

City of Rock Falls

FY24

Budget

Summary



Contents

About the Budget Summary	2
Debt Status.....	3
Debt Rating	3
Your Property Tax Bill.....	4
General Fund Revenue Summary	5
Sales Tax.....	5
Income Tax (LGDF)	5
Non-Home Rule Sales Tax	5
General Fund Revenue Totals	6
Contributions from Proprietary Funds to the General Fund	6
General Fund Expenditures.....	7
Electric Fund.....	8
Wastewater Fund.....	9
Water Fund	10
Garbage Fund.....	10
Tourism Fund	11
Proprietary Fund Cash Reserves	11
Minimum Cash Reserves Policy	11
Other Funds	11
Demolition Fund	11
Industrial Development Commission.....	12
Downtown TIF (Tax Increment Finance).....	12
Total of All Funds.....	12
City Administration	13

About the Budget Summary

This report is specifically designed as a summary document and is intended to convey select information about the major aspects of the City's FY 24 budget, current debt and financial status in a condensed and easily understandable format. The primary focus of the report is the City's General Fund, Electric Fund, Wastewater Fund and Water Fund. These are considered to be the City's major and most significant funds. The City maintains several other accounting funds which will be included, but not as detailed. All references and comparisons to the FY 23 budget are based on the FY 23 budget projections since FY 23 figures are not finalized and are unaudited.

Questions concerning this budget report or requests for additional information should be directed to:

Robbin Blackert, City Administrator
603 West 10th Street, Rock Falls, IL (815) 564-1366
rblackert@rockfalls61071.com



Debt Status

Historically, the City has issued two major forms of debt in order to fund significant capital purchases and projects. General Obligation (GO) bonds are direct obligations and pledge the full faith and credit of the City and are payable from both the governmental funds and proprietary funds as an alternate revenue source. In addition, the Illinois Environmental Protection Agency has extended low and no interest loans to our Water & Wastewater funds for various

projects including the construction of a new wastewater treatment facility completed in 2011. As of April 30, 2022, the City has \$13,705,080 of GO Alternate Revenue Source Bonds and \$10,246,121 of IEPA Loans. \$10,054,249 of those IEPA Loans were from the construction of the Wastewater Treatment facility that opened in 2011. That debt will be paid in full in 2031. These figures are available in the City of Rock Falls FY 22 Audit Report.

Debt Rating

A bond rating is a way to measure the creditworthiness of a bond, which corresponds directly to the cost of borrowing for an issuer. These ratings typically assign a letter grade to bonds that indicates their credit quality. Private independent rating services such as S&P Global (Standard & Poor's) evaluate a bond issuer's financial strength, or its ability to pay a bond's principal and interest, in a timely fashion. Bond ratings are vital to alerting investors to the quality and stability of the bond in

question. These ratings consequently greatly influence interest rates, investment appetite, and bond pricing. The City of Rock Falls most recent GO alternative revenue source bond issuance occurred in 2018. At that time, S&P Global upgraded the City's rating from "A" to "AA". Bond ratings are vital to alerting investors to the quality and stability of the bond in question. These ratings consequently greatly influence interest rates, investment appetite, and bond pricing.

In assigning a rating for General Obligation (GO) Bonds the rating agency assess the following factors:

- ✓ Economy
- ✓ Debt Structure
- ✓ Financial Condition
- ✓ Demographic Factor
- ✓ Management Practices

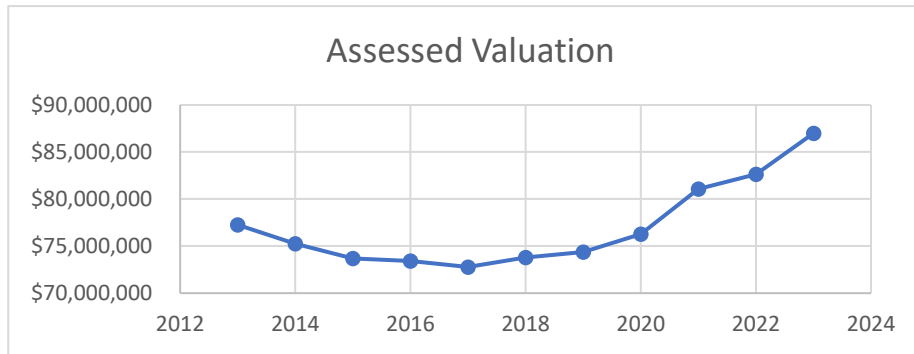
Unfortunately, with Rock Falls' modest median income being \$45,780 it may be difficult to achieve a AAA rating.

