



## **Budget Report to Mayor Bearrows & City Council**

**DATE:** November 7, 2022  
**To:** Mayor Bearrows & City Council Members  
**FROM:** Jeffrey A. Fiegenschuh, MPA, ICMA-CM, City Manager  
**RE:** CY 2023 City and Utilities Budget

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, 2023. The numbers reflected in this document are part of the PowerPoint presentation for the November 7, 2022, budget workshop. The entire City of Rochelle proposed CY 23 budget is \$106,601,478.

Proposed General Fund Revenues for CY 2023 are estimated to be \$13,405,888. Expenditures for the new fiscal year total approximately \$14,702,934 with General Fund Capital Outlays of approximately \$1,010,000. The projected deficit of \$1,297,406 includes additional capital projects (to spend down large GF cash fund balance), spending ARPA funds (received in 22 and spent in 23) and hiring additional police staff to cover further anticipated retirements. 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 \$68,816,595 of which \$17,143,391 is for capital outlays. All other Funds, including Special, Capital Improvement, Downstate Police and Fire Pensions and Internal Service total \$23,081,950.

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 CY 23 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 over hiring the PD
- Numerous staffing positions could become vacant due to retirements (outside of the PD). Due to the uncertain economic climate, these positions will not be filled.
- 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 2023.
- Continued 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 2021/2022 Alternate Revenue Bonds (electric), utility rates and several grants, including EDA and CDBG.
- The city is issuing RFPs for its Workers Compensation and Property Insurance. We have realized significant savings since 2017 and hope to keep finding more ways to save as it relates to insurance needs.
- The budget includes funding for phase 2 renovations for new RMU location on south 7<sup>th</sup> Street and building improvements at city hall, the police department, fire station and utility billing office. The key priority for 2022 was to consolidate most utility operations. This was completed, including moving engineering to the RMU location. Administrative services moved to the utility billing office and community development moved to city hall.

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.
- State of Illinois business climate and budget deficits.
- Possible funding cuts in Local Government Distributive Fund (LGDF).
- Potential for significant revenue increase through a new rail transload center.

## **CITY OF ROCHELLE SIGNIFICANT FUNDS**

### **The General Fund**

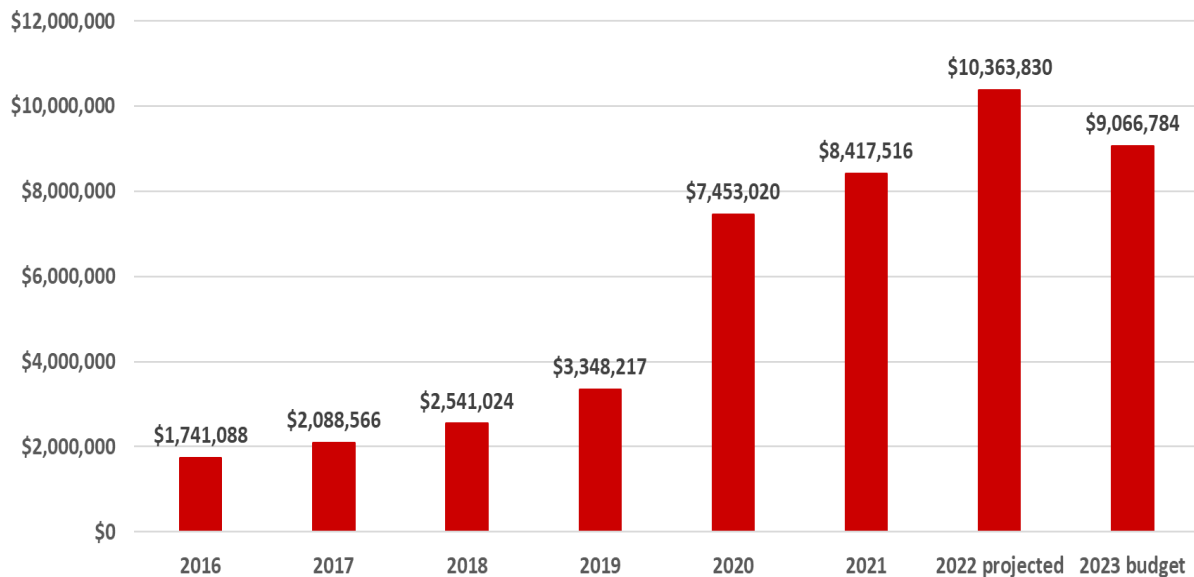
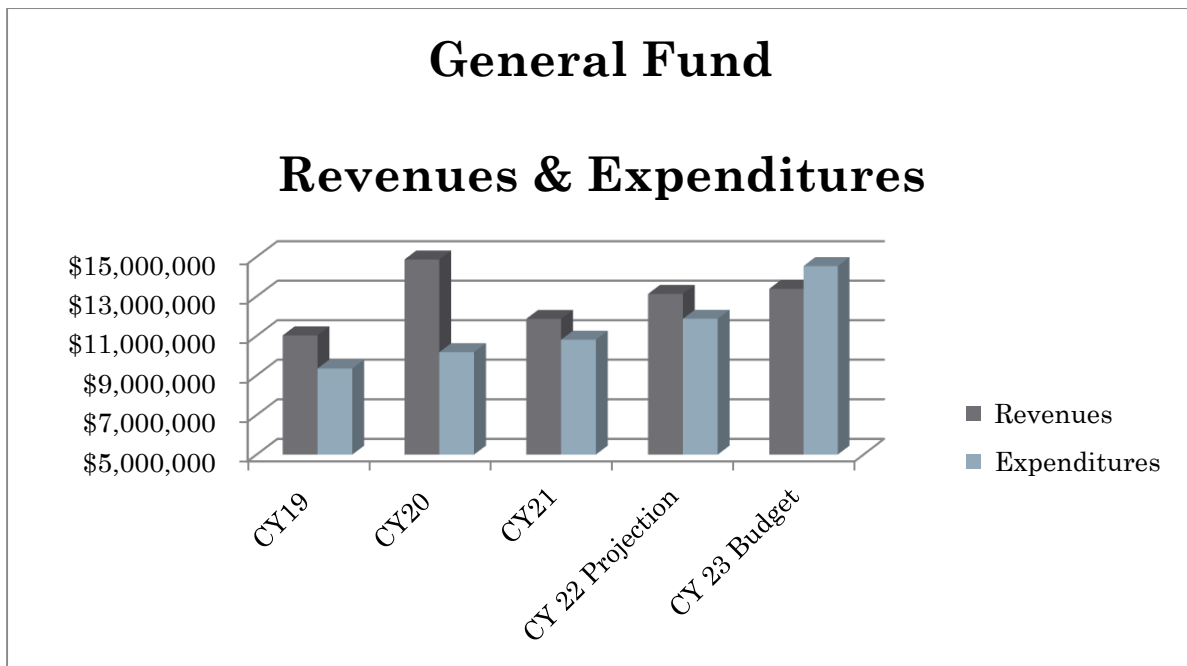
The General Fund budget supports many of the day-to-day activities of the city. The Departments housed within this Fund include Street, Cemetery, Engineering, Police, Fire, City Hall, Administration, Economic Development, and Community Development.

The total General Fund Budget for the new calendar year contains \$14,702,934 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 \$2,836,028 from the CY 2022 final 12 month estimated expenditures.

These increases in spending relate directly to an attempt to spend down the city's large general fund cash balance by increasing one-time expenditures. This includes 2022 ARPA funds, over hiring in the police department, reallocation of funds for major equipment purchases and building improvements. The increases also reflect average wage increases of 2%-3.5% for nonunion employees and new collective bargaining agreements being negotiated with the IAFF and IBEW.

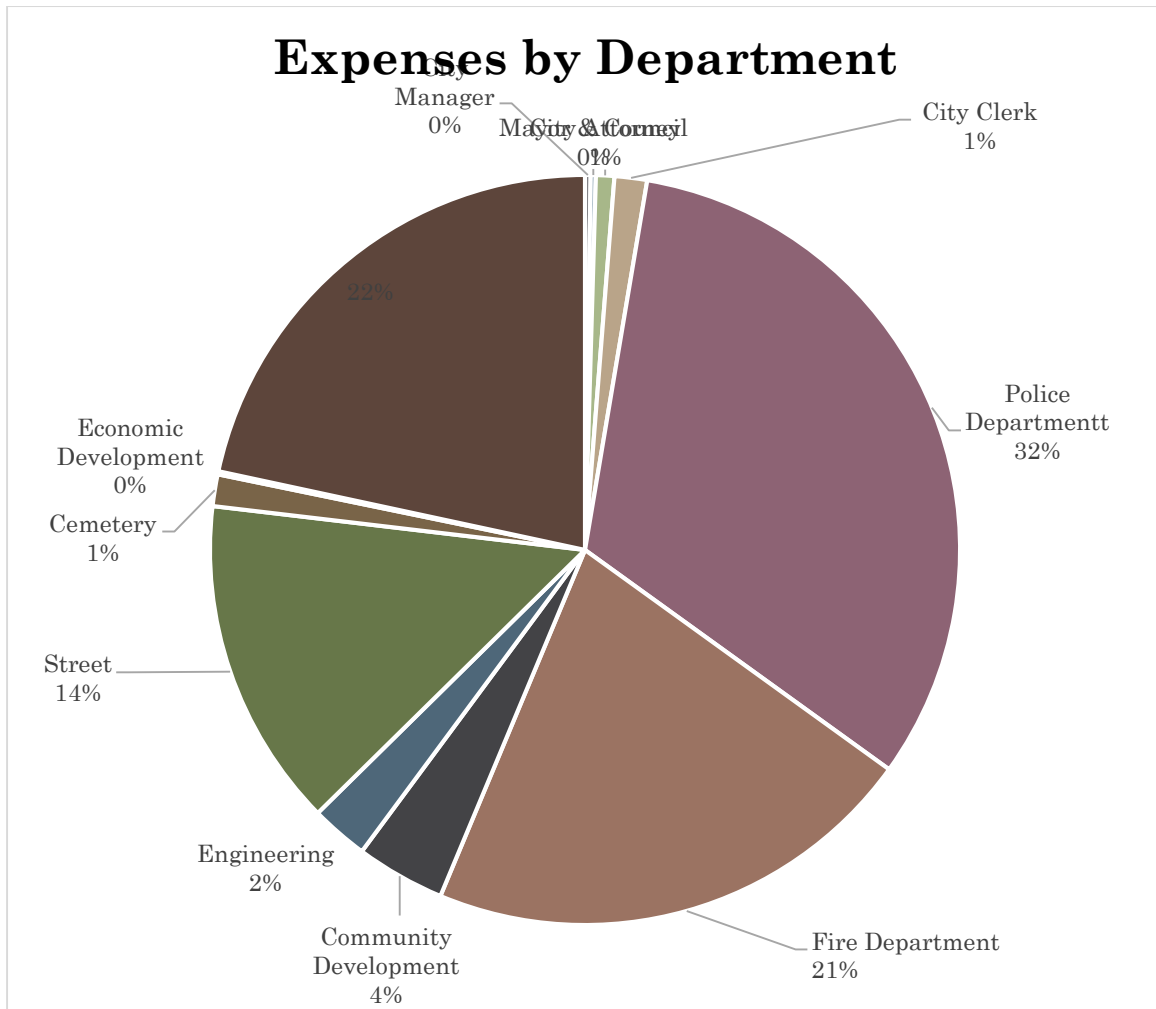
The major revenue sources of the General Fund include sales tax, property taxes, LGDF revenue sharing, video gaming fees, charges for services, licenses, and transfers-in from other funds (enterprise funds). Other revenues generated that are allocated for capital improvement costs include the non-home rule sales tax, utility taxes and the state motor fuel tax. The city continues to budget \$220,000 of all EMS revenues back to the ambulance fund to pay for equipment upgrades and all gaming revenues are split equally between the police and fire pension funds.

