



Naperville

Six Month

Financial Report

January - June 2017

COLD STONE
DOWNTOWN

The citywide monthly financial report provides a summary of the current month's budget status and highlights organized by fund category. For each category, color-coded boxes provide at-a-glance information about the category's status and how the current status compares to budgeted expectations for the fund. Three, six and nine-month reports also include a quarterly update on the City's three financial principles to assess progress towards these goals. A glossary is located at the conclusion of the report to enhance understanding of each fund's purpose.

Green: Within 5% of budgeted expectations

Yellow: Within 10% of budgeted expectations

Red: Outside 10% of budgeted expectations

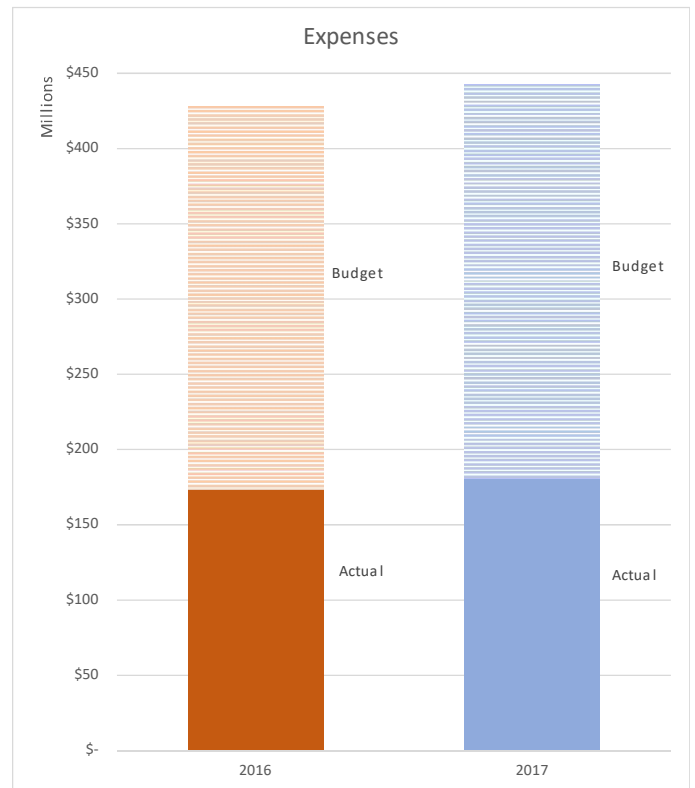
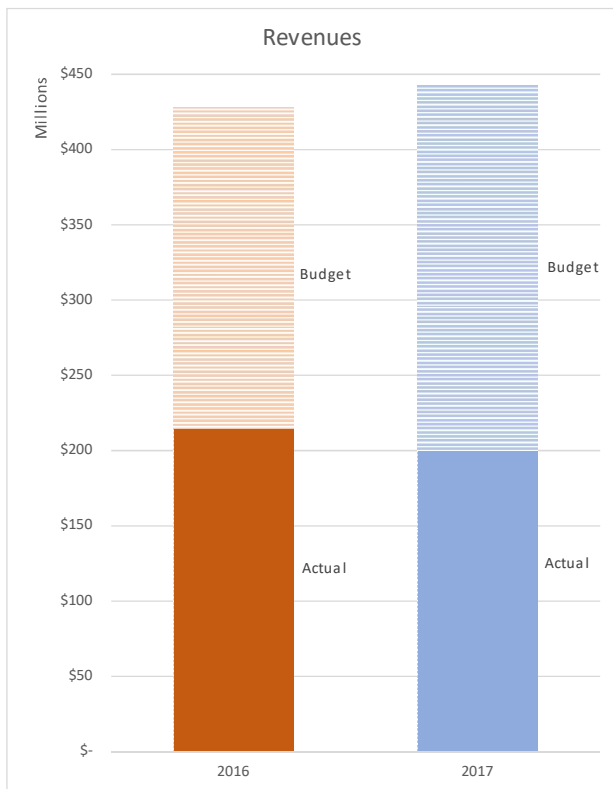


