-2018 Inc (Dec)	2009-2018 Inc (Dec)
Administration	1,721,259	1,283,889	1,300,876	(420,383)	16,987
Human Resources	388,958	258,743	456,647	67,689	197,904
Community Dev	1,054,161	1,001,215	1,241,658	187,497	240,443
Public Works Admin	345,623	354,833	254,902	(90,721)	(99,931)
Engineering	745,204	629,217	725,963	(19,241)	96,746
Buildings & Grounds	456,382	336,863	540,449	84,067	203,586
Finance	521,001	516,558	670,294	149,293	153,736
Information Systems	1,229,452	772,751	1,025,118	(204,334)	252,367
Utility Billing	393,325	346,740	399,070	5,745	52,330
Economic Dev	-	-	142,000	142,000	142,000
Police	7,729,764	7,560,161	9,564,008	1,834,244	2,003,847
Fire	4,581,708	4,525,280	5,686,997	1,105,289	1,161,717
ESDA	51,840	27,450	35,230	(16,610)	7,780
Streets	3,256,641	3,251,274	4,225,813	969,172	974,539
Interfund Transfers	2,830,990	1,835,718	2,536,500	(294,490)	700,782
Contra Expenditure	(2,003,756)	(1,860,940)	(1,645,000)	358,756	215,940
Totals	23,302,552	20,839,752	27,160,525	3,857,973	6,320,773

HOME RULE QUESTIONS AND ANSWERS

When reviewing the prior table, it is important to note that changes to some departments include changes to employee's health coverage which can impact a change to total cost without a change to number of employees. It is hard to make a complete analysis without going to the individual department budgets and looking at the allocation of spending each year. This overview though demonstrates the changes in total and focus should not be put on individual departments as having undergone a more significant cut or increase.

Q: You mentioned that the gas tax is used for road paving and ONLY road paving. Must say, this immediately piqued my interest since this cover has been used by the state to move school funds away from schools when the lottery was introduced. What happened to the funding for fixing the roads PRIOR to the gas tax? The city has only had an increase of about 3K people, so my assumption is the roads have not seen a spike in wear since becoming home rule. This sounds like what the state did, since gas taxes can only be used for roads; we moved the road earmarks back to the general fund, which would be very disingenuous.

The City uses gas tax for maintenance of the roads, including road paving (in the capital fund) and other street maintenance in the General Fund. In November of 2016, Illinois voters approved a measure to restrict the use of gas tax for transportation and road related items only at all levels of government (which is how the City was using the funds already). Prior to that, there was no restriction. The City budgets for street related maintenance in the General Fund (Street Department 10-45) with a budget of \$3M+ annually of which at least \$600,000 is directly related to maintenance of the streets and in addition, the City transfers funds from the General Fund to the Street capital fund (10-90-7043) and to the Public Works Capital Fund (10-90-7071) for which the transfers alone are in excess of all of the gas taxes received in the General Fund each year.

The funding for road resurfacing has been insufficient to keep up with the level of road resurfacing that is needed. The City is still funding street resurfacing with funds prior to the gas tax, with the gas tax providing additional funding and it is still insufficient. The population growth may play a part in road wear and tear but is not everything. Roads are driven on by people driving through our city to work, visit, attend events, shop and dine. Roads also see wear from weather and salting and general conditions in Northern Illinois (heat, cold, ice, etc). Lastly, simply age and type of materials used many years ago and sub surface condition affect when a road needs to be resurfaced and worse, reconstructed. The City's goal is to maintain the roads before they get to the point of needing reconstruction. Many of the City's streets were put in during times of high growth and are now at the end of their useful life.

The last part of this question/statement is unclear as to what is disingenuous. There has been no move of funds or change in how the funds are used – the funds have always been used for support of streets. The City spends well in excess of \$1.7million on roads each year

Q: One reason why I lean away from allowing home rule was mentioned by yourself- why, when the city enacted a sales tax in 2005 for (I want to say it had to do with electricity, but it may have been the fire houses) and the reason for that tax concluded in 2017, did the city just roll that sales tax money into the GF? A referendum would not have allowed you to do that, but HR did. The city had a specific tax to cover something until the end of 2017, the reason for that tax ended, yet the tax just kept right on going.

The City passed a non-home rule sales tax in 2005 to be used towards debt repayment and for construction of the City's two fire stations. That tax was converted to a home rule tax in 2009 when the City became home rule. The City is still using those funds to pay the debt on the bonds which will be paid in 2026. When the debt is paid, that will provide budgetary relief so that other things can be accomplished as many requested budget items go unfunded each year.

The City passed an additional 0.5% home rule sales tax in 2014 that the City designated for rate relief for the electric utility for three years (spread over four calendar years) for a total rate relief of \$5.6 million provided to ratepayers through use of the sales tax. Without home rule, this rate relief would not have been possible. At the end of the four-year period, City staff proposed that the sales tax remain in place rather than increasing property taxes to generate the needed revenues to cover the budget increases and City Council approved retaining the sales tax as an alternative to property tax increases.

The City General Fund Budget costs increase every year. There is no way to hold the line on costs that relate to personnel and the related insurance and pension costs (73% of the General Fund Budget). Those costs will create a deficit each year even if all other spending is held level due to the fact that the City's main revenue sources are not increasing (sales tax, income tax). Overall, the City's total General Fund spending increased (2.9%) less than the cumulative CPI changes since 2008.

Q: How many votes are needed? Is it a simple majority to overrule it or do they need more?

A referendum is considered approved if a simple majority votes "yes."

Q: Does the Home rule give Batavia Government the power to increase tax rate with no limits. And no votes from its citizens?

The simple answer is "yes," but the Aldermen who vote on property tax increases are elected officials who may be removed from office in a subsequent election. Also, in the nine years that the City of Batavia has had home rule, property taxes have increased \$1.2 million. That's only \$100,000 more than it could have increased property taxes under PTELL, the law limiting non-home rule units to property tax increases that are the lower of 5% or the consumer price index increase. Interestingly, in the 9 years prior to home rule property taxes were increased \$2.5 million, more than twice what they have been raised under home rule. See the Finance Director's 2018 Midyear Report.