



ANNUAL OPERATING BUDGET

AND CAPITAL IMPROVEMENT
PROGRAM

2025

BUDGET WORKSHOP

Sept. 24, 2024



TONIGHT'S AGENDA



CIP Past, Present and Future

Preview of capital investment over the next 5 years



Electric and Water Utilities Projects

Discussion of preliminary rate study recommendations



General Capital Projects

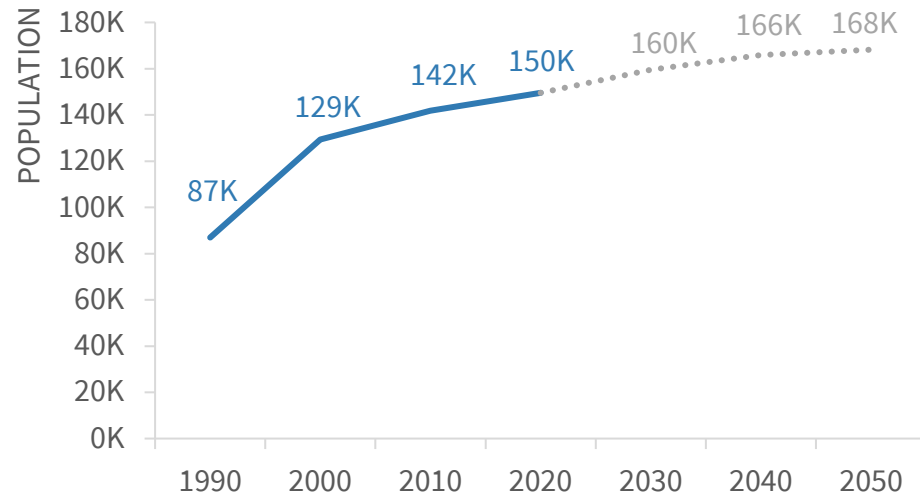
Overview of projects and funding sources

CITY INFRASTRUCTURE GROWTH

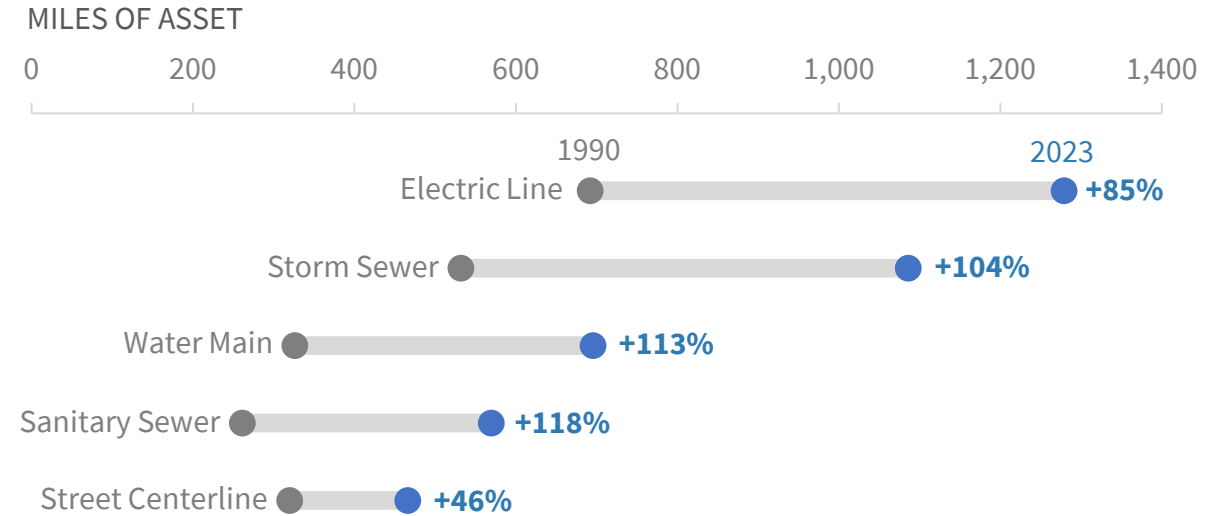
The population has nearly doubled since 1990 and continues to grow, albeit at a slower pace since 2000.

To support the population growth, capital assets have expanded. Several major assets have more than doubled since 1990.

Population Growth



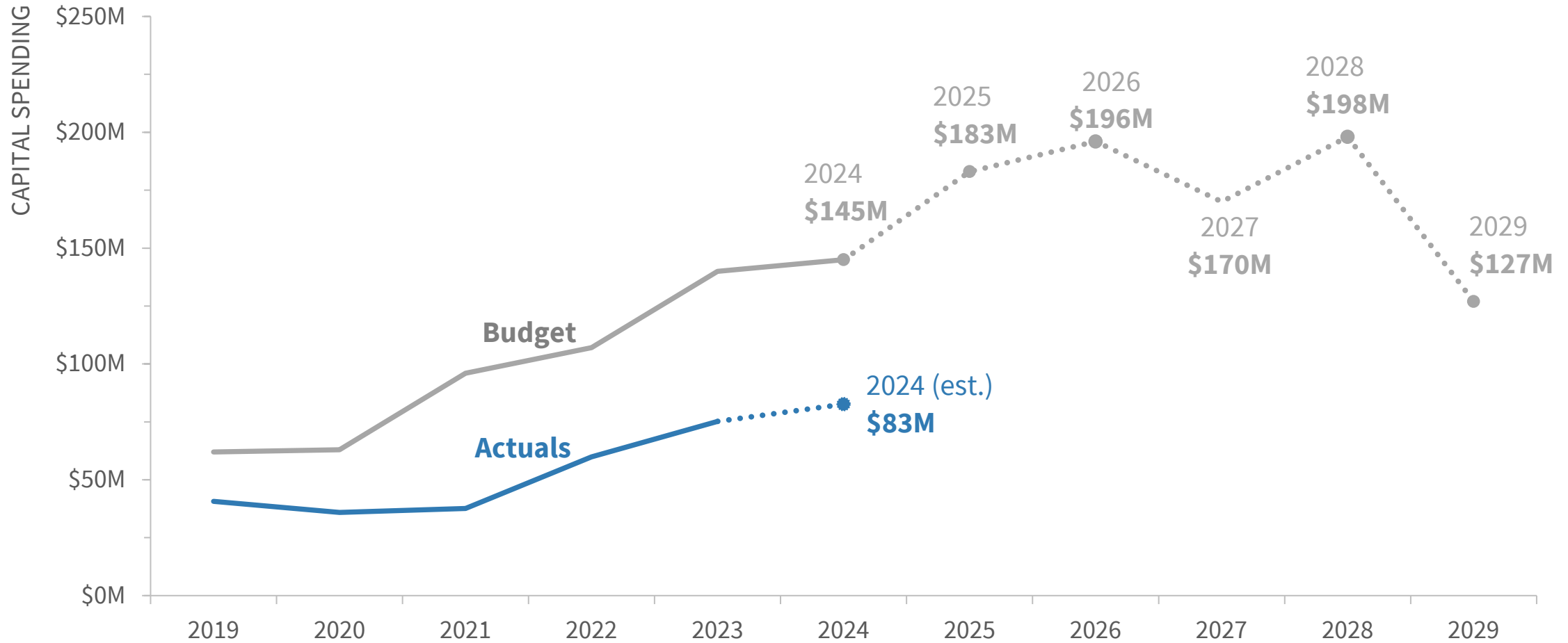
Major Asset Growth Since 1990



Current value of Naperville's infrastructure and capital assets is **\$950 million**

