



Budget Report to Mayor Bearrows & City Council

DATE: October 30, 2023
To: Mayor Bearrows & City Council Members
FROM: Jeffrey A. Fiegenschuh, MPA, ICMA-CM, City Manager
RE: FY 2024 City and Utilities Budgets

It is my pleasure to submit to you the Operating and Capital Improvement Budgets for the City of Rochelle and Rochelle Municipal Utilities for the Calendar Year (CY) beginning January 1, 2024. The numbers reflected in this document are part of the PowerPoint presentation for the October 30, budget workshop. The entire City of Rochelle proposed CY 23 budget is \$125,523,274.

Proposed General Fund Revenues for FY 24 are estimated to be \$14,051,480. Expenditures for the new fiscal year total approximately \$14,043,345. Staff estimates a projected surplus for the new year of approximately \$8,000. Based on this information, our team estimates the general fund cash balance will increase slightly to \$10,131,634. Projects funded by transfers from the landfill, the Non-Home Rule Sales Tax, Utility Tax and Motor Fuel Tax are included in the Capital Improvement Fund and not part of the general fund balance.

The Utilities (Electric, Water, Water Reclamation, Advanced Communications & Technology Center, Railroad, Landfill, Golf Course and Airport) proposed budgeted expenses are \$84,485,868 of which \$31,323,350 is for capital outlays & \$26,779,746 for power purchases. All other Funds, including Special, Downstate Police and Fire Pensions, Internal Service and CIP total \$26,994,061.

In preparing this budget document, our team worked to ensure it is informative and easy to understand. This Executive Summary and an electronic version of the Budget Presentation are available on the city's website and Facebook page.

Staff believes the FY 24 budget represents the City of Rochelle's ongoing mission to provide a safe, connected, and innovative community with professional, personalized, and impartial services. The spending, specifically all capital expenditures, falls in line with the 2022 strategic planning document that has been adopted by the full City Council. Our team worked to ensure that all spending can be tied back to the 6 core areas approved by the City Council.

STRATEGIC PLAN GOALS

- Economic & Business Development
- Financial & Management Stability
- Quality of Life
- Community Inclusiveness & Engagement
- Infrastructure Effectiveness & Improvement
- Core Service Delivery

It remains the intention of staff that this budget reflects the priorities of our elected officials. The key priorities that have guided efforts in developing the budget include the following:

- Revenues have been estimated at realistic and conservative levels based on estimates due to inflationary pressures and other increased costs.
- Basic services are financed at appropriate levels, with an emphasis on fully staffing the PD and hiring 3 full-time FF/Paramedics.
- Numerous staffing positions could become vacant due to retirements (outside of the PD). Except for IT and Public Safety these positions will remain unfilled for two years.
- Investment in infrastructure continues to be a priority. This includes projects funded with utility rates, the non-home rule sales tax, utility taxes, motor fuel taxes, rail revenues, transfers from the landfill fund and the general fund cash balance.
- Incentives to expand the local tax base to encourage growth include a property tax rebate program for new and redeveloped housing and the waiver of building permits for small businesses. Other incentives include the Lee/Ogle Enterprise Zone, the city's three TIF districts, the opportunity zone, foreign trade zone #176, the downtown historic district & the façade improvement program. A continuation to improve the city's overall appearance is being supported through renewed investments in all major corridors of the community. This includes promotion of the three TIF districts, continued infrastructure improvements including drainage improvements and beautification efforts. The city has a renewed interest in investment on and near Highway 251 South of the overpass. The redevelopment of the Hickory Grove property continues to be a top priority in 2024.
- Continued of investments in the city's utility infrastructure including funding for the completion major electric distribution upgrades, significant upgrades at the diesel generation plant, phase two of upgrades at the WWTP, a new iron removal plant at well #8, lining within the sanitary sewer system and other equipment upgrades. These projects are being funded through Alternate Revenue Bonds (electric), utility rates and several grants, including EDA and CDBG and the State Revolving Loan/Debt forgiveness program.
- The EAV in all three TIF districts continues to increase with the most significant increases coming in the downtown TIF.
- The budget includes funding for phase 2 renovations for new RMU location on south 7th Street and building improvements at city hall, the police department, fire station and public safety/utility training facility.

The city continues to address fiscal pressures presented by the following issues:

- Initiatives by the legislature to prematurely close the Prairie State generating plant. This could have long-term negative impacts on utility rates.
- Increasing inflationary pressures and borrowing costs. Possibility of economic recession.
- Continued regulations forcing further upgrades to Water and Water Reclamation treatment facilities.
- Airport revenues continue to lag operational and capital expenses.
- Continued issues with the recruitment of qualified public safety personnel.
- Possible funding cuts in Local Government Distributive Fund (LGDF) and actual funding reductions in the personal property tax replacement fund of over 28%.
- Potential for significant revenue increase through a new rail transload center.

CITY OF ROCHELLE SIGNIFICANT FUNDS

The General Fund

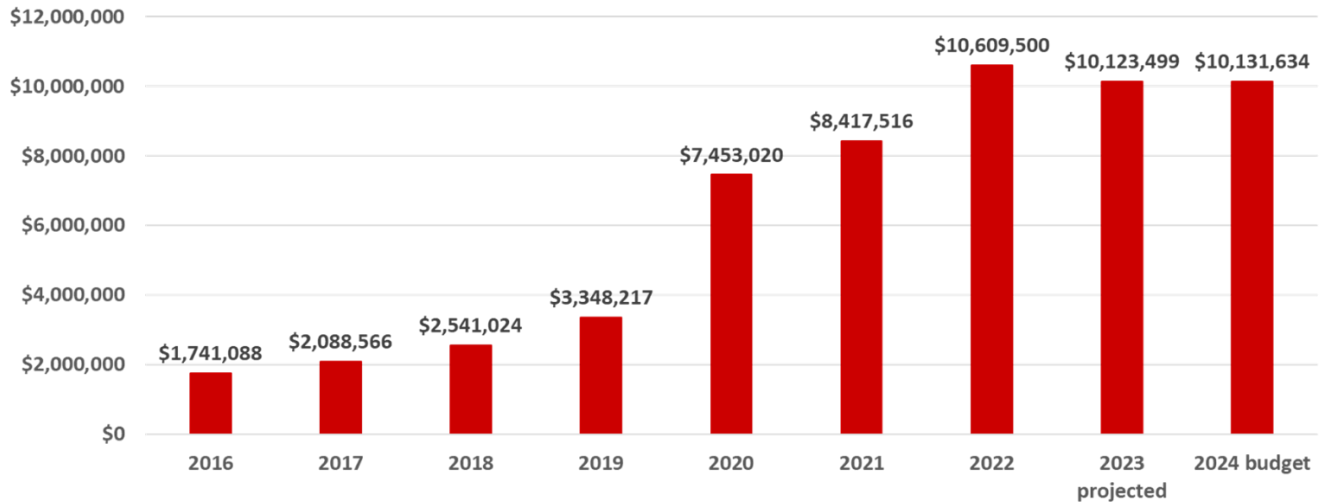
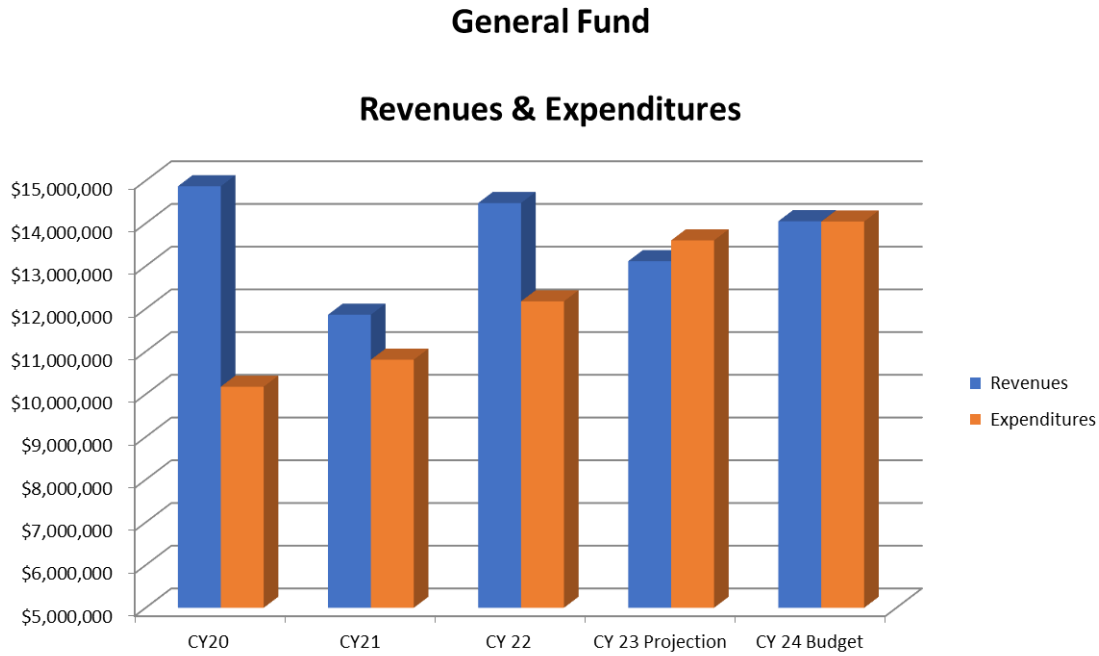
The General Fund budget supports many of the day-to-day activities of the city. The Departments housed within this Fund include Public Works, Cemetery, Engineering, Police, Fire, City Hall, Economic Development, and Community Development.

The total General Fund Budget for the new calendar year contains \$14,043,345 in expenditures. These allocations reflect our commitment to provide core services to our community and were developed using the best available information and most current revenue projections. The Budget for the new calendar year includes an overall increase in expenditures of approximately \$440,00 from the FY 2023 final 12 month estimated expenditures.

The increase is due to additional staff in public safety and public works and increased investment in capital expenditures. All ARPA funds have been successfully spent on one-time projects and building improvements. The general fund budget reflects average wage increases of 6% for nonunion employees to match up with the 2019 approved compensation study.

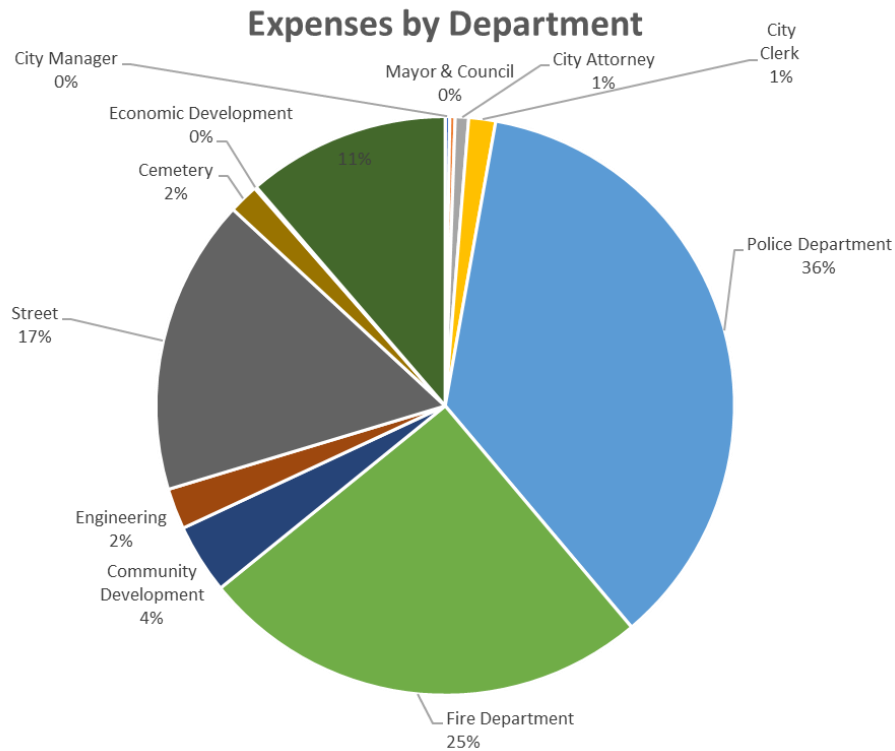
The major revenue sources of the General Fund include sales tax, property taxes, LGDF revenue sharing, video gaming fees, charges for services, licenses, and transfers-in from other funds (enterprise funds). Other revenues generated that are allocated for capital improvement costs include the non-home rule sales tax, utility taxes and the state motor fuel tax. The city continues to transfer all gaming revenues to the police and fire pension funds along with \$200,000 of all EMS revenues back to the ambulance fund to pay for equipment upgrades.

