

**CITY OF NAPERVILLE**  
**FINANCIAL ADVISORY BOARD AGENDA**

November 7, 2016  
6:00 P.M. – 8:00 P.M.  
T.E.D. Large Conference Room (Room 247)  
2<sup>nd</sup> Floor of the Naperville Municipal Center  
400 S. Eagle Street, Naperville, Illinois

- I. Roll Call
- II. Approval of August 8, 2016 Minutes (Davidson)
- III. Introduction of new FAB board member Christina Klein. Introduction of student members Adam Deutsch and Connor Tenny (Mayer)
- IV. Quarterly Review of Investments – 3rd Quarter Ended September 30, 2016 (M. Piotrowski) – Update Investment Bankers:
  - TCH/BMO Investment Management
  - PFM Asset Management
- V. Local Vendor Market (Kim Schmidt)
- VI. Meeting Dates for 2017
- VII. Update Actuarial RFP (Lockwood/Mayer)
- VIII. Quarterly Review of Financial Performance – 3rd Quarter Ended September 30, 2016 (Mayer/Lockwood/Hallgren)
- IX. 2017 Budget Discussion (Mayer/Hallgren)
- X. Old Business
  - Investment Policy – Mike Wik and Mike Piotrowski
  - Debt Policy – Charles Millington & Ron Davidson
  - Ambulance Billing update
  - SECA update
- XI. New Business
  - PDF Quarterly Investment Reports (Lockwood)
- XII. Adjournment

Items for Future Meeting

1. Review Duties of FAB - TBD
2. Emergency/Reserves Policy Review – Q1 2017

**FINANCIAL ADVISORY BOARD**  
**Unapproved Minutes**  
**August 8, 2016 Meeting**

The August 8, 2016 meeting of the Financial Advisory Board was held at the City of Naperville Municipal Center in the NEU Conference Room located at 400 South Eagle Street, Naperville, IL 60540.

**Roll Call:**

**Board Members Present**

Ron Davidson, Chairman

Michael Isaac

Charles Millington

Susan Wade

Michael Wik

John Krummen – Council Ex-Officio

Sarvasva Raghuvans, Student Member

**Also Present**

Rachel Mayer, Finance Director

Lynn Lockwood, Assistant Finance Director

Erik Hallgren, Financial Services Supervisor

Tim Fallon, Marquette Associate

**Board Members Absent**

Patrick Gannon

Nimish Bhatt

**Public Forum – No Speakers**

**I. Introduction**

Ron Davidson began the meeting at 6:00 p.m.

**II. Approval of Minutes**

The minutes of the May 9, 2016 meeting were approved with no modifications.

**III. Bond Sale Update – Rachel Mayer**

In June the city conducted a bond sale with Speer Financial in the amount of \$62.3 million; \$15.8 million was new money. The balance was used for refunding 2008 and 2009 Bonds, which will save the city \$5 million over the life of the bonds.

Speer Financial used proprietary on-line bidding tool, which allowed many members of the city to watch the sale in real time. There were 33 bids from 9 firms with the winning bid by Morgan Stanley at an interest rate of 2.02%. Speer Financial was a great partner in the bond sale and very helpful with the materials required and participating in the rating agencies interviews. The City of Naperville achieved AAA Bond Rating Status after the review process.

**IV. Quarterly Review of Investments – 2<sup>nd</sup> Quarter Ended June 30, 2016 –  
Tim Fallon, Marquette Associates**

Tim Fallon noted that the economy is growing below par at 1.2% versus a typical average of around 3%. Interest rates are low globally and the Federal Reserve is trying to increase US rates, as unemployment is at 4.9% and inflation is low.

The portfolio market value at June 30<sup>th</sup> was \$76.6 million with bond assets evenly split between BMO and JP Morgan. Rachel mentioned that the higher level to cash, at 56.9%, was a function of timing of the money's receipt.

Year-to-date the portfolio returned 2.2% versus 3.0% for the Policy benchmark. Both managers outperformed the index, but cash was the main drag on overall results.

Looking forward, both bond managers have short maturities and if the securities were held to maturity the portfolio return would be around 1%. This is a good reason that the FAB is looking at the portfolio structure and how to make the assets earn more.

In response to Ron's question – the yield advantage of non-government securities is in-line with recent averages, but there is not much extra yield overall

JP Morgan continues to be on Notice due to organizational turnover. Our research group recently met with Barb Miller (group leader) to discuss the team changes. The RFP that staff is conducting will certainly address these issues.

Fees for both managers are extremely competitive at 0.15% of assets. In response to Ron's question – we have a good relationship with both managers even though the fees are low. Rachel agreed with that assessment and mentioned the RFP will further evaluate both firms.

**V. Review RFP for Investment Banker – Lynn Lockwood**

The current contract with both JP Morgan and TCH expire as of September 30<sup>th</sup>. On July 9<sup>th</sup>, the city advertised an RFP for investment services, all bids are due back on August 9<sup>th</sup>. The city invited 15 different firms to participate, and another 20 firms have reviewed the RFP. Over the next several weeks' staff will begin the process of reviewing the bids and short-listing the firms, for the next step of interviews. Staff will keep Board advised of progress and outcome.

**VI. Review and Discussion of Debt Policy – Rachel Mayer**

Rachel Mayer requested a volunteer from the Board with a special interest in debt policy management to work with staff one-on-one to review and update the City's current debt policy. Staff is looking for different view-points, benchmarks from other cities, as well as best practices outlined by GOFA to update the current policy. Once this policy has been revised it will be presented to the Board for final review and comments.

Both Charles Millington and Ron Davidson volunteered to work on the policy.

**VII. Quarterly Review of Financial Performance – 2<sup>nd</sup> Quarter Ended June 30, 2016**

Rachel Mayer stated overall the City is collecting more in revenues than spending,

- General Fund revenues through June totaled \$48.78 million, which is 48.9% of the CY2016 budget and \$4.1 million higher than the CY2015 year-to-date actuals.
- General Fund Operating expenses through June total \$53.4 million which is 44.5% of the CY2016 Budget and \$3.9 million lower than the CY2015 year-to-date actuals.
- Electric Utility Fund revenues through June totaled \$74.5 million, representing 8.9% increase over the prior year. The overall increase is reflective of the 8.3% rate increase implemented on February 1<sup>st</sup>.
- Electric Utility Fund expenses in CY2016 are down \$1.3 million compared to CY2015 year-to-date. The decrease is associated with a \$1.2 million reduction in overhead charges, which is due to the direct allocation of salaries and benefits from the General Fund.

- Water Utility Fund revenues through June totaled \$24.8 million, revenues are down 6.2% from CY2015 year-to-date.
- Water Utility Fund expenses in CY2016 are down \$3.9 million from CY2015 year-to-date and are at 35.8% of projections for the CY2016 budgeted. Similar to Electric there is a decrease in the internal services line for personnel overhead which is now a direct charge.

**VIII. Review 2017 Budget Calendar – Erik Hallgren**

Erik Hallgren reviewed the budget calendar with board. The official kick-off meeting with staff was held on August 1<sup>st</sup>. Staff was provided with historical information on revenues, expenses and payroll items. Departments will be working over the next several weeks determining budget requests for 2017. There will be several reviews of the budget process with staff and City Manager's Office. This year staff will be providing a comprehensive document to City Council before the three workshops begin. Staff is looking for the budget to be approved by December 6<sup>th</sup> with the property tax levy approval at the following council meeting.

**IX. Old Business**

Review and Discussion on Investment Policy, Michael Wik updated the Board that he and Mike Piotrowski are still currently reviewing the policy. Based on Illinois State Statute constraints on the policy will include baby steps and will not gain a lot of return. Looking to place layers and/or trigger points within the new policy so that the investment firms have some flexibility. There will be a policy for the Board to review by the November meeting.

**X. New Business**

The October 31<sup>st</sup> meeting has been rescheduled to November 7<sup>th</sup>.

Rachel Mayer mentioned that staff is currently working with Council on two initiatives:

- Revising the Ambulance Billing to match revenue with expenses, but also provide Naperville residents relief from any balance that is not covered thru their insurance.
- Meeting with the SECA commission for discussion around the SECA program and Food and Beverage dollars in general.

Rachel Mayer will provide an update to the board at the November meeting.

Board had a discussion around the number of meeting that are currently scheduled, and the consensus is that four meetings a year is not enough to be impactful. Recommendation of moving to six meeting a year to provide more added value to staff. Board has requested that staff create calendar of dates for 2017 to review at November meeting.

Susan Wade inquired on how the City uses and manages procurement cards, as many of her large municipalities are using them for all major purchases for rebate benefits. Rachel Mayer explained that the City does use procurement cards, however in working with many of the vendors they do not view procurement cards as positive payment option due to the fees associated with the cards. Many vendors have indicated that service costs would increase with this type of payment method.

Rachel Mayer mentioned that Kim Schmidt is working on a presentation for the November meeting to the Board on Local Vendor Market, which would be more impactful than procurement card payment options.

Nimish Bhatt has resigned from the Board due to relocation. Mayor Chirico will be appointing a new member in the near future.

Student Member Sarvasva Raghuvans thanked the Board for the opportunity to serve with them, as this will be his last meeting as a member, he will be going to college to study Finance at Harvard this fall. The Board thanked Sarvasva for his time on the Board and wished him well in his future endeavors.

**XI. Adjournment - 7:30 p.m.**

**FINANCIAL ADVISORY BOARD  
Meeting Dates 2016**

<b>2017 FAB Meeting Schedule</b>			
<b>Date</b>		<b>Time</b>	<b>Location</b>
Monday 01/23/17		6:00 - 7:30	NEU - 1st Floor
Monday 04/24/17		6:00 - 7:30	NEU - 1st Floor
Monday 07/24/17		6:00 - 7:30	NEU - 1st Floor
Monday 10/23/17		6:00 - 7:30	NEU - 1st Floor
<b>Additional Meeting Date Placeholders</b>			
<b>Date</b>		<b>Time</b>	<b>Location</b>
Monday 05/22/17	CAFR	6:00 - 7:30	NEU - 1st Floor
Monday 09/25/17	Budget	6:00 - 7:30	NEU - 1st Floor
Monday 11/27/17	Year-End	6:00 - 7:30	NEU - 1st Floor

<b>Investment Advisor/Money Manager Meetings</b>			
<b>Date</b>	<b>Time</b>		<b>Location</b>
Monday 1/23/17	4:00-5:00	Marquette Associates	Finance Director Office
	4:00	TCH Investment Management	
	4:30	PFM Asset Management	
	6:00	Sikich LLP	NEU - 1st Floor
	6:15	Marquette Associates	
	6:30	TCH Investment Mngmnt	
	6:45	PFM Asset Management	
Monday 04/24/17	5:00	Marquette Associates	Finance Director Office
	6:00		NEU - 1st Floor
Monday 5/22/17	6:00	Sikich LLP	NEU - 1st Floor
Monday 7/24/17	5:00	Marquette Associates	Finance Director Office
	6:00		NEU - 1st Floor
Monday 10/23/17	5:00	Marquette Associates	Finance Director Office
	6:00		NEU - 1st Floor



# Naperville

## CITY COUNCIL AGENDA ITEM

**SUBJECT:** 9-Month Financial Reports

**TYPE OF VOTE:** Simple Majority

**ACTION REQUESTED:**  
Receive the 9-Month Financial Report

**BOARD/COMMISSION REVIEW:**  
N/A

**COUNCIL ACTION PREVIOUSLY TAKEN:**

Date of Action	Item No.	Action

**DEPARTMENT:** Finance

**SUBMITTED BY:** Rachel Mayer, Finance Director

**DISCUSSION:**

Attached is the CY2016 9-Month Financial Report. Information contained within will be presented by staff during the October 18, 2016, City Council meeting; providing Council an opportunity for a discussion related to the information contained in these reports.

**Financial Principles**

During the CY2016 budget development, the City faced several financial challenges including a reduced cash position, transition from a growth to maintenance community, and increased reliance on borrowing for infrastructure maintenance projects. Through the budgetary process, the City established three financial principles as a guideline for long-term financial stability of the community.

*Principle #1 – Pass a structurally balanced operating budget*

The City passed a balanced budget in CY2016 through a combination of service delivery changes and the implementation of revenue generation. This included the reduction of \$1.8 million in

spending; the pass through of the refuse and recycling fee; and the approval of a new rate structure for the Electric Utility.

Through 9-months the City observed positive year-to-date margins in all operating funds.

- General Fund revenues through September totaled \$93.6 million, 78.0% of the CY2016 budget and \$5.05 million greater than CY2015 year-to-date actuals. The largest increase is associated with charges for service, primarily attributable to the refuse and recycling collection fee, which collected \$4.53 million through September. There have been positive trends in the real estate transfer tax and permit fees related to development. Sales tax held consistent to CY2015 receipts and staff projects a slight increase for CY2017. Expenses in the General Fund are tracking positively through September with a total of \$88.9 million in expenses to date, 74.1% of the CY2016 Budget and \$4.2 million greater than CY2015 year-to-date actuals.
- Through September, electric utility revenues total \$122.4 million, an 11.0% increase over the prior year. The overall increase reflects the 8.3% rate increase implemented on February 1<sup>st</sup>. Overall, electric utility expenses are \$102.4 million, down \$1.05 million compared to CY2015 actuals. This is partially attributable to a decrease in purchased energy, which is driven through the City's energy conservation programs. The positive performance puts the Electric Utility on track to make its first re-payment, in the amount of \$2.8 million, to the water/wastewater utility loan in December of 2016.
- Through September, water/wastewater utility revenues total \$40.5 million, a 3.0% decrease compared to the prior year. Water/wastewater utility expenses are down \$2.01 million compared to CY2015 actuals. Staff is currently working on a new water rate study that will incorporate expenses related to the new IEPA permit and regulations related to phosphorus removal.

*Principle #2 – Continuous improvement in the delivery of necessary and cost-effective services*

To meet the second financial principle, staff developed cost-savings initiatives and revenue generating ideas. Additionally, staff continues to pursue programs to drive operational efficiencies and improve decision-making. Below is a list of projects that have been implemented, are being developed, and are on the horizon for the City.

**Past Actions**

- LED Streetlight Conversion, which has savings related to electric and maintenance costs
- Healthcare program modifications, which reduced spending by \$530 thousand YTD
- Update of the City website, which provides a better customer experience
- Modernization of the City's timekeeping system, to improve efficiency and reporting
- Leaf Disposal Burn box, changed the service delivery model to reduce costs
- New water meter reading contract, to improve accuracy and processing time

**Present Initiatives**

- What Works Cities, will improve data driven decision and transparency
- Update of the Liquor Code and planning ordinances, to make it easier to do business
- Conducting the water/wastewater rate study, to align services with costs
- Ambulance billing fee, will align services with costs and provide a vehicle funding source

- Alternate procurement for large equipment, seeking to improve internal service and costs
- Replace technology, to align needs of end-users with proper equipment

### **Future Opportunities**

- Finalize Citizen's survey
- IEPA permit for water/wastewater utility
- Conduct infrastructure assessments
- Conversion to new ERP and implement a citywide work order solution

*Principle #3 – Actively seek to increase reserves to 25% and reduce debt by 25% in next 8 years*  
To reduce reliance on borrowing for capital re-investment and to allow the City to meet the third financial principle, the City implemented a 0.5% home rule sales tax. Through 9-months the City received home rule sales tax receipts in the amount of \$4.2 million, slightly better than projections. \$2.0 million has been deposited in the debt service fund and \$189 thousand was used for make-whole disbursements to the downtown parking fund. The incremental amount was deposited into the capital projects funds for the City's infrastructure maintenance programs.

These actions have reduced debt by 5.9% since the end of 2015 and current projections have total debt reduction at 30.6% over eight years. Staff will calculate reserves at the close of the year, when all revenues and expenditures are finalized.

### **Other Highlights**

CY2017 budget development started on August 1<sup>st</sup> and is in the final review stages. The budget was built on the City's three financial principles. Three key areas highlighted in the budget are: maintaining the City's core services at a high level; seeking further investment in infrastructure maintenance; and enhancing technology throughout the City. The budget workshops are scheduled for October 24<sup>th</sup>, November 14<sup>th</sup>, and November 28<sup>th</sup>. Final budget approval is planned for the first meeting in December.

### **FISCAL IMPACT:**

N/A

### **RECOMMENDATION:**

Receive the 9-Month Financial Report

### **ATTACHMENTS:**

1. Attachment #1 – Operations and Maintenance 9-Month Report
2. Attachment #2 – Capital and Debt Service 9-Month Report
3. Attachment #3 – Special Funds 9-Month Report
4. Attachment #4 – All Funds by Department 9-Month Report
5. Attachment #5 - Personnel Expense by Department 9-Month Budget Report

**City of Naperville**  
**CY2016 Budget to Actual Report**  
**Operations and Maintenance Funds**  
**For the 9 months ending September 30, 2016**  
**Preliminary and Unaudited**

	CY2016 Budget	CY2016 YTD	% of Budget	CY2015 YTD	\$ Variance	% Variance	CY2016 September	CY2015 September	\$ Variance
<b>General Fund (#010)</b>									
Charges for Service	12,455,950	10,262,803	82.4%	6,213,121	4,049,683	65.2%	1,477,273	461,664	1,015,608
Property Taxes	20,712,569	19,108,200	92.3%	16,670,541	2,437,659	14.6%	8,366,021	7,256,994	1,109,027
Fines & Fees	1,664,800	1,208,154	72.6%	1,211,984	(3,830)	-0.3%	159,396	125,310	34,086
Food & Beverage Tax	1,470,000	398,135	27.1%	1,188,397	(790,262)	-66.5%	398,135	81,344	316,791
Grants (Federal, State, Local)	714,325	688,074	96.3%	917,326	(229,252)	-25.0%	40,080	123,674	(83,594)
Hotel/Motel Tax	1,270,000	1,010,216	79.5%	1,030,923	(20,707)	-2.0%	93,136	90,250	2,886
Net Investment Income	235,500	579,146	245.9%	278,820	300,325	107.7%	22,631	59,602	(36,971)
Other Revenues	441,500	247,920	56.2%	416,526	(168,606)	-40.5%	13,278	47,228	(33,950)
Other Taxes	3,166,000	3,149,136	99.5%	2,381,493	767,643	32.2%	319,404	(35,750)	355,154
Permits & Licenses	2,478,086	2,037,474	82.2%	1,843,579	193,895	10.5%	195,927	195,183	744
Real Estate Transfer Tax	4,600,000	3,835,056	83.4%	3,449,707	385,349	11.2%	422,792	669,111	(246,320)
Rental Income and Franchise Fees	3,079,400	2,392,886	77.7%	2,291,930	100,956	4.4%	14,194	11,351	2,843
Retail Sales Tax	33,874,500	24,114,166	71.2%	24,364,486	(250,320)	-1.0%	2,898,702	2,701,014	197,688
State Income Tax	14,500,000	11,841,749	81.7%	11,804,068	37,681	0.3%	2,088,604	2,354,561	(265,957)
Utility Taxes	16,370,000	11,767,376	71.9%	12,196,660	(429,284)	-3.5%	1,283,027	1,297,590	(14,563)
Transfers In	75,000	10,473	14.0%	168,518	(158,045)	-93.8%	-	-	-
Internal Services	2,984,133	967,827	32.4%	2,138,893	(1,171,066)	-54.8%	103,987	1,659	102,328
<b>Revenue Total</b>	<b>120,091,763</b>	<b>93,618,791</b>	<b>78.0%</b>	<b>88,566,974</b>	<b>5,051,817</b>	<b>5.7%</b>	<b>17,896,585</b>	<b>15,440,784</b>	<b>2,455,801</b>
Salaries & Wages	(61,277,120)	(45,863,106)	74.8%	(42,043,990)	(3,819,116)	9.1%	(6,993,214)	(4,497,779)	(2,495,435)
Benefits & Related	(27,140,864)	(20,942,194)	77.2%	(20,379,227)	(562,967)	2.8%	(5,934,124)	(5,225,153)	(708,971)
Contracted Services	(10,307,593)	(6,112,231)	59.3%	(7,340,941)	1,228,710	-16.7%	(483,801)	(655,761)	171,960
Refuse and Recycling Services	(6,563,084)	(4,238,898)	64.6%	(4,836,859)	597,961	-12.4%	(522,828)	(511,557)	(11,271)
Supplies	(7,366,604)	(4,162,498)	56.5%	(5,359,426)	1,196,929	-22.3%	(946,490)	(595,933)	(350,557)
Grants & Contributions	(1,578,759)	(1,239,279)	78.5%	(1,147,956)	(91,323)	8.0%	(164,185)	(164,197)	128,012
Capital/Maintenance Program	(1,398,400)	(1,502,191)	107.4%	(2,470,142)	967,951	-39.2%	(193,997)	(6,701)	(187,296)
Transfers out	(5,018,617)	(5,023,817)	100.1%	(3,810,610)	(1,213,207)	31.8%	-	-	-
Internal Services	561,440	157,565	28.1%	2,639,554	(2,481,989)	-94.0%	17,507	4,141	13,366
<b>Expense Total</b>	<b>(120,089,601)</b>	<b>(88,926,648)</b>	<b>74.1%</b>	<b>(84,749,598)</b>	<b>(4,177,051)</b>	<b>4.9%</b>	<b>(15,093,132)</b>	<b>(11,652,940)</b>	<b>(3,440,192)</b>
<b>General Fund - Operating Surplus/(Deficit)</b>	<b>2,162</b>	<b>4,692,142</b>		<b>3,817,376</b>	<b>874,766</b>		<b>2,803,453</b>	<b>3,787,844</b>	<b>(984,391)</b>
	<b>CY2016 Beginning Balance \$ 19,976,674</b>	<b>\$ 19,976,674</b>							
	<b>Current Balance</b>	<b>\$ 24,668,816</b>							
	<b>CY2016 Projected Ending Balance \$ 19,978,836</b>								
<b>Electric Utility Fund (#410)</b>									
Charges for Service	150,985,950	118,625,735	78.6%	107,453,291	11,172,444	10.4%	15,113,060	13,579,696	1,533,364
Capital Fees	1,368,100	2,727,868	199.4%	2,369,775	358,093	15.1%	361,081	322,248	38,834
Fines & Fees	208,000	203,573	97.9%	134,972	68,601	50.8%	3,230	(13,514)	16,744
Grants (Federal, State, Local)	-	-	-	-	-	-	-	-	-
Net Investment Income	(240,720)	152,949	-63.5%	(243,609)	396,558	-162.8%	8,734	617	8,117
Other Revenues	974,213	732,584	75.2%	412,560	320,024	77.6%	87,589	103,884	(16,295)
Transfers In	113,000	-	0.0%	138,663	(138,663)	-100.0%	-	-	-
Internal Services	-	-	-	-	-	-	-	-	-
<b>Revenue Total</b>	<b>153,408,543</b>	<b>122,442,709</b>	<b>79.8%</b>	<b>110,265,652</b>	<b>12,177,057</b>	<b>11.0%</b>	<b>15,573,694</b>	<b>13,992,932</b>	<b>1,580,762</b>
Purchased Power	(115,118,152)	(87,042,093)	75.6%	(86,121,866)	(920,227)	1.1%	(11,536,337)	(10,973,540)	(562,797)
Salaries & Wages	(12,531,396)	(8,106,286)	64.7%	(7,125,550)	(980,736)	13.8%	(1,260,125)	(861,754)	(398,372)
Benefits & Related	(4,380,544)	(2,649,037)	60.5%	(2,302,549)	(346,488)	15.0%	(367,192)	(289,416)	(77,776)
Contracted Services	(4,090,236)	(1,600,512)	39.1%	(1,784,925)	184,413	-10.3%	(210,378)	(416,509)	206,132
Supplies	(2,036,107)	(390,946)	19.2%	(1,073,706)	682,760	-63.6%	(22,990)	(66,739)	43,749
Grants & Contributions	(342,438)	(104,011)	30.4%	(52,459)	(51,553)	98.3%	-	-	-
Debt Service	(3,528,645)	(565,075)	16.0%	(611,560)	46,484	-7.6%	(345)	(86)	(259)
Capital/Maintenance Program	(6,653,930)	(1,461,687)	22.0%	(2,645,554)	1,183,868	-44.7%	(250,376)	(1,060,770)	810,395
Transfers out	(113,000)	-	0.0%	(138,663)	138,663	-100.0%	-	-	-
Internal Services	(670,855)	(503,145)	75.0%	(1,615,066)	1,111,921	-68.8%	(55,905)	-	(55,905)
<b>Expense Total</b>	<b>(149,465,303)</b>	<b>(102,422,792)</b>	<b>68.5%</b>	<b>(103,471,899)</b>	<b>1,049,107</b>	<b>-1.0%</b>	<b>(13,703,647)</b>	<b>(13,668,814)</b>	<b>(34,833)</b>
<b>Electric Utility Fund - Operating Surplus/(Deficit)</b>	<b>3,943,240</b>	<b>20,019,916</b>		<b>6,793,753</b>	<b>13,226,163</b>		<b>1,870,047</b>	<b>324,118</b>	<b>1,545,929</b>
	<b>CY2016 Beginning Balance \$ (4,674,189)</b>	<b>\$ (4,674,189)</b>							
	<b>Current Balance</b>	<b>\$ 15,345,727</b>							
	<b>CY2016 Projected Ending Balance \$ (730,949)</b>								
<b>Water &amp; Wastewater Fund (#430)</b>									
Charges for Service	54,351,650	38,952,812	71.7%	38,959,303	(6,491)	0.0%	4,606,746	5,014,920	(408,174)
Capital Fees	1,250,000	1,108,889	88.7%	934,841	174,048	18.6%	151,186	153,022	(1,836)
Fines & Fees	750	-	0.0%	-	-	-	-	-	-
Grants (Federal, State, Local)	227,393	-	0.0%	117,112	(117,112)	-100.0%	-	-	-
Net Investment Income	310,900	48,124	15.5%	372,169	(324,045)	-87.1%	2,085	11,125	(9,040)
Other Revenues	396,962	350,080	88.2%	396,088	(46,008)	-11.6%	36,696	28,161	8,535
Rental Income and Franchise Fees	38,088	32,851	86.3%	28,947	3,904	13.5%	3,650	3,555	95
Transfers In	1,250,900	-	0.0%	934,992	(934,992)	-100.0%	-	153,378	(153,378)
<b>Revenue Total</b>	<b>57,826,643</b>	<b>40,492,756</b>	<b>70.0%</b>	<b>41,743,452</b>	<b>(1,250,696)</b>	<b>-3.0%</b>	<b>4,800,363</b>	<b>5,364,160</b>	<b>(563,797)</b>
Purchased Water	(28,000,000)	(19,212,062)	68.6%	(18,744,273)	(467,788)	2.5%	(2,611,430)	(2,977,124)	365,694
Salaries & Wages	(7,882,460)	(5,580,315)	70.8%	(4,468,391)	(1,111,924)	24.9%	(845,075)	(568,831)	(276,244)
Benefits & Related	(2,962,632)	(1,973,335)	66.6%	(1,697,559)	(275,776)	16.2%	(270,870)	(213,531)	(57,340)
Contracted Services	(4,301,507)	(2,300,178)	53.5%	(1,714,995)	(585,183)	34.1%	(531,095)	(203,085)	(328,010)

	CY2016 Budget	CY2016 YTD	% of Budget	CY2015 YTD	\$ Variance	% Variance	CY2016 September	CY2015 September	\$ Variance
Supplies	(4,175,001)	(2,457,163)	58.9%	(2,712,478)	255,315	-9.4%	(138,940)	(293,305)	154,364
Grants & Contributions	(52,438)	(54,011)	103.0%	(34,959)	(19,053)	54.5%	-	-	-
Debt Service	(2,513,871)	(556,393)	22.1%	(574,600)	18,207	-3.2%	(10)	(2)	(8)
Capital/Maintenance Program	(9,703,490)	(4,466,969)	46.0%	(6,964,831)	2,497,862	-35.9%	(1,002,395)	(226,802)	(775,593)
Transfers out	(1,250,900)	-	0.0%	(934,992)	934,992	-100.0%	-	(153,378)	153,378
Internal Services	(940,581)	(703,647)	74.8%	(1,470,076)	766,429	-52.1%	(78,183)	-	(78,183)
<b>Expense Total</b>	<b>(61,782,880)</b>	<b>(37,304,072)</b>	<b>60.4%</b>	<b>(39,317,153)</b>	<b>2,013,080</b>	<b>-5.1%</b>	<b>(5,477,999)</b>	<b>(4,636,057)</b>	<b>(841,942)</b>
<b>Water/Wastewater Fund - Operating Surplus/(Deficit)</b>	<b>(3,956,237)</b>	<b>3,188,683</b>		<b>2,426,299</b>	<b>762,384</b>		<b>(677,636)</b>	<b>728,103</b>	<b>(1,405,739)</b>
CY2016 Beginning Balance	\$ 5,979,398	\$ 5,979,398							
Current Balance		\$ 9,168,081							
<b>CY2016 Projected Ending Balance</b>	<b>\$ 2,023,161</b>								
<b>Burlington Fund (#104)</b>									
Fines & Fees	2,134,600	1,703,718	79.8%	1,502,942	200,776	13.4%	87,770	299,137	(211,367)
Contributions	-	-		143,077	(143,077)	-100.0%	-	-	-
Net Investment Income	-	289,343		64,760	224,582	346.8%	7,993	21,075	(13,082)
Other Revenues	15,500	6,198	40.0%	9,755	(3,556)	-36.5%	3,560	2,624	936
Rental Income and Franchise Fees	-	1,057		2,579	(1,522)	-59.0%	-	150	(150)
<b>Revenue Total</b>	<b>2,150,100</b>	<b>2,000,317</b>	<b>93.0%</b>	<b>1,723,113</b>	<b>277,203</b>	<b>16.1%</b>	<b>99,322</b>	<b>322,986</b>	<b>(223,663)</b>
Salaries & Wages	(406,735)	(230,637)	56.7%	(112,395)	(118,242)	105.2%	(37,360)	(24,539)	(12,821)
Benefits & Related	(163,543)	(79,866)	48.8%	(42,015)	(37,851)	90.1%	(11,691)	(9,818)	(1,873)
Contracted Services	(485,468)	(289,694)	59.7%	(306,464)	16,769	-5.5%	(18,475)	(15,682)	(2,794)
Supplies	(161,010)	(32,091)	19.9%	(53,262)	21,171	-39.7%	(3,546)	(2,462)	(1,084)
Grants & Contributions	(325,000)	(154,396)	47.5%	(204,695)	50,299	-24.6%	(22,743)	(21,864)	(879)
Capital/Maintenance Program	(475,000)	(19,190)	4.0%	(272,499)	253,308	-93.0%	-	(659)	659
Internal Services	(66,985)	(50,231)	75.0%	(186,118)	135,886	-73.0%	(5,581)	-	(5,581)
<b>Expense Total</b>	<b>(2,083,741)</b>	<b>(856,106)</b>	<b>41.1%</b>	<b>(1,177,447)</b>	<b>321,342</b>	<b>-27.3%</b>	<b>(99,396)</b>	<b>(75,023)</b>	<b>(24,373)</b>
<b>Burlington Fund - Operating Surplus/(Deficit)</b>	<b>66,359</b>	<b>1,144,211</b>		<b>545,666</b>	<b>598,545</b>		<b>(74)</b>	<b>247,962</b>	<b>(248,036)</b>
CY2016 Beginning Balance	\$ 5,580,058	\$ 5,580,058							
Current Balance		\$ 6,724,269							
<b>CY2016 Projected Ending Balance</b>	<b>\$ 5,646,417</b>								
<b>Self Insurance Fund (#623)</b>									
Member Contributions	5,048,042	4,158,126	82.4%	3,846,961	311,165	8.1%	466,185	434,182	32,003
Employer Contributions	15,191,152	10,389,560	68.4%	10,258,581	130,979	1.3%	1,134,748	996,441	138,307
Net Investment Income	15,000	94,177	627.8%	52,380	41,797	79.8%	2,742	13,726	(10,984)
Other Revenues	140,000	141,046	100.7%	122,953	18,093	14.7%	-	-	-
<b>Revenue Total</b>	<b>20,394,194</b>	<b>14,782,909</b>	<b>72.5%</b>	<b>14,280,874</b>	<b>502,035</b>	<b>3.5%</b>	<b>1,603,675</b>	<b>1,444,349</b>	<b>159,326</b>
Salaries & Wages	(56,710)	(43,060)	75.9%	(19,072)	(23,989)	125.8%	(6,738)	(4,232)	(2,506)
Benefits & Related	(27,584)	(18,911)	68.6%	(8,777)	(10,134)	115.5%	(2,224)	(2,091)	(133)
Contracted Services	(1,502,000)	(807,749)	53.8%	(1,034,205)	226,457	-21.9%	(91,417)	(123,597)	32,181
Fines & Fees	(121,000)	(103,239)	85.3%	(337,627)	234,388	-69.4%	(1,295)	(153,016)	151,721
Insurance Premiums	(3,084,400)	(2,936,448)	95.2%	(2,391,598)	(544,850)	22.8%	(277,518)	(232,995)	(44,523)
Insurance Claims	(14,733,000)	(9,949,236)	67.5%	(10,703,658)	754,422	-7.0%	(946,592)	(859,647)	(86,945)
Supplies	-	-		(10,498)	10,498	-100.0%	-	-	-
Settlements	(869,500)	(193,245)	22.2%	(955,711)	762,466	-79.8%	(2,518)	(159,386)	156,868
Internal Services	-	-		(123,036)	123,036	-100.0%	-	-	-
<b>Expense Total</b>	<b>(20,394,194)</b>	<b>(14,051,887)</b>	<b>68.9%</b>	<b>(15,584,182)</b>	<b>1,532,295</b>	<b>-9.8%</b>	<b>(1,328,301)</b>	<b>(1,534,964)</b>	<b>206,663</b>
<b>Self Insurance Fund - Operating Surplus/(Deficit)</b>	<b>-</b>	<b>731,022</b>		<b>(1,303,307)</b>	<b>2,034,329</b>		<b>275,374</b>	<b>(90,615)</b>	<b>365,989</b>
CY2016 Beginning Balance	\$ 1,732,012	\$ 1,732,012							
Current Balance		\$ 2,463,034							
<b>CY2016 Projected Ending Balance</b>	<b>\$ 1,732,012</b>								

**City of Naperville**  
**CY2016 Budget to Actual Report**  
**Capital & Debt Service Funds**  
**For the 9 months ending September 30, 2016**  
**Preliminary and Unaudited**