## GENERAL FUND REVENUES & EXPENSES



Staff is projecting a General Fund Balance of approximately \$9,066,784 at the conclusion of the new fiscal year. This represents a decrease of approximately \$1.3 million from the current year end projections. The cash reserve policy approved by the city council requires 15% 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 \$6.8 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.

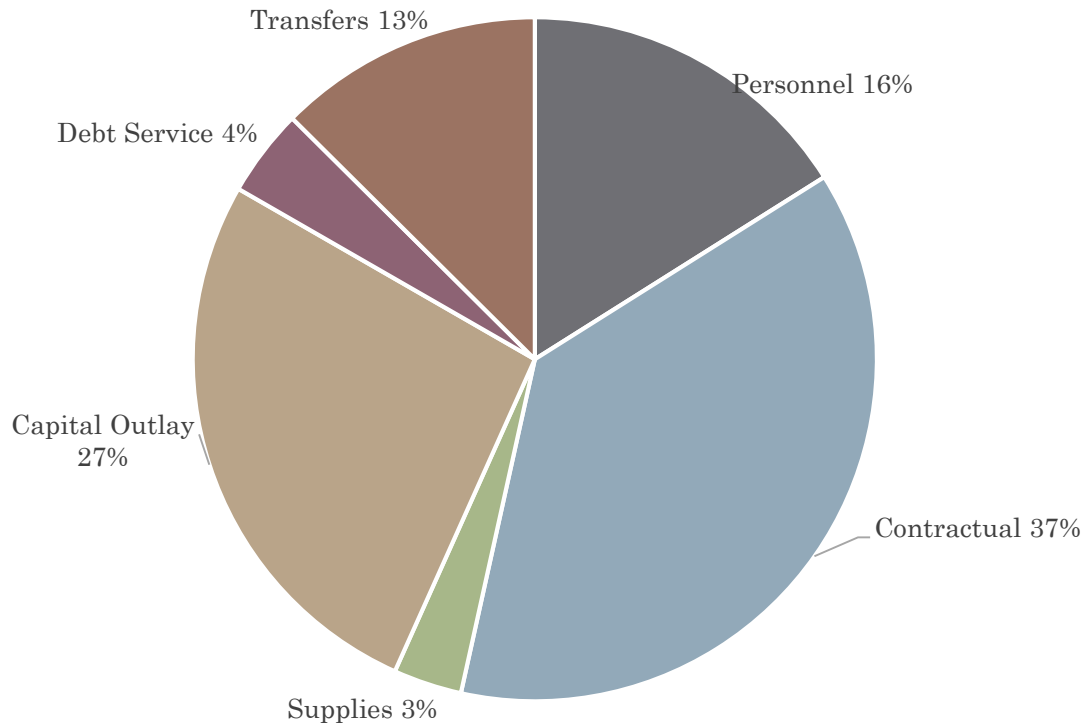
## EXPENSES BY DEPARTMENT



The major expenses for the General Fund include Public Safety, Administration, Streets & Cemetery, Community Development, 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 at 60% (This does not include administrative services and network administration). Due to power purchase costs and Capital Investments, city-wide, Personnel costs are below 17% of the overall municipal budget.

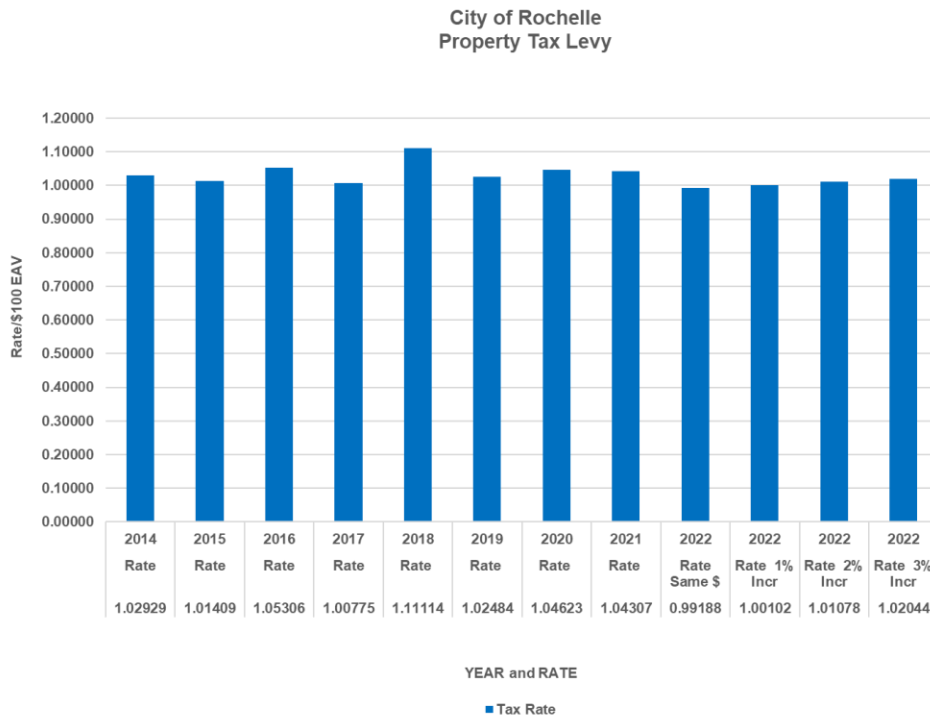
## Total City/RMU Expenditures Summary



### MAJOR REVENUE SOURCES OF THE GENERAL FUND

#### City Property Tax Rate

The final budget is based on a Property Tax Request of \$2,849,771.51, which equates to a rate of \$1.0010778 per \$100 of assessed valuation. This is an increase of \$53,292.88 over the previous fiscal year. The overall amount allocated to the General Fund is increasing approximately 8% 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 2013, the rate has remained between \$1.00 and \$1.05 except for 2018, which saw a Levy increase due to actual valuations being less than those estimated by Ogle County. The proposed levy rate will once again decrease in 2023 from \$1.043 to \$1.010. 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 2022 and paid in 2023 based on the estimated EAV and Levy amount approved by the city council. As you can see, a 2% increase in the city's tax request equates to the average homeowner's bill decreasing between \$10-\$22 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

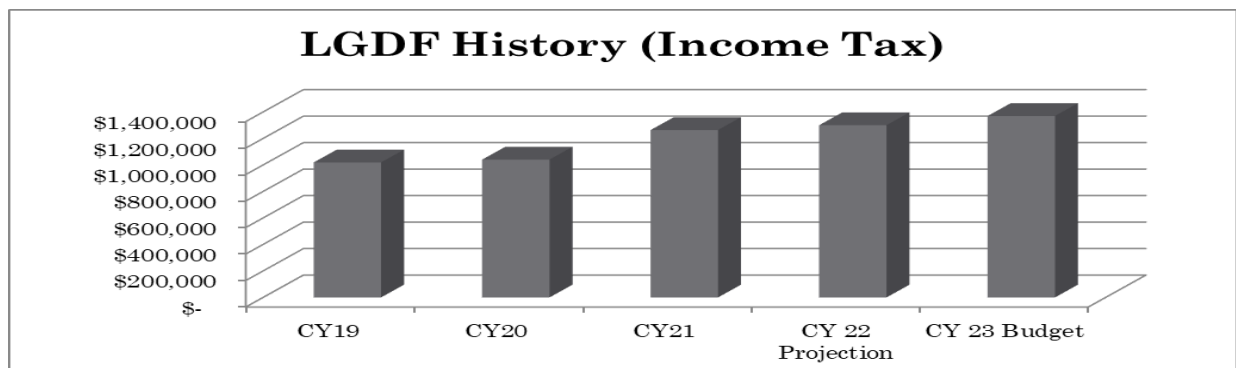
		2021	Same \$ 2022 Rate	1% incr 2022 Rate	2% incr 2022 Rate	3% incr 2022 Rate
<u>Market Value</u>	<u>EAV</u>	<u>1.043070</u>	<u>0.991875</u>	<u>1.001024</u>	<u>1.010778</u>	<u>1.020443</u>
\$100,000	\$33,333	\$347.69	\$330.63	\$333.67	\$336.93	\$340.15
\$150,000	\$50,000	\$521.54	\$495.94	\$500.51	\$505.39	\$510.22
\$200,000	\$66,667	\$695.38	\$661.25	\$667.35	\$673.85	\$680.30

CITY OF ROCHELLE						September 23, 2022
REAL ESTATE TAX RATE EXTENSION FOR TAX YEAR 2022						
<b>2% Increase</b>						
		2021 ACTUAL LAST YRS RATE	2021 ACTUAL TAXES LEVIED	OGLE COUNTY EAV ESTIMATED 2022	2022 RATE	EXTENDED 2022 LEVY
DESCRIPTION	MAX. RATE ALLOWED					
			268,100,764			
GENERAL CORPORATE	0.2500	0.119640	320,755.75	281,938,536	0.128159	361,331.00
BOND (AIRPORT)	NO LIMIT	0.022900	61,395.07	281,938,536	0.021244	59,894.00
IMRF	NO LIMIT	0.059680	160,002.54	281,938,536	0.040789	115,000.00
FIRE PROTECTION	0.0750	0.075000	201,075.57	281,938,536	0.075000	211,453.90
FIRE PENSION	NO LIMIT	0.168500	451,749.79	281,938,536	0.149288	420,901.00
POLICE PROTECTION	0.0750	0.075000	201,075.57	281,938,536	0.075000	211,453.90
POLICE PENSION	NO LIMIT	0.261770	701,807.37	281,938,536	0.273233	770,350.00
AUDIT	NO LIMIT	0.011190	30,000.48	281,938,536	0.009931	28,000.00
INSURANCE	NO LIMIT	0.139870	374,992.54	281,938,536	0.133008	375,000.00
SOCIAL SECURITY	NO LIMIT	0.089520	240,003.80	281,938,536	0.085125	240,000.00
CROSSING GUARD	0.0200	0.020000	53,620.15	281,938,536	0.020000	56,387.71
STREET LIGHTING	0.0500	0.000000	-	281,938,536	0.000000	-
TOTAL LEVY:		1.043070	\$ 2,796,478.63		1.010778	\$ 2,849,771.51
FUND	% CHANGE	\$ CHANGE	LESS EXCLUSION:			\$ 59,894.00
FIRE PENSION FUND	-6.83%	(\$30,849)	2022 TAXES LEVIED:			\$ 2,789,877.51
POLICE PENSION FUND	9.77%	\$68,543	2022 TAXES LEVIED LESS EXCLUSION:			\$ 2,735,083.56
GENERAL FUND	8%	\$64,099				
OTHER FUNDS	-5.84%	-\$46,999				
			NET \$ INCREASE-PREV. YR			2.00%

### 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 2023. 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 \$1,369,670 in LGDF funds in 2023.

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.

