

CY2017 City of Naperville Budget

1st Quarter Financial Report (January – March)

The following report provides a review of the City's financial performance during the first quarter of CY2017. The attached tables show budget-to-actual; year-to-year comparisons; and period-to-period comparisons at the fund level through the first three months of CY2017. The report and attachments are broken into the following categories:

1. Operations and Maintenance

- a. Includes the General Fund; both Electric and Water Utilities; the Burlington Fund; and Self-Insurance Fund. There is also an additional breakdown of the budget information by department across all funds.

2. Capital and Debt Service

- a. Includes G.O. Bond Funds; Capital Projects Fund; Debt Service; Downtown Parking Fund; Motor Fuel Tax; Road & Bridge; and the Water Street TIF

3. Special Funds

- a. Includes sixteen (16) special funds which include the Library; Naper Settlement; S.S.A. 26 (Downtown Maintenance); and the Food & Beverage.

Operations and Maintenance

General Fund

The General Fund is the primary operating fund for the City and accounts for resources used to pay for services traditionally associated with a local government, including police and fire protection services, public works, transportation, engineering and development. Additionally, support services such as legal, finance, information technology, human resources, the clerk's office, and communications are primarily expensed through this fund.

Revenues for the fund include a variety of taxes, charges for services, licenses, permits and fees, as well as smaller miscellaneous receipts. Primary taxes include property, sales, income, real estate transfer, hotel/motel and utility taxes. Charges for services include refuse collection fees, ambulance fees, and other billable service charges.

Revenues in the General Fund totaled \$26.24 million through March, which is 21.5-percent of the CY2017 budget and \$2.39 million more than CY2016 year-to-date actuals.

Below is breakdown of major revenue sources:

1. *Charges for Services* – Revenues totaled \$3.29 million, which is a \$376,000 increase from last year. The most significant impacts on these revenues are listed below:

- Ambulance Fees are up \$169,000 compared to last year and slightly outpacing budget projections. The City received more than \$500,000 in ambulance fees in March and have collected \$1.11 million to date, which is 30-percent of the CY2017 budget and in line with projections. The number of transports has remained relatively consistent year over year and this increase reflects the increase of the ambulance billing fees that were approved by Ordinance 16-173 in October of 2016. This ordinance increased the overall charge for
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ambulance services but also included a write-off provision for residents of Naperville after insurance reimbursements were received.

- Garbage Collection Fees are up \$84,000 from last year, but on pace with budget projections. The fees have generated \$1.54 million to date, which is 24.4-percent to budget. The primary reason for the increase in fees collected compared to last year, \$512,000 in 2017 compared to \$434,000 in 2016 is due to a full collection of fees in January. When the fee was increased in January of 2016 there was a lag in collection.
2. *Retail Sales Tax* –\$8.71 million collected through March, before sales tax rebates, which is 24.7-percent to budget. This is a 1.2-percent increase over CY16 actuals, which shows a slight improvement in the City’s overall sales tax receipts.
 3. *Utility tax* – Revenue is up \$48,600 compared to last year and the City has generated \$4.28 million, which is 25.4-percent of budget projections. Revenue from the natural gas utility tax is up \$249,000 compared to CY16 and tracking 34-percent to budget. This is driven by higher therm usage in the first quarter of 2017, with 12.7 million therms used, which is 567 thousand more than in 2016. In line with City projections, telecom tax continues to decline based upon land line usage and the tax is down \$194,000 compared to CY16.
 4. *State Income Tax* – Payments have come in steady through the first three months, totaling \$4.22 million. The City is projected to collect \$14.54 million in state income tax through the local government distribution fund (LGDF).
 5. *Real Estate Transfer Tax* – The City received \$1.3 million through the first three months of CY17. This amounts to nearly twice the receipts collected in the first quarter of CY16. This has been driven by two major sales including the apartment complex at the corner of Washington and Warrenville Road, which sold for \$84 million bringing in \$252,000 in taxes and the sale of the Main Street Promenade buildings and land for \$88 million bringing in \$264,000 of transfer tax revenues.
 6. *Permits and licenses* – Outpacing budget projections at \$1.14 million YTD, which is 46.2-percent to budget and a \$355,000 increase from last year. Revenues for Liquor Licenses are up \$216,000; the increase reflects changes made to the liquor code last September, which included new fees for classes B, C, D, E, I, J, L, M, P; late night permits; and a two-year license renewal option. Through March, 11 business opted for the two-year renewal option, providing a significant bump in revenues. A corresponding decline will occur in 2018. Permits for new single family homes are also up \$64,000 and more than 36-percent to budget. Permits for multi-family homes are also more than 30-percent to budget projections and are up \$22,000 compared to last year. Overall, the City issued 256 more permits this first quarter compared to last year, which provided a significant boost in revenues for permits and fees tied to filing, engineering reviews and water and wastewater connections.
 7. *Fines and Fees* – Revenues are tracking below budget projections at 17.5-percent. The City has collected \$348,000, which is \$70,800 less than last year. The most significant impacts on these revenues are listed below:
 - Traffic Fines and Fees are down \$94,000 through March. The difference is due to timing for cash receipts. Last year, the City collected eight payments in the

