



**CITY COUNCIL WORKSHOP
AGENDA
COUNCIL CHAMBERS
09/13/2011
5:00 p.m.**

**FY12 UPDATE AND REVENUE OUTLOOK
(HSA) HEALTH SAVINGS ACCOUNTS &
INCENTIVIZED WELLNESS PROGRAMS**

A. CALL TO ORDER:

B. INTRODUCTION:

C. PRESENTATION:

1. Workshop Objectives
2. FY12 and Preliminary FY13 Budget Gap
3. Equalized Assessed Valuation and Property Tax Levy Implications
4. Proposed Emergency Reserve Policy
5. Emergency Response Cost Recovery Program
6. Trends in Other Revenue Streams
7. Municipal Taxes and Fees
8. Health Savings Account (HSA) and Incentivized Wellness Program
9. Finance Slide Presentation

D. ADJOURNMENT:

AGENDA
CITY COUNCIL WORKSHOP
09/13/2011
Page 2

Any individual with a disability requesting a reasonable accommodation in order to participate in a public meeting should contact the Accessibility Coordinator at least 48 hours in advance of the scheduled meeting. The Accessibility Coordinator can be reached in person at 400 S. Eagle Street, Naperville, IL., via telephone at 630-420-6725 or 630-305-5205 (TDD) or via e-mail at manningm@naperville.il.us. Every effort will be made to allow for meeting participation.



CITY OF NAPERVILLE



FY12 Update and Revenue Outlook

Municipal Center – Council Chambers

September 13, 2011

5:00 P.M.

	<u>Start Time</u>
1. Call to Order/ Opening Comments	5:00 p.m.
2. Workshop Objectives	5:05 p.m.
3. FY12 and Preliminary FY13 Budget Gap ..	5:10 p.m.
4. EAV and Property Tax Levy Implications .	5:40 p.m.
5. Proposed Emergency Reserve Policy	6:10 p.m.
6. Emergency Response Cost Recovery	6:30 p.m.
7. Trends in Other Revenue Streams	6:50 p.m.
(questions only)	
8. Municipal Taxes and Fees	6:55 p.m.
(questions only)	
Break	
9. Health Savings Account (HSA) and Incentivized Wellness Program	7:10 p.m.

Workshop Objectives

**CITY OF NAPERVILLE
MEMORANDUM**

DATE: September 2, 2011

TO: Mayor and City Council
Douglas A. Krieger, City Manager

FROM: Karen DeAngelis, Director of Finance

SUBJECT: FY12 Update and Revenue Outlook Workshop Objectives

PURPOSE:

Provide Council a financial update for the current fiscal year (FY12) and review trends in city revenue sources including tax levy implications as background for the FY13 budget discussions. In addition the Financial Advisory Board recommendation to adopt an Emergency Reserve Policy; and new practices and services in the area of Emergency Response Billing and Fire Inspections processes and billing will be reviewed.

DISCUSSION:

While the annual budget is not adopted until next April, the tax levy discussions must be completed in October in order to schedule and conduct the public hearings and adopt and file the ordinances by the end of the year. For Council to have a quality discussion and reach a good decision on the tax levy, they need at least a high level understanding of the city financial position and the economic environment. This workshop is intended to provide Council with that supporting information. Specifically the objectives are as follows:

Ensure a common understanding of the financial position of the city.

There is positive news since the last set of budget workshops. Revenue improvements and cost controls late in FY11 resulted in excess fund balances in several funds. Many of these funds are available to help with the FY13 General Fund budget. Staff will review with Council the proposed use of the excess fund balances. The Library and Settlement also ended FY11 with fund balances they will use to reduce their levy requirement, which increases the General Corporate component for FY13. Additionally retail sales tax revenues are increasing and staff is increasing the projection by \$1 million in both FY12 and for the FY13 budget year. After reflecting these adjustments as well as refining all revenue and expenditure projections at a high level, the projected General Fund financial gap for the FY13 budget has been reduced to \$3.4 million.

Review the levy implications of the declining EAV.

There are still no signs of economic recovery in the housing market. The number of real estate transactions remains low and property values have not increased. The impact of the declining Equalized Assessed Valuation (EAV) on the property tax calculation is spread over three years based on the calculation methodology. Last year the EAV fell by 5.44% and declines are projected at 5.5% in FY13 and 4.0% for FY14. Historically the city was able to reduce the property tax rate as increases in the EAV supported an increased dollar levy. As a result of the

impact of the EAV decline, the FY12 levy was the first to include a rate increase. The discussion will use the example of a flat dollar levy assumption to demonstrate the long term impacts to the tax rate. This is a background discussion only, in preparation for the complete discussion and decision at the Levy Workshop on October 24, 2011

Consider adoption of an Emergency Reserve Policy

The Financial Advisory Board has made a recommendation for Council to adopt an enhanced General Fund reserve policy. The policy is intended to facilitate future budget discussions by clarifying when and how the fund can be used and how it will be restored. They have provided an Emergency Reserve Policy draft for Council consideration for replacing the current General Fund Reserve and Cash Transfer Policy.

Consider further investigation of an Emergency Response Cost Recovery Program

As municipalities continue to look for ways to reduce general taxpayer burden, new practices and related services have become available in the area of Emergency Response billing and Fire Inspection process and billing. This discussion is intended to provide Council with a general awareness of these opportunities. Staff will look for Council direction on whether or not further investigation should be pursued for these opportunities.

Background information: Trends in Other Revenues and Municipal Taxes and Fees

Refreshed information has been provided to Council in this pre-read as background information. Staff will be prepared to respond to Council questions on this information at the workshop.

Budget Gap

**CITY OF NAPERVILLE
MEMORANDUM**

DATE: September 2, 2011

TO: Mayor and City Council
Douglas A. Krieger, City Manager

FROM: Karen DeAngelis, Director of Finance

SUBJECT: FY12 Update and Preliminary FY13 Budget Gap

PURPOSE:

Provide Council a financial update for the current fiscal year (FY12) and provide a preliminary FY13 Budget gap view.

DISCUSSION:

FY12 Update

(See attached July 31, 2011 Year-To-Date Summary Financial Report)

We have already completed the first quarter of FY12. As is true in any year, there are a variety of revenue variances which are both over and under budget. Some revenue sources are dependent on weather patterns or other seasonal factors, and staff will continue to monitor these over the coming months. Should these trends continue, staff will incorporate them in the current year projection. For now, the downside in state attribution due to the reduction in the Census results has been reflected in the projections. A portion of the revenue cushion established by Council during the budget process has been used to cover this budget shortfall. There is an additional \$450K of revenue cushion available to cover any additional downsides in other revenue. A more complete review of individual revenue stream current positions and emerging trends is in the other section of this workshop pre-read.

The highlight of FY12 revenue is expected to be the level of retail sales tax collections. The US Census Bureau reports overall retail sales up by almost 8% for the first 7 months of 2011, with auto dealership sales up over 11%. Naperville collections in May and June (reflecting sales from February and March) were right in line, up 7% and 10% respectively from last year. While July receipts tapered off and August dipped a bit, staff is still optimistic that receipts in the remainder of the year will show an improvement over last. The budget was developed projecting flat revenue from the expected FY11 position. But the final months of FY11 receipts were \$300K higher than expected. Adjusting for this and conservatively estimating a full year FY12 at 3% on average above the prior year, staff is now projecting a \$1 million increase in the Projected FY12 Retail Sales tax.

First quarter expenditures are \$1.7 million below budget. Most of this variance is associated with timing differences between the budget expectations and the actual payments. There are no

specific variances staff is aware of at this time which would adjust the full year projection of expenditures.

The original FY12 Budget was balanced by proposing the use of the entire available excess General Reserve balance of \$1.9 million. Given the increase of \$1 million for the projected retail sales tax receipts, it is expected only \$0.9 million of the excess reserve balance will need to be use. This leaves a remainder of \$1 million for consideration to help close the FY13 Budget.

Preliminary FY13 Budget Gap

(See attached General Fund FY12 and Preliminary FY13 Budget Summary)

In February 2011 Staff presented to Council a Five Year Plan, which included a projection for FY13. The projection included early assumptions for revenue, which included preliminarily increased levy requests from the Library and Settlement. Relative to staffing costs the projection factored in a 2% wage increase and health care cost increases which were partially offset by an increase in the contribution rate to 20%. In addition, while the FY12 Budget was balanced with \$3.1 million of one-time revenue from the fund balance and external MIP funding, these were assumed not to be replace in FY13 and contributed to the projected gap. The financial gap under a flat dollar property tax for FY13 was projected at \$11.2 million, and \$13.7 million under a flat property tax rate assumption (0.7390).

We are now six months closer to FY13 and have more clarity on the assumptions that will be used in the budget. The FY11 audit is nearing completion, and we can support the fund balance positions in several areas which can provide some one time assistance to FY13. Strong revenues in the final months of the fiscal year including the FEMA reimbursement of blizzard expenses, coupled with the savings from significant vacancies and continued cost control were able to increase the final fund balance position. Expenditures in each Department were within the revised budget, with savings delivered ranging from \$74K to 223K through primarily lower than budget repair & maintenance, supplies, and lower communication and support services costs. The Miscellaneous Services line on the financials shows a cost savings of \$555K from budget, reflecting primarily the overall excess savings from holding positions vacant across the city Departments.

The year ended with \$4.1 million of fund balance above the required policy reserve level in the General Fund. Of this \$0.2 million is needed to restore the General Trust Agency Fund fund balance, this is already shown net on the attached April 30, 2011 Year-To-Date Summary Financial Report which reflects a fund balance of \$3.9 million (\$3,851,350). The FY12 budget expected a balance of \$1.9 million to be used to balance the FY12 budget. The additional \$2.0 million is however now available for Council to consider to help with the FY13 Budget closure. Options for usage are discussed below under the section entitled – “Excess \$2.0 million General Fund Balance from FY11”.

In the fund accounting used by the City, the General Fund and Utility Fund budgets as expenditures transfers to the Self Insurance Fund, Vehicle Replacement Fund and the Motor Fuel Tax Fund (MIP) to ensure that they are fully funded each year. Any fund balance supported by the audit can be used to reduce the required transfer in the subsequent year. At the end of the FY11 audit fund balances available to reduce General Fund transfers are as follows:

- Self Insurance Fund - \$1.1 million – This fund balance reflects lower healthcare claims net of lower contributions of \$0.2 million; the timing of worker compensation settlements \$0.5 million and the timing of general auto/liability settlements \$0.4 million.
- Vehicle Replacement Fund - \$0.4 million – Decisions to defer vehicle replacements
- Motor Fuel Tax Fund - \$2.9 million – Savings of \$0.4 million on the final closure of FY11 MIP contracts; Recognition of State Jobs Now grant installment announced in June \$0.6 million and \$1.9 million savings negotiated on the FY12 MIP contracts already awarded.

These available fund balances will be reflected by staff as reductions in the transfers for the FY13 General Fund expenditures. These are one time benefits and do not help to close the gaps that will be projected in the remaining years of the Five Year Plan for the October workshop. It is possible that fund balances may be available in future years, but it is not assured and cannot be used in the budget process unless the current year budget is amended by Council, or the audit for the year is completed.

The Jobs Now Grant Capital Bill was designed to provide five years of funding at the same level, two installments of which have been made as planned and on time. As this is a State program there is some risk of amendment over the next three years until the final installment is made. Up to this point, Staff has not budgeted for this source of revenue and only recognized it when received. Given however the prompt payment of the first two installments, Staff is planning to budget for the remaining 3 installments of \$600K each in FY13, FY14 and FY15. For each of these years this will reduce the expenditure for the General Fund to transfer funding for the MIP to the Motor Fuel Tax Fund. Each year during the budget cycle staff will re-assess the risk to this revenue stream.

On the revenue side of the equation, both the Library and Settlement ended FY11 with fund balances above the level originally projected by \$0.7 million and \$0.2 million respectively. In both cases they will use the fund balance in FY13 and have adjusted their levy request downwards. With the assumption of a flat dollar property tax levy, the adjustment downwards of the other components of the levy then increases the General Corporate component.

Having factored in various increases and decreases to other revenue sources, the effect is roughly a wash. The most noteworthy change in the revenue projection is that with the Rt. 59 construction starting around mid FY13, the automated red light enforcement program will be suspended at that time and both the related revenue and maintenance expenditures will stop.

The presentation of Expenditures for the FY13 Preliminary Budget is only for directional discussion at this point in time. The City Manager and Directors are continuing to review and refine the expenditure projections. A placeholder is currently included for likely increases in several areas, for example the refuse contract, street lighting repair and Fire HazMat and SCBA supplies/equipment. Staff will be reviewing the final budget expenditure requests with Council at the December Workshop.

Factoring in the one-time budget adjustments from the final FY11 audit, and the noted FY13 assumption changes, the FY13 Preliminary Budget Gap has been reduced from \$11.2 million to a projected \$3.4 million gap. Staff will continue to review and refine this projection at each Council Budget workshop.

Excess \$2.0 million General Fund Balance from FY11

By policy, Staff is to make a recommendation to Council on the use of the excess General Fund balance by October. The FY11 audit concluded that there is an excess \$2.2 million General Fund fund balance and a shortfall of \$0.2 million in the General Trust Agency Fund.

- Staff recommends Council approves a transfer of \$0.2 million from the General Fund to the General Trust Agency fund to restore it to a zero balance.

Prior to the economic challenges of the last several years, Council would use any excess fund balance to fund the next year capital program and eliminate or reduce the need to borrow. In the last couple budget cycles the excess fund balance has been used to balance the next year budget. As General Corporate borrowing increased in recent years (FY08-FY10) the debt service payment in FY13 is roughly \$2 million above the FY12 payment. Staff is recommending that the excess fund balance be used to make a portion of the FY13 debt service payment, thereby allowing an abatement of that component of the property tax levy. The result would be that both the Debt Service and the General Corporate component of the property tax levy would remain fairly stable between the two budget years. (Reference attached Summary Property Tax Component Table.)

- Staff recommends Council approves \$2.0 million of the General Fund fund balance be used for the FY13 debt service payment and approval of a levy abatement of \$2.0 million to the debt service component for FY13.

CONCLUSION:

Retail sales tax revenues are projected to be strong in FY12 thereby reducing the need to use the fund balance to achieve a balanced budget. Council can approve the use of the General Fund FY11 fund balance to cover a portion of the FY13 debt service payment and to use the other FY11 fund balances to help balance the FY13 budget. After the refinement of assumptions and inclusion of the one-time fund balance adjustments the FY13 financial gap is projected at \$3.4 million. Closure of the remaining \$3.4 million will be the focus of the future Council Budget Workshop discussions.

ATTACHMENTS:

July 31, 2011 Year-To-Date Summary Financial Report
General Fund FY12 and Preliminary FY13 Budget Summary
April 30, 2011 Year-To-Date Summary Financial Report
Summary Property Tax Component Table