	S&P Global Rating
Best Quality	AAA
High Quality	AA+ AA AA-
Upper Medium Grade	A+ A A-
Medium Grade	BBB+ BBB BBB-

Your Property Tax Bill

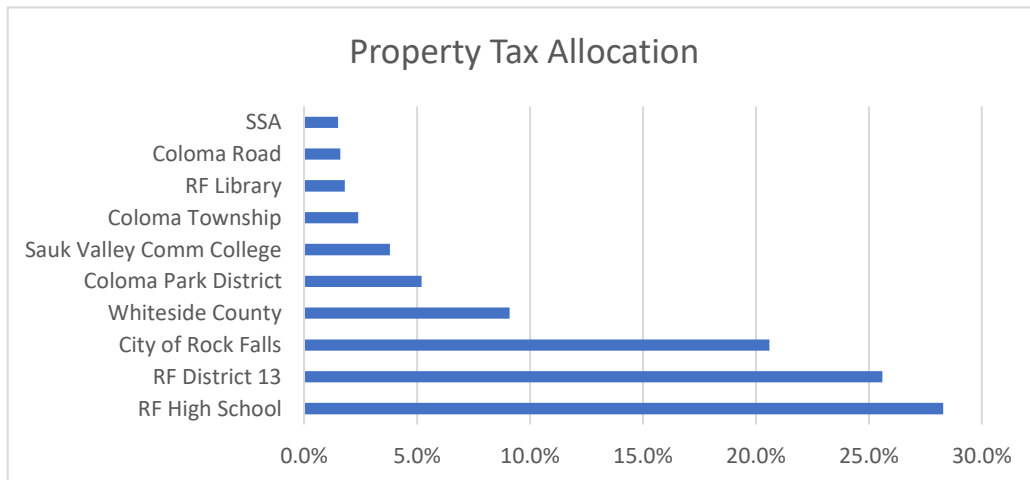
Property tax is the second largest revenue source in the General Fund. The estimated assessed value is the dollar value assigned to a home or other piece of real estate for property tax purposes. It takes into account the value of comparable properties in the area, among other factors. In many cases, the assessed value is calculated as a percentage of the fair market value of the property. In Whiteside County, it is 1/3 the fair market value. In simple terms, if a

property's fair market value is \$70,000 (<https://www.census.gov/quickfacts/rockfallscityillinois>) than the assessed value would be \$23,333. The Estimated Assessed Valuation Chart below depicts the steep decline and rise again in the assessed valuations of all the properties in the City of Rock Falls. For the past five years there has been year after year growth in the property valuation. The City has abated the debt service portion of the property tax levies and satisfied the principal and interest payment utilizing alternate revenue sources.



A common misconception about property tax is that all the money a property tax owner pays is remitted to the City. As indicated by the graph below, the City of Rock Falls received approximately 20% of the total property money received. The

remaining portion is allocated to other taxing bodies. This is a critical revenue source for the City of Rock Falls and 57% of the money collected from property taxes goes to fund the Police and Fire pensions as mandated by the State of Illinois

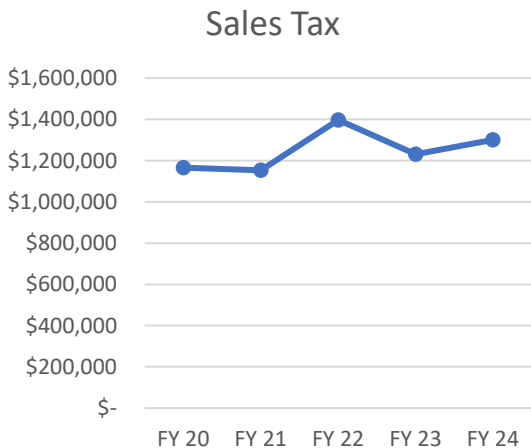


General Fund Revenue Summary

The City of Rock Falls benefits from a diversified revenue base. Sales tax, property tax and income tax are the three most significant governmental revenue sources that the City relies on to provide a high level of municipal services to our residents and businesses.

