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CITY OF NAPERVILLE, ILLINOIS

ANNUAL OPERATING BUDGET

& CAPITAL IMPROVEMENT PROGRAM



WORKSHOP #2- 10.28.2025



NAPERVILLE CITY COUNCIL

26



AGENDA



2026 Budget Considerations

General Fund Overview

Revenues & Expenses

How staff got to a balanced budget

New initiatives for 2026

Miscellaneous Services

Downtown Naperville Alliance

Naperville Development Partnership

NCTV17

SECA Funding Cap

Naperville Public Library

Naper Settlement

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BUDGET OVERVIEW

PROPOSED BUDGET & CIP: **\$685.13M**

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↑ **6.8%** FROM 2025 BUDGET

...
\$173.83M GENERAL FUND

CAPITAL PROGRAM **\$190.25M**

...
0.5506 ANTICIPATED TAX RATE

↓ FROM CURRENT RATE OF **0.5960**

FOCUSES ON EXISTING SERVICES & PROGRAMS; CONTINUES ONGOING CAPITAL UPGRADES

- **Proposed budget is balanced**

- No new personnel, limited new initiatives
- Continues ongoing capital upgrades in utilities, transportation & public facilities

- **General Fund is focus of this workshop**

- Fund-by-fund review in third workshop



DEVELOPING THE **2026 BUDGET**

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BUDGET CHALLENGES

SHORT & LONG-TERM CONSIDERATIONS DROVE DEVELOPMENT & DECISION MAKING

- **Est. \$6.5M revenue loss from state's 1% grocery tax elimination**
 - How we solved for it: Replacement local 1% grocery tax; one-for-one revenue replacement
- **Initial \$4M General Fund deficit (separate from grocery tax discussion)**
 - Driven by longer-term considerations shown below



Moderating or declining
revenue streams



Property tax
stability



Aging
infrastructure



Investing in our
professional staff



Impacts from national &
global financial climate

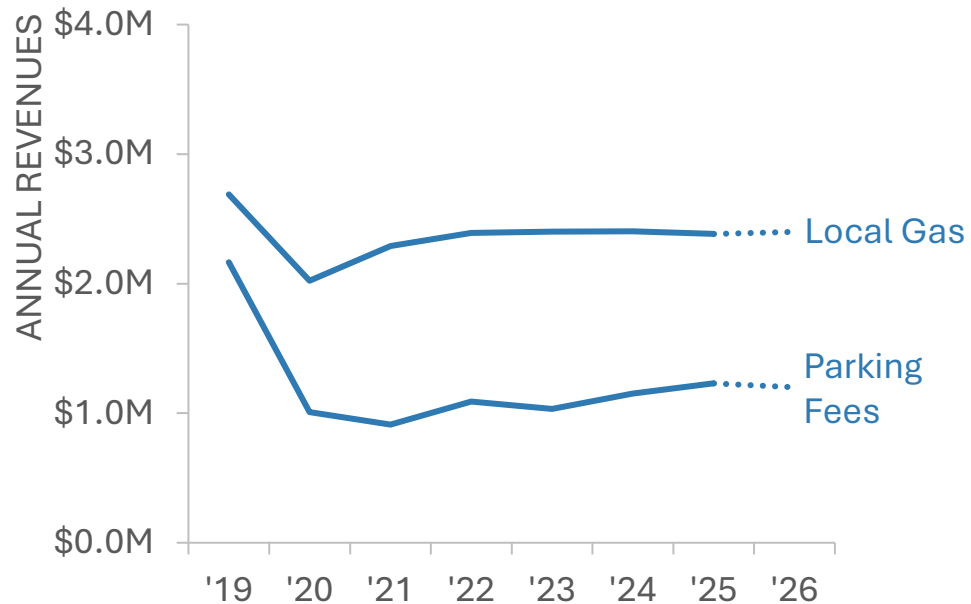
- **Deficit addressed through blend of one-time & ongoing actions**
 - Identified & corrected long-term error in electric use tax calculation
 - Identified reductions based on historical spending, staff capacity & budgeting assumptions
 - Built on debt reduction & pension stabilization efforts to allocate greater percentage of property tax to city services

WE'RE SEEING A SHIFT

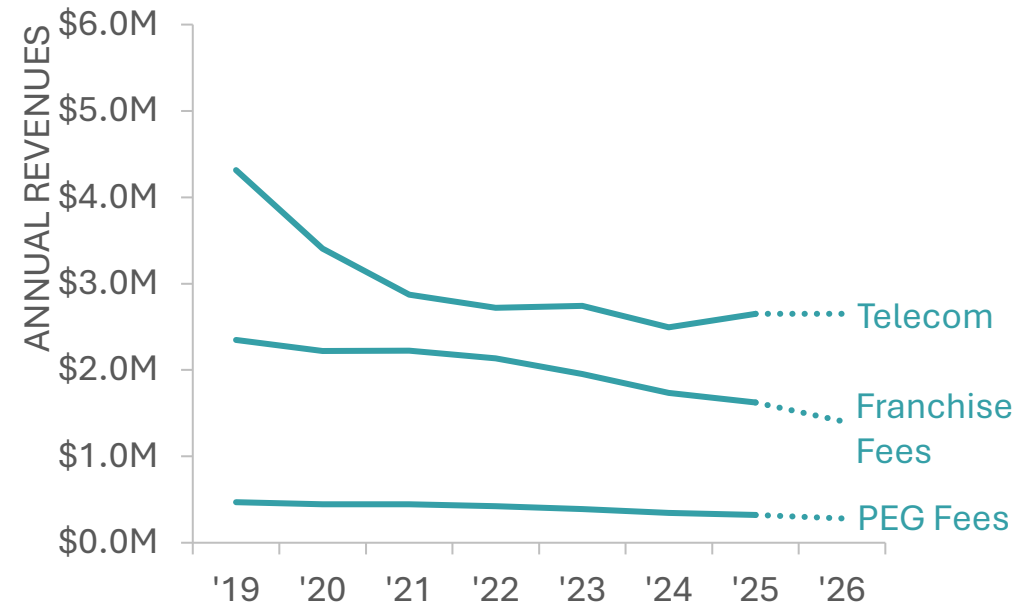


Changing economic behaviors are reducing the viability of legacy funding sources across the budget.