GENERAL FUND REVENUES & EXPENSES



Staff is projecting a General Fund Balance of approximately \$10,131,634 at the conclusion of the new fiscal year. This represents a slight increase of approximately \$8,000 from the current year end projections. The cash reserve policy approved by the city council requires 15-40% of the General Fund Budget be available in cash at any time. The City's total cash on hand exceeds the minimum cash policy required amounts by approximately \$4.5 million. Lastly, all outstanding long-term debt held by the city is obligated to the TIF and Enterprise Funds. The only general fund debt is Alternate Revenue Bonds that will be retired in 2026.

EXPENSES BY DEPARTMENT



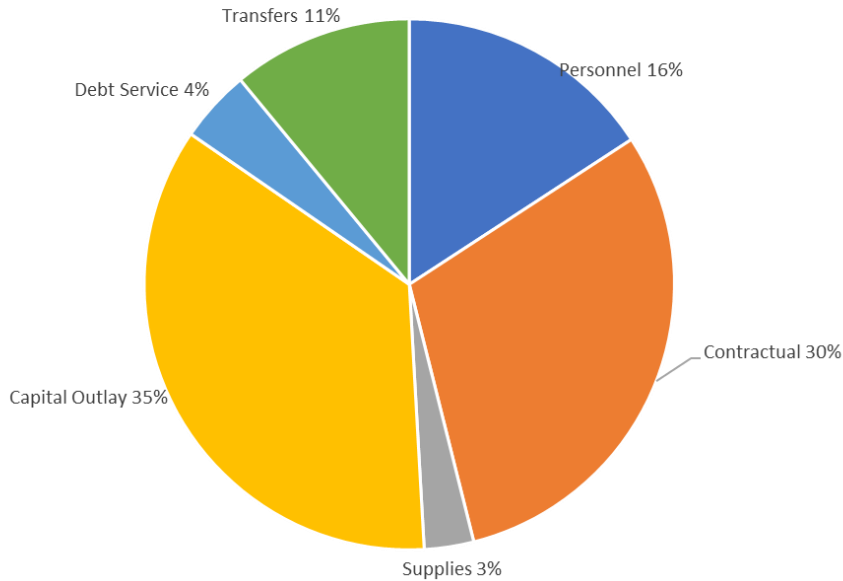
Mayor & Council	0%		\$ 36,050
City Manager	0%		\$ 41,850
City Attorney	1%		\$ 105,000
City Clerk	1%		\$ 210,444
Police Department	36%		\$ 5,063,589
Fire Department	25%		\$ 3,553,021
Community Development	4%		\$ 547,351
Engineering	2%		\$ 321,158
Street	17%		\$ 2,323,558
Cemetery	2%		\$ 234,234
ED	0%		\$ 15,930
Municipal Building	11%		\$ 1,591,160
			\$14,043,345

The major expenses for the General Fund include Public Safety, Public Works, Cemetery, Community Development, City Hall, and Engineering. Within each department, the major expenses include Personnel Services (salaries and benefits), Contractual Services, Supplies and Capital Outlay.

Typically, in local government most of the expenses are related to Personnel costs. Staff is pleased that our community is within the industry norm of personnel costs as it relates to the

entire budget. Our goal is to stay at or below 70%. This year, personnel costs are approximately 58% (This does not include administrative services and network administration). Due to power purchase costs and capital investments, city-wide, personnel costs are 16% of the overall municipal budget.

Organizational Expenditures Summary



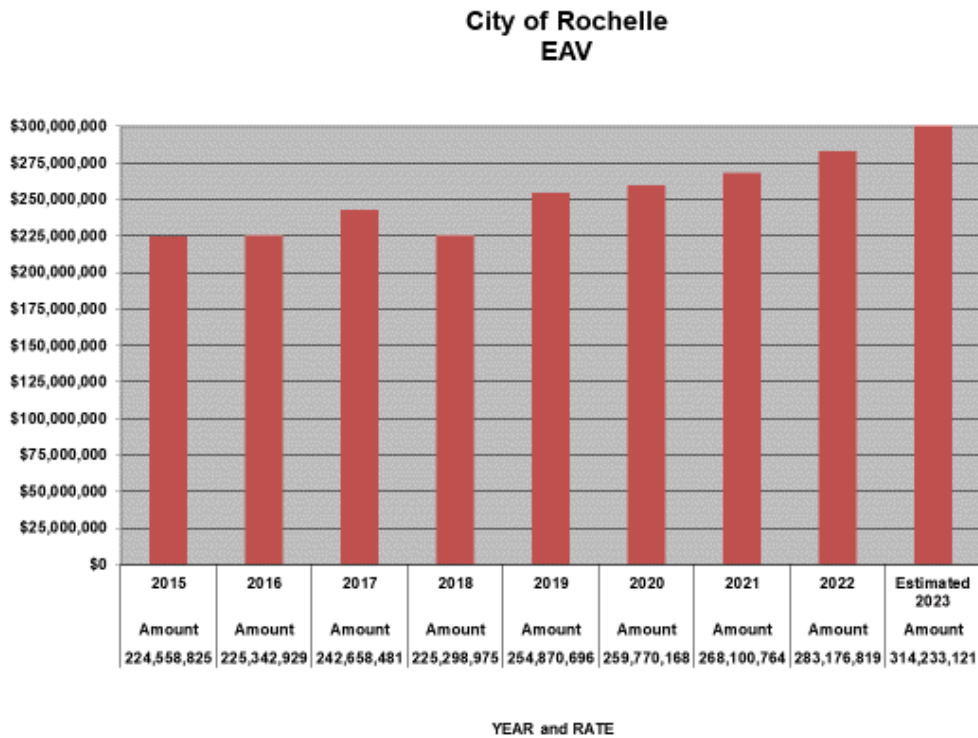
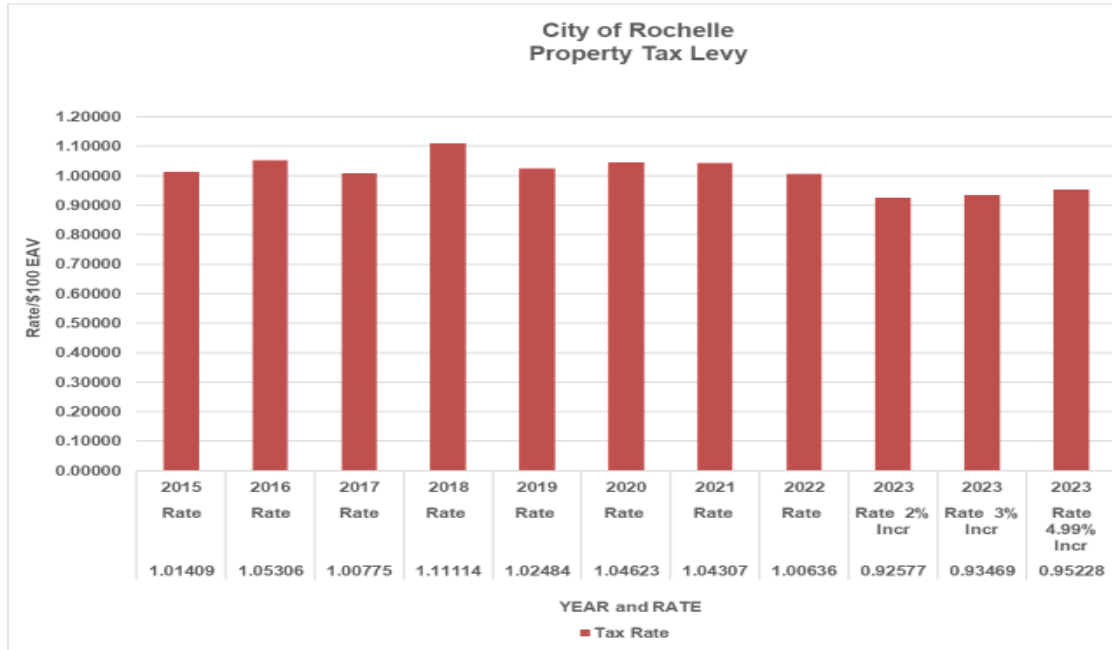
Personnel	16%	\$ 19,845,694
Contractual	30%	\$ 38,005,683
Supplies	3%	\$ 3,784,400
Capital Outlay	35%	\$ 44,536,860
Debt Service	4%	\$ 5,548,979
Transfers	11%	\$ 13,801,658
		\$125,523,274

MAJOR REVENUE SOURCES OF THE GENERAL FUND

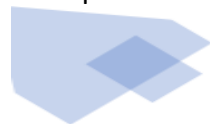
City Property Tax Rate

The final budget is based on a Property Tax Request of \$2,937,789, which equates to a rate of \$0.934685 per \$100 of assessed valuation. This is an increase of \$87,311 over the previous fiscal year, but due to increased EAV estimates, the actual rate will decrease by \$.07. The overall

amount allocated to the General Fund is increasing approximately 5% from the previous fiscal year. The City Council and staff have done a good job controlling the growth of the city's overall Property Tax rate. Since 2015, the rate has remained below \$1.04. Below are several charts highlighting the city's Equalized Assessed Value and Tax Levy request.



For homeowners in the City of Rochelle, the city's total Property Tax requests accounts for less than 13% of their overall consolidated county-wide Property Tax bill. Below are three examples of what a typical homeowner will pay in city Property Tax levied in 2023 and paid in 2024 based on the estimated EAV and Levy amount approved by the city council. As you can see, a 3% increase in the city's tax request equates to the average homeowner's bill decreasing between \$24-\$47 in the new year. Our overall tax rate continues to remain relatively flat due to increased residential property values and additional industrial and commercial growth coming out of the enterprise zone.



Residential Taxpayer Tax Levy Impact

		2022	2% incr 2023 Rate	3% incr 2023 Rate	4.99% incr 2023 Rate
<u>Market Value</u>	<u>EAV</u>	<u>1,006,360</u>	<u>0.925774</u>	<u>0.934685</u>	<u>0.952283</u>
\$100,000	\$33,333	\$335.45	\$308.59	\$311.56	\$317.43
\$150,000	\$50,000	\$503.18	\$462.89	\$467.34	\$476.14
\$200,000	\$66,667	\$670.91	\$617.18	\$623.12	\$634.86

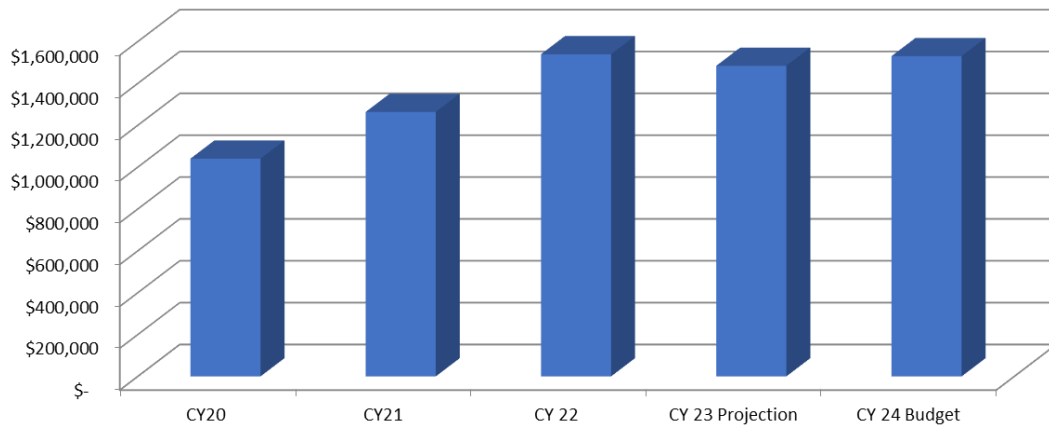


Local Government Distributive Fund

The national economy continues to show signs of some larger scale issues. However, due to increases in state income tax collections, staff feels confident the local government distributive fund (LGDF) revenues will remain strong and increase in 2024. LGDF revenues are one of the major revenue sources the city relies on for general fund expenditures and is typically a good indicator of the state and national economy. In 2016, the state decreased LGDF funds by 10% to local governments. In the 2019 budget however, half of that cut was restored. Based on IML estimates, staff anticipates collecting \$1,530,252 in LGDF funds in 2024.

