



**CITY COUNCIL WORKSHOP
AGENDA
COUNCIL CHAMBERS
10/08/2012**

**FINANCIAL UPDATE - FIVE YEAR PLAN - TAX LEVY
FY13 UPDATE & REVENUE OUTLOOK**

- A. CALL TO ORDER:**
- B. INTRODUCTION:**
- C. PRESENTATION:**
 - 1. Financial Update & Five Year Plan
 - 2. Tax Levy
 - 3. Other Revenues
- D. ADJOURNMENT:**

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.

Financial Update & Five Year Plan

**CITY OF NAPERVILLE
MEMORANDUM**

DATE: September 28, 2012

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

FROM: Karen DeAngelis, Director of Finance

SUBJECT: Financial Update and Five Year Plan

PURPOSE:

Provide a Financial Update and an updated Five Year Plan to Council.

DISCUSSION:

Current Year – FY 13

Through the recessionary years, the City budget balancing strategy has employed three consistent elements:

- Conservatively budgeting for revenue,
- Tightly controlling expenditures while maintaining services, and
- Using any available excess fund balance to balance the budget until revenues rebound.

This strategy has continued to work well for the City. The FY13 original budget conservatively projected flat total revenues comprised of a \$1.3 million increase in non-property tax revenues offset by \$1.3 million decrease in property tax revenue.

The total property tax revenue available for General Corporate funding actually decreased a total of \$3.8 million, as the requirements for debt service and other elements of the levy increased. The FY13 budget was balanced by planning to use \$3.9 million of excess fund balance.

While only four months into the new fiscal year, most of the City's revenue sources are showing signs of recovery. Still being conservative, Staff has increased the current year revenue projection by a total of \$3.7 million. In addition, the expenditure projections have been reduced by \$1.2 million to reflect the better than budget trends in health care and worker compensation costs. The FY13 financial projection now anticipates that FY13 revenue will exceed current year expenditures by \$1 million!

Next Year - Preliminary FY14

The General Fund detailed budget will be presented to Council at the December 10, 2012 workshop. At this point though, Staff would like to review directional messages as part of the five year plan view.

Last year when the five year plan was prepared and the FY14 view was developed, we had not yet seen significant recovery in the City revenues. In preparation for the detailed FY14 budget, a revised projection has been developed which reflects increased total revenue by \$5.3 million over the old estimate. This is still a conservative view, as the projection of \$113.3 million is only \$2.8 million above the FY13 projection.

The City continues to carefully control expenditures. The current projection includes a 2% wage increase for all non-union employees and all employee groups not yet under contract. While maintaining the overall City headcount, various changes have been made to the organization structure and overtime management and have partially offset the impact of wage increases. Health care costs do continue to increase, but they are increased much slower than originally projected. The improved projection of benefit costs in FY13 will provide a fund balance in the Self Insurance Fund of \$0.9 million. In addition the lower cost expectation in FY14 will also reduce the projected benefit expenditure by an additional \$1.7 million.

Other expenditure projections have also been lowered, as Staff has improved information on the needs for FY14. Total reductions of \$1.7 million are projected for services and supplies, including vehicle replacement needs. The required transfer for the FY14 Roadway Improvement program has also been reduced to reflect the lower than budget contract awards in FY13 and the announced next installment of the State Jobs Now Capital Bill funds. The expenditures are now projected at \$117.9 million.

There is a currently available excess fund balance of \$8.6 million, and an expected additional \$1 million to be added during this year. The projected FY14 revenue of \$113.3 million is only \$4.6 million lower than the projected expenditures of \$117.9 million. So, while Staff continues to refine the FY14 budget before presentation to Council, there is more than sufficient fund balance available to fully balance the operational budget. Later in the budget cycle, Council will be able to consider options for the use of the extra fund balance (\$5 million) to either retain it for the FY15 operational budget or to use it to avoid/minimize borrowing for the FY14 Capital Improvement Program.

Five Year Plan

General Fund

For future years, property tax revenue available to fund General Corporate needs will decline as required debt service payments and projected pension funding will increase. In FY 15 and FY16, conservative increases projected in the City are other revenue sources are expected to roughly offset the lower available property tax dollars.

Expenditures increases were projected as follows:

- Salary & wages – Headcount assumed flat and for planning purposes, wage increases are currently assumed at 2% per year.
- Benefits – Health care assumed to increase at only 3% per year and employee contribution assumed at 20% across all employee groups.
- Pension Contributions – assumed annual increases of 8%.
- Unemployment and Worker Compensation costs - at current lower trend level of \$200K and \$700K respectively and flat for the planning period.
- Vehicle Replacement – based on projected replacement needs.
- Services and Supplies – assumed inflationary increase at 2%.
- MIP Roadway Improvement Program – General Fund transfer required to provide total program funding of \$11.6 million and \$2.2 million for Arterial Roadway capacity improvements.

As expected, the forecasted gap between projected revenue and expenditures increases as we predict future years. As we move through this year the strengthening revenue picture can

significantly reduce these forecasted gaps. Additionally the expenditure needs will be much clearer. The City projections are intentionally conservative so that we can plan for downside potential. Remember the potential gap in FY14 gap was originally projected at \$16.2 million and recovering revenues and improved cost estimates have now reduced it to just \$4.6 million. This should give Council confidence that the gaps in the five year plan are likely to shrink significantly before we reach these years.

Utility Funds

Both utilities had a detailed rate study completed within FY12. The attached are updates to the rate studies. For Electric, we continue to follow our 0-0-2-2-2% rate plan. For Water, we continue to follow the plan including 1.8% increases for water supply and 3.3% increases for wastewater; however, City of Chicago water supply price increases are not included in these estimates.

The revenue and expenditures are in line with the rate study results; except that the Water department may not need to borrow for capital due to the higher cash flow received over the summer months during the drought.

ATTACHMENTS:

General Fund Summary Financial Report August
Preliminary General Fund FY14 Summary
General Fund Five Year Projection – Financial Gap
General Fund Five Year Projection – Revenue/Expenditure
General Fund Revenue Summary
General Fund Summary of Revenues and Expenditures
Electric Utility Plan
Water/Wastewater Utility Plan

CITY OF NAPERVILLE GENERAL FUND
YEAR-TO-DATE SUMMARY FINANCIAL REPORT

30-Aug-12

Fiscal Year 2013

	08/31/11 ACTUAL YTD	8/31/2012 ACTUAL YTD	REVISED BUDGET YTD 8/31/2012	YTD OVER (UNDER) BUDGET		PROJECTED ANNUAL REVENUES & EXP.	ADOPTED ANNUAL BUDGET	ADJUSTED ANNUAL BUDGET OVER/(UNDER) PROJECTED	Encumbrances 8/31/2012
REVENUES:									
TAX REVENUES:									
PROPERTY TAXES	13,379,807	10,980,413	11,081,653	(101,240)	99.1%	20,374,895	20,374,895	-	
UTILITY TAXES	5,789,809	5,964,537	5,634,224	330,313	105.9%	17,248,754	17,248,754	-	
USE TAXES	689,474	682,156	483,395	198,761	141.1%	1,770,000	1,570,000	200,000	
RETAIL SALES TAX	8,682,581	9,527,203	8,894,492	632,711	107.1%	29,725,849	27,725,849	2,000,000	
REAL ESTATE TRANSFER TAXES	1,008,196	1,384,672	1,231,631	153,041	112.4%	2,850,000	2,650,000	200,000	
INCOME TAXES	4,043,249	4,678,059	4,164,151	513,908	112.3%	12,200,540	11,300,540	900,000	
HOTEL TAXES	262,302	388,363	342,976	45,387	113.2%	1,150,000	1,000,000	150,000	
ALL OTHER TAXES	357,356	384,546	348,062	36,484	110.5%	1,145,000	1,070,000	75,000	
TOTAL TAX REVENUES	34,212,774	33,989,949	32,180,584	1,809,365	105.6%	86,465,038	82,940,038	3,525,000	
OTHER REVENUES:									
PERMITS AND LICENSES	540,548	660,840	542,932	117,908	121.7%	1,929,975	1,729,975	200,000	
GRANTS (FEDERAL, STATE, LOCAL)	210,918	147,885	82,909	64,976	178.4%	310,097	310,097	-	
CHARGES FOR SERVICES	2,563,415	2,128,139	2,180,378	(52,239)	97.6%	6,396,921	6,396,921	-	
FINES	754,048	498,229	696,341	(198,112)	71.5%	2,174,060	2,174,060	-	
INTEREST, RENT, AND FRANCHISE FEES	1,447,186	1,480,411	1,294,936	185,475	114.3%	2,911,671	2,911,671	-	
INTERFUND TRANSFERS & CHARGEBACKS	8,312,596	7,533,316	7,533,316	-	100.0%	9,433,316	9,433,316	-	
OTHER	697,675	725,683	656,359	69,324	110.6%	916,900	916,900	-	
TOTAL OTHER REVENUES	14,526,386	13,174,503	12,987,171	187,332	101.4%	24,072,940	23,872,940	200,000	
TOTAL REVENUES	48,739,160	47,164,452	45,167,755	1,996,697	104.4%	110,537,978	106,812,978	3,725,000	
EXPENDITURES:									
MAYOR & COUNCIL	250,230	247,308	260,805	(13,497)	94.8%	669,933	669,933	-	18,779
LEGAL DEPARTMENT	488,212	485,621	492,844	(7,223)	98.5%	1,376,823	1,376,823	-	26,509
CITY MANAGER'S OFFICE	474,094	474,152	579,218	(105,066)	81.9%	1,578,935	1,578,935	-	33,915
IT/REPROGRAPHICS (1)	1,061,633	962,244	1,124,587	(162,343)	85.6%	3,049,119	3,049,119	-	354,544
HUMAN RESOURCES DEPARTMENT	356,835	402,569	441,709	(39,140)	91.1%	1,138,504	1,138,504	-	39,147
CITY CLERK	178,590	164,558	166,198	(1,640)	99.0%	449,786	449,786	-	14,529
FINANCE DEPARTMENT	1,376,782	1,416,433	1,459,574	(43,141)	97.0%	3,870,147	3,870,147	-	349,885
POLICE DEPARTMENT	13,871,628	13,914,062	13,935,690	(21,628)	99.8%	35,499,023	35,499,023	-	309,033
FIRE DEPARTMENT	11,293,035	11,688,675	11,794,257	(105,582)	99.1%	29,711,250	29,711,250	-	123,070
T.E.D. BUSINESS GROUP/RIVERWALK	2,761,523	2,772,389	2,849,829	(77,440)	97.3%	7,704,675	7,704,675	-	530,324
PUBLIC WORKS DEPARTMENT	5,875,705	6,652,069	6,615,989	36,080	100.5%	21,905,352	21,905,352	-	5,766,918
MISCELLANEOUS SERVICES	5,647,795	1,094,257	1,670,628	(576,371)	65.5%	2,457,554	3,657,554	(1,200,000)	670,105
INSURANCE	101,877	101,877	101,877	-	0.0%	101,877	101,877	-	-
TOTAL EXPENDITURES	43,737,939	40,376,214	41,493,205	(1,116,991)	97.3%	109,512,978	110,712,978	(1,200,000)	8,236,758
NET REVENUES OVER (UNDER) EXPENDITURES	5,001,221	6,788,238	3,674,550	3,113,688		1,025,000	-3,900,000	4,925,000	
PLANNED FUND BALANCE DRAWDOWN (1)						-	3,900,000	(3,900,000)	
ADJUSTED REVENUE OVER/(UNDER) EXPENDITURES	5,001,221	6,788,238	3,674,550	3,113,688		1,025,000	0	1,025,000	

