

City of Naperville, Illinois

Priorities. Performance. Progress.

20
23

Annual Operating Budget & Capital Improvement Program

Workshop #3

Nov. 21, 2022



TONIGHT'S DISCUSSION

- **2023 Budget Recap**
- **Looking Ahead in 2023**
- **Budget Wrap-up**

**20
23**

Annual
Operating
Budget

&

Capital
Improvement
Program



2023 Annual Operating Budget & Capital Improvement Program



The proposed 2023 budget:

20
23

- ✓ increases our services
- ✓ does not require new revenue sources
- ✓ lowers the City's property tax rate



2023 PROPOSED BUDGET

	Revenues	Expenditures	Margin
Maintenance & Operating Funds	434.46	429.49	4.97
Capital & Debt Service Funds	116.35	135.63	(19.28)
Special Funds	37.72	38.20	(0.48)
TOTALS	588.53	603.32	(14.78)

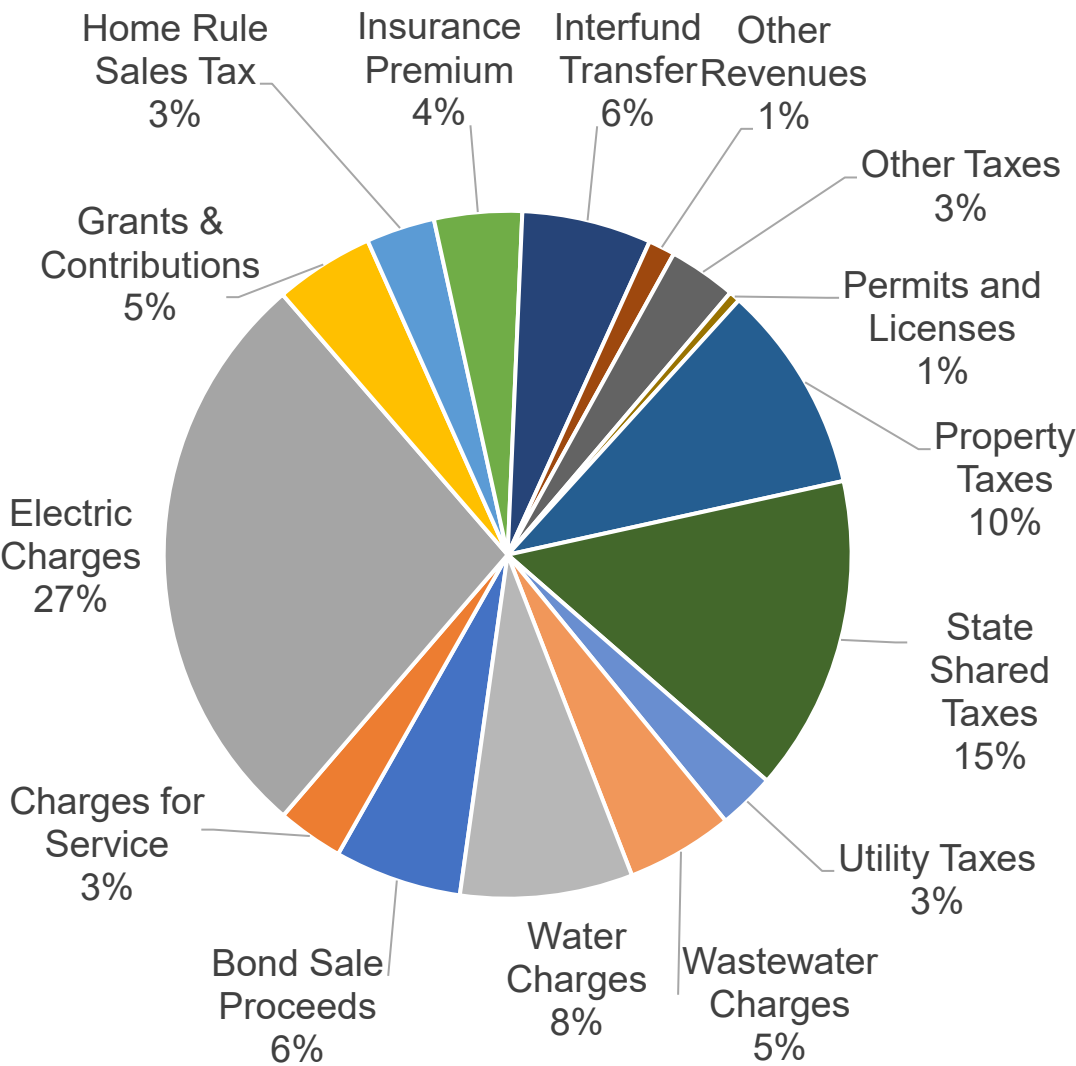
All major funds balanced in 2023

- Estimated General Fund revenues exceed budgeted expenses by \$3.27M
- Strategic use of cash balances in certain non-major funds

Fund-by-fund review presented in upcoming slides

- Includes a detailed look at funds accounting for more than 75% of the total budget

2023 REVENUE SUMMARY



Utility charges – 43%

- Includes charges for services related to electric, water and wastewater totaling \$252.2M