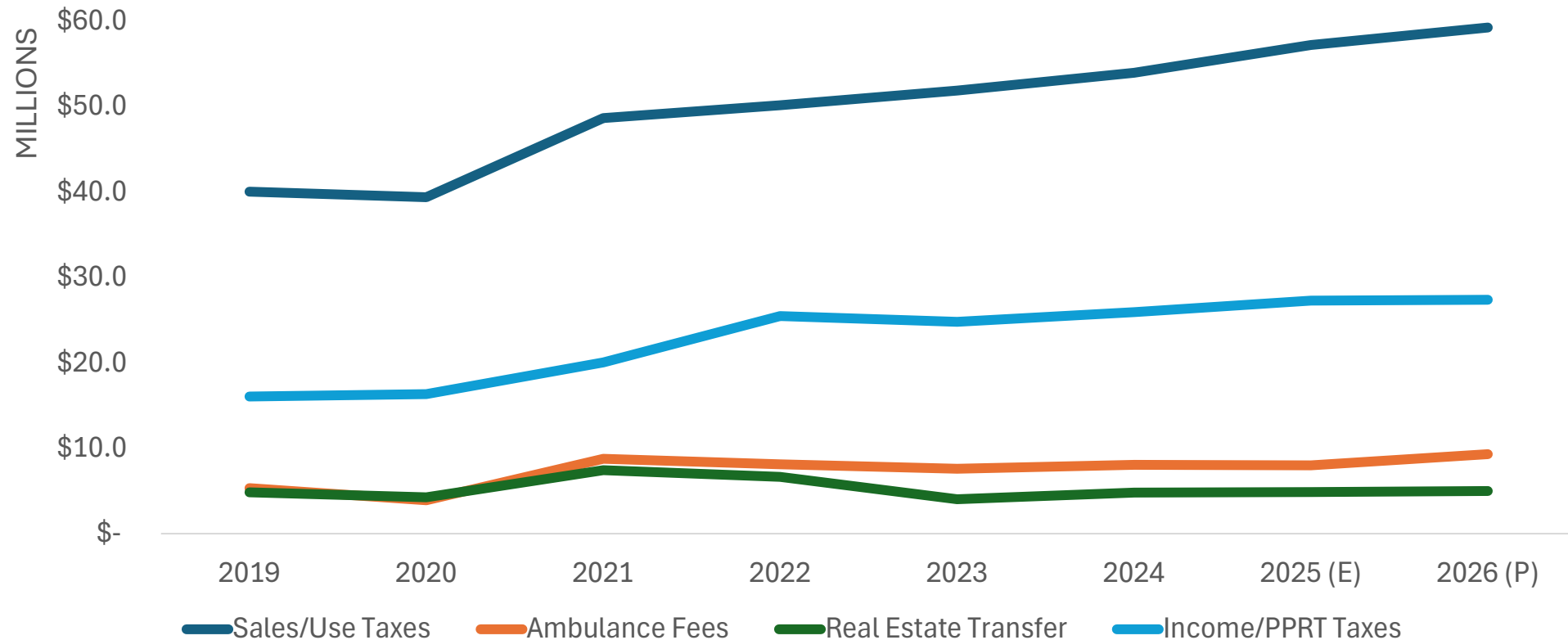
Remote work and electric vehicle usage have reduced revenues for Commuter Parking Fees and Local Gas Tax.



Consumer cord-cutting has reduced revenues for the Telecom Tax, Cable Franchise and PEG Fees.



MODERATING REVENUES



- **Diverse revenue streams moderating**

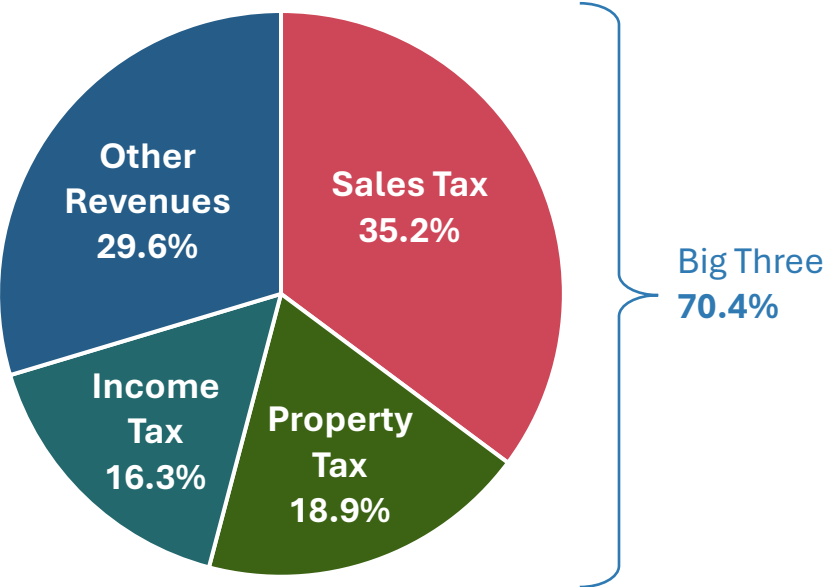
- Many General Fund revenues have stabilized since experiencing larger-than-normal increases in 2021 and 2022

- **Impacts General Fund portfolio**

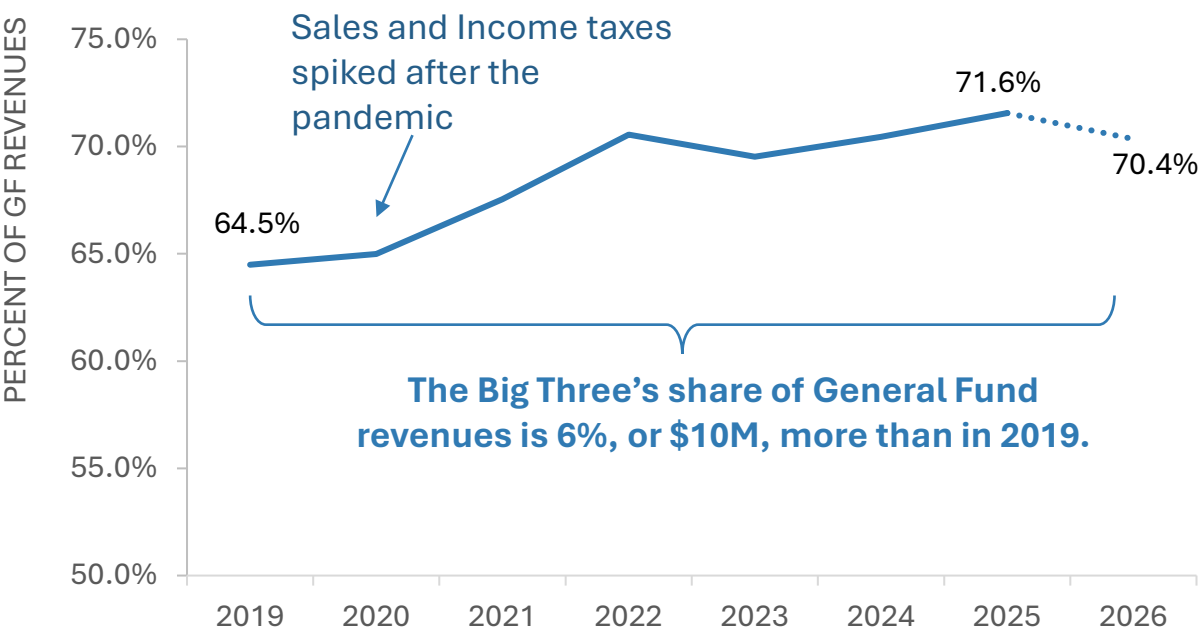
- Underperforming revenues shifting a greater burden to sales, property & income taxes

