



City of Batavia
2014 Budget

City of Batavia Values, Vision and Mission

Values Statement:

We value the diversity, productivity and innovation of our residents and the contributions they make to our community.

We value friendliness and caring in creating a sense of community, quality of life and hometown atmosphere.

We value a commitment to continually improve the quality, reliability and affordability of city services.

We value the preservation of our historical character while seeking to develop growth and prosperity.

We value the stewardship of our natural environment through the protection and conservation of natural resources.

We value honesty and integrity in all that we say and do.

Vision Statement:

The vision for the City of Batavia is to be the most vibrant and welcoming community for our residents and visitors with a full range of housing, business, cultural and recreational opportunities in a safe, sustainable and attractive environment.

Mission Statement:

The mission of the City of Batavia is to continually enhance the quality of life enjoyed within our community through the development and delivery of reliable and efficient municipal services.

City of Batavia Strategic Plan

Strategic Themes & Rationales

Service Delivery & Financial Sustainability

Strategic Rationale: To develop a financial plan that determines what resources will be available to meet the objectives of the City of Batavia's Strategic Plan, while at the same time, ensuring that the City of Batavia remains financially sustainable. To achieve financial sustainability means that the City will manage its finances so it can meet its spending commitments, both now and in the future. The City will ensure that the current spending plan does not leave an unmanageable bill for government services provided to the current generation to be paid by future generations. City policies will support the commitment to continually improve the quality, reliability and affordability of city services. The strategies implemented will include seeking diverse revenues to ensure that the City is able to manage through various economic cycles without having to increase fees and taxes or reduce services in such a way that it has a significant impact on a resident's cost of living and or on the social well being of the community.

Strategic Goals & Objectives for Service Delivery & Financial Sustainability

1. Develop a five-year financial management plan
 - a. Prepare a preliminary macro level General Fund five-year outlook
 - b. Prepare a five-year General Fund plan by department
 - c. Prepare a five-year plan for all funds
2. Link the Annual Budget to the Strategic Plan
 - a. Highlight strategic objectives in Narratives and Budget Overview
 - b. Set annual budget using both short and long-term goals for direction and priorities
 - c. Support and encourage collaboration among departments for identification and prioritization of budget needs and allocation of resources
3. Maintain adequate operating reserves/fund balances
 - a. Review and follow Fund Balance Policy
 - b. Consider and evaluate impact on reserves during the budget process
4. Deliver high quality City services that meet the needs of the community while continually working to control expenditures
 - a. Implement organizational efficiencies through process evaluation
 - b. Optimize use of technology and foster innovation
 - c. Maintain efficient and effective staffing levels
 - d. Maintain a competitive compensation and benefit system
 - e. Create an environment of trust and empowerment through a partnership of management and staff
 - f. Foster a work environment of accountability, integrity, and collaboration
 - g. Provide the resources needed to support quality service delivery
 - h. Encourage citizen feedback and incorporate changes when suitable
 - i. Maintain and review internal controls

5. Diversify and augment revenues
 - a. Assess user fees when identifiable
 - b. Utilize SSA's or TIF's where appropriate
 - c. Seek funding through grants
 - d. Adopt a policy for the levy of property tax
 - e. Utilize utility shutoff and collection procedures and services to maximize accounts receivable collection
 - f. Maximize investment return within the parameters of Investment Policy
 - g. Survey other communities for types and rates of revenues
6. Provide for the adequate maintenance of capital
 - a. Develop a Facilities Capital Plan
 - b. Develop/Implement the Infrastructure Capital Plan
 - c. Provide funding to the Capital Fleet/Equipment Reserve while optimizing the useful life of the fleet and assessing fleet replacement
7. Plan for long-term liabilities and commitments
 - a. Adopt a pension and other post employment benefits funding policy
 - b. Implement a debt policy
 - c. Continue efforts to develop a diversified energy portfolio
 - d. Follow Bond recordkeeping policy
8. Ensure availability of financial information for the City Council and community
 - a. Maximize public access to financial data and reports
 - b. Provide comparative analysis with financial ratios and benchmarks
 - c. Review, develop and implement financial policies
 - d. Ensure financial reports and tax returns are filed and made available by required dates
9. Be proactive on legislative issues with financial implications for the City
 - a. Develop process for formal response to legislative opportunities and/or threats
 - b. Cultivate information resources for City Council and staff
 - c. Review and implement all new applicable accounting pronouncements

Business Development and Retention

The success and overall health of businesses within our community is directly linked to the quality of life experienced by the residents of our community and therefore, of great importance to the City of Batavia as a whole. A healthy business community, through the creation of jobs and revenue, is a major element in allowing the City to carry out and sustain its various functions. Business development and retention is a multi-faceted approach to the development of policies and programs designed to preserve, enhance and promote a vibrant, welcoming and successful business community.

Strategic Goals for Business Development & Retention:

1. Develop a business/economic development plan
2. Be a proactive resource for existing and prospective businesses
3. Develop a marketing/branding initiative
4. Develop and expand effective partnerships with business-oriented Non-Governmental Organizations
5. Create a welcoming environment and “can do” attitude for businesses

Housing

Strategic Rationale: A diverse, quality housing stock will best serve existing and prospective residents of Batavia. Such housing will promote safe, stable and attractive neighborhoods, which will enhance the quality of life and increase the overall health of the community. The City should be a catalyst in promoting housing diversity and development consistent with the Comprehensive Plan. The City's long-term plan must focus on influencing the private sector through supportive planning policies and partnerships.

Strategic Goals & Objectives for Housing:

1. Address the availability of diverse housing choices
 - a. Complete a comprehensive housing study
 - i. Document existing housing stock by type
 - ii. Assess demographic changes
 - iii. Identify needs
 - iv. Analyze study recommendations and develop action plan for implementation
 - b. Utilize housing study to determine appropriate locations for various types of housing
 - c. Consider comprehensive plan and zoning map changes to address housing needs analysis
 - d. Accommodate persons and families of varied income levels
 - e. Accommodate persons and families of varied levels of physical and mental abilities
 - f. Provide quality rental housing choices
 - g. Provide a balance of housing types suitable to accommodate changes in the needs of an individual's lifestyle or family status (*this would be homes for empty-nesters, down-or up-sizers, one's need to take in an elderly or infirm person*)
 - h. Consider creating a Housing Commission to address housing needs
2. Maintain and enhance the quality of housing stock
 - a. Maintain and enforce reasonable building maintenance codes and uniform compliance standards
 - b. Implement changes to the City's Crime Free Housing program to become a comprehensive Rental Dwelling Inspection Program
 - c. Consider positive programs to encourage homeowner "investment" in their neighborhood to raise pride (this can be in line with Community Connectivity actions such as awards for best frontage, most improved property, etc., bicycle, historical and architectural tours, etc.)
 - d. Review and analyze transportation planning needs to support various housing types
3. Support private sector development/redevelopment of housing
 - a. Identify locations for housing development/redevelopment and market them to the development community

- b. Develop incentive programs to financiers and developers of underrepresented housing types
 - c. Analyze the development review process and streamline it where possible
 - d. Review codes to ensure that requirements are clear and simply stated for prospective developers.
 - e. Work with other government entities to understand impacts of different types of development
4. Actively pursue all County, State, Federal and private housing grant opportunities
- a. Apply for relevant grants that will support housing objectives and that are financially sustainable
 - b. Investigate opportunities for partnerships with other non-profit or governmental organizations to be co-applicant on grants geared towards private or public-private development

Environmental Identity

To integrate Environmental Sustainability considerations into all aspects of City operations including the water, wastewater and electric utilities and capital programs such as storm water mitigation, small creek drainage into the Fox River and erosion of riverbanks. The City will promote the use of environmentally sensitive building practices and sustainable infrastructure. The City's environmental identity will be reinforced through policies supporting our value as stewards of our natural environment through the protection and conservation of natural resources. The City will seek to build awareness of the impact we all have on our environment and take steps to address that impact by developing innovative solutions to increase conservation, reuse and recycling of natural resources. The City will utilize its own environmental identity to foster a culture of sustainability within the community.

Strategic Goals for Environmental Identity

1. Re-establish the Fox River as a central feature of the community
 - a. Continue to integrate relationship and identity with River in streetscape design elements, new City logo, downtown development themes and other activities such as Art in Your Eye, Celebration of Lights, etc.
 - b. Consider some type of river-based community event, or art display
2. Adopt and codify policies to promote conservation of natural resources
 - a. Assess Municipal Code re water cleanliness in zoning and building activities.
 - b. Remain active member of Fox River Ecosystem Partnership
3. Enhance surface water quality
 - a. Consider remaining life of dam and implications
 - b. Review codes re fertilization of lawns, etc.
4. Integrate environmental principles into Utility operations
 - a. Analyze environmental impacts of operations
 - b. Research and/or create environmental best utility practices
5. Promote alternative transportation methods
 - a. Investigate methods of dealing with the "First Mile" i.e. car pools, limited use of trial for soft tired commuter transit, PACE vans, etc.
 - b. Work with PACE, Kane County, Geneva, St. Charles, Chamber (at a minimum) re bus services to support industrial parks, Charletowne Mall and Outlet Mall areas.

- c. Analyze future need for transportation expertise in City staff (engineer, planner, consultant, or community advisory group)
- 6. Educate the public on conservancy through media and programs
 - a. Conservation articles in Neighbors
 - b. Earth friendly shows on BATV
 - c. Conservation lectures with Library
 - d. Invite/involve students to sit in on meetings re environmental issues
 - e. Actively participate in efforts to work with surface water pollution from land uses impacting waters coming through the City.

Downtown Development

Downtown Development will seek to provide a downtown that is a vibrant city center for recreation and business activity by re-establishing the downtown as the heart of the community. The downtown should be more than just a place for residents and visitors to pass through; it should be a destination where people can live, work, recreate, dine, shop, conduct business, and spend leisure time. Downtown development initiatives will incorporate all modes of transportation that provide ease of access and aid in the safe and efficient management of traffic. The Downtown should provide safe, accessible gathering areas for a host of activities, ranging from casual conversations, to festivals, races and other events. Downtown revitalization will provide small town ambience accented with attractive streetscape, significant historic buildings and unique architecture that is highlighted with views and use of the Fox River. Through engagement of all stakeholders, downtown development will improve and maintain Downtown Batavia as a special place to be.

Strategic Goals for Downtown Development:

1. Review and update the comprehensive plan as it relates to the downtown
2. To identify and promote missing or underutilized public/private amenities and activities necessary to re-energize the downtown
3. Provide and maintain the necessary infrastructure to sustain desired amenities and activities

Community Connectivity

To create an environment that fosters citizen engagement, collaboration, and contribution through the investment in physical and social capital. A physically connected community is one that provides infrastructure for the facilitation of movement within and through the City of Batavia. A connected physical community is one that has an integrated system of bicycle lanes and paths, pedestrian walkways, bridges and an efficient street network. Social connectedness means that residents recognize and identify themselves as part of the City of Batavia, so that when people speak about themselves, they will identify this community as part of who they are, and where they like to spend time. The City will maximize connectivity through the expanded use of all aspects of communication media.

Strategic Goals for Community Connectivity

1. Incorporate “connected infrastructure”
2. Facilitate communication pathways
3. Collaborate with other governments and community organizations
4. Nurture participation/volunteerism in community activities and programs
5. Foster neighborhood organizations and neighborhood collaboration
6. Use the Arts and other forms of self expression to encourage and support community connectivity and identity

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List of Officials

Honorable Jeffery D. Schielke, Mayor

City Council

Ward 1:	Garran Sparks	Michael F. O'Brien
Ward 2:	Martin Callahan	Alan P. Wolff
Ward 3:	Dan Chanzit	Kyle Hohmann
Ward 4:	Susan Stark	Jamie Saam
Ward 5:	Lucy Thelin Atac	Steve Vasilion
Ward 6:	Nicolas Cerone	Lisa Clark
Ward 7:	David J. Brown	Drew McFadden

City Administrator

William R. McGrath

Assistant City Administrator

Jason Bajor

City Clerk

Heidi L. Wetzel

City Attorney

Drendel & Jansons Law Group

City Treasurer

Gerald R. Miller

Department Heads

City Engineer

Noel Basquin

Director of Community Development

Scott Buening

Director of Information Systems

Howard Chason

Director of Finance

Peggy Colby

Fire Chief

Randy Deicke

Director of Public Works

Gary Holm

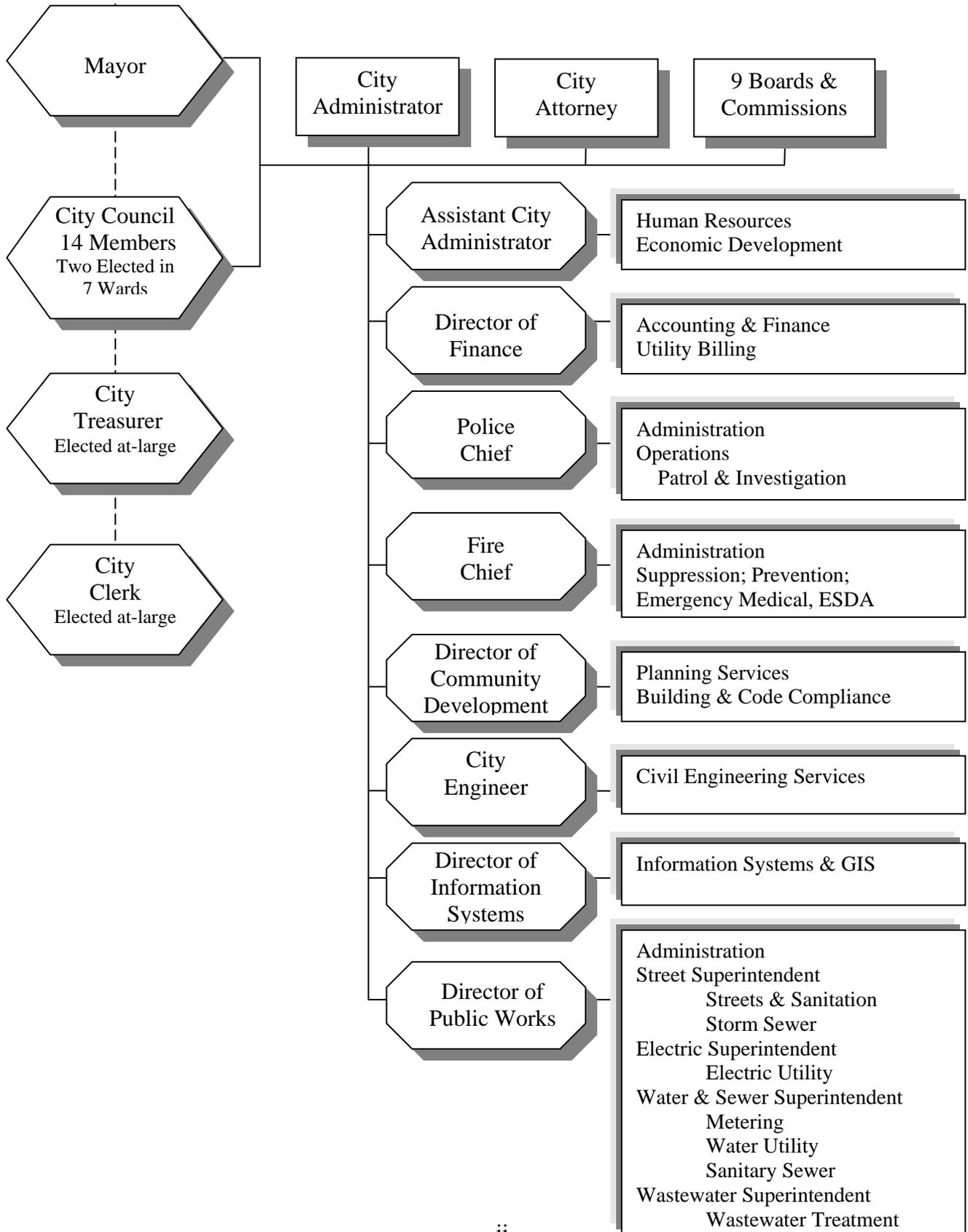
Police Chief

Gary Schira

City of Batavia

Organizational Structure

Citizens of Batavia



City of Batavia

2014 Budget Summary

Total Budget	Operating	Capital	Debt	Interfund
\$95,401,305	\$74,038,577	\$14,614,481	\$4,683,905	\$2,064,342

Total by Fund	Operating	Capital	Debt	Interfund
General \$22,888,468	\$19,633,478	\$ 1,486,840	\$ -	\$ 1,768,150
MFT/Streets \$ 2,276,751	\$ -	\$ 2,232,535	\$ -	\$ 44,216
Capital Projects \$ 3,890,106	\$ -	\$ 3,890,106	\$ -	\$ -
Debt Service \$ 1,167,125	\$ -	\$ -	\$ 1,167,125	\$ -
Electric \$48,153,105	\$44,634,349	\$1,815,000	\$ 1,703,756	\$ -
Water \$ 5,154,098	\$ 2,863,721	\$ 1,230,000	\$ 934,389	\$ 125,988
Wastewater \$ 7,682,357	\$ 2,717,734	\$ 3,960,000	\$ 878,635	\$ 125,988
Insurance Funds \$ 4,189,295	\$ 4,189,295	\$ -	\$ -	\$ -

City of Batavia Budget Process

Budgetary Law and Internal Controls

Budget Law governs the City of Batavia's budgetary operations as provided for in the Illinois Compiled Statutes. The budget is administered by the Director of Finance under the appointed title of Budget Officer. Budget Law does not require appropriations to be passed but rather an annual budget must be adopted prior to the year the funds will be expended. The City of Batavia's fiscal year begins January 1. Budgetary control is maintained on a line item basis. The City's financial software issues a report anytime a line item exceeds the budgeted amount. Under Budget Law, individual line items may exceed the budget. A review of the total department budget is done monthly by the accounting department and a request for revision/amendment is sent out if deemed necessary. Purchase orders do not roll over from one budget year to the next and must be re-issued and re-budgeted in the next year if they are not completed within the same budget year.

Budgetary Goals and Strategic Planning

The City Council begins establishing budget goals early in the year often through strategic planning sessions. The City Administrator and Finance Director begin asking departments to review their current year budgets and plans for the next year in August. At that time, departments begin determining what projects will see completion and what if any projects will need to carry over into the next budget year. In addition, departments are asked to prepare requests for any new services or programs being planned for the coming year. While the City of Batavia does not do multi-year budgeting, long-range plans are discussed each budget year and are reviewed as part of the current budget goals and objectives. Long-range plans must be incorporated into the planning process to assure current year decisions are made prudently. Additionally, planned capital projects are included in the back of the budget for discussion and informational purposes.