	CY2016 Budget	CY2016 YTD	% of Budget	CY2015 YTD	\$ Variance	% Variance	CY2016 September	CY2015 September	\$ Variance
<b>G.O. Bond Funds (#330, #331, #332)</b>									
Bond Proceeds	12,767,259	15,184,155	118.9%	(6,220,000)	21,404,155	-344.1%	-	-	-
Net Investment Income	60,000	78,445	130.7%	422,899	(344,454)	-81.5%	11,118	2,076	9,043
<b>Revenue Total</b>	<b>12,827,259</b>	<b>15,262,600</b>	<b>119.0%</b>	<b>(5,797,101)</b>	<b>21,059,701</b>	<b>-363.3%</b>	<b>11,118</b>	<b>2,076</b>	<b>9,043</b>
Salaries & Wages	-	-	-	-	-	-	-	-	-
Benefits & Related	-	-	-	-	-	-	-	-	-
Contracted Services	-	(194,597)	-	(181,046)	(13,551)	7.5%	(15,174)	(56,516)	41,342
Supplies	-	-	-	(435,295)	435,295	-100.0%	-	-	-
Capital/Maintenance Program	(9,129,987)	(3,816,209)	41.8%	(4,624,699)	808,490	-17.5%	(471,255)	2,659,035	(3,130,291)
<b>Expense Total</b>	<b>(9,129,987)</b>	<b>(4,010,806)</b>	<b>43.9%</b>	<b>(5,241,040)</b>	<b>1,230,234</b>	<b>-23.5%</b>	<b>(486,429)</b>	<b>2,602,519</b>	<b>(3,088,948)</b>
<b>GO Bond Funds - Operating Surplus/(Deficit)</b>	<b>3,697,272</b>	<b>11,251,794</b>		<b>(11,038,141)</b>	<b>22,289,935</b>		<b>(475,311)</b>	<b>2,604,595</b>	<b>(3,079,906)</b>
CY2016 Beginning Balance	\$ 963,172	\$ 963,172							
Current Balance		\$ 12,214,966							
<b>CY2016 Projected Ending Balance</b>	<b>\$ 4,660,444</b>								
<b>Capital Projects Fund (#301)</b>									
Fines & Fees	-	-	-	10,144	(10,144)	-100.0%	-	-	-
Grants (Federal, State, Local)	-	70,419	-	96,848	(26,429)	-27.3%	30,284	-	30,284
Home Rule Sales Tax	4,375,000	1,995,504	45.6%	-	1,995,504	-	773,374	-	773,374
Contributions	-	773,760	-	1,168,114	(394,354)	-33.8%	-	-	-
Net Investment Income	92,500	347,250	375.4%	92,683	254,567	274.7%	10,517	48,049	(37,531)
Other Revenues	-	335,410	-	296,797	38,613	13.0%	81,379	(11,323)	92,702
Transfers In	-	-	-	-	-	-	-	-	-
<b>Revenue Total</b>	<b>4,467,500</b>	<b>3,522,342</b>	<b>78.8%</b>	<b>1,664,586</b>	<b>1,857,756</b>	<b>111.6%</b>	<b>895,554</b>	<b>36,726</b>	<b>858,828</b>
Contracted Services	-	(27,377)	-	(43,501)	16,124	-37.1%	(1,500)	2,857	(4,357)
Capital/Maintenance Program	(7,619,000)	(1,335,240)	17.5%	(3,028,389)	1,693,149	-55.9%	(34,351)	(112,965)	78,614
Transfers out	-	-	-	-	-	-	-	-	-
<b>Expense Total</b>	<b>(7,619,000)</b>	<b>(1,362,617)</b>	<b>17.9%</b>	<b>(3,071,890)</b>	<b>1,709,273</b>	<b>-55.6%</b>	<b>(35,851)</b>	<b>(110,108)</b>	<b>74,257</b>
<b>Capital Projects Fund - Operating Surplus/(Deficit)</b>	<b>(3,151,500)</b>	<b>2,159,725</b>		<b>(1,407,304)</b>	<b>3,567,029</b>		<b>859,703</b>	<b>(73,382)</b>	<b>933,085</b>
CY2016 Beginning Balance	\$ 3,655,934	\$ 3,655,934							
Current Balance		\$ 5,815,659							
<b>CY2016 Projected Ending Balance</b>	<b>\$ 504,434</b>								
<b>Debt Service Fund (#201)</b>									
Property Taxes	8,000,000	8,881,165	111.0%	12,066,604	(3,185,439)	-26.4%	3,885,629	5,294,843	(1,409,214)
Food & Beverage Tax	520,310	-	0.0%	231,727	(231,727)	-100.0%	-	-	-
Grants (Federal, State, Local)	-	-	-	96,647	(96,647)	-100.0%	-	-	-
Home Rule Sales Tax	2,000,000	2,000,000	100.0%	-	2,000,000	-	-	-	-
Contributions	-	-	-	103,849	(103,849)	-100.0%	-	-	-
Net Investment Income	28,750	36,309	126.3%	31,206	5,103	16.4%	12,964	36,299	(23,334)
Transfers In	-	-	-	-	-	-	-	-	-
<b>Revenue Total</b>	<b>10,549,060</b>	<b>10,917,474</b>	<b>103.5%</b>	<b>12,530,033</b>	<b>(1,612,559)</b>	<b>-12.9%</b>	<b>3,898,593</b>	<b>5,331,142</b>	<b>(1,432,548)</b>
Contracted Services	-	-	-	(5,408)	5,408	-100.0%	-	-	-
Debt Service	(9,759,857)	(1,789,508)	18.3%	(1,923,932)	134,424	-7.0%	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
<b>Expense Total</b>	<b>(9,759,857)</b>	<b>(1,789,508)</b>	<b>18.3%</b>	<b>(1,929,340)</b>	<b>139,832</b>	<b>-7.2%</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Debt Service Fund - Operating Surplus/(Deficit)</b>	<b>789,203</b>	<b>9,127,966</b>		<b>10,600,692</b>	<b>(1,472,727)</b>		<b>3,898,593</b>	<b>5,331,142</b>	<b>(1,432,548)</b>
CY2016 Beginning Balance	\$ 627,093	\$ 627,093							
Current Balance		\$ 9,755,059							
<b>CY2016 Projected Ending Balance</b>	<b>\$ 1,416,296</b>								
<b>Downtown Parking Fund (#142)</b>									
Food & Beverage Tax	1,300,000	630,782	48.5%	857,377	(226,595)	-26.4%	76,605	106,934	(30,329)
Home Rule Sales Tax	-	188,983	-	-	188,983	-	37,245	-	37,245
Net Investment Income	9,800	268,959	2744.5%	66,613	202,346	303.8%	1,809	22,296	(20,487)
<b>Revenue Total</b>	<b>1,309,800</b>	<b>1,088,723</b>	<b>83.1%</b>	<b>923,990</b>	<b>164,733</b>	<b>17.8%</b>	<b>115,660</b>	<b>129,230</b>	<b>(13,571)</b>
Debt Service	(341,916)	(56,938)	16.7%	(60,929)	3,991	-6.5%	-	-	-
Capital/Maintenance Program	-	(3,726,464)	-	-	(3,726,464)	-	(929,113)	-	(929,113)
<b>Expense Total</b>	<b>(341,916)</b>	<b>(3,783,402)</b>	<b>1106.5%</b>	<b>(60,929)</b>	<b>(3,722,473)</b>	<b>6109.5%</b>	<b>(929,113)</b>	<b>-</b>	<b>(929,113)</b>
<b>Downtown Parking Fund - Operating Surplus/(Deficit)</b>	<b>967,884</b>	<b>(2,694,679)</b>		<b>863,061</b>	<b>(3,557,740)</b>		<b>(813,453)</b>	<b>129,230</b>	<b>(942,684)</b>
CY2016 Beginning Balance	\$ 1,288,028	\$ 1,288,028							
Current Balance		\$ (1,406,651)							
<b>CY2016 Projected Ending Balance</b>	<b>\$ 2,255,912</b>								
<b>Motor Fuel Tax Fund (#615)</b>									
Contributions	-	-	-	-	-	-	-	-	-
Motor Fuel Tax	3,600,000	2,811,615	78.1%	2,043,257	768,359	37.6%	432,398	123,991	308,407
Net Investment Income	27,000	30,010	111.1%	(1,802)	31,812	-1765.5%	(878)	1,483	(2,360)
Other Revenues	-	-	-	842	(842)	-100.0%	-	-	-
Local Gas Tax	2,000,000	1,494,131	74.7%	1,483,035	11,095	0.7%	170,279	139,774	30,505
Transfers In	4,050,000	-	0.0%	3,066,667	(3,066,667)	-100.0%	-	-	-
<b>Revenue Total</b>	<b>9,677,000</b>	<b>4,335,756</b>	<b>44.8%</b>	<b>6,591,998</b>	<b>(2,256,243)</b>	<b>-34.2%</b>	<b>601,799</b>	<b>265,248</b>	<b>336,551</b>

	CY2016 Budget	CY2016 YTD	% of Budget	CY2015 YTD	\$ Variance	% Variance	CY2016 September	CY2015 September	\$ Variance
Capital/Maintenance Program	(8,944,000)	(6,812,056)	76.2%	(8,560,912)	1,748,857	-20.4%	(240,827)	(1,323,724)	1,082,897
<b>Expense Total</b>	<b>(8,944,000)</b>	<b>(6,812,056)</b>	<b>76.2%</b>	<b>(8,560,912)</b>	<b>1,748,857</b>	<b>-20.4%</b>	<b>(240,827)</b>	<b>(1,323,724)</b>	<b>1,082,897</b>
<b>MFT- Operating Surplus/(Deficit)</b>	<b>733,000</b>	<b>(2,476,300)</b>		<b>(1,968,914)</b>	<b>(507,386)</b>		<b>360,972</b>	<b>(1,058,476)</b>	<b>1,419,448</b>
CY2016 Beginning Balance	\$ 172,832	\$ 172,832							
Current Balance		\$ (2,303,468)							
<b>CY2016 Projected Ending Balance</b>	<b>\$ 905,832</b>								

<b>Road and Bridge Fund (#013)</b>									
Property Taxes	425,000	184,699	43.5%	272,540	(87,841)	-32.2%	80,874	116,668	(35,794)
Net Investment Income	-	5,175		(995)	6,170	-620.0%	5,175	1,020	4,155
Other Revenues	200	-	0.0%	281	(281)	-100.0%	-	-	-
Local Gas Tax	680,000	524,351	77.1%	524,365	(14)	0.0%	56,760	46,592	10,168
Permits & Licenses	75,000	56,211	74.9%	41,821	14,389	34.4%	8,777	6,786	1,991
Transfers In	-	4,100,000		-	4,100,000		-	-	-
<b>Revenue Total</b>	<b>1,180,200</b>	<b>4,870,435</b>	<b>412.7%</b>	<b>838,011</b>	<b>4,032,424</b>	<b>481.2%</b>	<b>151,585</b>	<b>171,066</b>	<b>(19,481)</b>
Salaries & Wages	(502,673)	(367,527)	73.1%	(198,830)	(168,697)	84.8%	(56,762)	(43,613)	(13,149)
Benefits & Related	(195,561)	(136,999)	70.1%	(69,762)	(67,237)	96.4%	(18,187)	(16,266)	(1,921)
Contracted Services	-	(5,132)		(33,724)	28,592	-84.8%	-	(9,154)	9,154
Supplies	(125,000)	(4,790)	3.8%	(5,604)	815	-14.5%	-	(3,818)	3,818
Internal Services	-	-		(215,896)	215,896	-100.0%	-	-	-
Capital/Maintenance Program	(515,000)	(423,319)	82.2%	(43,468)	(379,851)	873.9%	(11,136)	-	(11,136)
<b>Expense Total</b>	<b>(1,338,234)</b>	<b>(937,767)</b>	<b>70.1%</b>	<b>(567,285)</b>	<b>(370,482)</b>	<b>65.3%</b>	<b>(86,085)</b>	<b>(72,852)</b>	<b>(13,233)</b>
<b>Road &amp; Bridge Fund - Operating Surplus/(Deficit)</b>	<b>(158,034)</b>	<b>3,932,668</b>		<b>270,726</b>	<b>3,661,942</b>		<b>65,501</b>	<b>98,214</b>	<b>(32,714)</b>
CY2016 Beginning Balance	\$ (51,271)	\$ (51,271)							
Current Balance		\$ 3,881,397							
<b>CY2016 Projected Ending Balance</b>	<b>\$ (209,305)</b>								

<b>Water Street TIF Fund (#140)</b>									
Bond Proceeds	7,302,000	-	0.0%	6,220,000	(6,220,000)	-100.0%	-	-	-
Property Taxes	-	55,662		72,657	(16,994)	-23.4%	27,820	36,254	(8,434)
Net Investment Income	4,500	-	0.0%	2,745	(2,745)	-100.0%	-	2,344	(2,344)
Other Revenues	-	-		403,512	(403,512)	-100.0%	-	-	-
Transfers In	-	-		-	-		-	-	-
<b>Revenue Total</b>	<b>7,306,500</b>	<b>55,662</b>	<b>0.8%</b>	<b>6,698,913</b>	<b>(6,643,251)</b>	<b>-99.2%</b>	<b>27,820</b>	<b>38,597</b>	<b>(10,778)</b>
Contracted Services	-	(33,676)		(470,530)	436,854	-92.8%	-	(13,507)	13,507
Capital/Maintenance Program	(10,568,707)	(1,409,417)	13.3%	(7,041,567)	5,632,150	-80.0%	(206,858)	(840,800)	633,942
<b>Expense Total</b>	<b>(10,568,707)</b>	<b>(1,443,093)</b>	<b>13.7%</b>	<b>(7,512,097)</b>	<b>6,069,003</b>	<b>-80.8%</b>	<b>(206,858)</b>	<b>(854,307)</b>	<b>647,449</b>
<b>Water St. TIF Fund - Operating Surplus/(Deficit)</b>	<b>(3,262,207)</b>	<b>(1,387,431)</b>		<b>(813,183)</b>	<b>(574,248)</b>		<b>(179,039)</b>	<b>(815,709)</b>	<b>636,671</b>
CY2016 Beginning Balance	\$ 4,528,156	\$ 4,528,156							
Current Balance		\$ 3,140,725							
<b>CY2016 Projected Ending Balance</b>	<b>\$ 1,265,949</b>								

**City of Naperville  
CY2016 Budget to Actual Report  
Special Funds  
For the 9 months ending September 30, 2016  
Preliminary and Unaudited**

	CY2016 Budget	CY2016 YTD	% of Budget	CY2015 YTD	\$ Variance	% Variance	CY2016 September	CY2015 September	\$ Variance
<b>Naperville Library Funds (#102 and #106)</b>									
Beginning Balance	200,000	-	0.0%	-	-		-	-	-
Charges for Service	95,500	68,581	71.8%	70,395	(1,814)	-2.6%	6,147	9,146	(2,999)
Property Taxes	14,218,000	13,745,916	96.7%	14,009,162	(263,247)	-1.9%	6,020,280	6,099,901	(79,621)
Fines & Fees	430,000	299,994	69.8%	303,020	(3,026)	-1.0%	28,724	31,041	(2,316)
Grants (Federal, State, Local)	177,000	109,347	61.8%	-	109,347		-	-	-
Contributions	-	410		2,085	(1,675)	-80.3%	110	510	(400)
Net Investment Income	94,500	308,857	326.8%	94,034	214,823	228.5%	11,541	35,829	(24,288)
Other Revenues	110,000	99,144	90.1%	91,061	8,084	8.9%	7,719	12,133	(4,414)
Other Taxes	170,000	100,911	59.4%	94,512	6,399	6.8%	-	55,090	(55,090)
Transfers In	250,000	2,790,000	1116.0%	550,000	2,240,000	407.3%	540,000	-	540,000
<b>Revenue Total</b>	<b>15,745,000</b>	<b>17,523,160</b>	<b>111.3%</b>	<b>15,214,269</b>	<b>2,308,891</b>	<b>15.2%</b>	<b>6,614,521</b>	<b>6,243,649</b>	<b>370,872</b>
Salaries & Wages	(8,509,639)	(5,954,477)	70.0%	(5,436,929)	(517,547)	9.5%	(950,452)	(601,603)	(348,849)
Benefits & Related	(2,810,062)	(1,809,895)	64.4%	(1,667,809)	(142,086)	8.5%	(262,428)	(187,956)	(74,472)
Contracted Services	(938,902)	(1,999,845)	213.0%	(1,186,582)	(813,263)	68.5%	(275,271)	(57,015)	(218,255)
Supplies	(3,436,524)	(2,197,140)	63.9%	(2,629,629)	432,489	-16.4%	(199,913)	(214,998)	15,085
Capital/Maintenance Program	(84,391)	(56,554)	67.0%	(35,120)	(21,433)	61.0%	(6,497)	(4,156)	(2,341)
Transfers out	(212,000)	(321,876)	151.8%	(459,001)	137,125	-29.9%	(14,884)	(11,124)	(3,760)
Internal Services	(250,000)	(2,790,000)	1116.0%	(550,000)	(2,240,000)	407.3%	(540,000)	-	(540,000)
<b>Expense Total</b>	<b>(16,241,518)</b>	<b>(15,129,786)</b>	<b>93.2%</b>	<b>(11,965,071)</b>	<b>(3,164,716)</b>	<b>26.4%</b>	<b>(2,249,446)</b>	<b>(1,076,853)</b>	<b>(1,172,593)</b>
<b>Naperville Library Funds - Operating Surplus/(Deficit)</b>	<b>(496,518)</b>	<b>2,393,374</b>		<b>3,249,198</b>	<b>(855,824)</b>		<b>4,365,075</b>	<b>5,166,797</b>	<b>(801,721)</b>
CY2016 Beginning Balance	\$ 6,717,230	\$ 6,717,230							
Current Balance		\$ 9,110,604							
<b>CY2016 Projected Ending Balance</b>	<b>\$ 6,220,712</b>								
<b>Naper Settlement Fund (#016)</b>									
Beginning Balance	200,000	-	0.0%	-	-		-	-	-
Charges for Service	477,440	316,892	66.4%	324,957	(8,065)	-2.5%	14,092	45,773	(31,681)
Property Taxes	2,927,272	2,663,722	91.0%	2,879,491	(215,769)	-7.5%	1,165,416	1,213,596	(48,180)
Grants (Federal, State, Local)	-	-		-	-		-	-	-
Contributions	427,560	-	0.0%	-	-		-	-	-
Net Investment Income	17,500	60,193	344.0%	17,101	43,093	252.0%	2,281	7,384	(5,103)
Other Revenues	-	-		-	-		-	-	-
<b>Revenue Total</b>	<b>4,049,772</b>	<b>3,040,807</b>	<b>75.1%</b>	<b>3,221,548</b>	<b>(180,741)</b>	<b>-5.6%</b>	<b>1,181,789</b>	<b>1,266,753</b>	<b>(84,964)</b>
Salaries & Wages	(2,202,114)	(1,335,648)	60.7%	(1,170,677)	(164,971)	14.1%	(214,201)	(136,993)	(77,208)
Benefits & Related	(802,222)	(431,916)	53.8%	(387,471)	(44,445)	11.5%	(62,472)	(46,562)	(15,910)
Contracted Services	(564,201)	(328,233)	58.2%	(420,758)	92,525	-22.0%	(58,268)	(85,053)	26,785
Supplies	(249,019)	(130,716)	52.5%	(171,399)	40,683	-23.7%	(15,629)	(16,350)	721
Internal Services	(73,997)	(78,048)	105.5%	(52,727)	(25,321)	48.0%	(8,672)	(6,417)	(2,255)
Capital/Maintenance Program	(165,000)	(83,928)	50.9%	(93,599)	9,671	-10.3%	(22,942)	(4,940)	(18,002)
<b>Expense Total</b>	<b>(4,056,553)</b>	<b>(2,388,489)</b>	<b>58.9%</b>	<b>(2,296,631)</b>	<b>(91,858)</b>	<b>4.0%</b>	<b>(382,183)</b>	<b>(296,315)</b>	<b>(85,869)</b>
<b>Naper Settlement Fund - Operating Surplus/(Deficit)</b>	<b>(6,781)</b>	<b>652,318</b>		<b>924,917</b>	<b>(272,599)</b>		<b>799,606</b>	<b>970,438</b>	<b>(170,832)</b>
CY2016 Beginning Balance	\$ 1,443,405	\$ 1,443,405							
Current Balance		\$ 2,095,723							
<b>CY2016 Projected Ending Balance</b>	<b>\$ 1,436,624</b>								
<b>S.S.A. #26 Downtown Maintenance Fund (#136)</b>									
Property Taxes	865,000	828,431	95.8%	677,552	150,879	22.3%	385,028	255,201	129,827
Fines & Fees	80,000	52,971	66.2%	74,254	(21,283)	-28.7%	6,781	6,933	(152)
Grants (Federal, State, Local)	-	-		-	-		-	-	-
Internal Services	-	-		-	-		-	-	-
Net Investment Income	21,500	55,240	256.9%	16,942	38,298	226.1%	1,756	5,362	(3,606)
Other Revenues	1,000	1,257	125.7%	1,204	53	4.4%	192	-	192
Transfers In	923,817	923,817	100.0%	615,878	307,939	50.0%	-	-	-
<b>Revenue Total</b>	<b>1,891,317</b>	<b>1,861,716</b>	<b>98.4%</b>	<b>1,385,830</b>	<b>475,886</b>	<b>34.3%</b>	<b>393,758</b>	<b>267,496</b>	<b>126,262</b>
Salaries & Wages	(651,003)	(403,209)	61.9%	(368,229)	(34,980)	9.5%	(65,480)	(60,726)	(4,754)
Benefits & Related	(226,983)	(128,782)	56.7%	(120,179)	(8,603)	7.2%	(17,617)	(17,074)	(543)
Contracted Services	(964,114)	(708,422)	73.5%	(806,354)	97,932	-12.1%	(198,888)	(120,152)	(78,736)
Supplies	(203,500)	(94,027)	46.2%	(122,702)	28,675	-23.4%	(6,488)	(8,095)	1,606
Internal Services	(74,372)	(54,117)	72.8%	(184,089)	129,972	-70.6%	(6,013)	(5,873)	(140)
Capital/Maintenance Program	(271,925)	(65,086)	23.9%	-	(65,086)		(4,830)	-	(4,830)
<b>Expense Total</b>	<b>(2,391,897)</b>	<b>(1,453,643)</b>	<b>60.8%</b>	<b>(1,601,553)</b>	<b>147,910</b>	<b>-9.2%</b>	<b>(299,317)</b>	<b>(211,920)</b>	<b>(87,396)</b>
<b>SSA# 26 Fund - Operating Surplus/(Deficit)</b>	<b>(500,580)</b>	<b>408,073</b>		<b>(215,723)</b>	<b>623,796</b>		<b>94,441</b>	<b>55,575</b>	<b>38,866</b>
CY2016 Beginning Balance	\$ 1,022,376	\$ 1,022,376							
Current Balance		\$ 1,430,449							
<b>CY2016 Projected Ending Balance</b>	<b>\$ 521,796</b>								
<b>Carillon Fund (#135)</b>									
Net Investment Income	800	6,110	763.8%	(63)	6,173	-9808.4%	21	(66)	87
Rental Income and Franchise Fees	66,500	52,392	78.8%	45,402	6,991	15.4%	2,982	5,459	(2,477)
<b>Revenue Total</b>	<b>67,300</b>	<b>58,503</b>	<b>86.9%</b>	<b>45,339</b>	<b>13,164</b>	<b>29.0%</b>	<b>3,003</b>	<b>5,393</b>	<b>(2,390)</b>
Contracted Services	(1,200)	-	0.0%	-	-		-	-	-
Supplies	(1,200)	(393)	32.7%	(485)	93	-19.1%	(44)	(41)	(3)

	CY2016 Budget	CY2016 YTD	% of Budget	CY2015 YTD	\$ Variance	% Variance	CY2016 September	CY2015 September	\$ Variance
Grants & Contributions	(122,011)	(122,011)	100.0%	(118,745)	(3,266)	2.8%	-	-	-
<b>Expense Total</b>	<b>(124,411)</b>	<b>(122,404)</b>	<b>98.4%</b>	<b>(119,230)</b>	<b>(3,173)</b>	<b>2.7%</b>	<b>(44)</b>	<b>(41)</b>	<b>(3)</b>
<b>Carillon Fund - Operating Surplus/(Deficit)</b>	<b>(57,111)</b>	<b>(63,901)</b>		<b>(73,892)</b>	<b>9,991</b>		<b>2,959</b>	<b>5,352</b>	<b>(2,393)</b>
CY2016 Beginning Balance	\$ (82,879)	\$ (82,879)							
Current Balance		\$ (146,780)							
CY2016 Projected Ending Balance	\$ (139,990)								
<b>Community Development Block Grant (CDBG) Fund (#108)</b>									
Grants (Federal, State, Local)	428,000	397,816	92.9%	123,954	273,862	220.9%	-	-	-
Transfers In	-	-		128,065	(128,065)	-100.0%	-	-	-
<b>Revenue Total</b>	<b>428,000</b>	<b>397,816</b>	<b>92.9%</b>	<b>252,019</b>	<b>145,797</b>	<b>57.9%</b>	<b>-</b>	<b>-</b>	<b>-</b>
Salaries & Wages	(41,556)	(8,298)	20.0%	(36,268)	27,970	-77.1%	-	(3,117)	3,117
Benefits & Related	(12,095)	(2,470)	20.4%	(14,261)	11,791	-82.7%	-	(911)	911
Grants & Contributions	(374,350)	(512,547)	136.9%	(251,722)	(260,824)	103.6%	(36,669)	-	(36,669)
<b>Expense Total</b>	<b>(428,001)</b>	<b>(523,315)</b>	<b>122.3%</b>	<b>(302,251)</b>	<b>(221,063)</b>	<b>73.1%</b>	<b>(36,669)</b>	<b>(4,028)</b>	<b>(32,640)</b>
<b>CDBG Fund - Operating Surplus/(Deficit)</b>	<b>(1)</b>	<b>(125,499)</b>		<b>(50,233)</b>	<b>(75,266)</b>		<b>(36,669)</b>	<b>(4,028)</b>	<b>(32,640)</b>
CY2016 Beginning Balance	\$ 100,849	\$ 100,849							
Current Balance		\$ (24,650)							
CY2016 Projected Ending Balance	\$ 100,848								
<b>E-911 Surcharge Fund (#109)</b>									
Charges for Service	700,000	915,413	130.8%	556,678	358,734	64.4%	245,616	68,083	177,533
Grants (Federal, State, Local)	1,200,000	551,783	46.0%	988,458	(436,675)	-44.2%	-	-	-
Net Investment Income	(100)	38	-38.3%	988	(950)	-96.1%	16	-	16
<b>Revenue Total</b>	<b>1,899,900</b>	<b>1,467,234</b>	<b>77.2%</b>	<b>1,546,124</b>	<b>(78,890)</b>	<b>-5.1%</b>	<b>245,633</b>	<b>68,083</b>	<b>177,549</b>
Internal Services	(1,635,000)	-	0.0%	(945,030)	945,030	-100.0%	-	-	-
<b>Expense Total</b>	<b>(1,635,000)</b>	<b>-</b>	<b>0.0%</b>	<b>(945,030)</b>	<b>945,030</b>	<b>-100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>E-911 Fund - Operating Surplus/(Deficit)</b>	<b>264,900</b>	<b>1,467,234</b>		<b>601,095</b>	<b>866,139</b>		<b>245,633</b>	<b>68,083</b>	<b>177,549</b>
CY2016 Beginning Balance	\$ (223,866)	\$ (223,866)							
Current Balance		\$ 1,243,368							
CY2016 Projected Ending Balance	\$ 41,034								
<b>Fair Share Assessment Fund (#119)</b>									
Net Investment Income	1,800	26,412	1467.4%	6,731	19,681	292.4%	624	2,079	(1,455)
<b>Revenue Total</b>	<b>1,800</b>	<b>26,412</b>	<b>1467.4%</b>	<b>6,731</b>	<b>19,681</b>	<b>292.4%</b>	<b>624</b>	<b>2,079</b>	<b>(1,455)</b>
Capital/Maintenance Program	-	-		-	-		-	-	-
<b>Expense Total</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Fair Share Fund - Operating Surplus/(Deficit)</b>	<b>1,800</b>	<b>26,412</b>		<b>6,731</b>	<b>19,681</b>		<b>624</b>	<b>2,079</b>	<b>(1,455)</b>
CY2016 Beginning Balance	\$ 523,416	\$ 523,416							
Current Balance		\$ 549,828							
CY2016 Projected Ending Balance	\$ 525,216								
<b>Federal Drug Forfeiture Fund (#138)</b>									
Grants (Federal, State, Local)	167,000	(104,998)	-62.9%	130,634	(235,632)	-180.4%	-	-	-
Net Investment Income	2,650	14,937	563.7%	3,302	11,635	352.4%	71	1,246	(1,175)
<b>Revenue Total</b>	<b>169,650</b>	<b>(90,061)</b>	<b>-53.1%</b>	<b>133,935</b>	<b>(223,996)</b>	<b>-167.2%</b>	<b>71</b>	<b>1,246</b>	<b>(1,175)</b>
Contracted Services	(118,000)	(26,918)	22.8%	(35,829)	8,910	-24.9%	-	(14,606)	14,606
Supplies	(40,000)	(9,911)	24.8%	(6,748)	(3,164)	46.9%	(490)	(1,363)	873
Grants & Contributions	(3,000)	-	0.0%	(3,000)	3,000	-100.0%	-	-	-
Capital/Maintenance Program	-	(45,143)		-	(45,143)		-	-	-
<b>Expense Total</b>	<b>(161,000)</b>	<b>(81,972)</b>	<b>50.9%</b>	<b>(45,576)</b>	<b>(36,396)</b>	<b>79.9%</b>	<b>(490)</b>	<b>(15,969)</b>	<b>15,478</b>
<b>Fed Forfeiture Fund - Operating Surplus/(Deficit)</b>	<b>8,650</b>	<b>(172,033)</b>		<b>88,359</b>	<b>(260,392)</b>		<b>(419)</b>	<b>(14,723)</b>	<b>14,304</b>
CY2016 Beginning Balance	\$ 166,046	\$ 166,046							
Current Balance		\$ (5,987)							
CY2016 Projected Ending Balance	\$ 174,696								
<b>State Drug Forfeiture Fund (#139)</b>									
Forfeiture & Seizure Funds	29,000	30,442	105.0%	70,055	(39,613)	-56.5%	743	-	743
Grants (Federal, State, Local)	150,000	842	0.6%	(12,112)	12,954	-106.9%	-	-	-
Net Investment Income	4,300	31,239	726.5%	7,287	23,951	328.7%	678	2,598	(1,920)
<b>Revenue Total</b>	<b>183,300</b>	<b>62,522</b>	<b>34.1%</b>	<b>65,230</b>	<b>(2,708)</b>	<b>-4.2%</b>	<b>1,421</b>	<b>2,598</b>	<b>(1,177)</b>
Contracted Services	(75,500)	(15,272)	20.2%	(15,808)	536	-3.4%	(1,013)	(2,610)	1,597
Supplies	(75,000)	(21,357)	28.5%	(27,317)	5,960	-21.8%	(3,652)	(2,003)	(1,649)
Grants & Contributions	(6,000)	(6,000)	100.0%	(6,000)	-	0.0%	-	-	-
Internal Services	(75,000)	(10,473)	14.0%	(5,186)	(5,287)	101.9%	-	25,000	(25,000)
Capital/Maintenance Program	-	(30,095)		(6,881)	(23,215)	337.4%	-	-	-
<b>Expense Total</b>	<b>(231,500)</b>	<b>(83,197)</b>	<b>35.9%</b>	<b>(61,192)</b>	<b>(22,005)</b>	<b>36.0%</b>	<b>(4,665)</b>	<b>20,387</b>	<b>(25,052)</b>
<b>State Forefeiture Fund - Operating Surplus/(Deficit)</b>	<b>(48,200)</b>	<b>(20,675)</b>		<b>4,039</b>	<b>(24,713)</b>		<b>(3,244)</b>	<b>22,986</b>	<b>(26,229)</b>
CY2016 Beginning Balance	\$ 517,147	\$ 517,147							
Current Balance		\$ 496,472							
CY2016 Projected Ending Balance	\$ 468,947								
<b>Foreign Fire Insurance Tax Fund (#105)</b>									
Foreign Fire Insurance Tax	185,000	-	0.0%	-	-		-	-	-
Net Investment Income	3,680	10,581	287.5%	2,510	8,071	321.6%	-	787	(787)
<b>Revenue Total</b>	<b>188,680</b>	<b>10,581</b>	<b>5.6%</b>	<b>2,510</b>	<b>8,071</b>	<b>321.6%</b>	<b>-</b>	<b>787</b>	<b>(787)</b>
Supplies	(200,000)	(110,501)	55.3%	(113,119)	2,617	-2.3%	-	-	-
<b>Expense Total</b>	<b>(200,000)</b>	<b>(110,501)</b>	<b>55.3%</b>	<b>(113,119)</b>	<b>2,617</b>	<b>-2.3%</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FFIT Fund - Operating Surplus/(Deficit)</b>	<b>(11,320)</b>	<b>(99,920)</b>		<b>(110,609)</b>	<b>10,689</b>		<b>-</b>	<b>787</b>	<b>(787)</b>

	CY2016 Budget	CY2016 YTD	% of Budget	CY2015 YTD	\$ Variance	% Variance	CY2016 September	CY2015 September	\$ Variance
<b>CY2016 Beginning Balance</b>	\$ 325,460	\$ 325,460							
<i>Current Balance</i>		\$ 225,540							
<b>CY2016 Projected Ending Balance</b>	\$ 314,140								
<b>S.S.A. #21 Van Buren Deck Fund (#131)</b>									
Property Taxes	200,000	191,537	95.8%	164,067	27,470	16.7%	88,971	61,374	-
Net Investment Income	4,350	43,963	1010.7%	13,260	30,703	231.5%	1,271	4,195	5,741
Other Revenues	-	15,073		14,136	937	6.6%	-	-	507
<b>Revenue Total</b>	<b>204,350</b>	<b>250,574</b>	<b>122.6%</b>	<b>191,464</b>	<b>59,110</b>	<b>30.9%</b>	<b>90,242</b>	<b>65,569</b>	<b>24,673</b>
Debt Service	(224,162)	(25,762)	11.5%	(28,720)	2,958	-10.3%	-	-	-
<b>Expense Total</b>	<b>(224,162)</b>	<b>(25,762)</b>	<b>11.5%</b>	<b>(28,720)</b>	<b>2,958</b>	<b>-10.3%</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>SSA #21 Fund - Operating Surplus/(Deficit)</b>	<b>(19,812)</b>	<b>224,812</b>		<b>162,744</b>	<b>62,068</b>		<b>90,242</b>	<b>65,569</b>	<b>24,673</b>
<b>CY2016 Beginning Balance</b>	\$ 842,253	\$ 842,253							
<i>Current Balance</i>		\$ 1,067,065							
<b>CY2016 Projected Ending Balance</b>	\$ 822,441								
<b>S.S.A. #23 Naper Main Fund (#141)</b>									
Property Taxes	100,000	77,902	77.9%	7,767	70,135	903.0%	38,951	-	38,951
Net Investment Income	-	479		-	479		479	-	479
Transfers In	-	-		-	-		-	-	-
<b>Revenue Total</b>	<b>100,000</b>	<b>78,381</b>	<b>78.4%</b>	<b>7,767</b>	<b>70,614</b>	<b>909.1%</b>	<b>39,430</b>	<b>-</b>	<b>39,430</b>
Debt Service	(98,939)	-	0.0%	-	-		-	-	-
<b>Expense Total</b>	<b>(98,939)</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>SSA #23 Fund - Operating Surplus/(Deficit)</b>	<b>1,061</b>	<b>78,381</b>		<b>7,767</b>	<b>70,614</b>	<b>909.1%</b>	<b>39,430</b>	<b>-</b>	<b>39,430</b>
<b>CY2016 Beginning Balance</b>	\$ (618)	\$ (618)							
<i>Current Balance</i>		\$ 77,763							
<b>CY2016 Projected Ending Balance</b>	\$ 443								
<b>S.S.A. #25 TC Lacrosse &amp; Rt59 Fund (#143)</b>									
Property Taxes	68,000	66,194	97.3%	66,189	5	0.0%	27,482	28,446	(964)
Net Investment Income	-	-		(679)	679	-100.0%	-	112	(112)
<b>Revenue Total</b>	<b>68,000</b>	<b>66,194</b>	<b>97.3%</b>	<b>65,510</b>	<b>684</b>	<b>1.0%</b>	<b>27,482</b>	<b>28,557</b>	<b>(1,075)</b>
Contracted Services	-	(7,434)		(10,542)	3,108	-29.5%	-	-	-
Capital/Maintenance Program	-	(113,777)		(274,499)	160,722	-58.6%	-	-	-
<b>Expense Total</b>	<b>-</b>	<b>(121,211)</b>		<b>(285,041)</b>	<b>163,830</b>	<b>-57.5%</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>SSA #25 Fund - Operating Surplus/(Deficit)</b>	<b>68,000</b>	<b>(55,017)</b>		<b>(219,531)</b>	<b>164,514</b>	<b>(1)</b>	<b>27,482</b>	<b>28,557</b>	<b>(1,075)</b>
<b>CY2016 Beginning Balance</b>	\$ (429,720)	\$ (429,720)							
<i>Current Balance</i>		\$ (484,737)							
<b>CY2016 Projected Ending Balance</b>	\$ (361,720)								
<b>Special Event &amp; Culture Amenity (SECA) Fund (#134)</b>									
Food & Beverage Tax	1,900,000	2,666,046	140.3%	1,335,470	1,330,576	99.6%	(32,304)	244,031	(276,335)
Net Investment Income	4,500	46,455	1032.3%	10,262	36,192	352.7%	2,824	3,554	(730)
Other Revenues	7,500	6,044	80.6%	5,437	607	11.2%	849	742	107
<b>Revenue Total</b>	<b>1,912,000</b>	<b>2,718,544</b>	<b>142.2%</b>	<b>1,351,169</b>	<b>1,367,375</b>	<b>101.2%</b>	<b>(28,631)</b>	<b>248,327</b>	<b>(276,958)</b>
Salaries & Wages	(409,833)	(41,165)	10.0%	(226,045)	184,879	-81.8%	(6,473)	(148,687)	142,214
Benefits & Related	(65,791)	(685,880)	1042.5%	(23,849)	(662,031)	2775.9%	(91,606)	(11,418)	(80,189)
Supplies	(13,742)	(4,725)	34.4%	(9,895)	5,170	-52.2%	-	(2,953)	2,953
Grants & Contributions	(1,333,768)	(617,481)	46.3%	(1,033,285)	415,804	-40.2%	(73,704)	(78,862)	5,158
Internal Services	(76,866)	-	0.0%	(25,655)	25,655	-100.0%	-	(4,141)	4,141
Transfers out	-	-		-	-		-	-	-
<b>Expense Total</b>	<b>(1,900,000)</b>	<b>(1,349,252)</b>	<b>71.0%</b>	<b>(1,318,730)</b>	<b>(30,522)</b>	<b>2.3%</b>	<b>(171,784)</b>	<b>(246,060)</b>	<b>74,277</b>
<b>SECA Fund - Operating Surplus/(Deficit)</b>	<b>12,000</b>	<b>1,369,292</b>		<b>32,440</b>	<b>1,336,853</b>		<b>(200,414)</b>	<b>2,267</b>	<b>(202,681)</b>
<b>CY2016 Beginning Balance</b>	\$ 877,109	\$ 877,109							
<i>Current Balance</i>		\$ 2,246,401							
<b>CY2016 Projected Ending Balance</b>	\$ 889,109								
<b>Test Track Fund (#455)</b>									
Contributions	40,850	80,597	197.3%	40,044	40,553	101.3%	-	-	-
<b>Revenue Total</b>	<b>40,850</b>	<b>80,597</b>	<b>197.3%</b>	<b>40,044</b>	<b>40,553</b>	<b>101.3%</b>	<b>-</b>	<b>-</b>	<b>-</b>
Contracted Services	(26,810)	(21,203)	79.1%	(2,651)	(18,552)	699.9%	(1,194)	(1,958)	764
Supplies	(14,040)	(14,820)	105.6%	(13,788)	(1,032)	7.5%	(1,534)	(1,406)	(128)
Internal Services	-	-		(4,292)	4,292	-100.0%	-	-	-
<b>Expense Total</b>	<b>(40,850)</b>	<b>(36,023)</b>	<b>88.2%</b>	<b>(20,730)</b>	<b>(15,293)</b>	<b>73.8%</b>	<b>(2,728)</b>	<b>(3,364)</b>	<b>636</b>
<b>Test Track Fund - Operating Surplus/(Deficit)</b>	<b>-</b>	<b>44,574</b>		<b>19,314</b>	<b>25,260</b>		<b>(2,728)</b>	<b>(3,364)</b>	<b>636</b>
<b>CY2016 Beginning Balance</b>	\$ (28,931)	\$ (28,931)							
<i>Current Balance</i>		\$ 15,643							
<b>CY2016 Projected Ending Balance</b>	\$ (28,931)								