WHY DIVERSE REVENUES MATTER

GENERAL FUND
FUNDING SOURCES IN 2026

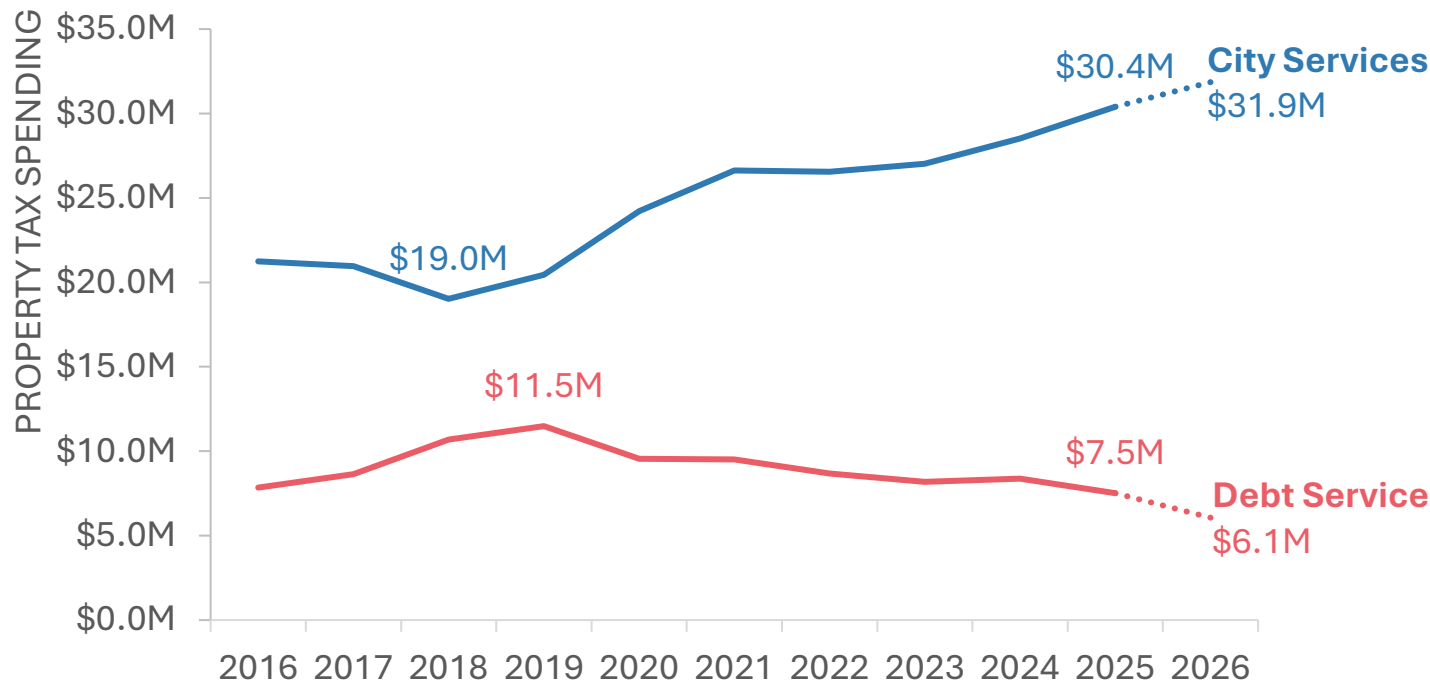


THE “BIG THREE’S” SHARE OF GENERAL FUND REVENUES



PROPERTY TAX

Property Tax Revenues Increasingly Directed Towards City Services



*Excludes Library & Naper Settlement

PROPERTY TAX REVENUES INCREASINGLY DIRECTED TOWARDS CITY SERVICES

- **Stable Revenue Source**
 - Funds a variety of entities and services:
 - City Services (including Pension Obligations)
 - Debt Service
- **Declining City Debt**
 - In the past, debt was constraining the ability of the levy to fund its other elements
 - Debt reduction allows the City to allocate an increased percentage of the levy to city services



GENERAL FUND OVERVIEW

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GENERAL FUND REVENUES ...

	2025 Budget	2026 Budget	Change (\$)	Change (%)
Operating Revenues	160.74	168.35	7.61	4.7%
Interfund Transfers (In)	5.81	5.60	-0.21	-3.7%
Revenues Total	166.56	173.95	7.39	4.4%

\$ in millions

2026 REVENUES INCREASING AT MORE MODEST RATE THAN 2025

- 4.4% overall increase supported by property tax, utility tax & state income tax increases
- 2026 increase is more moderate compared to 2025's 6% revenue estimate

INCLUDES ESTIMATED REVENUES FROM 2025 ACTIONS

- Replacement Municipal Grocery Tax: \$6.5M
 - Offsets projected decrease in Retail Sales Tax
- Electric Use Tax correction: \$1.8M



GENERAL FUND EXPENSES ...

