



2018 Budget City of Naperville

WORKSHOP #3 – NOVEMBER 27, 2017

Budget Schedule

- October 30 – Budget Workshop #1: Department presentations - **COMPLETE**
- November 13 – Budget Workshop #2: Department presentations - **COMPLETE**
- November 27 – Budget Workshop #3: Revenue discussions
- December 5 – Budget approval
- December 19 – Property Tax Levy approval

Workshop #3 – Agenda

- Administrative Services
- Fund and Revenue Overview
 - Operating and Maintenance Funds
 - Capital and Debt Service Funds
 - Special Funds
- CY2018 Budget Overview
 - Financial Principles
 - Prior Actions and Service Delivery
 - Service Reductions and Impacts
 - Proposal Summary
- Decision Points

Decision Points

- Water Rate Adjustment
- Property Tax Levy
 - Pension Funding Methodology: Open vs. Closed
 - Budget and Service Reductions

Administrative Services

	CY17 Budget	CY18 Budget	Change (\$)	Change (%)
CMO/Legal	3,260	3,189	(71)	-2.2%
Finance	4,277	4,476	199	4.6%
Human Resources	1,251	1,273	22	1.7%
Board of Fire & Police	194	208	14	7.3%
Mayor & City Council	421	401	(20)	-4.6%
Total	\$9,403	\$9,547	\$144	1.5%

in thousands

Administrative Services

PRIOR ACTIONS

- Legal Reorganization
 - Reduced Headcount by 2 FTE
- Shift of Safety Division from Legal to CMO
 - Safety division includes 2.5 FTEs
- Finance - \$113k in reductions
 - Procurement Officer II
 - P-Card Consultant
 - Furniture
- Human Resources - \$25k in reductions
 - 457 Plan Vendor

SERVICE ENHANCEMENTS

- Increased investment in Training - \$5,000
 - Continue Emerging Leader Program
 - Management Training Courses
- Special Census - \$114k
 - Projected growth: 4,650 new residents
 - Potential to earn an estimated \$1.67M in additional revenues through May 2021

Miscellaneous Services

	CY2017 Budget	CY2018 Budget	Change (\$)	Change (%)
Vacancy Factor	(1,599,780)	(1,793,773)	(193,993)	12.1%
NVB (General Fund)	110,184	110,184	-	0.0%
NDP (Hotel/Motel Tax)	470,883	490,000	19,117	4.1%
NCTV Request (PEG Funds)	515,000	515,000	-	0.0%
NCTV Request (General Fund)	122,876	122,861	(15)	0.0%
SSA #26 Transfer	975,000	1,111,378	136,378	13.9%
MIP Contribution	2,500,000	-	(2,500,000)	

CY2018 Expenditure Summary

Citywide Expenditures

- \$445.4M; 0.9% overall increase

Salaries and Benefits

- \$159.8M; 2.9% increase
- Includes payroll, insurance and pensions

Purchased Power/Water

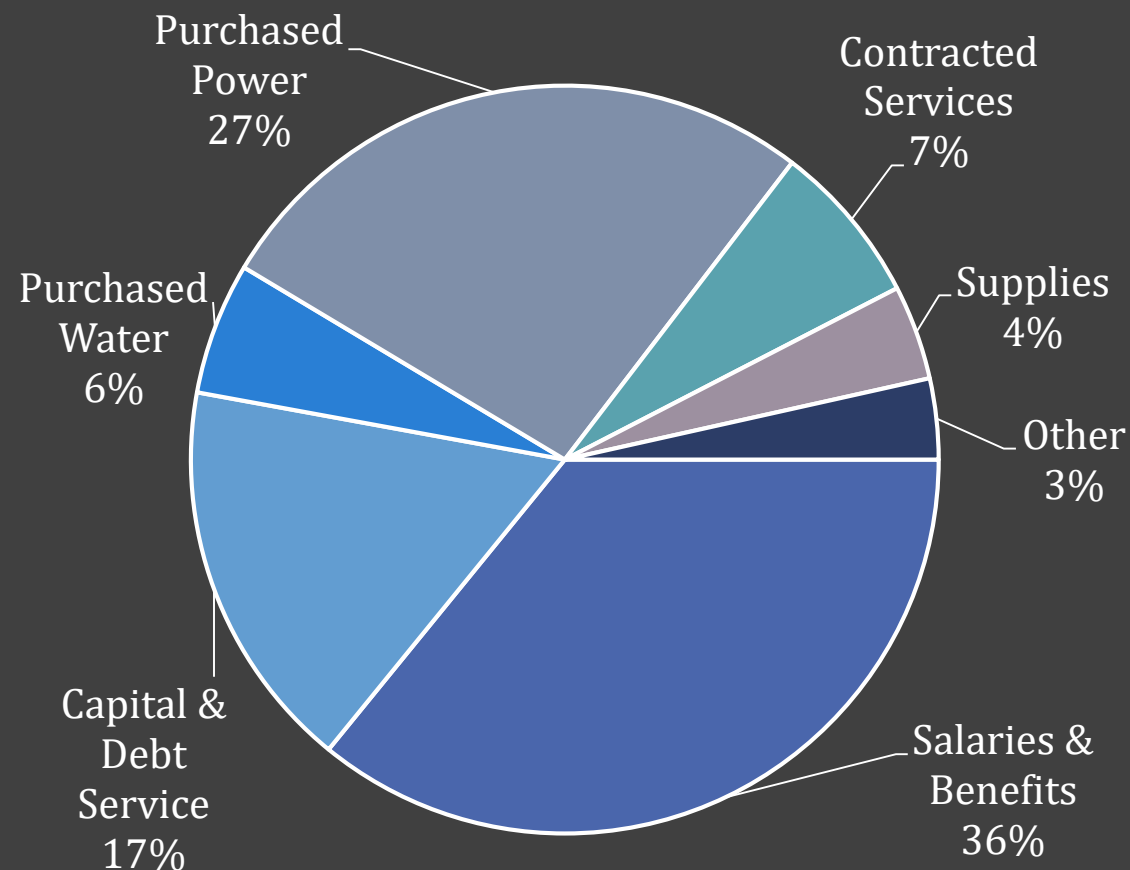
- Purchased Power: \$119.4M; 2.8% increase
- Purchased Water: \$25.4M; 4.0% decrease

Capital and Debt Service

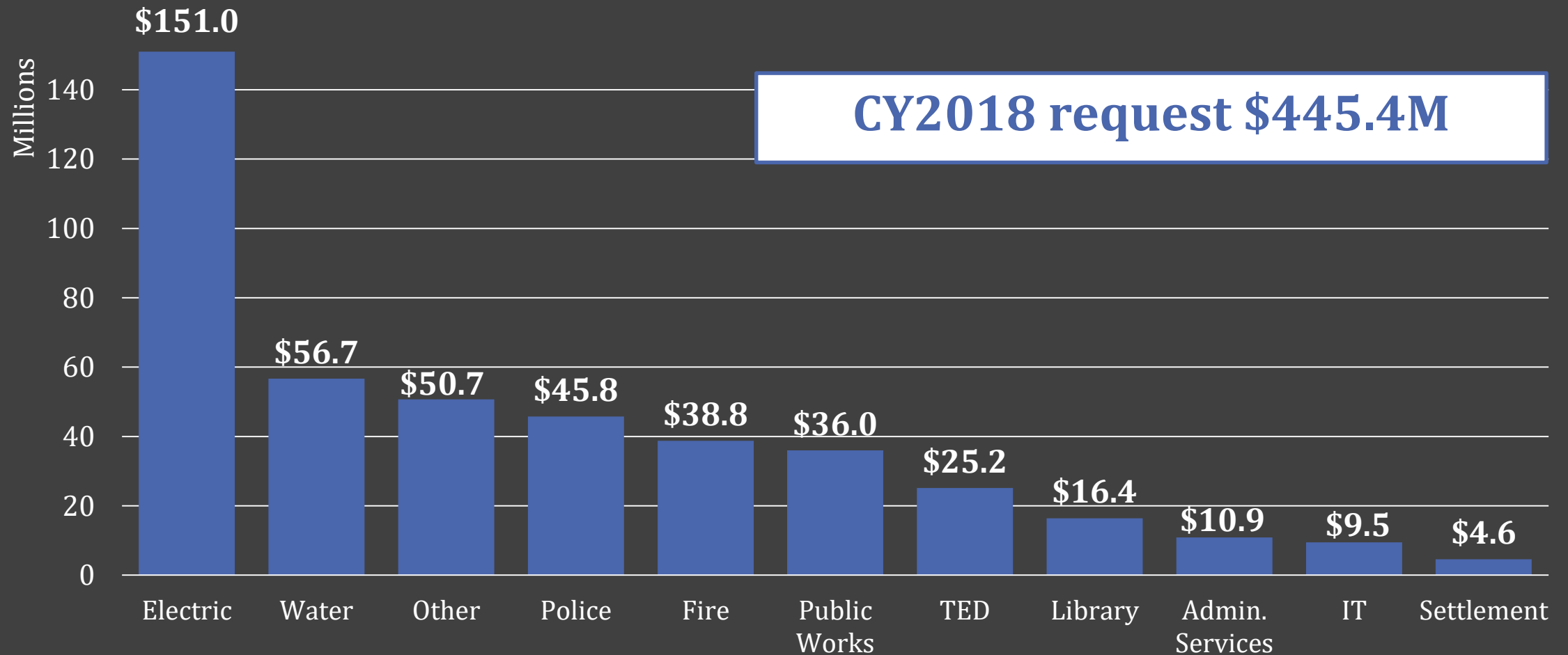
- \$75.7M; 7.0% decrease

Contract Services, Supplies and Other

- \$65.0M; 4.3% increase



Expenditures by Department



in millions

	Operating			Capital & Debt Service		
Department	CY17 Budget	CY18 Proposed	Change (%)	CY17 Budget	CY18 Proposed	Change (%)
Electric	136.2	139.7	2.5%	10.3	11.3	9.0%
Water/Wastewater	45.2	45.8	1.2%	10.1	10.9	8.0%
Police	43.7	45.3	3.8%	0.9	0.5	-49.6%
Fire	35.1	36.7	4.6%	1.4	2.0	42.5%
Public Works	29.7	30.4	2.5%	5.3	5.6	5.5%
Other (Debt, Insurance)	26.3	27.2	3.5%	23.3	23.5	1.2%
Library	15.6	15.5	-0.6%	3.3	0.9	-72.7%
Administrative Services	10.7	10.9	1.3%	-	-	0.0%
TED	7.4	7.5	1.1%	23.1	17.7	-23.4%
Information Technology	5.4	5.9	8.1%	4.2	3.6	-14.9%
Naper Settlement	3.9	4.1	3.3%	0.1	0.5	269.7%
TOTAL	\$ 359.4	\$ 368.9	2.7%	\$ 82.1	\$ 76.5	-6.8%

in millions

CY2018 Proposed Budget

	Revenues	Expenditures	Margin
Maintenance & Operating Funds	381.65	372.12	9.53
Capital & Debt Service Funds	41.39	40.51	0.87
Special Funds	31.29	32.79	(1.50)
TOTAL	\$ 454.32	\$ 445.42	\$ 8.90

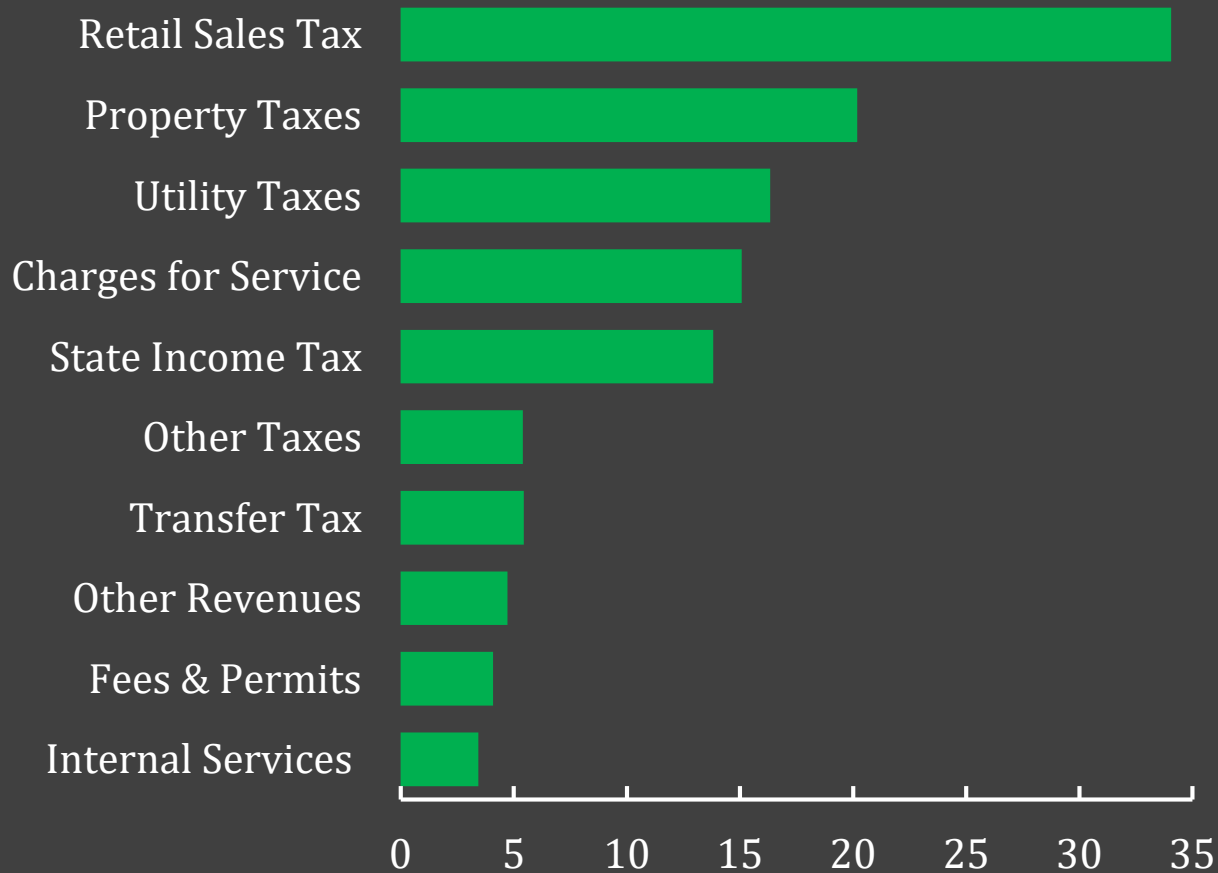
in millions

Maintenance and Operating Funds

	Revenues	Expenditures	Margin
General Fund	122.55	122.53	0.02
Electric Utility Funds	171.20	161.69	9.51
Water & Wastewater Funds	63.11	63.50	(0.39)
Self Insurance Fund	22.53	22.52	0.02
Burlington Fund	2.25	1.88	0.37
TOTALS	\$ 381.65	\$372.12	\$ 9.53

in millions

General Fund Revenues

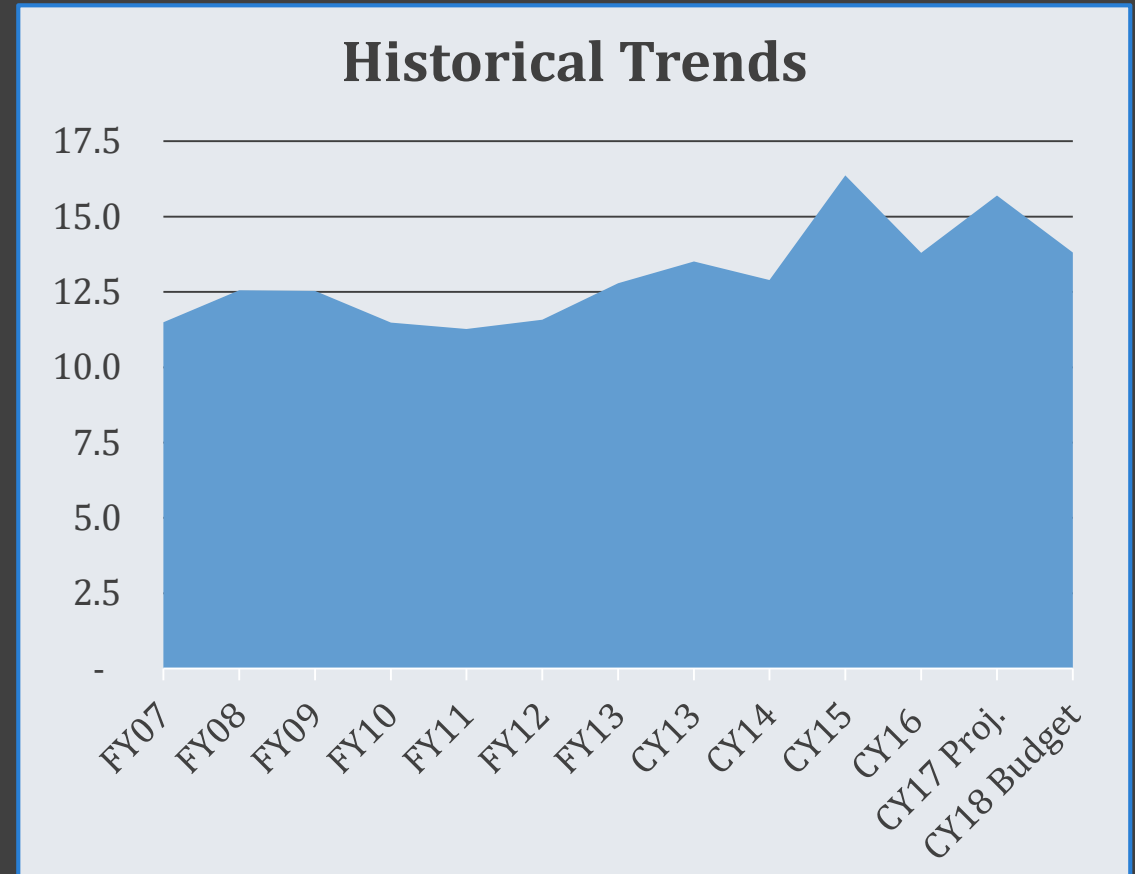


	CY17 Budget	CY18 Budget	Change (%)
Charges for Service	14.30	15.08	5.4%
Fees & Permits	4.44	4.08	-8.2%
Internal Services	3.03	3.44	13.4%
Other Revenues	4.38	4.72	7.7%
Other Taxes	5.23	5.40	3.3%
Property Taxes	20.75	20.18	-2.7%
Retail Sales Tax	33.87	34.06	0.5%
State Income Tax	14.54	13.81	-5.0%
Transfer Tax	5.00	5.45	8.9%
Utility Taxes	16.58	16.33	-1.5%
TOTAL	\$ 122.13	\$ 122.55	0.3%

