400 S. Eagle Street
Naperville, IL 60540
http://www.naperville.il.us/

City of Naperville

Meeting Agenda

Financial Advisory Board

Monday, July 27, 2026 | **6:00 PM** | **Meeting Room C**

PUBLIC COMMENT:

TO PROVIDE PUBLIC COMMENT DURING THE MEETING: To address the Commission in person during the meeting, members of the public should sign up in person at the meeting location on the day of the meeting. Signup is available for 30 minutes prior to the start of the meeting.

TO SUBMIT WRITTEN COMMENTS OR A POSITION OF SUPPORT OR OPPOSITION:
You may submit written comments and position statements to the commission at www.naperville.il.us/bc-comment in advance of the meeting. Comments will be received from the time the agenda is published until 24 hours before the meeting start time. Comments and position statements received during this timeframe will be shared with the commission and posted in the Meeting Details section on the City's meeting management system in the day of the meeting. Comments received outside this time frame will not be transmitted or posted. Written comments will not be read aloud during the meeting.

PARTICIPATION GUIDELINES: The citizen participation guidelines are outlined in: 2-1-16 - CITIZEN PARTICIPATION of the Naperville Municipal Code.

ALL VIEWPOINTS AND OPINIONS WELCOME: All viewpoints are welcome, positive comments and constructive criticism are encouraged. Speakers must refrain from harassing or directing threats or personal attacks at Commission members, staff, other speakers or members of the public. Comments made to intentionally disrupt the meeting may be managed as necessary to maintain appropriate decorum and allow for city business to be accomplished.

IF YOU SIGN UP TO SPEAK: The Chairman will call your name at the appropriate time during the Commission meeting. Once your name is called you may identify yourself for the public record. Speak clearly and try to limit remarks directly to the matter under discussion. Speakers are limited to three minutes and are called in the order they sign up.

A. CALL TO ORDER:

B. ROLL CALL:

C. PUBLIC FORUM:

D. REPORTS:

1. 26-0886 Approve the minutes of the April 27, 2026 regular meeting

2. 26-0888 Receive the 2026 2nd Quarter Cash and Investment Report

3. 26-0873 Receive the 2026 Mid-Year Financial Report

E. NEW BUSINESS:

F. OLD BUSINESS:

1. 26-0592B Review updates to the City of Naperville Debt Management Policy

G. ADJOURNMENT:

Any individual with a disability requesting a reasonable accommodation in order to participate in a public meeting should contact the Community Services Department at least 48 hours in advance of the scheduled meeting. The Community Services Department can be reached in person at 400 S. Eagle Street, Naperville, IL., via telephone at 630-305-5300 or via e-mail at napervilleclerks@naperville.il.us. Every effort will be made to allow for meeting participation.

City of Naperville

400 S. Eagle Street
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File #: 26-0886, **Version:** 1 **Meeting Date:** 7/27/2026

FINANCIAL ADVISORY BOARD SIMPLE AGENDA ITEM

ACTION REQUESTED:
Approve the minutes of the April 27, 2026 regular meeting

DEPARTMENT: Finance Department

SUBMITTED BY: Traci Marrocco, Deputy Finance Director

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City of Naperville

Meeting Minutes - Draft

Financial Advisory Board

Monday, April 27, 2026 **6:00 PM** **Meeting Room C**

PUBLIC COMMENT:

A. CALL TO ORDER:

Chairman Edward Harvey called the meeting to order at 6:04pm.

B. ROLL CALL:

Present: Jignesh Patel, Mark Gizzo, Edward Harvey, Curtis Williams, Jeanine O'Meara, David Smith

Absent: Thomas Gavin, Josh McBroom, and Eddy Wang (student representative)

Also present: Raymond Munch (Finance Director), Traci Marrocco (Deputy Finance Director), Melanie Smith (Accounting Manager), Jeff Schroeder (PFM), Christopher Harris (PFM), Michelle Binns (PFM); Lincoln Park (student representative)

C. PUBLIC FORUM:

D. REPORTS:

1. Approve the minutes of the January 26, 2026 meeting

Attachments: Meeting Minutes January 26

First Motion made by Jignesh Patel, seconded by Mark Gizzo. All in unanimous favor.

The Minutes were approved.

2. Receive the 2026 1st Quarter Cash and Investment Report

Attachments: 2026 Q1 Cash and Investment Report

Christopher Harris reviewed PFM's 1st Quarter report and discussed the trends and issues affecting markets.

Deputy Director Marrocco reviewed the 1st Quarter Cash and Investment Report. This was staff's initial Cash and Investment Report that replaced

Marquette's reporting. Staff asked for the Board's feedback to ensure the report is meeting their expectations.

This Report was received.

3. Receive the 2025 Preliminary Year-End Financial Report through December 31, 2025

Attachments: 2025 Year-end Financial Report Memo

2025 Budget - Year in Review PPT

2025 YTD Budget Report through December 31

Deputy Director Marrocco presented the 2025 year-end budget report and discussed preliminary budget vs. actual results in the General Fund, Capital Projects Fund and Utility Funds.

This Report was received.

4. Receive the year-to-date budget report through March 31, 2026.

Attachments: 2026 YTD Budget Report Thru March 31

Deputy Director Marrocco presented the year-to-date budget report through March 31, 2026 providing an analysis of revenue and expense trends.

This Report was received.

E. NEW BUSINESS:

1. Review updates to the City of Naperville Debt Management Policy

Attachments: Debt Management Policy_DRAFT_changes tracked

Debt Management Policy_DRAFT_clean

Director Raymond Munch presented proposed updates to the Debt Management Policy. Edward Harvey suggested to table item to provide everyone with time to review.

This Report was tabled.

F. OLD BUSINESS:

G. ADJOURNMENT:

First motion made by Mark Gizzo, seconded by Curtis Williams. Meeting adjourned by unanimous voice vote at 7:15pm.

This was to adjourn the Meeting of the Financial Advisory Board.

City of Naperville

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File #: 26-0888, **Version:** 1 **Meeting Date:** 7/27/2026

FINANCIAL ADVISORY BOARD AGENDA ITEM

ACTION REQUESTED:
Receive the 2026 2nd Quarter Cash and Investment Report

DEPARTMENT: Finance Department

SUBMITTED BY: Traci Marrocco, Deputy Finance Director
Click here to enter text.

BACKGROUND:
The attached report summarizes investment activity and cash balances through June 30, 2026. Representatives from MetLife will be present to answer questions.
Click here to enter text.

City of Naperville
Quarterly Cash and Investment Report
June 30, 2026

Schedule of Investment Rates, Portfolio Summary by Category, Portfolio Weighting, and Yields

FY26 Yields by Account

	MetLife *Yield to Maturity at Market*	PFM *Yield to Maturity at Market*	Wintrust MFT	Wintrust General	Emergency Telephone Systems Board
YTD 2025 Monthly Average	***4.42%***	***4.49%***	***4.64%***	***4.59%***	***n/a***
January 2026	4.05%	4.05%	3.95%	4.00%	
February 2026	3.91%	3.82%	3.91%	3.88%	
March 2026	4.32%	4.28%	3.90%	3.85%	
April 2026	4.40%	4.33%	3.89%	3.83%	3.89%
May 2026	4.47%	4.41%	3.85%	3.82%	3.85%
June 2026	4.57%	4.50%	3.88%	3.79%	3.88%
July 2026					
August 2026					
September 2026					
October 2026					
November 2026					
December 2026					
YTD Monthly Average	**4.29%**	**4.23%**	**3.90%**	**3.86%**	**3.87%**

Cash & Investment Balances by Account

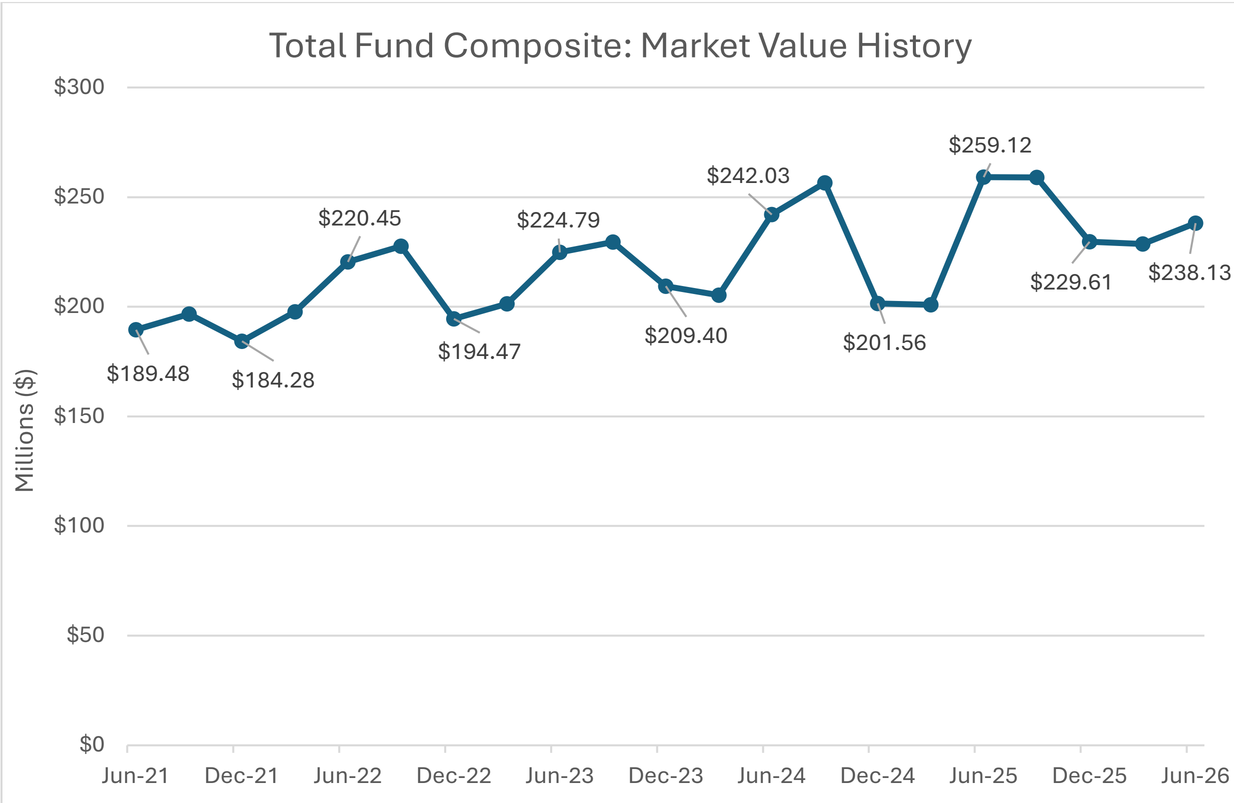
	MetLife Balances	PFM Balances	Wintrust MFT	Wintrust General	Emergency Telephone Systems Board	Total Cash & Investment Portfolio
January 2026	$ 91,692,891	$ 107,165,489	$ 9,954,664	$ 9,450,929		$ 218,263,972
February 2026	$ 92,700,715	$ 108,530,658	$ 10,681,675	$ 10,776,486		$ 222,689,534
March 2026	$ 91,589,168	$ 107,185,194	$ 11,062,006	$ 18,773,541		$ 228,609,908
April 2026	$ 91,817,545	$ 107,519,373	$ 11,549,352	$ 15,766,384	$ 3,615,622	$ 230,268,275
May 2026	$ 91,973,628	$ 107,562,392	$ 12,108,943	$ 8,509,229	$ 4,027,326	$ 224,181,517
June 2026	$ 92,090,043	$ 107,544,809	$ 12,258,591	$ 21,055,639	$ 5,177,858	$ 238,126,940
July 2026						
August 2026						
September 2026						
October 2026						
November 2026						
December 2026						

NOTES:
[a] Balances exclude Police and Fire pensions.
[b] MetLife and PFM Balances tie to monthly statements; as a result they exclude acccrued interest.

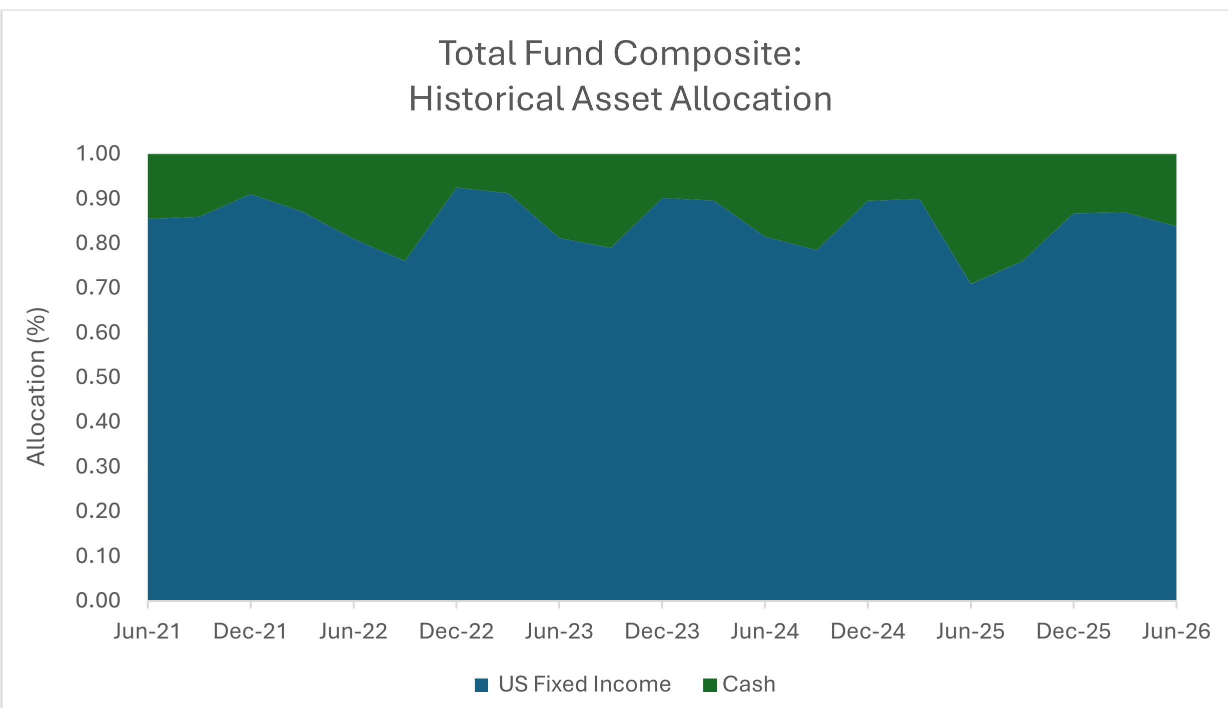
Total Portfolio Weighting & Yield

	Cash	Investments	Portfolio Totals	Portfolio Weighted Yield
January 2026	8.89%	91.11%	100.00%	4.04%
February 2026	9.64%	90.36%	100.00%	3.86%
March 2026	13.05%	86.95%	100.00%	4.24%
April 2026	13.43%	86.57%	100.00%	4.29%
May 2026	10.99%	89.01%	100.00%	4.37%
June 2026	16.16%	83.84%	100.00%	4.42%
July 2026				
August 2026				
September 2026				
October 2026				
November 2026				
December 2026				
YTD Monthly Average	**12.03%**	**87.97%**	**100.00%**	**4.21%**

[c] Cash on hand shall not exceed 10% of the annual City budget. The Director of Finance, or designee, shall monitor cash flow to determine the appropriate amount of cash on hand. At the conclusion of each fiscal year, any cash in excess of the minimum amount needed shall be transferred to the money managers.

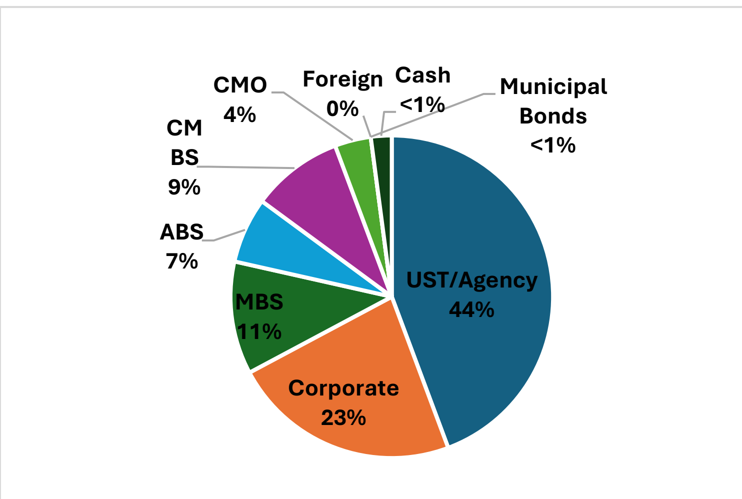


[a] Cash flow fluctuates due to receipts from the timing of property taxes and bond issuances.

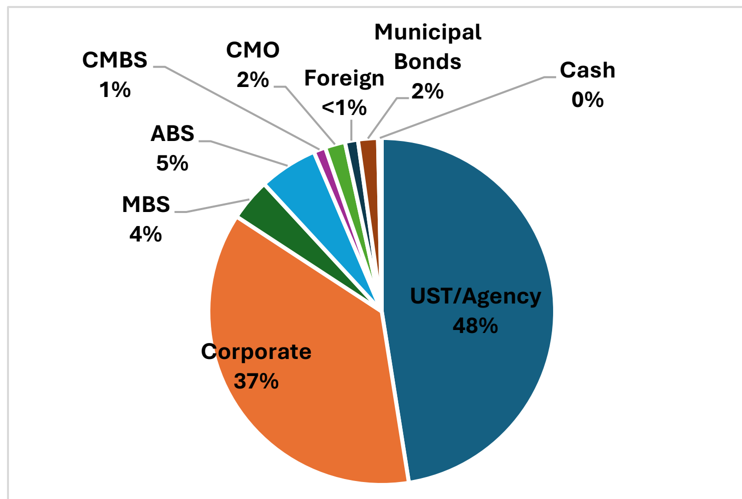


Fixed Income Composite			
	PFM	**MetLife**	**Combined**
UST/Agency	47,652,376.42	43,737,161.57	91,389,537.99
Corporate	24,623,717.74	33,817,082.77	58,440,800.51
MBS	12,164,406.01	3,607,550.62	15,771,956.63
ABS	7,078,039.77	5,031,514.07	12,109,553.84
CMBS	9,883,748.80	1,025,775.99	10,909,524.79
CMO	3,898,866.19	1,731,643.77	5,630,509.96
Foreign	0.00	1,114,978.86	1,114,978.86
Municipal Bonds	0.00	1,706,258.04	1,706,258.04
Cash	2,243,654.15	318,077.01	2,561,731.16
Total	**107,544,809.08**	**92,090,042.70**	**199,634,851.78**

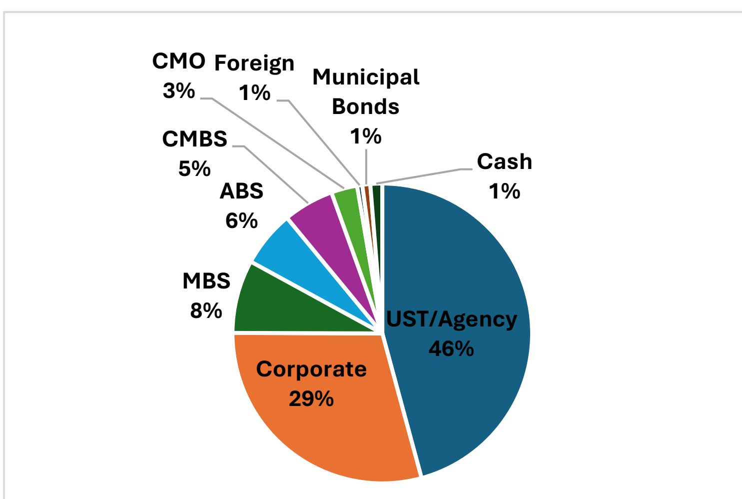
PFM Sector Distribution



MetLife Sector Distribution



Combined



City of Naperville

Intermediate Gov/Credit

Second Quarter Review
As of June 30, 2026

Contents

MetLife Investment Management

2Q 2026 Market Review

	Index	OAS TSY	QTD OAS Δ	YTD OAS Δ	QTD Total Return	YTD Total Return	QTD Excess Return	YTD Excess Return
	US Aggregate Index	26	-4	-1	0.67%	0.62%	0.38%	0.30%
	Bloomberg MBS Index	24	0	2	0.58%	0.99%	0.30%	0.45%
	Bloomberg CMBS Index	64	-7	-11	0.45%	0.77%	0.37%	0.70%
	Bloomberg ABS Index	44	-9	-8	0.75%	1.07%	0.36%	0.46%
	US Credit Index	69	-14	-4	1.33%	0.85%	1.11%	0.66%
	US Corporate Index	74	-15	-4	1.40%	0.86%	1.17%	0.67%
	Industrials	72	-13	-4	1.34%	0.87%	1.08%	0.67%
	Financials	75	-20	-3	1.43%	0.75%	1.25%	0.57%
	Utilities	77	-15	-7	1.64%	1.15%	1.37%	0.95%
	Non-Corporate Credit	35	-7	-5	0.84%	0.77%	0.63%	0.55%
Quality	A	62	-12	-2	1.27%	0.72%	1.04%	0.54%
	Baa	91	-20	-7	1.67%	1.12%	1.46%	0.94%
Maturity	Intermediate	64	-16	-5	0.98%	0.75%	0.88%	0.66%
	Long	93	-13	-2	2.31%	1.08%	1.81%	0.72%
Plus Sectors	ICE BofA Merrill High Yield Constrained Index	272	-53	-6	2.46%	1.89%		
	JP Morgan Emerging Market Debt Global Index	191	-48	-42	4.03%	2.85%		

Source: MIM, Bloomberg

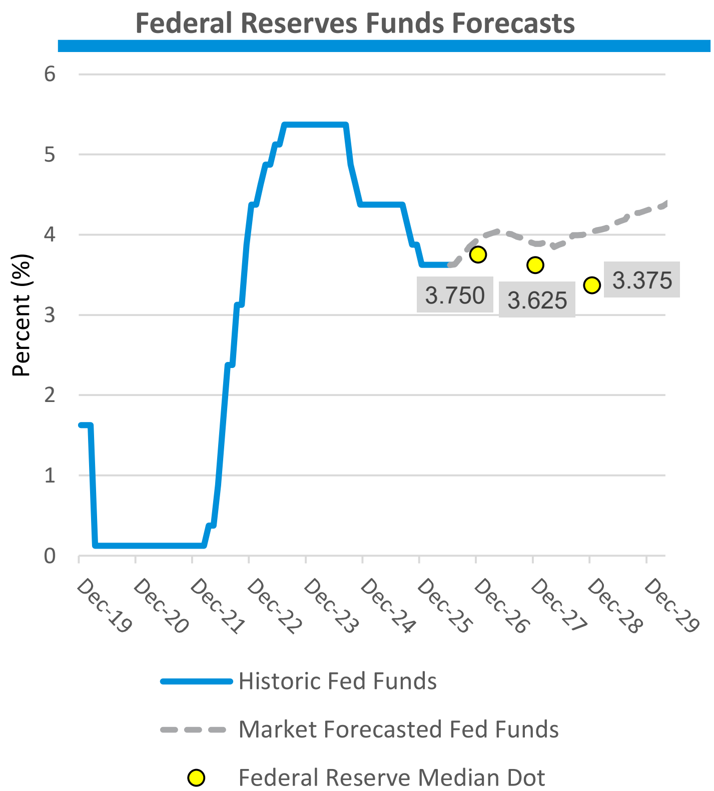
The fixed income market navigated a resilient second quarter. The Bloomberg US Aggregate Index delivered an excess return of 0.38% over the period, with an OAS of 26 basis points and a yield that continues to hover around 4.73% to close the quarter. The market largely held its ground despite macro and geopolitical headwinds that typically would suggest weaker performance from risk-assets. The FOMC minutes were characterized as among the most hawkish in 25 years — behind only 2022 per Bloomberg's Fed Meeting Minutes Sentiment index — and rates markets priced additional tightening into 2027. Real yields climbed across the curve, compounding pressure from a simultaneous oil price spike as the US-Iran ceasefire unraveled. The Iran conflict served as the principal macro-overhang throughout the quarter with tit for tat strikes amidst parties eventually signing for a welcomed cease-fire and plan towards peace. As a result of the optimism around a truce, market behavior was heavily risk-on. Periodic weakness over the quarter was generally accompanied by continued war rhetoric or AI/Data Center and related supply concerns along with the fears of persistently above target inflation. The macro data argued against a broad credit scare but were not uniformly positive . Services activity remained in expansion, jobless claims were low, and high-frequency indicators — deposit account data, after-tax wage growth, and same-store retail sales — pointed to resilient income and spending. The offset: payrolls disappointed with prior months revised lower, and consumer credit declined. The treasury environment was also volatile across the curve — rising sharply on inflation fears before partially retracing as geopolitical tensions moderated. This volatility also impacted mortgages and added challenging headwinds for the asset class with a flatter curve and elevated rates. On the rates side, 2s10s opened the period at 51 bps and traded in a relatively stable range through late April and into early May, briefly touching a period high of 55 bps on May 19. The curve then flattened sharply through June, driven by the front-end repricing higher following the hawkish June 17–18 FOMC. The 2-year yield surged from ~4.06% on June 16 to 4.19% on June 17, compressing the 2s10s to 30 bps — a move of roughly 8 bps in a single session. The spread bottomed at 24.4 bps on June 24 before recovering modestly to close the quarter at 28.9 bps, a net flattening of 22.3 bps over the period.

Corporate credit, asset-backed-securities and commercial-mortgage-backed-securities spreads were by and large a 1-way trade tighter over the quarter. Agency MBS navigated a complex macro backdrop in 2Q26, defined by elevated inflation expectations, geopolitical volatility, and evolving GSE portfolio dynamics. The Bloomberg MBS Index OAS compressed dramatically to begin the quarter then widened and closed the quarter nearly unchanged. A notable factor during the quarter was the uneven pace of GSE retained portfolio purchases.

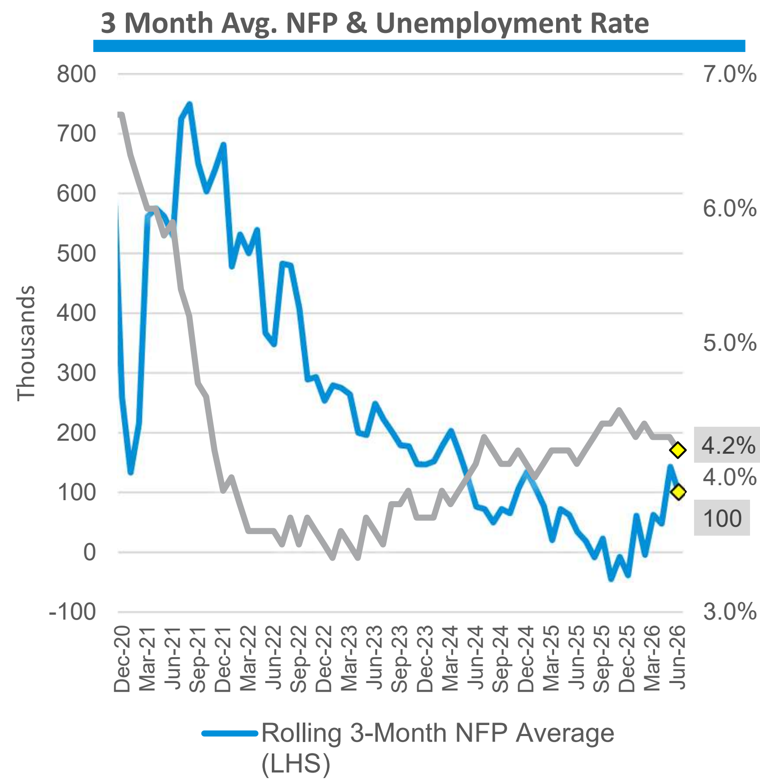
Across the Corporate sectors, Financials posted strong excess returns (+1.25% excess return) as did Utilities (1.37% excess return) while Industrials generated a positive excess return of 1.08%, though the sector trailed Financials and Utilities. For Investment Grade corporate markets, the dominant thematic driver of the period was the AI infrastructure buildout, which generated significant borrowing demand from technology, data center, and utility issuers funding capital-intensive projects. M&A also remained an important contributor to supply, bringing new and larger issuers into the corporate fixed income market. Persistent demand from yield-oriented investors, particularly life insurers, provided an important source of support in absorbing the quarter's elevated issuance. The same themes was very prevalent for ABS and CMBS securities.

[i] Bloomberg

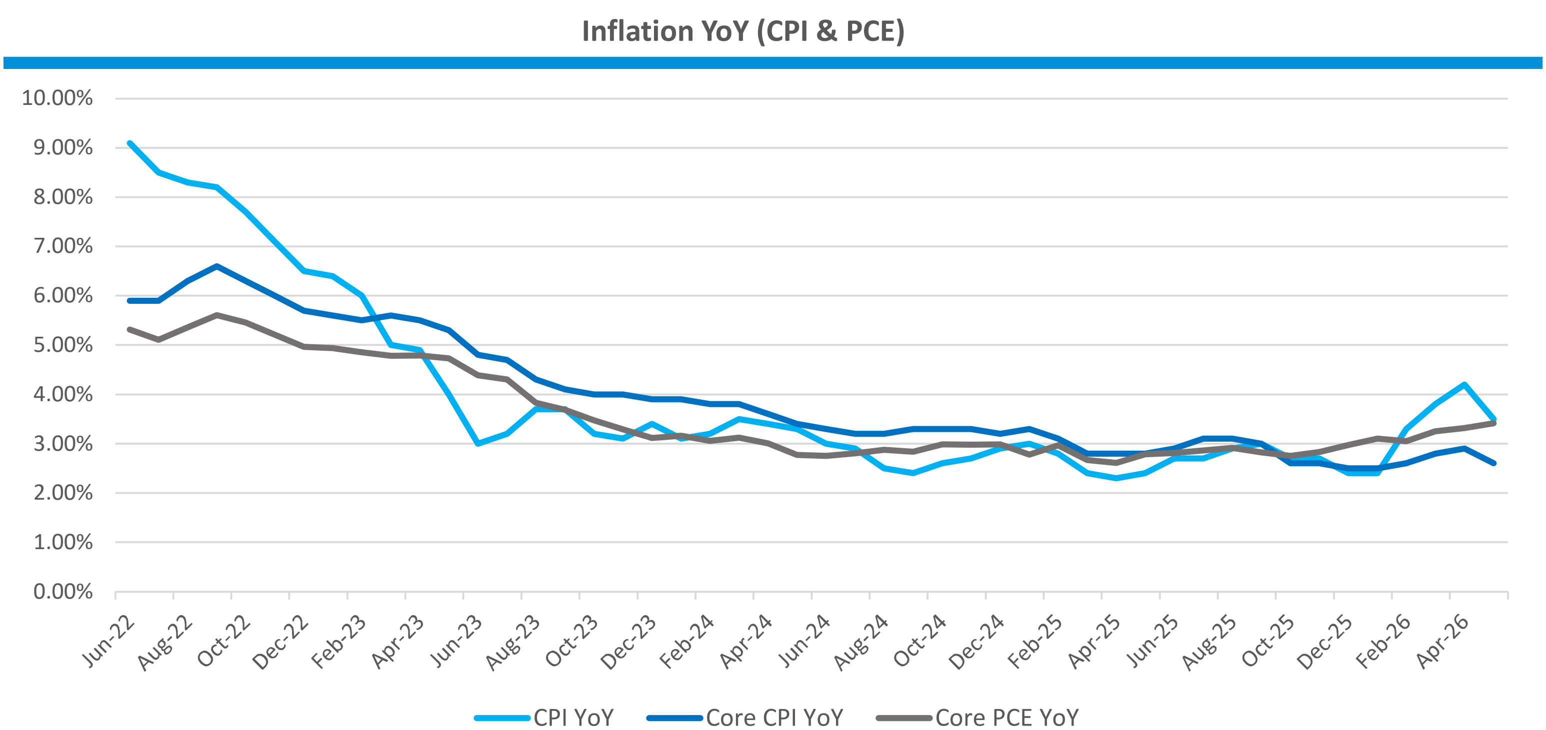
Market Review (Continued)



Source: MIM, Bloomberg L.P.



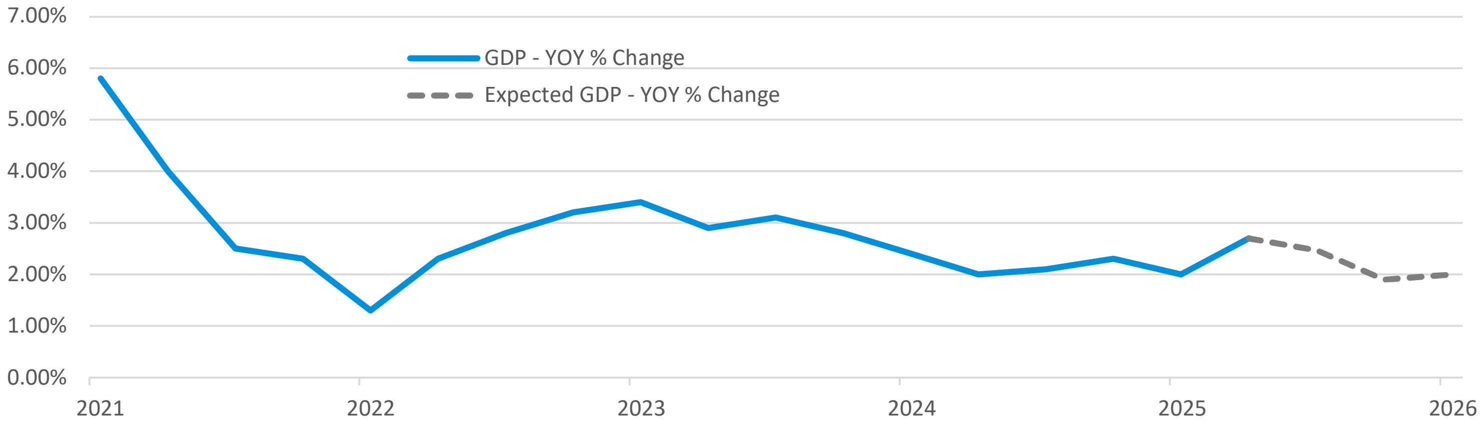
Source: MIM, Bloomberg L.P.



Source: MIM, Bloomberg L.P.

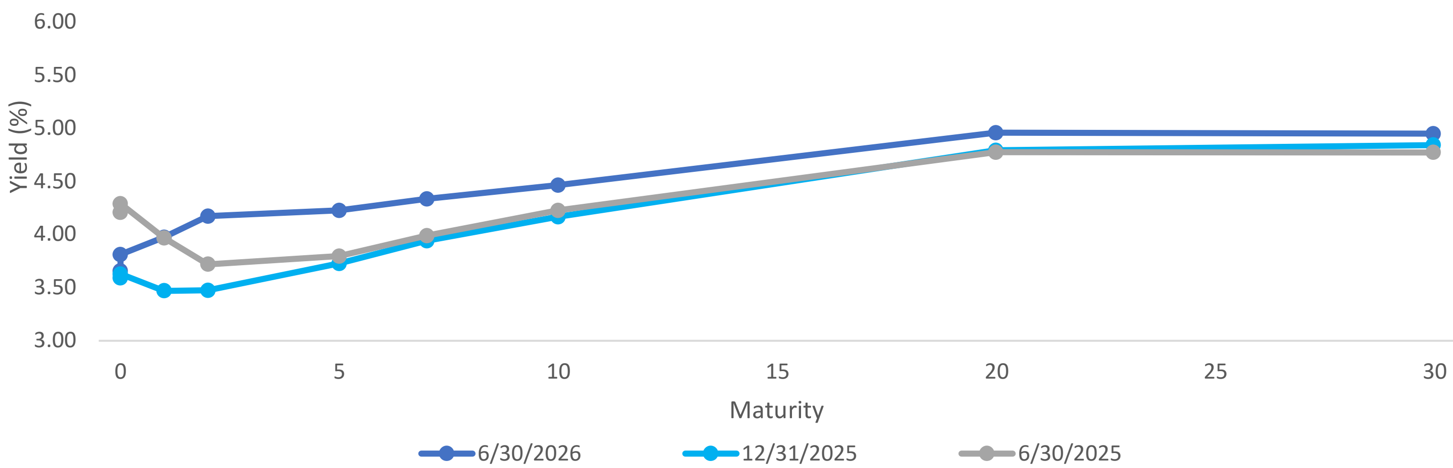
Market Review (Continued)

GDP



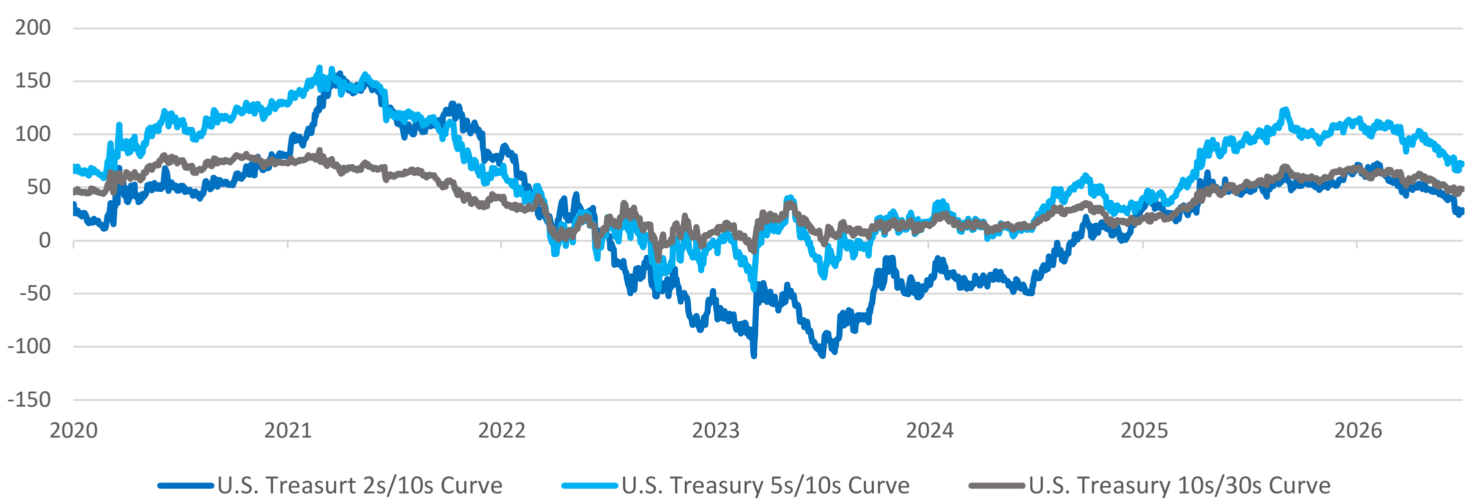
Source: MIM, Bloomberg L.P.