CITY OF NAPERVILLE GENERAL FUND
 YEAR-TO-DATE SUMMARY FINANCIAL REPORT
July 31, 2011

	07/31/10 ACTUAL YTD	7/31/2011 ACTUAL YTD	REVISED BUDGET YTD 7/31/2011	YTD OVER (UNDER) BUDGET		PROJECTED ANNUAL REVENUES & EXP.	REVISED ANNUAL BUDGET	ADOPTED ANNUAL BUDGET ***	REVISED ANNUAL BUDGET OVER (UNDER)	Encumbrances 7/31/2011
REVENUES:										
TAX REVENUES:										
PROPERTY TAXES	12,915,702	12,253,062	12,055,893	197,169	101.6%	24,147,759	24,147,759	24,147,759	-	
UTILITY TAXES	3,803,351	4,099,497	4,447,090	(347,593)	92.2%	17,248,754	17,248,754	17,248,754	-	
USE TAXES	432,492	522,785	368,384	154,401	141.9%	1,570,000	1,570,000	1,570,000	-	
RETAIL SALES TAX	6,311,850	6,603,366	6,406,169	197,197	103.1%	27,276,749	26,276,749	26,276,749	1,000,000	
REAL ESTATE TRANSFER TAXES	1,127,386	735,754	941,367	(205,613)	78.2%	2,650,000	2,650,000	2,650,000	-	
INCOME TAXES	3,261,011	3,288,580	3,246,970	41,610	101.3%	11,300,540	11,300,540	11,300,540	-	
HOTEL TAXES	371,796	272,019	353,408	(81,389)	77.0%	1,100,000	1,100,000	1,100,000	-	
ALL OTHER TAXES	263,413	274,905	299,728	(24,823)	91.7%	1,070,000	1,070,000	1,070,000	-	
TOTAL TAX REVENUES	28,487,001	28,049,968	28,119,009	(69,041)	99.8%	86,363,802	85,363,802	85,363,802	1,000,000	
OTHER REVENUES:										
PERMITS AND LICENSES	367,352	400,368	362,860	37,508	110.3%	1,446,985	1,446,985	1,446,985	-	
GRANTS (FEDERAL, STATE, LOCAL)	121,722	155,357	96,338	59,019	161.3%	357,000	357,000	357,000	-	
CHARGES FOR SERVICES	1,644,931	1,548,863	1,357,612	191,251	114.1%	6,060,993	6,060,993	6,060,993	-	
FINES	921,731	514,394	656,891	(142,497)	78.3%	2,848,500	2,848,500	2,848,500	-	
INTEREST, RENT, AND FRANCHISE FEES	894,624	712,302	686,472	25,830	103.8%	2,780,784	2,780,784	2,780,784	-	
INTERFUND TRANSFERS & CHARGEBACKS	8,489,477	8,312,596	8,312,596	-	100.0%	10,470,198	10,470,198	10,470,198	-	
OTHER	46,052	662,540	643,086	19,454	103.0%	916,900	916,900	916,900	-	
TOTAL OTHER REVENUES	12,485,889	12,306,420	12,115,855	190,565	101.6%	24,881,360	24,881,360	24,881,360	-	
TOTAL REVENUES	40,972,890	40,356,388	40,234,864	121,524	100.3%	111,245,162	110,245,162	110,245,162	1,000,000	
EXPENDITURES:										
MAYOR & COUNCIL	186,012	205,526	174,477	31,049	117.8%	618,863	618,863	618,863	-	24,566
LEGAL DEPARTMENT	371,698	386,309	381,379	4,930	101.3%	1,366,287	1,366,287	1,366,287	-	23,641
CITY MANAGER'S OFFICE	416,301	389,896	394,786	(4,890)	98.8%	1,210,559	1,210,559	1,210,559	-	57,889
IT/REPROGRAPHICS (1)	586,651	835,283	913,587	(78,304)	91.4%	2,556,129	2,556,129	2,556,129	-	441,340
HUMAN RESOURCES DEPARTMENT	322,998	287,369	316,299	(28,930)	90.9%	1,062,878	1,062,878	1,062,878	-	19,258
CITY CLERK	151,860	135,260	134,138	1,122	100.8%	832,539	832,539	832,539	-	21,866
FINANCE DEPARTMENT	923,350	1,079,519	1,054,279	25,240	102.4%	3,861,962	3,861,962	3,861,962	-	489,881
POLICE DEPARTMENT	10,891,254	11,417,381	12,198,903	(781,522)	93.6%	35,958,246	35,958,246	35,958,246	-	533,817
FIRE DEPARTMENT	9,537,947	9,389,006	9,511,438	(122,432)	98.7%	28,874,868	28,874,868	28,874,868	-	366,319
T.E.D. BUSINESS GROUP/RIVERWALK	2,290,866	2,202,028	2,406,873	(204,845)	91.5%	7,745,090	7,745,090	7,745,090	-	657,135
PUBLIC WORKS DEPARTMENT	4,616,554	4,381,146	4,909,526	(528,380)	89.2%	21,464,831	21,464,831	21,464,831	-	6,717,546
MISCELLANEOUS SERVICES	7,091,419	5,230,456	5,289,357	(58,901)	98.9%	6,077,768	6,077,768	6,077,768	-	916,762
INSURANCE	101,877	101,877	101,877	-	0.0%	101,877	101,877	101,877	-	-
TOTAL EXPENDITURES	37,488,787	36,041,056	37,786,919	(1,745,863)	95.4%	111,731,897	111,731,897	111,731,897	-	10,270,020
NET REVENUES OVER (UNDER) EXPENDITURES	3,484,103	4,315,332	2,447,945	1,867,387		-486,735	-1,486,735	-1,486,735	1,000,000	
PLANNED FUND BALANCE DRAWDOWN (1) Revenue Cushion						1,937,635	1,937,635	1,937,635		
ADJUSTED REVENUE OVER(UNDER) EXPENDITURES		4,315,332	2,447,945	1,867,387		-450,900	(450,900)	(450,900)		
						1,000,000	0	0	1,000,000	

Notes:

(1) Reprographics moved to IT July 2011.

General Fund FY12 and FY13 Preliminary Budget Summary

(In \$ Millions)

	FY12 Projection			FY13 Preliminary Budget		
	Revenue	Expenditure	Fund Bal	Revenue	Expenditure	Gap
Final Budget and FY13 from Five Year Plan	111.7	111.7	0.0	107.0	118.2	-11.2 *
FY12 Only Adjustments						
Excess General Fund balance from FY11	2.0		2.0			
Revenue adjustments						
Increase Sales Tax Revenue Projection	1.0		1.0			
Library & Settlement reduce FY13 levy request				0.9		0.9
Rt 59 red light half year rev & maint				-0.6	-0.2	-0.4
Assume other improvements in revenue				0.5		0.5
Expenditure adjustments						
Self Insurance fund balance used to reduce FY13 transfers					-1.1	1.1
Vehicle Replacement reserve excess used to reduce FY13 transfer					-0.4	0.4
MFT fund balance used to reduce FY13 transfer					-0.4	0.4
State Jobs Now grant summer 2011 used to reduce FY13 transfer					-0.6	0.6
State Jobs Now grant - 2012 installment used to reduce FY13 transfer					-0.6	0.6
MFT lower FY12 contracts used to reduce FY13 transfer					-1.9	1.9
Assumed other increases in expenditures					1.2	-1.2
Current FY11 Projection and Available Fund Balance	\$114.7	\$111.7	\$3.0			
Use of a portion of FY11 Fund Balance			-\$3.0	\$3.0		3.0
Current FY13 Gap Projection			\$0.0	\$110.8	\$114.2	-3.4

*Adjusted to reflect transfer of safety position to CMO and charged back to utilities

CITY OF NAPERVILLE GENERAL FUND
 YEAR-TO-DATE SUMMARY FINANCIAL REPORT
As of April 30, 2011 period 14

	04/30/10 ACTUAL YTD	4/30/2011 ACTUAL YTD	REVISED BUDGET YTD 4/30/2011	YTD OVER (UNDER) BUDGET		PROJECTED ANNUAL REVENUES & EXP.	REVISED ANNUAL BUDGET	ADOPTED ANNUAL BUDGET ***	REVISED ANNUAL BUDGET OVER (UNDER)	Encumbrances 4/30/2011
REVENUES:										
TAX REVENUES:										
PROPERTY TAXES	24,853,163	25,927,685	25,820,544	107,141	100.4%	25,820,544	25,820,544	25,820,544	-	
UTILITY TAXES	16,422,357	16,390,164	16,948,754	(558,590)	96.7%	16,948,754	16,948,754	17,948,754	-	
USE TAXES	1,727,984	1,991,764	1,820,926	170,838	109.4%	1,820,926	1,820,926	1,820,926	-	
RETAIL SALES TAX	24,312,907	26,608,242	26,276,749	331,493	101.3%	26,276,749	26,276,749	25,026,749	-	
REAL ESTATE TRANSFER TAXES	2,302,235	2,605,511	2,650,000	(44,489)	98.3%	2,650,000	2,650,000	2,250,000	-	
INCOME TAXES	11,481,504	11,270,862	11,400,540	(129,678)	98.9%	11,400,540	11,400,540	11,900,540	-	
HOTEL TAXES	945,940	979,870	1,100,000	(120,130)	89.1%	1,100,000	1,100,000	1,100,000	-	
ALL OTHER TAXES	300,643	1,108,694	1,072,000	36,694	103.4%	1,072,000	1,072,000	1,072,000	-	
TOTAL TAX REVENUES	82,346,733	86,882,792	87,089,513	(206,721)	99.8%	87,089,513	87,089,513	86,939,513	-	
OTHER REVENUES:										
PERMITS AND LICENSES	1,648,607	1,591,117	1,680,765	(89,648)	94.7%	1,680,765	1,680,765	1,680,765	-	
GRANTS (FEDERAL, STATE, LOCAL)	227,387	628,858	371,700	257,158	169.2%	371,700	371,700	371,700	-	
CHARGES FOR SERVICES	4,673,169	6,181,356	6,407,433	(226,077)	96.5%	6,007,433	6,007,433	6,407,433	-	
FINES	3,186,292	3,060,527	2,348,500	712,027	130.3%	2,748,500	2,748,500	2,748,500	-	
INTEREST, RENT, AND FRANCHISE FEES	2,610,366	2,809,722	2,780,784	28,938	101.0%	2,780,784	2,780,784	2,780,784	-	
INTERFUND TRANSFERS & CHARGEBACKS	13,509,474	10,611,566	10,669,477	(57,911)	99.5%	10,669,477	10,669,477	10,439,477	-	
OTHER	337,151	2,149,015	2,426,900	(277,885)	88.5%	2,426,900	2,426,900	326,900	-	
TOTAL OTHER REVENUES	26,192,446	27,032,161	26,685,559	346,602	101.3%	26,685,559	26,685,559	24,755,559	-	
TOTAL REVENUES	108,539,179	113,914,953	113,775,072	139,881	100.1%	113,775,072	113,775,072	111,695,072	-	
EXPENDITURES:										
MAYOR & COUNCIL	616,560	571,095	641,554	(70,459)	89.0%	641,554	641,554	641,554	-	
LEGAL DEPARTMENT	1,416,918	1,342,664	1,342,664	-	100.0%	1,336,033	1,336,033	1,336,033	-	
CITY MANAGER'S OFFICE	1,379,428	1,231,864	1,306,120	(74,256)	94.3%	1,304,420	1,304,420	1,358,977	-	
IT	3,397,665	2,417,982	2,520,723	(102,741)	95.9%	2,515,723	2,515,723	2,648,028	-	
HUMAN RESOURCES DEPARTMENT	1,327,848	1,008,990	1,058,480	(49,490)	95.3%	1,054,530	1,054,530	1,116,887	-	
CITY CLERK/REPROGRAPHIC	475,834	793,416	867,791	(74,375)	91.4%	864,866	864,866	864,866	-	
FINANCE DEPARTMENT	4,293,172	3,712,686	3,800,045	(87,359)	97.7%	3,791,011	3,791,011	3,956,872	-	
POLICE DEPARTMENT	34,430,895	35,798,507	36,021,887	(223,380)	99.4%	36,376,569	36,376,569	35,927,577	-	
FIRE DEPARTMENT	27,243,692	28,203,689	28,401,580	(197,891)	99.3%	28,668,527	28,668,527	28,831,635	-	
T.E.D. BUSINESS GROUP/RIVERWALK	8,623,383	7,499,605	7,719,849	(220,244)	97.1%	7,896,276	7,896,276	8,161,746	-	
PUBLIC WORKS DEPARTMENT	20,861,775	21,658,108	21,779,233	(121,125)	99.4%	21,769,346	21,769,346	21,869,374	-	
MISCELLANEOUS SERVICES	2,716,369	7,543,140	8,098,760	(555,620)	93.1%	7,339,831	7,339,831	6,699,646	-	6,000
INSURANCE	101,877	101,877	101,877	-	0.0%	101,877	101,877	101,877	-	-
TOTAL EXPENDITURES	106,885,416	111,883,623	113,660,563	(1,776,940)	98.4%	113,660,563	113,660,563	113,515,092	-	6,000
NET REVENUES OVER (UNDER) EXPENDITURES	1,653,763	2,031,330	114,509	1,916,821		114,509	114,509	-1,820,020	-	
Additional Sprint Settlement										
PLANNED FUND BALANCE DRAWDOWN (1)		1,820,020	1,820,020			1,820,020	1,820,020	1,820,020	-	
ADJUSTED FUND BALANCE		3,851,350	1,934,529	1,916,821	**	1,934,529	1,934,529	-	-	

Notes:

- (1) The Planned Fund Balance Drawdown includes the Capital Transfers, Encumbrance Rollovers and Council approved revisions.
- * Other Revenue projection includes the receipt of \$1.3 million of Sprint Settlement in Sept , \$0.5 mil expected in April and \$0.3 from sale of radio equipment in April.
- ** Projected fund balance of \$1.9 is being considered part of the FY12 budget revenues to close the final budget gap.
- ***Adopted Annual Budget Does not include Encumbrance Rollovers or any other changes to the original budget
- **** Misc Services projection includes the \$1.1 million transfer back to the general fund of excess MIP funding,a projected underspend of \$0.4 million overall and the transfer of \$0.25 for fire overtime.
- ***** Interfund transfer & chargeback projection and actual includes \$230,000 of excess E-911 funds approved by the Board in December for transfer back to the General Fund

City of Naperville
Summary Property Tax Component Table
(In \$ Millions)

			Without Abate	Proposed With Abate				
	FY11	FY12	FY13	FY13	FY14	FY15	FY16	FY17
Flat Property Tax Assumed FY12 to FY17	50.4	49.1	49.1	49.1	49.1	49.1	49.1	49.1
Non-General Fund Components								
Debt Service	8.9	9.7	11.4	9.4	9.8	10.3	11.6	9.1
Library	12.9	12.5	13.2	13.2	14.3	14.7	15.1	15.6
Settlement	2.8	2.8	2.8	2.8	2.8	2.9	3	3
Non-General Fund Property Tax Components	<u>24.6</u>	<u>25</u>	<u>27.4</u>	<u>25.4</u>	<u>26.9</u>	<u>27.9</u>	<u>29.7</u>	<u>27.7</u>
General Fund Revenue								
All Pensions	12	11.6	11.6	11.6	12.5	13.6	14.8	16.1
General Corp	13.8	12.5	10.1	12.1	9.7	7.6	4.6	5.3
General Fund Property Tax Components	<u>25.8</u>	<u>24.1</u>	<u>21.7</u>	<u>23.7</u>	<u>22.2</u>	<u>21.2</u>	<u>19.4</u>	<u>21.4</u>

EAV and Levy Implications

**CITY OF NAPERVILLE
MEMORANDUM**

DATE: September 2, 2011

TO: Mayor and City Council
Douglas A. Krieger, City Manager

FROM: Karen DeAngelis, Director of Finance

SUBJECT: Equalized Assessed Valuation and Property Tax Levy Implications

PURPOSE:

Provide Council a preliminary view of the implications on declining equalized assessed valuations on the Property Tax Levy.

DISCUSSION:

The municipal property tax base is one of a city's most important sources of revenue. But, with the housing market having been one of the hardest hit areas in the recent recession, declining property values have created challenges in municipal finance. Sales of both new and existing homes have fallen to dramatic market lows. Housing values declined and were worsened by the high volume of foreclosures and short sales. The average home sales value in Naperville was \$440,000 in Fiscal 08 and has declined since then by 15% to \$375,000 with the greatest decline in calendar 2009 and minimal improvement since.

The Equalized Assessed Valuation (EAV) used in the property tax calculation averages the homes assessed valuation over a three year period. The methodology delayed the initial impact of the economic decline on property taxes until FY12, at which point the actual EAV decline was 5.44%. Township assessors have suggested the EAV will continue to fall for the next two years as the recessionary period takes on more significance to the calculation. The next two years are expected to fall by 5.5% in FY13 and 4.0% in FY14. This total three year decline of 15% is aligned with the drop in the average home sales price in Naperville, and is 2% worse than the assessors estimated last year.

Naperville through strong fiscal management had been able to reduce the property tax rate continuously over a long period of time, through FY08. At that point the rate found equilibrium at 0.7167 for 3 years. However the EAV over that same period continuously increased, including a modest increase of 1.34% in the FY 11 levy year. (See attached History and Projection of Assessed Equalized Valuation and attached Historical EAV by County.) In years with an increasing EAV, even if the tax rate is held constant there is an increase in property tax collections. The same but opposite effect holds true when the EAV declines. The result of a declining EAV is that even if the property tax rate is held constant the property tax dollars collected will be reduced by the same percentage as the EAV decline.

In FY12 the EAV was projected to decline by 5%, which would have meant a 5% drop, or a reduction of \$2.5 million in the tax levy, if the rate had been held constant. Recognizing the difficult economic environment for both the City and the property owners, Council reduced the tax levy dollars by 2.5% or \$1.25 million for FY12. The final actual EAV was a decline of 5.44% which resulted in a tax rate increase of roughly 3% to 0.7390.

The significant declines in the EAV for the next two years alone, means Council will need to consider increasing the property tax rate just to hold total property tax dollars flat (from 0.7390 in FY12 to a high of 0.8147 in FY14). (See Property Tax Collected and Future Levy Amounts chart.)

Even under a flat property tax dollar levy, increases in the other property tax components: Library, Settlement, Debt Service and Pension, will mean the General Corporate revenue source will decline significantly. The attached draft Five Year Financial Plan Tax Levy Information schedule reflects the scheduled debt service payments for the next five years and the Library and Settlement Five Year Plan levy requirements (also attached). The five year view projects the General Corporate revenue from the property tax levy under a flat dollar assumption declines from \$12.5 million in FY12 to a low of \$4.6 million in FY16. This significant reduction will open up gaps in future year budgets.

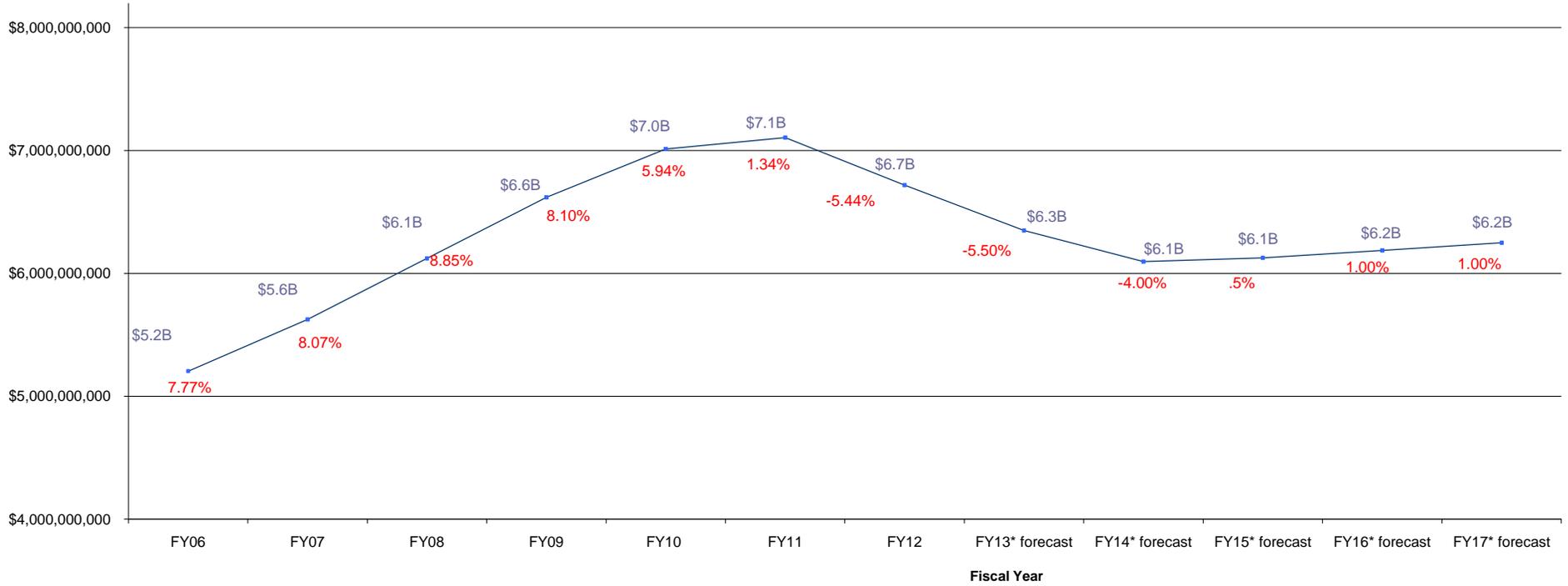
CONCLUSION:

Staff will bring to Council a complete Five Year Plan view and a specific FY13 Tax Levy request at the October Workshop.