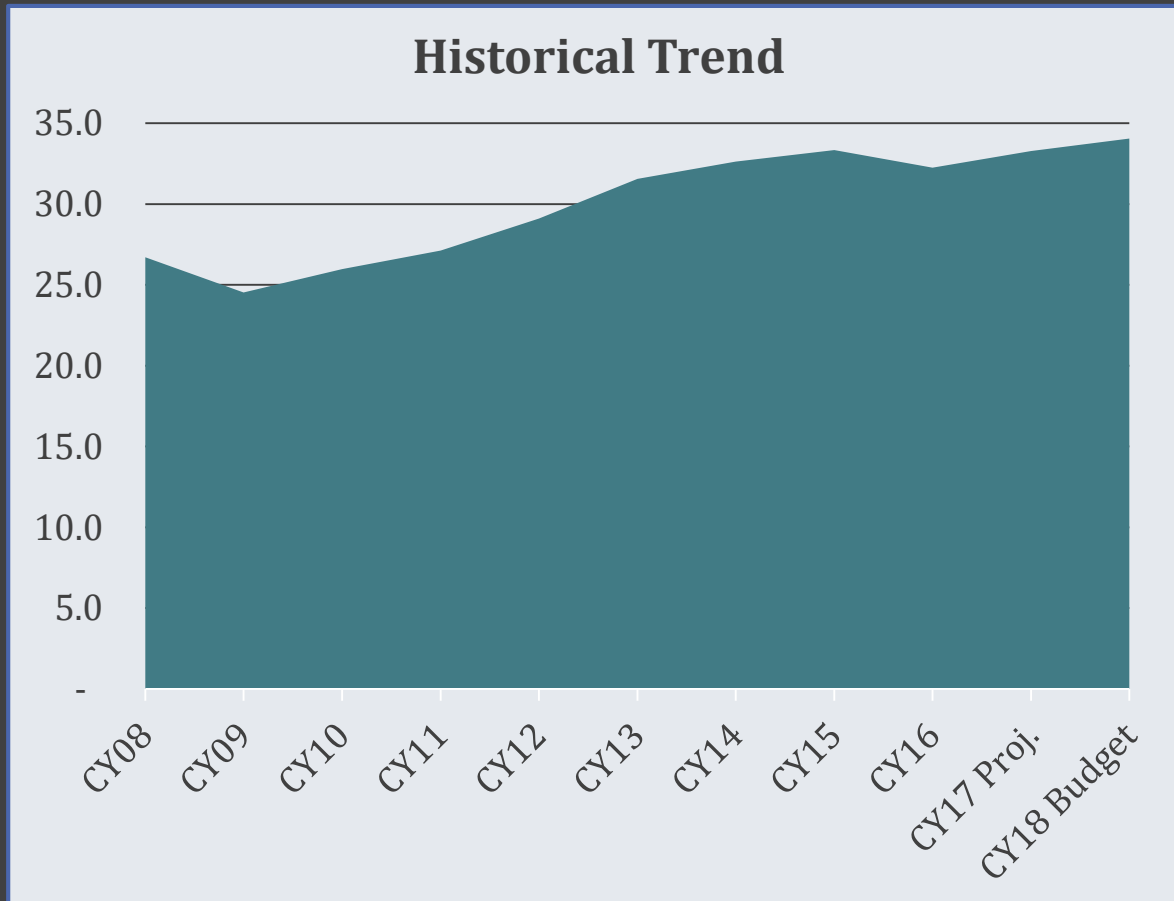
in millions

State Income Tax

- Rate increases implemented as part of state budget solution
 - Individual Income Tax Rate: 4.95% from 3.75%
 - Business Income Tax Rate: 7% from 5.95%
- Distributions to local governments decreasing 10% through June 30, 2018
 - CY17 budget: \$14.54M
 - CY18 budget: \$13.81M
 - \$750K reduction



Retail Sales Tax

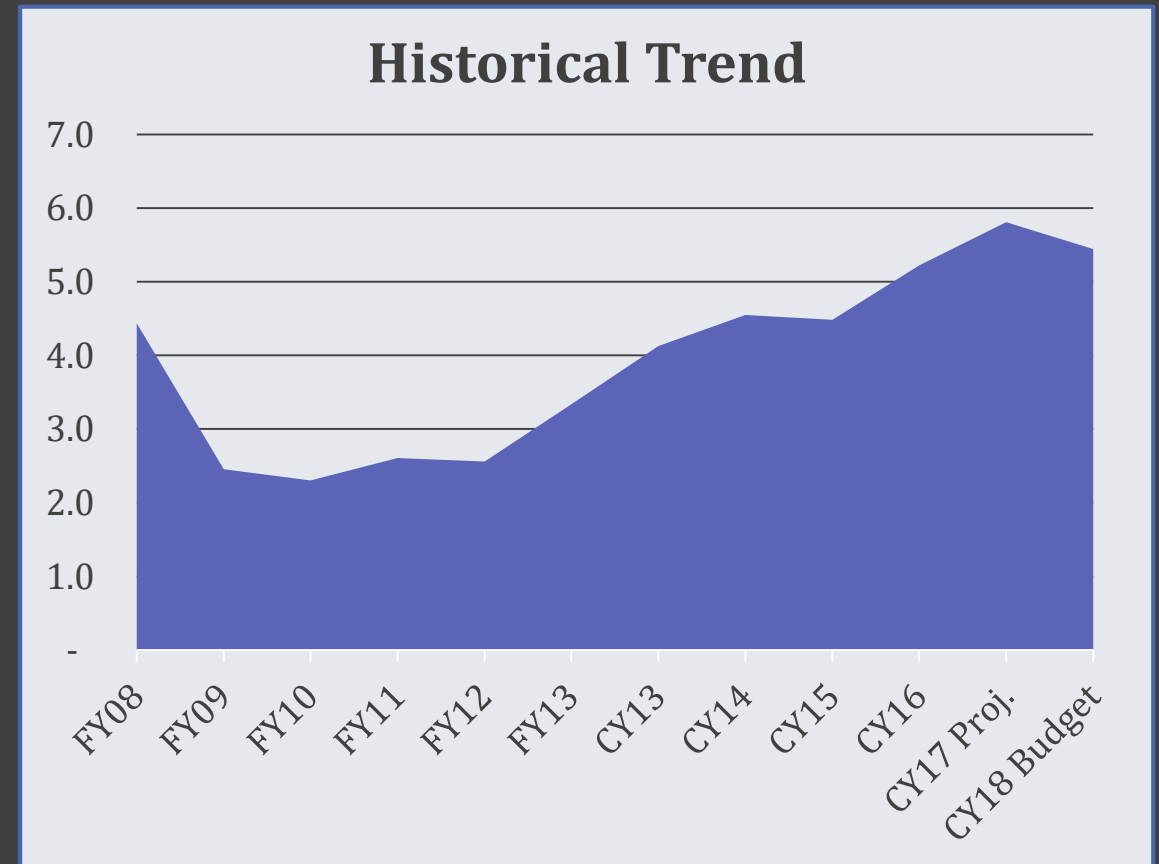


- 1.0% of statewide collection
- CY17 projection is \$33.3M
- Down slightly from CY17 budget
- CY18 budget is \$34.1M
- 0.5% increase over CY17 budget
 - 3% over CY17 year-end projection

in millions

Real Estate Transfer Tax

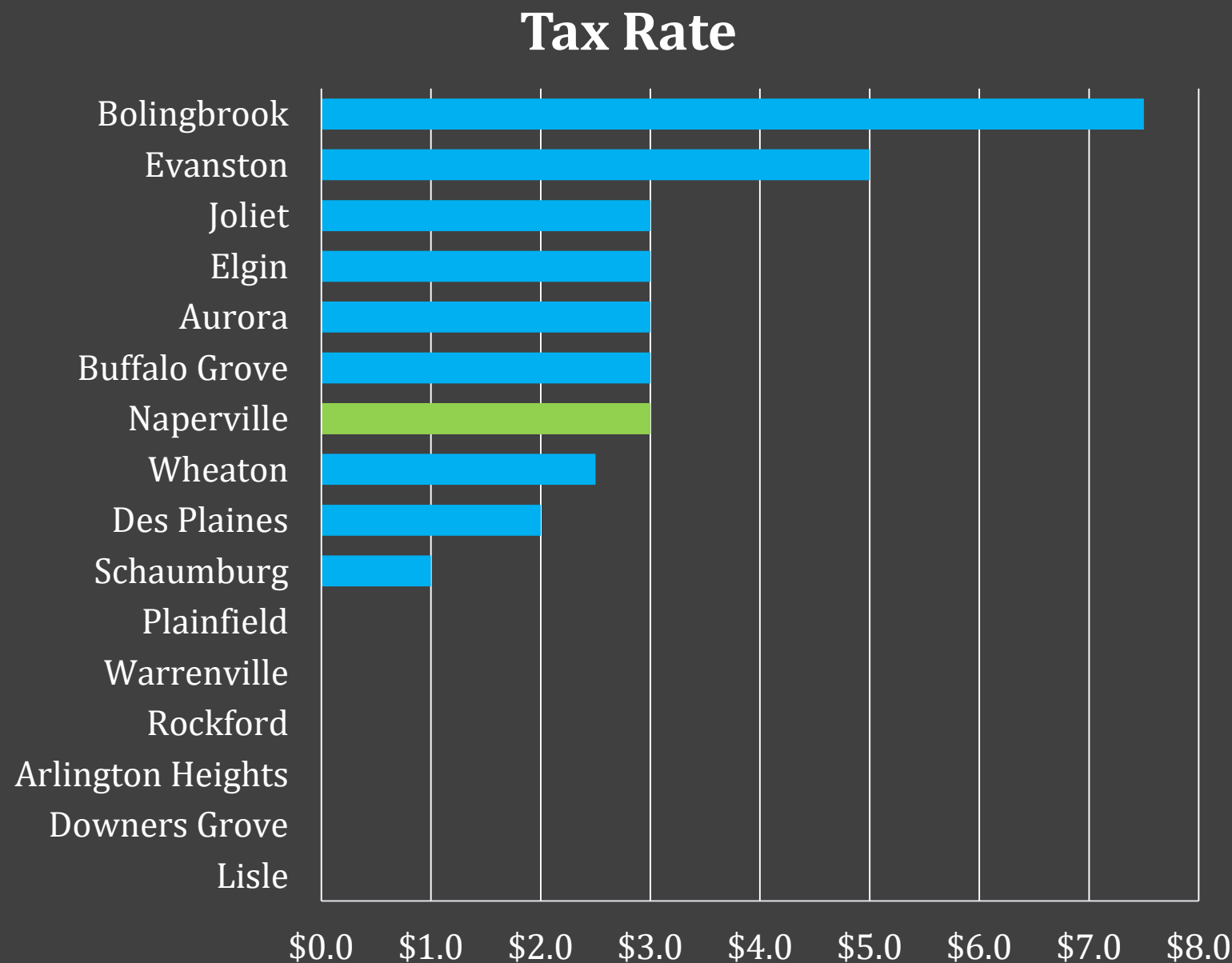
- City continues to experience recovery in housing market
 - Average home sale nearing \$395K
- CY17 projection: \$5.8M
- CY18 budget: \$5.4M
 - 8.9% increase over CY17 budget
 - Less than CY17 projection due to major sales



in millions

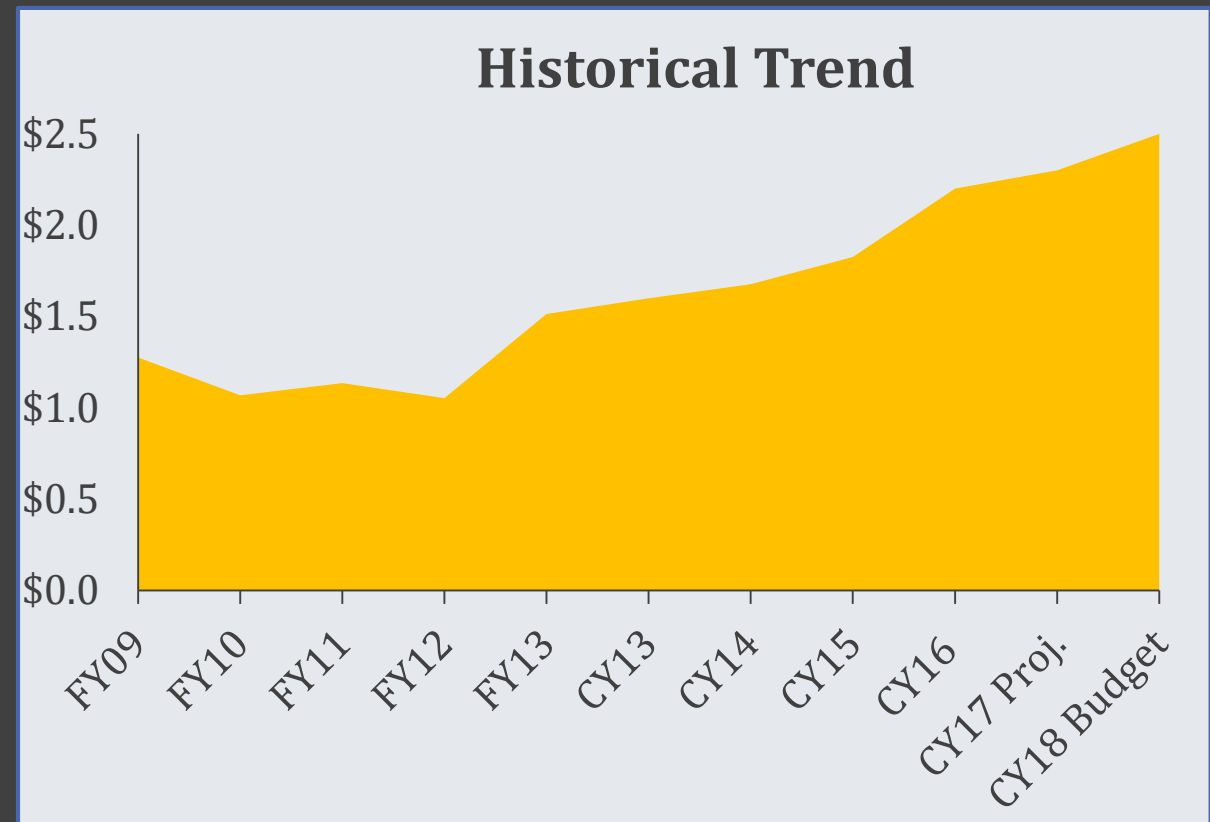
Real Estate Transfer Tax Comparison

- Naperville rate: \$1.50 per \$500 of sale (\$3.00 per \$1,000)
- Referendum required to increase the rate
- \$0.50 per \$1,000 of sale generates \$683,000 in revenue



Hotel & Motel Tax

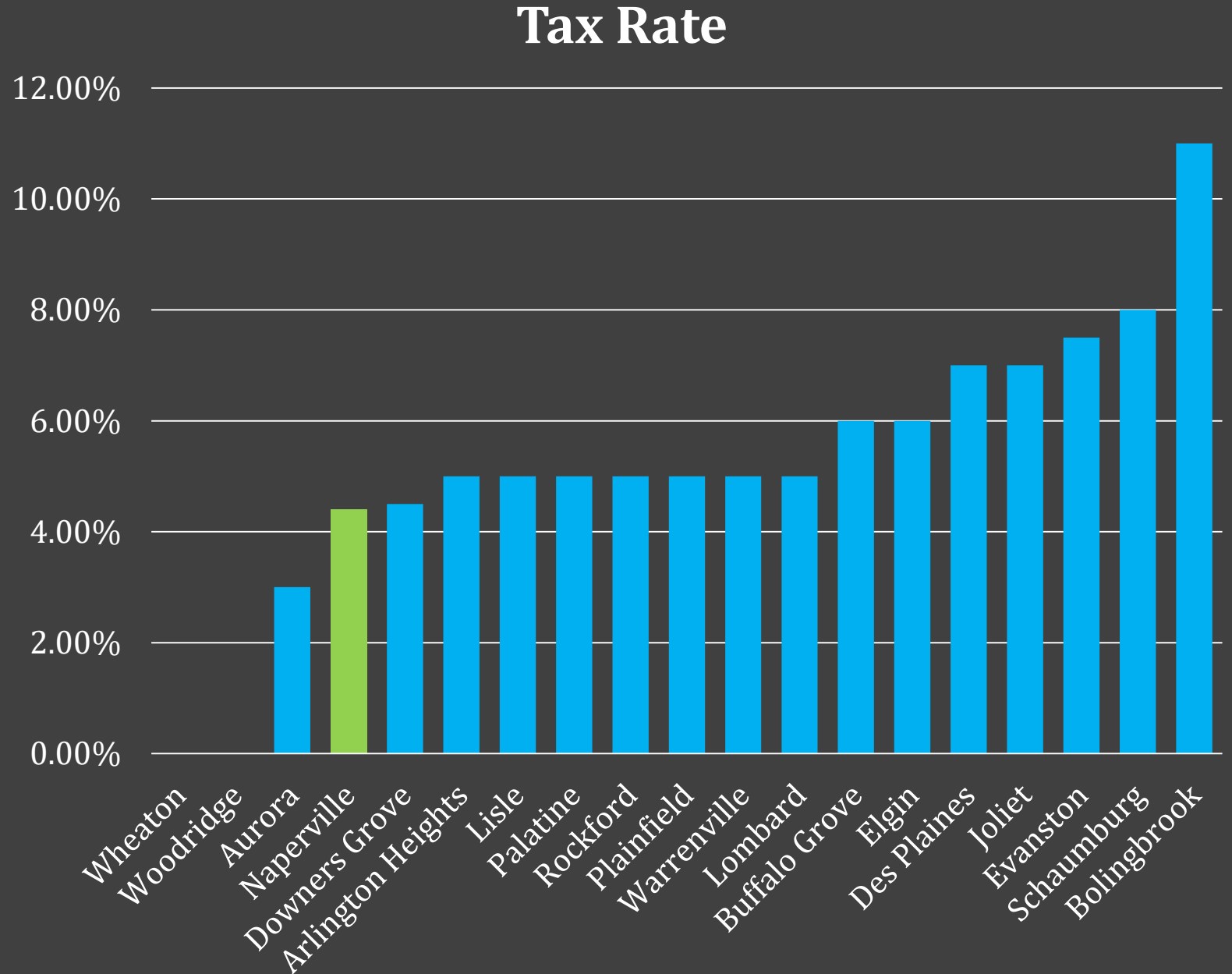
- CY17 projection: \$2.3M
- CY18 budget: \$2.5M
- 2.1% increase over CY17 budget
 - Increase due to addition of Water Street
 - Receipts through Oct 2017 exceed same period in 2016 by 8%, or \$127K



in millions

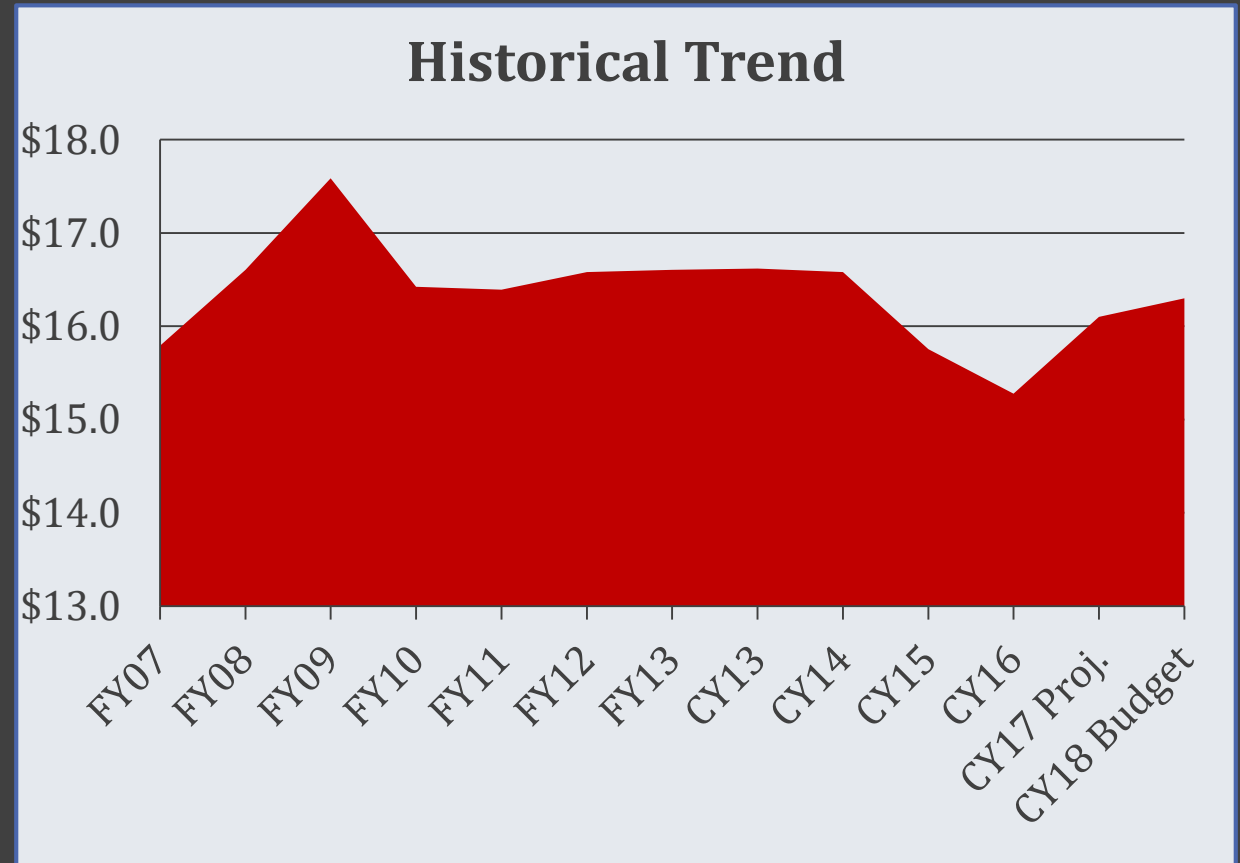
Hotel & Motel Tax Comparison

- Naperville rate: 4.4%
- Average annual yield: \$1.9M (2014-2016)
- CY2017 collection: \$2.29M
- CY2018 proposed: \$2.45M
- Average of surrounding communities: 5.5%
- 0.50% rate increase generates \$278K in revenue



