



Legislation Text

File #: 20-528, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Pass an ordinance approving an amendment to reduce the City of Naperville Annual Budget for Calendar Year 2020 by \$24,974,860 (requires six positive votes).

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Finance Director

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

A great deal of uncertainty continues to surround the duration and impact of the COVID-19 pandemic at all levels of government. On April 21, Council extended Naperville's local state of emergency and disaster to May 19, and on April 23, Illinois Gov. J.B. Pritzker announced his intent to extend his existing stay-at-home order for the state through May 30, with some modifications.

These actions have continued impact on the City's ability to enter an economic recovery phase. This economic event is fundamentally different than the Great Recession of 2008 and 2009. Whereas that event yielded a significant halt in growth that lasted several years and required a right-sizing mindset in both the public and private sectors, the COVID-19 pandemic has resulted in a temporary but significant pause to large sectors of the economy, with resulting issues largely based around cash flow. However, the question is not whether the economy will restart; it is when the economy will re-activate and what consumer confidence levels in certain sectors will be.

As noted at the April 7th City Council meeting, the variety of financial tools and revenue diversification practices put into place in Naperville over the past five years are providing the City with flexibility, as well as appropriate time to intake and evaluate data to make measured decisions that can help prevent undesirable long-term impacts.

Staff's goal throughout this event and beyond is to empower Council with data and information to make the best strategic decisions at the right time. Staff continues to actively monitor the effects of the pandemic and focus on solutions that would leverage our financial tools to provide continuity of services and mitigation of negative impacts both short-term and into the future.

The first of monthly financial reports will be brought before Council on May 19 to best align with timing of major revenue receipts; specifically, state shared revenues, which are typically received in the first couple weeks of the month. Currently, major financial data sets still reflect the pre-COVID consumer environment due to delays in receipts, making the detailed picture of the pandemic's

impact unclear. However, we know the nature of certain revenue sources, coupled with the extension of the stay-at-home order, guarantee the City will not be immune to the pandemic's impacts.

The City's cash reserves remain at \$45 million. Gradual usage of these reserves would become more likely later in the year as impacts become clearer; however, there are several factors around their usage, including a reduction in City expenses and the length of the recovery phase.

This agenda item focuses on proposed reductions in the City's Capital Improvement Program (CIP), which is funded through the Electric and Water Utilities; Home Rule Sales Tax; bonds; developer contributions; and other sources, such as grants. The 2020 CIP includes nearly \$88 million in projects spanning nine departments.

DISCUSSION:

Staff is bringing forth a budget amendment that reduces the annual budget by approximately \$25 million to reflect deferrals in the 2020 CIP. These deferrals are not all due to the COVID-19 crisis; the City understands the importance that its major capital projects can and will play in regional economic recovery. However, it is not uncommon for the City to partially defer CIP project costs into following years once work plans become more defined. The proposed reduction is a combination of partial deferments that have surfaced since the budget's passage and full project deferrals proposed due to the pandemic's impacts. (An example of the latter is the Downtown Streetscape Project, which is now tentatively slated to occur in 2023.)

Per state statute, Council action is required to amend the 2020 Annual Budget. At this time, staff is recommending a reduction of \$24,974,860 that spans across multiple funds. The decrease will reduce the 2020 Budget from \$491,503,165 to \$466,528,305. As part of the May 19 monthly report, staff will review additional expenditure reductions and revenue changes that are being experienced due to active staff management as well as existing economic conditions.

Appendix A provides a breakdown on the impact of the proposed budget amendment to the City's overall expenditure budget by fund. Appendix B provides a breakdown of the specific capital projects that are being reduced against the overall budget, along with its corresponding fund. Appendix C shows the original budget as well as the change and the 2020 Revised Budget for the individual projects being impacted.

The budget amendment will decrease expenditures for the following funds:

- Electric Utility - (\$430,000)
- Water Utility - (\$11,275,212)
- Capital Projects - (\$5,900,761)
- Bond - (\$4,798,887)
- SSA #30 - (\$2,600,000)

FISCAL IMPACT:

This amendment will decrease the City's 2020 Budget by \$24,974,860 from \$491,503,165 to \$466,528,305.