ATTACHMENTS:

History and Projection of Assessed Equalized Valuation
Historical EAV by County
Property Tax Collected and Future Levy Amounts
Draft Five Year Plan Financial Plan Tax Levy Information
Settlement Preliminary Five Year Revenue Forecast
Library Tax Levy Request for FY12-13

**City of Naperville
History and Projection of Assessed Equalized Valuation**



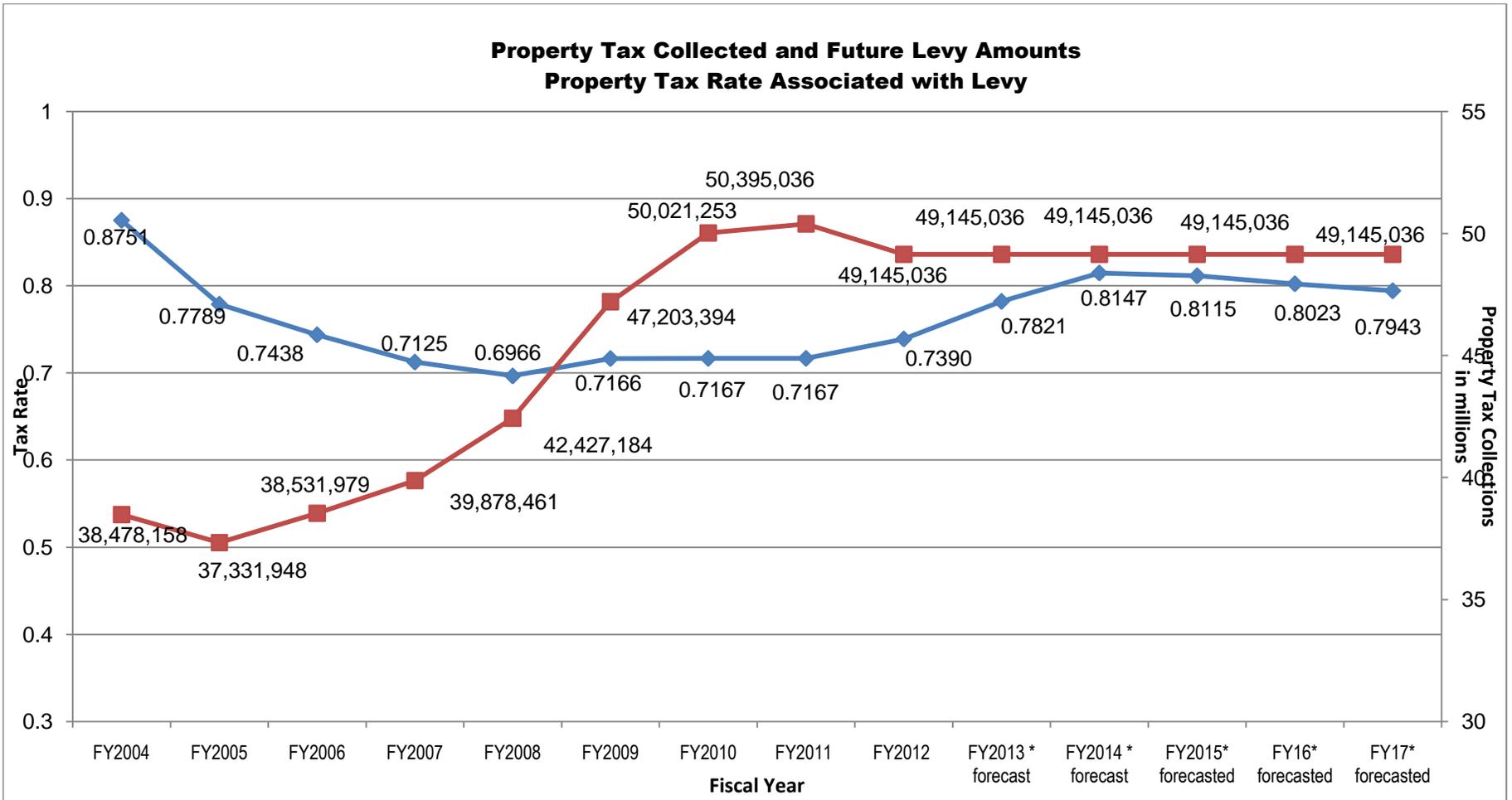
Fiscal Year	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13* forecast	FY14* forecast	FY15* forecast	FY16* forecast	FY17* forecast
Assessed Value	\$5,204,592,692	\$5,624,652,231	\$6,122,396,965	\$6,618,234,602	\$7,011,282,276	\$7,105,113,931	6,718,739,726	6,349,209,041	6,095,240,679	6,125,716,883	6,186,974,052	6,248,843,792
Year-over-Year Growth	7.77%	8.07%	8.85%	8.10%	5.94%	1.34%	-5.44%	-5.50%	-4.00%	0.50%	1.00%	1.00%

City of Naperville
 Historical EAV by County

Levy Year	2005	2006	% change	2007	% change	2008	% change	2009	% change	2010	% change
Will County	1,783,473,767	1,971,171,463	10.52%	2,127,483,819	7.93%	2,208,988,692	3.83%	2,222,950,592	0.63%	2,082,110,581	-6.34%
Dupage County	3,841,178,464	4,151,225,502	8.07%	4,490,750,783	8.18%	4,802,283,584	6.94%	4,882,163,339	1.66%	4,636,629,145	-5.03%
Total	5,624,652,231	6,122,396,965	8.85%	6,618,234,602	8.10%	7,011,272,276	5.94%	7,105,113,931	1.34%	6,718,739,726	-5.44%

Change over 5 years

	2005	2010	% change
Will County	1,783,473,767	2,082,110,581	16.74%
Dupage County	3,841,178,464	4,636,629,145	20.71%
Total	5,624,652,231	6,718,739,726	19.45%



**City of Naperville
Five-Year Financial Plan
Tax Levy Information**

CURRENT BUDGET

PROJECTED EAV	FY 2012 BUDGET 2010 ASSESSED VALUE			FY 2013 BUDGET 2011 ASSESSED VALUE			FY 2014 BUDGET 2012 ASSESSED VALUE		
	LEVY	2010 RATE	EXTENSION	LEVY	2011 RATE	EXTENSION	LEVY	2012 RATE	EXTENSION
			6,718,739,726			6,349,209,041			6,095,240,679
GENERAL FUND	12,518,040	.1882	12,643,220	10,124,331	.1612	10,225,574	9,713,968	.1612	9,811,108
DEBT SERVICE	9,790,005	.1472	9,887,905	11,447,369	.1822	11,561,843	9,797,675	.1624	9,895,652
IMRF	2,600,000	.0391	2,626,000	2,600,000	.0415	2,626,000	2,678,000	.0445	2,704,780
FIREFIGHTER PENSION	4,695,134	.0706	4,742,085	4,688,185	.0747	4,735,067	5,157,004	.0855	5,208,574
POLICE PENSION	4,334,585	.0652	4,377,931	4,317,379	.0687	4,360,553	4,749,117	.0787	4,796,608
NAPER SETTLEMENT	2,757,272	.0415	2,784,845	2,757,272	.0439	2,784,845	2,757,272	.0458	2,784,845
SUB-TOTAL	36,695,036	.5518	37,061,986	35,934,536	.5720	36,293,881	34,853,036	.5779	35,201,566
LIBRARY	12,450,000	.1872	12,574,500	13,210,500	.2101	13,342,605	14,292,000	.2368	14,434,920
TOTAL	49,145,036	.7390	49,636,486	49,145,036	.7821	49,636,486	49,145,036	.8147	49,636,486

FY 2015 BUDGET

FY 2016 BUDGET

FY 2017 BUDGET

PROJECTED EAV	2013 ASSESSED VALUE			2014 ASSESSED VALUE			2015 ASSESSED VALUE		
	LEVY	RATE	EXTENSION	LEVY	RATE	EXTENSION	LEVY	RATE	EXTENSION
			6,125,716,883			6,186,974,052			6,248,843,792
GENERAL FUND	7,595,748	.1254	7,671,705	4,575,083	.0747	4,620,834	5,340,455	.0863	5,393,860
DEBT SERVICE	10,300,843	.1700	10,403,851	11,624,186	.1898	11,740,428	9,113,739	.1473	9,204,876
IMRF	2,758,340	.0457	2,785,923	2,841,090	.0464	2,869,501	2,926,323	.0473	2,955,586
FIREFIGHTER PENSION	5,672,704	.0937	5,729,431	6,239,974	.1019	6,302,374	6,863,972	.1109	6,932,612
POLICE PENSION	5,244,029	.0867	5,296,469	5,746,431	.0938	5,803,895	6,321,075	.1022	6,384,286
NAPER SETTLEMENT	2,857,272	.0473	2,885,845	2,957,272	.0483	2,986,845	2,957,272	.0478	2,986,845
SUB-TOTAL	34,428,936	.5689	34,773,225	33,984,036	.5548	34,323,877	33,522,836	.5418	33,858,064
LIBRARY	14,716,100	.2426	14,863,261	15,161,000	.2475	15,312,610	15,622,200	.2525	15,778,422
TOTAL	49,145,036	.8115	49,636,486	49,145,036	.8023	49,636,487	49,145,036	.7943	49,636,486

**Naper Settlement
Preliminary - Five Year Revenue Forecast
Fiscal Years 2013-2017**

	FY12 Plan Base	FY13	FY14	FY15	FY16	FY17
Revenues:						
Tax Support	\$ 2,757,272	\$ 2,757,272	\$ 2,757,272	\$ 2,857,272	\$ 2,957,272	\$ 3,057,272
Use of Fund Balance	279,550	100,000	50,000	-	-	
TAH Grant	8,402	-	-			
Operating Revenue	485,150	531,425	546,731	575,000	592,250	610,000
Investment Income	33,000	33,000	33,000	33,000	33,000	33,000
NHS Pledge - Development position	100,000	100,518	103,597	106,822	110,204	113,751
NHS Pledge - Operations support	-	151,116	259,305	252,168	203,992	158,242
Total Revenues	\$ 3,663,374	\$ 3,673,331	\$ 3,749,905	\$ 3,824,262	\$ 3,896,718	\$ 3,972,265



NAPERVILLE PUBLIC LIBRARY

DATE: August 24, 2011
TO: Mayor and Council
From: John Spears, Executive Director
Re: Tax Levy Request for FY12-13

The Library Board and staff would like to express our gratitude to City staff for providing a great deal of information that has aided us in the preparation of our levy request and for additional time to prepare this request in light of recent administrative changes. As we receive over 90% of our revenue from property taxes, we are aware of the importance of carefully examining our expenditures to ensure that the funds with which we have been entrusted are spent in an efficient and proper manner. To achieve this goal, we have begun a zero-based budget process for FY13 that will more accurately account for all planned expenditures. In order to maintain an essentially flat budget, we are submitting a levy request of \$13,210,500, a request 4.8% lower than the initial projection submitted to Council. Our fund balance from FY11 will be fully utilized in FY13 to ease the burden on taxpayers and reduce our request from the initial proposed amount of \$13,881,000. This is in accordance with the agreement reached with Council to limit our Capital Reserve Fund to \$250,000 and use operating fund balances to reduce the amount requested.

Since 2009, the Library has reduced its levy by \$2.25 million, resulting in freezes on all wages, the elimination of paid programming, a reduction in the number of hours we are open, a longer replacement schedule for computer equipment, reductions in training opportunities for staff, and a significant reduction in the amount budgeted for library materials. Concurrently, we have absorbed increases in the employer share of IMRF contributions, utility costs, and unemployment insurance.

Maintaining our budget at current levels will, however, require further cost savings in multiple areas if we are to accomplish two goals that have been set by the Library Board: rebuilding our materials budget to a level that will adequately meet the needs of Naperville's residents and ensuring that our compensation levels are adequate to attract and maintain the quality of staff necessary to properly provide services. It is expected that we will be able, within the constraints of the current fiscal reality, to begin the process of rebuilding our collection without negatively impacting the public in other areas. Regarding compensation, the Library has engaged in salary range reviews similar to those requested by Council for City employees. The Library has regularly conducted such reviews to determine if we are maintaining a compensation level that will keep us at the 50th percentile of compensation for comparable organizations. Unfortunately, the elimination of merit increases and market adjustments for the past several years has caused our compensation to fall significantly below that of our peers, endangering our ability to attract and retain staff. It is our intention, though, to address these situations in FY13 through the identification of further cost savings that will allow us to accomplish these tasks without increasing our budget.

We appreciate the opportunity to work with Council on the establishment of our levy and look forward to meeting with you to discuss these issues.

**Naperville Public Library
Library Tax Rate and Levy**

8/23/2011

FISCAL YEAR		EAV	EAV % INC	LIB RATE	LIBRARY TAX LEVY
FY03	Actual Library Tax Levy	\$3,978,480,794	10.02%	0.1954	\$7,696,088
FY04	Actual Library Tax Levy	\$4,413,444,252	10.93% % Change=	0.2337 19.6%	\$10,210,913 32.68%
FY04	Without Abatement (See note 1.)	\$4,413,444,252	10.93%	0.2418	\$10,565,757
		% Increase from Actual FY03 Library Rate		23.7%	
FY05	Actual Library Tax Levy	\$4,828,113,069	9.40% % Change=	0.2313 -1.0%	\$11,058,009 after abatement 8.30%
FY06	Actual Library Tax Levy	\$5,204,592,692	7.80% % Change=	0.2402 3.8%	\$12,373,186 11.9%
FY07	Actual Library Tax Levy	\$5,624,652,231	8.07% % Change=	5.4% 0.2532 Reductions " Oper. Bal 0.2404 0.08%	\$14,099,561 (81,211) (401,192) (230,000) 13,387,158 8.19%
FY08	Actual Library Tax Levy	\$6,122,396,965	8.85% % Change=	0.2302 -4.24%	\$13,953,973 4.23%
FY09	Actual Library Tax Levy	\$6,618,234,602	8.10% % Change=	0.2244 -2.53%	\$14,702,792 5.37%
FY10	Actual Library Tax Levy (per counties 5/4/09)	\$7,011,282,276	5.94% % Change=	Oper. Bal 0.2000 -10.84%	(500,000) \$13,886,796 -5.55%
FY11	Actual Library Tax Levy (per counties 5/10)	\$7,105,113,931	1.34% % Change=	Oper. Bal 0.1827 -8.65%	(1,000,000) \$12,855,307 -7.43%
FY12	Actual Library Tax Levy (per counties 5/11)	\$6,718,739,726	-5.438% % Change=	Oper. Bal 0.1872 2.42%	(1,367,000) \$12,450,000 -3.15%
FY13	Estimated Library Tax Levy	\$6,349,210,000	-5.500% % Change=	Oper. Bal 0.2101 12.28%	(673,940) \$13,210,500 6.11%
FY14	Estimated Library Tax Levy	\$6,095,250,000	-4.000% % Change=	Oper. Bal 0.2368 12.69%	-0- \$14,292,000 8.19%
FY15	Estimated Library Tax Levy	\$6,095,250,000	0.000% % Change=	Oper. Bal 0.2438 2.97%	-0- \$14,716,100 2.97%
FY16	Estimated Library Tax Levy	\$6,156,202,500	1.000% % Change=	Oper. Bal 0.2487 2.00%	-0- \$15,161,000 3.02%
FY17	Estimated Library Tax Levy	\$6,217,764,525	1.000% % Change=	Oper. Bal 0.2538 2.02%	-0- \$15,622,200 3.04%

8/31/2011

Emergency Reserve Policy

Emergency
Reserve Policy

**CITY OF NAPERVILLE
MEMORANDUM**

DATE: September 2, 2011

TO: Mayor and City Council
Douglas A. Krieger, City Manager

FROM: Karen DeAngelis, Director of Finance

SUBJECT: Proposed Emergency Reserve Policy

PURPOSE:

This memorandum provides the Mayor and City Council with the Financial Advisory Board recommendation to formalize an Emergency Reserve Policy in place of the current General Fund Reserve and Cash Transfer Policy. Staff will look for Council direction if they wish to consider adoption of the proposed Emergency Reserve Policy on the agenda for the next Council meeting.

BACKGROUND:

The City Manager requested the Financial Advisory Board consider if the Naperville General Fund Reserve and Cash Transfer Policy (see attached) should be enhanced to provide clarity on when and how the funds might be used. Clarification in the policy is expected to facilitate future budget discussions when questions arise regarding the potential use of the reserve fund.