INVESTMENT IN CAPITAL ASSETS OVER TIME

CIP driven by asset replacements, recurring maintenance, capacity improvements and regulatory demands



2024 CIP PROGRESS



PROJECT EXECUTION IMPROVED COMPARED TO PRIOR YEARS

- Better timing of project bids
- Improved project coordination



COST ESCALATION REMAINS A CONCERN MOVING FORWARD

- Several projects canceled due to high bids
- Economic conditions continue to drive high labor and material costs



2024 CARRY OVER PROJECTS



TRANSPORTATION - \$7.1M

- North Aurora Road Underpass
- Washington Street Bridge

ELECTRIC UTILITY - \$8.3M

- Tollway Substation

RIVERWALK - \$3.3M

- Eagle Street Gateway

WATER/WASTEWATER - \$13.9M

- Central Elevated Tank Rehabilitation
- South Plant RAS/Grit Improvement
- South Plant Capacity Improvements
- Influent Pump Station/South Plant Force Main

TECHNOLOGY - \$18.8M

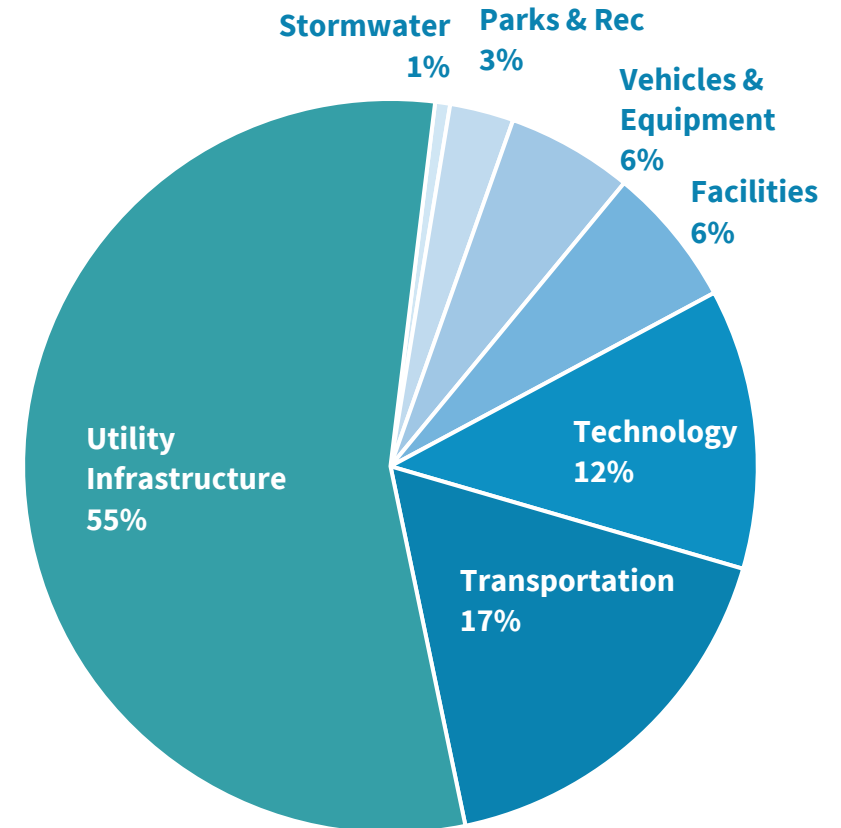
- Public Safety Radio Network
- IT Infrastructure Projects



2025 CIP SUMMARY



- ◆ **PRELIMINARY 2025 CIP TOTALS \$183 MILLION**
- ◆ **55% DRIVEN BY UTILITY INFRASTRUCTURE IMPROVEMENTS**
- ◆ **ALL OTHER ASSETS MAKE UP 45% OF INVESTMENT**



2025 CIP OVERVIEW



ELECTRIC UTILITY



OVERHEAD TO UNDERGROUND CONVERSION

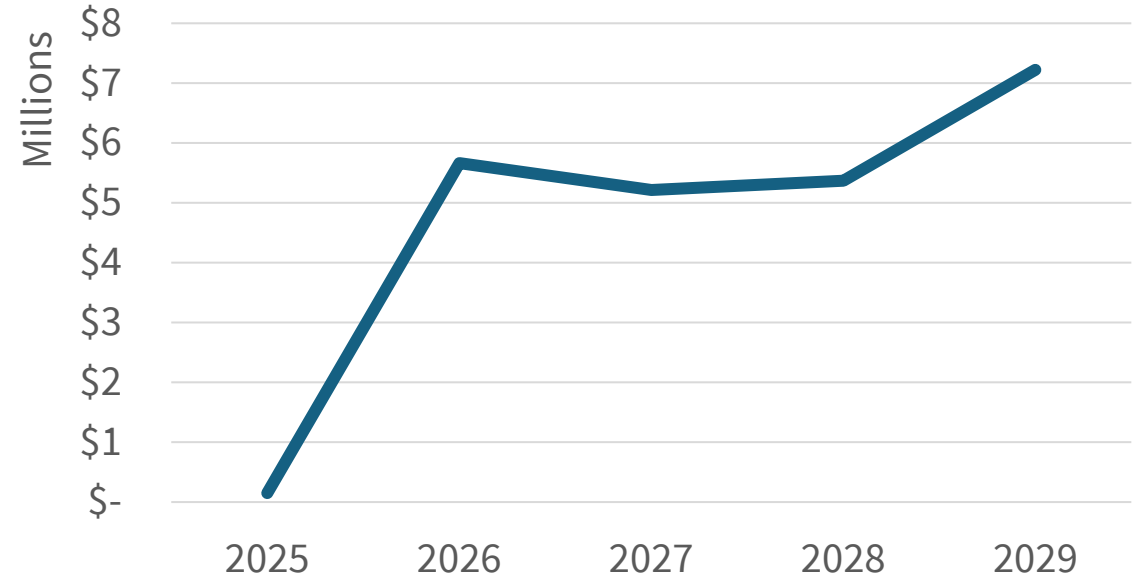


LONG-TERM INVESTMENT IN UNDERGROUNDING PLANNED TO BEGIN IN 2025

- \$150K for design work in 2025
- 2025-2029 total investment: \$23.6M
- 10-year investment is estimated to be around \$55M

MULTI-YEAR WORK PLAN

- Start with primary overheads (along roads)
- Services into residential areas come later
- Residential work is significantly more complex
 - Requires easements; invasive work in rear yards



10-year investment results in **98%** of system underground

ELECTRIC UTILITY

- ◆ **Tollway Substation Upgrades: \$8.3M (2025); \$16.4M Total**
Reliability upgrades to include moving major components indoors
- ◆ **Cable Replacement: \$4M (2025); \$27M Total**
Work in 2025 includes portions of Springhill, Old Farm, Olesen Estates and Hobson West
- ◆ **Distribution Automation: \$1.9M (2025); \$5.5M Total**
Reduces downtime and minimizes the number of affected customers after power line disturbance

