



Legislation Text

File #: 22-0235, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Pass the ordinance approving an amendment to increase the City of Naperville Annual Budget for Calendar Year 2021 by \$1,000,000 and approving a cash transfer from the General Fund to the Naper Settlement Fund (requires six positive votes)

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Finance Director

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

The City maintains an agreement with the Naperville Heritage Society to provide for the operation and maintenance of Naper Settlement. Finances for Naper Settlement, exclusive of Heritage Society funds, are included as part of the City's overall financial position. Most of the funding for the Naper Settlement is obtained through the annual property tax levy, with smaller amounts coming from admissions, programming, and rentals. The Naper Settlement Fund is intended to be structurally balanced with property taxes levied by the City. Revenues generated by Naper Settlement through rentals, admission, and school programming are also used to support the maintenance and operations of the museum campus. The fund is one of many that make up the City's overall financial position. The City maintains a responsibility to ensure the Naper Settlement Fund, as a part of that financial position, remains balanced. If the fund becomes unbalanced, appropriate action should be taken to correct the imbalance.

Since the onset of the COVID-19 pandemic in 2020, the Naper Settlement Fund accumulated a negative fund balance. Staff recommends a cash transfer from the General Fund to the Naper Settlement Fund of \$1,000,000 to correct this imbalance for the start of 2022.

DISCUSSION:

Over the last five years, the Naper Settlement portion of the property tax levy has remained nearly flat as have other Naper Settlement revenues. Neither has kept pace with the increasing cost of operating the Naper Settlement. In 2016, the Naper Settlement Fund maintained a fund balance of more than \$1.14 million. Some of those dollars were planned to be drawn down over several years; however, revenue losses experienced during the pandemic accelerated that drawdown. This resulted in a negative fund balance of \$192,000 at the end of 2020.

In preparation for the annual audit, staff has reviewed accounts across all funds. Based on actual revenues and expenses, it is anticipated that the Naper Settlement Fund will have a negative fund

balance of approximately \$965,000 at the end of 2021.

The structural imbalance of the Naper Settlement Fund was discussed during the 2022 budget workshops held in the final quarter of 2021. Following these discussions, City Council approved a 40% increase for the Naper Settlement portion of the property tax levy, which is expected to adequately fund operations moving forward; however, it does not address the existing negative fund balance. An amendment adding \$1,000,000 via a cash transfer from the General Fund is necessary to reestablish a positive fund balance for the Naper Settlement Fund.

The requested transfer combined with the increased tax levy will stabilize the Naper Settlement Fund. The increased Naper Settlement tax levy put in place this year is anticipated to be a baseline moving forward, thereby providing a more consistent mechanism for long-term financial stability. City and Naper Settlement staff will continue to work together to ensure the Naper Settlement Fund remains balanced in the future.

FISCAL IMPACT:

The budget amendment will increase the 2021 Annual Budget by \$1,000,000, from \$502,423,551 to \$503,423,551. The resulting increase in the General Fund is accommodated by revenues that exceeded expenditures by more than \$10 million in 2021.