Preliminary General Fund FY14 Summary
(in \$ Millions)

Preliminary FY14			
		Budget	
	Revenue	Expenditure	
	Gap/(Excess)		
Original FY14 Five Year Plan Projection (Oct 2011)	108.0	124.2	16.2
Fund Balances available from FY11	3.9		-3.9
<u>FY12 Fund Balance increases</u>			
Revenue increases	2.5		-2.5
Lower expenditures	1.2		-1.2
Lower reserve requirement calculation	1.0		-1.0
Surplus projected in FY13	1.0		-1.0
Total Fund Balance available for FY14	9.6		-9.6
Sub-total adjusting for available fund balance	117.6		6.6
<u>Projected FY14 changes versus last year 5 year Plan</u>			
Total Income improvements	5.3		-5.3
Lower salary & wages		-0.5	-0.5
Lower estimated benefit costs		-1.7	-1.7
Higher self insurance fund balance		-0.9	-0.9
Lower services & supplies		-1.5	-1.5
Lower vehicle replacements		-0.2	-0.2
Lower transfer required for MIP		-1.5	-1.5
Total FY14 changes	5.3	-6.3	-11.6
Current Proposed Budget Gap (excess) view	122.9	117.9	-5.0

**General Fund
Five Year Projection**

(in \$ Millions)

Financial Gap

	Budget	Projected		FY15	FY16	FY17	FY18
	FY13	FY13	FY14				
Available Fund Balance	3.9	8.6	9.6	5.0			
Revenue	106.8	110.5	113.3	113.4	113.7	117.4	118.1
Expenditures	110.7	109.5	117.9	124.1	127.1	131.7	135.4
Gap/(Excess) assuming flat dollar beyond FY14	0.0	9.6	5.0	-5.7	-13.4	-14.3	-17.3

Gap Openers - ALL VERSUS FY14

Surplus (Absence) of Fund Balance				0.4	-4.6	-4.6	-4.6
Reduction in GF component of Property Tax				-2.2	-4.9	-4.6	-7.6
Increase in Pension Property Tax to cover higher expenditure				0.9	1.7	2.8	3.9
Other revenue sources-inflation & growth				1.4	3.6	5.9	8.5
Change in Revenue				0.5	-4.2	-0.5	0.2
Wage increases				-1.4	-2.9	-4.4	-6.0
Benefit cost increases				-0.3	-0.7	-0.9	-1.2
Increased Pension contributions				-0.9	-1.7	-2.8	-3.9
Anticipated cost increases and Inflation				-1.1	-1.6	-2.8	-3.4
(Increase)/Decrease funding vehicle replacement				-0.6	0.3	-0.2	-0.3
Absence of Self insurance fund balance				-0.9	-0.9	-0.9	-0.9
Absence of Jobs Now Credit and MFT fund balance (MIP funding)				-1.0	-1.7	-1.8	-1.8
Change in Expenditures				-6.2	-9.2	-13.8	-17.5
Total Gap Openers - Flat Property Tax				-5.7	-13.4	-14.3	-17.3

NOTE: FY14 IS USED AS THE BASE YEAR FOR THE ANALYSIS OF GAP OPENERS

General Fund

Five Year Projection

(in \$ millions)

Revenue

FY14 Staff Recommended Reduction

	Budget FY13	Projected FY13	FY14	FY15	FY16	FY17	FY18
Flat Property Tax Assumed FY14 to FY18	47.8	47.8	46.6	46.6	46.6	46.6	46.6
Non-General Fund Components *							
Debt Service	11.4	11.4	8.4	9.2	10.5	8.6	10.1
Library	13.2	13.2	14.3	14.7	15.2	15.6	15.9
Settlement	2.7	2.7	2.8	2.9	3.0	3.1	3.2
Non-Gen Fund Property Tax Components	27.3	27.3	25.5	26.8	28.7	27.3	29.2

General Fund Revenue

All Pensions	11.7	11.7	12.3	13.2	14.0	15.1	16.2
General Corp	8.8	8.8	8.8	6.6	3.9	4.2	1.2
Gen Fund Property Tax Component	20.5	20.5	21.1	19.8	17.9	19.3	17.4
Sales Tax	27.7	29.7	30.8	32.0	33.4	35.1	36.9
Utility Tax	17.2	17.2	17.0	17.0	17.0	17.1	17.1
State Income Tax	11.3	12.2	12.6	12.9	13.3	13.7	14.1
Charges for Services	6.4	6.4	6.6	6.6	6.6	6.6	6.6
Other Annual Revenue	23.7	24.5	25.2	25.1	25.5	25.6	26.0
Non Prop Tax - On going Revenue sources	86.3	90.0	92.2	93.6	95.8	98.1	100.7
	106.8	110.5	113.3	113.4	113.7	117.4	118.1

Expenditure

	Budget FY13	Projected FY13	FY14	FY15	FY16	FY17	FY18
Salary & Wages	60.7	60.7	61.8	63.2	64.7	66.2	67.8
Benefits	12.4	11.2	11.9	12.2	12.6	12.8	13.1
IMRF	2.6	2.6	2.7	2.8	2.8	3.0	3.1
Services	13.8	13.8	15.0	16.0	16.4	17.5	17.9
Supplies	4.4	4.4	4.5	4.5	4.6	4.6	4.7
Vehicle Replacement	0.2	0.2	1.7	2.3	1.4	1.9	2.0
MIP transfer and Roadway Development	1.3	1.3	4.9	5.9	6.6	6.7	6.7
Internal Service	6.3	6.3	5.8	6.8	6.8	6.9	7.0
Public Safety Pension	9.0	9.0	9.6	10.4	11.2	12.1	13.1
	110.7	109.5	117.9	124.1	127.1	131.7	135.4
GAP (Surplus)	3.9	(1.0)	4.6	10.7	13.4	14.3	17.3

* Property Tax Component Detail included in the 2012 Tax Levy section of the Workshop Materials.

**GENERAL FUND
REVENUE SUMMARY**

	Actual 2011-2012	Budget 2012-2013	Estimated 2012-2013	Forecast 2013-2014	Forecast 2014-2015	Forecast 2015-2016	Forecast 2016-2017	Forecast 2017-2018
Beginning Balance/Carry Forward	0	3,900,000	0	0	0	0	0	0
General Property Tax	12,566,491	8,769,331	8,769,331	8,758,964	6,637,607	3,879,679	4,200,380	1,243,912
% Change	-9.3%	-30.2%		-0.1%	-24.2%	-41.6%	8.3%	-70.4%
Property Tax Pensions	11,676,095	11,605,564	11,605,564	12,326,676	13,178,910	14,095,306	15,080,876	16,141,030
% Change	-3.2%	-0.6%		6.2%	6.9%	7.0%	7.0%	7.0%
Utility Taxes	16,576,837	17,248,754	17,248,754	16,959,455	16,998,267	17,038,214	17,079,330	17,121,649
% Change	1.1%	4.1%		-1.7%	0.2%	0.2%	0.2%	0.2%
Sales Taxes	2,088,146	1,570,000	1,770,000	1,823,100	1,877,793	1,934,127	1,992,151	2,051,915
% Change	4.8%	-24.8%		3.0%	3.0%	3.0%	3.0%	3.0%
Retail Sales Tax	28,522,346	27,725,849	29,725,849	30,766,254	31,996,904	33,436,765	35,108,603	36,864,033
% Change	7.2%	-2.8%		3.5%	4.0%	4.5%	5.0%	5.0%
State Income Tax	11,581,080	11,300,540	12,200,540	12,566,556	12,943,553	13,331,859	13,731,815	14,143,770
% Change	2.8%	-2.4%		3.0%	3.0%	3.0%	3.0%	3.0%
Other Taxes	1,948,346	2,070,000	2,295,000	2,343,628	2,395,601	2,448,958	2,503,737	2,559,978
% Change	-6.7%	6.2%		2.1%	2.2%	2.2%	2.2%	2.2%
Real Estate Transfer Tax	2,557,841	2,650,000	2,850,000	2,935,500	3,023,565	3,114,272	3,207,700	3,303,931
% Change	-1.8%	3.6%		3.0%	3.0%	3.0%	3.0%	3.0%
Licenses, Permits, and Fees	2,014,186	1,729,975	1,929,975	1,939,426	1,993,478	2,056,554	2,112,517	2,179,086
% Change	24.9%	-14.1%		0.5%	2.8%	3.2%	2.7%	3.2%
Fines & Forfeitures	2,486,964	2,174,060	2,174,060	2,174,081	2,174,234	2,174,390	2,174,549	2,174,668
% Change	-18.7%	-12.6%		0.0%	0.0%	0.0%	0.0%	0.0%
Investment Income	751,979	708,500	708,500	733,800	748,519	763,534	778,853	778,936
% Change	44.9%	-5.8%		3.6%	2.0%	2.0%	2.0%	0.0%
Inter & Intra Govtl Revenue	608,778	310,097	310,097	377,000	377,000	377,000	377,000	377,000
% Change	-34.7%	-49.1%		21.6%	0.0%	0.0%	0.0%	0.0%
Charges for Services	6,396,633	6,396,921	6,396,921	6,633,456	6,633,461	6,633,466	6,633,472	6,633,472
% Change	3.3%	0.0%		3.7%	0.0%	0.0%	0.0%	0.0%
Other Internal Service Revenues	9,696,401	9,041,041	9,041,041	9,041,041	9,041,041	9,041,041	9,041,041	9,041,041
% Change	-2.3%	-6.8%		0.0%	0.0%	0.0%	0.0%	0.0%
Franchise Fees	2,459,006	2,203,171	2,203,171	2,452,824	2,493,209	2,528,377	2,564,601	2,601,910
% Change	7.3%	-10.4%		11.3%	1.6%	1.4%	1.4%	1.5%
Miscellaneous	924,019	916,900	916,900	924,700	324,576	324,529	324,562	324,562
% Change	-57.0%	-0.8%		0.9%	-64.9%	0.0%	0.0%	0.0%
Interfund Transfers	514,391	392,275	392,275	514,391	514,391	514,391	514,391	514,391
% Change	-25.3%	-23.7%		31.1%	0.0%	0.0%	0.0%	0.0%
New Revenue Cushion	0	0						
TOTAL:	113,369,539	110,712,978	110,537,978	113,270,851	113,352,108	113,692,462	117,425,578	118,055,285
% Change	-0.8%	-2.3%		2.5%	0.1%	0.3%	3.3%	0.5%