	2025 Budget	2026 Budget	Change (\$)	Change (%)
Operating Expenses	161.73	170.28	8.55	5.3%
Interfund Transfers (Out)	4.70	3.56	(1.14)	-24.2%
Expenses Total	166.43	173.83	7.41	4.5%

\$ in millions

2026 OPERATING EXPENSES, MINUS PERSONNEL & TRANSFERS, INCREASED BY \$127K

- 2025 operating expenses (less personnel + transfers) increased by \$1.2M
- 2026’s modest increase reflects budget reductions and direction to “hold the line” on operating expenses

MAJORITY OF INCREASE DRIVEN BY PERSONNEL EXPENSES TOTALING \$8.42M

- Salaries and wages increased \$5.48M
- Insurance benefits increased \$2.33M
- Pension benefits increased \$424K
- Budget reflects no new FTEs



EMPLOYEE COMPENSATION

FIRST YEAR FOR NEW NON-UNION COMPENSATION STRUCTURE

- 3% cost of living adjustment
- 1% merit pool based on employee performance evaluation

COMPENSATION AND CLASSIFICATION STUDY IMPLEMENTATION

- The budget includes \$308K to support potential wage adjustments based on the study

UNION WAGES BUDGETED ACCORDING TO NEGOTIATED AGREEMENTS

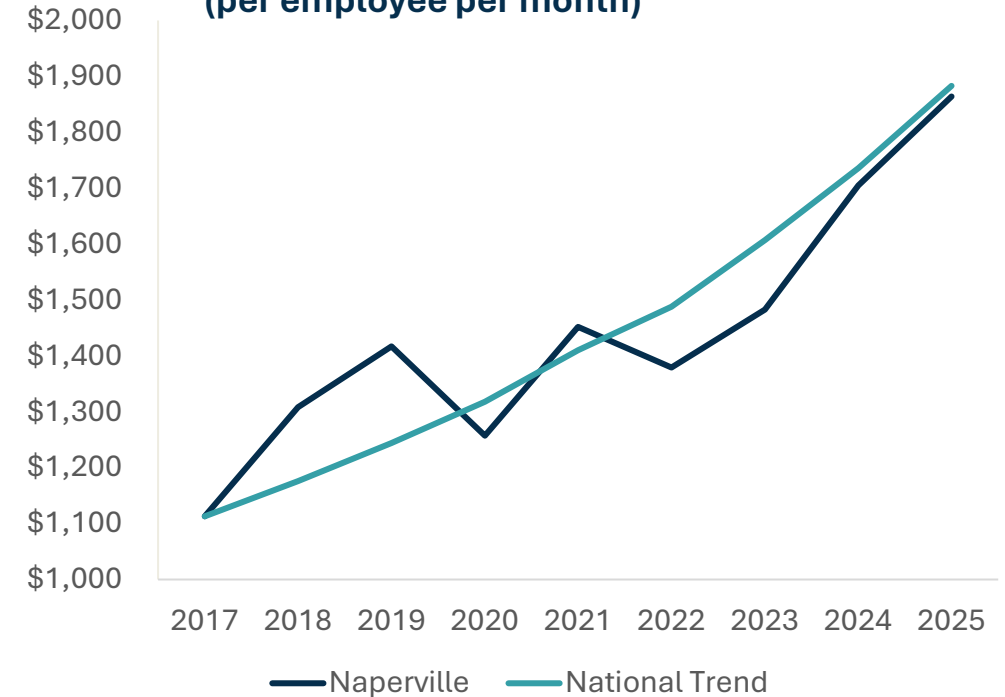
- 2026 budget reflects second year of higher-than-normal wage increases
 - 8% increase for police and 7% increase for fire

EMPLOYEE HEALTHCARE COSTS ...

HEALTHCARE COSTS MIRRORING NATIONAL TREND

- **Budget reflects 18.5% increase in health insurance premiums; no increase in dental premiums**
 - YTD medical claims are \$1.2M higher than budget
 - Experts uncertain on when/if rate increases will stabilize
- **Employer Contributions for Medical & Dental Increase with Premiums**
 - Medical contributions: \$19M (+17.6%)
 - Dental contributions: \$944K (-1.1%)
 - Estimate based on current plan selections

Historical Annual Medical Costs (per employee per month)



Average Annual Trend

Naperville
+6.7%

National
+6.8%



PENSION CONTRIBUTIONS



FIREFIGHTERS' PENSION

Required contribution
decreases 0.8% to \$10.9M



POLICE PENSION

Required contribution
increases 2.1% to \$9.1M



IMRF

Required contribution rate
increases from 7.06% to
7.80% for a total estimated
contribution of \$5.9M

An additional \$874K from the Food & Beverage Fund will be directed to each public safety pension fund.

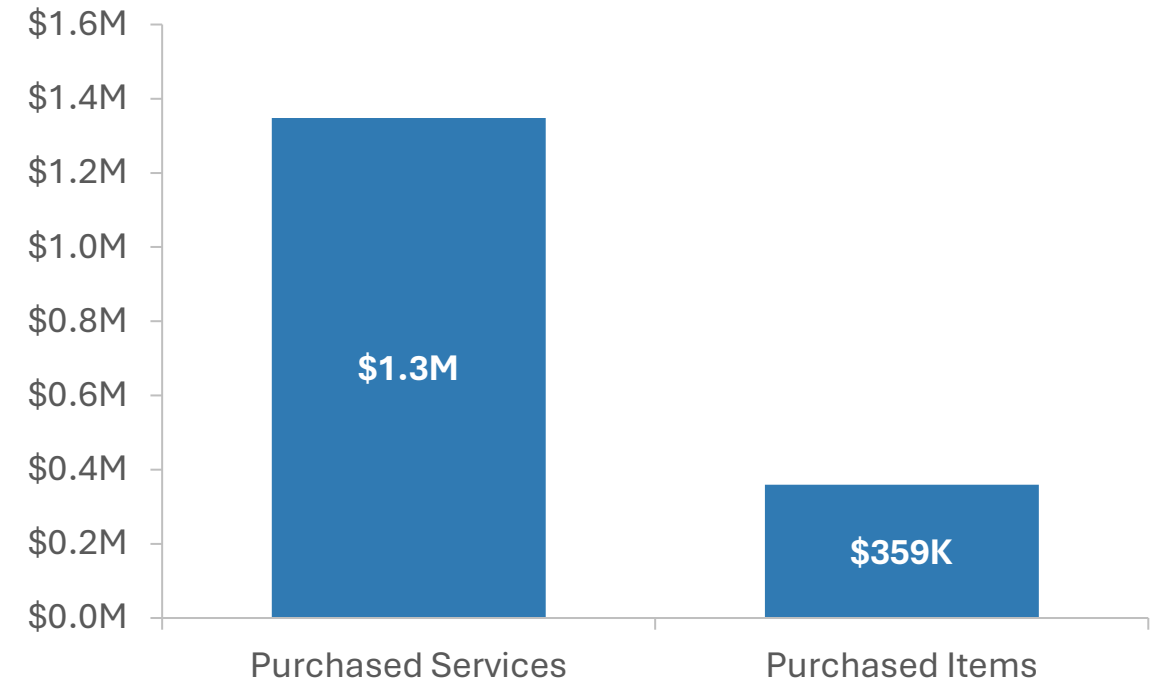
MONEY WITH A MISSION MINDSET



STAFF RE-EVALUATED DEPARTMENTS' BASELINE BUDGETS

- **Historical spending**
 - Areas where departments' actual versus budgeted spend were misaligned
- **Staff capacity**
 - Do we have staff capacity to achieve the work?
 - If not, dollars not programmed.
- **Assumptions**
 - Are departments using worst-case/what-if scenarios regularly to budget?
 - Less budgetary capacity for unexpected/higher expenses; however, more in line with actual level of risk

Operating Expense Reductions Total \$1.7M



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QUESTIONS?