U.S. Treasury Yield Curve



Source: MIM, Bloomberg L.P.

U.S. Treasury Curves



Source: MIM, Bloomberg L.P.

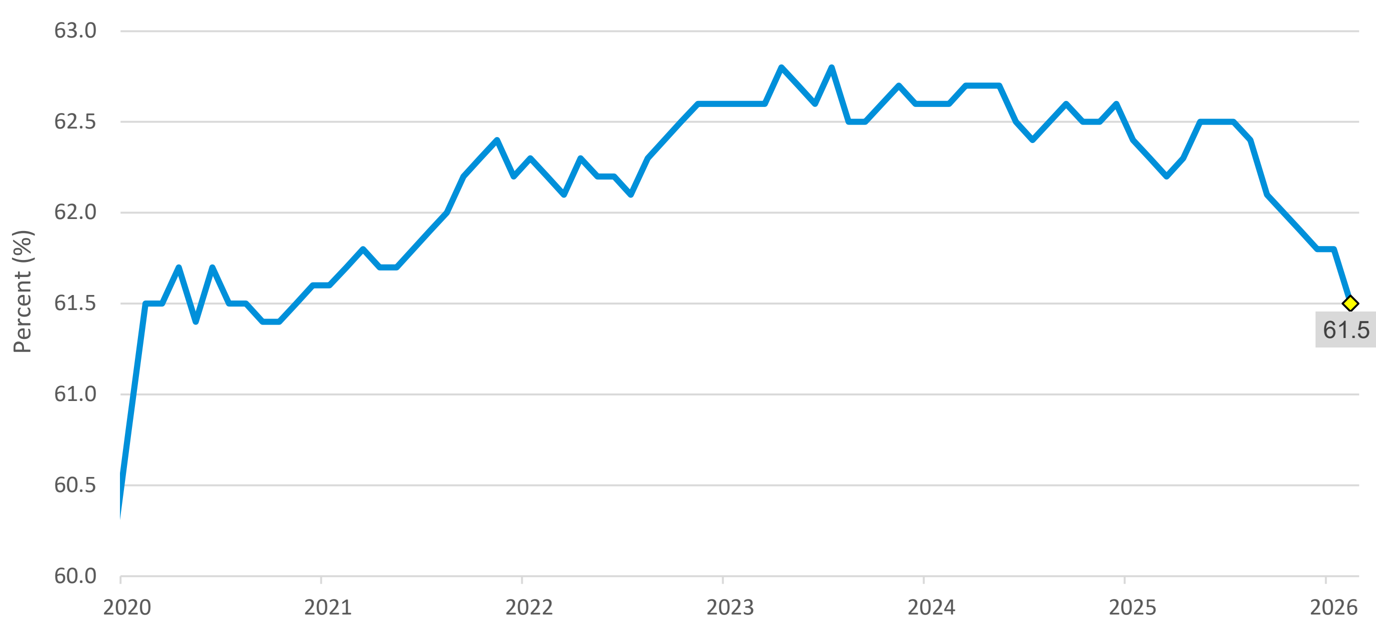
Market Outlook (Continued)

GDP Growth

Year	Real GDP (%)	Consumer Spending	Fixed Investment	Government Spending	Net Exports	Inventories
2020	-2.10	-1.69	-0.34	0.60	-0.21	-0.45
2021	6.20	5.84	1.29	-0.02	-1.25	0.29
2022	2.50	2.04	0.44	-0.22	-0.39	0.65
2023	2.90	1.74	0.61	0.59	0.45	-0.46
2024	2.80	2.00	0.53	0.65	-0.39	0.01
2025	2.10	1.80	0.47	0.19	-0.21	-0.12
2026 (Q1)	2.10	0.37	1.11	0.23	-0.37	0.74
Average (2020-2026)	**2.36**	**1.73**	**0.59**	**0.29**	**-0.34**	**0.09**

Source: U.S. Bureau of Economic Analysis as of June 25, 2026

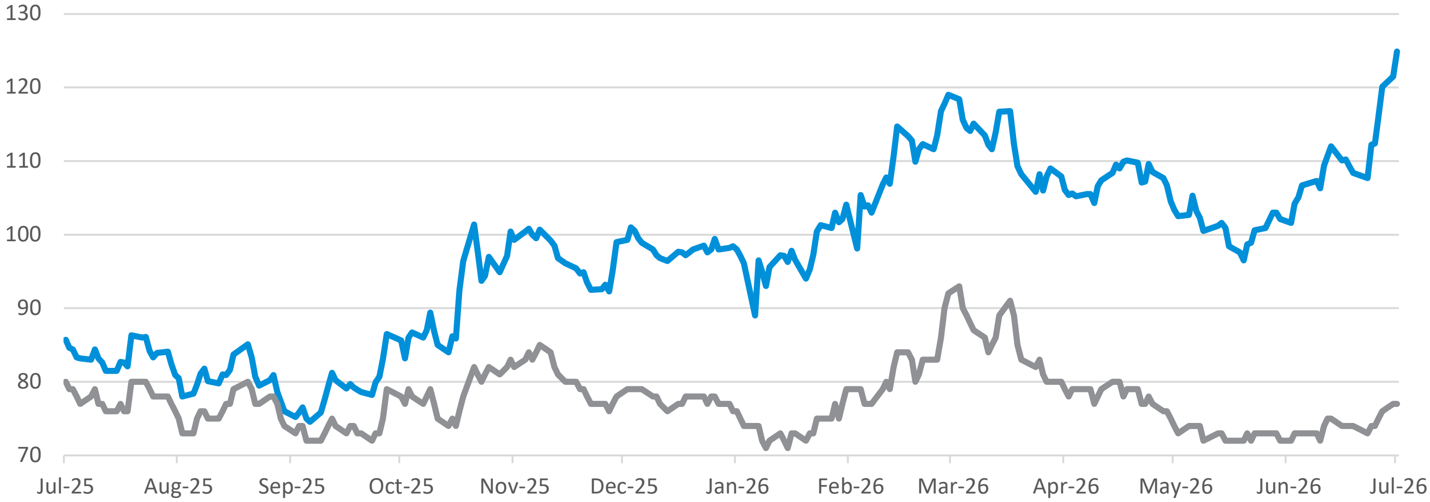
Labor Force Participation Rate



Source: Bloomberg L.P. As of June 30, 2026

Market Review (Continued)

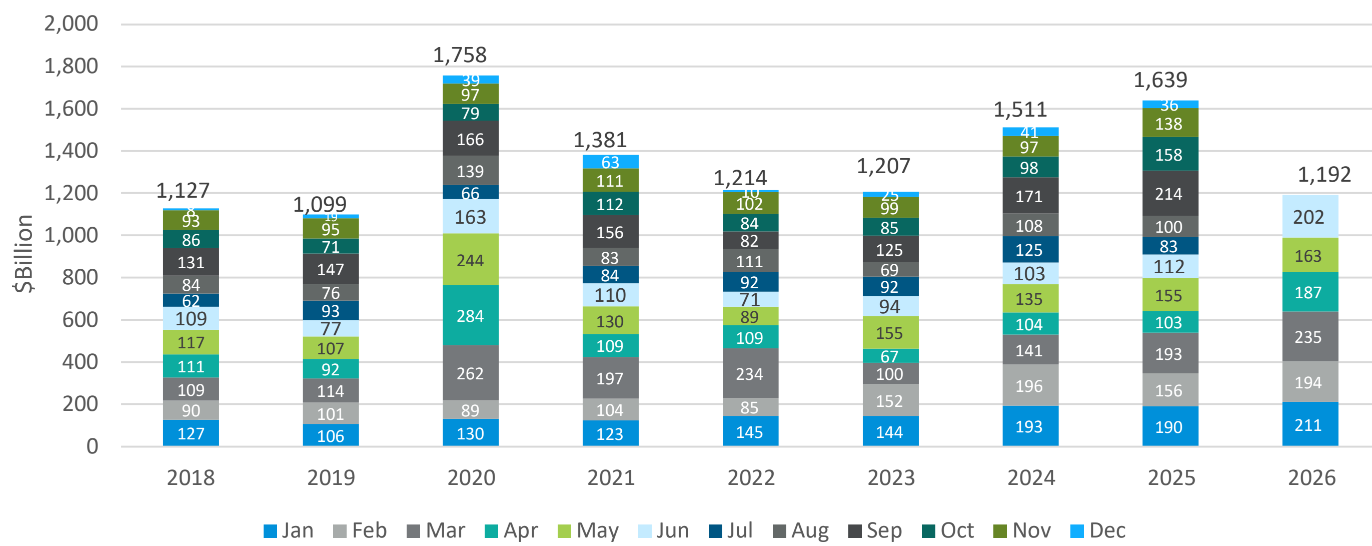
Spread dispersion has been more acute in AI associated issuers



Source: MIM, Bloomberg, Goldman Sachs

IG corporate issuance during the quarter was remarkable, with each month approaching or setting records for its respective period. April produced $185 billion of supply, the second most active April after 2020; May followed with $163 billion, the third most active May on record; and June reached a record $202 billion, marking an all-time monthly high over the last 10 years. A-rated issuance was particularly notable in 2Q26, reaching $226 billion, or 41% of total supply, and modestly exceeding BBB-rated issuance of $220 billion, a mix that reinforced the higher-quality tilt of new-issue volume and had implications for the ratings composition of the broader index. At the start of the year, data centers and AI-related capital expenditures were widely expected to be one of the defining themes for corporate credit markets—and by the halfway point of 2026, that forecast had clearly materialized. AI-related supply reached nearly $220 billion year to date, a 62% increase versus the full-year 2025 total, including $158 billion of USD issuance and $62 billion across non-USD currencies. USD AI-related supply accounted for approximately 13% of total US IG issuance year to date. While the scale and pace of borrowing had understandably left some investors cautious, the market's ability to absorb this volume underscored the depth of demand for issuers tied to long-duration infrastructure growth. What also helped to digest that historic volume was elevated all-in yields paired with the high quality-tilt of the robust issuance which attracted the likes of many yield-oriented investors. Technology-related borrowers, including hyperscalers, data-center operators, semiconductor manufacturers, and software companies, were central to this issuance wave, while M&A-related financing across Pharmaceuticals, Media, and Food & Beverage added further breadth. What had begun the year as a consensus theme around AI, data centers, and capex had not only played out—it had become one of the central narratives shaping corporate fixed income performance through midyear.

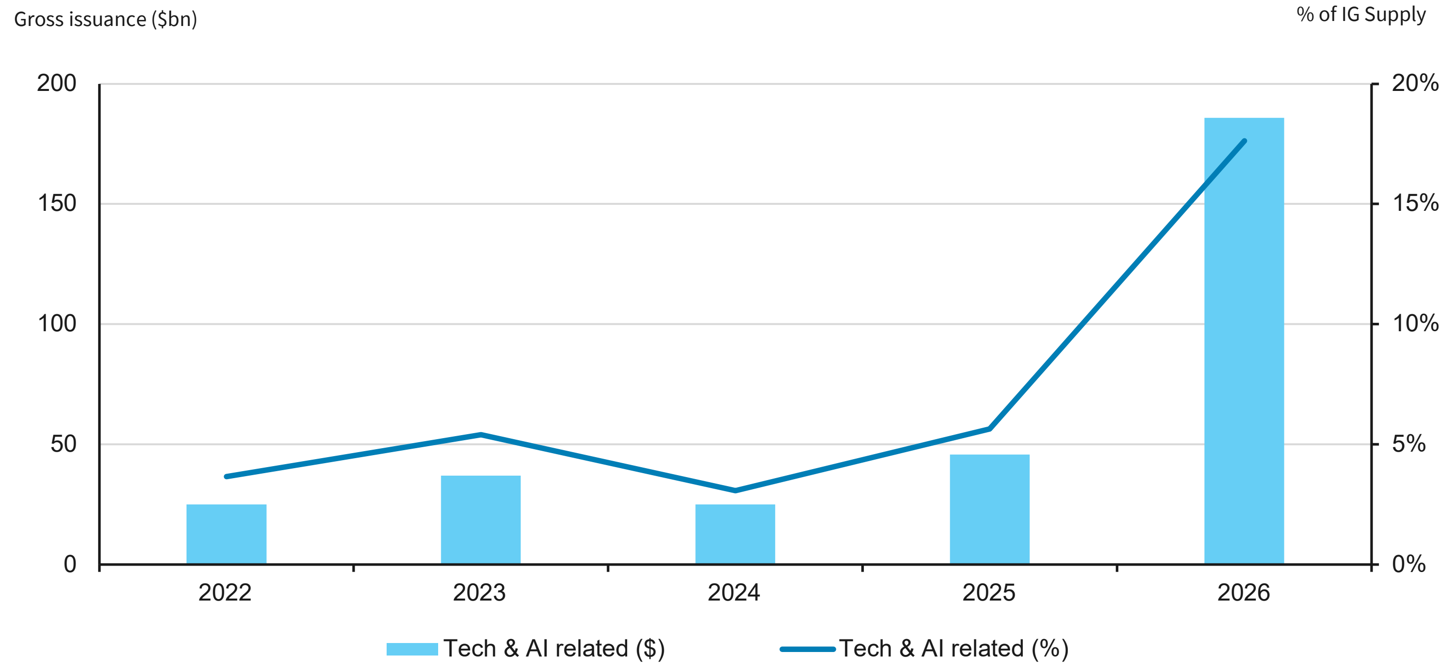
2026 Issuance has come at a relentless pace



Source: JP Morgan

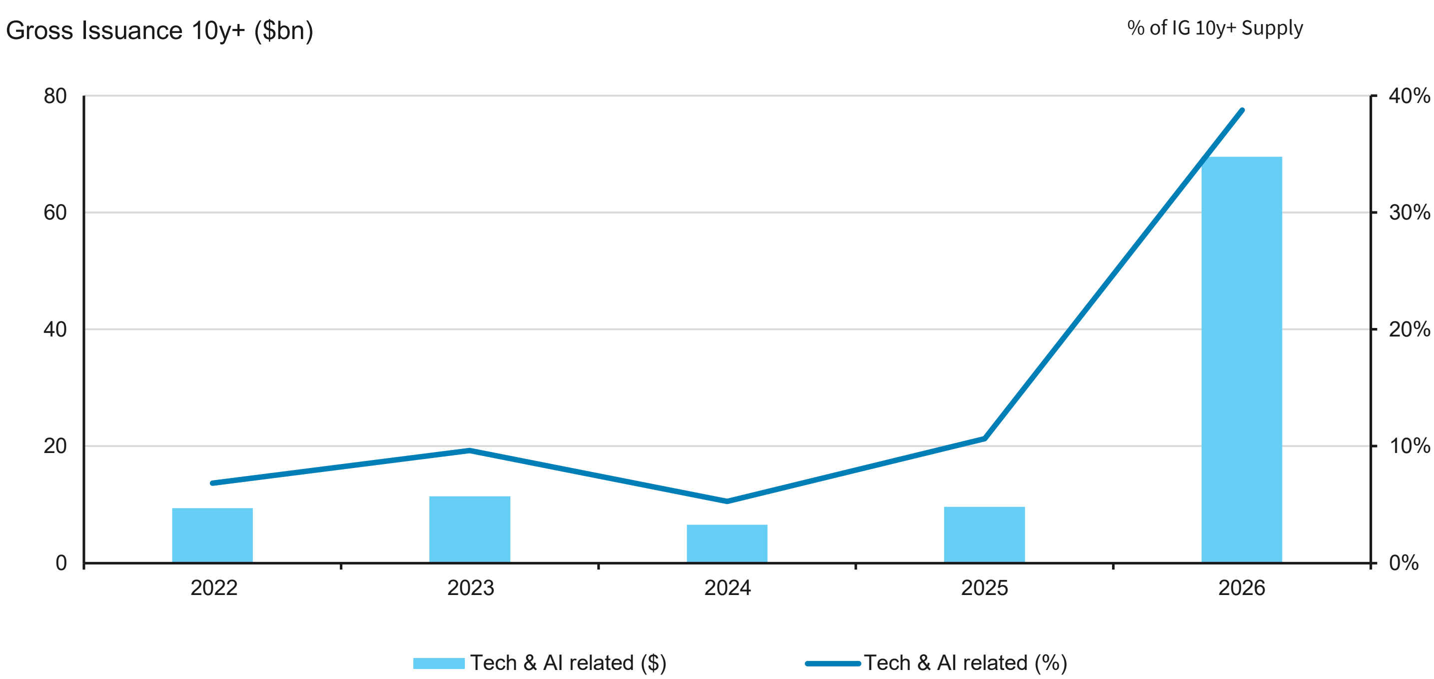
Market Review (Continued)

Year-to-date, Technology & AI Related Issuance accounted for ~18% of IG Supply



Source: Barclays Research, Bloomberg, MIM

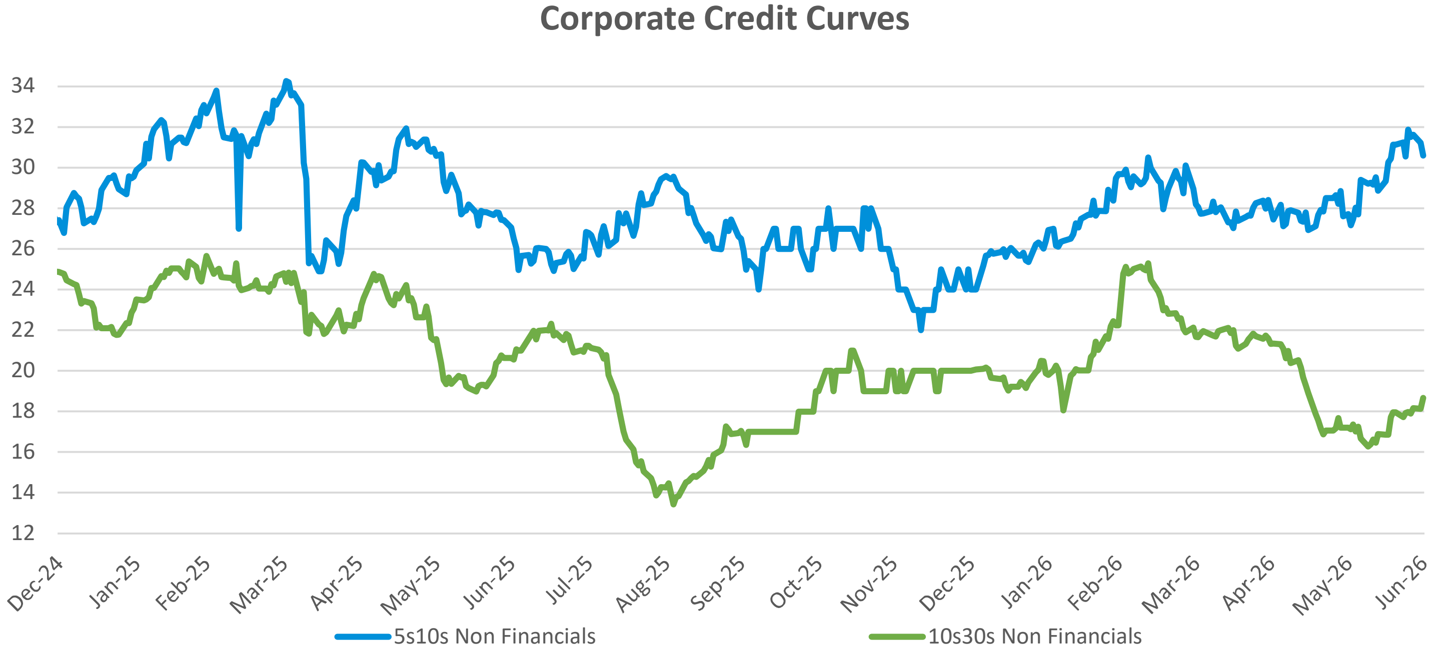
The Tech & AI issuance is most pronounced in the long-end



Source: Barclays Research, Bloomberg, MIM

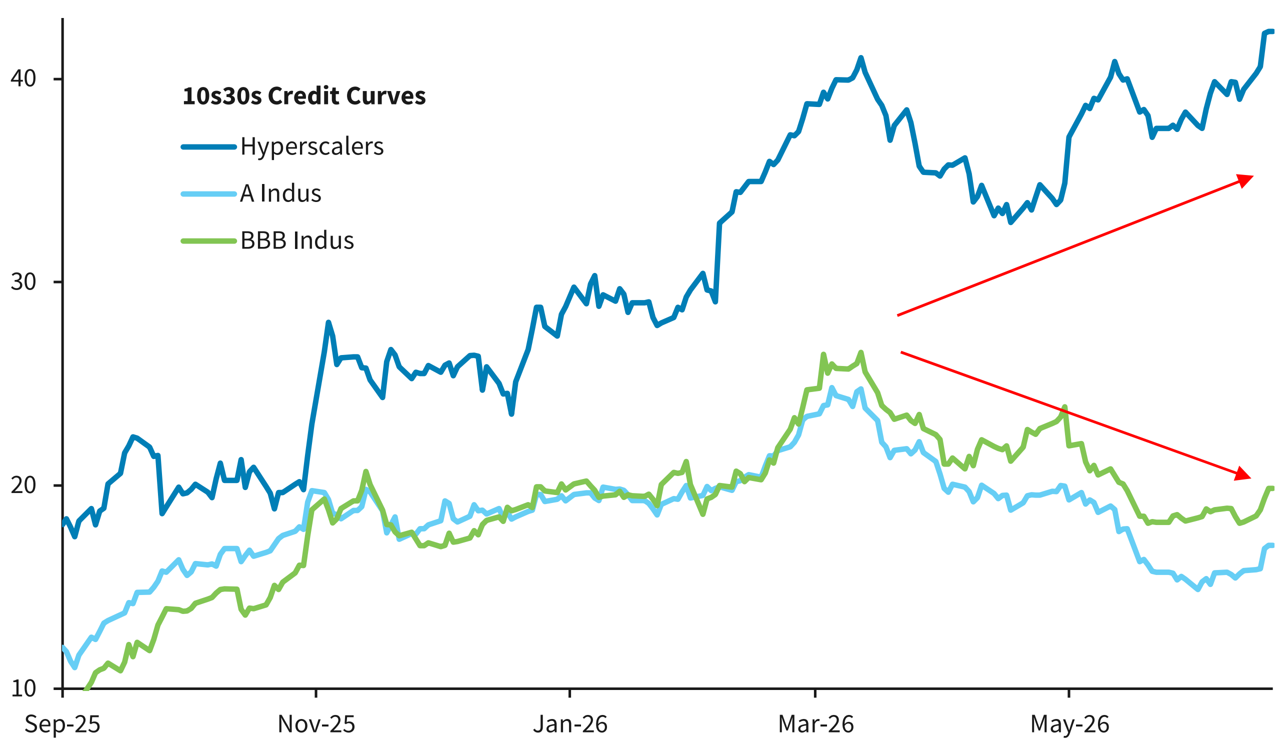
Market Review (Continued)

Interesting 10s30s are notably flat relative to 5s10s



Source: Barclays Research, Bloomberg, MIM

However, Hyperscaler 10s30s continue to Steepen



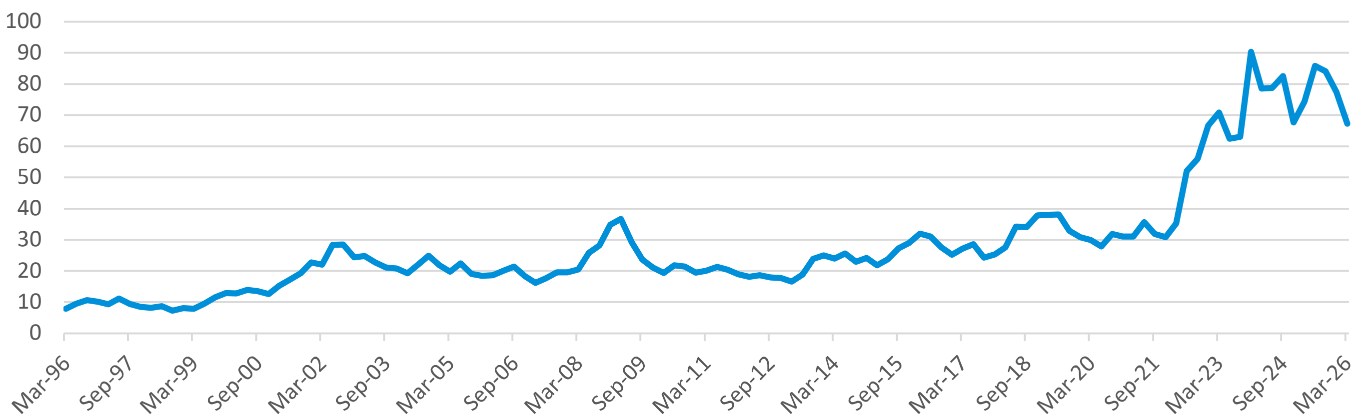
Source: Barclays Research, Bloomberg, MIM

Market Review (Continued)

Elevated yields sustained investor demand from yield-oriented buyers

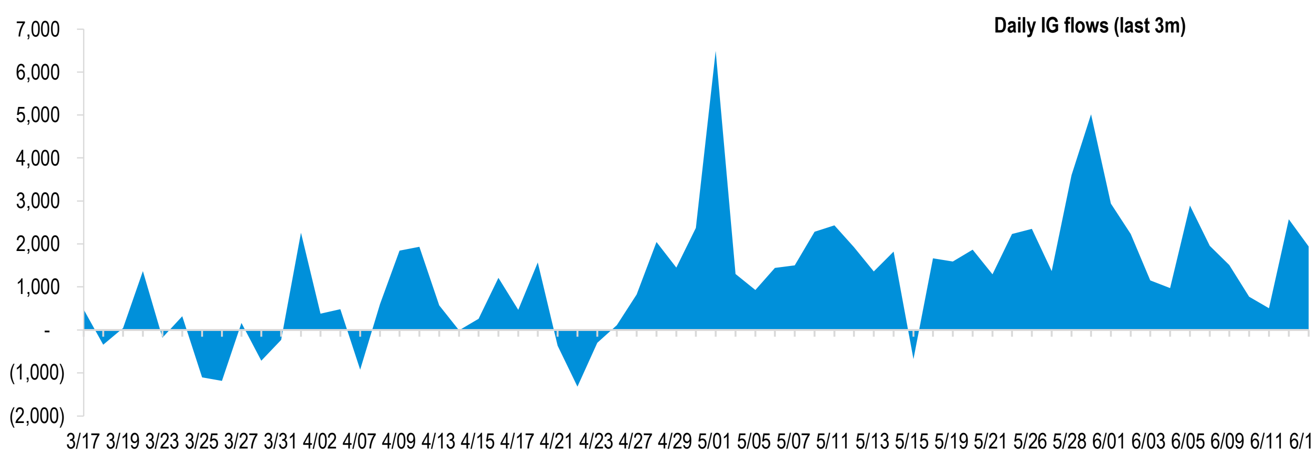
Source: Bloomberg, MIM.

Fixed annuity sales have proven a durable and consequential source demand



Source: Bloomberg, MIM.

Retail demand remained robust providing further support to corporate spreads



Source: Bloomberg, Lipper, Barclays Research.

Market Review (Continued)

Agency RMBS Snapshot

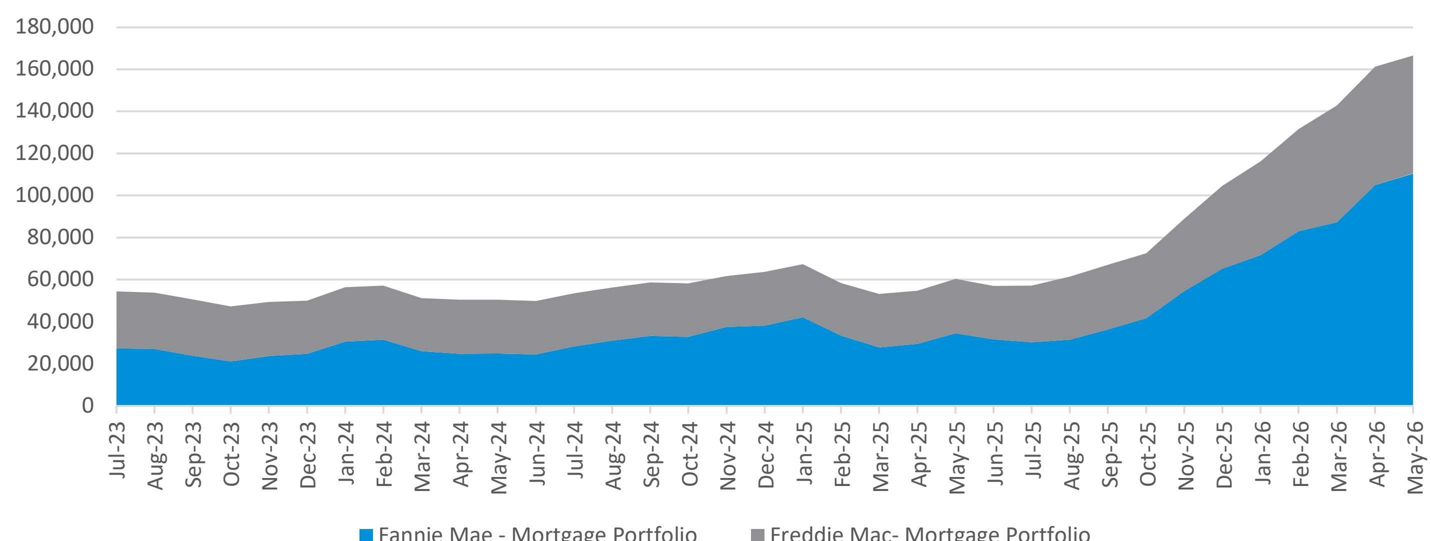
	QTD Excess Return[1]	QTD Total Return		QTD Excess Return[1]	QTD Total Return		QTD Excess Return[1]	QTD Total Return
FNMA 30 Year	**0.35%**	**0.63%**	**GNMA 30 Year**	**0.38%**	**0.69%**	**FNMA 15 Year**	**-0.25%**	**-0.03%**
Coupon 2.0%	0.13%	0.35%	Coupon 2.0%	0.28%	0.50%	Coupon 2.0%	-0.43%	-0.26%
Coupon 2.5%	0.28%	0.50%	Coupon 2.5%	0.29%	0.51%	Coupon 2.5%	-0.19%	0.10%
Coupon 3.0%	0.06%	0.27%	Coupon 3.0%	0.38%	0.59%	Coupon 3.0%	0.00%	0.34%
Coupon 3.5%	0.04%	0.24%	Coupon 3.5%	-0.47%	-0.25%	Coupon 3.5%	-0.10%	0.16%
Coupon 4.0%	0.11%	0.33%	Coupon 4.0%	0.46%	0.69%	Coupon 4.0%	0.30%	0.54%
Coupon 4.5%	0.48%	0.71%	Coupon 4.5%	0.49%	0.77%	Coupon 4.5%	0.43%	0.71%
Coupon 5.0%	0.70%	0.99%	Coupon 5.0%	0.50%	0.86%	Coupon 5.0%	0.48%	0.85%
Coupon 5.5%	0.72%	1.10%	Coupon 5.5%	0.66%	1.14%	Coupon 5.5%	0.25%	0.67%
Coupon 6.0%	0.85%	1.34%	Coupon 6.0%	1.05%	1.65%	Coupon 6.0%	0.19%	0.60%
Coupon 6.5%	0.38%	0.94%	Coupon 6.5%	-0.05%	0.69%			

Source: MIM, Bloomberg L.P.

Agency RMBS delivered modestly positive total returns in 2Q26 — FNMA 30-Year posted a QTD total return of 0.63% and excess return of 0.35%, while GNMA 30-Year outperformed slightly at 0.69% total return and 0.38% excess return, with FNMA 15-Year the laggard at -0.03% total return — driven primarily by a carry-oriented environment in which investors favored production coupons (5s–6s) where valuations were more attractive and CMO floater demand provided robust structural takeout. Within the coupon stack, the convergence of subsiding volatility and attractive valuations drove consensus positioning toward carry-oriented 5s–6s, where specified pools — particularly higher loan balance stories that had lagged into the rate selloff — recovered following their early underperformance.

A notable factor during the quarter was the uneven pace of GSE retained portfolio purchases. Fannie Mae's MBS portfolio declined by a net $4.3bn in June following a modest $5.1bn increase in May, while Freddie Mac was flat. The GSEs were not consistent spread buyers during the period, having added more aggressively earlier in the year but showing more limited activity in April and May when spreads were wider. This variability contributed to some widening in CC OAS from approximately 15bp to 20bp in March and April. Foreign demand for agency MBS emerged as another constructive element over the quarter, with overseas holdings increasing in April and year-to-date net demand turning positive after a weaker prior-year backdrop — though buying was concentrated among select investors, with activity remaining more mixed across other regions.

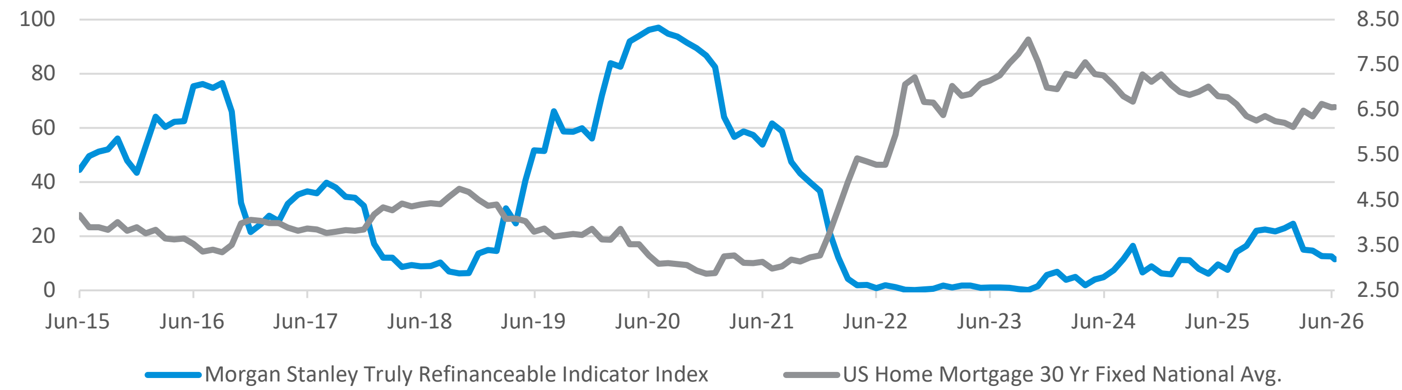
GSE demand proved episodic, with buying front-loaded earlier in the year



Source: MIM, Bloomberg L.P.

Market Review (Continued)

Refinanceability has deteriorated with the increase in mortgage rates



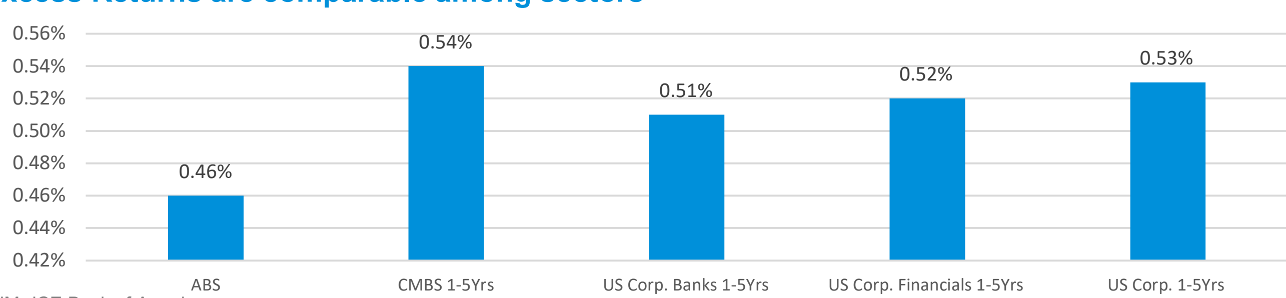
Source: MIM, Bloomberg L.P., Morgan Stanley

The June 17 Federal Reserve meeting set a cautious tone for the MBS basis, as Chairman Kevin Warsh outlined a series of potential policy shifts with neutral to negative implications. A Fed on hold would historically have fostered volatility compression — a constructive technical backdrop for MBS — but Warsh's signaled departure from forward guidance, compounded by the prospect of structural reforms under a newly convened task force, embedded a meaningful uncertainty premium that prevented volatility from following its customary path lower. The yield curve flattened concurrently as markets priced in higher short-term rates, compressing net interest margins for banks and other levered investors — the very buyer base upon which MBS demand has historically depended. While volatility did moderate from its first-quarter peaks, providing a transient tailwind for mortgage performance, the relief proved short-lived as the broader rate level reasserted itself as the dominant headwind. Against this backdrop, prepayment risk receded materially. With 30-year conventional mortgage rates settling back into the mid-6% range and no meaningful decline expected through year-end, the refinanceable universe contracted sharply — only approximately 5% of outstanding borrowers retained a material economic incentive to refinance. Critically, the majority of even this residual cohort had already foregone more attractive refinancing windows, further limiting the practical prepayment threat and providing one of the few unambiguous technical supports for the asset class in an otherwise challenging environment.

