

**CITY OF NAPERVILLE, ILLINOIS**

**2022**

March Financial Report

**MARCH 15, 2022**



# TONIGHT'S AGENDA

---

## Local Economic Trends

- Sales and home rule sales tax trends
- Other local tax trends

## State Economic Trends

- Updates to IML revenue estimates
- State budget proposal

## National Economic Trends

- Inflation and supply chain issues
- Financial markets

**2022**

Monthly Financial Reports



# **THIS MONTH'S HIGHLIGHTS**

---

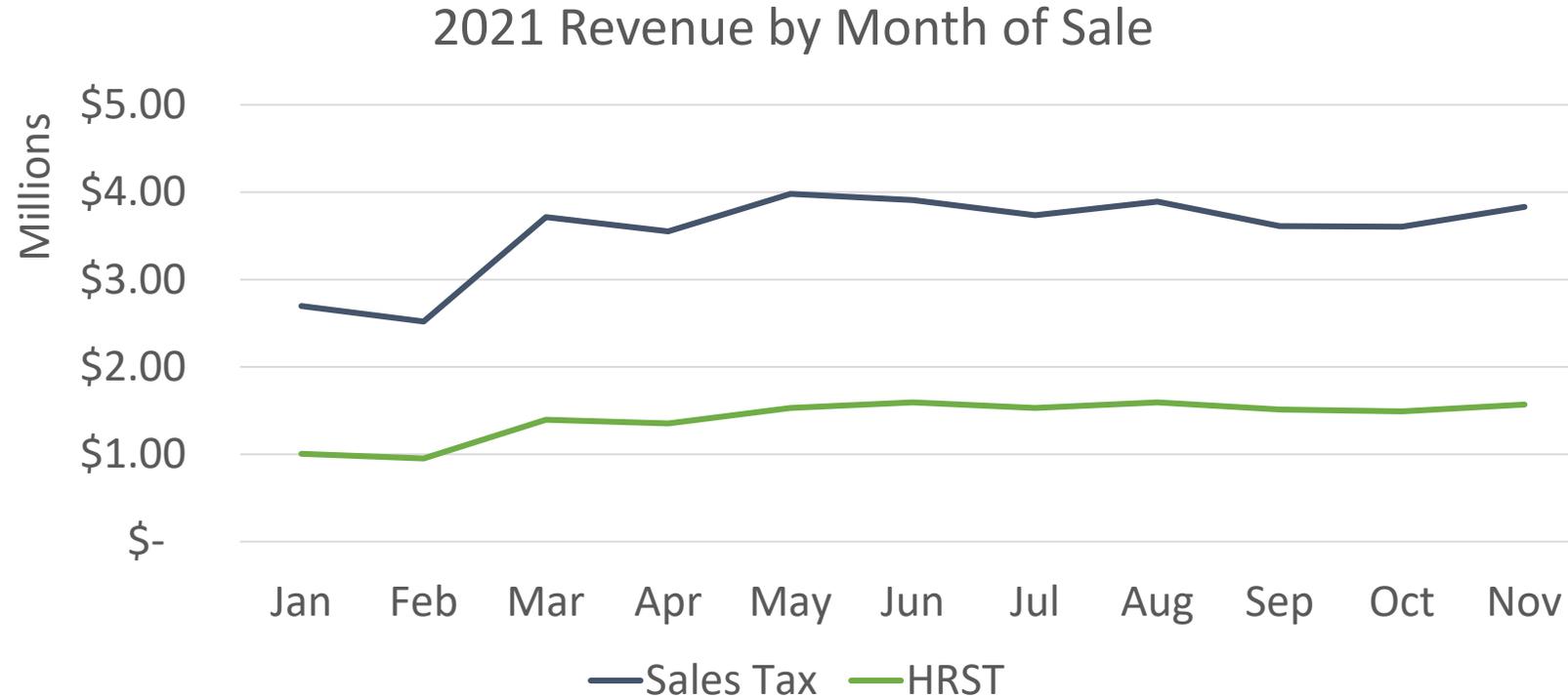
- ✓ **Revenues continue to indicate strength in the local economy**
- ✓ **Improving economic conditions statewide resulting in higher income tax estimates from IML**
- ✓ **Inflation and supply chain disruptions presenting some challenges but strong revenues currently offsetting risk**