CITYWIDE

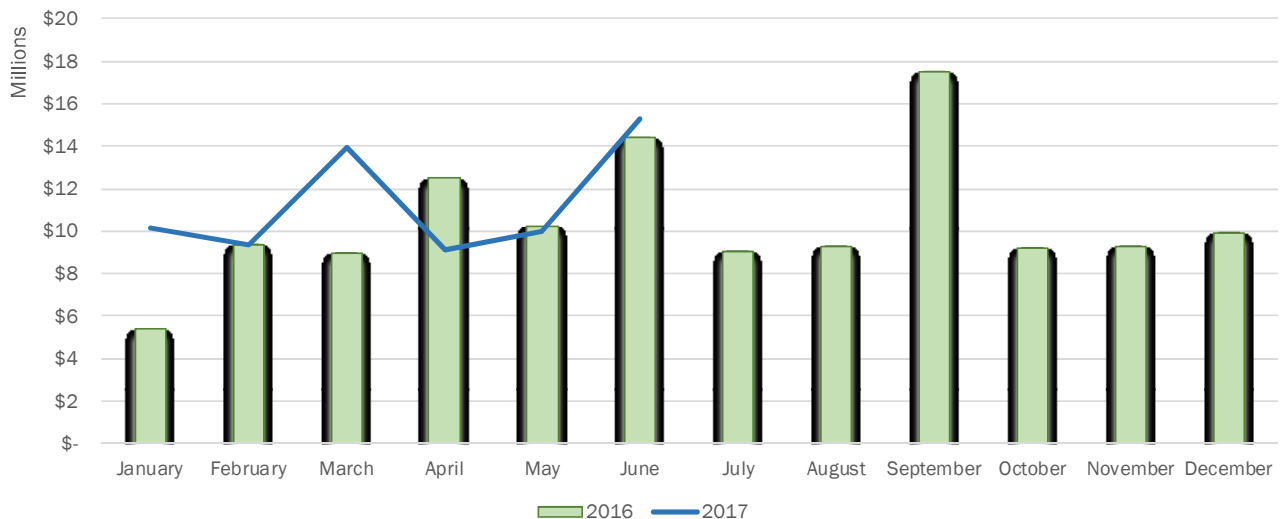
REVENUES: \$199.1M
45% to budget of \$422.3M
Down \$14.5M from budget

EXPENSES: \$179.4M
40.3% to budget of \$444.9M
Up \$6.6M from budget

- Revenues are down due to a shift in the timing of planned borrowing originally slated to occur in June 2017 and that is now scheduled to be received in October 2017.
- The discrepancy in salary and benefit expenditures seen in the first quarter has now self-corrected, as an equal number of pay periods has occurred compared with CY2016.