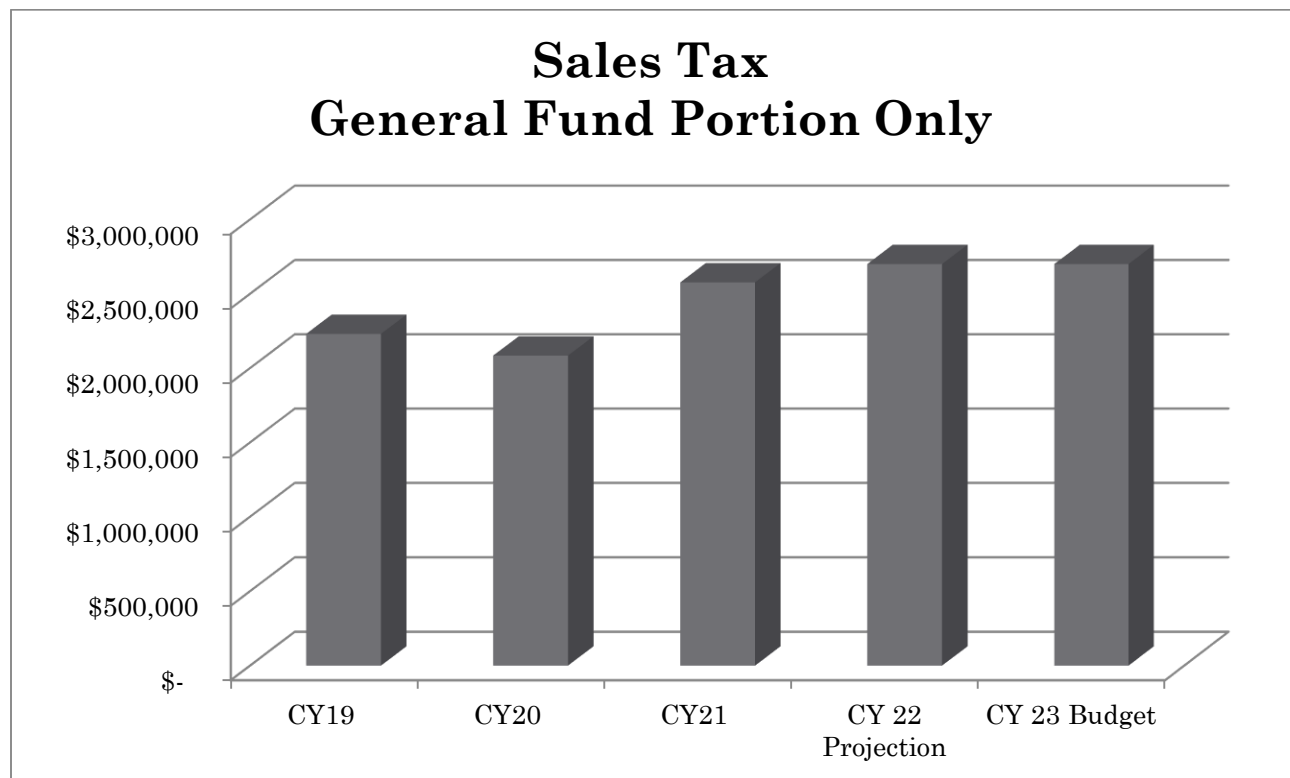




### **State Collected Sales Tax**

Since 2016, the city's 1% State Shared Sales Tax has been increasing with 2023 projections on par with the record collections in 2022. The general sales tax receipts constitute approximately 15%-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 Midwestern Clothing Company, Starbucks, Majeski Motors and RP Lumber taking over the previous Stock and Field facility. 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**



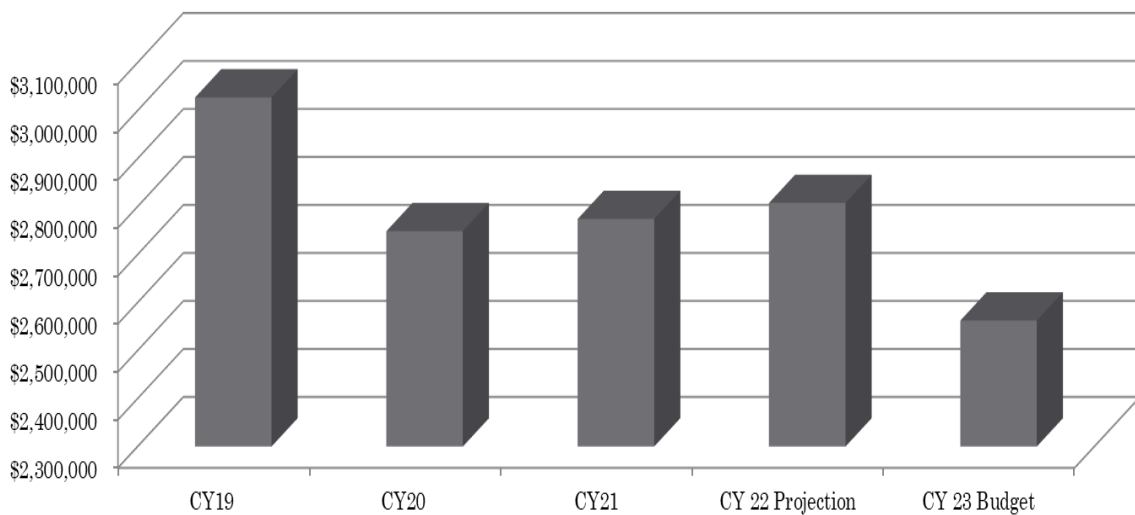
### **Transfers-In from Other Funds**

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 decreased to approximately 18% from 22% in the previous fiscal year. The transfers are based on previous year audited utility revenues.

Due to changes in budget practices and the retirement of Revenue Bonds that had extremely restricted covenants, the major Enterprise Funds will contribute 5% of the previous year's audited revenues to the General Fund. Staff will be presenting an ordinance in February to the City Council that caps all future transfers from the Enterprise Funds at 5% of the previous year's audited revenues. The Enterprise Funds include, Electric, Water, Water Reclamation, Landfill/Solid Waste, Tech Center/Advanced Communications, and the City Industrial Railroad (CIR). 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.