**City of Naperville**  
**CY2016 Budget to Actual Report**  
**Expenditures by Department**  
**For the 9 months ending September 30, 2016**  
**Preliminary and Unaudited**

	CY2016 Budget	CY2016 YTD	% of Budget	CY2015 YTD	\$ Variance	% Variance	CY2016 September	CY2015 September	\$ Variance
Electric	(142,444,393)	(99,777,751)	70.0%	(101,792,173)	2,014,421	-2.0%	(13,421,782)	(13,444,600)	22,819
Water/Wastewater	(56,324,832)	(34,939,874)	62.0%	(37,812,209)	2,872,335	-7.6%	(5,230,706)	(4,401,374)	(829,332)
Debt Service	(6,042,516)	(1,121,468)	18.6%	(1,190,114)	68,646	-5.8%	(355)	(88)	(267)
Police	(40,152,812)	(29,198,303)	72.7%	(25,175,711)	(4,022,592)	16.0%	(5,708,471)	(4,413,859)	(1,294,612)
Fire	(33,313,243)	(23,514,979)	70.6%	(22,268,748)	(1,246,230)	5.6%	(5,007,243)	(4,096,557)	(910,685)
Public Works	(27,566,399)	(19,419,719)	70.4%	(22,528,440)	3,108,721	-13.8%	(2,928,812)	(1,934,850)	(993,962)
TED	(7,280,655)	(5,015,940)	68.9%	(4,494,763)	(521,177)	11.6%	(720,268)	(459,823)	(260,445)
Information Technology	(4,993,189)	(3,203,346)	64.2%	(3,027,206)	(176,140)	5.8%	(348,522)	(343,685)	(4,837)
Finance	(4,126,990)	(2,707,179)	65.6%	(1,599,864)	(1,107,315)	69.2%	(384,526)	(346,427)	(38,100)
Legal	(1,786,583)	(1,236,535)	69.2%	(738,132)	(498,403)	67.5%	(182,087)	(119,580)	(62,508)
City Manager	(1,517,123)	(1,024,222)	67.5%	(842,374)	(181,848)	21.6%	(136,396)	(97,360)	(39,036)
Human Resources	(1,169,115)	(800,288)	68.5%	(595,488)	(204,800)	34.4%	(111,963)	(83,346)	(28,616)
City Clerk	(896,635)	(688,166)	76.7%	(627,911)	(60,255)	9.6%	(96,365)	(96,218)	(147)
Insurance	(20,449,510)	(14,093,672)	68.9%	(15,476,283)	1,382,611	-8.9%	(1,331,424)	(1,528,642)	197,218
Mayor & Council	(620,548)	(401,856)	64.8%	(395,229)	(6,628)	1.7%	(55,570)	(37,193)	(18,377)
Miscellaneous Services	(5,131,176)	(6,418,208)	125.1%	(5,612,597)	(805,610)	14.4%	(37,986)	(164,197)	126,211
Transfer	-	-		(123,036)	123,036	-100.0%	-	-	-
<b>CITYWIDE EXPENDITURES</b>	<b>(353,815,719)</b>	<b>(243,561,506)</b>	<b>68.8%</b>	<b>(244,300,278)</b>	<b>738,772</b>	<b>-0.3%</b>	<b>(35,702,475)</b>	<b>(31,567,799)</b>	<b>(4,134,677)</b>

**City of Naperville**  
**CY2016 Budget to Actual Report**  
**Personnel Expenditures by Department**  
**For the 9 months ending September 30, 2016**  
**Preliminary and Unaudited**

	CY2016 Budget	CY2016 YTD	% of Budget	CY2015 YTD	\$ Variance	% Variance	CY2016 September	CY2015 September	\$ Variance
<b>Salaries &amp; Wages</b>									
<b>Regular Pay</b>									
Electric	(9,543,758)	(6,166,513)	64.6%	(5,778,111)	(388,402)	6.7%	(968,690)	(637,213)	(331,478)
Water/Wastewater	(5,918,113)	(4,331,504)	73.2%	(3,684,940)	(646,564)	17.5%	(655,650)	(441,904)	(213,746)
Police	(23,522,287)	(17,088,980)	72.7%	(14,829,760)	(2,259,220)	15.2%	(2,481,914)	(1,578,256)	(903,657)
Fire	(19,612,297)	(13,966,215)	71.2%	(12,735,517)	(1,230,698)	9.7%	(2,141,853)	(1,424,571)	(717,283)
Public Works	(6,672,619)	(4,861,500)	72.9%	(4,701,493)	(160,007)	3.4%	(742,126)	(515,243)	(226,883)
TED	(3,920,910)	(2,878,887)	73.4%	(2,673,235)	(205,652)	7.7%	(454,561)	(283,219)	(171,342)
Information Technology	(2,005,293)	(1,351,226)	67.4%	(1,197,190)	(154,036)	12.9%	(208,198)	(128,006)	(80,192)
Finance	(2,140,625)	(1,300,138)	60.7%	(1,321,272)	21,133	-1.6%	(199,417)	(160,899)	(38,518)
Legal	(1,253,632)	(894,156)	71.3%	(741,501)	(152,655)	20.6%	(139,694)	(83,382)	(56,312)
City Manager	(882,126)	(695,952)	78.9%	(573,296)	(122,656)	21.4%	(105,291)	(58,777)	(46,514)
Human Resources	(700,207)	(515,661)	73.6%	(386,101)	(129,559)	33.6%	(81,821)	(48,164)	(33,657)
City Clerk	(549,376)	(440,771)	80.2%	(365,202)	(75,569)	20.7%	(70,992)	(41,762)	(29,230)
Mayor & Council	(332,031)	(245,638)	74.0%	(222,201)	(23,437)	10.5%	(36,296)	(25,763)	(10,533)
<b>Regular Pay Total</b>	<b>(77,053,274)</b>	<b>(54,737,141)</b>	<b>71.0%</b>	<b>(49,209,820)</b>	<b>(5,527,321)</b>	<b>11.2%</b>	<b>(8,286,504)</b>	<b>(5,427,158)</b>	<b>(2,859,346)</b>
<b>Overtime Pay</b>									
Electric	(478,099)	(330,638)	69.2%	(384,304)	53,666	-14.0%	(42,493)	(43,591)	1,098
Water/Wastewater	(445,010)	(358,426)	80.5%	(325,456)	(32,971)	10.1%	(58,141)	(35,554)	(22,587)
Police	(1,042,383)	(774,968)	74.3%	(786,508)	11,540	-1.5%	(128,831)	(86,083)	(42,748)
Fire	(743,897)	(402,693)	54.1%	(337,648)	(65,045)	19.3%	(84,067)	(78,882)	(5,185)
Public Works	(1,106,784)	(851,826)	77.0%	(986,745)	134,919	-13.7%	(112,807)	(78,336)	(34,471)
TED	(65,100)	(45,518)	69.9%	(44,352)	(1,666)	2.6%	(8,863)	(5,733)	(3,130)
Information Technology	(2,500)	(2,160)	86.4%	(1,789)	(371)	20.7%	(78)	(1,020)	941
Finance	(1,500)	(4,321)	288.1%	(15,431)	11,110	-72.0%	(974)	(2,711)	1,737
City Manager	-	(75)	-	(108)	33	-30.6%	-	-	-
Human Resources	-	(230)	-	(841)	611	-72.7%	-	(18)	18
City Clerk	(4,500)	(2,174)	48.3%	(3,293)	1,119	-34.0%	(444)	(25)	(419)
Mayor & Council	-	(815)	-	(517)	(298)	57.6%	(230)	(296)	65
<b>Overtime Pay Total</b>	<b>(3,889,773)</b>	<b>(2,773,844)</b>	<b>71.3%</b>	<b>(2,886,992)</b>	<b>113,148</b>	<b>-3.9%</b>	<b>(436,929)</b>	<b>(332,248)</b>	<b>(104,681)</b>
<b>Temporary Pay</b>									
Electric	(8,800)	(4,725)	53.7%	-	(4,725)	-	-	-	-
Water/Wastewater	(41,040)	(23,610)	57.5%	(19,191)	(4,419)	23.0%	(1,160)	(266)	(894)
Police	(94,000)	(22,980)	24.4%	(24,261)	1,281	-5.3%	-	(4,116)	4,116
Public Works	(180,000)	(185,441)	103.0%	(122,026)	(63,414)	52.0%	(25,517)	(12,279)	(13,238)
TED	(115,300)	(78,187)	67.8%	(56,588)	(21,599)	38.2%	(2,390)	(1,580)	(810)
Information Technology	(12,000)	(19,306)	160.9%	(9,385)	(9,921)	105.7%	(4,877)	(965)	(3,912)
City Manager	(18,000)	(1,883)	10.5%	788	(2,671)	-339.1%	-	-	-
Human Resources	-	-	-	2,565	(2,565)	-100.0%	-	-	-
City Clerk	-	(4,945)	-	(2,756)	(2,189)	79.4%	(545)	(537)	(7)
Mayor & Council	-	-	-	(7,265)	7,265	-100.0%	-	-	-
<b>Temporary Pay Total</b>	<b>(469,140)</b>	<b>(341,077)</b>	<b>72.7%</b>	<b>(238,121)</b>	<b>(102,957)</b>	<b>43.2%</b>	<b>(34,489)</b>	<b>(19,743)</b>	<b>(14,746)</b>
<b>Mandatory Overtime</b>									
Electric	(581,541)	(366,413)	63.0%	(308,081)	(58,332)	18.9%	(65,727)	(44,222)	(21,505)
Police	(1,248,308)	(711,550)	57.0%	(657,831)	(53,720)	8.2%	(145,015)	(137,566)	(7,449)
Fire	(575,764)	(401,082)	69.7%	(352,121)	(48,961)	13.9%	(77,881)	(76,530)	(1,351)
<b>Mandatory Overtime Total</b>	<b>(2,405,613)</b>	<b>(1,479,045)</b>	<b>61.5%</b>	<b>(1,318,032)</b>	<b>(161,013)</b>	<b>12.2%</b>	<b>(288,623)</b>	<b>(258,318)</b>	<b>(30,305)</b>
<b>Other compensation</b>									
Electric	207,411	(31,342)	-15.1%	(33,913)	2,571	-7.6%	(128)	-	(128)
Water/Wastewater	(15,000)	(20,742)	138.3%	(22,716)	1,974	-8.7%	(43)	-	(43)
Fire	-	-	-	(1,150)	1,150	-100.0%	-	-	-
Public Works	(38,200)	(14)	0.0%	-	(14)	-	-	-	-
TED	-	(256)	-	(150)	(106)	-	-	-	-
Finance	-	-	-	(80)	80	-100.0%	-	-	-
Miscellaneous Services	1,504,000	(141,791)	-9.4%	(96,858)	(44,932)	46.4%	(432)	-	(432)
<b>Other compensation Total</b>	<b>1,658,211</b>	<b>(194,145)</b>	<b>-11.7%</b>	<b>(154,867)</b>	<b>(39,278)</b>	<b>25.4%</b>	<b>(603)</b>	<b>-</b>	<b>(603)</b>
<b>Interdepartmental Costs Total</b>	<b>(342,123)</b>	<b>(298,151)</b>	<b>87.1%</b>	<b>(178,498)</b>	<b>(119,653)</b>	<b>67.0%</b>	<b>(95,364)</b>	<b>(68,354)</b>	<b>(27,010)</b>
<b>SECA Costs</b>	<b>347,291</b>	<b>-</b>	<b>0.0%</b>	<b>216,933</b>	<b>(68,246)</b>	<b>-31.5%</b>	<b>-</b>	<b>148,687</b>	<b>(148,687)</b>
<b>Salaries &amp; Wages Total*</b>	<b>(82,154,421)</b>	<b>(59,823,403)</b>	<b>72.8%</b>	<b>(53,769,397)</b>	<b>(6,054,006)</b>	<b>11.3%</b>	<b>(9,142,512)</b>	<b>(5,957,135)</b>	<b>(3,185,377)</b>



# Budget Overview

# CY2017 City of Naperville Budget – Budget Overview

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The City of Naperville’s annual budget is a comprehensive plan for financing the City government’s many programs and is an official document describing the dollars required to provide services and programs to Naperville citizens. The annual budget is the short-term financial plan necessary to fund the operations, maintenance and capital needs for the year. Additionally, the City publishes a Capital Improvement Program (CIP) as part of the City’s long-range financial planning system. The proposed Calendar Year(CY) 2017 annual budget focuses on financial stability and provision of services.

This document is divided into the following sections:

1. **Budget Overview** – Provides the basis for the development of the budget recommendation. Also includes information regarding the City’s fiscal climate, budget highlights (including significant changes in the budget) and an overview of the total City budget. Additionally, this section includes an overview of the City’s financial history, financial principles, continuous improvements model and the budget structure.
2. **General Information** – Provides information regarding the City, including the City’s mission statement and ends policies, organizational structure, fiscal policies and the budget process.
3. **Maintenance and Operating Funds Overview** – Includes detailed revenue and expense information at each of the fund levels. This information includes CY2015 actuals, CY2016 budget, CY2016 projections and CY2017 proposed budget with the dollar and percentage change. Each fund also has the line item detail for the CY2017 proposed budget included.
4. **Special Funds Overview** – Includes detailed revenue and expense information at each of the fund levels. This information includes CY2015 actuals, CY2016 budget, CY2016 projections and CY2017 proposed budget with the dollar and percentage change. Each fund also has the line item detail for the CY2017 proposed budget included.
5. **Capital and Debt Service Funds Overview** – The first section of the capital and debt service overview includes a high-level review of the **2017-2021 Capital Improvement Program**. This section includes both five-year and annual overviews of the CIP and provides a breakdown of projects by funding source, project type, department and project category. The last part reviews the City’s alignment with financial principle three, adopted by the City Council in 2015, related to debt reduction and increasing reserves. The second section of the capital debt service overview includes detailed revenue and expense information at each of the fund levels, including CY2015 actuals, CY2016 budget, CY2016 projections and CY2017 proposed budget with the dollar and percentage change.
6. **Department Overviews** – Includes detailed information for each operating department across all funds. The information includes both operating and capital expenses. The operating expenditure section includes CY2015 actuals, CY2016 budget, CY2016 projections and CY2017 proposed budget with the dollar and percentage change. Each department overview includes a description of services; headcount; a description of past actions, present initiatives, and future opportunities; service level statistics; and a breakdown of expenses by function and fund allocation. Additionally, the department overviews include an overview of CIP projects, the CIP project detail and line item detail for each department.

## Budget Structure

The City’s budget is comprised of three parts:

### 1. Maintenance & Operations Funds

- Ongoing/recurring costs associated with providing core services (such as police, fire, public works and utility services) and the maintenance of existing infrastructure; accounts for most of the recurring revenues and expenses of the organization.

# CY2017 City of Naperville Budget – Budget Overview

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## 2. Special Funds:

- Specialized expenditures for programs or services above or outside the City’s core functions; usually driven by revenue sources received by the City for a specific function above normal operation; created for a specific purpose and usually driven by a statutory restriction of the use of revenue.

## 3. Capital & Debt Service Funds

- Can contain expenses that fall into both Maintenance & Operations and one-time capital expenditures due to previous citywide practice of defining capital as not only building assets, but also maintaining these assets. Maintenance programs require funding at a semi-consistent level annually to ensure the same level of service year over year.

In addition to this broad structure of the budget, the accounting for these three parts is broken into 31 funds which segregate the revenues and associated expenditures by function. Governmental finance uses funds for the purpose of accounting its expenditures and revenues. Over time, the number of funds within the budget can fluctuate; funds can be closed because they no longer achieve the intended purpose or new ones are created. For instance, during the last year, the City eliminated the Carillon Fund and re-defined the SECA fund to the Food & Beverage Fund. The below chart lists the various City funds that comprise the three parts of the City’s budget. There is a matrix included in the budget document that illustrates the relationship between departments and funds.

### Maintenance & Operating Funds

General Fund	Burlington Fund
Electric Utility Fund	Self-Insurance Fund
Water & Wastewater Fund	

### Special Funds

Library Funds	Test Track Fund
Naper Settlement Fund	Community Development Block Grant Fund
E-911 Surcharge Fund	Fair Share Assessment Fund
SSA Funds	Food & Beverage Fund
State & Federal Forfeiture Funds	Foreign Fire Insurance Tax Fund

### Capital and Debt Service Funds

Bond Funds	Capital Projects Fund
Debt Service Fund	Motor Fuel Tax Fund
Water Street TIF Fund	Downtown Parking Fund
Road and Bridge Fund	

## Financial Principles

In CY2016, the City Council developed and passed a financial strategy that put the City on a road to long-term financial stability. This strategy is rooted in financial principles that are designed to help accomplish the City’s long-term financial goals. These principles are meant to guide the City’s financial planning and budgeting through the next several years, and all financial decisions will be consistently tested against these principles.

# CY2017 City of Naperville Budget – Budget Overview

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The principles were developed beginning in May 2015, and throughout the process members of the community, including residents, businesses, City Council and staff, provided valuable input regarding the City's current state, present opportunities and the impact of potential decisions on the City as a whole. Ultimately, the following three financial principles were formally adopted.

- **Principle #1** – The City will pass a structurally balanced operating budget annually;
- **Principle #2** – The City commits to continuous improvement in the delivery of necessary and cost-effective services; and
- **Principle #3** – The City will actively seek to increase its reserves to twenty-five percent (25%) and reduce its debt by twenty-five percent (25%) in the next eight (8) years.

Principle #1 provides guidance on how City expenditures and revenues will be reviewed in the future. Principle #2 provides guidance on balancing the quality of service provided to the community against the revenues required to provide those services. Principle #3 provides guidance on the appropriate level of debt, the aggressiveness of the City's debt reduction plan and how debt policies shape future property tax levies and the City's AAA bond rating. The CY2017 budget recommendation is based on these three financial principles

## Guiding Values

In addition to the citywide financial principles, staff utilized the City's mission statement and ends policies during the development of the CY2017 budget. Each departmental section discusses how departments will work towards the City's mission and ends policies as part of their annual budgetary request.

### *City Mission Statement*

To provide services that ensure a high quality of life for our residents and a dynamic environment for our business community through collaboration, innovation, and sound fiscal management.

### *Ends Policies*

#### Public Safety

Naperville will deliver highly responsive emergency services to provide for a safe community.

#### High Performing Government

Naperville will provide reliable, efficient, and high-quality services.

#### Economic Development

Naperville will be the location of choice for businesses.

#### Financial Stability

Naperville will be financially stable and maintain a AAA bond rating.

# CY2017 City of Naperville Budget

## Fund Overview

CITY OF NAPERVILLE DEPARTMENT/FUNCTION MATRIX	Board of Fire & Police Commissioners	City Clerk	City Manager	Communications	Finance	Fire	Human Resources	Information Technology	Legal	Mayor & Council	Police	Public Works	DPU - Electric	DPU - Water/Wastewater	Riverwalk	TED
<b>Maintenance &amp; Operating Funds</b>																
General Fund																
Electric Utility Fund																
Renewable Energy Program Fund																
Water/Wastewater Utility Fund																
Self-Insurance Fund																
Burlington Fund																
<b>Special Funds</b>																
Naperville Library Fund																
Library Capital Reserve Fund																
Library Gift/Memorial Fund																
Library Povinelli Endowment Fund																
Naper Settlement Fund																
E-911 Surcharge Fund																
State Drug Forfeiture Fund																
Federal Drug Foreiture Fund																
Foreign Fire Insurance Tax Fund																
Food and Beverage Fund																
Community Development Block Grant (CDBG) Fund																
Special Service Area #21 - Van Buren Parking Deck																
Special Service Area #23 - Naper Main																
Special Service Area #25 - LaCrosse Traffic Signal																
Special Service Area #26 - Downtown Maint./Marketing																
Test Track Fund																
Fair Share Assessment Fund																
General Trust and Agency																
<b>Capital and Debt Service Funds</b>																
Capital Projects Fund																
Bond Funds																
Debt Service Fund																
Motor Fuel Tax Fund																
Road and Bridge Fund																
Water Street Tax Increment Financing (TIF) Fund																
Downtown Parking Fund																

## CY2017 City of Naperville Budget – Financial Climate

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For the past 21 years, the City has maintained its AAA bond rating and managed its finances to support a consistently low property tax rate while providing high quality services to the community. The short term factors of the uncertain financial climate at the state level, balanced with a general overall increase in the economy, were both taken into account to prepare the Calendar Year (CY) 2017 annual budget proposal. City staff has continued to monitor the financial trends of the nation, state and region allowing for proactive action to any significant changes in the City's financial climate.

At the national level, the City monitors those factors that directly impact Naperville, including the Affordable Care Act and the Marketplace Fairness Act.

Overall, Illinois has had a slow recovery and underperformed when compared to both the U.S. and the Midwest. Both Illinois and Chicago have been running structural budget deficits since before the "Great Recession," and the recession has only exposed the depth of the problem. The trend of both the state and Chicago of borrowing from the future to pay for current services has mostly come in the form of rising unfunded pension liabilities. Credit agencies have started to show concern about the level of future state transfers and shifting costs to local governments within Illinois.

The State of Illinois continues to be a significant external risk for the City's financial stability. While the state adopted a stop-gap budget in June 2016, there has been continued political gridlock regarding the statewide budget. The state continues to have a backlog in its bills, the increased state income tax expired in 2015 and the Illinois Supreme Court struck down the state's pension reform bill. These factors have created significant uncertainty, which was reflected through Moody's Investor Services downgrading the State of Illinois bond rating to Baa1.

Due to the uncertainty at the state level, there have been several proposals at that level that, if enacted, would have a direct impact on the City's finances. These include the potential freezing of property taxes and the reduction of the Local Government Distributive Fund (LGDF); which is the local governments portion of income tax revenues. Aside from these specific proposals, the budget deficit at the state level impacts municipalities in a number of ways; including the potential for higher borrowing costs, less state support and fiscal uncertainty in regards to economic development. Staff will continue to monitor activity at the state level and plan conservatively based on the negative financial impacts that could reach the City.

To assist in this planning, the City implemented three financial principles that will help to maintain financial stability in the City over the coming years; these principles have already borne results. For example, when the City issued General Obligation bonds in early June, the AAA credit rating was re-affirmed by both Moody's and Standard & Poor's, citing strong fiscal management as one of the driving factors.

The City continues to show positive trends in employment. As of July 2016, the City's unemployment rate was approximately 4.7%, with growth in leisure and hospitality, professional and business services and construction. This rate is below the state's unemployment rate of 6.0% and the national rate of 4.9%

Development of the local economic environment continues. Over the last several years the City has seen the growth of its business community through the development of Freedom Plaza, the iMed Campus, the Iron Gate Motor Condos, Mariano's and other retail developments. The City has seen growth in residential communities, including the Heatherfield subdivision, and facilitated the construction process for amenities such as the Fort Hill Activity Center.

## CY2017 City of Naperville Budget – Financial Climate

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Going forward, the City is continuing to expand its commercial base through the completion of the Water Street District and the development of Naperville Crossing's outlots. The City also sees future residential growth associated with the Atwater subdivision, Bauer Place, Charleston Row Home, Emerson Park and the Sedgwick Subdivision. The City's continued partnership with North Central College will see the completion of a new science center in the coming year.

Several of the City's revenues that are used as indicators for financial growth are trending positively. The City's Real Estate Transfer Tax saw positive growth in CY2016, with the average sale price of a home at \$386,000, which is up several thousand dollars from CY2015. Commercial sales have risen dramatically, with the average sale price growing from \$3.1 million in CY2015 to \$3.7 million in CY2016. Based on these trends, staff is projecting continued growth in real estate transfer taxes in CY2017.

The City established a home rule sales tax of 0.50% effective on January 1, 2016. The state estimated the projected revenues for nine months of CY2016 at \$6.3 million. Through nine months of CY2016, receipts have outpaced those projections by 2%. Additionally, the City's component of the statewide sales tax has held consistent with CY2015 receipts, and staff projects a slight increase for CY2017. Lastly, the City's food and beverage tax receipts have significantly outperformed projections by around 6%, which points to a strong restaurant and dining base in the City.

The positive trends for the City's economic condition are encouraging and show Naperville has moved into a stable financial status. However, the City will stay its course of conservative estimates for revenue projections in the current budget cycle due to financial volatility at the national and state levels.

# **CY2017 City of Naperville Budget – Budget Highlights**

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Within the past year, the City Council and City staff have spent significant time exploring and planning how they envision the municipality operating both now and into the future. This exploration culminated in the adoption of a new mission statement and ends policies to support and guide the everyday operations of all City departments. With service delivery at the heart of the City's new mission statement, and the understanding that capital outlays made during the "boom" years of Naperville are beginning to require more significant maintenance, the City budget for Calendar Year (CY) 2017 and beyond require changes in the model and philosophies surrounding the budgeting process. Significant changes in the budget model, notable revenue and expense changes and budget modifications are detailed below.

## **Calendar Year Budget Cycle**

This past year was the first year that the City utilized a calendar year budget. Prior to January 1, 2016, the City's fiscal year occurred from May 1 through April 30.

The transition to a calendar year budget has already proven to be successful. In prior years, the budget process would begin in August and end the following March with the approval of the coming fiscal year's budget. Through alignment with the calendar year, the budget cycle has been streamlined by four months; the budget preparation kick-off occurred on August 1, the proposed budget was completed by mid-October and final approval is tentatively set for the first City Council meeting in December. Rather than spend seven months on budget preparation, departments could refocus their efforts on service delivery.

In addition, the calendar year budget provides better alignment of construction projects to the budget year. Departments are starting to develop bid specifications and work with the procurement team for CY2017 budgeted projects; the alignment provides better project management of construction projects and citywide purchases.

The calendar year budget cycle also aligns the tax levy with the budget year the levy is funding, which is notable from a comprehension perspective. The levy and budgeting process becomes easier to understand as the levy collected in CY2017 funds the CY2017 budget, versus the previously calendar-bisecting fiscal year.

In addition, the preparation, reporting, and forecasting of department budget requests have become more precise. Department budget forecasts are based upon six months of actual expenditures and revenues. As staff moved through the budget review phase, these numbers were updated to provide a clearer view of the current year's finances. Additionally, the CY2016 projections are based upon nine months of actual finances and only require estimated revenues and expenditures for three months. This improved data has enabled a more precise and comprehensive budget.

Last, but perhaps most notably, the calendar year budget cycle has allowed staff to provide more timely information to City Council throughout the entire year, including quarterly, publicly available reports at City Council meetings and regular monthly reports that are available to view on the City's website. This level of transparency and enhanced reporting provides a "running tally" of the City's financial status, providing important education and groundwork to the City Council in advance of the upcoming CY2017 budget and tax levy discussions.

# CY2017 City of Naperville Budget – Budget Highlights

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## Financial Principles Adoption

During development of the CY2016 budget, the City faced several financial challenges. As the City becomes more solidified as a maintenance versus growth community, new revenue streams brought in by fast-paced development have waned. In addition, the City experienced depleted cash reserves and increased reliance on borrowing for infrastructure maintenance projects. As part of planning for the future, the City Council established three financial principles as a guideline for long-term financial stability of the community. Staff has reported on progress made towards these principles throughout CY2016 and will demonstrate the City's adherence to these principles through the CY2017 budget. The below section highlights actions taken by the City during CY2016 and strategies utilized for CY2017.

**Principle #1 - *The City will pass a structurally balanced operating budget annually***

### CY2016 Review and Actions

To adhere to the first financial principle in CY2016, staff developed a combination of service delivery changes and revenue generators.

- Reduction of \$1.8 million in spending
  - This reduction was achieved through a combination of actions that changed as conditions warranted throughout the year. Originally planned actions such as leasing vehicles did not provide demonstrated cost savings, yet other actions (e.g. health insurance savings of \$530,000 year to date) occurred to achieve the end goal.
- Implementation of a refuse and recycling collection fee
  - In 2016, the full cost of the monthly refuse and recycling collection fee was charged to users of the service. This amount is based upon the City's contracted price and will be adjusted annually. This action aligns the cost paid by the user of the service with the actual cost of providing the service.
- Adoption of a Purchased Power Adjustment (PPA) for the Electric Utility
  - In 2016, a new line item appeared on electric customer's monthly utility bills. Called a PPA, this adjustment (cost or credit) ensures customers are not over or undercharged for the actual cost of providing power. On a more global level, this line item speaks to the utility's desire to address fluctuations in the power market and better match the cost of power with revenues while keeping Naperville's electric rates competitive.

### CY2017 Overview and Strategies

#### ***General Fund***

Initially, City departments' combined request for the CY2017 General Fund Budget was \$126.7 million, which was an increase of \$6.6 million, or 5.5%, over the approved CY16 budget. Understanding that departments do not operate in a vacuum in regards to service delivery, review for the CY2017 budget included multi-department team meetings to facilitate collaboration and cost-saving opportunities surrounding cross-department services. This action was in addition to the multi-level review process for requests, which includes internal department, Finance Department and City Manager review.

Following these reviews, the proposed CY2017 budget presented in this document totals \$122.9 million, which is a 2.4% increase over the CY16 budget. The main driver of the General Fund

# CY2017 City of Naperville Budget – Budget Highlights

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increase is public safety pensions, which increased \$2.07 million compared to CY2016 for a total expense of \$13.8 million in CY2017.

## ***Public Utilities***

The Water and Wastewater Utility saw an increase of \$1.8 million in expenses for CY2017 for a total budget request of \$62.3 million. The main driver of this increase is budgetary requests associated with regulatory requirements, including the new Illinois Environmental Protection Agency (IEPA) permit being issued in fall 2016.

The Electric Utility's CY2017 budget increased by \$8.3 million, or 5.5%, to \$157.3 million. This increase was driven by three primary items, including the restoration of the capital reinvestment program, a new capital project to install an additional substation at Edwards Hospital, and the second year of re-payment to the Water/Wastewater Utility for an interfund loan.

## ***Debt Service***

The Debt Service Fund is seeing an increase of \$3.6 million in CY2017. The driver of this is an increase in the required debt service for prior year bond issuances.

## **CY2017 Strategies**

In recognition of the need to adhere to Financial Principle #1, staff proposes the following strategies to present a structurally balanced operating budget.

## ***Budgetary Reductions***

Staff aligned prior year spending with the CY2017 request, resulting in the following savings:

- Fire reduced its budget request by \$250,000 through a combination of overtime, contracted services, conferences and training and operating supplies
- Public Works reduced its budget request by \$330,000 for a reduction in salt purchases, \$140,000 for the implementation of the burn box and \$50,000 for contracted public building services
- Police reduced its budget request by \$275,000 by deferring purchase of a Special Response Team vehicle and by \$168,000 for operating supplies
- Legal consolidated contracted services to reduce its budget request by \$12,000
- Human Resources saved \$6,000 by eliminating its request for Employee Manual Software
- The City Manager's Office eliminated the Citizen Survey for 2017 at a savings of \$30,000 and reduced electronic agenda software costs for a savings of \$11,000
- Finance eliminated 1.5 FTE's, saving approximately \$150,000 for the upcoming budget
- TED deferred \$1 million in the Maintenance Improvement Program (MIP)

## ***Revenue Enhancements***

- Understanding that the main driver of the CY2017 General Fund increases is public safety pensions, staff is examining ways to fund this specific element through a dedicated revenue source. Enacting a dedicated revenue source in the coming calendar year would provide a long-term, sustainable and specific solution to this funding need that will occur year over year. Currently, staff proposes to offset the increase in the public safety pension funds through an increase in the pension component of the property tax. In the same vein, staff proposes to fund the debt service increase through an increase in the debt service component of the property tax.

# CY2017 City of Naperville Budget – Budget Highlights

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- To appropriately plan rates for the coming five years while taking into account future service levels, maintenance needs and required new federal and state initiatives, the Water/Wastewater Utility will complete a rate study. This study is similar to what the Electric Utility did in 2015 to plan for its future needs and align its cost of service through 2018.

## ***Cost Re-Alignment***

The below actions will align costs and revenues to appropriate funds.

- Moving Reprographics to Information Technology
- Moving Community Development Block Grant to the City Clerk's Office
- Eliminating the Carillon Fund
- Re-development of the SECA Fund as the Food & Beverage Fund. This new fund accounts for all pension, grant, social service, and debt expenses that are paid through the citywide Food & Beverage Tax.
- Re-allocation of the Local Motor Fuel tax wholly to the Road & Bridge Fund. Prior revenues were split between the Motor Fuel Tax Fund and the Road & Bridge Fund. This allows for better transparency of local funds versus state road funds.

***Based upon the budgetary proposal for CY2017, the City has achieved Principle #1 of passing a structurally balanced operating budget.***

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

## **CY2016 Review and Actions**

To meet the second financial principle, staff developed cost-savings initiatives and revenue generating ideas. Additionally, staff continues to pursue programs to drive operational efficiencies and improve decision-making.

- LED Streetlight Conversion - savings for electric and maintenance costs
- Healthcare program modifications - reduced spending by \$530,000 year to date
- City website update - provides more streamlined and efficient customer experience
- City timekeeping system update - improve efficiency and reporting
- Leaf Disposal Burn Box – reduced costs through improved service delivery model
- New water meter reading contract - improves accuracy and processing time
- Budgetary review process revamp - Instead of one-on-one budget reviews with the City Manager's Office, departments were invited to participate in the review of other department's budgets. This reduced budgeting redundancies, improved coordination and allowed departments to learn about other's operations and ask questions.

## **CY2017 Overview and Strategies**

- Water/Wastewater Utility rate study – as mentioned above, this study will assist the utility with appropriately planning rates for the coming years while taking into account future service levels, maintenance needs and required new federal and state initiatives. This will provide the utility with the necessary framework to make decisions to maintain existing service levels and anticipate increased needs.
- Technology environment improvements – To plan for the coming years and implement the City's strategic technology plan, the City will focus on implementation of the new enterprise resource planning software through the OneLink Project and update existing

## CY2017 City of Naperville Budget – Budget Highlights

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- software to maximize use and efficiencies. Ultimately, this will enhance service delivery to external customers through improved efficiencies and availability of tasks online that currently require an in-person visit to a City facility to achieve.
- Alternate procurement for large equipment, which seeks to improve internal service and costs
  - As a What Works City, the use of performance management and open data will improve data driven decisions and transparency

***Based upon the budgetary proposal for CY2017, the City continues to achieve Principle #2, continuous improvement in the delivery of necessary and cost-effective services.***

***Principle #3 - The City will actively seek to increase its reserves to twenty-five percent (25%) and reduce its debt by twenty-five percent (25%) in the next eight (8) years.***

### **CY2016 Review and Actions**

To reduce reliance on borrowing for capital re-investment and to allow the City to reduce debt and increase reserves, the City implemented new revenue enhancements and modified capital project requests.