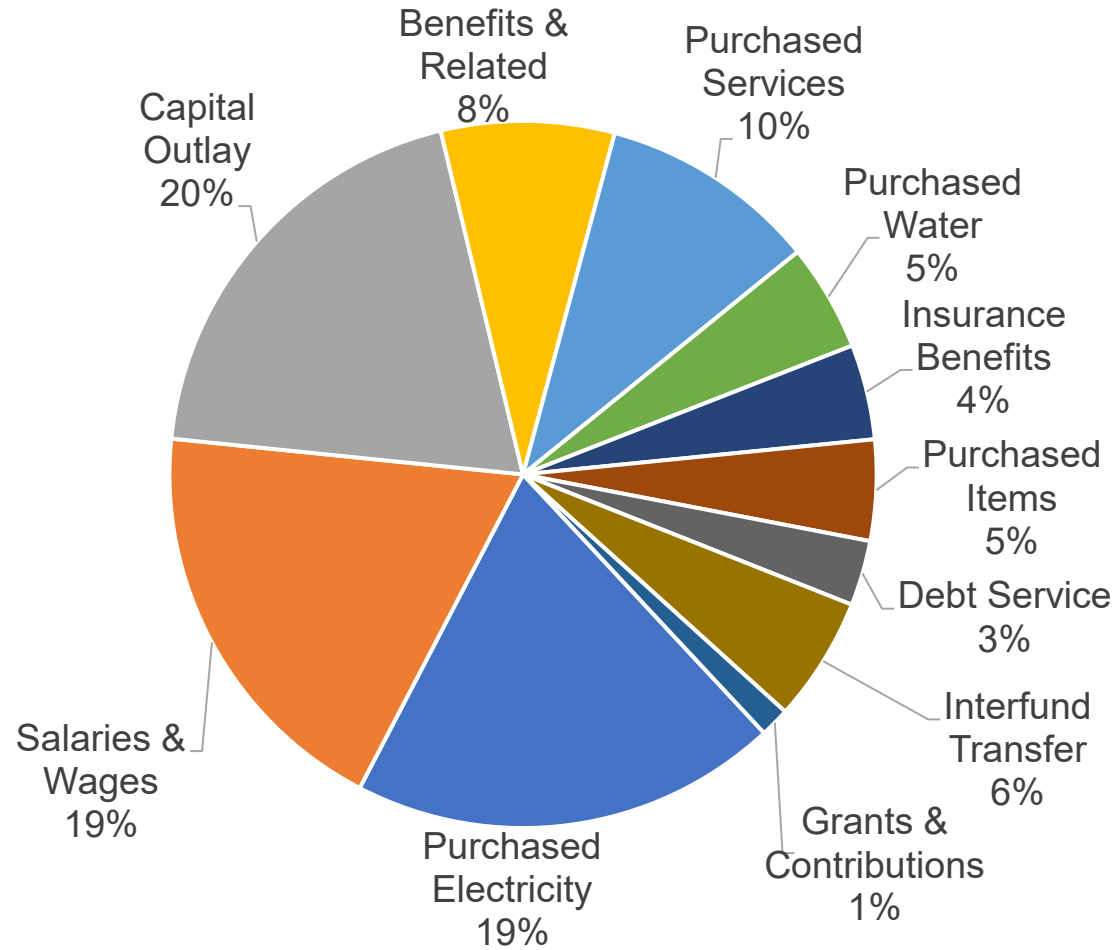
State shared taxes – 15%

- Includes sales tax and per capita shared revenues from the state at \$86.8M

Property taxes – 10%

- All levies totaling \$57.4M, including special service areas and TIF revenue

2023 EXPENSE SUMMARY



Purchased electric and water – 24%

- Electric - \$118.2M
- Water - \$29.6M

Salaries and wages – 19%

- Across all funds - \$114.5M

Benefits and insurance – 8%

- Costs associated with pensions, insurance and healthcare, and payroll taxes at \$74.01M

Capital outlay – 20%

- Majority of costs associated with capital projects totaling \$118.5M

MAINTENANCE & OPERATING FUNDS

	Revenues	Expenditures	Margin
Commuter Parking Fund	1.10	1.93	(0.83)
Electric Utility Fund	171.52	171.47	0.05
General Fund	149.08	145.81	3.27
Self-Insurance Fund	29.97	27.42	2.55
Solid Waste Fund	7.69	7.77	(0.08)
Water Utilities Fund	75.10	75.10	-
Total Maintenance & Operating	434.46	429.50	4.96

\$ in millions

GENERAL FUND - REVENUES

	2022 Budget	2023 Budget	Change (\$)	Change (%)
Revenue				
Charges for Service	8.61	9.85	1.24	14.4%
Fines, Fees, and Surcharges	2.02	2.03	0.01	0.4%
Licenses and Permits	2.01	1.98	(0.03)	-1.8%
Local Taxes	49.32	51.72	2.39	4.9%
Other Revenue	0.19	0.16	(0.03)	-13.2%
Outside Revenue Sources	3.66	3.22	(0.44)	-12.0%
Shared Revenues	67.46	75.77	8.31	12.3%
Interfund TF	4.15	4.36	0.21	5.2%
Revenue Total	137.41	149.08	11.67	8.5%