Salaries and Benefits



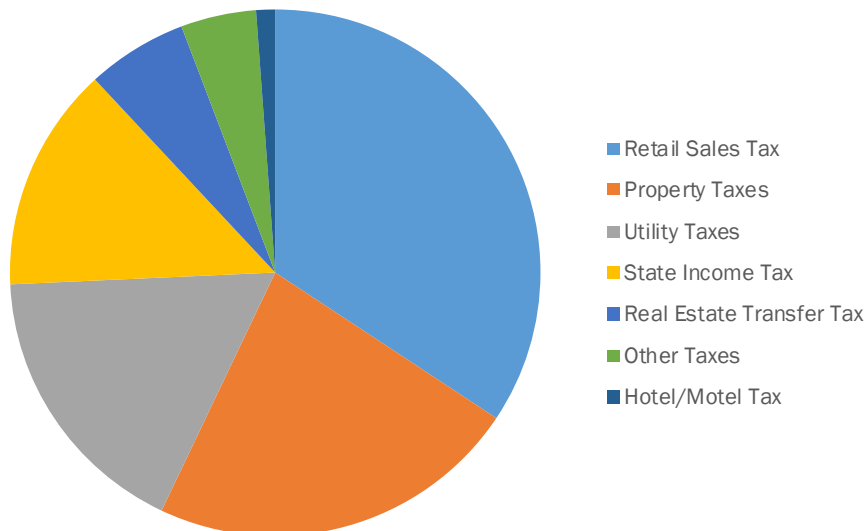
GENERAL FUND

REVENUES: \$59.1M
48.4% to budget of \$122.1M
Up \$334,634 from budget

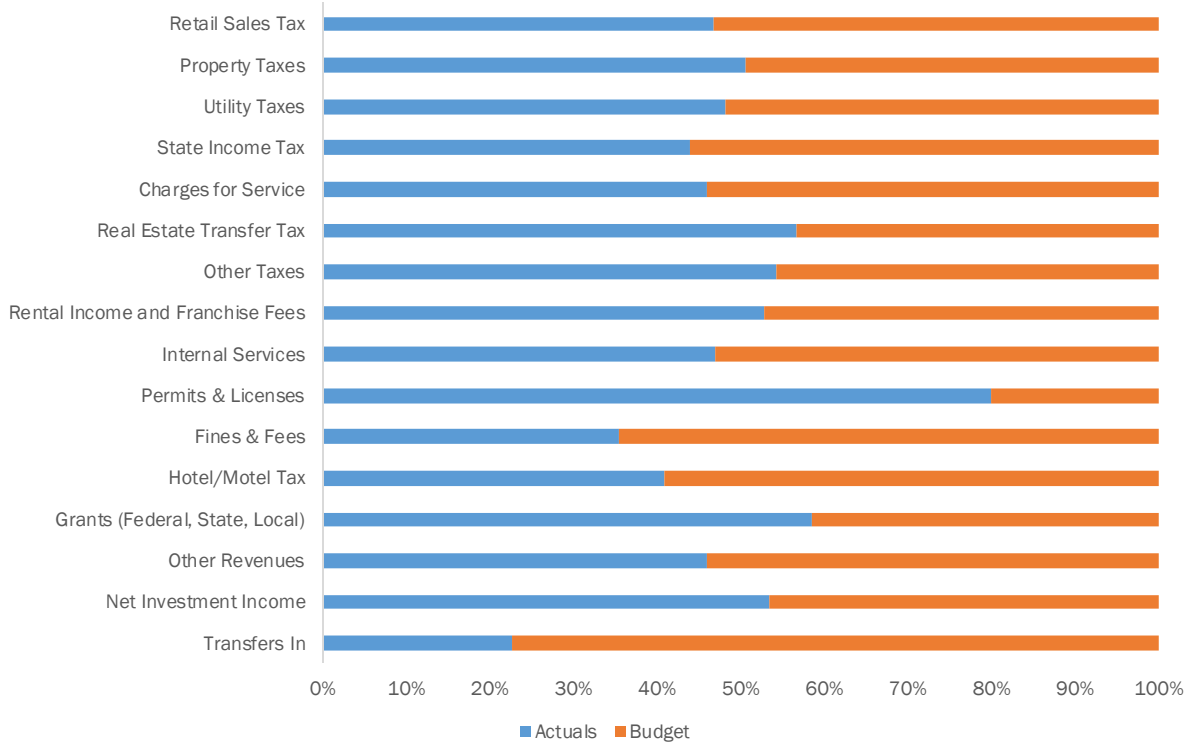
EXPENSES: \$57.7M
47.3% to budget of \$122M
Down \$4.3M from budget

- General Fund revenues through June are tracking stably, with 48.4% of budgeted amounts received.
- The variance with prior year actuals has flattened, as CY2016 property tax revenues were received in June.
- Permits & Licenses have generated more than \$1.95M through June and are at 79.8% of budgeted revenues for the year.
- Internal Services are up significantly by \$764,000 from CY2016. This is due to receipts associated with the E-911 surcharge, which has shifted to a quarterly receipt of dollars versus annual collection.
- General Fund expenses through June are tracking stably, with 47.3% of the budget expended.
- **Revenue increases from prior year:**
 - Internal services: \$764,379
 - Rental income and franchise fees: \$706,746
 - Charges for service: \$607,280
 - Permits and licenses: \$542,936
- **Revenue decreases from prior year:**
 - State income tax (timing): \$2.4M
 - Net investment income: \$501,063

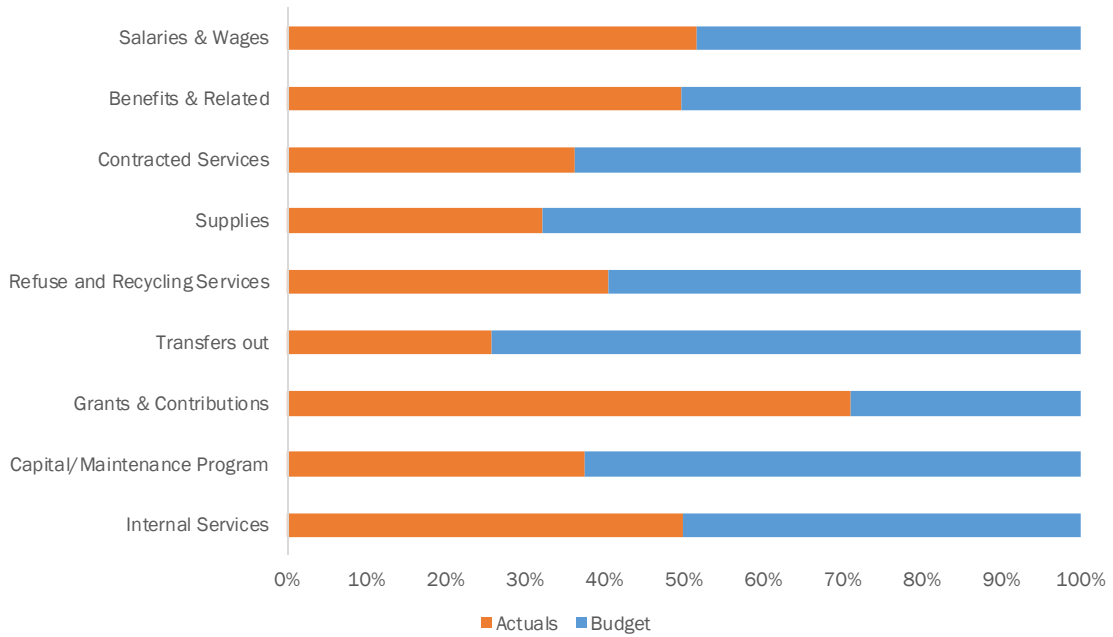
Tax Revenues (6-month actuals)