CITY OF NAPERVILLE
FIVE YEAR FINANCIAL PLAN
GENERAL FUND SUMMARY

Summary of Revenues and Expenditures

	2011-12 Actuals	2012-13 Adopted Budget	% Change	2012-13 Projected	2013-14 Forecast	% Change	2014-15 Forecast	% Change	2015-16 Forecast	% Change	2016-17 Forecast	% Change	2017-18 Forecast	% Change
Beginning Balance														
Total Revenue	113,369,539	110,712,978	-2.34%	110,537,978	113,270,851	2.47%	113,352,108	0.07%	113,692,462	0.30%	117,425,578	3.28%	118,055,285	0.54%
MAYOR	483,910	487,994	0.84%	487,994	499,227	2.30%	509,439	2.05%	519,880	2.05%	530,557	2.05%	568,475	7.15%
ALCOHOL & TOBACCO	19,253	39,823	106.84%	39,823	40,391	1.43%	40,915	1.30%	41,446	1.30%	41,986	1.30%	42,534	1.31%
SISTER CITIES	2,458	-	-100.00%	-	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
BOARD OF FIRE AND POLICE	100,616	142,116	41.25%	142,116	144,613	1.76%	146,723	1.46%	148,869	1.46%	151,052	1.47%	153,272	1.47%
LEGAL	1,353,843	1,376,823	1.70%	1,376,823	1,414,007	2.70%	1,442,173	1.99%	1,470,924	1.99%	1,500,275	2.00%	1,530,237	2.00%
CITY MANAGER	792,275	1,177,789	48.66%	1,177,789	1,211,269	2.84%	1,234,871	1.95%	1,258,955	1.95%	1,283,532	1.95%	1,308,610	1.95%
COMMUNITY RELATIONS	371,709	401,146	7.92%	401,146	410,518	2.34%	418,004	1.82%	425,639	1.83%	433,424	1.83%	441,364	1.83%
CITY CLERK	456,604	449,786	-1.49%	449,786	463,993	3.16%	472,994	1.94%	482,179	1.94%	491,551	1.94%	501,115	1.95%
REPROGRAPHICS/MAIL	325,717	357,578	9.78%	357,578	364,478	1.93%	370,540	1.66%	376,719	1.67%	383,018	1.67%	389,440	1.68%
HUMAN RESOURCES	1,032,378	1,138,504	10.28%	1,138,504	1,179,289	3.58%	1,179,473	0.02%	1,200,063	1.75%	1,221,070	1.75%	1,242,501	1.76%
FINANCE	3,726,246	3,870,147	3.86%	3,870,147	3,956,605	2.23%	4,028,062	1.81%	4,115,939	2.18%	4,175,267	1.44%	4,251,077	1.82%
INFORMATION TECHNOLOGY	2,502,017	2,691,541	7.57%	2,691,541	2,734,186	1.58%	2,780,439	1.69%	2,827,580	1.70%	2,875,629	1.70%	2,924,604	1.70%
POLICE	35,328,772	35,499,023	0.48%	35,499,023	37,151,204	4.65%	38,702,071	4.17%	39,634,463	2.41%	40,956,590	3.34%	41,820,525	2.11%
FIRE	28,435,172	29,711,250	4.49%	29,711,250	30,781,877	3.60%	31,762,713	3.19%	32,813,803	3.31%	34,356,601	4.70%	35,543,744	3.46%
T.E.D.	6,984,608	7,462,342	6.84%	7,462,342	7,639,123	2.37%	7,866,372	2.97%	8,078,371	2.70%	8,336,785	3.20%	8,489,789	1.84%
PUBLIC WORKS	21,284,898	21,905,352	2.91%	21,905,352	24,085,329	9.95%	25,456,983	5.69%	25,250,404	-0.81%	26,464,671	4.81%	27,617,805	4.36%
RIVERWALK	197,565	242,333	22.66%	242,333	245,166	1.17%	247,914	1.12%	250,695	1.12%	253,510	1.12%	256,359	1.12%
MISC. SERVICES	5,970,648	3,759,431	-37.03%	2,559,431	5,558,531	47.86%	7,488,125	34.71%	8,178,016	9.21%	8,274,806	1.18%	8,372,563	1.18%
Expenditures Sub-total	109,368,689	110,712,978	1.23%	109,512,978	117,879,806	7.64%	124,147,809	5.32%	127,073,945	2.36%	131,730,322	3.66%	135,454,014	2.83%
Total Expenditures	109,368,689	110,712,978	1.23%	109,512,978	117,879,806	7.64%	124,147,809	5.32%	127,073,945	2.36%	131,730,322	3.66%	135,454,014	2.83%
Revenues over Expenditures	4,000,850	0		1,025,000	(4,608,955)		(10,795,701)		(13,381,483)		(14,304,744)		(17,398,729)	
Use of Beginning Balance														

City of Naperville- Department of Public Utilities- Electric

Revised 8/9/12

Five Year Plan

Description	Actual	Actual	Adopted Budget	Projected Annual Net Income				
	2011	2012	2013	2014	2015	2016	2017	2018
Operating Revenues								
Annual Rate Revenues								
Residential	\$ 56,426,990	\$ 55,678,201	\$ 57,150,300	\$ 57,865,400	\$ 58,880,100	\$ 59,912,300	\$ 60,511,423.00	\$ 61,116,537.23
General Service	56,179,450	54,183,284	-	11,842,500	11,960,000	12,078,500	12,199,285	12,321,278
General Service - Demand	-	519,023	58,918,200	45,818,300	46,286,700	46,759,600	47,227,196	47,699,468
Primary	17,639,092	18,371,134	17,418,474	17,494,600	17,494,600	17,494,600	17,494,600	17,494,600
Transmission	2,878,662	577,484	2,607,200	2,607,200	2,607,200	2,607,200	2,607,200	2,607,200
Lighting	293,526	291,354	334,700	323,300	326,500	329,700	332,997	336,327
General Service (IAC)	823,759	967,552	431,711	958,800	968,300	978,100	987,881	997,760
Rate Revenues	\$ 134,241,479	\$ 130,588,012	\$ 136,860,585	\$ 136,910,100	\$ 138,523,400	\$ 140,160,000	\$ 141,360,582	\$ 142,573,170
Proposed Rate Revenue Adjustments								
	Date of Implementation	Revenue Adjustment	Months Effective					
	May 1	FY 2011	0.00%	12				
	May 1	FY 2012	0.00%	12				
	May 1	FY 2013	0.00%	12				
	May 1	FY 2014	2.00%	12	2,738,200	2,770,500	2,803,200	2,827,200
	May 1	FY 2015	2.00%	12		2,825,900	2,859,300	2,883,800
	May 1	FY 2016	2.00%	12			2,916,500	2,941,400
Revenue from Adjustments	\$ -	\$ -	\$ -	\$ 2,738,200	\$ 5,596,400	\$ 8,579,000	\$ 8,652,400	\$ 8,726,700
Annual Rate Revenues with Rate Increase	\$ 134,241,479	\$ 130,588,012	\$ 136,860,585	\$ 139,648,300	\$ 144,119,800	\$ 148,739,000	\$ 150,012,982	\$ 151,299,870
Other Charges for Services Revenues	427,628	316,767	300,000	300,000	300,000	300,000	300,000	300,000
Internal Services Revenues	123,582	123,582	123,582	123,600	123,600	123,600	123,600	123,600
Miscellaneous Revenues	1,318,411	1,082,966	1,778,914	1,778,900	1,778,900	1,778,900	1,778,900	1,778,900
Total Other Operating Revenues	\$ 1,869,621	\$ 1,554,656	\$ 2,202,496	\$ 2,202,500	\$ 2,202,500	\$ 2,202,500	\$ 2,202,500	\$ 2,202,500
Total Operating Revenue	\$ 136,111,100	\$ 132,142,668	\$ 139,063,081	\$ 141,850,800	\$ 146,322,300	\$ 150,941,500	\$ 152,215,482	\$ 153,502,370
Operating Expenses								
Purchased Power	\$ 101,684,758	\$100,027,794	\$120,576,497	\$115,530,875	\$117,670,001	\$122,560,728	\$125,024,199	\$127,537,185
Transmission Operations	24,206	45,275	34,027	14,200	14,700	15,200	15,700	16,200
Transmission Maintenance	6,705	-	-	267,200	268,700	268,700	268,700	268,700
Distribution Operations	5,114,960	4,922,986	3,370,639	5,852,300	5,830,300	6,001,000	6,061,010	6,121,620
Distribution Maintenance	3,652,953	2,884,413	1,974,881	4,188,900	4,435,300	4,608,300	4,654,383	4,700,927
Customer Accounts	141,937	377,117	-	104,000	114,000	118,400	119,584	120,780
Customer Service Operations	1,080,584	1,084,838	-	1,216,800	1,334,800	1,385,000	1,398,850	1,412,839
Administration & General Operations	7,235,138	6,916,789	5,198,403	7,693,000	7,961,200	8,201,100	8,283,111	8,365,942
Administration & General	634,340	527,863	44,899	700,400	741,200	760,700	768,307	775,990
Adjustment to Match CAFR	1,244,922	2,007,041	-	-	-	-	-	-
Subtotal Operating Expenses (Fund 410)	\$ 120,820,504	\$ 118,794,114	\$ 131,199,346	\$ 135,567,675	\$ 138,368,901	\$ 143,919,128	\$ 146,593,844	\$ 149,320,182
Subtotal Operating Expenses (SmartGrid Software Maintenance)	\$ -	\$ 5,588,988	\$ 9,864,982	\$ 746,951	\$ 758,410	\$ 801,077	\$ 847,009	\$ 896,504
Total Operating Expenses	\$ 120,820,504	\$ 124,383,103	\$ 141,064,328	\$ 136,314,626	\$ 139,127,311	\$ 144,720,205	\$ 147,440,853	\$ 150,216,686
Operating Income Before Depreciation and Amortization	\$ 15,290,596	\$ 7,759,565	\$ (2,001,247)	\$ 5,536,174	\$ 7,194,989	\$ 6,221,295	\$ 4,774,629	\$ 3,285,683
Depreciation	\$ (11,512,051)	\$ (11,887,544)	\$ (10,000,000)	\$ (13,489,900)	\$ (13,784,200)	\$ (14,115,400)	\$ (14,555,400)	\$ (14,995,400)
Amortization of Premium on IMEA	-	(2,879,647)	-	-	-	-	-	-
Operating Income (Loss)	\$ 3,778,545	\$ (7,007,626)	\$ (2,011,247)	\$ (7,953,726)	\$ (6,589,211)	\$ (7,894,105)	\$ (9,780,771)	\$ (11,709,717)
Non-Operating Revenues (Expenses):								
Net Investment Income	\$ 150,455	\$ 709,435	\$ 65,000	\$ 65,000	\$ 65,000	\$ 65,000	\$ 65,000	\$ 65,000
Federal Grant Income	33,768	271	-	-	-	-	-	-
Smart Grid Grant	3,541,335	2,794,765	694,645	-	-	-	-	-
Capital Fees (IAC Charges, Residential electric upgrades and FIC Fees)	1,166,900	540,543	350,000	605,000	606,000	607,000	615,000	620,000
Gain/(Loss) on Disposal of Capital Assets	117,387	67,861	70,000	70,000	70,000	70,000	(1,180,000)	(1,180,000)
Interest on Bonds	(1,417,477)	(1,587,309)	(1,668,448)	(1,432,662)	(1,327,769)	(1,204,510)	(1,118,048)	(1,043,650)
Total Non-Operating Revenue (Expense)	\$ 3,592,368	\$ 2,525,566	\$ (488,803)	\$ (692,662)	\$ (586,769)	\$ (462,510)	\$ (1,618,048)	\$ (1,538,650)
Net Income (Loss) Before Contributions & Transfers	\$ 7,370,913	\$ (4,482,060)	\$ (2,500,050)	\$ (8,646,388)	\$ (7,175,980)	\$ (8,356,615)	\$ (11,398,818)	\$ (13,248,367)
Transfers In	\$ 31,341	\$ 6,031,341	\$ 1,126,356	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	(6,000,000)	(431,711)	-	-	-	-	-
Change in Net Assets	\$ 7,402,254	\$ (4,450,719)	\$ (1,805,405)	\$ (8,646,388)	\$ (7,175,980)	\$ (8,356,615)	\$ (11,398,818)	\$ (13,248,367)
Total net assets, May 1	\$ 221,985,696	\$ 231,397,996	\$ 226,947,277	\$ 225,141,872	\$ 216,495,485	\$ 209,319,505	\$ 200,962,890	\$ 189,564,072
Restatement of May 1	2,010,046	-	-	-	-	-	-	-
Change in Net Assets	7,402,254	(4,450,719)	(1,805,405)	(8,646,388)	(7,175,980)	(8,356,615)	(11,398,818)	(13,248,367)
Total net assets, April 30	\$ 231,397,996	\$ 226,947,277	\$ 225,141,872	\$ 216,495,485	\$ 209,319,505	\$ 200,962,890	\$ 189,564,072	\$ 176,315,705
Debt Service Coverage								
Operating Income Before Depreciation and Amortization	\$ 15,290,596	\$ 7,759,565	\$ (2,001,247)	\$ 5,536,174	\$ 7,194,989	\$ 6,221,295	\$ 4,774,629	\$ 3,285,683
Annual Debt Service	3,976,000	5,671,300	4,522,740	5,849,778	6,159,692	4,185,256	3,528,644	3,666,169
Debt Service Coverage	3.85	1.37	-0.44	0.95	1.17	1.49	1.35	0.90
Minimum Debt Service Coverage	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00

The five year projection reflects currently known IMEA costs and actual Smart Grid timing.