Budget Preparation and Entry

The City of Batavia Budget includes the two prior years of actual expenses, the current year budget and projected actual expenses along with the proposed budget. Beginning in August, the Finance Department rolls the budget year to allow data entry into the City's budget program. At this time, departments may begin entering current year projections and the proposed budget. Departments also begin compiling and reporting revenue projections to the Finance Director. Historical trends and projected economic and community growth are used in making revenue projections. Once all data entry is completed in early October, an initial report is prepared for the City Administrator to begin "balancing" the budget.

Needs Assessment/Finalizing the Budget

In October the City Administrator and Finance Director meet with the individual department heads to review any major changes, discuss objectives and review capital requests and requests for additional staff. Budget cuts are always part of this process. While it is difficult to make cuts to any one department, the City Administrator must weigh the individual department needs against the needs of the City as a whole.

During this time the Finance Director projects what fund/unreserved cash balances will remain at the end of the current fiscal year. These levels will be used in determining the "bottom line". The City of Batavia seeks to maintain cash reserves to cover at least 60 days of operating expenses in the General Activities Fund and 90 days of operations for the Enterprise Funds.

City of Batavia Budget Process - Continued

Inspection, Review and Adoption

In late October a preliminary budget is prepared and distributed to the City Council, department heads, the press, and copy is available at City Hall for review by the public. The City must make the tentative budget conveniently available for public inspection at least ten days prior to passage.

After the budget has been distributed to the City Council, the City Administrator accepts written questions from the Council and responds to the entire City Council. This allows the City Council members to request more information and to clarify questions on budgeted items and to address any concerns they may have prior to the Committee Meeting.

A Government Services Committee meeting is held in early November to officially review the budget. A presentation is made and major budget items or changes from the prior year are addressed. In addition revenue trends are discussed and any increase in fees or rates that are part of the budget are presented for review and approval. If changes to the budget are requested, the changes are made and amended copies of the budget are distributed to the Council. More than one Committee meeting may be held if necessary.

The notice of the public hearing for the budget must be published in a newspaper having general circulation at least one week prior to the hearing. The public hearing is held at the second City Council meeting in November. After the public hearing is held, the budget may be further revised and passed without any further inspection, notice or hearing.

Amendments

After the budget is passed a change may become necessary. The City Council has authorized line item transfers within funds to be done with approval from the City Administrator and Director of Finance. An annual report of line item transfers is sent to the City Council for review on an annual basis. Line item transfers may not be used to increase salaries to hire staff nor may they increase the overall budget. Any increases to the budget must be presented to the City Council as a resolution for approval and at no time is an increase to the budget approved unless funds are available for the increase.

Carryover from one budget year to the next is allowed for a budgeted item that will not be received or for contracts that will not be completed within the calendar year. This procedure allows for appropriate accounting. Departments are encouraged to order budgeted items sufficiently in advance to reduce the necessity for carryovers. The maximum carry over allowed is \$75,000 for contracts and \$25,000 for all other items. All carryovers must be completed by January 30th of the following year and reported to the City Council in February. Items that exceed the dollar limitations must be brought to the City Council as a resolution. Carryovers that are done as part of the budget process before the new budget is passed are not subject to the dollar limitation as this essentially means that the item is being re-budgeted.

2014 Budget Calendar

- July 1, 2013 Finance Rolls Budget (sets up new funds/accounts/sets IMRF rate)
- July 9, 2013 Finance Enters 2012 Actual Expenditures & Cash Balances
- July 15, 2013 Departments Begin Budget Planning Process & Entry
- September 3, 2013 Complete 2013 Budget Projection Data Entry
- September 3, 2013 2013 Revenue Estimates to Finance - Eng., Community Dev., Police & Utilities
- September 9, 2013 2014 Revenue Estimates to Finance - Eng., Community Dev., Police & Utilities
- September 13, 2013 Closing for Data Entry - No Entry after this date
- September 16, 2013 Submit Preliminary Department CIP Workbook
- September 16 -
 - September 27, 2013 Meetings with Department Heads for Line Item Review & Potential Budget Cuts
(D.H. to bring backup for all budget requests to the meeting:
i.e. vehicle replacement sheets, contractual & training detail)
 - September 27, 2013 Submit Department Narrative Electronically
 - September 27, 2013 Submit Final Department CIP Workbook (If necessary)
 - September 30, 2013 Finance Provides Administration with Draft Budget
- October 01 - 04, 2013 2nd Round Meetings with Department Heads for Final Modifications
(adjustments to 2013 projections may be given to Finance up to this date)
 - October 4, 2013 Cut-off Date for Final Modifications/Amendment Requests to Admin/Finance
- October 7 -
 - October 21, 2013 Finalize Budget and Prepare for Distribution
 - October 25, 2013 Distribute Electronically to City Council/Staff & make Hard Copy available to the Public
(must be made available at least 10 days prior to passage)
 - October 25, 2013 Comment Period Begins (until Passage)
- November 5, 2013 Budget Public Hearing Notice Published
(must be published one week or more prior to hearing)
- November 7, 2013 Special JCOW Budget Meeting
- November 14, 2013 Additional JCOW Meeting for Budget
- November 18, 2013 2014 Budget Public Hearing*

- November 22, 2013 2013 Tax Levy Public Hearing Notice Published
(must be published not more than 14 days
but not less than 7 days prior to hearing)
- December 2, 2013 2013 Tax Levy Public Hearing (if required)*
- December 2, 2013 City Council to Approve Final Budget
(budget can be modified & adopted anytime after the public hearing
without further review but must be approved before Jan 1.)
- December 16, 2013 City Council to Approve 2013 Tax Levy for 2014 Collection
- December 16, 2013 Alternate Approval Date for 2014 Budget
- January 1, 2014 Budget Year Begins

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

City of Batavia Financial Overview 2014 Annual Budget

To the Mayor, City Council and Citizens of Batavia:

Following is the City of Batavia Budget for the calendar year 2014. The City of Batavia passes a budget for the following funds and fund types:

Governmental Fund Type

General Fund
Motor Fuel Tax/Street Improvement Fund
Capital Project Fund
Debt Service Fund

Proprietary Funds

Enterprise Fund Type – Business Type Activities

Electric Fund
Water Fund
Wastewater Fund

Internal Service Fund Type

Health Insurance Fund
Workers Compensation Insurance Fund

The budget must be approved by the City Council prior to January 1 of the budget year. The City of Batavia operates under Budget Law and the budget is administered by the Finance Director under the appointed title of Budget Officer. Budgetary spending control is monitored by the City's financial software. Line item budgets may exceed the budget without requiring a budget amendment as long as the total budget at the fund level is not exceeded. Although an overage by line item is allowed, an overage by department is discouraged and a review of each department's budget is made on a monthly basis and line item budgets are sometimes adjusted to account for unplanned expenditures. Budget amendments through a resolution are required to increase the budget. A reduction to a budgeted line item may be made at any time with a report to the City Council at the end of the budget year along with a report of lateral transfers between line items.

The City of Batavia passes a total budget that includes the operating budget and the capital budget. The total budgets by fund may report a deficit for spending due to the inclusion of capital in the budget. The goal of the budget process is to ensure a balanced or surplus spending *operating* budget. There may be times that there is a surplus budget that includes capital spending but that cannot always be the case or reserves would never be utilized. Reserves are maintained not only for emergency operating funds but for capital projects, because funds cannot be obtained from taxpayers in a reasonable time or manner. Major capital expenditures, of course are financed through issuance of bonds or other borrowing, or through the referendum process.

The City Council adopted an amended fund balance policy in 2013. The policy lays out the minimum fund balance that should be maintained for the General Fund (60days) and for the City's Enterprise Funds (90 days). The fund balance referred to in the policy is different than the reserve balance referred to in this budget. The reserves referred to in the budget only include cash available for spending. Only cash and investments are used when reviewing ending fund balances for budgetary purposes since portions of fund balance are non-spendable and include year-end accruals that may not result in the actual collection or pay-out of cash. By using only cash and investments, it is assured that there will be sufficient cash to pay for the budgeted items. Further discussion on available reserves is provided at the end of this letter under *Surplus and Reserves*.

The total budget for all funds is \$93.3 million net of inter-fund transfers. The total budget is \$7.1 million over projected spending for 2013. The increase is attributable to capital improvements in capital project funds and the utility funds. The budget provides funding for \$13.2 million in capital improvements compared to \$8.7 million in 2013. The General Fund and the Utility Funds are all budgeted with an operating surplus for 2014. The budget calls for level property taxes for 2014 but rate increases in all three utilities.

The total budget can be broken down into six distinct sections: General Fund, MFT/Street Fund, Capital Project Fund, Debt Service Fund, Enterprise Funds (Utilities) and Self-Insurance Funds.

The separate budgets for debt service and capital projects (aside from TIF) are funded through the General Fund and are subsets of accounts required for accounting purposes. All monies for those activities flow from transfers from the General Fund, Motor Fuel Taxes or from Property Tax levied for General Obligation Bonds. The City currently has two GO debt funds that are on the tax levy rolls: City Hall Debt and Donovan Bridge.

The City's primary role is that of a service organization. For the General Fund 76% of operating costs are related to personnel. The utilities require a little over 50% of their direct operating budgets to provide for personnel, not including purchased power costs.

Strategic Goals for Service Delivery and Financial Sustainability

- **Deliver high quality City services that meet the needs of the community while continually working to control expenditures**
 - **Maintain efficient and effective staffing levels**
 - **Maintain a competitive compensation and benefit system**

The 2014 budget maintains current staffing levels and the recommendation to add one position in the street department. Overall, staff has been providing the same level of services in spite of significant staff reductions since 2009 that included layoffs and early retirements as well as unfilled vacancies. The 2014 budget also includes a third year of a temporary increase in hours in engineering for the engineering assistant and the continuance of a contract position in electric. There were other requests for increases to staff that were not included in the budget recommendation, because the budget review team felt there is insufficient funding to provide for the positions or an expansion of positions at this time.

The budget provides for wage increases for all employees with estimates added for the two union contracts that are or will be open in 2014. Wage increases and adjustments are recommended to mitigate compression between union and non-union positions and to retain quality employees. The wage increases provided for in this budget are still below the average national increases projected to be given in 2014.

Strategic Goals for Service Delivery and Financial Sustainability

- **Provide for the adequate maintenance of capital**

Capital funds receiving transfers from the General Fund are for Street Improvements, Fire Apparatus, Public Works Vehicles and Equipment, City Hall Capital Improvements and Drainage Improvements. These transfers provide budget stability from year-to-year while at the same time meeting the strategic goal of providing for the adequate maintenance of capital. The motor fuel tax/street improvement fund is projected to have funding shortfalls in future years if the level of spending isn't curtailed, as the amount of streets that require resurfacing or reconstruction is more than what the fund revenues can provide. As presented to the City Council earlier this year, an analysis of the streets has been completed. The data must now be used to determine the most cost effective use of monies to prevent street failure and to reconstruct streets where funding allows.

The utilities have a high level of capital requirements. Significant investments must be made regularly to ensure the sustainability of our infrastructure. All of the utilities have long range capital plans that are reviewed regularly and also in conjunction with each other to combine projects when appropriate.

Strategic Goals for Service Delivery and Financial Sustainability

- **Plan for long-term liabilities and commitments**

Payments from all funds through employee and or employer contributions provide the funding for the City's Self-Insurance Funds. These costs are budgeted as a line item expense within each department. The expense accounts are 6120 Health Insurance and 6515 Workers Compensation. These transfers support all claims and costs associated with the programs. Both of our self-insurance funds have sufficient reserves should we experience a significant increase in claims. In addition, both funds have stop-loss coverage to ensure protection above a set level of exposure. The funding of these self-insurance funds at their current levels meet the strategic goal of planning for commitments and potential liabilities.

In addition, the City funds three pension funds, IMRF, Police and Fire. The IMRF funding is based on a percentage of the employee's payroll. Employees contribute 4.5% and in 2014 the City will contribute 13.53%. Police and Fire pension funding is based on a calculation prepared by an actuary. Police employees contribute 9.91% of their base salary and fire employees contribute 9.455% of their base salary. The City's contribution for 2014 can be found under 10-31-6123 and 10-32-6123. The City has budgeted \$1,340,582 to pay into the police pension fund. This represents 34% of police salaries. The fire contribution is \$675,918 and is 32% of salaries.

The pension contributions are funded through property taxes. With level property taxes, as the pension obligation increases, the amount of property taxes available to fund city services is reduced. This budget meets the strategic goal of planning for long-term liabilities by funding above the actuarial recommendation. This budget includes a pension funding recommendation that is \$75,000 over the highest option for funding provided by the actuary. The highest-funding option uses a 28-year amortization period and the 2000 mortality table. Even though the City has fully funded the pensions at the required level over the last decade, the percent funded has still gone down. The decreases in funding are due to increases in benefits, expansion of staff with higher wages, and lower than ideal interest earnings.

Another factor that supports fully funding the pensions is that Moody's is considering making unfunded pension liabilities a larger factor in determining a city's bond rating with the most significant negative factor being a city not funding at the full actuarial recommendation. The City currently has an excellent bond rating of **Aa1**. It will be to our benefit to fund the pensions at the highest sustainable level while balancing the need to fund other services and avoid significant increases to property taxes.

Strategic Goals for Service Delivery and Financial Sustainability

- **Develop a five-year financial management plan**
 - **Prepare a preliminary macro level General Fund five-year outlook**

One of the goals of the strategic plan is to develop and maintain a five-year financial management plan. Long-term sustainability has always been a factor when going through the budget process. As part of this budget, we are including a macro-level five-year outlook for the City's General Fund which is the main operating fund of the City. These documents have been prepared for internal use in the past and are provided now for the City Council to see the direction of revenues and expenditures beyond the current budget year. This information is useful in evaluating whether or not to expand current services and most importantly whether or not there needs to be a major change in operations going forward.

These forecasts use actual numbers for current debt service along with long-term revenue and expenditure trends. When these budget years occur, there will be solutions provided to the City Council to use in making budgetary decisions. One important note for 2016 is the fact that a 27th payroll will occur. This is an anomaly to the bi-weekly pay schedule caused by calendar creep that cycles every 11 years. It is staff's recommendation that reserves be used to fund the payroll in the year it occurs as it is not an on-going operational expenditure with the next one not occurring until 2027.

Another important factor in this review is that there are no revenue increases in these assumptions aside from normal economic growth. An increase to property tax or some other new revenue will need to be put in place in a future year. It is not realistic for a City to sustain on economic growth alone. The City must provide for wage and commodity increases along with funding for infrastructure replacement. A summary table of revenue, expenditures and fund balance for the City's general fund over the next five years is provided on the following page. A more detailed report is provided in the *Appendix*.

Aside from the additional payroll in 2016, concerning deficits do not appear until 2017. As these numbers are estimates, the actual experience may be different. A plan will be put in place to fund each budget annually whether it is new revenues, cuts to expenditures or use of reserves. It will likely be a combination of the three.

General Fund Five Year Projections

	2014	2015	2016	2017	2018
Revenues	\$22,890,393	\$23,162,679	\$23,351,421	\$23,581,570	\$23,769,058
Expenditures	\$22,888,468	\$23,307,560	\$24,379,981	\$24,371,315	\$24,941,516
Surplus/Deficit	\$1,925	(\$144,881)	(\$1,028,560)	(\$789,745)	(\$1,172,458)
Reserves	\$10,337,089	\$10,192,208	\$9,163,648	\$8,373,902	\$7,201,445
Days Operation	176	170	146	134	112

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. It is standard practice for municipalities to budget in this manner. During the year, the adopted budget is maintained and monitored on the City’s accounting system. There are no differences between this budget and GAAP for Governmental Funds. 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) debt proceeds is recorded as revenue as opposed to the GAAP recording of a liability on the balance sheet; c) depreciation is recorded as an expense (GAAP) and not recognized for budgetary purposes.

Budget Policies & Priorities

The budget is the method by which departments provide services, however not all requests can be funded. During the budget process, priorities are used to determine where cuts should be made.

Level 1: **Emergency** – An expenditure that is required because 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.

General Fund

The General Fund accounts for the day-to-day operations of the City. Services such as police and fire protection, engineering, community development and streets and sanitation, in contrast to utilities, are financed from taxes and fees.

The goal for 2014 continues to be to provide a spending plan that will position the City in a sustainable position for the future.

Strategic Goals for Financial Sustainability

- **Continually work to control expenditures**

The budget process requires many meetings with staff to evaluate the requests made by departments. Inevitably, items must be reviewed and evaluated for necessity. In these economic times, it is especially important to separate real need from enhancements. The 2014 budget is presented with a surplus of \$1925.

The surplus was the result of the cutting of expenditure requests from departments with the most significant cuts to requests for personnel. The Information Systems and Police departments requested additional personnel that were not included in this budget. Adding to personnel is an ongoing cost that includes pension and benefits. At this time and with the five-year outlook we cannot make the recommendation to add further to personnel except for the one position in streets and sanitation. The impact of the Streetscape work in the downtown requires increased maintenance of a specialized nature especially in the winter. The budget also includes \$55,000 for winter operations specifically related to the downtown.

In planning for future years, we must be mindful of adding to staff and review all alternatives to providing a service. There is a balance between the cost savings in salary and benefits and contractual costs that can work against us if not monitored and analyzed regularly. In addition, a review of services provided must be evaluated each year to determine if the services are still meeting the City Council's goals in the strategic plan.

Strategic Goals for Financial Sustainability

- **Maintain adequate operating reserves/fund balances**

With the current budget plan, reserves are projected to be at 176 days at the end of 2014. It is important to note that the number of day's operation is one tool to be used as a guide and should not be the only measure of financial solvency. The number of days has increased substantially since reported in the 2013 budget due to an accounting change to the way we report costs associated with the utilities. Prior to last year's budget, we reported general fund costs associated with supporting the utilities as expenditures and then we reported the payment from the utilities as inter-fund revenue. This artificially increased general fund expenditures and thus reduced the number of days of operation.

The Government Finance Association recommends that cities maintain a minimum operating reserve of 60 days. Adequate reserves ensure that the city could continue to operate for a period of time should revenues stop unexpectedly. Reserves are also there to provide for fluctuation in revenue collection and to provide a cushion through economic cycles. It is acceptable to utilize reserves during weak economic times as long as reserves are sufficient to provide for such downturns and are expected to be replenished or remain above minimum levels. Batavia is in a good position with the number of days of reserves. See the section *Surplus and Reserves* for further information.