RATE STUDY RECOMMENDATIONS



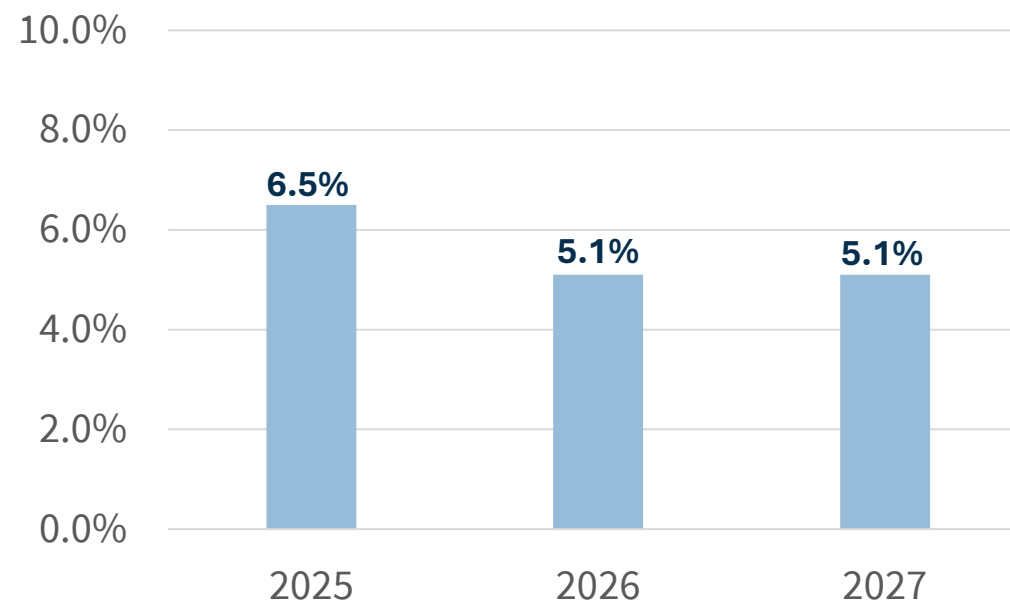
PROPOSED RATE INCREASES MAINTAIN CASH BALANCES AND FUND CAPITAL IMPROVEMENTS

- Maintains cash reserves according to policy
- Aligns with 5-year CIP – includes undergrounding
- *Endorsed by Financial Advisory Board*

\$17.5 MILLION IN NEW RATE SUPPORTED DEBT

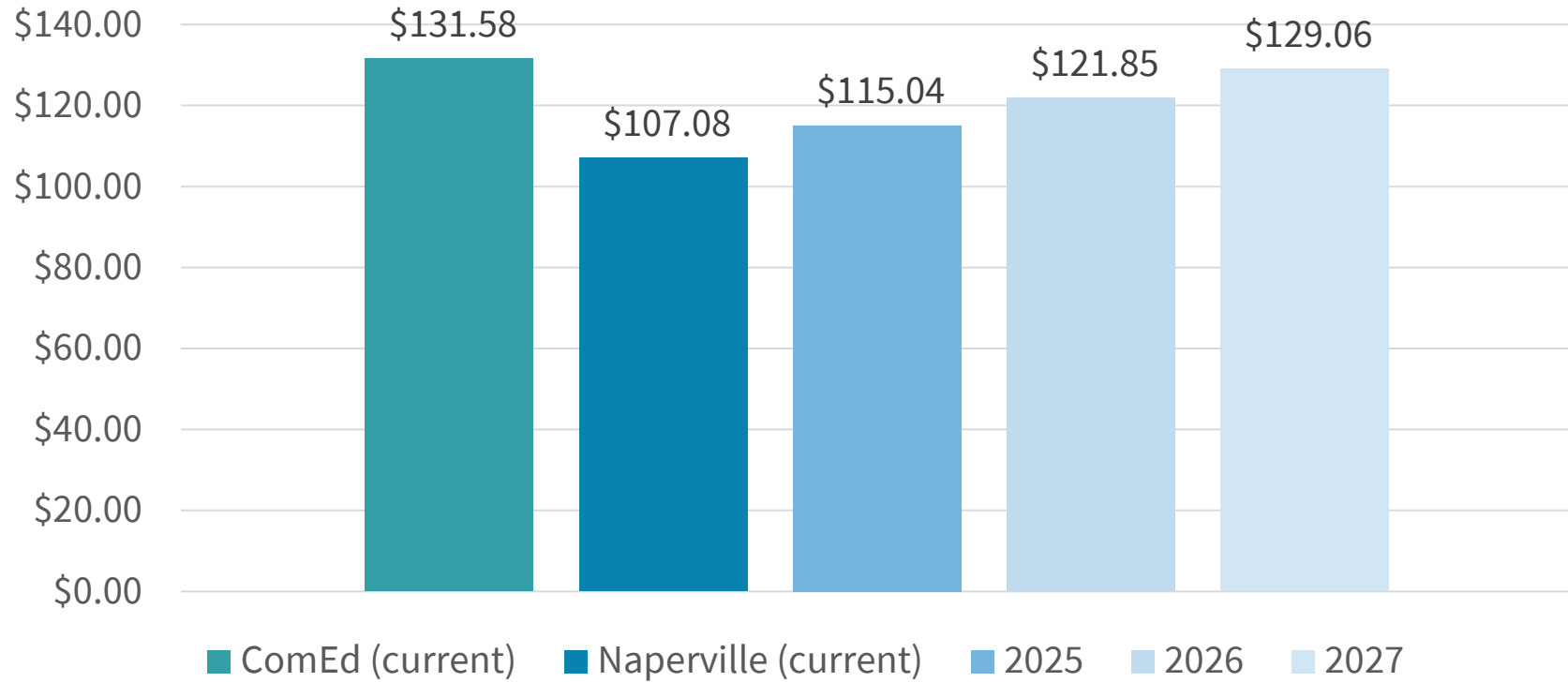
- Existing debt paid off over the next five years
- Utility debt is entirely rate supported
- Ensures current and future ratepayers share the cost of long-term improvements

Proposed Rate Increases



Average residential bill increases
less than **\$8 per month**

ELECTRIC BILL COMPARISON



- Proposed three-year rate increase keeps Naperville's rate lower than the current ComEd rate
- ComEd rates likely to increase in coming years – Naperville should maintain lower rates