\$ in millions

Revenue growth projected at 8.5% over 2022 budget

- Revenues adequately fund services and programs, primarily Police, Fire, and Public Works
- Majority of increase comes from the shared revenue category (includes both state sales and income tax)

Revenue diversification continues to be key to financial stability

- Balance of economically sensitive (sales & use taxes) and highly stable (property taxes) revenue sources

GENERAL FUND - EXPENSES

	2022 Budget	2023 Budget	Change (\$)	Change (%)
Expense				
Salaries & Wages	72.34	76.71	4.36	6.0%
Benefits & Related	34.22	34.52	0.30	0.9%
Purchased Items	9.23	11.05	1.82	19.8%
Purchased Services	15.27	18.09	2.82	18.5%
Interfund TF	2.66	3.62	0.96	36.1%
Grants & Contributions	1.74	1.82	0.07	4.5%
Expense Total	135.46	145.81	10.35	7.6%

\$ in millions

General Fund expenses increase 7.6% over 2022

- Driven by increasing cost and technical changes reviewed in Workshop #1 – self-insurance transfer, elimination of vacancy factor and body camera expenses

Personnel costs increase 6%

- Includes contractual wage increases, non-union wage increases, new personnel and elimination of vacancy factor

Purchased Items and Services represent 45% of increase

- Inflationary impact on cost of goods and services and increased spending on technology

ELECTRIC FUND - REVENUES

	2022 Budget	2023 Budget	Change (\$)	Change (%)
Revenue				
Charges for Service	159.06	159.55	0.49	0.3%
Fines, Fees, and Surcharges	2.53	2.70	0.17	6.8%
Other Revenue	0.10	0.14	0.04	40.5%
Outside Revenue Sources	0.55	0.006	(0.54)	-98.8%
Shared Revenues	-	9.12	9.12	-
Revenue Total	162.24	171.52	9.28	5.7%

\$ in millions

Revenue growth projected at 5.7% over 2021 budget

- Revenues adequately fund Electric operations and capital improvement program

Customer charges are primary revenue source at \$159.5M, a 0.3% increase

- Revenues will remain nearly flat, increasing by less than 1%
- Average residential customer will pay approximately \$1 more per month in the electric portion of their bill in 2023

Potential \$9.12M in federal grants for 2023

- Money would fund two capital projects
- If grant dollars are not received, the projects will not proceed

ELECTRIC FUND - EXPENSES

	2022 Budget	2023 Budget	Change (\$)	Change (%)
Expense				
Salaries & Wages	13.02	14.24	1.22	9.4%
Benefits & Related	4.06	4.45	0.39	9.6%
Debt Service	2.83	2.63	(0.19)	-6.9%
Purchased Items	121.27	125.24	3.97	3.3%
Purchased Services	6.22	7.22	0.99	16.0%
Capital Outlay	11.92	15.73	3.81	32.0%
Interfund TF	1.25	1.44	0.19	15.3%
Grants & Contributions	0.22	0.52	0.30	134.5%
Expense Total	16.78	171.47	10.69	6.6%

\$ in millions

Electric Utility Fund expenditures increase 6.6% from the 2022 budget

- Fund expenditure support both operating and capital related to the Electric Utility

Expenditure increases primarily attributed to purchased items and capital outlay

- Warehouse materials increase 50% due to significant cost increases and supply chain issues
- Capital outlay increasing 32%
 - Largely attributable to potential federal infrastructure projects

WATER UTILITIES FUND - REVENUES

	2022 Budget	2023 Budget	Change (\$)	Change (%)
Revenue				
Charges for Service	72.01	74.38	2.37	3.3%
Fines, Fees, and Surcharges	0.41	0.43	0.13	3.2%
Other Financing Sources	7.00	-	(7.00)	-100.0%
Other Revenue	0.28	0.28	-	-
Outside Revenue Sources	0.14	0.014	(0.13)	-89.88%
Revenue Total	79.84	75.09	(4.74)	-5.9%

\$ in millions

Water Utilities Fund revenue growth projected to decline 5.9% from 2022 budget

- Does not include revenue budgeted in the Water Capital Fund
- Reduction in bond proceeds budgeted in 2022

Customer charges are primary revenue source at \$74M, a 3.3% increase

- Revenue increase in line with approved rates for water and wastewater to support expansion of capital infrastructure replacement

WATER UTILITIES FUND - EXPENSES

	2022 Budget	2023 Budget	Change (\$)	Change (%)
Expense				
Salaries & Wages	9.26	9.91	0.65	7.0%
Benefits & Related	3.21	3.36	0.15	4.7%
Debt Service	2.20	3.34	1.14	51.8%
Purchased Items	30.79	34.36	3.57	11.6%
Purchased Services	5.41	6.25	0.84	15.5%
Capital Outlay	-	-	-	-
Interfund TF	19.25	17.67	(1.58)	(8.2%)
Grants & Contributions	0.19	0.22	0.032	17.1%
Expense Total	70.29	75.09	4.80	6.8%

\$ in millions

Water Utilities Fund expenditures are increasing 6.8% from the 2022 budget

- Primarily due to increase costs for purchased items, including purchased water, and debt service
- Debt service increase tied to 2022 bond issuance
- Transfer to Water Capital Fund of \$16.1M