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first quarter. This year only seven payments were collected through March with an additional payment completed in early April 2017.

- Payments for the Local Use Tax from the state are down \$175,000 compared to last year. This is the result of the early receipt of payments received in 2016. Payments have been on time this year. The City anticipates an increase in Local Use Tax revenue by approximately eight-percent based on projections provided by the Illinois Municipal League.

Overall, revenues are tracking in line with budgeted projections. There are slight variations in some revenue sources, but they can be attributed to timing issues.

Operating expenses through March total \$27.1 million, which is 22.2-percent of the CY2017 Budget and \$6.29 million more than the CY2016 year-to-date actuals. The majority of the expense difference is associated with disbursements for payroll and benefits.

Below is a review of General Fund expenditures:

1. *Payroll* – In the General Fund the CY17 total salary and wages expense is \$17.95 million, 28.2-percent of the \$63.66 million budget. This amount appears to be significantly higher than the CY16 amount of \$12.39 million. This is due primarily to two items that affect the timing of payroll; year-end accruals and the number of pay periods per month. It should be noted that this variance in payroll costs will be true for all operating funds for the first quarter.
 - To best compare the overall salary and wage expense is to view the City's payroll on a pay period basis. Using this metric, the City has tracked in line with projected wage increases, with \$2.56 million per pay period in CY17 compared to \$2.48 million in CY16.
2. *Supplies* – Costs related to supplies are up \$243,000. The bulk of the increase is tied to Public Works, which is up \$250,000 in maintenance supplies for the purchase of salt for winter operations, this purchase was expected to replenish supplies for the beginning of the next winter season.
3. *Contracted Services* – Down \$332,000 and 12-percent to budget through March.
 - The Information Technology Department has seen a \$289,000 decrease in expenditures related to contracted services for CY2017. This is attributable to a large payment made in CY2016 for the renewal of Microsoft licenses, which have not yet been paid for CY2017.
 - The Department of Public Works also saw a decrease of \$230,000 of spending toward contracted services related to contractors for winter operations.

Electric Utility Funds

The Electric Utility Fund accounts for all maintenance and operations as well as capital expenditures related to the City's electric utility. Revenues recorded within the fund are generated primarily from rate revenues paid by the 57,000 residential and business type

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customers, with additional revenues coming from installation fees (capital fees) paid by new development for the work performed on private property. Purchased power accounts for approximately 74-percent of the fund's expenditures in CY2017 Budget.