Revenues to Budget



Expenditures to Budget

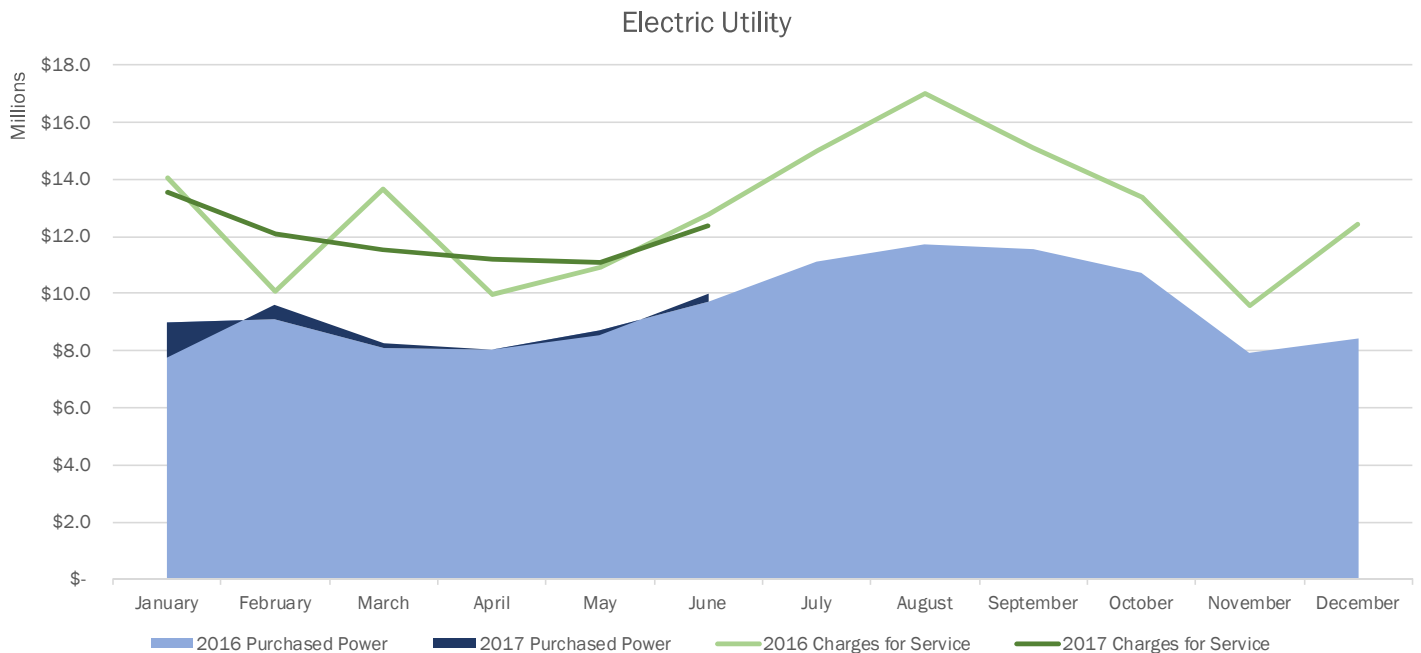


ELECTRIC UTILITY

REVENUES: \$75.5M
45.9% to budget of \$164.4M
Up \$920,996 from budget

EXPENSES: \$66M
41.9% to budget of \$157.6M
Up \$3M from budget

- The Electric Utility continues to operate with a positive margin, which totaled \$9.41M through June.
- As in the previous month, the increase in revenues from last year is directly related to rate increases and capital fees.
- Installation and upgrade fees generated more than \$2.7M through the first six months of CY2017.
- There have been three months of credits applied to customers' bills due to the Purchased Power Adjustment (PPA) and three months of debits received due to the PPA.