WATER UTILITIES



CAPITAL IMPROVEMENT PRIORITIES

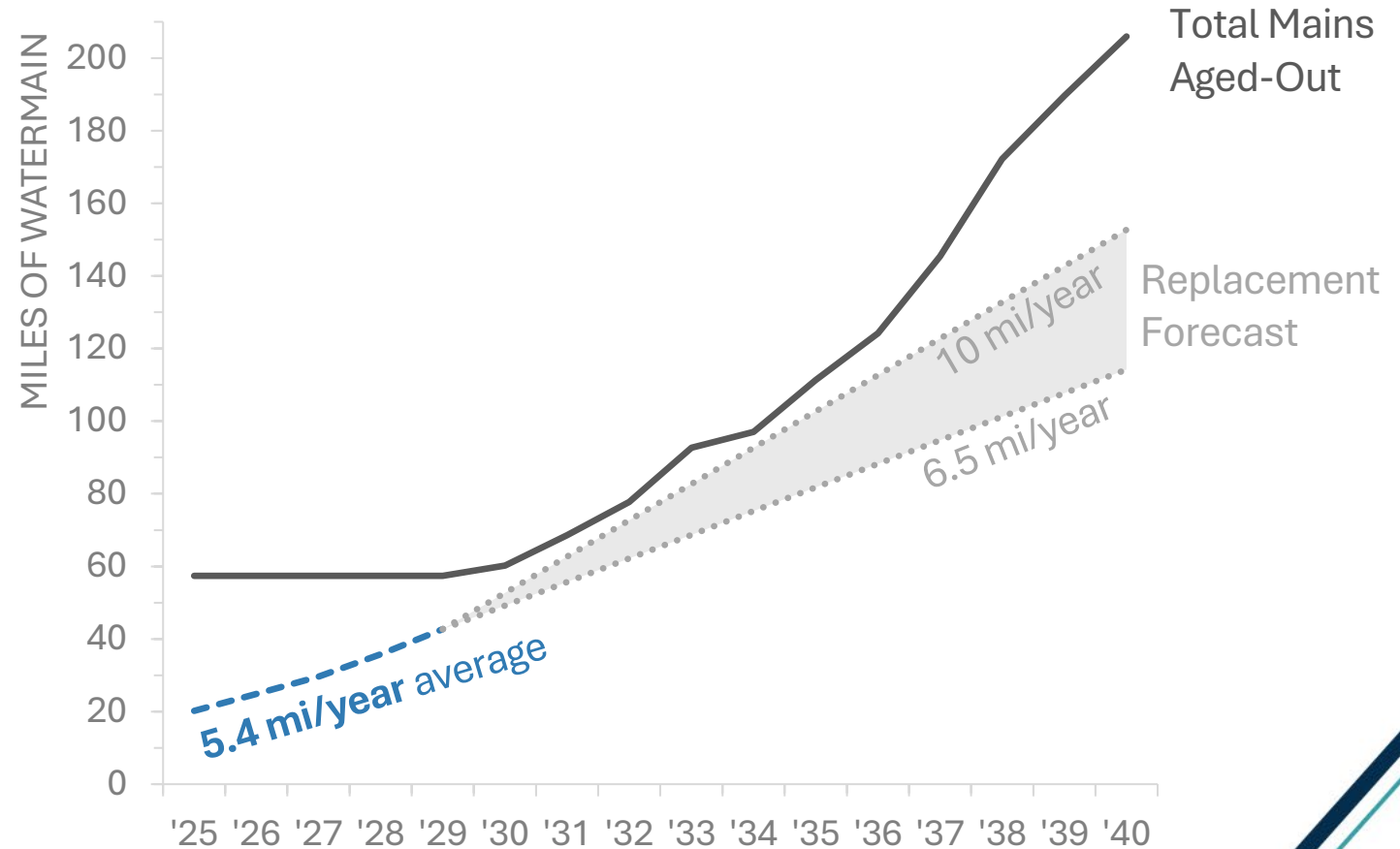
- ◆ **Increase Water Main Replacements**
50 miles behind on replacements
- ◆ **Maintain Preventative Sanitary Sewer Work**
Prevent groundwater and stormwater from causing sewer backups in homes
- ◆ **Advance Springbrook Water Reclamation Center Upgrades**
Multi-year process tied to permit renewal

ESTABLISHING A WATER MAIN REPLACEMENT PLAN



- It is important to **reduce the water main backlog over the next five years** while no new pipes are reaching end-of-life.
- In the 2030s, over 125 miles of water main will reach end of-useful-life.
- We must **continue replacing mains at a rapid pace** in the 2030s to prevent the backlog from growing too large.

Future Water Main Replacement



WATER DISTRIBUTION IMPROVEMENTS

2025 Water Main Replacements

Saybrook Subdivision - \$6.8M (1.56 miles)

Ogden & Washington - \$6.4M (1.03 miles)

Charles Avenue - \$2.9M (0.68 miles)

Fairway & Country Lakes - \$2.9M (0.59 miles)

Other 2025 Distribution System Improvements

Central Elevated Tank Rehabilitation - \$5.2M

West Waterworks Pressure Adjusting System - \$4M

NW Waterworks Elevated Tank Coating - \$2.5M

SANITARY COLLECTION & PUMPING

- ◆ **Springbrook Preserve Interceptor – Phase I: \$5.5M (2025)**
Major rehabilitation of IEPA permitted interceptor that transports wastewater to the treatment plant
- ◆ **East Highlands Sewer Main Replacement: \$1M (2025); \$4M Total**
Replacement of existing sanitary sewer where current rehabilitation has surpassed its useful life
- ◆ **Sanitary Sewer Lateral Lining – Longwood Phase I: \$2M (2025)**
Annual program to reduce infiltration and inflow

THREE FACTORS FORCING UPGRADES TO SPRINGBROOK



Increasing Demand

The treatment plant is currently over capacity and further strain is expected as the population grows.



Aging Infrastructure

A facility assessment revealed major repairs necessary to maintain service.



Regulatory Changes

Upcoming changes to phosphorus limits require new infrastructure to maintain compliance.



- The Springbrook Facilities Plan was developed in 2021 (after the last rate study) to evaluate the best methods to solve these issues

MULTI-YEAR REQUIRED REVITALIZATION OF SPRINGBROOK

UV Disinfection



Influent Pump Stations



South Plant Grit and RAS



South Plant Capacity Upgrades



Nutrient Removal & North Plant Aeration



Cloth Media Disc Filters



\$180M
Estimated Investment
2021-2030
Tied to NPDES
permit renewal



Rate Study Period

WATER UTILITIES RATE STUDY



INITIAL RECOMMENDATION SOUGHT TO BALANCE RATE INCREASES WITH THE USE OF CASH AND DEBT

- New debt totaling \$81.6M over three years
- Annual increases of 23% (W) and 10% (WW)
- Financial Advisory Board requested staff to model rates using more debt



ALTERNATIVE MODEL MITIGATES RATE INCREASES THROUGH ISSUANCE OF MORE DEBT

- Increases new debt to \$119M
- Lowers water rate increases to 11%
- Maintains required debt coverage ratios

Proposed Rate Increases

Initial Recommendation

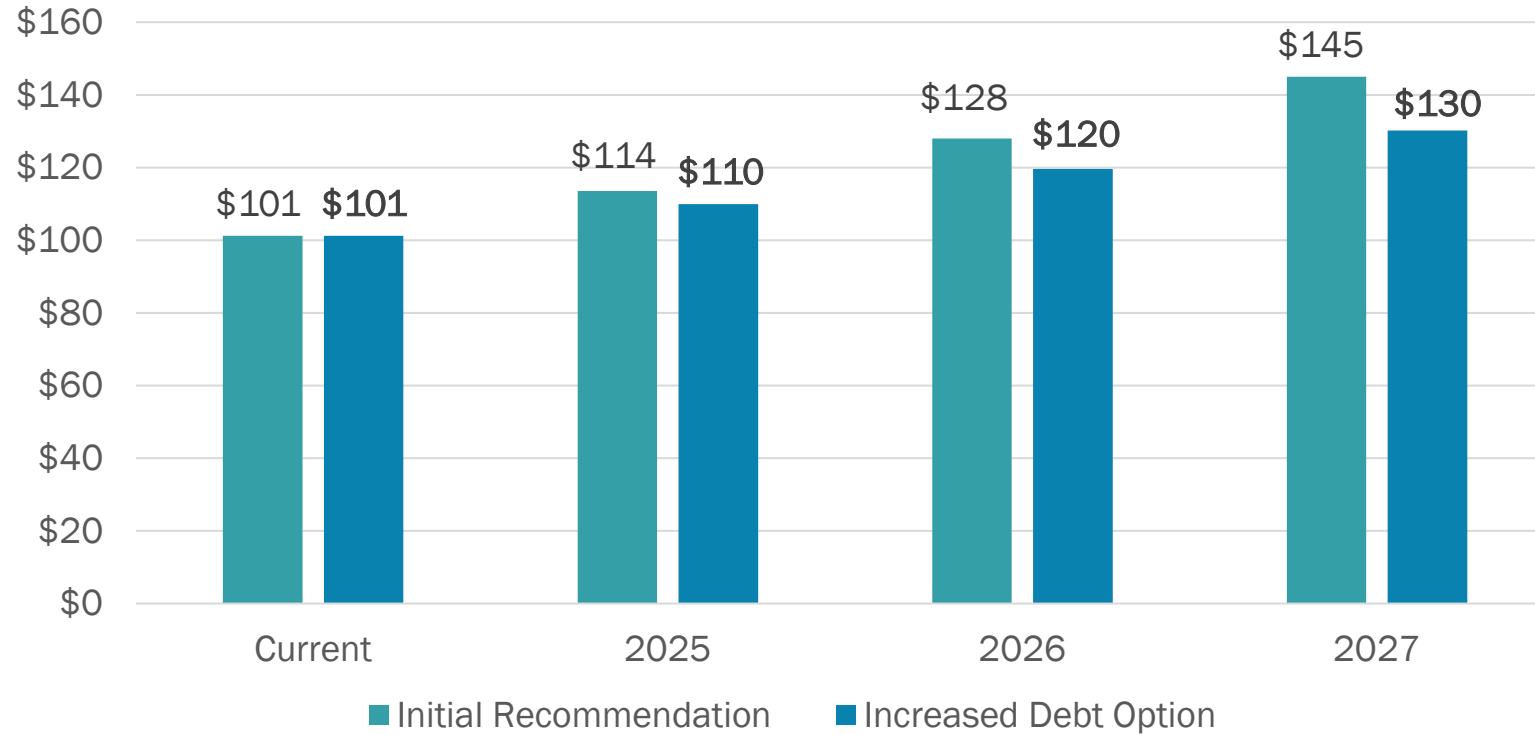
	2025	2026	2027
Water	23%	23%	23%
Wastewater	10%	10%	10%