**2022**

Monthly Financial Reports



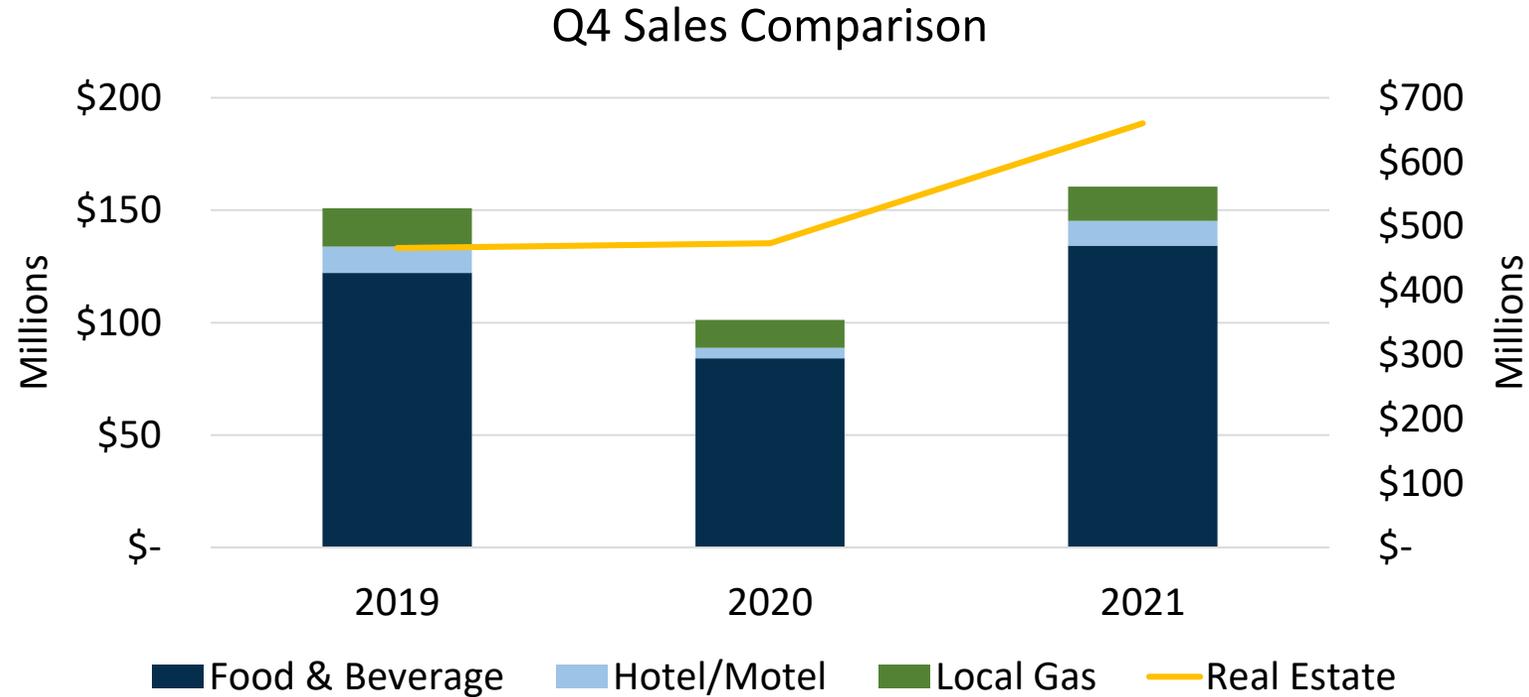
# SALES TAX TRENDS



## Positive sales tax and home rule sales tax trends carrying into 2022

- Sales tax 8% above projections through February (Nov. sales); HRST is 10% above projections
- Strong revenue expected in March (Dec. sales) – 2021 holiday sales up 14% nationally
- Revenue benefiting from recovery in consumer spending and higher cost of goods