Asset-Backed Securities (ABS)

The ABS market entered 2H26 on a record-setting pace, with YTD issuance of approximately $205bn through June — up roughly 15% YoY — against a full-year 2026 estimate of around $400bn, which would represent a new all-time record. Spreads tightened across the stack, with Auto ABS AAA narrowing by 5bp QoQ (64bp → 59bp), Credit Card AAA tightening by 6bp (32bp → 26bp), and Other ABS AA–BBB tightening by 12bp (200bp → 188bp). ABS remains moderately cheap relative to short corporates on historical measures, however credit curves hover near two-year tights, while the AA–BBB stack outperformed short corporates over the quarter. On the supply front, Auto ABS accounted for 50.9% of total volume, while Other ABS posted the strongest growth at +51.8% YoY, led by franchise, aircraft, data center, fiber, and personal loan ABS. Technicals, again, were firmly supportive as yield-oriented buyers continue their quest for high quality attractive yields. Credit performance remained uneven across consumer ABS, reflecting broader divergence in household financial conditions. Auto ABS continued to warrant close attention, with subprime borrowers showing more visible signs of stress than prime borrowers, even as overall loss trends were somewhat better. Higher severity rates suggested that recovery values remained under pressure when defaults occurred. Credit card and retail card performance was comparatively more resilient, supported by generally stable collateral quality, while personal loan delinquencies continued to trend higher across several segments. Looking ahead, consumer credit performance is expected to soften modestly, as persistent inflation, higher borrowing costs, and increased lender appetite for credit extension could create additional headwinds.

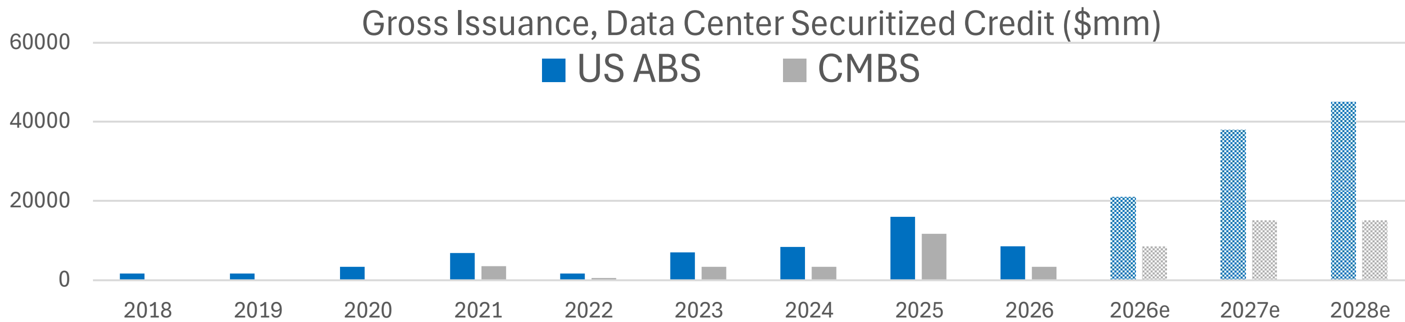
YTD Excess Returns are comparable among sectors



Source: MIM, ICE Bank of America

Market Review (Continued)

Financing the AI/data center expansion will also be a theme in ABS & CMBS like Corporates



Source: MIM, Morgan Stanley

Commercial Mortgage-Backed Security (CMBS)

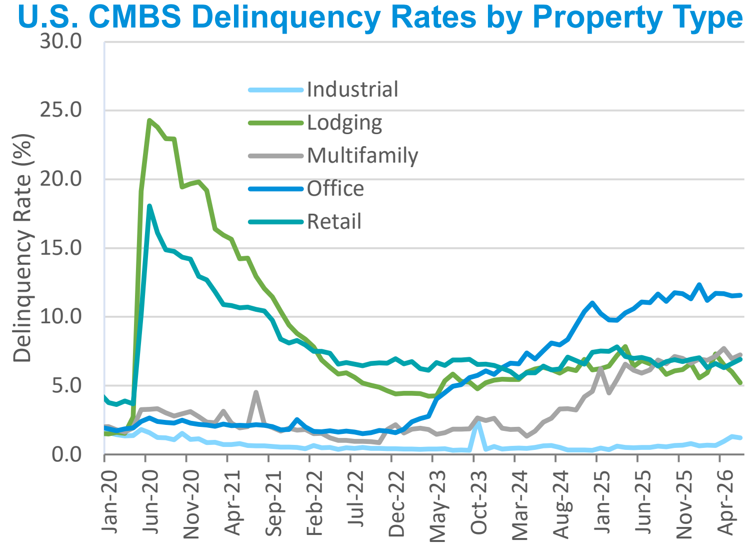
The CMBS market in 2Q26 was characterized by divergent credit trends across structures, persistent office stress, and a downward revision to the full-year issuance forecast. However, at the index level, spreads continued to grind tighter over the quarter as the sector remains on the cheaper side of other fixed income products. CMBS credit trends were mixed across structures during the quarter. Delinquencies improved modestly in some segments, including SASB, while other areas such as CRE CLOs and agency multifamily showed some deterioration. Special servicing trends were similarly mixed, with some property types and structures showing greater pressure than others. Office remained the most challenged sector across the CMBS market, while retail was broadly stable and lodging showed pockets of improvement. Multifamily credit trends continued to weaken modestly, reflecting the impact of elevated cap rates, tighter financing conditions, and refinancing risk. Newer conduit issuance generally reflected more conservative underwriting relative to the prior year, with improved leverage metrics and broadly stable debt service coverage. Multifamily continued to represent the largest share of conduit collateral, underscoring its importance within the sector despite a more challenging financing backdrop. Total CMBS issuance reached $187bn YTD through 2Q26, with non-agency accounting for $99bn and agency (primarily Freddie K and Fannie DUS) contributing $88bn. Within non-agency, SASB dominated at $57bn YTD, far outpacing conduit at $16bn (vs. $34bn for full-year 2025) and CRE CLO at $26bn. The SASB market's continued dominance reflects borrower preference for bespoke, single-asset structures over pooled conduit execution.

DQ'd Rate by Property Type (% 30 days+)

Prop Type	Jun-26	May-26	Apr-26	3 MO.	6 MO.	12 MO.
Overall	7.35	7.55	7.54	7.55	7.30	7.13
Industrial	1.20	1.31	0.96	0.65	0.80	0.51
Lodging	5.22	6.01	6.52	7.31	6.61	6.81
Multifamily	7.23	6.95	7.71	7.15	6.64	5.91
Office	11.57	11.53	11.69	11.71	11.31	11.08
Retail	6.91	6.61	6.31	6.62	6.92	7.06

Source: MIM, TREPP

U.S. CMBS Delinquency Rates by Property Type



Source: MIM, TREPP

2Q 2026 Portfolio Review - Attribution

Portfolio Value	$92,090,043

	Apr	May	Jun	2Q 2026	YTD	1 Year	Since Inception (1/2/2024)
City of Naperville (Gross of Fees)	**0.25**	**0.17**	**0.13**	**0.55**	**0.56**	**3.44**	**4.38**
City of Naperville (Net of Fees)	**0.24**	**0.16**	**0.12**	**0.53**	**0.52**	**3.37**	**4.31**
Bloomberg Inter U.S. Govt/Credit TR	0.21	0.11	0.10	0.43	0.40	3.14	4.12

2Q Attribution	Market Value Weight (%)			Total Return (bp)			Attribution[1](bp)		
	Portfolio	Index	Active	Portfolio	Index	Active	Sector Allocation	Security Selection	Total
Investment-Grade Corporates	**36.1**	**29.1**	**7.0**	**89**	**98**	**-9**	**7**	**-3**	**4**
Financials	15.2	11.5	3.7	105	115	-10	4	-1	3
Industrials	16.2	15.2	1.0	77	85	-8	1	-1	0
Utilities	4.7	2.4	2.3	73	102	-29	2	-1	1
Structured	**12.3**	**0.0**	**12.3**	**75**	**43**	**32**	**2**	**1**	**3**
Agency MBS	5.4	0.0	5.4	70	43	27	2	0	2
CMBS	1.5	0.0	1.5	96	43	53	0	0	0
Asset Backed	5.4	0.0	5.4	74	43	31	0	1	1
Government-Related	**1.4**	**6.0**	**-4.6**	**179**	**47**	**132**	**0**	**2**	**2**
Sovereign / Quasi	0.7	5.8	-5.1	213	47	166	0	1	1
Taxable Municipal	0.7	0.2	0.5	145	48	97	0	1	1
US Treasuries/Cash & Equivalents	**49.0**	**64.9**	**-15.9**	**14**	**18**	**-4**	**0**	**-1**	**-1**
High Yield	**1.2**	**0.0**	**1.2**	**265**	**43**	**222**	**2**	**0**	**2**
Duration / Curve									**2**
Total							**11**	**-1**	**12**

Past performance is not indicative of future returns; future results may vary.
[1]Index Methodology is applied in performance attribution calculations.

2Q 2026 Portfolio Review - Attribution

- Relative outperformance was mostly due to sector allocation decisions. The overweight to Investment Grade (IG) Corporates paired with the underweight to U.S. Treasuries were helpful drivers of sector allocation contributions. Out of benchmark exposures to Structured products in Mortgage-backed securities (MBS), Asset-backed securities (ABS) and Commercial Mortgage-backed securities (CMBS) were also marginal contributors.
- ABS outperformed in terms of spread movement and excess return. Within the allocation, exposures to stranded cost utility structures and energy securitizations were better contributors. A small exposure to private student loans was an additional boost to performance within ABS.
- CMBS was modestly additive, supported by floating-rate bonds that benefited from resilient carry in a volatile rates environment. Similarly, floating-rate CMOs within Agency RMBS contributed positively, serving as another source of outperformance amid the elevated rate backdrop in the second quarter. Exposure to upper-coupon mortgages (5.0%, 5.5%, and 6.0%) also supported carry, despite some weakness early in the quarter as mortgage refinanceability deteriorated against a backdrop of higher mortgage rates.
- Within High Yield, FMC benefitted from an equity injection and management's demonstrated commitment to deleveraging which boosted the credit over the period.
- Across Financials, the Banking sector was a bright spot helped by exposure to GSIBS and the likes of a subordinated bond from HSBC. The portfolio also benefitted from a position in Jeffries which recovered over the second quarter. Select underweights across the Insurance subsectors weighed on relative performance as higher-beta issuers within the Health and Life space outperformed. Similarly, a lack of exposure to higher-beta BDCs was a miss as those credits rebounded and outperformed.
- Broad underweights in Consumer Cyclicals was also a miss this quarter, although security selection in Lowes Co. and Ross Stores were positive contributors and helped to offset weakness.
- The Technology sector was beneficial overall, While QTS, a data center infrastructure issuer, was the primary detractor. More than offsetting this weakness was exposure to other data center complex names, including RDMICH, which outperformed as investors favored elements of that deal structure. FABSJV also saw a strongly positive month which was supported by Intel increasing their stake in the JV.
- The Taxable Municipal space was also a solid contributor supported by a position in Texas Transportation Commission.

Past performance is not indicative of future returns; future results may vary.

2Q 2026 Portfolio Review - Risk Summary

Broad Risk	3/31/2026 Portfolio	3/31/2026 Index[1]	6/30/2026 Portfolio	6/30/2026 Index[1]
Average Price ($)	99.15	98.30	99.14	97.85
Yield (%)	4.3	4.2	4.6	4.4
Duration (yrs)	3.7	3.7	3.7	3.7
OAS (bps)	34	24	32	20
Average Quality (S&P)	AA-	AA-	AA-	AA-

Sector Exposure	3/31/2026 Portfolio		3/31/2026 Index[1]		6/30/2026 Portfolio		6/30/2026 Index[1]	
	MV[2]	CTD[3]	MV[2]	CTD[3]	MV[2]	CTD[3]	MV[2]	CTD[3]
Investment-Grade Corporates	**35.5**	**1.50**	**29.1**	**1.20**	**37.6**	**1.56**	**29.3**	**1.21**
Financial	15.4	0.65	11.5	0.45	15.0	0.57	11.6	0.45
Industrial	15.4	0.65	15.3	0.64	17.4	0.79	15.2	0.64
Utilities	4.7	0.20	2.4	0.10	5.2	0.20	2.5	0.11
Structured	**11.8**	**0.30**	**0.0**	**0.00**	**12.5**	**0.32**	**0.0**	**0.00**
Agency MBS	1.3	0.01	0.0	0.00	5.3	0.16	0.0	0.00
Non-Agency MBS	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
CMBS	5.6	0.17	0.0	0.00	1.7	0.02	0.0	0.00
ABS	4.9	0.12	0.0	0.00	5.5	0.14	0.0	0.00
Government-Related	**0.9**	**0.03**	**5.9**	**0.22**	**1.8**	**0.09**	**6.0**	**0.22**
Sovereign/Quasi	0.3	0.02	5.7	0.21	1.2	0.08	5.8	0.21
Taxable Municipal	0.6	0.02	0.2	0.01	0.6	0.01	0.2	0.01
US Treasuries/Cash & Equivalents	**51.7**	**1.88**	**64.9**	**2.32**	**47.8**	**1.74**	**64.6**	**2.30**
High Yield	**0.3**	**0.01**	**0.0**	**0.00**	**0.3**	**0.01**	**0.0**	**0.00**

Quality Breakdown[4]	3/31/2026 Portfolio	3/31/2026 Index[1]	6/30/2026 Portfolio	6/30/2026 Index[1]
AAA/Cash and Equivalents	8	3	8	3
AA	57	69	57	69
A	21	14	19	14
BBB	13	14	16	14
Below BBB	1	0	0	0

Past performance is not indicative of future returns; future results may vary.

1. The Index for the City of Naperville portfolio is Bloomberg Intermediate Gov/Credit Index.
2. Market Value (MV) - Expressed in percentage of portfolio value.
3. Contribution to Duration (CTD) - Expressed in years.
4. Quality breakdown represents the Index methodology.

Market Outlook

Credit is a tale of two markets right now. At the risk of offending Charles Dickens with this analogy, we could even declare it the best of times for some issuers and the worst of times for others. A broad swath of the market is enjoying historically tight spreads, extremely low volatility, a wide-open primary market, stable fundamentals and steady inflows into the asset class. Conversely, those issuers who are financing the extraordinary AI buildout are testing investor's appetite (and patience) with relentless large-scale issuance that has seen more $25+ billion deals print this year (7) than in the last 6 years combined. This issuance has largely underperformed the broader market, with the sizeable new issue concessions being overshadowed by ticker fatigue and the re-emergence of a fast money trading community eager to lean on these deals. As with any new technological advancements, the fundamental analysis becomes a bit more art than science, but the valuations are difficult to ignore given the rapidly increasing exposure in the benchmark, as well as the dearth of opportunities available elsewhere in the market. We will have an unrelenting focus on this area of the market given the outsized impact it will likely have on alpha generation. We are also constantly evaluating opportunities to take advantage of the ever-shifting relative value differentials between hyperscalers and their associated data center project bonds.

The rest of the market can best be described as lifeless. Following the April rally (the best month for IG corporates since May 2025), the OAS on the Bloomberg Corporate Index has been tethered near its 27-year tights for the last two months with very little differentiation by issuer or sector. A strong earnings season lent further support to the steady fundamental backdrop, while the overarching theme in the market continues to be exceptional yield-driven demand. The change in Fed leadership and its focus on tempering inflation has pushed index yields back to the highs of the year – and we would expect that to spur continued buying from foreign investors, insurance companies, and retail. Fortunately for these (seemingly) indiscriminate buyers, there is no shortage of bonds for them to buy – courtesy of the primary market which is on pace to shatter previous issuance records. The voracious demand has allowed concessions to stay minimal, sapping what is traditionally a steady source of alpha. We entered the year cautioning that this may be the year that the technicals flips – and supply finally outweighs demand. Currently, this push-pull seems to be in perfect equilibrium to support historically tight valuations – but we struggle to believe today's paltry compensation is appropriate for the risks that this equilibrium breaks.

From a risk standpoint, we are still troubled by the asymmetry in the market. Outside of the AI-related names, we believe these conditions are about as good it gets for most issuers. Conversely, we don't have to be the aforementioned Victorian era novelist to conjure up the myriad of potholes that could give this market a flat tire. With carry being the best outcome we can envision here for the remainder of the year, our positioning remains little changed. As always, we want to focus on investing in issues that we believe offer attractive risk-adjusted returns. The opportunities for compression are limited, and superior credit research is just as critical for identifying (and avoiding) the underperformers in this market as is it for finding those issuers who still have room for meaningful outperformance. From a curve standpoint, we still expect spread curves to steepen on back of higher long end issuance, and so we will continue to be underweight spread duration out the curve in favor of a heavier allocation to intermediate credit which offers more attractive break-evens. From a sector perspective, we continue to favor sectors which we believe have a more defensive profile and would outperform in a spread widening event.

The market (ex-hyperscalers) is homogenous. Tight spreads and low volatility make for a bitter cocktail for fundamental credit investors. Our conviction is high though that at some point fundamentals will matter again. Hyperscalers are the Page Six of the corporate bond market, and despite our relentless focus on being on the right side of that trade, we are equally staunch in our efforts to cull through the other 95% of the market and take advantage of mispriced relative value relationships that are a product of a market that is too complacent and too compressed. We realize this is a tough environment to truly differentiate returns versus more systematic approaches, but as the market has proven time and time again, fundamentals will matter and we intend to be well positioned for that environment.

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CITY OF NAPERVILLE

Investment Performance Review
For the Quarter Ended June 30, 2026

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Agenda

- Market Update
- Portfolio Review

Market Update

Current Market Themes

- U.S. growth remains resilient as AI-driven investment offsets a moderating consumer
  - Headline inflation may be at or near its peak as the energy shock fades, though flare-ups in the Middle East conflict and potential delayed passthroughs to core inflation remain key risks
  - The labor market is in balance, though real wage growth remains modest
  - AI investment continues to drive growth while fueling inflation in tech-related categories

- The Federal Reserve (Fed) left policy rates unchanged at 3.50-3.75%
  - New Fed Chair Kevin Warsh stressed restoring price stability
  - Forward guidance was removed to refocus markets on economic fundamentals and incoming data rather than the Fed's policy response
  - Nine participants projected a 2026 rate hike though Warsh did not submit projections

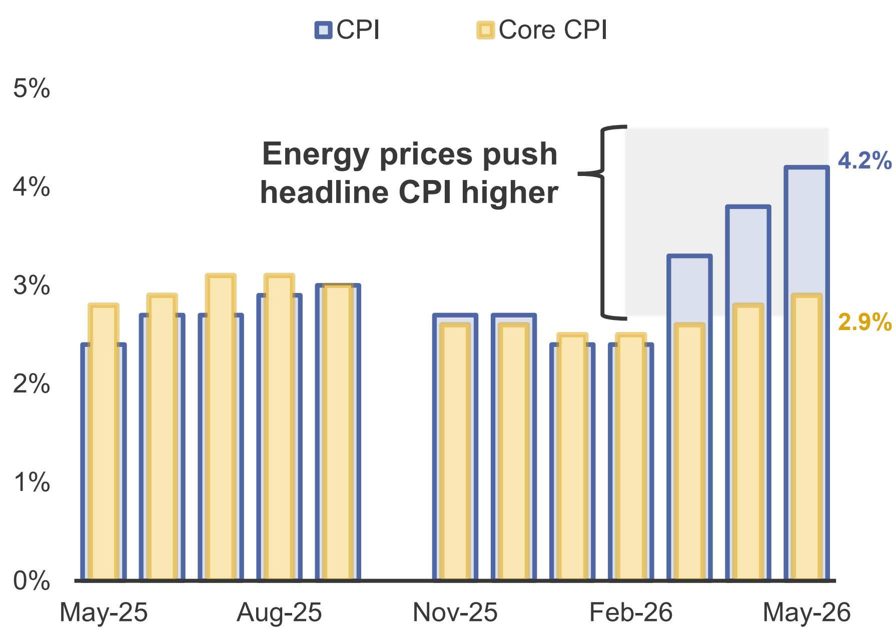
- Treasury yields moved higher on a more hawkish Fed
  - Given current pricing of Fed rate hikes, we continue to find value in the front end
  - Longer-term rates face two-sided risks from inflation and growth dynamics
  - Credit spreads remain tight as resilient growth, stable labor conditions, and strong demand outweigh valuation concerns

Source: Details on market themes and economic indicators provided throughout the body of the presentation. Bloomberg Finance L.P., as of June 30, 2026.

Implications of the Energy Shock

- **Higher energy costs lift headline inflation but the Fed remains attentive to broader passthroughs to core goods and services**
  - Oil prices ended the quarter near pre-conflict levels after peaking in April
  - Headline inflation may be at or near peak as energy supply normalizes
  - Fed remains focused on long-run inflation expectations

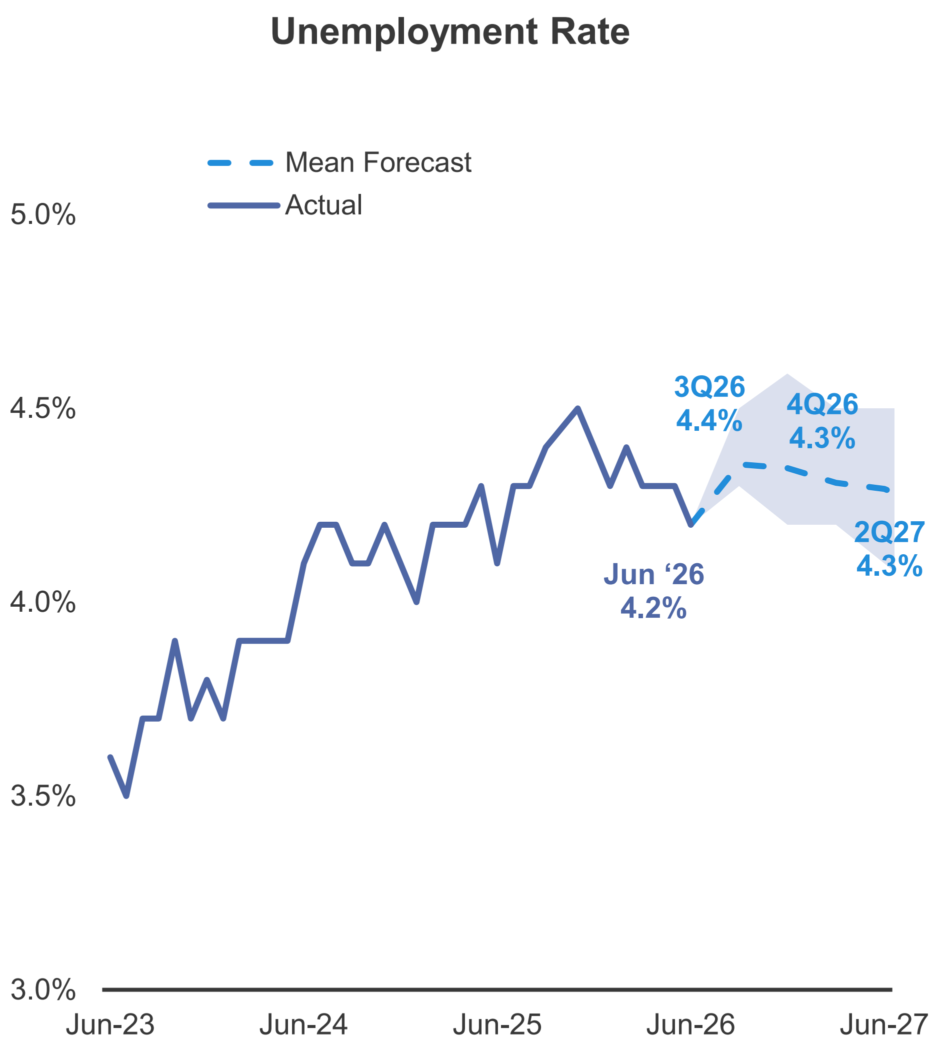
Consumer Price Index
Year-over-Year Change

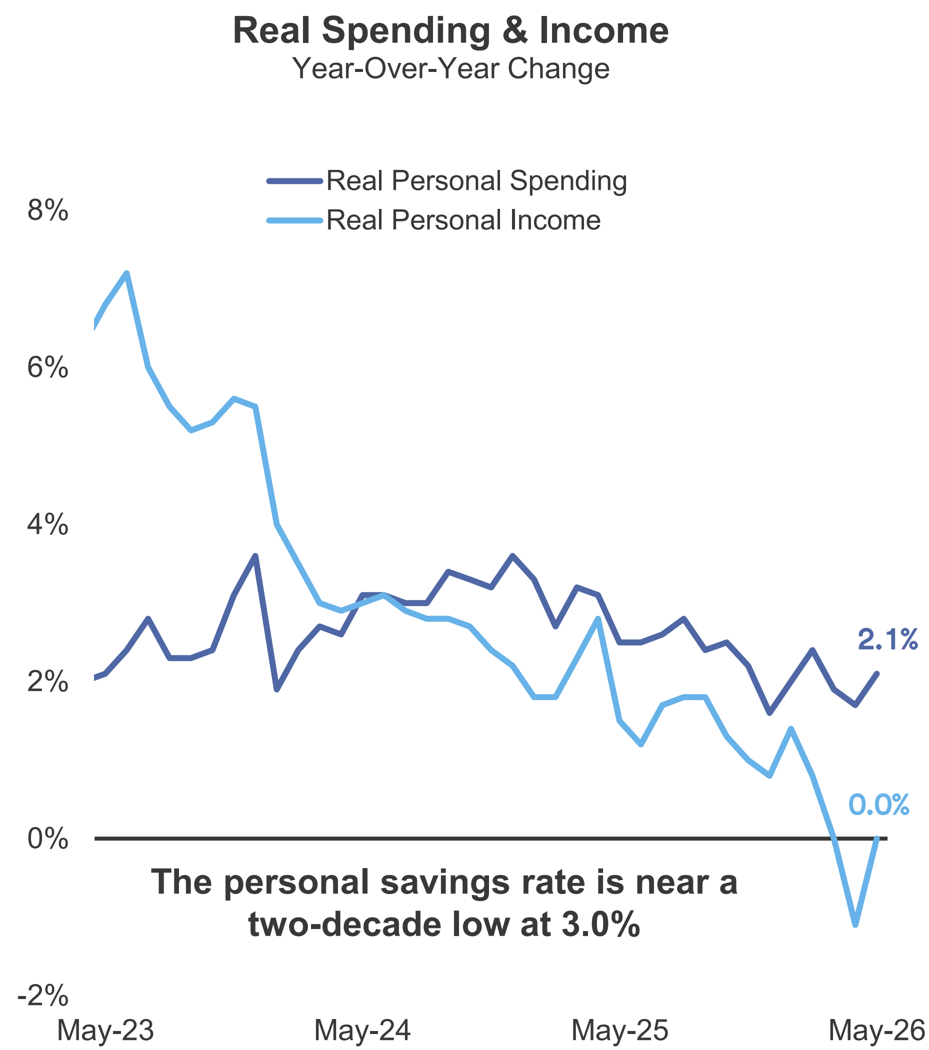


Forward Inflation Expectations
June 30, 2025 to June 30, 2026

Source: Bloomberg Finance L.P. and Bureau of Labor Statistics. CPI as of May 2026. Market implied inflation expectations shown using 1-year and 5-year inflation swaps as of June 30, 2026.

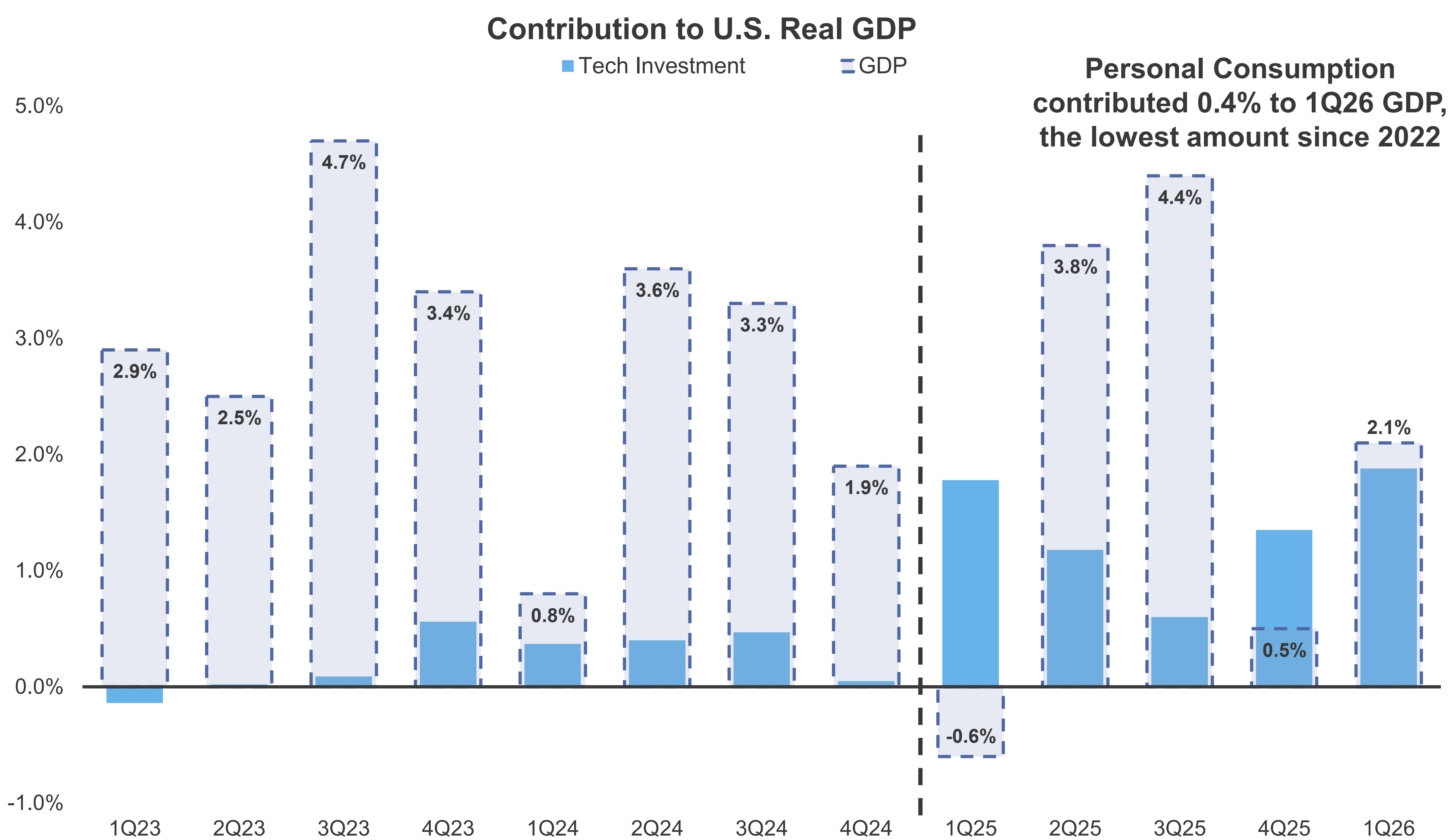
Labor Market Remains Balanced But Purchasing Power Erodes





Source: Bloomberg Finance L.P. and Bureau of Economic Analysis as of May 2026. Bureau of Labor Statistics as of June 2026. Survey responses after June 26, 2026, included in mean and forecast range. Shading represents the central 80% of the forecasts.

Technology Investment Offsets Moderating Consumption



Source: Bloomberg Finance L.P. and Bureau of Economic Analysis as of March 2026. Tech investment contains contributions to GDP from computers and peripheral equipment, information processing equipment, and software.

Factors Shaping Our Economic Outlook

Negative

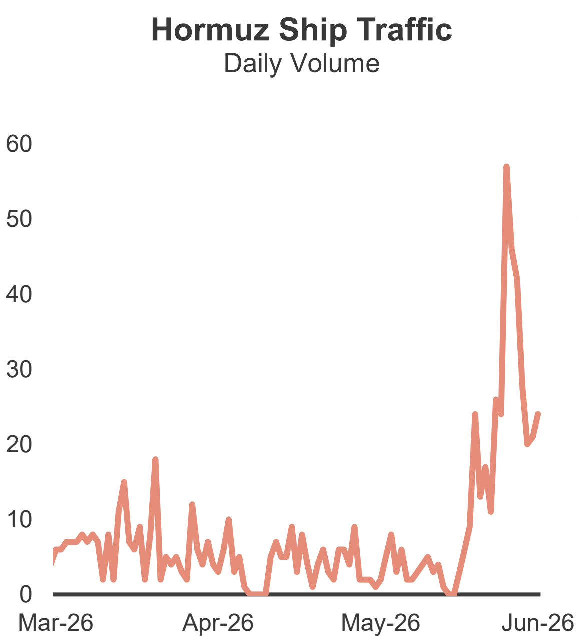
- Geopolitical uncertainty and supply chain disruptions
- Savings rate near record low
- Increasing retail credit card balances

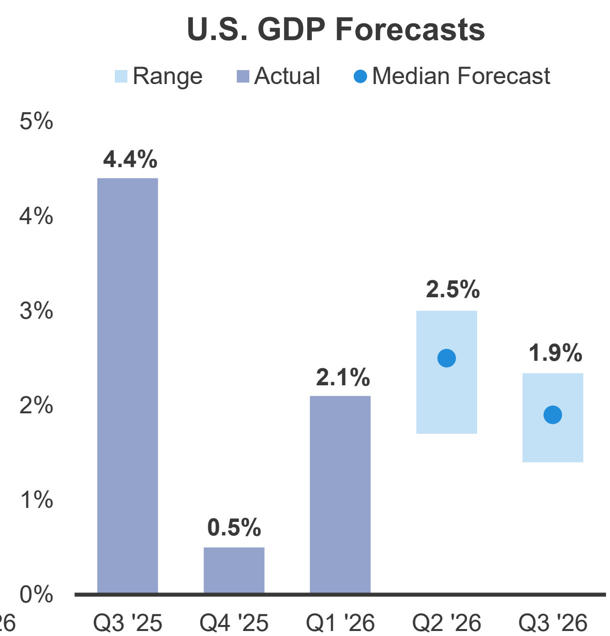
Neutral

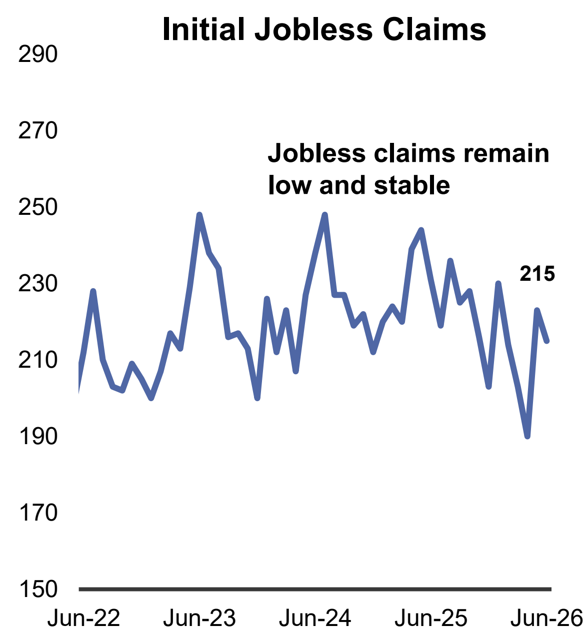
- Fed policy uncertainty
- Core inflation passthrough from energy shock modest thus far
- U.S. growth near trend but led by AI investment

Positive

- Low layoffs and stable unemployment rate
- Corporate fundamentals
- Supportive fiscal policy







Sources: Bloomberg Finance L.P. as of June 30, 2026, Bureau of Economic Analysis as of March 31, 2026, and Department of Labor as of June 19, 2026. Survey responses after June 26, 2026, included in median and forecast range. Shading represents the central 80% of the forecasts.

New Fed Leadership and a Modified Approach

Hawkish Lean

- Fed voted unanimously to keep rates unchanged
- New Chair Kevin Warsh reaffirmed commitment to 2% inflation target, noting the Fed has "some work to do"
- Dot plot showed 9 of 18 participants projected at least one hike in 2026

Less Forward Guidance

- Statement pared back and more factual in nature
- No dot or projections submitted by Warsh
- Chair Warsh argued markets should focus on economic fundamentals and incoming data rather than anticipated policy responses

New Task Forces

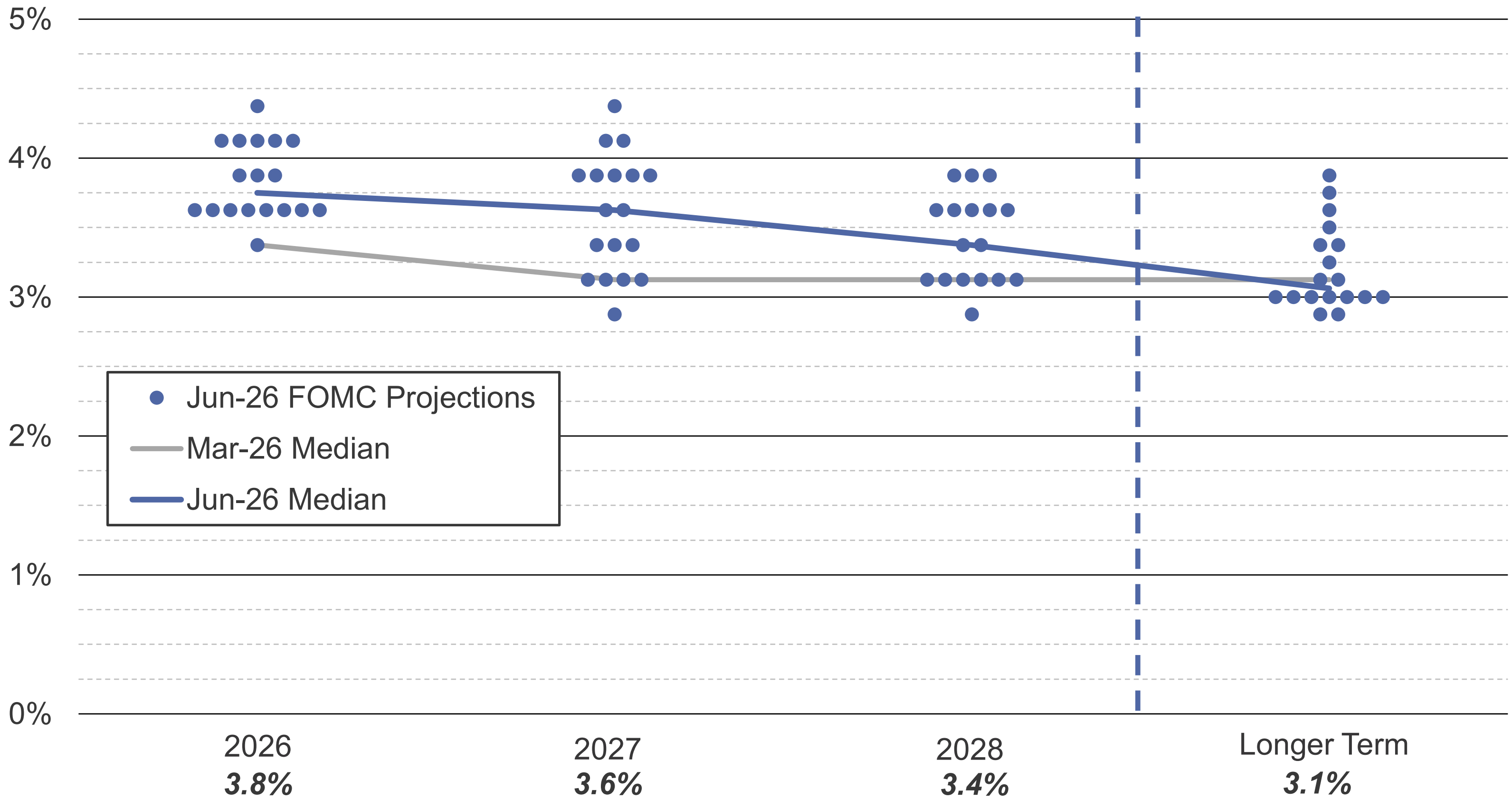
- Five task forces established with initial findings expected by year-end
- Covers communications, balance sheet, data, productivity and jobs, and inflation framework
- 2% inflation target not in scope of task forces

Source: Federal Reserve and Kevin Warsh as of June 17, 2026.

