



Budget Report to Mayor Bearrows & City Council

DATE: November 16, 2020
FROM: Jeffrey A. Fiegenschuh, MPA, ICMA-CM, City Manager
RE: CY 2021 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, 2021. The numbers reflected in this document are part of the PowerPoint presentation for the November 16, 2020 budget workshop. The entire City of Rochelle proposed CY 21 budget is \$85,751,822.

Proposed General Fund Revenues for FY 2021 are estimated to be \$11,020,148. Expenditures for the new fiscal year total approximately \$11,019,849 with General Fund capital outlays at around \$709,026. Projects funded by the 2018 Alternate Revenue Bonds are included in the Capital Improvement Fund. The Utilities (Electric, Water, Water Reclamation, Advanced Communications & Technology Park, Golf Course, Railroad, Landfill and Airport) proposed budgeted expenses are \$56,688,117, of which \$17,252,477 is for capital outlays. All other funds, including Special, Capital Improvement, Downstate Police and Fire Pensions and Internal Service total \$18,043,856.

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 21 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 2018 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 5 core areas approved by the City Council.

STRATEGIC PLAN GOALS

- Economic & Business Development
- Financial & Management Stability
- 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 new estimates since the COVID-19 Pandemic.
- Basic services are financed at appropriate levels.
- The City extended the 2020 early retirement incentive, which may lead to additional staff savings. Previous early retirements saved the City and RMU approximately \$2,700,000. Four employees took the incentive in CY 20 and two Electric Department employees will retire early in 2021.
- Investment in infrastructure continues to be a priority and is funded with Alternate Revenue Bonds, Non-home Rule Sales Tax, Utility Taxes and Utility Fees.
- Total full-time Staff increased by three full-time equivalent employees. This includes two additional Police Officers and one additional Water Reclamation employee. They were hired to prepare for pending retirements. The two Police hires represent backfilling open positions from 2015 to the present day. A current officer was promoted to the School Resource Officer (SRO at Rochelle Township High School (RTHS) District #212. Two-thirds of the salary and benefits of the SRO will be reimbursed by RTHS through the shared partnership with the City. The position in Water Reclamation is a new position and was created to help handle the additional phosphorous regulations through the ILEPA. The general fund has a slight surplus even with the filling of these vacant positions.
- New growth is pursued with the continuation of incentives to expand the local tax base including the continuation of the RMU Shop Local Program, the 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 and the Downtown Historic District. A continuation to improve the City's overall appearance is being supported through renewed investments in our Downtown. This includes promotion of the Downtown TIF and the completion of the new Downtown Historical District. The City is pushing a renewed interest in investment on and near Highway 251 South of the overpass. The demolition of Hickory Grove and the redevelopment of the property is a top priority in 2021. The City has applied for grant assistance for the project.
- Continued investments in the City's utility infrastructure including funding for Phases 1 and 2 of the new electric substation south of Interstate 88, continued investments in the growth of City-owned fiber network, rehabilitation and construction of Well 4 and painting and rehabilitation of the water tower located at the power plant and numerous upgrades to the WWTP.
- Since 2018, the City has hosted numerous meetings with other units of local government to promote greater cooperation between the taxing bodies that serve Rochelle. These meetings have led to more open dialogue on ways to improve and share services.
- In 2017, the Mayor and City Council approved entrance into QCHIP Benefits Cooperative as an option to control long-term health care costs. This decision helped ensure deeper cuts were not needed in the General Fund budget. Because of this change, the City's health insurance rates remain lower than when the City entered the program.

- In 2017, the Mayor and City Council approved entrance into IMIC as an option to control the City's workman's comp and property insurance. The City realized a \$500,000 savings in the first year and the rates continue to be lower than the previous providers rates. The City will monitor this annually to determine if another move will save dollars.
- The budget includes funding for the continued implementation of the employee pay and compensation plan. This plan has aided in establishing new pay ranges for positions based on key competencies.

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

- Escalating pension costs (possibly consider a referendum to increase the Non-Home Rule Sales Tax .25% for pension costs and property tax relief or consider pension obligations bonds).
- Current electric rates, specifically for our commercial customers (the City Council recently approved a decrease in commercial rates).
- Future initiatives by the legislature to prematurely close the Prairie State generating plant. This could have long-term negative impacts on utility rates.
- Increasing gaming requests.
- The approval of adult-use cannabis and the possibility of both cultivation centers and dispensaries.
- 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).
- The impact of the pandemic on Sales Tax and Hotel/Motel Tax collections.
- The Golf Course agreement ends in three years. What will its future hold if Hotel Tax collections do not recover?

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 CY contains \$11,019,849 in Expenditures. These allocations reflect our commitment to providing 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 decrease in expenditures of \$138,240 from the previous CY Approved Budget. However, the new Budget represents an increase of \$864,141 over the CY 20 Amended Budget.

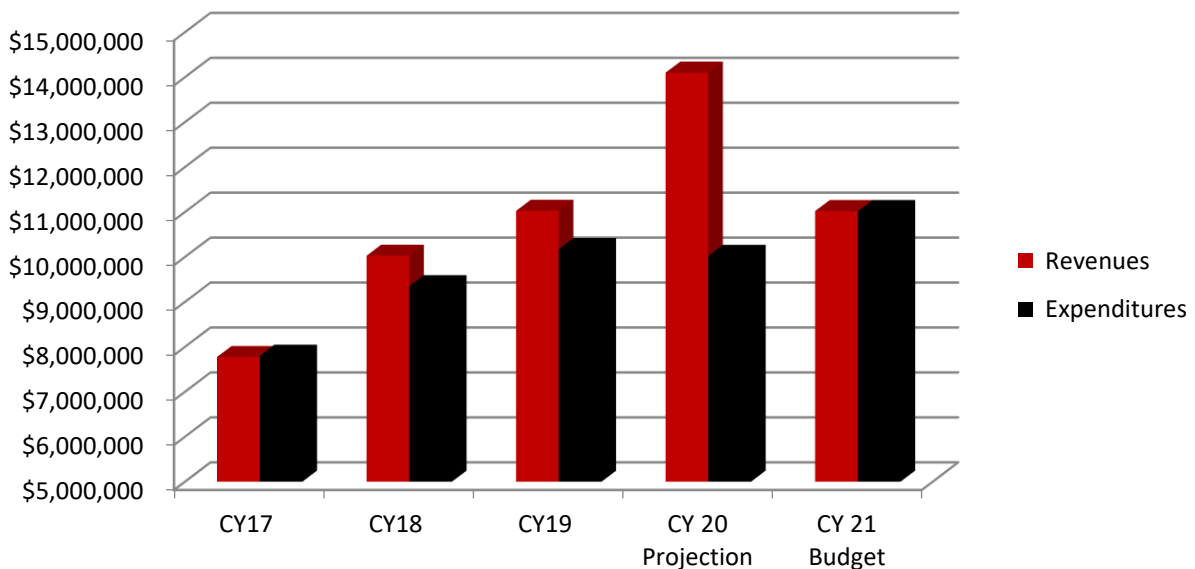
These increases in spending relate directly to a reasonable conclusion to the Pandemic relating in stabilized revenues and resuming spending on Capital Improvement investments. The City has

put the patient transfer system with Rochelle Community Hospital on hold until the Pandemic ends. However, the City is working with Liberty Village on a separate transfer program that will be mutually beneficial to both entities. Half of all additional funds generated above expenses will go back to the Ambulance Improvement Fund to fund future public safety vehicle purchases.

The major revenue sources of the General Fund include Sales Tax, Property Taxes, LGDF Income Tax Sharing, Video Gaming Taxes, charges for services, licenses and transfers in from other funds (Enterprise Funds). Other Revenues generated that are allocated for Capital Improvement costs include the three quarters of a cent Non-Home Rule Sales Tax, Motor Fuel Tax, and the Utility Tax. Finally, with the sale of the transmission assets, the City received an up-front franchise payment of \$3,500,000 along with a smaller payment \$200,000 for Community Development projects. The \$200,000 was expended in FY 20 to fund the Revive Rochelle Grants to assist “non-essential” businesses with mandated closures due to the Pandemic. The \$3,500,000 is Unrestricted General Fund Revenue and should be used for future Capital Improvement Projects, Pension obligations and Property Tax reductions. Staff will propose several options in CY 21 on how best to utilize the funds in the future.

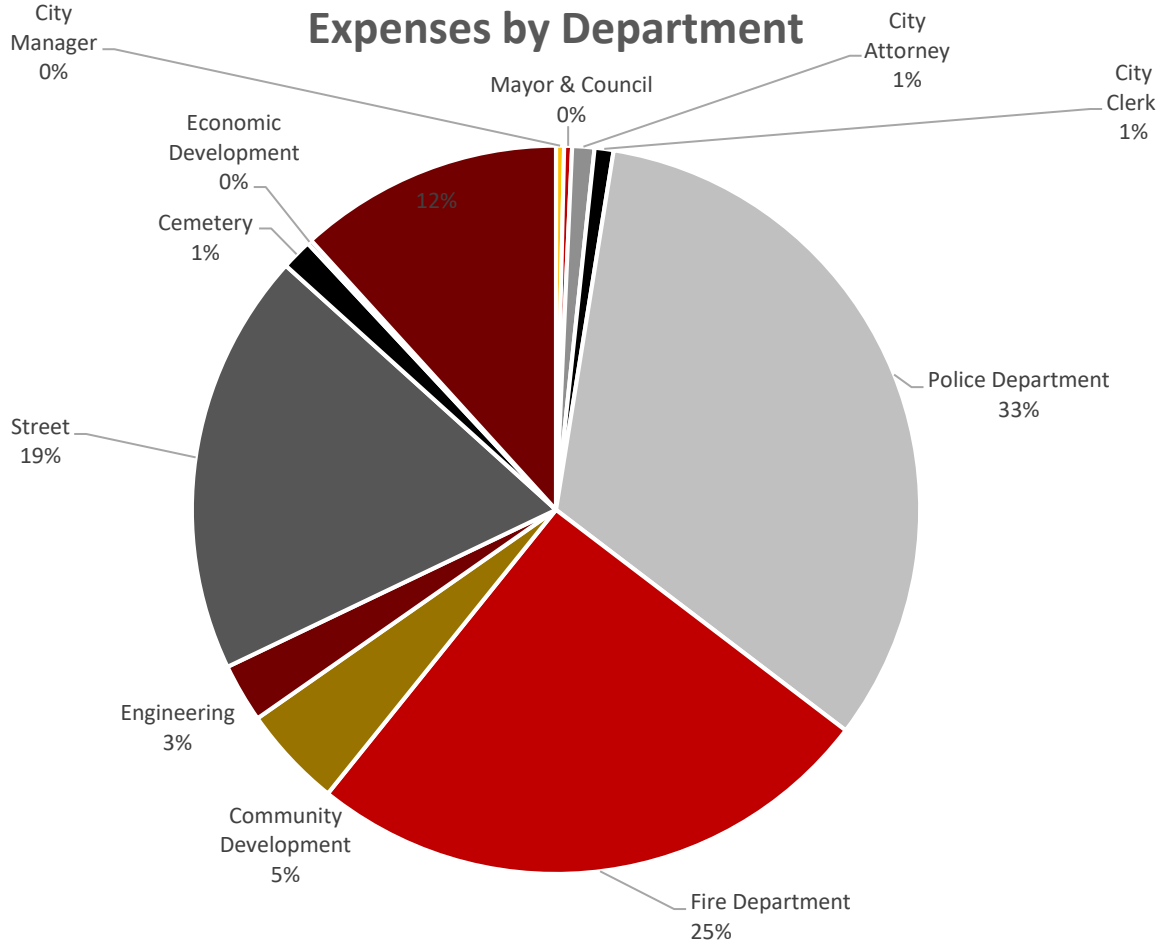
General Fund

Revenues & Expenditures



	Revenues	Expenditures
CY17	\$ 7,773,194	\$ 7,801,220
CY18	\$ 10,025,772	\$ 9,347,804
CY19	\$ 11,025,624	\$ 10,175,889
CY 20 Projection	\$ 14,099,264	\$ 10,022,456
CY 21 Budget	\$ 11,020,148	\$ 11,019,849