# LOCAL TAX TRENDS



## Trends remain positive in all local tax categories when compared to 2020

- Food and beverage sales for Q4 exceeded 2019 sales by 10%
- Hotel/motel sales remained 5% below 2019 sales for Q4
- Local gas sales in Q4 remained 10% below 2019 sales
- Real estate sales outperformed Q4 sales in 2019 and 2020 by 40%

# IML REVENUE FORECAST

	CY2021 Actual (\$)	CY2022 Estimate August (\$)	CY2022 Estimate January (\$)	% Change August vs. January	Potential Budget Impact (\$)
Income Tax	132.08	122.20	132.20	8.2	1,495,400
Use Tax	41.29	40.60	38.80	4.4	(269,172)
Motor Fuel Tax	22.53	23.80	23.10	2.9	(104,678)
Transportation Renewal	16.40	16.80	17.00	1.2	29,908

## Illinois Municipal League per capita revenue estimates updated in January

- Based on actual tax collections and recent economic forecasts
- Positive income tax revision has greatest potential budget impact
- Reduction in use tax offset by higher sales tax revenue
- MFT revisions within typical margin of error for revenue forecasting

# STATE BUDGET PROPOSAL

---

## Income Tax

- No changes to Local Govt Distributive Fund (LGDF) proposed
- HB4169 proposes to increase LGDF from 6% to 8%
  - ✓ Result would be higher income tax revenue

## Sales Tax

- Proposed one-year suspensions of 1% tax on groceries, health care items, etc. – included provision to reimburse municipalities
  - ✓ Impact dependent on reimbursement methodology

## Motor Fuel Tax

- Proposed freeze of July 1<sup>st</sup> inflationary increase on MFT
  - ✓ Could impact growth of revenue dedicated to road maintenance

## Property Tax

- Proposed \$300 rebate to qualifying homeowners
  - ✓ No direct impact to City – benefit to residents

# INFLATION & SUPPLY CHAIN

---

## **12-month inflation at 7.5% (CPI-U) as of Dec. 2021**

- Gasoline/diesel up 28%
- Vehicle parts up 15-30%
- Natural gas up 95%

## **March U.S. labor report showed wage growth of 5.1% year over year**

- Expected to impact service-based contracts
- Likely to result in future increases in personnel costs

## **Supply chain disruptions impacting material and equipment orders**

- Electric distribution transformers – 2 years
- Ductile iron pipe (water mains) – 36 weeks
- Facility backup generator – 1 year
- Large vehicles – 1 year or more

# FINANCIAL MARKETS

---

## **Pension funds benefit from strong investment returns**

- Firefighters and Police pension – 12%; IMRF pension – 16%
- Positive impact on future years' contributions

## **City investment account experienced poor performance**

- Total return of -1.6% in 2021 after two years of outperformance
- Conservative investments underperformed – no stock exposure

## **Series 2022A bonds issued at higher-than-expected interest rate**

- \$7.1 million issued at 2.67% compared to estimate of 2.25%
- Still better than borrowing rates in 2017 and 2018

# FUTURE TOPICS

---

## **Trend Reporting**

- Continue monitoring & reporting on economic trends impacting the budget

## **Quarterly Budget Report**

- Q1 budget summary in April

## **Food & Beverage Tax**

- Consideration of changes to food & beverage tax allocations

## **American Rescue Plan Act**

- Developing investment plan for \$13.4 million federal recovery funds

**2022**

Monthly Financial Reports



# QUESTIONS?

---