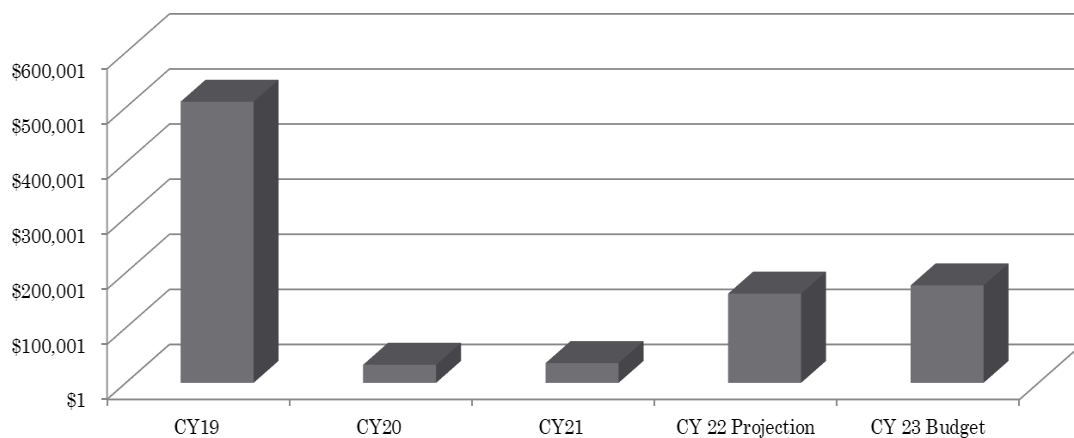
#### TRANSFERS-IN TO CORPORATE

Transfers-In to Corporate



#### SOLID WASTE TRANSFER TO GENERAL FUND

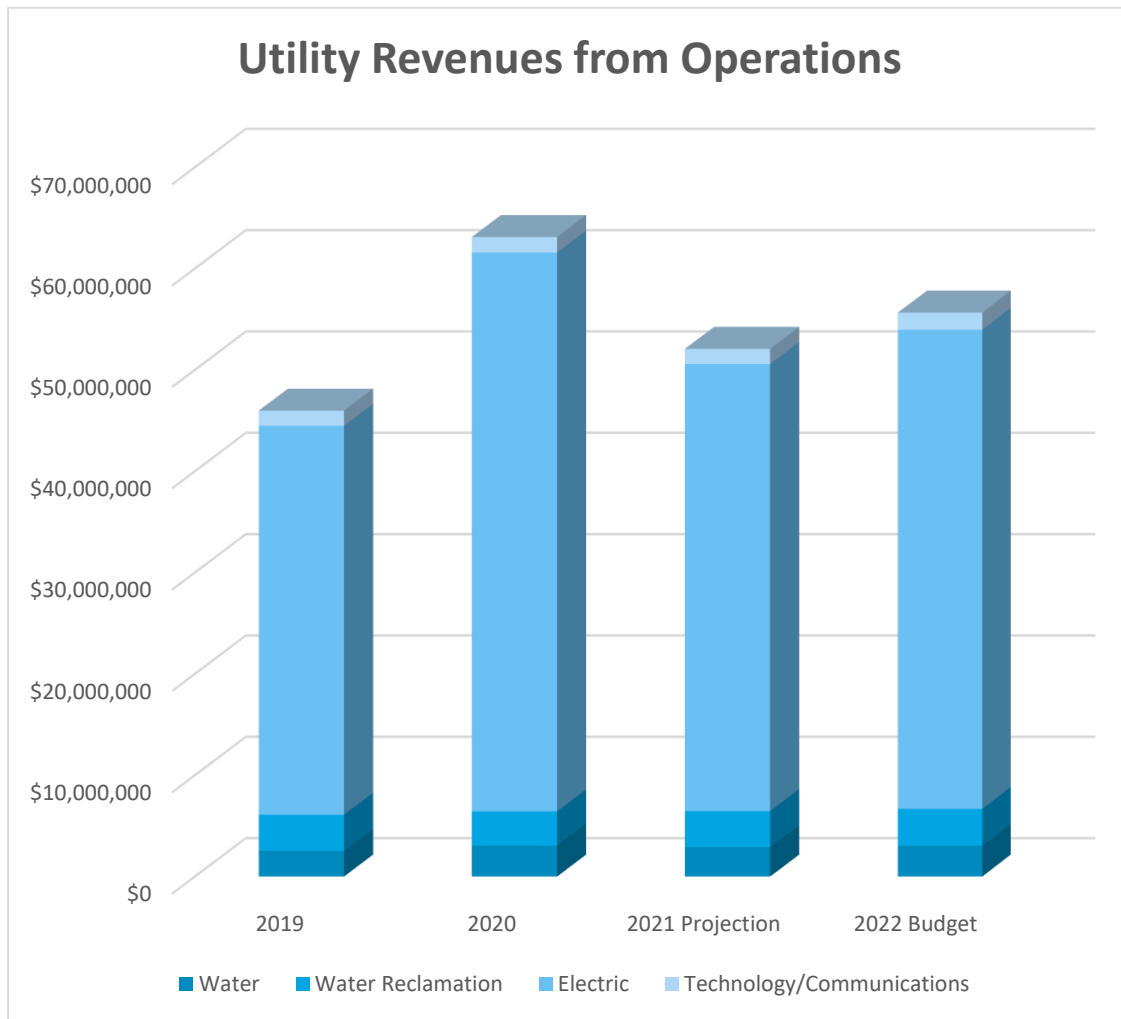
Solid Waste Transfer to General Fund



### **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**



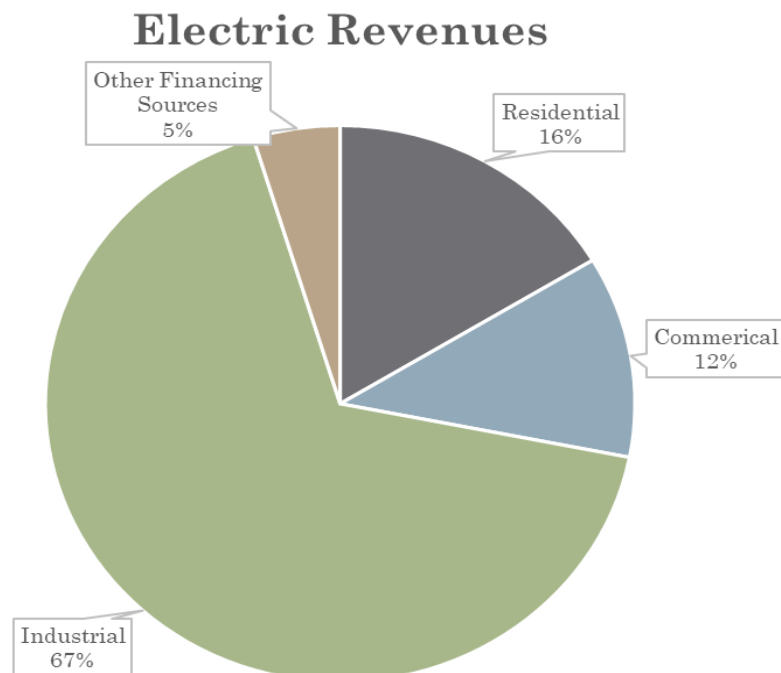
## **Electric**

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 CY 23 is approximately \$45,960,491. Revenues for the department are estimated to be \$41,253,420 in 2023. This deficit is due to the continuation of capital projects being funded through Alternate Revenue Bonds issued in 2022 for large generation and distribution related projects.

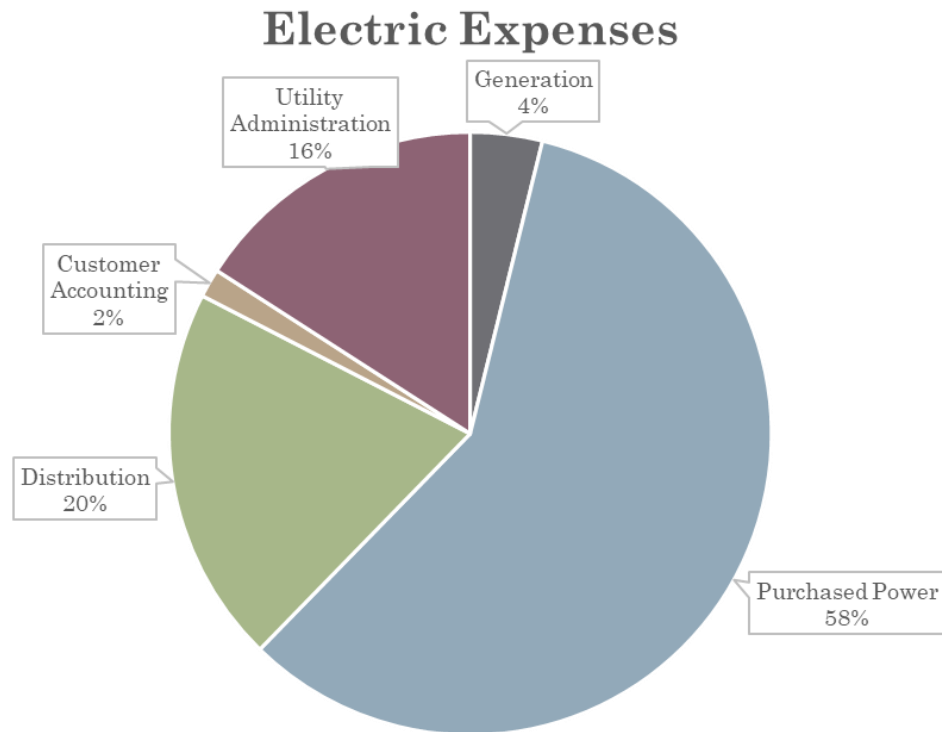
The largest expense in the Electric Department is the cost to purchase power. It is estimated that RMU will spend approximately \$26,800,000 on the purchase of power in CY 2023. This accounts for roughly 58% of the Electric Department budget. The recent sale of the transmission owned assets helped to 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 rate payers over \$2.9 million in interest payments and \$1.7 million in annual Debt Service Payments. Overall, the department continues to see marginal increases in sales and a healthy reserve fund balance. Additionally, in 2021 and 2022 the city issued a total of \$19,000,000 in Alternate Revenue Bonds to fund further system improvements including a new substation on the west side of its service territory along with improvements at the power plant.

No major staffing changes are being considered in 2023. The budget includes maintaining current staffing levels, especially within the generation plant. Ensuring front line staffing remains constant is extremely important for effective utility operations and ensuring employee safety.

## **REVENUES**



## EXPENSES



The CIP is a significant portion of the budget. Based on priorities of the city council to update infrastructure, the overall CIP for electric in 2023 is approximately \$6.4 million. Each of these recommended expenditures constitutes a major investment in RMU's infrastructure and service ability.

### 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	\$285,000
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	\$5,401,333
5KV Conversion	Convert the 5kV to 15kV system to more reliable service.	\$102,000
Distribution-Underground	Blanket to repair and maintain underground lines due to age	\$204,000
Power Plant Upgrades	General maintenance and upgrades.	\$500,000

PROJECT	DESCRIPTION	AMOUNT
Downtown Beautification	Various electric related improvements downtown	\$51,000
Line Truck Replacement	Replacement of 1 bucket truck	\$285,000
Substation Maintenance	General maintenance blanket for all 3 substations	\$50,000
Streetlights	Replacement of streetlights with LED lighting throughout the community	105,000
Total		<b>\$6,408,833</b>

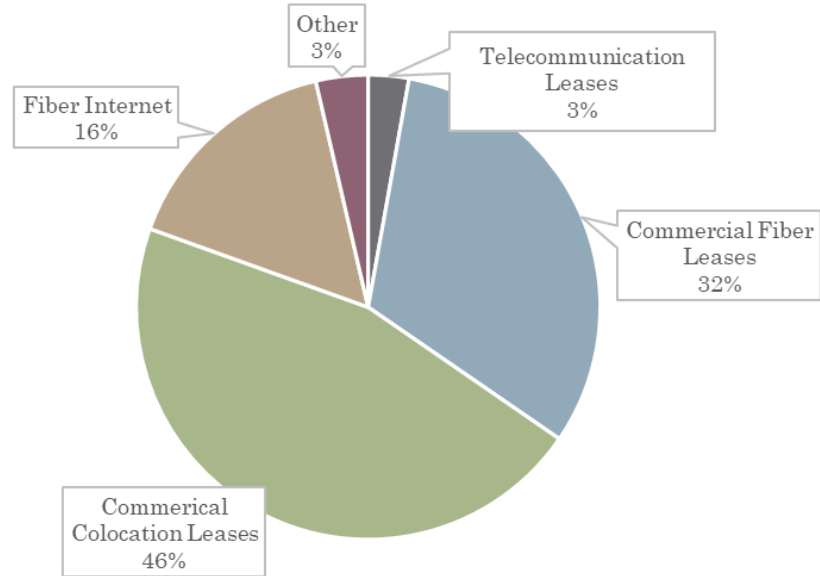
#### **Technology Center & Advanced Communications**

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 2022 the fund is projected to maintain a positive cash balance.

Projected revenues for 2023 are \$1,416,500, while expenditures are estimated to be \$1,638,631. 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 2023 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.

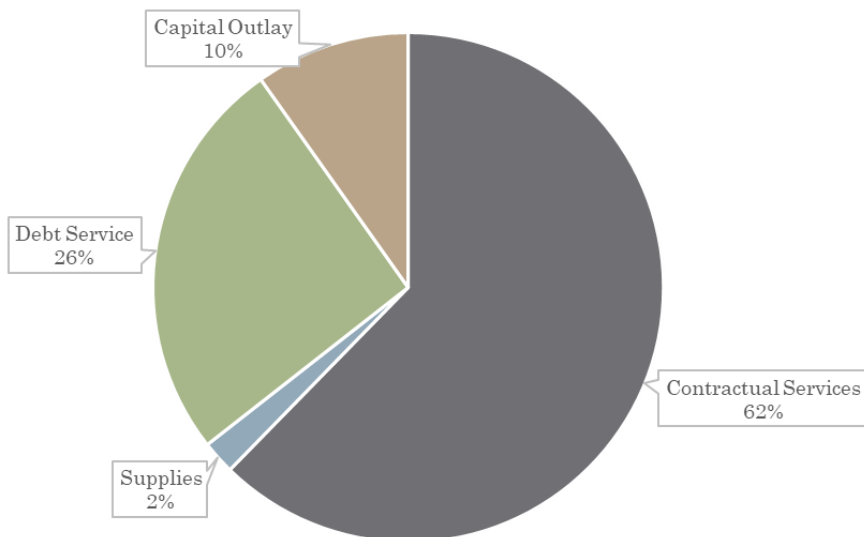
## TECH CENTER/ADVANCED COMMUNICATIONS REVENUE

### Tech Center/Advanced Communication Revenues



## TECH CENTER/ADVANCED COMMUNICATIONS EXPENSES

### Tech Center/Advanced Communication Expenses

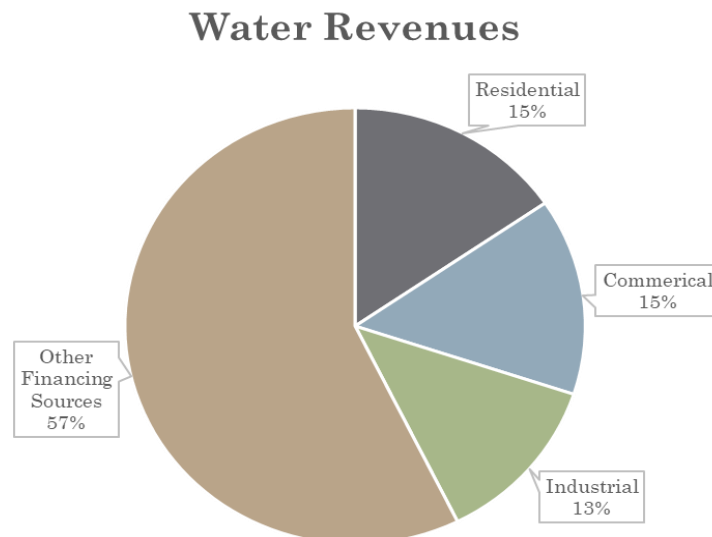


**TECHNOLOGY CENTER/ADVANCED COMMUNICATIONS/NETWORK ADMIN CAPITAL OUTLAY**

PROJECT	DESCRIPTION	AMOUNT
Battery Room Design Upgrade	Design, engineering and construction costs to upgrade existing battery room to allow more collocation space	\$75,000
Fiber Infrastructure Upgrades	Changes to network configuration for city data, SCADA and customer enhanced security. Includes adding switches and replacing hardware	\$25,000
Network infrastructure and Tech Center AV system	Network Infrastructure components within city departments and updates to AV system at Tech Center	\$100,000
Total		<b>\$200,000</b>