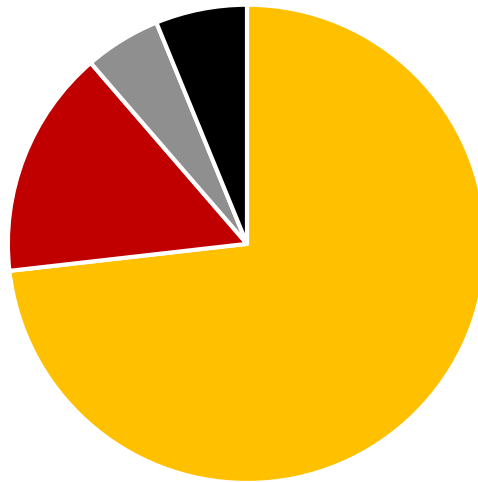
The major expenses for the General Fund include Public Safety, Administration, Streets & Cemetery, Community Development, and Engineering. Within each department, the major expenses include Personnel Services (salaries and benefits), Contractual Services, Supplies and Capital Outlay.



Mayor & Council	0%	\$ 32,800
City Manager	0%	\$ 25,150
City Attorney	1%	\$ 105,000
City Clerk	1%	\$ 82,398
Police Department	33%	\$ 3,938,362
Fire Department	25%	\$ 2,904,059
Community Development	5%	\$ 455,849
Engineering	3%	\$ 289,089
Street	19%	\$ 1,922,663
Cemetery	1%	\$ 175,278
Economic Development	0%	\$ 13,900
Municipal Building	12%	\$ 1,075,301
		\$11,019,849

The Major Expenses categories for the General Fund include Personnel, Transfers to other Funds, Capital, Supplies and Contractual Services. 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 it is at 71%.

City of Rochelle Expenditures Summary



■ Personnel ■ Contractual ■ Supplies ■ Capital ■ Transfers

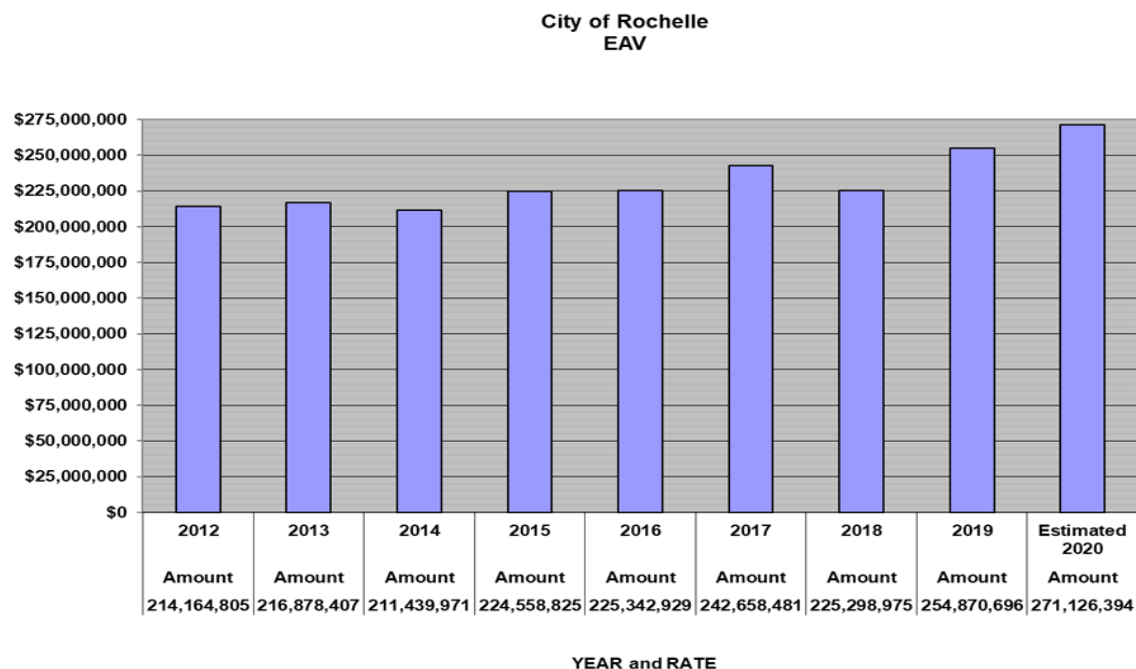
Personnel	71%
Contractual	15%
Supplies	5%
Capital	6%
Transfers	3%

Staff is projecting a General Fund Balance of approximately \$7,425,025 at the end of the current Calendar Year. Under the Proposed Budget, the General Fund Cash Balance will increase to \$7,425,324 by the end of CY 2021. 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 continues to exceed the minimum cash policy required amounts by approximately \$5,772,347. Lastly, most of the 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 fund Capital Projects for the next two years. The balance owed on the Bonds as of December 31, 2020 is \$4,400,000. These Bonds will be fully retired in 7 years.

MAJOR REVENUE SOURCES OF THE GENERAL FUND

City Property Tax Rate

The Final Budget is based on a Property Tax Request of \$2,737,795 which equates to a rate of \$1.009785 per \$100 of assessed valuation. This is an increase of \$125,778 over the previous Calendar Year. The increase is attributed almost entirely to increased Public Safety Pension Costs. The overall amount allocated to the General Fund decreased by approximately \$19,000 over the previous Year. Combined with the 2019 Levy, the amount budgeted for the General Fund decreased approximately \$34,000 over the past two Calendar Years. 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. 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 in FY 2021 based on the estimated EAV and Levy amount approved by the City Council. As you can see at a 4.95% increase in the City's Property Tax request equates to the average homeowner's bill decreasing by approximately \$6 in the new year. Our overall rate should remain relatively flat due to the amount of industrial and commercial growth taking place in the community.

CITY OF ROCHELLE							October 1, 2020
REAL ESTATE TAX RATE EXTENSION FOR TAX YEAR 2020							
4.95% INCREASE							
		2019	2019	OGLE COUNTY		EXTENDED	
DESCRIPTION	MAX. RATE ALLOWED	ACTUAL LAST YRS RATE	ACTUAL TAXES LEVIED	EAV ESTIMATED 2020	2020 RATE	2020 LEVY	
			254,870,696				
GENERAL CORPORATE	0.2500	0.173620	442,506.50	271,126,394	0.145873	395,500.00	
BOND (AIRPORT)	NO LIMIT	0.023190	59,104.51	271,126,394	0.021547	58,419.00	
IMRF	NO LIMIT	0.074940	191,000.10	271,126,394	0.070447	191,000.00	
FIRE PROTECTION	0.0750	0.075000	191,153.02	271,126,394	0.075000	203,344.80	
FIRE PENSION	NO LIMIT	0.153420	391,022.62	271,126,394	0.162033	439,313.00	
POLICE PROTECTION	0.0750	0.075000	191,153.02	271,126,394	0.075000	203,344.80	
POLICE PENSION	NO LIMIT	0.229960	586,100.65	271,126,394	0.249938	677,648.00	
AUDIT	NO LIMIT	0.011380	29,004.29	271,126,394	0.011065	30,000.00	
INSURANCE	NO LIMIT	0.117710	300,008.30	271,126,394	0.103273	280,000.00	
SOCIAL SECURITY	NO LIMIT	0.070620	179,989.69	271,126,394	0.075610	205,000.00	
CROSSING GUARD	0.0200	0.020000	50,974.14	271,126,394	0.020000	54,225.28	
STREET LIGHTING	0.0500	0.000000	-	271,126,394	0.000000	-	
TOTAL LEVY:		1.024840	\$ 2,612,016.84		1.009785	\$ 2,737,794.87	
FUND	% CHANGE	\$ CHANGE	LESS EXCLUSION:			\$	58,419.00
FIRE PENSION FUND	12.35%	\$48,290	2019 TAXES LEVIED:			\$	2,679,375.87
POLICE PENSION FUND	15.62%	\$91,547	2019 TAXES LEVIED LESS EXCLUSION:			\$	2,552,912.33
GENERAL FUND	-2%	-\$19,372					
OTHER FUNDS	0.86%	\$5,998					
NET \$ INCREASE-PREV. YR							4.95%

Residential Taxpayer Tax Levy Impact

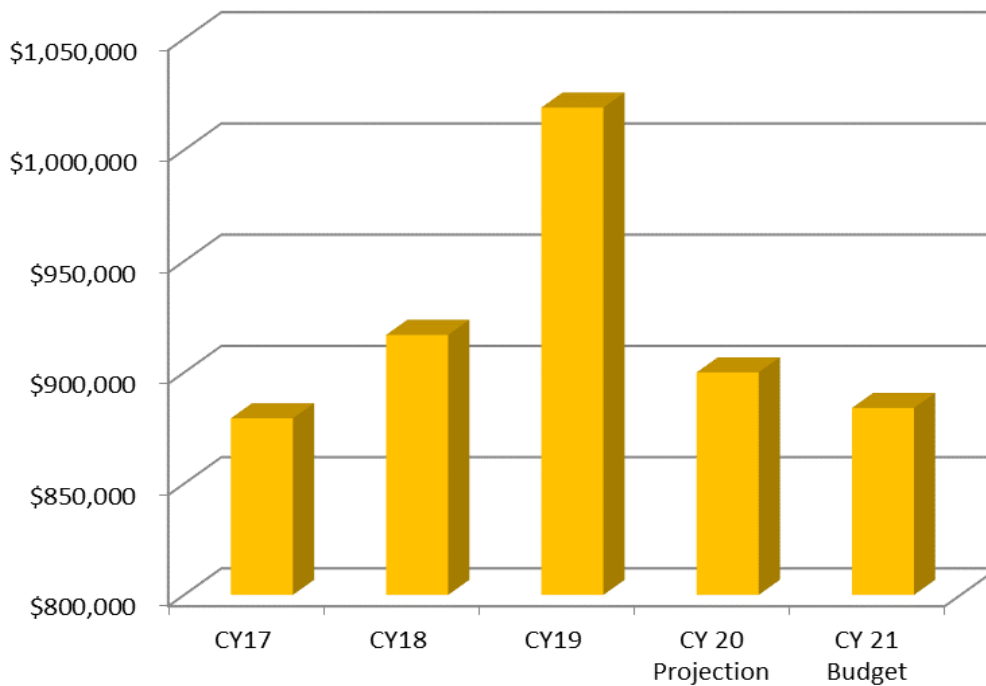
Market Value	EAV	2019 Rate 1.028400	4.95% Increase 2020 Rate 1.009785
\$100,000	\$33,333	\$342.80	\$336.60
\$150,000	\$50,000	\$514.20	\$504.89
\$200,000	\$66,667	\$685.60	\$673.19

Local Government Distributive Fund

The national economy continues to show annual signs of improvement that Staff believes will eventually lead to increased revenues. The Local Government Distributive Fund (LGDF) is 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 most recent budget however, half of that cut was restored. This year Staff anticipates collecting \$884,000 in LGDF funds.