Sales Tax

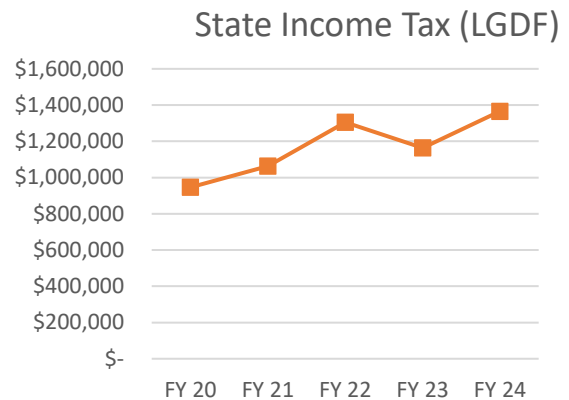
Sales tax is the largest revenue source for the City. In FY 2024 sales tax revenues are predicted to be \$1,300,000. Sales tax revenues are predicted based upon historical data and current economic conditions. The FY 23 budget predicted \$1,230,000 in sales tax revenue however, that prediction has already been exceeded which is most likely due to high inflation that has driven up retail prices and in turn has created more sales tax revenue. With the strong possibility of a looming recession, the FY 24 budget is remaining conservative and only predict a modest increase.



Income Tax (LGDF)

The Local Government Distributive Fund (LGDF) was established in 1969 as part of the

then newly enacted state income tax. Counties and municipalities are allocated a percentage of the total state income tax revenues through this fund. The local share is distributed on a per capita basis and the 2020 census recorded a population of 8,789 LGDF revenue is an important funding source for local governments and is a successful partnership between the state and eligible local governments. Income tax distributions are based on funding formula set by the State of Illinois. The FY 24 LGDF revenue is projected to be \$1,365,810 or \$155.40 per capita for Rock Falls.



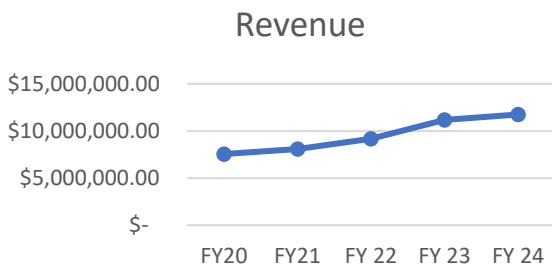
Non-Home Rule Sales Tax

Municipalities in the State of Illinois are able to implement a locally imposed sales tax. Rock Falls passed the non-home rule sales tax several years ago by voter referendum and the 1% is earmarked for road improvements within the City which is still insufficient in order to maintain approximately 60 miles of roads and alleys. The FY 24 budget predicts \$1,000,000 in non-home rule sales tax revenue which is a decrease from the FY 23 budget expectation of \$1,230,000 which currently looks to fall short.

General Fund Revenue Totals

	FY 24 Budget
Projected Revenue	\$ 11,748,235.00
Other Financing Sources	\$ -
IMRF/SS Contribution	\$ 230,906.00
Revenue Totals	\$ 11,979,141.00

The FY 24 budget proposed General Fund revenues are \$11,979,141. The revenue trends for the past 5 fiscal years are represented in the chart below. Of significance, 3 million dollars of the predicted revenues are non-recurring revenues from grants and transfers for road construction projects. The most notable non-recurring revenue is \$2M received from an Illinois DCEO Rebuild Downtown & Mainstream grant to deal with the condemned Micro Industries Building in uptown Rock Falls.



The chart below includes all tax revenues and transferred tax revenues, including non-

recurring revenues of motor fuel tax and grants.