- Implemented a 0.50% home rule sales tax that has been used to abate \$2 million of property taxes and reduce future borrowing requirements
- Continued refinement of capital project requests

### **CY2017 Overview and Strategies**

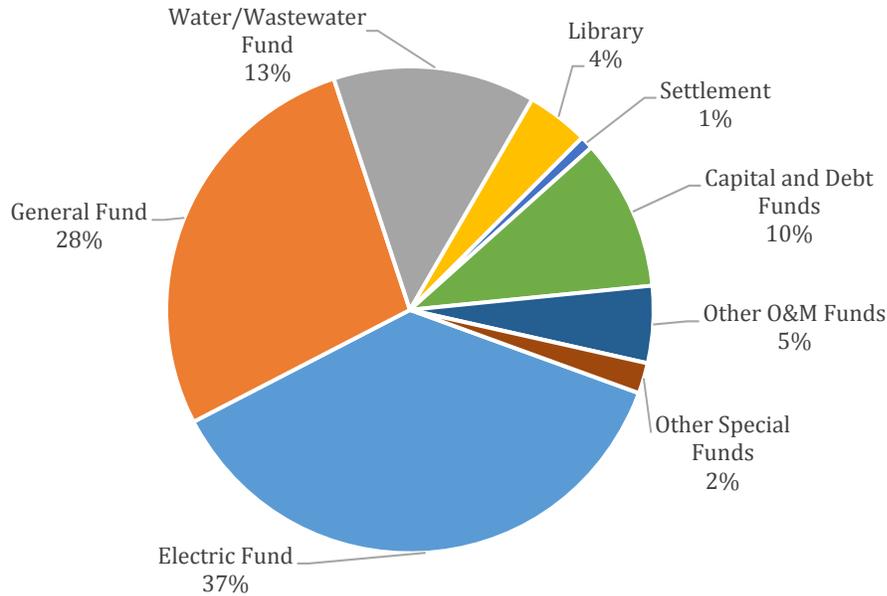
As mentioned at the beginning of this document, Naperville requires a fundamental shift in the way it views capital expenditures now and in the future. Staff seeks to align those programs that maintain existing capital expenses with ongoing revenue streams to ensure a long-term, stable funding source for this work, rather than completing this maintenance through borrowing. New capital or capital improvements and enhancements would be funded through borrowing and other means. This philosophical shift speaks to the end goal of Principle #3. Currently staff has proposed actions to meet this philosophy, including adding vehicle replacement to the capital budget to reduce yearly department budget fluctuations and delineation of specific Maintenance Improvement Projects where it results in a new City asset.

The proposed CY2017 budget reduces the overall debt position by \$5.8 million, keeping the City on track to achieve Principle #3. Additionally, in-line with the philosophy mentioned above, the CY2017 CIP anticipates borrowing \$7.7 million for new capital projects; which will be off-set by the retirement of \$13.5 million in existing principle and interest bringing the City's general debt position to \$116.4 million by the end of CY2017.

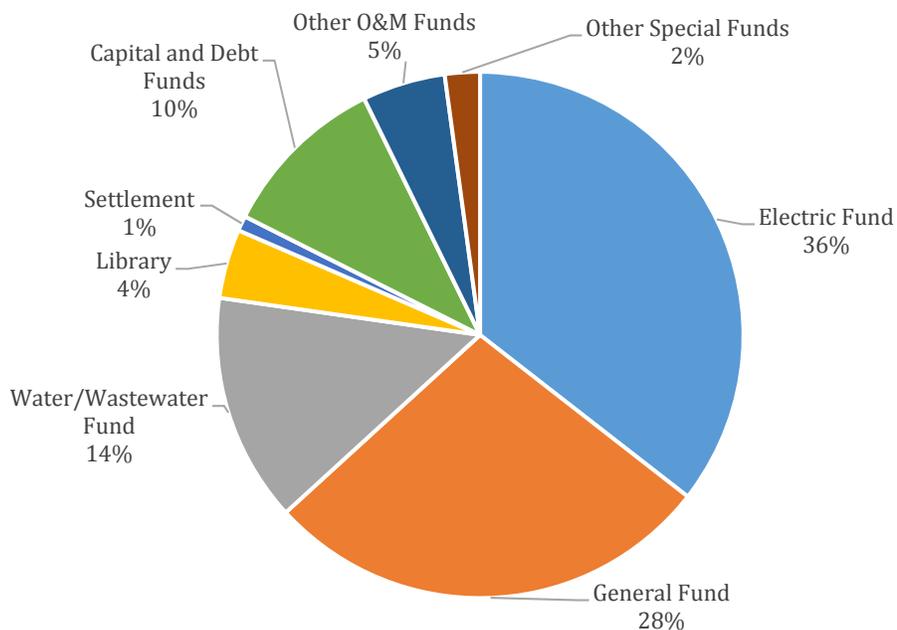
***Based upon the budgetary proposal for CY2017, the City is on target to meet Principle #3, increase reserves to 25% and reduce debt by 25% in the next eight years.***

# CY2017 City of Naperville Budget – Revenue and Expenditure Summary

Total citywide revenues from all sources are budgeted at \$446.3 million for Calendar Year (CY) 2017. The majority of revenues are dedicated to the General Fund and Utility Funds, which make up 78% of all revenues. Overall CY2017 revenues are up by an increase of 4.2% from the CY2016 budget. Below is a breakdown of revenues by major fund category.

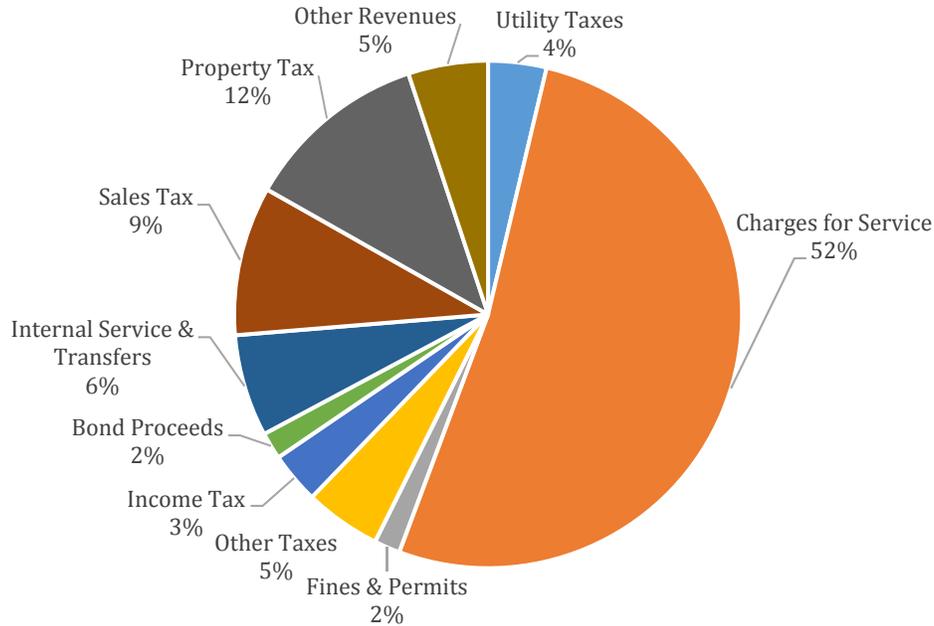


Total Citywide expenditures including all Maintenance and Operating Funds, Special Funds and Capital and Debt Service Funds for CY2017 total \$443.6 million. Overall the CY2017 budget appropriations are 3.3% greater than the CY2016 budget. Below is a breakdown of the total budget by major fund category.

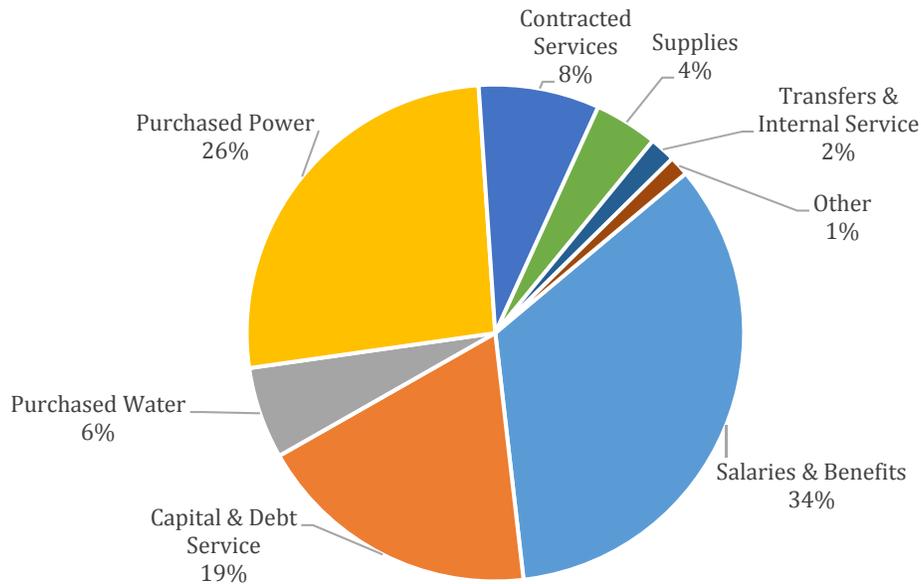


# CY2017 City of Naperville Budget – Revenue and Expenditure Summary

Below is a breakdown of citywide revenues by source. Charges for services make up over half of the revenues by source, including charges for Electric and Water/Wastewater, which total \$158 million and \$55 million, respectively. Property taxes and retail sales taxes are the second largest sources of revenue for the City, which total \$52 and \$42 million, respectively.



Below is a breakdown of citywide expenses by type. The majority of expenses are related to salaries and benefits with the next largest expense categories for purchased power and water. The total for these three expense categories is \$294 million, or 66% of the total budget.



**CY2017 Proposed Budget**  
**Revenue and Expenditures**  
**Annual Summary**

**REVENUES/TRANSFERS IN**

	CY2015 Actuals	CY2016 Budget	CY2016 Projections	CY2017 Proposed	Change (\$)	Change (%)
<b>Maintenance and Operating Funds</b>						
General Fund	111,687,492	120,091,763	119,770,364	122,919,618	2,827,855	2.4%
Electric Utility Funds	142,932,892	153,408,543	162,267,095	164,439,807	11,031,264	7.2%
Water/Wastewater Utility Funds	53,134,886	57,826,643	56,267,951	59,933,845	2,107,202	3.6%
Self-Insurance Fund	18,094,942	20,394,194	19,650,329	20,537,000	142,806	0.7%
Burlington Fund	2,199,212	2,150,100	2,542,938	2,265,615	115,515	5.4%
<b>Special Funds</b>						
Naperville Library Fund	15,432,688	15,495,000	15,389,458	15,388,000	(107,000)	-0.7%
Library Capital Reserve Fund	555,763	250,000	2,910,849	3,012,000	2,762,000	1104.8%
Library Gift/Memorial Fund	3,276	-	1,648	13,250	13,250	
Library Povinelli Endowment Fund	(10)	-	522	-	-	
Naper Settlement Fund	3,452,547	4,049,772	3,430,685	3,903,636	(146,136)	-3.6%
E-911 Surcharge Fund	2,028,480	1,899,900	1,869,574	1,825,464	(74,436)	-3.9%
State Drug Forfeiture Fund	153,689	183,300	128,750	185,900	2,600	1.4%
Federal Drug Forfeiture Fund	135,137	169,650	(72,826)	102,650	(67,000)	-39.5%
Foreign Fire Insurance Tax Fund	221,630	188,680	185,531	-	(188,680)	-100.0%
Food and Beverage Fund	2,039,478	1,912,000	3,248,005	4,005,250	2,093,250	109.5%
Millenium Carillon Fund	180,688	67,300	76,801	-	-	
Community Development Block Grant (CDBG) Fund	639,584	428,000	397,816	459,468	31,468	7.4%
Special Service Area #21 - Van Buren Parking Deck	219,114	204,350	259,961	215,000	10,650	5.2%
Special Service Area #23 - Naper Main	15,531	100,000	100,479	103,585	3,585	3.6%
Special Service Area #25 - LaCrosse Traffic Signal	65,510	68,000	68,000	68,000	-	0.0%
Special Service Area #26 - Downtown Maint./Marketing	1,553,772	1,891,317	1,928,517	2,066,369	175,052	9.3%
Test Track Fund	40,044	40,850	80,597	55,015	14,165	34.7%
Fair Share Assessment Fund	(621)	1,800	26,789	-	(1,800)	
General Trust and Agency	231,503	21,500	145,100	-	(21,500)	
<b>Capital and Debt Service Funds</b>						
Capital Projects Fund	1,633,616	4,467,500	3,545,448	13,068,034	8,600,534	192.5%
Bond Funds	(5,807,103)	12,827,259	15,303,492	7,690,755	(5,136,504)	-40.0%
Debt Service Fund	13,123,685	10,549,060	10,569,001	13,355,076	2,806,016	26.6%
Motor Fuel Tax Fund	10,237,502	9,677,000	6,491,837	3,786,000	(5,891,000)	-60.9%
Road and Bridge Fund	1,050,586	1,180,200	5,082,288	5,555,000	4,374,800	370.7%
Water Street Tax Increment Financing (TIF) Fund	6,711,783	7,306,500	56,140	-	(7,306,500)	-100.0%
Downtown Parking Fund	1,122,930	1,309,800	1,408,510	1,359,000	49,200	3.8%
<b>TOTAL REVENUES/TRANSFERS IN</b>	<b>383,090,226</b>	<b>428,159,981</b>	<b>433,131,648</b>	<b>446,313,337</b>	<b>18,153,356</b>	<b>4.2%</b>

**EXPENSES/TRANSFERS OUT**

	CY2015 Actuals	CY2016 Budget	CY2016 Projections	CY2017 Proposed	Change (\$)	Change (%)
<b>Maintenance and Operating Funds</b>						
General Fund	116,995,815	120,089,601	116,117,691	122,765,312	2,675,711	2.2%
Electric Utility Funds	137,679,388	149,465,303	144,197,176	157,622,289	8,156,986	5.5%
Water/Wastewater Utility Funds	53,037,465	61,782,880	53,630,069	62,285,280	502,400	0.8%
Burlington Fund	1,613,156	2,083,741	1,350,540	2,091,438	7,697	0.4%
Self-Insurance Fund	21,059,580	20,394,194	18,655,480	20,533,237	139,043	0.7%
<b>Special Funds</b>						
Naperville Library Fund	15,827,535	16,241,518	17,893,935	15,881,900	(359,618)	-2.2%
Library Capital Reserve Fund	1,093,003	-	1,617,017	3,000,000	3,000,000	
Library Gift/Memorial Fund	24,606	-	635	13,250	13,250	
Library Povinelli Endowment Fund	-	-	-	-	-	
Naper Settlement Fund	3,389,765	4,056,553	3,475,846	4,088,249	31,696	0.8%
E-911 Surcharge Fund	1,703,938	1,635,000	1,635,000	1,825,464	190,464	11.6%
State Drug Forfeiture Fund	82,281	231,500	150,112	181,500	(50,000)	-21.6%
Federal Drug Forfeiture Fund	65,003	161,000	146,611	100,000	(61,000)	-37.9%
Foreign Fire Insurance Tax Fund	156,513	200,000	167,992	-	(200,000)	-100.0%
Food and Beverage Fund	2,270,603	1,900,000	2,477,221	3,988,345	2,088,345	109.9%
Millenium Carillon Fund	119,360	124,411	122,707	-	(124,411)	-100.0%
Community Development Block Grant (CDBG) Fund	654,978	428,001	537,759	459,468	31,467	7.4%
Special Service Area #21 - Van Buren Parking Deck	254,628	224,162	224,162	224,645	483	0.2%
Special Service Area #23 - Naper Main	212,492	98,939	98,939	-	(98,939)	-100.0%
Special Service Area #25 - LaCrosse Traffic Signal	374,670	-	121,211	-	-	
Special Service Area #26 - Downtown Maint./Marketing	2,057,883	2,391,897	2,013,934	2,722,547	330,650	13.8%
Test Track Fund	30,584	40,850	44,308	55,015	14,165	34.7%
Fair Share Assessment Fund	-	-	-	-	-	
General Trust and Agency	172,988	-	1,500	-	-	
<b>Capital and Debt Service Funds</b>						
Capital Projects Fund	3,709,429	7,619,000	3,499,192	14,978,501	7,359,501	96.6%
Bond Funds	6,945,605	9,129,987	7,190,008	7,690,755	(1,439,232)	-15.8%
Debt Service Fund	12,663,360	9,759,857	9,759,857	13,355,076	3,595,219	36.8%
Motor Fuel Tax Fund	11,503,292	8,944,000	6,922,782	3,775,000	(5,169,000)	-57.8%
Road and Bridge Fund	1,236,181	1,338,234	1,368,836	5,551,358	4,213,124	314.8%
Water Street Tax Increment Financing (TIF) Fund	11,662,633	10,568,707	9,483,222	-	(10,568,707)	-100.0%
Downtown Parking Fund	349,897	341,916	4,068,380	380,338	38,422	11.2%
<b>TOTAL EXPENSES/TRANSFERS OUT</b>	<b>406,946,631</b>	<b>429,251,251</b>	<b>406,972,120</b>	<b>443,568,967</b>	<b>14,317,716</b>	<b>3.3%</b>

**CY2017 Proposed Budget**  
**Revenue and Expenditures**  
**Fund and Type Summary**

Revenue Type	General Fund	Electric Fund	Water & Wastewater Fund	Burlington Fund	Self Insurance Fund	Capital Projects Fund	GO Bond Funds	Debt Service Fund	Motor Fuel Tax Fund	Road & Bridge Fund	Downtown Parking Fund	Water Street TIF Fund	Library Funds	Naper Settlement	Food & Beverage Fund	SSA Funds	Other Special	CY2017 Proposed
Beginning Balance																		12,000
Bond Proceeds							7,690,755											7,690,755
Capital Fees		2,050,000																2,050,000
Charges for Service	13,053,797	158,456,773	55,023,000			1,000,000								95,000	489,470		1,825,464	229,943,504
Contributions		2,500,000			5,717,000	5,824,534								1,000	481,294		55,015	14,578,843
Fines & Fees	1,987,500	200,000	750	2,162,475									405,000			80,000		4,835,725
Food & Beverage Tax											925,000				3,988,500			4,913,500
Foreign Fire Insurance Tax																		-
Forfeiture & Seizure Funds																	181,500	181,500
Grants (Federal, State, Local)	531,800		226,500							315,000			110,000					1,742,768
Home Rule Sales Tax						6,143,500		2,000,000			384,000							8,527,500
Hotel/Motel Tax	1,320,000																	1,320,000
Motor Fuel Tax									3,775,000									3,775,000
Net Investment Income	182,500	(108,700)	29,000	92,000	22,500				11,000						5,600	8,750	7,050	333,950
Other Revenues	430,500	1,235,734	411,570	8,740	110,000	100,000					25,000			117,000	8,000	116,500		2,563,044
Other Taxes	3,906,000									2,680,000			130,000					6,716,000
Permits & Licenses	2,456,500									60,000								2,516,500
Property Taxes	22,788,432							10,814,076									1,305,175	52,318,955
Real Estate Transfer Tax	5,000,000																	5,000,000
Rental Income and Franchise Fees	3,238,350		38,088	2,400									14,484,000	2,927,272				3,278,838
Retail Sales Tax	33,874,415																	33,874,415
Sales for resale																		-
State Income Tax	14,540,000																	14,540,000
Transfers In	25,000	106,000	1,350,000					541,000		2,500,000			3,000,000			951,279		8,473,279
Utility Taxes	16,576,700																	16,576,700
Internal Services	3,008,124		2,854,937		14,687,500													20,550,561
<b>Grand Total</b>	<b>122,919,618</b>	<b>164,439,807</b>	<b>59,933,845</b>	<b>2,265,615</b>	<b>20,537,000</b>	<b>13,068,034</b>	<b>7,690,755</b>	<b>13,355,076</b>	<b>3,786,000</b>	<b>5,555,000</b>	<b>1,359,000</b>	<b>-</b>	<b>18,413,250</b>	<b>3,903,636</b>	<b>4,005,250</b>	<b>2,452,954</b>	<b>2,628,497</b>	<b>446,313,337</b>

Expenditure Type	General Fund	Electric Fund	Water & Wastewater Fund	Burlington Fund	Self Insurance Fund	Capital Projects Fund	GO Bond Funds	Debt Service Fund	Motor Fuel Tax Fund	Road & Bridge Fund	Downtown Parking Fund	Water Street TIF Fund	Library Funds	Naper Settlement	Food & Beverage Fund	SSA Funds	Other Special	CY2017 Proposed
Salaries & Wages	63,744,879	12,096,554	8,286,227	398,826	164,829													97,071,307
Benefits & Related	28,483,211	4,140,294	3,019,525	144,043	55,408					508,526			8,477,910	2,256,075	568,972	568,509		40,817,110
Debt Service		6,443,539	2,851,867					13,355,076		195,332			2,751,193	847,593	1,014,369	166,142		23,255,465
Fines & Fees					125,000													125,000
Insurance Claims					14,235,000													14,235,000
Insurance Premiums					3,620,000													3,620,000
Purchased Power		116,114,082																116,114,082
Purchased Water			26,500,000															26,500,000
Refuse and Recycling Services	6,606,774																	6,606,774
Settlements					962,000													962,000
Contracted Services	10,864,164	4,189,993	5,038,294	491,638	1,371,000								945,695	566,157		1,064,828	162,515	24,694,284
Supplies	7,522,039	2,109,903	4,497,824	131,930	-								3,379,580	230,509	4,815	262,100	140,000	18,278,700
Capital/Maintenance Program	817,000	11,506,500	11,082,645	535,000		14,978,501	7,690,755		3,775,000	4,847,500			3,261,000	110,000		584,875		59,188,776
Transfers out	3,475,000																	4,016,000
Internal Services	(300,591)	678,986	956,460	67,001	-								79,772	77,915	541,000			3,498,214
Grants & Contributions	1,552,836	342,438	52,438	323,000											12,114	1,847,075	76,093	4,586,255
<b>Grand Total</b>	<b>122,765,312</b>	<b>157,622,289</b>	<b>62,285,280</b>	<b>2,091,438</b>	<b>20,533,237</b>	<b>14,978,501</b>	<b>7,690,755</b>	<b>13,355,076</b>	<b>3,775,000</b>	<b>5,551,358</b>	<b>380,338</b>	<b>-</b>	<b>18,895,150</b>	<b>4,088,249</b>	<b>3,988,345</b>	<b>2,947,192</b>	<b>2,621,447</b>	<b>443,568,967</b>



**City of Naperville**

City of Naperville  
Quarterly Investment Report

**June 30, 2016**

# Market Environment

3Q 2016

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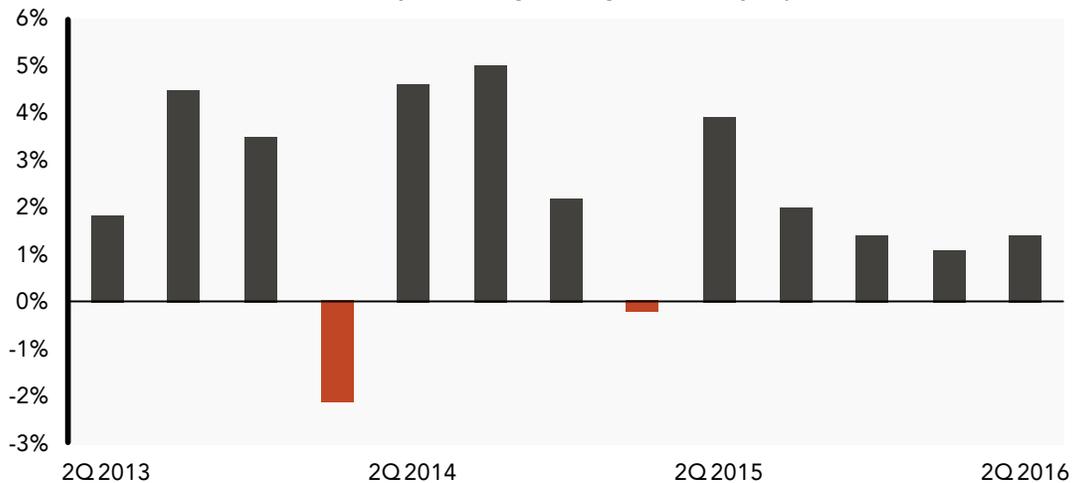
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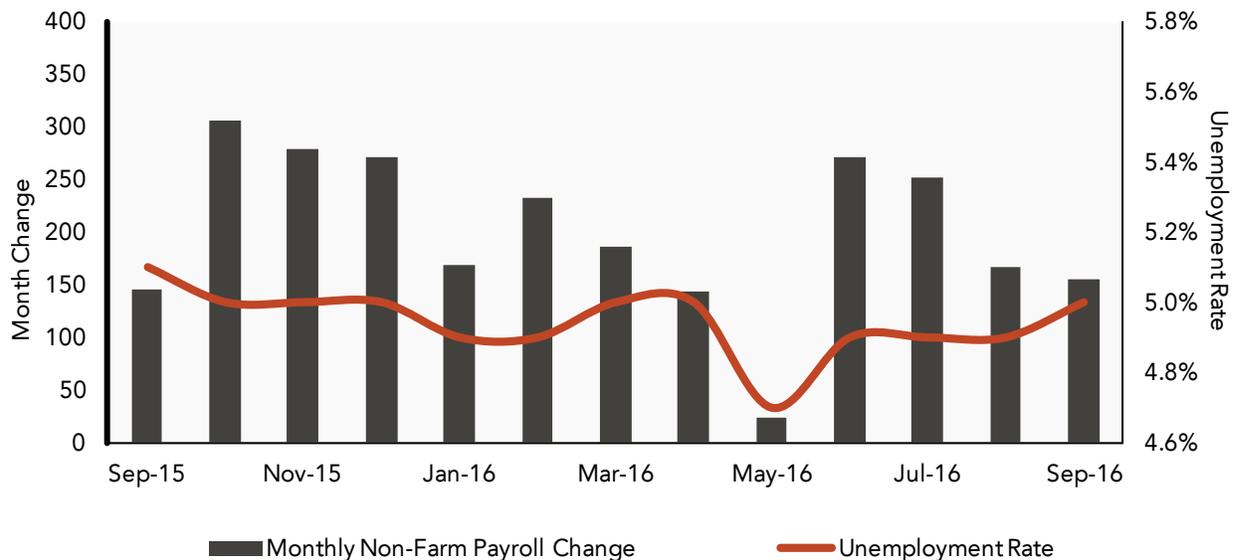
## U.S. Economy

The third estimate for second quarter GDP was released showing an increase of 1.4%, an improvement from the previous second quarter estimate of 1.1%. Compared to the prior estimate, nonresidential fixed investment increased instead of declining. Personal consumption expenditures were once again the largest contributor to GDP growth as all other areas were mostly flat. In September, the unemployment rate increased to 5.0%. In the 3rd quarter, 2.0 million people were classified as long-term unemployed, or jobless for 27 months or more, constituting 24.9% of the unemployed. The labor force participation rate increased to 62.9% and the employment-population ratio rose to 59.8%. The average duration of unemployment in September lasted 27.5 weeks and broad unemployment (U6) remained the same at 9.7%. Non-farm payroll gained 156K jobs in September and averaged 205K per month over the last twelve months. Non-farm payroll was revised for July and August for a net decrease of 7K jobs.

**Gross Domestic Product: Real GDP Quarterly Percentage Change (seasonally adjusted annual rates)**



**Unemployment Data: Unemployment Rate % & Non-Farm Payroll (000's) Net Jobs Created**

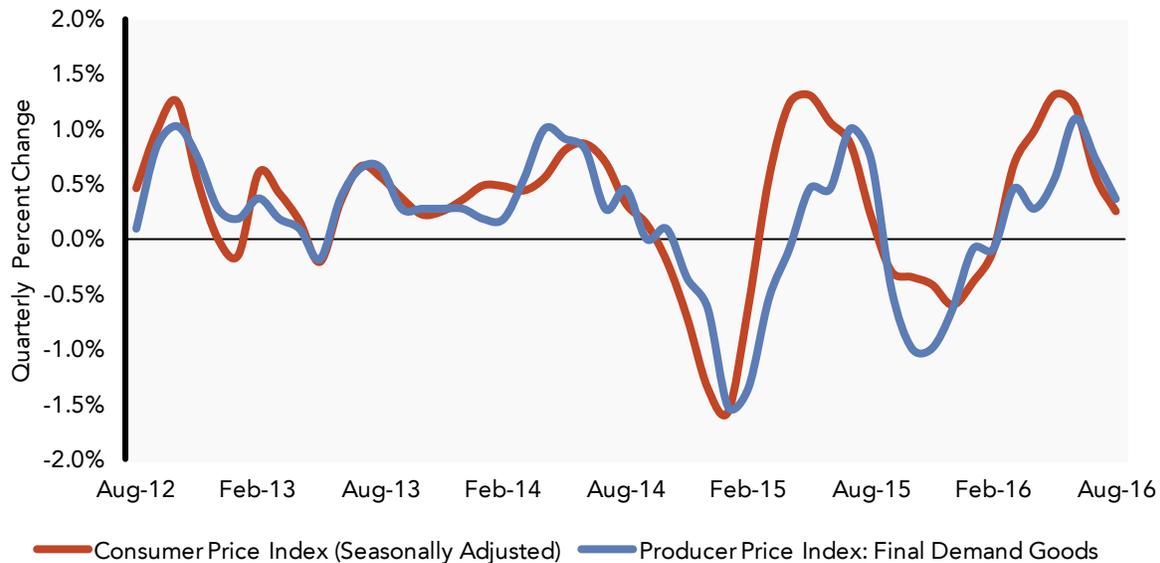


Sources: Bureau of Economic Analysis, Bureau of Labor Statistics

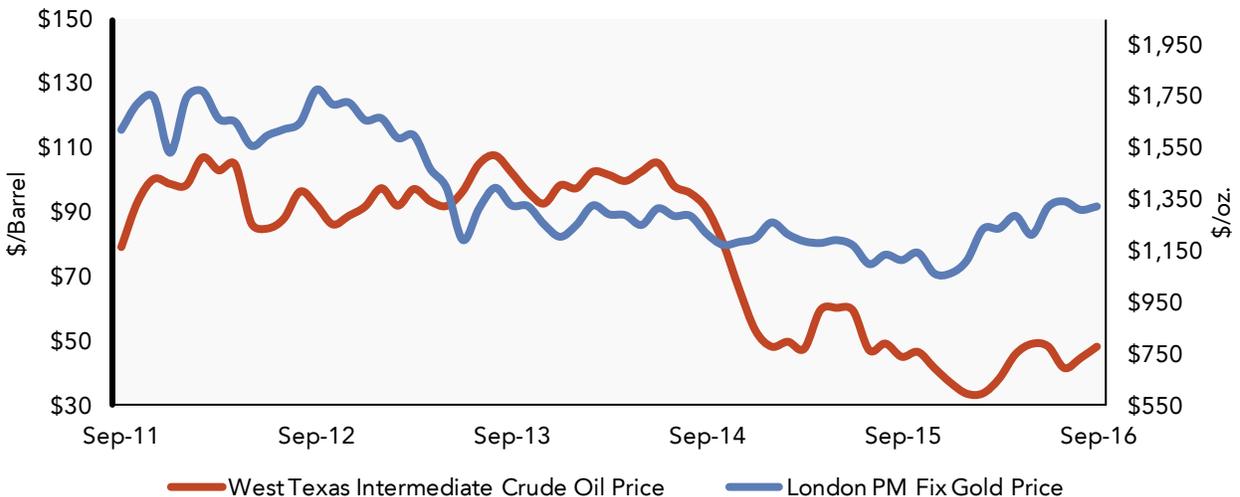
## U.S. Economy

The Consumer Price Index (CPI-U) increased .2% in August. Within CPI-U, energy and food were both unchanged for the month. In the last twelve months, the CPI-U has risen 1.1%, with food remaining essentially the same and energy declining by 9.2%. Core CPI rose by .3% in August and increased by 2.3% over the last twelve months. The Producer Price Index for final demand had no change for the month of August as well as the last twelve months. Within total final demand, final demand goods fell .4% while final demand services increased .1%. WTI crude oil prices finished the quarter at \$48.24 per barrel, a monthly increase of 7.9%. Gold ended September at \$1322/oz, a 1.0% rise for the month. Year-over-year crude oil rose by 7.0% while gold increased by 18.7%.

**U.S. Inflation Data:** Consumer Price Index & Producer Price Index (Year over Year)



**Commodities:** Gold and Oil



Sources: St. Louis Federal Reserve, Union Pacific, Kitco

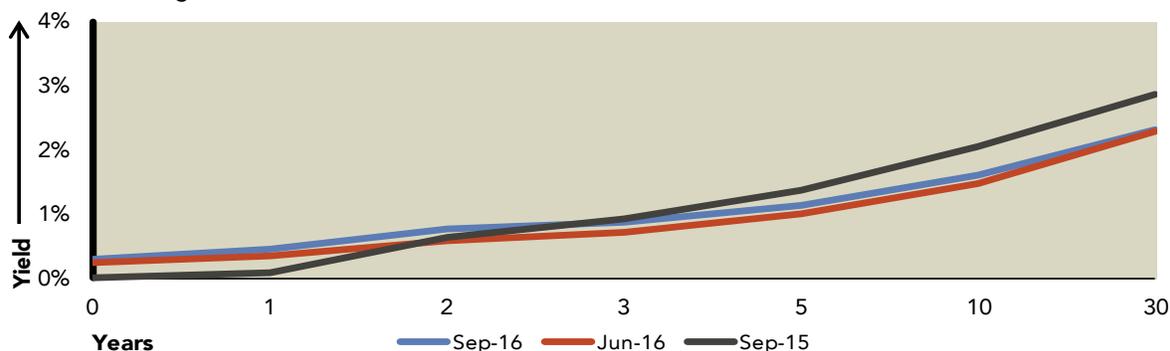
## Fixed Income

Hawkish comments by Fed officials throughout the quarter raised the short end of the yield curve. The 1-3 Year Gov. index lost 0.1% and the Int. Gov. index lost 0.2%. Meanwhile, a continued risk-on sentiment in the quarter raised the long end of the yield curve. The Long Gov. index lost 0.3%. The Agg returned a positive 0.5% as its income more than offset its loss due to duration. The continued risk-on sentiment and low credit volatility tightened credit spreads as high yield returned 5.6% and bank loans returned 3.1%. While concerns about additional oil supply from Iran and Libya sent oil prices down earlier in the quarter, oil rallied later in the quarter when OPEC agreed to a production cut, which helped high yield returns. MBS returned 0.6% as housing prices and mortgage issuance climbed steadily. The BOE eased in the Brexit fallout, and U.K. jobs held steady, while the ECB and BOJ announced no need for further significant easing, resulting in global bonds' muted 0.5% return and emerging markets bonds' strong 4.0% return. The yield curve rose slightly in a parallel fashion, with the 10-year ending September at 1.60%.

### Benchmark Performance: Select Fixed Income Indices

	Month	Qtr	YTD	1 Yr	3 Yr Ann	5 Yr Ann	10 Yr Ann
<b>Broad Market Indices</b>							
Blm BC Aggregate	-0.1%	0.5%	5.8%	5.2%	4.0%	3.1%	4.8%
Blm BC Gov./Credit	-0.2%	0.4%	6.7%	5.9%	4.2%	3.2%	4.9%
<b>Intermediate Indices</b>							
Blm BC Int. Gov./Credit	0.1%	0.2%	4.2%	3.5%	2.8%	2.4%	4.2%
<b>Government Bond Indices</b>							
Blm BC Gov.	-0.1%	-0.3%	5.0%	4.0%	3.3%	2.2%	4.3%
Blm BC Long Gov.	-1.6%	-0.3%	14.6%	13.0%	11.1%	5.5%	8.0%
Blm BC Int. Gov.	0.2%	-0.2%	3.3%	2.4%	2.2%	1.6%	3.7%
Blm BC 1-3 Year Gov.	0.1%	-0.1%	1.3%	0.9%	0.9%	0.7%	2.3%
Blm BC U.S. TIPS	0.5%	1.0%	7.3%	6.6%	2.4%	1.9%	4.5%
<b>Credit Indices</b>							
Blm BC U.S. Credit	-0.3%	1.2%	8.9%	8.3%	5.4%	4.8%	5.8%
Blm BC U.S. Long Credit	-1.1%	2.3%	16.5%	15.7%	9.5%	7.1%	7.6%
Blm BC High Yield	0.7%	5.6%	15.1%	12.7%	5.3%	8.3%	7.7%
CS Leveraged Loan Index	0.9%	3.1%	7.5%	5.3%	3.6%	5.4%	4.3%
<b>Securitized Bond Indices</b>							
Blm BC MBS	0.3%	0.6%	3.7%	3.6%	3.6%	2.6%	4.7%
Blm BC ABS	0.3%	0.2%	2.7%	2.2%	2.1%	1.9%	3.2%
Blm BC CMBS	-0.2%	0.7%	6.6%	5.2%	4.1%	5.0%	5.2%
<b>Non-U.S. Indices</b>							
Blm BC Global Aggregate Hedged	0.0%	0.5%	6.4%	6.5%	5.0%	4.3%	4.7%
JPM EMBI Global Diversified	0.4%	4.0%	14.8%	16.2%	8.2%	7.8%	7.7%

### Yield Curve: Change Over Time



Source: Barclays

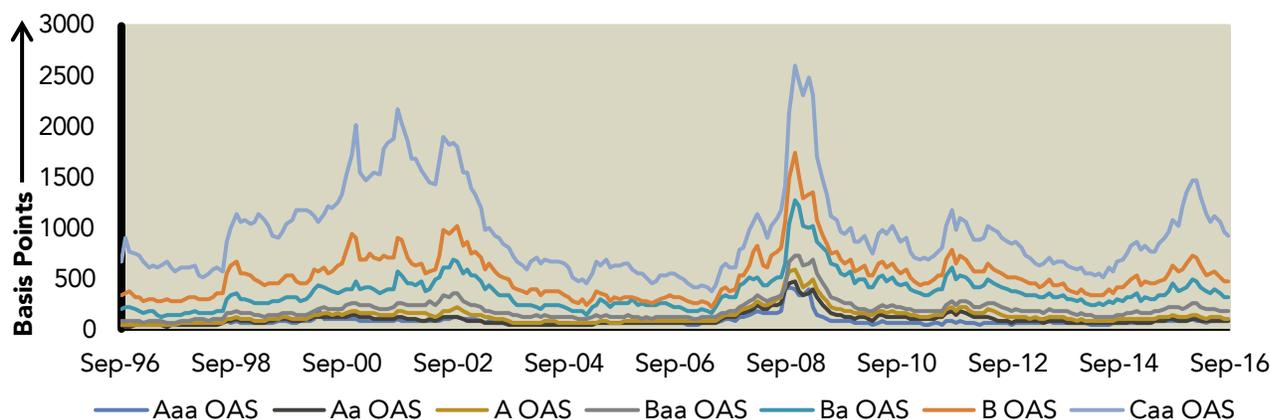
## Fixed Income

Credit continued to perform well in the quarter, led by sub-investment grade. CCC-rated corporate credit continued to enjoy the strongest return, at 8.2% for the quarter, as energy credits benefited from low overall market volatility and stable, rising oil prices. Spreads continued to tighten for all quality ratings, but with CCC credit spreads were still much wider than higher-rated credits, prolonging the bifurcation of energy and metals & mining credits that are still in stress versus credits from other industries, which have largely been immune to changes in the price of oil. For the quarter, the Agg's income return of 0.6% more than offset its price depreciation of 0.2%.