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.

LGDF History (Income Tax)

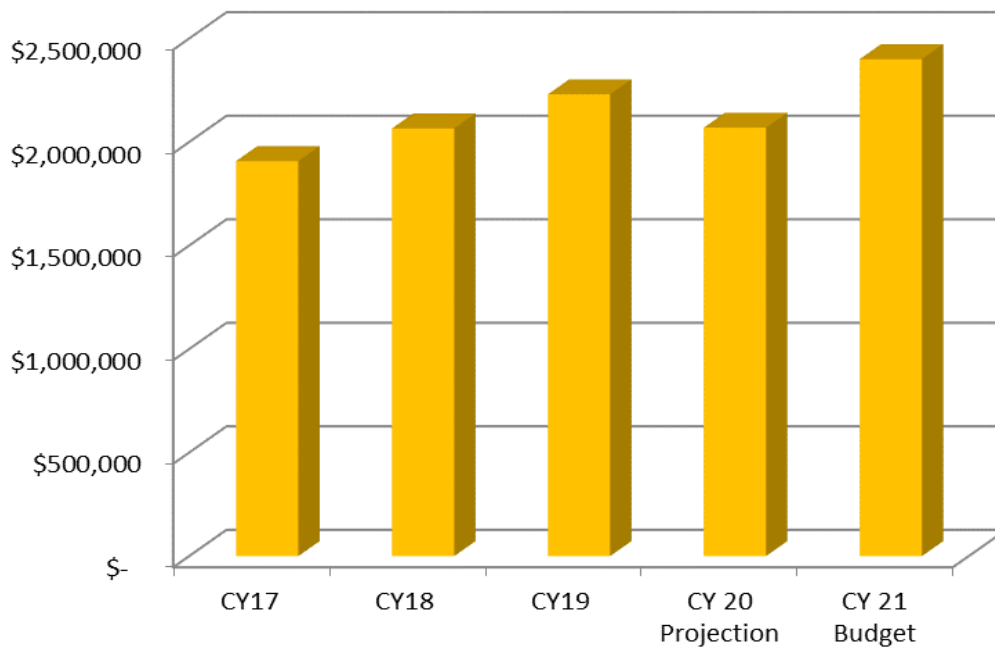


CY17	\$ 879,364
CY18	\$ 916,864
CY19	\$ 1,019,048
CY 20 Projection	\$ 900,000
CY 21 Budget	\$ 884,000

State Collected Sales Tax

Since 2016 the City's 1% State Shared Sales Tax has been increasing. These Sales Tax Receipts constitute approximately 20% of the General Fund revenue and continued increased are crucial to future initiatives the City hopes to fund. The state-shared 1% Sales Tax continues to be one of the best indicators of actual sales within the community. Projected Sales Tax collections for the current Calendar Year are projected to remain flat compared to the amount budgeted during the same time frame in the current fiscal year. Staff is anticipating a flattening of Sales Tax collections in the new Calendar Year due to the COVID-19 Pandemic and the many government mandated shutdowns on our local businesses. There is a bright spot however as there are several new businesses opening including a full year of Love's Travel Plaza and the opening of Pilot/Flying Jay. There is one Sales Tax Rebate that expires at the end of 2020, thus allowing the City to keep more of its Sales Tax collections. These current Sales Tax collections do include some inflationary pressures, which typically push Sales Tax collections up 1%-2% year over year. Another major issue for future growth in collections continues to be the State of Illinois business climate and its lack of a long-term sustainable budget.

Sales Tax General Fund Portion Only



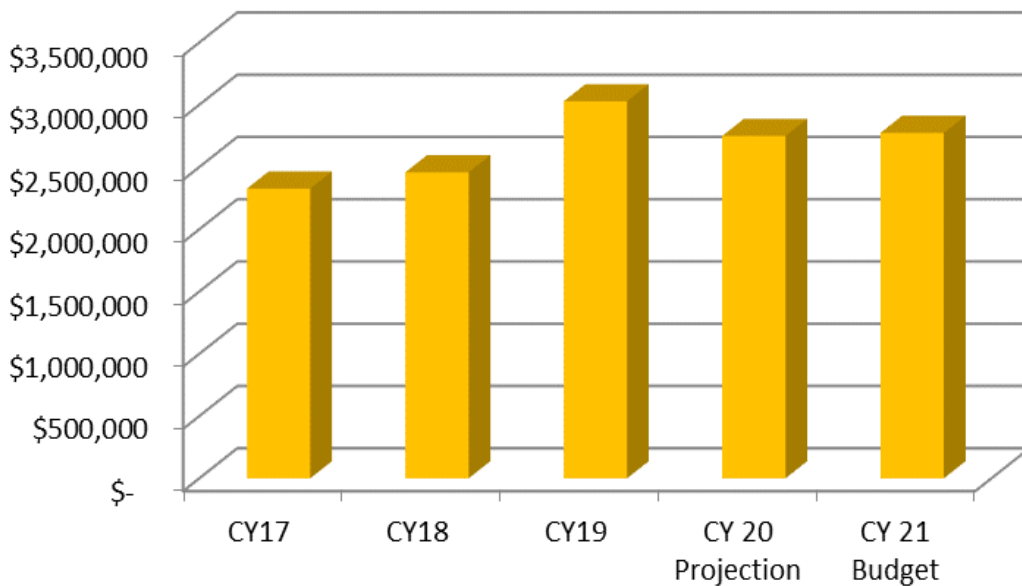
CY17	\$ 1,907,819
CY18	\$ 2,065,411
CY19	\$ 2,229,976
CY 20 Projection	\$ 2,069,094
CY 21 Budget	\$ 2,400,000

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 such as Sales Taxes Collections and Property Taxes. These payments are predominant within communities that have their own Utility Enterprise Funds. These transfers account for approximately 25% of overall Corporate Fund Revenues.

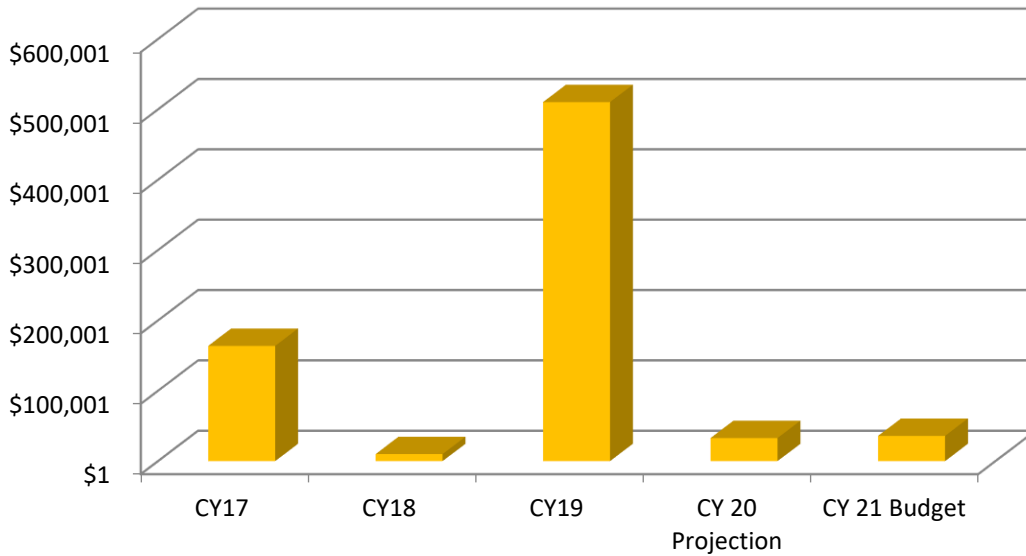
Due to changes in budget practices and the retirement of Revenue Bonds that had extremely restricted covenants, most of the major Enterprise Funds (except Solid Waste and Railroad) will contribute 5.5% of the previous year’s audited revenues to the General Fund. Staff will be presenting an ordinance in February to the City Council that caps all future transfers from the Enterprise Funds at 5.5% of the previous year’s Audited Revenues. The Enterprise Funds include, Electric, Water, Water Reclamation, Landfill/Sanitation and the City-owned Railroad. Once again, transfers in from the Landfill Fund will be capped at 5.5%.

Transfers-In to Corporate



CY17	\$ 2,326,298
CY18	\$ 2,457,298
CY19	\$ 3,027,169
CY 20 Projection	\$ 2,748,607
CY 21 Budget	\$ 2,774,072

Solid Waste Transfer to General Fund

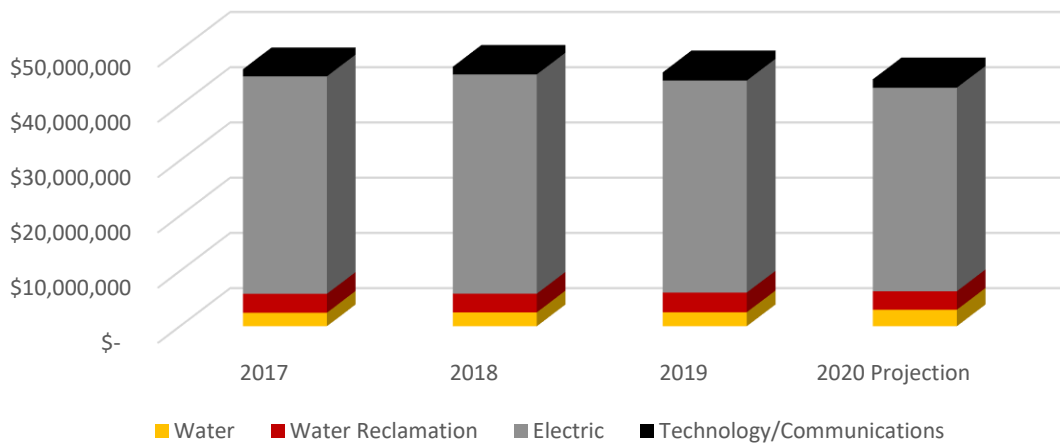


CY17	\$ 163,800
CY18	\$ 10,000
CY19	\$ 510,382
CY 20 Projection	\$ 32,825
CY 21 Budget	\$ 35,889

Enterprise Funds

The City of Rochelle Enterprise Funds, also commonly known as Proprietary Funds, consists of the Electric, Water, Water Reclamation, Technology Center, Airport, Solid Waste, and Railroad. Within these Funds, each Period has shown consistent Revenue increases.