Through the first quarter of the CY2017, revenues total \$39.2 million, representing a 1.5-percent decrease over the prior year. Charges for service, which include all rate revenues collected from the customer, total \$37.2 million or 23.5-percent of the CY2017 budget projection. Capital Fees are tracking fairly similar to last year, with \$1.5 million received to date for electric installs and residential electric upgrades. Reimbursements have seen a significant increase of \$157 thousand over CY2016. This is attributable to a large payment from the Naperville Park District for a fiber optic expansion to the Riverwalk Café, Centennial Beach and the Alfred Ruben Riverwalk Community Center.

Electric Utility expenses in CY2017 are up \$2.6 million compared to CY2016 year-to-date figures. More than a third of this increase is associated with the greater number of pay periods year to date which was previously discussed. Purchased power is tracking fairly stable, showing a 1.9-percent increase from CY2016. Contracted services are up 28.2-percent from CY2016, but are tracking at just 12.4-percent of budget for CY2017. The majority of this can be attributed to timing for expenditures for annual software maintenance and support. Supply expenditures are up 44.3-percent from CY2016 due to large inventory purchases in February and March 2017. Capital expenditures have increased significantly by \$673,000 over CY2016. This is due to costs associated with the ERP implementation as well as new residential and commercial electric services installation, overall expenses are in line with projections. While, expenditures are at just 7.6-percent of budget, spending on capital related items is expected to increase during the coming summer months.

Water and Wastewater Utility Funds

The Water and Wastewater Utility Fund is used to record revenues and expenses related to maintenance and operations of the water distribution and wastewater collection and treatment facilities, as well as any associated capital costs. The primary revenue to the fund is rate revenue collected from the customers of the system and the largest expense is purchased water.

Total revenues were down six-percent in the first quarter, totaling \$11.67 million. Charges for services make up the majority of revenues at \$11.07 million, approximately \$903,000 less than CY2016. Charges for water service are down \$664,000 and wastewater services are down \$240,000.

Capital Fees are up \$181,000 due to an increases in connection fees for both water and wastewater services. Connections for water are up \$104,000 from last year and wastewater are up \$87,000. The increases are related to the uptick in permits and filing fees experienced by TED for development. The City experienced a boost in construction during a mild winter, which includes the Atwater Subdivision.

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Expenses are currently below budget projections at more than 17-percent through March primarily due to timing of payments. Purchased water expenses are the exception, they are down \$54,000. The bulk of the variance in expenses is tied to contracted services and the capital/maintenance program. Contracted services are down \$294,000 and tracking at seven-percent to budget; due to work performed in CY2016 for a grouting project of the sanitary sewer system in the Cress Creek subdivision, which cost the City \$206,000 and occurred in February 2016. True savings have been realized in contract labor for asphalt, concrete and landscape restoration, of around \$56,000. The department has a new vendor for this service, and anticipates an ease in costs. Expenses are anticipated to pick up as weather improves and construction projects begin.

The Capital/Maintenance Program is down \$108,500. The majority of variance is due to the timing of automotive equipment, which is down \$261,000 to date. However, the department projects to spend \$1.05 million on equipment this year, which is noticeable increase from the less than \$500,000 expensed last year. The marked increase is tied to a new vector truck, which will be purchased in the coming months at an estimated cost of \$430,000.

Burlington Fund

The purpose of the Burlington Fund is to account for revenues and expenses related to maintenance, operations and regulation of the parking at the City's two commuter train stations; as well as, to provide maintenance services for the pedestrian walkway networks connecting the parking facilities to the station and platform; and to provide multi-modal access to the commuter train stations.

Overall, revenues are tracking at projections, while expenses are tracking 65-percent higher than CY2016. The increase is due to the \$3.36 million purchase of the Boecker Property in March, which Council approved with a \$3.41 million budget amendment.

