

# City of St. Charles, Illinois Popular Annual Financial Report

---

Fiscal Year Ended April 30, 2022





# A Message from the Mayor

To the Residents and Businesses of St. Charles:

I am pleased to present the 2022 Popular Annual Financial Report for the City of St. Charles for the fiscal year ending April 30, 2022.

The City of St. Charles has a proud tradition of responsible financial stewardship under the direction of our City Council. This report was produced to make City finances clear and understandable. We believe promoting transparency of the City's financial information is good government and promotes accountability to the citizens we serve.

This Popular Annual Financial Report is an abbreviated version of the lengthier Annual Comprehensive Financial Report with a focus on the General Fund and major utility funds. Both reports have received Certificates of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association in past years.

Inside, you will find information about the City's finances clearly summarized. This report also illustrates how resources are allocated to provide the citizens of St. Charles with professional, reliable services, and a well-maintained infrastructure. You are entitled to this information and I believe we all benefit when our residents and businesses have a greater understanding of how their government operates.

We are happy to report that we are recovering well in the wake of the COVID-19 pandemic. Tourism, hotel tax, and sales tax figures have rebounded and performed better than expected.

All of our financial documents are available on the City website. I invite you to contact me or our Director of Finance, Bill Hannah, if you have any questions about the City's finances.

Sincerely,

Lora A. Vitek  
Mayor

## Table of Contents

02	A Message from the Mayor	10	Electric Fund
03	Government Organization	12	Sewer Fund
04	City Profile	14	Water Fund
05	City Initiatives	16	Revenue Trends
07	Fiscal Condition	18	Debt Status
08	General Fund	19	About the PAFR

# City of St. Charles Government Organization

## Mayor and City Council



Lora Vitek  
Mayor



Richard Balla  
Alderperson Ward 1



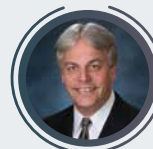
Ronald Silkaitis  
Alderperson Ward 1



Rita Anne Payleitner  
Alderperson Ward 2



Ryan Bongard  
Alderperson Ward 2



Todd Bancroft  
Alderperson Ward 3



Paul D. Lencioni  
Alderperson Ward 3



Bryan Wirball  
Alderperson Ward 4



David A. Pietryla  
Alderperson Ward 4



Ed Bessner  
Alderperson Ward 5

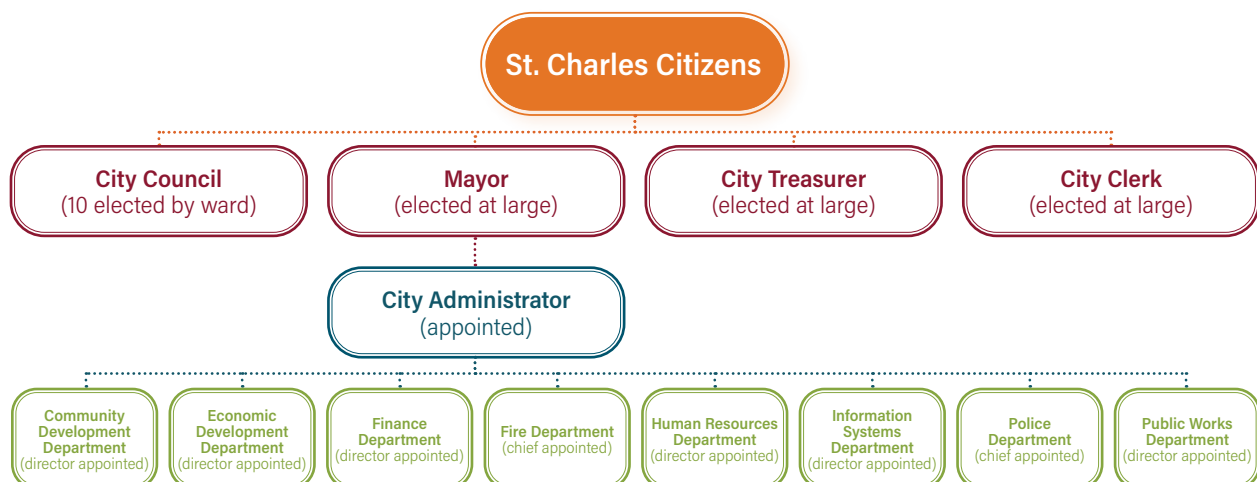


Steve Weber  
Alderperson Ward 5

St. Charles has an Aldermanic-City form of government, which consists of 10 Alderpersons, a Mayor and a City Administrator. The Alderpersons and Mayor are elected officials who serve four-year terms on the City Council. The City of St. Charles is divided into five wards. Two Alderpersons from each ward are elected to represent their ward on the City Council and serve staggered terms. The City Clerk and City Treasurer are elected at large.

The City Council is responsible for establishing policy, passing ordinances, adopting the budget, and appointing the City Administrator and department directors. Other offices and vacancies are filled by appointment by the mayor, with the advice and consent of the City Council.