Increased Debt Alternative

	2025	2026	2027
Water	11%	11%	11%
Wastewater	10%	10%	10%

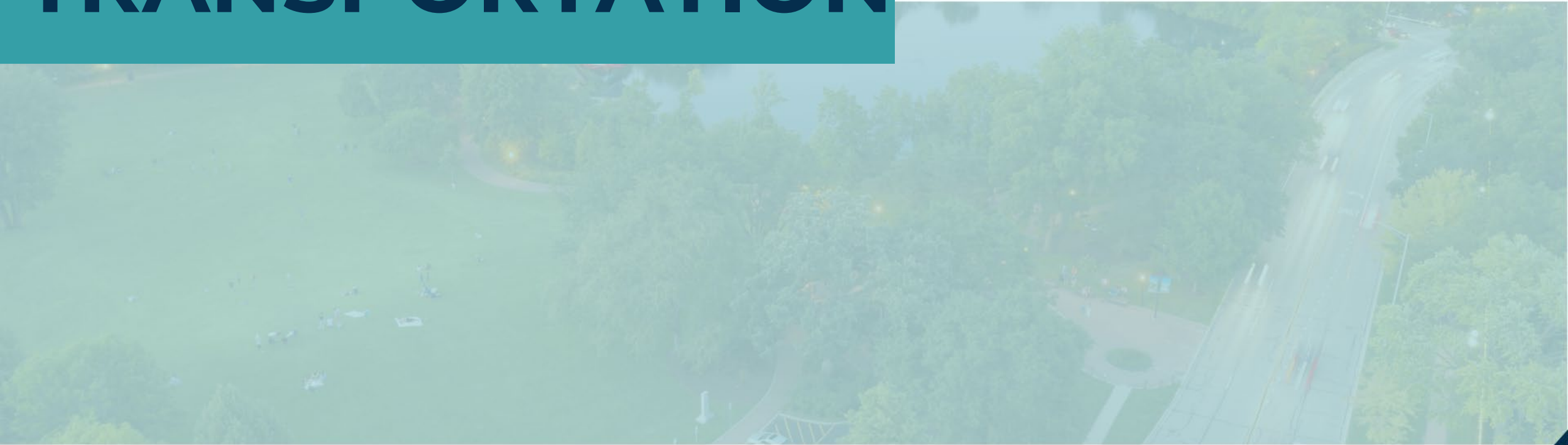
RESIDENTIAL BILL IMPACTS

2024
Regional
Median Bill
\$116



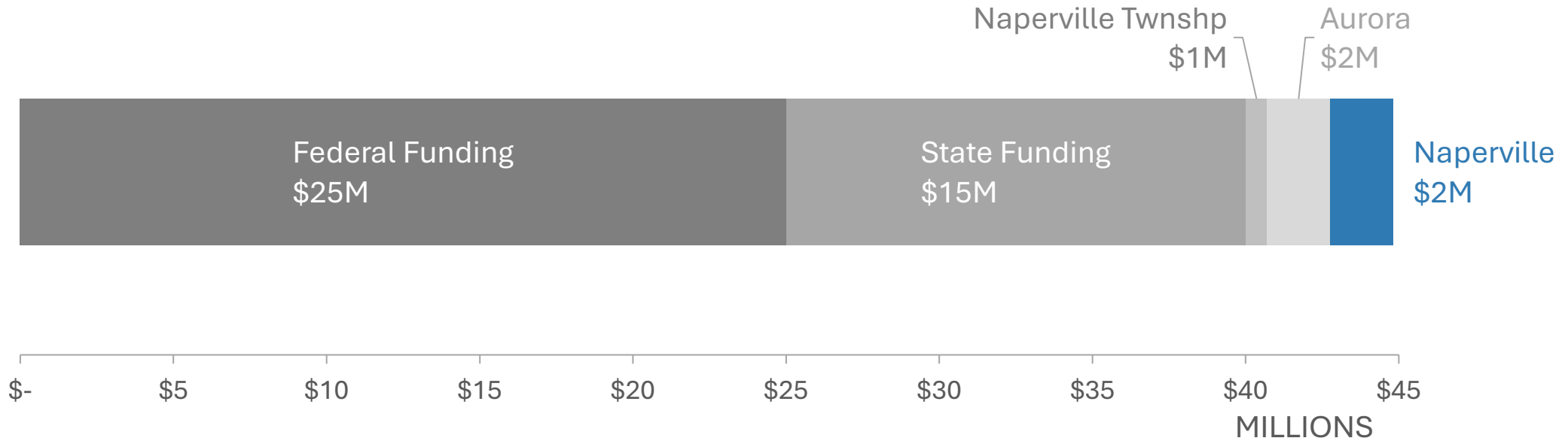
- Increasing debt reduces monthly residential bill impact from 12% to 9%
- Reduces bill impact by \$15 per month by the end of the three-year rate cycle
- Keeps Naperville water/wastewater bill below regional median for 2025

TRANSPORTATION



NORTH AURORA ROAD UNDERPASS

North Aurora Underpass Funding Sources



- A project two decades in the making – **construction is expected to begin in 2025**
- Total capital investment estimated at \$45M
- The **City of Naperville responsible for just over \$2M** – secured external funding of more than \$42M

OTHER ROAD PROJECTS

◆ South 40 Improvements – \$1.3M (2025); \$1.4M Total

Capacity improvements tied to the development at Rt. 59 & 103rd Street

◆ 248th Improvements – \$1.8M (2025); \$10.4M Total

Land acquisition and engineering for 248th Avenue capacity improvements

◆ Annual Street Maintenance Program – \$12M (2025)

Annual street resurfacing, crack fill and micro-surfacing – resurfacing includes sections of Naper Boulevard, Aurora Avenue, River Road, 111th Street and various residential streets

FACILITIES



BUILDING RENOVATIONS

◆ Police Department Renovations - \$3.3M (2025); \$5.7M Total

Multi-year plan updated to include locker room improvements (2025) and range expansion

◆ Fire Station Living Quarters - \$1.3M (2025); \$2.3M Total

Multi-year plan to renovate sleeping and bathroom/shower facilities in the City's seven oldest fire stations

◆ Station 4 & Training Facility Renovation - \$650K (2025); \$2.5M Total

Improvements to Fire Academy site to include locker room and shower facilities, as well as new classroom space