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NPD DRONE PROGRAM

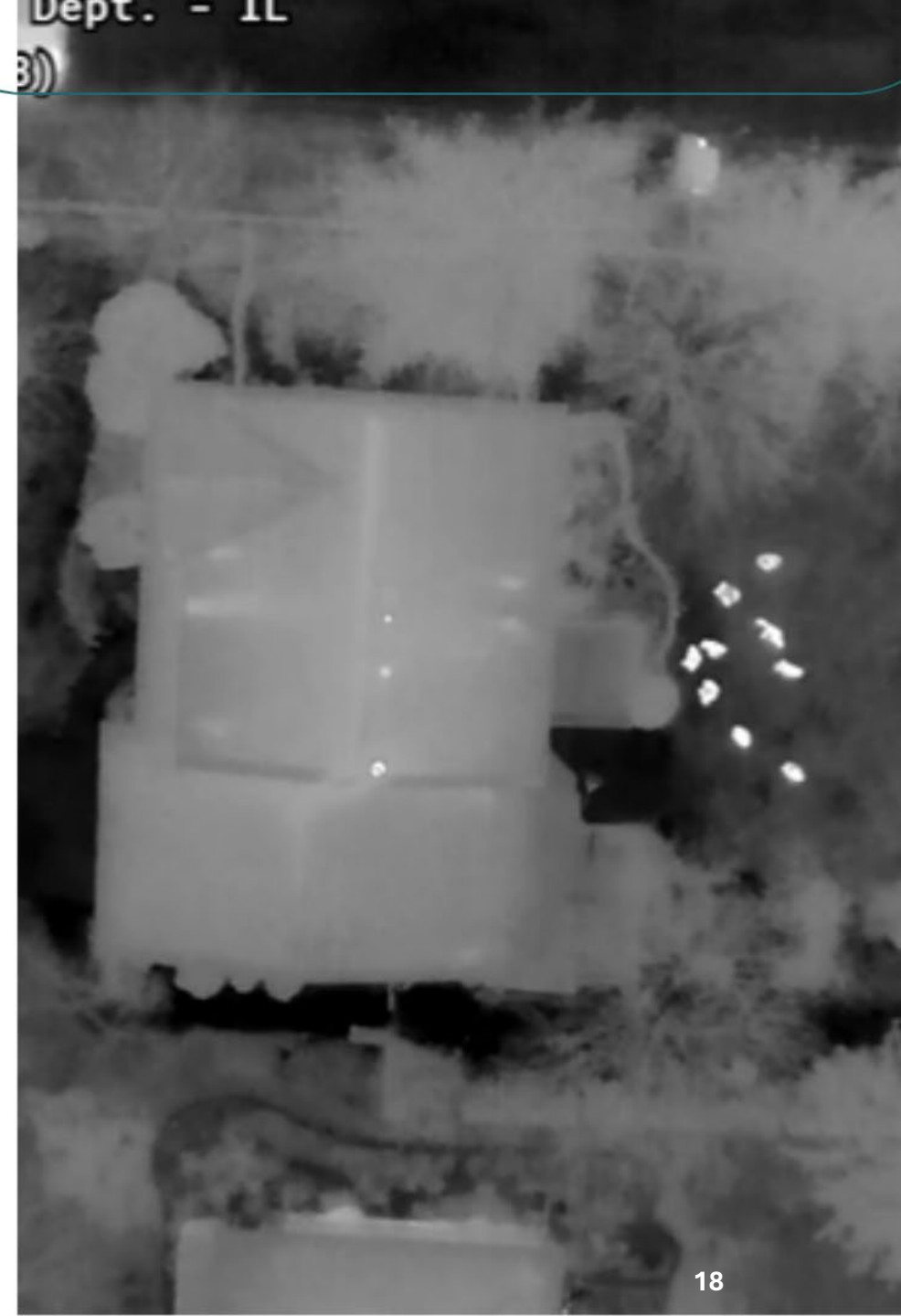


DRONES PART OF STANDARD OPERATIONS FOR 4 YEARS

- Currently deployed on a case-by-case basis
 - Crimes in progress/fleeing suspects
 - Special event security
 - Missing persons
- Increased use over that timeframe
 - 386 drone missions in 2025
- Privacy, security, & video retention dictated by state law

BENEFITS REALIZED

- Enhanced speed, safety & effectiveness of first responders in critical situations
 - Successful apprehension of a subject observed hiding in a backyard shed following an armed carjacking
 - Locating a stolen vehicle/suspect
 - Catching a burglar in a heavily wooded area