General Fund Revenues

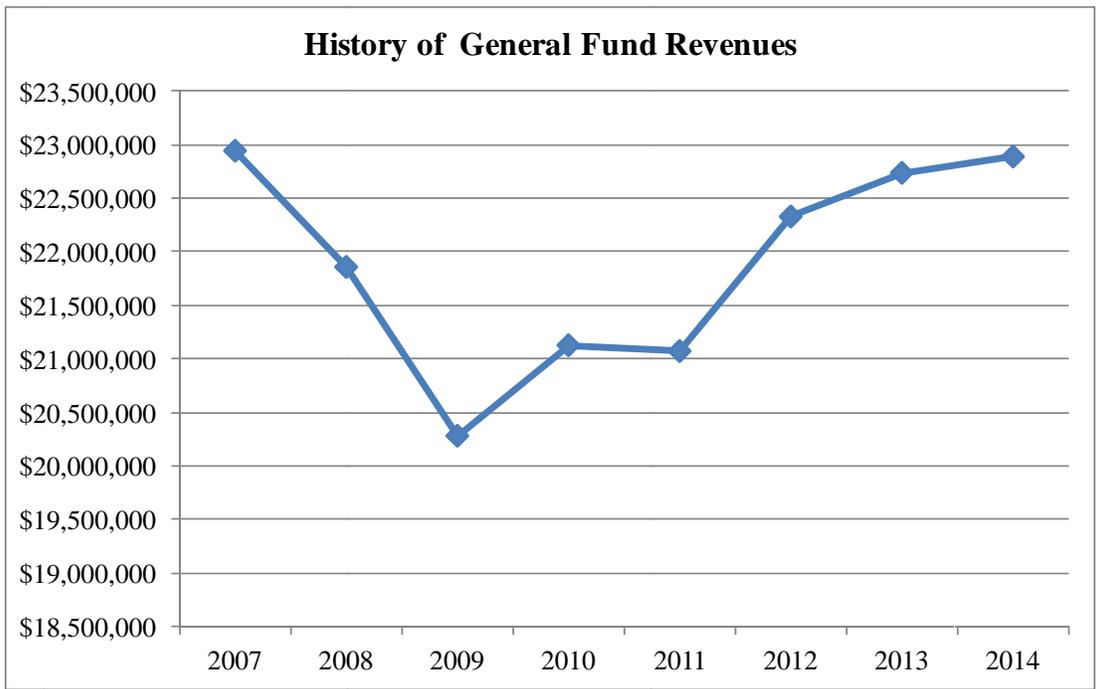
General Fund Revenues are budgeted at \$22,890,393 for 2014 and are relatively flat compared to 2013 projected revenues at 0.75% higher. A mix of different revenue sources comprises the most sustainable budget so that the City does not become reliant on any one source. Taxes and fees are essential to fund City services and they constitute the majority of revenues for daily operations. As a Government, it is essential that we are mindful of the impact of all taxes and fees for services. We must also consider the state of the economy and the burden of the taxes or fees we impose. It is the City's obligation to strike the balance of funding sufficient services at the lowest cost, while utilizing user fees whenever possible. The budget had included a proposed increase of \$0.75 per month to the leaf and brush fee to offset an increase to the cost of the program but the fee increase was removed as part of the budget discussions with the City Council. See further information under inter-governmental revenues.

Strategic Goals for Financial Sustainability

- **Diversify and augment revenues**

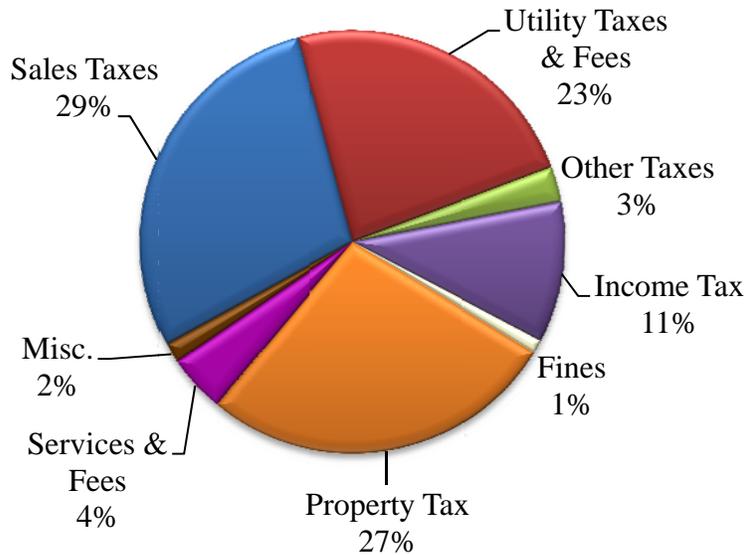
Over the last few years, the City Council has taken action to implement a new user fee for leaf and brush pick up, a gasoline tax and conversion from a municipal utility tax to a gas use tax. In addition, property tax revenues were increased by \$450,000 in 2012 in order to fund City services. These decisions support the strategic goal of financial sustainability by diversifying and augmenting revenues as necessary. While it is always a difficult decision to implement new revenues, it is a necessary part of providing services. The City of Batavia has more revenue choices than a non-home rule community which allows the City to hold the line on property taxes. Of course, at the times these decisions need to be made, there is always the choice to scale back or eliminate some services.

The following chart shows the history of revenues since the year before revenues started to decline. The chart clearly shows the decline in revenues that occurred due to the economy. Both our regular sales tax and home rule sales tax declined dramatically in 2008 and 2009. The increase in revenues in 2012 was a result of the new revenue sources put in place as mentioned above. If revenues meet the budget projection for 2014 we will be back to the level we were in 2007.



The chart below depicts the source of General Fund revenues. Sales tax remains the largest revenue source followed very closely by property tax. The City has committed a portion of sales taxes to fund debt payments for the fire stations. The property tax levy requires that 38% of the general levy go to fund police, fire and IMRF pensions.

General Fund Revenues

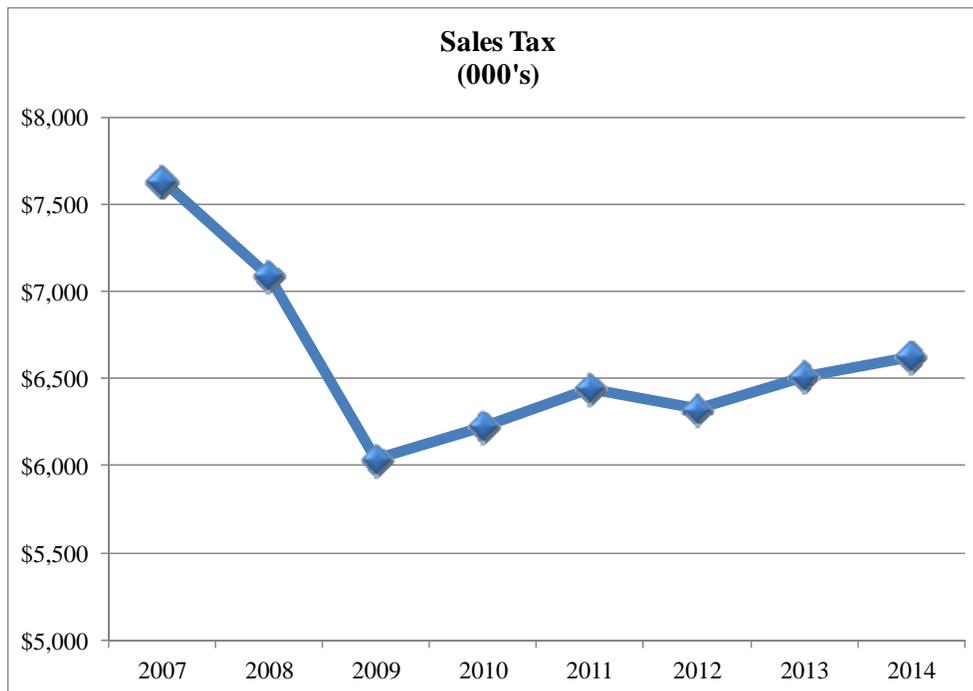


Overall, the City of Batavia has a diverse mix of revenues without being overly reliant on any one source. This diversity of revenues helps to keep the property tax levy low. Whenever possible, the City tries to assign costs to a service provided. However, as shown above only 4% of our revenue sources are provided from fees. As typical with most local governments, the majority of costs are provided for by some type of tax.

Sales Tax

Sales Tax receipts for 2013 are projected to end the year up 2.8% over 2012 receipts and 2.3% over the original budget. 2012 receipts were 1.5% lower than 2011 receipts so the budget was projected for only a modest increase. It is unclear why there was a slight dip in receipts for 2012 but we are hopeful that sales will continue to be strong and have budgeted a 1.8% increase over 2013 projected receipts.

There are many positives that we have to look forward to in 2014, including the opening of some new stores and the expansion and remodeling of others. As the chart shows, though, we are still far below the levels we benefitted from in 2007 with 2014 receipts projected at \$1 million less than 2007.



Staff plans to continue efforts in the retention of businesses that we have in the community and where possible work to augment our sales tax base.

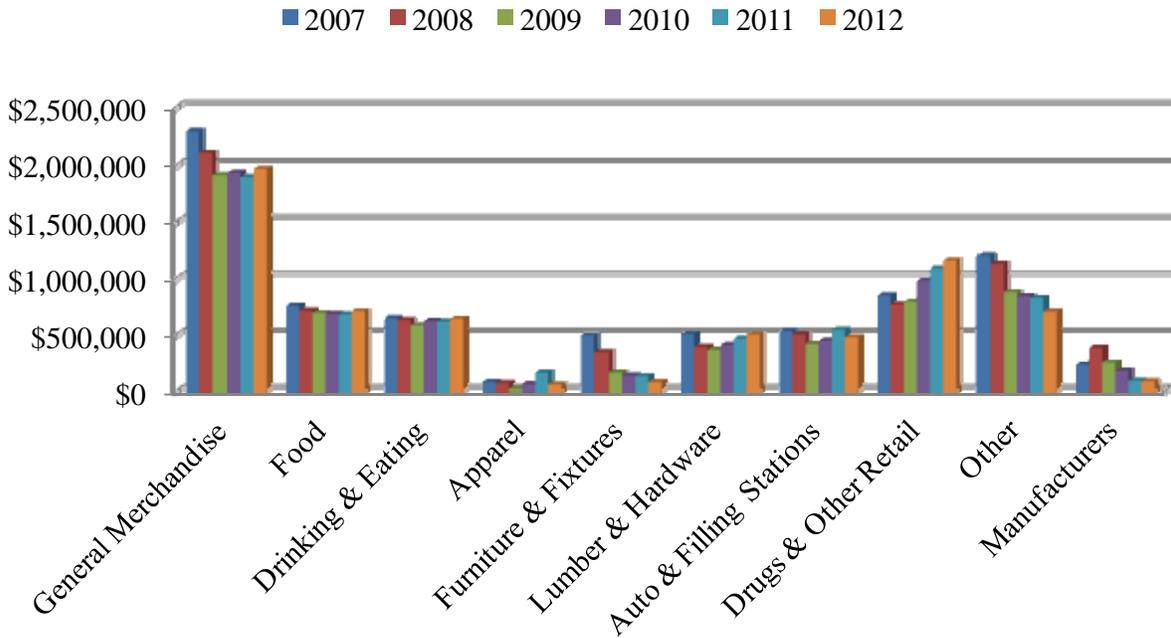
Strategic Goals for Business Development & Retention

- **Develop a business/economic development plan**
- **Be a proactive resource for existing and prospective businesses**
- **Develop a marketing/branding initiative**

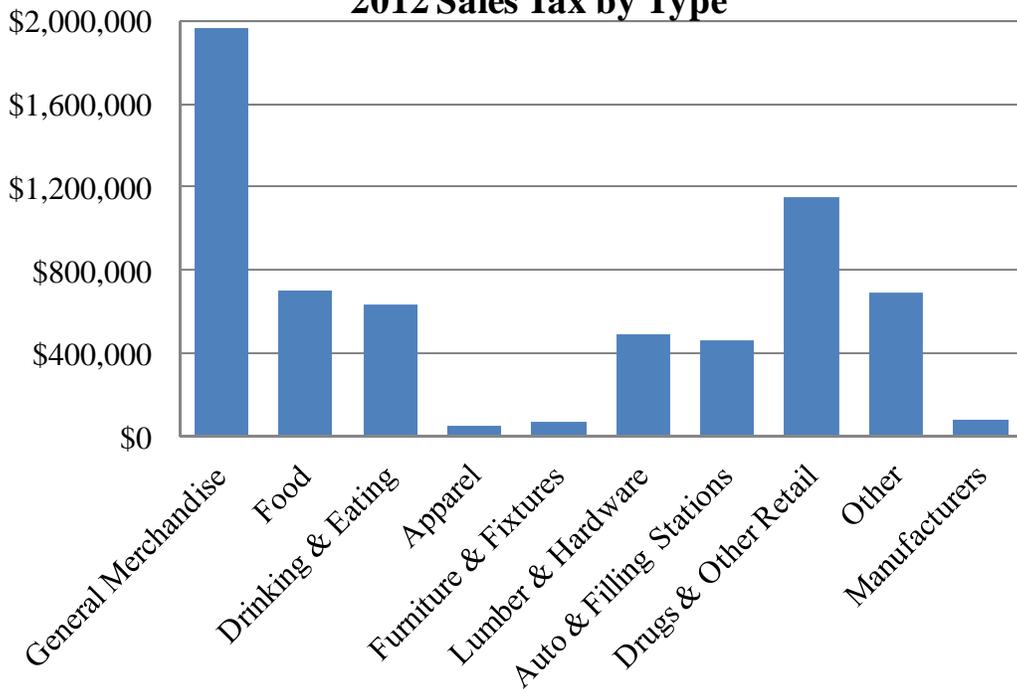
In line with this goal and in concert with staff efforts, the City has contracted with a full-time economic development consultant to help assist with these initiatives. Also, as evidenced by the newly created SSA for MainStreet, the business community and the City are continuing to cooperate as partners to support the downtown and grow our local economy.

The following chart shows the history of sales tax collected by type (SIC code) and shows the combined total for regular municipal sales tax and home rule sales tax. The data is provided through 2012, which is the most recent available. The most significant changes are sales tax from “Furniture and Fixtures”, “Other” and from “Manufacturers”, which have all steadily declined. With the opening of a new furniture store in 2013, we hope to see an increase in the “Furniture and Fixtures” category. The next chart shows the breakdown for just 2012.

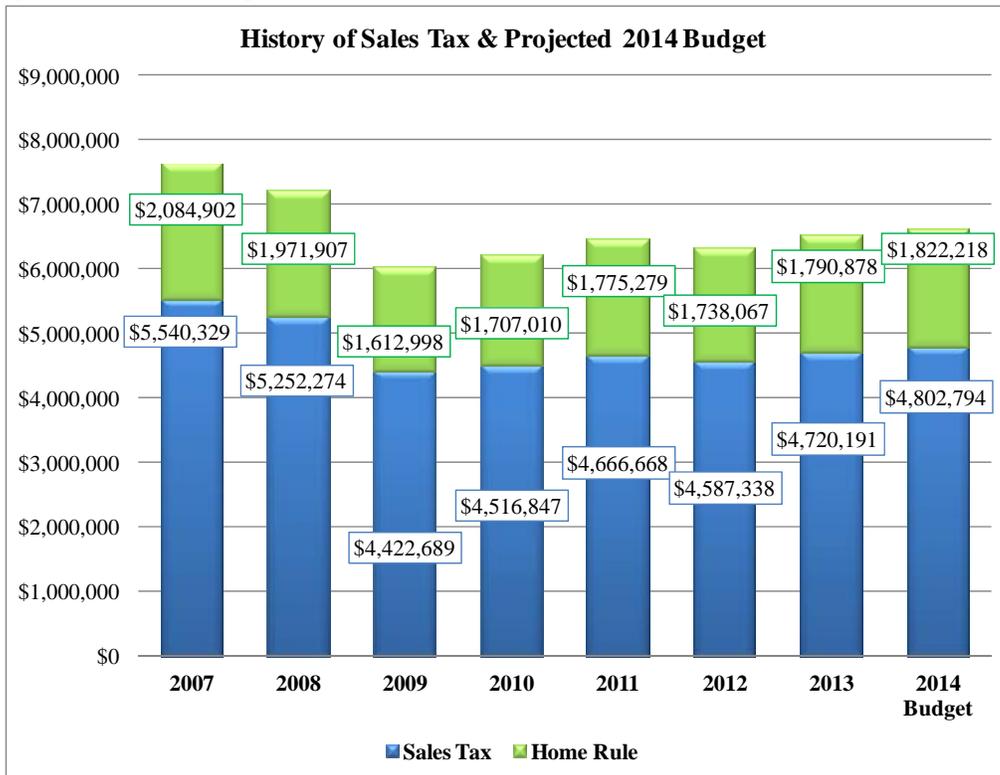
History of Sales Tax by Type



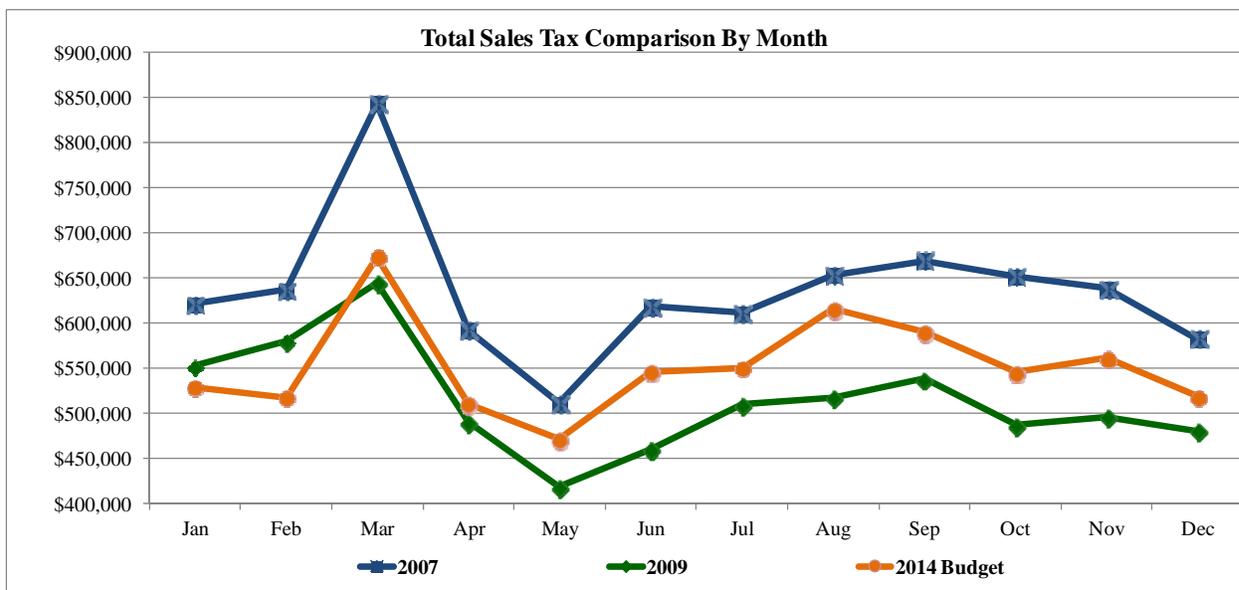
2012 Sales Tax by Type



The City of Batavia implemented a .5% non-home rule sales tax in 2006 in part to fund the debt for construction of the City's two fire stations. The tax was converted to a home rule tax in 2009 when the City became home rule through population. The following chart shows the relational change of home rule sales tax and regular sales tax which is 1%. Home rule sales tax is not collected on food, drug or registered vehicles and thus home rule does not equate to 50% of regular sales tax.