As our team moves forward, it is important to remind our state legislators how important LGDF funds are to our local community and toward meeting their numerous unfunded mandates. The funds are not state aid, but dollars collected by the state on behalf of cities. Further, we need to continue to remind the state to pay this shared revenue in full and in a timely manner.

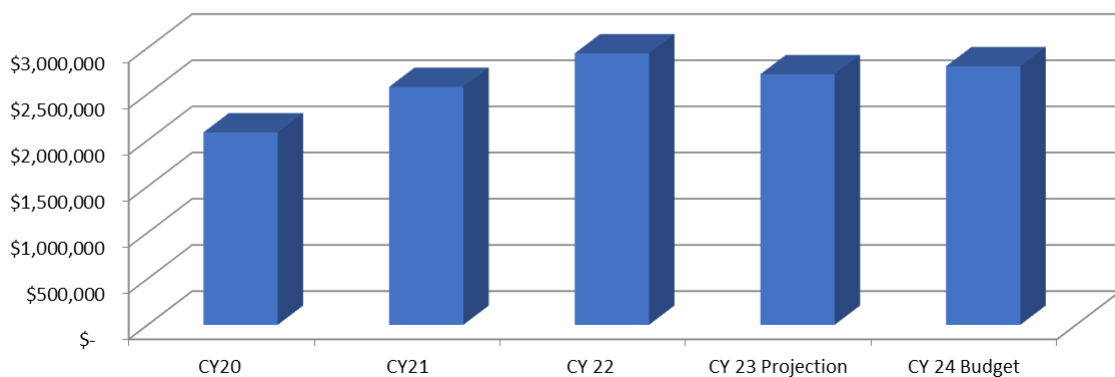
LGDF History (Income Tax)



State Collected Sales Tax-1%

Since 2016, the city's 1% State Shared Sales Tax has been increasing with 2024 projections on par with the near record collections in 2023. The general sales tax receipts constitute approximately 20% of the general fund revenues, depending upon the year. Continued increases are crucial to the funding of future initiatives and is a good indicator of the overall health of the local economy. The state-shared 1% Sales Tax is one of the best indicators of actual sales within the community. Even with inflationary pressures and product shortages staff is estimating conservatively for these tax collections in the new fiscal year. Positively, Rochelle continues to see new businesses opening including Starbucks, Majeski Motors, RP Lumber, Audyn Boutique, Blue Flame Décor, and a host of other facilities. All new businesses add to our sales and property tax growth. This is another reason it is so important to promote shopping locally in the Rochelle area.

Sales Tax General Fund Portion Only



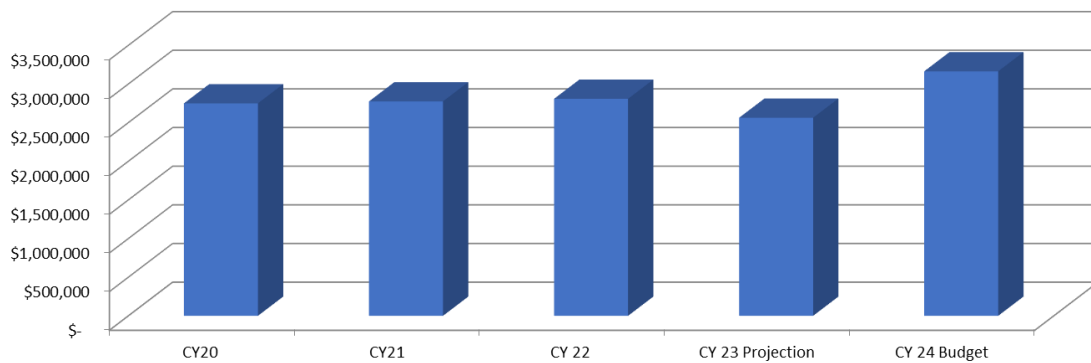
Transfers In

Like many other communities across the country, the city transfers in revenue from other funds as Payments in Lieu of Taxes. Payments in Lieu of Taxes are tax payments that would be made

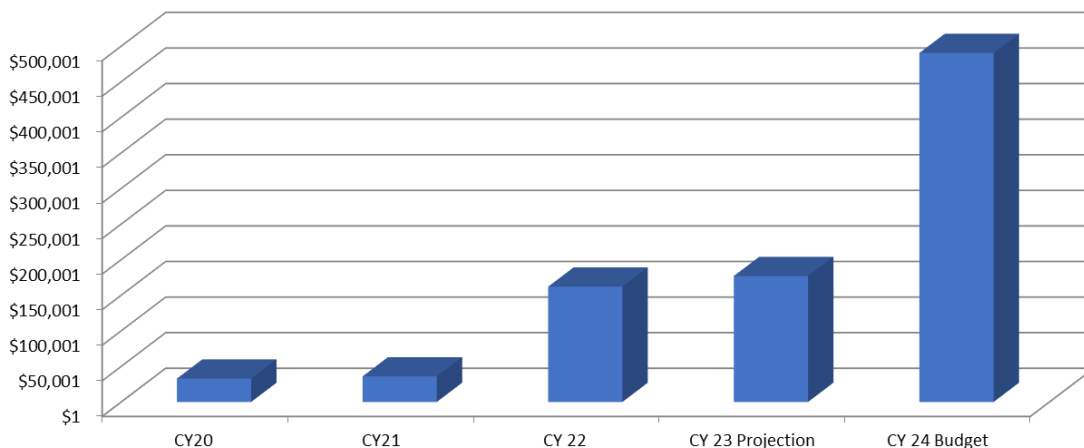
to the City if the utilities were privately-owned through Sales Tax Collections and Property Taxes. These payments are predominant within communities that have their own Utility Enterprise Funds. The transfers typically account for 20%-25% of overall General Fund revenues. This year the percentage is approximately 26%. The transfers are based on previous year audited utility revenues with the water, sewer and electric transfers equating to 5.5% of the previous year's audited revenues. Staff will be presenting an ordinance in February to the City Council that caps all future transfers from the Enterprise Funds at 5.5 % of the previous year's audited revenues.

Due to the amount of work the Public Works crews spend dealing with landfill-related issues, additional funds continue to be transferred to cover their time, including a larger portion of the Public Works Director's salary. The total is \$490,365 and is included in the 26% figure above. This covers half of the PW Directors salary along with a portion of two full-time operators and the 5.5% to the general fund. As future landfill revenues grow the city will need to set aside funds for future landfill projects, expanding community clean up initiatives and buying down future garbage rate increases.

Transfers-In to General Fund



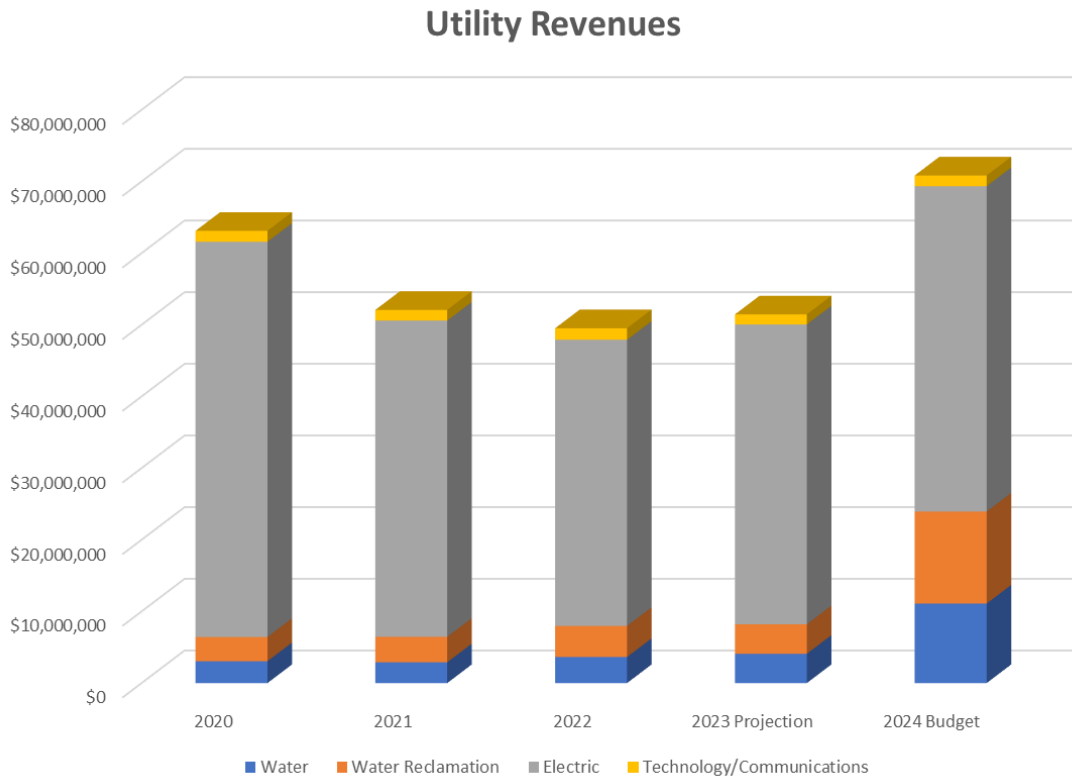
Solid Waste Transfer to General Fund



Enterprise Funds

The City of Rochelle Enterprise Funds, also commonly known as Proprietary Funds, consist of four Major Funds that include Electric, Water, Water Reclamation and Tech Center/Advanced Communications. The Airport, Solid Waste, Golf Course and Railroad are considered minor utilities within the Enterprise Funds.

UTILITY REVENUES FROM OPERATIONS



Electric

The single largest utility fund and overall city fund is the Electric Fund. This fund covers all the costs associated with the purchase, distribution, and utility billing to all properties within the RMU service territory. The combined budget for the Electric Department FY 24 is approximately \$52,945,757. Revenues for the department are estimated to be \$45,404,265. This deficit is due to the continuation of capital projects being funded through Alternate Revenue Bonds issued in 2022 and 2023 for large generation and distribution related projects. The city is a finalist for a large \$2,000,000 federal grant that is not accounted for in the revenue projections. If realized this will lower the overall deficit.

The two largest expenses in the Electric Department is the cost to purchase power and capital investments. It is estimated that RMU will spend approximately \$27,000,000 on the purchase of power in new fiscal year. This accounts for roughly 50% of the Electric Department budget. The recent sale of the transmission owned assets helped to increase the Departmental Reserves by approximately \$7,000,000. The city also used a portion of the proceeds of the sale to defease

the 2014 and 2015 Revenue Bonds. This move will save our ratepayers over \$2.9 million in interest payments and \$1.7 million in annual Debt Service Payments.

Capital investments account for 25% of the overall budget. Total investments in FY 24 are estimated to be approximately \$13 million. This includes investments in a new substation, distribution line expansion, replacement of equipment and burying overhead lines.

Overall, the department continues to see increases in sales and a healthy reserve fund balance. With the addition of Wheatland Tubing and other industrial entities the load for the utility will continue to increase. In fact, RMU is set to become the 6th largest municipal utility in the state of IL.