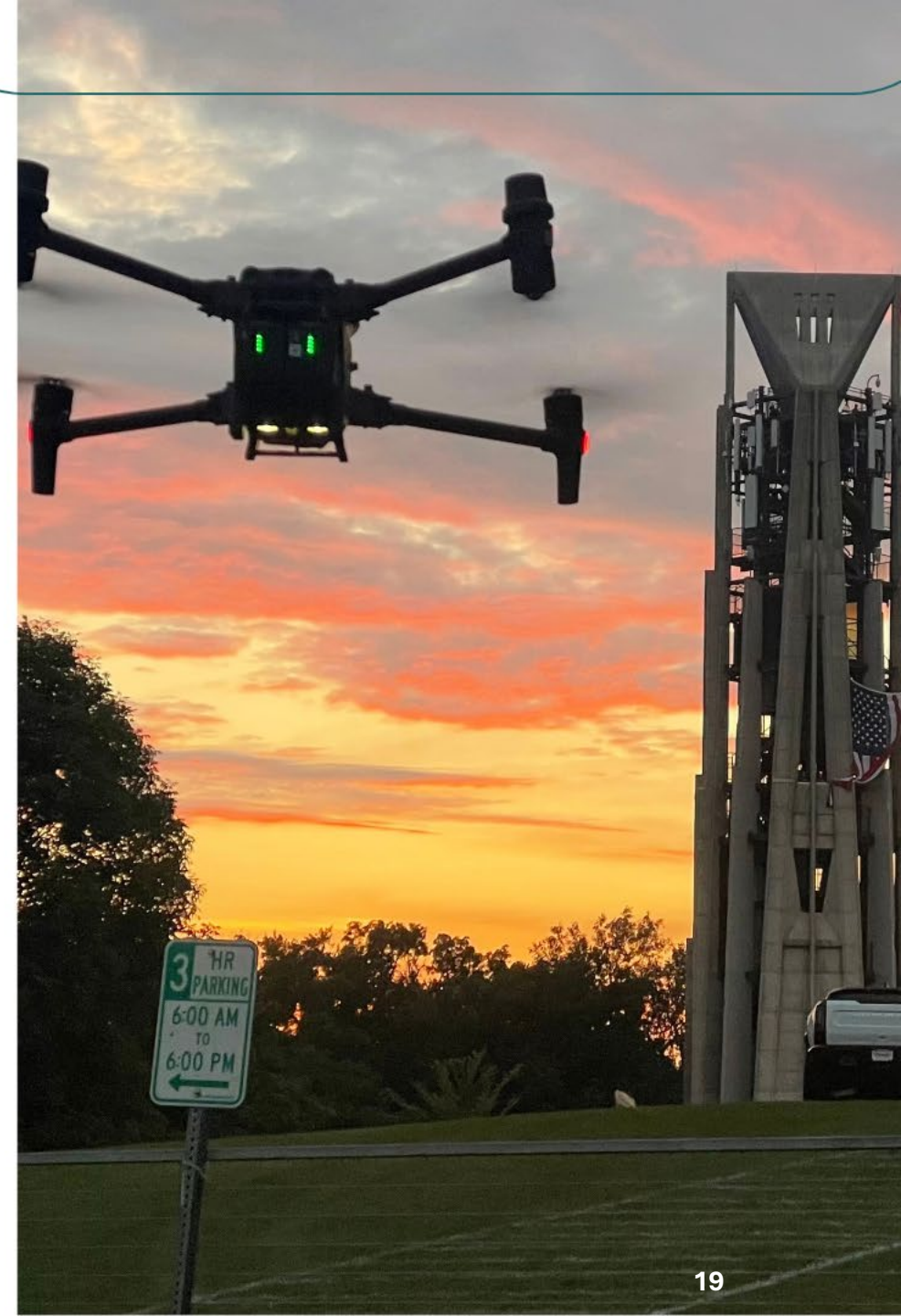


DRONES AS FIRST RESPONDERS: \$150K



FASTER, SAFER, SMARTER PUBLIC SAFETY

- Autonomously flies to call location
 - Under pilot supervision
 - Integrated with CAD - approx. 15 sec. deployment
 - Cameras face the horizon - **not down** - while flying to a scene
- Provides real-time aerial intelligence
 - Arrives before PD units to provide critical situational awareness & first look assessment
 - Reduces risks in high-threat situations
 - Supports tactical decision-making
 - Information gained helps right-size PD's initial response
- Citywide benefits
 - Fire scene assessment
 - Downed/damaged power lines
 - Water main breaks
 - Roadway impacts from inclement weather



CITY WEBSITE: \$100K



ACCESSIBILITY

New web-specific accessibility requirements for governments go into effect in 2026

Current site wasn't built to today's accessibility specifications



CYBERSECURITY

Threats constantly evolving

Governments increasingly targeted



SERVICE DELIVERY

Shift in usage patterns over the past decade: service portal in addition to information source

Options specifically built for government & its service needs are available now that were not as developed 10+ years ago

SPECIAL AREA STUDIES

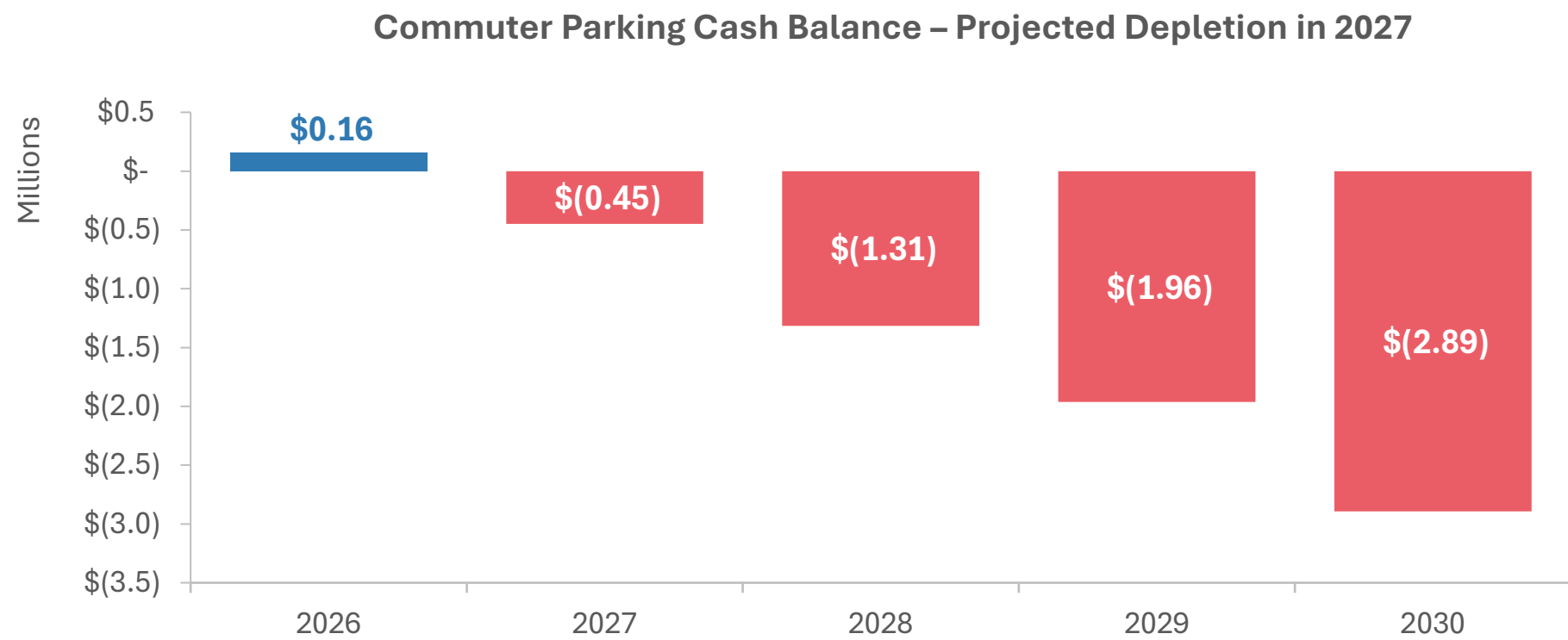
2026 BUDGET INCLUDES \$150K TO CONDUCT ONE SPECIAL AREA STUDY