The Latest Fed “Dot Plot”

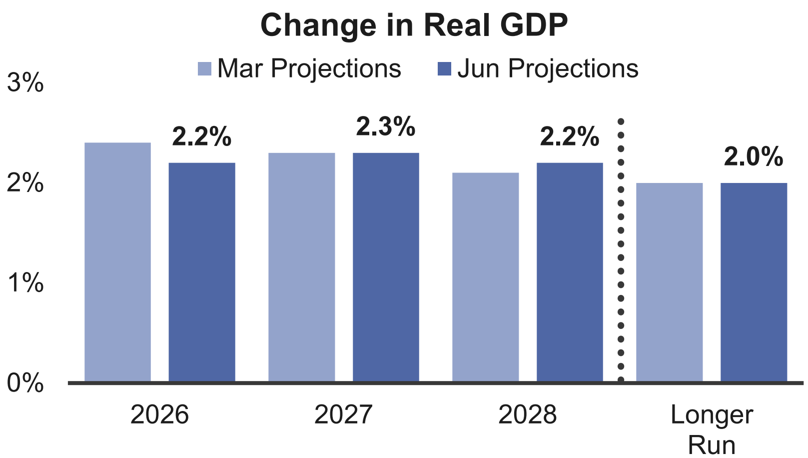
The Fed acknowledged inflation remained above the 2% target. However, it noted economic growth is expanding at a solid pace while the unemployment rate has remained little changed.

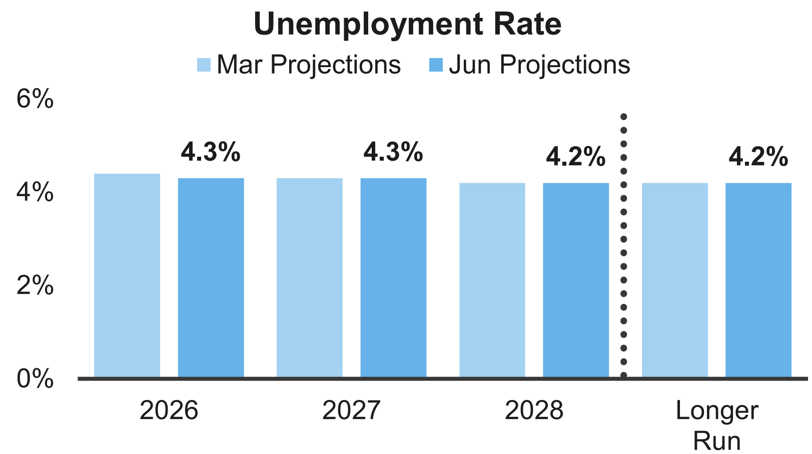
Fed Participants’ Assessments of ‘Appropriate’ Monetary Policy

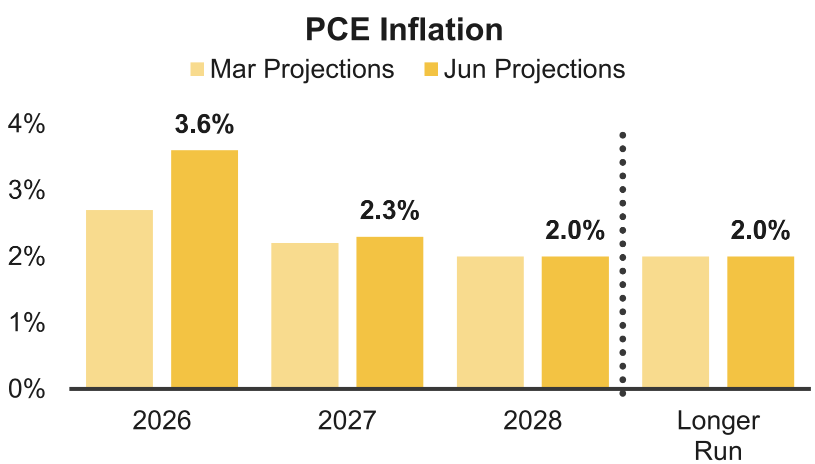


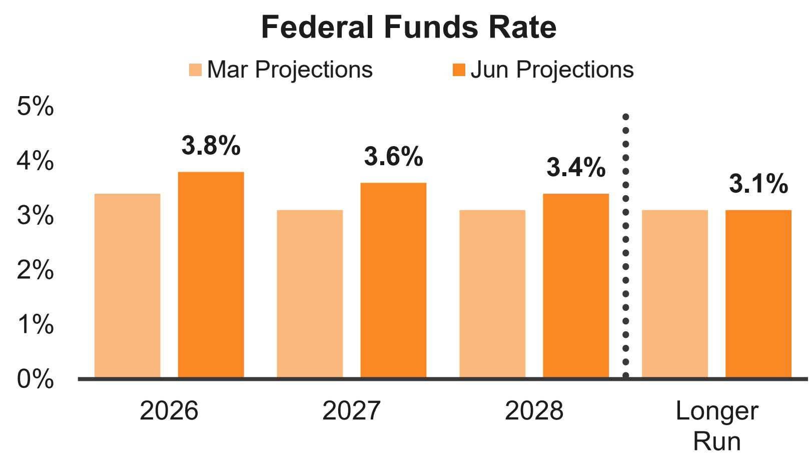
Source: Federal Reserve; Bloomberg Finance L.P. Individual dots represent each Fed member’s judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end. As of June 17, 2026.

Fed's Updated Summary of Economic Projections



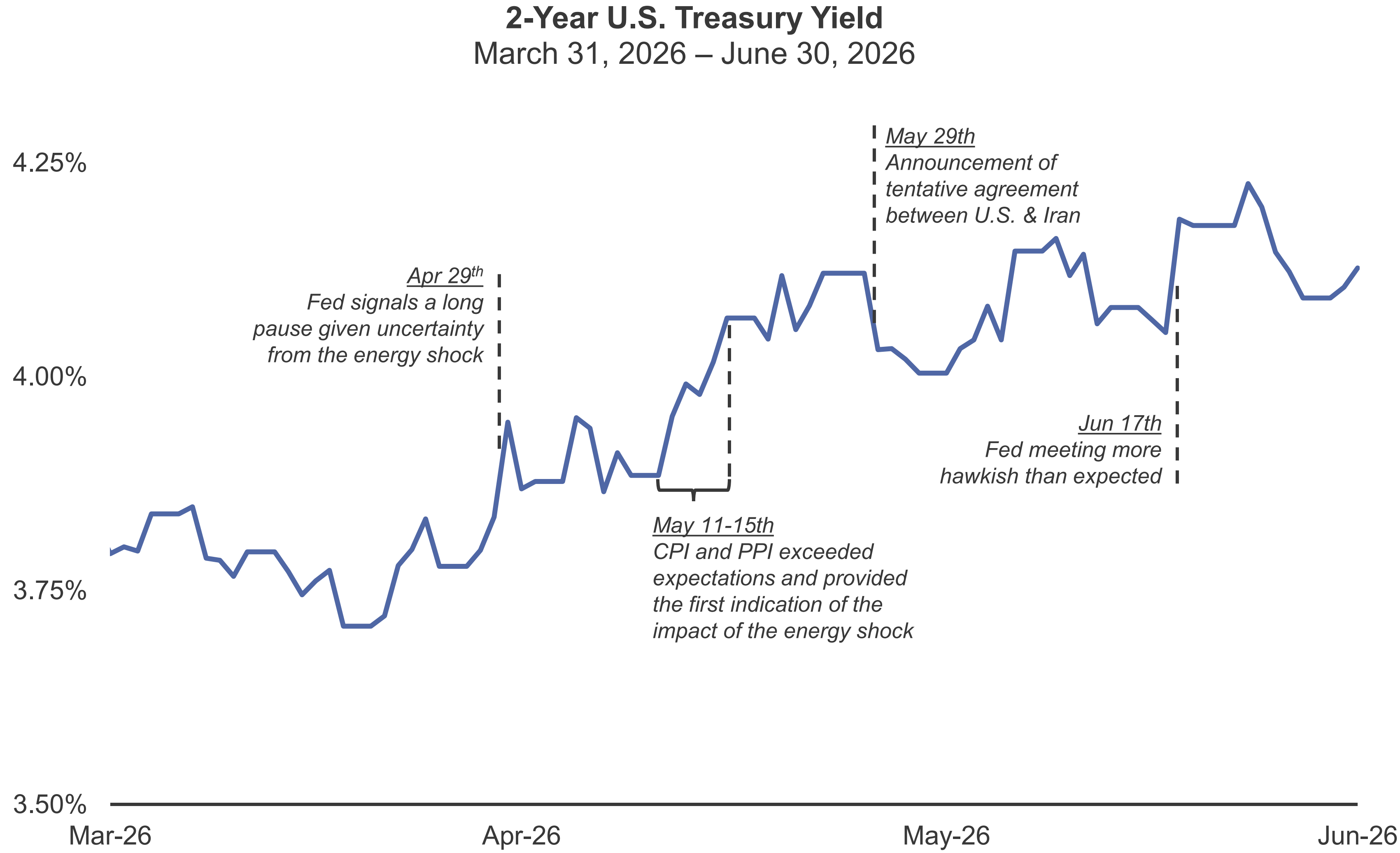






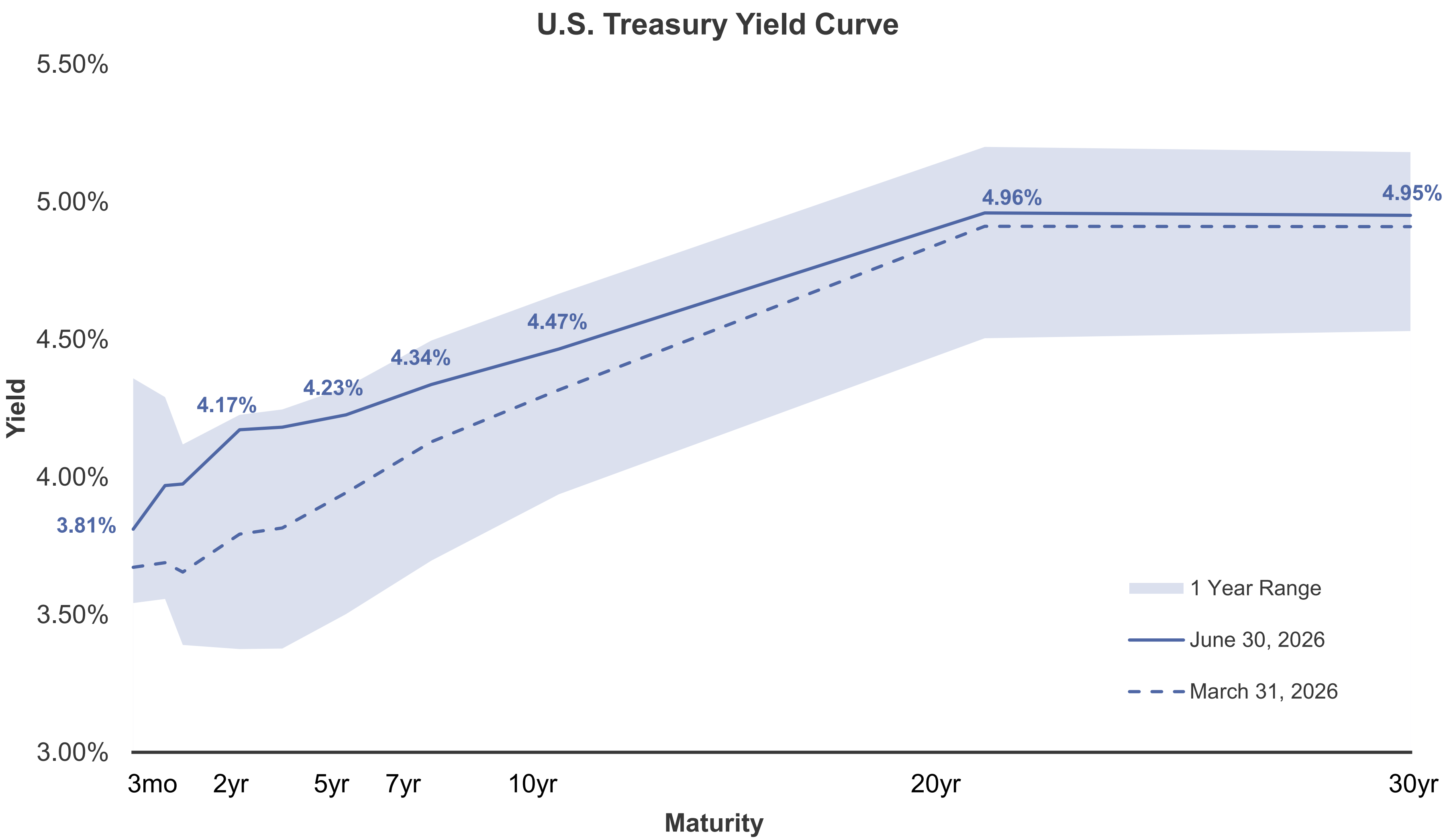
Source: Federal Reserve, latest economic projections as of June 2026.

2-Year Treasury Yield Moves Higher



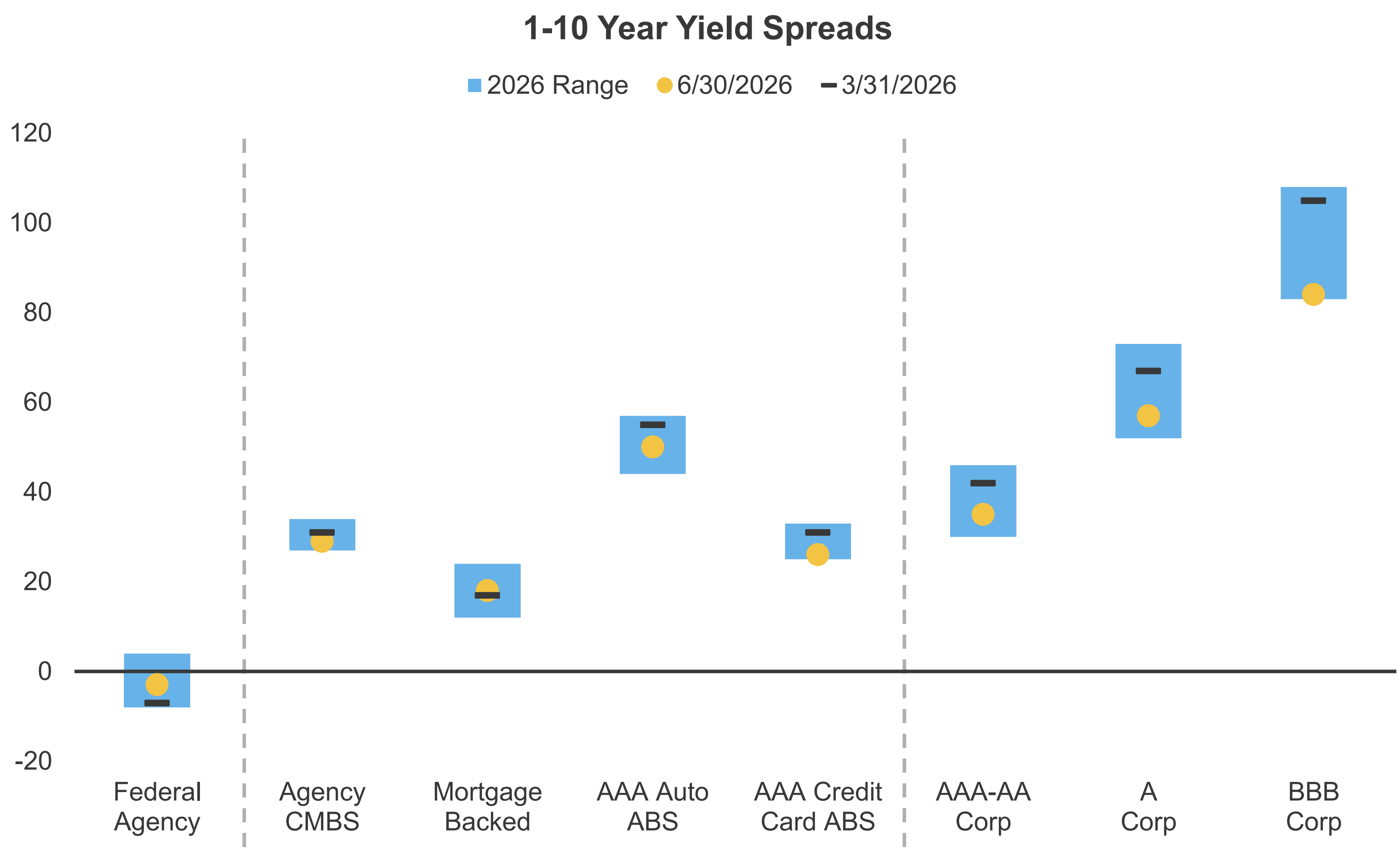
Source: Bloomberg Finance L.P., as of June 30, 2026.

Treasury Yields Rise Across the Curve



Source: Bloomberg Finance L.P., as of June 30, 2026.

Sector Yield Spreads



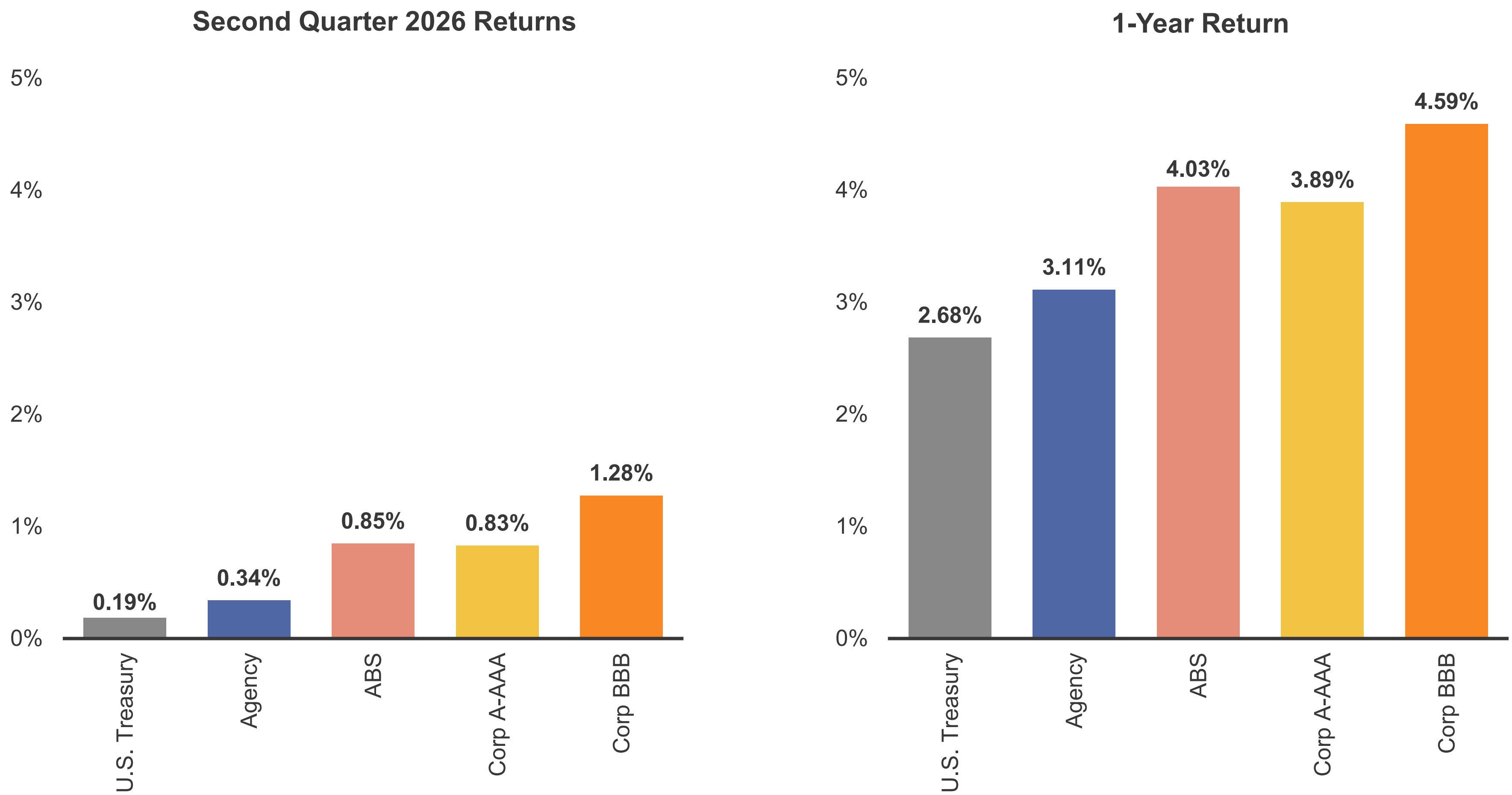
Source: ICE BofA 1-10 year Indices via Bloomberg Finance L.P. as of June 30, 2026. Spreads on ABS and MBS are option-adjusted spreads based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries.
CMBS is Commercial Mortgage-Backed Securities and represented by the ICE BofA Agency CMBS Index.

Fixed-Income Index Excess Returns

Source: ICE BofA Indices. ABS indices are 0-10 year, based on weighted average life. Agency CMBS represented by ICE BofA Agency CMBS Index. As of June 30, 2026.

Fixed-Income Index Total Returns in 2Q 2026

1-10 Year Indices



Source: ICE BofA Indices. ABS indices are 0-10 year, based on weighted average life. As of June 30, 2026.

2-Year Treasury Yield Remains Attractive

Source: Bloomberg Finance L.P., as of June 30, 2026.

Government Sector Strategy

AGENCY BULLETS

Tight spreads with limited upside

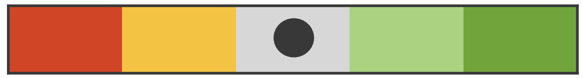
Summary:

- Most securities trade at or through Treasuries, limiting relative value
- Limited issuance continues to support tight spreads
- Lack of clear widening catalyst keeps spreads anchored

Outlook:

- Spreads likely to remain very tight given supportive technicals
- Look to rotate into better relative value alternatives in other sectors
- Monitor potential Fannie Mae and Freddie Mac privatization

CALLABLE AGENCIES



Selective opportunities

Summary:

- Recent widening has improved valuations, though most secondary offerings remain at negative OAS
- Elevated redemption activity continues to support issuance
- Structures with longer lockouts may provide selective value

Outlook:

- Evaluate selectively with a preference for longer lockouts
- Focus on structures providing compensation for optionality

SUPRANATIONALS

Limited relative value

Summary:

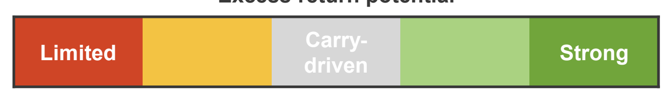
- Offers 5 to 10 bps of value over Agencies but spreads remain historically tight
- Flat spread curve favors shorter maturities inside 2.5 years
- Strong technicals supported by slower issuance and strong demand

Outlook:

- Tight spreads and limited opportunities likely to persist
- Look to sell for rebalancing or sector rotation

Excess return potential

● **Current outlook**



Statements and opinions were developed based on our independent research with information obtained from Bloomberg. The views expressed within this material constitute the perspective and judgment of PFM Asset Management at the time of distribution (6/30/2026) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management cannot guarantee its accuracy, completeness, or suitability.

Corporate Sector Strategy

OVERALL		Attractive all-in yields, rich valuations

Fundamentals:

Negative — Neutral — Positive

- Corporate fundamentals remain supportive with strong profitability and low default risk

Technicals:

Negative — Neutral — Positive

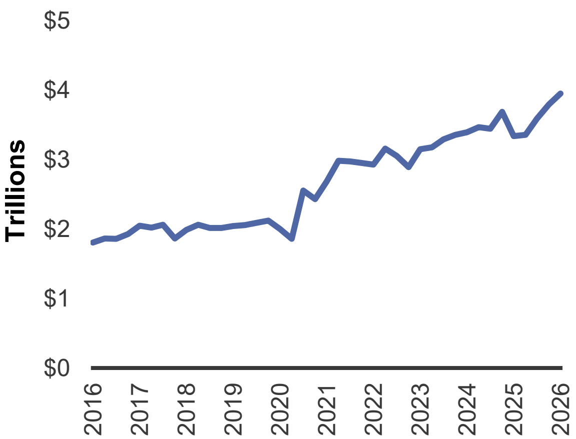
- Robust institutional and yield-driven demand remains sufficient to absorb elevated new issuance and support spreads

Valuations:

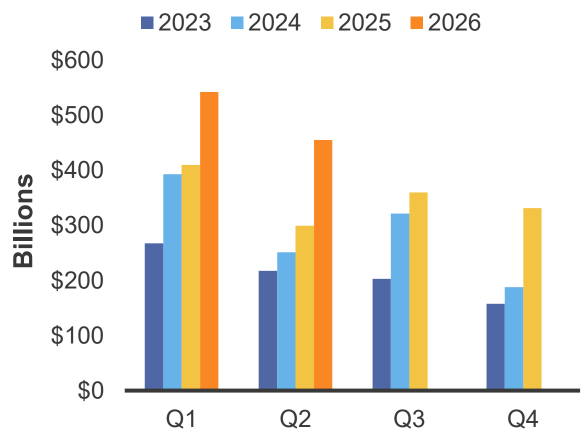
Rich — Neutral — Cheap

- Rich valuations limit further spread tightening potential, leaving carry as the primary driver of returns

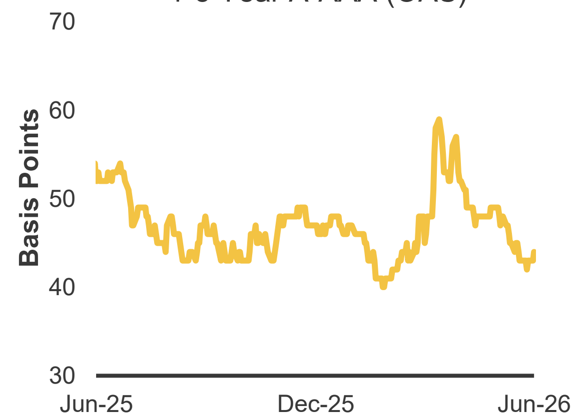
Corporate Profits
After Tax



US IG Corp Issuance



Corporate Yield Spreads
1-5 Year A-AAA (OAS)



Current outlook

Excess return potential

Limited		Carry-driven		Strong

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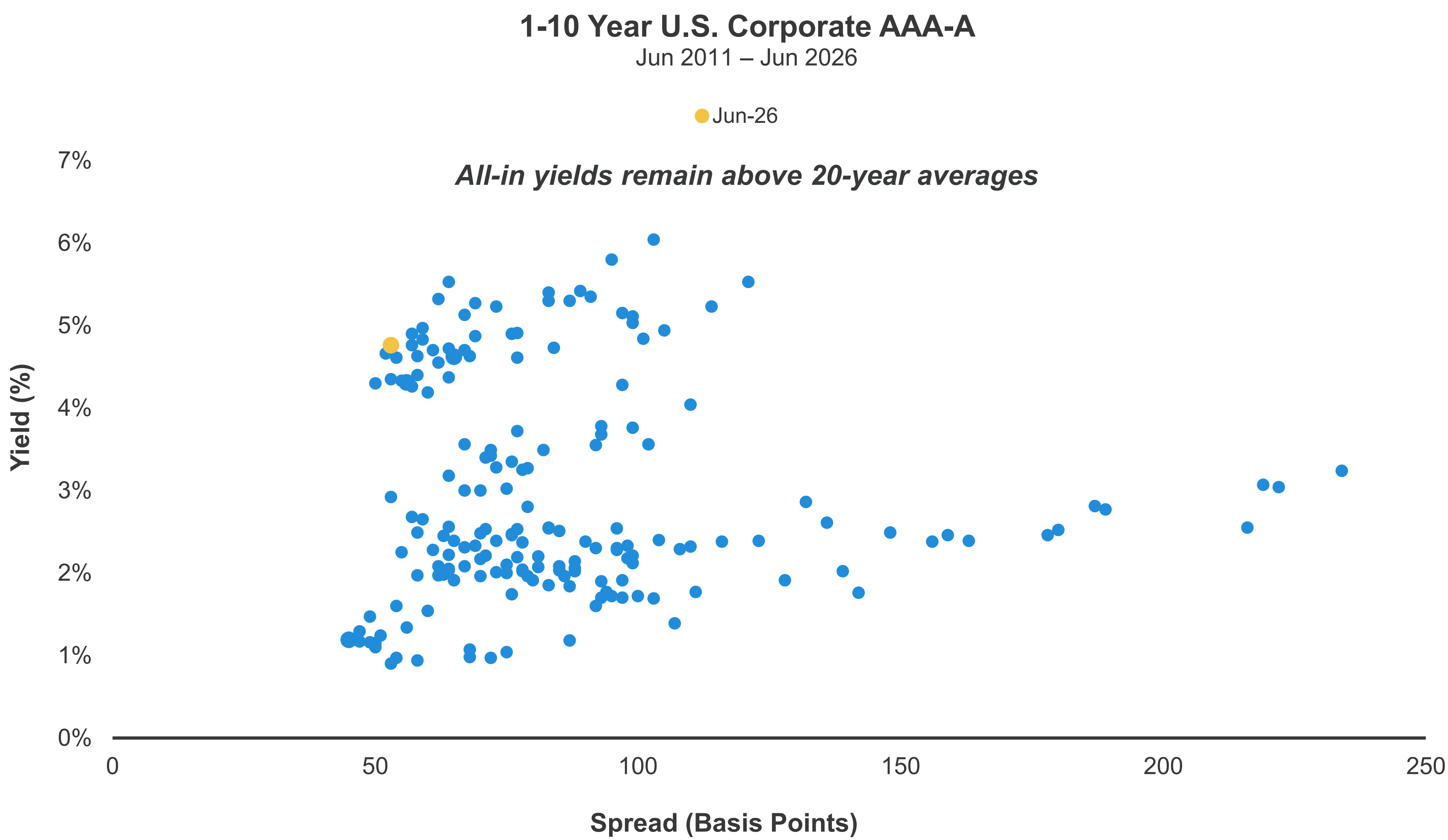
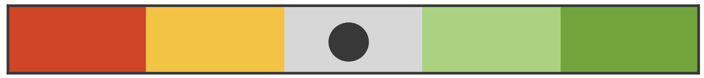
Corporate Index Yield vs OAS (2011 – 2026)



Source: Bloomberg Finance L.P., ICE BofA Indices. Spread is option adjusted spread (OAS). Monthly data from June 2011 to June 2026.

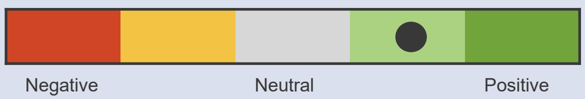
Asset-Backed Sector Strategy

OVERALL



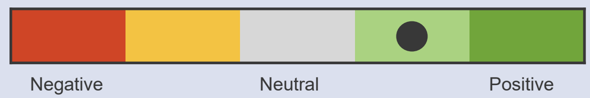
Attractive all-in yields, rich valuations

Fundamentals:



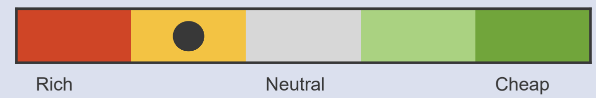
- Robust credit enhancements and stable consumer continue to support sector

Technicals:



- Strong issuance met by healthy institutional investor and yield-driven demand

Valuations:



- Spreads modestly rich with carry expected to drive returns

ABS Fundamentals

Fitch Prime ABS Indices: 2000-2026

60+ Day Delinquency

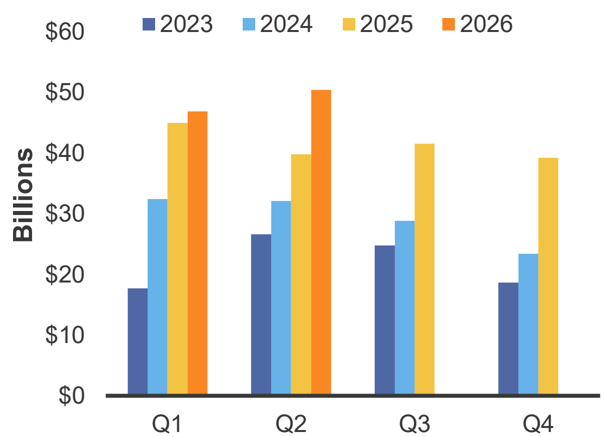
	Current	GFC Peak	Average
Card	0.9%	6.5%	2.0%
Auto	0.4%	0.9%	0.4%

Annualized Net Losses/Charge-offs

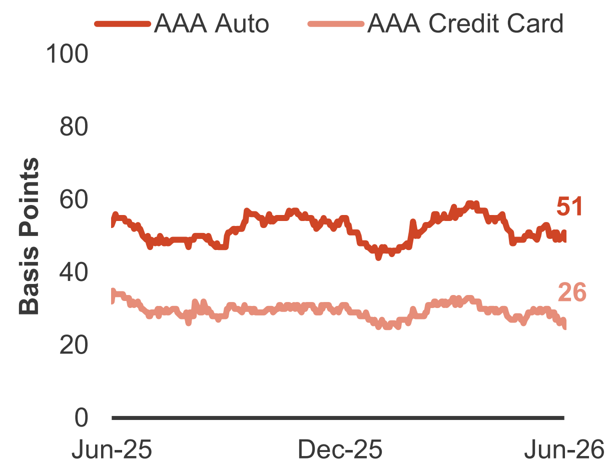
	Current	GFC Peak	Average
Card	2.9%	11.5%	4.5%
Auto	0.4%	2.2%	0.7%

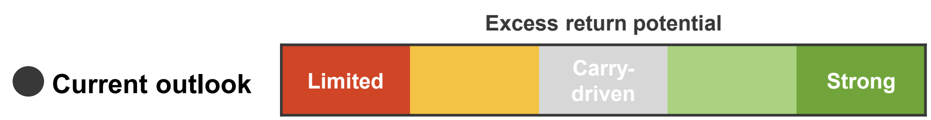
AAA ABS Issuance

Autos, CC, Equip, Utilities



ABS Yield Spread (OAS)





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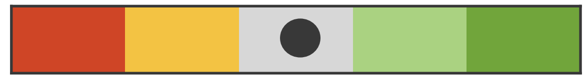
Mortgage-Backed Sector Strategy

AGENCY MBS

Carry offset by rich valuations

Summary:
- Recent widening has improved valuations though spreads remain rich relative to historic levels
- GSE purchases continue to support technicals, though broader investor demand remains modest
- Rich valuations and elevated rate volatility limit upside

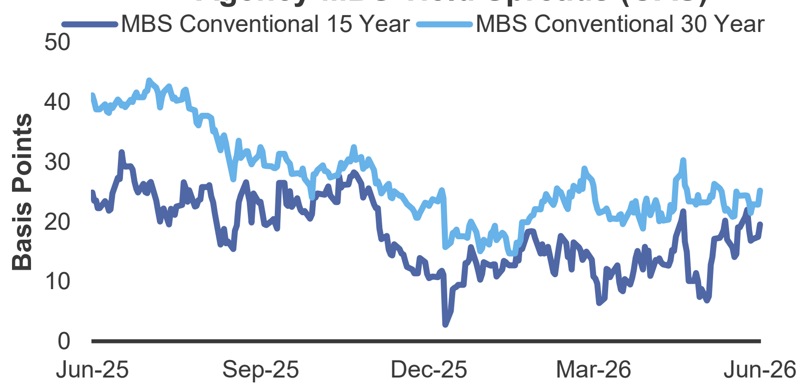
AGENCY CMBS



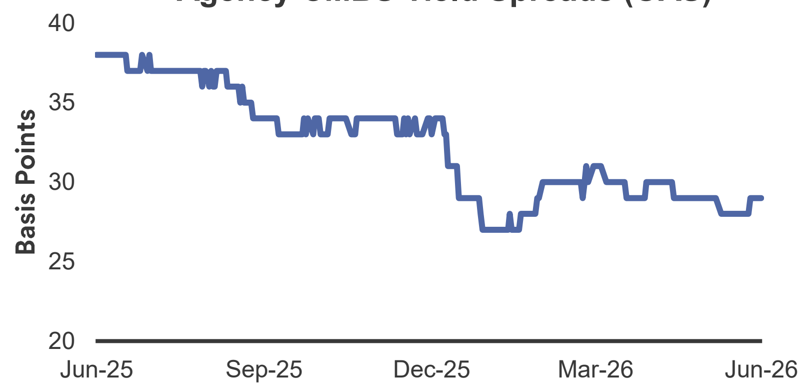
Carry supported by strong technicals

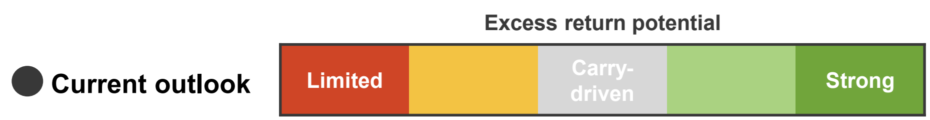
Summary:
- Valuations remain near record tights with most maturities in the lowest 10% of historic observations
- Strong bank demand continues to absorb elevated issuance supporting spreads
- Less sensitive to interest rate volatility