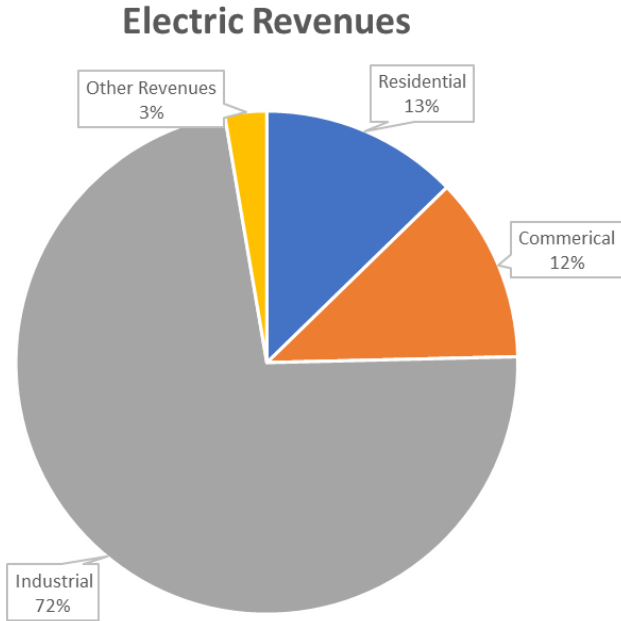
No major staffing changes are being considered in 2024. The budget includes maintaining current staffing levels with the possibility of hiring another apprentice lineman. Ensuring front line staffing remains constant is extremely important for effective utility operations and ensuring employee safety.

Electric Capital Outlay Projects

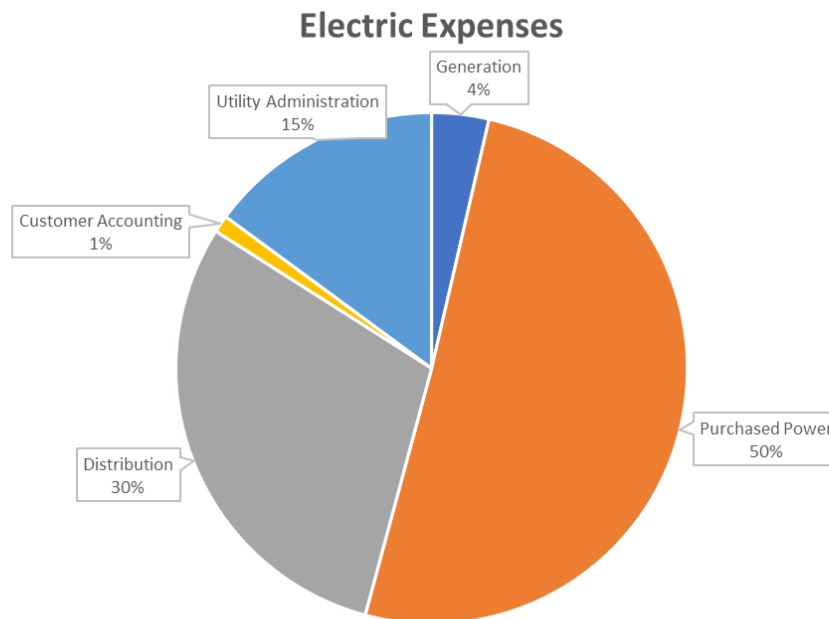
PROJECT	DESCRIPTION	AMOUNT
Overhead Distribution	System improvements to the distribution lines. Includes materials such as poles, transformers, conductors and bolts. RMU maintains 270 miles of overhead and underground distribution lines	\$286,000
Distribution Upgrades-PH2	Includes new 5.9 mile connection of 34.5kv line from Prologis Park Substation to new Centerpoint Substation. Distribution sub with 20 MVA 34.5 to 13.8 kv	\$9,800,000
Skid loader replacement	Equipment is used to maintain and repair electric infrastructure	\$70,000
Distribution-Underground	Blanket to repair and maintain underground lines due to age	\$208,000
Power Plant Upgrades	General maintenance and upgrades.	\$357,000

PROJECT	DESCRIPTION	AMOUNT
Westview Dr. Underground Installation	Replace existing overhead infrastructure with underground in an effort to reduce outages	\$800,000
Line Truck Replacement	Replacement of 1 bucket truck	\$260,000
Substation Maintenance	General maintenance blanket for all 3 substations	\$50,000
Streetlights	Replacement of streetlights with LED lighting throughout the community	180,000
Total		\$12,954,190

REVENUES



EXPENSES



Technology Center & Advanced Communications

In 2017, the Technology Center and Advanced Communications Funds were combined into one distinct fund. This Fund serves all fiber and internet customers, along with all collocation and remote server clients. In 2017, the combined fund had a deficit of over \$1,100,000. The new Director of Advanced Communications has overseen this department and focused attention to outdated contracts, an inefficient billing system and major updates to the city's cybersecurity protocols. Because of these efforts, overall revenues have increased and at the end of 2023 the fund is projected to maintain a positive cash balance of over \$400,000.

Projected revenues for 2024 are \$1,493,000, while expenditures are estimated to be \$1,947,829. The deficit is due to many years of delayed maintenance projects at the Tech Center and throughout the fiber network. The single largest capital expenditure is related to needed electrical upgrades at the facility. The project ensures that if there is a power failure there is more than one point to provide electrical service to the collocation customers within the facility. This will drastically reduce any potential downtimes.

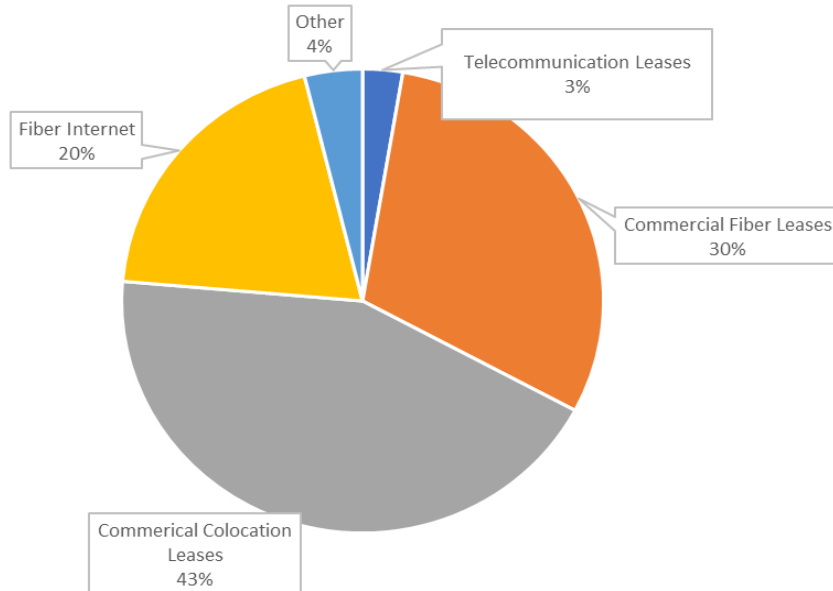
Staff within the department is showing a renewed focus on seeking new customers to increase revenues and updating equipment that is over 20 years old. These efforts are leading to a more efficient system that provides faster and more reliable services to our customers. Important initiatives for the department in 2024 include improvements to the Tech Center, investments in updating outdated equipment, conducting additional cybersecurity assessments, and hiring an engineer to assist with expanding collocation services.

TECHNOLOGY CENTER/ADVANCED COMMUNICATIONS/NETWORK ADMIN CAPITAL OUTLAY

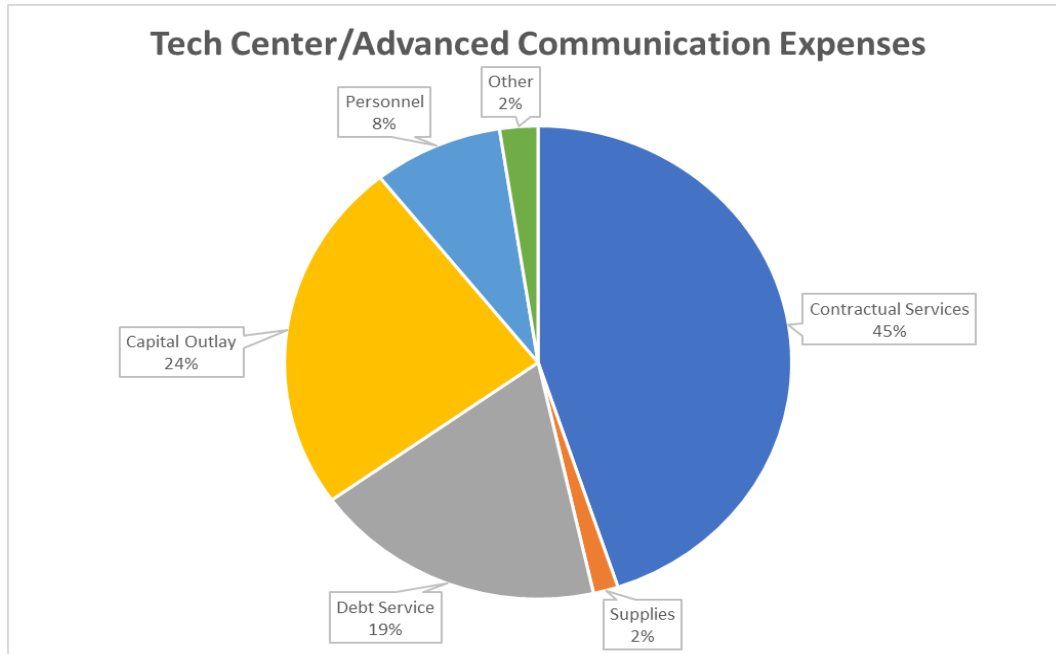
PROJECT	DESCRIPTION	AMOUNT
Electrical system upgrades	Perform upgrades to the power distribution system at the Tech Center	\$400,000
Fiber Infrastructure Upgrades	External audit recommends changes to the network configuration to segment city data, SCADA and security enhancements	\$20,000
Advanced Communications Servers	Replace servers that are end of life	\$30,000
Network infrastructure and Tech Center AV system	Network Infrastructure components within city departments and updates to AV system at Tech Center	\$20,000
Total		\$470,000

TECH CENTER/ADVANCED COMMUNICATIONS REVENUE

Tech Center/ Advanced Communication Revenues



TECH CENTER/ADVANCED COMMUNICATIONS EXPENSES



Water/Water Reclamation

The combined Water and Water Reclamation Funds Revenues continue to see slight increases due to recently approved rate increases, new customers, grants & state revolving loan funds for capital projects including work at the WWTP and the construction of an iron removal system at well #8. The total revenue for the combined funds in FY 24 is estimated to be \$23,938,695. This total includes rates, fees, ILEPA loans, water tower leases and other miscellaneous revenues. Currently there is a cash reserve in the Water/Water Reclamation Funds, however the city is short of the required 365 days of cash in the water fund. The reduction in reserves in the water fund is due to cash funding several large capital project. The reserves were established to help fund future projects without relying completely on loans and rate increases. A list of the major capital projects contained in both departments is found below.

Expenses within the funds are estimated to be \$24,860,848. Most of the expenses are related to capital outlay projects. These projects account for approximately 74% of the total expenditures.