	I-88 Corridor	5 th Avenue Area
Starting Point	Naperville Development Partnership released I-88 Corridor Strategy report in May 2025	Urban Land Institute convened a Technical Assistance Panel in June 2025 to evaluate the area surrounding the Naperville train station
Report Outcome	Aspirational goal to add 15,000 jobs by 2045 in five target industries: Ag/Food Tech & Production; Energy; Biotech, Pharmaceuticals & Life Science; Quantum/Advanced Computing & Manufacturing	Panel of unbiased industry experts provided recommendations for redevelopment opportunities of the City-owned parcels and potential next steps.
Next Steps	- Conduct a study to create “place types” for target industries and assign types to corridor study area. - Following completion of the Place Types map, a zoning evaluation could be completed to determine potential code amendments.	Prepare a Development Master Plan for the area.

- Limited resources only allow for one study, or other special project, to be initiated in 2026
 - Studies focus on redevelopment and have long-term impacts



COMMUTER PARKING FUND



AS EXPENSES CONTINUE TO GROW AND REVENUES MODERATE, CASH IS BEING DEPLETED

- **Issue:**
 - The Commuter Parking Fund is no longer self- sustaining in its current state
- **Potential solutions:**
 - Raising parking rates
 - Continuing to look for expenditure reductions
 - Support capital investments from various funds

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QUESTIONS?

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MISCELLANEOUS **SERVICES**

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DOWNTOWN NAPERVILLE ALLIANCE ...

REQUEST IS FUNDED THROUGH THE DOWNTOWN MAINTENANCE SSA (SSA #36)

- **2026 funding request totals \$510K**
 - DNA is fully funded by downtown property owners through SSA
- **SSA 36 established to replace expiring SSA 33**
 - New SSA supported by DNA with no property owner objections filed



	2025 Budget	2026 Budget	Change (\$)	Change (%)
Advertising & Marketing	\$435,650	\$510,000	\$74,350	17.1%
Total	\$435,650	\$510,000	\$74,350	17.1%



NAPERVILLE DEVELOPMENT PARTNERSHIP



REQUEST SUPPORTS ECONOMIC DEVELOPMENT WORK WITHIN THE CITY



- **2026 funding request totals \$1.37M**
 - Total dollars match the 2025 request
- **The 2025 request seeks to make the I-88 Corridor funding permanent**
 - Increase of \$150K to the annual Economic Development Grant amount

	2025 Budget	2026 Budget	Change (\$)	Change (%)
Economic Development Grant	\$375,000	\$525,000	\$150,000	40%
Hotel/Motel Income Sharing	\$655,000	\$655,000	-	-
I-88 Corridor Marketing	\$150,000	\$0*	(\$150,000)	-100%
Restaurant Marketing Grant (SECA)	\$185,000	\$185,000	-	-
Total	\$1,365,000	\$1,365,000	-	-

**Dollars were shifted into the annual economic development grant*



NAPERVILLE COMMUNITY TELEVISION ... (NCTV17)

FUNDED BY THE GENERAL FUND & SECA



- **2026 funding request totals \$915K**
 - Request includes additional \$200K in operating support
 - Staff recommends funding via SECA City Obligations
- **Cable TV revenue continues to decline**
 - Request corresponding increase in City's offset of PEG revenue decline

	2025 Budget	2026 Budget	Change (\$)	Change (%)
PEG Fees	\$355,000	\$270,000	\$(85,000)	-23.9%
City Offset of PEG Revenue Decline	\$178,000	\$263,000	\$85,000	47.8%
City Services	\$122,000	\$122,000	-	-
SECA City Obligations	\$60,000	\$260,000	\$200,000	333.3%
Total	\$715,000	\$915,000	\$200,000	28.0%



SECA FUNDING CAP

2026 BUDGET REFLECTS PROPOSED REVISION TO SECA CAP

- **Municipal Code limits SECA Cap**

- Cap is calculated at the lesser of 2% or the rate of inflation
- Inflation has far exceeded 2% the past few years

- **Proposed SECA Cap**

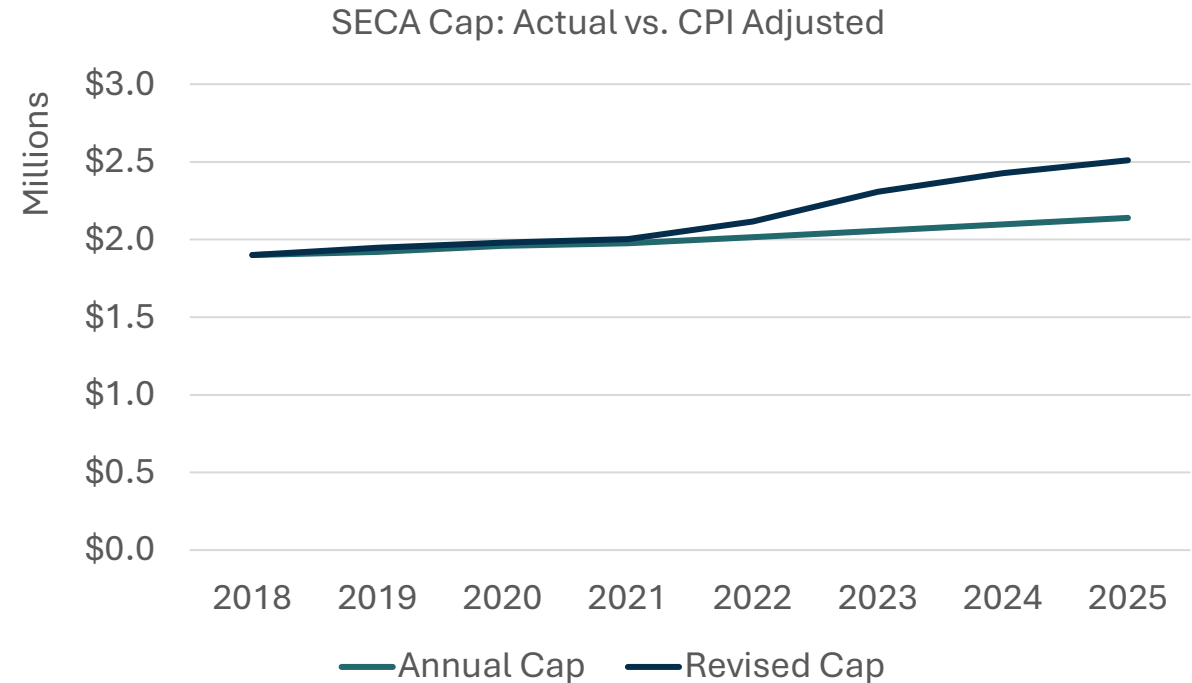
- 2026 budget proposes revising SECA cap to actual inflation
- Revised SECA cap allows for \$2.51M in expenses
- Increase allows for more flexibility in funding city obligations and SECA grants