Agency MBS Yield Spreads (OAS)



Agency CMBS Yield Spreads (OAS)





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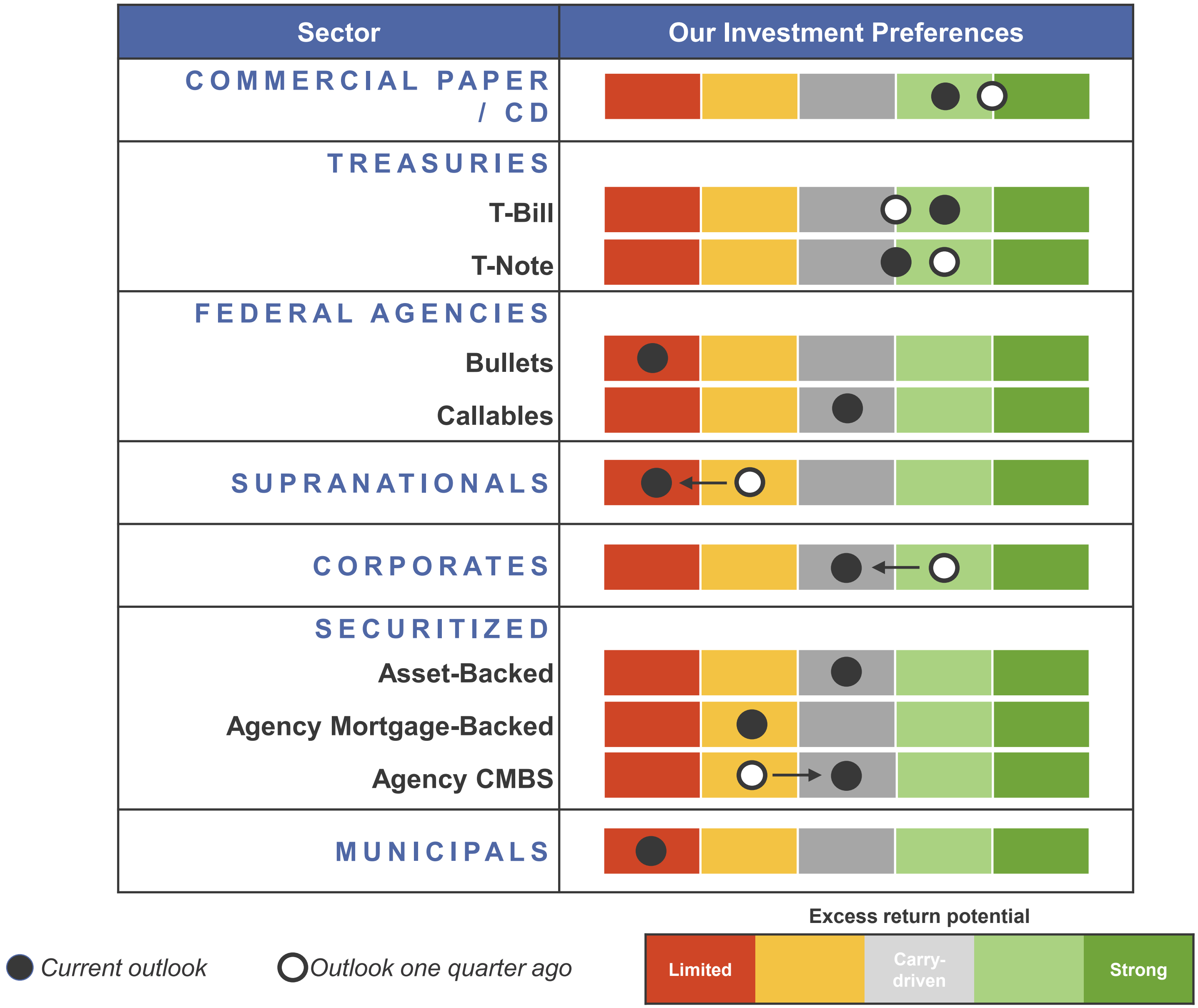
Fixed-Income Sector Outlook – 3Q 2026



Fixed-Income Sector Commentary – 2Q 2026

- The **Federal Reserve** held rates steady at Kevin Warsh's first meeting as Chair, removing forward guidance from the policy statement and reaffirming its commitment to price stability. The June "dot plot" turned more hawkish, showing no rate cuts in 2026 and nine policymakers penciling at least one hike this year.
- The **U.S. Treasury** yield curve continued to flatten over the quarter. with a notable sell-off in the front end. The 2-year yield surpassed 4% for the first time in over one year, which is a key technical threshold.
- **Federal Agency & supranational** issuance remained limited, keeping spreads narrow and excess returns muted. Market concerns around privatization have abated for the time being.
- **Investment-grade (IG) corporate** bonds benefited from strong investor demand and generally healthy corporate fundamentals. Credit spreads returned toward historically rich valuations, supporting excess returns during the quarter.
- **Asset-Backed Securities** continued to benefit from resilient collateral performance and strong investor demand. Spreads narrowed modestly but widened versus corporates, improving relative value. Auto loan collateral marginally outperformed credit card receivables, which posted negative excess returns for the quarter.
- Thirty-year **Agency-backed mortgage-backed securities (MBS)** generated solid excess returns in the quarter and outperformed 15-year tenors, which lagged Treasuries. Lower volatility supported excess returns. **Agency-backed commercial MBS (CMBS)** also generated positive excess returns for the quarter but continue to trail residential MBS.
- **Short-term credit** (commercial paper and negotiable bank CDs) yield spreads remained attractive through the quarter, with additional opportunities emerging across the money market credit curve into quarter-end. Floating-rate notes also saw notable spread widening, ending the quarter 10-15 bps wider.

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Fixed-Income Sector Outlook – 3Q 2026

- We find the front end of the **U.S. Treasury** curve attractive given current pricing for Fed rate hikes. For shorter-duration strategies, we prefer a modestly longer duration stance and for longer duration strategies we will maintain a curve steepening bias through a modest underweight to the long end.
- **Federal Agency & Supranational** spreads are likely to remain at tight levels. Government-only accounts may find occasional value on an issue-by-issue basis.
- **Taxable Municipals** continue to offer limited opportunity as ongoing supply constraints and strong demand keep yields compressed. We do not expect this dynamic to change in the near term.
- **Investment-Grade (IG) Corporate** bonds are supported by technicals and stable fundamentals. All-in yields remain attractive; however, the recent spread tightening has reduced value in the sector. While corporate fundamentals remain favorable, we believe limited room exists for further spread compression and expect income generation and carry to be the primary contributors to returns going forward.
- **Asset-Backed Securities** fundamentals remain within expectations and credit enhancements remain robust. Prime loan delinquencies are stable and well below historical averages, though the subprime sector has shown some pressure. We remain constructive on the sector given its diversification benefits and favorable fundamentals. We believe security selection will become increasingly important as spreads remain below longer-term averages.
- Despite recent **Mortgage-Backed Securities** performance, we continue to view valuations as rich relative to historical levels, which may limit future excess return opportunities.
- **Short-term credit** (commercial paper and negotiable bank CDs) spreads are expected to be primarily driven by the FOMC's monetary policy decisions. Given the hawkish repricing we anticipate more opportunities over the quarter.

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Factors to Consider for 6-12 Months

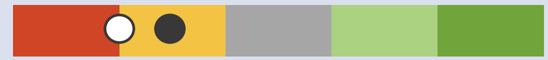
Monetary Policy (Global):

- The Federal Reserve held rates steady at Chair Warsh's first meeting and removed forward guidance while shifting its focus to price stability.
- The June "dot plot" shifted more hawkish, showing no projected rate cuts in 2026 while nine policymakers projected at least one hike this year.
- Warsh launched five task forces to review Fed operations and key policy frameworks.
- Global central banks diverged, with ECB and BoJ hiking on persistent inflation while others remain on hold.

Economic Growth (Global):

- Global growth prospects improved following easing Middle East tensions, easing a key overhang on global supply chains and energy prices.
- AI-related capex and easing tariff pressures are expected to continue offsetting softening in consumer demand.
- Risks remain skewed to the downside given geopolitical uncertainty and signs of softer consumer demand.

Inflation (U.S.):

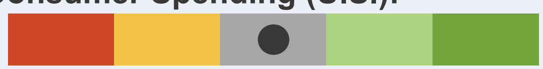


- Headline inflation remains above target but may be at or near its peak as falling oil prices provide a disinflationary impulse.
- Core services inflation remains sticky while core goods inflation remains muted as easing tariff pressures offset AI-fueled inflation.
- Producer prices suggest lingering supply-chain pressures, increasing the risk of cost passthroughs.
- While long-run inflation expectations remain anchored, the Fed remains focused on the passthrough of higher energy into core inflation.

Financial Conditions (U.S.):

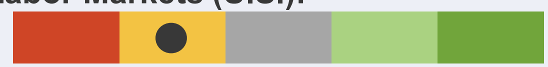
- Equity and fixed-income markets largely looked through the Middle East conflict, remaining focused on fundamentals and earnings strength.
- Strong corporate fundamentals persist and credit spreads are back near historical tights reflecting investor demand for yield.
- AI-related capex continues to drive significant capital flows, supporting equity valuations and elevated investment-grade issuance.
- Elevated valuations, large capital raises, geopolitical uncertainty, and energy price volatility remain key risks.

Consumer Spending (U.S.):



- Consumers remained resilient throughout the quarter despite higher energy costs but are beginning to show signs of softening.
- Real wages have turned modestly negative as inflation outpaces nominal wage gains, eroding purchasing power.
- The savings rate has fallen to multi-year lows, leaving consumers with less cushion.
- Consumer spending remains supported by higher-income households while affordability pressures persist for lower-income consumers.

Labor Markets (U.S.):



- The labor market has continued to show resilience, with recent payroll gains exceeding expectations and the unemployment rate holding steady.
- Hiring breadth remains narrow, concentrated in healthcare and social assistance.
- The "low-hire, low-fire" dynamic persists, with labor demand stable but hiring activity subdued.
- Slowing population growth and a softer labor force participation rate point to a structurally tighter supply of labor going forward.

● **Current outlook** ○ **Outlook one quarter ago**

Stance Unfavorable to Risk Assets	Negative	Slightly Negative	Neutral	Slightly Positive	Positive	Stance Favorable to Risk Assets

Statements and opinions expressed about the next 6-12 months were developed based on our independent research with information obtained from Bloomberg Finance L.P. and FactSet. The views expressed within this material constitute the perspective and judgment of PFM Asset Management at the time of distribution (6/30/2026) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management cannot guarantee its accuracy, completeness, or suitability.

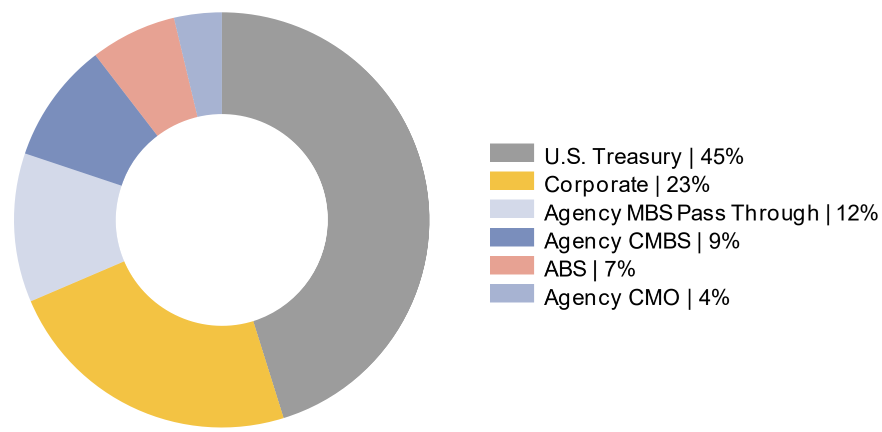
Portfolio Review:
CITY OF NAPERVILLE

Portfolio Snapshot - CITY OF NAPERVILLE[1]

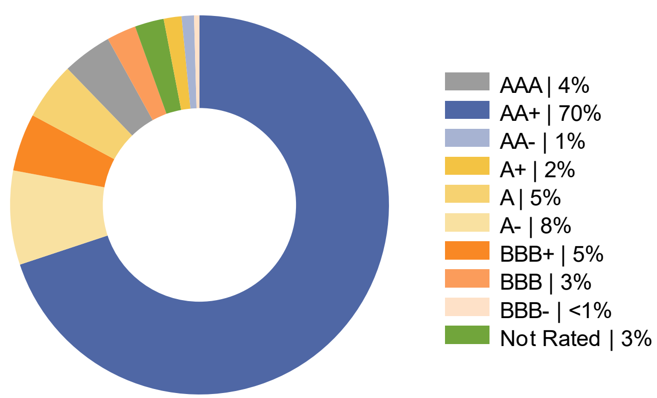
Portfolio Statistics

Total Market Value	$108,285,225.68
Securities Sub-Total	*$105,301,154.83*
Accrued Interest	*$740,416.70*
Cash	*$2,243,654.15*
Portfolio Effective Duration	3.48 years
Benchmark Effective Duration	3.54 years
Yield At Cost	4.00%
Yield At Market	4.55%
Portfolio Credit Quality	AA

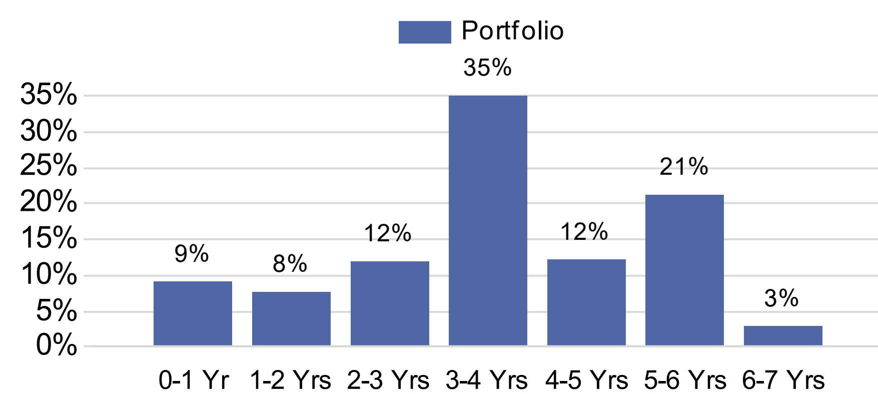
Sector Allocation



Credit Quality - S&P

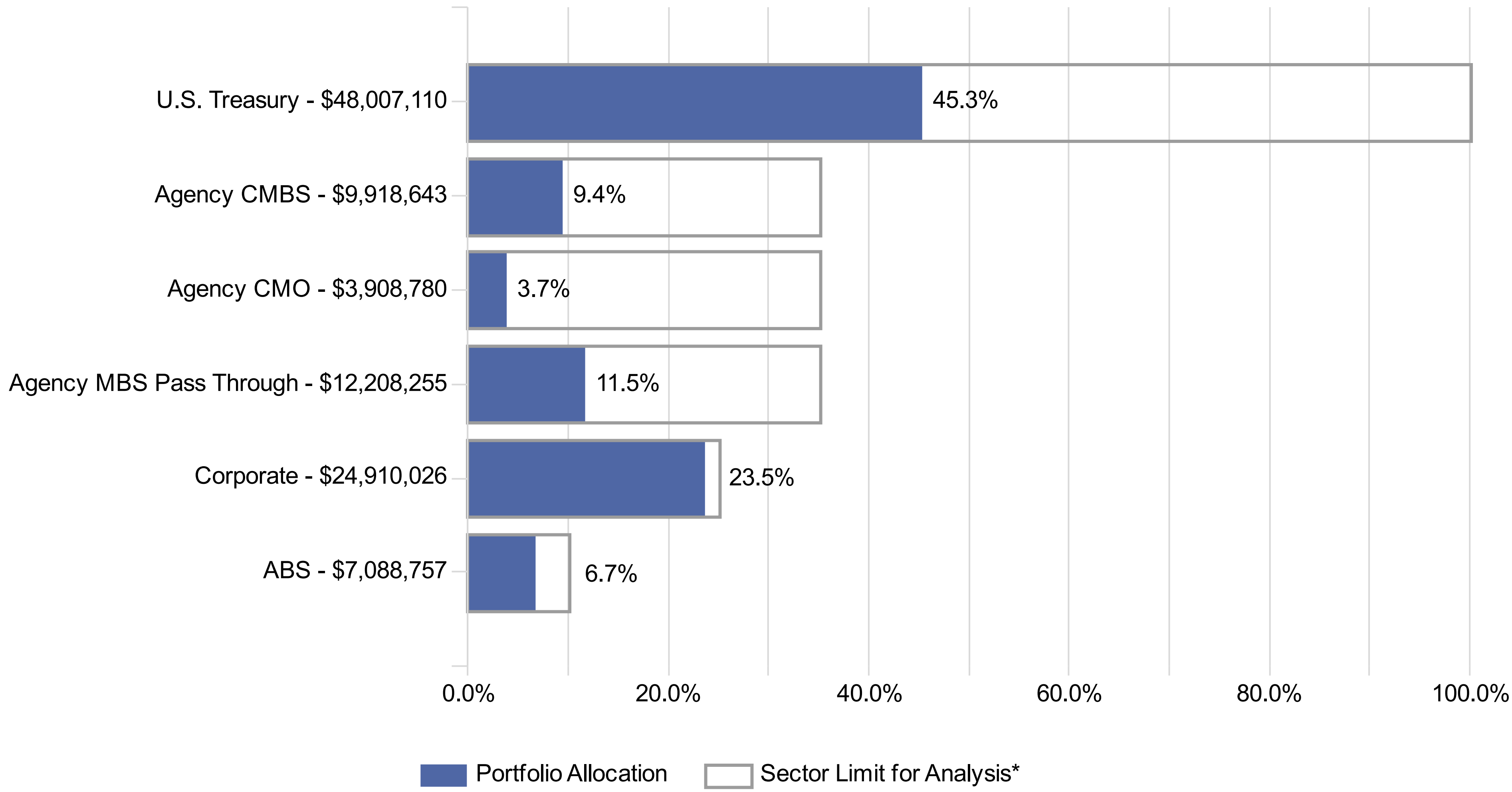


Duration Distribution



1. *Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. The portfolio's benchmark is Bloomberg Barclays Intermediate U.S. Government Index. Source: Bloomberg Financial LP. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.*

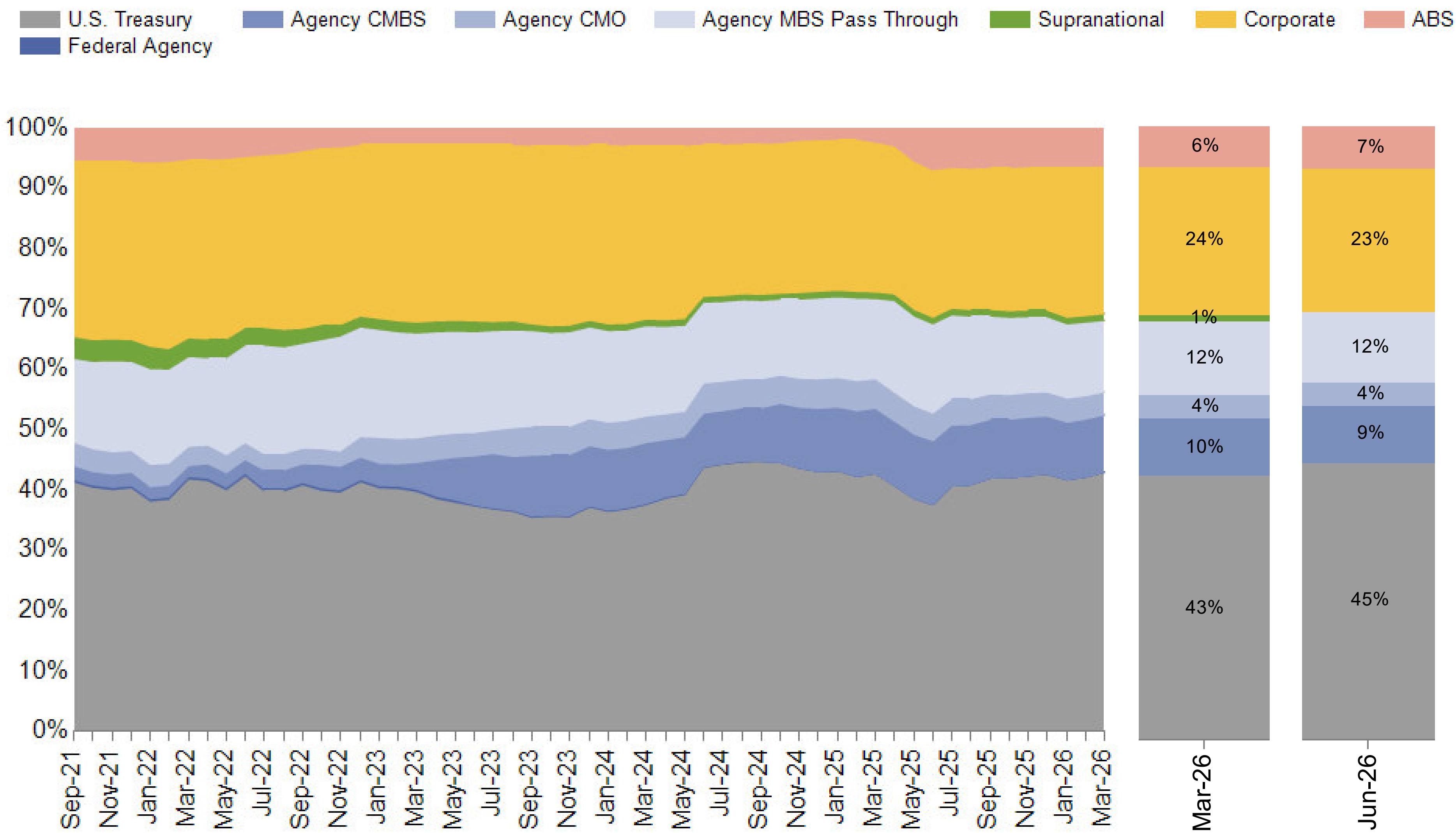
Sector Allocation Analytics



For informational/analytical purposes only and is not provided for compliance assurance. Includes accrued interest.

**Sector Limit for Analysis is as derived from our interpretation of your most recent Investment Policy as provided.*

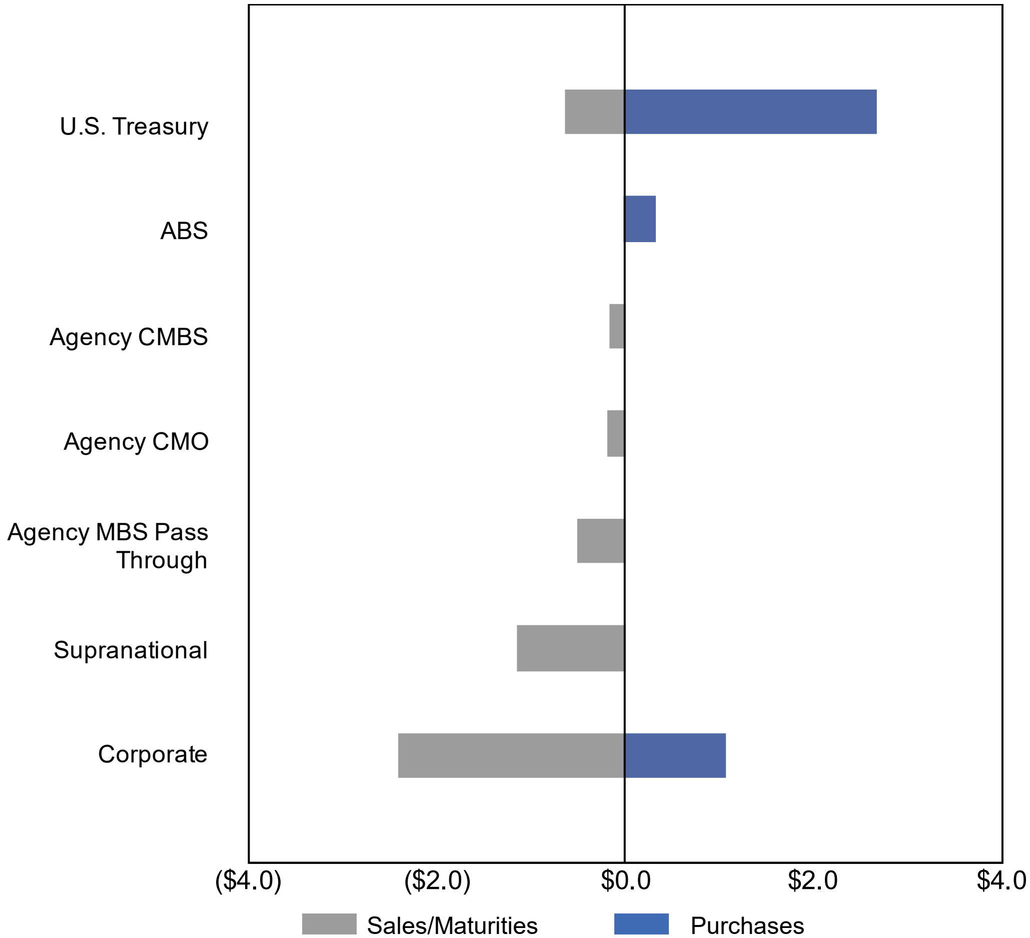
Historical Sector Allocation - CITY OF NAPERVILLE



Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM.

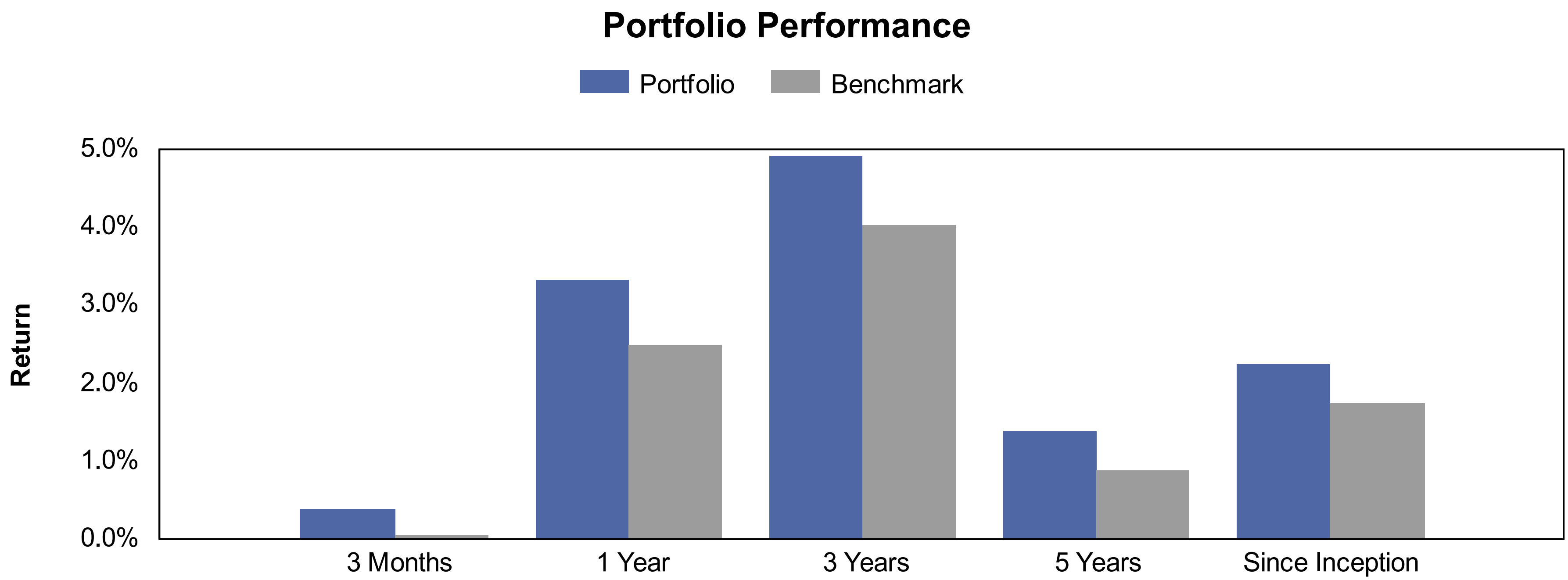
Portfolio Activity - CITY OF NAPERVILLE

Net Activity by Sector
($ millions)



Sector	Net Activity
U.S. Treasury	$2,039,639
ABS	$309,986
Agency CMBS	($146,413)
Agency CMO	($170,112)
Agency MBS Pass Through	($486,424)
Supranational	($1,140,000)
Corporate	($1,334,857)
Total Net Activity	**($928,182)**

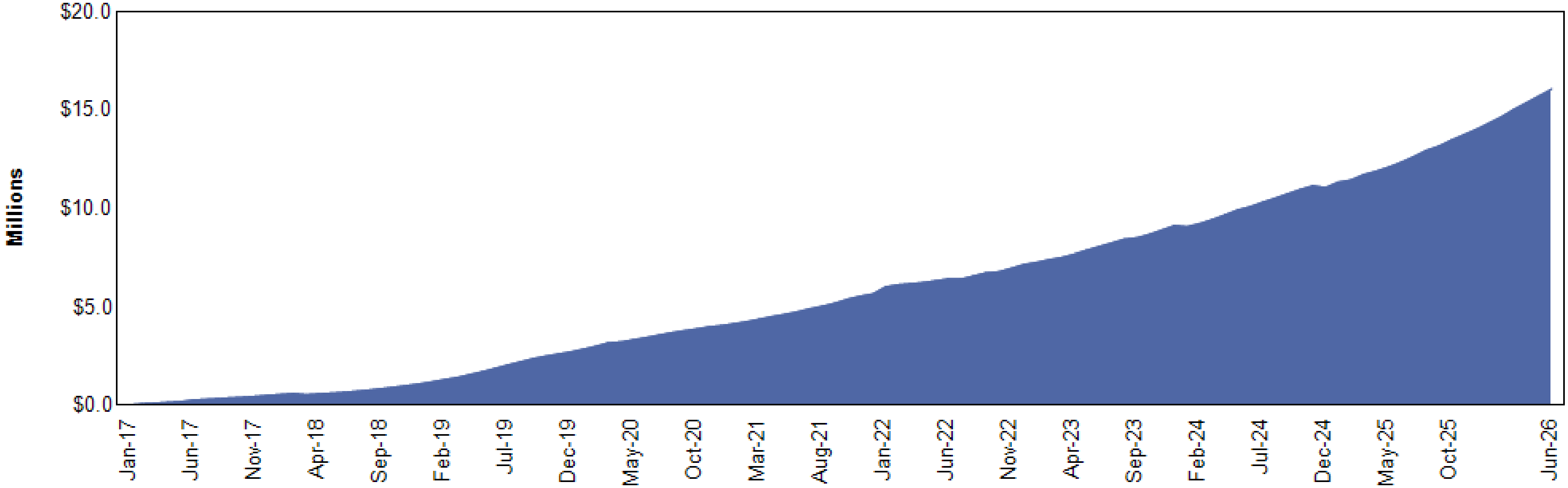
Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	Since Inception[1]
Interest Earned[2]	$957,865	$3,717,745	$9,702,016	$13,515,460	$18,121,209
Change in Market Value	($549,171)	($217,133)	$5,153,837	($5,340,006)	($3,256,104)
Total Dollar Return	**$408,694**	**$3,500,612**	**$14,855,853**	**$8,175,454**	**$14,865,105**
Total Return[3]					
Portfolio	0.38%	3.33%	4.90%	1.38%	2.24%
Benchmark[4]	0.05%	2.49%	4.04%	0.87%	1.74%
Difference	0.32%	0.85%	0.87%	0.51%	0.50%

1. *The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is December 31, 2016.*
2. *Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.*
3. *Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.*
4. *The portfolio's benchmark is Bloomberg Barclays Intermediate U.S. Government Index. Source: Bloomberg Financial LP.*

Accrual Basis Earnings - CITY OF NAPERVILLE



Accrual Basis Earnings	3 Months	1 Year	3 Years	5 Year	Since Inception[1]
Interest Earned[2]	$957,865	$3,717,745	$9,702,016	$13,515,460	$18,121,209
Realized Gains / (Losses)[3]	($20,979)	($261,346)	($2,135,673)	($2,483,867)	($2,298,842)
Change in Amortized Cost	$92,446	$276,674	$451,417	$288,858	$259,575
Total Earnings	**$1,029,331**	**$3,733,073**	**$8,017,760**	**$11,320,451**	**$16,081,942**

1. *The lesser of 10 years or since inception is shown. Performance inception date is December 31, 2016.*
2. *Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.*
3. *Realized gains / (losses) are shown on an amortized cost basis.*

Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
U.S. Treasury	**45.3%**	
United States Treasury	45.3%	AA / Aa / AA
Agency CMBS	**9.4%**	
Federal Home Loan Mortgage Corp	9.4%	AA / Aa / AA
Agency CMO	**3.7%**	
Federal Home Loan Mortgage Corp	1.2%	AA / Aa / AA
Federal National Mortgage Association	1.8%	AA / Aa / AA
Government National Mortgage Associatio	0.6%	AA / Aa / AA
Agency MBS Pass Through	**11.5%**	
Federal Home Loan Mortgage Corp	3.7%	AA / Aa / AA
Federal National Mortgage Association	7.8%	AA / Aa / AA
Government National Mortgage Associatio	0.0%	AA / Aa / AA
Corporate	**23.5%**	
Allstate Corp	0.3%	BBB / A / BBB
American Express Co	0.6%	A / A / A
Amgen Inc	0.5%	BBB / Baa / BBB
AstraZeneca PLC	0.5%	A / A / NR
Bank of America Corp	1.4%	A / A / AA
Bank of Montreal	0.7%	A / A / AA
Bank of Nova Scotia	0.7%	A / A / AA
Barclays PLC	0.4%	BBB / Baa / A
Bayerische Motoren Werke AG	0.7%	A / A / NR
BlackRock Inc	0.2%	AA / Aa / NR
Bristol-Myers Squibb Co	0.6%	A / A / NR
Broadcom Inc	0.9%	A / A / A
Capital One Financial Corp	0.4%	BBB / Baa / A
Citizens Financial Group Inc	0.5%	BBB / Baa / BBB

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
Corporate	**23.5%**	
Commonwealth Bank of Australia	0.7%	AA / Aa / NR
CVS Health Corp	0.5%	BBB / Baa / BBB
Fifth Third Bancorp	0.5%	BBB / Baa / A
General Motors Co	0.3%	BBB / Baa / BBB
Goldman Sachs Group Inc	0.7%	BBB / A / A
HSBC Holdings PLC	1.0%	A / A / A
Huntington Bancshares Inc/OH	0.5%	BBB / Baa / A
Hyundai Motor Co	0.5%	A / A / A
Intel Corp	0.5%	BBB / Baa / BBB
Intuit Inc	0.5%	A / A / NR
JPMorgan Chase & Co	1.8%	A / A / AA
KeyCorp	0.4%	BBB / Baa / A
Macquarie Group Ltd	0.4%	BBB / A / A
Mars Inc	0.7%	A / A / NR
Meta Platforms Inc	0.2%	AA / Aa / NR
Mitsubishi UFJ Financial Group Inc	0.6%	A / A / A
Morgan Stanley	0.7%	A / A / A
National Rural Utilities Cooperative Fi	0.2%	A / A / A
Nordea Bank Abp	0.7%	A / A / AA
Oracle Corp	0.5%	BBB / Baa / BBB
Principal Financial Group Inc	0.3%	A / Baa / A
Salesforce Inc	1.0%	A / A / NR
Societe Generale SA	0.4%	BBB / Baa / A
US Bancorp	0.5%	A / A / A
Volkswagen AG	0.4%	BBB / Baa / A
Wells Fargo & Co	0.7%	BBB / A / A

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

Issuer Diversification

Security Type / Issuer	Market Value (%)	S&P / Moody's / Fitch
ABS	**6.7%**	
American Express Co	0.6%	AAA / NR / AAA
ARI Fleet Lease Trust	0.3%	AAA / NR / AAA
Bank of America Corp	0.5%	NR / Aaa / AAA
Capital One Financial Corp	0.9%	AAA / NR / AAA
Citigroup Inc	0.5%	AAA / Aaa / NR
GM Financial Consumer Automobile Receiv	0.2%	AAA / Aaa / NR
Honda Auto Receivables Owner Trust	0.3%	NR / Aaa / AAA
Hyundai Auto Receivables Trust	0.3%	AAA / NR / AAA
Nissan Auto Receivables Owner Trust	0.5%	NR / Aaa / AAA
Porsche Innovative Lease Owner	0.9%	AAA / NR / AAA
Toyota Auto Receivables Owner Trust	0.4%	AAA / NR / AAA
Toyota Motor Corp	0.6%	NR / Aaa / AAA
Verizon Master Trust	0.6%	NR / Aaa / AAA
Total	**100.0%**	

Ratings shown are calculated by assigning a numeral value to each security rating, then calculating a weighted average rating for each security type / issuer category using all available security ratings, excluding Not-Rated (NR) ratings. For security type / issuer categories where a rating from the applicable NRSRO is not available, a rating of NR is assigned. Includes accrued interest and excludes balances invested in overnight funds.

Important Disclosures

This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation, as it was prepared without regard to any specific objectives or financial circumstances.

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It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

The views expressed within this material constitute the perspective and judgment of PFMAM at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon certain assumptions and current opinion as of the date of issue and are also subject to change. Some, but not all assumptions are noted in the report. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Opinions and data presented are not necessarily indicative of future events or expected performance.