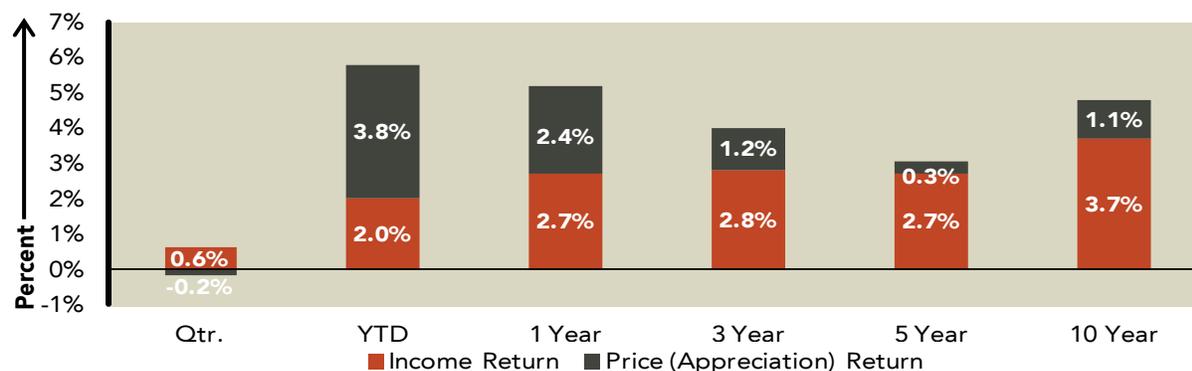
### Corporate Quality Indices: Performance

	Month	Qtr.	YTD	1 Year	3 Year	5 Year	10 Year
Blm BC Corporate AAA	-0.9%	0.5%	8.7%	9.3%	6.2%	3.7%	4.8%
Blm BC Corporate AA	-0.4%	0.5%	6.8%	6.8%	4.7%	3.9%	4.9%
Blm BC Corporate A	-0.4%	0.9%	8.0%	7.9%	5.5%	4.9%	5.4%
Blm BC Corporate BBB	-0.1%	2.1%	10.8%	9.5%	5.9%	5.7%	6.7%
Blm BC Corporate BB	0.3%	4.4%	12.3%	12.1%	6.5%	8.3%	8.2%
Blm BC Corporate B	0.5%	5.7%	13.5%	11.3%	4.4%	7.7%	6.4%
Blm BC Corporate CCC	1.8%	8.2%	25.5%	16.1%	4.4%	9.8%	6.9%

### Corporate Quality Indices: Option-Adjusted Spread



### BarCap Aggregate: Components of Total Return

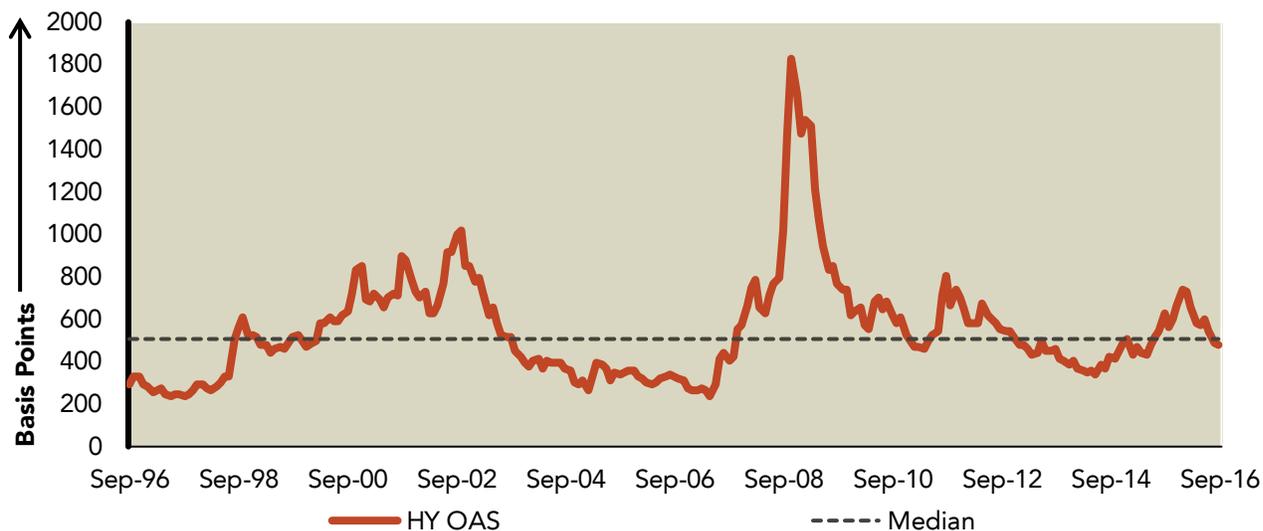


Source: Barclays

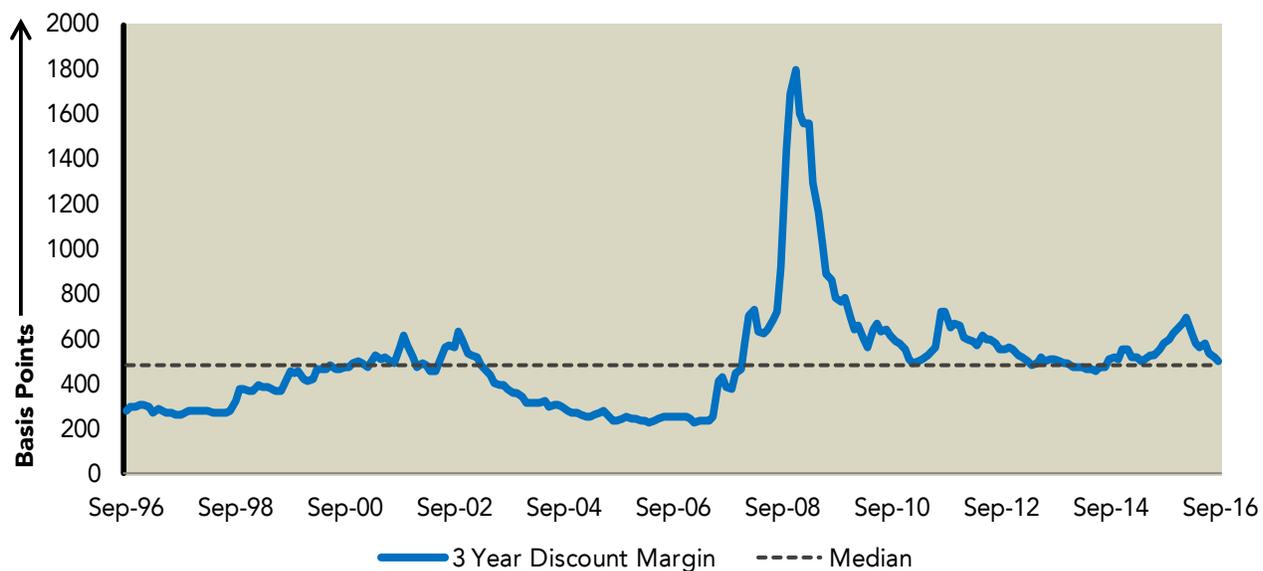
### Below Investment Grade

Both high yield and bank loan spreads continued to tighten in this risk-on market with stable and rising oil prices as well as the relative calm following Brexit. The Barclays high yield option-adjusted spread ended the quarter at 480bp, slightly tighter than its ten year average of 509bp. The Credit Suisse bank loan three-year discount margin ended the quarter at 505bp, slightly wider than its ten year average of 487bp.

OAS: High Yield OAS and Long-Term Median



Three-Year Discount Margin: Credit Suisse Leveraged Loan Index and Long-Term Median



Sources: Barclays, Credit Suisse

## U.S. Equity

U.S. equities rebounded during the third quarter following their brief decline in late June stemming from the U.K.'s vote to leave the European Union. Additionally, a generally positive quarterly earnings season along with the Fed's decision to not raise rates in the third quarter helped propel equity markets forward. Despite a moderate monthly decline in September, the S&P 500 finished the month just 1% below its August 15<sup>th</sup>, 2016 all-time closing high. Small cap was the best performing market cap segment during the "risk-on" environment in the third quarter, led by a +9.2% return for the Russell 2000 Growth index. The yield oriented sectors of utilities and telecom experienced a pullback during the third quarter as expectations for a year-end rate hike weighed on investors.

### Equity Returns: Select Index Performance

	Month	Qtr.	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Market Indices</b>							
Dow Jones (18,308.15)	-0.4%	2.8%	7.2%	15.5%	9.2%	13.8%	7.4%
Wilshire 5000	0.1%	4.3%	8.4%	15.4%	10.7%	16.3%	7.4%
Russell 3000	0.2%	4.4%	8.2%	15.0%	10.4%	16.4%	7.4%
<b>Large-Cap Market Indices</b>							
S&P 500 (2,168.27)	0.0%	3.9%	7.8%	15.4%	11.2%	16.4%	7.2%
Russell 1000	0.1%	4.0%	7.9%	14.9%	10.8%	16.4%	7.4%
Russell 1000 Value	-0.2%	3.5%	10.0%	16.2%	9.7%	16.2%	5.9%
Russell 1000 Growth	0.4%	4.6%	6.0%	13.8%	11.8%	16.6%	8.9%
<b>Mid-Cap Market Indices</b>							
Russell MidCap	0.2%	4.5%	10.3%	14.3%	9.7%	16.7%	8.3%
Russell MidCap Value	0.4%	4.5%	13.7%	17.3%	10.5%	17.4%	7.9%
Russell MidCap Growth	-0.1%	4.6%	6.8%	11.2%	8.9%	15.9%	8.5%
<b>Small-Cap Market Indices</b>							
Russell 2000	1.1%	9.1%	11.5%	15.5%	6.7%	15.8%	7.1%
Russell 2000 Value	0.8%	8.9%	15.5%	18.8%	6.8%	15.5%	5.8%
Russell 2000 Growth	1.4%	9.2%	7.5%	12.1%	6.6%	16.2%	8.3%

### Operating Earnings Ratio: S&P 500



Sources: Bloomberg, Standard & Poors

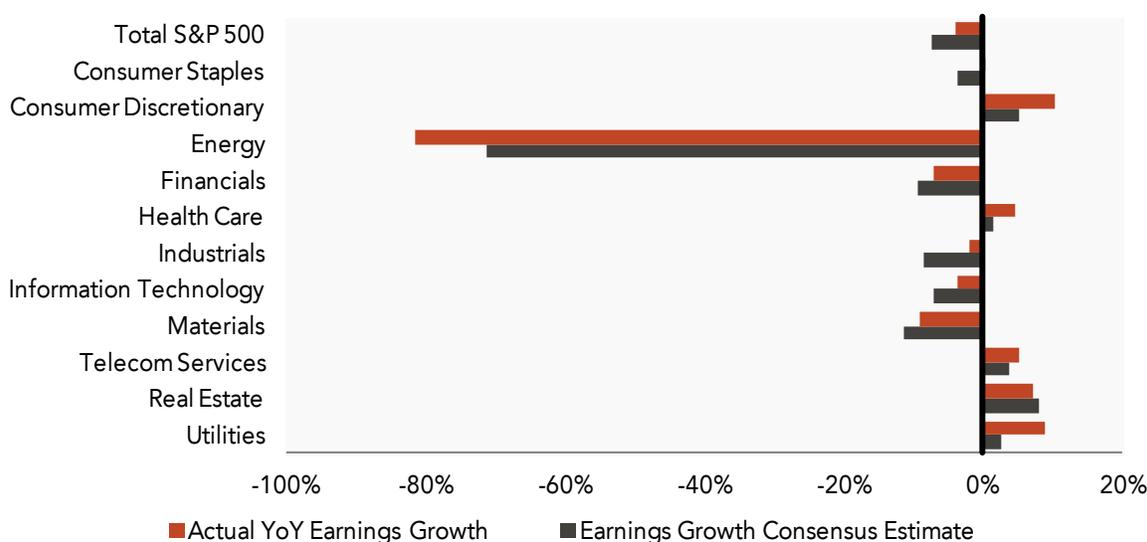
## U.S. Equity

Three out of eleven S&P 500 sectors produced positive returns in September led by Energy (+3.1%) and Information Technology (+2.4%). Energy posted strong returns in September following an OPEC announcement to limit production levels. Information Technology benefitted from a large increase in expected year-over-year earnings growth which resulted in a +12.9% return in the third quarter. Utilities (-5.9%) and Telecom (-5.6%) lagged during the third quarter yet retain strong year-to-date returns of +16.1% and +17.9%, respectively. Third quarter S&P 500 EPS growth estimates are expected to have declined by 0.8% year-over-year with the fall largely driven by a 65.5% decline in the energy sector. Excluding energy, third quarter year-over-year EPS growth is estimated to have increased by +2.5%. The earnings growth drag from energy is expected to subside in the fourth quarter with an expected decline of 8.3% for the sector and a +6.3% increase expected for the S&P 500.

### S&P 500 Sector Performance: Historic Returns

	Month	Qtr.	YTD	1 Year	3 Year	5 Year	10 Year
Consumer Staples	-1.5%	-2.6%	7.6%	15.8%	13.1%	15.4%	10.8%
Consumer Discretionary	-0.3%	2.9%	3.6%	9.6%	11.5%	20.1%	10.5%
Energy	3.1%	2.3%	18.7%	19.0%	-2.2%	6.0%	4.7%
Financials	-2.7%	4.6%	1.4%	7.4%	8.3%	17.4%	-1.6%
Health Care	-0.5%	0.9%	1.4%	10.7%	14.4%	20.0%	10.2%
Industrials	-0.1%	4.1%	10.9%	19.7%	10.5%	17.5%	7.7%
Information Technology	2.4%	12.9%	12.5%	22.8%	17.5%	18.1%	10.5%
Materials	-1.3%	3.7%	11.5%	22.3%	6.5%	12.7%	6.7%
Telecommunications	-0.9%	-5.6%	17.9%	26.8%	9.8%	12.3%	6.8%
Real Estate	-1.3%	-2.1%	8.2%	17.5%	13.8%	15.8%	5.9%
Utilities	0.4%	-5.9%	16.1%	17.4%	13.6%	12.1%	7.9%

### Quarterly Earnings: Analyst Expectations vs. Actual, Breakdown by Sector

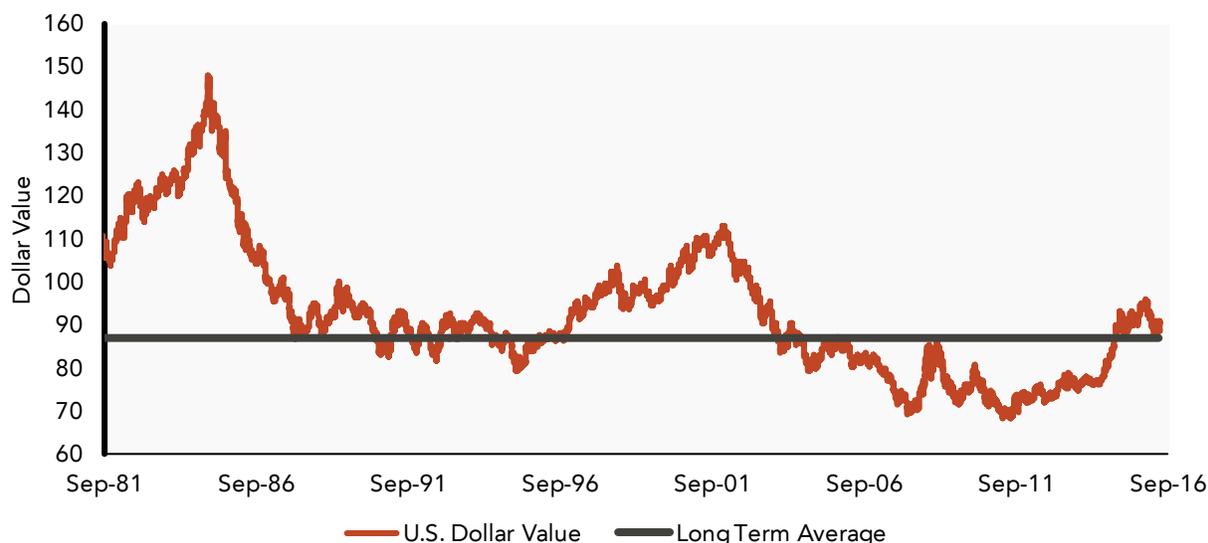


Sources: Bloomberg, Standard & Pools

## Global Economy

The Federal Reserve tracks a trade-weighted exchange index between the U.S. dollar and other major widely circulated currencies. The index decreased .7% in September and has fallen 2.5% in the last twelve months. The index is currently 3.7% above its long-term average. The International Monetary Fund (IMF) in its most recent World Economic Outlook is projecting global growth of 3.1% in 2016 and 3.4% in 2017. Advanced economies are projected to expand 1.6% in 2016 and 1.8% in 2017. Emerging market and developing economies are expected to grow 4.2% and 4.6% in 2016 and 2017, respectively.

**Currency: Weighted U.S. Dollar vs. Major Currencies**



**Economic Indicators: For Select Countries**

<b>Consumer Prices (Inflation)</b>	<i>as of</i>	<b>GDP</b>	<i>as of</i>	<b>Unemployment Rate</b>	<i>as of</i>			
Britain	0.6%	Aug-16	Britain	2.7%	2Q	Britain	4.9%	Jun-16
Canada	1.1%	Aug-16	Canada	-1.6%	2Q	Canada	7.0%	Aug-16
China	1.3%	Aug-16	China	7.4%	2Q	China	4.1%	2Q
France	0.4%	Sep-16	France	-0.4%	2Q	France	10.5%	Aug-16
Germany	0.7%	Sep-16	Germany	1.7%	2Q	Germany	6.1%	Sep-16
India	5.0%	Aug-16	India	5.5%	2Q	Italy	11.4%	Aug-16
Italy	0.1%	Sep-16	Italy	0.1%	2Q	Japan	3.1%	Aug-16
Japan	-0.5%	Aug-16	Japan	0.7%	2Q	United States	5.0%	Sep-16
United States	1.1%	Aug-16	United States	1.4%	2Q			

Sources: St. Louis Federal Reserve, Economist, Bloomberg

## Non-U.S. Equity

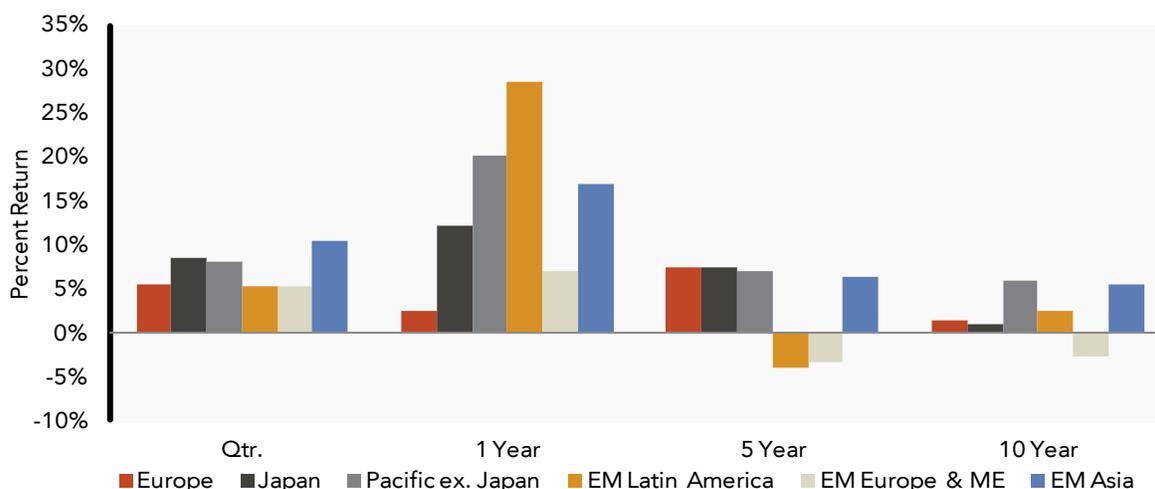
Non-U.S. equities produced strong third quarter results, rebounding from the June sell-off. Developed large-cap stocks returned 6.4% as investors had time to digest the Brexit result. The initial response from the United Kingdom's economy has been better than expected, thus increasing market confidence for the quarter. In early August the Bank of England (BOE) cut interest rates by 25bps and re-introduced bond buying programs. It will purchase 60 billion pounds of government bonds and 10 billion pounds of corporate bonds in an effort to temper an expected slowdown in the economy. UK multi-nationals benefitted from the decline in the pound and returned 14% from the June bottom.

Emerging markets continued its strong performance, gaining 9% in the quarter and 16% year-to-date. This asset class has benefitted from stabilization in commodities and currencies, a 2016 phenomenon. Emerging markets should also benefit from the lower for longer global interest rate environment that investors expect to persist post Brexit, given the increased levels of uncertainty. Compared to the end of 2015, valuations have risen in this asset class. With much of the easy returns behind us, emerging market equities will have to produce fundamentally to continue this strong performance.

### Non U.S. Equity Performance: Select Indices

	Month	Qtr.	YTD	1 Year	3 Year	5 Year	10 Year
MSCI ACWI ex U.S. IMI	1.4%	7.1%	6.1%	9.8%	0.6%	6.4%	2.5%
MSCI ACWI ex U.S.	1.2%	6.9%	5.8%	9.3%	0.2%	6.0%	2.2%
MSCI EAFE (U.S. dollar)	1.2%	6.4%	1.7%	6.5%	0.5%	7.4%	1.8%
MSCI EAFE (Local)	0.3%	6.0%	-1.6%	4.6%	5.3%	11.2%	2.2%
MSCI EAFE Value	1.0%	8.0%	0.8%	3.5%	-1.5%	6.0%	0.4%
MSCI EAFE Growth	1.5%	5.0%	2.6%	9.5%	2.4%	8.7%	3.1%
MSCI EAFE Small Cap	3.0%	8.6%	5.2%	12.3%	5.1%	11.1%	4.4%
MSCI Emerging Markets	1.3%	9.0%	16.0%	16.8%	-0.6%	3.0%	4.0%
MSCI Emerging Markets Small Cap	1.3%	7.6%	9.1%	12.7%	1.3%	4.7%	6.0%
MSCI Frontier Markets	2.6%	2.7%	2.2%	0.9%	-0.2%	4.6%	-0.3%

### Regional Performance: Equity Market Performance by Region

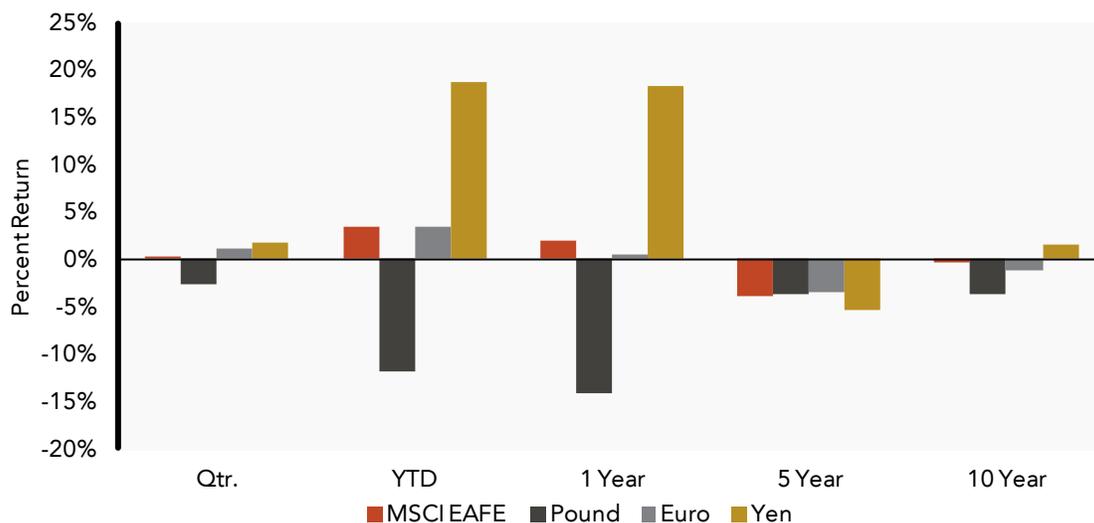


Source: Evestment

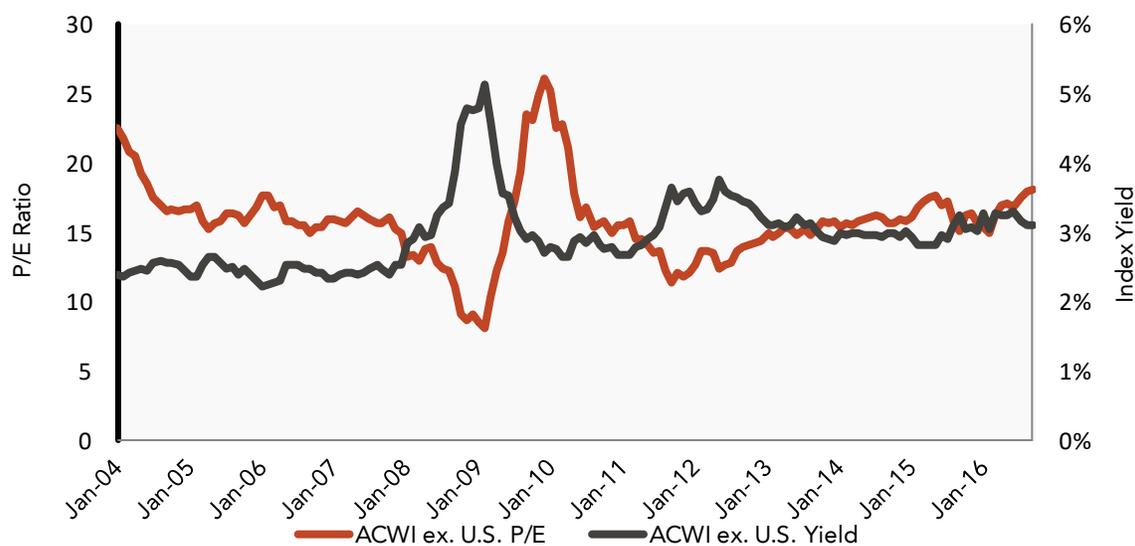
## Non-U.S. Equity

During the third quarter, equity dividend yields declined, while P/E ratios increased. As of 9/30/2016, the MSCI ACWI ex. U.S. had a dividend yield and P/E ratio of 3.1% and 18.1, respectively. The MSCI EAFE currency return in the third quarter was slightly positive (0.4%). The yen (1.8%) and euro (1.2%) appreciated versus the dollar while the pound continued its drop (-2.6%). EM currencies were positive as a whole (1.4%) but a mixed bag at the country level.

Currency Returns: Select Major Currencies



Valuation: Trailing PE and Dividend Yield



Source: Evestment, Bloomberg

## Hedge Fund

Hedge fund strategies continued their move higher during the month of September, as U.S. equity markets posted flat performance. Equity hedge strategies were the best performers, as managers who focused on the technology and healthcare sectors generated alpha during the month. Relative value strategies continued their strong performance, as investors are positioned for at least one rate hike by year end. Event driven strategies finished with strong quarterly performance, as distressed and restructuring funds have been responsible for the outperformance. Macro was the worst performing strategy during the month, as currency fluctuations detracted from performance with commodity positioning slightly offsetting those losses.

### Hedge Fund Performance: HFR Strategy Index Returns

	Month	Qtr.	YTD	1 Year	3 Year	5 Year	10 Year
HFRX Global	0.6%	1.6%	1.3%	0.7%	-0.2%	1.3%	-0.2%
HFRX Hedged Equity	1.5%	1.1%	-0.7%	0.1%	0.8%	2.6%	-0.7%
HFR Composite	0.6%	2.4%	4.2%	4.9%	3.2%	4.4%	3.8%
HFR Fund of Funds	0.6%	1.5%	-0.1%	0.6%	2.2%	3.2%	1.8%
HFR Convertible Arbitrage	0.5%	3.1%	5.8%	6.1%	3.6%	5.4%	4.7%
HFR Equity Hedge	1.0%	3.0%	4.2%	6.0%	3.2%	5.6%	3.3%
HFR Event-Driven	0.7%	3.7%	6.7%	6.3%	2.6%	5.3%	4.3%
HFR Macro	-0.3%	0.1%	1.8%	1.7%	2.6%	0.7%	3.4%
HFR Merger Arbitrage	0.5%	0.7%	2.1%	4.2%	2.8%	3.2%	3.7%
HFR Relative Value	0.9%	3.1%	5.8%	5.6%	4.0%	5.6%	5.4%

### Ten Year Risk Return: Hedge Fund Returns vs. Public Markets



Source: HFR, Bloomberg

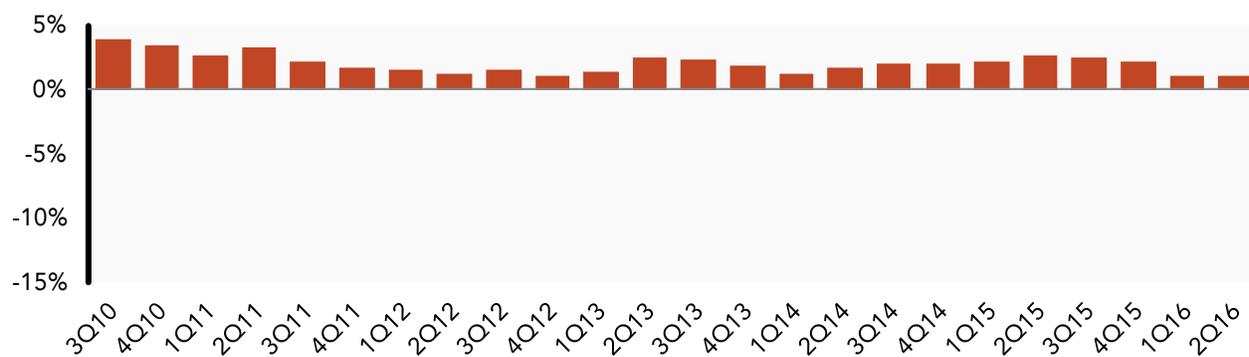
## Commercial Real Estate

The NPI achieved a total return of 2.0% in the second quarter of 2016, down 18 bps from the first quarter. Income contributed 1.2% to total return, but appreciation slowed to 0.8% in the second quarter as cap rates stabilized. On a 1-year annualized basis the NPI posted a gain of 10.6%, comprised of approximately 4.9% income and 5.6% appreciation. The NFI-ODCE gained 2.1% in the second quarter of 2016, comprised of 1.1% income and 1.0% appreciation. On an annualized 1-year basis, the return for the NFI-ODCE was 11.8%. Despite the slowdown, total returns of 11.8% were well above their 10-year average (6.2%). NFI leverage ranges between 15% - 34% among the ODCE funds and at the end of the second quarter, NFI-ODCE leverage was 22.2%. From a sector standpoint, Industrial continued to lead in the second quarter with returns of 2.9%, largely driven by strong NOI growth, particularly in the warehouse subsector. Properties in the Western regions of the country continued to lead in the second quarter with gains of 2.5%. The Eastern (1.7%) and Southern (1.8%) regions underperformed in the second quarter in large part due to mark downs in Washington D.C. and Houston, respectively. NFI-ODCE funds attracted \$594 million of net capital flows in the second quarter, down more than 50% from the first quarter.

### Real Estate Performance: Select Indices

Indices	2Q16	YTD	1 Year	3 Year	5 Year	10 Year	10 Yr Risk
<b>NPI</b>	<b>2.0%</b>	<b>4.3%</b>	<b>10.6%</b>	<b>11.6%</b>	<b>11.5%</b>	<b>7.4%</b>	<b>6.0%</b>
Income	1.2%	2.4%	4.9%	5.2%	5.3%	5.6%	0.3%
Appreciation	0.8%	1.9%	5.6%	6.2%	5.9%	1.7%	6.0%
<b>NFI-ODCE</b>	<b>2.1%</b>	<b>4.4%</b>	<b>11.8%</b>	<b>13.0%</b>	<b>12.7%</b>	<b>6.2%</b>	<b>8.7%</b>
Income	1.1%	2.2%	4.6%	4.9%	5.1%	5.4%	0.3%
Appreciation	1.0%	2.1%	7.0%	7.8%	7.3%	0.7%	8.7%
<b>FTSE NAREIT All Eq. REITs</b>	<b>7.4%</b>	<b>13.7%</b>	<b>23.6%</b>	<b>13.3%</b>	<b>12.5%</b>	<b>7.5%</b>	<b>25.6%</b>
NPI Apartment	1.9%	3.8%	9.7%	10.4%	11.0%	6.9%	6.3%
NPI Office	1.7%	3.5%	9.3%	10.8%	10.5%	7.0%	6.7%
NPI Industrial	2.9%	5.9%	13.3%	13.6%	12.8%	7.5%	6.1%
NPI Retail	2.2%	5.2%	12.2%	13.1%	13.1%	8.6%	4.9%
NPI Hotel	1.5%	2.6%	9.5%	10.5%	9.4%	5.7%	7.1%
NPI East	1.7%	3.4%	8.6%	9.5%	9.7%	6.7%	6.4%
NPI Midwest	2.0%	4.1%	9.7%	10.9%	10.8%	6.8%	4.9%
NPI South	1.8%	4.0%	10.4%	12.4%	12.3%	7.7%	5.3%
NPI West	2.5%	5.3%	13.0%	13.3%	13.0%	8.2%	6.5%

### Commercial Real Estate Market: NFI-ODCE Property Appreciation

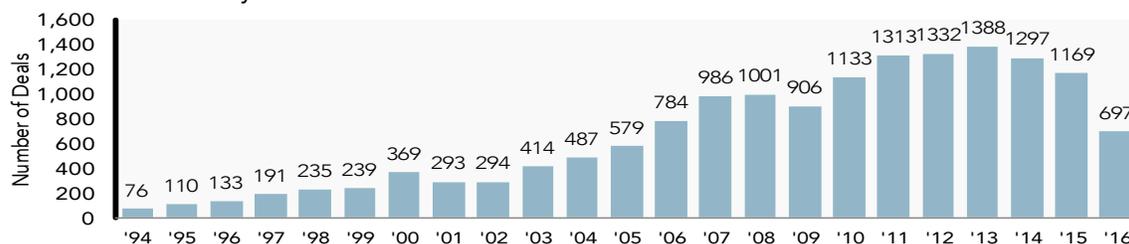


Sources: NCREIF

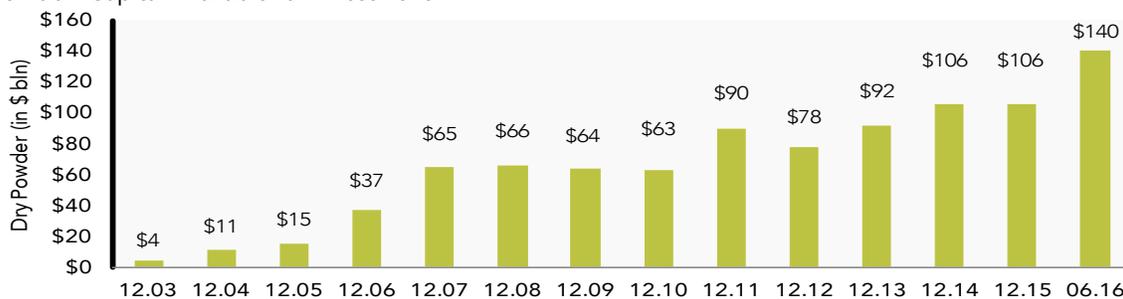
## Infrastructure

Deals continue to be robust at 697 YTD through the second quarter. Although the total number of deals is on track to outpace last year, the second quarter of 2016 saw a slowdown to 297 deals from 400 in the first quarter. Energy-related deals have led the way so far with 351 YTD. Dry powder came in at \$140 billion which is a 32% increase since last year and capital available to invest in infrastructure assets is on track for a fourth consecutive annual increase since falling to \$78 billion in 2012. The number of infrastructure funds in the market is currently 177 seeking \$110 billion of investor capital. One notable fund close in the second quarter was Brookfield Infrastructure Fund III which raised an aggregate \$14 billion of equity commitments exceeding its original \$10 billion target. The \$14 billion close represents the largest private infrastructure fund ever raised in the industry and reflects the strong investor demand for the asset class.