Utility Taxes

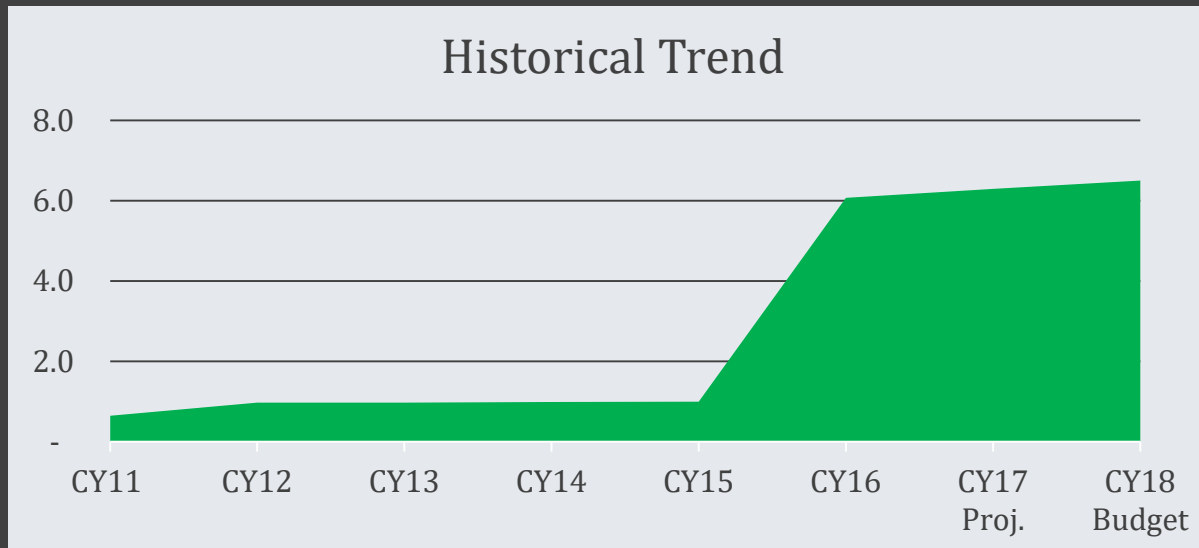
- Includes Electric, Water, Natural Gas and Telecommunications
 - CY17 budget: \$16.58M
 - CY18 budget: \$16.33M
 - 1.5% reduction from the CY17 budget
 - Highly variable due to weather conditions
 - Decrease in CY16 and 17 due to mild winter, low natural gas tax prices
 - Telecommunications taxes anticipated to continue declining due to the reduction of land lines



in millions

Refuse & Recycling Collection Fee

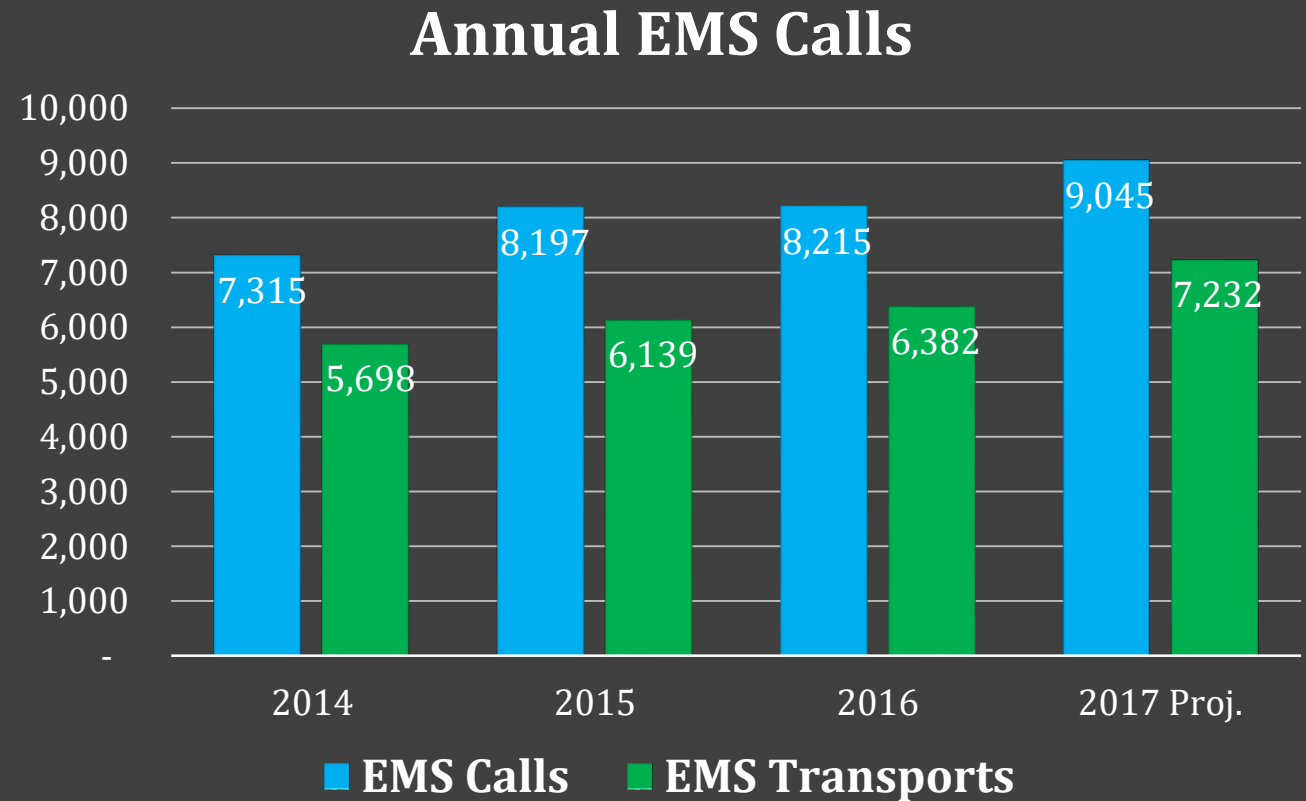
- Current Rate is \$12.71 per household/month
- CPI adjustment on May 1 per contract
- CY18 budget: \$6.5M
 - 2.5% increase over the CY17 budget



	Tons Collected	% Recycled
2007	64,701	30.8%
2008	62,945	30.8%
2009	57,771	29.9%
2010	56,145	30.0%
2011	55,116	30.2%
2012	53,077	30.2%
2013	53,925	29.6%
2014	52,380	29.7%
2015	52,315	30.7%
2016	53,203	29.7%
2017	44,114	29.4%

Ambulance Billing Fee

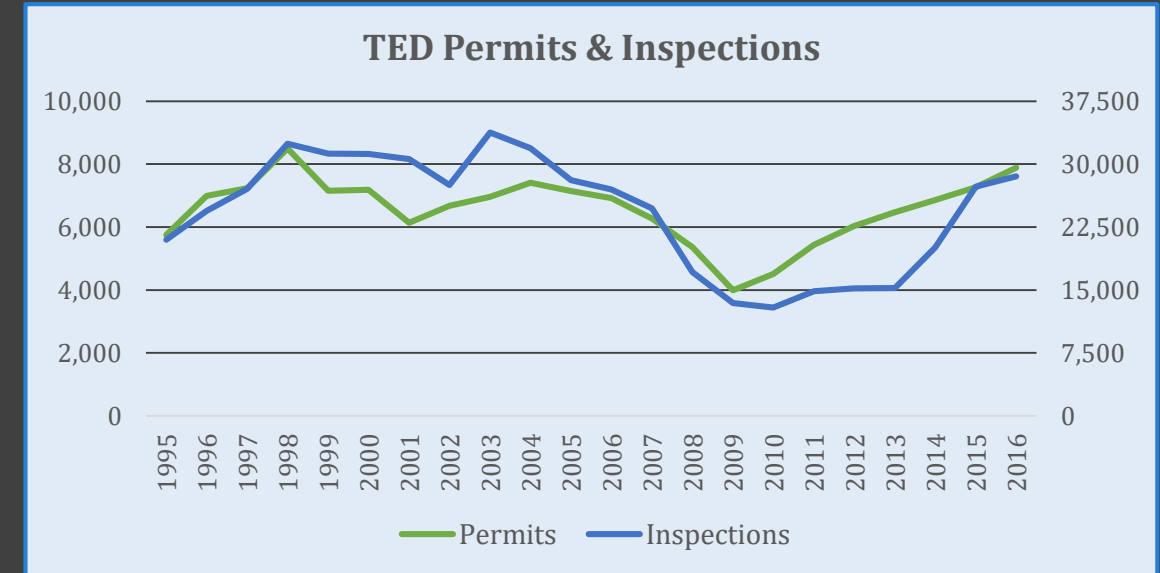
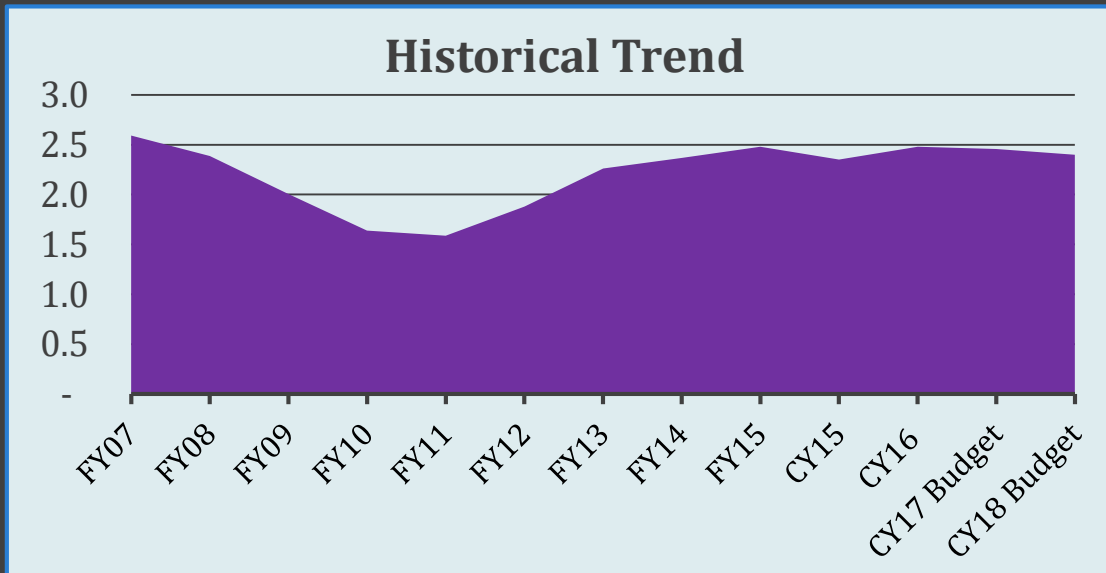
- CY2017 budget: \$3.8M
 - CY2017 projection: \$4.4M
- CY2018 budget: \$4.5M
 - Increase of \$700K or 18.4%



Inspections, Licenses, Commercial & Residential Permits

- Increase in activity starting in 2010
- CY17 budget: \$2.3M
- CY17 projection: \$2.7M
- CY18 budget: \$2.4M

- 2015: 7,269 permits and 27,343 inspections
- 2016: 7,885 permits and 28,556 inspections
 - 2016 near 2005 amount of inspections
 - 2016 near late 1990s amount of permits



in millions

Public Safety Fines and Fees

Traffic Fines:

- Processed and distributed by the County
- Fines vary based on violation

	CY2014	CY2015	CY2016	CY2017 Projection	CY2018 Budget
Traffic Fines	1,230.1	1,161.5	1,074.0	1,240.8	1,200.0

Administrative Tow Fees:

- Recommend increase from \$300 to \$500 to be consistent w/neighboring communities

	CY2014	CY2015	CY2016	CY2017 Projection	CY2018 Budget
Tow Fees	188.1	178.2	161.8	157.4	250.0

Animal Control Fees:

- Recommend increased Impound Fees
 - \$25 to \$75
- Recommend increased Boarding Fees
 - \$20 to \$35
- Fees based on cost of service

	CY2014	CY2015	CY2016	CY2017 Projection	CY2018 Budget
Animal Control Fees	3.0	8.6	6.9	5.3	15.0

In thousands

Water & Wastewater Fund – Revenues

**Charges for Services
make up 90% of
revenues, totaling
\$57.44M**

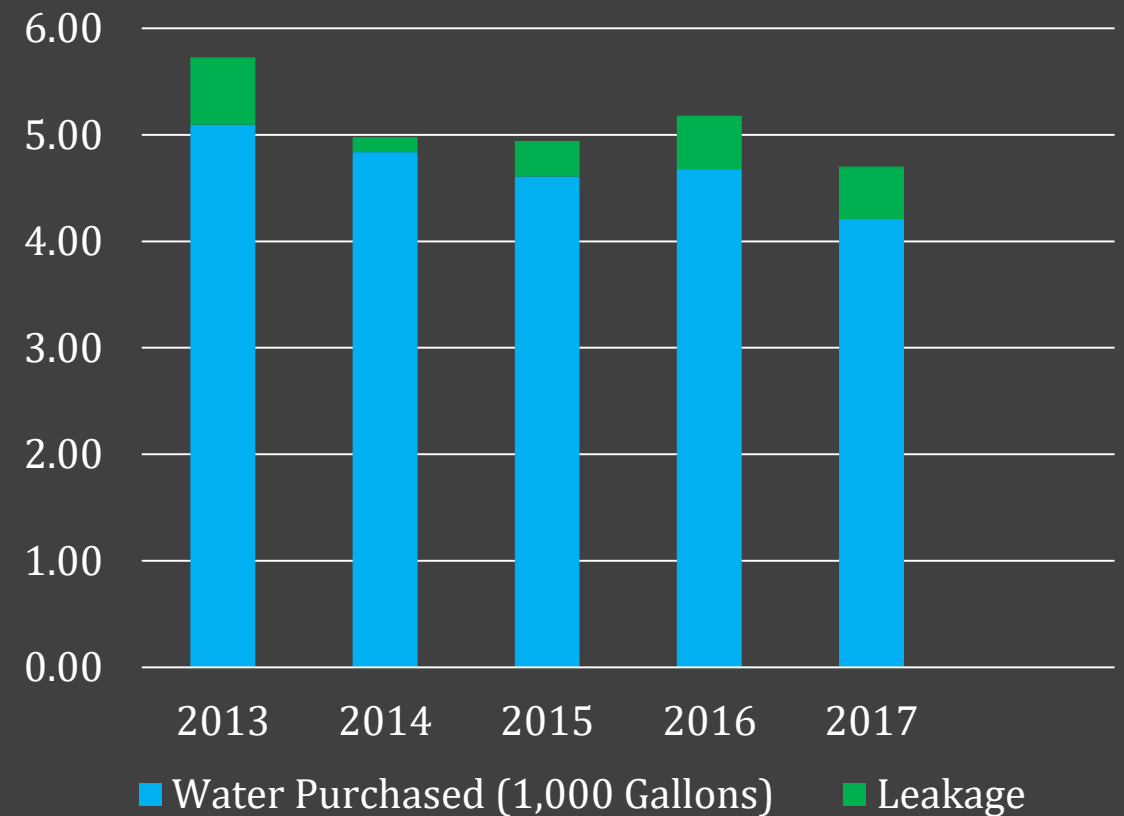
*Figures based on approved
rate model*

	CY2017 Budget	CY2017 Projection	CY2018 Proposed	Change (%)
Charges for Services	55.02	53.15	57.44	4.4%
Fines & Fees	0.04	1.12	1.39	3,477.0%
Contrib. & Transfers	4.43	3.98	4.40	-0.8%
Other Revenues	0.44	0.52	0.46	4.7%
Total	\$59.93	\$58.77	\$63.68	6.3%

in millions

Water & Wastewater Funds

	Gallons Purchased (1,000)	Non-Revenue Water %	Rate Per Gallon
2013	5,552,675	11.36%	3.58
2014	5,141,153	2.75%	4.26
2015	5,166,686	6.47%	4.90
2016	5,279,824	9.50%	4.81
2017*	4,651,734	10.60%	4.85
*Through October 2017			



Phosphorus Surcharge

- Implemented May 1, 2017
 - Created to assist in funding improvements required by Illinois Environmental Protection Agency
 - Component of overall rate increase
 - Estimated improvements between \$40 and \$60M
 - Work scheduled to begin in 2025
 - Surcharge will expire once collected funds equal half the cost of improvements

Average Customer

	May 1, 2017	Jan. 1, 2018	Jan. 1, 2019	Jan. 1, 2020	Jan. 1, 2021
Monthly Surcharge	\$0.50	\$1.00	\$1.80	\$1.80	\$1.80