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- Generally, PFMAM's market prices are derived from closing bid prices as of the last business day of the month as supplied by ICE Data Services. There may be differences in the values shown for investments due to accrued but uncollected income and the use of differing valuation sources and methods. Non-negotiable FDIC-insured bank certificates of deposit are priced at par. Although PFMAM believes the prices to be reliable, the values of the securities may not represent the prices at which the securities could have been bought or sold. Explanation of the valuation methods for a registered investment company or local government investment program is contained in the appropriate fund offering documentation or information statement.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. **Past performance is not indicative of future returns.**
- ICE Bank of America Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

Glossary

- Accrued Interest: Interest that is due on a bond or other fixed income security since the last interest payment was made.
- Agencies: Federal agency securities and/or Government-sponsored enterprises.
- Amortized Cost: The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- Asset-Backed Security: A financial instrument collateralized by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, and receivables.
- Bankers' Acceptance: A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- Commercial Paper: An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- Contribution to Total Return: The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- Effective Duration: A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- Effective Yield: The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- FDIC: Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- Interest Rate: Interest per year divided by principal amount and expressed as a percentage.
- Market Value: The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- Maturity: The date upon which the principal or stated value of an investment becomes due and payable.
- Negotiable Certificates of Deposit: A CD with a very large denomination, usually $1 million or more, that can be traded in secondary markets.
- Par Value: The nominal dollar face amount of a security.
- Pass-through Security: A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.

Glossary

- Repurchase Agreements: A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- Settle Date: The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- Supranational: A multinational union or association in which member countries cede authority and sovereignty on at least some internal matters to the group, whose decisions are binding on its members.
- Trade Date: The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- Unsettled Trade: A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- U.S. Treasury: The department of the U.S. government that issues Treasury securities.
- Yield: The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- YTM at Cost: The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- YTM at Market: The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.

File #: 26-0873, **Version:** 1 **Meeting Date:** 7/27/2026

FINANCIAL ADVISORY BOARD AGENDA ITEM

ACTION REQUESTED:
Receive the 2026 Mid-Year Financial Report

DEPARTMENT: Finance Department

SUBMITTED BY: Traci Marrocco, Deputy Director

BACKGROUND:
The Finance Department monitors revenues and expenditures throughout the year to identify trends that impact the annual budget and Capital Improvement Program (CIP). Regular financial reporting informs the City Council and the public on important issues related to the City's finances, including discussions around short- and long-term financial strategies.

This mid-year report focuses on budget performance through the first six months of 2026 and will discuss the preparation of the 2027 annual budget.

The PowerPoint presentation will be made available along with the Agenda Q&A posted prior to the meeting.

DISCUSSION:
As of June 30, budget performance is largely consistent with expectations across most funds. Due to the budget's size and complexity, revenues and expenditures are summarized according to three major fund categories: Maintenance and Operating, Capital and Debt Service, and Special Funds.

Staff measures year-to-date revenues and expenditures against three milestones: the full-year budget, a monthly projection based on three years of historical data, and the prior year's year-to-date actuals. These three measures allow for the budget to be analyzed against a single point in time (last year) and current expectations.

Revenues
Revenue through June across all funds totaled $280.62 million. This is a 3.9% increase over the same period in 2025, and 0.8% lower than the current year projection of $282.76 million:
- Revenue in the General Fund is 1.5% above projections and 3.3% higher than 2025.
- Electric Utility Fund revenue is 0.7% higher than projected and 4.5% higher than last year.
- Revenues in the Water Utilities Fund are 0.8% higher than projected and 12.1% higher than 2025.

Compared to the prior year, most major revenue streams remain consistent and in line with expectations. Certain revenues have increased, such as Sales Tax, Food & Beverage Tax, Home Rule Sales Tax, and Wastewater Charges. However, some revenues have declined compared with the prior year, including Local Use Tax and Hotel/Motel Tax. The following section will discuss these variances.

Revenue by Fund Category ($ in millions)

	2026 Budget	**YTD Actual**	**% of Total Budget**	**YTD Projection**	**% of YTD Projection**	**2025 YTD Actual**	**Variance to 2025 (%)**
Maintenance & Operating	$490.04	$233.66	42.6%	$231.40	101.0%	$219.74	6.3%
Capital & Debt Service	$67.35	$24.37	36.2%	$29.76	81.9%	$29.13	-16.3%
Special Funds	$41.51	$22.59	54.4%	$21.60	104.6%	$21.18	7.0%

Below is a summary of major revenues and their performance against the current year-to-date projection and the same period last year.

Revenues ($ in millions)

	2026 Budget	**YTD Actual**	**Variance to YTD Projection (%)**	**Variance to 2025 YTD (%)**
State Shared Revenues				
Sales Tax	$52.44	$26.85	6.3%	1.1%
Income Tax	$26.95	$15.72	4.6%	2.6%
Motor Fuel Tax	$7.27	$3.86	6.7%	2.6%
Local Use Tax	$0.56	$0.65	99.4%	-59.4%
Local Tax Revenues				
Hotel/Motel Tax	$4.00	$1.65	-2.7%	-6.2%
Food & Beverage Tax	$8.02	$3.96	-0.2%	8.5%
Real Estate Transfer Tax	$5.00	$2.32	3.1%	1.5%
Home Rule Sales Tax	$25.06	$12.56	4.8%	12.7%
Local Gas Tax	$2.40	$1.21	0.6%	2.5%
Grocery Tax	$6.50	$1.63	-24.6%	-
Service Charges & Other Fees				
Electric Charges	$162.56	$78.27	2.2%	7.7%
Water Charges	$61.88	$26.10	-4.2%	5.1%
Wastewater Charges	$35.26	$18.97	10.2%	23.2%
Building Permits/Fees	$1.61	$1.11	56.6%	-4.5%
Commuter Parking Fees	$1.20	$0.66	10.4%	4.2%

Revenues Trending Higher Compared to Budget

- Local Use Tax is 99.4% higher than projections, but decreased year-over-year (YOY) by 59.4%, or $0.96M, due to further changes to state law as of 2026, which requires certain out-of-state retailers with a connection or presence in Illinois to remit sales tax rather than use tax. Additionally, trends in online sales tax are difficult to estimate based on the information available from the Illinois Department of Revenue.
- Home Rule Sales Tax is higher than projected by 4.8% and increased YOY by 12.7%, or $1.42M, mainly due to the change in use tax remittance mentioned in the previous section. Online sales tax in 2025 was almost double that of 2024.
- The City's Local Grocery Tax was established on January 1, 2026, following the elimination of the state's 1% grocery sales tax. While year-to-date revenues are nearly 25% below projections, monthly remittances are increasing by approximately 8% each month, signaling improved tax reporting compliance by local businesses.
- Electric Charges are 2.2% over projections and increased YOY by 7.7%, or $5.63M, due to approved rate increases and an increased cost of electricity, resulting in positive PPA returns through June.
- Wastewater Charges are 10.2% over projections and increased by 23.2%, or $3.57M, primarily due to an amendment to the intergovernmental agreement between Naperville and Warrenville. The agreement was updated to reflect significant upcoming investments at Springbrook, resulting in new payments totaling $2.5M.

Revenues Trending Lower Compared to Budget

- Food & Beverage Tax is lower than projected by 0.2%, but increased YOY by 8.5%, or $0.31M, as new developments around the City, including restaurant openings in Block 59 and downtown, are fueling positive growth.
- Hotel/Motel Tax is 2.7% below projections and decreased YOY by 6.2%, or $0.11M, mainly due to 2025 revenue being higher than normal because of a larger volume of delinquent payments from the prior year.
- Water Charges fell 4.2% below projections but increased YOY by 5.1%, or $1.26M, reflecting approved rate increases as well as fluctuations in consumption. The variance is expected to narrow through the summer, when water usage typically increases.

Expenditures

Expenditures across all funds total $254.65 million. Total expenditures are 12.2% below current projections and 2.1% higher than this time last year:

- Spending in the General Fund is 1.7% below projections and 8.2% higher than in 2025.
- Electric Utility Fund expenditures are 1.5% higher than projected but 1.5% lower than last year.
- Expenditures in the Water Utilities Fund are lower than projected by 14.5% but 27.6% higher than in 2025.

The following section will discuss these variances.

Expenditures by Fund Category

	2026 Budget	YTD Actual	% of Total Budget	YTD Projection	% of YTD Projection	2025 YTD Actual	Variance to 2025
Maintenance & Operating	$559.80	$226.13	40.4%	$238.43	94.8%	$211.65	6.8%
Capital & Debt Service	$79.99	$11.45	14.3%	$32.36	35.4%	$21.42	-46.5%
Special Funds	$45.56	$17.07	37.5%	$19.22	88.8%	$16.44	3.8%

Below is a summary of major expenditures and their performance against the current year-to-date projection and the same period last year.

Expenditures ($ in millions)

	2026 Budget	YTD Actual	Variance to YTD Projection (%)	Variance to 2025 YTD (%)
Personnel Costs				
Regular Pay	$126.81	$61.59	-2.9%	9.0%
Overtime Pay	$12.49	$6.28	10.3%	15.5%
Employer Contributions	$57.71	$28.44	-0.3%	11.1%
Insurance Benefits	$33.15	$10.33	-25.9%	-16.8%
Purchased Services				
Operational Services	$13.17	$3.42	-27.1%	-20.3%
Architect & Engineering Services	$9.95	$3.36	-1.8%	46.7%
Software & Hardware Maintenance	$9.93	$5.39	-1.4%	12.9%
Purchased Items				
Operating Supplies	$7.35	$6.93	95.0%	10.5%
Purchased Electric	$112.40	$52.43	3.2%	1.9%
Purchased Water	$32.09	$12.62	-6.3%	3.2%
Capital Outlay				
Infrastructure	$152.97	$29.37	-36.8%	21.4%
Vehicles & Equipment	$8.34	$1.53	-86.1%	-10.8%
Building Improvements	$8.66	$1.21	-60.0%	-8.0%
Technology	$8.32	$1.85	-36.5%	-81.4%
Land	$1.3	-	-	-

<u>Expenditures Trending Lower Compared to Budget</u>

- Regular Pay is 2.9% below projections, but increased YOY by 9.0%, or $5.1M, primarily due to budgeted wage increases across the City.
- Insurance Benefits and claims for healthcare and other related coverages are 25.9% below projections and decreased YOY by 16.8%, or $2.08M, reflective of lowered claim activity by employees through the period.
- Operational Services are 27.1% below projections and decreased YOY by 20.3%, or $0.87M, mainly attributable to a decreased volume of contract tree trimming in the Electric Utility and Public Works, along with traffic signal maintenance in Transportation, Engineering and Development
- Architect & Engineering Services are 1.8% lower than projections, but increased YOY by 46.7%, or $1.07M, due to continued design work on capital projects in the Transportation, Engineering and Development Department. Major projects include South 40 Traffic Improvements, the North Aurora Road Underpass, and 248th Avenue.
- Infrastructure is 36.8% lower than projections, but has increased YOY by 21.4%, or $5.18M, mainly attributable to the Water Utility making significant progress on several Springbrook projects, in particular the South Plant Capacity Upgrades and Improvements. Other projects of note include water main replacements in the Saybrook and Ogden/Washington areas.
- Technology is 36.5% below projections and decreased YOY by 81.4%, or $8.10M, due to substantial completion of work on the Land Mobile Radio Network project following significant capital investment in the prior year.

Expenditures Trending Higher Compared to Budget

- Overtime Pay is 10.3% above projections and increased YOY by 15.5%, or $0.84M, related to retirements and open positions in the Electric Utility and the Fire Department, along with minimum staffing requirements in the Fire Department.

General Fund Financial Position

Through June, General Fund revenues total $88.41M, which is 1.5%, or $1.29M, above projections and 3.3%, or $2.86M, higher YOY. This increase is attributed to sales tax and income tax revenues outperforming expectations.

While staff has generally spoken about financial flexibility as a way to support ongoing services, there is another side to this concept: having the ability to put dollars towards unanticipated events or enhancing services when the need arises.

Concerns over moderating revenue that were expressed during last year’s budget process have not materialized, and revenues remain capable of supporting operations without any significant concerns.

This strong revenue performance indicates that the Fund has the capacity to support some unanticipated expenditures. Those include response and clean-up costs associated with June’s severe thunderstorms and addressing several emerging staffing needs in the Transportation, Engineering and Development Business Group. An out-of-cycle staffing proposal will be included on the August 18 City Council agenda for discussion.

2027 Budget Development

The proposed 2027 Annual Budget and Capital Improvement Program will be available in mid-October. The information included in the proposed budget will be presented to the City Council and the community through a series of workshops tentatively scheduled for Monday, Sept. 21, Tuesday, Oct. 27, and Tuesday, Nov. 10. City Council input is essential throughout the budget process. City Council members are encouraged to engage staff early in the budget process on topics of interest for the 2027 budget.

Summary

At the midpoint of the year, revenues and expenditures across most major operating funds are trending in line with budget projections.

FISCAL IMPACT:

N/A

Fund Overview	Fund Name	Total Budget	YTD Actuals	% Total Budget	YTD Projection	% YTD Projection	PY Actuals	PY Variance
Maintenance & Ops	**General Fund**							
	Revenue							
	Business License & Permit	687,325	676,136	98.4%	627,111	107.8%	649,392	4.1%
	Charges for Service	11,752,929	6,437,541	54.8%	6,242,381	103.1%	6,094,634	5.6%
	Contributions	75,000	2,630	3.5%	42,000	6.3%		
	Fees	652,575	423,615	64.9%	324,249	130.6%	548,165	-22.7%
	Fines	1,234,500	593,295	48.1%	653,583	90.8%	690,040	-14.0%
	Grants	397,121	258,705	65.1%	192,913	134.1%	220,258	17.5%
	Home Rule Sales Tax	870,000	304,937	35.1%	455,377	67.0%	394,607	-22.7%
	Hotel & Motel Tax	2,033,900	977,119	48.0%	1,039,109	94.0%	1,155,116	-15.4%
	Interest & Investment Income	2,146,875	307,824	14.3%	202,644	151.9%	242,610	26.9%
	Interfund TF (Rev)	5,599,889	1,981,981	35.4%	2,789,940	71.0%	2,634,651	-24.8%
	Intergovernmental Agreement	1,695,050	138,228	8.2%	128,086	107.9%	147,275	-6.1%
	Non-Business License & Permit	1,610,000	1,109,900	68.9%	708,543	156.6%	1,162,196	-4.5%
	Other License & Permit	9,000	2,185	24.3%	4,716	46.3%	1,983	10.2%
	Other Revenue	386,438	168,345	43.6%	225,632	74.6%	160,461	4.9%
	Property Taxes	32,684,624	17,053,411	52.2%	17,047,510	100.0%	15,880,979	7.4%
	Real Estate Transfer Tax	5,000,000	2,317,718	46.4%	2,247,891	103.1%	2,284,391	1.5%
	Rents & Royalties	2,115,433	1,089,710	51.5%	1,113,682	97.8%	1,208,309	-9.8%
	State Shared Taxes	80,505,122	43,577,907	54.1%	40,925,968	106.5%	43,845,964	-0.6%
	Utility Taxes	18,820,000	9,355,430	49.7%	9,980,682	93.7%	8,233,168	13.6%
	Grocery Tax	6,500,000	1,633,927	25.1%	2,166,667	75.4%		
	Revenue Total	***174,775,781***	***88,410,543***	***50.6%***	***87,118,684***	***101.5%***	***85,554,198***	***3.3%***
	Expense							
	Salaries & Wages	96,041,998	47,467,041	49.4%	47,784,201	99.3%	43,120,329	10.1%
	Benefits & Related	41,921,219	21,074,712	50.3%	20,894,007	100.9%	19,589,226	7.6%
	Purchased Services	20,706,778	8,806,348	42.5%	9,845,987	89.4%	8,794,968	0.1%
	Purchased Items	10,467,953	4,300,754	41.1%	4,642,688	92.6%	3,617,947	18.9%
	Grants & Contributions	2,057,600	1,305,089	63.4%	1,295,413	100.7%	1,207,418	8.1%
	Debt Service	21,600	22,248	103.0%				
	Interfund TF (Exp)	3,558,632	2,525,821	71.0%	2,502,160	100.9%	2,670,889	-5.4%
	Expense Total	***174,775,781***	***85,502,013***	***48.9%***	***86,964,456***	***98.3%***	***79,000,778***	***8.2%***
	Electric Utility Fund							
	Revenue							
	Charges for Service	150,000	49,533	33.0%	87,968	56.3%	45,564	8.7%
	Electric Charges	162,273,755	78,123,004	48.1%	76,434,106	102.2%	72,495,746	7.8%
	Fees	4,440,416	1,142,692	25.7%	2,182,966	52.3%	3,446,825	-66.8%
	Grants	715,000			140,292		6,590	
	Interest & Investment Income	17,773						
	Interfund TF (Rev)		24,990					

Fund Overview	Fund Name	Total Budget	YTD Actuals	% Total Budget	YTD Projection	% YTD Projection	PY Actuals	PY Variance
Maintenance & Ops	Other Revenue	213,000	231,441	108.7%	127,271	181.8%	128,501	80.1%
	Rents & Royalties	31,500			16,463			
	Revenue Total	***167,841,444***	***79,571,659***	***47.4%***	***78,989,067***	***100.7%***	***76,123,225***	***4.5%***
	Expense							
	Salaries & Wages	17,682,024	8,291,992	46.9%	8,609,961	96.3%	7,235,041	14.6%
	Benefits & Related	5,278,587	2,344,289	44.4%	2,549,389	92.0%	1,972,138	18.9%
	Insurance Benefits	1,000			500			
	Purchased Services	8,748,967	2,402,953	27.5%	3,187,887	75.4%	3,323,806	-27.7%
	Purchased Items	2,035,875	4,798,697	235.7%	962,430	498.6%	3,947,462	21.6%
	Purchased Electricity	112,404,056	52,425,187	46.6%	50,812,157	103.2%	51,468,287	1.9%
	Capital Outlay	27,735,150	5,759,514	20.8%	8,613,278	66.9%	9,135,346	-37.0%
	Grants & Contributions	393,250	199,425	50.7%	240,713	82.8%	221,418	-9.9%
	Debt Service	1,650,388	328,484	19.9%	464,899	70.7%	443,453	-25.9%
	Interfund TF (Exp)	1,377,523	688,758	50.0%	688,761	100.0%	697,098	-1.2%
	Expense Total	***177,306,820***	***77,239,299***	***43.6%***	***76,129,976***	***101.5%***	***78,444,049***	***-1.5%***
	Water Utilities Fund							
	Revenue							
	Charges for Service	54,462	727	1.3%	36,141	2.0%	47,065	-98.5%
	Fees	347,916	87,785	25.2%	168,054	52.2%	153,020	-42.6%
	Grants	450,000	130,506	29.0%	225,000	58.0%		
	Interest & Investment Income	444,150						
	Interfund TF (Rev)	6,543,450						
	Other Revenue	296,570	53,970	18.2%	149,244	36.2%	22,187	143.2%
	Rents & Royalties	32,400	16,652	51.4%	16,627	100.2%	29,383	-43.3%
	Wastewater Charges	33,160,669	17,974,309	54.2%	16,162,413	111.2%	14,487,037	24.1%
	Water Charges	61,882,136	26,098,910	42.2%	27,233,209	95.8%	24,834,329	5.1%
	Revenue Total	***103,211,753***	***44,362,859***	***43.0%***	***43,990,689***	***100.8%***	***39,573,022***	***12.1%***
	Expense							
	Salaries & Wages	11,263,086	5,615,630	49.9%	5,602,990	100.2%	5,275,159	6.5%
	Benefits & Related	3,934,790	1,913,758	48.6%	1,887,037	101.4%	1,642,409	16.5%
	Purchased Services	12,742,432	3,198,718	25.1%	4,601,760	69.5%	3,835,808	-16.6%
	Purchased Items	5,136,383	2,200,915	42.8%	2,470,699	89.1%	2,025,466	8.7%
	Purchased Water	32,086,146	12,621,205	39.3%	13,468,693	93.7%	12,233,039	3.2%
	Capital Outlay	89,800,335	20,312,561	22.6%	26,133,594	77.7%	10,707,167	89.7%
	Grants & Contributions	238,750	102,208	42.8%	183,694	55.6%	104,859	-2.5%
	Debt Service	5,182,200	1,071,655	20.7%	839,577	127.6%	790,913	35.5%
	Interfund TF (Exp)	1,830,488	940,230	51.4%	915,239	102.7%	970,620	-3.1%
	Expense Total	***162,214,610***	***47,976,880***	***29.6%***	***56,103,281***	***85.5%***	***37,585,440***	***27.6%***

YTD > Year To Date
PY > Previous Year

Fund Overview	Fund Name	Total Budget	YTD Actuals	% Total Budget	YTD Projection	% YTD Projection	PY Actuals	PY Variance
Maintenance & Ops	**Commuter Parking Fund**							
	Revenue							
	Fees	5,000			2,500			
	Fines	25,000	13,350	53.4%	13,449	99.3%	17,300	-22.8%
	Interest & Investment Income	57,250						
	Non-Business License & Permit	1,200,000	661,466	55.1%	599,313	110.4%	634,573	4.2%
	Other Revenue		1,783					
	Rents & Royalties	1,800	900	50.0%	927	97.1%	900	0.0%
	Revenue Total	***1,289,050***	***677,500***	***52.6%***	***616,189***	***109.9%***	***652,773***	***3.8%***
	Expense							
	Salaries & Wages	386,994	186,699	48.2%	190,024	98.3%	181,393	2.9%
	Benefits & Related	110,306	52,907	48.0%	53,180	99.5%	46,778	13.1%
	Purchased Services	856,222	242,884	28.4%	417,973	58.1%	305,853	-20.6%
	Purchased Items	180,235	17,028	9.4%	72,468	23.5%	17,437	-2.3%
	Capital Outlay	1,297,000			123,200			
	Interfund TF (Exp)	100,504	50,250	50.0%	50,252	100.0%	47,868	5.0%
	Expense Total	***2,931,261***	***549,767***	***18.8%***	***907,096***	***60.6%***	***599,328***	***-8.3%***
	Self Insurance Fund							
	Revenue							
	Insurance Premium	28,054,005	13,463,386	48.0%	13,576,660	99.2%	11,133,279	20.9%
	Interest & Investment Income	419,750						
	Interfund TF (Rev)	6,030,789	2,997,960	49.7%	2,997,966	100.0%	2,714,400	10.4%
	Other Revenue		54,038				14	372833.1%
	Revenue Total	***34,504,544***	***16,515,384***	***47.9%***	***16,574,626***	***99.6%***	***13,847,693***	***19.3%***
	Expense							
	Salaries & Wages	440,209	236,046	53.6%	220,104	107.2%	227,321	3.8%
	Benefits & Related	131,201	72,807	55.5%	63,158	115.3%	56,408	29.1%
	Insurance Benefits	33,058,219	10,325,472	31.2%	13,938,411	74.1%	12,392,908	-16.7%
	Purchased Services	429,065	75,971	17.7%	101,808	74.6%	37,265	103.9%
	Expense Total	***34,058,694***	***10,710,296***	***31.4%***	***14,323,481***	***74.8%***	***12,713,902***	***-15.8%***
	Solid Waste Fund							
	Revenue							
	Charges for Service	8,417,765	4,120,724	49.0%	4,110,373	100.3%	3,987,081	3.4%
	Revenue Total	***8,417,765***	***4,120,724***	***49.0%***	***4,110,373***	***100.3%***	***3,987,081***	***3.4%***
	Expense							
	Purchased Services	8,360,665	4,068,206	48.7%	3,892,611	104.5%	3,301,768	23.2%
	Purchased Items	150,000	85,834	57.2%	105,000	81.7%		
	Expense Total	***8,510,665***	***4,154,040***	***48.8%***	***3,997,611***	***103.9%***	***3,301,768***	***25.8%***

YTD > Year To Date
PY > Previous Year

Fund Overview	Fund Name	Total Budget	YTD Actuals	% Total Budget	YTD Projection	% YTD Projection	PY Actuals	PY Variance
Capital & Debt Service	**Capital Projects Fund**							
	Revenue							
	Charges for Service	57,000			38,000			
	Contributions	700,000	111,309	15.9%	350,000	31.8%	219,040	-49.2%
	Fees	40,000	12,050	30.1%	20,000	60.2%	163,035	-92.6%
	Grants	14,815,000	948,643	6.4%	6,956,159	13.6%		
	Home Rule Sales Tax	23,160,669	11,841,053	51.1%	11,048,856	107.2%	10,310,565	14.8%
	Interest & Investment Income	1,005,000						
	Interfund TF (Rev)	2,155,104						
	Other Revenue	130,000	233,847	179.9%	122,721	190.6%	6,591,804	-96.5%
	Revenue Total	***42,062,773***	***13,146,901***	***31.3%***	***18,535,737***	***70.9%***	***17,284,444***	***-23.9%***
	Expense							
	Purchased Services	3,369,291	1,706,203	50.6%	1,116,698	152.8%	568,517	200.1%
	Capital Outlay	49,792,420	6,929,548	13.9%	25,540,227	27.1%	13,879,617	-50.1%
	Grants & Contributions		1,913				1,705	12.3%
	Debt Service	306,564	266,367	86.9%	306,564	86.9%	384,496	-30.7%
	Expense Total	***53,468,275***	***8,904,032***	***16.7%***	***26,963,489***	***33.0%***	***14,834,334***	***-40.0%***
	Debt Service Fund							
	Revenue							
	Interest & Investment Income	147,375						
	Interfund TF (Rev)	1,798,068						
	Property Taxes	6,065,926	3,215,103	53.0%	3,163,963	101.6%	3,927,483	-18.1%
	Revenue Total	***8,011,369***	***3,215,103***	***40.1%***	***3,163,963***	***101.6%***	***3,927,483***	***-18.1%***
	Expense							
	Purchased Services	6,514	636	9.8%	919	69.2%	636	0.0%
	Debt Service	8,011,368	1,008,184	12.6%	1,408,327	71.6%	2,735,683	-63.1%
	Expense Total	***8,017,882***	***1,008,820***	***12.6%***	***1,409,246***	***71.6%***	***2,736,319***	***-63.1%***
	Downtown Parking Fund							
	Revenue							
	Fees	32,000	7,979	24.9%	113,187	7.0%	8,221	-2.9%
	Food & Beverage Tax	1,025,776	486,118	47.4%	499,809	97.3%	451,041	7.8%
	Home Rule Sales Tax	1,025,776	412,015	40.2%	477,138	86.4%	435,445	-5.4%
	Interest & Investment Income	392,250						
	Rents & Royalties	116,917	58,458	50.0%	40,672	143.7%	29,229	100.0%
	Revenue Total	***2,592,719***	***964,570***	***37.2%***	***1,130,805***	***85.3%***	***923,936***	***4.4%***
	Expense							
	Purchased Services	12,824	793	6.2%	949	83.6%	1,257	-36.9%
	Capital Outlay	201,000	63,333	31.5%	41,027	154.4%	181,000	-65.0%
	Debt Service	47,150	1,075	2.3%	1,075	100.0%	4,475	-76.0%
	Expense Total	***260,974***	***65,201***	***25.0%***	***43,050***	***151.5%***	***186,732***	***-65.1%***

YTD > Year To Date
PY > Previous Year

Fund Overview	Fund Name	Total Budget	YTD Actuals	% Total Budget	YTD Projection	% YTD Projection	PY Actuals	PY Variance
Capital & Debt Service	**Motor Fuel Tax Fund**							
	Revenue							
	Interest & Investment Income	650,000	212,844	32.7%	330,352	64.4%	244,947	-13.1%
	Other Revenue		1,144				163,795	-99.3%
	State Shared Taxes	7,268,648	3,866,232	53.2%	3,624,077	106.7%	3,767,531	2.6%
	Revenue Total	***7,918,648***	***4,080,220***	***51.5%***	***3,954,429***	***103.2%***	***4,176,273***	***-2.3%***
	Expense							
	Purchased Services		209,659					
	Capital Outlay	7,500,000	813,757	10.9%	1,218,041	66.8%	3,170,153	-74.3%
	Expense Total	***7,500,000***	***1,023,416***	***13.6%***	***1,218,041***	***84.0%***	***3,170,153***	***-67.7%***
	Phosphorus Fund							
	Revenue							
	Interest & Investment Income	678,500						
	Wastewater Charges	2,094,926	991,099	47.3%	1,047,306	94.6%	908,325	9.1%
	Revenue Total	***2,773,426***	***991,099***	***35.7%***	***1,047,306***	***94.6%***	***908,325***	***9.1%***
	Expense							
	Interfund TF (Exp)	6,543,450						
	Expense Total	***6,543,450***						
	Road And Bridge Fund							
	Revenue							
	Contributions		12,366				4,972	148.7%
	Fees	2,400	3,543	147.6%	(1,075)	-329.6%	1,775	99.6%
	Interest & Investment Income	163,250						
	Local Gasoline Tax	2,400,000	1,205,934	50.2%	1,198,256	100.6%	1,176,244	2.5%
	Local Shared Taxes	217,000	109,219	50.3%	117,572	92.9%	113,586	-3.8%
	Other License & Permit	50,000	38,581	77.2%	18,351	210.2%	23,038	67.5%
	State Shared Taxes	48,180	14,918	31.0%	24,912	59.9%	13,645	9.3%
	Revenue Total	***2,880,830***	***1,384,561***	***48.1%***	***1,358,017***	***102.0%***	***1,333,260***	***3.8%***
	Expense							
	Salaries & Wages	708,672	334,171	47.2%	346,722	96.4%	330,881	1.0%
	Benefits & Related	250,636	107,791	43.0%	119,870	89.9%	109,654	-1.7%
	Purchased Services	14,782	3,171	21.5%	3,795	83.6%	5,029	-36.9%
	Capital Outlay	2,200,000	3,000	0.1%	2,252,962	0.1%	1,898	58.1%
	Expense Total	***3,174,090***	***448,132***	***14.1%***	***2,723,349***	***16.5%***	***447,462***	***0.1%***
	SSA #23 - Naper Main Fund							
	Revenue							
	Property Taxes	98,939	49,470	50.0%	49,470	100.0%	49,470	0.0%
	Revenue Total	***98,939***	***49,470***	***50.0%***	***49,470***	***100.0%***	***49,470***	***0.0%***

YTD > Year To Date
PY > Previous Year

Fund Overview	Fund Name	Total Budget	YTD Actuals	% Total Budget	YTD Projection	% YTD Projection	PY Actuals	PY Variance
Capital & Debt Service	Expense							
	Interfund TF (Exp)	98,939						
	Expense Total	***98,939***						
	SSA #25 - Lacrosse Ts Fund							
	Revenue							
	Property Taxes	68,000	36,468	53.6%	33,620	108.5%	36,698	-0.6%
	Revenue Total	***68,000***	***36,468***	***53.6%***	***33,620***	***108.5%***	***36,698***	***-0.6%***
	SSA #30 Fund							
	Revenue							
	Property Taxes	93,111	47,810	51.3%	46,330	103.2%	44,649	7.1%
	Revenue Total	***93,111***	***47,810***	***51.3%***	***46,330***	***103.2%***	***44,649***	***7.1%***
	Expense							
	Interfund TF (Exp)	93,111						
	Expense Total	***93,111***						
	SSA #31 - Downtown Streetscape							
	Revenue							
	Property Taxes	23,680	12,441	52.5%	12,051	103.2%	11,840	5.1%
	Revenue Total	***23,680***	***12,441***	***52.5%***	***12,051***	***103.2%***	***11,840***	***5.1%***
	Water Street TIF Fund							
	Revenue							
	Interest & Investment Income	2,150						
	Property Taxes	680,950	351,050	51.6%	351,874	99.8%	343,175	2.3%
	Revenue Total	***683,100***	***351,050***	***51.4%***	***351,874***	***99.8%***	***343,175***	***2.3%***
	Expense							
	Purchased Services	4,070	2,772	68.1%	3,424	80.9%	3,754	-26.2%
	Interfund TF (Exp)	680,950						
	Expense Total	***685,020***	***2,772***	***0.4%***	***3,424***	***80.9%***	***3,754***	***-26.2%***
	SSA #34 -DT SS Block 422-430							
	Revenue							
	Property Taxes	20,026	10,184	50.9%	10,070	101.1%	10,015	1.7%
	Revenue Total	***20,026***	***10,184***	***50.9%***	***10,070***	***101.1%***	***10,015***	***1.7%***
	Expense							
	Interfund TF (Exp)	20,026						
	Expense Total	***20,026***						
	SSA #35 -DT SS Washing2024							
	Revenue							
	Property Taxes	125,000	77,049	61.6%	67,500	114.1%	68,946	11.8%
	Revenue Total	***125,000***	***77,049***	***61.6%***	***67,500***	***114.1%***	***68,946***	***11.8%***

YTD > Year To Date
PY > Previous Year

Fund Overview	Fund Name	Total Budget	YTD Actuals	% Total Budget	YTD Projection	% YTD Projection	PY Actuals	PY Variance
Capital & Debt Service	Expense							
	Interfund TF (Exp)	125,000						
	Expense Total	***125,000***						
Special Funds	**Comm Dev Block Grant Fund**							
	Revenue							
	Grants	535,000	192,746	36.0%	309,419	62.3%	151,543	27.2%
	Revenue Total	***535,000***	***192,746***	***36.0%***	***309,419***	***62.3%***	***151,543***	***27.2%***
	Expense							
	Grants & Contributions	535,000	163,272	30.5%	226,203	72.2%	90,092	81.2%
	Expense Total	***535,000***	***163,272***	***30.5%***	***226,203***	***72.2%***	***90,092***	***81.2%***
	E911 Surcharge Fund							
	Revenue							
	Interest & Investment Income	4,250	20,501	482.4%				
	State Shared Taxes	3,050,000	1,852,306	60.7%	1,297,097	142.8%	1,365,627	35.6%
	Revenue Total	***3,054,250***	***1,872,807***	***61.3%***	***1,297,097***	***144.4%***	***1,365,627***	***37.1%***
	Expense							
	Interfund TF (Exp)	4,966,967	718,700	14.5%	1,525,000	47.1%	1,339,818	-46.4%
	Expense Total	***4,966,967***	***718,700***	***14.5%***	***1,525,000***	***47.1%***	***1,339,818***	***-46.4%***
	ETSB Fund							
	Revenue							
	Interest & Investment Income	6,375	16,721	262.3%				
	State Shared Taxes	2,580,000	1,505,107	58.3%	1,081,499	139.2%	1,067,824	41.0%
	Revenue Total	***2,586,375***	***1,521,828***	***58.8%***	***1,081,499***	***140.7%***	***1,067,824***	***42.5%***
	Expense							
	Grants & Contributions	2,580,000	1,341,564	52.0%	1,290,000	104.0%	1,037,184	29.3%
	Expense Total	***2,580,000***	***1,341,564***	***52.0%***	***1,290,000***	***104.0%***	***1,037,184***	***29.3%***
	Federal Drug Forfeiture Fund							
	Revenue							
	Interest & Investment Income	4,250						
	Other Revenue	100,000	20,461	20.5%	59,008	34.7%	145,723	-86.0%
	Revenue Total	***104,250***	***20,461***	***19.6%***	***59,008***	***34.7%***	***145,723***	***-86.0%***
	Expense							
	Purchased Services	235,000	16,500	7.0%	42,500	38.8%	9,022	82.9%
	Purchased Items	412,000			39,861		4,390	
	Capital Outlay		1,089					
	Grants & Contributions	3,000			1,500			
	Expense Total	***650,000***	***17,589***	***2.7%***	***83,861***	***21.0%***	***13,412***	***31.1%***
	Food And Beverage Fund							
	Revenue							
	Fees	42,000	15,233	36.3%	41,002	37.2%	30,709	-50.4%

YTD > Year To Date
PY > Previous Year

Fund Overview	Fund Name	Total Budget	YTD Actuals	% Total Budget	YTD Projection	% YTD Projection	PY Actuals	PY Variance
Special Funds	Food & Beverage Tax	6,992,300	3,470,932	49.6%	3,464,506	100.2%	3,197,037	8.6%
	Interest & Investment Income	57,250						
	Revenue Total	***7,091,550***	***3,486,165***	***49.2%***	***3,505,508***	***99.4%***	***3,227,746***	***8.0%***
	Expense							
	Salaries & Wages	72,082	34,483	47.8%	36,041	95.7%	30,037	14.8%
	Benefits & Related	1,767,519	883,206	50.0%	883,452	100.0%	441,778	99.9%
	Purchased Services	491,335	414,803	84.4%	474,949	87.3%	409,504	1.3%
	Grants & Contributions	2,702,036	534,792	19.8%	685,702	78.0%	575,644	-7.1%
	Interfund TF (Exp)	2,058,579	520,200	25.3%	520,200	100.0%	510,000	2.0%
	Expense Total	***7,091,551***	***2,387,483***	***33.7%***	***2,600,344***	***91.8%***	***1,966,963***	***21.4%***
	Foreign Fire Tax Fund							
	Revenue							
	Contributions	525,000	-	0.0%	16,088	0.0%	25,997	-100.0%
	Interest & Investment Income		4,303				7,744	-44.4%
	Revenue Total	***525,000***	***4,303***	***0.8%***	***16,088***	***26.7%***	***33,741***	***-87.2%***
	Expense							
	Purchased Items	525,000	178,609	34.0%	288,233	62.0%	376,454	-52.6%
	Expense Total	***525,000***	***178,609***	***34.0%***	***288,233***	***62.0%***	***376,454***	***-52.6%***
	Library Capital Fund							
	Revenue							
	Grants						146,322	
	Interest & Investment Income	2,125						
	Revenue Total	***2,125***					***146,322***	
	Expense							
	Purchased Services	145,000			72,500		1,439	
	Capital Outlay	200,000	68,973	34.5%	114,586	60.2%	8,125	748.9%
	Expense Total	***345,000***	***68,973***	***20.0%***	***187,086***	***36.9%***	***9,564***	***621.2%***
	Library Fund							
	Revenue							
	Charges for Service	125,000	99,072	79.3%	67,733	146.3%	110,599	-10.4%
	Contributions						62	
	Fines	40,000	23,029	57.6%	22,437	102.6%	25,060	-8.1%
	Grants	220,572			26,595			
	Interest & Investment Income	57,250						
	Other Revenue	40,000	12,730	31.8%	21,999	57.9%	22,645	-43.8%
	Property Taxes	17,818,697	9,304,773	52.2%	9,293,517	100.1%	8,985,956	3.5%
	State Shared Taxes	178,959	93,904	52.5%	100,483	93.5%	92,692	1.3%
	Revenue Total	***18,480,478***	***9,533,509***	***51.6%***	***9,532,764***	***100.0%***	***9,237,013***	***3.2%***
	Expense							
	Salaries & Wages	9,880,419	4,543,617	46.0%	4,940,210	92.0%	4,389,608	3.5%