	2025 Budget	2026 Budget	Change (\$)	Change (%)
City Obligations	\$1,041,307	\$1,309,198	\$267,892	25.7%
City Services – SECA	\$683,304	\$652,190	\$(31,114)	-4.6%
Grant Awards – SECA	\$414,458	\$548,547	\$134,089	32.4%
Total	\$2,139,069	\$2,509,935	\$370,867	17.3%

SECA FUNDING CAP

IF NOT CHANGED, SECA CAP WILL CREATE FUNDING CHALLENGES

- **SECA cap limits 2026 obligations**
 - 2% calculation would allow for SECA cap of \$2.14M
 - Amount did not support all the requested obligations
 - If not increased, SECA grants would decline by about 40%, assuming the NCTV17 request is supported
- **Municipal Code change required**
 - In order to implement the revised SECA cap, the Municipal Code would need to be amended following budget adoption



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Policy Point

Do you support revising the
SECA cap to increase NCTV17's
current amount of SECA City
Obligation funding?

...

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QUESTIONS?

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NAPERVILLE PUBLIC LIBRARY

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NAPERVILLE PUBLIC LIBRARY



2025 ACCOMPLISHMENTS

- Implemented non-expiring library cards
- Added a Book Club Hub collection
- Added Children's Staff Picks
- Launched new services as part of our strategic plan
 - Book club for adults with disabilities
 - Programs about artificial intelligence
 - Teen Pitch Program
- Created a professional facilities plan for long-term capital planning

2026 GOALS

- Completing a community survey
- Investigating changes to our Sunday hours
- Assessing improvements to Popular Picks
- Assessing Summer and Winter Reading Programs
- Investigating changes to our children's play spaces
- Completing substantial capital improvement projects



2026 LIBRARY REVENUES

3.7% INCREASE TO PROPERTY TAX LEVY, TOTALING \$17.8M

- The main source of funding for public libraries in Illinois is the property tax levy.
- The Library's property tax rate has decreased for the last 11 years.
- The Library's property tax rate is lower than all comparably sized area libraries, while providing 3 full-service library locations.

OTHER REVENUES

- 40% decrease in Personal Property Replacement Tax revenue (\$120,000)
- State Per Capita Grant, investment income, and operation income are all estimated to be about the same year-to-year.

2026 LIBRARY EXPENSES

3% INCREASE TO OPERATING BUDGET, TOTALING \$18.48M

- 66% of the expense increases are benefits related, mainly due to a 20.3% increase in employer contributions for health insurance costs.
- In order to offset expense increases, we froze 5 PT positions (2.5 FTE) in the 2026 budget and removed and rearranged some IT projects.

CAPITAL IMPROVEMENT PROGRAM

- \$525,000 from City of Naperville capital improvement program
 - 95th Street Library boiler replacement (\$360,000)
 - Naper Blvd. building storm drainage and emergency exit repairs (\$165,000)
- \$345,000 from Library Capital Fund
 - Projects include new study chairs at 95th Street Library, water heater replacements, and electrical service repairs.

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QUESTIONS?

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NAPER SETTLEMENT

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NAPER SETTLEMENT



2025 ACCOMPLISHMENTS

- Century Memorial Chapel HVAC system/TAC controls replacements completed with support of an NHS secured grant of \$200K
- Thresher Experience opened in February.
 - Exhibit uses projection mapping, artificial intelligence, and digital characters, enabling the 1912 thresher to come alive.
- Through NHS, secured over \$721k in state and Foundation funding.
- Staff invited to share Unvarnished curriculum at the National Social Studies Conference.
- Through \$800k in federal funding, Terentia collection management system brought online to preserve 2D, 3D & and digital collections.

2026 GOALS

- Complete and debut the Inventing Agriculture permanent exhibit.
- Secure federal funding to support programming and exhibits related to the 250th Anniversary of the United States.
- AAM reaccreditation.
- Digitize an additional 2,000 items from the collection, thereby making the collection available to the world.
- Present the Long-Range Site Plan, which will guide the institution for the next 10-15 years.



2026 NAPER SETTLEMENT REVENUES

2.5% INCREASE TO 2025 PROPERTY TAX LEVY REQUEST

- Levy increased to \$3.9M to accommodate increase in salaries and benefits
- Annual 2% increase to Food & Beverage Fund contribution: \$1.04M

2.8% INCREASE IN EARNED OPERATING REVENUE

- 2026 revenue projected at \$607k, increase of \$16.7K
- Includes admissions, public programs, school programs, tours, rentals, and weddings

USE OF FUND BALANCE

- \$157K to use toward operating expenses

NAPERVILLE HERITAGE SOCIETY PARTNERSHIP

- Naperville Heritage Society received \$500K in state funding to produce Golden Days Senior Programs, Camp New Horizons, the Regional Institute for Teacher Education, and Field Trip Connect.
- The funding will be administered by Naperville Heritage Society.

2026 NAPER SETTLEMENT EXPENSES

OVERALL, 5.3% INCREASE IN OPERATING EXPENSES - \$5.8M

- **4.8% increase in Personnel Expenses - \$4.1M**
 - Salaries and benefits budgeted in line with City
 - Health insurance accounts for 47% of total budget increase
 - Offset by increase in personnel vacancy factor (*City Finance Dept. recommended*)
- **6.4% increase in Other Operating Expenses - \$1.7M**
 - Increase in Building & Grounds Maintenance and Contractual Services
 - Increase in professional services

NO CAPITAL IMPROVEMENTS REQUESTED FOR 2026

- Reduction of \$898K for 2026 budget

BUDGET TIMELINE



NOVEMBER

WORKSHOP #3: BUDGET OVERVIEW

Monday, Nov. 10

RECEIVE ESTIMATED PROPERTY TAX LEVY & SCHEDULE PUBLIC BUDGET HEARING

Tuesday, Nov. 18

DECEMBER

BUDGET APPROVAL

Tuesday, Dec. 2

PROPERTY TAX LEVY APPROVAL

Tuesday, Dec. 16



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QUESTIONS?

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