Electric Fund – Revenues

Charges for service make up the majority of the revenues at \$166.01M

Includes 2.4% increase for CY18

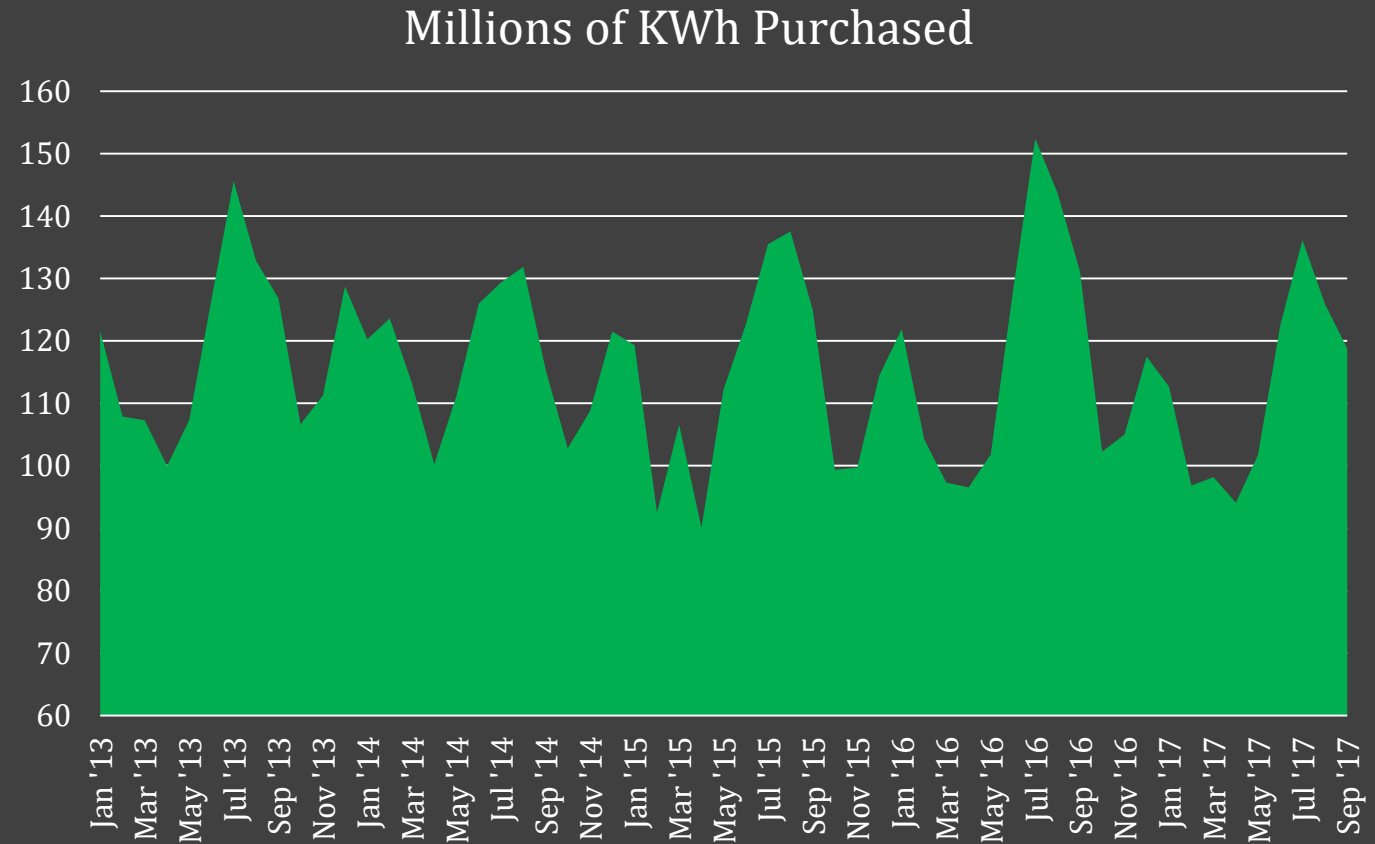
- Includes Purchased Power Adjustment (PPA)
- Consumption is holding flat

	CY17 Budget	CY17 Projection	CY2018 Proposed	Change (%)
Fines & Fees	2.25	3.76	1.93	-14.2%
Charges for Service	158.46	157.26	166.01	4.8%
Contributions & Transfers	2.61	1.93	2.00	-23.1%
Other Revenues	1.13	1.54	1.26	12.2%
TOTAL	\$ 164.44	\$ 164.49	\$ 171.20	4.1%

in millions

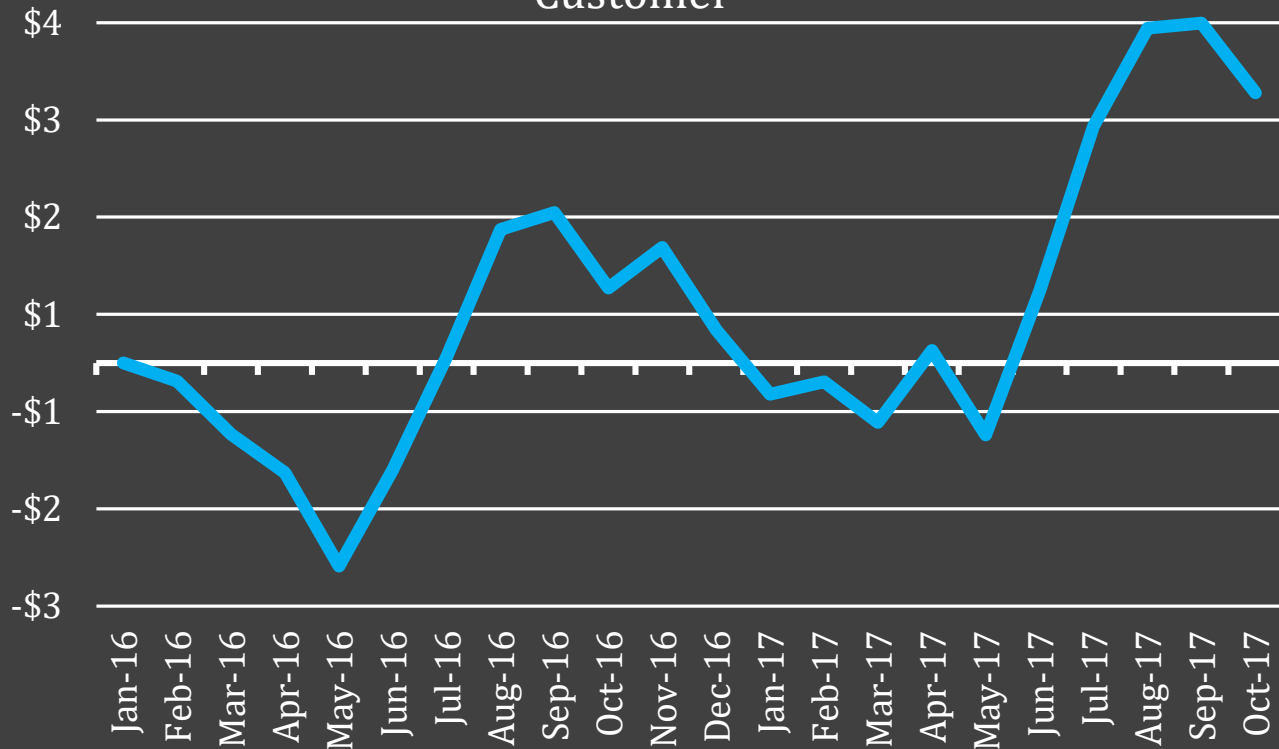
Electric Utility Fund

Year	Purchased Power (millions of KWh)	cost per KWh	Line Loss
FY2013	1,520	\$0.090	3.38%
FY2014	1,503	\$0.091	3.98%
FY2015	1,430	\$0.098	5.24%
CY2016	1,447	\$0.110	3.15%
CY2017	1,030	\$0.116	2.22%



Purchased Power Adjustment (PPA)

Monthly PPA Impact on Average Residential Customer



- PPA has been in place for 21 months
 - Average customer paid incremental \$11.21 total
- 2018 purchased power rate 1.39% higher than rate study
 - 0.18% lower than rate study in 2016
 - 0.19% higher than rate study in 2017
- Rate study more closely estimates actual purchased power costs in first and second years
 - 2018 difference: increase in capacity market
- Higher purchased power rate recaptured through PPA

Self-Insurance Fund

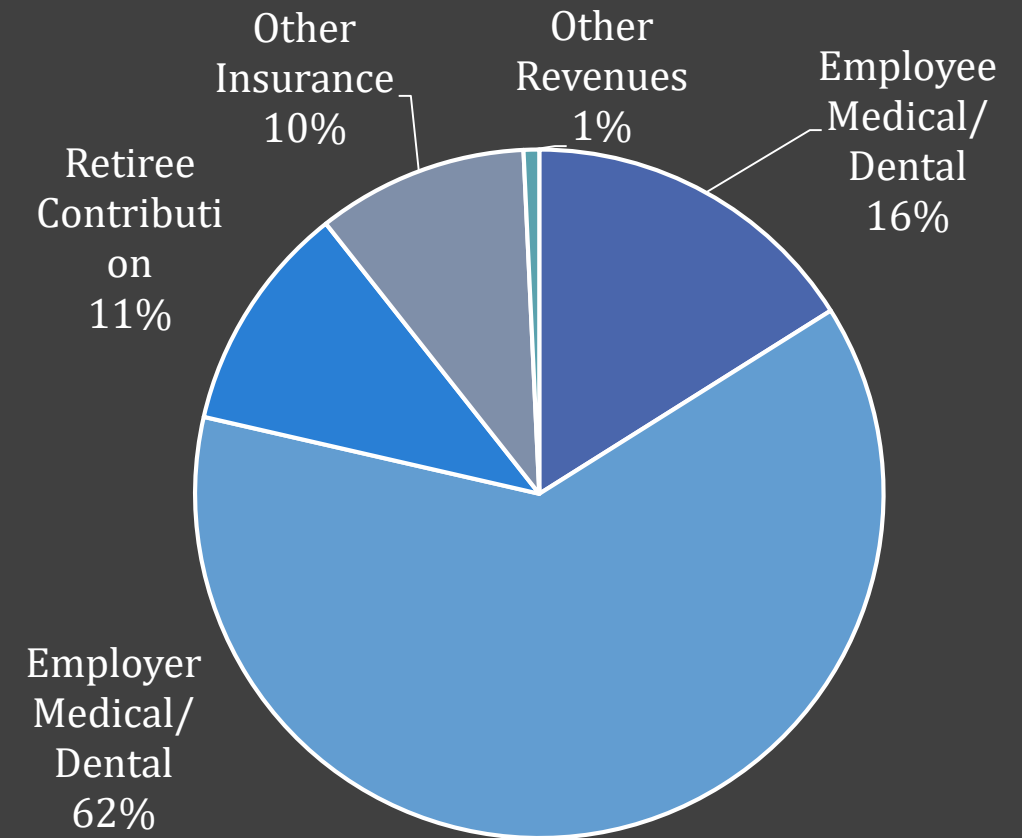
- \$1.65M in sustainable healthcare savings in CY16 and CY17
 - Retiree supplemental plan: \$600K annual savings
 - CVS/Caremark pharmacy benefits manager: \$250K annual savings in 2017/2018
- Further pharmaceutical management in 2018 and 2019
- Projected 8% overall increase in medical insurance
 - Increase in premiums reflects national trend of increasing healthcare costs in public/private organizations

	CY2017 Budget	CY2017 Projection	CY2018 Proposed	Change (%)
Revenues	20.54	20.46	22.53	9.7%
Expenses	20.53	19.50	22.52	9.7%
Margin	0.00	0.96	0.02	

in millions

Self-Insurance Revenues

	CY17 Budget	CY17 Projection	CY18 Proposed	Change (%)
Employee Medical/Dental	3.17	3.15	3.73	17.9%
Employer Medical/Dental	13.07	13.01	14.51	11.1%
Other Insurance	1.62	1.62	1.66	2.3%
Retiree Contribution	2.40	2.40	2.46	2.5%
Other Revenue	0.28	0.28	0.17	-40.2%
TOTALS	\$ 20.54	\$ 20.46	\$ 22.53	



in millions

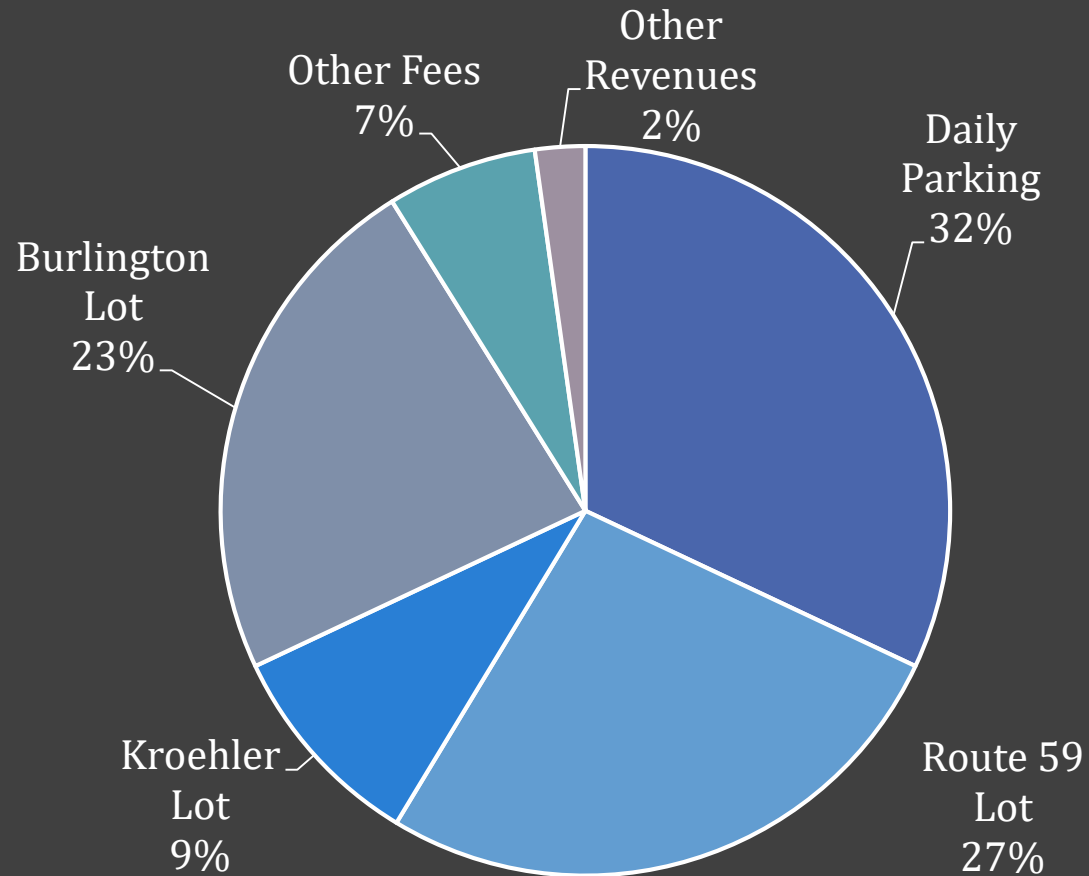
Burlington Fund

- Accounts for maintenance, operations and regulation of commuter parking spaces for two commuter train stations
- Provides funding for maintenance services and other activities

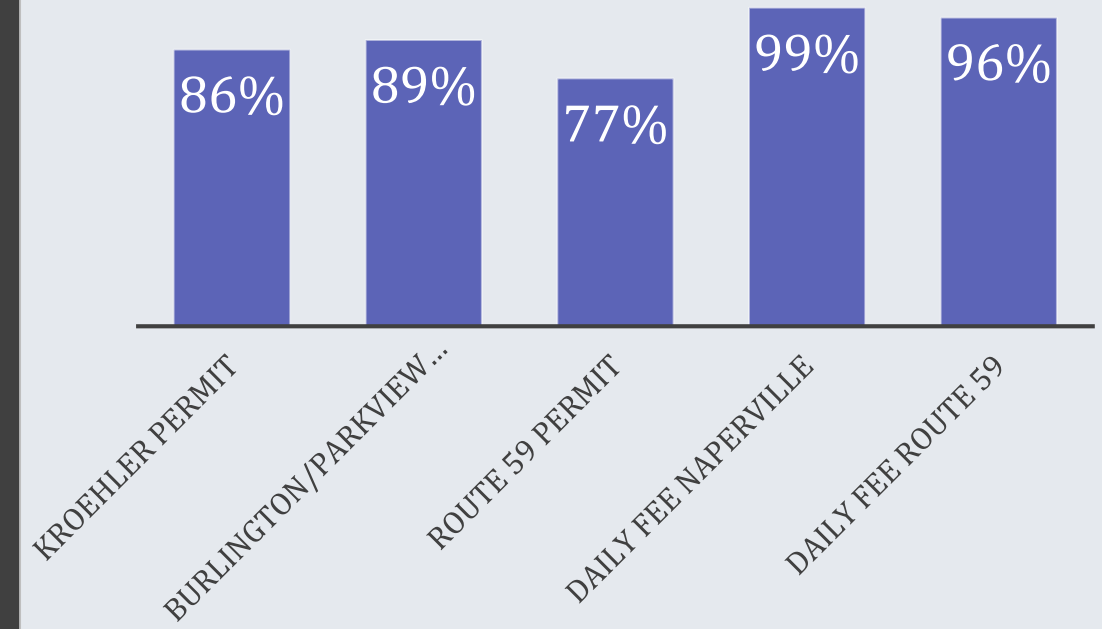
	CY2017 Budget	CY2017 Projection	CY2018 Proposed	Change (%)
Revenues	2.27	2.29	2.25	-0.6%
Expenses	2.09	5.07	1.88	-9.9%
Margin	0.17	(2.77)	0.37	

in millions

Burlington Fund Revenues



Space Usage



Capital and Debt Service Funds

	Revenues	Expenditures	Margin
Capital Projects Fund	11.81	11.91	(0.11)
G.O. Bond Funds	7.41	8.04	(0.63)
Debt Service Fund	13.30	13.28	0.03
Motor Fuel Tax Fund	3.83	3.82	0.01
Road & Bridge Fund	3.08	3.08	-
Downtown Parking Fund	1.36	0.35	1.01
Water Street TIF Fund	0.02	0.04	(0.02)
Phosphorus Fund	0.58	-	0.58
TOTALS	\$ 41.39	\$ 40.51	\$ 0.87

in millions

Capital Projects Fund

The Capital Projects Fund is utilized to fund capital maintenance projects from the CIP. The home rule sales tax and ambulance billing fees are annual revenue sources.

	CY17 Budget	CY17 Projection	CY2018 Proposed	% Change
Revenue	10.01	7.76	11.81	17.9%
Expense	13.36	10.66	11.91	-10.8%
Margin	(3.35)	(2.90)	(0.11)	

Bond Funds

The Bond Funds are utilized to fund capital upgrade projects from the CIP.