Department of Public Utilities - Water & Wastewater
5-Year Financial Plan
7/31/2012

(\$ millions)	FY12	Projected FY13	Plan Years				
			FY14	FY15	FY16	FY17	FY18
<u>Water/Wastewater</u>							
Operating Revenue	39.0	43.8	48.3	53.1	58.4	61.0	63.7
Bond Proceeds	8.5	5.0	2.3 *				
Operating Expenses	32.0	36.8	41.1	45.3	49.9	51.8	53.8
Capital	0.9	2.8	8.3	7.7	6.8	7.9	8.6
Debt Service	1.4	1.9	1.9	1.9	2.3	2.3	2.7
Total Expenditures	34.3	41.5	51.2	54.9	59.0	62.0	65.1
Net Revenue/Deficit	13.2	7.3	(0.6)	(1.8)	(0.6)	(1.0)	(1.3)

Note:

Revenues and Expenditures reflect the annual increase in rates to offset DuPage Water Commission's rate increases. The City rate increases over the next four years were adopted by City Council in December 2011.

Due to higher than anticipated FY13 unrestricted cash reserves our FY14 borrowing needs originally programmed at \$2.3M may not be needed

2012 Tax Levy

**CITY OF NAPERVILLE
MEMORANDUM**

DATE: September 28, 2012
TO: Mayor and City Council
THROUGH: Karen DeAngelis, Director of Finance
FROM: Chris Smith, Assistant Director of Finance
SUBJECT: **2012 Tax Levy**

ACTION REQUESTED:

Provide consensus for the 2012 property tax levy.

BACKGROUND:

The Equalized Assessed Valuation (EAV) used in the property tax calculation averages the homes assessed valuation over a three year period. This methodology delayed the impact of the economic decline on property taxes until FY12. Through Real Estate Transfer Stamp sales the City is seeing an overall reduction in property values of 15%. The effect of the decline is expected to be spread across three levy years as follows:

FY12 - 2010 levy	5.44%
FY13 - 2011 levy	4.31% (last year's actual)
FY14 -2012 levy	5.00% (staff's estimate)

Housing values seem to have stabilized at this lower level, so staff is expecting some slow increases over the remainder of the plan period. The plan conservatively forecasts only a 0.5% increase in FY15 with 1% annual increases for the remainder of the plan period.

DISCUSSION:

The Library and Settlement tax levy requests once again focus on cost containment and use of available fund balance to minimize the levy request. While last year at this time both entities anticipated that they would need to increase the levy request, they are both lower than anticipated last year.

Last year the passage of Pension Reform legislation at the State level changed the methodology used to calculate the legally required public safety pension contribution. In addition, there is also an option to provide for smoothing the annual requirements whenever the actual interest earning is lower than the assumption. The effect of both of these changes is to allow for lower current pension contributions and defer payment over a longer time horizon. The City of Naperville however does not intend to take advantage of the new lower contribution calculations. As the City's total obligation remains the same, the city is funding future contributions based upon the

old method which is the higher option and is consistent with historical contributions. Staff is proposing that the tax levy continue to consistently reflect the old calculation methodology.

Below is a table of the contribution calculated under the three options:

	LEVY PROPOSAL		
	Old Method	Smoothed Mkt	State Minimum
Firefighter Pension	\$4.9 mil	\$4.7 mil	\$4.6 mil
Police Pension	\$4.7 mil	\$4.5 mil	\$4.3 mil

The levy reflects the proposed Firefighter Pension contribution at \$4.93 million, which is just \$356k higher than the 2011 tax levy requirement. The Police Pension contribution reflects the proposal of \$4.72 million, which is \$399K higher than the 2011 tax levy requirement. The levy proposal for the Firefighters and Police exceeds the state required minimum contribution by \$330K and \$446K respectively, and exceeds the smoothed calculation by \$250K and \$193K respectively.

During budget discussions in the prior years, Council discussed taxpayer expectations that lower home values would result in lower property tax bills. Revenue reduction creates additional stress on the budget and requires further cost and service reductions. Recognizing this Council balanced the city service needs with the tax payer expectations by splitting the impact of the projected EAV decline in half. Council acted to reduce the tax levy dollars by \$1.25 million in FY12 and \$1.3 million in FY13. As a result, the average homeowner saw a reduction of \$30 per year in the city portion of their property tax bill the last two years and will continue for FY14 should the City Council concur with the staff recommendation. For FY14 staff is recommending this practice continues with a further \$1.2 million reduction in tax levy dollars. Over the three year period the tax levy will have declined by a total of \$3.8 million (7.5%) from \$50.4 million in FY11 to the proposed \$46.6 million in FY14. This reduction has saved the average homeowner a total of \$90 over this period.

On July 24, 2012 the City issued debt in a competitive bid process. The bond issuance was for refunding purposes only. The results of the refunding auction were favorable, with a net present value savings of \$3.978 million. This savings reduced the amount of tax levy needed in FY14 and beyond.

State law dictates the timing and process that must be followed in the levy and collection of property taxes, and regrettably requires passage of a property tax levy in advance of the budget process. The law does provide a margin of flexibility through the abatement process to reduce the levy amount between the initial request and the final property tax rate. The required abatement ordinances need to be completed by April of the tax year, which is near the end of the budget process. City Council has previously directed the tax levy at a level which provided the opportunity to take advantage of this flexibility and anticipated abatements.

RECOMMENDATION:

Staff recommendation is for the City Council to approve a 2012 property tax levy of \$46,614,785, which reflects a reduction of \$1,195,251 (2.5%) from the 2011 levy. The estimated

tax rate for the recommendation is 0.7708, reflecting an assumed EAV reduction of 5.0% and a rate increase of only 2.5%.

Based on City Council's direction at this October 8, 2012 workshop Staff will publish the tax levies, schedule and conduct the public hearings and present an ordinance to City Council for passage at the December 4, 2012 Council meeting.

ATTACHMENTS:

2012 Tax Levy Recommendation

Five Year Financial Plan Tax Levy Information

Graph Assessed Equalized Valuation

Graph – Staff Recommendation Levy Rate and Amounts

Library Tax Levy Request

Library Tax Rate and Levy

Letter from Naper Settlement – Request for FY14 Naper Settlement Operating Support

Letter from Naper Settlement – Five Year Financial Plan for Naper Settlement

**CITY OF NAPERVILLE
2012 TAX LEVY AND RATE OPTIONS**

	CURRENT FISCAL YEAR		STAFF RECOMMENDED		
			\$1.195 million-reduction		
<u>Levy Purpose</u>	2011 Levy Actual	2011 Ext'd Tax Rate	2012 Unextended Levy	2012 Ext'd Tax Rate	% Change of Ext'd Tax Rate
General Corporate	8,789,331	.1381	8,758,964	.1448	4.88%
Debt Service	11,447,369	.1799	8,431,873	.1394	-22.50%
IMRF	2,600,000	.0409	2,678,000	.0443	8.27%
Firefighter Pension	4,688,185	.0737	4,928,033	.0815	10.57%
Police Pension	4,317,379	.0679	4,720,643	.0781	14.96%
Subtotal	<u>31,842,264</u>	<u>.5005</u>	29,517,513	.4880	-2.50%
Naperville Library	13,210,500	.2076	14,270,000	.2360	13.66%
Naper Settlement	2,757,272	.0434	2,827,272	.0468	7.72%
Subtotal	<u>15,967,772</u>	<u>.2510</u>	17,097,272	.2828	12.68%
Total	<u>47,810,036</u>	<u>.7515</u>	46,614,785	.7708	2.57%
Assessed Valuation:	6,429,468,875 (1)		6,107,995,431 (2)		

Notes:

- (1) Actual 2011 Assessed Valuation
- (2) Estimated 5% reduction in EAV

Based upon the estimated 2011 Assessed Valuation

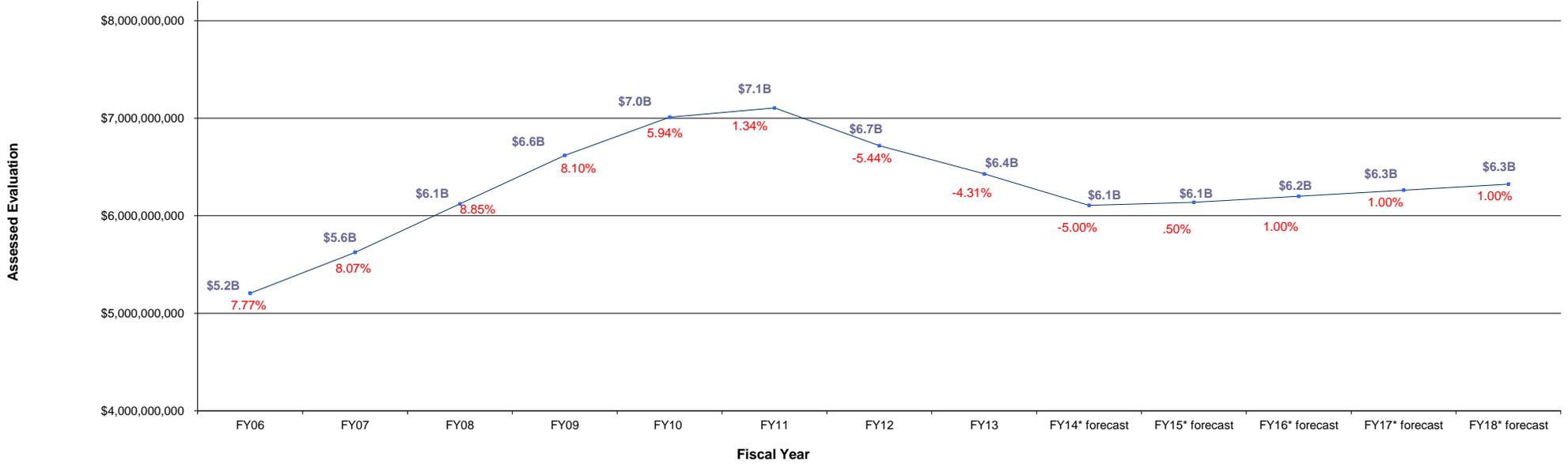
\$.01 = \$610,800

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

PURPOSE	FY 2012 BUDGET 2010 ASSESSED VALUE			CURRENT BUDGET FY 2013 BUDGET 2011 ASSESSED VALUE			FY 2014 BUDGET 2012 ASSESSED VALUE			FY 2015 BUDGET 2013 ASSESSED VALUE		
	LEVY	2010 RATE	EXTENSION	LEVY	2011 RATE	EXTENSION	LEVY	2012 RATE	EXTENSION	LEVY	2013 RATE	EXTENSION
PROJECTED EAV	6,718,739,726			6,429,468,875			6,107,995,431			6,138,535,408		
GENERAL FUND	12,518,040	.1882	12,643,220	8,789,331	.1381	8,877,224	8,758,964	.1448	8,846,554	6,637,607	.1094	6,703,983
DEBT SERVICE	9,790,005	.1472	9,887,905	11,447,369	.1799	11,561,843	8,431,873	.1394	8,516,192	9,170,196	.1511	9,261,898
IMRF	2,600,000	.0391	2,626,000	2,600,000	.0409	2,626,000	2,678,000	.0443	2,704,780	2,758,340	.0456	2,785,923
FIREFIGHTER PENSION	4,695,134	.0706	4,742,085	4,688,185	.0737	4,735,067	4,928,033	.0815	4,977,313	5,322,276	.0878	5,375,498
POLICE PENSION	4,334,585	.0652	4,377,931	4,317,379	.0679	4,360,553	4,720,643	.0781	4,767,849	5,098,294	.0841	5,149,277
NAPER SETTLEMENT	2,757,272	.0415	2,784,845	2,757,272	.0434	2,784,845	2,827,272	.0468	2,855,545	2,927,272	.0484	2,956,545
SUB-TOTAL	36,695,036	.5518	37,061,986	34,599,536	.5440	34,945,531	32,344,785	.5348	32,668,233	31,913,985	.5263	32,233,125
LIBRARY	12,450,000	.1872	12,574,500	13,210,500	.2076	13,349,034	14,270,000	.2360	14,412,700	14,700,800	.2419	14,847,808
TOTAL	49,145,036	.7390	49,636,486	47,810,036	.7515	48,294,566	46,614,785	.7708	47,080,933	46,614,785	.7682	47,080,933

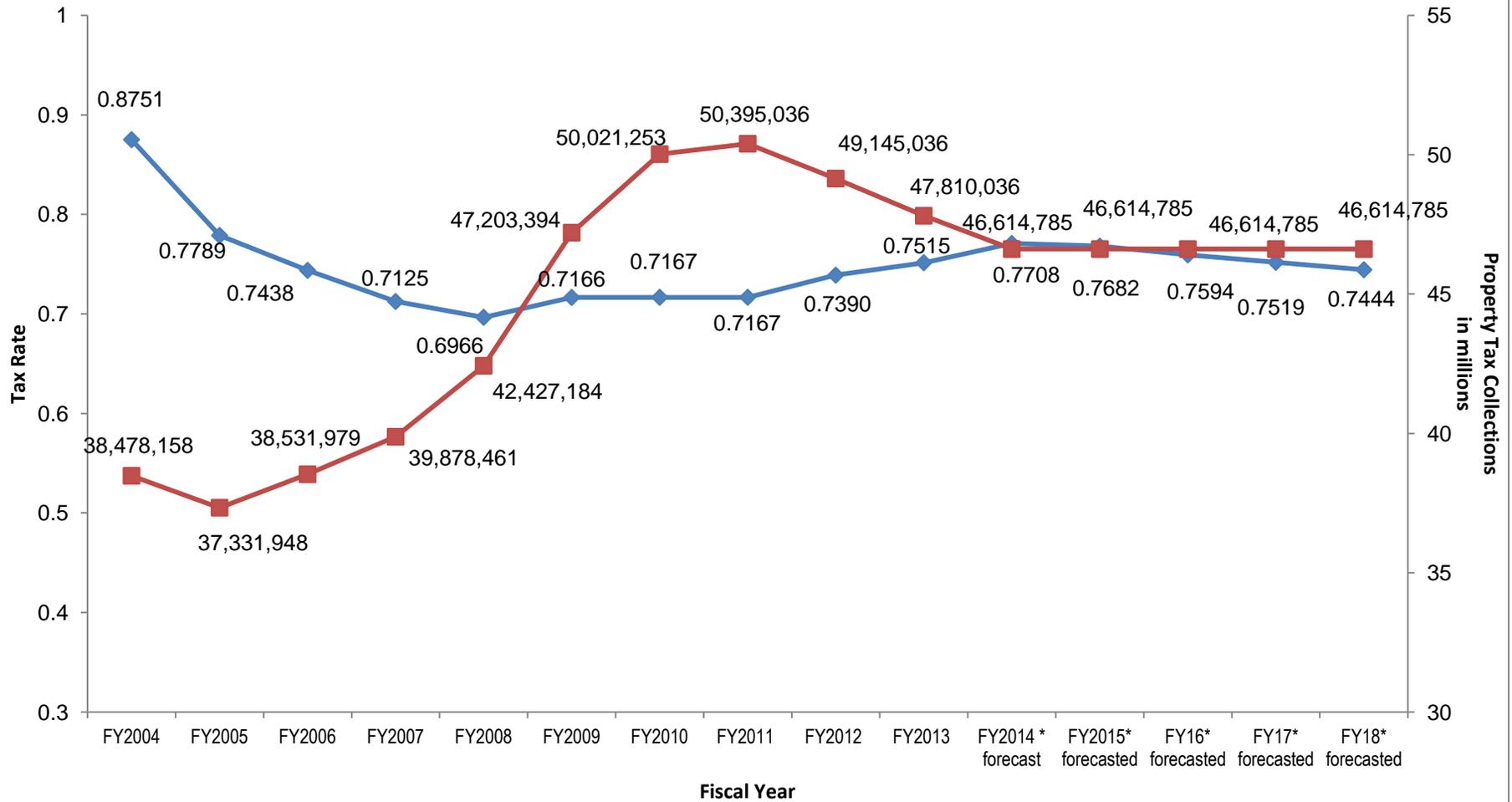
PURPOSE	FY 2016 BUDGET 2014 ASSESSED VALUE			FY 2017 BUDGET 2015 ASSESSED VALUE			FY 2018 BUDGET 2016 ASSESSED VALUE		
	LEVY	2014 RATE	EXTENSION	LEVY	2015 RATE	EXTENSION	LEVY	2016 RATE	EXTENSION
PROJECTED EAV	6,199,920,762			6,261,919,970			6,324,539,170		
GENERAL FUND	3,879,679	.0632	3,918,476	4,200,380	.0677	4,242,384	1,243,912	.0199	1,256,351
DEBT SERVICE	10,461,328	.1704	10,565,941	8,586,257	.1385	8,672,120	10,059,453	.1606	10,160,048
IMRF	2,841,090	.0463	2,869,501	2,926,323	.0472	2,955,586	3,014,113	.0481	3,044,254
FIREFIGHTER PENSION	5,748,058	.0936	5,805,538	6,207,902	.1001	6,269,981	6,704,534	.1071	6,771,580
POLICE PENSION	5,506,158	.0897	5,561,220	5,946,651	.0959	6,006,117	6,422,383	.1026	6,486,607
NAPER SETTLEMENT	3,027,272	.0493	3,057,545	3,127,272	.0504	3,158,545	3,221,090	.0514	3,253,301
SUB-TOTAL	31,463,585	.5126	31,778,221	30,994,785	.4999	31,304,733	30,665,485	.4897	30,972,140
LIBRARY	15,151,200	.2468	15,302,712	15,620,000	.2519	15,776,200	15,949,300	.2547	16,108,793
TOTAL	46,614,785	.7594	47,080,933	46,614,785	.7519	47,080,933	46,614,785	.7444	47,080,933

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



Fiscal Year	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14* forecast	FY15* forecast	FY16* forecast	FY17* forecast	FY18* 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	\$6,429,468,875	\$6,107,995,431	\$6,138,535,408	\$6,199,920,762	\$6,261,919,970	\$6,324,539,170
% Growth	7.77%	8.07%	8.85%	8.10%	5.94%	1.34%	-5.44%	-4.31%	-5.00%	0.50%	1.00%	1.00%	1.00%

**CITY OF NAPERVILLE
PROPERTY TAX COLLECTED
PROPERTY TAX RATE ASSOCIATED WITH LEVY
FY2004 - FY2018**





N A P E R V I L L E P U B L I C L I B R A R Y

DATE: September 21, 2012

TO: Mayor and City Council

From: John Spears, Executive Director

Re: Tax Levy Request for FY13-14

As the Library receives nearly 93% of its revenue from property taxes, the Board and staff continue to be aware of the importance of constantly examining expenditures to ensure that the use of the funds provided through taxation are spent in as prudent and efficient a manner as possible. In accordance with this philosophy and the agreement reached with Council to limit our Capital Reserve Fund to \$250,000, the Library has relied on the use of carryforwards to balance its budget for the past several years. While the Library is grateful for the assistance pledged by the City to help fund the replacement of the roofs at the Nichols and Naper Boulevard Libraries, we are also grateful that the careful management of the budget by the Board throughout FY12 has provided us with the resources to complete these needed repairs from Library funds, allowing the City to recapture the funds initially approved for these expenses. The assumption by the Library of the full cost of these projects in the current fiscal year (at a total cost of nearly \$736,000) has eliminated the ability to utilize a carryforward for FY14. The Library has maintained its commitment to containing costs, though, and is submitting a levy request of \$14,270,000 - an amount lower than the initial projection submitted to Council in 2012.

Several goals have been identified as fundamental to maintaining the level of service desired by the Library's users: rebuilding our materials budget to a level that will meet the needs of Naperville's residents, ensuring that our compensation levels are adequate to attract and retain the quality of staff necessary to provide services, and proper maintenance of Library facilities. Materials expenditures in FY12 were the lowest level since FY05, and the Library has been actively exploring more cost effective means of managing our expenditures in this area through vendor-selection, systematic collection analysis, and increased resource sharing with area libraries. A gradual rebuilding of the materials budget, though, will be necessary to meet the increased demand for popular titles and electronic resources. 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 proper compensation level that will keep us competitive with comparable organizations. The provision of a market adjustment in the latter part of FY12 and the return of a modest pool for merit increases have now allowed the Library to begin offering compensation on par with that of our peers. Finally, the ageing of our facilities will necessitate increased expenditures for maintenance, but the continual monitoring of contracts and the use of the JOC program have assisted in maintaining these costs at as low a level as possible.

The Library Board and staff would like to express our gratitude to Karen DeAngelis, Doug Krieger, and Councilman Robert Fieseler for their assistance and guidance in the preparation of this levy request and five-year plan.

NICHOLS LIBRARY
200 W. JEFFERSON AVE.
NAPERVILLE, IL 60540
(630) 961-4100

NAPER BLVD. LIBRARY
2035 S. NAPER BLVD.
NAPERVILLE, IL 60565
(630) 961-4100

95TH ST. LIBRARY
3015 CEDAR GLADE DR.
NAPERVILLE, IL 60564
(630) 961-4100

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

8/31/2012

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 % Increase from Actual FY03	10.93% Library Rate	0.2418 23.7%	\$10,565,757
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	Actual Library Tax Levy (per counties 5/12)	\$6,429,468,875	-4.305% % Change=	Oper. Bal 0.2075 10.88%	(673,940) \$13,210,500 6.11%
FY14	Estimated Library Tax Levy	\$6,108,000,000	-5.000% % Change=	Oper. Bal 0.2360 13.71%	-0- \$14,270,000 8.02%
FY15	Estimated Library Tax Levy	\$6,230,160,000	2.000% % Change=	Oper. Bal 0.2383 1.00%	-0- \$14,700,800 3.02%
FY16	Estimated Library Tax Levy	\$6,354,763,200	2.000% % Change=	Oper. Bal 0.2408 1.04%	-0- \$15,151,200 3.06%
FY17	Estimated Library Tax Levy	\$6,481,858,464	2.000% % Change=	Oper. Bal 0.2434 1.07%	-0- \$15,620,000 3.09%
FY18	Estimated Library Tax Levy	\$6,611,495,633	2.000% % Change=	Oper. Bal 0.2436 0.11%	-0- \$15,949,300 2.11%



NAPERVILLE HERITAGE SOCIETY

523 S. Webster Street
Naperville, IL
60540-6517
630.420.6010 Phone
630.305.4044 Fax

*Developers and
Administrators of
Naper Settlement
A History Museum*

MEMORANDUM

TO: Mayor Pradel and City Councilmen

FROM: Naperville Heritage Society Board of Directors
Michael Krol, Chairman

Michael Krol

DATE: September 28, 2012

SUBJECT: Request for FY14 Naper Settlement Operating Support

On behalf of Naper Settlement, the Naperville Heritage Society and Naper Settlement Museum Boards respectfully request the Council's consideration in granting \$2,827,272 to support the 2014 fiscal year operations of the City's museum complex. The last four years the museum has been operated with reduced or flat tax support, from a high of \$3,039,389 in fiscal year 2009 to \$2,757,272 the last three fiscal years. We are proud that we have been able to do our part along with City departments to provide a balanced budget during the tough economic climate.