YTD > Year To Date
PY > Previous Year

Fund Overview	Fund Name	Total Budget	YTD Actuals	% Total Budget	YTD Projection	% YTD Projection	PY Actuals	PY Variance
Special Funds	Benefits & Related	2,993,703	1,465,973	49.0%	1,442,957	101.6%	1,267,168	15.7%
	Insurance Benefits	95,000			3,223		13,742	
	Purchased Services	1,396,629	676,257	48.4%	746,201	90.6%	707,374	-4.4%
	Purchased Items	3,747,990	1,554,805	41.5%	1,557,464	99.8%	1,520,345	2.3%
	Capital Outlay	265,930	9,096	3.4%	46,883	19.4%	61,860	-85.3%
	Interfund TF (Exp)	100,807	50,400	50.0%	50,403	100.0%	50,172	0.5%
	Expense Total	***18,480,478***	***8,300,148***	***44.9%***	***8,787,342***	***94.5%***	***8,010,269***	***3.6%***
	Library Special Revenue Fund							
	Revenue							
	Contributions	1,500	1,183	78.9%	1,016	116.4%	2,405	-50.8%
	Interest & Investment Income	100						
	Revenue Total	***1,600***	***1,183***	***74.0%***	***1,016***	***116.4%***	***2,405***	***-50.8%***
	Expense							
	Purchased Services						450	
	Purchased Items	5,000	586	11.7%	2,420	24.2%	2,280	-74.3%
	Capital Outlay	10,000			5,000		23,088	
	Expense Total	***15,000***	***586***	***3.9%***	***7,420***	***7.9%***	***25,817***	***-97.7%***
	Naper Settlement Fund							
	Revenue							
	Charges for Service	607,112	471,583	77.7%	414,102	113.9%	409,461	15.2%
	Interest & Investment Income	4,250						
	Interfund TF (Rev)	1,040,400	520,200	50.0%	520,200	100.0%	510,000	2.0%
	Property Taxes	3,994,682	2,097,857	52.5%	2,083,610	100.7%	2,041,049	2.8%
	Revenue Total	***5,646,444***	***3,089,640***	***54.7%***	***3,017,912***	***102.4%***	***2,960,510***	***4.4%***
	Expense							
	Salaries & Wages	2,958,129	1,281,243	43.3%	1,562,064	82.0%	1,249,195	2.6%
	Benefits & Related	1,106,728	420,006	38.0%	530,688	79.1%	382,748	9.7%
	Purchased Services	1,266,435	467,567	36.9%	438,474	106.6%	556,748	-16.0%
	Purchased Items	300,821	167,837	55.8%	138,105	121.5%	165,737	1.3%
	Interfund TF (Exp)	171,338	85,674	50.0%	85,669	100.0%	85,770	-0.1%
	Expense Total	***5,803,451***	***2,422,328***	***41.7%***	***2,755,000***	***87.9%***	***2,440,198***	***-0.7%***
	Renewable Energy Fund							
	Revenue							
	Electric Charges	286,426	147,710	51.6%	143,195	103.2%	145,585	1.5%
	Fees						3,132	
	Interest & Investment Income	750						
	Revenue Total	***287,176***	***147,710***	***51.4%***	***143,195***	***103.2%***	***148,717***	***-0.7%***

YTD > Year To Date
PY > Previous Year

Fund Overview	Fund Name	Total Budget	YTD Actuals	% Total Budget	YTD Projection	% YTD Projection	PY Actuals	PY Variance
Special Funds	Expense							
	Purchased Services	5,000			2,500			
	Grants & Contributions	280,000	255,421	91.2%	159,876	159.8%	117,764	116.9%
	Expense Total	***285,000***	***255,421***	***89.6%***	***162,376***	***157.3%***	***117,764***	***116.9%***
	State Drug Forfeiture Fund							
	Revenue							
	Interest & Investment Income	4,250						
	Other Revenue	181,500	8,947	4.9%	76,630	11.7%	7,148	25.2%
	Revenue Total	***185,750***	***8,947***	***4.8%***	***76,630***	***11.7%***	***7,148***	***25.2%***
	Expense							
	Purchased Services	50,500	1,261	2.5%	22,550	5.6%	4,222	-70.1%
	Purchased Items	100,000	7,137	7.1%	48,681	14.7%	11,677	-38.9%
	Grants & Contributions	6,000			3,000			
	Interfund TF (Exp)	25,000	10,841	43.4%	7,294	148.6%	783	1285.4%
	Expense Total	***181,500***	***19,238***	***10.6%***	***81,525***	***23.6%***	***16,681***	***15.3%***
	Test Track Fund							
	Revenue							
	Charges for Service	60,740	42,299	69.6%	60,740	69.6%	49,637	-14.8%
	Interest & Investment Income	100						
	Revenue Total	***60,840***	***42,299***	***69.5%***	***60,740***	***69.6%***	***49,637***	***-14.8%***
	Expense							
	Purchased Services	39,520	7,552	19.1%	12,603	59.9%	6,332	19.3%
	Purchased Items	21,320	3,480	16.3%	6,640	52.4%	3,206	8.5%
	Expense Total	***60,840***	***11,032***	***18.1%***	***19,243***	***57.3%***	***9,538***	***15.7%***
	Block 59 Business District Fund							
	Revenue							
	Sales Tax/Business District		464,633		287,809	161.4%	228,084	103.7%
	Revenue Total		***464,633***		***287,809***	***161.4%***	***228,084***	***103.7%***
	Expense							
	Grants & Contributions	500,000						
	Expense Total	***500,000***						
	Heinen Business Dist Fund							
	Revenue							
	Sales Tax/Business District		(24,657)		12,533	-196.7%	12,171	-302.6%
	Revenue Total		***(24,657)***		***12,533***	***-196.7%***	***12,171***	***-302.6%***
	SSA #36 - Downtown Maint Fund							
	Revenue							
	Fines	80,000	30,185	37.7%	39,687	76.1%	37,480	-19.5%
	Interest & Investment Income	110,250						
	Interfund TF (Rev)	1,499,437	1,499,437	100.0%	1,499,437	100.0%	1,651,489	-9.2%

YTD > Year To Date
PY > Previous Year

Fund Overview	Fund Name	Total Budget	YTD Actuals	% Total Budget	YTD Projection	% YTD Projection	PY Actuals	PY Variance
Special Funds	Property Taxes	1,259,718	698,368	55.4%	656,689	106.3%	645,620	8.2%
	Revenue Total	***2,949,405***	***2,227,990***	***75.5%***	***2,195,812***	***101.5%***	***2,334,589***	***-4.6%***
	Expense							
	Salaries & Wages	848,292	350,267	41.3%	414,165	84.6%	338,113	3.6%
	Benefits & Related	214,610	101,922	47.5%	102,818	99.1%	80,238	27.0%
	Purchased Services	1,570,150	549,799	35.0%	535,165	102.7%	416,563	32.0%
	Purchased Items	235,032	141,040	60.0%	112,930	124.9%	110,884	27.2%
	Capital Outlay	587,000						
	Interfund TF (Exp)	83,120	41,556	50.0%	41,560	100.0%	37,200	11.7%
	Expense Total	***3,538,204***	***1,184,584***	***33.5%***	***1,206,637***	***98.2%***	***982,998***	***20.5%***

YTD > Year To Date
PY > Previous Year

Revenues/Expense Overview	Total Budget	YTD Actuals	% Total Budget	YTD Projection	%YTD Projection	PY Actuals	PY Variance
Revenue							
Property Taxes	62,933,353	32,953,984	52.4%	32,816,204	100.4%	32,045,880	2.8%
Hotel & Motel Tax	2,033,900	977,119	48.0%	1,039,109	94.0%	1,155,116	-15.4%
Food & Beverage Tax	8,018,076	3,957,050	49.4%	3,964,315	99.8%	3,648,078	8.5%
Local Gasoline Tax	2,400,000	1,205,934	50.2%	1,198,256	100.6%	1,176,244	2.5%
Real Estate Transfer Tax	5,000,000	2,317,718	46.4%	2,247,891	103.1%	2,284,391	1.5%
Utility Taxes	18,820,000	9,355,430	49.7%	9,980,682	93.7%	8,233,168	13.6%
Business License & Permit	687,325	676,136	98.4%	627,111	107.8%	649,392	4.1%
Non-Business License & Permit	2,810,000	1,771,367	63.0%	1,307,856	135.4%	1,796,769	-1.4%
Grants	17,132,693	1,530,599	8.9%	7,850,378	19.5%	524,713	191.7%
State Shared Taxes	93,630,909	50,910,373	54.4%	47,054,035	108.2%	50,153,284	1.5%
Charges for Service	21,225,008	11,221,480	52.9%	11,057,438	101.5%	10,744,041	4.4%
Contributions	1,301,500	127,488	9.8%	409,105	31.2%	252,477	-49.5%
Electric Charges	162,560,181	78,270,714	48.1%	76,577,301	102.2%	72,641,331	7.7%
Fees	5,562,307	1,692,897	30.4%	2,850,884	59.4%	4,354,882	-61.1%
Fines	1,379,500	659,859	47.8%	729,156	90.5%	769,880	-14.3%
Home Rule Sales Tax	25,056,445	12,558,004	50.1%	11,981,371	104.8%	11,140,617	12.7%
Insurance Premium	28,054,005	13,463,386	48.0%	13,576,660	99.2%	11,133,279	20.9%
Interest & Investment Income	6,375,523	562,193	8.8%	532,996	105.5%	495,301	13.5%
Interfund TF (Rev)	24,667,137	7,024,567	28.5%	7,807,543	90.0%	7,510,540	-6.5%
Intergovernmental Agreement	1,695,050	138,228	8.2%	128,086	107.9%	147,275	-6.1%
Local Shared Taxes	217,000	109,219	50.3%	117,572	92.9%	113,586	-3.8%
Other Revenue	1,347,508	786,706	58.4%	782,505	100.5%	7,247,928	-89.1%
Rents & Royalties	2,298,050	1,165,721	50.7%	1,188,371	98.1%	1,267,822	-8.1%
Other License & Permit	59,000	40,766	69.1%	23,067	176.7%	25,021	62.9%
Wastewater Charges	35,255,595	18,965,408	53.8%	17,209,719	110.2%	15,395,362	23.2%
Water Charges	61,882,136	26,099,919	42.2%	27,233,209	95.8%	24,836,084	5.1%
Sales Tax/Business District		439,977		300,342	146.5%	240,255	83.1%
Grocery Tax	6,500,000	1,633,927	25.1%	2,166,667	75.4%		
Revenue Total	**598,902,201**	**280,616,169**	**46.9%**	**282,757,830**	**99.2%**	**269,982,713**	**3.9%**

YTD > Year To Date
PY > Previous Year

Revenues/Expense Overview	Total Budget	YTD Actuals	% Total Budget	YTD Projection	%YTD Projection	PY Actuals	PY Variance
Expense							
Salaries & Wages	140,281,906	68,341,189	48.7%	69,706,481	98.0%	62,377,077	9.6%
Benefits & Related	57,709,299	28,437,370	49.3%	28,526,555	99.7%	25,588,546	11.1%
Insurance Benefits	33,154,219	10,325,472	31.1%	13,942,134	74.1%	12,406,650	-16.8%
Purchased Services	60,451,180	22,852,052	37.8%	25,521,251	89.5%	22,330,503	2.3%
Purchased Items	23,317,609	13,456,724	57.7%	10,447,619	128.8%	11,803,286	14.0%
Purchased Electricity	112,404,056	52,425,187	46.6%	50,812,157	103.2%	51,468,287	1.9%
Purchased Water	32,086,146	12,621,205	39.3%	13,468,693	93.7%	12,233,039	3.2%
Capital Outlay	179,588,835	33,960,872	18.9%	64,088,798	53.0%	37,168,253	-8.6%
Grants & Contributions	9,295,636	3,903,683	42.0%	4,086,101	95.5%	3,356,082	16.3%
Debt Service	15,219,270	2,698,013	17.7%	3,020,442	89.3%	4,359,021	-38.1%
Interfund TF (Exp)	21,834,434	5,632,429	25.8%	6,386,538	88.2%	6,410,218	-12.1%
Expense Total	**685,342,588**	**254,654,196**	**37.2%**	**290,006,768**	**87.8%**	**249,500,961**	**2.1%**

YTD > Year To Date
PY > Previous Year

Department Overview	Total Budget	YTD Actual	% Total Budget	YTD Projection	% YTD Projection	PY Actuals	PY Variance
Revenue							
Community Services	711,325	683,321	96.1%	642,155	106.4%	677,592	0.8%
Electric	168,128,620	79,716,747	47.4%	79,132,261	100.7%	76,042,390	4.8%
Finance	82,000	62,174	75.8%	71,311	87.2%	75,983	-18.2%
Fire	11,920,500	5,548,468	46.5%	5,592,673	99.2%	5,274,892	5.2%
Information Technology		1,802				2,000	-9.9%
Library	18,484,203	9,534,692	51.6%	9,533,780	100.0%	9,385,741	1.6%
Naper Settlement	5,646,444	3,089,640	54.7%	3,017,912	102.4%	2,960,510	4.4%
Police	8,613,837	4,937,873	57.3%	3,853,126	128.2%	3,978,004	24.1%
Public Works	9,042,318	4,452,656	49.2%	4,462,908	99.8%	4,480,432	-0.6%
Transp Engineer Development	18,464,575	3,167,159	17.2%	8,711,971	36.4%	2,522,455	25.6%
Undefined	252,501,700	124,066,670	49.1%	122,701,737	101.1%	124,093,964	0.0%
Water	105,306,679	45,354,966	43.1%	45,037,995	100.7%	40,488,752	12.0%
Revenue Total	**598,902,201**	**280,616,169**	**46.9%**	**282,757,830**	**99.2%**	**269,982,713**	**3.9%**

YTD > Year To Date
PY > Previous Year

City of Naperville
2026 Financial Report - through June 30
Preliminary and Unaudited

Department Overview	Total Budget	YTD Actual	% Total Budget	YTD Projection	% YTD Projection	PY Actuals	PY Variance
Expense							
City Managers Office	2,809,607	1,450,910	51.6%	1,491,997	97.2%	1,226,240	18.3%
Community Services	6,051,625	2,012,857	33.3%	2,026,420	99.3%	1,658,344	21.4%
Debt Service	14,568,968	2,368,689	16.3%	2,486,135	95.3%	3,733,324	-36.6%
Electric	170,004,243	74,463,027	43.8%	73,032,809	102.0%	75,555,093	-1.4%
Finance	9,699,295	4,227,517	43.6%	4,640,186	91.1%	4,180,985	1.1%
Fire	57,153,160	27,540,349	48.2%	28,003,171	98.3%	25,236,512	9.1%
Human Resources	2,137,448	922,782	43.2%	1,054,750	87.5%	950,160	-2.9%
Information Technology	19,201,096	8,107,114	42.2%	9,011,887	90.0%	16,025,698	-49.4%
Insurance	33,993,847	10,656,358	31.3%	14,295,133	74.5%	12,697,623	-16.1%
Legal	1,908,873	927,331	48.6%	946,156	98.0%	955,481	-2.9%
Library	19,360,427	8,547,258	44.1%	9,030,868	94.6%	8,100,403	5.5%
Mayor And Council	341,329	148,267	43.4%	163,592	90.6%	143,471	3.3%
Miscellaneous	4,361,877	2,880,985	66.0%	3,015,210	95.5%	2,953,692	-2.5%
Naper Settlement	5,788,451	2,411,151	41.7%	2,747,500	87.8%	2,509,963	-3.9%
Police	72,592,165	33,559,686	46.2%	35,003,387	95.9%	30,960,950	8.4%
Public Works	49,719,358	19,004,937	38.2%	28,850,387	65.9%	17,135,543	10.9%
Transp Engineer Development	55,989,777	10,344,883	18.5%	21,019,912	49.2%	10,441,066	-0.9%
Undefined	1,263,137	178,609	14.1%	288,233	62.0%	376,454	-52.6%
Water	158,397,906	44,901,486	28.3%	52,899,036	84.9%	34,659,959	29.5%
Expense Total	**685,342,588**	**254,654,196**	**37.2%**	**290,006,768**	**87.8%**	**249,500,961**	**2.1%**

YTD > Year To Date
PY > Previous Year

Term	Definition
Total Budget	Total approved budget for the full fiscal year
YTD Actual	Actual amount of expenses or revenues for the year as of the date of the report
% Total Budget	Amount of total expenses or revenues to date reflected as a percentage of the total budget
PY Actual	Actual expenses or revenues through the same month in the prior fiscal year
PY Variance	Difference between current year actuals and prior year actuals reflected as a percentage value

YTD > Year To Date
PY > Previous Year

City of Naperville
400 S. Eagle Street
Naperville, IL 60540
http://www.naperville.il.us/

File #: 26-0592B, **Version:** 1 **Meeting Date:** 7/27/2026

FINANCIAL ADVISORY BOARD AGENDA ITEM

ACTION REQUESTED:
Review updates to the City of Naperville Debt Management Policy

DEPARTMENT: Finance Department

SUBMITTED BY: Raymond Munch, Director of Finance

BOARD/COMMISSION REVIEW:
N/A

BACKGROUND:
The City Council first adopted a Debt Management Policy in 2008. Minor revisions to the policy were reviewed and approved by the Financial Advisory Board (FAB) and City Council in 2010 and 2013.

It is best practice to conduct periodic review of financial policies, and current staff in the Finance Department are not aware of any reviews of the Debt Management Policy since it was last revised in 2013.

DISCUSSION:
Finance Department staff performed a thorough review of the Debt Management Policy, enlisting the assistance of FAB member Tom Gavin (a retired municipal advisor) and Anthony Miceli, President at Speer Financial, the City's current municipal advisor.

From that review, the following revisions are recommended:

1. Minor edits throughout to improve clarity, grammar, spelling and formatting.

2. Removal of references to debt instruments that are no longer authorized by law, such as Build America, Recovery Zone Economic Development and Recovery Zone Facility Bonds.

3. Restrictions on the use of derivative products.

4. Removal of redundant language or recitation of terms.

5. Removal of references to the Annual Fiscal Indicators Report (AFIR). Staff is unaware if this report has ever been generated as a stand-alone report, as it calls for information contained within other published reports, including the Annual Comprehensive Financial Report and the Annual Budget and Capital Improvement Plan.

City of Naperville, Illinois

Debt Management Policy

~~As **amended** by the City Council on September 3, 2013~~

I. PURPOSE AND GOALS

The City of Naperville faces continuing capital infrastructure requirements to maintain a vibrant, livable community and ensure a high quality of life for its residents~~meet the increasing needs of its citizens~~. The costs of these requirements may exceed available financial resources, requiring ~~be~~~~will be largely met through~~ the issuance of various types of debt instruments. ~~Consequently, the City needs to anticipate increases in debt levels based upon historical data. With these increases, the effects of decisions regarding the~~The City must carefully consider the type of issue, method of sale, and payment structure~~ become ever more critical~~, and how those factors may affect~~ to~~ the City's long-term financial ~~well being~~well-being. To help ensure the City's ~~credit worthiness~~creditworthiness, an established program of managing the City's debt is~~becomes~~ essential.

In addition, the City Council has the authority to provide conduit financings for non-profit organizations through the issuance of 501(c)~~-~~(3) bonds and ~~tax exempt~~tax-exempt private activity bonds~~ (Industrial Revenue and Recovery Zone Facility Bonds)~~ to promote economic development within the community. As a home rule community, the City is granted an amount per capita each year by the State for the issuance of private activity bonds in the form of Industrial Revenue Bonds (IRB's) to promote new manufacturing facilities and expansion and refurbishing of existing facilities that qualify under the Tax Reform Act of 1986 and 30 ILCS 345.

~~The American Recovery and Reinvestment Tax Act of 2009 created a new tax-exempt financing vehicle for capital assets used in a trade or business, Recovery Zone Facility Bonds ("RZFB's"). RZFB's exclude the manufacturing requirement and small issue limitations ofIRB's and have made tax exempt financing available to projects which were previously ineligible. If an allocation is given to the city, projects can be submitted via the attached application.~~

To this end, the City Council recognizes this "Debt Management Policy" to be financially prudent and in the City's best economic interest.

The purpose of this policy is to provide a functional tool for debt management and capital planning, and facilitate the issuance of conduit financings, as well as~~,~~ enhance the City's reputation for managing its debt in a conservative and prudent manner.

~~GOALS RELATED TO THE ISSUANCE OF GENERAL OBLIGATION, REVENUE, BUILD AMERICA, AND RECOVERY *WNE* ECONOMIC DEVELOPMENT BOND DEBT~~

In following this policy, the City shall pursue the following goals when issuing debt:

- Maintain ~~a~~ the highest possible ~~AAA~~ credit rating for each ~~general obligation~~ debt issue, taking into consideration the type of security being offered. ~~and a Aa2 credit rating for each revenue bond debt issue.~~

- Take all practical precautions to avoid any financial decision ~~which~~ that will negatively impact the City's current credit ratings on existing or future debt issues.

- Effectively utilize debt capacity in relation to City growth and the tax base, or utility rate base, to meet long-term capital requirements.

- Consider market timing when making decisions on the issuance of new bonds or refinancing existing bonds.

- Determine the amortization (maturity) schedule ~~which~~ that will best fit with the overall debt structure of the City's general obligation debt and related tax levy at the time the new debt is issued. For issuance of revenue bonds, the amortization schedule ~~which will~~that best ~~fit~~ fits with the overall debt structure of the enterprise fund and its related rate structure will be considered. Consideration will be given to coordinating the length of the issue with the lives of assets, whenever practicable, while considering repair and replacement costs of those assets to be incurred in future years as an offset to the useful lives, and the related length of time in the payout structure.

- ~~Consider the impact of such new debt on overlapping debt and the financing plans of local governments which overlap, or underlie the City.~~

- Assess financial alternatives to include new and innovative financing approaches, including, whenever feasible, categorical grants, revolving loans or other state/federal aid.

- Minimize debt interest costs.

II. DEBT ISSUANCE IN GENERAL

A. Authority and Purposes of the Issuance of Debt

The laws of the State of Illinois authorize the issuance of debt by the City. ~~The Local Bond Law~~Section 6 of Article VII of the Illinois Constitution confers upon home rule municipalities the power and authority to contract debt, borrow money, and issue bonds for public improvement projects as defined therein. Under these provisions, the City may contract debt to pay for the cost of acquiring, constructing, reconstructing, improving, extending, enlarging, and equipping such projects or to refund bonds. The City Charter authorizes the City Council to incur debt by issuing bonds for any lawful municipal purpose as authorized by the State Constitution or its Home Rule Powers.

B. Types of Debt Issued

i. Short-Term. (Three years or less) The City may issue short-term debt~~,~~ which may include, but not be limited to, bond anticipation notes or variable rate demand notes, those instruments ~~which~~ that allow the City to meet cash flow requirements related to capital projects or provide increased flexibility in financing programs.

ii. Long-Term. (More than three years) The City may issue long-term debt~~,~~ which may include, but is not limited to, general obligation bonds, certificates of participation, capital appreciation bonds, special assessment bonds, self-liquidating bonds, and revenue~~double barreled~~ bonds.~~, Build America Bonds, and Recovery Zone Economic Development Bonds~~ Various issues could be ~~tax exempt~~tax-exempt bonds and taxable bonds dependent on needs and benefit to the City. The City may also enter into long-term leases for public facilities, property, and equipment with a useful life greater than one year.

C. Capital Improvement Program

The Capital Improvement Program (CIP), prepared by the City Manager~~,~~ and approved by the City Council, shall determine the City's capital needs. The program shall be a five-year plan for the acquisition, development, and/or improvement of the City's infrastructure. Projects included in the CIP shall be prioritized~~;~~ , and the means for financing each shall be identified. The first year of the program shall lie the Annual~~Capital~~ Budget, which shall become the initial basis for debt issuance. The City Council, upon advice from the City's municipal~~financial~~ advisor, may consider incurring debt to fund multiple years of the CIP~~apital Improvement Program~~. The CIP shall be revised and supplemented each year in keeping with the City's stated policies on debt management.

D. Structure of Debt Issues

The duration of a debt issue shall not exceed the economic or useful life of the improvement or asset that the issue is financing. The City shall design the financing schedule and repayment of debt so as to take best advantage of market conditions and, as practical, to recapture or maximize its credit capacity for future use, and moderate the impact to the taxpayer. In keeping with the stated goals of this debt management policy, the City shall structure each~~issue,~~ general obligation issue~~,~~ ~~Build America, or Recovery Zone Economic Development Bonds,~~ (except refunding~~g and mini-bond~~ issues) to comply with the ~~rapidity of~~debt repayment provisions.

E. Sale of Securities

All debt issues shall be sold through a competitive bidding process based upon the lowest offered True Interest Cost (TIC), unless Council deems a negotiated sale or direct placement of bonds is determined to be the most advantageous to the City.

F. Markets

The City shall make use of domestic capital markets when the conditions best fit the City's financing needs.

G. Credit Enhancements

The City may enter into agreements with commercial banks or other financial entities for the purpose of acquiring letters of credit, municipal bond insurance, or other credit enhancements that will provide the City with access to credit under terms and conditions as specified in such agreements when their use is judged ~~cost effective~~cost-effective or otherwise advantageous. Any such agreements shall be approved by the City Council.

H. Derivatives

The City shall not use derivative products except with the specific authorization of the City Council and only after the adoption of a comprehensive derivatives Policy by the City Council.

III. ~~LEGAL CONSTRAINTS AND OTHER~~ LIMITATIONS ON THE ISSUANCE OF DEBT

A. State Law

~~30 ILCS 305/0.0 l, et. seq.: the short title is "The Bond Authorization Act."~~ The City shall issue bonds pursuant to the home rule powers granted under S~~s~~ection 6, Article VII of the 1970 Constitution of the State of Illinois.

B. Authority for Debt

The City may, by bond ordinance, incur indebtedness or borrow money, and authorize the issue of negotiable obligations, including refunding bonds, for any capital improvement of property, land acquisition, or any other lawful purpose except current expenses, unless approved by the City Council.

C. Debt Limitation

Because the City of Naperville is a Home Rule community, the debt limitation of the bond laws are not applicable.

D. Maturity Length and Amortization~~Methods of Sale~~

~~All bonds shall be sold at a public sale via sealed proposal, except that bonds may be sold at a private sale in accordance with 30 ILCS 350/10. The City may issue temporary notes by negotiated sale if the bond ordinance or subsequent resolution so provides. Any such note shall be designated a "bond anticipation note."~~

~~2.~~1. Bonds. ~~All~~ All bonds will mature within the period or average period of usefulness of the assets financed. All general obligation bonds issued for general governmental capital ~~; and the bonds will~~ purposes will ~~mature in installments, the first of which is payable not more than five years from the staled stated date of the bonds~~ amortize in a manner in which at least 20% of the debt service of the Bonds is retired within the fifth year after issuance, and at least 50% must be repaid within the tenth year after issuance. ~~Term bonds may be allowable if recommended by the City's financial advisor, in lieu of a fixed maturity schedule, and approved by the City Council.~~

~~3.~~2. ~~2.~~ Notes. Bond Anticipation Notes (BANs) or other ~~short term~~ short-term/interim funding obligations may be issued for a period not exceeding three~~five~~ years.

E. Certification

~~An annual~~ Annually, the City shall prepare information ~~which~~that shall

include ~~debt statement shall be filed in the office of the Municipal Clerk by the~~
~~end of the sixth month following the end of each fiscal year by the financial officer of the local unit. The annual debt statement certifies~~ the amount of gross debt, deductions from gross debt, net debt, equalized valuation, and net debt expressed as a percentage of the equalized valuation as of the end of the previous fiscal year. This information will be included within the statistical section of the Annual Comprehensive Financial Report prepared by the City.

~~**F. Credit Implications**~~

~~Each annual version of the CIP shall be included in the Annual Fiscal Indicators Report (AFIR) that computes the absolute amounts of key economic indicators and the year-to-year trends for important financial ratios; including Moody's Selected Indicators of Municipal Performance ("Medians") or other recognized industry standards. When issuing new debt, the City should not exceed credit industry benchmarks where applicable. Therefore, the following factors should be considered in developing debt issuance plans:Ratio of Net Bonded Debt to Estimated Full Value~~

~~4. The formula for this computation is Net Bonded Debt, which is the total outstanding debt divided by the current Estimated Full Value as determined by the Township Assessors.~~

~~6. Net Bonded Debt Per Capita~~
~~The formula for this computation is Net Bonded Debt divided by the current population as determined by the Director of Transportation, Engineering, and Development Business Group.~~

~~9. Income Per Capita~~
~~The formula for this computation is income for all households (the number obtained from the most current census data) divided by the current population as determined by the Director of Transportation, Engineering, and Development Business Group.~~

~~12. Ratio of Net Bonded Debt to Equalized Value~~
~~The formula for this computation is Net Bonded Debt, which is the total outstanding debt divided by the current Assessed Value as determined by the Township Assessors.~~

~~15. Ratio of Annual Debt Service to General Government Expenditures~~
~~The formula for this computation is annual debt service expenditures divided by General Government (i.e., General, Special, and Debt Service Funds) expenditures (excluding certain interfund~~

~~transfers).~~

~~18. Rapidity of Debt Service Repayment~~
~~Exclusive of refunding and mini-bond issues, the City's general obligation bond issues shall be so structured whereby at least twenty percent of the principal and interest for each issue is repaid in five years, and fifty percent in ten years.~~

~~21. Current Fund Balance General Fund Cash Reserve~~
~~The City shall maintain a General Fund unrestricted balance equal to a minimum of twenty percent of total annual appropriations, exclusive of inter fund transfers. The definition of the General Fund Cash Reserves shall be total fund balance less encumbrances and accounts receivable due after one year at the time of the calculation. Such calculation, including a projection to April 30 (of the current fiscal year), shall be made on an annual basis by the Director of Finance during the budget process, but no later than March 1 of each fiscal year.~~

~~XXII.~~IV. DEBT ADMINISTRATION

A. Financial Disclosures

The City shall prepare, or engage a dissemination agent to ~~appropriate~~prepare, appropriate disclosures as required by the Municipal Securities Rulemaking Board (MSRB)~~Securities and Exchange Commission~~, the federal government, the State of Illinois, rating agencies, underwriters, investors, agencies, taxpayers, and other appropriate entities and persons to ensure compliance with applicable laws and regulations.

At the conclusion of the annual audit, ~~-~~staff~~,~~ or a dissemination agent~~,~~ will submit the ~~Comprehensive~~ Annual Comprehensive Financial Report to the aforementioned organizations and agencies, including Electronic Municipal Market Access (EMMA),~~,~~ which is governed by ~~Municipal Securities Rulemaking Board (~~MSRB~~)~~ in accordance with its continuing disclosure requirements within ~~(~~210~~180~~ days after fiscal year end~~)~~.

B. Review of Financing Proposals

All capital financing proposals that involve a pledge of the City's credit through the sale of securities, execution of loans or lease agreements and/or otherwise directly involve the lending or pledging of the City's credit shall be referred to the Director of Finance/Treasurer who shall determine the financial feasibility, and the impact on existing debt of such proposal, and shall make recommendations accordingly to the City Manager.

C. Establishing Financing Priorities

The Director of Finance/Treasurer shall administer and coordinate the City's debt issuance program and activities, including timing of issuance, method of sale, structuring the issue, and marketing strategies. The Director of Finance/Treasurer, along with the City's financial advisor, shall meet, as appropriate, with the City Manager and the City Council regarding the status of the current year's program and to make specific recommendations.

D. Rating Agency Relations

The City shall endeavor to maintain effective relations with the rating agencies. The City Manager, Director of Finance/Treasurer, and the City's municipal~~financial~~ advisors shall meet with, make presentations to, or otherwise communicate with the rating agencies on a consistent and regular basis in order to keep the agencies informed concerning the City's capital plans, debt issuance program, and other appropriate financial information.

E. Investment Community Relations

The City shall endeavor to maintain a positive relationship with the investment community. The Director of Finance/Treasurer and the City's municipal~~financial~~ advisor shall, as necessary, prepare reports and other forms of communications regarding the City's indebtedness, as well as its future financing plans. This includes information presented to the press and other media.

F. Refunding Policy

The City shall consider refunding outstanding debt when legally permissible and financially advantageous. A net present value debt service savings of at least two percent (2%) or greater must be achieved, unless the refunding is deemed advantageous for reasons other than savings.~~.~~

G. Investment of Borrowed Proceeds

The City acknowledges its ongoing fiduciary responsibilities to actively manage the proceeds of debt issued for public purposes in a manner that is consistent with Illinois statutes that govern the investment of public funds, and consistent with the permitted securities covenants of related bond documents executed by the City. The management of public funds shall enable the City to respond to changes in markets or changes in payment or construction schedules so as to (i) optimize returns, (ii) ~~insure~~ ensure liquidity, and (iii) minimize risk.

H. Federal Arbitrage Rebate Requirement

The City shall maintain or cause to be maintained an appropriate system of accounting to calculate bond investment arbitrage earnings in accordance with the Tax Reform Act of 1986, as amended or supplemented, and applicable United States Treasury regulations related thereto. Such amounts shall be computed annually and transferred from the Bond Construction Fund or other similar fund (i.e., interest earnings revenue account) to the Debt Service Fund escrow account, or other appropriate accounts, for eventual payment to the United States Treasury.

In order to avoid arbitrage earnings on bond proceeds, City staff shall recommend issuance of debt based upon the cash flow needs of the ~~Departmental~~ Capital Improvement Program budget,~~Project Budgets~~ in which contracts for construction or other goods and services can reasonably be expected to be awarded during the calendar year. Consideration shall be given to the feasibility of obtaining rights-of-way, engineering services, or other matters ~~which~~ that may affect the completion of the project in a timely manner, before a recommendation to issue debt is made.

To the extent possible, the City may use bond proceeds to reimburse prior expenditures as allowed under United States Treasury regulations 1.150-2, to further limit arbitrage earnings. The City Council shall declare its intent to use this method through the adoption of an Official Intent for Reimbursement Resolution.

~~XXIII.~~V. CONDUIT FINANCINGS

Under federal and state statutes, the City Council has the authority to issue tax-exempt bonds for non-profit organizations organized under Internal Revenue Code 501-(c)-(3)~~,~~ and economic development revenue bonds, also known as private activity bonds, under the Tax Reform Act of 1986.~~, and Recovery Zone Facility Bonds under the American Recovery and Reinvestment Tax Act of 2009~~ These tax-exempt bonds shall be collectively referred to as conduit financings. The City has no liability or responsibility for repayment of the debt authorized under these statutes.

The following policy and procedures shall be followed prior to the issuance of any such debt:

A. The applicant shall contact the City Manager or the Director of Finance and submit a formal application for the issuance of a conduit financing.

~~A.~~B. For private activity (Industrial Revenue Bonds),~~ and Recovery Zone Facility Bonds~~ the application shall include a written proposal, which shall include the attached application. The application shall be reviewed and recommended based upon the following criteria:

- job creation;

- growth of Naperville businesses;
- enhancement to the City of Naperville tax base.

~~B.~~C. For the issuance of 501-(c)-(3) bonds, the proposal shall include the following:

I. The Project

a. A description of the project, including whether original issuance; refinancing, recollateralization, or other action sought;

b. A statement indicating the amount of funding required for the project and a description of the purpose for which such funding will be used;

c. A description of any proposed financing arrangement for the project (e.g., loan agreement, or City to own the project and lease to applicant);

d. A statement of the public purpose to be served by the issuance of 501(c)-(3) revenue bonds for the project;

e. An anticipated construction schedule and schedule for completing the financing;

f. The name and address of the proposed purchaser of the bonds proposed to be issued, if known;

g. A complete description, with such supporting exhibits as may be appropriate, of the physical aspects of the project, including, but not limited to, the following:

(I) Location of facility

(2) Size of facility (sq. ft.)

(3) Amount of land required by the facility (acres)

(4) Proximity of the facility's location to areas zoned residential

(5) Physical appearance of the facility and landscaping.

(6) Projected number of vehicles entering the facility area per day

(a) Cars

(b) Trucks

(7) Ability of the streets to carry additional load
(a) Access to the facility
(b) Traffic safety factors

(8) Drainage/storm sewer requirements

(9) Utility requirements
(a) Gallons of water used per day
(b) Water and line requirements needed for fire protection
(c) Sewerage requirements
(i) Amount/capacity required
(ii) Type of effluent discharged
(d) Projected electrical and gas usage
(e) Need for water main and sewerage line extensions

2. The Applicant

a. Financial Stability

(1) Prospectus, if applicable;

(2) Reports to Board of Directors, if applicable;

(3) Certified copies of audited financial statements of the applicant for five (5) years preceding the date of the filing of the application for bond financing;

(4) A list setting forth the caption, if pending, and a brief description of any and all pending or threatened litigation against the applicant which could have an impact on the existence of the applicant of its business or the financial position of the applicant;

(5) Evidence of ability to repay the debt or other information ~~which~~ that might ~~insure~~ ensure the financial success of the tenant;

b. Description of principal business of applicant

c. Number of employees anticipated at the new facility
(I) Full-time
(2) Part-time

(3) Seasonal

d. Number of years the prospective tenant has been operating as a 501~~-~~(c)~~-~~(3) organization.

e. Civic Awareness
(I) Evidence of the applicant's past civic activity
(2) Responsiveness of the applicant to community requests

~~C.~~D. The information submitted by the applicant shall be reviewed by the City's Financial Advisory Board, the Director of Finance, and legal advisors, with recommendations from the Naperville Chamber of Commerce~~,~~ and Naperville Development Partnership. An evaluation thereof and the recommendation of the Financial Advisory Board shall be presented to the City Council as promptly as practicable thereafter.

~~D.~~E. The City C~~c~~ouncil shall consider the report presented to them by the Financial Advisory Board and City staff as promptly as practicable after receipt thereof and shall take one of the following actions:

1. Inform the applicant in writing that the City will not consider issuance or re-issuance of bonds for financing its commercial or industrial project as proposed or the re-issuance of recollateralization of previously issued bonds; provided that in so informing such applicant the City Council may suggest modifications to such proposal which might be acceptable to the City.

2. Inform the applicant in writing of the interest of the City in considering issuance or re-issuance of bonds for financing its commercial or industrial project as proposed or the re-issuance or recollateralization of previously issued bonds; provided, that in so informing such applicant, the Council may request additional information, as ~~they~~ it may deem necessary.