	CY17 Budget	CY17 Projection	CY2018 Proposed	% Change
Revenue	7.72	7.76	7.41	-4.0%
Expense	7.72	5.31	8.04	4.1%
Margin	-	2.45	(0.63)	

in millions

Debt Service Fund

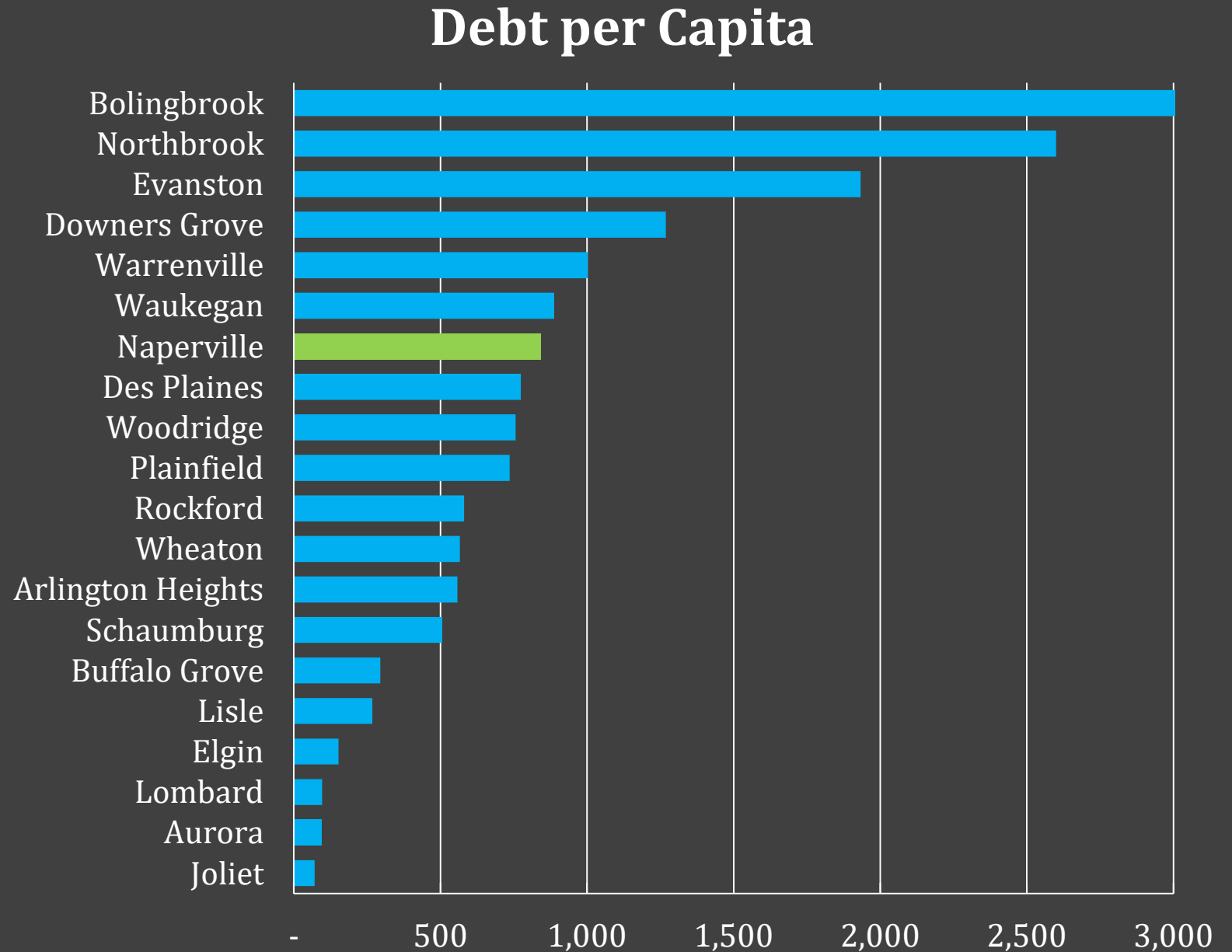
The Debt Service Fund was created to receive property taxes and other monies in order to pay principal and interest on bonded debt.

	CY17 Budget	CY17 Projection	CY2018 Proposed	% Change
Revenue	13.36	13.34	13.30	-0.4%
Expense	13.36	13.49	13.28	-0.6%
Margin	-	(0.15)	0.03	

in millions

Debt per Capita Comparison

- General corporate debt
 - End of 2017: \$101.73M
- Debt per Capita = \$722



Home Rule Sales Tax

- 0.50% - implemented in 2015
- **CY2016**
 - Projected \$6.38M per state
- **CY2017**
 - \$8.50M budgeted
 - \$9.13M projection
- **CY2018**
 - \$9.1M budgeted
 - Starting July 1, state will take 2% admin fee, resulting in \$175K cost to City

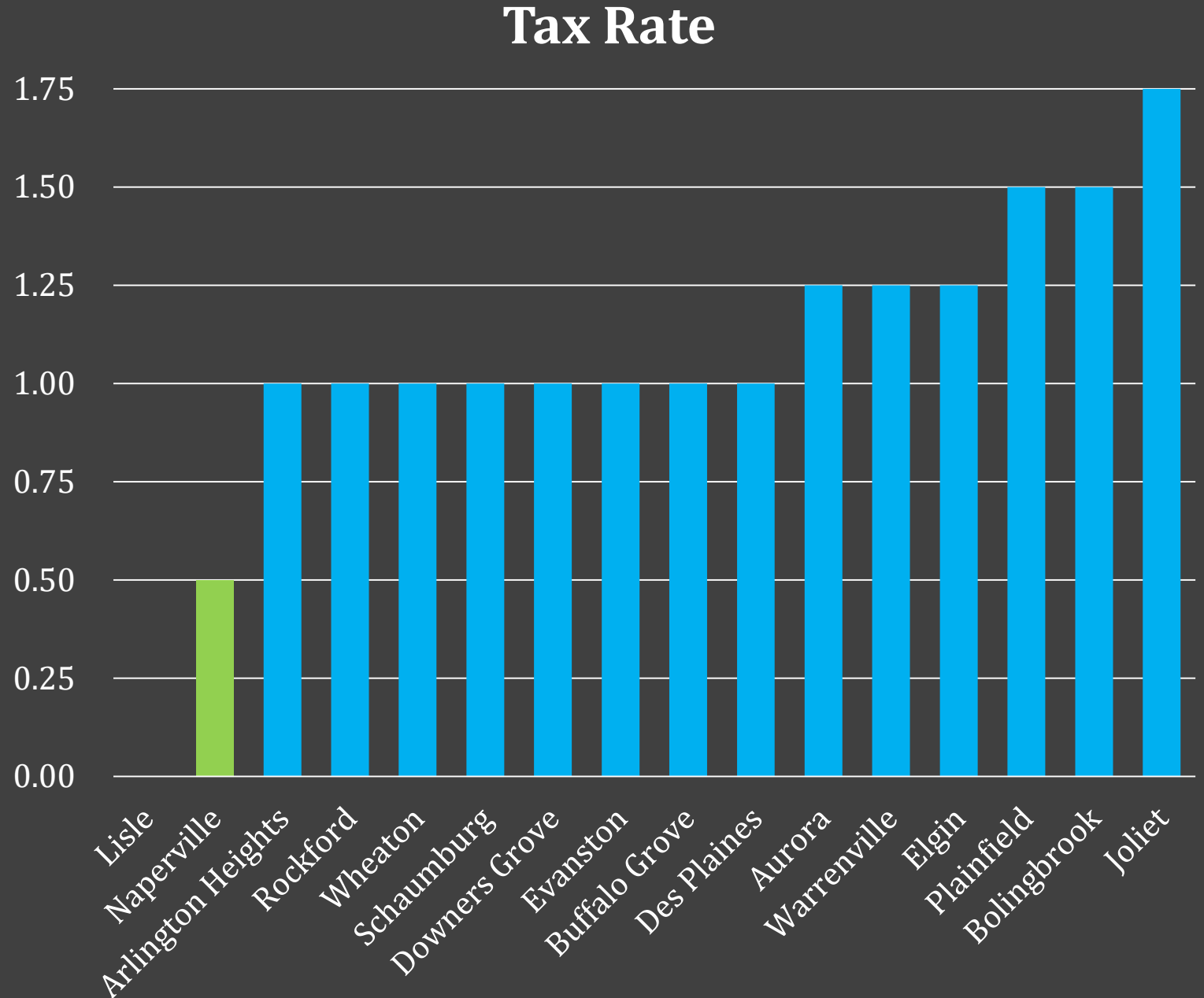
Revenue Distribution

	CY2017 Projected	CY2018 Proposed
Downtown F&B	\$0.45	\$0.43
Debt Service	\$4.06	-
Capital Projects Fund	\$4.54	\$8.49
State Admin Fee	\$0.08	\$0.18
Total	\$ 9.13	\$ 9.10

in millions

Home Rule Sales Tax Comparison

- Naperville rate: 0.50%
- Each incremental $\frac{1}{4}\%$ earns \$4.55M
 - \$1.1M if approved July 2018



State Motor Fuel Tax

The purpose of the Motor Fuel Tax Fund is to utilize revenues from the State of Illinois for road construction and maintenance projects.

	CY17 Budget	CY17 Projection	CY2018 Proposed	Change (%)
Revenue	3.79	3.79	3.83	1.1%
Expense	3.78	4.12	3.82	1.2%
Margin	0.01	(0.33)	0.01	

Road & Bridge Fund

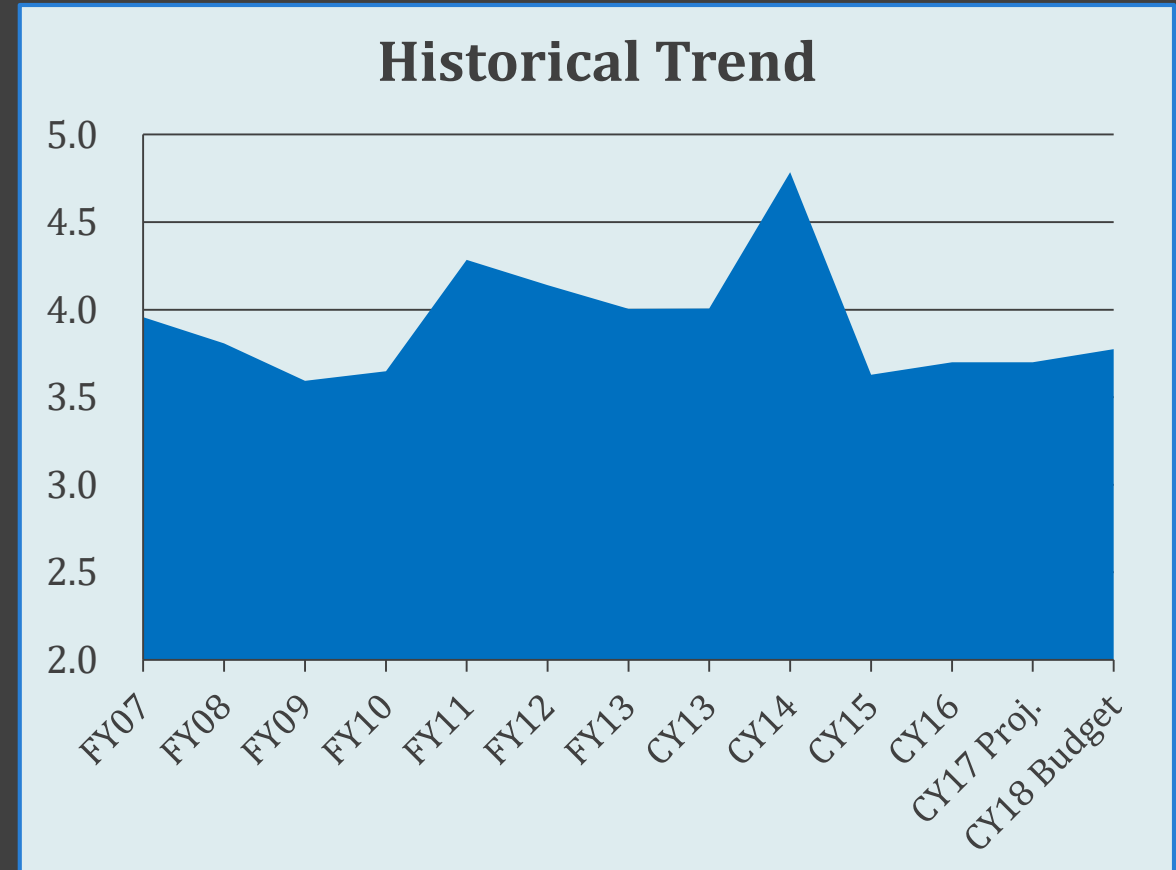
The purpose of the Road and Bridge Fund is to utilize revenues the City receives from the four local township road districts and the local gasoline tax for road construction and maintenance projects.

	CY17 Budget	CY17 Projection	CY2018 Proposed	Change (%)
Revenue	5.86	5.85	3.08	-47.4%
Expense	5.85	5.67	3.08	-47.4%
Margin	0.1	0.18	-	

in millions

State Motor Fuel Tax

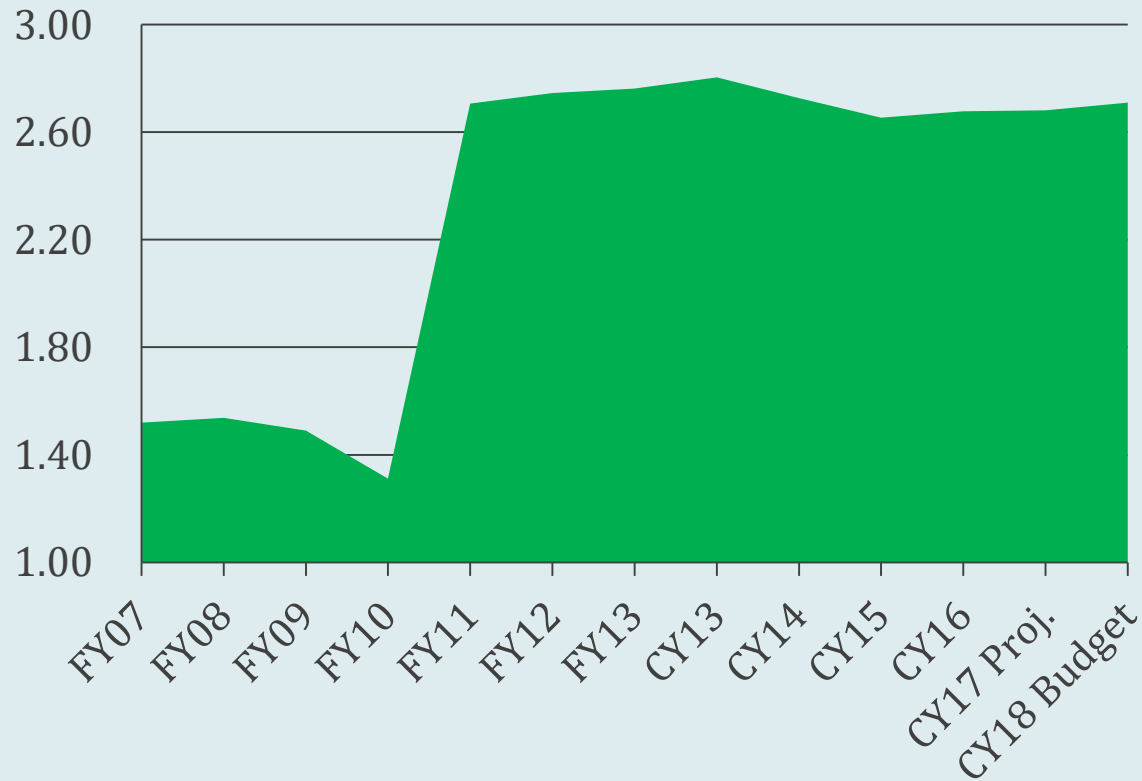
- Used to fund eligible MIP components
- Distributed on per capita basis
 - Revenues are inconsistent due to state
- CY17 budget: \$3.79M
 - CY17 projection: \$3.85M
- CY18 proposed: \$3.83M
 - 1.1% increase over CY17



in millions

Local Gasoline Tax

Historical Trend

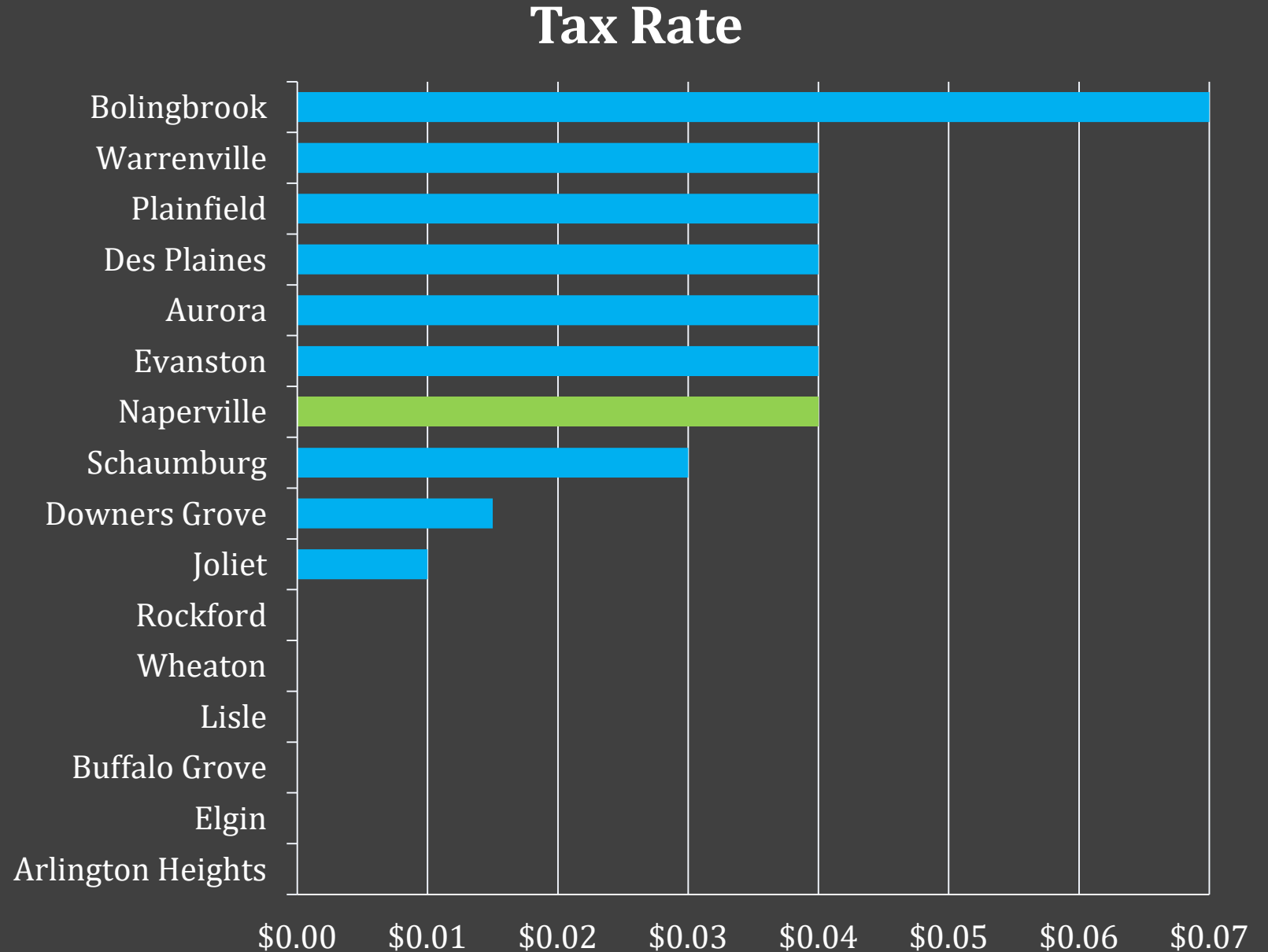


- Revenues dedicated to Road & Bridge
- CY17 budget: \$2.65M
 - CY17 projection: \$2.68M
- CY18 budget: \$2.71M
 - 2.5% increase over CY17

in millions

Local Gas Tax Comparison

- Naperville rate: \$0.04 per gallon
- Avg. of surrounding communities: \$0.023 per gallon
- \$0.01 cent increase generates \$673K in revenue



Water Street TIF

The Water Street TIF was created in December 2007 to establish a financing mechanism for the Water Street Project.