As the outlook improves we are asking for a modest increase of \$70,000. That amount would primarily cover the projected increase in salary and benefit costs for Settlement staff in fiscal year 2014. Most other expenses have again been maintained at existing levels, a testament to the resourcefulness of staff.

The museum achieved re-accreditation by the American Association of Museums in 2012, one of only 25 museums accredited in Illinois and the only museum in DuPage County. This recognition certifies the standards to which the museum is maintained and operated. Following completion of the interior roadways project, the Settlement grounds are more beautiful than ever – just the beginning of a phased plan for further development at the site. As we continue to offer free admission to Naperville residents we hope the rest of the City will become familiar with what Settlement staff, volunteers and visitors are excited about.

Thank you for your consideration of our recommendation for the museum's operating support for the upcoming year. We look forward to speaking with you during the upcoming workshop.



NAPERVILLE HERITAGE SOCIETY

523 S. Webster Street
Naperville, IL
60540-6517
630.420.6010 Phone
630.305.4044 Fax

*Developers and
Administrators of
Naper Settlement
A History Museum*

MEMORANDUM

TO: Mayor Pradel and City Councilmen

FROM: Naperville Heritage Society Board of Directors

Michael Krol, Chairman

Michael Krol

DATE: September 28, 2012

SUBJECT: Five Year Financial Plan for Naper Settlement

Transmitted herein are preliminary plans for Naper Settlement's next five years of operations covering fiscal years 2014 through 2018.

At their September meetings, the Naperville Heritage Society Board and the Naper Settlement Museum Board approved a five-year plan for Naper Settlement reflecting continued progress toward achievement of the organization's long-range goals for site improvements and sustainability while fulfilling the mission of creating community through unique and engaging experiences.

This plan reflects modest growth of \$70,000 in tax support to \$2,827,272 for fiscal year 2014, the first increase requested since reductions and flat support beginning with fiscal year 2010. Continued increases of \$100,000 annually through 2018 are projected to cover increased personnel and operating costs.

Modest increases in expenses are planned over this five year period. Increases in salary and benefit costs, chargebacks and utilities are based on assumptions provided by the City Finance Department. Staffing levels are consistent with fiscal year 2013. In addition to the tax support mentioned above and revenue from museum services and programs, the plan calls for an increasing level of support from Naperville Heritage Society to balance the museum's operations. In addition to funding a position in the Organizational Resources Division, the Heritage Society is committed to transferring funds from educational events and a distribution from an endowment fund established to provide support for specific educational and facility expenditures as well as general operating support.

In addition to financial operating support the Heritage Society is committed to growing the volunteer corps and obtaining grants and outside support for capital projects and programs. The Settlement and Heritage Society were founded and grew through the efforts of volunteers. To date in the current fiscal year, volunteers have contributed 24,565 hours toward such things as event support, facilities and grounds maintenance and special projects. The success of the Society's efforts in the funding area was seen with over \$2 million in awards for the stormwater management/roadways project completed in the fall of 2012.

From the community's perspective, the Settlement provides an exceptional museum experience, outstanding programs, historical research and preservation resources, educational and fun summer camps, a beautiful venue for weddings, and engaging events for all ages - just to name a few. We look forward to continuing to provide a museum that the City is proud to support and call its own.

Naper Settlement FY14 Short Term Objectives

- Prepare the organization for phased implementation of the long range vision
- Cultivate donations of historical resources
- Create exhibits, programs and events for visitor enjoyment and education encouraging repeat or new attendance
- Grow sales and philanthropy
- Grow the membership base
- Grow and engage the volunteer base
- Increase revenue from group tours and rental of buildings and grounds
- Diversify financial resources with an emphasis on grants and private philanthropy
- Continue to provide high quality facility management incorporating sustainable practices and proactive cyclical maintenances
- Evaluate the museum's market branding for improved identification with our services and products

NAPER SETTLEMENT FIVE-YEAR OPERATING PLAN
FY14 - FY18

9/18/2012 9:42

Account Description	FY12 Actual	% Increase FY12 to FY13	FY13 Budget	% Increase FY13 to FY14	FY 14 Projection	% Increase FY14 to FY15	FY 15 Projection	% Increase FY15 to FY16	FY 16 Projection	% Increase FY16 to FY17	FY 17 Projection	% Increase FY17 to FY18	FY 18 Projection
Revenue:													
General Property Tax Support	2,767,944	-0.39%	2,757,272	2.54%	2,827,272	3.54%	2,927,272	3.42%	3,027,272	3.30%	3,127,272	3.00%	3,221,090
Federal Grant (TAH)	15,705	-100.00%	-		-		-		-		-		-
Programs and Events	487,895	-4.49%	466,005	-1.85%	457,385	4.50%	477,985	0.73%	481,485	0.21%	482,485	0.00%	482,485
Interest Income	22,746	45.08%	33,000	-3.64%	31,800	0.00%	31,800	0.00%	31,800	0.00%	31,800	0.00%	31,800
Investment Income	31,874	-100.00%	-		-		-		-		-		-
Contribution from Private Sources	30,500	902.70%	305,822	9.67%	335,382	-6.23%	314,472	6.75%	335,714	-1.58%	330,408	3.67%	342,526
Other Revenue	1,250		-		-		-		-		-		-
Total Revenue:	3,357,914	6.08%	3,562,099	2.52%	3,651,839	2.73%	3,751,529	3.33%	3,876,271	2.47%	3,971,965	2.67%	4,077,901
Use of Fund Balance	-		100,000		150,000		50,000		-		-		-
Total Funding	3,357,914		3,662,099		3,801,839		3,801,529		3,876,271		3,971,965		4,077,901
Expenditures:													
Salaries	1,882,608	10.21%	2,074,760	1.06%	2,096,683	1.99%	2,138,425	1.99%	2,181,001	1.99%	2,224,430	1.99%	2,268,727
Benefits	635,790	14.18%	725,960	3.60%	752,066	-0.59%	747,601	2.37%	765,334	2.38%	783,527	2.38%	802,189
Support Services	145,052	-8.47%	132,765	7.16%	142,275	0.53%	143,025	0.35%	143,525	0.52%	144,275	0.52%	145,025
Professional Services	27,021	-70.39%	8,000	600.00%	56,000	-89.20%	6,050	0.83%	6,100	0.82%	6,150	0.81%	6,200
Property Services	154,603	-2.57%	150,627	-0.15%	150,396	0.92%	151,782	-0.13%	151,586	8.85%	165,008	15.99%	191,399
Contractual Services	172,507	-3.89%	165,793	10.16%	182,640	0.00%	182,640	0.00%	182,640	0.27%	183,140	0.00%	183,140
Supplies	216,942	0.71%	218,475	5.81%	231,168	1.22%	233,978	2.93%	240,835	1.50%	244,439	9.67%	268,076
Capital Outlay	116,250	100.00%	110,000	0.00%	110,000	0.00%	110,000	0.00%	110,000	7.73%	118,500	-7.17%	110,000
City Chargebacks	85,087	21.93%	103,743	5.35%	109,298	7.13%	117,088	6.68%	124,914	6.29%	132,776	0.96%	134,054
Vacancy Factor	-		(28,023)	2.37%	(28,687)	1.30%	(29,060)	2.08%	(29,663)	2.08%	(30,280)	2.08%	(30,909)
Total Expenditures:	3,435,859	6.58%	3,662,099	3.82%	3,801,839	-0.01%	3,801,529	1.97%	3,876,271	2.47%	3,971,965	2.67%	4,077,901
Net Income:	(77,946)		(0)										

**CITY OF NAPERVILLE
MEMORANDUM**

DATE: October 8, 2012
TO: Mayor and City Council
THROUGH: Karen DeAngelis, Director of Finance
FROM: Chris Smith, Assistant Director of Finance
SUBJECT: 2012 SSA Levies

ACTION REQUESTED:

Provide consensus for the 2012 SSA tax levies.

DISCUSSION:

SSA 21 Van Buren Deck – Debt Service

The levy recommendation is a reduction of \$20,000 from the prior year and uses a portion of the fund balance to make the required annual debt service payment.

SSA 24 Downtown Maintenance & Marketing

The levy dollar recommendation is roughly flat with the last two years. Added expenditures for Capital Items are offset by the use of fund balance.

SSA 25 Lacrosse Lane- Debt Service

This is a new levy. The levy recommendation is for the full amount of the total cost divided by 15 years.

RECOMMENDATION:

Approve staff recommendations for SSA as follows:

Van Buren Deck-Debt	SSA21	\$130,000	0.2472
Downtown Maint & Mktg	SSA24	\$776,382	1.4582
LaCrosse Lane	SSA25	\$ 68,000	1.0000

ATTACHMENTS:

Letter from Downtown Naperville Alliance
SSA#24 Budget Projections
SSA#21, #22/#24 Tax Levy Schedule



September 24, 2012

Mayor A. George Pradel and Members of the Naperville City Council
400 South Eagle Street
Naperville, IL 60566

Dear Mayor and Members of the City Council:

In accordance with the agreement outlined in SSA 24, this letter is to formally request the Downtown Naperville Alliance's Marketing Budget be set at \$326,900, held constant with our current year marketing budget. SSA 24 was built on the premise that DNA marketing spending would remain constant (not increase) during the SSA period (2011-2016) with fluctuating maintenance costs. We agreed that although the overall tax rate would fluctuate, that the marketing portion would remain constant year to year.

The Downtown Naperville Alliance continues to take on the role of facilitator on behalf of its members to better increase communications with various city departments and other organizations with a vested interest in downtown Naperville.

With the guidance of the Naperville Area Chamber of Commerce, the Downtown Naperville Alliance has worked diligently since its inception over a decade ago on behalf of the downtown merchants and property owners. The funding provided through SSA 20, SSA 22 and SSA 24, has been spent strategically and all expenditures are reviewed and approved monthly by both the DNA Management Council and the Finance Committee and Board of Directors of the Naperville Area Chamber of Commerce.

We continue to appreciate the Council and City Staff's past support of the Downtown Naperville Alliance, and look forward to your continued support in our joint efforts to maintain downtown Naperville as a vital and thriving destination for all ages.

If you have any questions about the DNA, we would be happy to meet at your convenience.

Sincerely,

A handwritten signature in black ink that reads 'Kris Hartner'.

Kris Hartner
Chairman-DNA

A handwritten signature in black ink that reads 'Tami Andrew'.