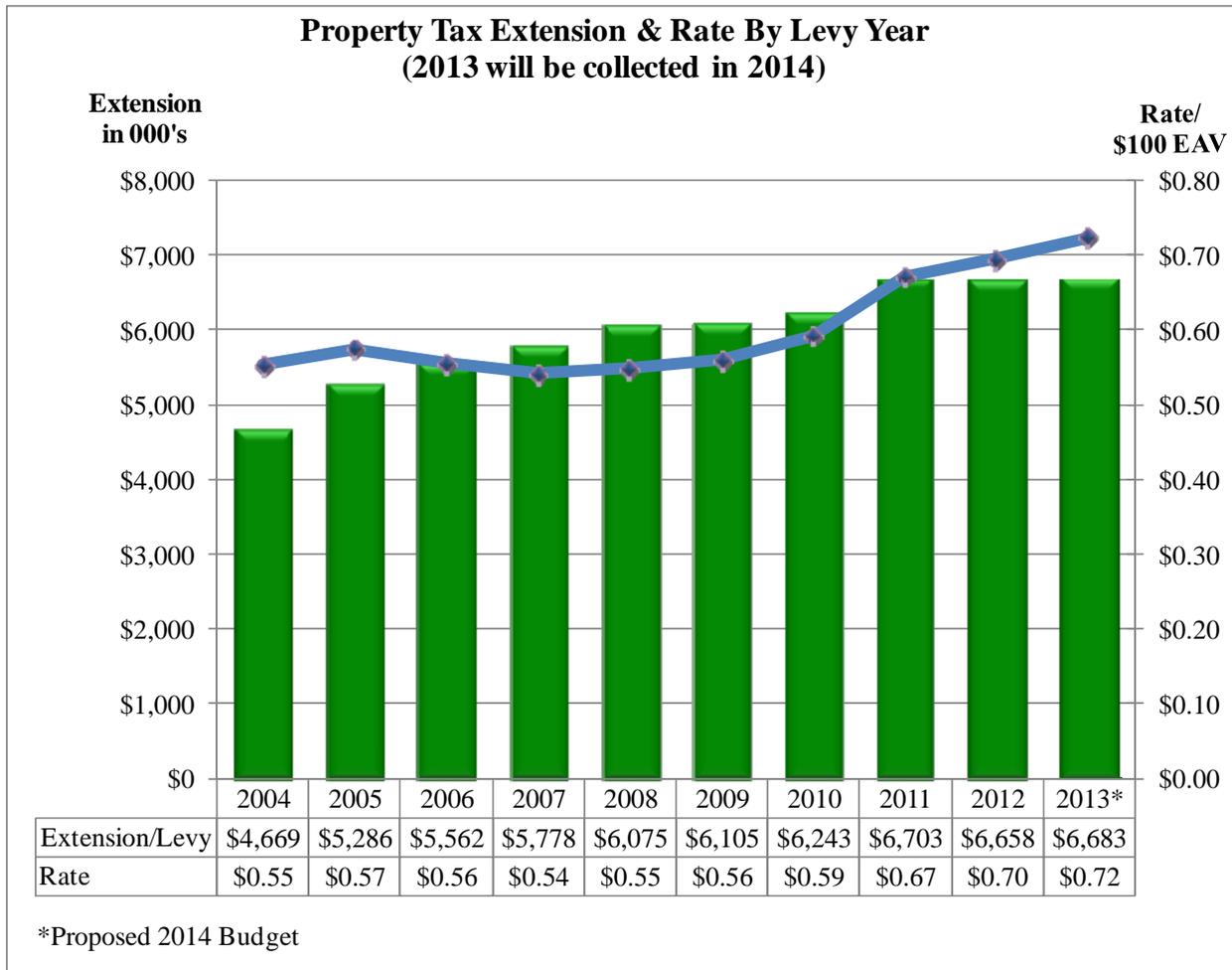
This chart shows the relationship by month of collection by year. Shown are our highest year, lowest year and the 2014 Budget. As shown, tax on holiday sales is received in March of the following year. The month to month trends are generally the same.



Property Tax

The 2014 Budget for property taxes is level with the 2012 Levy collected in 2013 aside from a \$25,000 one-time abatement done for debt service from a bond refunding. The refunding provided a lower tax levy throughout the remaining years of the bonds but it also provided for a refund of taxes already levied.

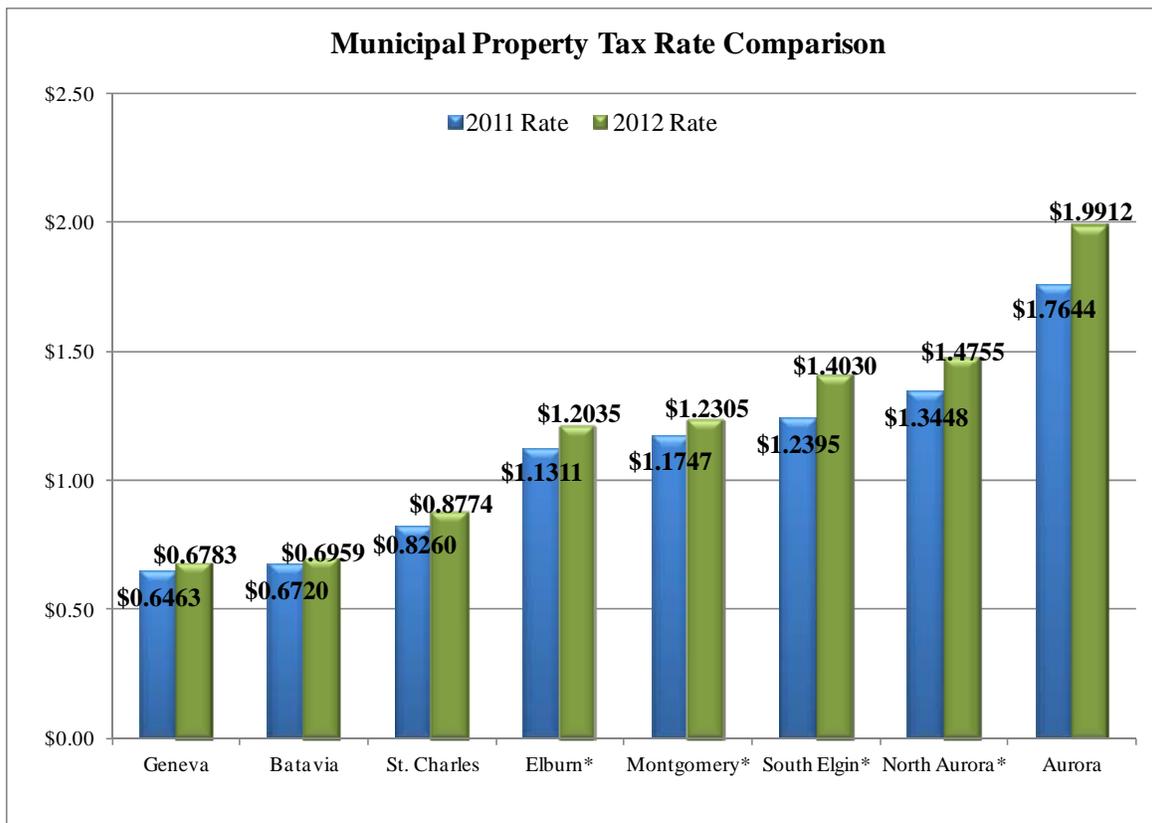
The rate is expected to increase just over two cents for the 2013 Levy collected in 2014 due to continued reductions in the City's total EAV (Equalized Assessed Value which represents 1/3 of the market value of property). The rate is a function of EAV and the amount of the levy. Since the EAV has gone down, the rate must go up in order to collect the same amount of tax. The following chart shows the history of the City's Levy and property tax rate. As shown, the amount of tax collected can go down while the rate rises (see 2012 and 2013) and conversely the levy can increase and the rate decrease (2006 and 2007). The rate increase is in declining EAV years and the rate decrease is due to a higher EAV.



The City portion of a typical tax bill in the City of Batavia is about 8% of the total bill. The owner of a \$300,000 home would have paid about \$632 to support City services in 2013 (2012 Levy). The typical total tax rate for 2013 payable was \$9.074522/\$100 of EAV. Some of the City services provided with property taxes include police and fire protection, snow plowing, street maintenance, cemetery and property maintenance and general administration of the City.

Taxing Entity	Rate	% of Total
City of Batavia	\$0.695886	7.67%
Kane County & Forest Preserve	\$0.704574	7.76%
Batavia Township & Road District	\$0.143349	1.58%
Batavia Schools	\$6.085956	67.07%
Waubensee College	\$0.531163	5.85%
Batavia Park District	\$0.509158	5.61%
Batavia Library	\$0.404436	4.46%
Typical Total for 2012 Payable in 2013	\$9.074522	100.00%

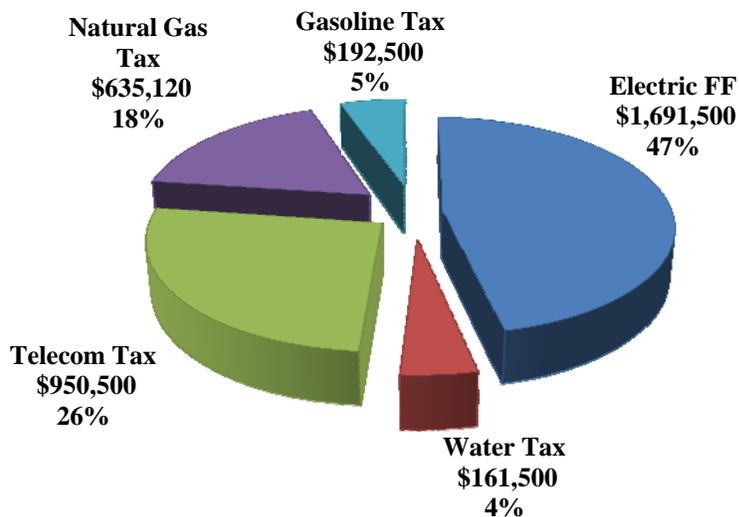
Also provided below is a comparison of 2011 and 2012 municipal tax rates of surrounding communities. Those marked with an asterisk have the fire district rate added into the municipal rate to make a fair comparison as those communities do not have their own fire departments. Rate payers in those villages pay to the fire district for fire protection rather than the village itself so it is fair to include that portion for comparison of rate. The rates are charged for every \$100 of Equalized Assessed Value (EAV).



Utility Taxes and Fees

Utility taxes now account for 23% of General Fund Revenue. Utility taxes increased by \$500,000 in 2012 due to the addition of the one cent gasoline tax and the change from a municipal utility gas tax (MUT) to a gas use per therm tax (GUT). The GUT tax expanded the tax to natural gas customers that use an alternative supplier. The change was to be revenue neutral to existing tax payers but it could benefit the end user in that it is not a tax on the total bill but rather a use tax on a therm basis which means if natural gas prices go up, the customer will still pay the same tax for the same use. Utility tax revenues for 2014 are projected to be slightly lower due to the loss of a very large industrial customer in 2013.

Budgeted Utility Tax by Type



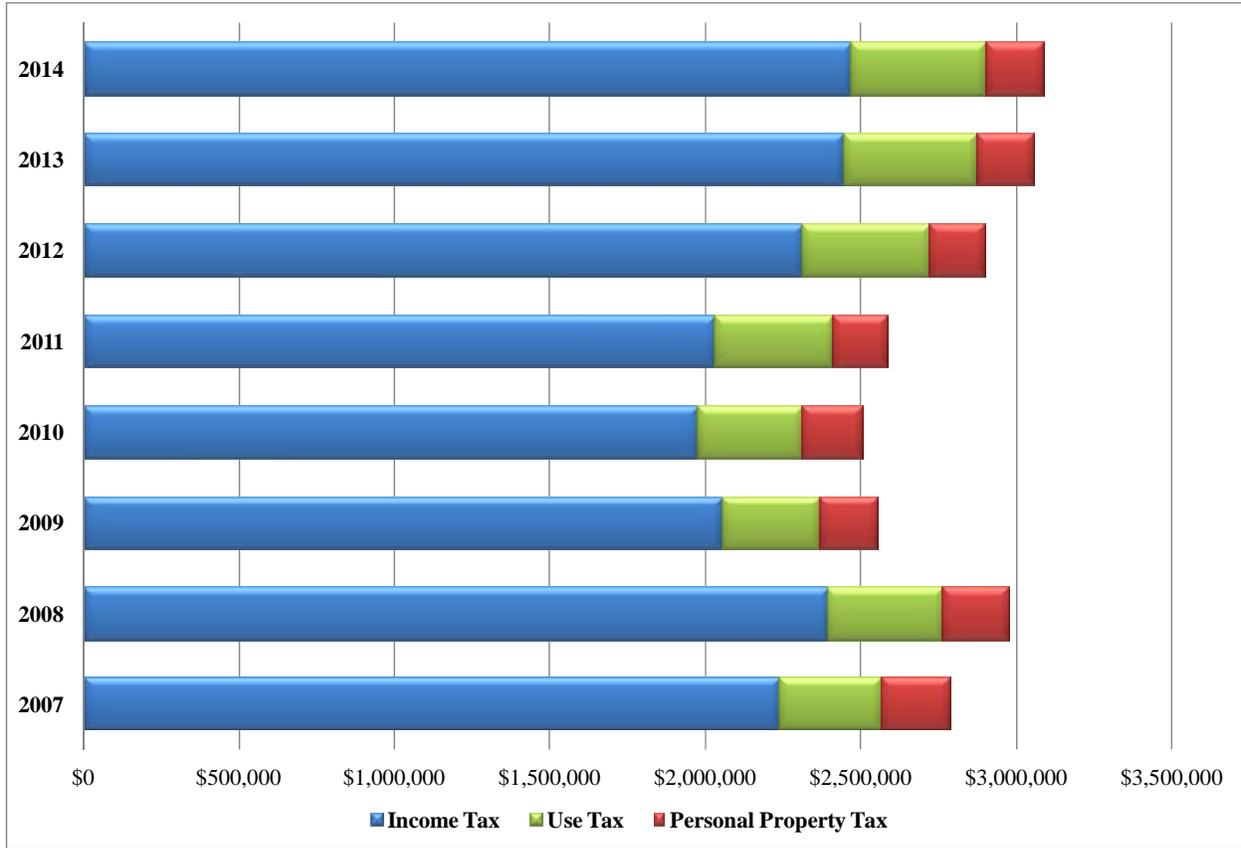
The City also collects a 5% franchise fee from television providers. The City passes through 40% (2% of the 5%) of that to BATV to provide local programming to the community. The payment to BATV is budgeted under administration (10-10-6359) and the total amount of revenue is reported in General Fund revenue (10-00-4325 ROW Franchise Fees). The amount was budgeted for level revenues in 2014 as revenues increased substantially in 2013 and it is expected that some users may begin to move away from cable type television services as other options are expanded.

ROW Franchise Fees



Intergovernmental and Other Revenues

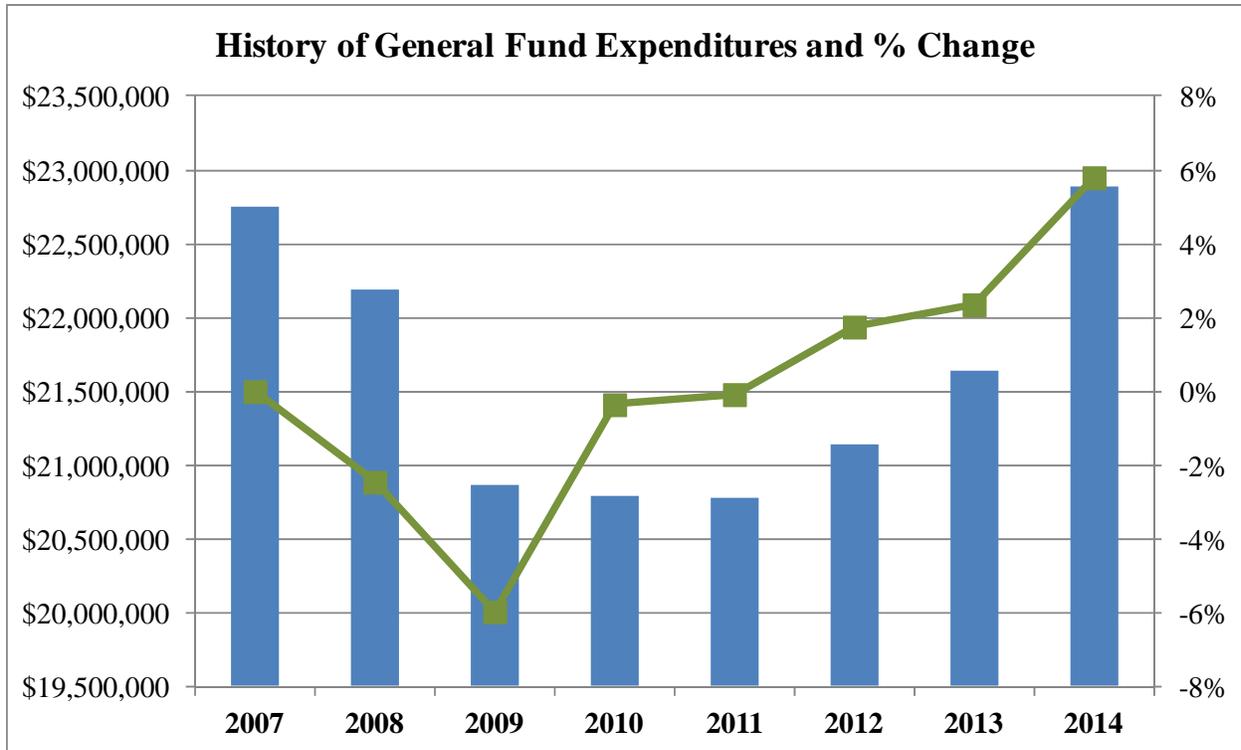
After steep declines in 2009 and 2010, State shared revenues began to rebound. In 2013 income tax and use tax surpassed 2008 levels. Personal Property Replacement Tax continues to remain low. It is very difficult to budget for this type of revenue since it is dependent on personal and corporate incomes and the funding history has not been consistent. The budget provides for a 1% increase in funding in 2014



Other revenues include, charges for services, building permits, fines, reimbursements, interest revenue and miscellaneous receipts. Charges for services are fairly consistent with the main revenue source the leaf and brush pick up fee which has provided about \$270,000 a year in revenue since it was implemented in 2010. The 2014 budget includes an expected increase to the cost of this program. The draft budget included the recommendation to increase the service fee by \$0.75 per month to offset the increase. Through budget discussions with the City Council the fee was removed from the final budget in light of concerns on the impact of utility rate increases. If the cost of the program is higher than anticipated after bidding, it is recommended that the Council review the ongoing value of the program for future year budgets or consider a future year increase to offset the cost. Building permits are budgeted about the same as 2013 projected revenues lower than both 2011 and 2012. Fines and fees in 2013 are up about \$45,000 over 2012 and are expected to stay up for the 2014 budget. Other revenues are budgeted at the same levels as 2013.