	CY17 Budget	CY17 Projection	CY2018 Proposed	Change (%)
Revenue	-	0.06	.02	-
Expense	-	0.23	.04	-
Margin	-	(0.17)	(0.02)	

Downtown Parking

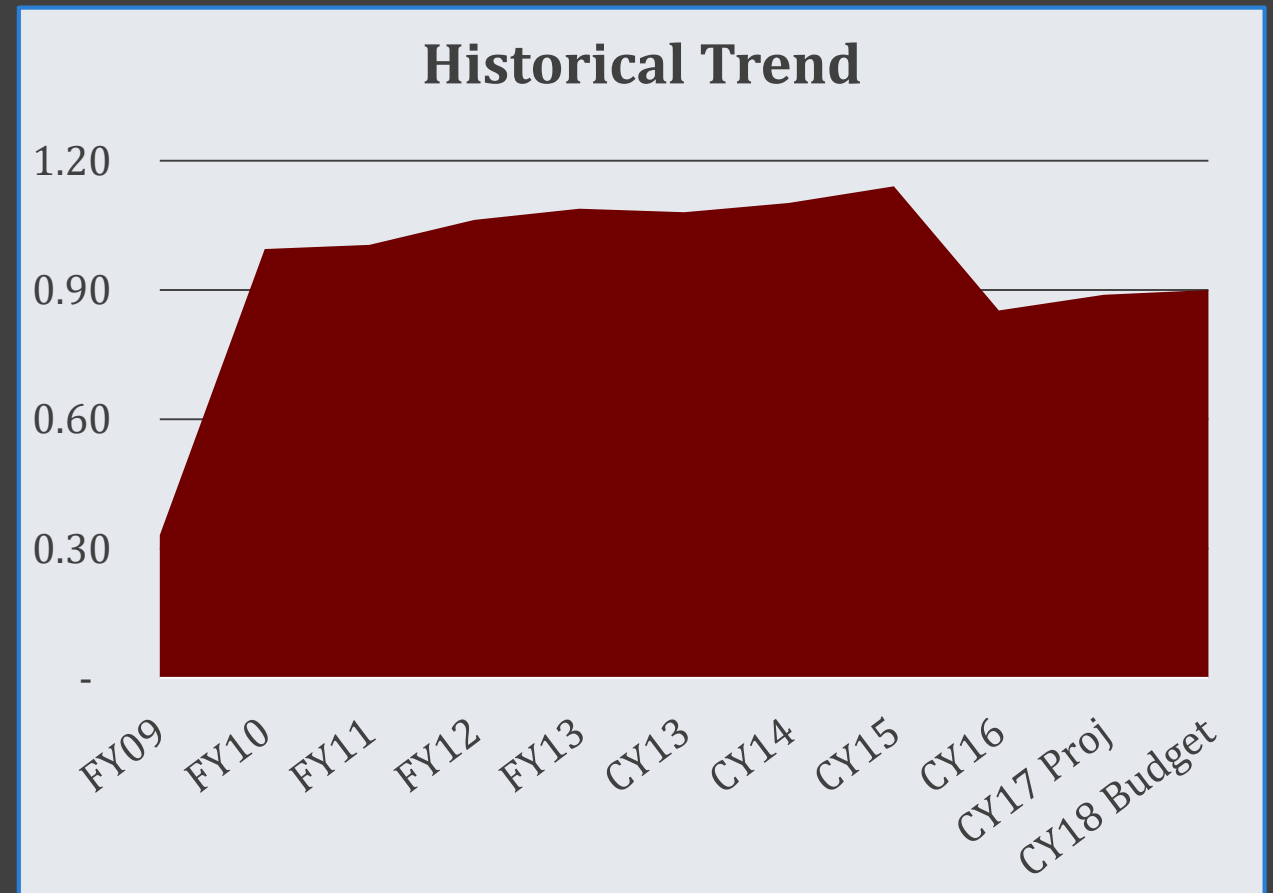
F&B tax was implemented for the downtown area in Sept. 2008. Tax is used to pay for 2/3 of downtown parking deck construction and maintenance.

	CY17 Budget	CY17 Projection	CY2018 Proposed	Change (%)
Revenue	1.36	1.33	1.36	0.2%
Expense	0.38	0.71	0.35	-8.2%
Margin	0.98	0.62	1.01	

in millions

Downtown Food & Beverage Tax

- Established 1.50% downtown F&B tax in FY09
- When HRST implemented in CY16, rate decreased to 1%
- City contributes make-whole payments to fund from HRST receipts
- CY17 projection: \$889K
- CY18 budget: \$900K



in millions

Special Funds

	Revenues	Expenditures	Margin
Naperville Library Funds <i>(3 Funds)</i>	15.39	16.17	(0.78)
Naper Settlement Fund	4.04	4.22	(0.18)
Food & Beverage Fund	4.21	4.20	0.01
CDBG Fund	0.45	0.45	-
S.S.A. #21 Van Buren Deck Fund	0.21	0.24	(0.03)
S.S.A. #26 Downtown Maint. Fund	2.28	2.89	(0.62)
S.S.A. #23 Naper Main Fund	0.10	0.08	0.02
S.S.A. #25 TC Lacrosse Fund	0.07	-	0.07
E-911 Surcharge Fund	2.15	2.15	-
ETSB Fund	2.04	2.04	-
Federal Forfeiture Fund	0.10	0.10	0.00
State Forfeiture Fund	0.19	0.18	0.00
Foreign Fire Insurance Tax	-	-	-
Test Track Fund	0.06	0.06	-
TOTALS	\$ 31.29	\$ 32.79	(\$ 1.50)

in millions

Library Funds

Combined financials for three funds related to the administration and operations of the Naperville Public Library: Library Fund, Capital Reserve Fund and the Gift/Memorial Fund.

	CY17 Budget	CY17 Projection	CY18 Proposed	Change (%)
Revenue	17.91	17.61	15.39	-14.1%
Expense	18.90	19.21	16.17	-14.4%
Margin	(0.98)	(1.60)	(0.78)	

Naper Settlement

Accounts for financials related to the administration and operations of Naper Settlement.

	CY17 Budget	CY17 Projection	CY18 Proposed	Change (%)
Revenue	3.90	3.67	4.04	3.6%
Expense	4.09	3.74	4.22	3.2%
Margin	(0.18)	(0.07)	(0.18)	

in millions

Food & Beverage Fund

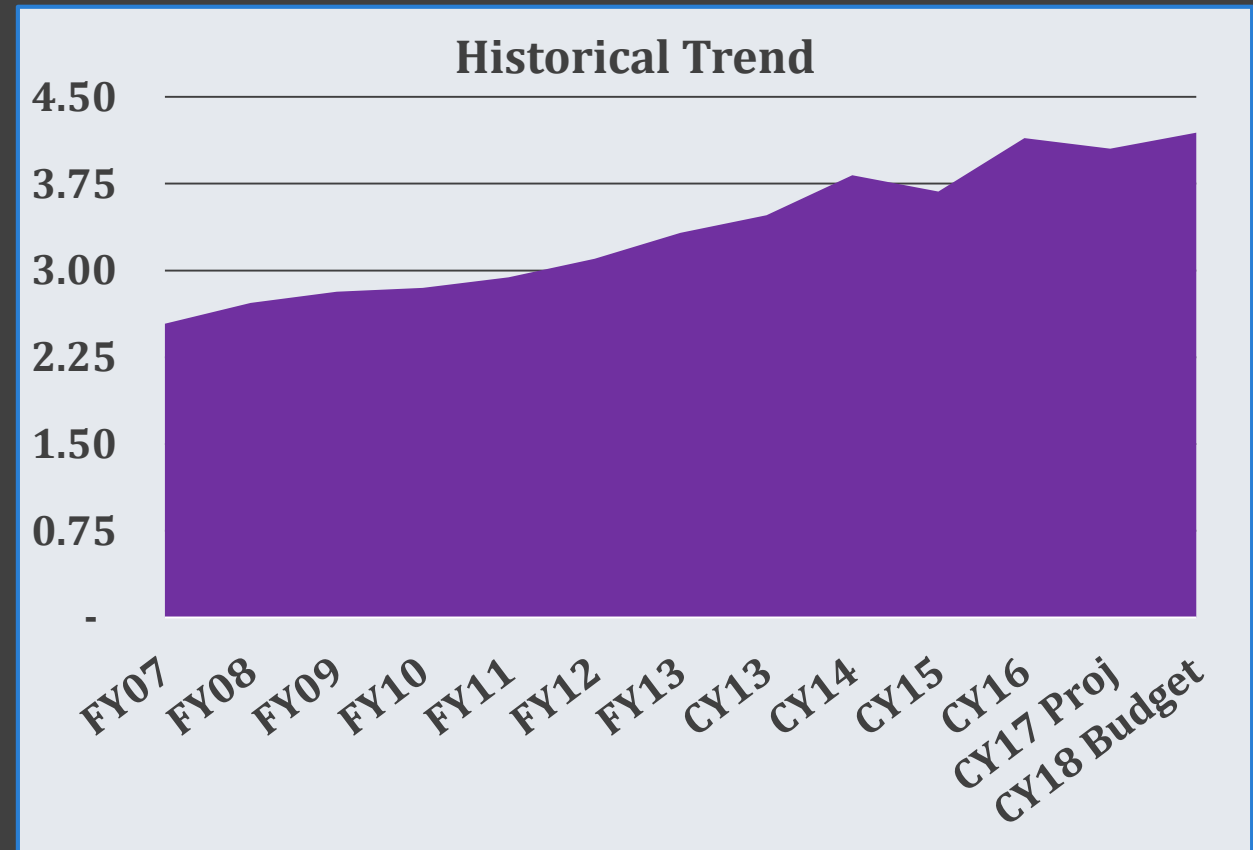
- Records all revenues and expenses associated with 1% citywide Food and Beverage Tax
- Established in October 2016 to replace the Culture Fund to improve transparency of the revenue source and streamline transactions by reducing transfers

	CY2017 Budget	CY2017 Projection	CY2018 Proposed	Change (%)
Revenues	3.99	4.09	4.19	5.1%
Expenses	3.99	3.49	4.19	5.4%
Margin	0.00	0.60	0.00	

Fund Distribution	CY2018 Proposed
Police Pension	\$515,063
Fire Pension	\$515,063
Fund & Program Administration	\$178,686
Special Event Support	\$559,965
Riverwalk Maintenance	\$172,598
Children's Museum Debt	\$150,000
Carillon Maintenance	\$126,366
SECA Grant Program	\$781,884
Social Service Grant Program	\$500,000
Debt Service	\$690,375
Expense Total	\$4.19M

Citywide Food & Beverage Tax

- In CY2017, revenues dedicated to new Food and Beverage Fund
- CY17 projection = \$4.05M
- CY18 budget = \$4.19M
 - 5.1% increase over CY17



in millions

Food & Beverage Tax Comparison

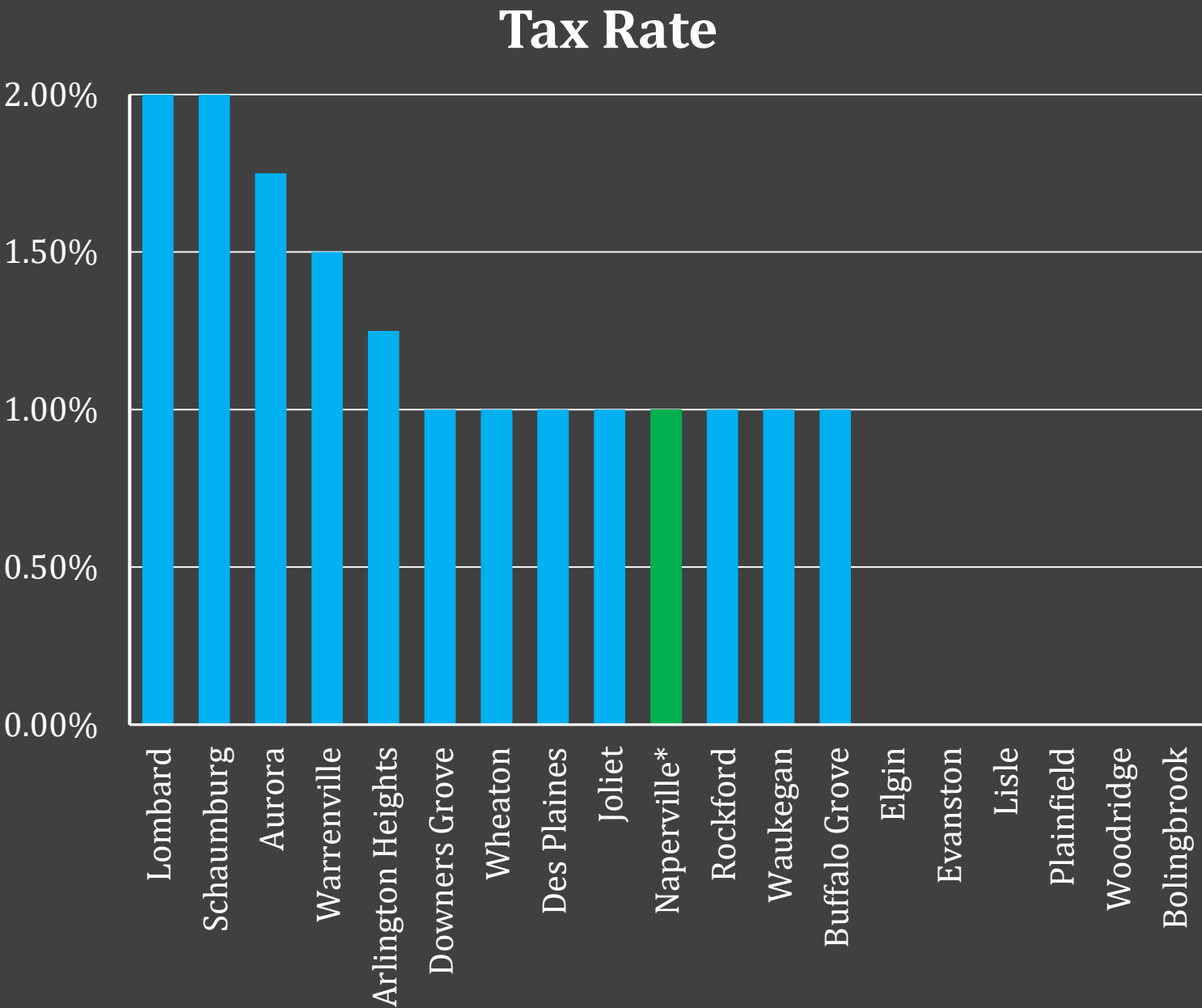
Naperville rate: 1.00%
(excludes downtown rate)

CY2017 budget: \$3.89M

CY2018 proposed: \$4.19M

Surrounding average: 1.30%

0.50% rate increase generates
\$1.95M in revenue



CDBG Fund

Established to maintain and improve the quality of life for low and moderate-income residents by assessing housing conditions, providing services and supporting local agencies. 2018 annual action plan will be submitted to HUD in February 2018.

	CY17 Budget	CY17 Projection	CY18 Proposed	Change (%)
Revenue	0.46	0.45	0.45	-2.1%
Expense	0.46	0.48	0.45	-2.1%
Margin	-	(0.03)	-	

in millions

SSA #21

Financing mechanism for repayment of Van Buren Avenue parking deck. Paid through property tax levy of downtown businesses.

	CY17 Budget	CY17 Projection	CY18 Proposed	Change (%)
Revenue	0.22	0.22	0.21	-2.3%
Expense	0.22	0.22	0.24	8.9%
Margin	-	-	(0.03)	

SSA #26

Provides maintenance and marketing services for downtown. Businesses pay for 1/3 of maintenance and 100% of marketing expenses through property tax levy.

	CY17 Budget	CY17 Projection	CY18 Proposed	Change (%)
Revenue	2.07	2.06	2.28	10.1%
Expense	2.72	2.29	2.89	6.3%
Margin	(0.66)	(0.23)	(0.61)	

in millions

SSA #23

Financing mechanism to collect portion of debt service for Naper Main.

	CY17 Budget	CY17 Projection	CY18 Proposed	Change (%)
Revenue	0.10	0.09	0.09	-4.5%
Expense	-	-	0.07	100%
Margin	-	-	0.02	

SSA #25

Financing mechanism to collect debt service for traffic signal at Lacrosse Lane and Route 59 over a period of 15 years.

	CY17 Budget	CY17 Projection	CY18 Proposed	Change (%)
Revenue	0.07	0.07	0.07	0.0%
Expense	-	-	-	-
Margin	-	-	-	

in millions

E-911 Surcharge

Created to receive surcharge and other fees paid or collected to fund the operation of the enhanced 9-1-1 system.

	CY17 Budget	CY17 Projection	CY18 Proposed	Change (%)
Revenue	1.83	1.83	2.15	17.8%
Expense	1.83	1.68	2.15	17.8%
Margin	-	0.15	-	

ETSB Fund

The Emergency Telephone System Board fund was established in 2017 to plan an emergency telephone system, coordinate and supervise the system, receive related surcharge funds, authorize disbursement of funds and implement an upgrade of the system.

	CY17 Budget	CY17 Projection	CY18 Proposed	Change (%)
Revenue	-	-	2.04	(100%)
Expense	-	-	2.04	(100%)
Margin	-	-	-	

in millions

Federal Forfeiture

Established to account for the equitable proceeds received as a result of the Naperville Police Department's participation in federal investigations.

	CY17 Budget	CY17 Projection	CY2018 Proposed	Change (%)
Revenue	0.10	0.10	0.10	0.0%
Expense	0.10	0.05	0.10	0.0%
Margin	0.003	0.05	0.003	

State Forfeiture

Established to account for the equitable proceeds received as a result of the Naperville Police Department's participation in state investigations.

	CY17 Budget	CY17 Projection	CY2018 Proposed	Change (%)
Revenue	0.19	0.16	0.19	0.0%
Expense	0.18	0.15	0.18	0.0%
Margin	0.01	0.01	0.01	

in millions

Test Track Fund

Public/private partnership between the City of Naperville development partnership and the Naperville auto dealerships.