TECHNOLOGY



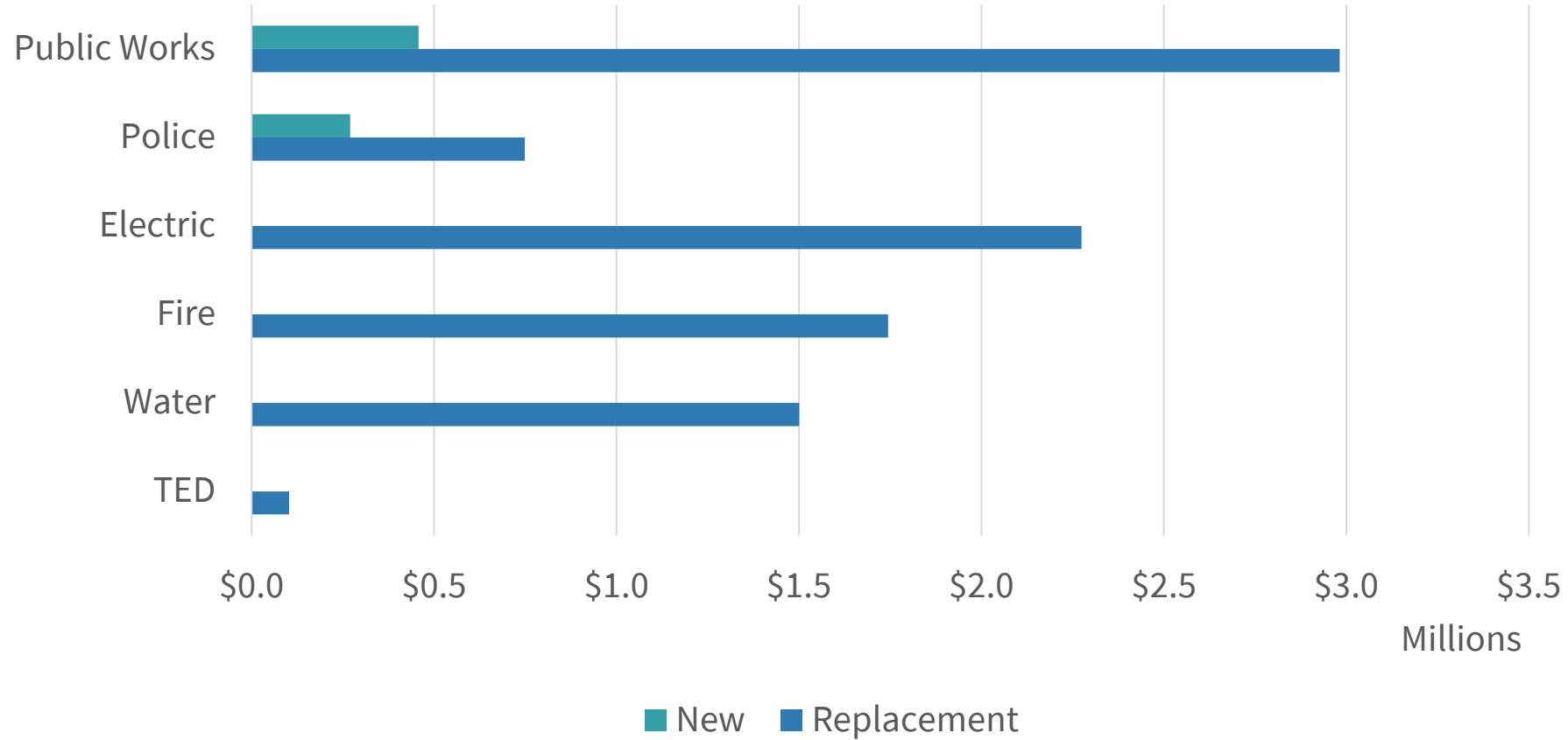
TECHNOLOGY UPGRADES

- ◆ **Public Safety Radio Network - \$16.6M (2025)**
Awarded in 2024 – significant capital costs realized in 2025
- ◆ **Citywide Security Camera Upgrades - \$1.6M (2025); \$4.9M Total**
Consultant led needs assessment currently in progress
- ◆ **Facility Access Control Upgrades - \$655K (2025); \$2 M Total**
Being evaluated in conjunction with security camera project

VEHICLES



VEHICLE REPLACEMENTS & ADDITIONS

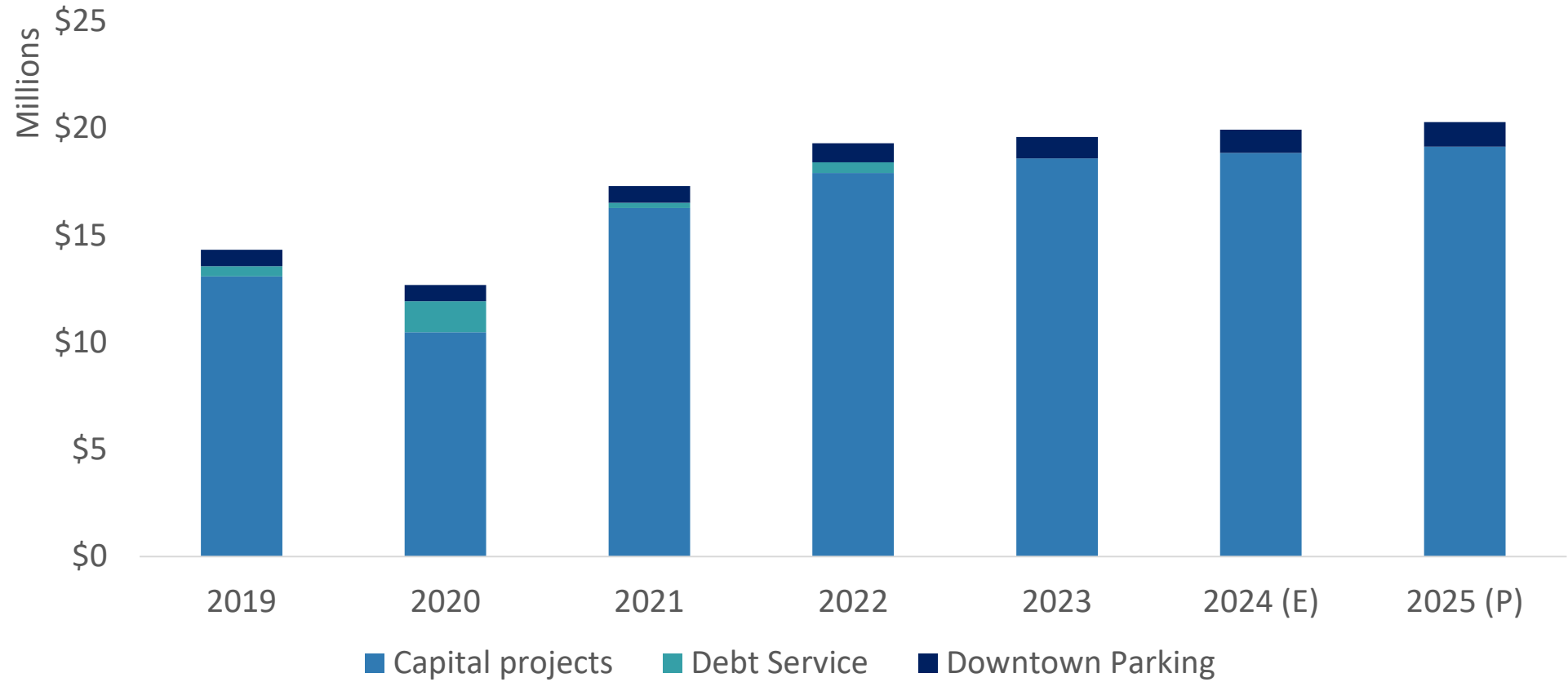


- Replacement vehicles total \$9.3M in 2025
- Police Department proposed a multi-year plan to address patrol fleet size
- Public Works requested five vehicle additions for 2025 to improve efficiency