**Number of Deals: Deals by Year**

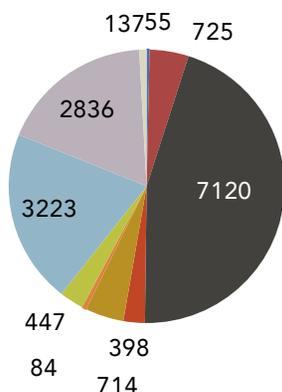


**Dry Powder: Capital Available for Investment**



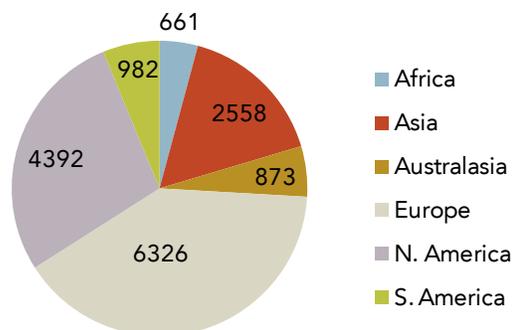
**Deal Breakdown: By Industry (left) and by Region (right)**

**Deals by Industry**



- Defense
- Education
- Energy
- Govt. Bldgs.
- Healthcare
- Logistics
- Telecomm.
- Transport
- Utilities
- Waste Mgmt.

**Deals by Region**



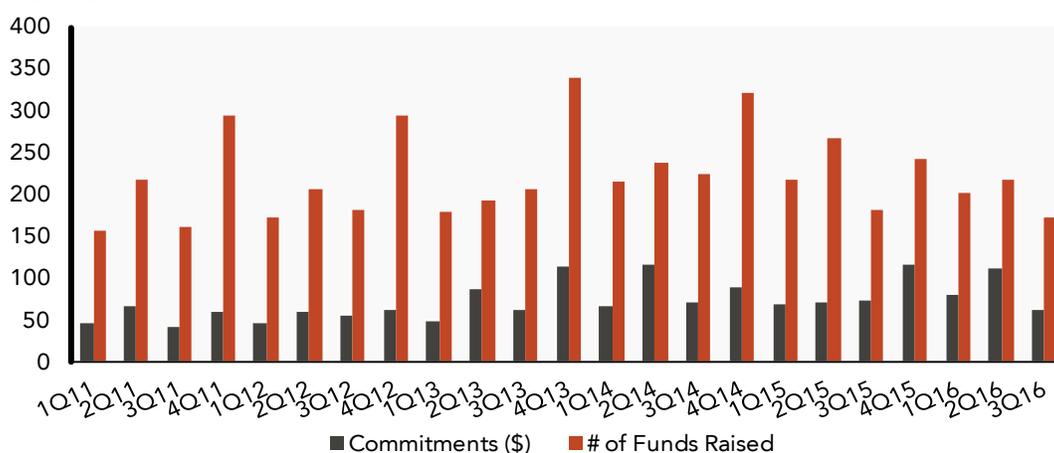
Source: Preqin Infrastructure as of 9/1/2016

Note: Information for prior time periods may change due to daily updates by Preqin

## Private Equity

Global private equity fundraising dropped 15.5% to \$62 billion in the third quarter, but with \$368 billion raised over the last twelve months, overall activity remains robust. For only the second time in the last three years quarterly deal volume (of \$90.2 billion) exceeded exit activity (\$80.8 billion). After some stabilization in the second quarter, purchase price multiples accelerated to new highs in the third quarter. Multiples for deals closed in Q3 hit an all-time high of 10.9x EV/EBITDA in the quarter and 2016 is on pace to set another new record. The third quarter lacked a large blockbuster deal, but the buyout of Ultimate Fighting Championship ("UFC") for \$4 billion led by KKR and SilverLake garnered a significant amount of media attention. The IPO market remained relatively quiet as only 14% of private equity exits came via an IPO. This also affected the venture market where only one of the ten largest exits during the quarter was via an IPO. The largest venture exit during the quarter was a sale of Jet.com to Wal-Mart for \$3.3 billion.

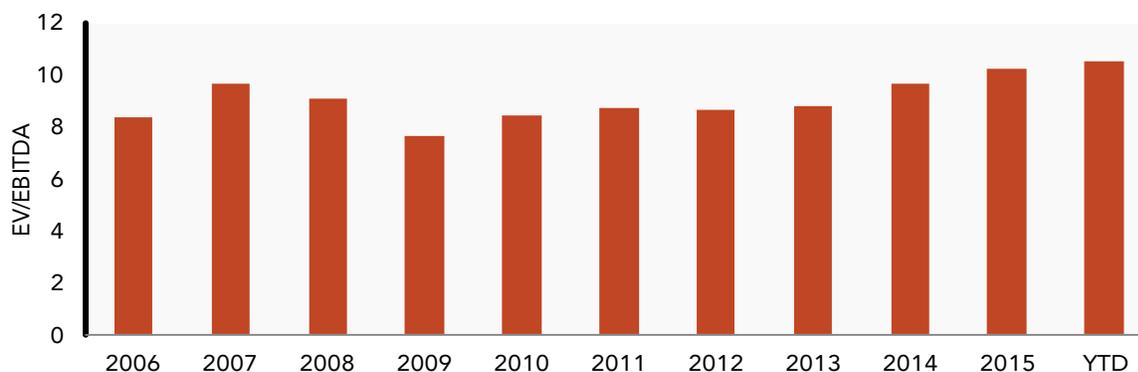
### Fundraising: Buyout and Venture



### Annualized Performance: Select Benchmarks as of March 31, 2016

	Qtr	YTD	1 Year	3 Year	5 Year	10 Year	15 Year
Cambridge Private Equity Index	0.6%	0.6%	6.0%	11.8%	10.8%	10.7%	9.9%
Dow Jones Total Stock Market	0.9%	0.9%	-9.8%	11.1%	11.0%	7.0%	6.7%
Russell 2000 Index	-1.5%	-1.5%	-9.8%	6.8%	7.2%	5.3%	7.6%

### Purchase Price Multiples: EV/EBITDA



Sources: Venture Economics, Preqin Ltd., Standard & Poors, Bloomberg

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Marquette Associates is an independent investment consulting firm that guides institutional investment programs with a focused three-point approach and careful research. Marquette has served a single mission since 1986 - enable institutions to become more effective investment stewards. Marquette is a completely independent and 100% employee-owned consultancy founded with the sole purpose of advising institutions. For more information, please visit [www.marquetteassociates.com](http://www.marquetteassociates.com).



**City of Naperville**

City of Naperville  
Executive Summary

**September 30, 2016**



Market Value: \$88.0 Million and 100.0% of Fund

Investment Manager	Asset Class	Status	Reason
BMO/TCH	Int. Govt. Fixed Income	In Compliance	---
JP Morgan Asset Mgmt.	Int. Govt. Fixed Income	Termination	Professional Turnover
City-Managed IMET	Cash & Equivalents	In Compliance	---
Concentration Account	Cash & Equivalents	In Compliance	---

### Investment Manager Evaluation Terminology

The following terminology has been developed by Marquette Associates to facilitate efficient communication among the Investment Manager, Investment Consultant, and the Plan Sponsor. Each term signifies a particular status with the Fund and any conditions that may require improvement. In each case, communication is made only after consultation with the Trustees and/or the Investment Committee of the Plan.

**In Compliance** – The investment manager states it is acting in accordance with the Investment Policy Guidelines.

**Alert** – The investment manager is notified of a problem in performance (usually related to a benchmark or volatility measure), a change in investment characteristics, an alteration in management style or key investment professionals, and/or any other irregularities.

**On Notice** – The investment manager is notified of continued concern with one or more Alert issues. Failure to improve upon stated issues within a specific time frame justifies termination.

**Termination** – The Trustees have decided to terminate the investment manager. The investment manager is notified and transition plans are in place.

## Total Fund Composite

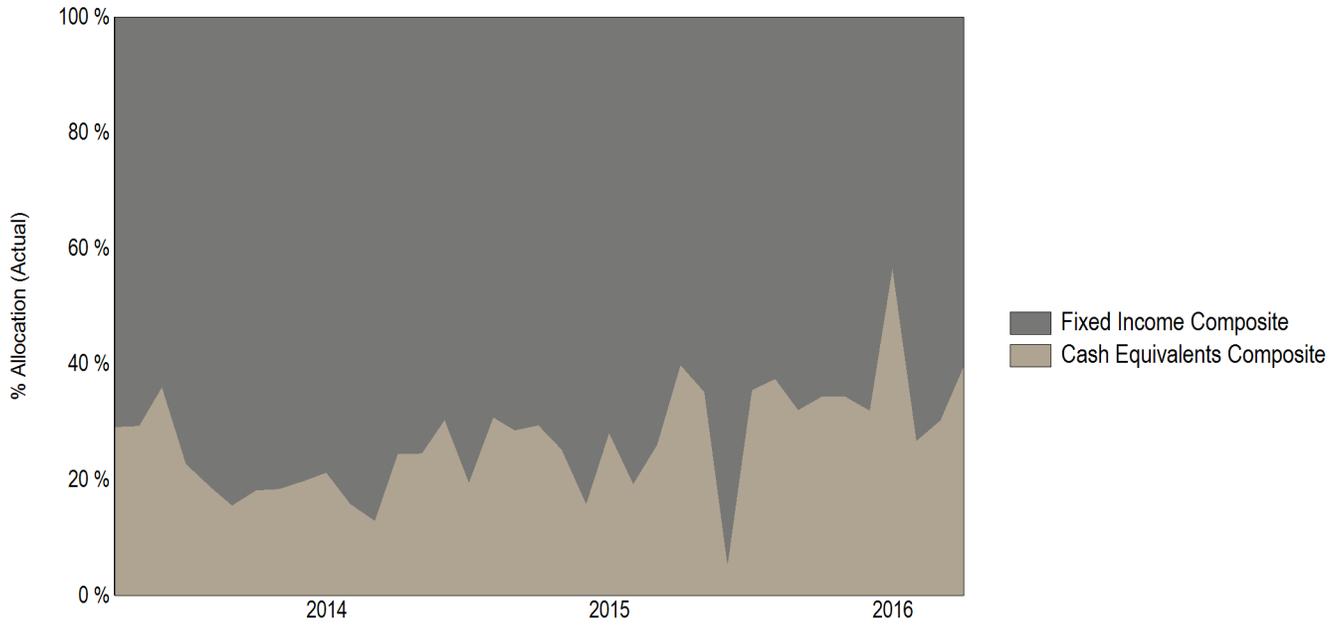
## Market Values

Market Value: \$88.0 Million and 100.0% of Fund

**Ending September 30, 2016**

	Asset Class	Market Value (\$)	3 Mo Net Cash Flows (\$)	% of Portfolio
<b>Total Fund Composite</b>		<b>88,030,456</b>	<b>11,494,066</b>	<b>100.0</b>
<b>Fixed Income Composite</b>		<b>52,964,287</b>	<b>19,990,304</b>	<b>60.2</b>
BMO/TCH	Int. Govt. Fixed Income	26,131,823	9,998,732	29.7
JP Morgan Asset Mgmt.	Int. Govt. Fixed Income	26,832,465	9,998,696	30.5
<b>Cash Equivalents Composite</b>		<b>35,066,169</b>	<b>-8,503,363</b>	<b>39.8</b>
City-Managed IMET	Cash & Equivalents	12,685	0	0.0
Concentration Account	Cash & Equivalents	35,053,484	-8,503,363	39.8

Historic Asset Allocation



Market Value: \$88.0 Million and 100.0% of Fund

**Summary of Cash Flows**

	Third Quarter	Year-To-Date	One Year	Three Years
<b>Beginning Market Value</b>	<b>\$76,569,668.83</b>	<b>\$49,432,800.67</b>	<b>\$80,112,434.76</b>	<b>\$103,628,373.49</b>
Net Cash Flow	\$11,494,065.70	\$37,450,355.06	\$7,031,280.84	-\$19,270,276.98
Net Investment Change	-\$33,278.68	\$1,147,300.12	\$886,740.25	\$3,672,359.34
<b>Ending Market Value</b>	<b>\$88,030,455.85</b>	<b>\$88,030,455.85</b>	<b>\$88,030,455.85</b>	<b>\$88,030,455.85</b>

## Total Fund Composite

## Annualized Performance (Gross of Fees)

Market Value: \$88.0 Million and 100.0% of Fund

Ending September 30, 2016

	3 Mo	YTD	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	7 Yrs	10 Yrs
<b>Total Fund Composite</b>	<b>-0.1</b>	<b>2.1</b>	<b>1.7</b>	<b>1.9</b>	<b>1.7</b>	<b>1.1</b>	<b>1.3</b>	<b>2.4</b>	<b>3.6</b>
<i>Policy Benchmark</i>	-0.2	2.8	2.1	2.3	1.9	1.2	1.4	2.2	3.3
<b>Fixed Income Composite</b>	<b>-0.1</b>	<b>3.6</b>	<b>3.0</b>	<b>2.9</b>	<b>2.4</b>	<b>1.6</b>	<b>1.9</b>	<b>2.9</b>	<b>--</b>
<i>Barclays Int Govt.</i>	-0.2	3.3	2.4	2.7	2.2	1.4	1.6	2.6	3.7
<b>Cash Equivalents Composite</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>--</b>
<i>91 Day T-Bills</i>	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.8

## Total Fund Composite

## Calendar Performance (Gross of Fees)

Market Value: \$88.0 Million and 100.0% of Fund

	Calendar Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	
<b>Total Fund Composite</b>	<b>0.9</b>	<b>2.2</b>	<b>-0.9</b>	<b>1.8</b>	<b>5.3</b>	<b>5.3</b>	<b>2.0</b>	<b>9.3</b>	<b>7.7</b>	
<i>Policy Benchmark</i>	1.0	2.1	-1.1	1.5	5.2	4.2	-0.2	9.0	7.9	
<b>Fixed Income Composite</b>	<b>1.2</b>	<b>2.9</b>	<b>-1.2</b>	<b>2.3</b>	<b>6.2</b>	<b>5.7</b>	--	--	--	
<i>Barclays Int Govt.</i>	1.2	2.5	-1.2	1.7	6.1	5.0	-0.3	10.4	8.5	
<b>Cash Equivalents Composite</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	--	--	--	
<i>91 Day T-Bills</i>	0.0	0.0	0.0	0.1	0.0	0.1	0.1	1.3	4.4	

# Total Fund Composite

# Calendar Performance (Gross of Fees)

Market Value: \$88.0 Million and 100.0% of Fund

## Fiscal Year (May 1)

	YTD	5/1/15 - 12/31/15	Fiscal 2015	Fiscal 2014	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008
<b>Total Fund Composite</b>	<b>2.1</b>	<b>0.0</b>	<b>2.1</b>	<b>-0.5</b>	<b>1.6</b>	<b>4.9</b>	<b>4.4</b>	<b>3.2</b>	<b>7.0</b>	<b>9.2</b>
<i>Policy Benchmark</i>	2.8	0.0	2.3	-0.7	1.5	4.7	3.5	2.0	5.8	8.4
<b>Fixed Income Composite</b>	<b>3.6</b>	<b>0.1</b>	<b>2.8</b>	<b>-0.7</b>	<b>2.1</b>	<b>5.8</b>	<b>4.7</b>	--	--	--
<i>Barclays Int Govt.</i>	3.3	0.0	2.7	-0.8	1.8	5.6	4.1	2.3	6.7	9.3
<b>Cash Equivalents Composite</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	--	--	--
<i>91 Day T-Bills</i>	0.2	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.8	3.3

# Investment Manager

# Annualized Performance (Gross of Fees)

Market Value: \$88.0 Million and 100.0% of Fund

**Ending September 30, 2016**

	3 Mo	YTD	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	7 Yrs	10 Yrs
<b>Total Fund Composite</b>	<b>-0.1</b>	<b>2.1</b>	<b>1.7</b>	<b>1.9</b>	<b>1.7</b>	<b>1.1</b>	<b>1.3</b>	<b>2.4</b>	<b>3.6</b>
<i>Policy Benchmark</i>	-0.2	2.8	2.1	2.3	1.9	1.2	1.4	2.2	3.3
<b>Fixed Income Composite</b>	<b>-0.1</b>	<b>3.6</b>	<b>3.0</b>	<b>2.9</b>	<b>2.4</b>	<b>1.6</b>	<b>1.9</b>	<b>2.9</b>	<b>--</b>
<i>Barclays Int Govt.</i>	-0.2	3.3	2.4	2.7	2.2	1.4	1.6	2.6	3.7
BMO/TCH	-0.1	3.7	3.3	2.9	2.5	1.6	1.8	2.8	--
<i>Barclays Int Govt.</i>	-0.2	3.3	2.4	2.7	2.2	1.4	1.6	2.6	3.7
JP Morgan Asset Mgmt.	-0.1	3.5	2.6	2.9	2.4	1.6	1.9	3.0	4.2
<i>Barclays Int Govt.</i>	-0.2	3.3	2.4	2.7	2.2	1.4	1.6	2.6	3.7
<b>Cash Equivalents Composite</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>--</b>
<i>91 Day T-Bills</i>	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.8
City-Managed IMET	0.1	0.4	0.4	0.4	0.4	0.4	0.3	--	--
<i>91 Day T-Bills</i>	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.8

# Investment Manager

# Calendar Performance (Gross of Fees)

Market Value: \$88.0 Million and 100.0% of Fund

	Calendar Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	
<b>Total Fund Composite</b>	<b>0.9</b>	<b>2.2</b>	<b>-0.9</b>	<b>1.8</b>	<b>5.3</b>	<b>5.3</b>	<b>2.0</b>	<b>9.3</b>	<b>7.7</b>	
<i>Policy Benchmark</i>	1.0	2.1	-1.1	1.5	5.2	4.2	-0.2	9.0	7.9	
<b>Fixed Income Composite</b>	<b>1.2</b>	<b>2.9</b>	<b>-1.2</b>	<b>2.3</b>	<b>6.2</b>	<b>5.7</b>	--	--	--	
<i>Barclays Int Govt.</i>	1.2	2.5	-1.2	1.7	6.1	5.0	-0.3	10.4	8.5	
BMO/TCH	1.2	2.9	-1.5	2.2	6.3	5.3	--	--	--	
<i>Barclays Int Govt.</i>	1.2	2.5	-1.2	1.7	6.1	5.0	-0.3	10.4	8.5	
JP Morgan Asset Mgmt.	1.2	2.8	-1.0	2.4	6.1	6.2	2.5	9.9	8.1	
<i>Barclays Int Govt.</i>	1.2	2.5	-1.2	1.7	6.1	5.0	-0.3	10.4	8.5	
<b>Cash Equivalents Composite</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	--	--	--	
<i>91 Day T-Bills</i>	0.0	0.0	0.0	0.1	0.0	0.1	0.1	1.3	4.4	
City-Managed IMET	0.3	0.4	0.3	0.3	--	--	--	--	--	
<i>91 Day T-Bills</i>	0.0	0.0	0.0	0.1	0.0	0.1	0.1	1.3	4.4	

## Total Fund Composite

## Annualized Performance (Net of Fees)

Market Value: \$88.0 Million and 100.0% of Fund

Ending September 30, 2016

	3 Mo	YTD	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	7 Yrs	10 Yrs
<b>Total Fund Composite</b>	<b>-0.1</b>	<b>2.1</b>	<b>1.6</b>	<b>1.7</b>	<b>1.6</b>	<b>1.0</b>	<b>1.2</b>	<b>2.2</b>	<b>3.5</b>
<i>Policy Benchmark</i>	-0.2	2.8	2.1	2.3	1.9	1.2	1.4	2.2	3.3
<b>Fixed Income Composite</b>	<b>-0.1</b>	<b>3.5</b>	<b>2.8</b>	<b>2.7</b>	<b>2.3</b>	<b>1.4</b>	<b>1.7</b>	<b>2.8</b>	<b>--</b>
<i>Barclays Int Govt.</i>	-0.2	3.3	2.4	2.7	2.2	1.4	1.6	2.6	3.7
<i>InvestorForce Public DB US Fix Inc Net Rank</i>	98	92	93	80	84	87	91	82	--
<b>Cash Equivalents Composite</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>--</b>
<i>91 Day T-Bills</i>	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.8

## Total Fund Composite

## Calendar Performance (Net of Fees)

Market Value: \$88.0 Million and 100.0% of Fund

	Calendar Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	
<b>Total Fund Composite</b>	<b>0.7</b>	<b>2.1</b>	<b>-1.0</b>	<b>1.7</b>	<b>5.2</b>	<b>5.2</b>	<b>1.9</b>	<b>9.1</b>	<b>7.5</b>	
<i>Policy Benchmark</i>	1.0	2.1	-1.1	1.5	5.2	4.2	-0.2	9.0	7.9	
<b>Fixed Income Composite</b>	<b>1.1</b>	<b>2.7</b>	<b>-1.4</b>	<b>2.2</b>	<b>6.1</b>	<b>5.5</b>	--	--	--	
<i>Barclays Int Govt.</i>	1.2	2.5	-1.2	1.7	6.1	5.0	-0.3	10.4	8.5	
<i>InvestorForce Public DB US Fix Inc Net Rank</i>	14	85	62	92	52	60	--	--	--	
<b>Cash Equivalents Composite</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	--	--	--	
<i>91 Day T-Bills</i>	0.0	0.0	0.0	0.1	0.0	0.1	0.1	1.3	4.4	

## Total Fund Composite

## Calendar Performance (Net of Fees)

Market Value: \$88.0 Million and 100.0% of Fund

### Fiscal Year (May 1)

	YTD	5/1/15 - 12/31/15	Fiscal 2015	Fiscal 2014	Fiscal 2013	Fiscal 2012	Fiscal 2011	Fiscal 2010	Fiscal 2009	Fiscal 2008
<b>Total Fund Composite</b>	<b>2.1</b>	<b>0.0</b>	<b>2.0</b>	<b>-0.6</b>	<b>1.5</b>	<b>4.8</b>	<b>4.2</b>	<b>3.0</b>	<b>6.9</b>	<b>9.0</b>
<i>Policy Benchmark</i>	2.8	0.0	2.3	-0.7	1.5	4.7	3.5	2.0	5.8	8.4
<b>Fixed Income Composite</b>	<b>3.5</b>	<b>0.0</b>	<b>2.6</b>	<b>-0.8</b>	<b>1.9</b>	<b>5.7</b>	<b>4.5</b>	--	--	--
<i>Barclays Int Govt.</i>	3.3	0.0	2.7	-0.8	1.8	5.6	4.1	2.3	6.7	9.3
<b>Cash Equivalents Composite</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	--	--	--
<i>91 Day T-Bills</i>	0.2	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.8	3.3

# Investment Manager

# Annualized Performance (Net of Fees)

Market Value: \$88.0 Million and 100.0% of Fund

Ending September 30, 2016

	3 Mo	YTD	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	7 Yrs	10 Yrs
<b>Total Fund Composite</b>	<b>-0.1</b>	<b>2.1</b>	<b>1.6</b>	<b>1.7</b>	<b>1.6</b>	<b>1.0</b>	<b>1.2</b>	<b>2.2</b>	<b>3.5</b>
<i>Policy Benchmark</i>	-0.2	2.8	2.1	2.3	1.9	1.2	1.4	2.2	3.3
<b>Fixed Income Composite</b>	<b>-0.1</b>	<b>3.5</b>	<b>2.8</b>	<b>2.7</b>	<b>2.3</b>	<b>1.4</b>	<b>1.7</b>	<b>2.8</b>	<b>--</b>
<i>Barclays Int Govt.</i>	-0.2	3.3	2.4	2.7	2.2	1.4	1.6	2.6	3.7
<i>InvestorForce Public DB US Fix Inc Net Rank</i>	98	92	93	80	84	87	91	82	--
<b>BMO/TCH</b>	<b>-0.1</b>	<b>3.6</b>	<b>3.1</b>	<b>2.7</b>	<b>2.3</b>	<b>1.4</b>	<b>1.7</b>	<b>2.7</b>	<b>--</b>
<i>Barclays Int Govt.</i>	-0.2	3.3	2.4	2.7	2.2	1.4	1.6	2.6	3.7
<i>eA US Government Fixed Inc Net Rank</i>	70	74	71	84	86	79	79	75	--
<b>JP Morgan Asset Mgmt.</b>	<b>-0.2</b>	<b>3.4</b>	<b>2.5</b>	<b>2.7</b>	<b>2.2</b>	<b>1.5</b>	<b>1.8</b>	<b>2.9</b>	<b>4.1</b>
<i>Barclays Int Govt.</i>	-0.2	3.3	2.4	2.7	2.2	1.4	1.6	2.6	3.7
<i>eA US Government Fixed Inc Net Rank</i>	74	75	78	85	89	73	74	67	60
<b>Cash Equivalents Composite</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>--</b>
<i>91 Day T-Bills</i>	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.8
<b>City-Managed IMET</b>	<b>0.1</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.3</b>	<b>--</b>	<b>--</b>
<i>91 Day T-Bills</i>	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.8

# Investment Manager

# Calendar Performance (Net of Fees)

Market Value: \$88.0 Million and 100.0% of Fund

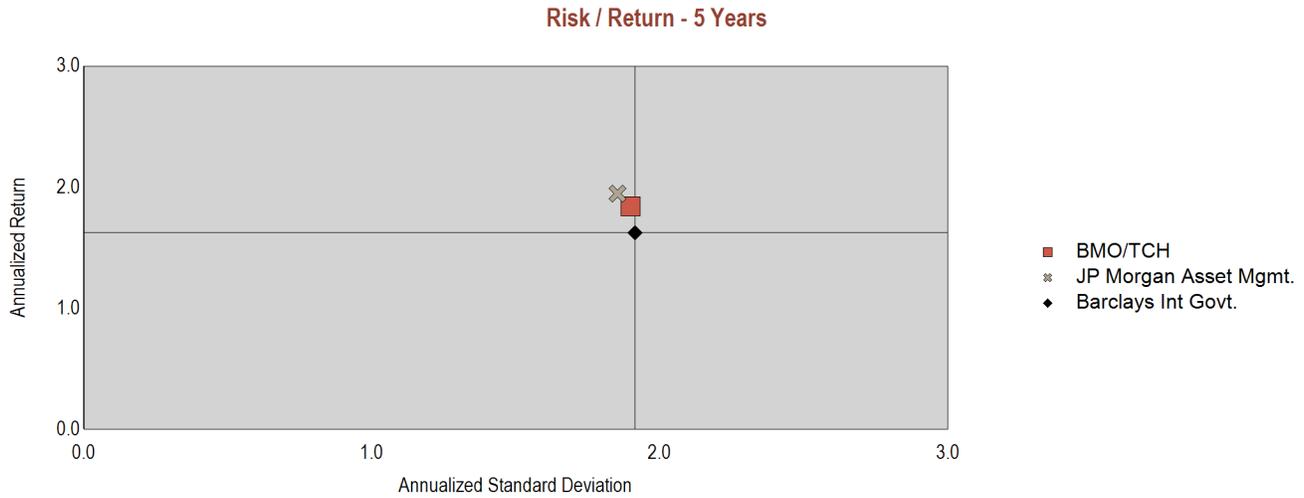
	Calendar Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	
<b>Total Fund Composite</b>	<b>0.7</b>	<b>2.1</b>	<b>-1.0</b>	<b>1.7</b>	<b>5.2</b>	<b>5.2</b>	<b>1.9</b>	<b>9.1</b>	<b>7.5</b>	
<i>Policy Benchmark</i>	1.0	2.1	-1.1	1.5	5.2	4.2	-0.2	9.0	7.9	
<b>Fixed Income Composite</b>	<b>1.1</b>	<b>2.7</b>	<b>-1.4</b>	<b>2.2</b>	<b>6.1</b>	<b>5.5</b>	--	--	--	
<i>Barclays Int Govt.</i>	1.2	2.5	-1.2	1.7	6.1	5.0	-0.3	10.4	8.5	
<i>InvestorForce Public DB US Fix Inc Net Rank</i>	14	85	62	92	52	60	--	--	--	
<b>BMO/TCH</b>	<b>1.0</b>	<b>2.8</b>	<b>-1.7</b>	<b>2.1</b>	<b>6.1</b>	<b>5.2</b>	--	--	--	
<i>Barclays Int Govt.</i>	1.2	2.5	-1.2	1.7	6.1	5.0	-0.3	10.4	8.5	
<i>eA US Government Fixed Inc Net Rank</i>	26	58	65	64	39	42	--	--	--	
<b>JP Morgan Asset Mgmt.</b>	<b>1.1</b>	<b>2.7</b>	<b>-1.1</b>	<b>2.3</b>	<b>6.0</b>	<b>6.1</b>	<b>2.3</b>	<b>9.7</b>	<b>7.9</b>	
<i>Barclays Int Govt.</i>	1.2	2.5	-1.2	1.7	6.1	5.0	-0.3	10.4	8.5	
<i>eA US Government Fixed Inc Net Rank</i>	20	58	35	61	54	8	28	27	34	
<b>Cash Equivalents Composite</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	--	--	--	
<i>91 Day T-Bills</i>	0.0	0.0	0.0	0.1	0.0	0.1	0.1	1.3	4.4	
<b>City-Managed IMET</b>	<b>0.3</b>	<b>0.4</b>	<b>0.3</b>	<b>0.3</b>	--	--	--	--	--	
<i>91 Day T-Bills</i>	0.0	0.0	0.0	0.1	0.0	0.1	0.1	1.3	4.4	

# Fixed Income Composite

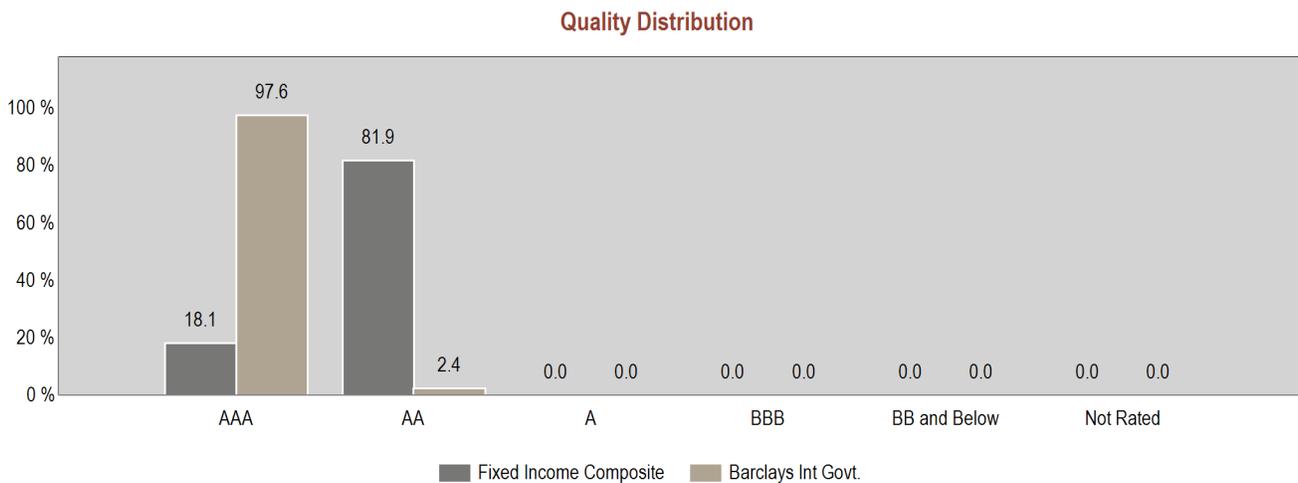
As of September 30, 2016

# Characteristics

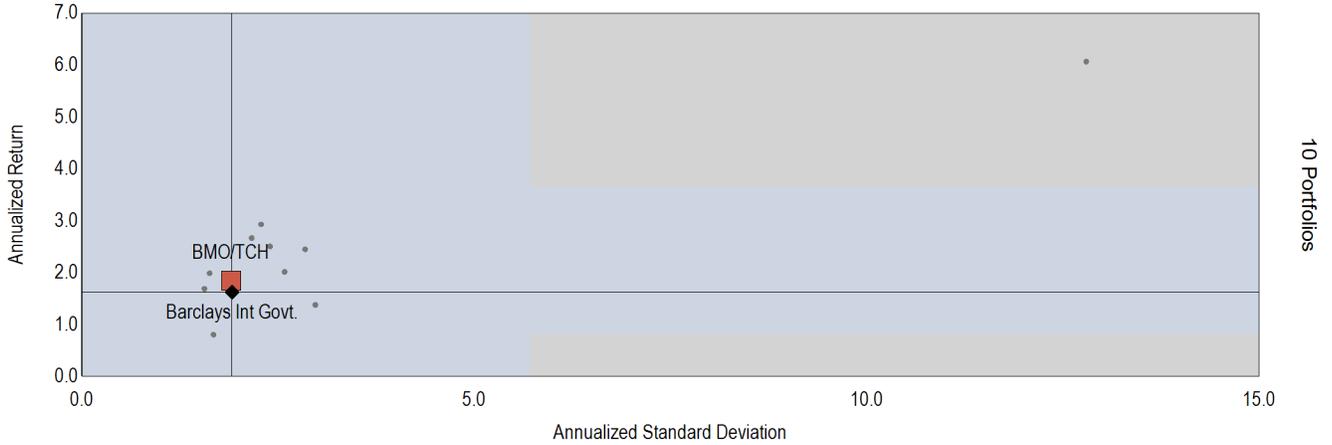
Market Value: \$53.0 Million and 60.2% of Fund



Characteristics			Sector		Maturity		
	Portfolio	Index	Portfolio	Index		Q3-16	
	Q3-16	Q3-16	Q3-16	Q3-16			
Yield to Maturity	1.3%	1.1%	UST/Agency	76.7%	100.0%	<1 Year	7.9%
Avg. Eff. Maturity	4.3 yrs.	4.1 yrs.	Corporate	--	--	1-3 Years	26.5%
Avg. Duration	4.1 yrs.	3.9 yrs.	MBS	24.1%	--	3-5 Years	34.3%
Avg. Quality	AA	--	ABS	--	--	5-7 Years	13.3%
			Foreign	--	--	7-10 Years	18.0%
			Muni	--	--	10-15 Years	0.0%
Region		Number Of Assets	Other	-0.8%	--	15-20 Years	0.0%
United States		143				>20 Years	0.0%
Other		0				Not Rated/Cash	0.0%
<b>Total</b>		<b>143</b>					



Risk / Return - 5 Years



Characteristics

	Portfolio	Index
	Q3-16	Q3-16
Yield to Maturity	1.3%	1.1%
Avg. Eff. Maturity	4.8 yrs.	4.1 yrs.
Avg. Duration	4.4 yrs.	3.9 yrs.
Avg. Quality	AA	--
Region		Number Of Assets
United States		34
Other		0
<b>Total</b>		<b>34</b>

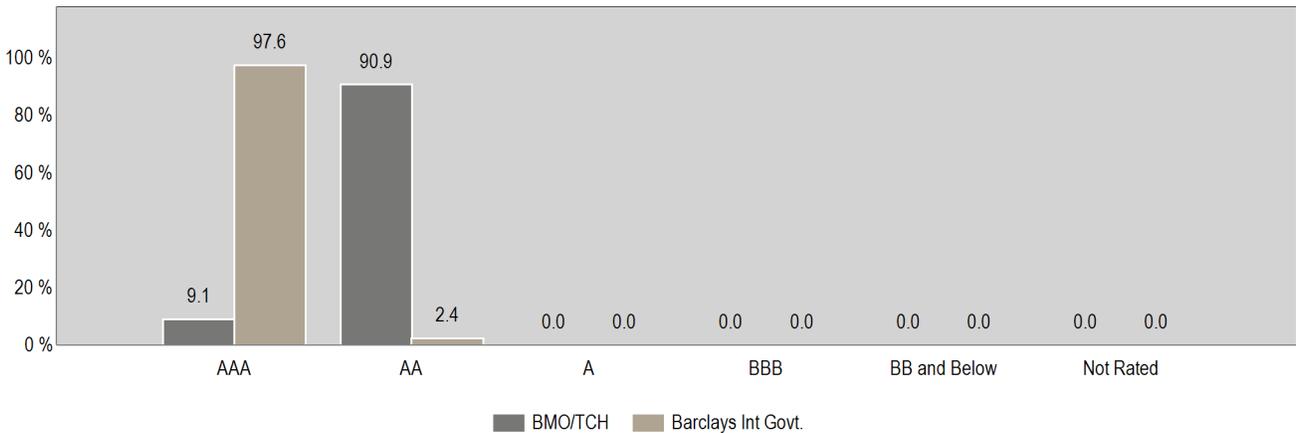
Sector

	Portfolio	Index
	Q3-16	Q3-16
UST/Agency	74.9%	100.0%
Corporate	--	--
MBS	26.8%	--
ABS	--	--
Foreign	--	--
Muni	--	--
Other	-1.7%	--