~~E.~~F. In making its determination under paragraph E hereof, the City Council may consider such factors as it may deem appropriate. Such factors may include, but shall not be limited to, the following:

I. The extent to which the project will contribute to the strength and diversity of the City's economic base.

2. Whether or not the project will enable the City to retain or expand an existing business.

3. The reasonable expectations of continued operations of the project by the applicant during the term of the financing.

4. The availability of bonding authority for the project. The amount of

bonding authority remaining available to the City, should the project be pursued, and a Memorandum of Agreement be executed, for other potential projects in the subject calendar year.

5. The City Council reserves the right to determine, in its sole discretion, the merits of each written proposal considered.

~~F.~~G. If the City Council determines, on the basis of the information provided pursuant to paragraph B or C, hereof, whichever is applicable, and such other information as may be presented to the Council, that the City is interested in considering issuance of bonds for financing the project as proposed, the Council may require that a study of the economic viability of the project be completed by the financial advisor for the City. In addition, the City may retain the services of qualified legal counsel to act as special counsel. The applicant shall be responsible for all fees listed under I. to cover the City's costs.

~~G.~~**H.** If a resolution of intent is adopted by the City Council, the financing, refinancing, or recollateralization may proceed pursuant to the provisions of this policy ~~adopted via Resolution No. 10 on February I6, 2010~~.

Fees For Issuance of Conduit Financings~~Bonds~~

There is an application fee of $500, which will be offset by fees for issuance of bonds if the project is chosen.

Private Activity Bond/Economic Development Bond ~~or Recovery Zone Facility Bonds~~ Fee

$500,000	to	$3,000,000	$5,000
$3,000,001	to	$6,000,000	$10,000
$6,000,001	to	$I0,000,000	$15,000
>$10,000,000			$20,000

501 (c)-(3) Bonds Fee

$500,000	to	$1,000,000	$2,500
$1,000,001	to	$5,000,000	$5,000
$5,000,001	to	$10,000,000	$7,500
>$10,000,000			$10,000

VI. SEPARATE PROVISIONS OF POLICY AND CONFLICTS WITH LAWS

The above policies shall remain in full force and effect until revoked by the City Council. If, after adoption of this policy, there are any conflicts between this policy and laws and/or statutes of the United States of America or the State of Illinois, current law shall dictate.

GLOSSARY OF TERMS

Ad Valorem Tax - A direct tax based "according to value" of property.

Advanced Refunding Bonds - Bonds issued to refund an outstanding bond issue prior to the date on which the outstanding bonds become due or callable. Proceeds of the advanced refunding bonds are deposited in escrow with a fiduciary, invested in United States Treasury Bonds or other authorized securities, and used to redeem the underlying bonds at maturity or call date.

Amortization - the process of paying the principal amount of an issue of bonds by periodic payments either directly to bondholders or to a sinking fund for the benefit of bondholders.

~~**Annnal Fiscal Indicators Report (AFIR)** - computes the absolute amounts of key economic indicators and the year-to-year trends for important financial ratios, including Moody's Selected Indicators of Municipal Performance ("Medians") or other recognized industry standards. See expanded definition at end of this document.~~

Arbitrage - Usually refers to the difference between the interest paid on the tax-exempt securities and the interest earned by investing the proceeds in higher yielding taxable securities. Internal Revenue Service regulations govern arbitrage (reference I.R.S. Reg. I.I 03-13 through I.I 03-15).

Arbitrage Bonds - Bonds which are deemed by the I.R.S. to violate federal arbitrage regulations. The interest on such bonds becomes taxable and the bondholders must include this interest as part of gross income for federal income tax purposes (I.R.S. Reg. l.103-13 through 1.103-15).

Assessed Value - An annual determination of the just or full market value of property for purposes of ad valorem taxation.

Basis Point - l/100 of one percent.

Bond - Written evidence of the issuer's obligation to repay a specified principal amount on a date certain, together with interest at a stated rate, or according to a formula for determining that rate.

Bond Anticipation Notes (BANS) - Short-term ~~interest bearing~~interest-bearing notes issued by a government in anticipation of bonds to be issued at a later date. The notes are retired from proceeds of the bond issue to which they are related.

Bond Counsel - An attorney retained by the City to render a legal opinion whether the City is authorized to issue the proposed bonds, has met all legal requirements necessary for issuance, and whether interest on the bonds is, or is not, exempt from federal and state income taxation.

Bonded Debt - The portion of an issuer's total indebtedness represented by outstanding bonds.

Direct Debt or Gross Bonded Debt - The sum of the total bonded debt and any unfunded debt of the issuer.

Net Direct Debt or Net Bonded Debt - Direct debt less sinking fund accumulations and all self-supporting debt.*Total Overall Debt* - Net direct debt plus the issuer's applicable share of the direct debt of all overlapping jurisdictions.

Net Overall Debt - Net direct debt plus the issuer's applicable share of the net direct debt of all overlapping jurisdictions.

Overlapping Debt - The issuer's proportionate share of the debt of other local governmental units ~~which~~ that either overlap or underlie it.

~~**Build America Bonds** - taxable municipal bond created under the American Recovery and Reinvestment Act of 2009 that carry special tax credits and federal subsidies for either the bond holder or the bond issuer. Many issuers have taken.advantage ofthe Build America Bond provision to secure financing at a lower cost than issuing traditional tax-exempt bonds. The Build America Bond provision is open to governmental agencies issuing capital' expenditure bonds before January I, 2011~~

Callable Bond - A bond which permits or requires the issuer to redeem the obligation before the stated maturity date at a specified price, the call price, usually at or above par value.~~;~~

Capital Appreciation Bonds (CAB) - A long-term security on which the investment return is reinvested at a stated compound rate until maturity. The investor receives a single payment at maturity representing both the principal and investment return.

Capital Improvement Program (CIP) - A five-year capital plan that outlines capital projects greater than $25,000. Prepared by the City Manager, and approved by the City Council, shall determine the City's capital needs.

Certificates of Participation - Documents, in fully registered form, that act like bonds. However, security for the certificates is the government's intent to make annual appropriations during the term of a lease agreement. No pledge of full faith and credit of the government is made. Consequently, the obligation of the government to make basic rental payments does not constitute an indebtedness of the government.

Commercial Paper - Very short-term, unsecured promissory notes issued in either registered or bearer form, and usually backed by a line of credit with a bank.

Coupon Rate - The annual rate of interest payable on a coupon bond (a bearer bond or bond registered as to principal only, carrying coupons evidencing future interest payments), expressed as a percentage of the principal amount.

Debt Limit - The maximum amount of debt which an issuer is permitted ~~in~~ to incur under constitutional, statutory or charter provision.

Debt Service - The amount of money necessary to pay interest on an outstanding debt, the serial maturities of principal for serial bonds, and the required contributions to an amortization or sinking fund for term bonds.

Demand Notes (Variable Rate) - A short-term security ~~which~~ that is subject to a frequently available put option feature under which the holder may put the security back to the issuer after giving specified notice. Many of these securities are floating or variable rate, with the put option exercisable on dates on which the floating rate changes.

~~**Double Barreled Bonds (Combination Bonds)** - A bond which is payable from the revenues of a governmental enterprise and are also backed by the full faith and credit of the governmental unit.~~

Enterprise Funds - Funds that are financed and operated in a manner similar to private business, in that goods and services provided are financed primarily through user charges.

General Obligation Bond - A bond for whose payment the full faith and credit of the issuer has been pledged. More commonly, but not necessarily, general obligation bonds are payable from ad valorem property taxes and other general revenues.

Industrial Revenue Bonds- Bonds that are designed to promote economic development. The proceeds from the bond sale are loaned to businesses to pay for buildings or other capital investment projects. The bonds must be paid back by the company; the government gives its name to the bond issue, but not its credit rating. Typically, these bonds are ~~tax exempt~~tax-exempt.

Lease Purchase Agreement (Capital Lease) - A contractual agreement whereby the government borrows funds from a financial institution or a vendor to pay for capital acquisition. The title to the asset(s) normally belongs to the government with the lessor acquiring security interest or appropriate lien therein.

Letter of Credit - A commitment, usually made by a commercial bank, to honor demands for payment of a debt upon compliance with conditions and/or the occurrence of certain events specified under the terms of the commitment.

Level Debt Service - An arrangement of serial maturities in which the amount of principal maturing increases ~~as~~ at approximately the same rate as the amount of interest declines.

Long-Term Debt - Long-term debt is defined as any debt incurred whose final maturity is more than three years.

Maturity - The date upon which the principal of a municipal bond becomes due and payable to bondholders.

~~**Mini-bonds** - A small denomination bond directly marketed to the public.~~

Net Interest Cost (NIC) - The traditional method of calculating bids for new issues of municipal securities. The total dollar amount of interest over the life of the bonds is adjusted by the amount of premium or discount bid, and then reduced to an average annual rate. The other method is known as the true interest cost (see "true interest cost").

Negotiated Sale - Situation in which the terms of an offering are determined by negotiation between the issuer and the underwriter rather than through competitive bidding by underwriting groups.

Offering Circular - Usually a preliminary and final document prepared to describe or disclose to investors and dealers information about an issue of securities expected to be offered in the primary market. As a part of the offering circular, an official statement shall be prepared by the City describing the debt and other pertinent financial and demographic data used to market the bonds to potential buyers.

Other Contractual Debt - Purchase contracts and other contractual debt other than bonds and notes. Other contractual debt does not affect annual debt limitation and is not a part of indebtedness within the meaning of any constitution or statutory debt limitation or restriction.

Par Value or Face Amount - In the case of bonds, the amount of principal ~~which~~ that must be paid at maturity.

Parity Bonds - Two or more issues of bonds which have the same priority of claim or lien against pledged revenues or the issuer's full faith and credit pledge.

Principal - The face amount or par value of a bond or issue of bonds payable on stated dates of maturity.

Private Activity Bonds - One of two categories of bonds established under the Tax Reform Act of 1986, both of ~~whom~~ which are subject to certain tests and State volume caps to preserve tax exemption.

Ratings - Evaluations of the credit quality of notes and bonds, usually made by independent rating services, which generally measure the probability of the timely repayment of principal and interest on municipal bonds.

~~**Recovery Zone Economic Development Bonds** - RZEDBs are Build America Bonds ("BABs") and thus are a type of tax credit bond. The tax credit is larger than Build America Bonds and certain municipalities have received an allocation.~~

~~**Recovery Zone Facility Bonds** - RZFBs are tax exempt, private activity bonds. According to Notice 2009-50, they are to be treated as exempt facility bonds~~

Refunding Bonds - Bonds issued to retire bonds already outstanding.

Registered Bond - A bond listed with the registrar as to ownership, which cannot be sold or exchanged without a change of registration.

Reserve Fund - A fund ~~which~~ that may be used to pay debt service if the sources of the pledged revenues do not generate sufficient funds to satisfy the debt service requirements.

Revenue Bond - A municipal bond that is secured by the income expected to be generated by the project financed by the bond, as opposed to a general obligation bond that is secured by the government's taxing authority.

Self-Supporting or Self-Liquidating Debt - Debt that is to be repaid from proceeds derived exclusively from the enterprise activity for which the debt was issued.

Short-Term Debt - Short-term debt is defined as any debt incurred whose final maturity is three years or less.

Spread - The income earned by the underwriting syndicate as a result of differences in the price paid to the issuer for a new issue of municipal bonds, and the prices at which the bonds are sold to the investing public, usually expressed in points or fractions thereof.

Special Assessment Bonds -A special type of municipal bond used to fund a development project. Interest owed to lenders is paid by taxes levied on the community benefiting from the particular bond-funded project

Tax-Exempt Bonds - For municipal bonds issued by the City, tax-exempt means interest on the bonds ~~are~~ is not included in gross income for federal income tax purposes; the bonds are not items of tax preference for purposes of the federal, alternative minimum income tax imposed on individuals and corporations; and the bonds are exempt from taxation by the State of Illinois.

Tax ~~-~~ Increment Bonds - Bonds secured by the incremental property tax revenues generated from a redevelopment project area.

Term Bonds - Bonds coming due in a single maturity.

True Interest Cost (TIC) - ~~Also known as Canadian Interest Cost.~~ A rate which, when used to discount each amount of debt service payable in a bond issue, will produce a present value precisely equal to the amount of money received by the issuer in exchange for the bonds. The TIC method considers the time value of money, while the net interest cost (NIC) method does not.

Yield to Maturity - The rate of return to the investor earned from payments of principal and interest, with interest compounded semiannually and assuming that interest paid is reinvested at the same rate.

Zero Coupon Bond - A bond ~~which~~ that pays no interest, but is issued at a deep discount from par, appreciating to its full value at maturity.

~~ANNUAL FISCAL INDICATORS REPORT (AFIR)~~

~~The AFIR shall contain the following sections:~~

~~I. Annual Audit Report~~

~~This section shall contain audited financial statements in conformity with generally accepted accounting principles, on all City funds, account groups and related accounts (e.g., fund balances retained earnings, revenues, expenditures, expenses).. It shall also contain the significant accounting policies of the City summarized as "notes to financial statements; statistical, information; current liabilities; and the arbitrage rebate amount due to the federal government.~~

~~II. Annual Long-Term Debt Report (ALTDR)~~

~~The ALTDR shall contain specific details of all long-term debt of the City, including refunding. The ALTDR shall include, but not be limited to, a schedule of changes in bonds, notes and loans payable; annual principal and interest payments due until maturity; total debt outstanding by purpose; annual charter bond limitations and issues; debt issue call provisions; and the legal debt margin.~~

~~III. Annual Fiscal Indicators and Financial Forecast~~

~~This section should summarize the City's financial condition by describing the necessary economic indicators, financial trends, and credit ratios for the past 12 months. The infonnation for this section should include, but not be limited to, assessed value of real property; ratio of net bonded debt to assessed value; net bonded debt per capital; bond coverage ratios Current Fund Balance; ratio of annual debt service expenditures to general government expenditures; per capita income; population; revenue and expenditures trends; rapidity of principal repayment; and other financial and economic graphs and narrative.~~

~~IV. The Capital Plan~~

~~The final section should present the current version of the five-year capital plan. A schedule of improvements, the rationale for project priorities, the recommended method of finance and a preliminary assessment of financial impacts for each year of the plan should be presented. Cumulative information on past performance and justifications for changes in programming or project priority should be included in the narrative summary of the capital plan.~~

City of Naperville, Illinois
Debt Management Policy

I. PURPOSE AND GOALS

The City of Naperville faces continuing capital infrastructure requirements to maintain a vibrant, livable community and ensure a high quality of life for its residents. The costs of these requirements may exceed available financial resources, requiring the issuance of various types of debt instruments. The City must carefully consider the type of issue, method of sale, and payment structure, and how those factors may affect the City's long-term financial well-being. To help ensure the City's creditworthiness, an established program of managing the City's debt is essential.

In addition, the City Council has the authority to provide conduit financings for non-profit organizations through the issuance of 50l(c)(3) bonds and tax-exempt private activity bonds to promote economic development within the community. As a home rule community, the City is granted an amount per capita each year by the State for the issuance of private activity bonds in the form of Industrial Revenue Bonds (IRB's) to promote new manufacturing facilities and expansion and refurbishing of existing facilities that qualify under the Tax Reform Act of 1986 and 30 ILCS 345.

To this end, the City Council recognizes this “Debt Management Policy" to be financially prudent and in the City's best economic interest.

The purpose of this policy is to provide a functional tool for debt management and capital planning, and facilitate the issuance of conduit financings, as well as enhance the City's reputation for managing its debt in a conservative and prudent manner.

In following this policy, the City shall pursue the following goals when issuing debt:

- Maintain the highest possible credit rating for each debt issue, taking into consideration the type of security being offered.

- Take all practical precautions to avoid any financial decision that will negatively impact the City’s current credit ratings on existing or future debt issues.

- Effectively utilize debt capacity in relation to City growth and the tax base, or utility rate base, to meet long-term capital requirements.

- Consider market timing when making decisions on the issuance of new bonds or refinancing existing bonds.

- Determine the amortization (maturity) schedule that will best fit with the overall debt structure of the City's general obligation debt and related tax levy at the time the new debt is issued. For issuance of revenue bonds, the amortization schedule that best fits with the overall debt structure of the enterprise fund and its related rate structure will be considered. Consideration will be given to coordinating the length of the issue with the lives of assets, whenever practicable, while considering repair and replacement costs of those assets to be incurred in future years as an offset to the useful lives, and the related length of time in the payout structure.

- Assess financial alternatives to include new and innovative financing approaches, including, whenever feasible, categorical grants, revolving loans or other state/federal aid.

- Minimize debt interest costs.

II. DEBT ISSUANCE IN GENERAL

A. Authority and Purposes of the Issuance of Debt

The laws of the State of Illinois authorize the issuance of debt by the City. Section 6 of Article VII of the Illinois Constitution confers upon home rule municipalities the power and authority to contract debt, borrow money, and issue bonds for public improvement projects as defined therein. Under these provisions, the City may contract debt to pay for the cost of acquiring, constructing, reconstructing, improving, extending, enlarging, and equipping such projects or to refund bonds. The City Charter authorizes the City Council to incur debt by issuing bonds for any lawful municipal purpose as authorized by the State Constitution or its Home Rule Powers.

B. Types of Debt Issued

i. Short-Term. (Three years or less) The City may issue short-term debt, which may include, but not be limited to, bond anticipation notes or variable rate demand notes, those instruments that allow the City to meet cash flow requirements related to capital projects or provide increased flexibility in financing programs.

ii. Long-Term. (More than three years) The City may issue long-term debt, which may include, but is not limited to, general obligation bonds, certificates of participation, capital appreciation bonds, special assessment bonds, self-liquidating bonds, and revenue bonds. Various issues could be tax-exempt bonds and taxable bonds dependent on needs and benefit to the City. The City may also enter into long-term leases for public facilities, property, and equipment with a useful life greater than one year.

C. Capital Improvement Program

The Capital Improvement Program (CIP), prepared by the City Manager and approved by the City Council, shall determine the City's capital needs. The program shall be a five-year plan for the acquisition, development, and/or improvement of the City's infrastructure. Projects included in the CIP shall be prioritized, and the means for financing each shall be identified. The first year of the program shall lie the Annual Budget, which shall become the initial basis for debt issuance. The City Council, upon advice from the City's municipal advisor, may consider incurring debt to fund multiple years of the CIP. The CIP shall be revised and supplemented each year in keeping with the City's stated policies on debt management.

D. Structure of Debt Issues

The duration of a debt issue shall not exceed the economic or useful life of the improvement or asset that the issue is financing. The City shall design the financing schedule and repayment of debt so as to take best advantage of market conditions and, as practical, to recapture or maximize its credit capacity for future use, and moderate the impact to the taxpayer. In keeping with the stated goals of this debt management policy, the City shall structure each general obligation issue (except refunding issues) to comply with the debt repayment provisions.

E. Sale of Securities

All debt issues shall be sold through a competitive bidding process based upon the lowest offered True Interest Cost (TIC), unless Council deems a negotiated sale or direct placement of bonds is determined to be the most advantageous to the City.

F. Markets

The City shall make use of domestic capital markets when the conditions best fit the City's financing needs.

G. Credit Enhancements

The City may enter into agreements with commercial banks or other financial entities for the purpose of acquiring letters of credit, municipal bond insurance, or other credit enhancements that will provide the City with access to credit under terms and conditions as specified in such agreements when their use is judged cost-effective or otherwise advantageous. Any such agreements shall be approved by the City Council.

H. Derivatives

The City shall not use derivative products except with the specific authorization of the City Council and only after the adoption of a comprehensive derivatives Policy by the City Council.

III. LIMITATIONS ON THE ISSUANCE OF DEBT

A. State Law

The City shall issue bonds pursuant to the home rule powers granted under Section 6, Article VII of the 1970 Constitution of the State of Illinois.

B. Authority for Debt

The City may, by bond ordinance, incur indebtedness or borrow money, and authorize the issue of negotiable obligations, including refunding bonds, for any capital improvement of property, land acquisition, or any other lawful purpose except current expenses, unless approved by the City Council.

C. Debt Limitation

Because the City of Naperville is a Home Rule community, the debt limitation of the bond laws are not applicable.

D. Maturity Length and Amortization

1. Bonds. All bonds will mature within the period or average period of usefulness of the assets financed. All general obligation bonds issued for general governmental capital purposes will amortize in a manner in which at least 20% of the debt service of the Bonds is retired within the fifth year after issuance, and at least 50% must be repaid within the tenth year after issuance.

2. Notes. Bond Anticipation Notes (BANs) or other short-term/interim funding obligations may be issued for a period not exceeding three years.

E. Certification

Annually, the City shall prepare information that shall include the amount of gross debt, deductions from gross debt, net debt, equalized valuation, and net debt expressed as a percentage of the equalized valuation as of the end of the previous fiscal year. This information will be included within the statistical section of the Annual Comprehensive Financial Report prepared by the City.

IV. DEBT ADMINISTRATION

A. Financial Disclosures

The City shall prepare, or engage a dissemination agent to prepare, appropriate disclosures as required by the Municipal Securities Rulemaking Board (MSRB), the federal government, the State of Illinois, rating agencies, underwriters, investors, agencies, taxpayers, and other appropriate entities and persons to ensure compliance with applicable laws and regulations.

At the conclusion of the annual audit, staff or a dissemination agent will submit the Annual Comprehensive Financial Report to the aforementioned organizations and agencies, including Electronic Municipal Market Access (EMMA), which is governed by MSRB in accordance with its continuing disclosure requirements within 210 days after fiscal year end.

B. Review of Financing Proposals

All capital financing proposals that involve a pledge of the City's credit through the sale of securities, execution of loans or lease agreements and/or otherwise directly involve the lending or pledging of the City's credit shall be referred to the Director of Finance/Treasurer who shall determine the financial feasibility, and the impact on existing debt of such proposal, and shall make recommendations accordingly to the City Manager.

C. Establishing Financing Priorities

The Director of Finance/Treasurer shall administer and coordinate the City's debt issuance program and activities, including timing of issuance, method of sale, structuring the issue, and marketing strategies. The Director of Finance/Treasurer, along with the City's financial advisor, shall meet, as appropriate, with the City Manager and the City Council regarding the status of the current year's program and to make specific recommendations.

D. Rating Agency Relations

The City shall endeavor to maintain effective relations with the rating agencies. The City Manager, Director of Finance/Treasurer, and the City's municipal advisors shall meet with, make presentations to, or otherwise communicate with the rating agencies on a consistent and regular basis in order to keep the agencies informed concerning the City's capital plans, debt issuance program, and other appropriate financial information.

E. Investment Community Relations

The City shall endeavor to maintain a positive relationship with the investment community. The Director of Finance/Treasurer and the City's municipal advisor shall, as necessary, prepare reports and other forms of communications regarding the City's indebtedness, as well as its future financing plans. This includes information presented to the press and other media.

F. Refunding Policy

The City shall consider refunding outstanding debt when legally permissible and financially advantageous. A net present value debt service savings of at least two percent (2%) or greater must be achieved, unless the refunding is deemed advantageous for reasons other than savings.

G. Investment of Borrowed Proceeds

The City acknowledges its ongoing fiduciary responsibilities to actively manage the proceeds of debt issued for public purposes in a manner that is consistent with Illinois statutes that govern the investment of public funds, and consistent with the permitted securities covenants of related bond documents executed by the City. The management of public funds shall enable the City to respond to changes in markets or changes in payment or construction schedules so as to (i) optimize returns, (ii) ensure liquidity, and (iii) minimize risk.

H. Federal Arbitrage Rebate Requirement

The City shall maintain or cause to be maintained an appropriate system of accounting to calculate bond investment arbitrage earnings in accordance with the Tax Reform Act of 1986, as amended or supplemented, and applicable United States Treasury regulations related thereto. Such amounts shall be computed annually and transferred from the Bond Construction Fund or other similar fund (i.e., interest earnings revenue account) to the Debt Service Fund escrow account, or other appropriate accounts, for eventual payment to the United States Treasury.

In order to avoid arbitrage earnings on bond proceeds, City staff shall recommend issuance of debt based upon the cash flow needs of the Capital Improvement Program budget, in which contracts for construction or other goods and services can reasonably be expected to be awarded during the calendar year. Consideration shall be given to the feasibility of obtaining rights-of-way, engineering services, or other matters that may affect the completion of the project in a timely manner, before a recommendation to issue debt is made.

To the extent possible, the City may use bond proceeds to reimburse prior expenditures as allowed under United States Treasury regulations 1.150-2, to further limit arbitrage earnings. The City Council shall declare its intent to use this method through the adoption of an Official Intent for Reimbursement Resolution.

V. CONDUIT FINANCINGS

Under federal and state statutes, the City Council has the authority to issue tax-exempt bonds for non-profit organizations organized under Internal Revenue Code 501(c)(3) and economic development revenue bonds, also known as private activity bonds, under the Tax Reform Act of 1986. These tax-exempt bonds shall be collectively referred to as conduit financings. The City has no liability or responsibility for repayment of the debt authorized under these statutes.

The following policy and procedures shall be followed prior to the issuance of any such debt:

A. The applicant shall contact the City Manager or the Director of Finance and submit a formal application for the issuance of a conduit financing.

B. For private activity (Industrial Revenue Bonds), the application shall include a written proposal, which shall include the attached application. The application shall be reviewed and recommended based upon the following criteria:
- o job creation;
- o growth of Naperville businesses;
- o enhancement to the City of Naperville tax base.

C. For the issuance of 501(c)(3) bonds, the proposal shall include the following:

I. The Project

a. A description of the project, including whether original issuance; refinancing, recollateralization, or other action sought;

b. A statement indicating the amount of funding required for the project and a description of the purpose for which such funding will be used;

c. A description of any proposed financing arrangement for the project (e.g., loan agreement, or City to own the project and lease to applicant);

d. A statement of the public purpose to be served by the issuance of 501(c)(3) revenue bonds for the project;

e. An anticipated construction schedule and schedule for completing the financing;

f. The name and address of the proposed purchaser of the bonds proposed to be issued, if known;

g. A complete description, with such supporting exhibits as may be appropriate, of the physical aspects of the project, including, but not limited to, the following:

(I) Location of facility

(2) Size of facility (sq. ft.)

(3) Amount of land required by the facility (acres)

(4) Proximity of the facility's location to areas zoned residential

(5) Physical appearance of the facility and landscaping.

(6) Projected number of vehicles entering the facility area per day
(a) Cars
(b) Trucks

(7) Ability of the streets to carry additional load
(a) Access to the facility
(b) Traffic safety factors

(8) Drainage/storm sewer requirements

(9) Utility requirements
(a) Gallons of water used per day
(b) Water and line requirements needed for fire protection
(c) Sewerage requirements
(i) Amount/capacity required
(ii) Type of effluent discharged
(d) Projected electrical and gas usage
(e) Need for water main and sewerage line extensions

2. The Applicant

a. Financial Stability

(1) Prospectus, if applicable;

(2) Reports to Board of Directors, if applicable;

(3) Certified copies of audited financial statements of the applicant for five (5) years preceding the date of the filing of the application for bond financing;

(4) A list setting forth the caption, if pending, and a brief description of any and all pending or threatened litigation against the applicant which could have an impact on the existence of the applicant of its business or the financial position of the applicant;

(5) Evidence of ability to repay the debt or other information that might ensure the financial success of the tenant;

b. Description of principal business of applicant

c. Number of employees anticipated at the new facility
(I) Full-time
(2) Part-time
(3) Seasonal

d. Number of years the prospective tenant has been operating as a 501(c)(3) organization.

e. Civic Awareness
(I) Evidence of the applicant's past civic activity
(2) Responsiveness of the applicant to community requests

D. The information submitted by the applicant shall be reviewed by the City's Financial Advisory Board, the Director of Finance, and legal advisors, with recommendations from the Naperville Chamber of Commerce and Naperville Development Partnership. An evaluation thereof and the recommendation of the Financial Advisory Board shall be presented to the City Council as promptly as practicable thereafter.

E. The City Council shall consider the report presented to them by the Financial Advisory Board and City staff as promptly as practicable after receipt thereof and shall take one of the following actions:

1. Inform the applicant in writing that the City will not consider issuance or re-issuance of bonds for financing its commercial or industrial project as proposed or the re-issuance of recollateralization of previously issued bonds; provided that in so informing such applicant the City Council may suggest modifications to such proposal which might be acceptable to the City.

2. Inform the applicant in writing of the interest of the City in considering issuance or re-issuance of bonds for financing its commercial or industrial project as proposed or the re-issuance or recollateralization of previously issued bonds; provided, that in so informing such applicant, the Council may request additional information, as it may deem necessary.

F. In making its determination under paragraph E hereof, the City Council may consider such factors as it may deem appropriate. Such factors may include, but shall not be limited to, the following:

I. The extent to which the project will contribute to the strength and diversity of the City's economic base.

2. Whether or not the project will enable the City to retain or expand an existing business.

3. The reasonable expectations of continued operations of the project by the applicant during the term of the financing.

4. The availability of bonding authority for the project. The amount of bonding authority remaining available to the City, should the project be pursued, and a Memorandum of Agreement be executed, for other potential projects in the subject calendar year.

5. The City Council reserves the right to determine, in its sole discretion, the merits of each written proposal considered.

G. If the City Council determines, on the basis of the information provided pursuant to paragraph B or C, hereof, whichever is applicable, and such other information as may be presented to the Council, that the City is interested in considering issuance of bonds for financing the project as proposed, the Council may require that a study of the economic viability of the project be completed by the financial advisor for the City. In addition, the City may retain the services of qualified legal counsel to act as special counsel. The applicant shall be responsible for all fees listed under I. to cover the City's costs.

H. If a resolution of intent is adopted by the City Council, the financing, refinancing, or recollateralization may proceed pursuant to the provisions of this policy.

Fees For Issuance of Conduit Financings

There is an application fee of $500, which will be offset by fees for issuance of bonds if the project is chosen.

Private Activity Bond/Economic Development Bond — Fee

$500,000	to	$3,000,000	$5,000
$3,000,001	to	$6,000,000	$10,000
$6,000,001	to	$I0,000,000	$15,000
>$10,000,000			$20,000

501 (c)(3) Bonds — Fee

$500,000	to	$1,000,000	$2,500
$1,000,001	to	$5,000,000	$5,000
$5,000,001	to	$10,000,000	$7,500
>$10,000,000			$10,000

VI. SEPARATE PROVISIONS OF POLICY AND CONFLICTS WITH LAWS

The above policies shall remain in full force and effect until revoked by the City Council. If, after adoption of this policy, there are any conflicts between this policy and laws and/or statutes of the United States of America or the State of Illinois, current law shall dictate.

GLOSSARY OF TERMS

Ad Valorem Tax - A direct tax based "according to value" of property.

Advanced Refunding Bonds - Bonds issued to refund an outstanding bond issue prior to the date on which the outstanding bonds become due or callable. Proceeds of the advanced refunding bonds are deposited in escrow with a fiduciary, invested in United States Treasury Bonds or other authorized securities, and used to redeem the underlying bonds at maturity or call date.

Amortization - the process of paying the principal amount of an issue of bonds by periodic payments either directly to bondholders or to a sinking fund for the benefit of bondholders.

Arbitrage - Usually refers to the difference between the interest paid on the tax-exempt securities and the interest earned by investing the proceeds in higher yielding taxable securities. Internal Revenue Service regulations govern arbitrage (reference I.R.S. Reg. I.I 03-13 through I.I 03-15).

Arbitrage Bonds - Bonds which are deemed by the I.R.S. to violate federal arbitrage regulations. The interest on such bonds becomes taxable and the bondholders must include this interest as part of gross income for federal income tax purposes (I.R.S. Reg. l.103-13 through 1.103-15).

Assessed Value - An annual determination of the just or full market value of property for purposes of ad valorem taxation.

Basis Point - l/100 of one percent.

Bond - Written evidence of the issuer's obligation to repay a specified principal amount on a date certain, together with interest at a stated rate, or according to a formula for determining that rate.

Bond Anticipation Notes (BANS) - Short-term interest-bearing notes issued by a government in anticipation of bonds to be issued at a later date. The notes are retired from proceeds of the bond issue to which they are related.

Bond Counsel - An attorney retained by the City to render a legal opinion whether the City is authorized to issue the proposed bonds, has met all legal requirements necessary for issuance, and whether interest on the bonds is, or is not, exempt from federal and state income taxation.

Bonded Debt - The portion of an issuer's total indebtedness represented by outstanding bonds.

Direct Debt or Gross Bonded Debt - The sum of the total bonded debt and any unfunded debt of the issuer.

Net Direct Debt or Net Bonded Debt - Direct debt less sinking fund accumulations and all self-supporting debt.*Total Overall Debt* - Net direct debt plus the issuer's applicable share of the direct debt of all overlapping jurisdictions.

Net Overall Debt - Net direct debt plus the issuer's applicable share of the net direct debt of all overlapping jurisdictions.

Overlapping Debt - The issuer's proportionate share of the debt of other local governmental units that either overlap or underlie it.

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Commercial Paper - Very short-term, unsecured promissory notes issued in either registered or bearer form, and usually backed by a line of credit with a bank.

Coupon Rate - The annual rate of interest payable on a coupon bond (a bearer bond or bond registered as to principal only, carrying coupons evidencing future interest payments), expressed as a percentage of the principal amount.

Debt Limit - The maximum amount of debt which an issuer is permitted to incur under constitutional, statutory or charter provision.

Debt Service - The amount of money necessary to pay interest on an outstanding debt, the serial maturities of principal for serial bonds, and the required contributions to an amortization or sinking fund for term bonds.

Demand Notes (Variable Rate) - A short-term security that is subject to a frequently available put option feature under which the holder may put the security back to the issuer after giving specified notice. Many of these securities are floating or variable rate, with the put option exercisable on dates on which the floating rate changes.

Enterprise Funds - Funds that are financed and operated in a manner similar to private business, in that goods and services provided are financed primarily through user charges.

General Obligation Bond - A bond for whose payment the full faith and credit of the issuer has been pledged. More commonly, but not necessarily, general obligation bonds are payable from ad valorem property taxes and other general revenues.

Industrial Revenue Bonds- Bonds that are designed to promote economic development. The proceeds from the bond sale are loaned to businesses to pay for buildings or other capital investment projects. The bonds must be paid back by the company; the government gives its name to the bond issue, but not its credit rating. Typically, these bonds are tax-exempt.

Lease Purchase Agreement (Capital Lease) - A contractual agreement whereby the government borrows funds from a financial institution or a vendor to pay for capital acquisition. The title to the asset(s) normally belongs to the government with the lessor acquiring security interest or appropriate lien therein.

Letter of Credit - A commitment, usually made by a commercial bank, to honor demands for payment of a debt upon compliance with conditions and/or the occurrence of certain events specified under the terms of the commitment.

Level Debt Service - An arrangement of serial maturities in which the amount of principal maturing increases at approximately the same rate as the amount of interest declines.

Long-Term Debt - Long-term debt is defined as any debt incurred whose final maturity is more than three years.

Maturity - The date upon which the principal of a municipal bond becomes due and payable to bondholders.

Net Interest Cost (NIC) - The traditional method of calculating bids for new issues of municipal securities. The total dollar amount of interest over the life of the bonds is adjusted by the amount of premium or discount bid, and then reduced to an average annual rate. The other method is known as the true interest cost (see "true interest cost").

Negotiated Sale - Situation in which the terms of an offering are determined by negotiation between the issuer and the underwriter rather than through competitive bidding by underwriting groups.

Offering Circular - Usually a preliminary and final document prepared to describe or disclose to investors and dealers information about an issue of securities expected to be offered in the primary market. As a part of the offering circular, an official statement shall be prepared by the City describing the debt and other pertinent financial and demographic data used to market the bonds to potential buyers.

Other Contractual Debt - Purchase contracts and other contractual debt other than bonds and notes. Other contractual debt does not affect annual debt limitation and is not a part of indebtedness within the meaning of any constitution or statutory debt limitation or restriction.

Par Value or Face Amount - In the case of bonds, the amount of principal that must be paid at maturity.

Parity Bonds - Two or more issues of bonds which have the same priority of claim or lien against pledged revenues or the issuer's full faith and credit pledge.

Principal - The face amount or par value of a bond or issue of bonds payable on stated dates of maturity.

Private Activity Bonds - One of two categories of bonds established under the Tax Reform Act of 1986, both of which are subject to certain tests and State volume caps to preserve tax exemption.

Ratings - Evaluations of the credit quality of notes and bonds, usually made by independent rating services, which generally measure the probability of the timely repayment of principal and interest on municipal bonds.

Refunding Bonds - Bonds issued to retire bonds already outstanding.

Registered Bond - A bond listed with the registrar as to ownership, which cannot be sold or exchanged without a change of registration.

Reserve Fund - A fund that may be used to pay debt service if the sources of the pledged revenues do not generate sufficient funds to satisfy the debt service requirements.

Revenue Bond - A municipal bond that is secured by the income expected to be generated by the project financed by the bond, as opposed to a general obligation bond that is secured by the government's taxing authority.

Self-Supporting or Self-Liquidating Debt - Debt that is to be repaid from proceeds derived exclusively from the enterprise activity for which the debt was issued.

Short-Term Debt - Short-term debt is defined as any debt incurred whose final maturity is three years or less.

Spread - The income earned by the underwriting syndicate as a result of differences in the price paid to the issuer for a new issue of municipal bonds, and the prices at which the bonds are sold to the investing public, usually expressed in points or fractions thereof.

Special Assessment Bonds -A special type of municipal bond used to fund a development project. Interest owed to lenders is paid by taxes levied on the community benefiting from the particular bond-funded project

Tax-Exempt Bonds - For municipal bonds issued by the City, tax-exempt means interest on the bonds is not included in gross income for federal income tax purposes; the bonds are not items of tax preference for purposes of the federal, alternative minimum income tax imposed on individuals and corporations; and the bonds are exempt from taxation by the State of Illinois.

Tax Increment Bonds - Bonds secured by the incremental property tax revenues generated from a redevelopment project area.

Term Bonds - Bonds coming due in a single maturity.

True Interest Cost (TIC) - A rate which, when used to discount each amount of debt service payable in a bond issue, will produce a present value precisely equal to the amount of money received by the issuer in exchange for the bonds. The TIC method considers the time value of money, while the net interest cost (NIC) method does not.

Yield to Maturity - The rate of return to the investor earned from payments of principal and interest, with interest compounded semiannually and assuming that interest paid is reinvested at the same rate.

Zero Coupon Bond - A bond that pays no interest, but is issued at a deep discount from par, appreciating to its full value at maturity.