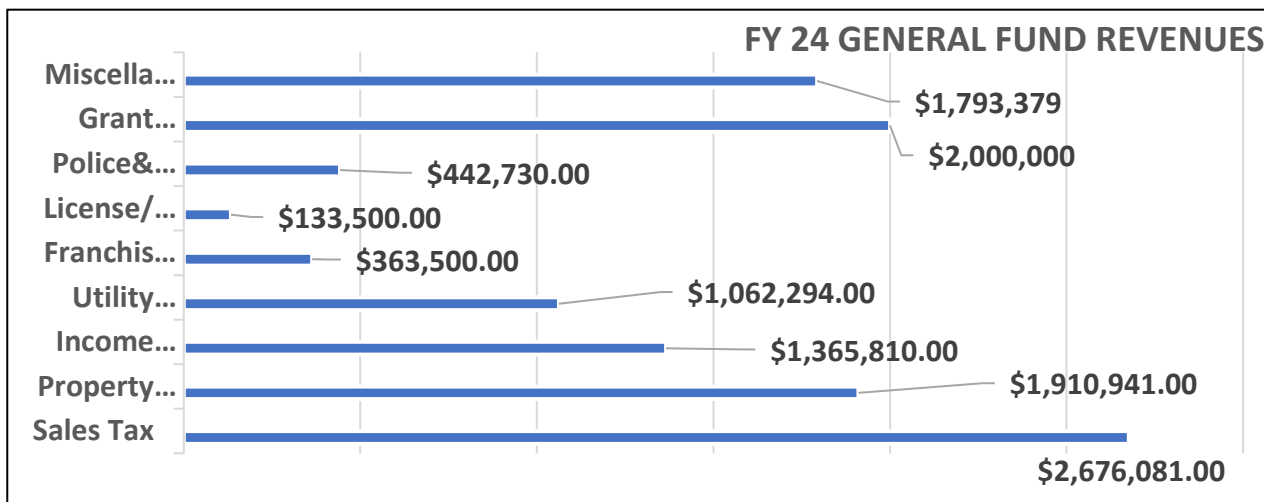
Contributions from Proprietary Funds to the General Fund

American Public Power’s most recent data show the median amount contributed by public power utilities was 5.6 percent of operating revenues.

This number is far higher than contributions made by Investor-Owned Utilities (IOUs) which was 4.2 percent of their operating revenues paid to state and local governments through taxes and fees. In the proposed FY 24 budget the following percentages of operating revenues are contributed to the general fund:

- ✓ Electric - \$755,677 = 6.01%
- ✓ Wastewater - \$98,107 = 5.17%
- ✓ Water - \$97,836 = 6.88%
- ✓ Garbage - \$84,674 = 11.60 %
- ✓ Tourism – \$26,000 = 8.12%

With a total combined operating revenue of \$16,924,255, their contribution to the General Fund of \$1,062,294 represents 6.27% of their operating revenues, which is very close to the national median average and well within acceptable operating guidelines.



General Fund Expenditures

The FY 24 General Fund expenditures total \$11,978,302 which is an increase in expected spending of 5.25% above the FY 23 budget. The largest portions of spending are in the Police, Street & Public Property budgets, respectively. The Police Department budget is historically the largest general fund expenditure budget with no notable non-recurring expenditures planned for FY 24.

The Street Department’s budget proposes \$1.3M in non-recurring expenditures which includes \$650,000 for the completion of Dixon Avenue and \$200,000 in seal coating (chip & oil) for several streets and alleys which will be completed in FY 24.

The FY 24 Public Property budget also shows \$2M in non-recurring expenditures for the Micro Industries building (a two-block long building). The grant was awarded for

demolition of the building which is expected to be completed in FY 24.

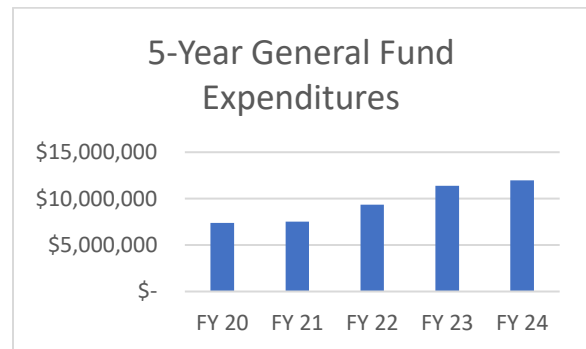


Micro Industries Building

With the implementation of the American Rescue Plan Act (ARPA), expenditures will be made throughout this fiscal year, and the FY 24 budget expects \$650,000 in ARPA spending for projects that have already been approved by the City Council.