General Fund Expenditures

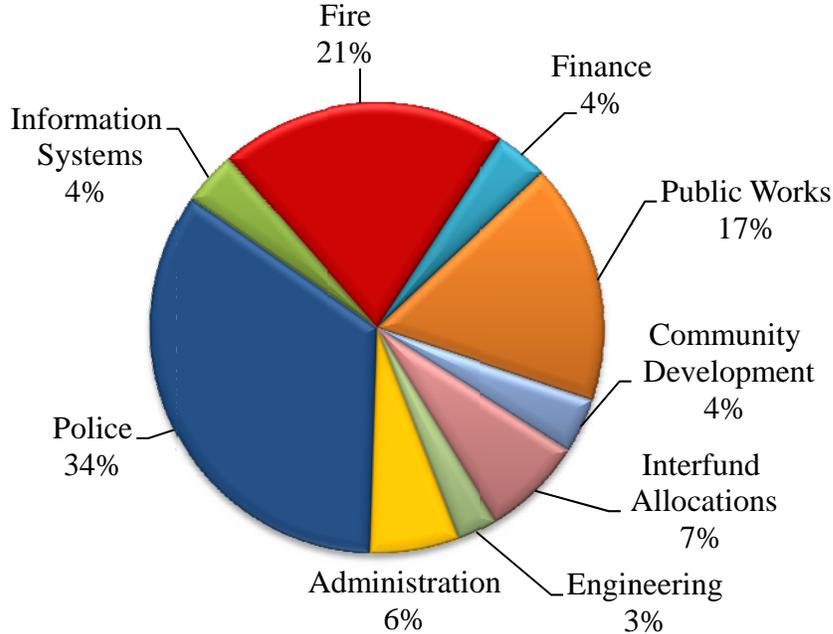
Expenditures in the General Fund are budgeted at \$22,888,468. This represents a \$1.2 million increase over 2013 projected expenditures. The 2014 Budget is 5.8% higher than 2013 projected spending and 3.3% more than the 2013 budget. The 2013 actual spending is projected to end the year \$529,000 under what was budgeted. The 2014 increase over projected spending is attributable to staff vacancies in 2013, an increase in the cost of contractual items, wage increases, and capital spending.



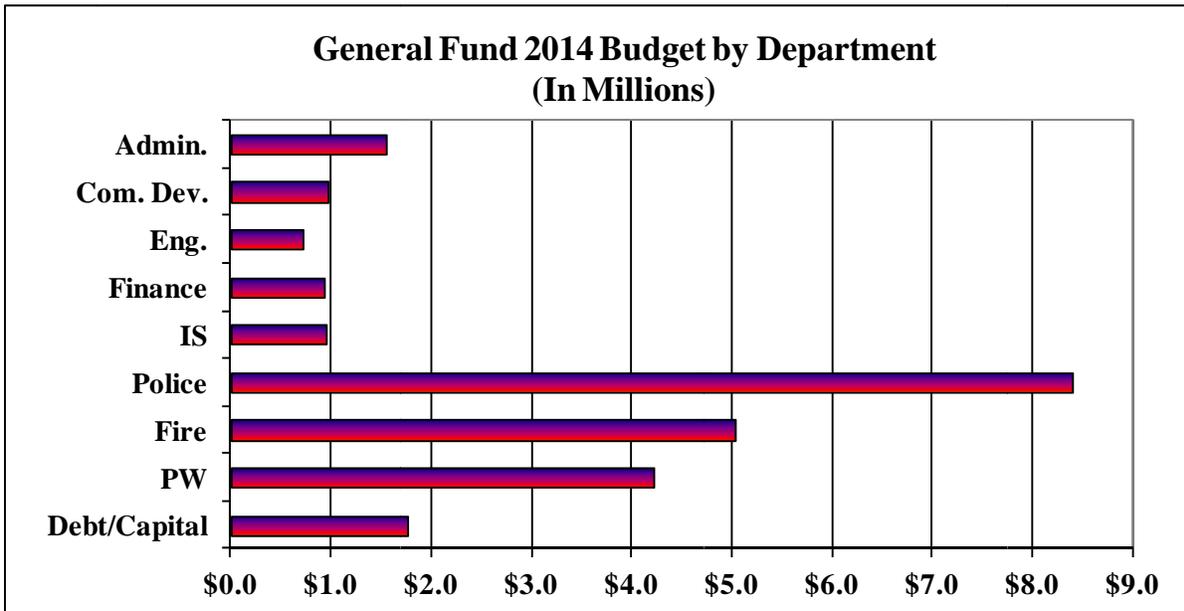
Expenditures in the General Fund were first cut in 2008 with the most significant changes to spending occurring in 2009 thru 2011. Increases to spending were made in 2012 and 2013 with some vacated positions refilled. The 2014 will be less than 1% more than spending was in 2007.

	% Change
2008	-2.5%
2009	-6.0%
2010	-0.4%
2011	-0.1%
2012	1.8%
2013	2.4%
2014	5.8%

General Fund Expenditures

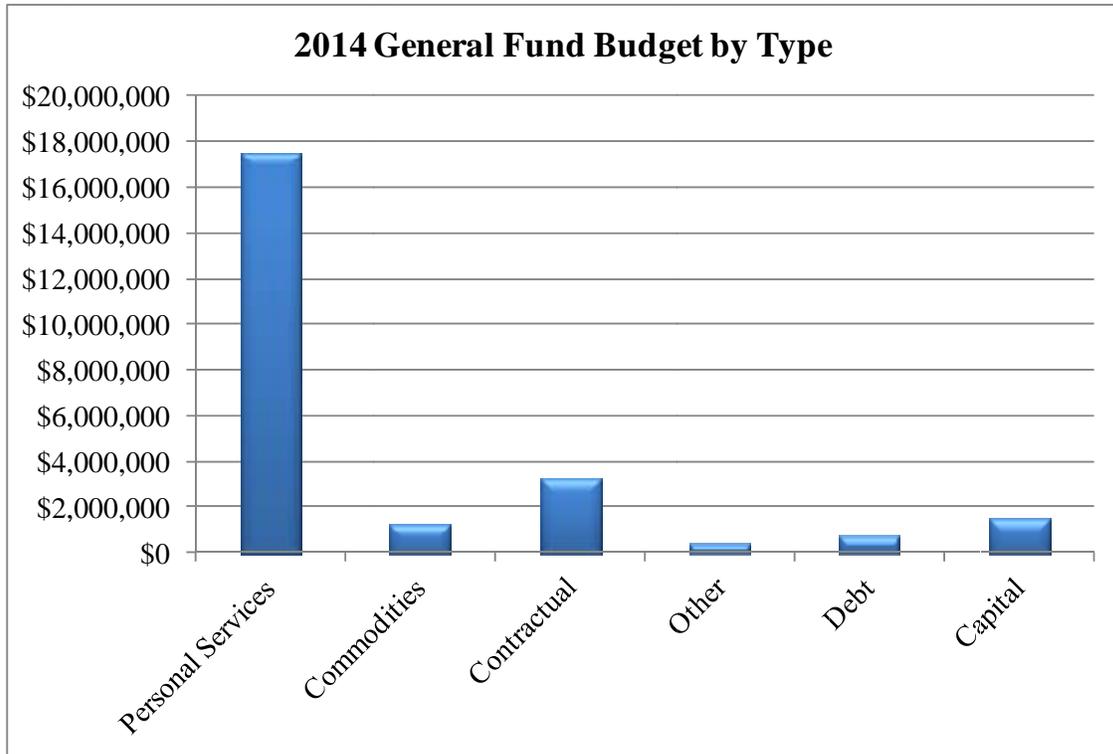


The chart above displays the allocation percentage by department and the following chart provides the amount budgeted by department. It should be noted that several departments provide services to the utility funds. Those services costs come back to the General Fund as a reduction in expenditures under department 10-75. Administration includes Human Resources and Economic Development. Finance includes Utility Billing. Fire includes ESDA and Public works includes Public Works Administration, Streets and Buildings and Grounds. Inter-fund Allocations include transfers to Debt Service from Sales Tax and transfers to capital projects as part of an ongoing capital funding program.



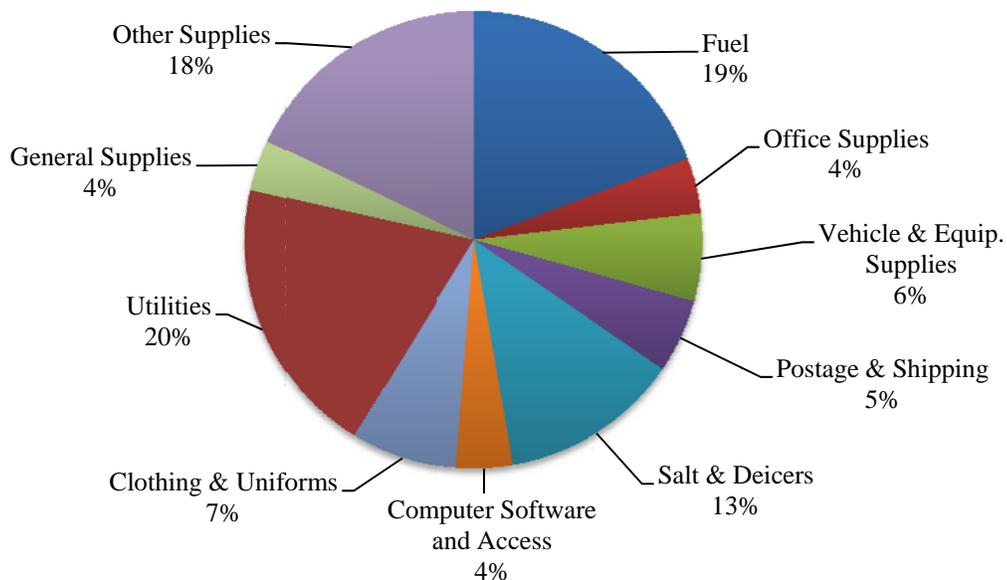
As expected, our public safety departments comprise the largest share of General Fund expenditures. The police department is staffed with 40 sworn officers and the fire department has 23 sworn members.

The largest cost for the general fund is personnel with the total cost of wages, benefits and insurance budgeted at \$17.5 million in 2014. This comprises 71% of the total General Fund budget and 76% of the operating budget. For this chart debt is the amount of transfers made out of the General Fund to a Debt Service. Capital is the amount budgeted directly in Fund 10 and the transfers made to Capital & MFT.

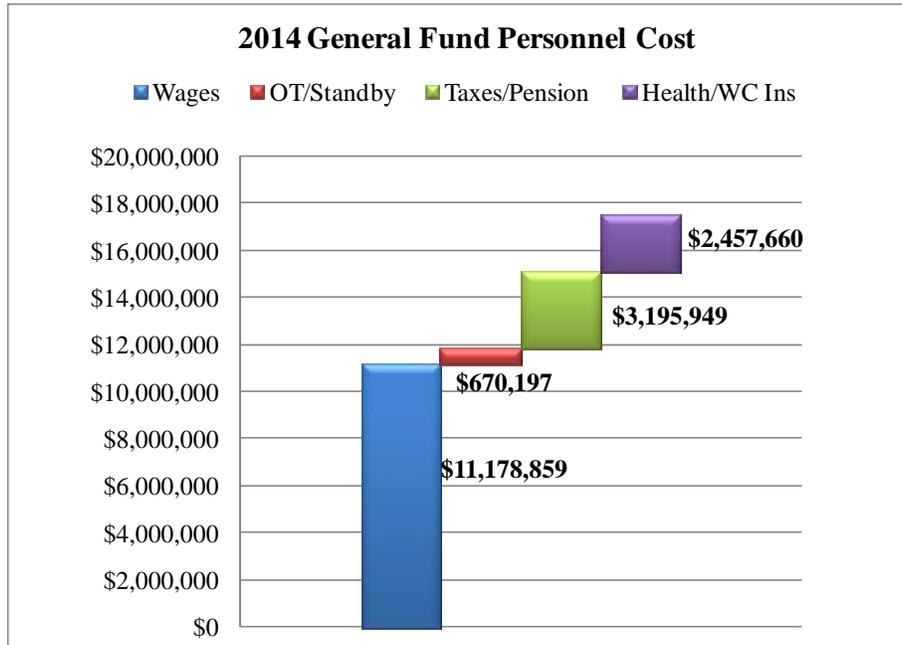


The General Fund budget has very little room to trim expenditures without eliminating personnel. Commodities account for only 5% of the budget. Of the commodities many are difficult to reduce spending except by conservation, which is already done. Fuel and Utilities are the largest expenditures.

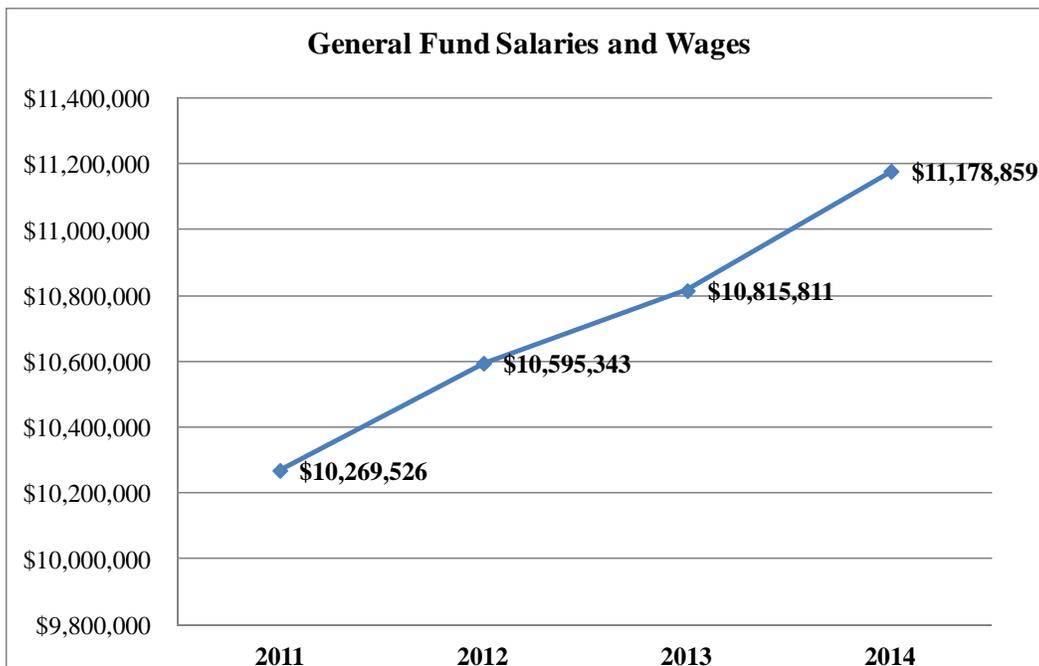
2014 Commodities



The following chart breaks down the components of Personal Services costs. Direct wages account for 64% of costs with another 4% spent on overtime and standby pay. Taxes and pension payments account for 18% with health and worker’s compensation insurance accounting for the remaining 14% of costs. Health Insurance costs are budgeted without an increase with planned dividends from reserves being used to supplement cost increases. Reserves are also sufficient in the workers compensation fund so a reduction in contribution was done for all funds. The General Fund will save \$88,000 in contributions.



General Fund Salaries and Wages increased 2.1% in 2012 with the replacement of 3 vacancies that had been frozen. Wages increased 3.2% in 2013 with the new hires in place for a full year. Wages are projected to increase 2.8% in 2014. Most wages are expected to increase 2%. Those that are not at the maximum of their range will have higher increases.



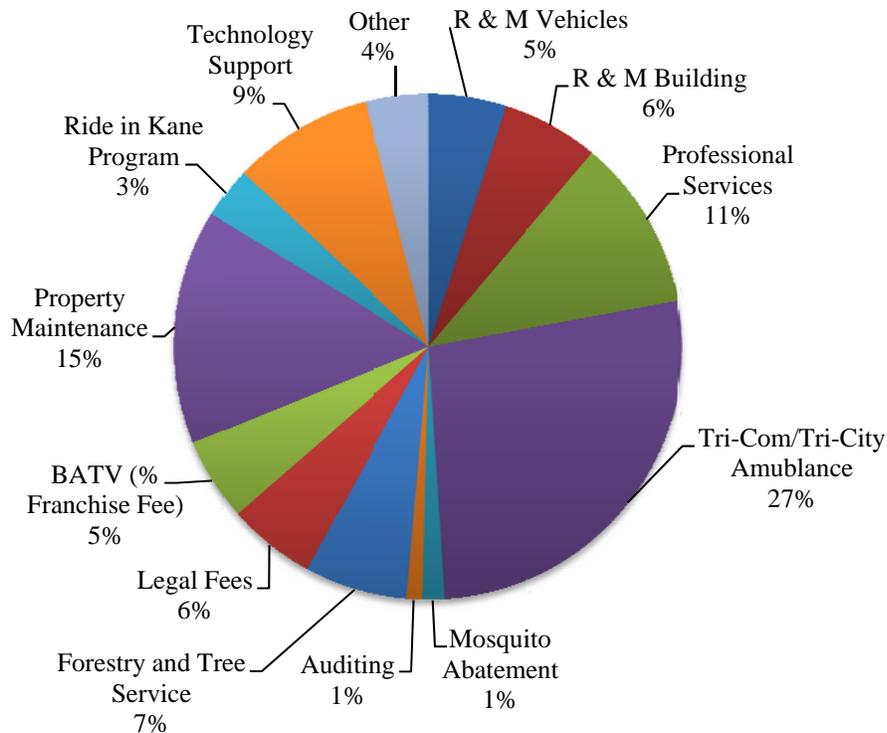
A breakdown by department of wages and salaries in the previous chart is provided below. Vacancies, retirements and replacement employees impact the total amount spent.