Utility Revenues from Operations



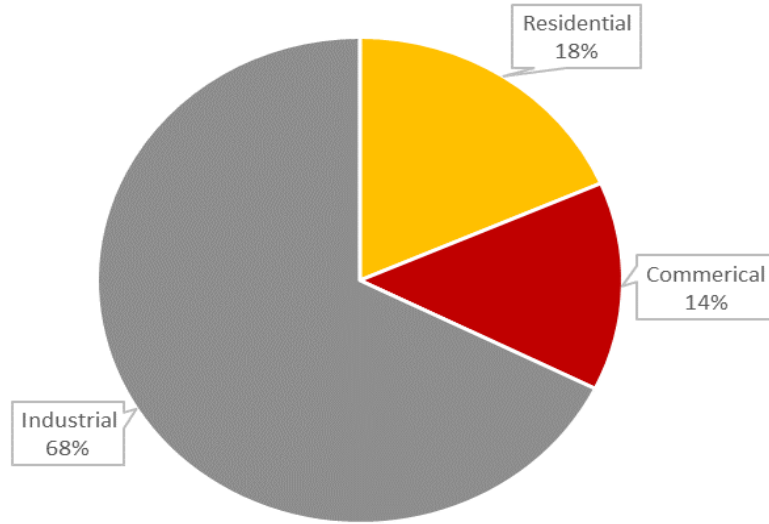
	2017	2018	2019	2020 Projection	2021 Budget
Water	\$ 2,448,503	\$ 2,511,233	\$ 2,535,412	\$ 2,986,901	\$ 2,986,901
Water Reclamation	\$ 3,418,692	\$ 3,387,845	\$ 3,560,876	\$ 3,348,870	\$ 3,345,870
Electric	\$ 39,382,042	\$ 39,695,144	\$ 38,386,477	\$ 36,853,218	\$ 35,065,000
Technology/Communications	\$ 1,288,453	\$ 1,396,702	\$ 1,495,509	\$ 1,516,543	\$ 1,513,400

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 21 is approximately \$41,735,963. This constitutes an increase of 14% from the previous Calendar Year and is attributed primarily to the construction of the new substation and to the City no longer being an electric transmission owner. The single largest expense in the Electric Department is the cost to purchase power. It is estimated that RMU will spend \$21,500,500 on the purchase of power in FY 2021. This accounts for roughly 52% 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 decrease 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.

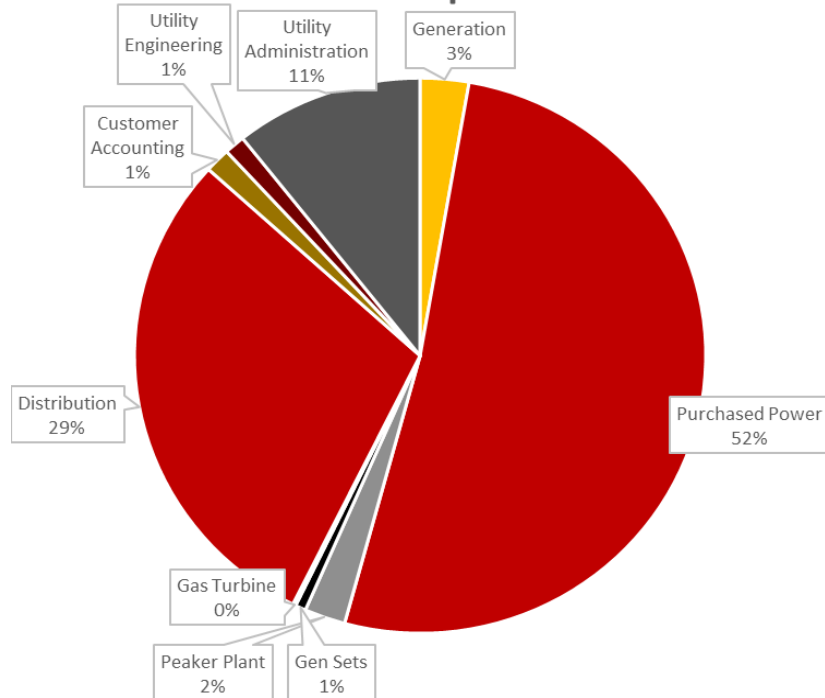
The City major staffing changes in 2020-2021 include the City Manager promoting the previous Water/Water Reclamation Superintendent to the Utilities Superintendent. The City is also promoting within the Department to fill the vacant Director of Electric Operations. Other staffing changes include several early separation incentives and promoting within the Department to fill the recently vacated Customer Service Supervisor Position. These changes ensure the utility has the most qualified people in the right positions and will net a savings of over \$300,000 annually. Other minor staffing changes will be made to accommodate this move.

Electric Revenues



Residential	18%	\$ 6,250,000
Commercial	14%	\$ 4,700,000
Industrial	68%	\$ 22,900,000
		\$ 33,850,000

Electric Expenses



Generation	3%	\$ 1,147,583
Purchased Power	52%	\$ 21,500,500
Peaker Plant	2%	\$ 965,000
Gen Sets	1%	\$ 250,000
Gas Turbine	0%	\$ 72,500
Distribution	29%	\$ 12,256,156
Customer Accounting	1%	\$ 599,250
Utility Engineering	1%	\$ 488,354
Utility Administration	11%	\$ 4,456,620
		\$ 41,735,963

Based on the priorities of the City Council to implement a 20-year Capital Improvement Plan (CIP) and their desire to continuously update infrastructure, Staff is recommending a larger than normal CIP for the Electric Department. Many of the CY 21-35 projects should have been completed in the past but were not. Each of these recommendations constitutes and major investment in RMU's infrastructure and service ability.

Electric Capital Outlay Projects

Generation

Nordberg units upgrades/rod bearings	\$50,000
Peaker 1	\$500,000
Diesel Plant fuel tank removal	\$100,000
Peaker Plant Siemens controllers	\$200,000

Distribution

Electric Meters	\$110,000
Street Lighting	\$360,000
Security Lighting	\$10,000
Overhead Distribution	\$275,000
Underground Distribution	\$125,000
New substation phase 1	\$9,000,000
Downtown Décor	\$50,000

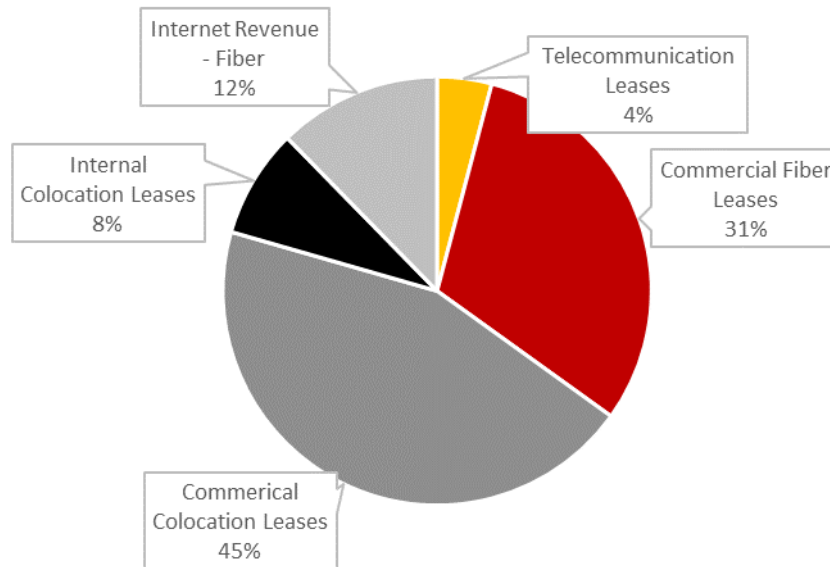
TOTAL **\$10,780,000**

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 colocation and remote server clients. Beginning in early 2020, the newly filled Director of Advanced Communications has overseen this Department and focused additional attention to outdated

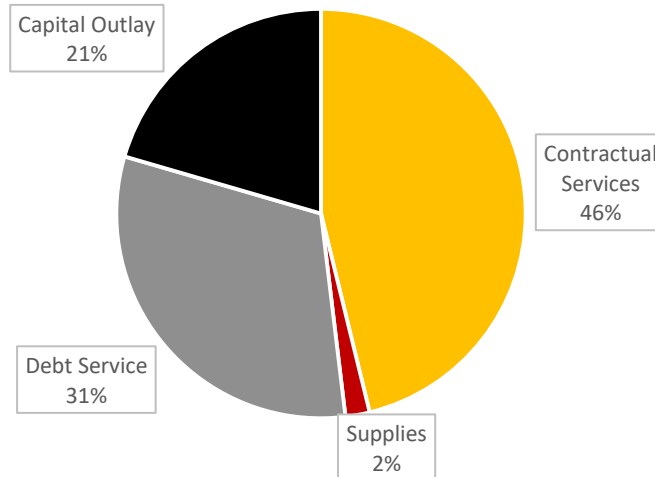
contracts, an inefficient billing system and major updates to the City’s cybersecurity protocols. Because of these efforts, overall Revenues have increased. Projected Revenues for 2021 are \$1,513,400, while Expenditures are estimated to be \$1,247,979. Since 2017, Staff has worked to reduce the negative fund balance in the Technology Center & Advanced Communications Fund. In 2017, the Fund Balance was (\$1,100,000). It is projected that the Fund Balance at the end of 2021 will be (\$211,963). 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.