CIP FUNDING

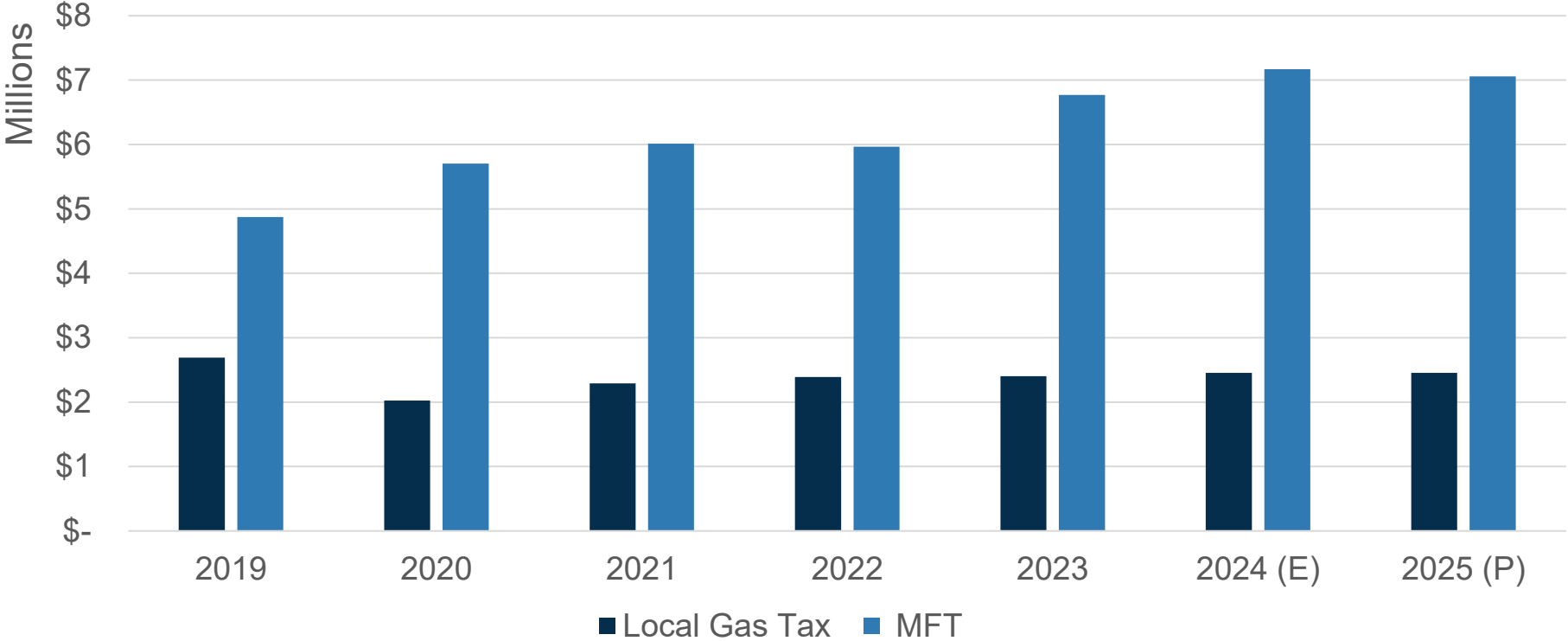


HOME RULE SALES TAX



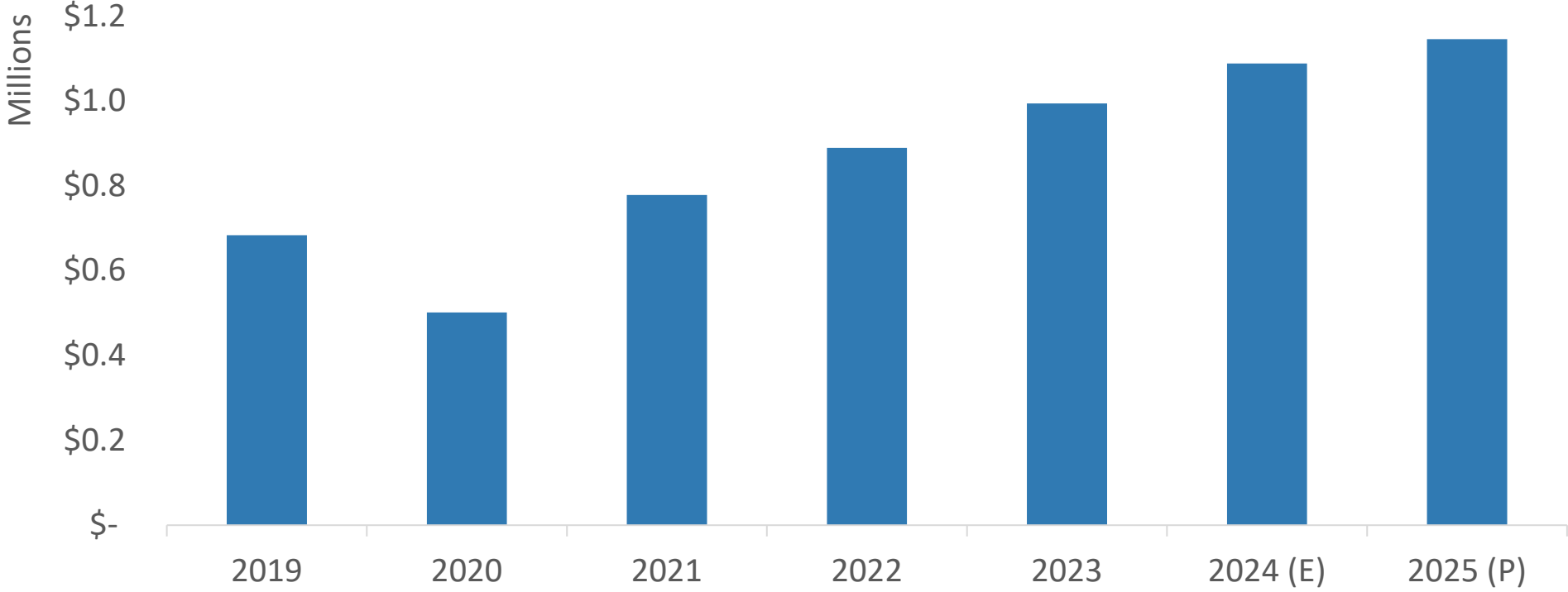
- Serves as the primary revenue source for capital improvements
- Alternative to property tax funded debt service
- \$20.3M in revenue forecast for 2025

MOTOR FUEL TAXES



- State MFT forecast at \$7M for 2025; Local gas tax forecast at \$2.5M
- Local tax is 4 cents per gallon – no inflationary increase
- Potential for additional state MFT in 2025 – \$400M added to local road fund

DOWNTOWN FOOD & BEVERAGE TAX



- Funds 2/3 share of downtown parking deck construction and maintenance
- Consistent revenue source to support downtown reinvestment
- \$1.15M in revenue forecast for 2025