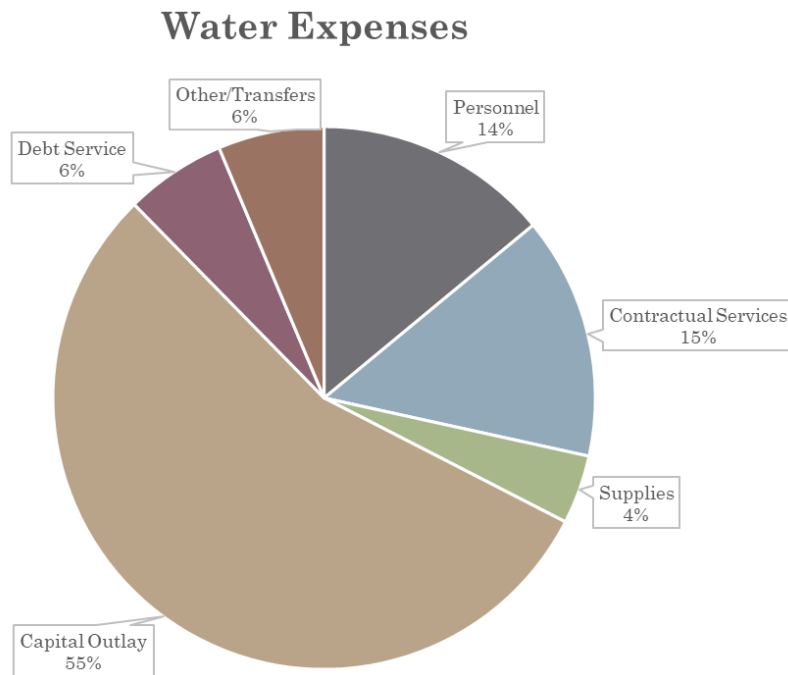
**Water/Water Reclamation**

The combined Water and Water Reclamation Funds Revenues continue to see slight increases due to recently approved rate increases, 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 CY 23 is estimated to be \$15,606,445. 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.

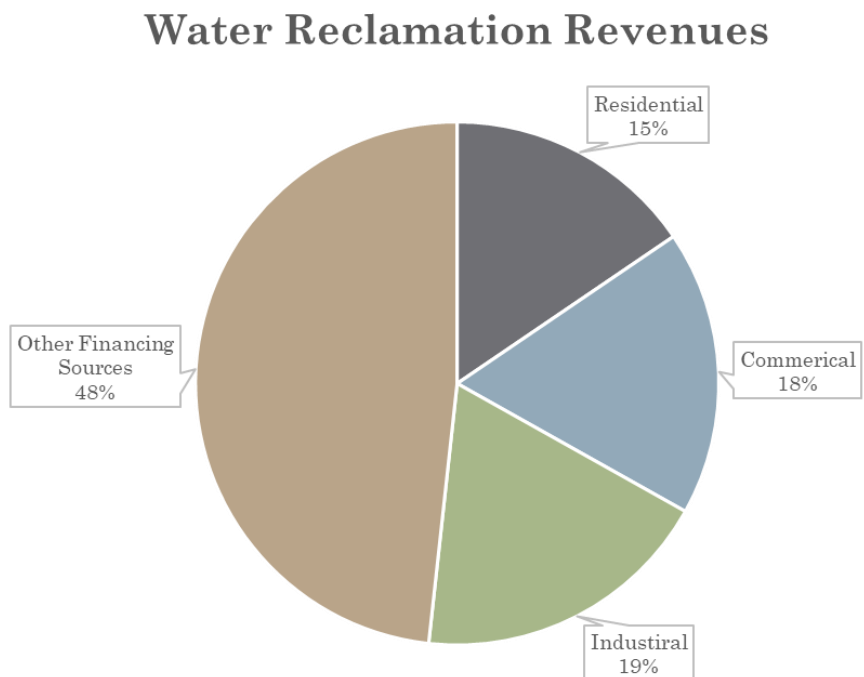
**WATER REVENUES**



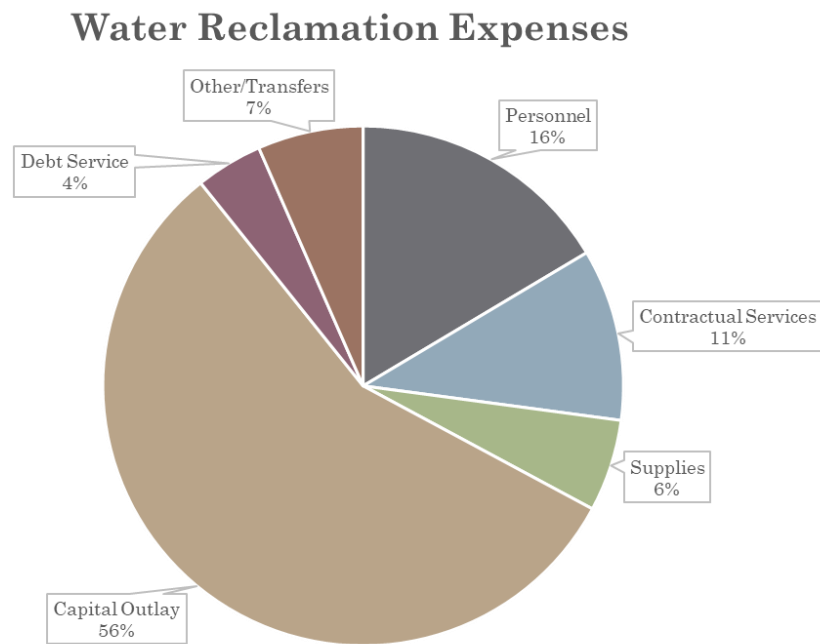
## WATER EXPENSES



## WATER RECLAMATION REVENUES



## WATER RECLAMATION EXPENSES



## WATER/WATER REC CAPITAL OUTLAY

PROJECT	DESCRIPTION	AMOUNT
Water Well #8-Caron Road	Construct a new well house and treatment plant to remove high iron.	\$3,600,000
Heavy Equipment	New equipment for both departments	\$200,000
Pilot Travel Stop Contribution-Water	Water department contribution to Pilot for extending utilities beyond I-39	\$85,000
Wash Water Towers	Washing each tower	\$12,000
Water Main Replacement Blanket	Repair and maintenance of water main system	\$102,000
Water Maintenance Blanket	Materials for preventative maintenance and repair	\$102,000

PROJECT	DESCRIPTION	AMOUNT
WWTP Updates Phase 2	Complete update and replacement of the Treatment Plant.	\$3,500,000
Camera Truck	Replace old camera truck that is used to televise sanitary sewer lines	\$250,000
WATER Reclamation Maintenance Blanket	Preventative maintenance and replacement of Water Reclamation infrastructure to avoid failure.	\$136,131
Sewer Line Replacement/Lining	Replace or repair deteriorating sewer lines throughout the City.	\$127,500
Pilot Travel Stop Water Rec Reimbursement	Infrastructure investment for the project.	\$85,000
Manhole Lining-Water Rec	Line deteriorating manholes city-wide.	\$64,927
Water Meter Replacement	This is split between water and water rec	\$50,000
Total Water/Water Rec		\$8,314,558

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

### **Rochelle Municipal Airport**

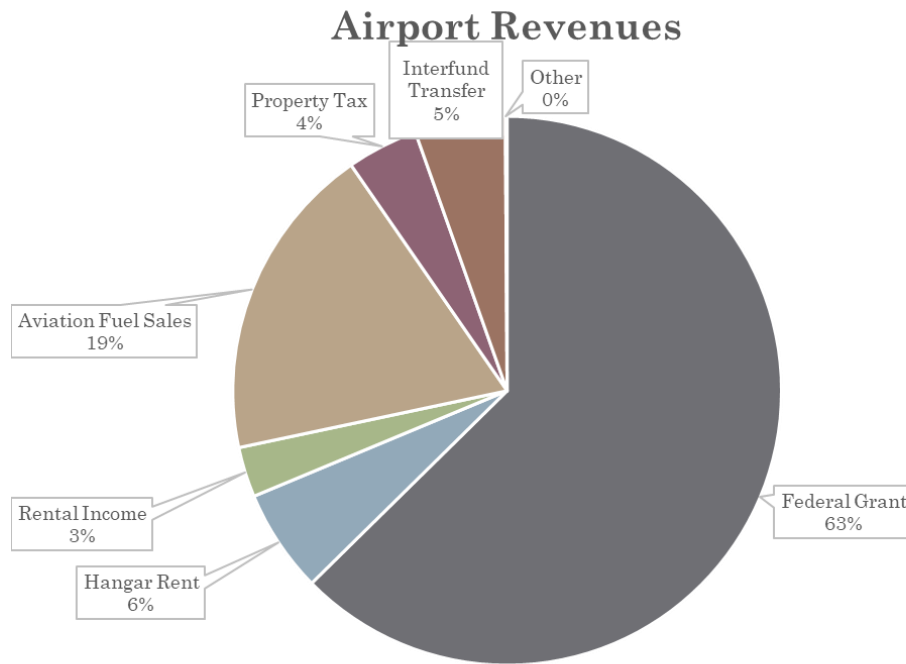
The Rochelle Municipal Airport is an asset to the community. Over the past five years, the airport has expanded its infrastructure through numerous capital and maintenance projects. To date, over \$5,000,000 has been expended on these projects, which are funded through the FAA and IDOT. The grants are 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. The local match in CY 2022 was approximately \$48,000, with the FAA/IDOT covering just over \$900,000 of the costs.

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.

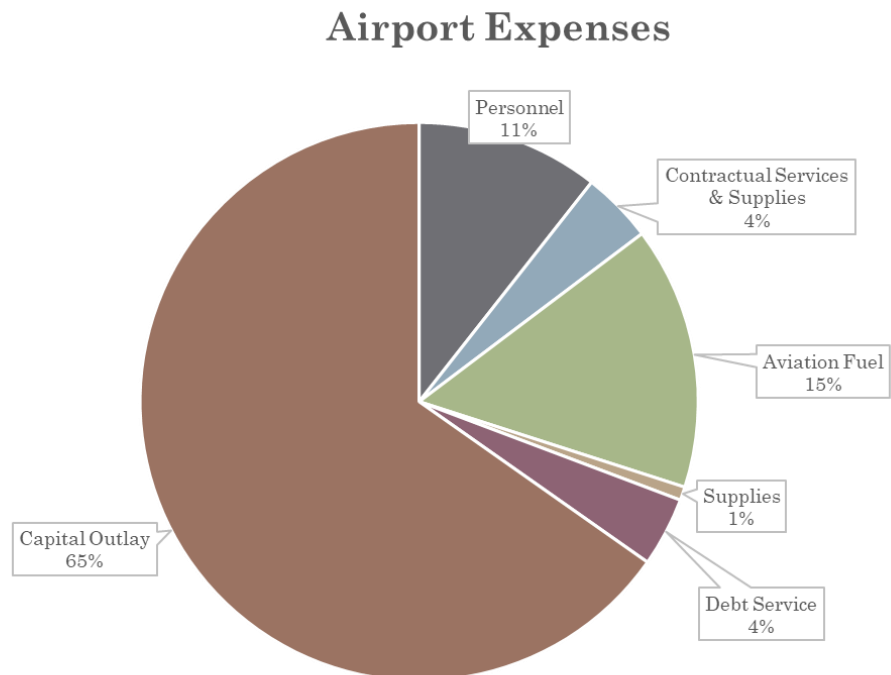
Recent improvements at the Airport include the runway reconstruction, construction of a new Taxiway Alpha, reconstruction of the entire center ramp, reconstruction of the ABCD Access Taxiway, and the addition of counterpoise lightning suppression to the runway lighting system.