DISCUSSION:

The economic downturn has created significant pressure on municipal budgets. Many municipalities have turned to using a portion, or all, of their General Fund reserve in order to temporarily balance the budget. The Financial Advisory Board respects, appreciates and agrees with the Naperville City Council holding firmly that the General Fund reserve was not intended to provide coverage for general economic challenges; the duration and scale of which are uncertain. The recent bond rating reports issued by both S&P and Moody's comment on the City's commitment to strong financial management practices as reasons for the sustained highest rating level (AAA- S&P and Aaa – Moody's). The consistent maintenance of the General Fund Reserve Level is one of the financial management practices that the agencies specifically consider in their evaluations. The rating agencies have in the past noted respect for municipalities which have following policies that are in place, and it is expected that they will appreciate a structured usage and replenishment approach.

The FAB devoted considerable time to deliberating on a recommended policy. The discussions spanned three meetings, so took place over a period of nine months which allowed for sufficient time to consider and challenge. The FAB's first observation is that the current name of the reserve may by itself lead to the misimpression that the money is generally available. It is often referred to as a Rainy Day Fund, in the absence of a more specific title, which gives the impression it may be available to cover recessionary revenue declines. The Board strongly recommends the General Fund Reserve be renamed as the "Emergency Reserve" so that it is reflective of the intent.

Attached is the FAB proposed Emergency Reserve Policy for Council consideration to replace the current General Fund Reserve and Cash Transfer Policy. This proposed policy includes clarification on the use, authorization and replenishment of the reserve. Very few municipalities have anything in place, so this is leading edge financial management discipline.

RECOMMENDATION:

Staff recommends Council direct them to bring to the next Council meeting an agenda item to consider adoption of the proposed Emergency Reserve Policy.

ATTACHMENTS:

Current General Fund Reserve and Cash Transfer Policy
Proposed Emergency Reserve Policy

General Fund Reserve and Cash Transfer Policy

General Fund It shall be the policy of the City Council to keep in cash on hand in the General Fund equal to 20% of the subsequent years' appropriations, net of interfund transfers, as of April 30th each year. The total fund balance shall not exceed the total fund balance less a reserve for outstanding encumbrances, less 20% of the subsequent years' adopted budgeted expenditures, net of interfund transfers. This calculation will be made at the time the budget is prepared by staff, but not later than the second Council meeting of April each year. Staff shall submit a proposal to Council for the use of any excess funds each year as part of the budget process. The amount proposed by staff may be appropriated by the City Council for any lawful purposed through the budgetary process, or at any other time during the fiscal year by a majority vote of the Council.

Once the financial audit is completed for the year, staff will prepare a report indicating whether the amount budgeted was sufficient to transfer all excess cash above the reserved fund balance, or if an additional amount is available for appropriation by the Council. The report shall be given to Council not later than October 1 of each fiscal year.

Policy for the General Fund transfer of excess cash was approved by Council at 12/17/2002 City Council meeting, Agenda Item H1.

Proposed - Emergency Reserve Policy

Background:

The General Fund is the general operating fund of the City. The top four revenue sources (Property Taxes, Retail Sales Taxes, Utility Taxes and Income Taxes) together comprise almost 3/4ths of the General Fund's annual revenue. The General Fund houses the expenditure budgets for all the core city service departments including: Mayor's Office, City Manager's Office, Police, Fire, Public Works, Transportation Engineering & Development Business Group, Legal, Finance and Human Resources.

Purpose:

The Emergency Reserve exists to ensure the city's ability to fund the provision of critical services to residents during, or immediately after, an emergency event. The intention is to mitigate current and future risks from events which result in either:

- sudden and significant decreases in locally collected revenue or intergovernmental aid,
- or unanticipated expenditures related to relief efforts in response to an extreme event,
- or the immediate cash requirement for unexpected major capital maintenance

expenditures.

The reserve is not to be used for systemic financial issues, but is intended for events which impact only one budget year. A general economic decline which may be long term in nature is not deemed to be an emergency event even if the financial impact is above the dollar level defined as significant.

Emergency Event Definition:

An emergency event is characterized as a one-time unanticipated immediate event which is extreme in nature and results in either a significant temporary reduction in the city's sources of revenue; or a significant temporary increase in services, or the costs thereof, that the city needs to provide to its residents. The event may occur locally, or it may be a broader scale emergency which has significant local impact. A significant event is defined in financial terms as an uninsured event with an estimated impact greater than 5% of the city General Fund expenditure budget less inter-fund transfers (or 1/4th of the Emergency Reserve requirement). For FY12 the 5% significance level would be measured as \$4.7 million. Funds may also be made available on a temporary basis from the Emergency Reserve should there be a delay in the receipt of insurance recovery money.

Emergency events include, but are not limited to, natural disasters. Other examples of emergency events are those that would result in unforeseen reductions in revenue may include adverse Federal or State funding actions. Should the action of other levels of government significantly reduce the city's funding sources subsequent to the adoption of the municipal budget, this would constitute an emergency event for the current budget year for which the Emergency Reserve could be used to replace the missing funding for just the current budget year. A permanent sustainable solution would be required for the following budget cycle, which would either be identification of other new or incremental revenue sources, and or offsetting reductions in costs.

Reserve Requirement:

In the absence of any prior events which resulted in usage of the Emergency Reserve, as of April 30th of each year the reserve requirement will continue to be calculated as 20% of the General Fund subsequent years' annual budgeted expenditures less inter-fund transfers. Effective for the FY12 budget year the required reserve is \$18.9 million.

Usage:

At any point in time up to one half of the Emergency Reserve balance available may be used to provide funding to support required city services. This restriction is to assure that there will always be some funds available should multiple emergency events occur before the Emergency Reserve balance is restored to the reserve requirement level.

Use of the Emergency Reserve may be authorized as follows:

- A simple majority vote of Council will be required to support the usage of the Emergency Reserve Fund and the level of funds to be released.
- Should the Mayor declare a state of emergency, up to half of the Emergency Reserve will be made immediately available to fund relief response efforts until Council can convene for a vote.

The Emergency Reserve may be used to fund:

- The provision of critical services to residents during, or immediately after, an emergency event,
- An unforeseen reduction in revenue due to an emergency event, including the result of adverse actions of other levels of government during the current budget year,
- Or expenditures made under the "Emergency Procurements" section of the Procurement Code Ordinance,
- Or may also be used for temporary funding of expenditures which the City anticipates reimbursement through a State or Federal Emergency Declaration,
- Or where there is a temporary delay in receipt of insurance recovery money.

Council should have available for their consideration and approval at the time the vote is taken, or within six months at the latest, the reserve recovery strategy and restoration plan. As Council deliberates on the usage of the Emergency Reserve versus other funding options for the emergency relief response, it is appropriate to consider potential Bond Rating implications from the Emergency Reserve usage.

Recovery and Restoration:

Within six months following the usage of the Emergency Reserve both a reserve Recovery Strategy and a Restoration Plan will be reviewed with and approved by Council.

- The Recovery Strategy will provide clarity on how budget balance will be restored by the end of the first fiscal year following the event or sooner.
- The Restoration Plan will articulate how the fund will be restored to the required balance level, effectively it is a repayment plan.

These plans should articulate any adverse consequences to subsequent budget years from the longer term financial impacts of the event and from the future funding of the reserve restoration.

If the use of the Emergency Reserve was to temporarily fund expenditures for which reimbursement is anticipated through a State or Federal Declaration, or through an insurance

recovery, the reimbursements when received will be immediately applied to the restoration of the Emergency Reserve Fund.

The funding of the restoration must commence in the second full fiscal year following the event and continue for a maximum of 5 years with a minimum of 1/5th of the amount used being restored each year until the balance is paid back in full. This will bring the Emergency Reserve back to the required balance by the end of the 6th full fiscal year following the event. Borrowing cannot be used as a funding source for the restoration of the reserve, unless the reserve was used as temporary funding for a major capital infrastructure emergency maintenance . Any fiscal year end surplus during the intervening years must be fully used to restore the reserve. Any other non-borrowing source of funding may also be used, and it is possible that expenditure reductions may also be required in future years to ensure the reserve is restored.

Excess Fund Balance:

As of April 30th the total General Fund Emergency Reserve balance, less outstanding encumbrances, should not exceed the required reserve level. When an excess balance exists, staff will propose to Council potential uses for such funds. The lawful purpose approved by Council shall be incorporated into the budget. At the conclusion of the financial audit, staff will prepare a report indicating the position of the fund balance, demonstrate that a sufficient transfer as budgeted was made to the Emergency Reserve, and identify if any additional excess funds are available for appropriation by Council. The report shall be given to Council not later than October 1 of each calendar year.

Emergency Response Cost Recovery

Emergency
Response Cost
Recovery

**CITY OF NAPERVILLE
MEMORANDUM**

DATE: September 2, 2011

TO: Mayor and City Council
Douglas A. Krieger, City Manager

FROM: Karen DeAngelis, Director of Finance

SUBJECT: Emergency Response Cost Recovery Program

PURPOSE:

Provide information to Council on the potential to implement an Emergency Response Cost Recovery Program. Also review options for changing the fire inspection process and consider billing for the inspection services. Staff will look for Council direction regarding further action or consideration of these programs.

DISCUSSION:

Emergency Response Cost Recovery Program

Municipalities continue to look for ways to reduce general taxpayer burden by implementing user fees to fund specific services. A good example is billing for Ambulance services, which began slowly with a few municipalities adopting the practice and has grown now to be a generally accepted and widely adopted practice. By implementing a user fee for ambulance service the cost to the general taxpayer was reduced to the cost of maintaining the service in ready mode, and the ambulance fee then recovers a portion of the cost to respond to the emergency. A new practice of billing for the cost of a broader set of emergency response services began on the west coast and is spreading eastward. The model is intended to mirror that used in ambulance billing, with the taxpayer funding the service ready mode costs and the user fee to recover the actual equipment and personnel response costs.

The list of services which some entities are billing for includes: Motor vehicle accidents, Hazmat clean-up, Power line incidents, Vehicle fires, Structure fires, Fire investigation, Special rescue, and Water incidents. In most cases the charges are recoverable through the property or automobile insurance policy.

Fire Departments provide a range of emergency services and provide equipment and personnel to handle vehicle accidents with extrication, hazardous materials incidents, water rescue, special and technical rescue such as confined space, structural collapse, and high angle for both residents and non-residents alike. Residents as taxpayers are funding at least a portion of these services; non-residents on the other hand are not a part of the tax base. For this reason, some cities and counties are adopting ordinances allowing them to file claims against at-fault, non-resident drivers; while residents are not charged. Other entities are adopting ordinances which also allow for billing residents for at-fault motor vehicle incident responses at reduced rates. The Huntley Fire Protection District just adopted an ordinance on June 28, 2011 which provides different fees

to residents and non-residents for specialized rescue services and technical rescue services; charges only non-residents for automobile extrication services; charges residents for false fire alarm responses and charges the same rate to residents and non-residents for hazardous materials responses.

The ability to charge and collect such a fee is supported by the State Code. IL code Section 11-6-1.1: "The corporate authorities of each municipality may fix, charge, and collect firefighting service fees not exceeding the actual cost of the service for firefighting services rendered by the municipality against person, businesses, and other entities that are not residents of the municipality. An additional charge may be levied to reimburse the municipality for extraordinary expenses of materials used in rendering the services." The municipal ordinance adopted can specify which specific fire suppression or other response services will be billed. Other services can include hazardous material and technical rescue services. Fees would only be assessed for vehicles and crews that arrive on-scene and perform functions critical to the incident. No additional charges would be billed for ambulance services, as this is already provided for in the separate ambulance billing process.

As this is a new service, there are a limited number of organizations that can support the process. The service contracts are structured with a commission stated as a percentage of collections, so there is no incremental cost to the municipality. One such organization, Fire Recovery USA LLC, estimates that a Department the size of Naperville might expect as much as \$250,000 a year in net revenue. In all cases the municipality approves which incident runs are ultimately billed.

General Fire Inspection Process and Billing

The billing service also has available an automated system to support the Fire inspection process. Through the use of an iPad based application the inspections are scheduled automatically as required and the inspector is provided with the applicable fire codes relative to each business and location. The inspection notes can be completed in the system application and once completed, the data is sent to the billing company and an invoice is automatically generated. The local business is charged an inspection fee which they can pay by either check or online. Should the inspection have failed, the business would be alerted of the needed repair and the application would automatically schedule the follow up inspection.

The billing company provides the iPads and there is a fee for their use as well as a commission expressed as a percentage of collections. Staff expects the fiscal impact would be positive, as any fees collected would be new revenue and should offset both the cost of the commission and the fee for the iPad usage. In addition the automated tool will increase the efficiency and productivity of the inspection work.

Mechanical Fire Inspection Process and Billing

Another new area of service for consideration is the use of an outside organization to conduct mechanical fire inspections. Outside organizations now offer services that can be used to provide third party verification of mechanical testing and compliance. Fire Department resources are currently being used for this service. Use of a third party vendor could increase the efficiency and productivity of Department resources. There would be neither a loss of revenue nor an additional expense as the city does not currently charge for the service and the vendor fee would be paid directly from the local business to the vendor. Warrenville adopted a resolution to

implement this third party process on 8-24-11, and Downers Grove is expected to formally adopt it by the end of September.

CONCLUSION:

Before proposing implementation of any of these programs staff would need to complete more investigation and analysis. If Council directs, staff will continue to pursue these opportunities and bring proposals to Council at a future Council meeting.

Other Revenues

**CITY OF NAPERVILLE
MEMORANDUM**

DATE: September 2, 2011

TO: Mayor and City Council
Douglas A. Krieger, City Manager

FROM: Karen DeAngelis, Director of Finance

SUBJECT: Trends in Other Revenue Streams

PURPOSE:

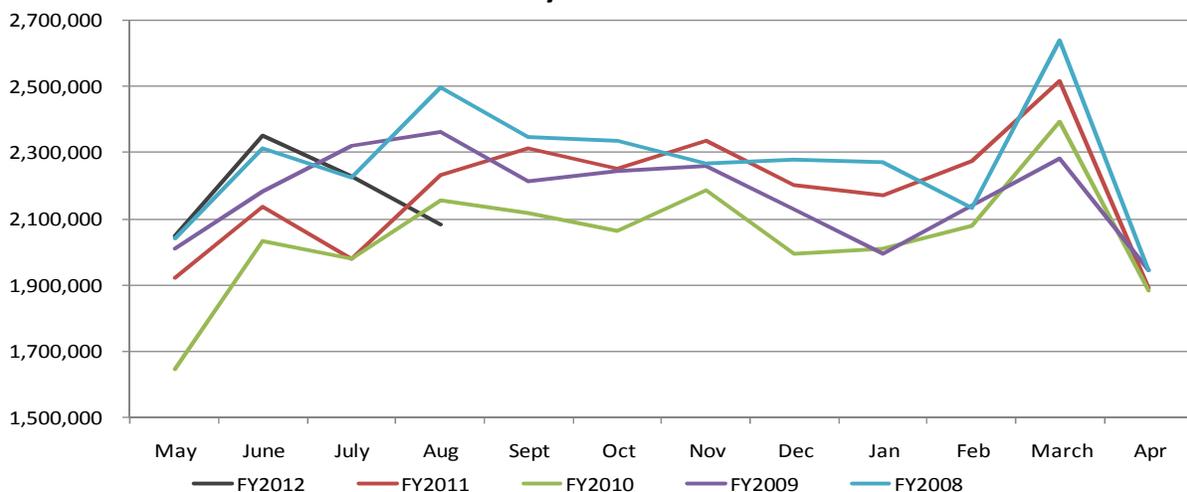
Provide information to Council on the recent trends in the various city revenue streams.

DISCUSSION:

Retail Sales Tax

- Retail sales showed a strong recovery in FY11, ending only 2% below the FY07 pre-recession level.
- After several years of continuous monthly declines, sales receipts in FY11 were consistently above the prior year in every month (FY11 in red is above FY10 in green on below chart).
- The first three months of FY12 continued the trend, with each above the prior year, and reflect sales slightly above the FY07 comparable period!
- The US Census Bureau reports overall retail sales up by almost 8% from last year for the first 7 months of 2011, with auto dealership sales up over 11%.
- Naperville August receipts (May month sales) were weak. National trends did also show a slight decline in the month of May sales, but reflect increases again in June and July.
- Staff is projecting to end the year \$1 million above the FY12 budget – which would be a slight increase over pre-recession FY07 and 2.5% above last year (FY11).
- While there remains some risk of a double dip recession, there is no current evidence to suggest the revised projection is not achievable.

**Retail Sales Tax
by Month**

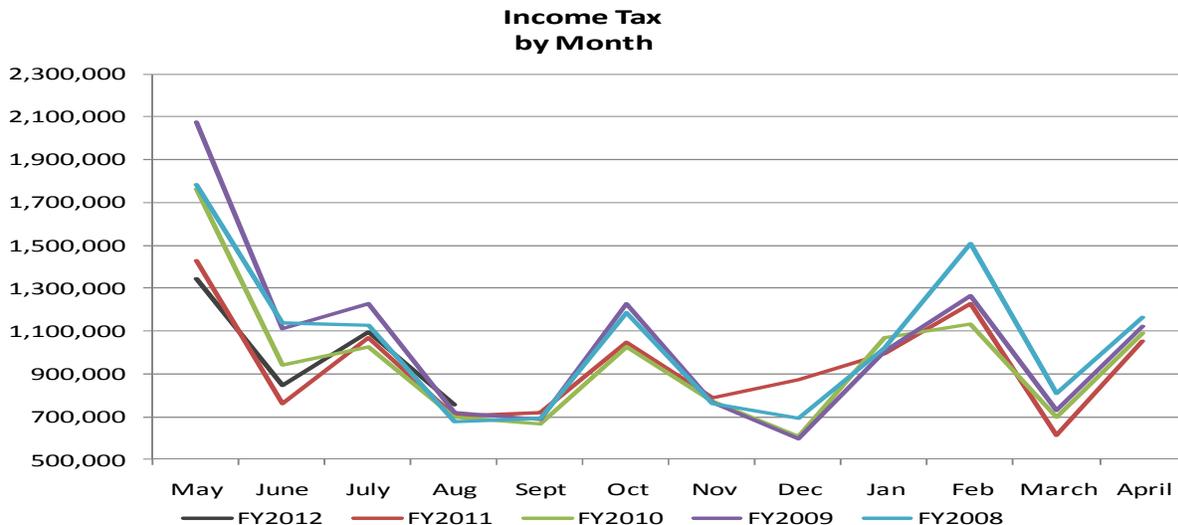


Local Use Tax

- The Illinois Municipal League (IML) projected a decline in the local use tax for FY12. Staff used this projection when preparing the budget
- The IML has now revised this projection upwards suggesting total collections for the year may be \$400,000 higher for FY12
- First quarter receipts are \$150,000 above budget. As the year progresses any upside can be used to offset shortfalls in other revenue sources.