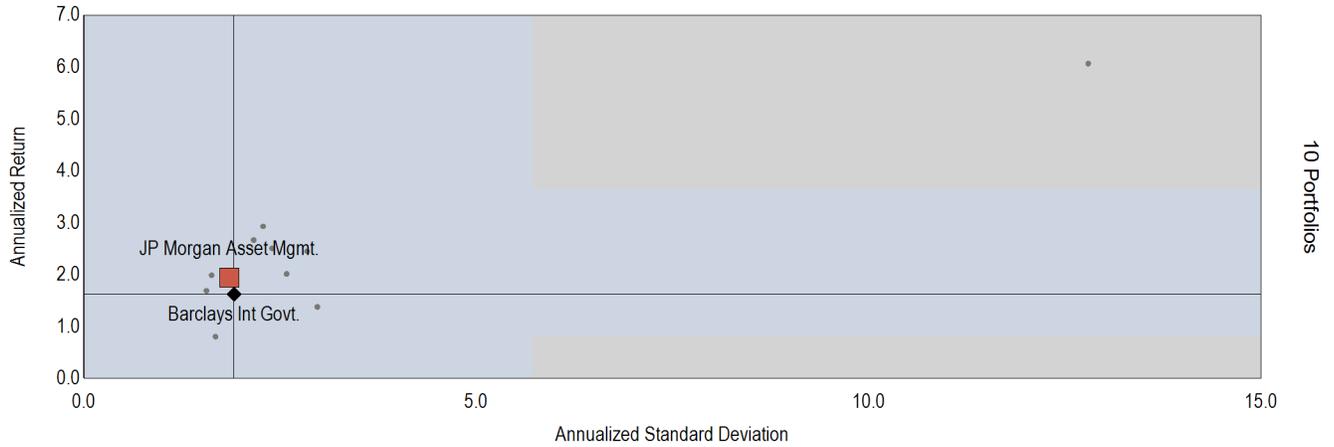
Maturity

	Q3-16
<1 Year	7.6%
1-3 Years	18.4%
3-5 Years	40.0%
5-7 Years	8.9%
7-10 Years	25.1%
10-15 Years	0.0%
15-20 Years	0.0%
>20 Years	0.0%
Not Rated/Cash	0.0%

Quality Distribution



Risk / Return - 5 Years



Characteristics

	Portfolio	Index
	Q3-16	Q3-16
Yield to Maturity	1.2%	1.1%
Avg. Eff. Maturity	3.9 yrs.	4.1 yrs.
Avg. Duration	3.8 yrs.	3.9 yrs.
Avg. Quality	AA	--
Region		Number Of Assets
United States		110
Other		0
<b>Total</b>		<b>110</b>

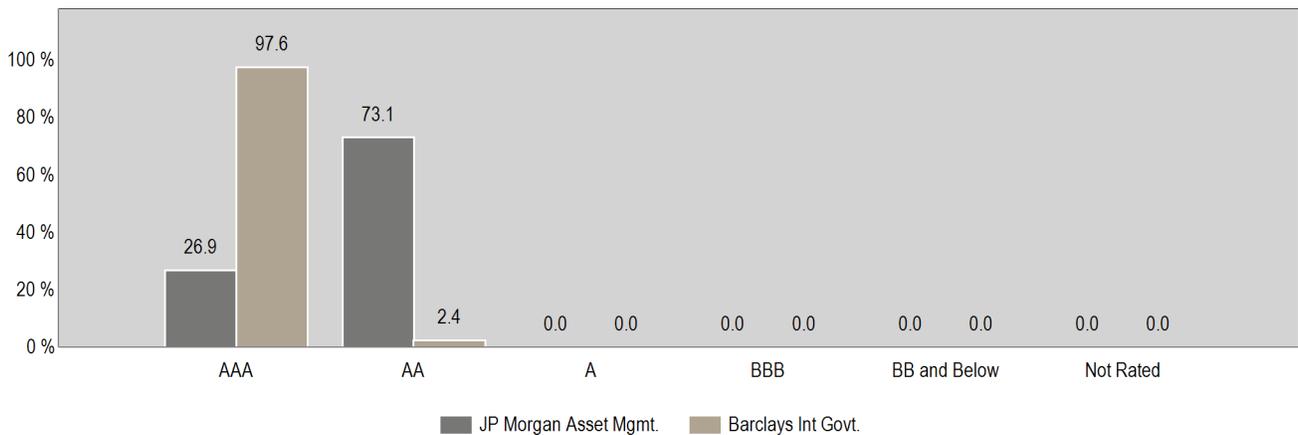
Sector

	Portfolio	Index
	Q3-16	Q3-16
UST/Agency	78.3%	100.0%
Corporate	--	--
MBS	21.7%	--
ABS	--	--
Foreign	--	--
Muni	--	--
Other	--	--

Maturity

	Q3-16
<1 Year	8.3%
1-3 Years	34.3%
3-5 Years	28.9%
5-7 Years	17.5%
7-10 Years	11.0%
10-15 Years	0.0%
15-20 Years	0.0%
>20 Years	0.0%
Not Rated/Cash	0.0%

Quality Distribution



# Total Fund Composite

# Fee Schedule

Market Value: \$88.0 Million and 100.0% of Fund

Asset Class	Investment Manager	Fee Schedule	Expense Ratio & Estimated Annual Fee <sup>1</sup>	Industry Average <sup>2</sup>
Int. Govt. Fixed Income	BMO/TCH	0.15% on the Balance	0.15% \$39,198	0.27%
Int. Govt. Fixed Income	JP Morgan Asset Mgmt.	0.15% on the Balance	0.15% \$40,249	0.27%
<b>Total Investment Management Fees</b>			<b>0.09%</b> <b>\$79,446</b>	<b>0.16%</b>
Investment Consultant	Marquette Associates, Inc.	\$22,500 Annual Fee	0.03% \$22,500	N/A
<b>Total Fund</b>			<b>0.12%</b> <b>\$101,946</b>	

<sup>1</sup> Expense Ratio & Estimated Annual Fee are Based on Market Value at Quarter End.

<sup>2</sup> Source: Marquette Associates Investment Management Fee Study.

# City of Naperville

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## Presented by:

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Director-Client Relationship Management  
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Daniela Mardarovici, CFA  
Managing Director | Senior Portfolio Manager  
(305) 379-2100

# City of Naperville: Activity

## Market Value Reconciliation: Q3 2016

Beginning Market Value: June 30, 2016*	\$16,154,151.00
Contributions/Withdrawals	10,000,000.00
Net Invested Funds	26,154,151.00
Earned Income	534,874.00
Unrealized Gain/Loss	(551,573.00)
Net Realized Gain/Loss	(10,981.00)
Ending Market Value: September 30, 2016*	\$26,126,471.00

\* Market values include accrued income

# Market Performance Summary

As of 9/30/2016

<u>EQUITIES (% Returns)</u>	1-Mo	3-Mo	6-Mo	1-Yr	3-Yrs	5-Yrs	10-Yrs	YTD 2016
<b>U.S. Large Cap Equities</b>								
S&P 500® Index	0.02	3.85	6.40	15.42	11.15	16.36	7.24	7.84
Dow Jones Industrial Average Index	-0.41	2.78	4.90	15.46	9.23	13.77	7.39	7.21
Russell 1000® Index	0.08	4.03	6.67	14.93	10.78	16.41	7.40	7.92
Russell 1000® Growth Index	0.37	4.58	5.22	13.76	11.83	16.60	8.85	6.00
Russell 1000® Value Index	-0.21	3.48	8.22	16.20	9.70	16.15	5.85	10.00
<b>U.S. Mid Cap Equities</b>								
Russell Midcap® Index	0.20	4.52	7.84	14.25	9.70	16.67	8.32	10.26
Russell Midcap® Growth Index	-0.05	4.59	6.23	11.24	8.90	15.85	8.51	6.84
Russell Midcap® Value Index	0.42	4.45	9.43	17.26	10.49	17.38	7.89	13.72
<b>U.S. Small-Mid Cap Equities (SMID)</b>								
Russell 2500™ Index	0.48	6.56	10.37	14.44	7.77	16.30	7.95	10.80
<b>U.S. Small Cap Equities</b>								
Russell 2000® Index	1.11	9.05	13.18	15.47	6.71	15.82	7.07	11.46
Russell 2000® Growth Index	1.44	9.22	12.76	12.12	6.58	16.15	8.29	7.48
Russell 2000® Value Index	0.79	8.87	13.55	18.81	6.77	15.45	5.78	15.49
<b>Technology Stocks</b>								
NASDAQ Composite Index	1.96	10.02	9.78	16.54	13.56	18.67	10.18	7.15
<b>International Equities (Gross Returns)</b>								
MSCI EAFE Index (Developed Markets)	1.27	6.50	5.24	7.06	0.93	7.88	2.30	2.20
MSCI European Monetary Union Index	0.94	7.84	2.79	4.42	0.39	8.51	1.12	0.73
MSCI AC Asia Pacific Index	1.78	9.37	10.21	16.02	3.04	7.23	3.55	8.45
MSCI Emerging Markets Index	1.32	9.15	10.02	17.21	-0.21	3.39	4.28	16.36
<b>International Equities (Net Returns)</b>								
MSCI EAFE Index (Developed Markets)	1.23	6.43	4.88	6.52	0.48	7.39	1.82	1.73
MSCI European Monetary Union Index	0.92	7.78	2.09	3.55	-0.36	7.60	0.26	-0.04
MSCI AC Asia Pacific Index	1.71	9.25	10.02	15.67	2.75	6.96	3.28	8.17
MSCI Emerging Markets Index	1.29	9.03	9.75	16.78	-0.56	3.03	3.95	16.02
<b>ALTERNATIVES (% Returns)</b>								
DJ UBS Commodity Index	3.13	-3.86	8.42	-2.58	-12.34	-9.37	-5.33	8.87
Wilshire U.S. REIT Index	-2.81	-2.24	2.32	13.54	10.22	11.67	1.68	6.68
S&P Global REIT Index	-1.62	-0.93	2.68	13.41	6.82	9.45	0.28	12.33
S&P Global Infrastructure Index	1.56	1.95	5.44	10.21	3.09	5.48	1.29	17.17

Highlighted items represent either the best- or worst-performing equity sector for the period. Total returns for periods of one year or more are annualized. MSCI indices performance is presented as both net and gross of foreign taxes on dividends. Past performance is no guarantee of future results.

Sources: Bloomberg L.P., FactSet, BMO Global Asset Management

# Market Performance Summary

As of 9/30/2016

<u>U.S. FIXED INCOME (% Returns)</u>	1-Mo	3-Mo	6-Mo	1-Yr	3-Yrs	5-Yrs	10-Yrs	YTD 2016
Barclays U.S. Aggregate Index	-0.06	0.46	2.68	5.19	4.03	3.08	4.79	5.80
Barclays U.S. Interm. Gov/Crd Index	0.13	0.16	1.75	3.52	2.80	2.45	4.17	4.24
Barclays U.S. Corporate Index	-0.25	1.41	5.03	8.56	<b>5.63</b>	5.14	5.91	9.20
Barclays U.S. Treasury Index	-0.13	<b>-0.28</b>	1.81	4.09	3.38	2.18	4.45	5.07
Barclays Securitized Index	0.25	0.59	1.77	3.68	3.60	2.76	4.60	3.86
Barclays High Yield Index	<b>0.67</b>	<b>5.55</b>	<b>11.38</b>	<b>12.73</b>	5.28	<b>8.34</b>	<b>7.71</b>	15.11
BofA Merrill Lynch High Yield BB/B Constr. Index	0.47	5.00	9.84	12.01	5.60	8.01	7.20	13.29
Barclays 1-10 yr Municipals Index	<b>-0.30</b>	-0.11	<b>1.33</b>	<b>3.40</b>	3.34	2.95	<b>4.04</b>	2.58
Barclays Global Aggregate Bond Index	0.55	0.82	3.73	8.83	<b>2.13</b>	<b>1.74</b>	4.26	9.85
Barclays Global Credit Index	0.14	2.36	4.74	8.56	3.24	4.45	5.08	9.46

<u>BOND YIELDS (%)</u>	Sep 2016	Jun 2016	Mar 2016	Sep 2015	Sep 2013	Sep 2011	Sep 2006
Fed Funds Rate (Effective Rate)	0.29	0.30	0.25	0.07	0.06	0.06	5.34
3-month Treasury Bill	0.28	0.26	0.20	-0.02	0.01	0.02	4.88
2-year Treasury Note	0.76	0.58	0.72	0.63	0.32	0.25	4.69
5-year Treasury Note	1.15	1.00	1.21	1.36	1.38	0.95	4.58
10-year Treasury Note	1.60	1.47	1.77	2.04	2.61	1.92	4.63
30-year Treasury Bond	2.32	2.29	2.61	2.85	3.69	2.91	4.76
Barclays U.S. Aggregate Index	1.97	1.92	2.17	2.31	2.34	2.35	5.34
U.S. Corporate Investment Grade	2.85	2.89	3.22	3.42	3.30	3.84	5.66
Barclays High Yield Index	6.57	7.47	8.39	8.19	6.79	9.63	8.30
Barclays Emerging Markets Bond Index	4.53	4.85	5.49	5.98	5.33	6.61	6.57
Barclays Emerging Markets Corporate Index	4.66	5.01	5.66	6.21	5.73	7.47	6.63

<u>INFLATION (%)</u>	Aug 2016	Jun 2016	Mar 2016	Sep 2015	Sep 2013	Sep 2011	Sep 2006
Headline CPI YoY	1.10	1.00	0.90	0.00	1.20	3.90	2.10
Core CPI YoY	2.30	2.30	2.20	1.90	1.70	2.00	2.90
Core PCE YoY	1.69	1.60	1.55	1.38	1.50	1.72	2.39

<u>OTHER MARKETS</u>	Sep 2016	Jun 2016	Mar 2016	Sep 2015	Sep 2013	Sep 2011	Sep 2006
US\$ / Euro	1.124	1.111	1.138	1.118	1.353	1.339	1.267
WTI Crude Oil Price (\$/barrel)	48.24	50.13	42.70	50.36	84.18	87.05	62.91
Gold (\$/troy oz)	1,316	1,322	1,233	1,115	1,329	1,624	598

Highlighted items represent either the best- or worst-performing equity sector for the period. Total returns for periods of one year or more are annualized. Past performance is no guarantee of future results.

Sources: Barclays, Bloomberg L.P., BMO Global Asset Management

# Performance & Market Value as of September 30, 2016

	QTD	YTD	1 Year	3 Years	5 Years	Since Inception*
Portfolio (Gross)	-0.10%	3.69%	3.30%	2.49%	1.84%	2.85%
Portfolio (Net)	-0.13%	3.58	3.15	2.34	1.68	2.69
<i>Barclays Govt Int</i>	-0.24%	3.30	2.44	2.19	1.62	2.56

## Market Value (including accruals)

\$26,126,471

\* Inception Date: October 1, 2009

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# Investment strategy and current positioning

## Positioning and Rationale

### YIELD CURVE ANALYSIS

- U.S. growth continues to lead developed markets in 2016 but will likely fall towards the lower end of expectations
- The U.S. economy appears somewhat insulated from “secular stagnation” but Fed policy normalization has been more prolonged than initially “plotted”
- Support for U.S. rates should continue given the relative low-to-negative yields abroad
- Central bank divergence may have narrowed given lack of Fed action vs. ECB/BOJ/BOE continuing to press forward with stimulus efforts
- Fed Funds show little probability of significant policy normalization through 2017, while Treasury futures imply a flattening term structure and a lower point of neutrality
- Duration construction: Maintain positioning for a flatter term structure while holding overall duration towards the lower end of relative benchmark range given low absolute yields

### SECTOR OUTLOOK

- Investment Grade Credit: Global growth concerns have led to a dearth in positive global sovereign bond yields and furthered the demand U.S. fixed income; U.S. corporate balance sheets have managed the credit cycle well; U.S. IG credit will likely recognize further support from global yield *substitution effect*;
- Securitized: U.S. agency MBS to realize continued support from Fed reinvestment despite potential for increased supply; While the total return potential appears limited relative to cross-sector opportunities, they remain a *relative* safe haven during periods of uncertainty
- “Beta” Sectors: For higher yielding opportunities, market volatility has created bottom-up opportunities in the wake of macro concerns; however, by the numbers, the risks appear more balanced in investment grade

### QUALITY DECISIONS

- The ratings migration within U.S. credit continues to trend downward; however, the compensation for “down in quality” trade within investment grade remains wide; Wider, steeper OAS curves and bifurcated quality buckets offer relative value opportunities

### SECURITY SELECTION

- Credit: Utilize steep OAS curves for compelling relative value opportunities
- Significant primary market supply should persist and create additional opportunities in secondary markets
- Industrials- Spats of volatility still lack differentiation creating relative value opportunities for nimble capital
- Financials- ECB policies supportive of European banks but Brexit hangover suggest U.S. institutions the “safe haven”

# Global policy update

## TCH Perspective: A world (stuck) at ease...

- At one point, the FOMC signaled that as many as 6 increases in the Federal Funds rate were possible through 2017; however, market expectations now call for only one over the next 12 months, which would mark only the second increase since December 2015
- The Bank of Japan tweaked its bond-buying program to ensure a steeper yield curve in a bid to ease pressures on banks, life insurers and pensions and also committed itself to continue easing until inflation overshoots its 2% target
- According to the Fed's model of the U.S. economy, aside from some firmness in the U.S. dollar, other key financial market factors remain supportive of U.S. growth, e.g. lower 10 year Treasury rates and firm BBB credit spreads

Economic/ Market Factor	Estimated Impact on US GDP	
	1 year	3 year
10% Increase in Trade-Weighted USD	-0.40%	-1.50%
1% Increase in BBB Yields	-0.20%	-0.60%
20% Decline in S&P500	-0.20%	-0.80%
1% Decline in 10 Yr US Treasury	0.40%	1.00%

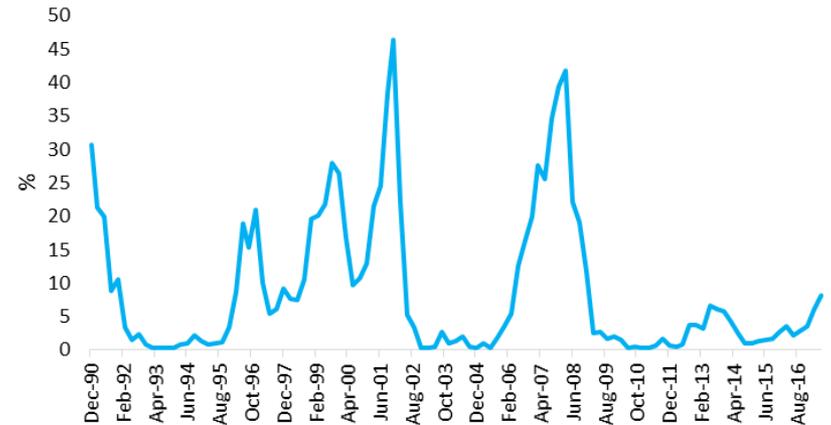
Source Federal Reserve, Deutsche Bank

# Update on the U.S. economy

## TCH Perspective: U.S. economic underpinnings & growth outlook remain stable

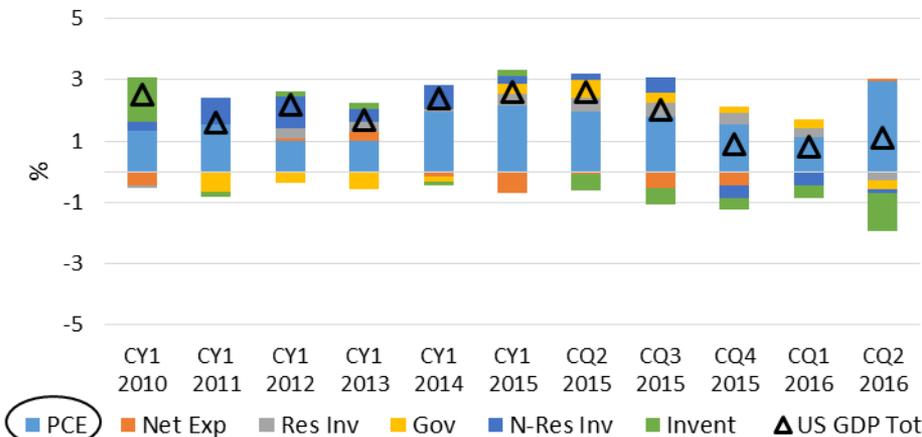
- Despite a few low points, e.g. the unexpected weakness in May (+11k) the overall trend in payrolls remains about +200k per month
- Overall U.S. growth remains positive despite having cooled some as strong consumption has been partially offset by declines in inventories and investment
- Though the market's perception of downside risks to the U.S. economy has increased, the likelihood of

NY Fed Prob of Recession in US 12 Mo Forward



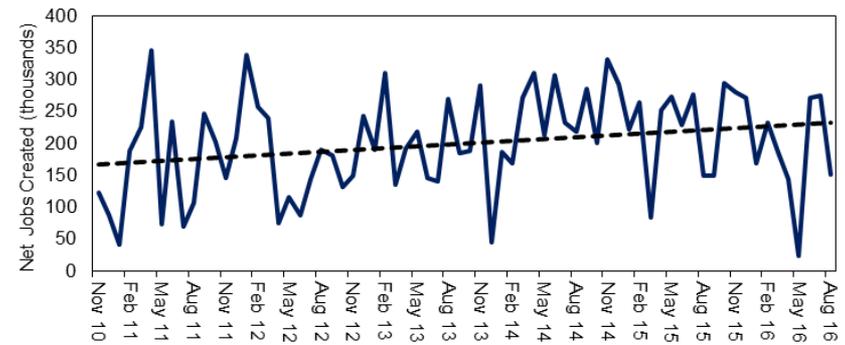
Source Fed Reserve Bank of NY

U.S. GDP Contribution by Component



Source BEA

US Employees on Nonfarm Payrolls Total MoM Net Change - Seasonally Adjusted (SA)



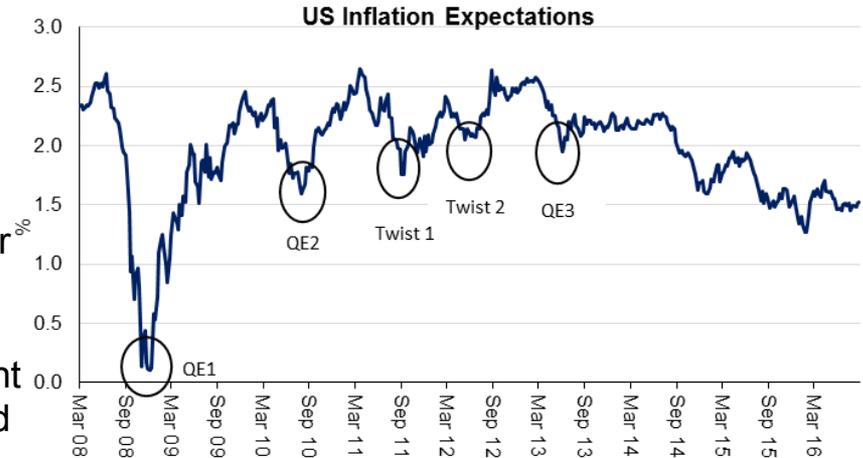
US Employees on Nonfarm Payrolls Total MoM Net Change SA

Sources: Bloomberg L.P., TCH, LLC

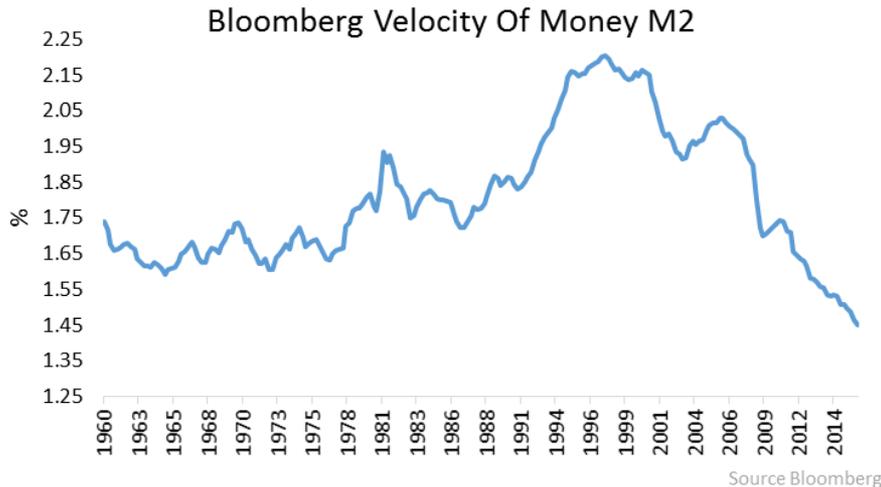
# Update on the U.S. economy, cont'd

## TCH Perspective: Inflation unlikely to rise significantly over the near-term

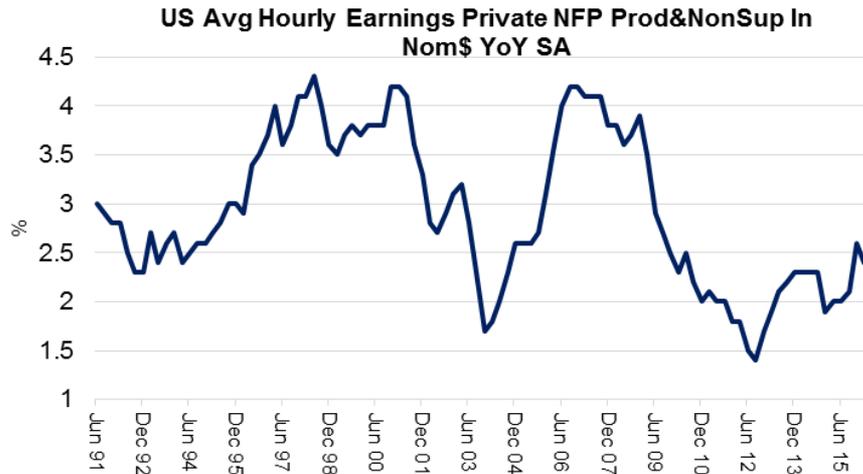
- Recent gains in wage growth suggest some labor market tightening, but conditions still lag the broader recovery
- Monetary velocity has fallen to its lowest level over 50 years as factors such as the availability and demand for credit and net trade volumes have steadily declined
- As a result, inflation has remained subdued, with current expectations closer to levels the Fed has chosen to add policy accommodation in the recent past



Sources: Bloomberg L.P.,



Source Bloomberg

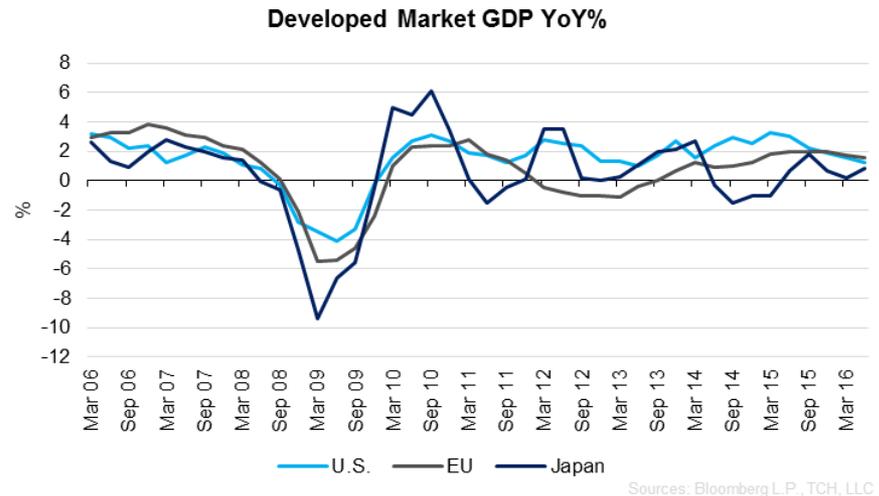
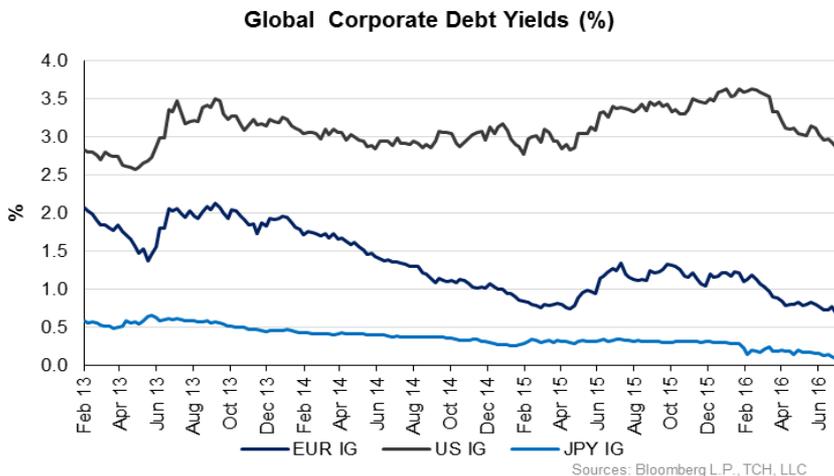
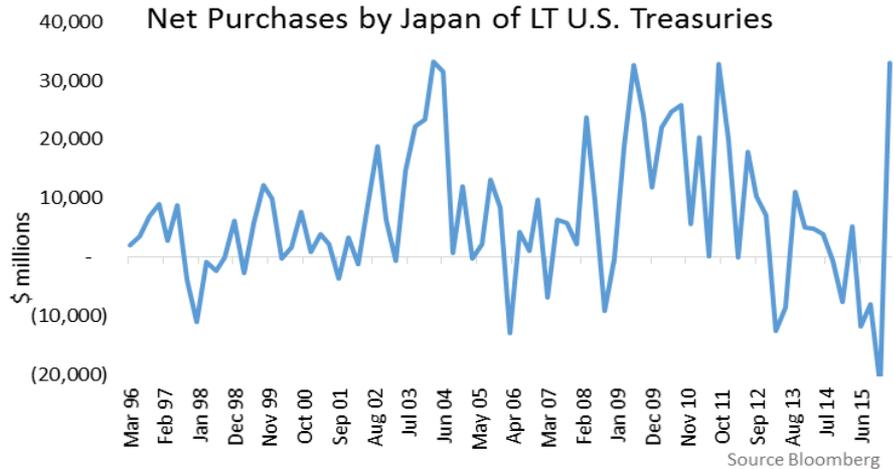


Sources: BLS

# Update on the global economy

## TCH Perspective: Negative rates continue to drive global yield substitution effect

- Global backdrop remains favorable for U.S. dollar fixed income assets; March: Berlin Hyp issues covered bond at a -0.162% yield, June: Record inflows to U.S. Treasuries from Japan
- Nearly \$12 trillion, or 45%, of sovereign debt issued by G7 countries currently carry a negative yield
- Global interest rates continue to reflect growth and policy divergences between U.S. and Europe, Japan, though the latter may be

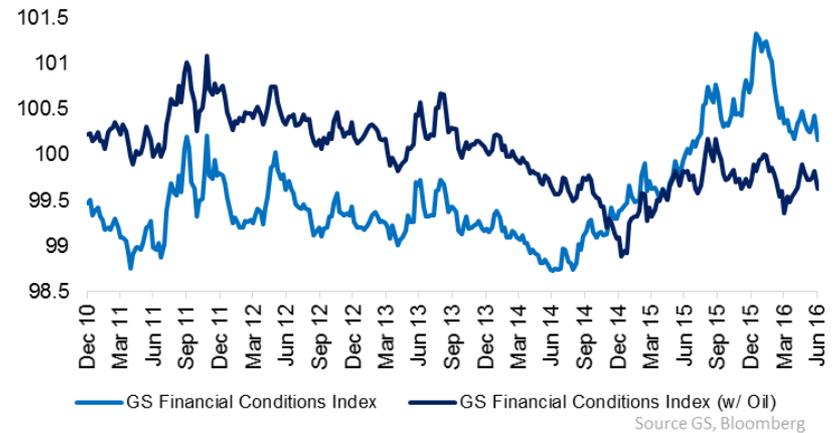


# Financial conditions

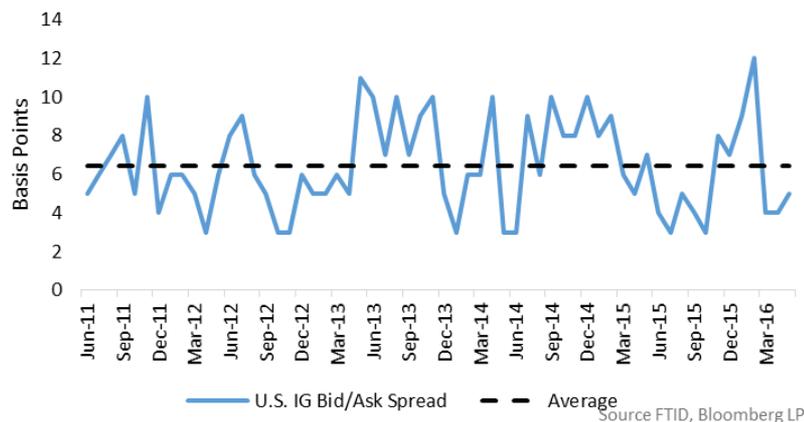
## TCH PERSPECTIVE: Overall financial conditions are favorable for credit markets

- Following stabilization in oil prices, credit spread volatility has declined from its peak, restoring some normality to credit markets despite Brexit
- Primary market issuance remains robust and bid/ask spreads have narrowed; May 2016: All-time record issuance \$186B
- Lower U.S. Treasury rates have eased financial conditions for most corporate borrowers; although not disruptive, increasing LIBOR has resulted in higher funding costs for certain financial institutions

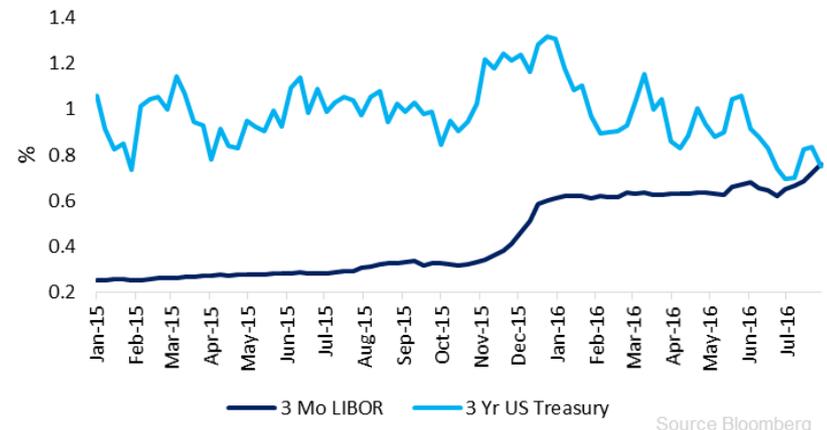
Financial Conditions



U.S. Investment Grade Bid/Ask Spread



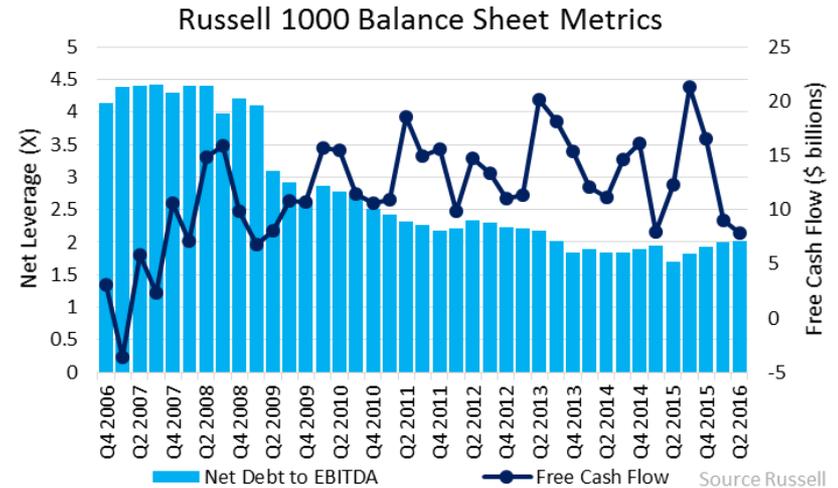
Short-term Interest Rates



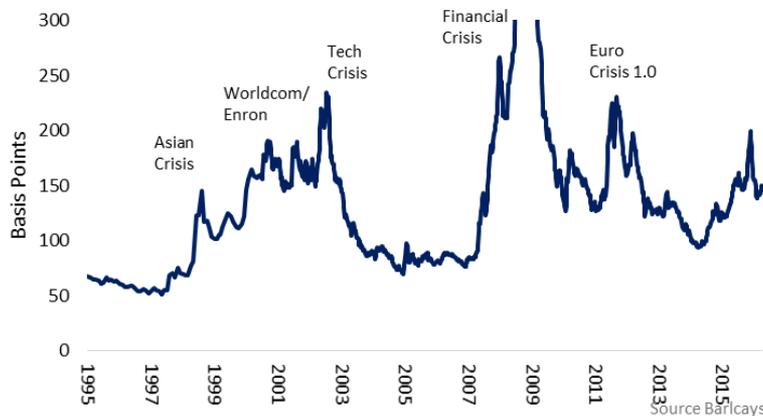
# U.S. credit markets

## TCH Perspective: Balance sheets indicative of a well-managed credit cycle

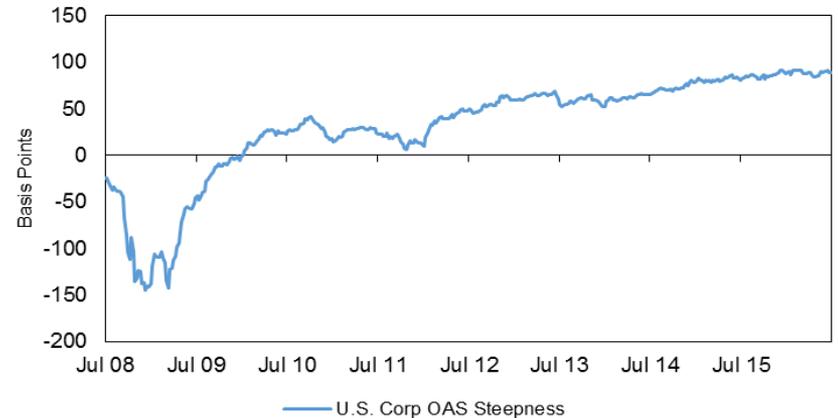
- Broad measures of corporate balance sheets indicate leverage and liquidity positions remain strong across industries
- Given the outlook for global sovereign rates, a steep U.S. investment grade OAS curve appear particularly attractive
- Credit spreads were quick to settle following the initial reaction to Brexit, but remain wide compared to other post-crisis troughs