CAPITAL & DEBT SERVICE FUNDS

	Revenues	Expenditures	Margin
Bond Fund	14.46	-	14.46
Capital Projects Fund	34.83	57.25	(22.42)
Debt Service Fund	10.64	11.72	(1.08)
Downtown Parking Fund	1.86	1.33	0.53
Motor Fuel Tax Fund	6.65	7.60	(0.95)
Phosphorous Fund	1.63	5.06	(3.43)
Road & Bridge Fund	2.85	4.02	(1.17)
SSA Funds	0.29	0.13	0.16
Water Capital Fund	42.52	47.89	(5.37)
Water Street TIF Fund	0.62	0.63	(0.01)
Total Capital and Debt	116.35	135.63	(19.28)

\$ in millions

CAPITAL & BOND PROJECTS FUND

	2022 Budget	2023 Budget	Change (\$)	Change (%)
Revenue				
Fines, Fees, and Surcharges	0.24	0.24	-	-
Local Taxes	14.58	17.98	3.41	23.4%
Other Financing Sources	11.20	14.46	3.26	29.1%
Outside Revenue Sources	10.48	3.41	(7.07)	(67.5%)
Shared Revenues	8.42	13.10	4.67	55.5%
Revenue Total	44.92	49.28	4.37	9.7%

\$ in millions

Revenues in the Capital and Bond Projects Funds increasing 9.7% over 2022 budget

- HRST budgeted in the Capital Projects Fund increases 23% to \$17.99M
- Includes estimated bond issuance of \$14.5M – actual amount will be based on project completion

Capital Projects Fund includes \$16.5M in revenue from other governments

- Shared revenue and outside revenue sources include grants and other contributions toward North Aurora Road, Washington Street bridge, and various other construction projects

CAPITAL & BOND PROJECTS FUND

	2022 Budget	2023 Budget	Change (\$)	Change (%)
Expense				
Purchased Services	3.74	7.58	3.84	102.9%
Capital Outlay	43.97	49.67	5.70	13.0%
Expense Total	47.71	57.25	9.55	20.0%

\$ in millions

Expenses across both funds increase 20%, or \$9.5M

- Accounts for non-utility capital projects, including transportation and public facilities, as well as capital technology, equipment, and vehicle purchases

Capital outlay at \$49.67M encompasses most expenses

- \$7.58M in purchased services includes architect and engineering expenses related to projects

SPECIAL FUNDS

	Revenues	Expenditures	Margin
CDBG Fund	0.53	0.53	-
E-911 Surcharge Fund	3.49	3.50	(0.01)
ETSB Fund	2.59	2.60	(0.01)
Federal Drug Forfeiture Fund	0.10	0.50	(0.40)
Food and Beverage Fund	5.91	5.86	0.05
Foreign Fire Tax Fund	0.40	0.39	0.01
Library Funds	16.69	16.84	(0.15)
Naper Settlement Fund	4.54	4.54	-
Renewable Energy Fund	0.27	0.28	(0.01)
State Drug Forfeiture Fund	0.18	0.18	-
Test Track Fund	0.03	0.07	(0.04)
SSA 33	2.97	2.82	0.15
Total Special Funds	37.70	38.11	(0.41)

\$ in millions

FOOD & BEVERAGE FUND – REVENUES

	2022 Budget	2023 Budget	Change (\$)	Change (%)
Revenue				
Fines, Fees, and Surcharges	5.00	7.50	2.50	50.0%
Local Taxes	4,561.56	5,901.50	1,339.95	29.4%
Outside Revenue Sources	13.49	(1.40)	(14.89)	-110.4%
Revenue Total	4,580.04	5,907.60	1,327.56	29.0%

\$ in thousands

Food & Beverage tax revenue projected to grow 29.0% over 2022 budget

- Based on actual 2022 sales receipts

Fund includes deposits of 1% Citywide Food and Beverage Tax

- Downtown food & beverage tax (0.75%) deposited into Downtown Parking Fund

FOOD & BEVERAGE FUND – EXPENSES

	2022 Budget	2023 Budget	Change (\$)	Change (%)
Expense				
Salaries & Wages	65.82	69.12	3.30	5.0%
Benefits & Related	1,159.84	1,494.53	334.69	28.9%
Purchased Services	300.13	304.76	4.63	1.5%
Interfund TF	500.00	1,826.12	1,326.12	265.2%
Grants & Contributions	2,104.72	2,161.50	56.78	2.7%
Expense Total	4,130.52	5,865.03	1,725.51	41.8%

\$ in thousands

Food & Beverage Fund expenditures projected to grow 41.8% over the 2022 budget

- Growth tied to increased revenue and allocated according to City code
- Interfund transfers include a transfer of dollars to the debt service fund to reduce property taxes

Public safety pension contributions increasing 29.4% for both Fire and Police

- Fire and Police each receive 25% of total revenue, by code, for a contribution of \$737K to each fund
- Included in Benefits & Related account line