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)**

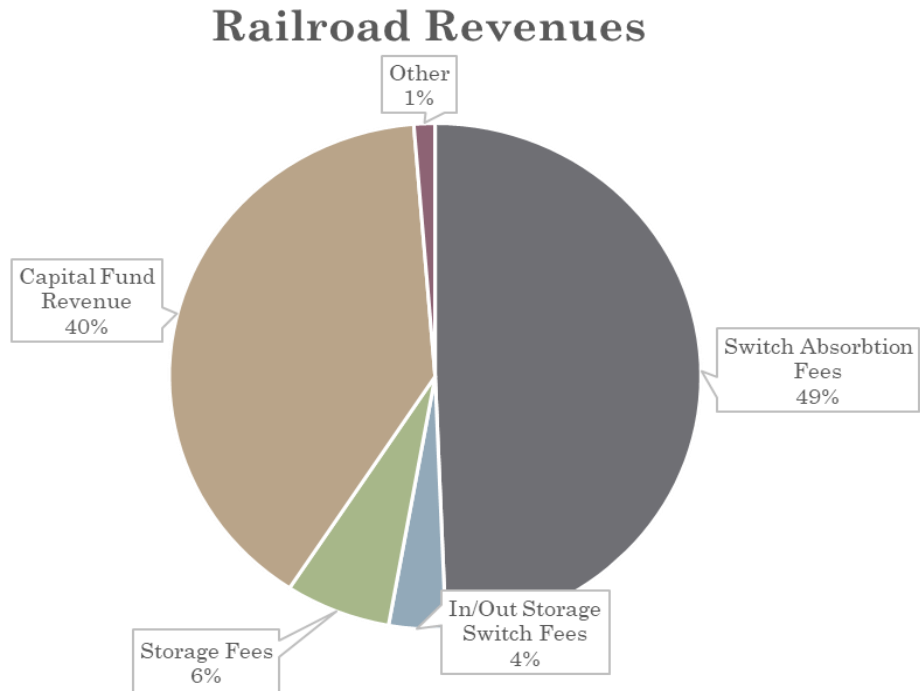
Over the past five years the CIR has experienced significant changes. Now that the Rochelle Transloading Center has been established, we are serving more industries in our area with rail services. CIR revenues are estimated to be approximately \$1,000,000 for fiscal year 2022. The RTC will undergo an expansion in 2023 with the addition of intermodal services to begin in summer of 2023. GREDCO and the City are collaborating to pave a portion of the RTC and build a Container Yard (CY). The city's portion of the project is being funded by a grant through the State of Illinois. GREDCO is working with CHS on a partnership to develop the CY. The increased traffic through the CIR in 2023 is expected to increase rail revenues by 15%-20%.

Additionally, major maintenance projects are scheduled on the CIR for 2023. 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.

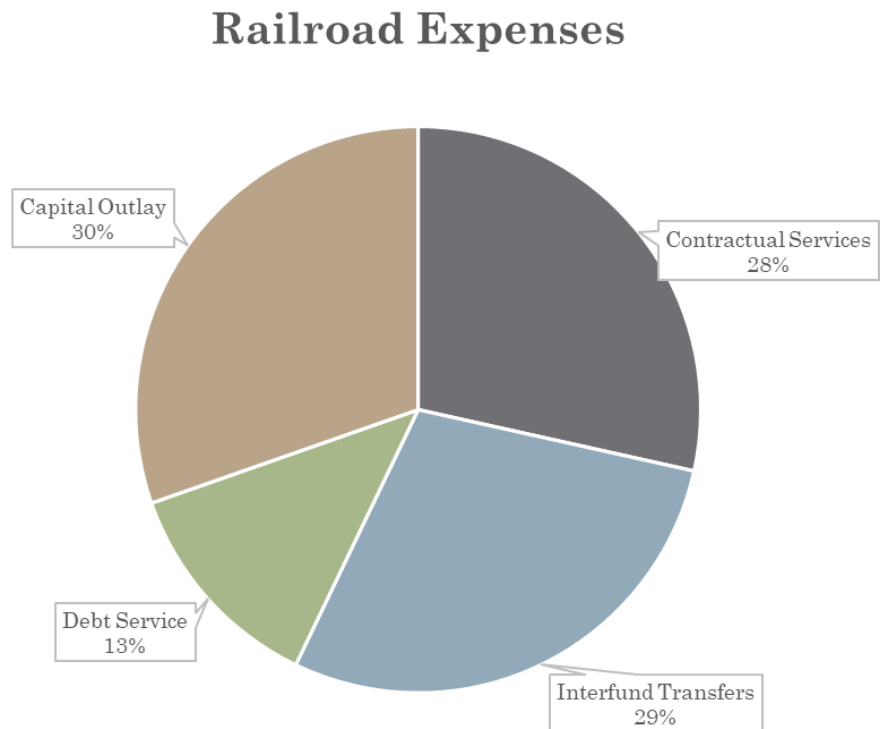
For more than a decade the city has been discussing with the BNSF the construction of a new BNSF/CIR interchange near Elva Road. Federal grant funding programs are coming available for closing of at-grade crossings and the city will be pursuing grant funding along with BNSF contributions to install a 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

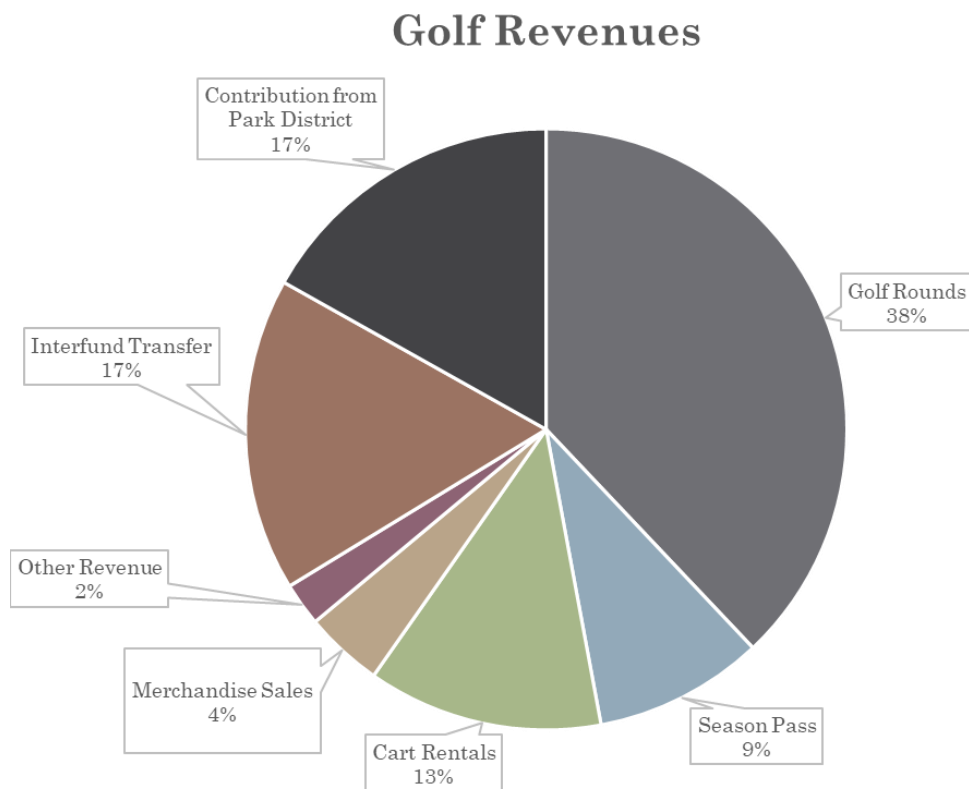


### **The Rochelle Municipal Golf Course**

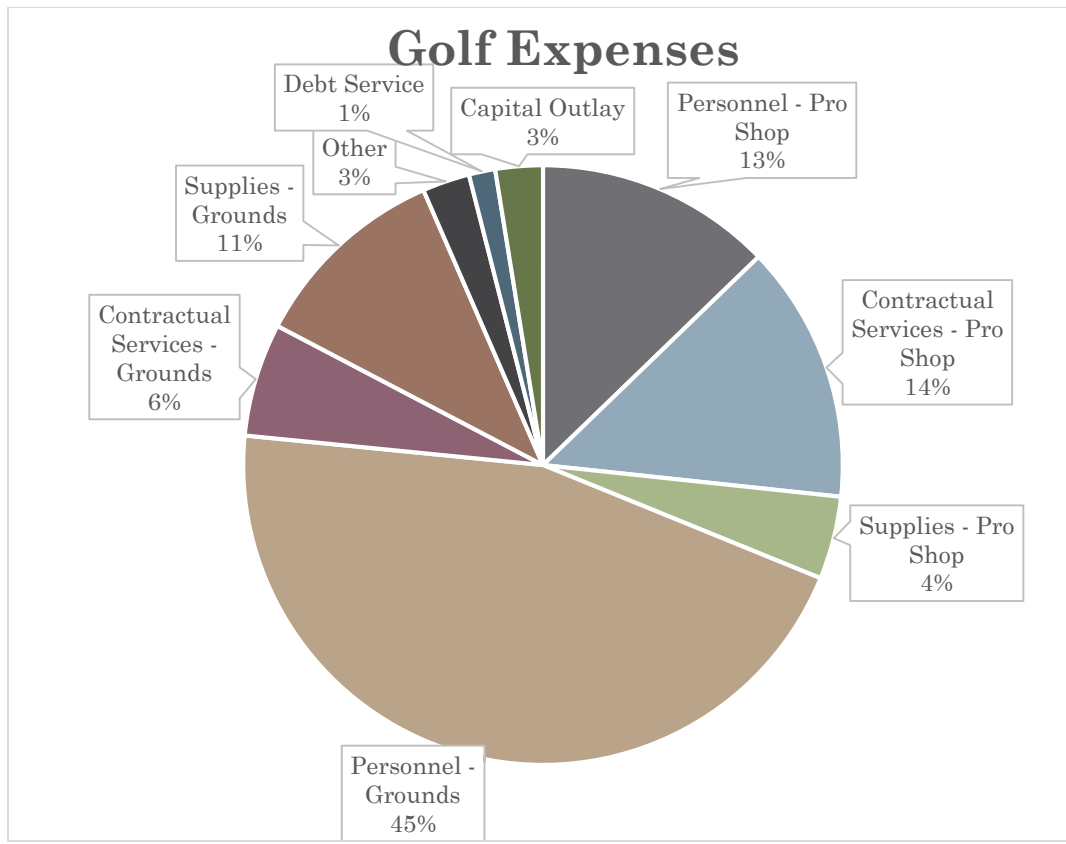
The Rochelle Municipal Golf Course (Fairways) continues to provide a valuable recreational service to our community. In 2022, the golf course had a record year selling close to 13,000 rounds. In 2023, staff anticipates that number to match or exceed this total. The facility has averaged 78 season passes 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.