	CY17 Budget	CY17 Projection	CY18 Proposed	Change (%)
Revenue	0.06	0.08	0.06	1.5%
Expense	0.06	0.04	0.06	1.5%
Margin	-	0.04	-	

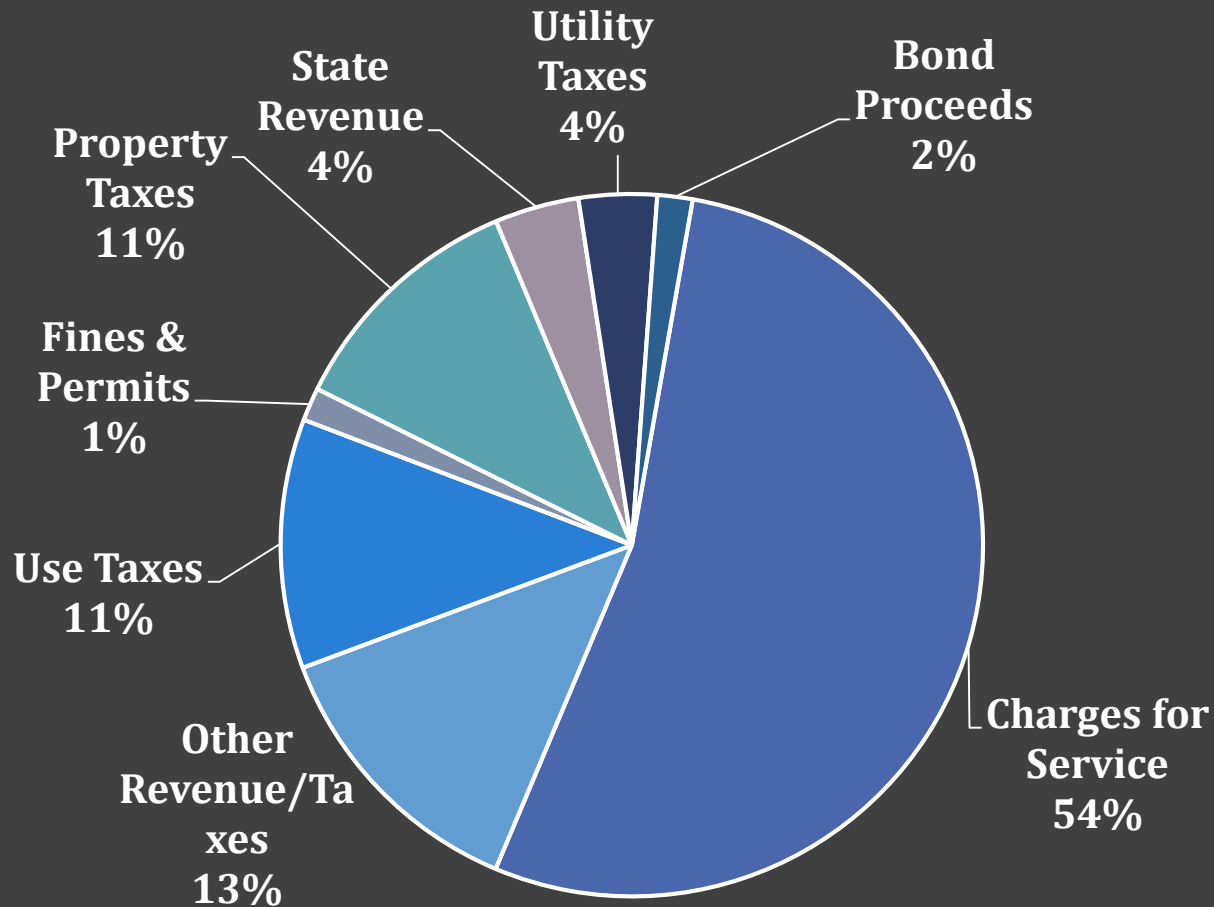
Foreign Fire Insurance Tax

Created to provide for the collection of a 2.0% tax on the premiums of fire insurance policies written by foreign fire insurance companies.

	CY17 Budget	CY17 Projection	CY18 Proposed	Change (%)
Revenue	-	0.1	-	-
Expense	-	0.6	-	-
Margin	-	(0.5)	-	

in millions

CY2018 Revenue Summary



Citywide Revenue

- \$454.3M; 2.7% overall increase

Charges for Service

- \$243.3M; 5.7% increase

Property Taxes

- \$51.6M; 8.0% increase
- Includes operations, library, pensions and SSAs

Use Taxes

- \$52.2M; 1.8% increase
- Includes sales taxes, gas tax, food & beverage and hotel tax

State Shared Revenues

- \$17.6M; 3.7% decrease due to LGDF payment reduction

Utility Taxes

- \$16.3 million; 1.5% decrease

Decision Point #1

- **Water Rate Adjustment**
- Property Tax Levy
 - Pension Funding Methodology: Open vs. Closed
 - Budget and Service Reductions

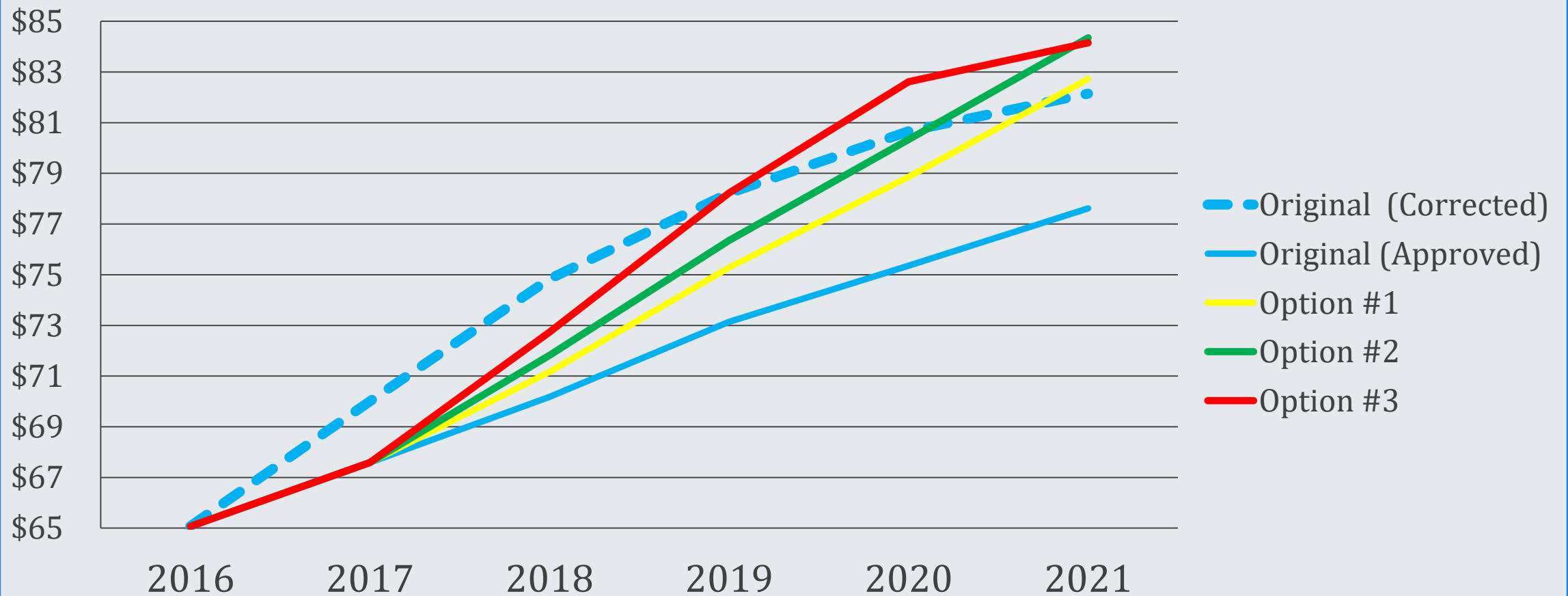
2017 Water Rate Study Goals

- Revenues cover operating expenses and build required 30-day cash reserves by 2021
- Increase capital funding to replace and rehabilitate aging critical water main and sanitary sewer infrastructure to ensure system integrity and reliability
- Implement a graduated phosphorus surcharge and allocate electric loan repayment to fund 50% of improvements at Springbrook

Model Options – Five Year Cash

	Option #1	Option #2	Option #3
Electric Payback & Phosphorus	19.10	19.10	19.10
Operating Reserves	(4.50)	(1.38)	2.28
Change in Cash	\$14.60	\$17.72	\$21.38
<i>Above projections include starting cash balance of \$1.74M</i>			
Total Cash Balance	\$16.34	\$19.46	\$23.12
<i>Operating Cash Positive</i>	2020	2020	2019
<i>Cash Reserves Met</i>	>2022	>2022	2022

Rate Comparison



Rate Comparison

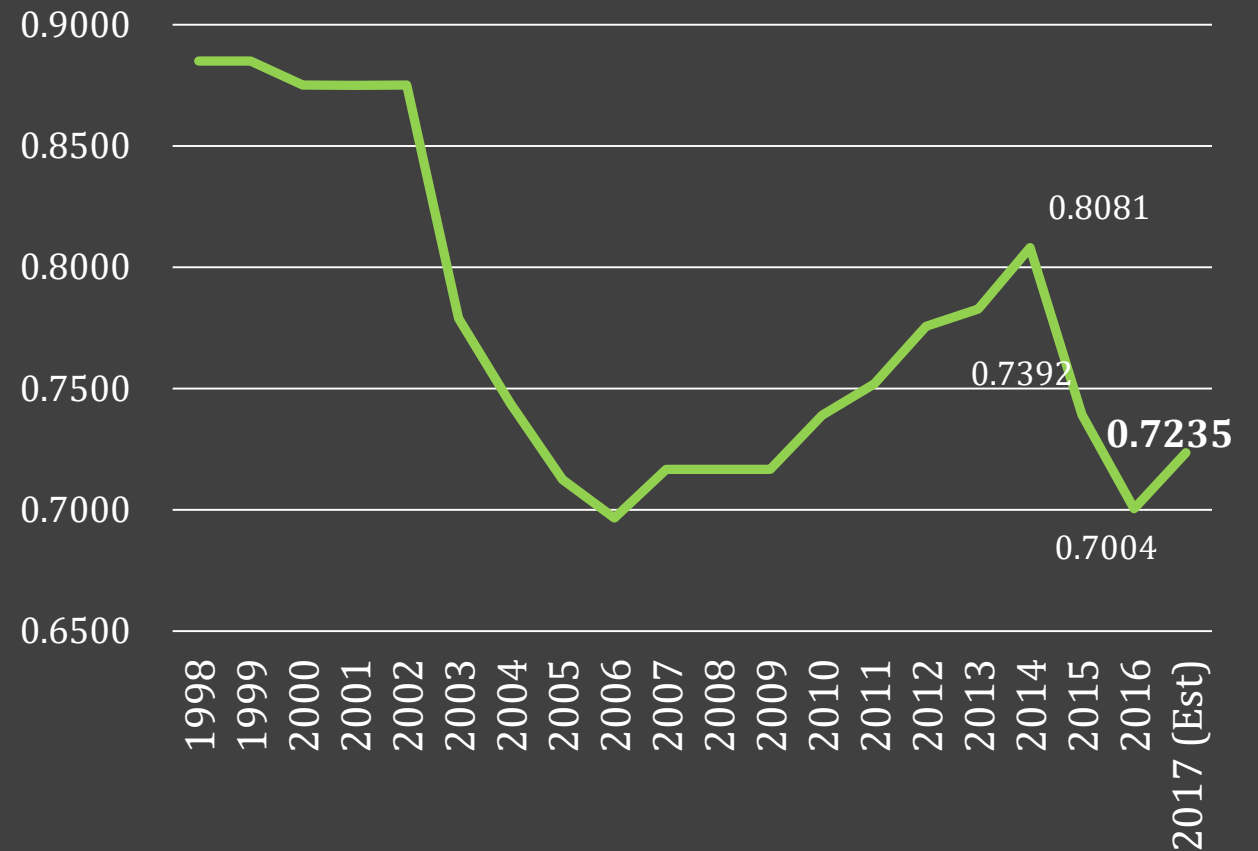
	Original (Corrected)	Original (Approved)	Option #1	Option #2	Option #3
2016	\$65.07	\$65.07	\$65.07	\$65.07	\$65.07
2017	\$70.01	\$67.59	\$67.59	\$67.59	\$67.59
2018	\$74.83	\$70.18	\$71.16	\$71.82	\$72.73
2019	\$78.22	\$73.14	\$75.28	\$76.35	\$78.22
2020	\$80.66	\$75.36	\$78.86	<i>\$80.34</i>	\$82.61
2021	\$82.14	\$77.63	\$82.73	<i>\$84.35</i>	\$84.15

Decision Point #2

- Water Rate Adjustment
- **Property Tax Levy**
 - Pension Funding Methodology: Open vs. Closed
 - Budget and Service Reductions

Property Tax – Policy Options & Impacts

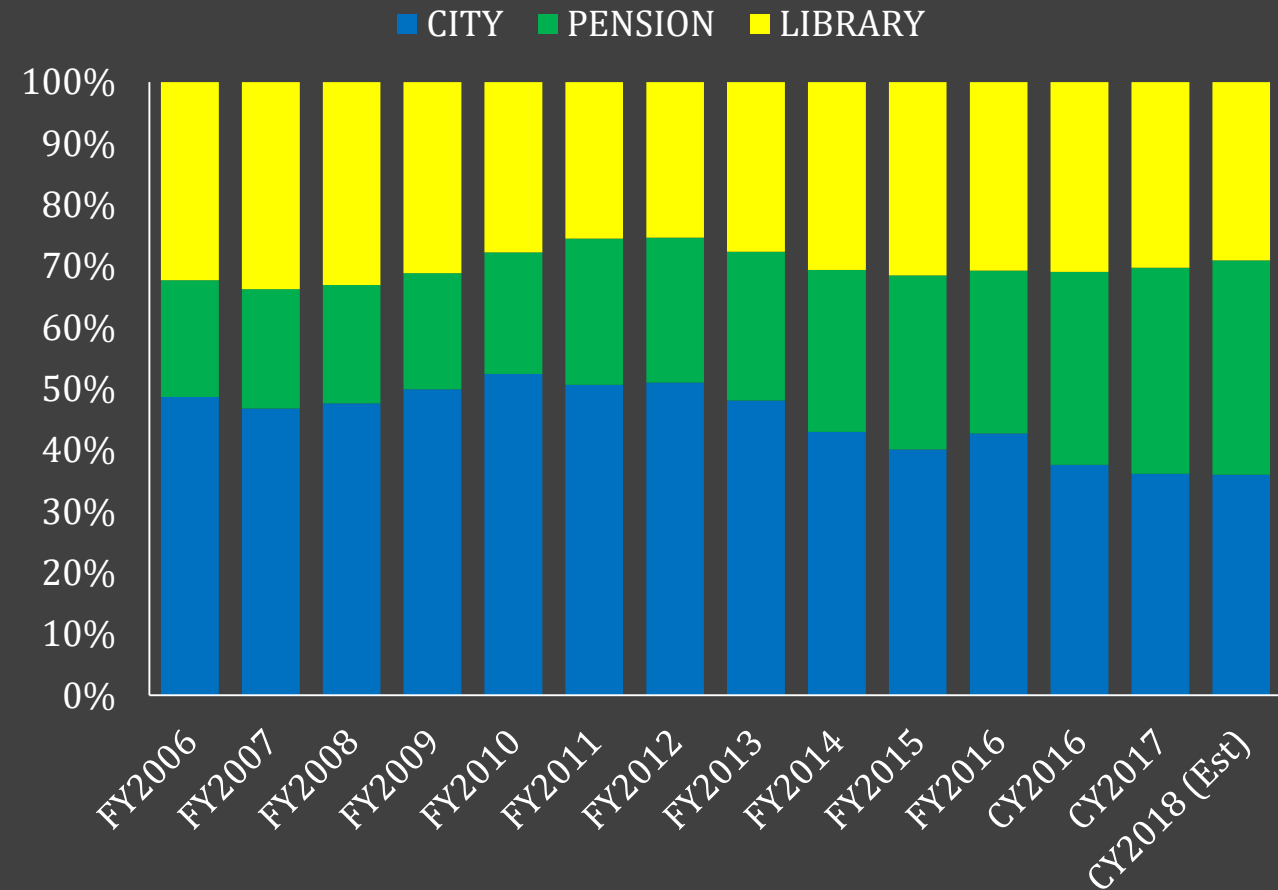
- **Preliminary levy for 2018 budget: \$50.2M**
 - \$3.3M increase to address service needs of community
 - \$1.8M from EAV growth, \$1.5M from rate increase
 - Projected rate of 0.7235; 3.3% increase
- **Maintain flat property tax amount**
 - Stabilizes property tax bill for average homeowner
 - Does not take advantage of community growth
 - Current service levels unsustainable
- **Adjust property tax rate**
 - Increased property tax bill for average homeowner
 - Flat rate maximizes value of incremental EAV growth
 - EAV growth at CY2015 rate = incremental \$7.18M
 - Greater ability to sustain current service levels



Property Taxes

- Component supporting operations declines annually

	CY17 Extension	CY18 Levy	Change (%)
General Fund	0.0780	0.0382	-51.6%
Debt Service	0.1297	0.1799	38.7%
IMRF	0.0415	0.0366	-11.8%
Fire Pension	0.1023	0.1209	18.2%
Police Pension	0.0917	0.0954	4.0%
Settlement	0.0444	0.0422	-4.9%
Library	0.2119	0.2103	-0.8%
TOTAL	0.7004	0.7235	3.3%



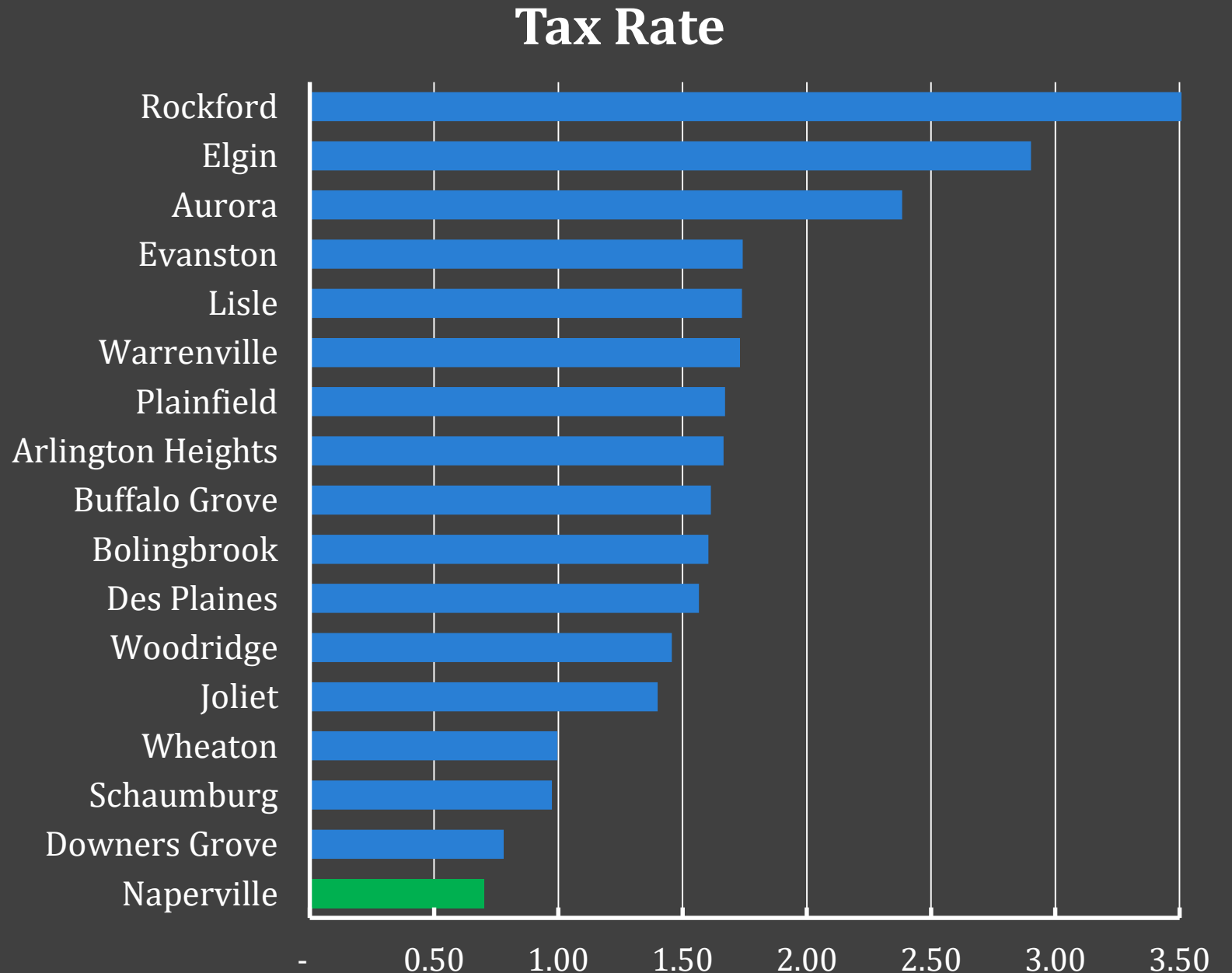
Property Tax Comparison

2016 Rate = 0.7004

- Rate includes general fund, pensions, debt service, Settlement, and Library
- Rates include Fire Districts for comparison
- Total EAV = \$6.67B
- Extension = \$46.8M