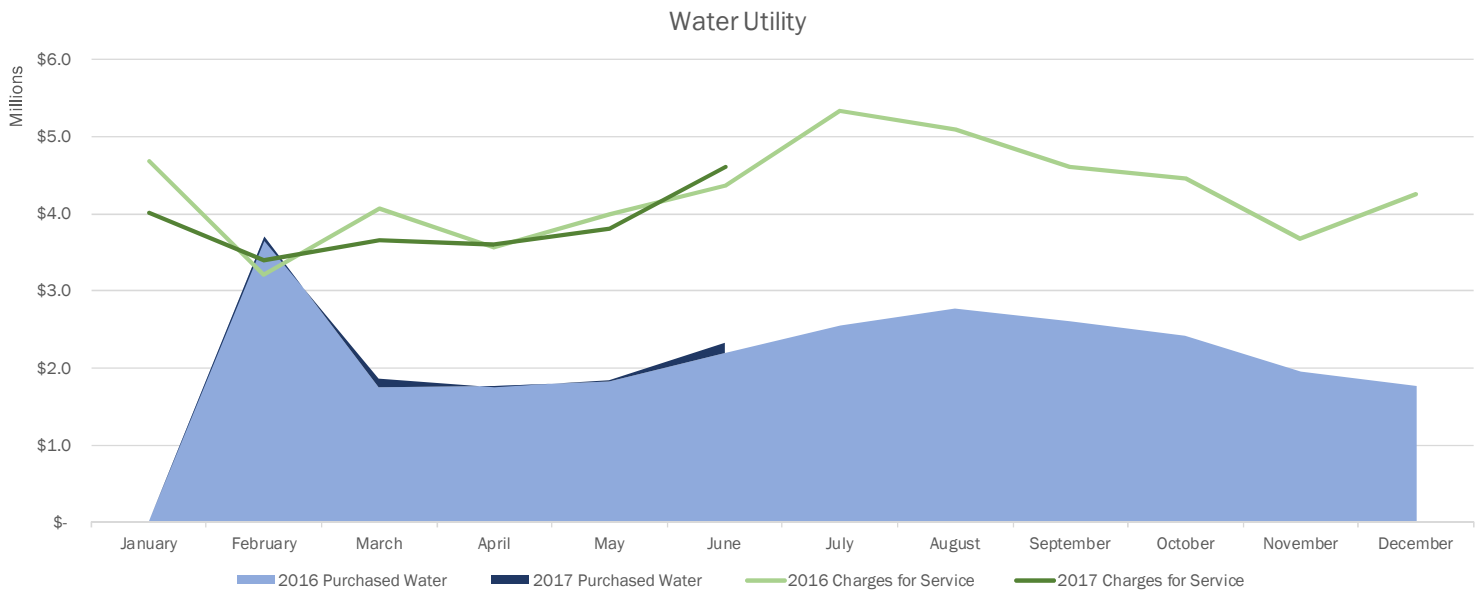
- Expenses are up \$3M compared to CY2016 year-to-date figures. This is primarily related to a \$1.7M increase in capital/maintenance program spending, which was planned for in the CY2017 budget.
- Through June, expenses related to capital and maintenance programs totaled \$2.4M, which is 20.7% of the \$11.75M budget. Increases are expected in the coming months as capital projects get underway.
- Purchased Power is tracking stably through June.

WATER UTILITIES

REVENUES: \$24.5M
40.9% to budget of \$60M
Down \$287,707 from budget

EXPENSES: \$22.7M
36.5% to budget of \$62.3M
Up \$334,022 from budget

- The Water Utilities continues to operate with a positive margin, which totaled \$1.76M through June.
- Revenues have been received at 40.9% of budget, but are tracking similar to prior year-to-date actuals.
- Water rate increases went into effect on May 1, 2017.