The City Administrator is responsible for carrying out the policies and ordinances of the City Council and overseeing the day-to-day operations of the City. City services are provided by eight City departments: Administration, Community Development, Economic Development, Finance, Fire, Human Resources, Information Systems, Police, and Public Works.



# City Profile

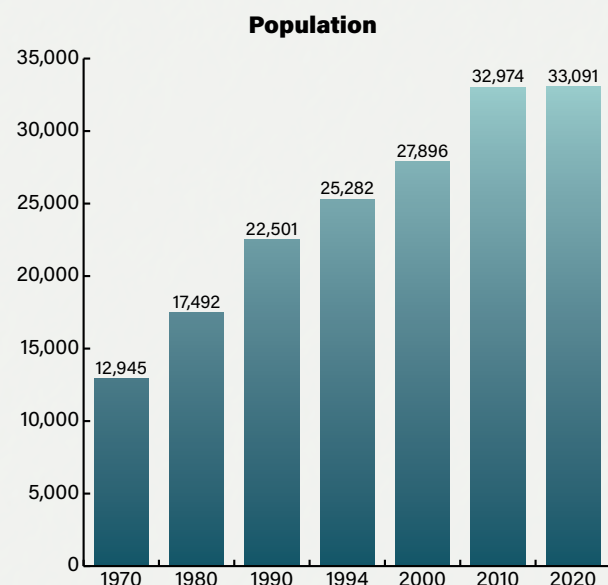
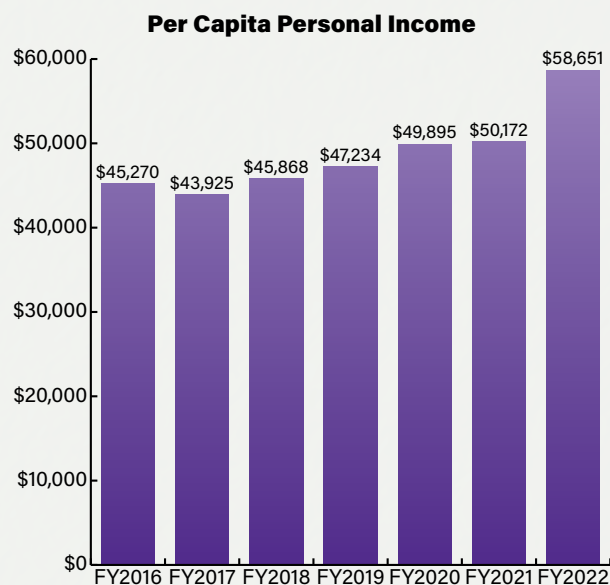
The City, incorporated as a town in 1853 and as a City in 1874, is located approximately thirty four miles west of Chicago, with a land area of about 16.4 square miles. The City became a Home Rule community in 1995 due to a special census count conducted in 1994, which resulted in a population count of 25,282. As a result of its Home Rule status, the City has greater local

authority to regulate and finance its operations. As of April 1, 2020, the U.S. Bureau of the Census estimates the City's population at 33,091. There are approximately 275 full time equivalent employees that work for the City of St. Charles including 48 full-time sworn firefighters and 60 full-time sworn police officers.

Top Five Principal Employers	# Of Employees
St. Charles Community Unit School District 303	1,785
RR Donnelley & Sons	795
St. Charles Park District	440
Nidec Mobility America Corp	441
Smithfield Foods	517

US Census Bureau, 2014-2018 ACS 5-Year Estimates	
Median Home Value	\$303,000
Median Age	41.3

Principal Property Tax Payers	Taxable Assessed Value
Legia St. Charles Associates LLC	25,373,689
Prairie Winds LLC	18,744,520
Q-Center LLC	16,061,177
AMVF St Charles LLC	8,772,790
Axiom St. Charles LLC	7,761,448
FLT Park Shore LLC	7,266,640
Walnut I LLC	7,132,286
RR Donnelley & Sons	5,663,370
Smithfield Packaged Meats Corp	5,590,098
Costco Wholesale Corp	5,578,231





# City Initiatives

There were a number of major initiatives that began, continued or were completed during Fiscal 2022, including:

## Public Services

During FY 2022, the Public Services Department completed construction on Phase 1 of the First Street Plaza expansion. This project will transform a once vacant piece of property and a public right-of-way into an attractive usable public space in the heart of the City's downtown. The City of St. Charles partnered with the St. Charles Initiative to fund this project. Also, a \$600,000 grant from Exelon corporation subsidized the City's purchase of the land.

## Economic Development

The Economic Development Department issued a request for conceptual proposals for the redevelopment of the former St. Charles Police Station site and contiguous property along the Fox River. Four proposals were received from different real estate development firms. During the next fiscal year, a workshop allowing City Council to provide input on the four conceptual plans will be held and their comments used to refine the designs. The individual firms will be invited to present their redevelopment vision to City Council with a goal of identifying one plan to implement.