FINANCIAL PRINCIPLES

1 The City will pass a structurally balanced budget annually.



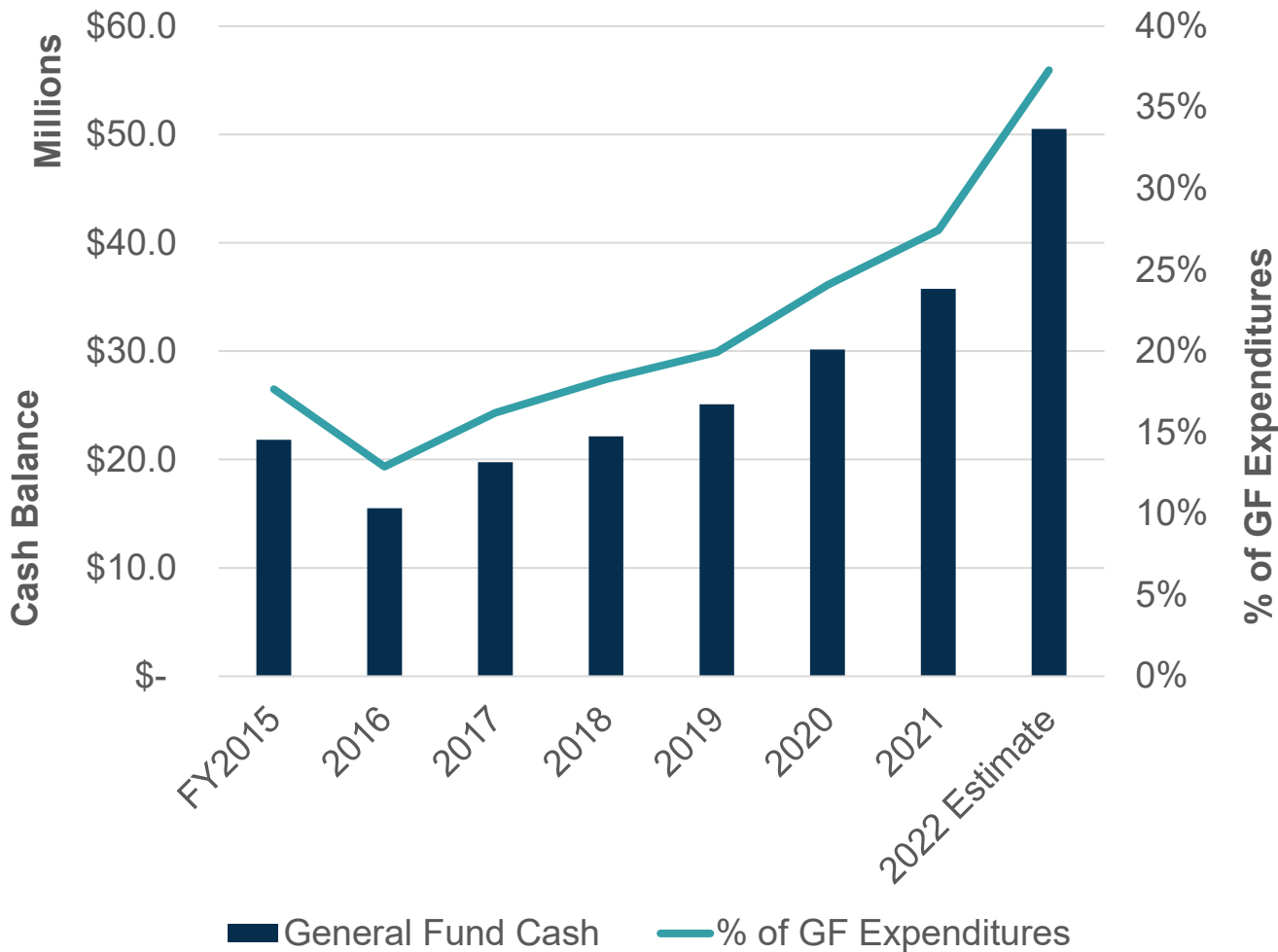
2 The City commits to continuous improvement in the delivery of necessary and cost-effective services.