Self-Insurance Fund

The Self-Insurance Fund is used as a risk management tool and accounts for expenditures related to all types of insurance required by the City including medical, dental, general liability, worker's compensation, auto liability, life and unemployment insurance. The timing of expenses is based on when employees use services in addition to regular premium expenses. Revenues are from employee, retiree and employer contributions; and are tracking appropriately based upon the City's projections as we have received 25.1-percent of our annual insurance contributions into the fund. Actual expenses are at 24.6-percent of the budgeted amounts through the first quarter of the year. Overall expenses are \$159 thousand higher than CY2016. The increase is related to general increases in insurance premiums and medical admin fees. The City will continue to monitor insurance costs throughout the year.

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Capital and Debt Service

Capital Projects Fund

Overall, revenues were down \$309,000, which is largely tied to net investment income and a decrease in grants/developer contributions. Specifically, during the first quarter of last year, the City received the final payment of \$400,000 related to a grant from IMEA for the street light conversion program. The major revenue in CY17 has been a \$150,000 payment from the DuPage Children's Museum as part of a 20-year agreement to pay back \$2 million in debt services. The City projects \$10 million in revenues for the Capital Projects Fund, including \$4.09 million in Home Rule Sales Tax (HRST) and \$5.82 million in grants/contributions for capital projects.

Expenses appear to be down for the fund, largely due to a decrease in the Capital/Maintenance Program in Public Works. Last year, the streetlight replacement program amassed more than \$614,000 through the first three periods. The first phase of the project was completed in CY2016 and future plans for other streetlight project upgrades are under development. Overall capital expenditures are in line with budget expectations to date.

Debt Service Fund

Revenues for this fund are tracking at 17.4-percent to budget. To date, \$2.3 million has been received in HRST revenues. The primary revenue source, property taxes, will be received in June and September with debt service payments being made in June and December.

Motor Fuel Tax and Road & Bridge Funds

Both funds pay for citywide road improvement projects. Revenues include motor fuel tax (MFT) received from the State, the City's local gas tax and a portion of the Township's Road and Bridge assessment. Revenues for the MFT and Road & Bridge Funds are at 26.9-percent and 12-percent of projections for the year. Revenue specifically tied to state MFT disbursements is at 25.5-percent. As a result of last year's ordinance to allocate all proceeds from the local gasoline tax to the Road and Bridge Fund, it appears that revenues are down in the MFT fund, however they have just been shifted to align with the updated ordinance. Overall the local gasoline tax is tracking consistently year over year. Expenses appear to be down \$465,000 in the MFT Fund when compared to last year, however this is due the timing of payments related to the annual street maintenance program. The majority of this fund's activity occurs in summer through fall.

Special Funds

Food & Beverage Fund

Last year, Council passed an ordinance renaming the SECA fund to the Food and Beverage Tax Fund, which records all Food and Beverage tax receipts into a single fund. This allows for a more transparent accounting of all revenues and allowable expenditures supported by the taxes. Food and Beverage dollars have clear restrictions on use and timing of disbursements; including pension contributions, Social Services Grant Program and the SECA Grant Program. Food and Beverage Tax receipts are up nearly \$40,000 through March

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compared to CY2016. Expenses are tracking on pace with approximately \$500,000 expended on SECA grants through the first quarter of 2017.

Naperville Library Funds

Revenues for the Library are at just 1.1-percent of budget, due to the timing of property taxes receipts, which are received in June and September. Expenses of \$3.8 million are tracking above CY2016 figures, which is attributable to salaries and benefits.

Naper Settlement Fund

Revenues for the Settlement are at just 2.9-percent of budget, due to the timing of property taxes receipts, which are received in June and September. Expenses of \$868,000 are tracking above CY2016 figures, which is attributable to salaries and benefits

SSA #26 – Downtown Marketing & Maintenance Fund

Revenues are at 49-percent of projections due to a scheduled lump sum transfer in of \$975,000 from the General Fund per the two-thirds funding agreement. Expenses are at 15-percent of budgeted amounts. Contracted services are \$105,000 lower than CY2016, due to the timing of payments to the Chamber of Commerce/Downtown Naperville Alliance (DNA) for advertising and marketing. This timing variance will adjust as we progress through the budget year.