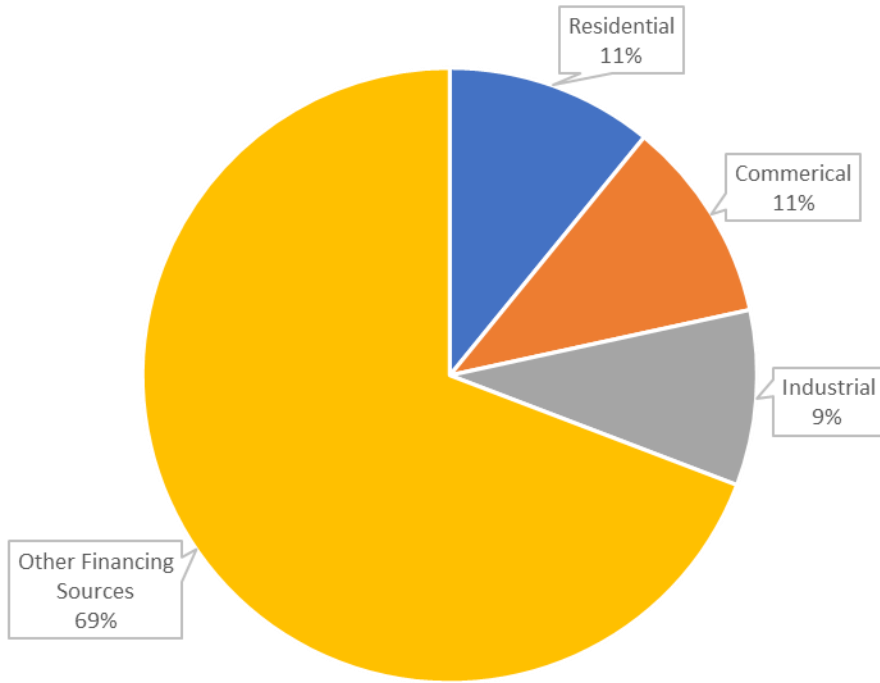
Capital Outlays

PROJECT	DESCRIPTION	AMOUNT
Water Well #8-Caron Road	Construct a new well house and treatment plant to remove high iron.	\$7,200,000
Tower Painting at 251 Overpass	Paint elevated storage tank at 251 overpass	\$600,000
Water Meter Replacement	Preventative maintenance	\$5,000
Underground emergency work	Repair and maintenance of water main system	\$104,000
Water Maintenance Blanket	Materials for preventative maintenance and repair	\$104,000

PROJECT	DESCRIPTION	AMOUNT
WWTP Updates Phase 2	Complete update and replacement of the Treatment Plant.	\$7,886,000
Water Meter Replacement	Replacing old water meters	\$5,000
WATER Reclamation Maintenance Blanket	Preventative maintenance and replacement of Water Reclamation infrastructure to avoid failure.	\$102,540
Sewer Line Replacement/Lining Phase 4	Line approximately 20,000 feet of sewer from Washington to South Main	\$1,690,000
Underground Emergency Work	Unplanned repairs and maintenance in collection system	\$102,540
Total Water/Water Rec		\$17,799,160

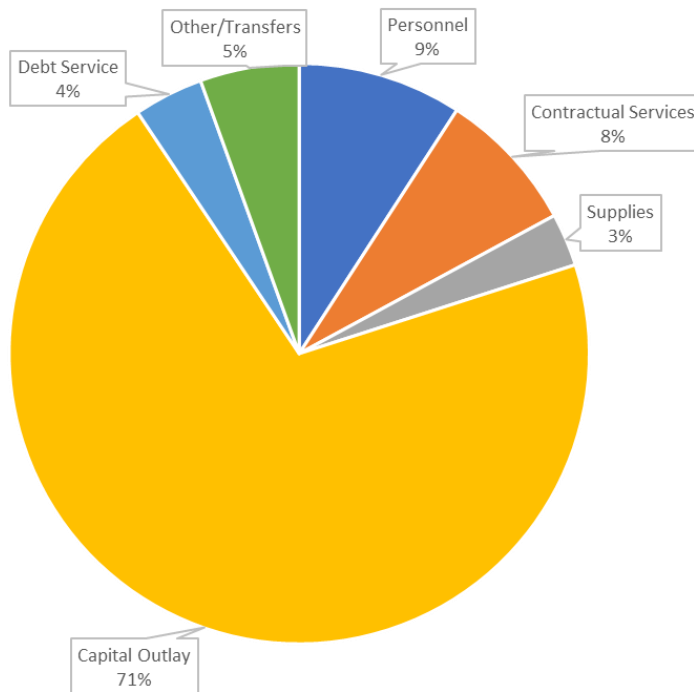
WATER REVENUES

Water Revenues



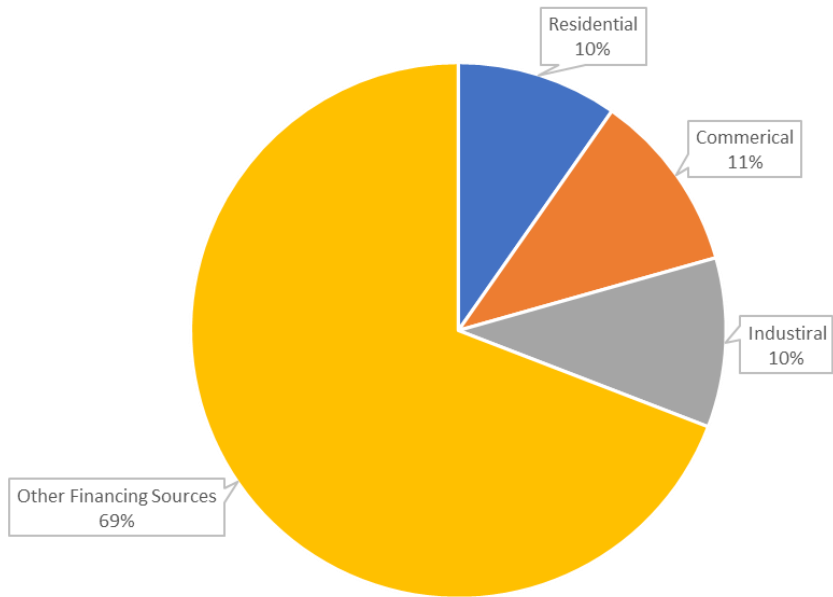
WATER EXPENSES

Water Expenses



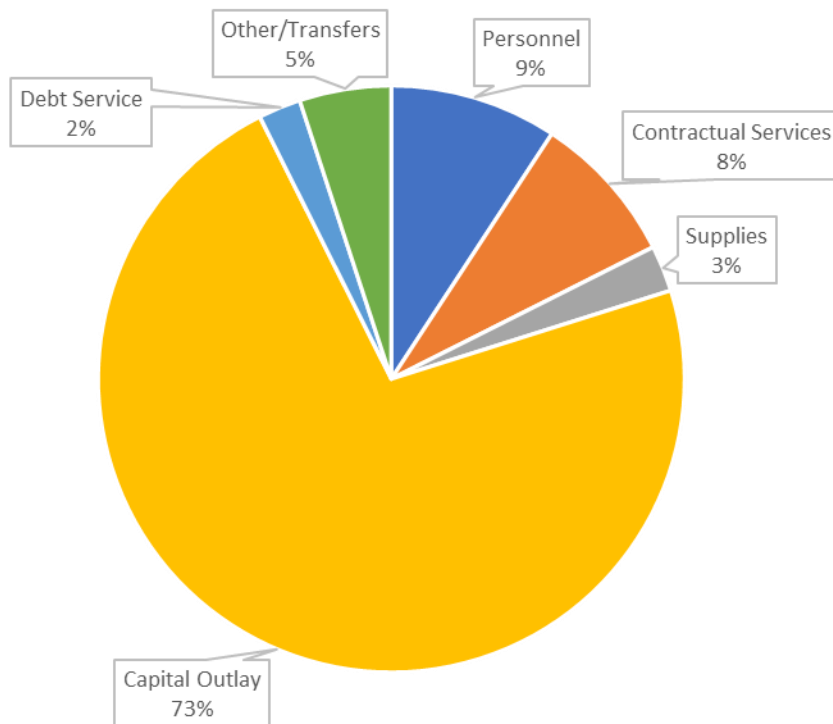
WATER RECLAMATION REVENUES

Water Reclamation Revenues



WATER RECLAMATION EXPENSES

Water Reclamation Expenses



MINOR ENTERPRISE FUNDS (AIRPORT, RAILROAD, SOLID WASTE AND GOLF COURSE)

Rochelle Municipal Airport

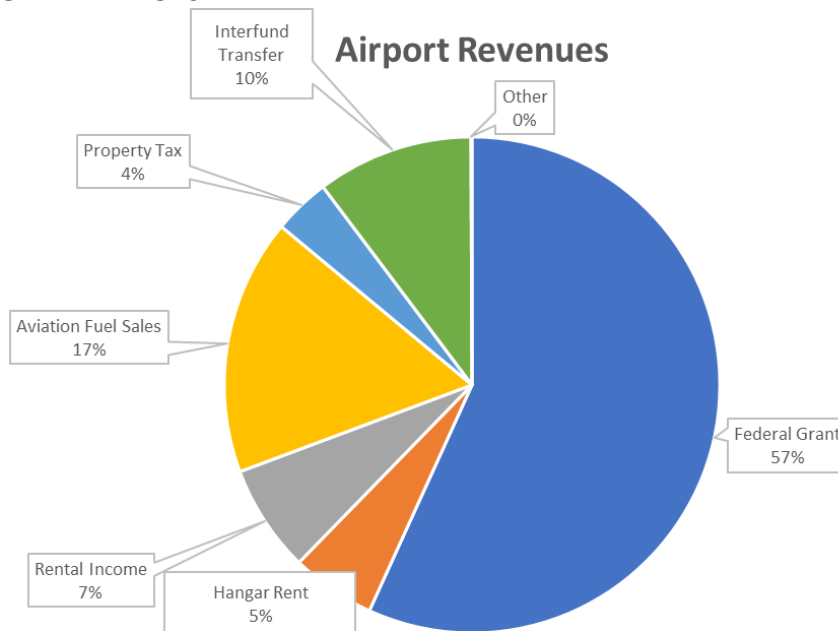
The Rochelle Municipal Airport is an asset to the community. Over the past seven years, the airport has expanded its infrastructure through numerous capital and maintenance projects. To date, over \$5,000,000 has been expended on these projects, which are funded through the FAA and IDOT. The grants are allocated at 95% with a 5% local match. In the past, the local match has come from bond funds, the general fund, and the CIR. There are no major projects proposed at the airport in FY 2024.

Air traffic at the facility continues to see significant growth. In 2022, staff recorded 10,624 take-offs and landings (April through September) compared to 10,013 in 2021 during the same period. Ramp reconstruction had a direct effect on the number of pilots able to utilize the airport in 2021. In 2022 hanger utilization was up 95% and fuel sales were up 30% over the previous year.

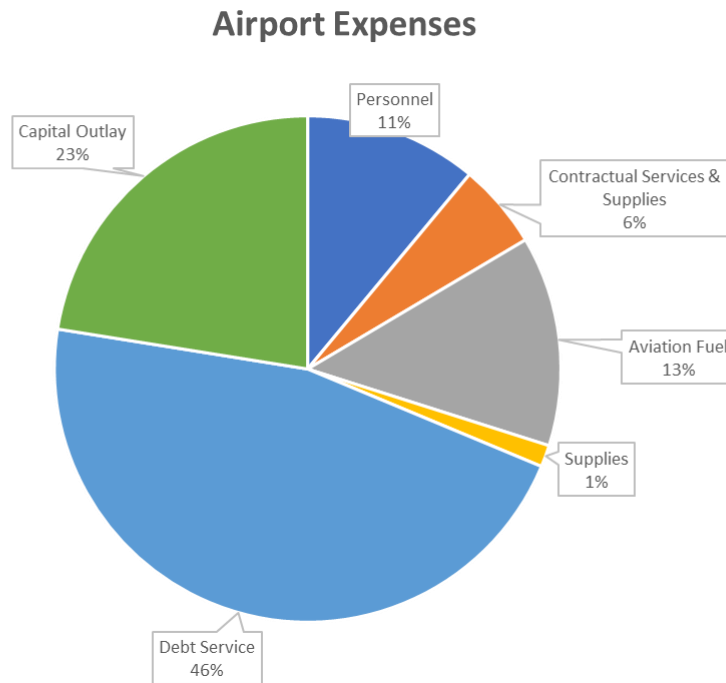
Recent improvements at the Airport include the runway reconstruction, construction of a new Taxiway Alpha, reconstruction of the entire center ramp, reconstruction of the ABCD Access Taxiway, and the addition of counterpoise lightning suppression to the runway lighting system.

The growth of the Chicagoland Skydiving Center and the Flight Deck Bar & Grill draws thousands of people from across the country every year. In 2022, there were approximately 50,000 sky diver drops. This infusion of people benefits our hotels, restaurants, gas stations and grocery stores throughout their season.