Income Tax

- A 10% decline from a high of \$12.6 million in FY08 to \$11.3 in FY11.
- After continuous monthly declines in FY09 and FY10, there were seven months in FY11 that were above the prior year suggesting the beginning of some improvement in the per capita level.
- Unemployment in the State of Illinois remained above the national average until March of 2011, and since then has improved to be roughly at the national average for the last 4 months.
- The 2010 Census reported Naperville's population at 141,853, a reduction of almost 2% from the prior special census figure. The State began using the 2010 census for the June apportionment calculations. A portion of the revenue cushion established by Council during the budget process was used to cover the reduction in the State attribution due to the lower Census results.
- The FY12 Budget (adjusted for the Census) is flat with last year, reflecting the assumption that increases in the per capita level will offset the reductions in the apportionment due to the lower census count.
- Over the last three years the State has considered reducing the municipal allocation as a way to balance the State budget; however no action has yet been taken. The proposals under consideration could reduce the allocation by 30%, which would mean potentially a \$3.4 million reduction for Naperville.
- State delays in remitting funds have been as much as 5 months (\$5.5 million) behind, with payments taking up to 164 days.
- The state is currently only 3 months behind (\$2.7 million)
- The IML is now projecting declines in the per capita allocations for FY12, suggesting a possible downside to the current year budget.
- Staff however remains optimistic that the current budget is achievable, but will monitor as the year progresses.



Real Estate Transfer Tax

- Over a 60% decline from a high of \$5.9 million in FY07 to \$2.3 million in FY10, reflecting the dramatic decline in both property sales and values during the economic downturn.
- Federal stimulus programs helped to bolster sales for a time, but they ended in the middle of 2010.
- Sales of residential properties continued a slow decline in FY11, but were more than offset by improvements in Commercial property sales.
- FY11 ended at \$2.6 million, up \$0.3 million from the prior year.
- The first quarter of FY12 however, shows further drops in the number of real estate transactions.
- Home values remain depressed falling by 14% in a two year time period from FY08 average sales price of \$439K to FY10 of \$373K. Values have roughly stabilized at this lower level since that point in time.
- Without further Federal government intervention the housing market is likely to remain depressed.
- At this point it is looking likely that there will be a shortfall from budget in this area.



Utility Tax-Electric

- Electric Utility tax receipts remained relatively level, from \$5.9 to \$6.0 million a year for 4 of the last 5 years.
- FY10 receipts fell by \$400K, almost 7% from that average level due to moderate weather throughout the year.
- FY11 returned to a normal weather pattern, and the early part of FY12 appears to be fairly normal as well.
- YTD FY12 is roughly on budget and is projected to end the year on budget at \$6.0 million.

Utility Tax-Natural Gas

- Natural Gas Utility tax results are highly dependent on cold temperatures in the winter months and on natural gas prices
- In two of the last six years (FY09 and FY06) over \$1 million has been collected in one of the winter months.

- Natural Gas Utility tax collections have averaged \$3.3 million over the last five years, ranging from a low of \$2.5 million (FY07) to a high of \$4 million (FY09).
- Natural gas prices peaked in the middle of 2008 and then declined through the year 2009. They have remained relatively low and stable for the last 18 months, but historically have been volatile.
- Achievement of the \$4 million budget is dependent on an assumed cold winter season and stable or increasing natural gas prices.

Telecom Tax

- Telecom tax had been showing a slow growth pattern through FY09, but then did see a slight decline in both FY10 and FY11 due to the economic downturn.
- The budget assumes only a slight improvement in FY12.
- YTD receipts are right on budget.

Hotel Tax

- The hotel industry was seriously impacted by the economic decline.
- Hotel tax receipts declined by 40% from a high of \$1.5 million in FY08 to only \$900K in FY10.
- Hotel Tax collections in early FY12 are down from both last year and budget, reflecting the closure of the Holiday Inn and loss of some of the hotel business to other surrounding communities.
- Hotel Tax revenue should be restored for FY13, as the Marriott is expected to be open by the start of the fiscal year.
- First quarter FY12 shortfall from budget is \$80K. Staff will monitor collections as the year progresses but some budget shortfall is likely.

Food & Beverage Tax

- Council changed the ordinance effective for FY11 to direct 25% to the General Fund and 75% to the Special Events and Cultural Amenities Fund (SECA)
- While the economy depressed most consumer activity, food and beverage sales continued to increase slightly over the last few years.
- Total tax collection increased about \$50,000 in each year, FY10 and FY11, and is now roughly \$2.95 million.
- The FY12 Food and Beverage tax revenue budget is a slight increase over last year and continues to be reasonable at a total of \$3.0 million; \$2.2 million in SECA and \$0.8 million in the General Fund.
- At the April 19, 2011 Council meeting, action was taken to amend the budget and increase the FY12 expenditures to \$2,380K. The expenditures are in excess of the \$2,214K current year SECA fund revenue. The additional expenditures will be funded by the use of fund balance in excess of the required \$200K reserve.
- For FY13 the available Millennium Carillon fund balance will be used to reduce the SECA maintenance funding request. This will allow for roughly the same level of cultural grant awards to be made in FY13 as the final FY12 awards. (See attached Food and Beverage Tax Analysis)

Permits and License

- The economic downturn has resulted in a significant reduction in the permit and license fees collected by the city.
- These revenues declined by almost 40% from FY07 to FY11, from \$2.6 million to \$1.6 million.

- The FY12 budget conservatively projects a potential further decline in activity.
- YTD these revenues are slightly ahead of both budget and last year.

Traffic Fines

- Collections from traffic fines increased in FY09 and FY10 as a result of the automated red light enforcement.
- FY11 collections declined reflecting the drop in ticketing volume as driving behavior has improved and Council action during FY11 to eliminate the right turn on red enforcement.
- The lower FY12 budget reflects the full year absence of the automated right turn on red enforcement.

Ambulance Fees

- In FY09 Council passed a significant ordinance change which raised ambulance fee rates to levels comparable with surrounding communities. The increase drove revenue collections from \$1.5 million in FY08 to \$2.4 million in FY09.
- Even with the Medicare increased reimbursement rate in FY10, collections fell to only \$2 million. The decline was due to both a small 3% drop in call volume coupled with a significant fall in the recovery rate for fees billed from 77% to 68%. The sharp decline in recovery rate was due to the economic downturn as individuals are less able to pay deductibles/co-pays or amounts above insurance reimbursement limits.
- Actual collections in FY11 increased by \$400K, to a total of \$2.4 million. The number of total calls increased by over 6.5%. The majority of the increase, \$250K, was driven by increased billings to non-residents.
- The budget for FY12 of \$2.3 million appears reasonable and achievable.

Refuse Fee

- Council implemented a residential refuse fee of \$2 per month per household effective for FY11.
- No change has been made to the rate, the small increase in revenue projection reflects only an assumption of increased households serviced.

Use of Fund Balance

- The FY12 budget was balanced using \$1.9 million of General Fund fund balance in excess of the policy reserve requirement. While it is early in the year to commit to excesses or shortfalls on many of the revenue sources, staff is projecting \$1 million more of retail sales tax collections. The fund balance will only be used to the extent needed to balance the budget during the year, up to the maximum budgeted of \$1.9 million. Any remaining fund balance becomes available for Council to consider in the FY13 budget process.

Revenue Cushion

- During the FY12 budget process Council requested a \$700,000 revenue cushion be included to cover any unanticipated revenue shortfalls. A portion of this cushion has already been used to offset the impact on the state allocated income tax revenue from the lower Census. The remaining balance of \$450,900 is available to cover any other shortfalls during the year, several potential shortfalls were noted earlier in this memo.

State Motor Fuel Tax

- State motor fuel tax collections had fallen in line with the general 10% decline in national fuel purchases, falling from \$4.0 million in FY07 to \$3.7 million in FY10.

- The per capita allocation remains relatively stable at \$3.7 million for the last two years, and is budgeted for a slight increase to \$3.8 million for FY12.
- This revenue is collected by the state and then remitted to municipalities on a per capita basis. As such, there is some risk that the cash flow may be delayed or the state may consider changes to the program.

State Jobs Now Capital Bill Program

- During FY11 the state announced the city would receive the award of \$0.6 million as part of the first installment of the Illinois Jobs Now Capital Bill Program to fund roadway improvement work.
- The state recently announced the program would issue the second installment, and the city has again received a check for \$0.6 million.
- The Capital Bill was designed to provide five years of funding at the same level, two installments of which have been made as planned and on time. As this is a State program there is some risk of amendment over the next three years until the final installment is made. Given however the prompt payment of the first two installments, Staff is proposing to incorporate the remaining three installments into the budget for FY13 and the plan for FY14 and FY15. Each year during the budget cycle staff will re-assess the risk to this revenue stream.

Local Motor Fuel Tax

- Over the last 7 years motor fuel sales have declined slowly across the nation, for a total decline of over 10%. The decline is reflected in the drop of total collections in Naperville from the 2 cent tax from \$1.6 million in FY05 to \$1.4 million in FY09 and FY10.
- The revenue from the 2 cent local motor fuel tax was split evenly between the Motor Fuel Tax Fund and the Road and Bridge Fund.
- Effective for FY11 Council implemented an increase of 2 cents, for a total of 4 cent per gallon. Revenue from the additional 2 cent per gallon is going to the Motor Fuel Tax Fund to be used for the annual MIP expenditures.
- Local gasoline volumes declined by over 6% in FY09 and FY10, falling to a low of 66.7 million gallons from the FY05 level of 76.2 million gallons. Sales volumes however increased by 1% in FY11 and early months of FY12 reflect a slight increase as well.
- The budget projection of flat revenue from the local motor fuel tax is reasonable.

ATTACHMENTS:

Revenue Trend Schedule

Food and Beverage Tax Analysis

**City of Naperville
Revenue Trend Schedule**

	Actual FY07	Actual FY08	Actual FY09	Actual FY10	Actual FY11	Budget FY12	Anticipated GAP	Projected FY12
General Fund								
Property Tax								
General Corporate	\$5.6	\$9.5	\$12.8	\$14.9	\$13.9	\$12.5		\$12.5
Pensions	7.8	8.1	9.0	10.0	12.0	11.6		11.6
	<u>13.4</u>	<u>17.6</u>	<u>21.8</u>	<u>24.9</u>	<u>25.9</u>	<u>24.1</u>		<u>24.1</u>
Retail Sales Tax	27.1	26.3	24.8	24.3	26.6	26.3	1.0	27.3
Local Use Tax	1.8	2.0	2.0	1.7	2.0	1.6		1.6
Income Tax	11.5	12.6	12.5	11.5	11.3	11.3		11.3
Real Estate Transfer Tax	5.9	4.4	2.5	2.3	2.6	2.6		2.6
Utility Tax Electric	5.8	6.0	5.9	5.5	5.9	6.0		6.0
Utility Tax Natural Gas	2.5	3.0	4.0	3.6	3.3	4.0		4.0
Telcom Tax	6.4	6.6	6.7	6.4	6.2	6.3		6.3
Other (Water & ComEd) Utility Tax	1.0	1.0	1.0	0.9	1.0	0.9		0.9
Hotel Tax	1.4	1.5	1.3	0.9	1.0	1.1		1.1
25% F&B tax	0.0	0.0	0.0	0.0	0.8	0.8		0.8
Other Taxes	0.3	0.4	0.7	0.3	0.3	0.3		0.3
Total Tax Revenues	<u>\$63.7</u>	<u>\$63.8</u>	<u>\$61.4</u>	<u>\$57.4</u>	<u>\$61.0</u>	<u>\$61.2</u>	<u>\$1.0</u>	<u>\$62.2</u>
Permits and License	2.6	2.5	2.0	1.6	1.6	1.4		1.4
Traffic fines	1.7	1.9	2.6	3.0	2.8	2.6		2.6
Ambulance Fees	1.5	1.5	2.4	2.0	2.4	2.3		2.3
Refuse Fee	0.0	0.0	0.0	0.0	0.9	1.0		1.0
Other charges for services	3.4	2.8	2.3	2.7	2.9	2.7		2.7
Interfund Chargebacks	8.9	12.8	12.0	13.5	10.6	10.5		10.5
Other Revenue	3.5	4.3	4.1	3.5	5.8	4.5		4.5
Use of Fund Balance	0.0	0.0	0.0	0.0	0.0	1.9	-1.0	0.9
Revenue Cushion	0.0	0.0	0.0	0.0	0.0	-0.5		-0.5
Total Other Revenue	<u>21.6</u>	<u>25.8</u>	<u>25.4</u>	<u>26.3</u>	<u>27.0</u>	<u>26.4</u>	<u>-1.0</u>	<u>25.4</u>
Total Revenues	<u>\$98.7</u>	<u>\$107.2</u>	<u>\$108.6</u>	<u>\$108.6</u>	<u>\$113.9</u>	<u>\$111.7</u>	<u>\$0.0</u>	<u>\$111.7</u>

Motor Fuel Tax Fund and Road and Bridge Fund

Motor Fuel Tax Fund

State Motor Fuel Tax	4.0	3.8	3.6	3.7	3.7	3.8		3.8
Jobs Now Bill Program					0.6		0.6	0.6
Local Motor Fuel Tax	0.8	0.8	0.7	0.7	2.0	2.0		2.0

Road and Bridge Fund

Local Motor Fuel Tax	0.8	0.8	0.7	0.7	0.7	0.7		0.7
----------------------	-----	-----	-----	-----	-----	-----	--	-----

Special Events and Cultural Amenities Fund (SECA)

Food & Beverage (75% in FY11)	2.5	2.7	2.8	2.9	2.1	2.2		2.2
-------------------------------	-----	-----	-----	-----	-----	-----	--	-----

City of Naperville
 Food and Beverage Tax Analysis
 26-Aug-11

	Current FY12- Revised	FY13	FY14	Projected* FY15	FY16	FY17
Revenue						
Est. revenue at .75%	\$ 2,208,000	\$ 2,274,240	\$ 2,342,467	\$ 2,412,741	\$ 2,485,123	\$ 2,559,677
Other revenue (incl. Interest)	6,200	\$ 6,200	\$ 6,200	\$ 6,200	\$ 6,200	\$ 6,200
	\$ 2,214,200	\$ 2,280,440	\$ 2,348,667	\$ 2,418,941	\$ 2,491,323	\$ 2,565,877
Expenditures						
Riverwalk and Carillon Agreements	232,389	134,715	263,756	271,669	279,819	288,214
Municipal Band	130,317	134,227	138,253	142,401	146,673	151,073
Admin	109,000	112,270	115,638	119,107	122,680	126,361
Carillon Loan	600,000	600,000	600,000			
Special Events	473,379	487,580	502,208	517,274	532,792	548,776
	1,545,085	1,468,792	1,619,856	1,050,451	1,081,965	1,114,424
Grants- Cultural	834,915	844,440	728,812	1,368,490	1,409,358	1,451,454
Amount Available for Cultural Grants	(165,800)	(32,792)	(0)	(0)	1	(1)
Beginning Fund Balance	\$ 398,592	232,792	200,000	200,000	200,000	200,000
Ending Fund Balance	\$ 232,792	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000

*Assumed a 3% increase for inflation

Taxes and Fees

**CITY OF NAPERVILLE
MEMORANDUM**

DATE: September 2, 2011

TO: Mayor and City Council
Douglas A. Krieger, City Manager

FROM: Karen DeAngelis, Director of Finance

SUBJECT: Municipal Taxes and Fees

PURPOSE:

Provide Council with comparative municipal tax and fee information.

DISCUSSION:

Over the last couple budget cycles Staff has provided Council information on comparable community taxes and fees. The attached are updated schedules which council may wish to review. Changes in general taxes last year have been minimal and are isolated to increases in home rule sale tax in Downers Grove of 0.25%; a 1% increase in the business district sales tax in Lombard and the implementation of a business district tax of 1% in Oak Brook Terrace both related to specific area redevelopment plans.

The one area that has seen fairly across the board increases is in charges for residential refuse services. Almost all municipalities reviewed passed through contract rate increases to residents. The average increase last year was 7%. Many municipalities have already communicated planned future year increases to pass through escalations in current multi-year contracts.

A complete list of Naperville fees and taxes can be provided to Council on request. Department Directors periodically review the various fees and bring to Council requests for changes when appropriate. Director updates were gathered as this workshop material was prepared.

The Fire Department is requesting Council to consider a new revenue option, "Cost Recovery" billing, the proposal for which is included in another section of this workshop material.

CONCLUSION:

Information provided for Council reference only.