3 The City will actively seek to increase its reserves to 25% & reduce its debt by 25% in the next 8 years.



GENERAL FUND – CASH BALANCE



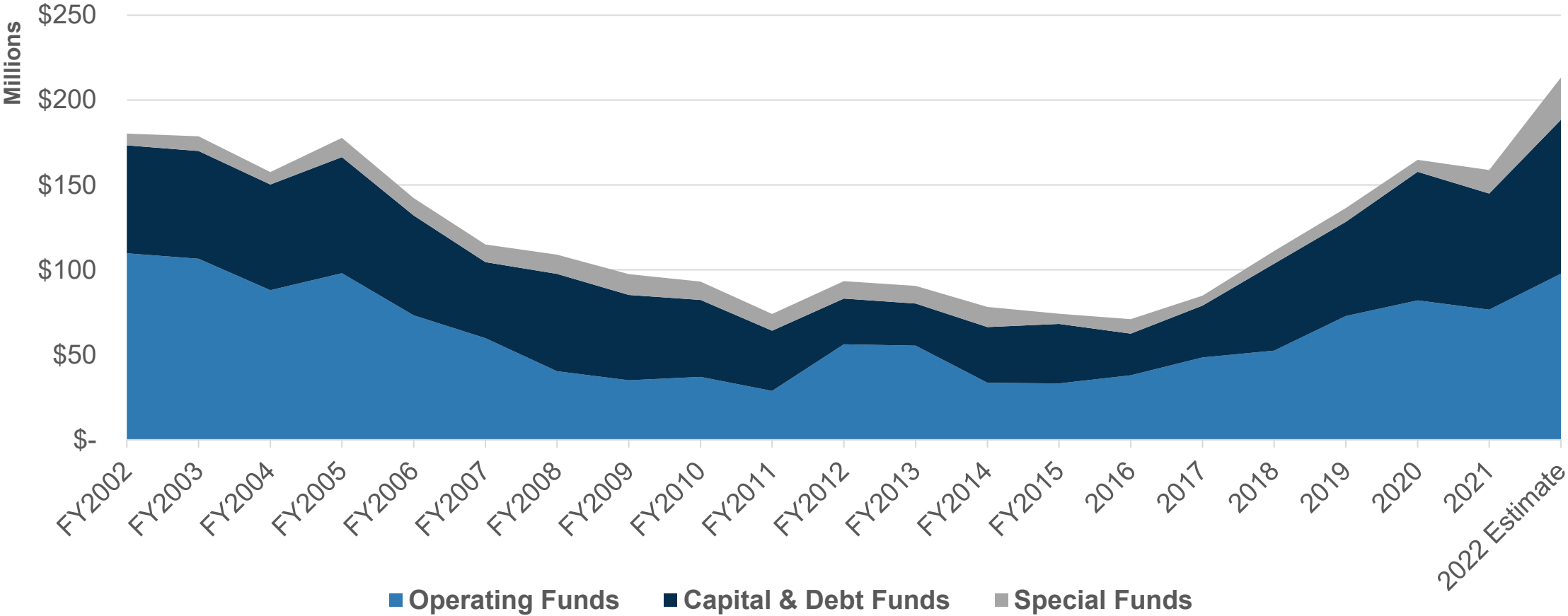
Cash balance goal achieved

- Cash balance projected at \$53.8M, or 36.8% of 2023 expenditures
- 25% of 2023 expenditures is \$36.5M

Current cash balances support present and future needs

- Amounts beyond target may support future capital program (e.g., public safety radios)
- Continue discussion with Financial Advisory Board in 2023