Tami Andrew
Interim CEO Naperville Chamber of Commerce

A handwritten signature in black ink that reads 'Katie R. Wood'.

Katie Wood
Executive Director-DNA

City of Naperville

SSA #24 Budget Projections	Adopted FY 13	Prelim FY 14	% Increase
Total Budget	\$ 2,168,010	\$ 2,452,353	13.12%
Marketing Costs	\$ (326,900)	\$ (326,900)	0.00%
Total Operating/Maint Cost	<u>\$ 1,841,110</u>	<u>\$ 2,125,453</u>	<u>15.44%</u>
Less Fund Balance	\$ (182,114)	\$ (500,000)	174.55%
Less Interest Income/Fines	<u>\$ (276,872)</u>	<u>\$ (276,872)</u>	<u>0.00%</u>
Total Maint Cost to be divided	<u>\$ 1,382,124</u>	<u>\$ 1,348,581</u>	<u>-2.43%</u>
City Share 2/3	<u>\$ 926,023</u>	<u>\$ 899,054</u>	<u>-2.91%</u>
Taxpayer Share 1/3	\$ 456,101	\$ 449,482	-1.45%
Add Marketing Costs	\$ 326,900	\$ 326,900	0.00%
Total Paid by Property Owners	<u>\$ 783,001</u>	<u>\$ 776,382</u>	<u>-0.85%</u>

* Assumption 3% increase in operating costs and additional \$266,000 increase in capital projects

CITY NAPERVILLE
 SSA #21, SSA #22, SSA #24

SSA #24- Maint/Marketing

Tax Year	SSA #22								SSA #24							
	May 06-April 07		May 07-April 08		May 08-April 09		May 09-April 10		May 10-April 11		May 11-April 12		May 12-April 13		May 13-April 14	
EAV	\$ 43,078,490	\$ 50,767,200	\$ 57,624,180	\$ 60,464,190	\$ 61,061,170	\$ 58,038,140	\$ 56,606,490	\$ 53,776,166								
Dollar Amount	\$ 554,415	\$ 653,426	\$ 741,635	\$ 778,198	\$ 785,842	\$ 784,912	\$ 783,001	\$ 776,382								
Tax Rate	1.2999	1.3000	1.2999	1.3000	1.2999	1.3660	1.3971	1.4582								
City	\$ 314,065.29	\$ 0.7364	\$ 376,326.00	\$ 0.7487	\$ 439,634.58	\$ 0.7706	\$ 465,498.14	\$ 0.7776	\$ 458,941.85	\$ 0.7539	\$ 458,012.00	\$ 0.7971	\$ 456,101.00	\$ 0.8138	\$ 449,482.05	\$ 0.8442
Marketing	\$ 240,350.00	\$ 0.5635	\$ 277,100.00	\$ 0.5513	\$ 302,000.00	\$ 0.5294	\$ 312,700.00	\$ 0.5224	\$ 326,900.00	\$ 0.5460	\$ 326,900.00	\$ 0.5689	\$ 326,900.00	\$ 0.5833	\$ 326,900.00	\$ 0.6140
Total	\$ 554,415.29	\$ 1.2999	\$ 653,426.00	\$ 1.3000	\$ 741,635	\$ 1.3000	\$ 778,198.14	\$ 1.3000	\$ 785,841.85	\$ 1.2999	\$ 784,912.00	\$ 1.3660	\$ 783,001.00	\$ 1.3971	\$ 776,382.05	\$ 1.4582
	2005	2006	2007	2008												
SSA #21- Debt Service on Deck (max \$2.50 - through levy year 2021)																
	May 06-April 07		May 07-April 08		May 08-April 09		May 09-April 10		May 10-April 11		May 11-April 12		May 12-April 13		May 13-April 14	
EAV	\$ 42,526,110	\$ 50,143,770	\$ 56,938,690	\$ 59,738,940	\$ 60,322,870	\$ 57,329,380	\$ 55,907,750	\$ 53,112,363								
Dollar Amount	\$ 330,000	\$ 346,500	\$ 393,450	\$ 267,436	\$ 266,827	\$ 210,000	\$ 150,000	\$ 130,000								
Tax Rate	0.7838	0.6979	0.6980	0.4522	0.4468	0.3700	0.2710	0.2472								
Total	2.0836	1.9979	1.9979	1.7522	1.7467	1.7360	1.6680	1.7054								

Other Revenues

**CITY OF NAPERVILLE
MEMORANDUM**

DATE: September 28, 2012

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

FROM: Karen DeAngelis, Director of Finance

SUBJECT: Trends in Other Revenue Streams

PURPOSE:

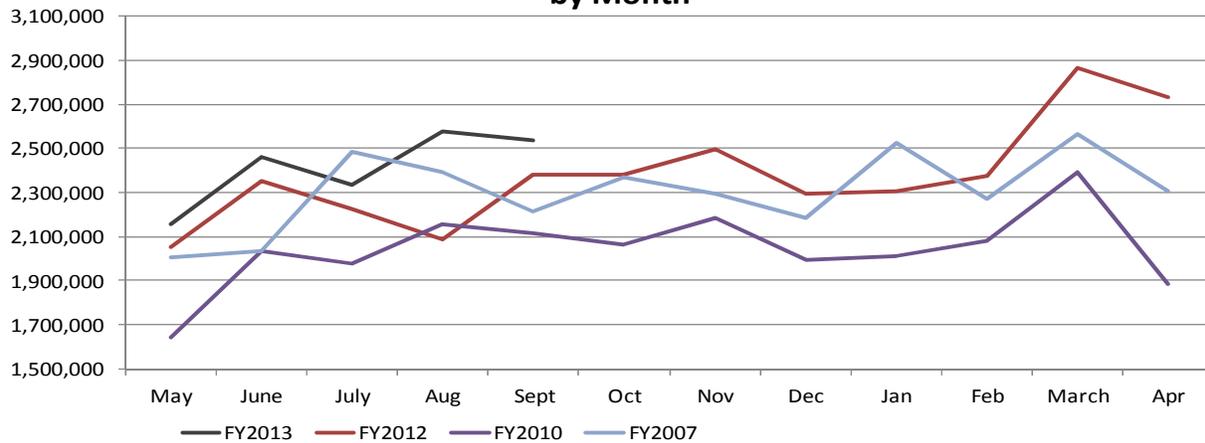
Provide information to Council on the recent trends in the various city revenue streams.

DISCUSSION:

Retail Sales Tax

- Retail sales rebounded in FY12 to end the year at \$28.5 million, 5% above the City's pre-recession high in FY07 of \$27.1 million.
- After several years of continuous monthly declines, sales receipts in FY11, FY12 and the beginning months of FY13 have been above the prior year same months in all but 3 months of the last 29 months.
- The first five months of FY13 are already a total of \$1 million above the prior year receipts, almost a 9% increase.
- The US Census Bureau reports overall retail sales up by almost 6% from last year for the first 8 months of 2012, with auto dealership sales up 8.5%.
- Auto related sales accounted for one third of all retail sales in the City (34%), followed by grocery (12%) and restaurant food and beverages sales (10%) during calendar year 2011.
- First quarter 2012 sales results show year to year increases in almost all categories of sales, the most significant being in apparel (43%), auto related (34%), restaurant food and beverage (19%) and furniture and household (16%).
- Staff is projecting to end the year \$2 million above the FY13 budget – which would be a 4% increase over last year and set a new retail sales record for the City.
- With retail sales collections in FY12 of \$28.5 million, every 1% increase in retail sales brings \$285,000 of increased revenue to the City. The City has conservatively increased the retail sales tax projection for a 4% increase, there is an upside potential of an additional \$1.5 million if the sales remain at the current level of 9% above last year for the remainder of the year.
- 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

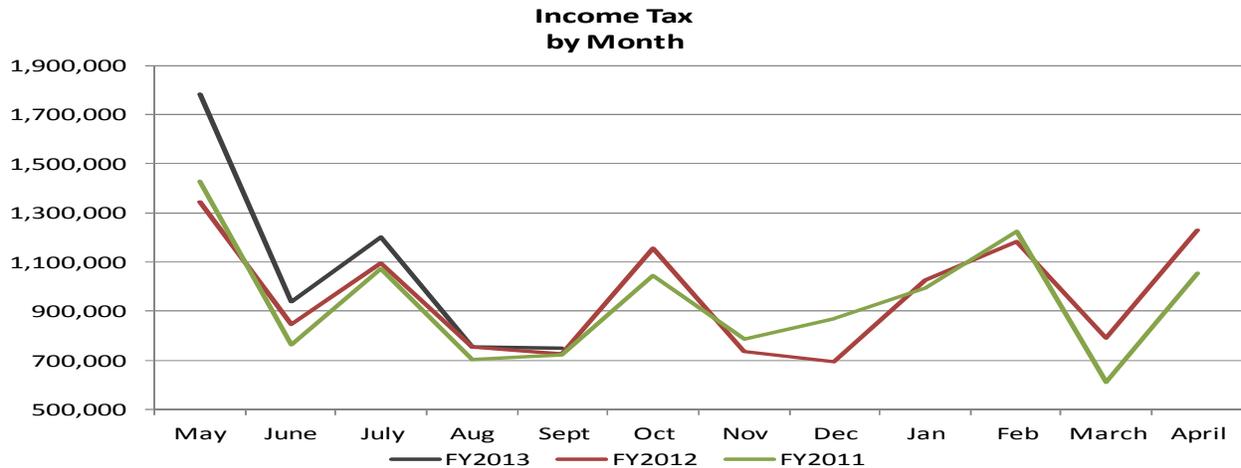
- Staff uses the Illinois Municipal League (IML) projection for the budget.
- The IML has revised this projection upwards suggesting total collections for the year may total \$2.2 million, \$400,000 higher than the original FY13 budget.
- First quarter receipts are already \$200,000 above budget, and staff previously increased the projection by \$200,000 in recognition of the year to date results.
- Staff will continue to monitor the upside potential in this revenue source as the year progresses and will use any upside to offset potential shortfalls in other areas.

Income Tax

- An overall 10% decline during the recessionary years from a high of \$12.6 million in FY08 to a low of \$11.3 in FY11. The current FY13 projection of \$12.2 million would restore income tax revenue to just 3% below the pre-recession level.
- Per capita income began showing some positive signs in FY11 with seven months being above the prior year same month, but disappointingly the full year end down almost 2%.
- FY12 had eight months with per capita income above the prior year same month. In addition the year ended up overall by 4.5%.
- The first five months of FY13 have all been at, or above, the per capita income from the prior year same month, with the overall per capita for the five month period being 14% above the prior year!
- Unemployment in the State of Illinois in July 2012 of 8.9% remains above the national average (8.3%), but has been improving since hitting its highest level of 11.5% in March of 2010.
- Income tax revenue is apportioned to the City based on the 2010 Census which reported Naperville's population at 141,853
- The projected FY13 income tax revenue of \$12.2 million reflects a 5% improvement over the actual FY12 revenue. The first five months actual receipts of \$5.4 million are 14% above last year, if this strong trend were to continue for the entire year an upside potential of an additional \$1 million is possible. The IML has conservatively predicted FY13 only 2.5% increase over last year, so staff will continue to monitor actual receipts and adjust the projection as the year progresses.
- Over the last four 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

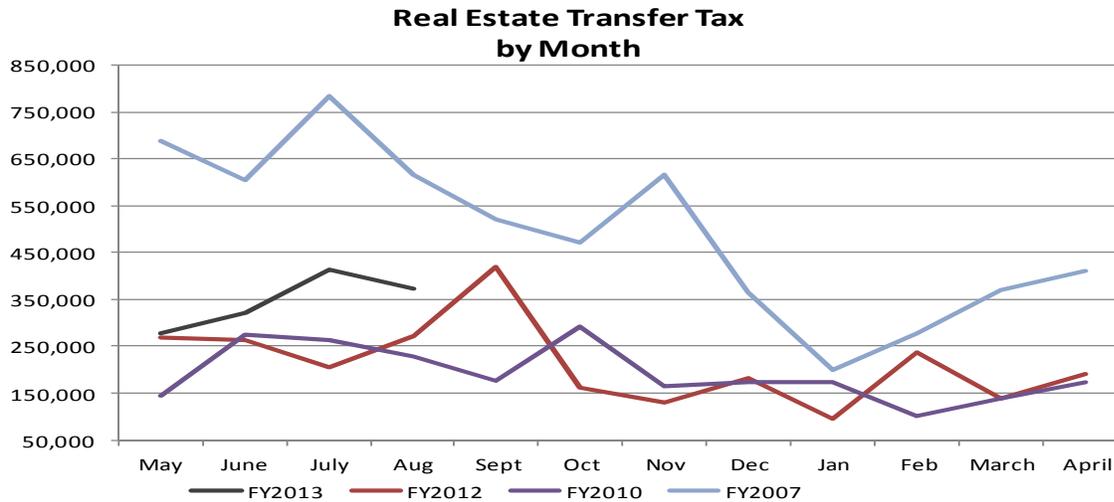
consideration could reduce the allocation by 30%, which would mean potentially a \$3.6 million reduction for Naperville.