Tech Center/ Advanced Communication Revenues



Telecommunication Leases	4%	\$ 60,000
Commercial Fiber Leases	31%	\$ 450,000
Commerical Colocation Leases	45%	\$ 650,000
Internal Colocation Leases	8%	\$ 120,000
Internet Revenue - Fiber	12%	\$ 180,000
		\$ 1,460,000

Tech Center/Advanced Communication Expenses



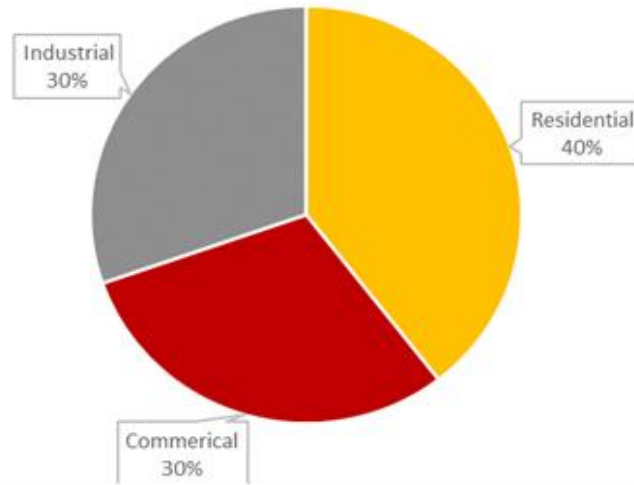
Contractual Services	43%	\$ 538,432
Supplies	2%	\$ 22,300
Debt Service	29%	\$ 366,275
Capital Outlay	19%	\$ 239,000
Personnel	7%	\$ 81,972
		\$ 1,247,979

Water/Water Reclamation

The combined Water and Water Reclamation Funds Revenues continue to see slight increases. The total Revenue for the Combined Fund in CY 20 was \$12,891,166. Staff anticipates a Revenue decrease in FY 21 to \$9,460,264. This decrease is due to less loan proceeds from the IEPA loan for Water Reclamation. Staff is not recommending any rate increases in CY 2021 and is recommending the Utility use saved Reserves to help fund a portion of Capital Project for the year.

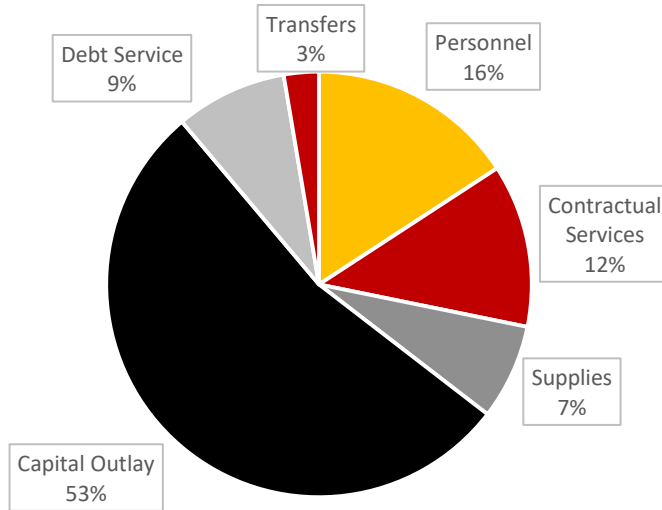
During the coming Calendar Year there are several Capital Projects included in the Budget for both Departments. All projects will be funded with established Revenues including a grant and loans from the State of Illinois. Currently there is a large Cash Reserve in the Water/Water Reclamation Fund. This Reserve was established to help fund future projects without relying on loans and rate increases. As with the CY 20 Budget, Staff is recommending to Council that the City continue spending down Reserves for Capital Projects budgeted in FY 21. A list of the major Capital Projects contained in both Departments is found on page 20 of this Summary.

Water Revenues



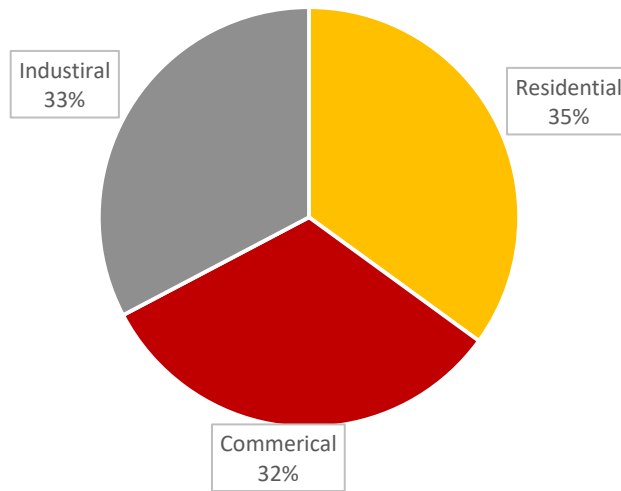
Residential	39%	\$ 1,179,259
Commercial	30%	\$ 901,927
Industrial	30%	\$ 905,715
		\$ 2,986,901

Water Expenses



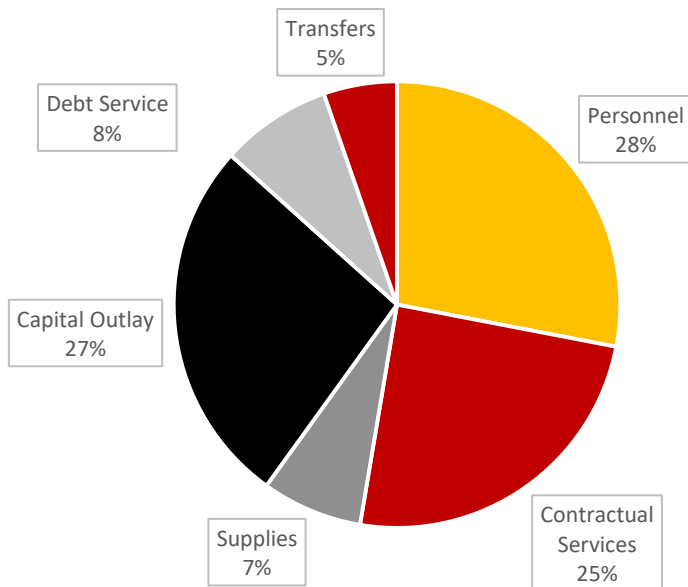
Personnel	16%	\$ 882,895
Contractual Services	12%	\$ 693,136
Supplies	7%	\$ 405,000
Capital Outlay	53%	\$ 2,985,000
Debt Service	8%	\$ 473,840
Transfers	3%	\$ 148,817
		\$ 5,588,688

Water Reclamation Revenues



Residential	35%	\$	1,171,348
Commercial	32%	\$	1,080,081
Industrial	33%	\$	1,094,441
		\$	3,345,870

Water Reclamation Expenses



Personnel	28%	\$ 1,095,014
Contractual Services	25%	\$ 962,299
Supplies	7%	\$ 285,000
Capital Outlay	27%	\$ 1,043,462
Debt Service	8%	\$ 314,065
Transfers	5%	\$ 207,616
		\$ 3,907,456

As dictated by the Strategic Plan approved by the City Council, a major emphasis for the organization is reinvestments in infrastructure. For the past three years, the Water/Water Reclamation Superintendent has worked with Staff and Council to begin a plan to upgrade all treatment facilities.

FUND: ENTERPRISE FUND

DESCRIPTION	Amount	
WATER RECLAMATION		
WRP share of water meter cost	\$75,000	
Maintenance of System	\$133,462	
Pilot Travelstop Contribution	\$85,000	
Vactor	\$450,000	
NPDES Compliance	\$50,000	
		RMU Cash Funded
		\$793,462
<hr/>		
WWTP Phase 2 Design and Permitting	\$250,000	
		Grants/IEPA Loan Funded
		\$ 250,000
<hr/>		
TOTAL CAPITAL OUTLAY	\$1,043,462	

FUND: ENTERPRISE FUND

DESCRIPTION	Amount	
WATER		
Distribution Meters	\$75,000	
Maintenance of System	\$100,000	
Well 4 Rehab Design and Construction	\$875,000	
Water Main Replacement	\$100,000	
Pilot Travelstop Contribution	\$85,000	
		RMU Cash Funded
		\$1,235,000
<hr/>		
Well 4 Rehab Design and Construction	\$1,750,000	
		Grants/IEPA Loan Funded
		\$1,750,000
<hr/>		
TOTAL CAPITAL OUTLAY	\$2,985,000	

MINOR ENTERPRISE FUNDS (AIRPORT, RAILROAD AND GOLF COURSE)

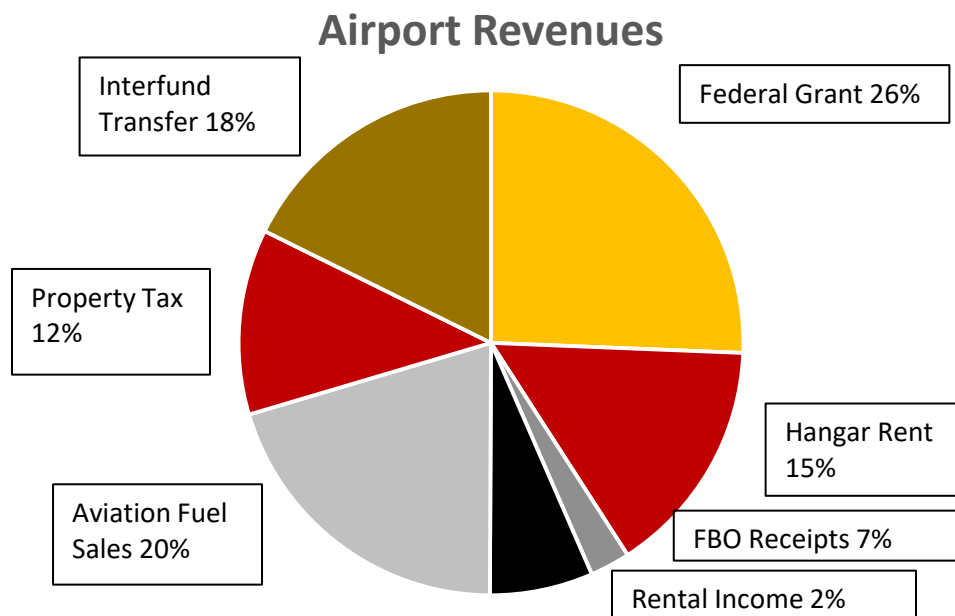
Rochelle Municipal Airport

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 \$10,000,000 has been expended on these projects, which have been funded through the FAA and IDOT. These grants are funded at 95% with a 5% local match. In the past, the local match has come from Bond Funds, the General Fund and the Railroad Fund. The local match in FY 2020 was approximately \$107,000, with the FAA/IDOT covering just over \$2 million of the costs.

Air traffic at the facility continues to see significant growth. In 2019, Staff recorded 6,601 take-offs and landings (April through October) compared to 5,870 in 2020 during the same period. Reconstruction at the facility had a direct effect on the numbers of pilots able to utilize the Airport.