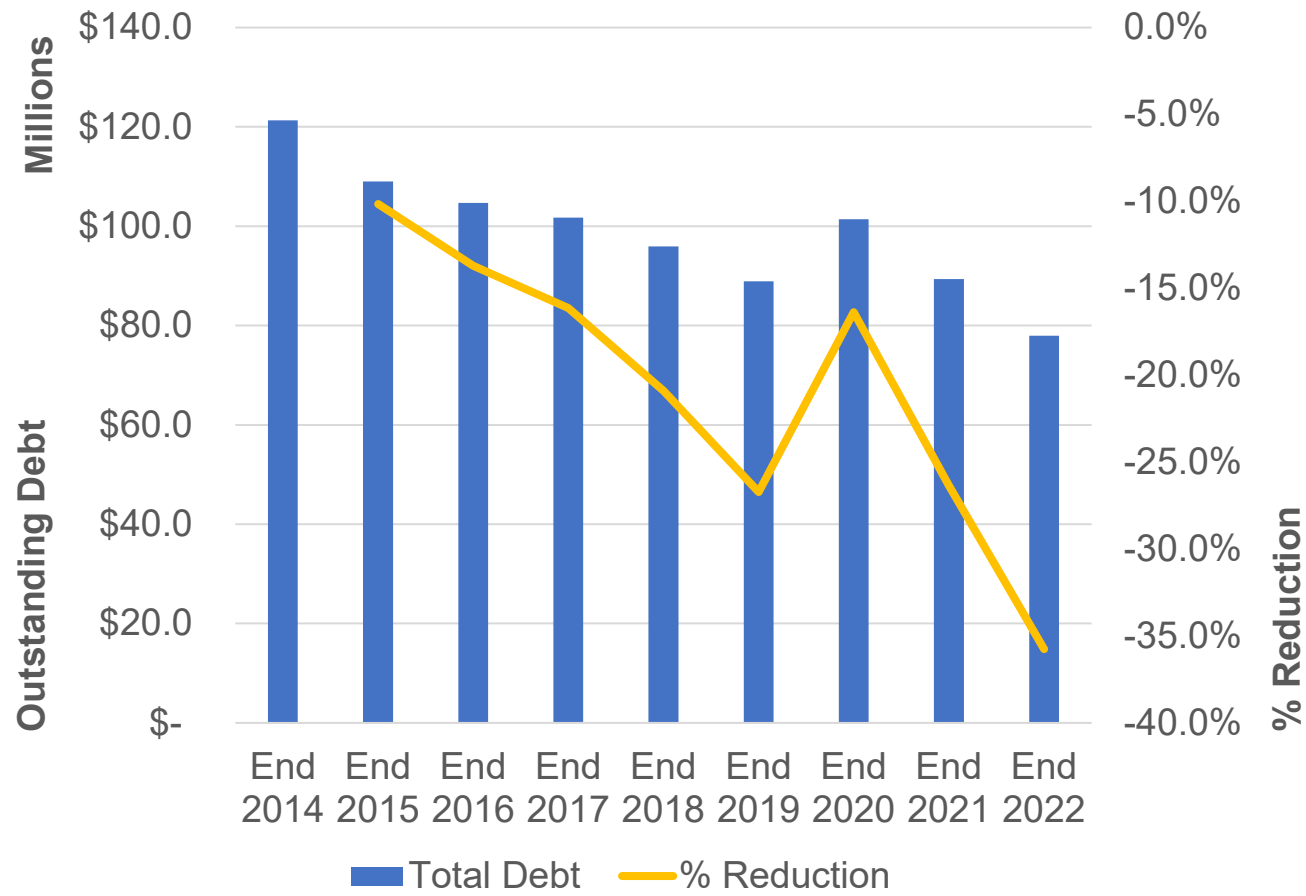
CASH BALANCES ACROSS ALL FUNDS



Total cash balances of \$198M estimated across all funds in 2023

- Balances in Operating Funds and Special Funds remain steady
- Capital and Debt Funds use cash raised in prior years to support ongoing capital projects

DEBT REDUCTION



Debt reduction goal achieved

- Outstanding debt as of the end of 2022 is \$77.9M, a reduction of 35.8%
- Includes general purpose debt – does not include utility and special purpose debt

Debt plays important role in the long-term funding of CIP

- Creates generational equity by spreading cost of assets over time
- Numerous projects on the horizon – CAD/RMS, Springbrook, Public Safety radios, etc.
- Future debt to be managed within the City’s established financial framework

PROPERTY TAX LEVY

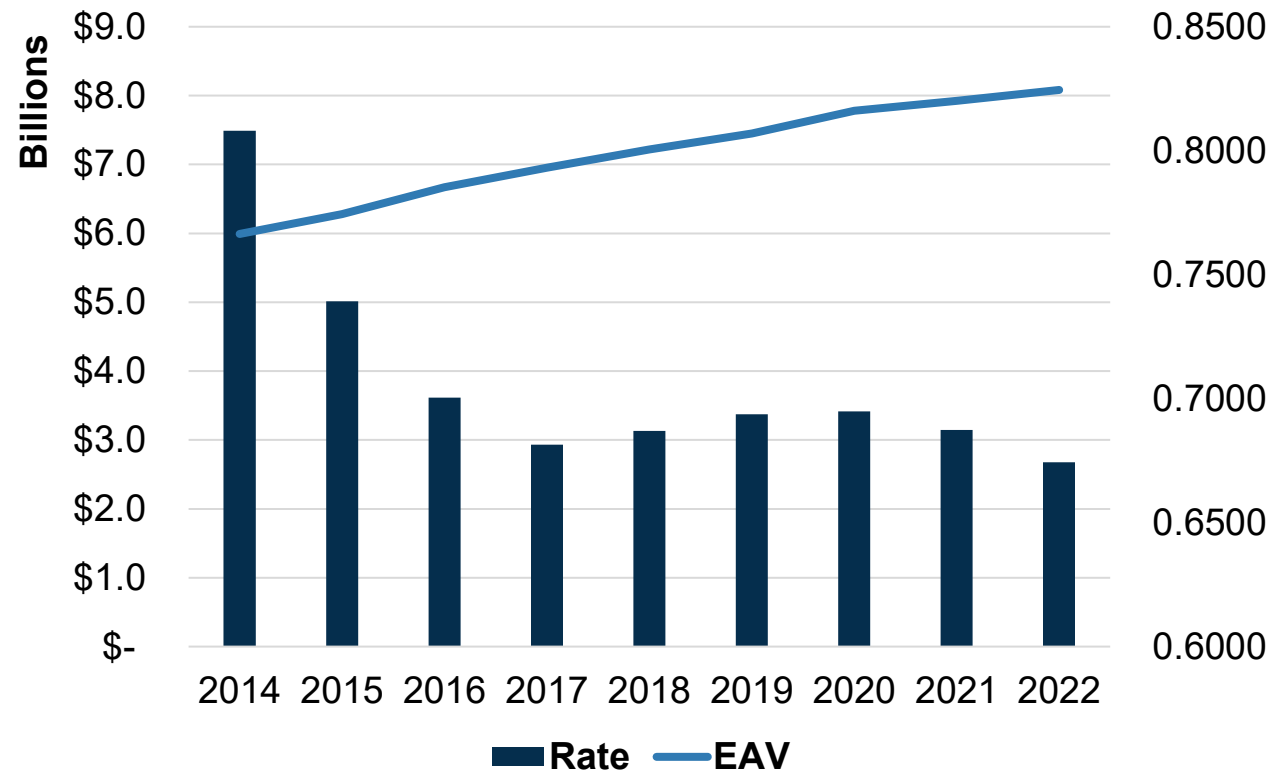
Component	2021 Tax Extension	2022 Levy Request	% Change
General Purpose	6.75	7.00	3.7%
Debt Service (w/abatement)	8.68	8.11	-6.6%
Fire Pension	10.05	10.01	-0.4%
Police Pension	7.53	7.94	5.4%
IMRF	2.22	2.05	-7.6%
Naper Settlement	3.91	4.16	6.4%
Public Library	15.31	15.96	4.2%
Total	54.46	55.23	1.4%

\$ in millions

2022 property tax levy request: \$55.23M

- Increase of \$767K, or 1.4% from 2021 tax extension
- After abatement of utility and special purpose debt service totaling \$9.78M

PROPERTY TAX LEVY (CONT.)