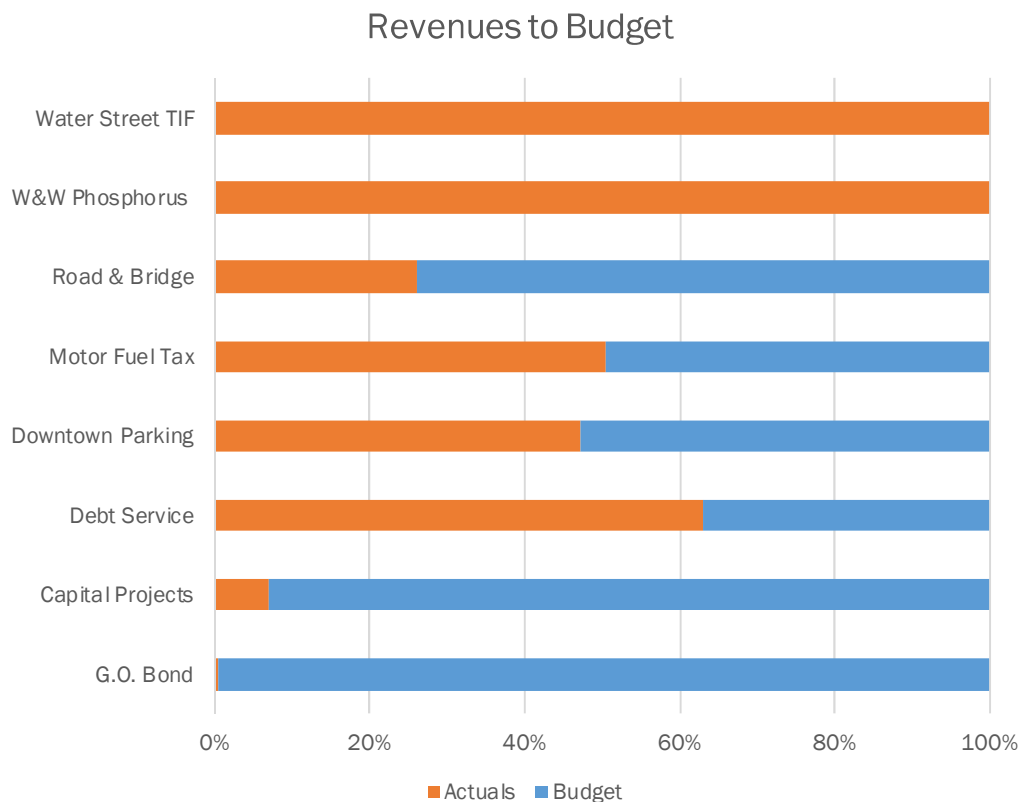
- Purchased water is currently at 41.8% of budget and is tracking similar to prior year-to-date actuals.
- Through June, expenses related to capital and maintenance programs totaled \$1.75M, which is 15.8% of the \$11.1M budget. Increases are expected in the coming months as capital projects get underway.

CAPITAL & DEBT SERVICE

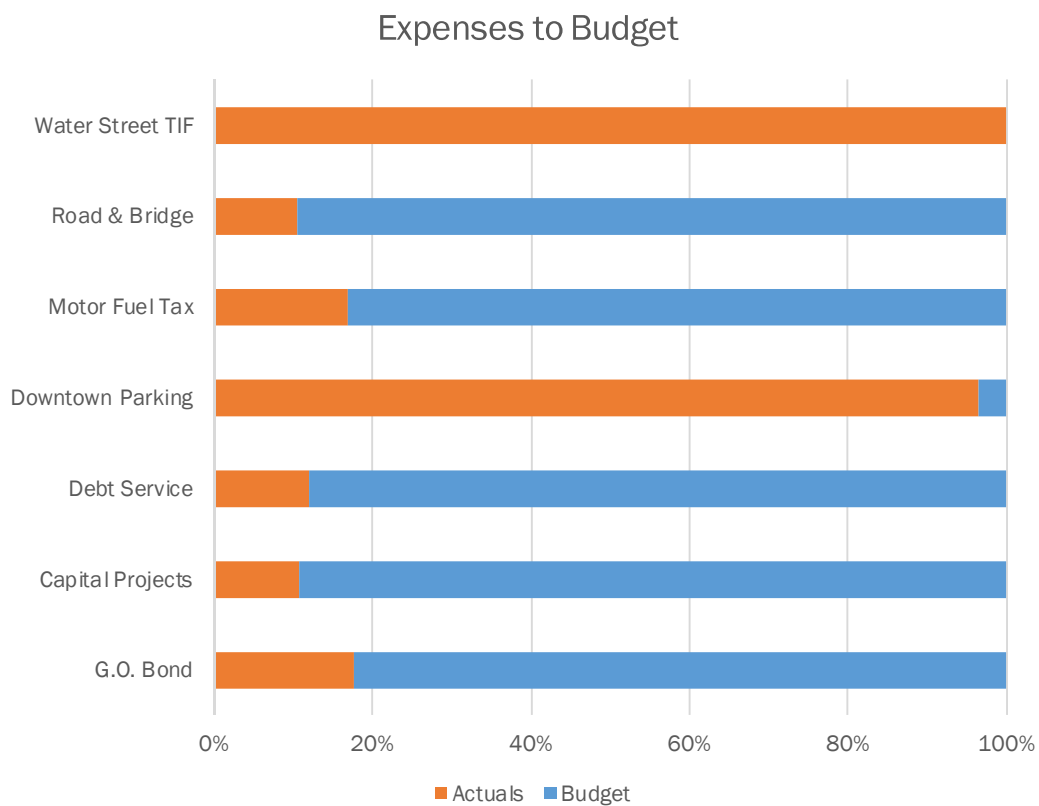
REVENUES: \$42.1M
31.6% to budget of \$42.1M
Down \$13.8M from budget