ATTACHMENTS:

Cumulative Sales Tax and other Tax Comparison Schedule
Monthly Residential Refuse Fee Schedule
Local and County Gas Tax per Gallon

City of Naperville
Cumulative Sales Tax and other Tax Comparison Schedule
As of August 24, 2011

Municipality	County	State Rate	Municipal (1%) and County Shares	Regional Transportation Authority Rate	DuPage Water Commission Rate	Various Additional County Rates	City Home Rule Rate	Non-Home Rule Rate	Business District Tax	Taxes Paid on Retail Sales	Food & Beverage Tax	Food & Beverage Tax - specific area	Separate Liquor Tax	Total Tax Rate Paid on Purchase of Food & Beverages	Simplified Municipal Tele-communications Tax	Gas Tax	Hotel/ Motel Tax	Electricity Tax	Utility Tax Natural Gas
Addison	DuPage	5.00%	1.25%	0.75%	0.25%		0.75%			8.00%				8.00%	6.00%		4.00%		
Arlington Heights	Cook	5.00%	1.25%	1.00%		1.25%	1.00%			9.50%	1.25%			10.75%	6.00%		5.00%	varies by kw hour	3.00%
Aurora	DuPage	5.00%	1.25%	0.75%			1.25%			8.25%	1.75%		2.75%	10.00%	6.00%		3.00%	3.00%	
Aurora	Kane	5.00%	1.25%	0.75%			1.25%			8.25%	1.75%		2.75%	10.00%	6.00%		3.00%	3.00%	
Aurora	Kendall	5.00%	1.25%			1.00%	1.25%			8.50%	1.75%		2.75%	10.25%	6.00%		3.00%	3.00%	
Aurora	Will	5.00%	1.25%	0.75%			1.25%			8.25%	1.75%		2.75%	10.00%	6.00%		3.00%	3.00%	
Batavia	DuPage	5.00%	1.25%	0.75%			0.50%			7.50%				7.50%	6.00%			4.00%	4.00%
Batavia	Kane	5.00%	1.25%	0.75%			0.50%			7.50%				7.50%	6.00%			4.00%	4.00%
Bolingbrook	DuPage	5.00%	1.25%	0.75%			1.50%			8.50%	1.50%		6.00%	10.00%	6.00%	.05/gal	10.00%		
Bolingbrook	Will	5.00%	1.25%	0.75%			1.50%			8.50%	1.50%		6.00%	10.00%	6.00%	.05/gal	10.00%		
Buffalo Grove	Cook	5.00%	1.25%	1.00%		1.25%	1.00%			9.50%	1.00%		1%	10.50%	6.00%		6.00%	3.00%	
Buffalo Grove	Lake	5.00%	1.25%	0.75%			1.00%			8.00%	1.00%		1%	9.00%	6.00%		6.00%	3.00%	
Carol Stream	DuPage	5.00%	1.25%	0.75%	0.25%		0.75%			8.00%				8.00%	6.00%			5.00%	
Chicago	Cook	5.00%	1.25%	1.00%		1.25%	1.25%			9.75%	3.25%	1.00%	See Note	14.00%	7.00%	.05/gal	4.58%	varies by kw hour	
Chicago	DuPage	5.00%	1.25%	0.75%			1.25%			8.25%	3.25%			11.50%	7.00%	.05/gal	4.58%	varies by kw hour	
Des Plaines	Cook	5.00%	1.25%	1.00%		1.25%	1.00%			9.50%	1.00%			10.50%	6.00%	.04/gal	7.00%	varies by kw hour	3.00%
Downers Grove	DuPage	5.00%	1.25%	0.75%	0.25%		1.00%			8.25%				8.25%	6.00%	.025/gal	4.50%	3.50%	.015 per therm
Elgin	Cook	5.00%	1.25%	1.00%		1.25%	0.75%			9.25%				9.25%	6.00%		4.00%		
Elgin	Kane	5.00%	1.25%	0.75%			0.75%			7.75%				7.75%	6.00%		4.00%		
Elk Grove Village	Cook	5.00%	1.25%	1.00%		1.25%	1.00%			9.50%	1.00%			10.50%	5.00%		6.00%		
Elk Grove Village	DuPage	5.00%	1.25%	0.75%			1.00%			8.00%	1.00%			9.00%	5.00%		6.00%		
Evanston	Cook	5.00%	1.25%	1.00%		1.25%	1.00%			9.50%			6.00%	9.50%	6.00%	.03/gal	7.50%	3.00%	5.00%
Hanover Park	Cook	5.00%	1.25%	1.00%		1.25%	0.50%			9.00%	3.00%			12.00%	6.00%	2 1/4	3.00%		
Hanover Park	DuPage	5.00%	1.25%	0.75%			0.50%			7.50%	3.00%			10.50%	6.00%	2 1/4	3.00%		
Hinsdale	Cook	5.00%	1.25%	1.00%	0.25%	1.25%		1.00%		9.75%	1.00%			10.75%	6.00%			varies by kw hour	5.00%
Hinsdale	DuPage	5.00%	1.25%	0.75%	0.25%			1.00%		8.25%	1.00%			9.25%	6.00%			varies by kw hour	5.00%
Hoffman Estates	Cook	5.00%	1.25%	1.00%		1.25%	1.00%			9.50%	2.00%			11.50%	6.00%		6.00%		
Hoffman Estates	Kane	5.00%	1.25%	0.75%			1.00%			8.00%	2.00%			10.00%	6.00%		6.00%		
Itasca	DuPage	5.00%	1.25%	0.75%	0.25%			0.50%		7.75%				7.75%	6.00%		5.00%		
Joliet	Kendall	5.00%	1.25%			1.00%	1.25%			8.50%	1.00%			9.50%	5.00%	.01/gal	7.00%	varies by kw hour	2.00%
Joliet	Will	5.00%	1.25%	0.75%			1.25%			8.25%	1.00%			9.25%	5.00%	.01/gal	7.00%	varies by kw hour	2.00%
Libertyville	Lake	5.00%	1.25%	0.75%						7.00%				7.00%	6.00%		5.00%	varies by kw hour	5.00%
Lisle	DuPage	5.00%	1.25%	0.75%	0.25%					7.25%				7.25%	6.00%		5.00%	5.00%	5.00%
Lombard	DuPage	5.00%	1.25%	0.75%	0.25%			1.00%		8.25%	1.00%			9.25%	6.00%		5.00%		
Lombard - Buisness Dist	DuPage	5.00%	1.25%	0.75%	0.25%			1.00%	1.00%	9.25%	1.00%			10.25%	6.00%		5.00%		
Mount Prospect	Cook	5.00%	1.25%	1.00%		1.25%	1.00%			9.50%	1.00%			10.50%	6.00%	.02/gal	6.00%	varies by kw hour	3.204%
Naperville-Downtown	DuPage	5.00%	1.25%	0.75%	0.25%					7.25%	1.00%	1.50%		9.75%	5.00%	.04/gal	4.44%	varies by kw hour	5.00%
Naperville	DuPage	5.00%	1.25%	0.75%	0.25%					7.25%	1.00%			8.25%	5.00%	.04/gal	4.44%	varies by kw hour	5.00%
Naperville	Will	5.00%	1.25%	0.75%	0.25%					7.25%	1.00%			8.25%	5.00%	.04/gal	4.44%	varies by kw hour	5.00%
Niles	Cook	5.00%	1.25%	1.00%		1.25%	1.00%			9.50%	1.00%			10.50%	6.00%				
Oak Brook	Cook	5.00%	1.25%	1.00%	0.25%	1.25%		0.50%		9.25%				9.25%	6.00%	.05/gal	3.00%	5.00%	5.00%
Oak Brook	DuPage	5.00%	1.25%	0.75%	0.25%			0.50%		7.75%				7.75%	6.00%	.05/gal	3.00%	5.00%	5.00%
Oak Brook Terrace	DuPage	5.00%	1.25%	0.75%	0.25%		1.00%			8.25%				8.25%	6.00%		6.00%	3.00%	
Oak Brook Terrace Busn L	DuPage	5.00%	1.25%	0.75%	0.25%		1.00%		1.00%	9.25%				9.25%	6.00%		6.00%	3.00%	
Oak Park	Cook	5.00%	1.25%	1.00%		1.25%	1.00%			9.50%			3.00%	9.50%	6.00%	.06/gal	4.00%		
Palatine	Cook	5.00%	1.25%	1.00%		1.25%	1.00%			9.50%	1.00%			10.50%	6.00%		5.00%		
Park Ridge	Cook	5.00%	1.25%	1.00%			1.00%			9.50%	1.00%			10.50%	6.00%	.03/gal			
Plainfield	Kendall	5.00%	1.25%			1.00%	1.00%			8.25%				8.25%	5.00%	.02/gal	5.00%	varies by kw hour	5.00%
Plainfield	Will	5.00%	1.25%	0.75%			1.00%			8.00%				8.00%	5.00%	.02/gal	5.00%	5.00%	5.00%
Rosemont	Cook	5.00%	1.25%	1.00%		1.25%	1.25%			10.75%	1.00%			11.75%	6.00%		7.00%		
Rockford	Winnebago	5.00%	1.25%			1.00%		1.00%		8.25%	1.00%			9.25%	6.00%		6.00%		5.00%
Rolling Meadows	Cook	5.00%	1.25%	1.00%		1.25%	1.00%			9.50%	1.50%			11.00%	6.00%	.02/gal	5.00%	varies by kw hour	
St. Charles	DuPage	5.00%	1.25%	0.75%			1.00%			8.00%	Repealed		2.00%	8.00%	5.00%		5.00%	varies by kw hour	Repealed
St. Charles	Kane	5.00%	1.25%	0.75%			1.00%			8.00%	Repealed		2.00%	8.00%	5.00%		5.00%	varies by kw hour	Repealed
Schaumburg	Cook	5.00%	1.25%	1.00%		1.25%	1.00%			9.50%	2.00%			11.50%	6.00%		8.00%		
Schaumburg	DuPage	5.00%	1.25%	0.75%			1.00%			8.00%	2.00%			10.00%	6.00%		8.00%		
Skokie	Cook	5.00%	1.25%	1.00%		1.25%	1.00%			9.50%				9.50%	6.00%	.03/gal	6.00%	varies by kw hour	5.00%
Streamwood	Cook	5.00%	1.25%	1.00%		1.25%	1.00%			9.50%				9.50%	5.00%			varies by kw hour	4.00%
Warrenville	DuPage	5.00%	1.25%	0.75%	0.25%		1.25%			8.50%	1.50%			10.00%	4.00%		5.00%		
Wheaton	DuPage	5.00%	1.25%	0.75%	0.25%		1.00%			8.25%				8.25%	6.00%	.04/gal	5.00%	varies by kw hour	
Woodridge	DuPage	5.00%	1.25%	0.75%	0.25%		0.50%			7.75%				7.75%	6.00%	.025/gal	4.00%	5.00%	5.00%
Woodridge	Will	5.00%	1.25%	0.75%	0.25%		0.50%			7.75%				7.75%	6.00%	.025/gal	4.00%	varies by kw hour	5.00%

Municipality	County	State Rate	Municipal (1%) and County Shares	Regional Transportation Authority Rate	DuPage Water Commission Rate	Various Additional County Rates	City Home Rule Rate	Non-Home Rule Rate	Business District Tax	Taxes Paid on Retail Sales	Food & Beverage Tax	Food & Beverage Tax - specific area	Separate Liquor Tax	Total Tax Rate Paid on Purchase of Food & Beverages	Simplified Municipal Tele-communications Tax	Gas Tax	Hotel/ Motel Tax	Electricity Tax	Utility Tax Natural Gas
--------------	--------	------------	----------------------------------	--	------------------------------	---------------------------------	---------------------	--------------------	-----------------------	----------------------------	---------------------	-------------------------------------	---------------------	---	--	---------	------------------	-----------------	-------------------------

*Aurora has a separate Food and Beverage tax on packaged liquor only.

*Woodridge's Cook County portion is a right of way and not representative of the municipality and therefore not included in the comparison.

*Joliet charges a \$7.50 titled vehicle tax

*Chicago has a soft drink charge of 3%; \$.05 per bottled water tax;

*Chicago Liquor Tax:

\$0.29 per gallon of beer

\$0.36 per gallon of liquor containing 14% or less alcohol by volume

\$0.89 per gallon for liquor containing more than 14% and less than 20% of alcohol by volume

\$2.68 per gallon containing 20% or more alcohol by volume

*The Median Local Hotel Tax is 5.00%; the Average Local Hotel Tax is 5.41%

with 6 communities being lower than Naperville and 22 communities being higher than Naperville

 Reflects a change from prior year

Monthly Residential Refuse Fee Schedule

If separately charged

Municipality	Trash & Recycling	Comments
Wheaton	\$28.50/mo; sticker \$3.33	updated rate
Rolling Meadows	\$28.08/month	updated rate
Arlington heights	\$23.88/month	same rate
Addison	\$45.00/bi monthly (effectively \$22.50/mo)	updated rate
Yorkville	\$43.00/bi-monthly (effectively \$21.50/mo); \$1.00 sticker	updated rate
Carol Stream	\$20.49/mo	updated rate
Buffalo Grove	\$18.18/mo; optional second pick-up of refuse \$4.25/month for a total of \$22.43/month.	updated rate
Batavia	3 sizes - \$17.65/mo; \$19.15/mo; \$22.15/mo; \$2.95 sticker	updated rate
Lisle	3 sizes - \$16.25/mo; \$21.32/mo; \$25.73/mo; \$2.60 sticker	new to the list
Downers Grove	3 sizes - \$14.25/mo; \$16.92/mo; \$22.14/mo; \$3.23 sticker	updated rate
Lombard	3 sizes - \$10.68/mo; \$13.30/mo; \$16.04/mo; sticker \$1.30	updated rate
St. Charles	2 sizes - \$17.00/mo; \$20.09/mo; \$2.62 sticker	updated rate
Oak Park	2 sizes - \$15.95/mo; \$18.93/mo; \$1.80 sticker	updated rate
Aurora	2 sizes - \$15/mo; \$18.25/mo; sticker \$2.60	updated rate
Woodridge	Sticker - \$3.24	updated rate
Warrenville	Sticker - \$2.75; 95 Gallon Toter Service \$25.00/mo	updated rate
Schaumburg	\$3/mo	new to the list
Naperville	\$2/mo	

City of Naperville, IL
 Local and County Gas Tax per Gallon
 Aug-11

County Tax/Gallon
 DuPage \$0.04
 Will \$0.00
 Kane \$0.04

	Est. Per Gallon (w/o tax)	Local Gas Tax/Gallon	Dupage	Will	Kane	Home-Rule Sales Tax	In DuPage	In Will	In Kane
Bolingbrook	\$3.00	\$ 0.05	\$ 0.04	\$ -	-	1.50%	\$0.14	\$0.10	NA
Aurora	\$3.00	-	\$ 0.04	\$ -	\$0.04	1.25%	\$0.08	\$0.04	\$0.08
Warrenville	\$3.00	-	\$ 0.04	-	-	1.25%	\$0.08	NA	NA
Naperville	\$3.00	0.04	\$ 0.04	\$ -	-	-	\$0.08	\$0.04	NA
Lisle	\$3.00	-	\$ 0.04	-	-	-	\$0.04	NA	NA
Plainfield	\$3.00	0.02	-	\$ -	-	1.0%	NA	\$0.05	NA

HR Material

City of Naperville
September 13, 2011

Health Savings Account (HSA)
&
Incentivized Wellness Program

Current Health Plan Offerings & Enrollment

- Traditional PPO – 61%
- HMO – 36%
- Blue Edge PPO (HRA) – 3%

Traditional PPO

- Freedom of choice, flexibility and a broad range of benefit options.
- No need to select a primary care physician
- Choice of doctors and hospitals is always up to the employee.
- No need for a referral to see a specialist or to get another opinion about a medical condition.
- Access to a large network of contracting doctors and hospitals.
- Benefits are paid at the highest level when care is received from network PPO doctors and hospitals.
- Employees always have the option to receive care outside the network, but benefits will be paid at a lower level.

HMO

- With an HMO, employees select a personal doctor /Primary Care Physician in the plan's network.
- An employee's Primary Care Physician tends to most of health needs and refers to a specialist in the network if necessary.
- Employees pay a designated co-pay
 - No co-insurance
 - No deductibles

Blue Edge PPO

Consumer Directed Health Plan - HRA

• A high deductible health plan - Current deductible levels are:

- Single \$1,000
- Single plus one \$1,500
- Family \$2,000

• Include coverage for adult and child **Preventive Care and Wellness** visits that help employees stay healthy.

Spending Account funds can be used to pay for health care expenses. The current spending account is a Health Reimbursement Arrangement/Account (HRA) funded by the City of Naperville in the following amounts:

- Single \$ 500
- Single plus one \$ 750
- Family \$1,000

• Our BlueEdge plan includes **PPO benefits**. When care is provided from doctors in network, benefits are paid at the highest level and there are fewer out-of-pocket costs.

What is a HSA?

HSA – Health Savings Account

What is a HSA?

- A Health Savings Account (HSA) is a tax-exempt savings account used exclusively to pay for qualified medical expenses.
- Funded with tax free dollars
- Funded by employee, employer
- HSA's must be used in conjunction with a high deductible health plan (HDHP) that does not cover first dollar medical expenses (outside of preventive care).
- Employees can control how their HSA dollars are spent

Who is eligible to establish a HSA?

- An eligible individual is an individual who is:
 - Covered under a high-deductible health plan (HDHP) on the first day of such a month.
- Who is not eligible
 - Also covered by any other health plan that is not a HDHP
 - Entitled to benefits under Medicare
 - Claimed as a dependent on another person's tax return

HSA – Things you should know

- Employees can make tax-free contributions on a regular basis, on a one-time or periodic basis within specified limits
- The employee owns the account
 - No “use it or lose it” rule – balance rolls over year after year
 - Portable: the employee keeps the contributions if they leave or change plans
 - The employee controls their health care dollars and decide when to withdraw funds

Health Savings Accounts 2011 Requirements

	Individual	Family
Minimum Deductible	\$1,200	\$2,400
Maximum Contribution	\$3,050	\$6,150
Maximum Out-Of-Pocket Expenses	\$5,950	\$11,900

Health Savings Accounts 2012 Requirements

	<u>Individual</u>	<u>Family</u>
Minimum Deductible	\$1,200	\$2,400
Maximum Contribution	\$3,100	\$6,250
Maximum Out-Of-Pocket Expenses	\$6,050	\$12,100

HSA – Things you should know

- Contributions are deposited into an investment account controlled by the employee
- Earnings (interest, dividends, investments) grow on a tax free basis
- Distributions or withdrawals are tax-free, if used for qualified expenses

HSA – Things you should know

- Family deductible is an aggregate deductible – coinsurance does not apply for any family member until the entire amount has been satisfied
- Prescription drugs are subject to the deductible.

