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Title: Receive the report on the 2020 annual operating budget

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Attachments: 1. Exhibit A - 2020 Rev and Exp, 2. Exhibit B - 2020 Fund and Type Summary, 3. Exhibit C - 2020-2024 CIP, 4. Exhibit D - 2020 CIP Project List

Date	Ver.	Action By	Action	Result
1/27/2020	1	Financial Advisory Board	received	

FINANCIAL ADVISORY BOARD AGENDA ITEM

ACTION REQUESTED:

Receive the report on the 2020 annual operating budget

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Finance Department

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

On December 3, 2019, City Council unanimously approved the 2020 annual operating budget. The final budget included \$491.5 million in total expenses, an overall increase of 8.9% from the 2019 budget.

On December 17, 2019, Council approved the annual property tax levy. The citywide portion of property taxes was set at \$60.61 million. During the same meeting, Council also approved an abatement to reduce the levy by \$9.09 million through the use of other funding source, most notably home rule sales tax revenue, to reduce the debt service requirements. The final property tax levy was approved at \$51.52 million with an estimated rate of 0.6870. The rate is anticipated to be among the lowest within the area for communities of similar size and structure.

DISCUSSION:

The 2020 budget recommendation adheres to the City’s established three financial principles and meets the service needs of the citizens while simultaneously advancing Naperville’s goals and ends policies. The recommendation also reflected the priorities and guidance provided by City Council during workshops held in October and November.

2020 CIP Overview

The 2020 CIP is valued at \$88 million, which is a 41.2% increase from 2019. The 2020 program is the highest level in the past 10 years as the City continues to re-invest more in aging infrastructure and invest in new capital programs. While the 2020 increase is significant, it should be noted the original 2020 total capital projection included in 2019 was \$93.4 million, which would have equaled a 49.9% increase. Below is breakdown of the capital request from the 2019 budget to the 2020 projection to the 2020 budget.

	2019 Approved	2020 Projection	2020 Proposed
Building Maintenance/Upgrade	2.88	5.86	4.72
eGovernment	4.48	6.14	3.67
Electric	14.21	13.21	16.98
Other Capital	2.62	4.42	3.20
Roadway & Bridge	18.19	44.89	21.98
Sidewalk & Parking Lot	2.95	1.63	4.63
Stormwater	1.35	1.12	1.90
Traffic Control & Street Lighting	0.82	1.30	0.92
Vehicles	3.05	3.00	6.61
Water/Wastewater	11.77	11.82	23.40
TOTALS	\$ 62.33	93.40	87.99

Overall, the City is seeing a significant increase in capital investment associated with the Water Utilities, vehicles and roadway and bridge projects. The three categories account for 74% of the overall capital increase. Additionally, there was a significant amount of refinement from the initial project submissions for 2020 compared to the final 2020 recommendation, including projection additions, as well as project deferrals and removals. The most significant project changes included:

- Capital Deferrals or Removals
- North Aurora Road Construction - \$4.4 million
- North Aurora Road Underpass - \$2.18 million
- Legal Contract Management - \$520,200

Ends Policies

- Public Safety - Focuses on maintaining response times, reducing the cost of service delivery and reducing recidivism among the mental health community. The 2020 budget included \$4.6 million in new expenditures.

- High Performing Government - Focuses on improving customer convenience, while also focusing on transparency, communication and providing quality service levels to businesses and residents. The 2020 budget included \$25.5 million in new expenditures.
- Economic Development - Focuses on improving the vibrancy of the city's economic base, increasing sales tax and filling vacant commercial space. The 2020 budget included \$700,000 in new expenditures.
- Financial Stability - Focuses on pension stabilization, debt reduction, rebuilding cash reserves and property tax reductions. The 2020 budget included \$4.9 million in new expenditures.

Financial Principles

The 2020 budget aligns with the City's three financial principles.

Principle 1 - The City will pass a structurally balanced operating budget annually.

Property taxes are the primary component of the first principle, as the tax is the major funding source for long-term obligations of the city, including pensions and debt service payments. The 2020 budget once again takes advantage of community growth by applying a flat tax rate. The rate will remain one of the lowest in the city over the past 50 years. The average homeowner will pay approximately \$861 in property taxes related to city services.

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

The City needs to generate revenues through taxes and fees to support many services residents have come to expect. City Council sets community service levels, which dictates revenue and expenditure requirements. There are three components of the service level discussion: continuity of existing service levels, addressing service level concerns and providing resources to achieve City goals. The 2020 budget seeks to heighten transparency through creation of a Solid Waste Fund, which will be an enterprise fund for refuse fees paid per household per month for garbage and recycling service.

Principle 3 - The City will actively seek to increase its reserves to 25% and reduce its debt by 25% in the next eight years.

The City remains on track to reduce debt 25% by the end of 2022. The effort is expected to reap positive impacts starting in 2024, when debt payments significantly decrease and eventually stabilize around 2030. The city is also on track to increase cash reserves 25% by the end of 2022.