EXPENSES: \$6.3M
14.1% to budget of \$44.4M
Down \$3.6M from budget

- One of the primary revenues included in the Capital & Debt Service Funds is the home rule sales tax. Through June, the tax generated \$4.4M, with \$4.1M going toward the debt service fund to pay down borrowing. The remainder of the tax revenues will be applied to the capital projects fund and downtown parking fund.
- Revenues are down due to a shift in the timing of planned borrowing originally slated to occur in June 2017 and that is now scheduled to be received in October 2017.
- Motor Fuel Tax payments continue to arrive on time from the state. The fund generated \$1.9M and is tracking on pace through June. The City also collected \$1.5M in local gasoline taxes through the first half of the year. Revenues are being used to cover costs associated with the annual street maintenance improvement program (MIP). The general fund transfer for the Road & Bridge fund is scheduled for September 2017.
- The City also generated more than \$28,000 in revenues for the phosphorus removal surcharge applied in May. Revenues from this fund will be use to update the City's water/wastewater facilities.



- Expenses in the debt service fund stood at \$1.6M following a debt payment in May. The City makes payments on debt service twice a year in May and December, with the first payment covering approximately 10% of the total budget expense. The second payment will be made later this year, totaling approximately \$11.8M.
- Expenses for the capital projects fund totaled \$1.5M and were tracking at less than 11% to budget. The expenses are expected to increase in coming months as capital project work progresses.

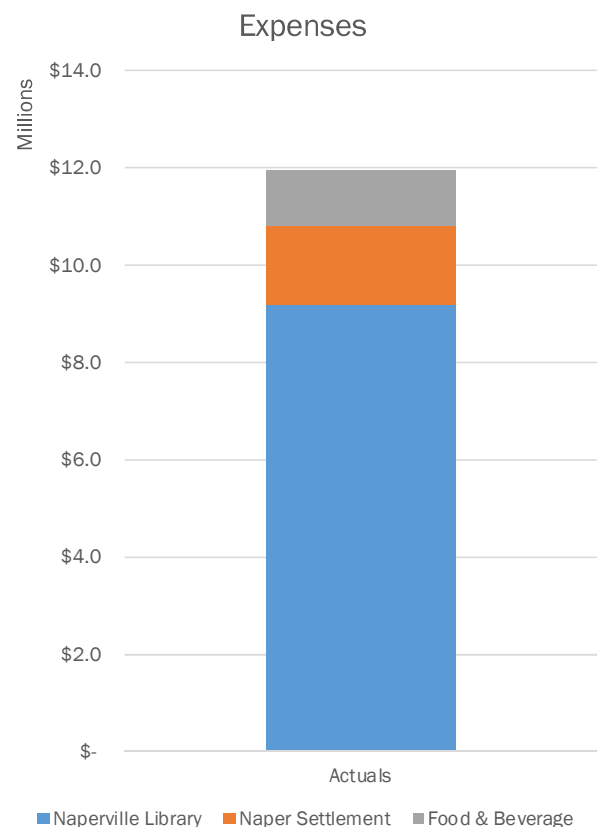
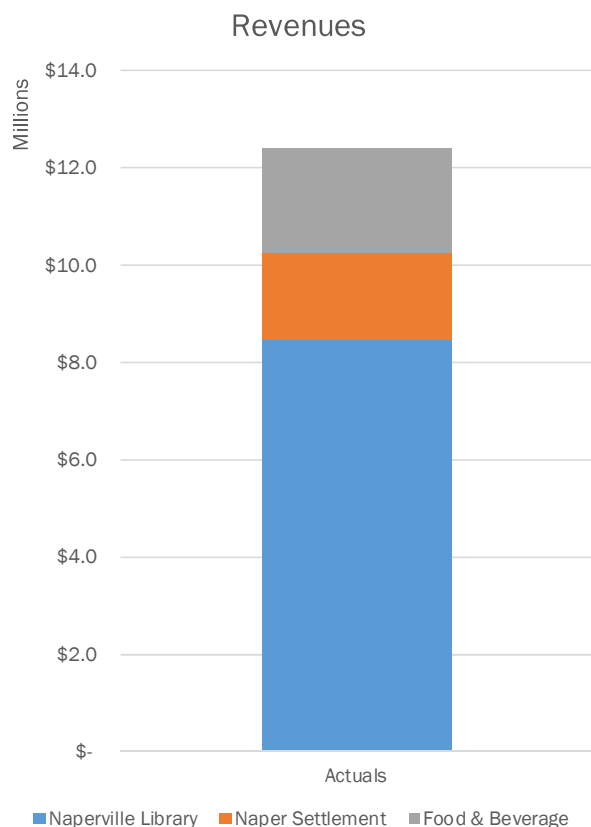