General Fund Full and Part Time Wages

	2011	2012	2013	Budget 2014
Administration & Legislative	\$531,123	\$429,375	\$425,218	\$420,484
Human Resources	\$149,284	\$152,536	\$159,971	\$160,778
Community Development	\$570,472	\$610,993	\$608,201	\$626,024
Public Works Administration	\$125,311	\$136,743	\$141,879	\$144,141
Engineering	\$367,771	\$425,409	\$452,530	\$460,957
Building and Grounds	\$57,203	\$62,849	\$55,072	\$57,000
Finance and Accounting	\$361,655	\$375,404	\$369,800	\$375,766
Information Systems	\$251,184	\$263,311	\$272,591	\$286,586
Utility Billing	\$97,721	\$142,790	\$162,500	\$169,037
Economic Development	\$52,592	\$56,244	\$38,010	\$33,400
Police Admin & Operations	\$4,187,160	\$4,247,218	\$4,308,014	\$4,511,000
Fire Services	\$2,398,301	\$2,501,814	\$2,576,025	\$2,616,904
Streets and Sanitation	\$1,119,749	\$1,190,657	\$1,246,000	\$1,316,782
	\$10,269,526	\$10,595,343	\$10,815,811	\$11,178,859

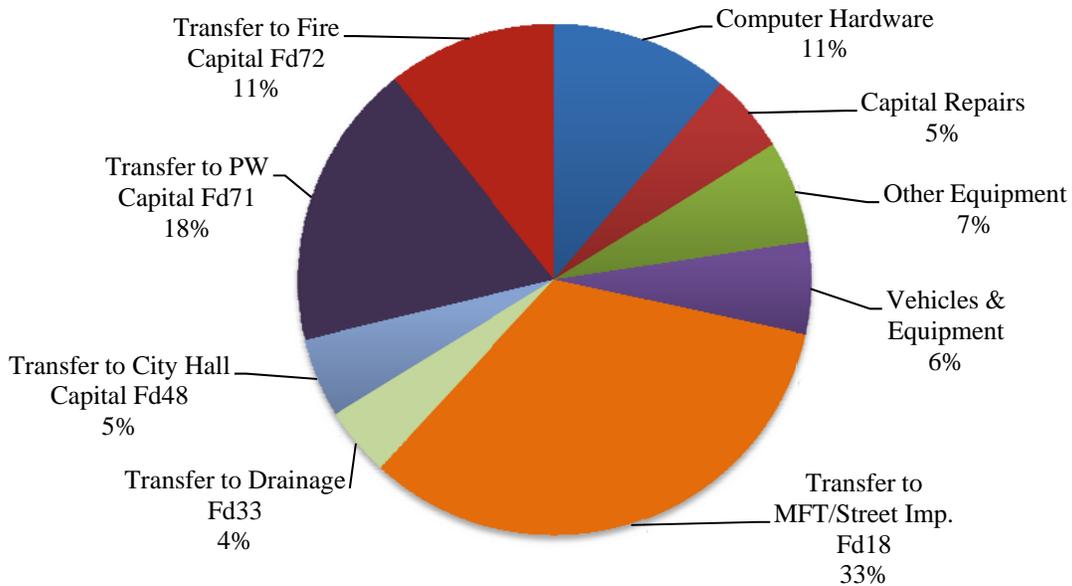
Contracted services account for 13% of the total General Fund Budget. Below is a breakdown by type of contract. Some contractual services have their own line items in the budget while others are all under 6355 and for those the detail is provided in the budget detail by department.

2014 Contractual Services



Budgetary spending towards capital for 2014 accounts for 6% of the General Fund Budget with the majority of spending in the form of transfers to a capital account. Computer hardware, vehicles & equipment, other equipment and capital repairs represent items budgeted directly in the General Fund. Transfers for capital are not necessarily spent in the year of transfer. Transfers are made based on an estimated replacement or spending schedule and adjusted as needs change. The Drainage Fund and the City Hall fund were established in 2012.

2014 General Fund Capital



Department Highlights

Following is a discussion of notable budget changes for 2014 by department for the General Fund. If a department is not mentioned, then spending remains relatively unchanged.

The spending for **Administration** in 2013 is over the original 2013 budget by \$47,000 due to increased costs for legal fees. The review of multiple projects and legal consulting needed in 2013 was higher than it had been for the past few years due in part to the reduction of development activity. It is expected that the degree of work needed in 2014 will be about the same as 2013.

Human Resources generally has remained consistent in spending from year-to-year but the 2013 projected spending is expected to go over budget for legal fees by \$25,000. The increase is directly related to legal services required for work on the union contract negotiations. The 2014 budget returns to normal levels with only one contract expiring within the year.

Community Development had a staff vacancy and changes to health insurance coverage in 2013 which will result in lower than budgeted spending in 2013. There was also less spending on property maintenance related to code violations and no contractual fire plan reviews. The budget will return to normal in 2014 with the only notable item being \$20,000 for a study on the design and way finding of City signs.

The **Engineering** department again requested an addition to the budget for the Engineering Technician of 520 hours to allow for CAD work related to Main Street and other projects. Engineering, along with most departments, has a heavy workload and would like this position to be made full time on a permanent basis. The staff recommendation at this time is to continue with a year-to-year review of the hours and work load.

The budget for 2014 will be the same as projected spending in 2013 but the spending among line items will shift. The money spent in 2013 on the Braeburn Marsh maintenance will now be paid through the Drainage Fund, thus freeing up those General Fund monies in engineering, but also increasing the amount needed as a transfer from the General Fund under 10-90-7033 to Fund 33.

Increases to other lines for Engineering include \$20,000 for the installation of survey monuments, an additional \$5,000 for outside engineering services and \$9,400 for six traffic counters for use in studying traffic flow on various City streets. The survey monument costs are funded from developer fees.

Building and Grounds had turnover of staff in 2013 as well as the change of reporting of the position to the Water and Sewer Superintendent. Without a Buildings and Grounds department and a staff of only one, it was difficult to prioritize and manage the necessary projects. The move to public works oversight has been a success in developing a strategy to meet the needs of both the public works building and City Hall by also utilizing some public works staff. Snow removal at City Hall was contracted out in 2013 and the plans for 2014 have shifted back to attempt to use existing staff. There is an increase in overtime in anticipation of this.

Major capital improvements for City Hall are now budgeted in the City Hall Capital Improvements Fund (48). See the section on capital for a discussion of these items which are also being overseen by the Water and Sewer Superintendent.

Information Systems has an increase of \$210,500 in budgeted spending for 2014 some of which is being reimbursed by other cities. The reimbursements are budgeted in revenue. The project is an upgrade to the New World Records Management System. This software was installed in 2007 and is due for an upgrade. This upgrade is budgeted at a total cost of \$93,000 with reimbursements scheduled for \$66,500 bringing the total cost of Batavia's share to \$26,500. Other projects related to the Police Department include \$35,000 for replacement of the Livescan Fingerprint machine and \$18,500 for an FBI mandated security program that requires personal authentication by each officer before logging into Criminal Justice Information software to access criminal history information within the squad car.

New in 2014 is \$4,800 in part time wages for some part time assistance in obtaining GIS coordinates.

The other large project budgeted in Information Systems is \$60,500 for an upgrade to the City's phone system, half of which is for a redundant server and the other half for contractual services to assist with the upgrade.

Economic Development has no increase over the 2013 budget but does have a \$69,000 increase over the 2013 projected spending. This is mostly due to the vacancy created when the part time Economic Development person resigned. Approval for the hiring of a full time position was sought and a budget amendment was made in 2013 to provide funding for filling the vacancy. The position was eventually filled with an independent contractor. The 2014 budget calls for a full year of this position. In addition, there are funds slotted for marketing and attraction efforts.

The salary budgeted for in this department represents 25% of the Assistant City Administrator's salary as he splits his time between Administration (25%), Human Resources (50%) and Economic Development.

The largest General Fund department budget is the **Police Department** and it also has the largest year over year increase of \$319,000 over the 2013 budget and \$445,000 over actual spending. Wages are budgeted \$201,000 more than 2013 actual spending and \$127,000 over the 2013 budget. The difference to actual is due to multiple vacancies and the time needed to fill the positions. The difference to budget represents a full year of filled positions and expected wage increases. An increase for the open patrol contract has been included in the 2013 projection and will be accrued in 2013 if the contract remains unsettled until 2014.

Another significant change in police spending is for vehicles. A total of nine police vehicles were purchased in 2012. Originally three were planned for replacement and were purchased in early 2012. Later the City was awarded a grant to fund another vehicle and that was also purchased. Then, unfortunately three police vehicles were totaled. Two were replaced with partial reimbursements from insurance and the third vehicle was replaced with an older vehicle from the fire department. During the process of purchasing those replacements it was determined that it would be best to purchase the 2013 vehicles slightly ahead of schedule to take advantage of buying Crown Victoria's which are out of production. Therefore, an advance purchase was approved and no vehicles purchased in 2013. We are now back on schedule and have budgeted for the replacement of three vehicles. This represents an increase of \$80,000.

Tri-Com dispatch is charged to each City based on the number of calls for service. The costs for Tri-Com as a whole are expected to be higher in 2014 and in addition, Batavia Police Department had more calls than other departments moving Batavia to the highest in cost sharing. This represents an increase of \$55,000. The corresponding revenue for Fines and Fees has increased by \$45,000 of which about \$20,000 is related to traffic and the remainder to false alarm fines, fingerprint fees and miscellaneous fines. It is expected that there will be a drop off in false alarm revenues in the next two years which was the intention of the Ordinance.

Other budgeted items to note in the Police Department are pension funding with an increase of \$47,000, training with an increase of \$10,000 and equipment with an increase of \$20,000. Equipment budgeted includes an additional speed alert sign for \$6,000, active shooter response kits for each marked unit for \$3,700 and 6 AED units for \$5,500 to equip the remaining squads.

The **Fire Department** has a 2014 budget \$24,000 lower than the 2013 budget but \$141,000 over 2013 actual spending. The reason for the difference in the 2013 budget to actual spending is because the cost of Tri-City Ambulance ended up being \$90,000 less than budgeted. Batavia is on a calendar year budget and TCA is on an April 30 year end so at the time of budgeting there was some uncertainty as to the cost increases. They ended up being much lower than anticipated originally. The 2014 budget includes a \$30,000 increase over 2013 actual for Tri-City Ambulance and a \$20,000 increase for Tri-Com. The increase to salaries in 2014 is only 1.2% over the 2013 projected spending due to a payout for a retiree in 2013. Spending on salaries will also not increase as much in 2014 filling three vacancies at lower salaries. The only other significant change was to pension funding for \$34,000.

The Fire department also administers the ESDA budget. This budget is \$22,000 over the prior year actual spending with \$20,000 designated for replacement of a tornado siren at the Alice Gustafson School location and for \$5,000 for general siren maintenance.

The **Street Department** budget includes the third year of additional funding to address the issue of the emerald ash borer and the effect of dying trees within the community. The 2014 budget includes an additional \$100,000 to fund the task. It is anticipated that additional the budget may be reduced by \$60,000 in 2015 and going forward to allow for funding of tree replacements in future budgets.

With the implementation of the hiring freeze, three Maintenance Workers and one Crew leader position remain vacant in the Street Department. The new streetscapes that are being put in place have affected the amount of maintenance needed and will affect it more so as each portion of streetscape is added. River Street will require more time for winter operations due to the lack of curb/gutter and the brick pavers. In addition, the increase in planters and other amenities in other areas also increase the need for regular maintenance. Staff is recommending that an additional maintenance worker be added in 2014. With the new hire, a maintenance worker will be dedicated to the downtown. The additional part time budget that was added in 2013 was reduced back down to the prior year level with the increase to a full time position.

There was \$22,000 added to contractual services in 2013 to provide for additional maintenance. That amount was spent on snow removal. The Street Superintendent is requesting to increase that amount to \$55,000 to cover additional snow removal along sidewalks in the downtown to relieve some of the workload taken on by the Superintendent and Assistant Superintendent due to decreased staff.

Other items to note are the increase of \$68,000 to the leaf and brush program mentioned earlier, \$28,000 for work on section 4 of the west side cemetery, \$8,000 for pesticide application on the bridge and parking deck, and \$7,000 for painting and sealing of streetscape amenities. Lastly, \$75,000 is budgeted for capital repairs for the Donovan Bridge railing curbs. These items bring 2014 budgeted spending \$323,000 over 2013 actual spending and \$249,000 over the 2013 budget making this department budget the 2nd largest increase after the Police Department.

Motor Fuel Tax Fund (18)

The City's street program is funded from Motor Fuel Taxes received from the State of Illinois and from a \$500,000 transfer from the General Fund each year. Occasionally, the fund is also supplemented by grant funds. The last three years, the City received \$100,000 each year from the Jobs First program and it is expected that we will also receive the funding in 2014 and the final payment in 2015.

The 2014 budget includes \$1.2 Million in spending for the street program and an additional \$500,000 for patching, sealing and sidewalks. A \$170,000 grant for sidewalks from Kane County will offset some of that cost. The City will also be receiving grant funds for the Route 25 and Route 31 pedestrian crossings. This \$559,000 project is being split between the TIF 1 and MFT. The net cost of \$56,000 to MFT is the same as it is in the TIF. The 2014 budget also includes funding for the City's share of the Deerpath Bridge and for a small portion of the Safe Routes to School projects.

Capital Project Funds

Capital Project Funds receive funding through direct transfers from the General Fund, Property Taxes, via TIF (Tax Increment Finance), Grant Funds or Bonds. This budget includes four Capital Funds that are funded from the General Fund as operating transfers to provide for the long-term benefit and replacement of equipment or capital building needs. The process of funding incrementally each year, levels the burden over several years, rather than funding all at once through reserves or borrowing and incurring interest expense. This process also ensures that the City is planning adequately for future costs.

City Hall Improvement Fund (48)

The budget for City Hall Capital Improvements includes nearly \$500,000 in work. Some of the projects included have not been thoroughly vetted and may see a reduction in scope. The budget includes continued work on the replacement of windows at City Hall with \$200,000 budgeted. Other improvements include \$25,000 for fire alarm panel upgrades identified during the remodel of the third floor and also \$15,000 to remodel the storage area on the third floor. There is a budget of \$100,000 for life safety upgrades to be made to the Elevator at City Hall. A review will be made to determine if it would be more cost effective to make the upgrades or replace the elevator entirely. There is no imminent danger for use of the elevator and a full report will be brought before the City Council sometime next year.

There is a budget of \$80,000 for replacement of the current analog security cameras with digital equipment. The cameras will be at City Hall and the Police Department along with a few at Public Works. It is likely that additional cameras will be added in future years to key infrastructure throughout the City. Lastly, \$25,000 has been budgeted to begin phasing in security features at City Hall. The budget plans for panic buttons in a few key areas and security entrance cards within the evidence and armory areas in the Police Department and the main interior doors at City Hall.

Drainage Improvement Fund (33)

The Drainage Improvement Fund has a budget of \$268,750. It has \$35,000 budgeted to pay for a study on the establishment of a stormwater utility. Presentations have been made to City Council on the need for major improvements to drainage areas throughout the City. The establishment of this separate fund in 2012 was in response to the recognition that more funding is needed to address the matter. A determination on the best way to fund the improvements needs to be made. There are both pros and cons to establishing a new utility such as this one and a thorough review of both should be made.

Maintenance Projects in this fund include storm sewer and storm manhole lining, detention pond maintenance and Braeburn Marsh maintenance. Capital Projects include completion of the Fermi Lab drainage improvements, work along Mahoney Creek, rehabilitation of Nagel Pond and the conversion of a basin back to native at Edwards and Raddant. The conversion of the basin will require ongoing stewardship not currently being done. For further information on the Mahoney Creek and Nagel Pond projects, please reference the CIP sheets in the Appendix.

Vehicle and Equipment Funds (71 & 72)

Other funds include the fire and public works capital funds that were established for the replacement of vehicles and equipment. These funds receive funding from development and transfers from the General Fund. Public Works has budgeted to replace \$560,000 in vehicles and equipment. Included are 3 dump trucks with plows, a heavy duty pickup, a box van, a chipper and portable truck lifts for the garage.

The Fire Department plans to replace a 1991 Pierce Lance Pumper at an estimated cost of \$570,000. The next large replacement planned is an engine in 2018 followed by the ladder truck in 2021. The Fire Department has been successful in the past in applying for and receiving grant funds to help offset the cost of apparatus. The current funding schedule may need to be increased in future years if no grant funds are anticipated.

Deerpath Bridge and Safe Routes to School (42 & 45)

Both of these projects have a majority of their funding coming from grants. The Deerpath Bridge is funded at 80/20 with our share 20% expected end cost of \$368,377 to be funded with funds from the motor fuel tax/street fund. The Safe Routes to School Fund has \$409,000 in budgeted projects with \$17,000 coming from the City. These projects have CIP sheets in the Appendix with further details.

TIF 1 (11) and TIF 3 (12)

The two remaining Capital Project Funds are for the City's two active TIF Districts. TIF funds are generated through the difference in a set base value of property when the TIF is established and the increase in value through development. A TIF is established to revive an area of a community. The taxes that fund the district come from that change in value. The

amount that is returned to the City is the taxes from all taxing bodies. TIF Districts do not increase taxes for the taxpayer; they only change how the taxes are distributed. TIF's sometimes are frowned upon by taxpayers that feel that if the TIF were not receiving the tax dollars that the other taxing bodies might levy less taxes. What is often not understood though is that were it not for the TIF and the money available for improvements, the tax dollars would not be generated because the property would not likely have been developed on its own. In the end, taxpayers will benefit by having development that will provide long-term property tax payments to the taxing districts when the TIF expires via improvement dollars put directly into the area.

TIF spending can include public infrastructure, land acquisition, demolition, utilities, street lighting, water supply, landscaping, street furniture, environmental remediation, bridge work, parking structures, public art, and economic development endeavors. All of these uses are acceptable uses of TIF dollars and it is up to the City Council to determine the most appropriate use of this limited funding. Any use of TIF monies should consider the impact on the operating budgets of the City after the TIF expires to ensure that TIF improvements will be properly maintained.