Estimated tax rate: 0.6743

- Captures growth in EAV due to new construction and appreciation
- Based on estimated \$8.24B EAV – 4% annual growth
- Lowest tax rate since 1969

2023 bill for City portion of taxes estimated at \$880

- Determined by using median home value of \$424,800
- \$17 less than the prior year
- Assumes all other factors equal - actual tax due based on individual property value

The proposed 2023 budget:

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- ✓ increases our services
- ✓ does not require new revenue sources
- ✓ lowers the City's property tax rate



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Looking Ahead



COMMUNITY RISK REDUCTION

Fire Department program to address citizen assist/mental health calls

- Opportunity to better establish appropriate care levels and response in non-emergency situations

Potential Program

Move to 24/7 service model

- Requires 8 FF/PM dedicated to 24/7 Community Risk Reduction Unit – 2 currently allocated
- Proposed cost (year 1): \$600K
 - 6 additional FF/PM, equipment, and one vehicle (utilize existing reserve unit)

Information Still Needed

Cost Recovery

- Must establish standalone, cost-neutral program that recovers costs
- Medicaid cost recovery confirmed - still awaiting private insurer cost recovery

Staffing Capability

- Evaluating recruitment challenges in the face of increasing retirements
- Prioritize staffing of existing service levels before expanding programs

2022 Pilot Program

Single unit responding 40 hrs./week

- Tues. – Fri. 7 a.m. – 5 p.m.

Calls responded to:

- 704 YTD, 768 projected by year-end

Following further evaluation, staff would return to Council in Q1 2023 with a recommendation



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SPRINGBROOK WASTEWATER FACILITY

Evaluation of capacity needs, regulatory demands ongoing for several years

- Continuous community growth has increased demands on existing infrastructure
- IEPA permit mandates on nutrient removal require upgrades that must be completed as a condition of the permit
- Overview of long-term needs included in Water Utilities presentations to City Council in April and May 2021

2022: Formal asset evaluation completed

- Provided details and direction on how to phase in improvements through 2027

1

UV Disinfection System

- Construction: 2023

Influent Pump Station & Forcemain Improvements

- Construction: 2023

2

South Plant Capacity Upgrades & Improvements

- Engineering: 2023-2024
- Construction: 2025-2027

South Plant RAS/Grit Improvements

- Engineering: 2023
- Construction: 2024-2025

3

North Plant Aeration Improvements & Nutrient Removal Upgrades

- Engineering: 2024-2025
- Construction: 2026-2027

Staff will recommend a comprehensive, long-term financing strategy to Council in mid-2023

- Work included in 5-year CIP; will be part of 2024 rate study discussion
- Conversation to include long-term operational needs as a result of improvements

FINANCIAL STRATEGY

With the successful achievement of our organization’s eight-year financial principles, the City of Naperville is well positioned to responsibly enter a period of necessary investment in our community.

TODAY

2015-2022

Reduce general purpose debt

Rebuild General Fund cash balance

Implement structurally balanced budgeting

Goal: Rebuild our long-term financial position & stability post-Great Recession

2023 & BEYOND

Recognize and respond financially to the City’s significant capital needs and defined priorities to maintain the quality of services this almost 200-year-old community expects

ON THE HORIZON

Upgrading our utility infrastructure: Springbrook

Keeping our community safe: Required public safety radio upgrade, new CAD/RMS system

Becoming more sustainable

2023 Goal: Set parameters (new financial principles) around responsible spending that builds on the stability provided by the previous financial principles

BUDGET WRAP-UP

Beautification - *discussed increased funding and establishing a clear path forward*

- **City Manager Recommendation:**
 - Increase budget to \$250K and establish an inter-departmental working group to present a formal plan in Q1

Fredenhagen Park Fountain - *discussed alternatives to fountain repair*

- **City Manager Recommendation:**
 - Maintain budget as a placeholder and refine project cost in Q1
 - Project must return to Council for approval in 2023

Merit Pool Increase - *discussed reducing merit pool increase from 4% to 3%*

- **City Manager Recommendation:**
 - Maintain merit pool increase at 4%



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BUDGET APPROVAL TIMELINE

→ **OCT. 24** Budget Workshop #1

→ **NOV. 9** Budget Workshop #2

→ **NOV. 15** Council meeting: Required budget and levy notice agenda items

→ **NOV. 21** Budget Workshop #3

→ **DEC. 6** Council meeting: Public hearing, approval of budget

→ **DEC. 20** Council meeting: Adoption of property tax levy, SSA levies

A photograph of construction workers in high-visibility vests and hard hats working on a city street. They are laying out concrete slabs, with some workers using tools like trowels and levels. The scene is set in an urban environment with buildings and storefronts in the background, including one with a 'COFFEE FOOD CONKTA' sign. The image is overlaid with a dark blue semi-transparent layer.

Thank You

