

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

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THIS MONTH'S HIGHLIGHTS

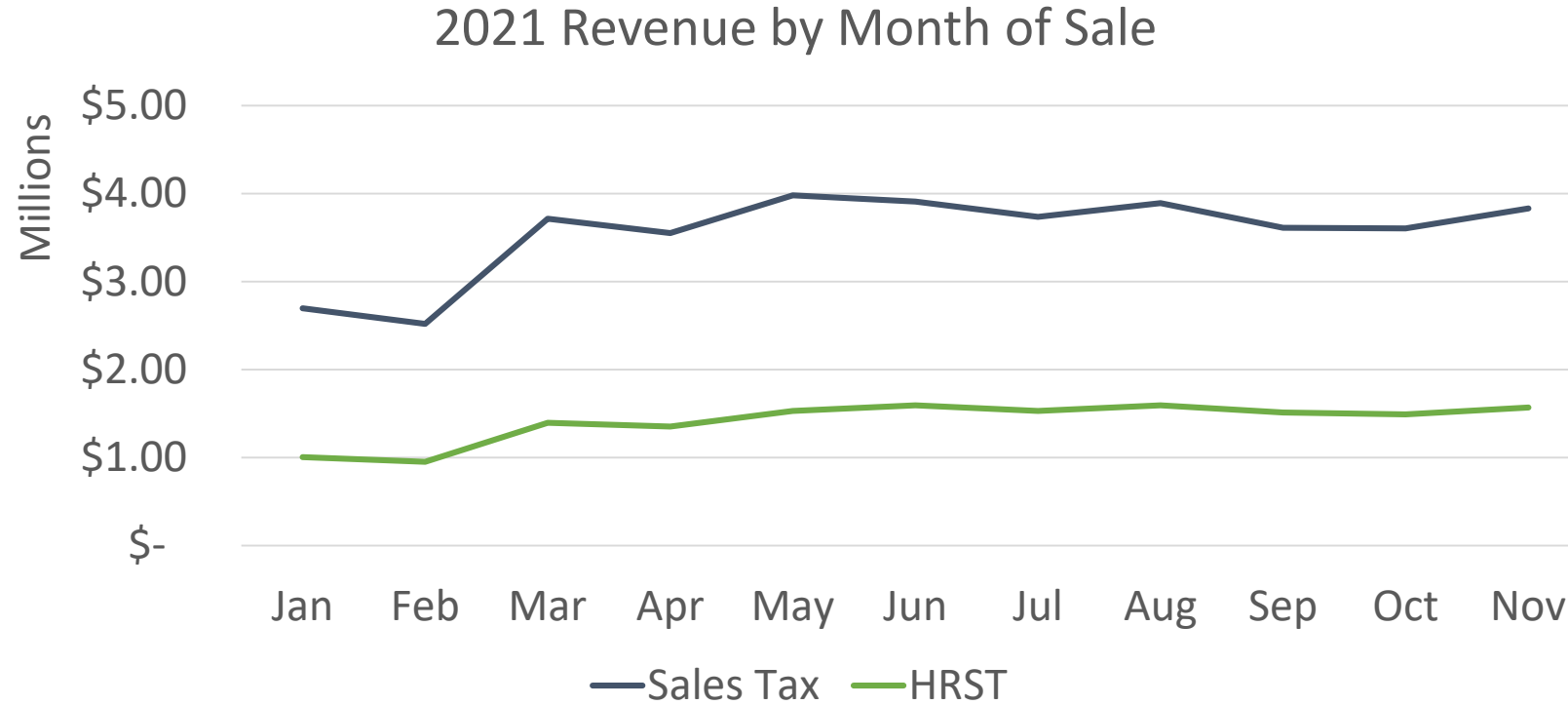
- ✓ **Revenues continue to indicate strength in the local economy**
- ✓ **Improving economic conditions statewide resulting in higher income tax estimates from IML**
- ✓ **Inflation and supply chain disruptions presenting some challenges but strong revenues currently offsetting risk**

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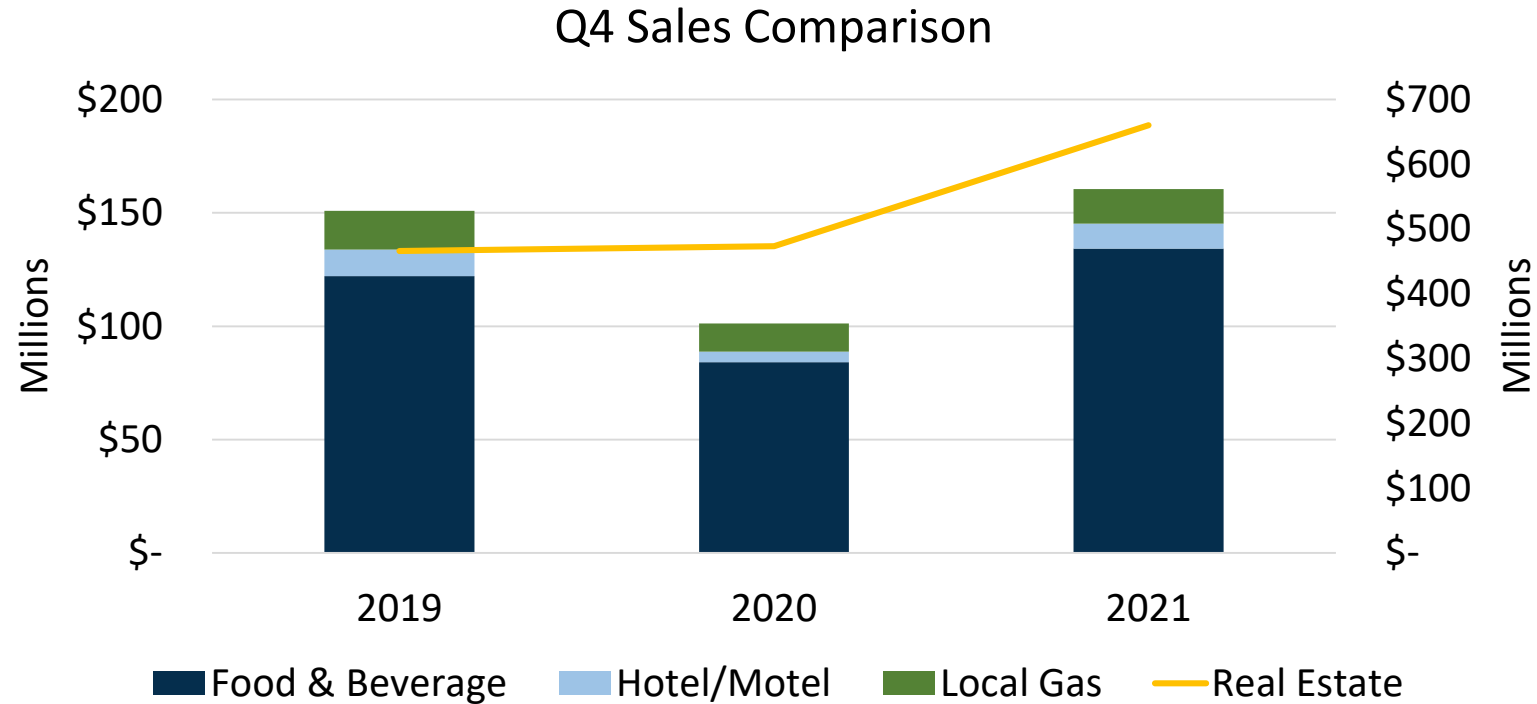
SALES TAX TRENDS



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 1st 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

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QUESTIONS?