Department Expenses	FY 24 Budget
Administration	\$ 1,198,705.00
Building Dept.	\$ 311,933.00
City Administrator	\$ 153,157.00
Business Office	\$ 202,477.00
Code Hearing Dept.	\$ 25,600.00
Economic Development	\$ 132,168.00
Fire Dept.	\$ 1,811,884.00
Planning & Zoning	\$ 3,450.00
Police Dept.	\$ 3,364,162.00
Police/Fire Commission	\$ 18,425.00
Public Property	\$ 2,097,750.00
Street Dept.	\$ 2,470,323.00
Sub-Total Expenses	\$ 11,790,034.00
IMRF/Social Sec.	\$ 188,268.00
Expense Total	\$ 11,978,302.00
Surplus/(Deficit)	\$ 839.00

acquisition, asbestos remediation, and

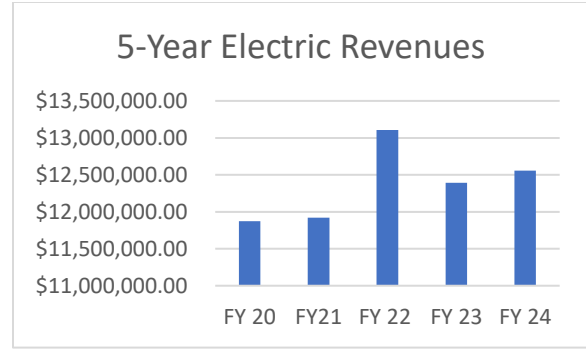


Electric Fund

The City of Rock Falls owns and operates its own electric utility. This fund is the largest of the City’s proprietary funds in terms of revenue generation and number of customers since its services customers outside the city limits. As with all proprietary funds, it is fully self-supported and receives no tax support. It operates exclusively on the revenue generated from rates paid by customers. The fees charged need to support the cost of operations and maintenance of the utility as well as capital improvements that must be undertaken to ensure the stability and reliability of the system.

The City of Rock Falls electric utility distributes power to 5,275 customers with the majority being residential at 4,729, commercial 469, industrial 24 and municipal at 53. The municipal accounts include the City, schools and other government entities.

The City of Rock Falls is a member of the Illinois Municipal Electric Association (IMEA) which is a not-for-profit unit of local government created in 1984 that is currently comprised of 32 municipal electric systems from all across Illinois. Each of those communities owns and operates its own electric distribution system. Some operate local power generation plants. Peak generation is power generation plants that generally run only when there is a high demand, known as peak demand, for electricity. Out of the 32 cities that are members of the IMEA, the Cities of Rock Falls and Winnetka both generate peak power in the Regional Transmission Organization (RTO) known as PJM. During a heat wave or polar vortex the City of Rock Falls is obligated to start our diesel Caterpillar generators to produce electricity.



The projected Electric Operations and Maintenance revenues are \$12,558,446 with expenses totals \$10,332,053. Various capital projects are scheduled for FY 24 which total \$1,979,000.

Electric Capital Expenses	FY 24
ACCOUNT DESCRIPTION	Budget
System Upgrade	\$ 757,000.00
Substations Upgrades	\$ 205,000.00
Generators	\$ 150,000.00
Plant & Property	\$ 10,000.00
Plant & Property - Hydro	\$ 42,000.00
Fiber Upgrades	\$ -
Engineering	\$ 655,000.00
Equipment	\$ 105,000.00
Scada	\$ 55,000.00
Total Capital	\$ 1,979,000.00

FY 24 represents the third year there have been no increased rates passed onto our customers and a rate study will be conducted during FY 24 that will give us our electric rates for the next 5 years.