Barclays US Agg Credit Avg OAS

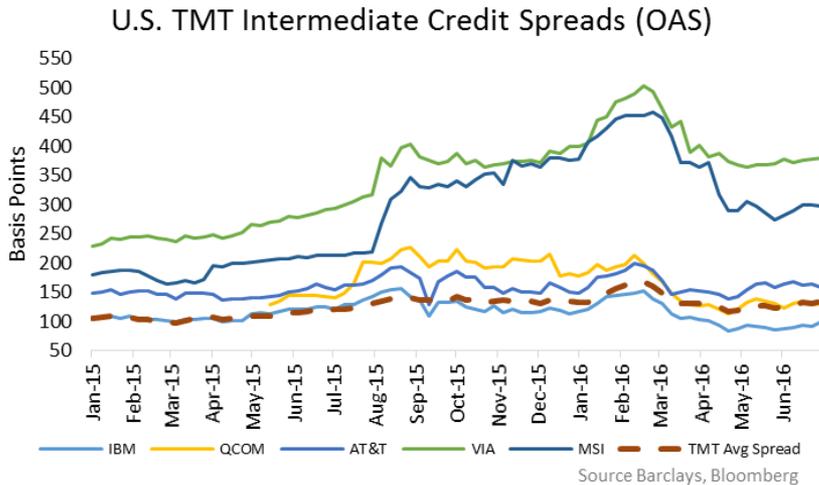


U.S. Corp OAS Steepness (bp)

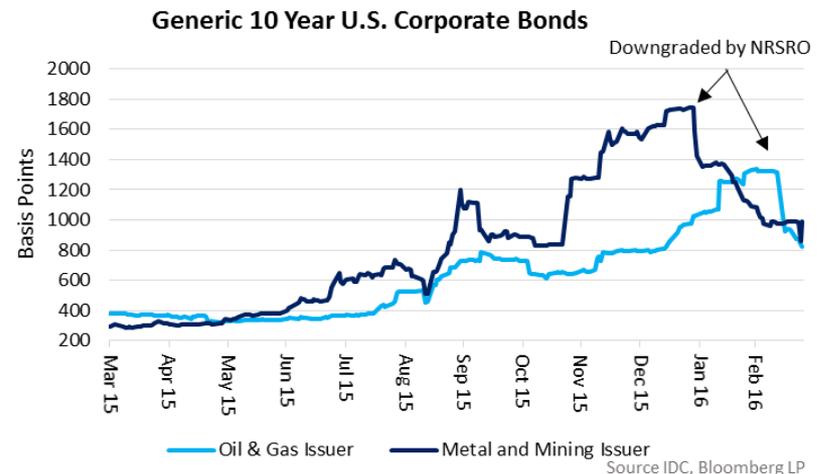
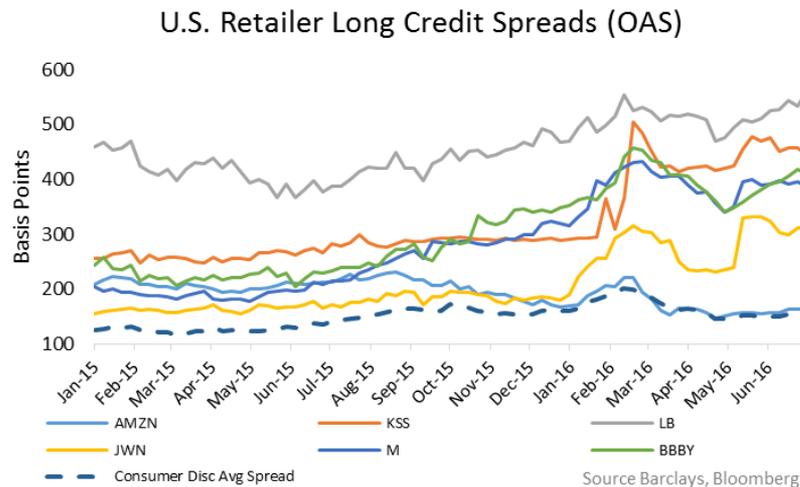


# U.S. credit markets

## TCH Perspective: Security selection opportunities persist throughout credit sectors



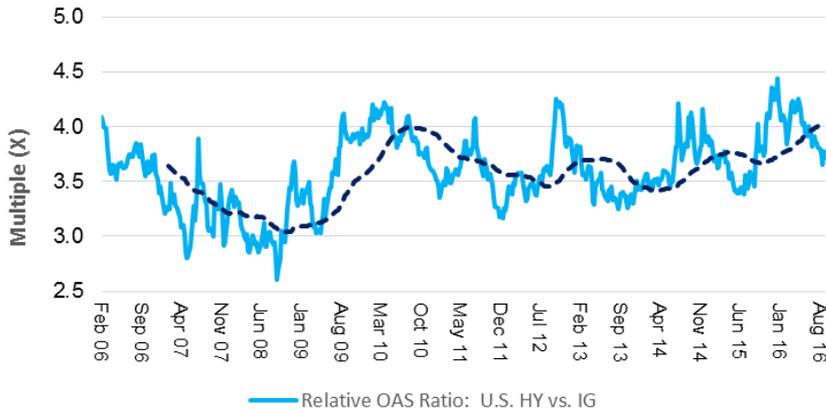
- Fundamental and technical factors remain at odds with one another as static factors such as credit ratings remain a poor indicator of valuations
- Periods of elevated spread volatility continue to lack differentiation created compelling relative value opportunities
- For certain sectors, differences in credit spreads appear too pessimistic given key credit characteristics such as leverage, liquidity position and financial policy



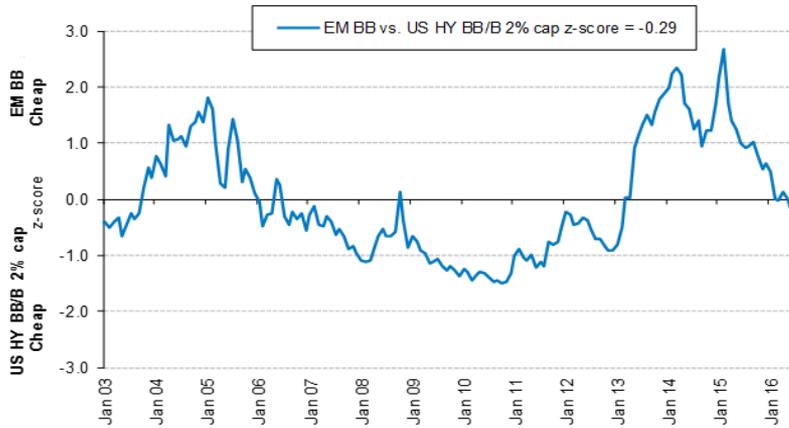
# Cross-sector update

## TCH Perspective: Within beta sectors more opportunity in *fallen angels* than *rising stars*

Relative OAS Ratio: U.S. HY vs. IG



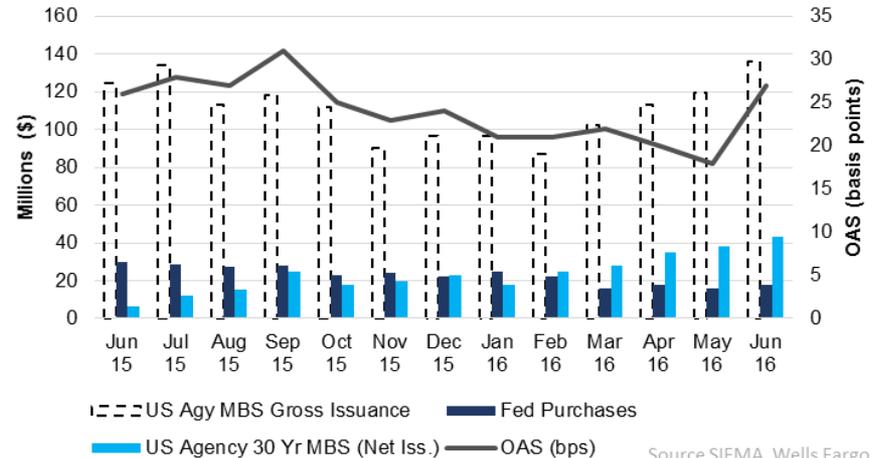
Source: Barclays



Sources: Barclays, BMO Global Asset Management

- Beta sectors, such as high yield and EMD, are likely to see continued interest from yield-seeking investors, though relative to their historical risks, they appear fairly valued
- Mortgage refinancing applications jumped 21% the first week of July as 30 year fixed rate mortgage rates fell to their lowest level since May 2013 (3.66%); While Fed purchases will provide support for U.S. agency MBS for the foreseeable future, the opportunity for further tightening is limited in this interest rate environment

U.S. Agency MBS Issuance & OAS



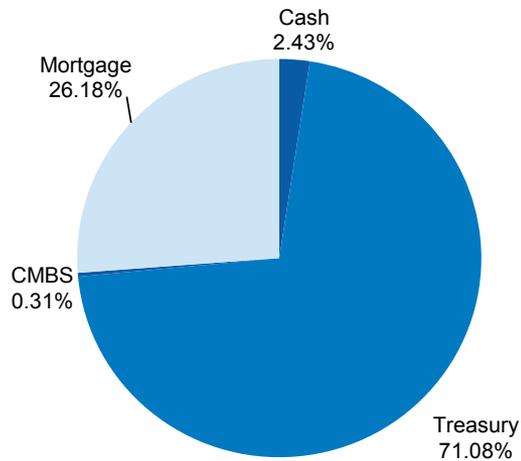
Source SIFMA, Wells Fargo

# Fixed Income Profile as of September 30, 2016

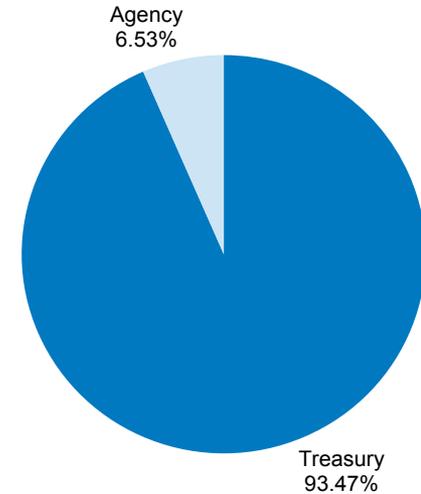
	Avg. Coupon	Yield to Maturity	Avg. Quality	Avg. Duration	Avg. Maturity
City of Naperville	2.10%	1.21%	Aa	3.91 yrs	4.35 yrs
Barclays Intermediate Government	1.79%	1.07%	Aaa	3.83 yrs	4.14 yrs

## Market Value Diversification

**City of Naperville**



**Barclays Intermediate Government**



Source: BondEdge

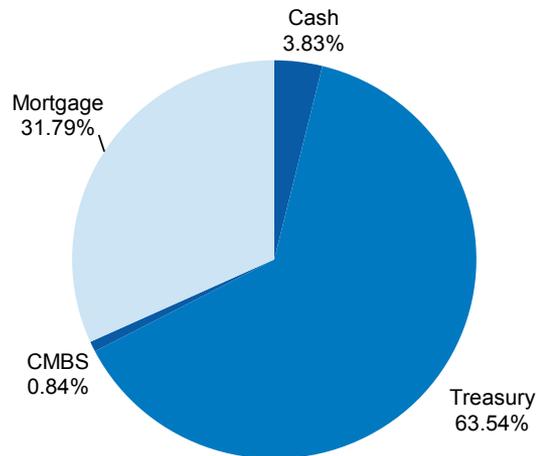
Note: Totals may not be exact due to rounding.

# Fixed Income Profile as of June 30, 2016

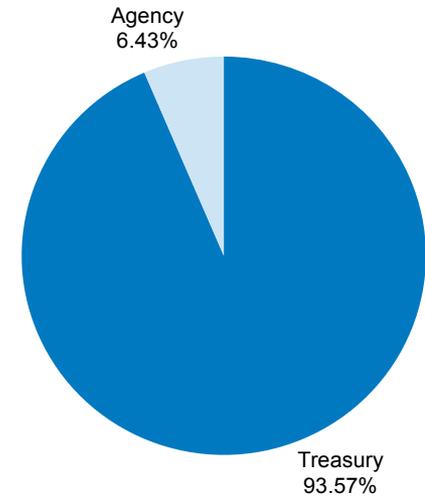
	Avg. Coupon	Yield to Maturity	Avg. Quality	Avg. Duration	Avg. Maturity
City of Naperville	2.48%	0.91%	Aa	3.91 yrs	4.14 yrs
Barclays Intermediate Government	1.81%	1.10%	Aaa	3.91 yrs	4.20 yrs

## Market Value Diversification

**City of Naperville**



**Barclays Intermediate Government**



Source: BondEdge

Note: Totals may not be exact due to rounding.

# Appendix

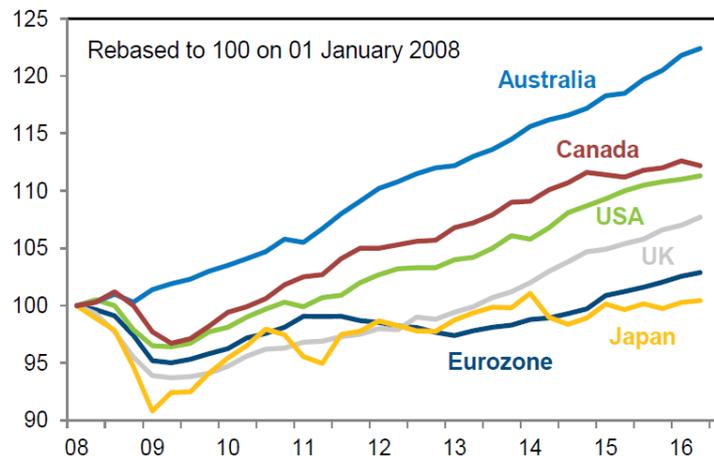
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# Global Economic Snapshot

While there are few undervalued asset classes and policy risks remain elevated in Europe, global growth remains just strong enough to support risk assets.

- Recovery from the global financial crisis has not been uniform across developed countries. Of the major economies, the United States has outpaced Japan and Europe in GDP growth since 2008.
- Policy risk in the U.S. poses less of a threat than in Europe, which leaves the U.S. slightly more supportive of risk assets. There are reasons to think the effect of the election's outcome on markets may be muted, notwithstanding some short-term volatility.
- Of the two factors that drive economic growth (demographics and productivity), productivity (output per hour) has been stubbornly low for the last few years. Some believe that productivity will increase due to new technologies and also argue that official measures of economic growth understate the real extent of progress because they don't fully account for the benefits of truly new goods.

### Real GDP: Major developed economies



Source: Thomson Reuters Datastream

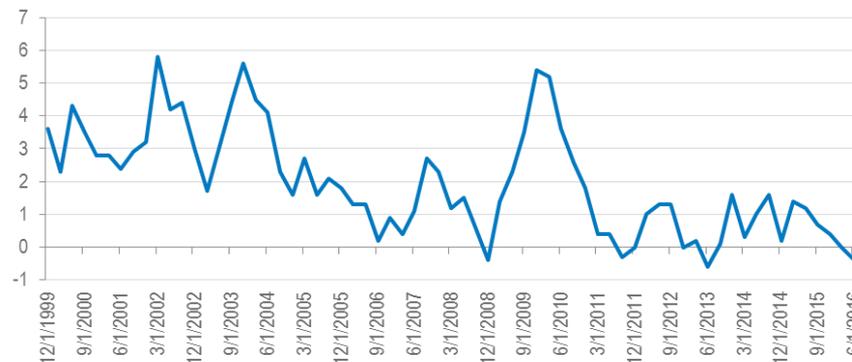
### S&P 500 annualized returns since World War II

President	Party	Real Return*
William J. Clinton	D	16.5%
Barack Obama	D	15.7%
Dwight D. Eisenhower	R	15.0%
Ronald Reagan	R	13.1%
Harry S. Truman	D	13.0%
George H.W. Bush	R	11.5%
Lyndon B. Johnson	D	9.2%
Gerald R. Ford	R	9.0%
John F. Kennedy	D	7.7%
Jimmy Carter	D	2.2%
George W. Bush	R	-8.6%
Richard M. Nixon	R	-9.8%

\*Return above the rate of inflation.

Source: Bloomberg, BMO Global Asset Management

### U.S. productivity (yoy % change)



Source: Bureau of Labor Statistics

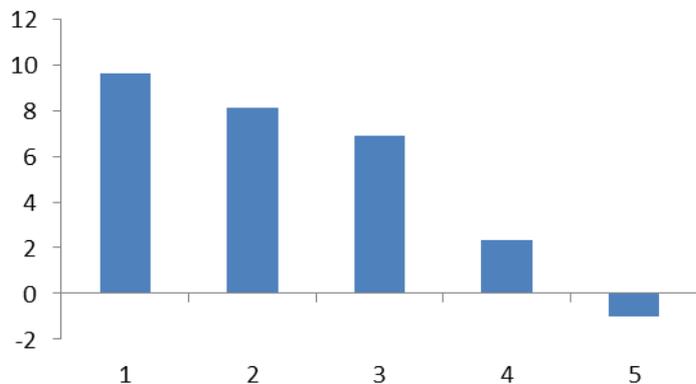
# U.S. Equity Markets

In the third quarter of 2016, the global stock market saw a reversal in trends from the first half of the year.

- Many of the headwinds that have presented challenges for U.S. corporations have subsided. Crude oil prices have recovered, closing the quarter at \$48 a barrel, and the U.S. dollar has continued to weaken, shedding approximately 2.5% year-to-date. As a result, analysts currently expect earnings growth of 5.6% in Q4 and 13.0% for all of 2017.
- Pro-risk sentiment was supported by both the stabilization of crude oil prices and the Chinese economy, which resulted in the outperformance of higher-risk cyclical stocks relative to defensive “bond proxy” peers.
- The traditionally low-risk sectors (Utilities, Telecoms, Consumer Staples) that outperformed last quarter gave up some of their returns as riskier sectors rallied (Technology, Financials).

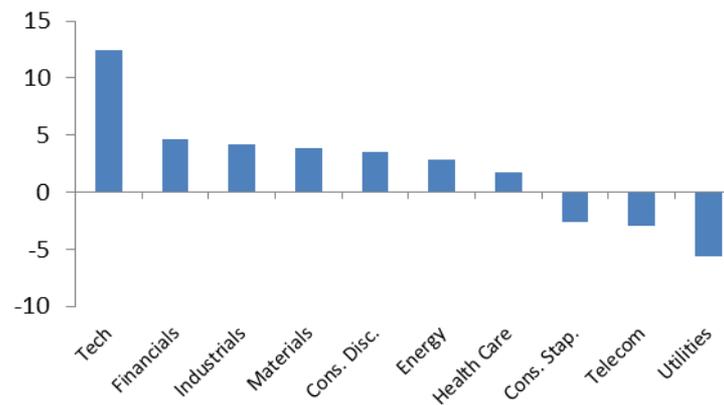
U.S. Equity (% returns)	Trailing as of 9/30/16				
	Index	Q3 '16	Ytd '16	1yr	3yr
S&P 500	3.85	7.84	15.42	11.15	16.36
Dow Jones (DJIA)	2.78	7.21	15.46	9.23	13.77
Russell 1000	4.03	7.92	14.93	10.78	16.41
Russell 2000	9.05	11.46	15.47	6.71	15.82
NASDAQ	10.02	7.15	16.54	13.56	18.67

Market performance driven by risk-on sentiment



Russell 1000 Index shown above.  
Data from 06/30/2016 - 09/30/2016  
Source: FactSet and BMO Global Asset Management

Sector returns reversed



Russell 1000 Index shown above.  
Data from 03/31/2016 - 06/30/2016  
Source: FactSet and BMO Global Asset Management

# Non-U.S. Equity Markets

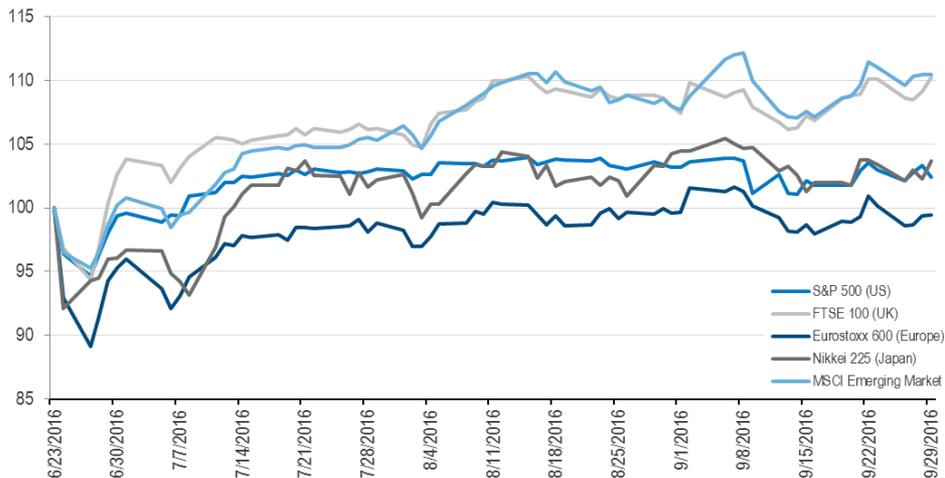
In the uncertainty surrounding the future of the European Union, which may weigh down business confidence and investment, we see risks that have not been fully priced in by the markets and maintain caution.

- Despite existing challenges in structural reform, emerging markets outperform developed indices this year as currency markets and risk rallied in the third quarter.
- After an initial shock following June's Brexit vote, markets recovered and performed well over the third quarter, led by the U.K. There may be some complacency behind this, particularly in the U.K. and Europe, where substantial policy risk remains.
- In light of positive manufacturing data out of China this quarter, trade activity has been in steady decline since the global financial crisis. The IMF observes: "Between 1985 and 2007, real world trade grew on average twice as fast as global GDP, whereas over the past four years, it has barely kept pace..."

## World Equity (% returns)

Index	Q3 '16	Trailing as of 9/30/16			
		Ytd '16	1yr	3yr	5yr
MSCI ACWI ex. USA Index (Developed & EM)	6.29	0.00	7.16	3.93	2.79
MSCI EAFE (Developed)	6.43	1.73	6.52	0.48	7.39
MSCI European Monetary Union (in EUR)	7.78	-0.04	3.55	-0.36	7.60
MSCI AC Asia Pacific	9.25	8.17	15.67	2.75	6.96
MSCI Emerging Markets	9.03	16.02	16.78	-0.56	3.03

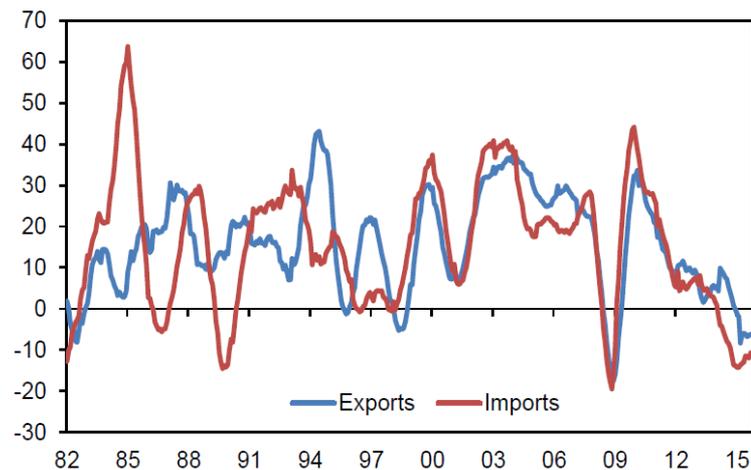
## Post-Brexit rally may signal complacency



Source: Bloomberg, BMO Global Asset Management

## China: exports and imports

1 year moving average of annual % change (ex. HK & Macau)



Source: Thomson Reuters Datastream

# Fixed Income Markets

Central bank divergence may have narrowed given the lack of Fed action versus the ECB/BOJ/BOE continuing to press forward with stimulus efforts.

- Fixed income indices posted positive returns across the board for the year-to-date period as High Yield continued to outperform Investment Grade bond indices.
- Throughout the year, expectations for a Fed rate hike fluctuated in response to economic and market events. As of September 30, the implied probability of a Fed rate hike in December is 59.3%.
- Contrary to the market conditions at the beginning of 2016 (disarray, low liquidity, energy concerns, high yield spreads at 900 bps), the dislocation between energy and high yield narrowed, and the high yield market is largely back to normal.

## Fixed Income (% returns)

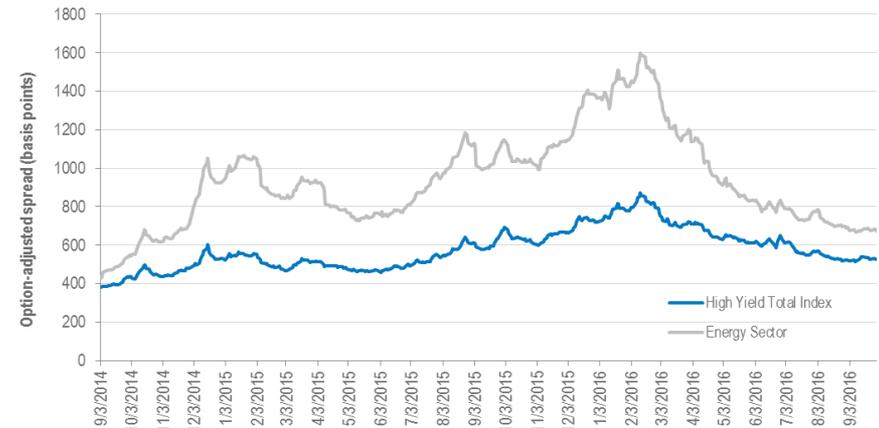
Index	Trailing as of 9/30/16				
	Q3 '16	Ytd '16	1yr	3yr	5yr
Barclays U.S. Aggregate Index	0.46	5.80	5.19	4.03	3.08
Barclays U.S. Corporate Index	1.41	9.20	8.56	5.63	5.14
Barclays U.S. Treasury Index	-0.28	5.07	4.09	3.38	2.18
Barclays High Yield Index	5.55	15.11	12.73	5.28	8.34
Barclays 1-10 yr Municipals Index	-0.11	2.58	3.40	3.34	2.95
Barclays Global Aggregate Bond Index	0.82	9.85	8.83	2.13	1.74

## Fed Funds Futures: Probability of rate hike

	Prob of Hike	0 - 0.25	0.25 - 0.50	0.50 - 0.75	0.75 - 1.0	1.0 - 1.25	1.25 - 1.5	1.5 - 1.75
November 16	17.1%	0.0%	82.9%	17.1%	0.0%	0.0%	0.0%	0.0%
December 16	59.3%	0.0%	40.7%	50.6%	8.7%	0.0%	0.0%	0.0%
February 17	61.0%	0.0%	39.0%	50.2%	10.5%	0.4%	0.0%	0.0%
March 17	65.6%	0.0%	34.4%	48.8%	15.2%	1.6%	0.0%	0.0%
May 17	67.9%	0.0%	32.1%	47.9%	17.4%	2.5%	0.1%	0.0%
June 17	72.3%	0.0%	27.7%	45.7%	21.6%	4.5%	0.5%	0.0%
July 17	72.1%	0.1%	27.8%	45.6%	21.5%	4.5%	0.5%	0.0%
September 17	75.4%	0.1%	24.4%	43.5%	24.4%	6.5%	0.9%	0.1%
November 17	76.0%	0.1%	23.9%	43.1%	24.8%	6.9%	1.1%	0.1%
December 17	79.3%	0.1%	20.6%	40.4%	27.4%	9.4%	1.9%	0.2%

Data as of 9/30/2016  
Source: Bloomberg L.P., BMO Global Asset Management

## The high-yield market has normalized



Source: Barclays, Bloomberg L.P.

Taplin, Canida & Habacht  
**PORTFOLIO APPRAISAL**  
**City of Naperville**

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September 30, 2016

Quantity	Security	Price	Market Value	Pct. Assets	Accrued Interest	Cusip
<b>U.S. GOVERNMENT AND AGENCY BONDS</b>						
1,310,000	U.S. TREASURY 3.125% Due 10-31-16	100.2277	1,312,982.87	5.0	17,020.21	912828LU2
1,000,000	U.S. TREASURY 1.000% Due 12-31-17	100.3516	1,003,516.00	3.9	2,500.00	912828N55
1,500,000	U.S. TREASURY 1.000% Due 02-15-18	100.3750	1,505,625.00	5.8	1,875.00	912828H94
750,000	U.S. TREASURY 2.250% Due 07-31-18	102.6797	770,097.75	3.0	2,797.21	912828QY9
700,000	U.S. TREASURY 1.375% Due 10-31-20	101.1680	708,176.00	2.7	4,001.70	912828L99
1,000,000	U.S. TREASURY 1.625% Due 11-30-20	102.1602	1,021,602.00	3.9	5,416.67	912828M98
2,300,000	U.S. TREASURY 1.375% Due 01-31-21	101.0938	2,325,157.40	8.9	5,242.19	912828N89
2,000,000	U.S. TREASURY 1.375% Due 05-31-21	101.0820	2,021,640.00	7.8	9,166.67	912828R77
350,000	U.S. TREASURY 1.500% Due 02-28-23	100.7773	352,720.55	1.4	435.08	912828P79
1,000,000	U.S. TREASURY 2.000% Due 02-15-25	103.5547	1,035,547.00	4.0	2,500.00	912828J27
750,000	U.S. TREASURY 2.000% Due 08-15-25	103.4844	776,133.00	3.0	1,875.00	912828K74
2,700,000	U.S. TREASURY 1.625% Due 02-15-26	100.1719	2,704,641.30	10.4	5,484.38	912828P46
600,000	U.S. TREASURY 2.375% Due 07-31-17	101.4258	608,554.80	2.3	2,362.09	912828NR7
300,000	U.S. TREASURY 3.750% Due 11-15-18	106.1875	318,562.50	1.2	4,218.75	912828JR2
465,000	U.S. TREASURY 3.625% Due 08-15-19	107.7617	501,091.91	1.9	2,107.03	912828LJ7
945,000	U.S. TREASURY 2.625% Due 11-15-20	106.1602	1,003,213.89	3.9	9,302.34	912828PC8
			17,969,261.97	69.0	76,304.32	

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**PORTFOLIO APPRAISAL**  
**City of Naperville**  
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Quantity	Security	Price	Market Value	Pct. Assets	Accrued Interest	Cusip
<b>TREASURY INFLATION PROTECTED SECURITIES (TIPS)</b>						
507,415.00	TREASURY INFLATION PROTECTED SECURITIES (TIPS) 0.375% Due 07-15-25	103.2740	524,027.77	2.0	398.14	912828XL9
<b>MORTGAGE-BACKED SECURITIES</b>						
626,022.61	FGLMC POOL #G14713 2.500% Due 04-01-28	103.7840	649,711.31	2.5	1,260.74	3128MDN66
898,968.94	FNCL POOL #AP7831 2.500% Due 09-01-27	103.6730	931,988.07	3.6	1,810.42	3138MBVZ6
461,629.26	FNCL POOL #AS4720 3.000% Due 07-01-45	104.5490	482,628.78	1.9	1,115.60	3138WFBN5
203,654.63	FNCL POOL #AY6521 3.500% Due 04-01-45	105.5260	214,908.58	0.8	574.19	3138YLG70
350,000.00	FNCL POOL #MA2771 3.000% Due 10-01-46	104.0270	364,094.50	1.4	845.83	31418CCH5
226,509.40	FNCL POOL #AS6815 3.000% Due 03-01-46	104.0270	235,630.93	0.9	547.40	3138WGSD7
121,019.00	G2SF POOL #MA1996 4.000% Due 06-20-44	107.1760	129,703.32	0.5	389.95	36179QGD7
250,084.30	G2SF POOL #MA2149 4.000% Due 08-20-44	107.1860	268,055.36	1.0	805.83	36179QL66
474,072.98	GNSF POOL #626912 3.000% Due 02-20-45	105.0990	498,245.96	1.9	1,145.68	36291FN53
			3,774,966.81	14.5	8,495.65	
<b>COMMERCIAL MORTGAGE-BACKED SECURITIES--FLOATING</b>						
78,925.98	GNR SERIES 2011-42 CLASS B 3.658% Due 07-16-47	102.5000	80,899.13	0.3	232.55	38376GH60
<b>CMO'S</b>						
254,031.32	FANNIE MAE SERIES 2012-28 CLASS PT 4.000% Due 03-25-42	107.4600	272,982.06	1.0	818.55	3136A33E9

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**PORTFOLIO APPRAISAL**  
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September 30, 2016

Quantity	Security	Price	Market Value	Pct. Assets	Accrued Interest	Cusip
390.71	FGCI SERIES 2390 CLASS CH 5.500% Due 12-15-16	100.1490	391.29	0.0	1.73	31339LQ37
773,531.28	FGHL SERIES 4182 CLASS VB 3.500% Due 03-15-26	106.6420	824,909.23	3.2	2,180.93	3137B12M3
112,642.12	FHLMC REMIC SERIES 2973 5.500% Due 04-15-35	107.8840	121,522.82	0.5	499.07	31395TXY5
101,735.36	FNMA REMIC TRUST 2010-25 3.500% Due 03-25-25	102.4940	104,272.64	0.4	286.84	31398MEC6
1,000,000.00	FNMA REMIC TRUST 2011-27 3.000% Due 04-25-26	106.1180	1,061,180.00	4.1	2,416.67	31397SFQ2
621,450.83	FNR 2012-21 PJ 4 4.000% Due 03-25-41	106.7110	663,156.40	2.5	2,002.45	3136A35Z0
			3,048,414.44	11.7	8,206.23	
<b>CASH AND EQUIVALENTS</b>						
	MONEY-MARKET ACCRUAL		137.48	0.0	0.00	
	MONEY-MARKET FUNDS		635,126.04	2.4	0.00	
			635,263.52	2.4	0.00	
<b>TOTAL PORTFOLIO</b>			<b>26,032,833.63</b>	<b>100.0</b>	<b>93,636.89</b>	

# Disclosure

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**City of Naperville**  
**Financial Advisory Board**  
**Rating Sheet for Money Managers**  
3rd Quarter - Quarter Ending 9/30/16

Index of Color Coding

Performing Satisfactory
Monitoring
Warning Criteria Met

Warning Criteria	JP Morgan					BMO/TCH						
	2016					2016						
	2015		1st	2nd	3rd	4th	2015		1st	2nd	3rd	4th
a) 1 year net of fee performance falls below the Barclays Intermediate Bond Index	1st	2nd					1st	2nd				
	3rd	4th					3rd	4th				
b) 3 year net of fee performance falls below the Barclays Intermediate Bond Index	1st	2nd					1st	2nd				
	3rd	4th					3rd	4th				
c) 5 year net of fee performance falls below the Barclays Intermediate Bond Index	1st	2nd					1st	2nd				
	3rd	4th					3rd	4th				
d) Material change in the investment process has occurred that would lead one to believe that the past performance is not indicative of future results	1st	2nd					1st	2nd				
	3rd	4th					3rd	4th				
e) Organizational changes have occurred including:	1st	2nd					1st	2nd				
- Changes in professionals	3rd	4th					3rd	4th				
- Significant gain or loss of accounts or assets												
- Changes in ownership												