What is a qualified medical expense?

Distribution is tax-free for “qualified medical expenses” under Section 213(d) of the IRS code and include:

- Medical services, procedures and treatments
- Diagnostic/preventive services
- Prescription drugs
- Vision/hearing
- Medical equipment
- Psychiatric care
- Assistance for disabled
- Dental not covered by insurance

Employer

A HSA provides value to an employer by:

- Raising awareness of actual health care costs
- Encouraging employees to be educated health care consumers
 - Ex. Rx Walgreens v. Sam's club
- Promoting participant involvement in wellness and preventative health care
- Supporting proactive health care
 - Identifies emerging conditions
 - Reduces costs associated with chronic illness

Employee

- A HSA plan may benefit an employee through:
 - lower premiums,
 - tax savings, and
 - money deposited in an account which can be used to pay for deductibles and other out-of-pocket medical expenses in the current year or in the future.

How is an HRA different from an HSA?

<u>Feature</u>	<u>H R A</u>	<u>H S A</u>
Who contributes	Employer	Employer and/or employee
Account Ownership	Employer	Employee
When Employee Terminates	Return to Employer	Stays with employee
Eligible Expenses	Employer Defines	Qualified Expenses under IRC
High Deductible Health Plan Required	No	Yes
Out-of-Pocket Limits	No	Yes
Roll Over Year over Year	No (employer discretion)	Yes
Offer Flexible Spending Account	Yes, employer discretion	No (limited only)
Non-Medical Use	No	Yes, then taxable
Pharmacy costs MUST apply to the deductible	No	Yes

Council Action

- Direct staff to develop a cost neutral HSA medical plan to be effective May 1, 2012

Incentivized Wellness Program

Incentive Based Program Models

- Participation
 - Take part in health and wellness programs
 - Can be combined with criteria or points-based program
- Criteria or Points
 - Challenge
 - Accomplish health objectives
 - Compliance
 - Adhere to professional health advice
- Behavior change
 - Exhibit improvement in health status (and maintain)

Benefit Linked Incentives

- Benefit eligibility for certain benefits
- Cost sharing offset/Premium rebate (most common)
- Contribution to retirement savings
 - Examples: 401(a) account, RHSP, VEBA, etc.
- HRA or HSA contribution
- Program fee reduction or waiver

Things to Think About

1

- What is our objective?
- What do we hope to accomplish with this incentive program?

2

- Develop reward to incent objective
- Implement a tracking system through a HIPAA compliant third party administrator

3

- Create program rules
 - Compliant with federal and state regulations
- Communicate and roll out

Council Action

- Direct staff to evaluate and propose a cost neutral Incentivized Wellness Program

FY12 Update and Revenue Outlook City Council Workshop

September 13, 2011

FY13 Budget Workshop Schedule

- FY12 Update and Revenue Outlook 9/13/11
- 5 Year Plan and Tax Levy 10/24/11
- General Fund FY13 Budget 12/12/11
- Capital Improvement Program (CIP) 1/23/12
- Utility and Other Funds 2/13/12
- Final Budget Workshop 3/12/12

FY12 Update and Revenue Outlook Objectives

- Common Understanding of the Financial Position
- Review Levy Implications of Declining EAV
- Consider Adoption of Emergency Reserve Policy
- Consider Emergency Response Cost Recovery Program

Status of FY13 Budget

- High Level Five Year Plan being finalized for presentation at October Workshop
- Departments beginning work on detailed budgets – General Fund to be presented at December workshop
- Preliminary FY13 Financial Gap has narrowed
 - Original Gap (2/11) \$11.2 mil
 - Excess fund balance \$ 3.0 mil
 - Improvement in Assumptions \$ 4.8 mil
 - **Revised Gap view \$ 3.4 mil**

FY12 Update

- Improved Retail Sales Tax Collection - \$1 mil
- Revenue Cushion Coverage
 - Lower census impact on income tax attribution
 - Potential shortfalls in other revenue sources
- Expenditures projected at budget – cost controls remain in place

FY13 Budget Implication -

- Reduce need of fund balance usage – current estimate only \$0.9 mil

Excess Fund Balance Position

■	FY11 Audited Year End Excess Balance Position		
■	Audited Year End Balance		\$23.1 mil
■	Shortfall in General Trust Agency		\$ 0.2
■	Required Policy Reserve – 20%		\$19.0

■	Excess Balance Positions		\$3.9 mil
■	FY12 Projected Usage		\$ 0.9

■	Available for FY13		\$3.0 mil
			=====
■	Change from Original Estimate		
■	Original estimate		\$ 1.9
■	Revenue higher		\$ 0.1
■	Expenditures lower		\$ 1.9
■	Higher Vacancies	\$0.6 mil	
■	Lower Dept Exp	\$1.3 mil	
	(Dept range from zero to \$223K)		-----
■	Final FY11 position		\$ 3.9 mil

Changes in FY13 Assumptions

■ Revenue		
■ Increases		
■ Levy-Library & Settle use fund bal		\$0.9 mil
■ Further Revenue upsides		\$0.5
■ Decreases		
■ Mid-year suspend red light pgm		\$(0.6)
■ Expenditure		
■ Transfer Reductions		
■ Self Insurance FY11 fund balance		\$1.1
■ Vehicle Replacement excess FY11 fund balance		\$0.4
■ Motor Fuel Tax Fund		\$3.5
■ FY11 fund balance	\$0.4	
■ FY12 savings on negotiated contracts	\$1.9	
■ State Jobs Now grant summer 2011 – received	\$0.6	
■ State Jobs Now grant summer 2012 – anticipated	\$0.6	
■ Assumed cost increases		\$(1.2)
■ Mid-year suspend red light maintenance		\$ 0.2

■ Overall Improvement in FY13 view		\$4.8 mil

Confirm Use of Excess Fund Balances

- Agree use of General Fund Excess to cover General Trust Agency Fund shortfall \$187K (FY12 Budget amendment)

- Agree use of FY11 excess fund balances to reduce General Fund transfers in FY13
 - Self Insurance Fund \$1.1
 - Vehicle Replacement \$0.4
 - Motor Fuel Tax Fund \$0.4

- FY11 Fund balance \$2 mil above budget
 - Option A: Pay a portion of FY13 debt service payment; abate debt component and increase General Corporate component
 - Option B: Maintain in General Fund for use in balancing the FY13 Budget.

EAV and Levy Implications

- Equalized Assessed Valuation declining:
 - FY12 actual 5.44%
 - FY13 projected 5.50%
 - FY14 projected 4.00%
- FY12 – 2010 Levy Year
 - Dollars reduced by 2.5% - \$1.25 mil
 - Rate increased by 3% - .7390
- Rate implications of Flat Dollar Levy
 - FY13 .7821 FY14 .8147
- Dollar implications of Flat Rate
 - FY13 \$(2.7) mil FY14 \$(4.7) mil
- Additional Budget pressure as increases in Other Components reduces available funding to General Corporate
(ranging from high in FY12 of \$12.5 mil to low in FY16 of \$4.6 mil)

General Fund Reserve Policy

- Current “General Fund Reserve” Policy is sufficient
- Council’s Discretion to Consider Revision
 - Provide Clarity and Common Understanding
 - Facilitate Discussion
 - Simplify Future Usage if Needed
- Financial Advisory Board Recommendation – Emergency Reserve Policy
- Rating Agency – Expect positive reaction to additional structure
- Staff Requests Council Direction

Recommendation - Highlights: Emergency Reserve Policy

- Maintain the 20% target reserve requirement
- Maintain excess fund transfer process
- At a Minimum Rename to “Emergency Reserve”
- Define Purpose:
 - “Provision of critical services to residents during, or immediately after, an emergency event.”
- Define “Emergency Events”
 - “One-time unanticipated immediate event which is extreme in nature and results in either a significant temporary reduction in the city’s sources of revenue; or a significant temporary increase in services, or the costs thereof, that the city needs to provide to its residents.”

Recommendation - Highlights: Emergency Reserve Policy

- Define Significant:
 - “Uninsured event with an estimated impact great than 5% of General Fund expenditures...for FY12 \$4.7 million.”
- Usage:
 - Up to half of available Reserve balance
 - Authorization by majority vote of Council or Mayor declaration of emergency
 - Coverage for delay in insurance recovery is acceptable temporary usage
- Recovery and Restoration: Council approval in 6 mths
 - Recovery - Budget in balance by end of FY following event
 - Restoration - Payback plan to restore reserve balance
 - Start by second FY following event
 - Maximum of 5 yrs with minimum of 20% of amt used per year

Emergency Response Cost Recovery

- Modeled after ambulance billing structure
- Program seeks to recover variable cost of fire suppression and fire response services
 - Taxpayer funding for service ready mode costs
 - User fee for variable cost of response service
 - Similar to city cost recovery for other incidents
 - Damage to city property
 - Incidents requiring use of materials
 - Public Works equipment involved in private property incident – ex. Odermath
 - Special Events billing
- Discretion to define fee for specific services
- Discretion to set resident and non-resident rate
- Generally recoverable from insurance providers
 - Billing to at-fault party for vehicle incident response

Inspection Process and Billing

- General Fire Inspection – No fee currently charged
 - Application available using iPad
 - Preferable to more expensive toughbooks
 - Provides automatic scheduling
 - Invoices a fee at completion of inspection
 - Business alerted to any inspection issues
 - Commission cost as % of collections and \$ fee per iPad
 - Estimated revenue from new fee will exceed program costs

- Mechanical Fire Inspection- No fee currently charged
 - Third party verification of mechanical testing and compliance – frees up city resources
 - Provides an accurate means to determine the completion of testing
 - Fee paid directly to third party vendor – no cost to city
 - Warrenville implement 8/24; Downers Grove expected Sept

Council Direction

- Emergency Response Cost Recovery Program?
- General Fire Inspection Process and Billing?
- Mechanical Fire Inspection Process and Billing?

Council Questions?

- Trends in Other Revenue Streams?
- Municipal Taxes and Fees?
- Other Financial/Budget Questions?
- Next Workshop
5 Yr Plan and Tax Levy – October 24, 2011

Following Slides are Back Up – From Workshop Materials

Agenda

- FY12 and Prelim FY13 Budget Gap 30 min
- EAV and Levy Implications 30 min
- Emergency Reserve Policy 20 min
- Emergency Response Cost Recovery 20 min
- Questions Only 10 min
 - Trends in Other Revenue Streams
 - Municipal Taxes and Fees

BREAK

- Health Savings Acct and Incentivized Wellness

General Fund – FY12 and Prelim FY13

General Fund FY12 and FY13 Preliminary Budget Summary

(In \$ Millions)

	FY12 Projection			FY13 Preliminary Budget		
	Revenue	Expenditure	Fund Bal	Revenue	Expenditure	Gap
Final Budget and FY13 from Five Year Plan	111.7	111.7	0.0	107.0	118.2	-11.2 *
FY12 Only Adjustments						
Excess General Fund balance from FY11	2.0		2.0			
Revenue adjustments						
Increase Sales Tax Revenue Projection	1.0		1.0			
Library & Settlement reduce FY13 levy request				0.9		0.9
Rt 59 red light half year rev & maint				-0.6	-0.2	-0.4
Assume other improvements in revenue				0.5		0.5
Expenditure adjustments						
Self Insurance fund balance used to reduce FY13 transfers					-1.1	1.1
Vehicle Replacement reserve excess used to reduce FY13 transfer					-0.4	0.4
MFT fund balance used to reduce FY13 transfer					-0.4	0.4
State Jobs Now grant summer 2011 used to reduce FY13 transfer					-0.6	0.6
State Jobs Now grant - 2012 installment used to reduce FY13 transfer					-0.6	0.6
MFT lower FY12 contracts used to reduce FY13 transfer					-1.9	1.9
Assumed other increases in expenditures					1.2	-1.2
Current FY11 Projection and Available Fund Balance	<u>\$114.7</u>	<u>\$111.7</u>	<u>\$3.0</u>			
Use of a portion of FY11 Fund Balance			<u>-\$3.0</u>	<u>\$3.0</u>		<u>3.0</u>
Current FY13 Gap Projection			<u>\$0.0</u>	<u>\$110.8</u>	<u>\$114.2</u>	<u>-3.4</u>

*Adjusted to reflect transfer of safety position to CMO and charged back to utilities

Summary Property Tax Components

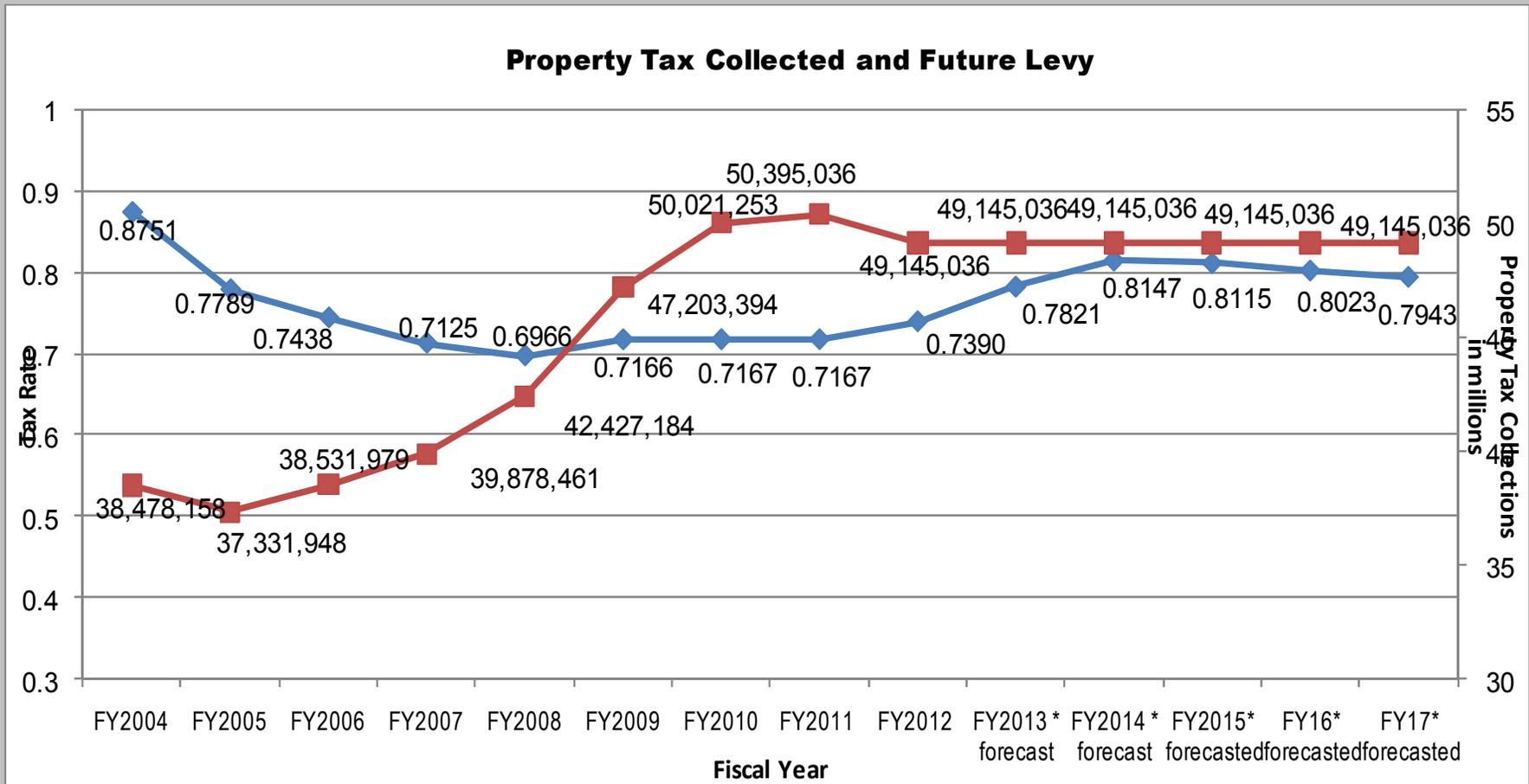
City of Naperville

Summary Property Tax Component Table

(In \$ Millions)

			Without Abate	Proposed With Abate				
	FY11	FY12	FY13	FY13	FY14	FY15	FY16	FY17
Flat Property Tax Assumed FY12 to FY17	50.4	49.1	49.1	49.1	49.1	49.1	49.1	49.1
Non-General Fund Components								
Debt Service	8.9	9.7	11.4	9.4	9.8	10.3	11.6	9.1
Library	12.9	12.5	13.2	13.2	14.3	14.7	15.1	15.6
Settlement	2.8	2.8	2.8	2.8	2.8	2.9	3	3
Non-General Fund Property Tax Components	24.6	25	27.4	25.4	26.9	27.9	29.7	27.7
General Fund Revenue								
All Pensions	12	11.6	11.6	11.6	12.5	13.6	14.8	16.1
General Corp	13.8	12.5	10.1	12.1	9.7	7.6	4.6	5.3
General Fund Property Tax Components	25.8	24.1	21.7	23.7	22.2	21.2	19.4	21.4

