



Legislation Text

File #: 21-1457, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Conduct the public hearing for the 2022 Annual Budget (Item 1 of 2)

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Finance Director

BOARD/COMMISSION REVIEW:

N/A

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.

Per state statute, a public hearing on the proposed 2022 Annual Budget will be held at the December 7, 2021 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

The City's mission statement and financial principles are the primary influences in the budget development process. Throughout 2021, monthly financial reports to City Council provided a forum for regular conversations on the City's financial position. The conversations set the stage for a more efficient budget process, as City leaders and the community were better informed about financial trends that helped form next year's financial plan. The budget development process officially began in August with department's submitting requests for operating budgets and capital improvement programs (CIP). The requests go through two levels of review with the Finance Department and City Manager's Office before the initial budget recommendation is compiled and presented to City Council in October.

The initial 2022 budget recommendation totaled \$540.49 million, an increase of 7.6% from the 2021 budget of \$502.42 million. The overall increase is largely driven by increases in the CIP, which accounts for \$107.0 million, or 19.8%, of the total budget. Interfund transfers increased by \$18.0 million as a result of a capital transfer to the new Water Capital Fund. The total operating budget increase for 2022 is \$5.70 million, or 1.4%, excluding capital outlay and interfund transfers.

The City Council evaluated the recommended budget through a series of three workshops taking

place on October 25, November 8, and November 22. During the workshops, staff presented highlights of the recommended budget, including proposed enhancements to existing service levels and major projects included in the CIP. Following presentations, staff provided a financial overview that outlined how the City funds services and programs delivered through the 2022 budget.

In the final budget workshop staff also outlined how the 2022 budget recommendation supports the City's financial principles. The 2022 budget recommendation adheres to all three principles as detailed below.

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

The recommended budget includes a balanced General Fund operating budget with revenues projected over expenditures, as well as balanced budgets in both utilities operating funds.

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

The recommended budget continues to make improvements in delivery of services with additional resources allocated across several areas, including building inspections, public communications, information security, sustainability, and water infrastructure. Improvements come at a reasonable cost to the community and are primarily funded through growth in existing revenue streams and do not require an increase to any taxes or fees beyond the recent changes to utility rates.

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 last of the financial principles is the only one that sets a target date to achieve the goals defined in the principle. The target date will arrive at the end of 2022 and the recommended budget maintains the current course to achieve both the cash reserve and debt reduction goals. Based on projections included in the 2022 budget, the City's General Fund cash balance would exceed 25% of expenditures at year-end and debt would be reduced by 25%.

Final Budget Recommendation

The 2022 budget is the result of months of preparation, evaluation, and efforts by City Council and staff. The final recommendation is the result of two rounds of reviews with the Finance Department and City Manager's Office to ensure departments' requests are aligned with Council guidance and adherence to the City's financial principles. Additionally, staff presented the budget recommendation to Council during three workshops in October and November. During the workshops, Council discussed several components of the budget. After discussion, staff was directed to make several modifications to the final budget recommendation. Additionally, staff made several modifications to the final budget recommendation based on additional information received after the proposed budget was published on October 15. Changes directed by Council and staff are detailed in the table below and include the changes proposed by Naper Settlement that were presented during the November 8 workshop.

Budget Modification	Fund Impacts	Account Type	Increase / (Decrease)
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Remove Training Assistant position	General, Electric and Water Funds (75/15/10%)	Expense	(\$50,732)
Remove Assistant to the City Manager position	General, Electric and Water Funds (75/15/10%)	Expense	(\$66,282)
Add DNA marketing funds for streetscape project	General Fund	Expense	\$50,000
Increase funding for gateway signage and beautification	Capital Projects Fund	Expense	\$150,000
Reduce various Naper Settlement operating expenses	Naper Settlement Fund	Expense	(\$106,527)
Increase Naper Settlement property tax levy	Naper Settlement Fund	Revenue	\$537,436
Increase overtime for grant-funded police training (see below)	General Fund	Expense	\$25,000
Increase police grant revenue	General Fund	Revenue	\$25,000

Other minor revisions include changes based on recent contract awards; however, no additional items were added to the budget beyond those detailed in the table.

The City of Naperville’s 2022 budget is recommended at \$540.58 million, an overall increase of 7.6% from the 2021 budget of \$502.42 million. 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.

Per state statute, Council must adopt a budget before the beginning of the fiscal year on January 1, 2022 and prior to the adoption of the annual property tax levy. At its December 21, 2021 meeting, Council will be asked to approve a property tax levy ordinance, after which time staff will file the levy with the DuPage and Will County clerks before the last Tuesday in December, as required by statute.

FISCAL IMPACT:

Staff recommends Council adopt the 2022 Annual Budget totaling \$540,578,892.