AIRPORT REVENUES



AIRPORT EXPENSES



The City Industrial Rail (CIR)

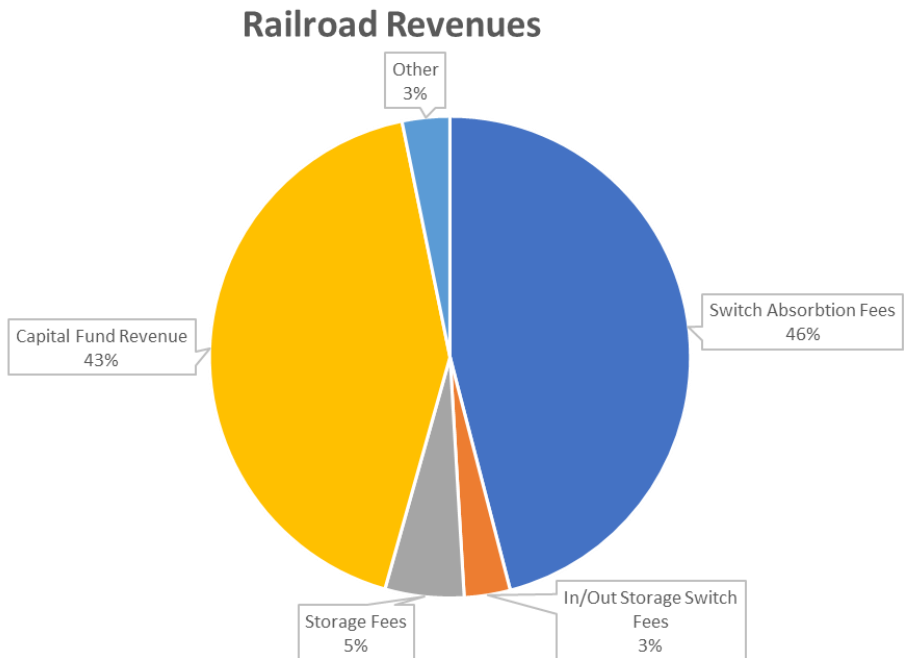
Over the past five years the CIR has experienced significant changes. Now that the Rochelle Transloading Center has been established, we are serving more industries in our area with rail services. CIR revenues are estimated to be approximately \$1,131,000 for fiscal year 2024. The RTC's expansion in 2023, which includes new intermodal services began in summer of 2023. GREDCO and the City are collaborating with the BJRY and CHS to pave a portion of the RTC and build a Container Yard (CY). The city's portion of the project was funded by a grant through the State of Illinois. GREDCO is working with CHS to develop the Container Yard. The increased traffic through the CIR in 2024 is expected to increase rail revenues by 15%-20%.

Additionally, major maintenance projects are scheduled to continue into 2024. The Caron Road and Steam Plant Road Crossings will be removed and replaced. These projects include the replacement of the rail, ties, and pavement on all sides of the crossings. The project will be paid for by funds that are set aside each year from the annual income that the CIR derives from its operations.

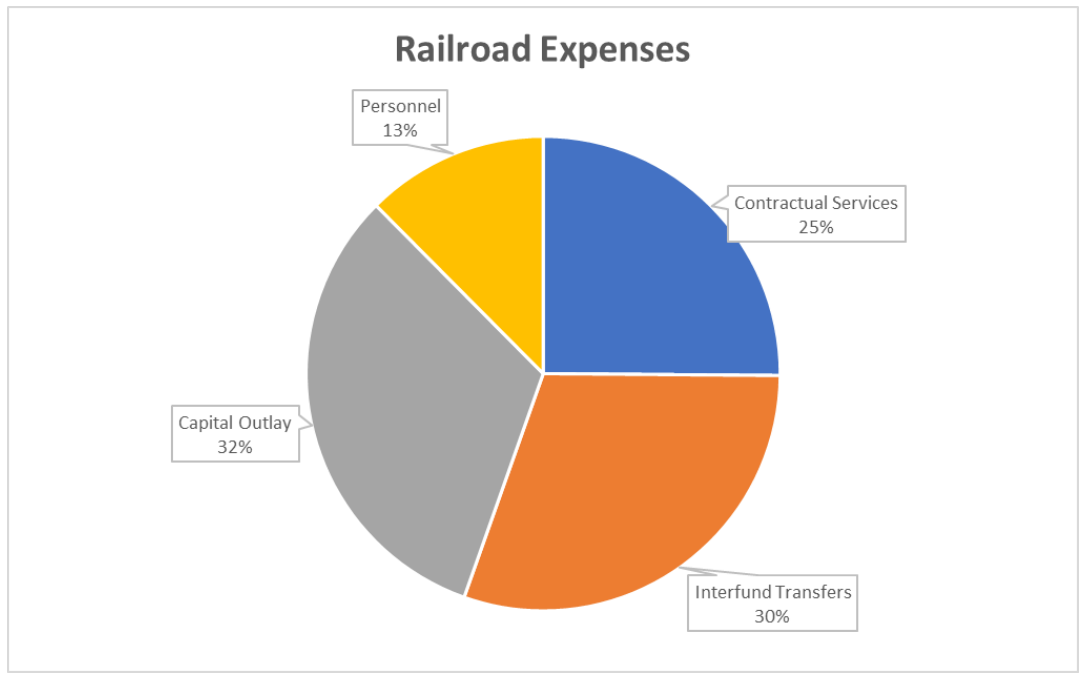
For more than a decade the city has been discussing with the BNSF the construction of a new BNSF/CIR interchange near Elva Road. Federal grant funding programs are coming available for closing of at-grade crossings and the city will be pursuing grant funding along with BNSF contributions to install a new main line switch and extend the CIR south to Elva Road. This project would remove the current BNSF traffic from the three crossings on Caron and Steam Plant Roads. Estimated cost of the new switch and CIR expansion is \$12M.

The CIR revenue covers the cost of the bond that funded the Railroad Quiet Zone, the annual fee to participate in the Lee-Ogle Enterprise Zone, nearly all costs associated with operating the Economic Development Department, transfers for airport project matching funds and contributes approximately \$50,000 to the city and GREDCO operations. Additionally, the CIR sets aside 40% of its revenue for matching future federal and state grants which cover 50%-80% of capital/maintenance projects.

RAILROAD REVENUES



RAILROAD EXPENSES



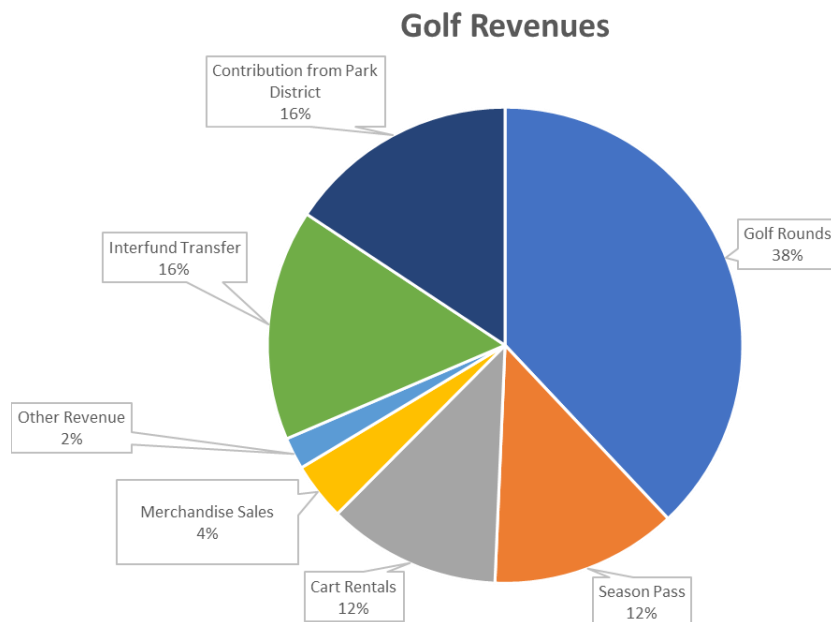
Rail Capital Investments

Project	Description	Amount
Eastern Expansion of RITC	The construction of a box culvert to allow for the expansion of the RITC to the east approximately 1,000 feet	\$100,000
Total		\$100,000

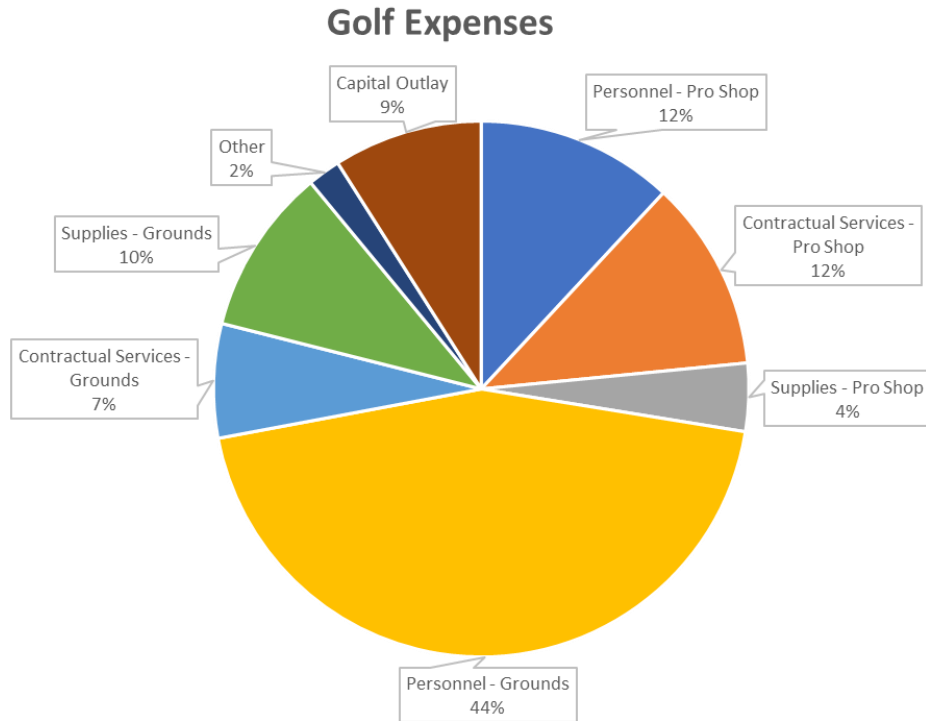
The Rochelle Municipal Golf Course

The Rochelle Municipal Golf Course (Fairways) continues to provide a valuable recreational service to our community. In 2022, the golf course had a record year selling close to 13,000 rounds. In 2023, we had our best year ever with over 15,300 rounds. Staff anticipates that number to match or exceed this total in 2024. The facility has averaged 78 season passes and over 17 group outings during the same time. The Golf Course manager and his team have made major improvements since 2017 that include all new LED lighting in the Pro Shop and cart barn, new stamped patio between the Pro Shop and Salt 251, replacement of irrigation pump and drive, storm water improvements on the south end of the course, removal of dead trees from the course and replacement of two mowers.

GOLF REVENUES



GOLF EXPENSES

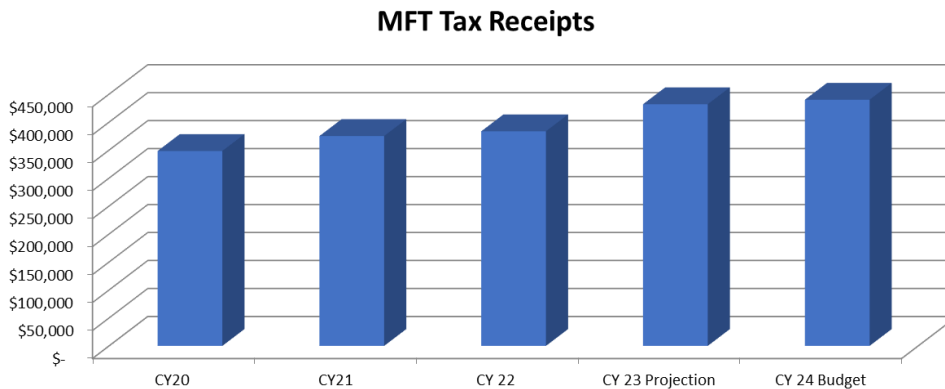


OTHER FUNDS (MFT, TIF, UTILITY TAX, NON-HOME RULE SALES TAX AND HOTEL/MOTEL TAX)

Motor Fuel Tax Fund

Motor Fuel Tax Funds are used for infrastructure and transportation related projects. The Motor Fuel Tax is levied and collected by the state and redistributed back to localities based on a per capita basis. For FY 24, staff is estimating collections of approximately \$440,000 (based on Illinois Municipal League data). The gas tax increase from 2019 continues to net additional revenue for the city. All MFT funds must be used for street related projects. Annually the city funds a large portion of the Seal Coat Program with MFT dollars. Other projects that will be partially funded with MFT dollars in 2024 and coming years include 7th Ave Bridge over Kyte River and the 20th Street and Flagg Road Intersection project.