- In FY12 state delays in remitting funds have been as much as 5 months (\$5.5 million) behind, with payments taking up to 164 days.
- Since the start of calendar 2012 the timeliness of payments has improved with the average delay of only 3 months (90 days) with a balance owing of \$2.7 million.



Real Estate Transfer Tax

- Over a 60% decline from a high of \$5.9 million in FY07 to a low of \$2.3 million in FY10, reflecting the dramatic decline in both property sales and values during the economic downturn.
- While sales of residential properties continued a slow decline in FY11 they were more than offset by improvements in Commercial property sales with final collections ending at \$2.6 million, up \$0.3 million from the prior year.
- The number of residential sales in FY12 ended with a slight increase over the prior year but the average sales value declined a bit further ending at a low of just over \$350,000. Commercial property sales continued to improve during FY12 and again offset the decline in tax collections on residential sales.
- Home values remain depressed falling by 20% in a four year time period from FY08 average sales price of \$439K to a low in FY12 of \$351K. Average sales values have increased slightly in early FY13 and are now at roughly \$370K.
- The first four months of FY13 have shown a dramatic recovery in residential property sales. There were 980 homes sold in just the four month period May through August, this is a 40% increase over the same period last year. Home sales in each of the last four months were over 200, and the last time that occurred was in the summer and fall of 2007 before the economic downturn.
- Real estate transfer tax revenue is already \$150,000 above the budget and \$380,000 above the prior year. The FY13 projection has been increased to \$2.85 million, which represents a 9% increase over the prior year.



Utility Tax-Electric

- Electric Utility tax receipts remained relatively level, from \$5.9 to \$6.0 million a year for 4 of the last 6 years.
- FY10 and FY12 receipts were each about \$400K lower than that average due to moderate weather throughout the year, and most notable in FY12 was the warm winter
- The historic summer heat has bolstered FY13 year to date tax collections which are now \$300K above budget. The full year projection remains conservatively positioned at budget, with upside potential if the winter temperatures are at or colder than normal.

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 seven years (FY09 and FY06) over \$1 million has been collected in one of the winter months.
- Natural Gas Utility tax collections have averaged \$3.2 million over the last seven years, ranging from a low of \$2.5 million (FY07) to a high of \$4 million (FY09). Actual collections in FY12 were at \$3 million.
- Achievement of the \$4 million budget is dependent on an assumed cold winter season and stable or increasing natural gas prices. There is a downside risk of roughly \$1 million, which would be expected to be covered by upsides in the Electric and Water Utility taxes.

Telecom Tax

- Telecom tax had been showing a slow growth pattern through FY09 reaching a high of \$6.7 million, but then did see a slight decline in both FY10 and FY11 due to the economic downturn.
- This revenue source recovered in FY12 to \$6.6 million, back almost to the pre-recession level.
- The budget, and current year projection, conservatively positions revenue at \$6.3 million, and year to date collections are on budget. If the full year results come in equal to last year, there would be an upside potential of \$300K in this revenue source.

Utility Tax – Water

- Water Utility tax receipts remained relatively flat between \$700K and \$800K a year for the five year period FY07 to FY11.

- The water rate increases implemented in FY12 resulted in a corresponding increase in the water utility tax receipts, raising them to \$1.2 million.
- The FY13 budget was set at the prior collection level of \$800K. Collections year to date have already reached that level as the summer heat increased water usage in the City. If water usage returns to the level of usage last year, there is an upside potential of \$600K which will be used to cover the downside risk in the Natural Gas utility tax collections.

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 FY12 were also negatively impacted as the Holiday Inn closed and some hotel business was lost to hotels in the surrounding communities.
- Hotel Tax revenue is increasing both reflecting the opening of the Marriott and an underlying improvement of about 10%. The full year projection has been increased by \$150,000 to reflect the improvements.

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 only by about \$50,000 in each year, FY10 and FY11, but strengthened in FY12 by \$150K ending at almost \$3.1 million.
- The FY13 Food and Beverage tax revenue budget is \$3.1 million, and year to date collections reflect roughly a 10% increase over last year. The full year projection is being increased by \$300K to \$3.4 million. Of this increase 25%, or \$75,000 will be an increase to the General Fund revenues, the remainder will increase the SECA funds available.
- For FY13 the available Millennium Carillon fund balance will be used to reduce the SECA maintenance funding request. This and as well as change in the revenue assumptions will allow for an increase in the cultural grant awards of \$350K to be made in FY14 verses the FY13 awards. (See attached Food and Beverage Tax Analysis)

Permits and License

- The economic downturn 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.
- Development activity started to pick up in FY12 and permit and license revenue began to rise, ending at \$1.9 million.
- The FY13 projection has been revised in expectation that the full year collections will once again reach \$1.9 million, which is consistent with collections to date.

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 improved and Council eliminated the right turn on red enforcement.
- Traffic fines declined significantly in FY12 budget reflecting the absence of ticketing for right turn on red and then the removal of the cameras.

- The FY13 budget was set at \$1.8 million, and year to date actual collections are almost \$200K below budget. Staff will monitor receipts as the year progresses, and revise the projection later in the year if warranted.

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 and FY12 increased back to roughly the same \$2.3-\$2.4 million range.
- The budget for FY13 of \$2.4 million appears reasonable and achievable, as year to date collections are on budget.

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 and with only a small increase in the number of households serviced, collections remain at roughly \$1 million.

Use of Fund Balance

- The FY13 budget was balanced using \$3.9 million of General Fund fund balance in excess of the policy reserve requirement. Improvements in the projected FY13 revenue sources will be sufficient to balance the year without the use of fund balance! This excess fund balance will be available for use in the FY14 budget.

State Motor Fuel Tax

- State motor fuel tax collections fell in line with the decline in national fuel purchases, falling from \$4.0 million in FY07 to \$3.5 million in FY12.
- The per capita allocation remained relatively stable at \$3.7 million for two years, and then declined to \$3.5 million in FY12.
- The FY13 budget was set conservatively at \$3.4 million, and is reasonable and achievable. Year to date receipts are on budget.
- 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. During FY12 the state announced, and the city received, the second installment.
- The Governor recently announced the program would issue the third installment. The FY13 budget conservatively reserved this potential revenue, as a safeguard should the program not be renewed for another year. With the state's announcement the \$0.6 million of revenue has been added to the FY13 projection.

- 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 and the third already announced. As this is a State program there is some risk of amendment over the final years of the program.
- Staff will incorporate the remaining two installments into the budget for FY14 and the plan for FY15, but will include a conservative reserve offsetting the revenue in each year.

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 through FY10.
- Effective for FY11 Council implemented an increase of 2 cents, for a total of 4 cent per gallon. The additional 2 cent per gallon provides revenue 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 each of FY11 and FY12.
- 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
Cumulative Sales Tax Comparison - General Merchandise plus Food & Beverage
As of September 2012

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%		1.00%			8.25%				8.25%	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%	.01/gal		4.00%	4.00%
Batavia	Kane	5.00%	1.25%	0.75%			0.50%			7.50%				7.50%	6.00%	.01/gal		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%	yes	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%	1.25%			9.75%				9.75%	6.00%	.015/gal	4.00%		
Elgin	Kane	5.00%	1.25%	0.75%			1.25%			8.25%				8.25%	6.00%	.015/gal	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%	1.75%			9.00%	1.00%			10.00%	6.00%	.01/gal	7.00%	varies by kw hour	2.00%
Joliet	Will	5.00%	1.25%	0.75%			1.75%			8.75%	1.00%			9.75%	6.00%	.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%	1.25%			9.75%	1.00%			10.75%	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	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%		1.25%	1.00%			9.50%	1.00%			10.50%	6.00%	.03/gal			
Plainfield	Kendall	5.00%	1.25%			1.00%	1.50%			8.75%				8.75%	5.00%	.02/gal	5.00%	varies by kw hour	5.00%
Plainfield	Will	5.00%	1.25%	0.75%			1.50%			8.50%				8.50%	5.00%	.02/gal	5.00%	5.00%	5.00%
Rosemont	Cook	5.00%	1.25%	1.00%		1.25%	1.25%			9.75%	1.00%			10.75%	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%	6.00%		5.00%	Going into effect 5/1/13	
Woodridge	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%
Woodridge's Cook County portion is a right of way and not representative of the municipality and therefore not included in the comparison.														0.00%					

City of Naperville
Food and Beverage Tax Analysis
20-Sep-12

	Current FY12- Revised	Current FY13-Revised	FY14	FY15	Projected* FY16	FY17	FY18
Revenue							
Est. revenue at .75%	\$ 2,325,723	\$ 2,620,495	\$ 2,699,110	\$ 2,780,083	\$ 2,863,485	\$ 2,949,390	\$ 3,037,872
Other revenue (incl. Interest)	(10,334)	\$ 6,200	\$ 6,200	\$ 6,200	\$ 6,200	\$ 6,200	\$ 6,200
	\$ 2,315,389	\$ 2,626,695	\$ 2,705,310	\$ 2,786,283	\$ 2,869,685	\$ 2,955,590	\$ 3,044,072
Expenditures							
Riverwalk and Carillon Agreements	232,389	134,163	145,032	199,383	205,364	211,525	217,871
Municipal Band	130,317	134,227	138,253	142,401	146,673	151,073	155,605
Admin	109,000	42,500	42,500	42,500	42,500	42,500	42,500
Loan (Carillon and Children's Museum)	600,000	740,000	740,000	140,000	140,000	140,000	140,000
Special Events	473,379	449,095	462,568	476,445	490,738	505,460	520,624
	1,545,085	1,499,985	1,528,353	1,000,729	1,025,276	1,050,559	1,076,600
Grants- Cultural (used or available)	717,624	1,099,788	1,455,151	1,785,554	1,844,409	1,905,031	1,967,472
Subtotal	52,680	26,922	(278,195)	0	1	(0)	(1)
Beginning Fund Balance	\$ 398,592	\$ 451,272	\$ 478,194	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Ending Fund Balance	\$ 451,272	\$ 478,194	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000

* Increased Revenues for FY13 by \$225,000

*Assumed a 3% increase for inflation