CAPITAL PROJECT DEBT SUPPORT

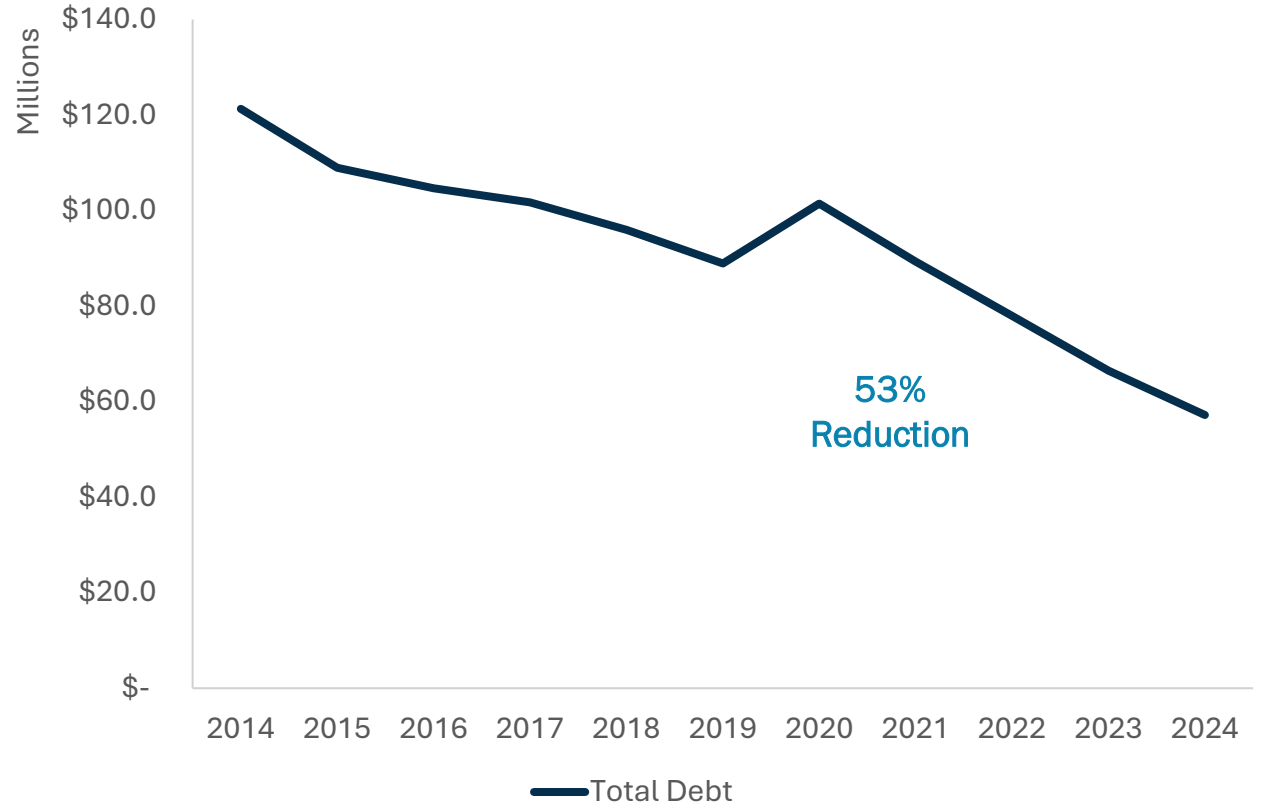


53% REDUCTION IN PROPERTY TAX SUPPORTED DEBT OVER PAST 10 YEARS

- No new debt issued since 2020
- Creates significant capacity for new debt
- Debt ensures generational equity

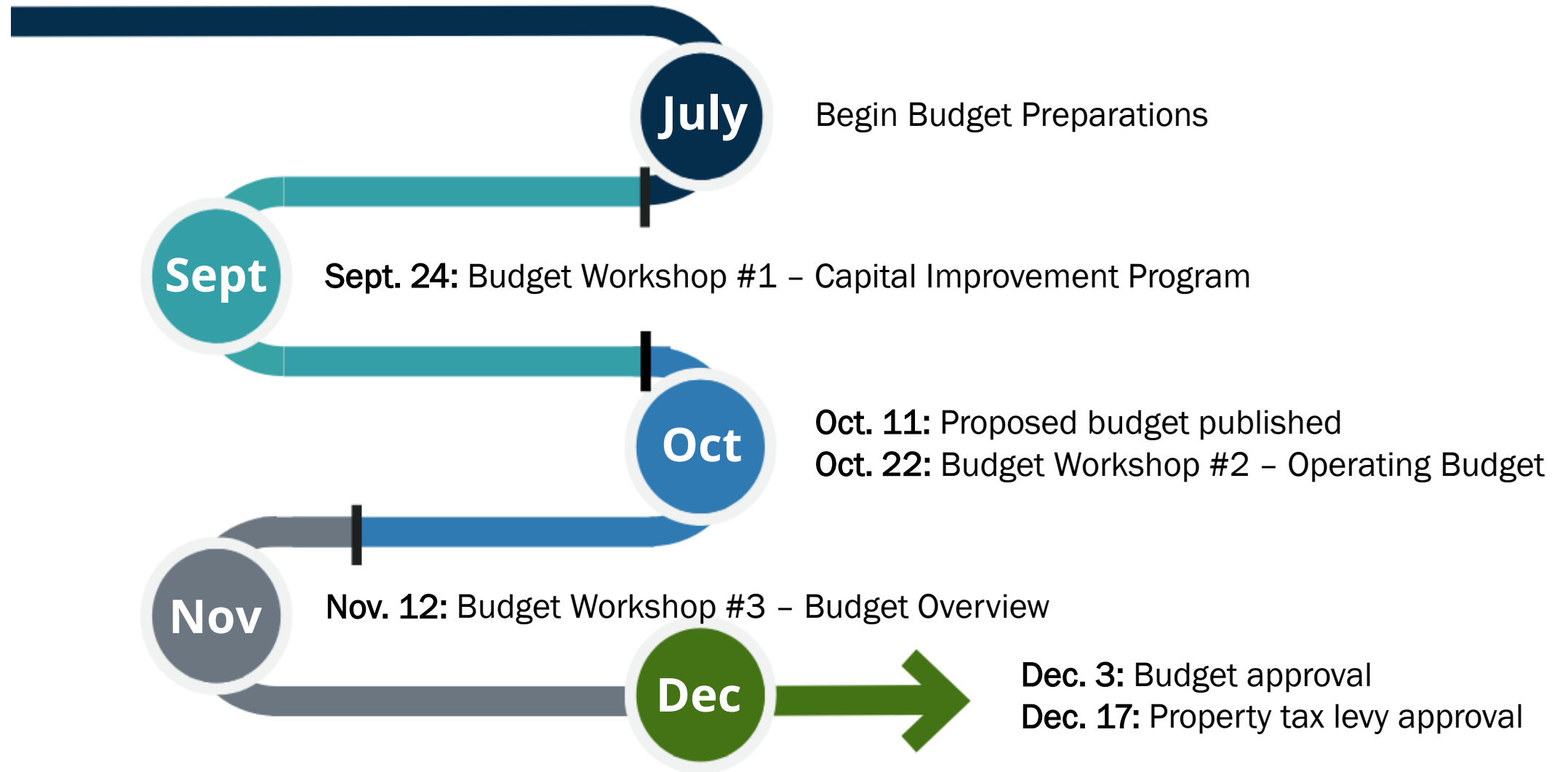
ESTIMATE \$15 MILLION IN NEW DEBT IN 2025

- \$10M – Public Safety Radio Project
- \$2.3M – Eagle Street Gateway
- \$2.7M – Police Department Renovations



Debt continues to be issued on a reimbursement basis to avoid unnecessary borrowing

BUDGET TIMELINE





QUESTIONS ?