Despite the economic issues facing our economy in 2022, the golf course revenues increased due to increased usage. During the 2022 season, usage increased by over 1,500 rounds and the net revenue over expenses is estimated to be exceed \$20,000. Staff continues to do a great job of marketing the course and bringing in people from the state and region.

### **GOLF REVENUES**



## GOLF EXPENSES



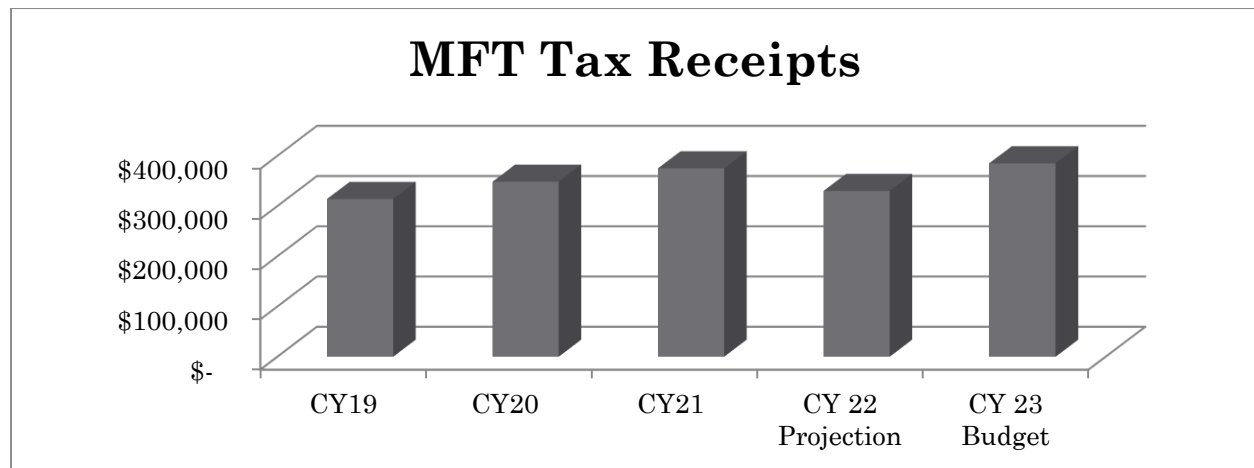
## OTHER FUNDS (MFT, TIF, UTILITY TAX, NON-HOME RULE SALES TAX AND HOTEL/MOTEL TAX)

### 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 CY 23, staff is estimating collections of approximately \$432,000 (based on Illinois Municipal League data). Although we are coming out of a pandemic, the gas tax increase from 2019 should 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 2023 and coming years include 7<sup>th</sup> Ave Bridge over Kyte River and miscellaneous resurfacing projects. The City of Rochelle received \$210,000 in Rebuild Illinois Funds in 2022 and expects to receive approximately half of that in 2023.



## 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. In 2022 and 2023 the city will be utilizing funds from this TIF to install new lighting near Walmart and along Highway 38. The budget in 2022 and 2023 for this project totals \$900,000.

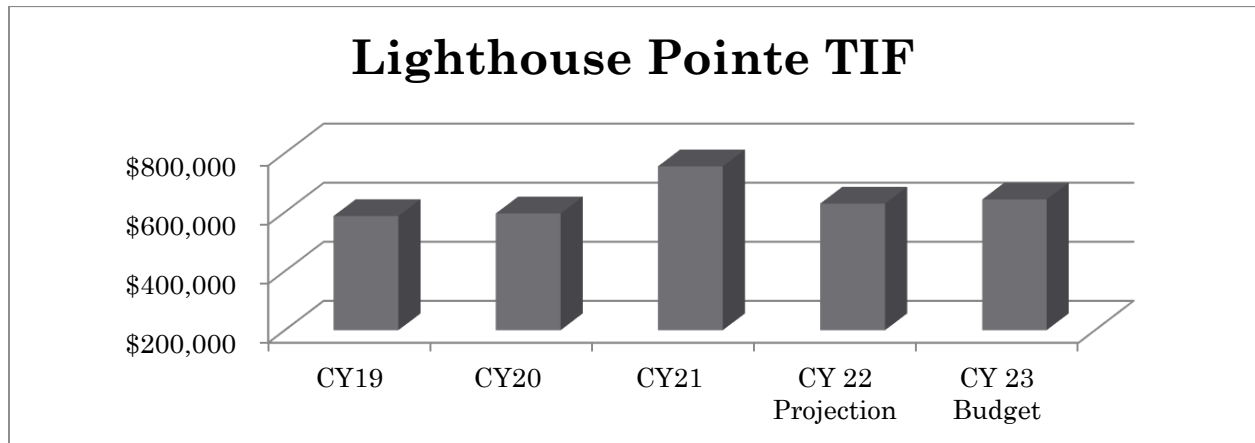
Established in 2016, the Downtown and Southern Gateway TIF received its first increment in 2017. The increment the city receives continues to increase annually. Staff anticipates collecting approximately \$292,000 in revenue for CY 23. The budget for CY 22 is \$387,000, with the city utilizing a fund balance to pay two development agreements off early. Some of the projects planned for 2023 listed below:

#### **Downtown Revitalization:**

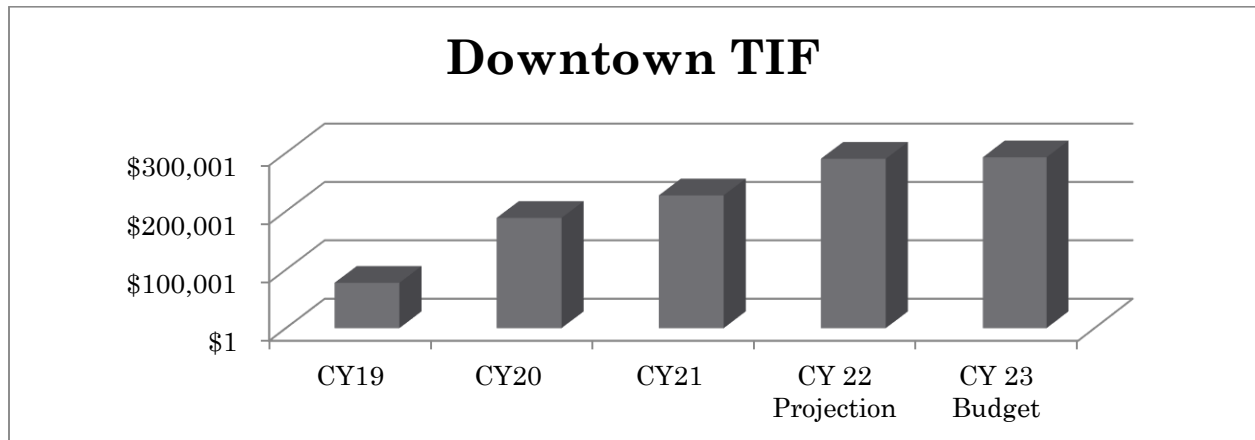
Flowerpots, Benches and Banners	\$25,000
Page Park Updates/Parkin lot updates	\$80,000
Downtown Façade Improvements	\$15,000
Development Agreements	\$80,000
Possible Property Acquisition/Redevelopment	\$80,000

The third TIF, commonly known as the Northern Gateway TIF, was established in August 2018. The TIF is projected to generate \$111,000 in 2023. The total budgeted for 2023 is approximately \$100,000. Projects include Benny's Corner Market Development agreement and the redevelopment of the Hickory Grove site. All expenditures for the Hickory Grove redevelopment will be funded through the Solid Waste Fund and then reimbursed through the Northern Gateway TIF. Our team will continue working aggressively to fund future projects in this area.

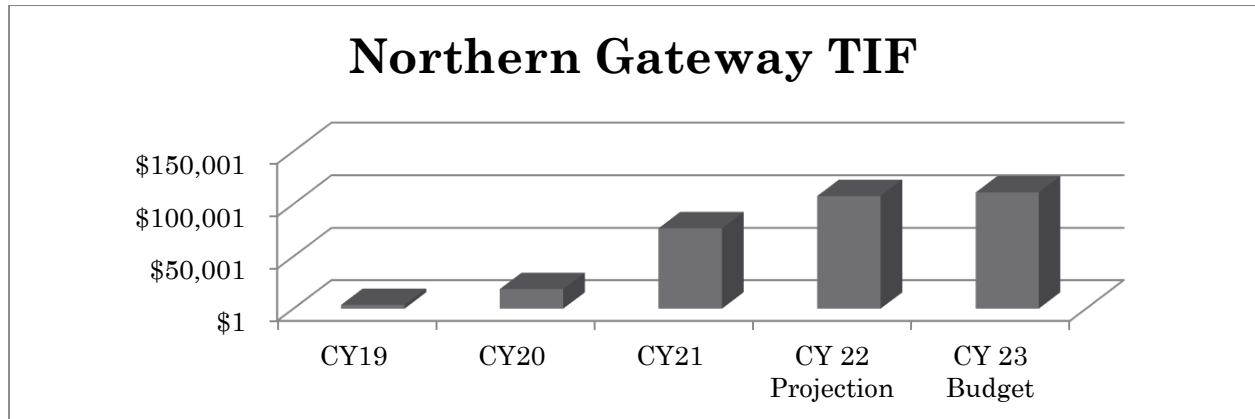
## LIGHTHOUSE POINTE TIF



## 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**

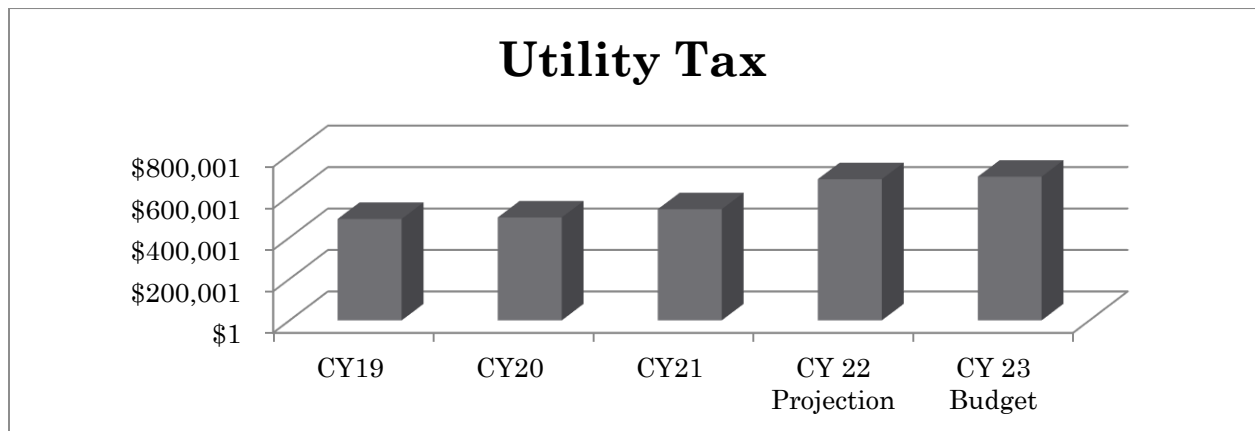
In CY 23, it is projected that the Utility Tax Fund will generate \$850,000. This increase is based on the tax increase approved in 2018, inflationary pressures and additional growth in industrial and commercial electric load. Projects being funded in the coming year include the Sidewalk Replacement 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**