2017 Projected = 0.7235

- Projected EAV = \$6.93B
 - 4% EAV growth
- Levy projection = \$50.2M



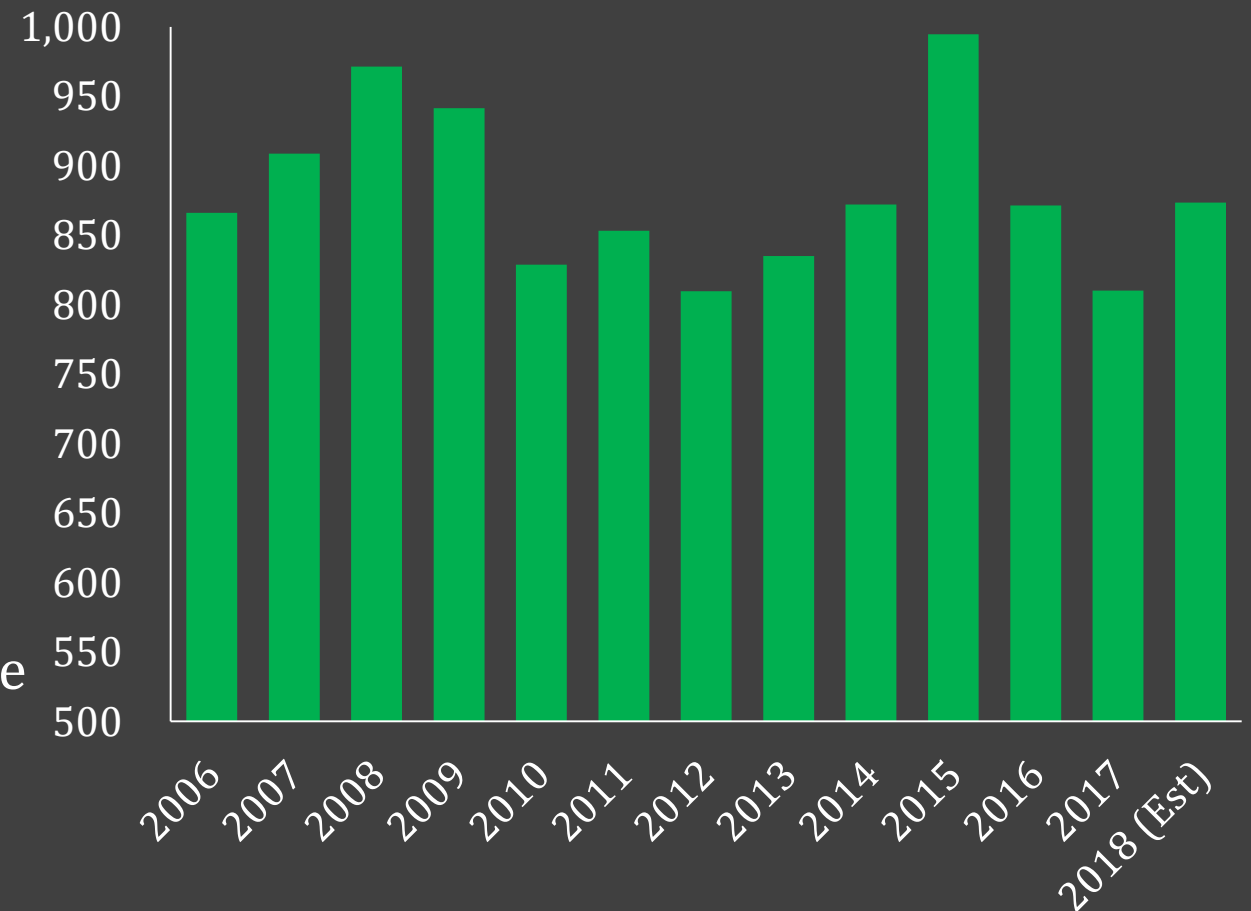
Homeowner Bill

2017 average bill: \$810

- Average home value: \$380K
- Tax Rate: .7004

2018 Projected Average Bill: \$873

- Average home value: \$395K
 - Tax Rate: .7235
 - Does not include any reductions
- Since 2015, flat levy used to reduce average homeowner bill



Decision Point #3

- Water Rate Adjustment
- Property Tax Levy
 - **Pension Funding Methodology: Open vs. Closed**
- Budget and Service Reductions

Public Safety Pensions

BACKGROUND

Significant increase to City's Public Safety Pension

- CY2017 payment: \$13.78M
- CY2018 recommendation: \$16.03M
- \$2.25M increase; 16.3%

Current funding methodology

- City uses closed method
 - Fixed end date
 - Variable funding requirements
 - Subject to market volatility closer to end date
- Requires 100% funding by 2033
- State requires 90% by 2040

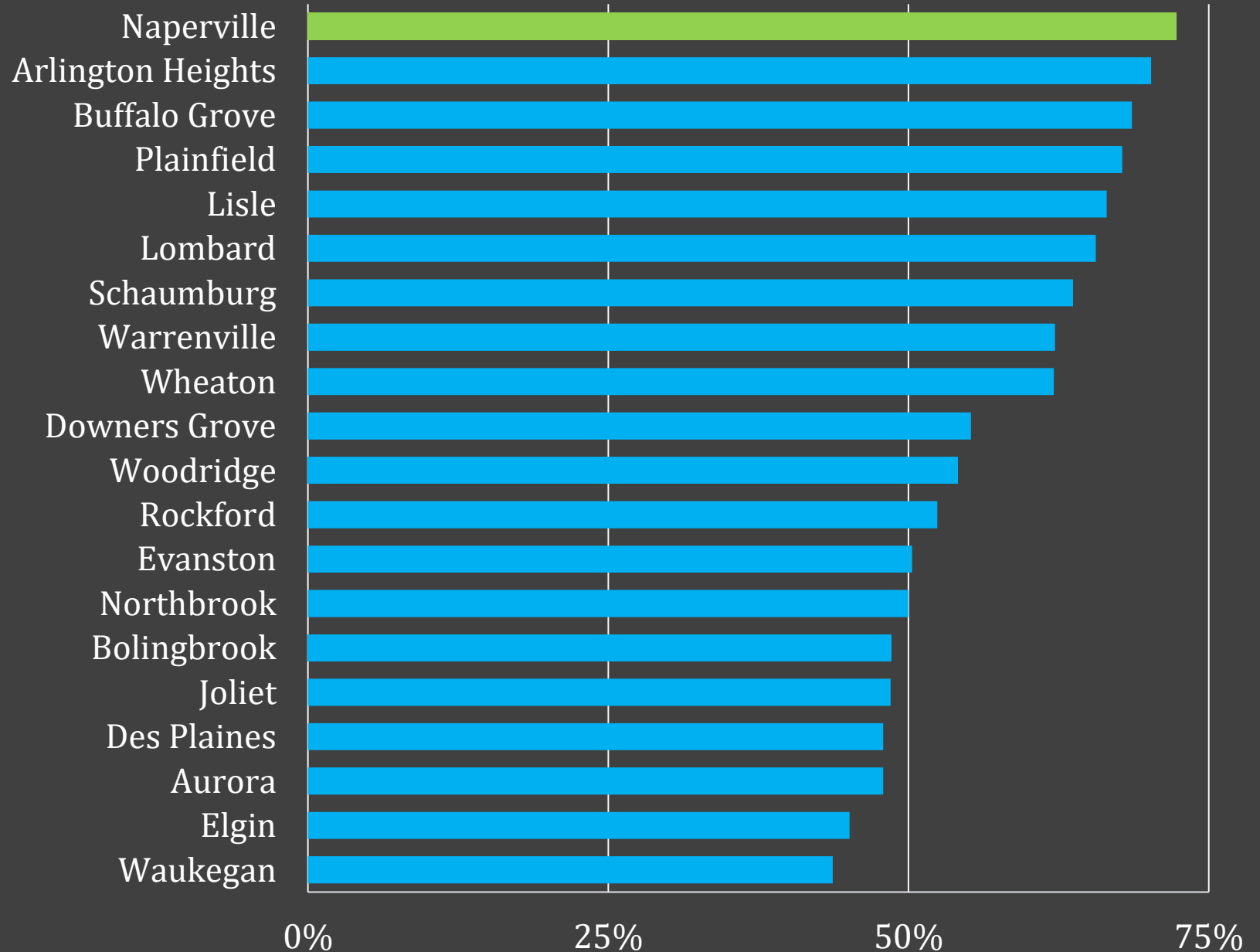
FUNDING METHODOLOGY

Option to move to Open Method

- 15-year rolling average
- Stable funding requirements
- Market volatility is smoothed
- Relieves future pension pressures
- Anticipate stable pension payments moving forward with gradual decline

Public Safety Funding Percentage

- Highest percentage of comparable communities
- Total funding percentage = 72.3%
 - Police: 73.1%
 - Fire: 71.6%



Policy Options and Impacts

Fund at the statutory minimum (not recommended)

- Reduces 2018 requirement by \$2.68M
- Stable annual increase through 2030 with very rapid increases through 2040
- Risk of credit rating downgrade; unsustainable pension funding methodology

Continue with current policy of using closed methodology (not recommended)

- Increases 2018 requirement by \$2.25M
- Future funding requirements increase to over \$25M in 2032 and then drop to \$6M in 2033

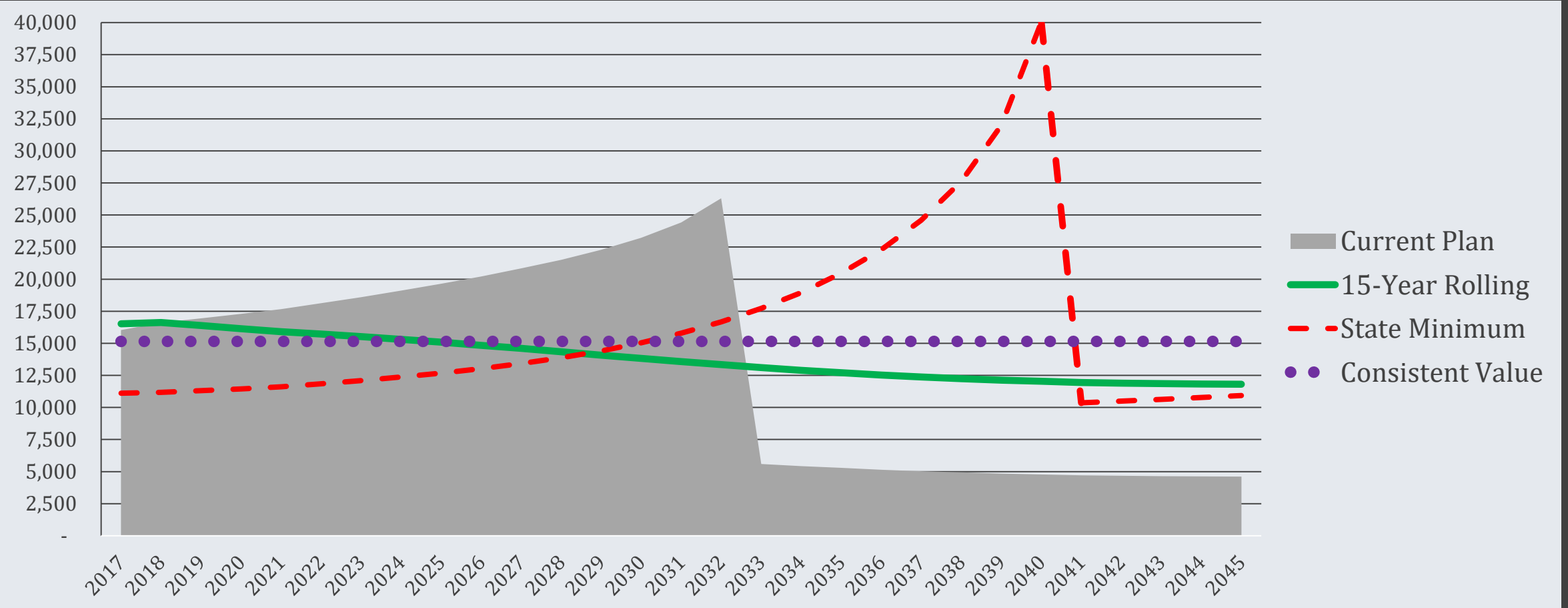
Consistent annual payments through 2040 (not recommended)

- Increases 2018 requirement by \$1.37M
- Risk of credit rating downgrade; strongly recommended to follow actuarial determined value based upon set criteria

Move to open methodology for future (Staff recommended)

- Increases 2018 requirement by \$2.24M
- Provides a more consistent/manageable funding requirement in future
- Minimize risk of credit rating downgrade

Combined Public Safety Pension Contributions



In millions

Decision Point #4

- Water Rate Adjustment
- Property Tax Levy
 - Pension Funding Methodology: Open vs. Closed
 - **Budget and Service Reductions**

Guiding Values

City Mission Statement

- To provide services that ensure a high quality of life for our residents and a dynamic environment for our business community through collaboration, innovation, and sound fiscal management

Ends Policies

- **Public Safety** – Naperville will deliver highly responsive emergency services to provide for a safe community.
- **High Performing Government** – Naperville will provide reliable, efficient, and high-quality services.
- **Economic Development** – Naperville will be the location of choice for businesses.
- **Financial Stability** – Naperville will be financially stable and maintain a AAA bond rating.

Citywide Financial Principles

- **Principle 1** – The City will pass a structurally balanced operating budget annually.
 - *2018 budget proposal includes recommendation for additional revenues to be structurally balanced and meet Principle 1.*
- **Principle 2** – The City commits to continuous improvement in the delivery of necessary and cost-effective services.
 - *Departments discussed during their budget presentations.*
- **Principle 3** – The City will actively seek to increase its reserves to 25 percent and reduce its debt by 25 percent in the next eight years.
 - *Capital and vehicle replacement budget reduced to bring forward budget that meets Principle 3.*

Financial Principle #2

Staffing and Personnel Cost Analysis

Re-Organization of Legal Dept.
Review of DPU-W Org. Structure
Ambulance Reduction Program
Healthcare Modifications
Technology Maximization
Electric Linemen Apprenticeship
Emerging Leaders Program
Shift Restoration Contract to DPW

Investment in Citywide Assets

Implement New ERP
Cable Injection Program
Roadway Micro-surfacing
Sewer Lining Programs
LED Conversion
Conservation Voltage Reduction
Vehicle Replacement Assessment
Evaluation of High Speed Internet

Service Enhancements for Community

Open Data Initiative
Administrative Hearing Process
Taxi Cab Licensing
Crisis Intervention Training
Connect For Life
Expand Work Order System
Economic Development Initiatives
Conduct Special Census

CY2018 Budget Reductions: \$12.6 Million

Operating Review - Level 1 Trend Analysis \$883K

Personnel Reductions: \$275K
Building Improvements: \$160K
Contracted Services: \$100K
Equipment Purchases: \$115K
Operating Supplies: \$100K
Technology Purchases: \$90K
Conferences & Dues: \$43K

Operating Review - Level 2 Multi-Department Review \$1.61M

Personnel Reductions: \$762K
IT Initiatives: \$475K
Consultant Services: \$162K
Contracted Maintenance: \$75K
Operating Supplies: \$75K
Building Improvements: \$65K

Capital Review Project Deferrals & Phasing \$10.1M

MIP Phase-In: \$1.5M
Streetlight Conversion: \$2.0M
Defer NextGen E-911: \$1.9M
Delay N. Aurora Underpass: \$1.2M
Defer Capital Maintenance: \$1.6M
Delay Capital Upgrades: \$1.9M

Service Satisfaction Data

- 94% of residents surveyed in 2016 satisfied with overall quality of life
- Survey indicated a decrease in satisfaction in 23 of 94 areas
 - Street sign, pavement and marking maintenance
 - Neighborhood traffic conditions
 - Major City street maintenance
 - Curbside bulk leaf removal service
 - Household hazardous waste disposal
- Residents want increased efforts to address traffic and congestion, street maintenance and police services
 - Future service decisions could result in unacceptable service levels

Budget & Service Reduction Options

CATEGORY 1 REDUCTIONS

	Department	Cut	Amount
1	Multi-Dept.	Misc. Non-Impact Items	59,850
2	Multi-Dept.	OT Reduction Challenge	50,000
3	City Clerk	Vacant 0.5 Clerk Position	22,309
4	CMO/Safety	Vacant 0.5 Safety Assistant	24,856
5	Communications	Reduce Lobbyist Contract	20,000
6	Finance	Vacant 0.5 Budget Analyst	31,801
7	HR	Tuition Reimbursement	45,000
8	IT	Dark Fiber Consultant	50,000
9	Legal	Legal Services	9,000

Budget & Service Reduction Options

	Department	Cut	Amount
10	Fire	Conferences & Training	5,000
11	Fire	EMS Report Quality Control OT	8,000
12	Fire	EMS Training Simulation System	7,000
13	Fire	Vacant 1.0 Fire Inspector	70,000
14	Fire	Explorers Program OT	10,000
15	Fire	Wellness Evaluations & Training OT	5,000
16	Fire	NEMA Program	25,000
17	Police	Vacant 1.0 Emergency Telecom Supervisor	119,004
18	Police	Vacant 0.5 Dispatcher	24,194
19	Police	Vacant 1.0 Records Technician	74,243
20	Police	SRT Equipment & Other Supplies	37,000

Budget & Service Reduction Options

	Department	Cut	Amount
21	Public Works	Christmas Tree Collection	42,000
22	Public Works	Cul-de-Sac Plowing at 4"	200,000
23	Public Works	EAB Treatments	50,000
24	Public Works	Mowing/Herbicide Contract	48,000
25	Public Works	Reduce Fuel Price per Gallon	49,000
26	Public Works	Security Contract	20,000
27	Public Works	Tree Planting Program	40,000
28	TED	Planning Intern	6,459
29	TED	Vacant 1.0 Project Engineer	73,022
CATEGORY 1 OPTIONS			\$1,225,738

Budget & Service Reduction Options

CATEGORY 2 REDUCTIONS

	Department	Cut	Amount
30	Fire	Public Education Program	35,450
31	Police	Vacant 1.0 Community Service Officer	69,216
32	Public Works	Free Bagged Leaf Collection	233,000
33	Public Works	Holiday Lights in Downtown	64,000
34	Public Works	Pavement Marking	25,000
35	Public Works	Restructure Custodial Services	100,000
36	Public Works	Street Sweeping	81,000
37	Public Works	Tree Trimming	100,000
38	Public Works	Brush Collection	175,000
CATEGORY 2 OPTIONS			\$882,666

Budget & Service Reduction Options

OUTSIDE AGENCY

	Department	Cut	Amount
39	Library	Vacant Monitor Positions	101,000
40	Library	IT Equipment	10,000
41	Library	Furniture Purchase Reduction	35,000
42	Naper Settlement	Programming & Maintenance	29,000
OUTSIDE AGENCY OPTIONS			\$175,000

Wrap Up & Reminders

- Decisions from tonight's meeting will be included in the budget approval recommendation
- December 5 – Budget approval
- December 19 – Property Tax Levy approval