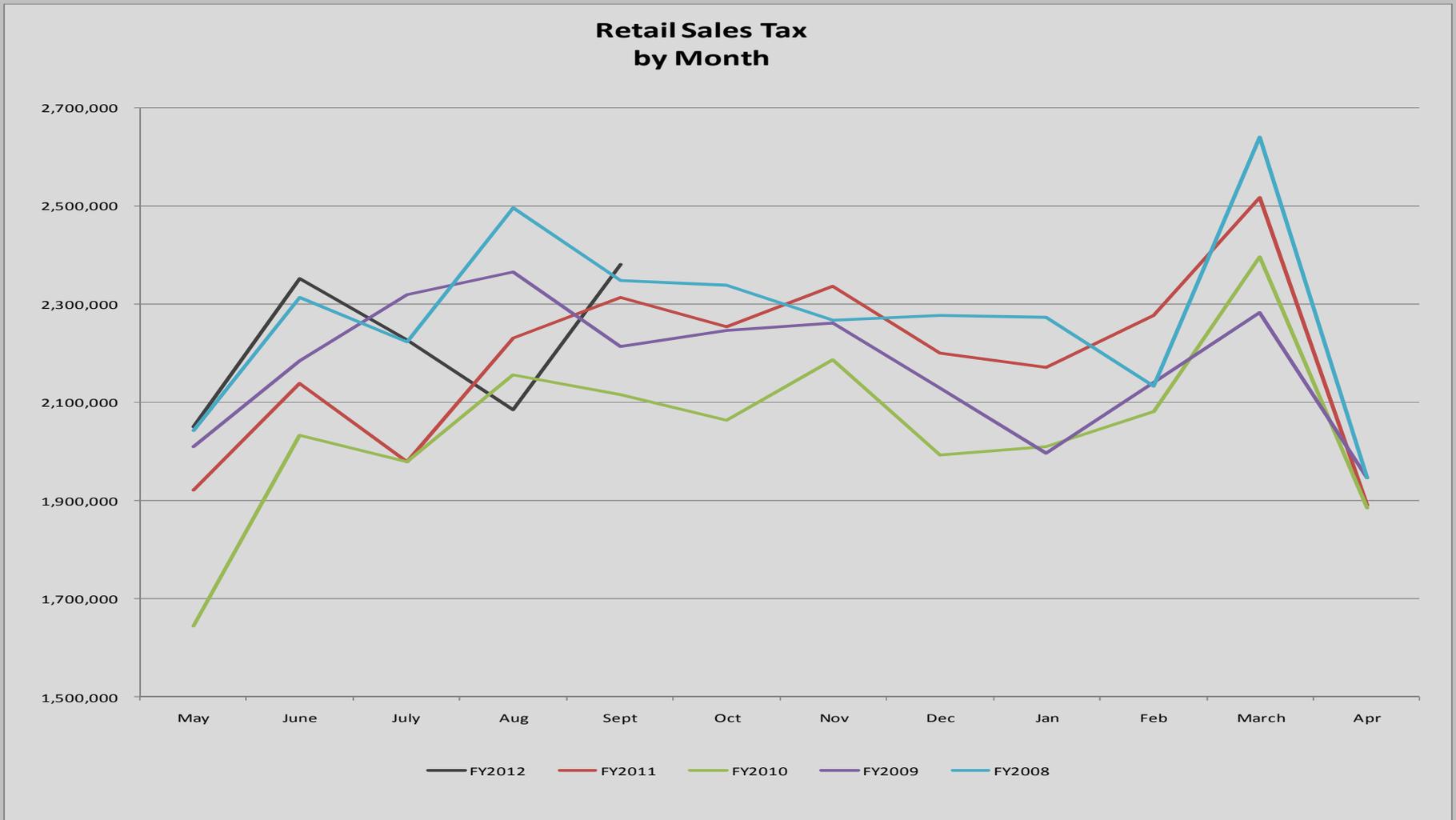
Levy Rate Under Flat Dollar Assumption



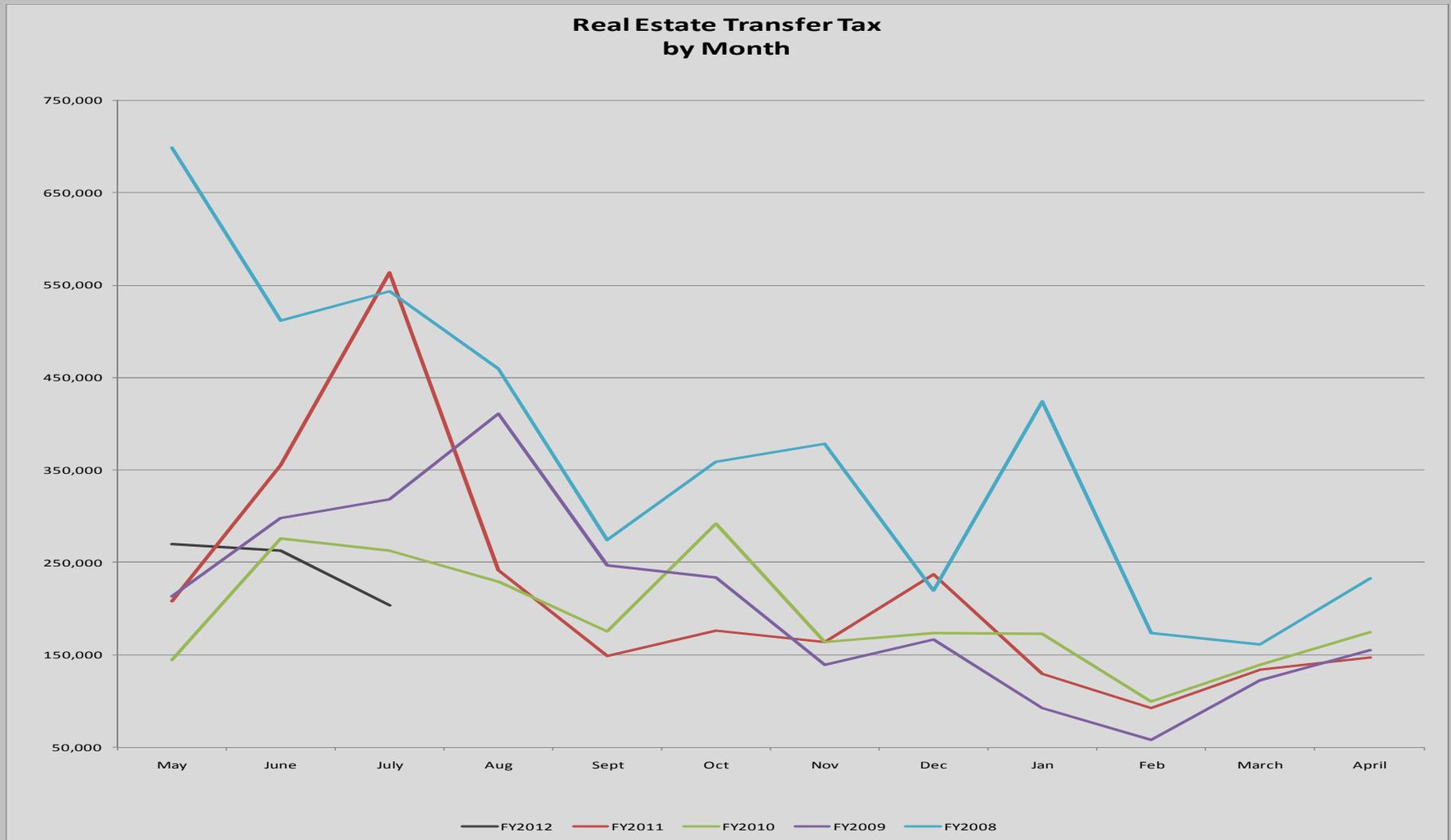
Revenue Trend Schedule

	Actual FY07	Actual FY08	Actual FY09	Actual FY10	Actual FY11	Budget FY12	Anticipated GAP	Projected FY12
General Fund								
Property Tax								
General Corporate	\$5.6	\$9.5	\$12.8	\$14.9	\$13.9	\$12.5		\$12.5
Pensions	7.8	8.1	9.0	10.0	12.0	11.6		11.6
	<u>13.4</u>	<u>17.6</u>	<u>21.8</u>	<u>24.9</u>	<u>25.9</u>	<u>24.1</u>		<u>24.1</u>
Retail Sales Tax	27.1	26.3	24.8	24.3	26.6	26.3	1.0	27.3
Local Use Tax	1.8	2.0	2.0	1.7	2.0	1.6		1.6
Income Tax	11.5	12.6	12.5	11.5	11.3	11.3		11.3
Real Estate Transfer Tax	5.9	4.4	2.5	2.3	2.6	2.6		2.6
Utility Tax Electric	5.8	6.0	5.9	5.5	5.9	6.0		6.0
Utility Tax Natural Gas	2.5	3.0	4.0	3.6	3.3	4.0		4.0
Telcom Tax	6.4	6.6	6.7	6.4	6.2	6.3		6.3
Other (Water & ComEd) Utility Tax	1.0	1.0	1.0	0.9	1.0	0.9		0.9
Hotel Tax	1.4	1.5	1.3	0.9	1.0	1.1		1.1
25% F&B tax	0.0	0.0	0.0	0.0	0.8	0.8		0.8
Other Taxes	0.3	0.4	0.7	0.3	0.3	0.3		0.3
Total Tax Revenues	<u>\$63.7</u>	<u>\$63.8</u>	<u>\$61.4</u>	<u>\$57.4</u>	<u>\$61.0</u>	<u>\$61.2</u>	<u>\$1.0</u>	<u>\$62.2</u>
Permits and License	2.6	2.5	2.0	1.6	1.6	1.4		1.4
Traffic fines	1.7	1.9	2.6	3.0	2.8	2.6		2.6
Ambulance Fees	1.5	1.5	2.4	2.0	2.4	2.3		2.3
Refuse Fee	0.0	0.0	0.0	0.0	0.9	1.0		1.0
Other charges for services	3.4	2.8	2.3	2.7	2.9	2.7		2.7
Interfund Chargebacks	8.9	12.8	12.0	13.5	10.6	10.5		10.5
Other Revenue	3.5	4.3	4.1	3.5	5.8	4.5		4.5
Use of Fund Balance	0.0	0.0	0.0	0.0	0.0	1.9	-1.0	0.9
Revenue Cushion	0.0	0.0	0.0	0.0	0.0	-0.5		-0.5
Total Other Revenue	<u>21.6</u>	<u>25.8</u>	<u>25.4</u>	<u>26.3</u>	<u>27.0</u>	<u>26.4</u>	<u>-1.0</u>	<u>25.4</u>
Total Revenues	<u>\$98.7</u>	<u>\$107.2</u>	<u>\$108.6</u>	<u>\$108.6</u>	<u>\$113.9</u>	<u>\$111.7</u>	<u>\$0.0</u>	<u>\$111.7</u>
Motor Fuel Tax Fund and Road and Bridge Fund								
<i>Motor Fuel Tax Fund</i>								
State Motor Fuel Tax	4.0	3.8	3.6	3.7	3.7	3.8		3.8
Jobs Now Bill Program					0.6		0.6	0.6
Local Motor Fuel Tax	0.8	0.8	0.7	0.7	2.0	2.0		2.0
<i>Road and Bridge Fund</i>								
Local Motor Fuel Tax	0.8	0.8	0.7	0.7	0.7	0.7		0.7
Special Events and Cultural Amenities Fund (SECA)								
Food & Beverage (75% in FY11)	2.5	2.7	2.8	2.9	2.1	2.2		2.2

Retail Sales Tax

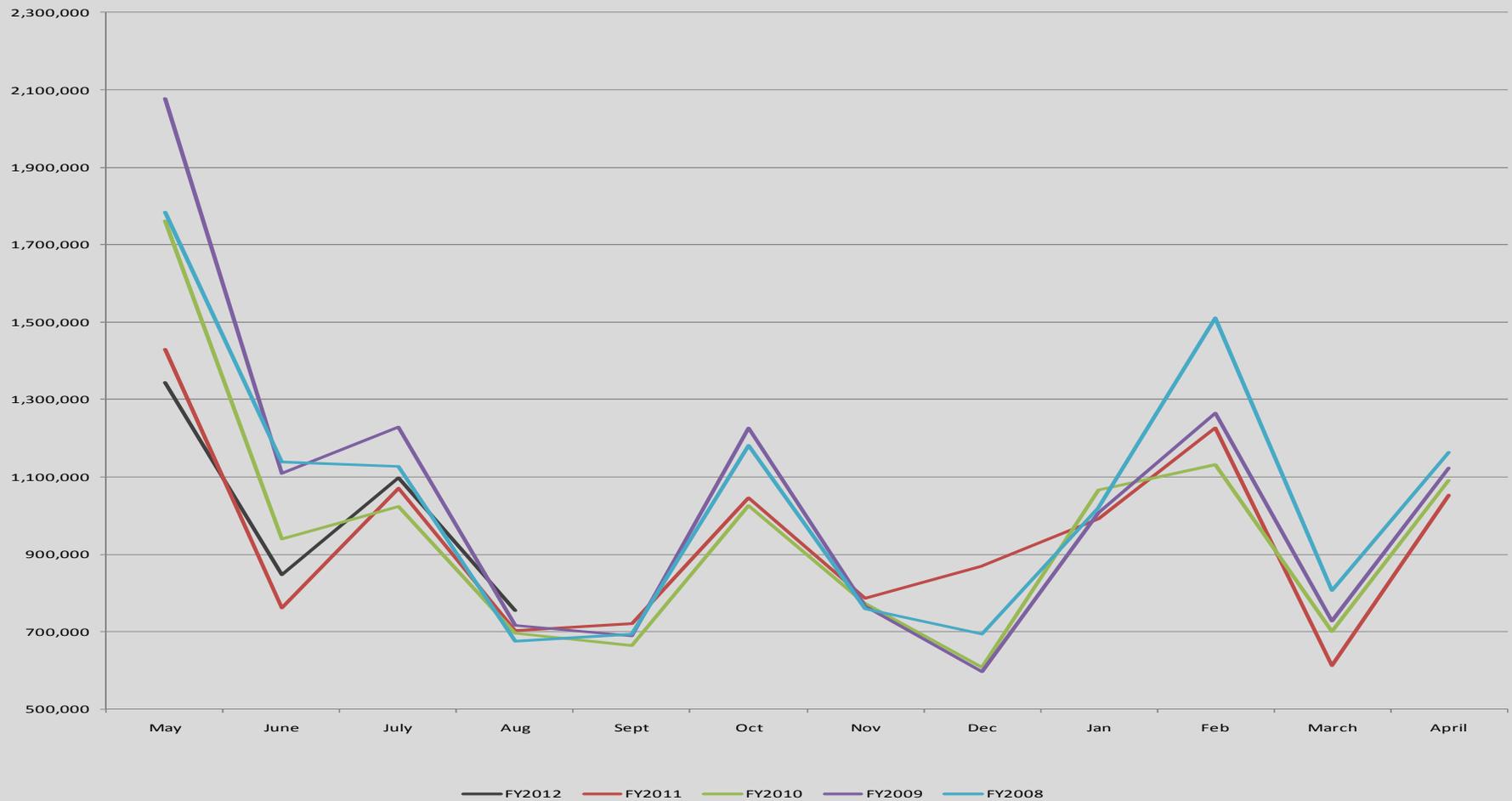


Real Estate Transfer Tax



Income Tax

Income Tax
by Month



SECA Projection

City of Naperville
 Food and Beverage Tax Analysis
 26-Aug-11

	Current	Projected*				
	FY12- Revised	FY13	FY14	FY15	FY16	FY17
Revenue						
Est. revenue at .75%	\$ 2,208,000	\$ 2,274,240	\$ 2,342,467	\$ 2,412,741	\$ 2,485,123	\$ 2,559,677
Other revenue (incl. Interest)	6,200	\$ 6,200	\$ 6,200	\$ 6,200	\$ 6,200	\$ 6,200
	\$ 2,214,200	\$ 2,280,440	\$ 2,348,667	\$ 2,418,941	\$ 2,491,323	\$ 2,565,877
Expenditures						
Riverwalk and Carillon Agreements	232,389	134,715	263,756	271,669	279,819	288,214
Municipal Band	130,317	134,227	138,253	142,401	146,673	151,073
Admin	109,000	112,270	115,638	119,107	122,680	126,361
Carillon Loan	600,000	600,000	600,000			
Special Events	473,379	487,580	502,208	517,274	532,792	548,776
	1,545,085	1,468,792	1,619,856	1,050,451	1,081,965	1,114,424
Grants- Cultural	834,915	844,440	728,812	1,368,490	1,409,358	1,451,454
Amount Available for Cultural Grants	(165,800)	(32,792)	(0)	(0)	1	(1)
Beginning Fund Balance	\$ 398,592	232,792	200,000	200,000	200,000	200,000
Ending Fund Balance	\$ 232,792	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000

Revenue Scale – Reference only (Included in FY12 Budget Materials)

<u>Current Options</u>	<u>Current Rate</u>	<u>Limitation</u>	<u>Scale</u>
Property Tax	0.739	none	\$635K per cent
Local Motor Fuel Tax	0.04	none	\$700K per cent
Refuse Fee	\$2	cost of service \$12.32; \$9.89 garbage and \$2.43 recycle	\$480K per \$1 mth
Home Rule Sales Tax	None	1/4% increments with no limit	\$3.5 million per 1/4%
Downtown F&B	1.5%		(135K per 1/4%)
Food and Beverage Tax - Citywide	1% split: 3/4% SECA, 1/4% General Fund	none	\$750K per 1/4%
Utility Tax	5%	6%	\$500K per 1/4%
Local Telecom Tax	5%	1/4% increment up to 6%	\$300K per 1/4%
Hotel/Motel Tax	4.4%	none	\$200K per 1%
Ambulance fee	Varies by service		\$600K for \$200 increase in all categories