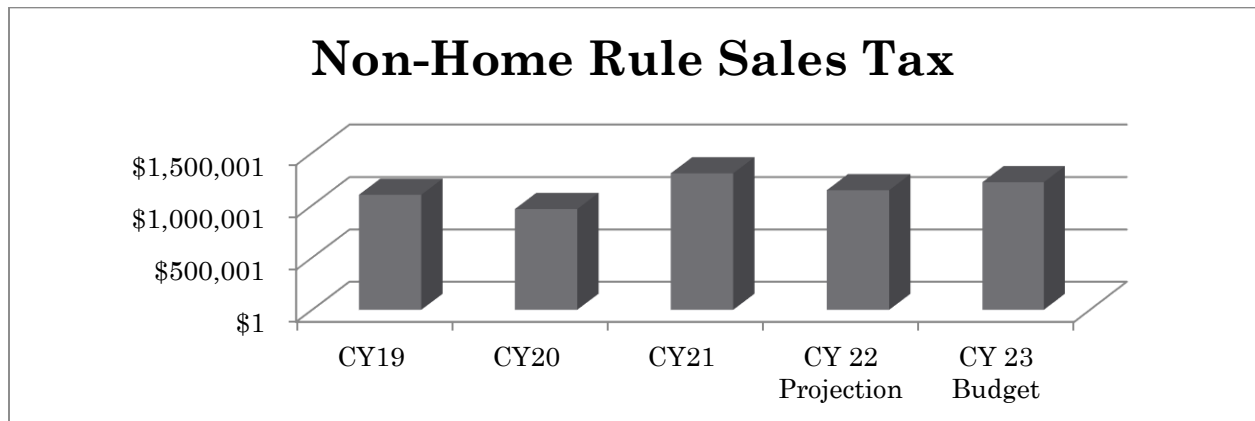
Non-Home Rule units of local government are authorized to impose a Home Rule Sales Tax and certain Non-Home Rule units of local government are authorized to impose a Non-Home Rule Sales Tax. The Non-Home Rule Sales Tax is in 0.25% increments with a 1% maximum rate limit. The city's Non-Home Rule Sales Tax rate is .75%.

Staff is anticipating the tax will generate approximately \$1,450,000 in revenues in CY 2023. 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, 6<sup>th</sup> Street reconstruction, West 2<sup>nd</sup> Avenue reconstruction and numerous storm sewer projects throughout the community. Of the remaining funds, \$200,000 will be transferred back to the General Fund to cover the salary and benefits of two street department employees who spend their time maintaining newly constructed infrastructure. The remaining funds will be transferred to the CIP to help fund projects in 2023.

## UTILITY TAX



## NON-HOME RULE SALES TAX



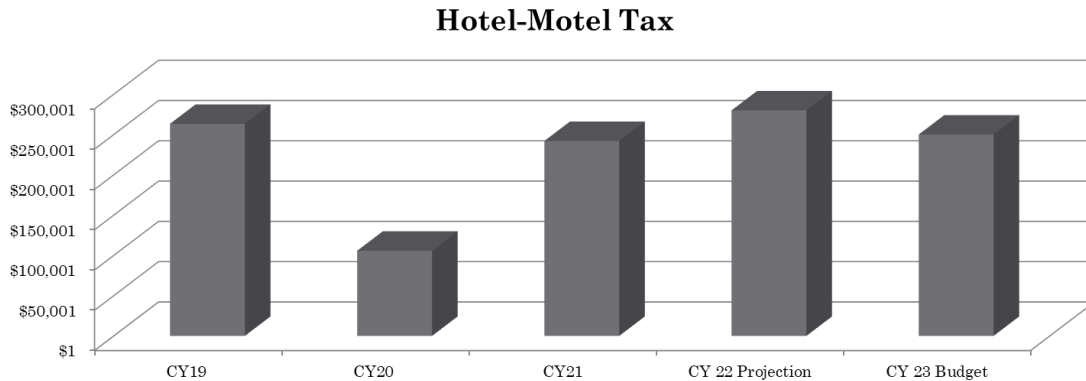
### Hotel/Motel Tax Fund

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 2023, staff anticipates a full recovery to pre pandemic revenue levels. Projects planned for funding in CY 23 include expending \$135,000 in ARPA funds for building 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 sixth year of the seven-year

agreement with the Park District. 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	\$8,500
Senior Center	\$25,000
Flagg Rochelle Museum	\$12,000
4 <sup>th</sup> of July Fireworks	\$15,000
Municipal Band	\$14,000

## STAFF LEVELS AND COSTS

In an effort to find cost reductions, in both 2017 and 2019, the city council authorized two separate separation incentives for qualified employees. To date, 12 employees have chosen to participate, with only two employees being replaced. During this time the program has saved the city and utility departments over \$1,000,000 annually.

Another goal of this budget to ensure all staffing is being funded by the appropriate departments. Therefore, 10 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, Industrial Development Manager and Sustainability Coordinator. The new 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. As a result, in 2017 the City opted to join the QCHIP (Quad Cities Health Insurance Pool) which is a subgroup of the IPBC (Intergovernmental Cooperative Benefits Cooperative). This group has over 37,000 employees and dependents from across Central and Northern Illinois. This cooperative allows the city to pool its buying power with other municipal organizations to stabilize rates long-term. For 2023, the city anticipates an increase of no more than 3% for health insurance benefits. The city has established a health insurance committee to look at ways to cut costs including offering a high deductible plan accompanied with a Health Savings Account, an HMO plan and changing benefits such as co-pays. In the last round of union negotiations, a new tier was added for employee health contributions so new employees pay a larger portion.

#### **Full-Time Employees**

General Fund (Includes elected officials)	72 Full-Time Employees
Internal Service	14 Full-Time Employees
Enterprise Funds	<u>46 Full-Time Employees</u>

#### **TOTAL**

**132 Full-Time Employees**

Non-union labor costs have been budgeted between 2%-3.5%. These salaries are based on the compensation study that was approved in 2018. 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 \$18 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 \$3.4 million in CY 23.

<b>Outstanding Debt</b>	<b>As of 1/1/23</b>	<b>Principal Payments</b>	<b>As of 12/31/23</b>
Electric (Bond)	\$ 15,265,000	\$ 970,000	\$ 14,295,000
Electric (Building)	\$ 1,007,509	\$ 292,491	\$ 715,018
Technology Center	\$ 1,915,000	\$ 300,000	\$ 1,615,000
Water Reclamation	\$ 4,766,723	\$ 259,104	\$ 4,507,619
Water	\$ 6,039,586	\$ 346,903	\$ 5,692,683
Airport	\$ 345,000	\$ 50,000	\$ 295,000
Lighthouse Pointe TIF	\$ 1,705,000	\$ 170,000	\$ 1,535,000
Golf	\$ 4,689	\$ 4,689	\$ -
General Fund (Quiet Zone)	\$ 825,000	\$ 165,000	\$ 660,000
General Fund (Cap Impr)	\$ 2,970,000	\$ 550,000	\$ 2,420,000
General Fund (Fire Dept)	\$ 288,385	\$ 17,500	\$ 270,885
General Fund (Street Dept)	\$ 575,150	\$ 117,722	\$ 457,428
Railroad (GREDCO)	\$ 494,813	\$ 164,938	\$ 329,875
<b>TOTAL</b>	<b>\$ 36,201,855</b>	<b>\$ 3,408,347</b>	<b>\$ 32,463,633</b>

## **FUND SUMMARY**

	<b>2022 Budget</b>	<b>2023 Budget</b>	<b>% Change</b>
<u>General Fund</u>			
Revenues	\$12,117,647	\$13,405,888	+11%
Expenditures	\$13,072,825	\$14,702,934	+12%
<u>Special Revenue Funds</u>			
Revenues	\$10,836,025	\$5,150,485	-47%
Expenditures	\$14,390,959	\$9,235,006	-36%
<u>Water Fund</u>			
Revenues	\$4,393,107	\$7,739,712	+76%
Expenditures	\$5,048,098	\$7,606,759	+51%
<u>Water Reclamation Fund</u>			
Revenues	\$6,073,788	\$7,866,733	+30%
Expenditures	\$6,285,757	\$7,901,706	+26%
<u>Solid Waste</u>			
Revenues	\$698,041	\$927,719	+33%
Expenditures	\$2,100,754	\$1,665,870	-21%
<u>Electric Fund</u>			
Revenues	\$47,279,313	\$41,253,423	-13%
Expenditures	\$39,364,118	\$45,960,491	+17%
<u>Airport</u>			
Revenues	\$604,269	\$2,178,761	+360%
Expenditures	\$556,267	\$2,181,642	+392%
<u>Railroad</u>			
Revenues	\$2,013,062	\$1,013,062	-50%
Expenditures	\$2,574,639	\$1,509,316	-41%
<u>Golf Course</u>			
Revenues	\$376,800	\$355,800	-6%
Expenditures	\$376,643	\$352,180	-6%
<u>Technology Center</u>			
Revenues	\$1,697,400	\$1,416,500	-16%
Expenditures	\$1,624,016	\$1,638,631	0%



### **Recent Positive Steps**

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

- Review of Utility Rates periodically. Included in the current CY 23 Budget is a rate increase for the hydroponic rate for the electric department. In both 2020 and 2021, the city council approved multi-year rate increases for water and water reclamation customers.
- In CY 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.
- 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 federal funding to assist with weatherizing and providing energy efficiencies funds to low-income utility customers.
- The City was allocated over \$1.2 million in ARPA funds. The city council authorized these funds for revenue replacement to help fund upgrades to water infrastructure, storm water infrastructure, updates to the railfan park and purchasing energy efficiency products for utility customers.
- The City Council approved an agreement to cap cell one without doing the exhumation at the landfill. Included in this plan is a ramp up of landfill waste that will allow for a closure of the facility within 25 years. This ramp up will significantly increase revenues available to the community through the landfill fund.
- To continue promoting the Airport for corporate and recreational usage, the City budgeted funds in the coming CY for taxiway and runway improvements. The city will be creating a Revenue Enhancement Plan for the Airport to ensure its long-term solvency.
- The CY 23 Budget includes funds for the expansion of the Façade and Building Improvement Program to include the entire community. This program continues to be extremely successful.
- 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.

- Staff budgeted funds to complete the construction of the new substation south of I-88. Funds are also budgeted to begin the design work for a new substation on the west side of the RMU service territory near Mighty Vine.
- Staff budgeted funds to begin hiring additional police officers in anticipation of more retirements. My goal is to make sure each retirement is replaced with a new officer.
- Included in the budget are funds to begin work for Phase II of the Water Reclamation Plant upgrades. The project includes rehabilitating 30 million gallons of wet weather storage lagoons, rehab of the secondary clarifiers, upgrading the sand filters to a cloth media filtration system, upgrading the 2<sup>nd</sup> half of the aeration system to meet phosphorous regulations, and adding a 2<sup>nd</sup> barscreen and additional piping work.
- 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.
- Funds are included for the full implementation of the City's new asset management and ERP systems. This also includes a new GIS system.
- Funds are budgeted for the design of a new iron removal plant at Well #8.
- Budgeted funds to complete the remodel of the utility/engineering facility on S 7<sup>th</sup> 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. 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 that there may be an economic downturn at some point in 2023. The city needs to prepare for this and set appropriate spending levels in the future if this economic downturn becomes a reality.

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.**