MOTOR FUEL TAX



Tax Increment Financing Funds

The City of Rochelle now has three TIF funds. The Lighthouse Pointe TIF was established in 2010 for public improvements near the Walmart and retail out-lots on Route 38. The funds generated by this TIF can only be utilized in the TIF area and are used to fund debt service and other redevelopment projects. Aside from the debt service payments, the largest expense in the Lighthouse Pointe TIF is the reimbursement to both school districts and the recent road improvements and lighting projects. Total anticipated revenues in FY 24 are estimated to be \$700,688.

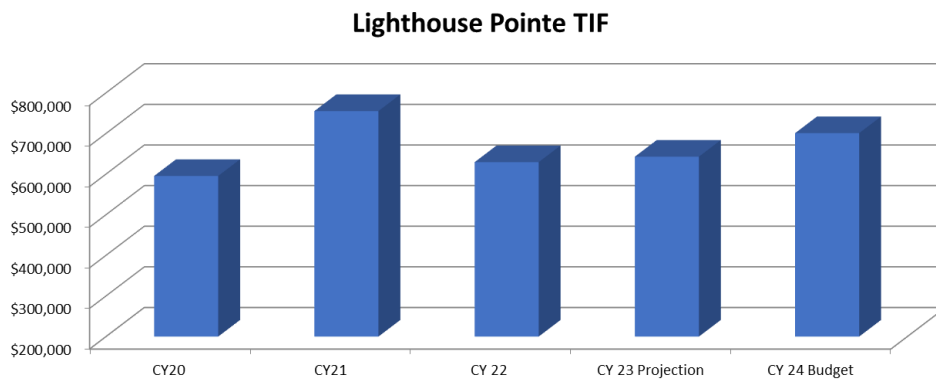
Established in 2016, the Downtown and Southern Gateway TIF received its first increment in 2017. The increment the city receives continues to increase annually. The downtown TIF continues to grow considerably due to large private investments that are being made in the downtown area. Staff anticipates collecting approximately \$568,936 in property taxes in the new FY. This is an increase of over \$265,00 from the previous year. This TIF is the perfect example of how TIF districts are used to promote and support economic growth. Some of the projects being planned for 2024 listed below:

Downtown Revitalization:

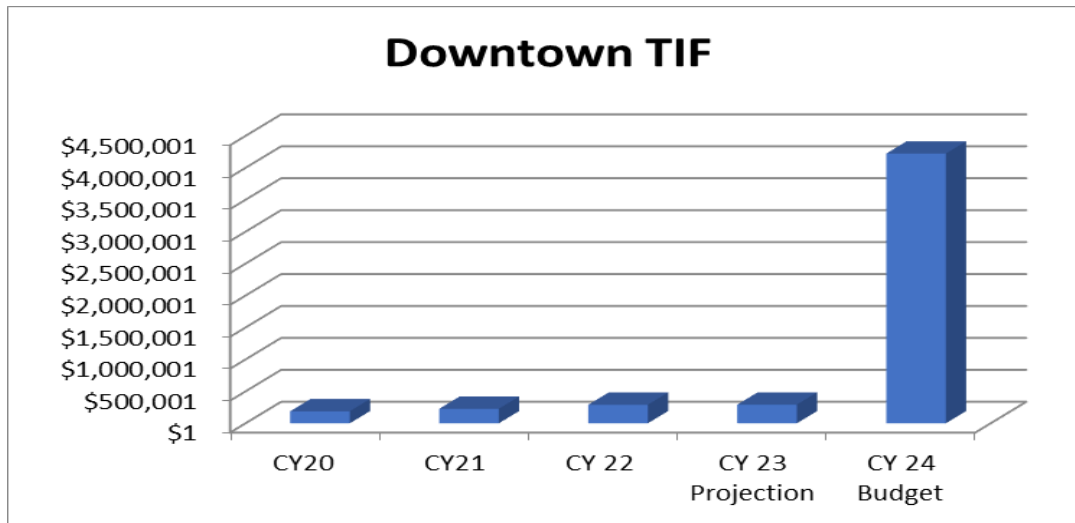
Flowerpots, Benches and Banners	\$25,000
Page Park Updates/Parkin lot updates	\$80,000
Downtown Façade Improvements	\$15,000
Development Agreements	\$80,000
Possible Property Acquisition/Redevelopment	\$200,000
Downtown Revitalization	\$200,000
Other Revenues	\$3,651,740 (bond revenue & grants)

The third TIF, commonly known as the Northern Gateway TIF, was established in August 2018. The TIF is projected to generate \$187,000 in 2024. Projects funded by this TIF include Benny’s Corner Market Development agreement and the Breakthru Beverage site redevelopment. Our team will continue working aggressively to fund future projects in this area.

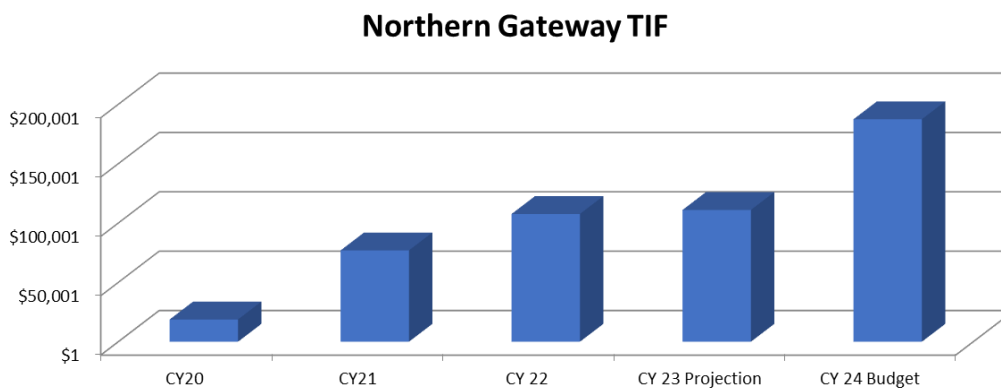
LIGHTHOUSE POINTE TIF



DOWNTOWN TIF



NORTHERN GATEWAY TIF



Aside from Motor Fuel Tax, the two other revenue sources the city utilizes to fund Capital Improvements include the $\frac{3}{4}\%$ Non-Home Rule Sales Tax and the Utility Tax. Both revenue sources, as set by code, are to be used for infrastructure improvements and Property Tax relief.

Utility Tax

In FY 24, it is projected that the Utility Tax Fund will generate \$1,088,000. This increase is based on the tax increase approved in 2019 and additional growth in industrial and commercial electric load specifically facilities like MightyVine and Wheatland Tubing. Projects being funded in the coming year include the Sidewalk Replacement Program along with street and storm water improvements throughout the community. The Utility Tax must be reapproved by council every five years. This tax was reauthorized in 2022 without an increase.

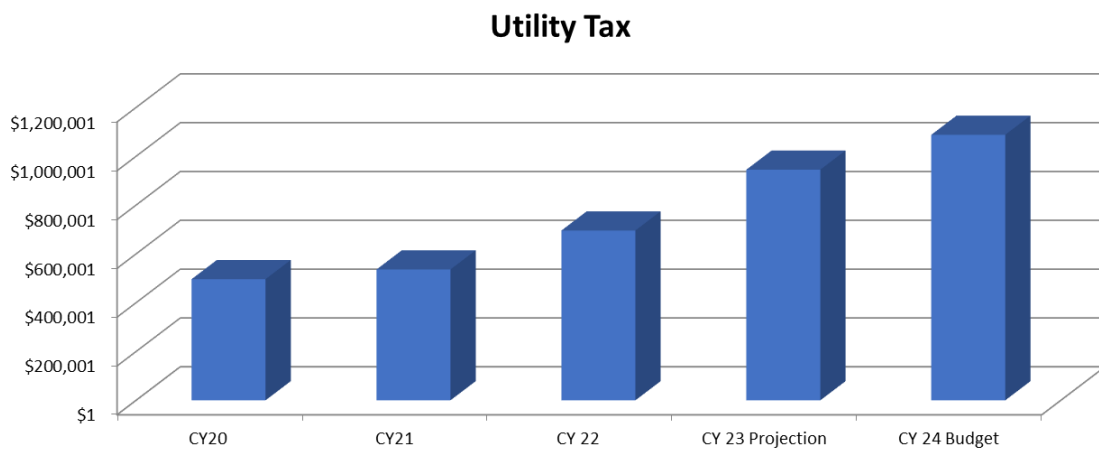
Non-Home Rule Sales Tax

Non-Home Rule units of local government are authorized to impose a Home Rule Sales Tax and certain Non-Home Rule units of local government are authorized to impose a Non-Home Rule

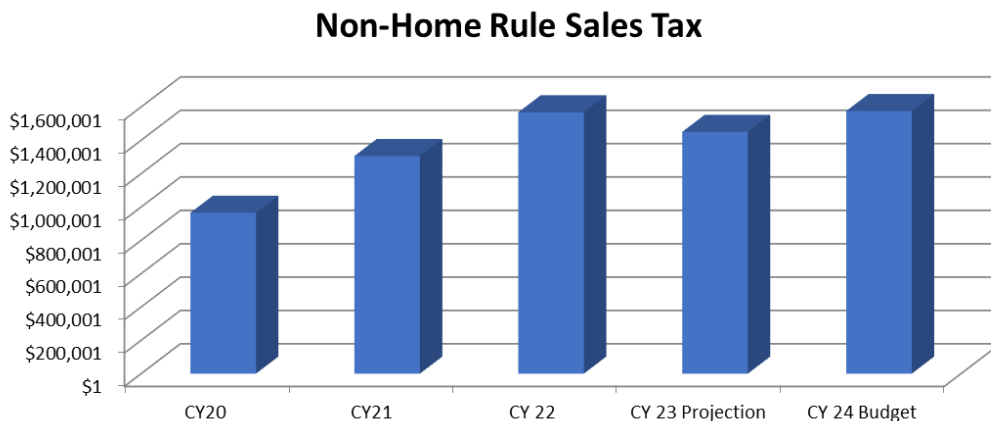
Sales Tax. The Non-Home Rule Sales Tax is in 0.25% increments with a 1% maximum rate limit. The city's Non-Home Rule Sales Tax rate is .75%.

Staff is anticipating the tax will generate approximately \$1,575,000 in revenues in FY 2024. The funds will be utilized to fund infrastructure improvements along with covering the payment for the 2018 Alternate Revenue Bonds. The annual debt service payment is approximately \$656,000 and the final payment will be on January 1, 2027. The bonds helped fund the following projects: South Main Street expansion and reconstruction, 6th Street reconstruction, West 2nd Avenue reconstruction and numerous storm sewer projects throughout the community. The remaining funds will be transferred to the CIP to help fund projects in 2024.