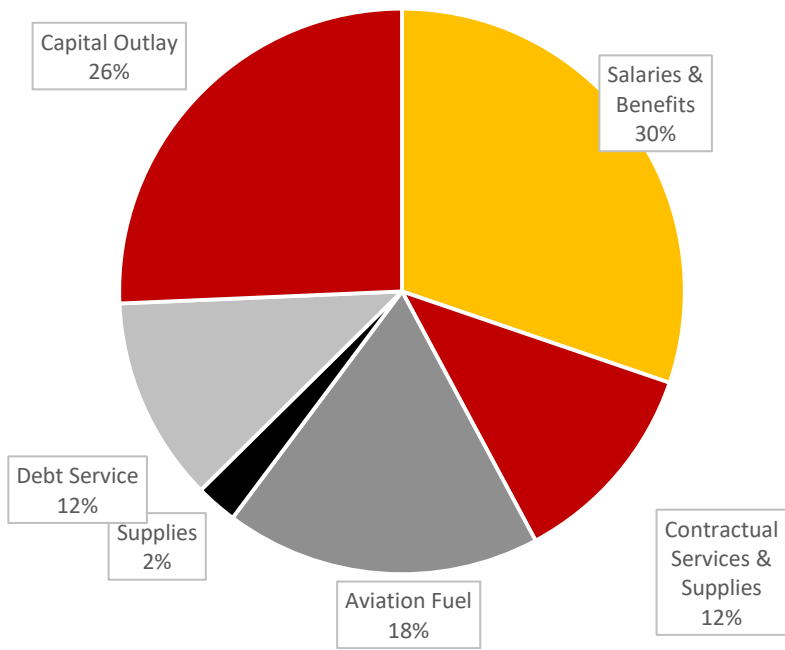
Recent improvements at the Airport include the purchase of land for a runway expansion, extension of the runway from 4,200' to 5,001' allowing for larger aircraft to operate, construction of a parallel taxiway and turnaround, reconstruction of 1/3 of the ramp, completion of the access taxiway and conversion of the lighting system to LED.

The growth of the Chicagoland Skydiving Center and the Flight Deck Bar & Grill is cause for drawing thousands of people from across the country every year. Hotels, restaurants, gas stations and grocery stores all derive traffic through their establishments because of the Airport operations.



Federal Grant	26%	\$	126,015
Hangar Rent	15%	\$	75,000
Rental Income	3%	\$	12,600
FBO Receipts	7%	\$	32,500
Aviation Fuel Sales	20%	\$	100,000
Property Tax	12%	\$	58,419
Interfund Transfer	18%	\$	87,000
		\$	491,534

Airport Expenses



Salaries & Benefits	30%	\$	150,716
Contractual Services & Supplies	12%	\$	59,475
Aviation Fuel	18%	\$	90,000
Supplies	2%	\$	11,850
Debt Service	12%	\$	58,419
Capital Outlay	26%	\$	128,015
		\$	498,475

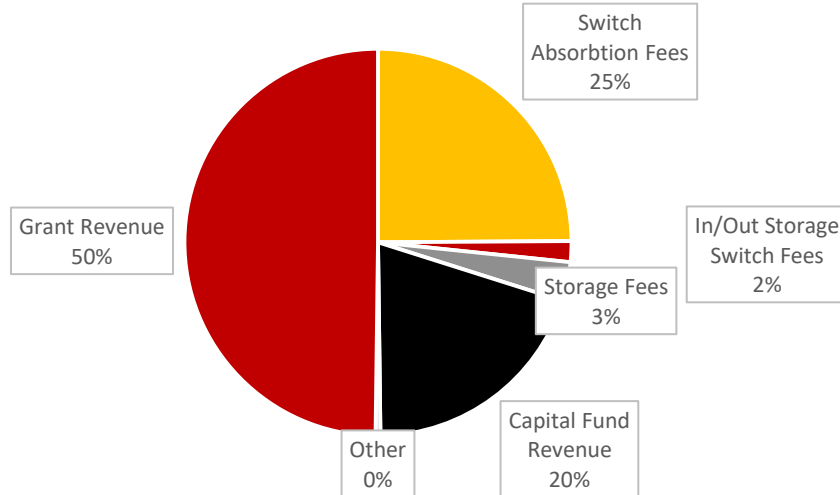
The City Industrial Rail (CIR)

Over the past 5 years the CIR has experienced significant changes. The boom of frac sand transloading was primarily responsible for a 400% increase in railcar volumes and revenue. Although frac sand has dropped off over the last 18 months our average railroad revenues this year will be more than double of what they were pre-frac sand transloading. We have also completed the construction of the Rochelle Transloading Center and 3.5 miles of track for switching and railcar storage. Furthermore, these changes will allow the railroad to diversify its customer base to not be as dependent on one single industry. Additionally, the rail infrastructure expansion plan has allowed us to add new industries to the system, improve safety, create new streams of revenue i.e. storage fees and transloading, and create more than \$1,000,000 of matching funds for grants that have allowed us to build a significant amount of rail infrastructure which is included in the following list:

- 4-Track expansion to the UP/CIR interchange yard
- Four at-grade crossings re-built
- Installation of Railroad crossing gates and signals on Stewart road
- Construction of a 4-track Rail Bridge
- Construction of the Rochelle Transloading Center (RTC)
- 9 acres of land was donated to the City by GREDCO for the development of the RTC
- Extension of the Unit Train Switching Yard (which increased the CIR capacity 4-fold)
- More than 7 miles of new track has been laid on the CIR over this period more than doubling its capacity
- Over \$20,000,000 has been invested in the CIR with grants providing on average, 90% funding

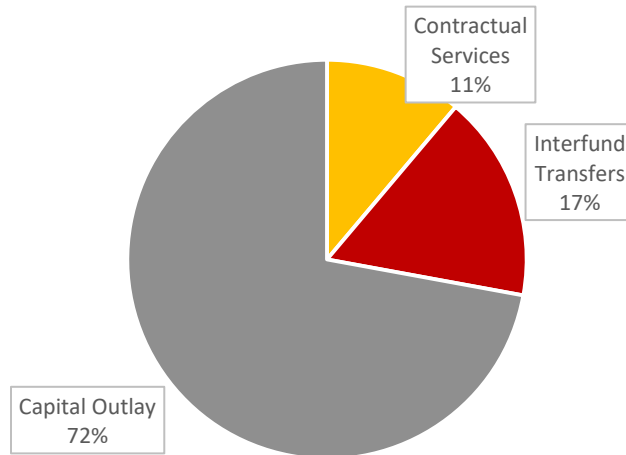
The CIR now generates enough Revenue to pay for the Bond that funded the Railroad Quiet Zone's over 11 crossings, the annual fee to belong to the Lee-Ogle Enterprise Zone, nearly all costs associated with operating the Economic Development Budget, subsidizes the 5% capital fund for the Airport and contributes over \$74,000 to the City's General Fund. Additionally, the CIR sets aside 40% of its Revenue for matching future federal and state grants which cover 50%-80% of Capital Projects.

Railroad Revenues



Switch Absorbtion Fees	25%	\$	500,000
In/Out Storage Switch Fees	2%	\$	35,000
Storage Fees	3%	\$	65,000
Capital Fund Revenue	20%	\$	400,000
Other	0%	\$	8,062
Grant Revenue	50%	\$	1,000,000
		\$	2,008,062

Railroad Expenses



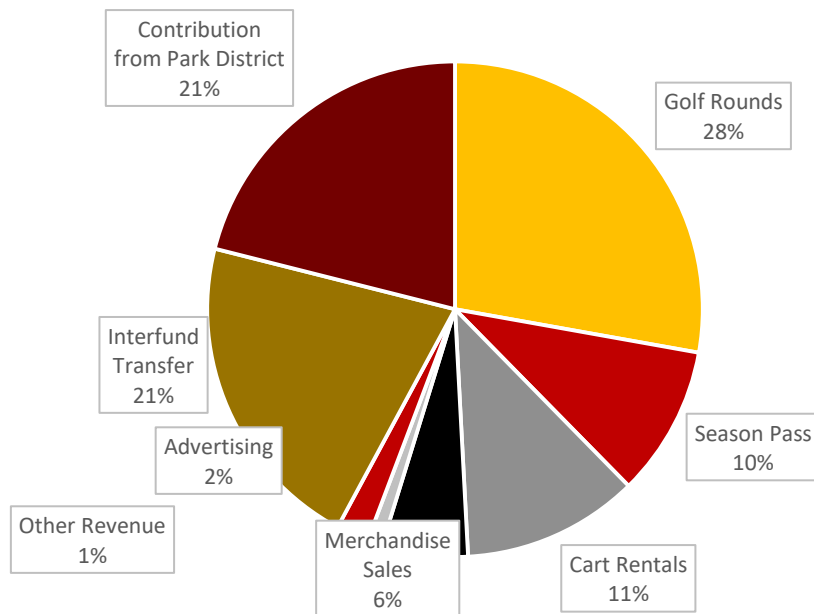
Contractual Services	10%	\$	232,000
Interfund Transfers	15%	\$	348,028
Capital Outlay	66%	\$	1,500,000
Personnel	8%	\$	189,031
		\$	2,269,059

The Rochelle Municipal Golf Course

The Rochelle Municipal Golf (Fairways) Course continues to provide a valuable recreational service to our community. Over the past three years the average number of rounds played has exceeded 10,500 each season. The facility has averaged 55 season passes and over 12 group outings during the same time period. The Golf Course Manager and his team have made major improvements since 2016 that include all new LED lighting in the pro shop and cart barn, new stamped patio between 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.

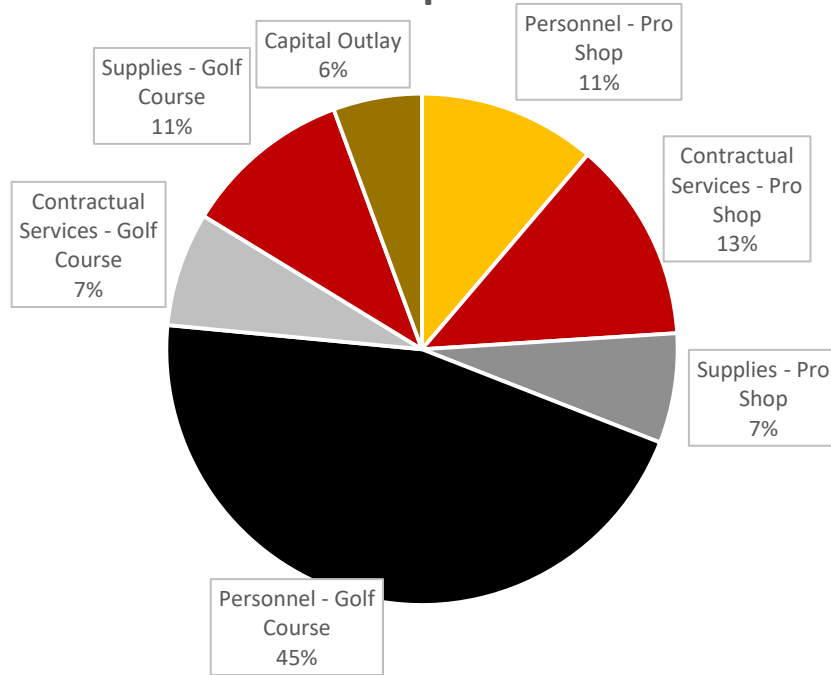
Even though 2020 has been a year of uncertainty the golf course has seen its revenue increase due to increased usage. During the 2020 season, usage increased by over 1,100 rounds and the net revenue over expenses is estimated to be exceed \$20,000. Staff continues to do a great job of marketing the course and bringing in people from the state and region.