The 2014 budget for TIF includes \$80,000 for Batavia MainStreet. Prior funding was made at \$40,000 but funding will be at \$80,000 in 2014 and 2015 and \$68,000 in 2016 before returning to \$40,000. The increase in funding is being done to return additional funds received by the TIF through the downtown Special Service Area levy that artificially increased payments to the TIF. Were it not for the SSA the funds would not have come into the TIF so the City Council has committed those funds be returned via a reduction in the SSA levy over the next three years. Other items include \$30,000 for the science sculpture on the bridge, \$15,000 for Wilson Street planter irrigation and \$23,500 for plantings on the bridge and on River and Wilson.

The Façade and Downtown Improvement Grant Programs are both budgeted at \$50,000 each for 2014. Also budgeted is \$675,000 for possible redevelopment toward a new downtown Walgreens and possible funding for the redevelopment of the Thomle building or the Baptist Church property. The MFT shared project for the Route 25 and Route 31 Pedestrian crossings will have a net cost to the TIF of \$56,000. The completion of Wilson Street streetscape project at a budget of \$206,000 in 2014 will bring the total cost of this project from TIF funds to \$1.2 million. No other streetscape projects were scheduled for 2014 to allow for replenishment to available funds. The current projection would require a loan from the General Fund in 2015 should the Houston Street Project be done then.

Strategic Goals for Community Connectivity:

- **Use the Arts and other forms of self expression to encourage and support community connectivity and identity**

As mentioned above the TIF budget includes funding of a bridge sculpture and a token amount to support the Art in Your Eye festival that has become a very successful event for the community and directly supports a strategic goal of the City Council.

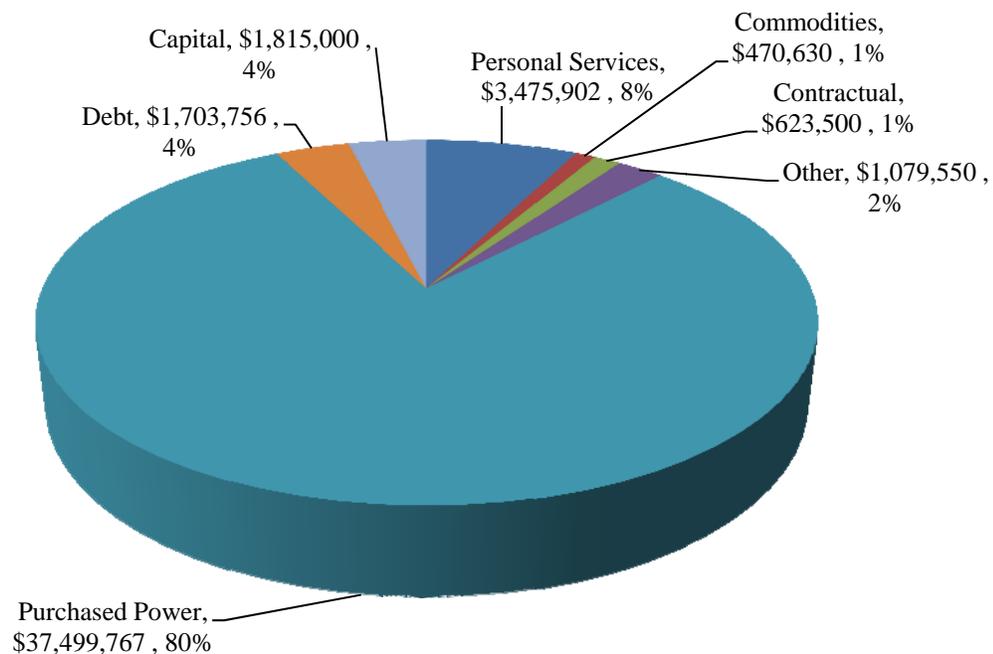
Enterprise Funds – Business Type Activities

The Enterprise Funds of the City are the Electric, Water, and Wastewater Funds. These funds are considered self-supporting through user fees. The City strives to ensure that it provides safe, reliable utility services at fair and reasonable rates.

Electric Utility

The electric utility provides service to over 9,500 residential customers and 1,340 commercial and industrial customers. The utility is a transmission and distribution utility and does not directly own generation. The chart below shows the breakdown in spending for the Electric Utility for the 2014 Budget. As shown purchased power accounts for 80% of expenses.

Electric Utility 2014 Budget by Category

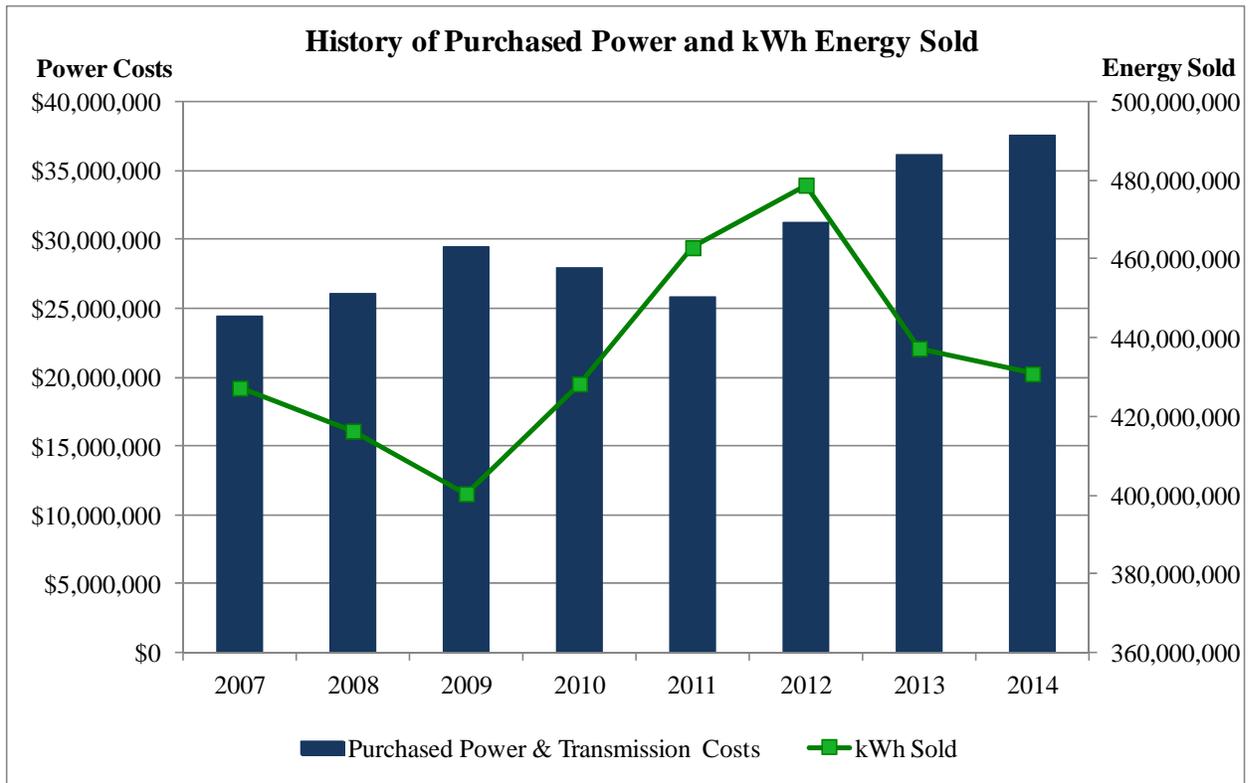


A major capital project completed in 2013 was an upgrade to the Cherry Park sub-station which began in 2012. The cost of this project was over \$2 million. The upgrade provided for a large size transformer and a third circuit to the southeast quadrant of the City. Other work in 2013 included an evaluation of our wood poles to determine a proper replacement plan and to maximize the life of the poles and to remove any unsafe poles from the system. Pole replacements will begin in 2014.

Power is provided through take or pay contracts. Beginning in 2012, the utility started receiving power through ownership in the Prairie State coal mine project via NIMPA, an intergovernmental group of three cities. NIMPA is an independent organization with its own Board and own financial accounting and reporting. The Board is made up of members

of the three cities but the accounting and financial reporting is contracted through an outside source. NIMPA is also independently audited in much the same manner as the City. In 2013 both units of Prairie State were in operation and all but some of the City's peak power was supplied through this source.

Power costs were much higher in 2013 due to costs associated with the startup of a newly constructed power plant. As owners, through NIMPA, we must pay our share of these costs. In addition, if the plant is down for maintenance, NIMPA must secure power on our behalf from another source. Power costs are expected to be higher still in 2014 to cover operation and maintenance costs of the Prairie State plant. Current projections show our power costs decreasing by 1% in 2015 followed by a 2%, 4% and then a 5% increase in 2018. These numbers are subject to change based on the operational needs of the plant. We as NIMPA have voting rights, but no direct operational control of plant. The chart below shows the increase in our power costs since deregulation and the change in our energy sold. Our costs have increased while our load has decreased, which unfortunately translates into higher costs that per kWh.



The current rate structure provides that the difference between the city's base power costs and true power costs be collected monthly through a purchased power adjustment factor (PPAF) applied to bills. The Council enacted a \$2 million rate stabilization fund to help stabilize the PPAF whenever possible. The passage of this budget will provide authorization from the City Council to use any remaining funds at the end of 2013 from the rate stabilization fund in 2014. It is also likely that an increase to the rate stabilization fund will be requested in 2014 to further assist with cost increases.

Although the PPAF has increased since late 2012, we should note that we had not had rate increases for many years with only minor ones every 5-7 years until 2007 and 2008 when two rate increases were put in place to fund the 138kV substations. Fixed rates were not increased again until 2012. The fluctuation in the PPAF does increase the cost to our customers however; the PPAF remained fairly low for the last half of 2010 through the fall of 2012.

An increase to rates has been included in the 2014 budget. A rate study has been done and a review of that report will be made with the City Council to evaluate and approve a rate increase for 2014. As some consolation, based on a recent market comparison study, our rates are still comparable to surrounding utilities. Due to the timing of the budget, the rate increase will likely not be effective at the beginning of the year.

NIMPA is a 7.6% owner and has a debt obligation of approximately \$530 million of which Batavia's share is \$240 million. Batavia pays the debt service in the form of a power contract through NIMPA. The debt costs for the bonds issued by NIMPA were slightly higher in 2013 and are expected to be higher in future years as a result of the federal sequestration that reduced the interest subsidy provided by the federal government for the bonds. The subsidy was reduced by about 8.7%.

City staff and the City Council are very cognizant of the impact our electric rates have on our utility customers. Staff has worked diligently to keep costs that are within our control to the lowest level possible. However, at the same time the utility needs to keep operating and working to provide reliable electric service. To that end, there is \$1.8 million of capital spending included in the 2014 budget. Included in that amount is a large bucket truck replacement which is a carryover from the 2013 budget as it will not be delivered until 2014. New equipment in this budget is \$135,000 to purchase an underground cable puller. As more and more of our infrastructure is placed in conduit below ground, it has become necessary to have one on hand.

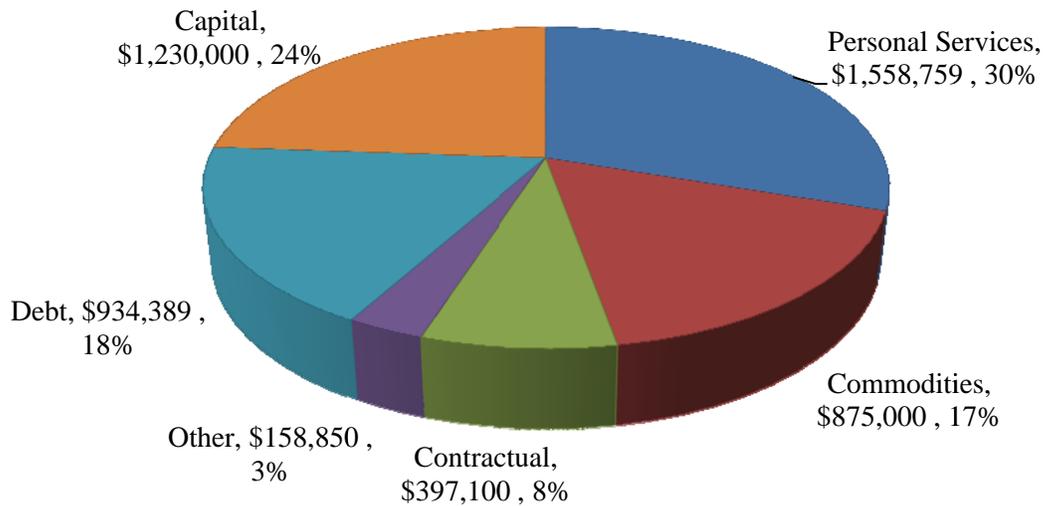
Staff will continue efforts in 2014 to seek diversification for the electric portfolio in order to mitigate the risk of having mainly one power source. Batavia Electric can be very proud of the infrastructure that is in place and the reliability and availability of our linemen and engineers to address any issues our customers may have.

Water Utility

The Water Utility will have the 3rd year of a 4 year rate increase of 3% go into effect on January 1, 2014. The rate increases were needed to fund future capital improvements. Plans for the Water Utility for 2014 include continued phasing in of an automated meter reading system. The current water meter technology used by the City is being phased out by the manufacturer and a new technology is being implemented. This project cost is being shared by the wastewater utility (31-83) since sewer billings are based on water meter readings. The expense is not budgeted under capital items because the City does not capitalize the cost of meters for water or sewer.

The capital budget includes several water main replacements. The largest expense is for main replacement on Maple Lane from Batavia Avenue to Republic Road. The water main on Houston Street will also be replaced to allow for the streetscape project to follow. The water main on Water Street between Wilson and Houston will also be replaced. Also included in the budget is the change out of water services on Batavia Avenue to move all the services to a new water main that was installed in a prior year. The department will be replacing a utility truck in 2014 as part of its replacement schedule.

Water Utility 2014 Budget by Category

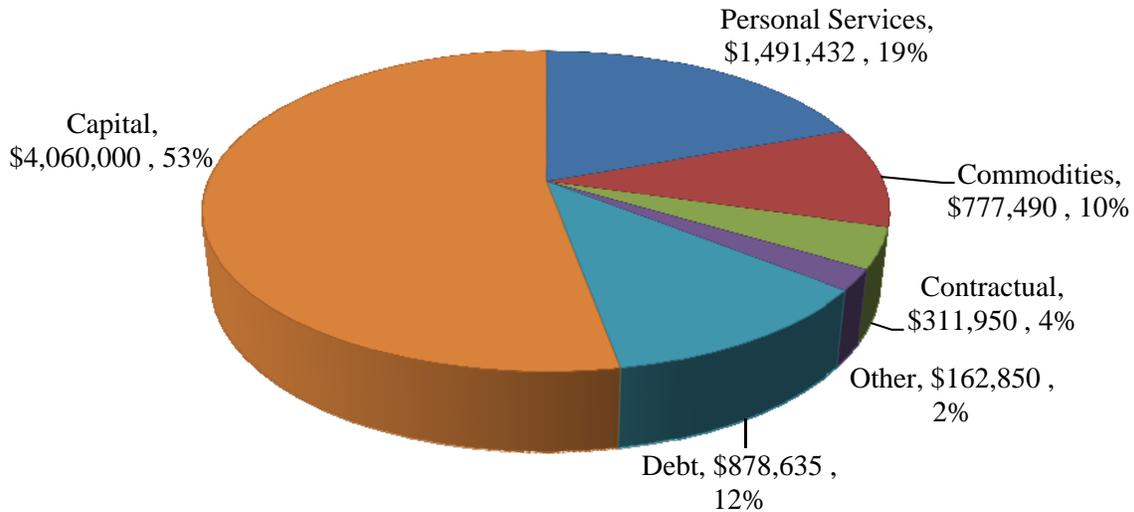


Wastewater Utility

The Wastewater Utility will have the 3rd year of a 4 year rate increase in 2014. An 8% rate increase will begin January 1, 2014. Plans for spending in 2014 include wastewaters share of the meter replacement program and ongoing sanitary sewer work including manhole rehabilitation, diversion structure rehabilitation on First Street and pipeline rehabilitation. Capital projects for the treatment plant include Design Engineering for the plant improvements and the start of some construction totaling \$3.3 million. Also included are SCADA upgrades for alarms at the plant and at the lift stations and a truck replacement.

The numbers included in the budget for plant improvements are estimates that may need to change depending on the timing of completion of the engineering and determinations made during the engineering process. In addition, the City will need to advance fund these costs and cash flow will need to be sufficient to allow the work to move forward. The response and time needed to receive approval for the IEPA loans will also be a factor in the timing of the construction. A breakdown of the 2014 Wastewater budget follows.

Wastewater Utility 2014 Budget by Category



Internal Service Fund Type: Self – Insurance Activities

Health (15) and Workers Compensation (20) Insurance

The City is self-insured for both Health Insurance and Workers Compensation. Employees pay between 13% and 20% of the cost of health insurance. Payment is made through a payroll deduction and the City contributes their share to the fund on a bi-weekly basis in conjunction with payroll. Rates are determined by a third-party broker based on estimated claims and using claims history. Claims up to \$105,000 are paid by the City. Reimbursement from an excess carrier is received for claims over that amount. The City currently has sufficient reserves to pay claims and will be using some of those reserves in 2013 to offset rate increases. Both the City and employees will benefit from use of reserves.

The Workers Compensation Insurance Fund is funded through charges to the departments based on claims history. Reserves are sufficient to reduce funding in 2014. A higher fund balance is needed in this fund due to the very high deductible. We currently have the lowest self-insured retention offered and that is \$650,000. Employee safety is a top priority and regular review of claims is made to ensure proper safety procedures are in place and proper personal protective equipment is used.

	2014	
	2014 Health	Workers Compensation
Revenues	\$3,691,585	\$540,420
Expenditures	\$3,579,045	\$610,250
Surplus/Deficit	\$112,540	(\$69,830)
Reserves	\$2,698,875	\$1,212,396
Claims Incurred	\$235,766	\$225,411
Days Claims	251	590

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.

General Obligation Debt – General Fund

Fortunately, the City has been careful when issuing debt and has a low General Obligation debt burden. The City will have \$8,800,000 in outstanding principal General Obligation debt payable from the General Fund at the start of the 2014 budget year. One of the City’s outstanding debt issues is backed by sales tax and two are supported through property taxes with the final levy for City Hall Bonds to be collected in 2014. There are currently no plans to issue debt in 2014. The Fire Station Bonds and the Bridge Bonds were both refunded in 2012 and those refundings will result in a total interest savings of \$865,000 over the remaining life of the bonds. The table below shows what will be included in the budget each year for debt payments. Detailed debt information may be found in the City’s Comprehensive Annual Financial Reports (available on the City’s Website).