UTILITY TAX



NON-HOME RULE SALES TAX



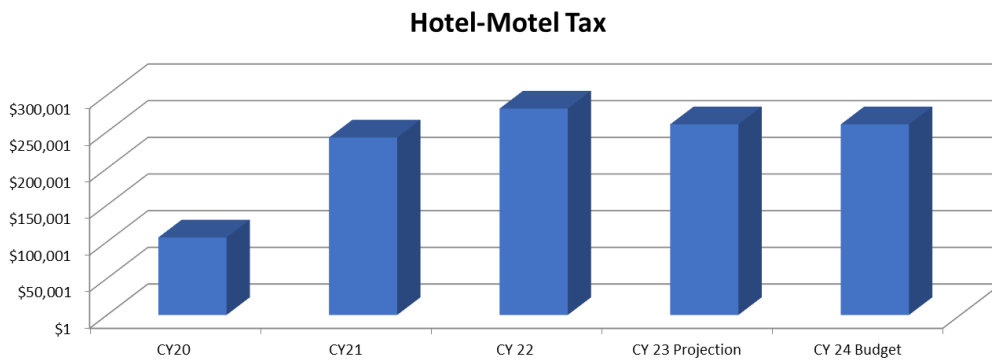
Hotel/Motel Tax Fund

The city's other minor fund that contributes greatly to the overall economic viability of the community is the Hotel/Motel Tax Fund. The revenues generated by this tax can only be spent

on items related to the promotion of tourism in the community. Prior to the pandemic the annual revenue derived from the local Hotel/Motel Tax was consistent and generated about \$256,000 annually. During the pandemic, the city witnessed a large decrease in tax revenue collections. Along with the revenue declines due to lower hotel utilization, the city council approved a moratorium on hotel/motel tax collections and allowed the local hotel operators to keep the collections to assist with their businesses. This program is no longer in effect and the city, once again, collects the entire amount.

In 2024, staff anticipates a continued recovery to pre pandemic revenue levels. Projects planned for funding in new fiscal year include building and grounds improvements at Railfan Park, community mural funding, continuation of the *Spark* Retail Project sponsored by the Retail Advisory Board and other marketing projects. The other major expense in the Hotel/Motel Tax Fund is the \$60,000 contribution to the golf course. This is the final year of seven-year agreement with the Park District. Staff will be bringing a new proposal for the city council to consider that will extend the golf course agreement with the park district for additional years. Another possible use of future funds will be to assist in the redevelopment of the Hickory Grove site.

HOTEL/MOTEL TAX



Hotel/Motel Tax Community Growth Events & Projects

Community Events:

Irish Hooley	\$6,000
Railroad Days	\$5,000
Heritage Festival	\$8,000
Hay Day	\$8,000
Christmas Walk	\$5,000
Cinco de Mayo	\$8,000
Misc. Events	\$20,000

(Outdoor Markets, Hispanic Heritage Festival, Family Swim Night, Movie in the Park etc.)

Community Contributions (General Fund/RMU Community Relations):

Rochelle Chamber	\$9,500
Senior Center	\$25,000
Flagg Rochelle Museum	\$12,000
4 th of July Fireworks	\$15,000
Municipal Band	\$14,000

STAFF LEVELS AND COSTS

To find cost reductions, in early 2023 the city council approved another separation incentives for qualified employees. To date, 6 employees have chosen to participate, with only two employees being replaced. It is anticipated the savings will be roughly \$300,000 annually once fully implemented. The sustainability coordinator position is being eliminated in 2024 and those duties will be tasked to current staff.

Another goal of this budget to ensure all staffing is being funded by the appropriate departments. Therefore, 9 positions are included in the Administrative Services Department. They include the City Manager, Director of Community Engagement/Assistant to the City Manager, Finance Director and staff associated with Finance, the Human Resource Director, and appropriate staff, and the Industrial Development Manager. The GIS position is being funded through the Network Administration budget.

All Funds, both general and utilities contribute based on a predetermined formula. Moving these salaries to this department ensures that all funds are being adequately charged for that position's salary and benefits. This will ensure a more equitable funding level for these positions going forward.

Another looming cost, but extremely important benefit to offer, is the city's healthcare plan. The organization continues to provide a competitive benefit package to our employees. Overall rate increases have averaged less than 4% annually and our new two-tier health care program is fully implemented. This year the city will be offering an additional high deductible/HAS plan for our staff. For 2024, the city anticipates an increase of no more than 3.5% for health insurance benefits.

Full-Time Employees

General Fund (Includes elected officials)	83 Full-Time Employees
Internal Service	14 Full-Time Employees
Enterprise Funds	<u>46 Full-Time Employees</u>

TOTAL

143 Full-Time Employees

Non-union labor costs have been budgeted to average 6+% to account for salary increases based on the 2018 salary/compensation study. These salaries are based on the compensation study, internal comparables and external comparables. Our goal is to ensure that our pay rates continue

to match the market ensuring we keep our amazing staff. All union labor costs are set by recently approved collective bargaining agreements and have been averaging 3%-3.25% increases.

DEBT SERVICE

As directed by the mayor and city council, staff continues to attempt to pay down the city’s outstanding debit. However, due to continued historically low interest rates, the city council authorized the issuance of up to \$22 million in Alternate Revenue Bonds to fund electric related infrastructure upgrades. Aside from this new debt the City continues to pay down all of its other long-term debt obligations. Below is a list of the outstanding debt for the city and RMU. Total debt will decrease by approximately \$3.6 million in FY 23 to \$36,443,793.

OUTSTANDING DEBT	AS OF 1/1/24	PRINCIPAL PAYMENTS	AS OF 12/31/24
Electric (Bond)	\$ 19,515,000	\$ 1,220,000	\$ 18,295,000
Electric (Building)	\$ 715,018	\$ 292,491	\$ 422,527
Technology Center	\$ 1,655,000	\$ 310,000	\$ 1,345,000
Water Reclamation	\$ 4,507,619	\$ 262,639	\$ 4,244,980
Water	\$ 5,604,834	\$ 352,492	\$ 5,252,342
Airport	\$ 325,000	\$ 50,000	\$ 275,000
Lighthouse Pointe TIF	\$ 1,535,000	\$ 180,000	\$ 1,355,000
Downtown TIF	\$ 2,500,000	\$ 115,000	\$ 2,385,000
General Fund (Quiet Zone)	\$ 660,000	\$ 165,000	\$ 495,000
General Fund (Cap Impr)	\$ 2,420,000	\$ 570,000	\$ 1,850,000
General Fund (Fire Dept)	\$ 280,000	\$ 17,500	\$ 262,500
General Fund (Street Dept)	\$ 392,167	\$ 130,723	\$ 261,444
TOTAL	\$ 40,109,638	\$ 3,665,845	\$ 36,443,793

Fund Summaries

	01/01/2024	12/31/2024	Change
General	\$10,123,499	\$10,131,634	\$8,135
Water	\$1,642,436	\$1,377,379	(\$265,057)
Water Rec	\$4,739,276	\$4,082,180	(\$657,096)
Electric	\$19,414,054	\$11,872,562	(\$7,541,492)
Tech Center/AC	\$469,348	\$14,519	(\$454,829)

	#Days	Policy
Water	252	365 Days
Water Reclamation	693	365 Days
Electric	208	90-120 Days

General Fund Comparison

	2023 BUDGET	2024 BUDGET	% CHANGE
REVENUES	\$13,405,888	\$14,051,480	5%
EXPENDITURES	\$14,702,934	\$14,043,345	-4%
MAYOR & COUNCIL	\$35,050	\$36,050	3%
CITY MANAGER	\$32,450	\$41,850	29%
ATTORNEY	\$115,000	\$105,000	-9%

General Fund Comparison

	2023 BUDGET	2024 BUDGET	% CHANGE
CITY CLERK	\$210,877	\$210,444	0%
POLICE DEPARTMENT	\$4,735,206	\$5,063,589	7%
FIRE DEPARTMENT	\$3,017,416	\$3,553,021	18%
COMMUNITY DEVELOPMENT	\$558,490	\$547,351	-2%
ENGINEERING	\$360,700	\$321,158	-11%

General Fund Comparison

	2023 BUDGET	2024 BUDGET	% CHANGE
STREET	\$2,090,547	\$2,323,558	11%
CEMETERY	\$198,536	\$234,234	18%
MUNICIPAL BUILDING	\$3,329,262	\$1,591,160	-52%
ECONOMIC DEVELOPMENT	\$19,400	\$15,930	-18%

Recent Accomplishments

To balance the challenges addressed above, the City of Rochelle has taken the following steps:

- Review of Utility Rates periodically. Last year the city council approved a rate increase for the hydroponic rate for the electric department. The city council also approved a small adjustment to the minimum charge on all electric customer accounts. In both the water and waste reclamation departments small rate adjustments previously approved by council will go into effect.
- In FY 20, the city extended its Purchase Power Agreement with NextEra energy that will provide low and stable wholesale power rates for the next eleven years. This again will help to lead to savings for our ratepayers. The city will continue to monitor the market and look to find ways to increase its renewable portfolio. In October the city council approved a two-year purchase power agreement with Constellation for an additional 5MWh of power in certain months of the year. The rates are competitive and will help keep long-term power costs down.
- The city recently signed a demand response agreement with CPower. This agreement could potentially save the utility and its customers money by reducing demand costs during high peak times. The City recently approved a contract with Panoptic Solutions to conduct residential energy audits.
- The city applied for \$2,000,000 in federal funding to assist with electric distribution system upgrades.
- The city was awarded over \$12,00,000 in grants and other state and federal funding and forgivable loans to construct a new iron removal water treatment facility, expansions and upgrades to the wastewater treatment plant, sewer lining work in low to moderate income neighborhoods, replacement of lead service lines and repainting one of the water towers.
- The City Council approved an agreement to cap cell one without doing the exhumation at the landfill. The city's portion of the funds (\$1,400,000) were received. The funds were allocated to the landfill fund, the police and fire pension funds and to the general fund for work at the PD and Fire Departments.
- The city was awarded a \$1.1 million downtown improvement grant from the state of IL. These funds will be utilized for improvements throughout the downtown corridor.
- The city issued \$2,500,000 in alternate revenue bonds for projects in the downtown TIF. This includes infrastructure work, purchase of property and redevelopment of property.

- Staff budgeted funds to complete the construction of the new substation on the west side of the service territory near the Mighty Vine facility.
- Staff budgeted funds to replace retiring police officers. The city manager appointed a new chief of police.
- City council approved a contract with the IAFF to hire 6 new FF/Paramedics by 2025. Three new positions are filled. The city applied for a SAFER grant to help fund the additional three positions now. If the grant is not awarded the positions will be filled by the time allotted in the CBA.
- Staff continues conservation measures, where possible, to minimize the impact of rising energy costs. City/RMU facilities continue to install LED lighting in buildings and streetlights and is looking at installing solar panels on city/utility facilities.
- The Economic Development department is working on multiple prospects that are considering Rochelle due to access to transportation outlets and City-owned railroad system. The city is also renewing its efforts to open more channels of communication with our existing businesses.
- The city is working to expand its partnership with Ogle County and with LIDC (Lee County Industrial Development Commission).
- Major road construction projects are being planned or will be commencing throughout the community.
- Work is commencing on a new FD/Public Safety/Utility training facility in Rochelle. The current work includes 2 phases.
- Budgeted funds to complete the remodel of the utility/engineering facility on S 7th Street along with security upgrades at the utility billing office.
- Staff will continue working with the mayor and city council to find new grant opportunities for expanding programs for our residents.
- The city council recently approved a new strategic plan.

CONCLUSION

Rochelle has numerous priorities for the coming fiscal year. The city is utilizing general fund balances for building and infrastructure improvements along with hiring additional police officers, public works staff and FF/Paramedics. The budget adequately funds the needs of the city and sets the appropriate spending policies of the elected officials. Yet, future year budgets may present the community with challenges. It is anticipated the supply chain issues and inflation will continue to hamper our efforts to provide quality services. Our team will continue to this and look for ways to cooperate more effectively with other taxing districts, the private sector, and our nonprofit partners.

This budget system allows the city to better prioritize spending based on policies and programs deemed most important by our mayor and city council. Staff will continue to bring ideas to our elected leaders that aid in stabilizing the city budget and growing our community long-term.

Finally, every Department played an important and valuable role in the development of this budget blueprint. Staff has been very helpful and forthright in providing information and suggestions. The City of Rochelle should be proud of its dedicated employees who understand today's economic environment.