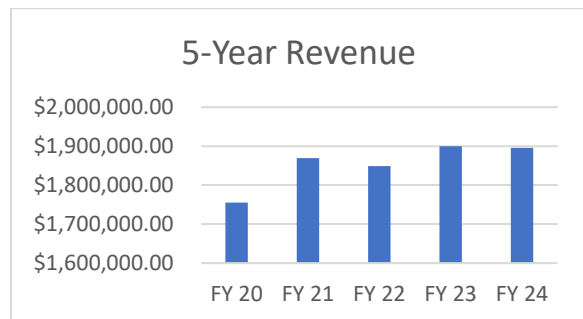
	FY 24 Budget
Revenues	\$ 12,558,446.00
Transfer from Reserves	\$ -
Total Income	\$ 12,558,446.00
Expenses	\$ 10,332,053.00
Capital & Debt Expenses	\$ 2,500,700.00
Total Expenses	\$ 12,832,753.00
Transfer to Reserves	\$ (274,307.00)

The Electric Department’s current debt stands at \$5.60 million in General Obligation Bonds issues in 2018 for the rebuild of the Avenue A electrical substation.

Wastewater Fund

As a proprietary fund, the Wastewater Fund is fully self-supported and receives no tax support. It operates exclusively on the revenue generated from rates paid by customers. The fees charged need to support the cost of operations and maintenance of the plant, lift stations and collection system as well as capital improvements that must be undertaken to ensure the stability and reliability of the wastewater system. The wastewater system bills customers based off of water usage and has the same number of customers as the water utility.

The FY 24 Wastewater Department budget reflects no usage-based rate increase for basic residential wastewater customers. The Wastewater Department operations & maintenance budget has no significant changes to revenues or expenditures from previous years. The projected Wastewater Operations and Maintenance revenues are \$1,895,794 with expenses totaling \$1,916,774. The chart below represents the 5-year revenue trend for wastewater.



Capital expenditures are included in the FY 24 budget for the Wastewater Department.

Account Description	Budget
Storm Sewers Repairs/Extensions	\$ 220,000.00
Sanitary Sewer Repairs/ Extensions	\$ 320,000.00
Plant & Property	\$ 150,000.00
New Equipment	\$ 40,000.00
Capital improvement Total	\$ 730,000.00
Total Capital Improvement Income	\$ 292,392.00

Several capital projects are scheduled for FY 24 including upgrades to the existing 5th Avenue lift station and stormwater improvements associated with the Avenue A rebuild project.

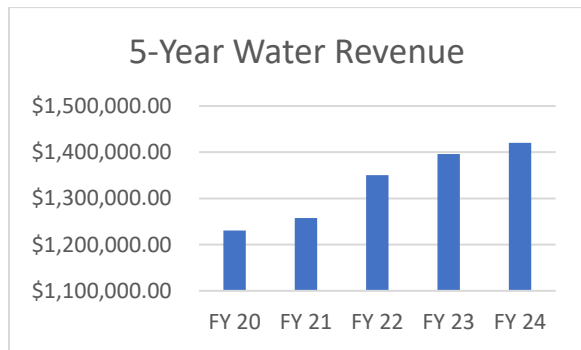
	FY 24 Budget
O&M revenues	\$ 1,895,794.00
Transfer from Reserves	\$ -
Total O&M Income	\$ 1,895,794.00
O& M Expenses	\$ 1,916,774.00
to Reserves	\$ (20,980.00)
Total O&M Expenses	\$ 1,895,794.00
Capital Improvement Income	\$ 292,392.00
Transfer from Reserves	\$ -
Total Capital Income	\$ 292,392.00
Capital Exp.	\$ 730,000.00
Transfer to (from) Res	\$ (437,608.00)
Total Capital Imp. Exp.	\$ 292,392.00
Debt Service Income	\$ 1,285,200.00
Transfer from Reserves	\$ -
Total Debt Service Inc.	\$ 1,285,200.00
Debt Service Expenses	\$ 1,171,584.00
Transfer to (from) Reserves	\$ 113,616.00

Wastewater’s current debt stands at \$10,407,941, most of which is for the construction of the wastewater treatment facility which was completed in 2011.

Water Fund

As a proprietary fund, the Water Fund is fully self-supported and receives no tax support. It operates exclusively on the revenue generated from rates paid by customers. The fees charged need to support the cost of operations and maintenance of the plant and distribution system as well as capital improvements that must be undertaken to ensure the stability and reliability of the water system. The City of Rock Falls Water utility provides water to 4,150 customers with the majority being residential at 3,781, commercial 327, industrial 10 and municipal at 32. The municipal accounts include the City, schools and other government entities.