SPECIAL FUNDS

REVENUES: \$15.4M
49.8% to budget of \$30.9M
Down \$1.4M from budget

EXPENSES: \$13.7M
42.1% to budget of \$32.5M
Down \$281,225 from budget

- 17 funds are budgeted as Special Funds, but the majority of activities occur in the Library, Naper Settlement and Food and Beverage funds.
- Naperville Library funds are tracking near projections in both revenues and expenses. The Library generated \$8.47M through June and expensed \$9.2M.
- The Settlement is tracking close to projections in revenues at \$1.8M, a \$59,000 increase from last year. Charges for services account for the increase, including nearly \$60,000 received in wedding rentals. Expenses totaled \$1.6 million, which is less than 40% of the budget. Capital projects account for the majority of the savings, but are expected to increase as projects get underway through the summer.
- The City generated \$2.1M in food and beverage taxes through the first half of the year. The fund is tracking on pace at 53.3% and is up \$108,000 compared to last year.



COMING UP - AUGUST/SEPTEMBER 2017

- Internal budget discussions underway; budget workshops begin in October
- Financial Advisory Board meets August 28
- Home Rule Sales Tax discussions in September
- Bond issuance will occur in September

FINANCIAL PRINCIPLES

1. The City will pass a structurally balanced operating budget annually.

Calendar Year (CY) 2017

- Passed balanced budget
- Current positive margin across all funds (\$19.7 million)
- Revenues and expenses are currently in-line with CY17 budget

CY2018

- Budget process kick-off took place July 31
- First Council Workshop scheduled for October 30

Target has been achieved since 2016

2. The City commits to continuous improvement in the delivery of necessary and cost-effective services.

- Development of cost-saving Initiatives & revenue generators
- Operational efficiencies

Target was achieved as part of CY17 budget

3. The City will actively seek to increase its reserves to 25 percent and reduce its debt by 25 percent in the next eight years.

Debt Reduction

- 13.7% debt reduction to date
- 15% reduction projected at end of 2017
- 23.5% reduction projected at end of 2022

Reserves

- 2017 budget = \$122M
- 20% required = \$24.4M
- 25% goal = \$30.5M
- \$25.6M at the end of 2016

Target projections slightly below eight-year goal

GLOSSARY

General Fund: The General Fund is the primary operating fund for the City of Naperville. It accounts for the resources used to pay for services traditionally associated with a local government, including police and fire protection services, public works, transportation, engineering and development. Support services such as legal, finance, information technology, human resources, the city 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, fees and smaller miscellaneous receipts. Primary taxes include property, sales, income, real estate transfer, hotel/motel and utility. Charges for service include refuse collection fees, ambulance fees and fire protection fees, as well as other smaller miscellaneous fees.

Electric Utility Fund: The Electric Utility Fund accounts for all maintenance and operations as well as capital expenditures related to the City's electric utility. The revenues for the fund are generated primarily from rate revenues paid by the utility's 57,000 residential and business customers, with some additional revenues coming from capital fees paid by new development for work on private property. Purchased power is the largest expenditure from the fund.

Water Utilities Fund: The Water Utilities Fund accounts for the revenues and expenses related to the maintenance and operation of the City's water distribution and wastewater collection and treatment facilities. The primary revenue to the fund is rate revenue collected from the customers of the system; the largest expense is purchased water from the DuPage Water Commission.

Capital and Debt Service Funds: The capital and debt service funds account for the revenues and expenses associated with capital projects and debt service payments. Revenues include property taxes, Home Rule Sales Tax and other dedicated revenues. Payments towards the City's debt service (prior borrowing) also come from these funds.

Funds for transportation-related items, including the downtown parking fund and motor fuel tax and road/bridge funds, are part of this category.

Special Funds: A variety of City funds fall into this category, including the Naperville Library and Naper Settlement funds. Other funds include the SSA #26 (Downtown Marketing and Maintenance) Fund, State and Federal Drug Forfeiture Funds and the Food and Beverage Fund.