Golf Revenues



Golf Rounds	28%	\$	99,000
Season Pass	10%	\$	35,000
Cart Rentals	12%	\$	41,000
Merchandise Sales	6%	\$	20,000
Other Revenue	1%	\$	3,500
Advertising	2%	\$	7,500
Interfund Transfer	21%	\$	75,000
Contribution from Park District	21%	\$	75,000
		\$	356,000

Golf Expenses



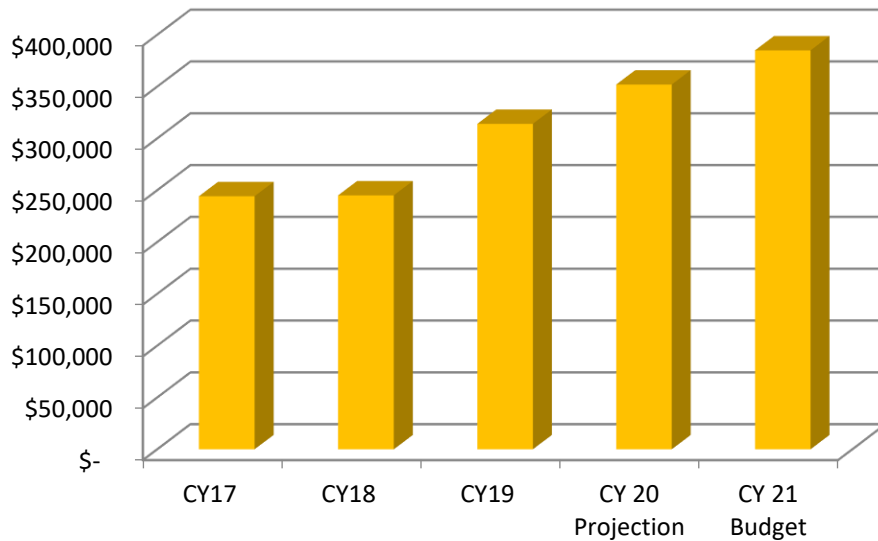
Personnel - Pro Shop	11%	\$	40,000
Contractual Services - Pro Shop	13%	\$	45,500
Supplies - Pro Shop	7%	\$	24,750
Personnel - Golf Course	46%	\$	162,408
Contractual Services - Golf Course	7%	\$	25,700
Supplies - Golf Course	11%	\$	38,000
Capital Outlay	6%	\$	20,000
		\$	356,358

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 21, Staff is estimating collections of approximately \$385,000 (based on Illinois Municipal League data). Due to the Pandemic, the recent Gas Tax increase may not net additional revenue for the City. The funds will be used to pay for a portion of the many street and storm sewer projects planned in CY 21, including South Main Street and miscellaneous street repairs. The City of Rochelle received \$210,000 in Rebuild Illinois Funds in 2020 and expects the same in 2021.

MFT Tax Receipts



CY17	\$ 244,200
CY18	\$ 245,053
CY19	\$ 314,084
CY 20 Projection	\$ 352,000
CY 21 Budget	\$ 385,000

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. The single largest expense in this TIF is the reimbursement to both school districts. The total amount the City reimburses the schools is dependent upon the increment generated annually along with each district's annual tax rate. Also included in the CY 21 Budget is finalizing a lighting plan for the District along with installing new streetlights. The Budget for both projects in CY 2021 is \$215,000.

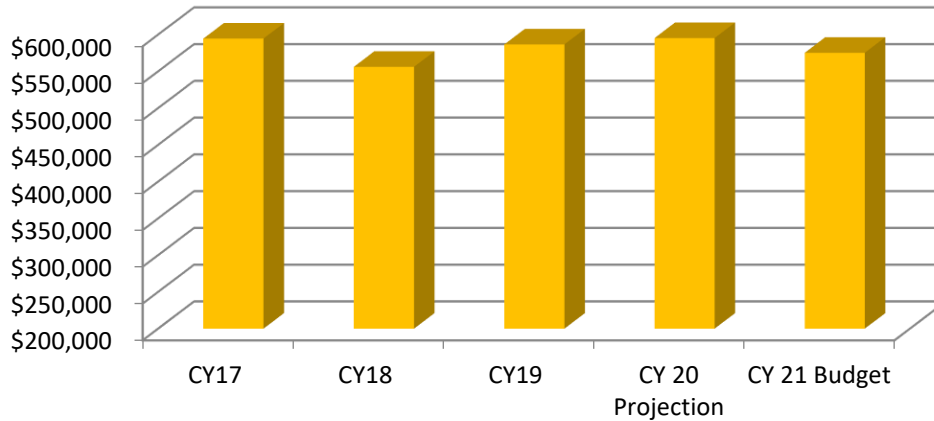
Established in 2016, the Downtown and Southern Gateway TIF received its first increment in 2017. The increment City receives continues to increase yearly. Staff anticipates collecting approximately \$144,358 in revenue for CY 20. The 2021 Budget of \$189,080 is based on an estimated of EAV from Ogle County. Projects planned for 2021 are listed below:

Downtown Revitalization:

Flowerpots, Benches and Banners	\$ 25,000
North Main Parking Updates	\$ 20,000
Streetlights (Electric Fund)	\$100,000
Potential Purchase of properties	\$ 30,000

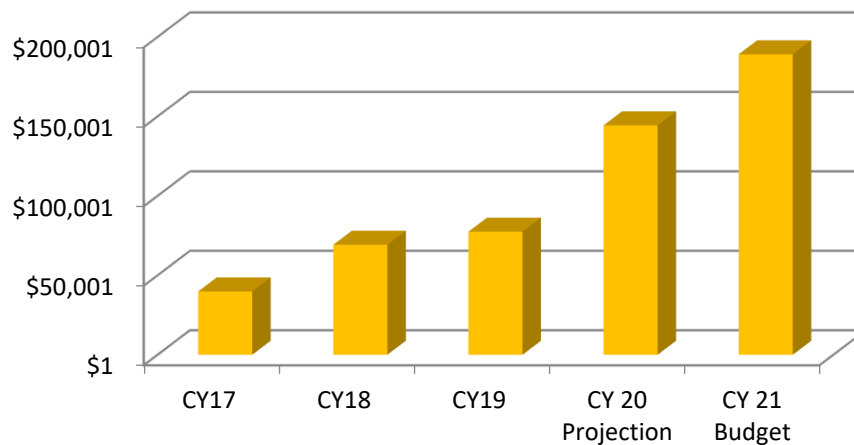
The third TIF, commonly known as the Northern Gateway TIF, was established in August 2018. The TIF is projected to generate \$11,958 in 2020. The total budgeted for 2021 is \$18,725. Projects include Benny’s Corner Market, Rabbit’s Foot Bar and Grill and potential updates to the Hickory Grove facility. Staff continues working aggressively to fund future projects in this area.

Lighthouse Pointe TIF



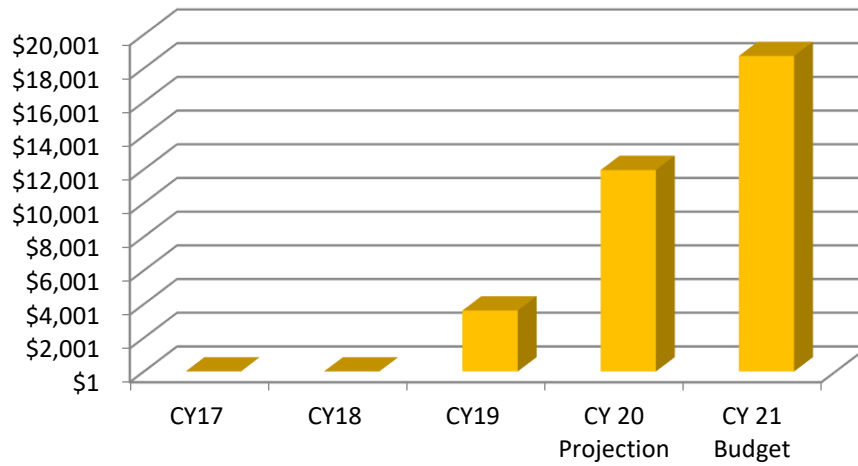
CY17	\$	594,507
CY18	\$	556,099
CY19	\$	586,651
CY 20 Projection	\$	595,248
CY 21 Budget	\$	575,249

Downtown TIF



CY17	\$	39,814
CY18	\$	69,212
CY19	\$	77,461
CY 20 Projection	\$	144,358
CY 21 Budget	\$	189,080

Northern Gateway TIF



CY17	\$ -
CY18	\$ -
CY19	\$ 3,620
CY 20 Projection	\$ 11,958
CY 21 Budget	\$ 18,725

The two other Revenue sources the City utilizes to fund Capital Improvements include the ¾ % 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 20, it is projected that the Utility Tax will generate \$523,000. This increase is based on the tax increase and additional growth, specifically with electric usages. Staff anticipates Revenues will be \$533,000 in the next budget year. 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 May 2018, with a slight increase (the first time in 15 years).

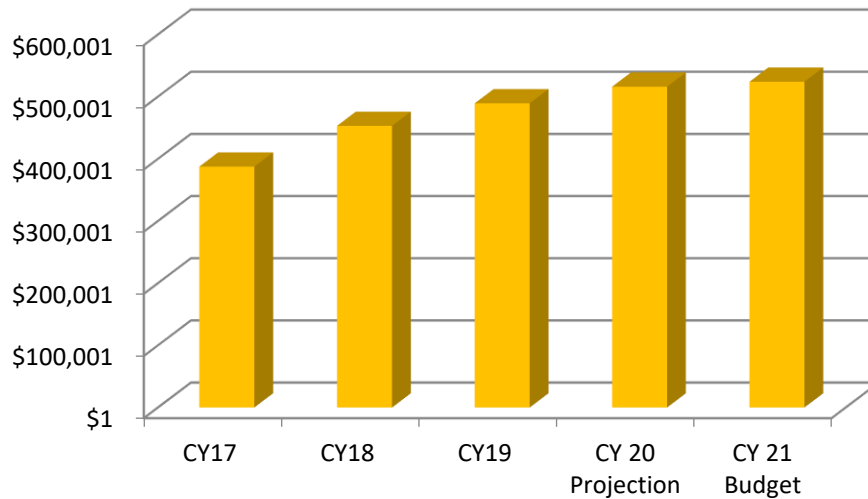
Non-Home Rule Sales Tax

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.