The FY 24 Water Department budget reflects a rate increase of \$0.45 or 1.7%. The Water Department operations & maintenance budget has no significant variances from previous years. Expected revenues for FY 24 are \$1,420,639 which is an increase of approximately \$50,000 over FY 23 while expenditures are expected to increase by \$25,000 over FY 23.



Water’s current debt stands at \$1,720,771. This figure does not include the IEPA loan for the “Phase 2 Watermain Improvement Project” which will begin in FY 24 in the amount of \$1,194,084 and should also qualify for 50% forgiveness on the debt by the IEPA. This project includes 10th Ave,

Smith Ct to Goodell Ct, 3rd Ave at 1st Ave, 2nd Ave and Ave C watermain replacement.

	FY 24 Budget
O&M revenues	\$ 1,420,639.00
Transfer from Reserves	
Total O&M Income	\$ 1,420,639.00
O& M Expenses	\$ 1,352,844.00
Transfer to Reserves	\$ 67,795.00
Total O&M Expenses	\$ 1,420,639.00
Capital Imp. Income	\$ 190,530.00
Transfer from reserve	\$ -
Total Capital Income	\$ 190,530.00
Total Cap Expense	\$ 195,000.00
Transfer to reserve	\$ (4,470.00)
Total Capital Expenses	\$ 190,530.00
Debt Service Income	\$ 267,257.00
To/(from) Reserves	
Total Debt Service Inc.	\$ 267,257.00
Debt Service Expenses	\$ 127,802.00
Transfer to Reserves	\$ 139,455.00
Total Debt Service Exp	\$ 267,257.00

Garbage Fund

As a proprietary fund, the Garbage Fund is fully self-supported and receives no tax support. It operates exclusively on the revenue generated from rates paid by customers. The fees charged need to support the cost of operations for curbside garbage and recycling as well as the operations of the Electronics Recycling Center.

	FY 24 Budget
Revenues	\$ 732,000.00
Transfer from Reserves	\$ -
Total Income	\$ 732,000.00
Expenses	\$ 729,363.00
Transfer to Reserve	\$ 2,637.00
Total Expense	\$ 732,000.00

Tourism Fund

As a proprietary fund, the Tourism Fund is fully self-supported through the receipt of hotel taxes paid by visitors who stay in our local hotels. Revenues are also collected from businesses who wish to be sponsors for Tourism hosted events such as Art in the Park, Jammin’ on the Rock and the Lumberjack Show.

	FY 24 Budget
Revenues	\$ 320,013.00
Reserves	\$ -
Total Income	\$ 320,013.00
Expenses	\$ 454,947.00
Trans to (from) Reser	\$ (134,934.00)
Total Expenses	\$ 320,013.00

The FY 24 budget represents a \$137,500 contribution to the TIF fund for the construction of the RB&W restroom facility construction.

Proprietary Fund Cash Balances

Utility cash reserves are funds set aside, separate from user charges, miscellaneous fees and/or other non-rate or fee-based revenues. In general, there are three main types of cash reserves: operating, capital and debt related.

There are many reasons for utility cash reserves including:

- ✓ Absorb short-term revenue losses,
- ✓ Offset revenue losses,
- ✓ Stabilize cash flow,
- ✓ Unexpected or extraordinary expenses, and
- ✓ Set aside for future capital projects,

There are multiple benefits that can be realized by maintaining sufficient operating

and capital reserves however, one of the most important is that it ensures the stability of the fund by having funding available to do major capital projects and emergency repairs without seeking outside funding sources.

Minimum Cash Balance Policy

In order to follow best practices of government accounting and to ensure the City of Rock Falls’ financial stability by protecting itself against revenue shortages caused by economic downturns, natural disasters, policy changes instituted by State of Federal Governments or any unpredicted one-time expenditures. The reserve fund balance requirements will be verified on the City’s annual budget. This policy will establish the minimum fund balance reserves to be maintained in the General, Electric, Wastewater, Water, Garbage and Tourism funds.

