



Legislation Text

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CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Conduct the public hearing for the 2023 Annual Budget (Item 1 of 2)

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Finance Director

BOARD/COMMISSION REVIEW:

The Financial Advisory Board reviewed the proposed 2023 Annual Budget on November 14, 2022.

BACKGROUND:

The annual budget is the City's financial and operational plan that serves as a guide for the upcoming year and sets the stage for future investments in programs and services. The budget development process brings together input from elected officials, department directors, staff, and the public to shape the City's goals and objectives for the coming year and beyond.

The City is required to adopt an annual budget before the start of the fiscal year to which the budget applies. The City has adopted the Illinois Municipal Code, 65 ILCS 5/8-2-9.1 through 9.10 ("State Budget Law") and incorporated this code into Chapter 9 of Title 1 of the Naperville Municipal Code, which provides the overarching requirements for the City's budget process.

Accordingly, a tentative annual budget for 2023 was published for review by the City Council and the public on October 14, 2022. Per state statute, a public hearing on the tentative 2023 Annual Budget will be held at the December 6, 2022 City Council meeting prior to adoption of the budget ordinance. Once the hearing concludes, the budget may be revised and passed without further public inspection, notice, or hearing.

DISCUSSION:

Budget Process & Initial Recommendation

Development of the Annual Operating Budget and Capital Improvement Program (CIP) is a critical task in establishing the annual financial framework that supports the City's mission to provide services that ensure a high quality of life and maintain a dynamic business environment while creating an inclusive community that values diversity. While formal budget preparation begins in August, regular discussions with the City Council throughout the year guide the budget development process from a policy and priorities perspective.

Each City department developed its operating budget and CIP recommendations based on historical needs and emerging priorities. Those recommendations went through two rounds of review, the first with the Finance Department and the other a cross-departmental review with the City Manager's

Office. These assessments reviewed operational changes, discussed objectives, and analyzed recommendations. All changes made during the review process were integrated into the tentative budget.

The tentative 2023 budget was recommended at \$603.32 million, an overall increase of 11.6% from the \$540.58 million 2022 budget. That recommendation was supported by \$588.53 million in estimated revenues, an increase of 5.5% from 2022. It is worth noting that the budget leverages existing revenue streams and fiscal policies. **No new taxes, fees, or other revenues are recommended to support the 2023 budget.**

Additional capital expenses are the primary driver behind this increased investment in our organization and community. The 2023 CIP totaling \$140.34 million represents an increase of 31% over 2022 and accounts for 23% of the total 2023 budget.

The City Council evaluated the recommended budget through a series of workshops taking place on October 24, November 9, and November 21. During the workshops, staff presented highlights of the recommended budget, including proposed enhancements to existing service levels and major CIP projects. Following presentations, staff provided a financial overview that outlined how the 2023 budget aligns with the City's financial principles and maintains its strong fiscal position.

Final Budget Recommendation

The City of Naperville's 2023 budget is recommended at \$603.46 million, an overall increase of \$142,577 from the tentative budget proposed in October. After a thorough review with the City Council, staff made several minor revisions to the final budget recommendation. Those revisions are described below and include the recommendations of City Council and those identified by staff during the final review process:

City Beautification Project

At the direction of City Council, staff increased the budget for CIP project PA052 - City Beautification Project from \$100,000 to \$250,000. The additional funding will support a coordinated effort to improve signage at various points of entry to the City. Details will be developed and presented in the first quarter of 2023.

Non-Union Merit Pool

At the direction of City Council, the non-union merit pool is reduced from 4% to 3%, with an additional 1% lump sum bonus. The change has no monetary impact on the 2023 budget; however, the 1% bonus will not compound with future salary increases, thus limiting the impact on future budgets.

SSA #30 (Downtown Streetscape) Levy

Upon final budget review, staff noted that the estimated levy for special service area number 30 (SSA #30) exceeded the amount authorized by the establishing ordinance. The 2022 levy year is the first for this SSA, which funds the Downtown Streetscape Project work along the south side of Jefferson Avenue between Main and Webster streets and both sides of Main Street between Jefferson and Jackson avenues. The initial levy amount is capped at \$80,000. Staff reduced the initial levy by \$7,423 to align with the requirements of the SSA ordinance. That amount will be made up over the remaining life of the SSA.

Interfund Transfers

Upon final budget review, staff identified three interfund transfers that required adjustments. None of the adjustments, which are detailed below, result in an increase to budgeted expenses.

- E-911 revenue is projected to increase in 2023. Staff updated the amount transferred out of the E-911 Fund to support public safety dispatch expenses; however, the corresponding transfer into the General Fund was not updated. The resulting adjustment increases General Fund revenue by \$600,000.
- The interfund transfer between the Water Utilities Fund and the Water Capital Fund was unbalanced by \$14,728. The correction reduces the transfer out, or the expense to the Water Utilities Fund by \$14,728.
- Funds generated by SSA #30 are transferred to the Capital Projects Fund to reimburse costs associated with the Downtown Streetscape Project. The adjustment to the SSA #30 levy noted above reduces that transfer by \$7,423.

The table below summarizes all changes incorporated in the final budget recommendation.

Budget Modification	Fund Impact	Account Type	Increase / (Decrease)
City Beautification Project (PA052)	Capital Projects Fund	Expense	\$150,000
Non-Union Merit Pool	Various	Expense	\$0
SSA #30 Levy	SSA #30 Fund	Revenue	(\$7,422)
E-911 Transfer	General Fund	Revenue	\$600,000
Water Capital Transfer	Water Utilities Fund	Expense	(\$14,728)
SSA# #30 Transfer	SSA #30 Fund	Expense	(\$7,423)
SSA #30 Transfer	Capital Projects Fund	Revenue	(\$7,423)

With service delivery at the core of each City department’s daily efforts, those services are reflected in the final budget recommendation, which staff believes lays out the resources necessary to accomplish the City’s goals and maintain the high-quality service levels Naperville residents and the business community have come to expect.

Following adoption of the budget, City Council will be asked to approve property tax levies at its December 20, 2022 meeting. Those levies directly support the 2023 budget.

FISCAL IMPACT:

Staff recommends City Council adopt the 2023 Annual Budget totaling \$603,462,981.