Staff is anticipating the tax will generate approximately \$1,115,000 in revenues this year. The funds will be utilized to help cover the payment for the 2018 Alternate Revenue Bonds. The annual debt service payment is approximately \$665,000 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

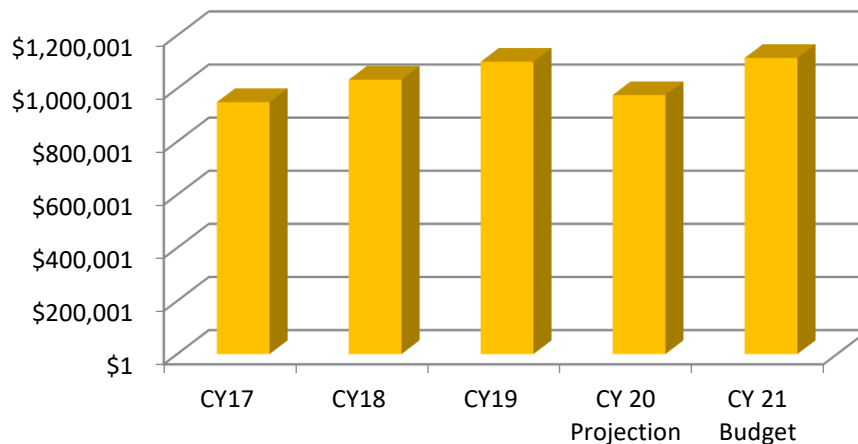
sewer projects throughout the community. Of the remaining funds, \$200,000 will be transferred back to the general fund to cover the salary and benefits of two street department employees who spend their time maintaining newly constructed infrastructure. The remaining funds will be transferred to the CIP to help fund projects in 2021. Staff recommends the City Council consider a referendum to increase the Non-Home Rule Sales Tax .25% to cover rising pension costs and possible property tax relief.

Utility Tax



CY17	\$	387,462
CY18	\$	452,974
CY19	\$	489,247
CY 20 Projection	\$	516,000
CY 21 Budget	\$	524,000

Non-Home Rule Sales Tax



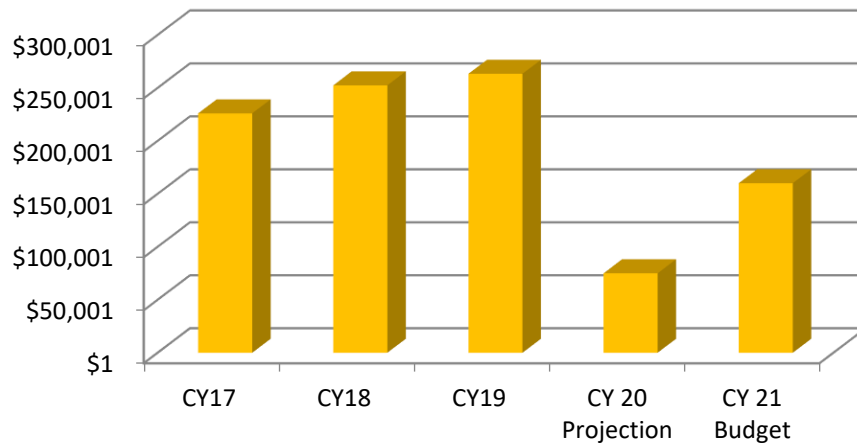
CY17	\$ 948,510
CY18	\$ 1,032,858
CY19	\$ 1,100,624
CY 20 Projection	\$ 975,000
CY 21 Budget	\$ 1,115,000

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 the Hotel/Motel Tax can only be spent on items related to the promotion of Tourism in the community. For the past three fiscal years, the tax has generated approximately \$256,000 annually. The new Tourism Director has been successful in soliciting statewide Tourism grants.

In the new budget year, no funds will be utilized to cover the Tourism Director’s salary, with 100% of the salary being paid by the Administrative Services Fund. Projects planned for funding in CY 21 include building improvements at Railfan Park, funding 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 \$75,000 contribution to the Golf Course. This is the fourth year of the seven-year agreement with the Part District. Another possible use of future funds will be to restore and preserve the Hickory Grove Facility.

Hotel-Motel Tax



CY17	\$ 225,959
CY18	\$ 252,426
CY19	\$ 263,299
CY 20 Projection	\$ 75,000
CY 21 Budget	\$ 160,000

Hotel/Motel Tax Community Growth Events & Projects

Community Events:

Irish Hooley	\$1,500
Railfan Appreciation	\$1,000
Heritage Festival	\$6,000
Hay Day	\$4,000
Fireworks	\$12,000 (split \$6,000 GF & \$6,000 RMU)
Christmas Walk	\$2,000
Municipal Band Concerts	\$14,000
Misc. Events	\$10,000

(Outdoor Markets, Hispanic Heritage Festival, We Care Block Party, Movie in the Park etc.)

Community Contributions:

Rochelle Chamber	\$8,500
Senior Center	\$25,000
Flagg Rochelle Museum	\$6,000

STAFF LEVELS AND COSTS

To find more cost reductions and look for greater efficiencies, 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. Over the two years of the program, this will save the City and RMU over \$1,000,000 annually. Although the savings will not be as significant as the previous programs, some new cost savings will be attained.

Another goal of this budget to ensure all staffing is being funded by the appropriate departments. Therefore, seven positions are included in the Administrative Services Department. They include the City Manager, City Clerk/Assistant to the City Manager, Public Relations and Marketing/Tourism Director, Finance Director, Accounting Specialist and Human Resource Director. All Funds, both General and Utilities contribute based on a predetermined formula. Moving these salaries to this Department ensures that all Funds, including the General Fund, 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 move forward with joining 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. 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
 Internal Service
 Enterprise Funds

61 Full-Time Employees
 9 Full-Time Employees
42 Full-Time Employees

TOTAL**112 Full-Time Employees**

Non-union labor costs have been budgeted for up to 3% , with the average wage increase set for 2.75%. All union labor costs are set by recently approved Collective Bargaining Agreements.

DEBT SERVICE

As directed by the Mayor and City Council, Staff continues to attempt to pay down the City's outstanding debit. This past year the City decreased all of it's Electric Revenue Bond Debt. This move reduced overall debt by over \$14 million dollars. The policy change also will save our rate payers over \$2.9 million in future interest payments and \$1.7 million in annual Debt Service payments. Below is a list of the outstanding Debt for the City and RMU. Total Debt will decrease by \$1,890,332 in CY 21.

Outstanding Debt	As of 1/1/21	Principal Payments	As of 12/31/21
Electric	\$ -	\$ -	\$ -
Technology Center	\$ 2,490,000	\$ 285,000	\$ 2,205,000
Water Reclamation	\$ 3,587,541	\$ 263,447	\$ 3,324,094
Water	\$ 7,029,847	\$ 365,083	\$ 6,664,764
Airport	\$ 440,000	\$ 45,000	\$ 395,000
Lighthouse Pointe TIF	\$ 2,480,000	\$ 150,000	\$ 2,330,000
General Fund (Quiet Zone)	\$ 1,155,000	\$ 165,000	\$ 990,000
General Fund (Cap Impr)	\$ 4,015,000	\$ 515,000	\$ 3,500,000
General Fund (Fire Dept)	\$ 325,885	\$ 20,000	\$ 305,885
General Fund (Street Dept)	\$ 162,171	\$ 81,802	\$ 80,369
TOTAL	\$ 21,685,444	\$ 1,890,332	\$ 19,795,112

FUND BALANCE SUMMARY

	2020 Budget	2021 Budget	% Change
<u>General Fund</u>			
Revenues	\$11,210,836	\$11,020,148	-2%
Expenditures	\$11,158,089	\$11,019,849	-1%
<u>Special Revenue Funds</u>			
Revenues	\$13,233,874	\$10,415,875	-21%
Expenditures	\$ 9,003,522	\$ 7,788,485	-13%
<u>Water Fund</u>			
Operating Revenues	\$2,963,904	\$2,986,901	1%
Operating Expenditures	\$1,923,795	\$1,981,031	3%
<u>Water Reclamation Fund</u>			
Operating Revenues	\$3,355,000	\$3,345,870	0%
Operating Expenditures	\$2,205,474	\$2,342,313	6%
<u>Solid Waste</u>			
Revenues	\$665,600	\$677,700	2%
Expenditures	\$1,390,928	\$1,084,140	-28%
<u>Electric Fund</u>			
Operating Revenues	\$36,067,313	\$35,065,000	-3%
Operating Expenditures	\$28,171,813	\$28,422,874	1%
<u>Airport</u>			
Revenues	\$2,570,065	\$491,534	-81%
Expenditures	\$2,569,751	\$498,475	-81%
<u>Railroad</u>			
Operating Revenues	\$1,358,062	\$2,013,062	48%
Operating Expenditures	\$1,320,949	\$2,269,059	72%
<u>Golf Course</u>			
Operating Revenues	\$356,750	\$356,800	0%
Operating Expenditures	\$356,324	\$356,358	0%
<u>Technology Center</u>			
Operating Revenues	\$1,517,100	\$1,513,400	0%
Operating Expenditures	\$1,142,770	\$1,247,979	9%

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 20 Budget was funding for a Cost-of-Service Study to determine if the Fiber/Telecommunications rates being charged are adequate.
- 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 11 years. This again will help to lead to savings for our rate payers.
- The City will continue to work positively with the Landfill Operator to stabilize the revenue reductions due to decreased usage at the Landfill.
- To continue promoting the Airport for corporate and recreational usage, the City budgeted funds in the coming FY 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 21 Budget includes funds for the expansion of the Façade and Building Improvement Program to include the entire community.
- Staff budgeted funds to begin phase 1 of the constructing a new substation south of I-88.
- 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.
- 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 business.
- Staff will continue working with the Mayor and City Council to find new grant opportunities for expanding programs for our residents.

CONCLUSION

Rochelle has numerous priorities for the coming Calendar Year. This Budget is balanced and 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. This budget system allows the City to better prioritize spending based on policies and programs deemed most important along with a priority-based budget plan. One other important step taken by the City Council and staff is diverting all gaming revenues to help fund future pension obligations. This

program coupled with directing a portion of any new general revenues to the unfunded liabilities to both the Police and Fire Pension systems will aid in stabilizing the city budget and future tax rates on a long-term basis.

The Leadership Team will continue to monitor the economy and State budget issues carefully as both could have a direct impact on the City's ability to provide quality services. Other changes that are coming include the new ERP (Enterprise Resource Program) system along with a new Asset Management System. Our team will continue to assess our Utility rate and tax structure to ensure we have a balance approach that encourages growth in the community along with providing enough revenues to sustain our organization and reinvest in infrastructure long-term.

Finally, every Department played an important and valuable role in the development of this budget blueprint. Staff members have 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.