Fund	Budgeted O & M	Minimum Balance	Days of O & M
General	\$ 7,384,171.00	\$ 786,678.80	45
Tourism	\$ 317,447.00	\$ 660,985.53	760
Electric	\$ 10,332,053.00	\$ 5,095,259.01	180
Water	\$ 1,352,844.00	\$ 656,106.90	180
Sewer	\$ 1,916,774.00	\$ 936,675.62	180
Garbage	\$ 729,363.00	\$ 358,767.12	180

Other Funds

Demolition Fund

The Demolition Fund is a stand-alone fund that receives its revenue from grants such as the Abandoned Property & Strong Communities Grant through IHDA. It also receives funds from the sale of abandoned properties acquired by the City through tax sale. These funds are used to mow and secure abandoned properties and demolish condemned residential properties across the City.

ROCK FALLS FY 24 BUDGET

	FY 24 Budget
Revenues	\$ 122,500.00
Reserves	
Total Income	\$ 122,500.00
Expenses	\$ 103,000.00
Trans to (from) Reser	\$ 19,500.00
Total Expenses	\$ 122,500.00

Industrial Development Commission

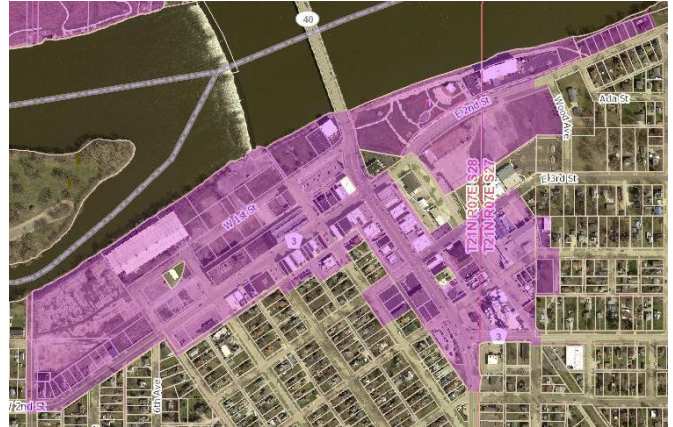
The Industrial Development Commission is an independent commission of the City who owns the industrial, commercial & residential property on behalf of the City. Until 2021, an Industrial Development Commission could not hold title to residential property. The City of Rock Falls worked with State Representative Tony McCombie and had the statute changed to read, *use or disposal of surplus real estate owned by the municipality.*

	FY 24 Budget
Revenues	\$ 163,994.00
Transfer from Reserves	
Total Income	\$ 163,994.00
Expenditures	\$ 158,200.00
Trans to/(from) Reserve	\$ 5,794.00

Downtown TIF (Tax Increment Finance)

Illinois and 48 other states use a TIF as an economic development tool. With this development tool, financially strapped local governments can make the improvements, offer development incentives to attract new businesses or help existing businesses expand. The TIF provides that assistance

without tapping into the General Fund or raising property taxes. A map of our TIF is below.



	FY 24 Budget
Revenues	\$ 547,500.00
Reserves	\$ -
Total Income	\$ 547,500.00
Total Expenses	\$ 649,300.00
Transfer to Reserves	\$ (101,800.00)
Unexpended Funds	\$ -

Total of All Funds

The total revenues and expenditures for all proprietary and governmental funds result in a \$839 surplus in the FY 24 budget.

	FY 24 Budget
Total Revenues	\$ 31,363,688.00
Total Expenditures	\$ 31,362,849.00
Surplus/(Deficit) Budget	\$ 839.00

City Administration

Mayor.....	Rodney Kleckler
City Administrator.....	Robbin Blackert
City Attorney.....	Matt Cole, Ward, Murray, Pace & Johnson, P.C.
Chairman of Finance Committee.....	Gabriela McKanna, Ward 1 Alderperson
Alderpersns.....	William Wangelin, Ward 1 Alderperson Brian Snow, Ward 2 Alderperson Casey Babel, Ward 2 Alderperson Steve Dowd, Ward 3 Alderperson Cody Dornes, Ward 3 Alderperson Cathy Arduini, Ward 4 Alderperson Violet Sobottka, Ward 4 Alderperson