General Obligation Debt Payments (Principal & Interest)

Project	Fire Stations	Donovan Bridge	City Hall	Total P & I
Funding	Sales Tax	Property Tax	Property Tax	by Year
2014	\$698,150	\$148,125	\$320,850	\$1,167,125
2015	703,450	150,825		854,275
2016	708,450	148,425		856,875
2017	707,700	144,825		852,525
2018	711,500	146,225		857,725
2019	709,700	142,475		852,175
2020	717,450	144,975		862,425
2021	719,450	142,375		861,825
2022	720,850	144,450		865,300
2023	721,650	141,413		863,063
2024	731,850	138,206		870,056
2025	726,150			726,150

Principal Balance	Fire Stations	Donovan Bridge	City Hall	Total
1/1/2014	\$7,100,000	\$1,390,000	\$310,000	\$8,800,000
Interest Cost	2.41%	2.20%	2.19%	
Final Payment Year	2025	2024	2014	

Revenue Bond Debt – Enterprise/Utility Funds

All three utilities have outstanding debt that was issued to fund capital improvements of the respective utilities. The electric utility issued \$26,970,000 in revenue bonds in 2006 to fund the construction of two 138 kV substations and transmission lines. The principal balance for Electric Fund debt as of 1/1/14 will be \$24,435,000. All debt associated with the Prairie State Mine Project was issued through the inter-governmental Agency, NIMPA. Repayment of the debt is done through purchased power contracts between the City of Batavia and NIMPA. Ultimately, it is the obligation of the City of Batavia to repay the debt, but the debt does not appear as a long-term debt obligation in the City’s Financial Statements or in supplemental debt disclosure. NIMPA issues their own financial statements and information related to this debt can be found on their website: NIMPA.us.

The debt in both the water and sewer utilities is through the IEPA and General Obligation Bonds issued in 2013 to refund some IEPA loans. The City of Batavia was the first entity in Illinois to refund IEPA loans at a lower interest rate. The Water Fund will have \$9,306,075 in outstanding principal on 1/1/14. The Wastewater Fund will start the year with \$5,561,479 in outstanding principal. The Wastewater Fund will need to issue IEPA loans beginning in 2014 to start funding improvements/rehabilitation at the wastewater treatment plant. The scope of the project spans five years with an ultimate debt of \$20 million.

IEPA loans are structured as a reimbursement as construction is completed rather than an upfront issuance like normal bonds. That type of loan reduces the ultimate interest cost since the debt isn’t issued until it is actually needed. However, reserves must be such to allow for advance payment of the contracts. The existing debt will be paid off in 2020 which will help with the payments on the new debt. Future rate increases in addition to the current rate increases planned through 2015 will likely be necessary.

Enterprise Fund Debt Payment Requirements (Principal and Interest)

	Electric	Water	Waste water
2014	\$1,703,006	\$934,214	\$868,902
2015	1,701,806	933,014	866,436
2016	1,704,606	936,714	863,958
2017	1,701,206	935,214	866,481
2018	1,701,806	933,614	868,888
2019	1,701,206	931,914	871,180
2020	1,704,406	935,114	828,318
2021	1,705,376	933,114	-
2022	1,704,694	936,014	-
2023 -2036	23,846,268	2,446,872	-

**Principal
Balance**

1/1/2014

\$24,435,000

\$9,306,075

\$5,561,479

Final Payment

Year

2036

2026

2020

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 capital 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. A standard measure is to maintain a balance sufficient to remain in operation for 60 days for the General Fund and 90 days for Enterprise Funds (utilities). The City will meet these reserve policies for all funds in 2014.

Fund reserve balances will be maintained that:

- Provide adequate financial resources to conduct the normal business of the City and ensure the continued delivery of services in the event of any disruption stemming from short-term interruptions in cash flow
- Provide adequate financial resources to maintain the City's creditworthiness
- Provide for the accumulation of financial resources for use in capital acquisitions or to comply with legal requirements
- Provide adequate financial resources to respond, in a planned and decisive manner, to long-term or permanent decreases in revenues
- Provide adequate financial resources to ensure continued delivery of public safety, utility and essential infrastructure maintenance services

Surplus and Reserves - General Fund

The projected reserves for the end of 2014 are projected to be 176 days.

	2011	2012	2013	2014
Revenues	\$21,072,747	\$22,329,659	\$22,738,047	\$22,890,393
Expenses	\$20,774,092	\$22,637,687	\$21,634,676	\$22,888,468
Surplus/Deficit	\$298,655	(\$308,028)	\$1,103,371	\$1,925
Capital	\$877,605	\$2,870,042	\$1,087,335	\$1,486,840
Operating Expenses	\$19,896,487	\$19,767,645	\$20,547,341	\$21,401,628
Reserves	\$9,539,821	\$9,231,793	\$10,335,164	\$10,337,089
Days Operation	175	170	184	176

General Fund Reserves - Continued

The projected spending in 2013 is expected to end the year \$529,000 under budget. The unspent funds add to the reserves at the end of the year. The delays in spending were related to vacancies in staff, lower overtime costs and delayed contract increases. The 2014 budget makes a slight addition to reserves. Although this budget is balanced the city must continue to be vigilant about adding to total expenditures for staffing or any other cost that would be ongoing. A dip into reserves to cover one-time or short term costs is not a concern for the city in that our reserve levels are very healthy and should be used for those types of things. The City Council may also choose to provide additional funding with a portion of reserves for Capital operations such as the Drainage Fund and the Motor Fuel Tax/Street Fund.

Surplus and Reserves - Electric Fund

Reserves in the Electric Fund are expected to decrease to 96 days with a projected balance of \$11.9 million. The reserves will be lower due to a planned use of the rate stabilization fund in 2013 to offset higher costs related to purchased power. The utility is expected to end the year 2013 with a deficit of \$3.5 million. The deficit includes an accrual of \$1.9 million in unbilled energy cost adjustments from NIMPA that will actually be paid out in 2014. In addition, it is expected that the rate increases approved for 2014 will not be proposed high enough to fully cover costs in 2014 thus resulting in a further drawdown of reserves in 2014 of \$815,000.

The proposed rate increases will be such that cash reserves do not go below our required threshold for bond reserve purposes as well as maintaining 90 days of reserves. In addition to these requirements, the projected net income will meet our revenue bond coverage requirement of 1.25 x debt service for net income. A smaller rate increase may be proposed again in 2015 to get the rates to the necessary level. The adequate level of reserves allows a two-year phase-in of rate increases as well as having provided resources to use in 2013 to keep the purchased power adjustment factor down.

	2011	2012	2013	2014
Revenues	\$38,757,955	\$43,951,566	\$44,000,021	\$47,540,762
Expenses	\$36,022,954	\$41,442,094	\$47,482,350	\$48,153,105
Surplus/Deficit	\$2,735,001	\$2,509,472	(\$3,482,329)	(\$612,343)
Capital	\$1,556,307	\$1,379,122	\$2,653,595	\$1,815,000
Operating Expenses	\$34,466,647	\$40,062,972	\$44,828,755	\$46,338,105
Reserves	\$13,732,896	\$16,242,368	\$12,760,039	\$12,147,696
Days Operation	145	148	104	96

Surplus and Reserves -Water Fund

The reserves for the Water Fund are projected to be at 245 days at the end of 2014. The reserve includes a drawdown in 2013 and 2014 for water main replacement projects undertaken in conjunction with the streetscape projects. Evaluation and prioritization of future water projects continues to ensure that adequate reserves will be available to fund the projects. The focus will be on replacement of water mains with the most pressing maintenance issues followed by the oldest water mains. City staff has made a concerted effort to coordinate capital planning across departments to time utility improvements with road improvements when appropriate. See the chart on the following Page.

	2011	2012	2013	2014
Revenues	\$4,240,124	\$4,576,648	\$4,290,275	\$4,421,795
Expenses	\$3,816,869	\$4,054,457	\$4,442,308	\$5,154,098
Surplus/Deficit	\$423,255	\$522,191	(\$152,033)	(\$732,303)
Capital	\$54,328	\$365,188	\$606,186	\$1,230,000
Operating Expenses	\$3,762,541	\$3,689,269	\$3,836,122	\$3,924,098
Reserves	\$2,997,325	\$3,519,516	\$3,367,483	\$2,635,180
Days Operation	291	348	320	245

Surplus and Reserves - Wastewater Fund

The reserves for the Wastewater Fund are projected to be at 92 days at the end of 2014. The reserves reflect the infusion of \$3 million in IEPA loan funds to offset the planned capital investments to be made in 2014. The wastewater fund will be incurring significant debt over the next five years to fund necessary capital improvements. Rates will need to be sufficient to cover the new debt while maintaining an adequate number of days of reserves. Further review will be done in 2014 to plan for this.

	2011	2012	2013	2014
Revenues	\$4,277,211	\$4,007,479	\$4,401,483	\$7,546,677
Expenses	\$4,501,554	\$4,004,731	\$5,216,277	\$7,682,357
Surplus/Deficit	(\$224,343)	\$2,748	(\$814,794)	(\$135,680)
Capital	\$794,326	\$349,445	\$1,675,975	\$3,960,000
Operating Expenses	\$3,707,228	\$3,655,286	\$3,540,302	\$3,722,357
Reserves	\$1,884,250	\$1,886,998	\$1,072,204	\$936,524
Days Operation	186	188	111	92

Conclusion

The 2014 General Fund budget is presented as a balanced budget without an increase to property taxes or other fees in the General Fund. Costs have been cut or held even in most commodity and contractual items except for the brush program, Tri-Com and Tri-City Ambulance. Additional staff has been requested in several departments but only the addition of a maintenance worker in the street department has been included here. The budget does provide for about a 2% wage increase for most workers. One contract will be end during the year in 2014 and estimates have been used to budget those wages.

Staff will continue to work towards long-term sustainability throughout the year by always looking for cost savings in purchasing and in processes. A budget will be presented each year that ensures there is a structure of revenues that will support the services that the City Council deems appropriate for funding. In addition, a budget will not be presented that does not look to future years and consider the impact of current spending.

The five-year projection shows that expenditures in the General Fund will outpace revenues and this will need to be addressed through some type of revenue increase if services are to continue to be provided as they currently are in the 2014 budget. Service delivery and financial sustainability are a key portion of our strategic plan and staff will continue to work towards that goal.

The largest impact this budget will have on our residents and customers is the rate increases that are necessary in the electric, water and wastewater utilities. When approving this budget, it is important to realize the total impact of all costs to these individuals. A balance between ensuring there is safe, reliable infrastructure with the increased cost of providing services must be established. The goal is to obtain the maximum useful life of our infrastructure. Ensuring that an adequate long-range capital plan is in place for all three of the utilities is a key factor in budgetary decision making for the utilities.

Reliable electric services along with clean safe drinking water and an environmentally safe wastewater system are all an important part of ensuring the economic and environmental sustainability of our City.

The unfunded state and federal mandates affecting the City in 2014 are becoming more and more the norm. It should be expected to continue to impact all areas of the City's budget in the coming years.

The FBI security mandate is one such example that impacts this budget and will have an ongoing cost associated with it. EPA mandates for our wastewater and water utilities continue to require investment in our systems. The North American Electric Reliability Corporation (NERC) imposes mandatory enforceable standards for electric reliability and security. There are large penalties for non-compliance. As a result, there are ongoing costs for reporting on our reliability and ongoing training requirements that are part of our annual budget. We have been impacted by the federal sequestration on the Build America Bonds that reduced the interest subsidy on the NIMPA bonds.

Other concerns are future unknowns such as the financial impacts related to the federal changes to our healthcare system. The federal government may also be providing less grant revenue. We have been very fortunate in the past few years to receive millions of dollars in both federal and state grant funds. The continued pressure on our state's fiscal condition is also a factor to keep in mind. It is possible that unplanned costs may filter down to us and there is always the possibility that the state will offer less in revenue sharing for the City.

While these outside forces are mainly out of our direct control, it will be up to the City Council to determine the best and most appropriate means to fund City services. What is clear is that there will continue to be funding pressures that will affect all operations of the City. As we move forward in the next few years, it will be more necessary than ever to embrace change, cultivate creativity and seek innovation.

After much review and evaluation, the 2014 budget is provided herewith for your examination.

This budget, as always, was the result of many hours of review and meetings with the City Administrator, Assistant City Administrator and Staff. Recognition should be given to all of the Department Heads and their Staff. I would also like to thank the Staff of the Finance Department for their assistance in compiling this budget.

Sincerely,
Peggy Colby,
Finance Director

City of Batavia 2014 Annual Budget

Total 2014 Budget - All Funds and Activities

Description	Actual 2011	Actual 2012	Approved Budget 2013	Estimated 2013	Proposed Budget 2014
Surplus and Reserves	\$33,337,124	\$37,317,529		\$39,403,604	\$36,081,673
01 Intergovernmental	\$3,897,996	\$4,727,147	\$6,194,162	\$5,108,190	\$5,377,358
01 Municipal Taxes/Fees	\$4,763,345	\$5,346,993	\$5,221,517	\$5,421,176	\$5,360,096
01 Property Taxes	\$7,330,398	\$7,870,416	\$7,859,341	\$7,820,341	\$7,868,022
01 Sales Taxes	\$6,441,947	\$6,325,405	\$6,365,587	\$6,511,069	\$6,625,012
01 Utility Operating Revenues	\$45,771,791	\$51,671,893	\$51,255,684	\$51,841,808	\$55,808,358
02 Contributions	\$4,274,406	\$4,057,726	\$4,285,999	\$4,287,597	\$4,167,505
02 Utility Nonoperating Revenues	\$481,090	\$385,080	\$2,477,900	\$245,513	\$200,400
04 Fees & Services	\$766,412	\$799,994	\$730,572	\$687,982	\$721,688
05 Fines and Forfeitures	\$203,415	\$186,264	\$182,099	\$233,000	\$225,000
06 Other Revenues	\$656,506	\$723,803	\$562,750	\$578,273	\$786,361
07 Interfund Allocations	\$2,216,819	\$3,620,962	\$2,123,920	\$2,115,321	\$2,064,342
08 Revenue Bond Proceeds	\$448,184	\$0	\$0	\$147,700	\$2,950,000
Total Revenue	\$77,252,309	\$85,715,683	\$87,259,531	\$84,997,970	\$92,154,142
TIF District Projects	\$1,024,853	\$3,775,308	\$2,957,603	\$2,231,640	\$1,500,937
Administration & Legislative	\$1,228,338	\$1,008,370	\$1,081,511	\$1,108,997	\$1,113,201
Human Resources	\$277,342	\$285,221	\$274,974	\$296,640	\$277,492
Community Development	\$869,490	\$918,108	\$944,637	\$899,581	\$959,087
Public Works Administration	\$190,784	\$200,755	\$219,400	\$221,350	\$225,684
Engineering	\$537,298	\$624,419	\$726,815	\$708,374	\$709,141
Building and Grounds	\$431,550	\$395,465	\$410,947	\$375,756	\$384,148
Finance and Accounting	\$557,592	\$566,905	\$575,075	\$564,650	\$574,721
Information Systems	\$584,930	\$709,871	\$730,529	\$716,023	\$941,057
Utility Billing	\$216,475	\$299,457	\$353,553	\$338,658	\$349,849
Worker's Compensation Plan	\$621,759	\$521,973	\$600,000	\$555,000	\$610,250
Economic Development	\$68,076	\$74,388	\$159,123	\$90,834	\$160,776
Police Admin & Operations	\$7,654,652	\$8,003,621	\$8,080,546	\$7,953,868	\$8,399,091
Fire Services	\$4,653,944	\$4,724,069	\$5,004,995	\$4,839,743	\$4,980,991
E.S.D.A.	\$25,959	\$25,425	\$36,180	\$28,597	\$51,065
Drainage Capital Projects	\$0	\$57,401	\$99,000	\$36,100	\$268,750
Public Works Capital Acquisition	\$0	\$294,193	\$370,000	\$190,801	\$560,000
Fire Capital Acquisition	\$0	\$226,752	\$0	\$0	\$570,000
Health Benefit Plan	\$3,274,314	\$3,543,960	\$3,598,357	\$3,424,699	\$3,579,045
Safe Routes Program	\$0	\$6,408	\$439,870	\$57,543	\$409,319
Deerpath Bridge Construction	\$45,854	\$51,974	\$184,712	\$164,000	\$136,100
Streets and Sanitation	\$3,011,303	\$3,048,391	\$3,360,022	\$3,286,180	\$3,609,015

City of Batavia 2014 Annual Budget

Total 2014 Budget - All Funds and Activities

Description	Actual 2011	Actual 2012	Approved Budget 2013	Estimated 2013	Proposed Budget 2014
Surplus and Reserves	\$33,337,124	\$37,317,529		\$39,403,604	\$36,081,673
Street Improvements	\$1,280,908	\$1,545,071	\$1,752,786	\$1,418,318	\$2,232,535
City Hall Capital Improvements	\$0	\$87,075	\$257,000	\$39,500	\$445,000
Donovan Bridge Project	\$456,803	\$0	\$0	\$0	\$0
Electric Improvements	\$1,556,307	\$1,379,122	\$5,785,000	\$2,653,595	\$1,815,000
Meter Reading/Locating	\$413,757	\$484,638	\$444,210	\$439,663	\$450,058
Transmission & Distribution	\$32,629,085	\$37,875,179	\$40,179,356	\$42,685,316	\$44,184,291
Water Improvements	\$54,328	\$365,188	\$430,680	\$606,186	\$1,230,000
Water Production	\$749,173	\$732,765	\$1,142,000	\$893,500	\$914,900
Water Distribution	\$1,957,259	\$1,895,046	\$1,984,663	\$1,885,100	\$1,948,821
Utility Share General Fund	\$-1,523,022	\$-1,629,602	\$-1,628,338	\$-1,628,338	\$-1,615,000
Wastewater Improvements	\$736,264	\$81,973	\$1,079,000	\$1,100,000	\$3,460,000
Waste Water Treatment	\$2,025,275	\$2,178,430	\$2,281,507	\$2,210,096	\$2,261,640
Sanitary Sewer	\$248,438	\$488,145	\$1,016,329	\$915,246	\$956,094
Interfund Allocations	\$2,216,819	\$3,620,962	\$2,142,856	\$2,115,321	\$2,064,342
Revenue Bond Payments	\$3,744,053	\$3,782,658	\$3,533,693	\$3,503,475	\$3,516,780
General Obligation Debt Service	\$1,451,944	\$1,380,524	\$1,393,889	\$1,393,889	\$1,167,125
Total Expense	\$73,271,904	\$83,629,608	\$92,002,480	\$88,319,901	\$95,401,305
Surplus/(Deficit)	\$3,980,405	\$2,086,075	(\$4,742,949)	(\$3,321,931)	(\$3,247,163)
Surplus and Reserves	\$37,317,529	\$39,403,604		\$36,081,673	\$32,834,510