## Fire Department

The St. Charles Fire Department once again was awarded a Public Protection Class 1 rating by the Insurance Services Office (ISO). The Fire department first achieved this elite rating in 2015. Protection classes are graded on a scale from 1 to 10, with Class 1 being the highest rating possible. There are 1772 fire departments in Illinois and only 27 of these have earned an ISO Class 1 rating.

## Police Department

The St. Charles Police Department was awarded National Accreditation by the Commission on Accreditation for Law Enforcement Agencies (CALEA). CALEA maintains professional standards for public safety to improve the delivery of services by participating law enforcement agencies. The Police department first achieved its accredited status in 1989, when it became one of the first agencies in the State of Illinois to become Nationally Accredited.

The Police department also reinstituted a K-9 program to assist in various aspects of policing services. Two canines became official members of the St. Charles Police Department during FY 2022. Saint assists with searches, tracking and apprehension of perpetrators, and Charlie provides comfort and support to victims and witnesses of traumatic incidents.



## Human Resources Department

The Human Resources department partnered with Public Works and Finance to negotiate a four-year agreement with the IBEW Union (Electric Division of Public Works). It also transitioned the City's health insurance from a self-insured model to an insurance cooperative with the strategic goal of addressing stop loss insurance rate increases and providing stable insurance rates for City employees. This City has not been immune to the effects of a tight labor market and HR led the recruitment and onboarding efforts for a new Director of Finance and a new Director of Economic Development. Finally, HR worked with an outside consultant to conduct a compensation study focused on external marketability and internal equity, ensuring the City's competitive edge for top talent in the municipal labor market.

## Information Systems Department

During FY 2022, the Information Systems Department migrated the City's connection to the public switched telephone network to an all-digital system that provides redundancy and continuity services. In addition, the Department completely replaced and modernized the City's computer network infrastructure.

## Public Works Engineering Division

The Public Works Engineering Division completed the 7th Avenue Creek Stream Restoration Project which improves water quality in the 7th Avenue Creek and the Fox River by reducing nonpoint stormwater pollution. This project entailed the implementation of 2.9 acres of riparian area restoration, 1,870 centerline feet of streambank protection, and stream channel restoration. This project was the recipient of funding through the United States Environmental Protection Agency's (EPA) Section 319 grant program and the Illinois EPA's Green Infrastructure Grant Opportunity (GIGO) Program.



"PULSE DESIGN NATURE SERIES" Interpretive Trail Sign #030-2436-02C-7421, Size 24"x36", ©2021 Pulse Design, Inc. To Order: Call 708-385-1308 or Visit: [www.pulsedesign.com](http://www.pulsedesign.com)  
4-1-2021 City of St. Charles, IL, Proof #3



# Fiscal Condition

Net position over time may serve as a useful indicator of a government's financial position. In the case of the City of St. Charles, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$262.8 million at the close of FY 2022. The City uses a Statement of Net Position to demonstrate condition based on the year's financial activities. The statement distinguishes governmental activities (general government, public safety, highways & streets, and economic development) from business-type activities (e.g. electric, sewer, water). The following table reflects the condensed Statement of Net Position with a comparison to FY 2021.

## Net Position

At \$226.6 million, the largest portion of the City's net position is its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are

not available for future spending. The next component of the City's net position is restricted net position in the amount of \$8.0 million. Restricted net position represents resources that are subject to use constraints, such as for Highways and Streets, and Debt Service.

As of April 30, 2022, the City's combined unrestricted net position was \$28.2 million. For business-type activities, the City reported a positive balance of \$48.2 million in unrestricted net position. The deficit net position for the governmental activities of \$20.0 million is the result of the net pension liabilities and related activity for the City's Police and Firefighters' Pension Funds. The implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, in FY 2016, requires the recognition of net pension liabilities and deferred outflows of resources as of fiscal year end which total \$69.1 million and \$13.3 million, respectively. Prior to FY 2016, the City's obligations to the pension funds did not impact the City's Statement of Net Position.

## Statement of Net Position As of April 30, 2022 and 2021 (in millions)

	Government Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
<b>ASSETS</b>						
Current and Other Assets	\$93.0	\$78.7	\$73.7	\$59.8	\$166.7	\$138.5
Capital Assets	190.2	191.9	186.0	167.3	376.2	359.2
<b>Total Assets</b>	<b>283.2</b>	<b>270.6</b>	<b>259.7</b>	<b>227.1</b>	<b>542.9</b>	<b>497.7</b>
Deferred Outflows of Resources	16.2	12.2	1.2	1.8	17.4	14.0
<b>Total Assets and Deferred Outflows of Resources</b>	<b>299.4</b>	<b>282.8</b>	<b>260.9</b>	<b>228.9</b>	<b>560.3</b>	<b>511.7</b>
<b>LIABILITIES</b>						
Current and Other Liabilities	8.5	8.7	10.5	6.5	19.0	15.2
Long-Term Liabilities	164.7	150.8	80.2	67.6	244.9	218.4
<b>Total Liabilities</b>	<b>173.2</b>	<b>159.5</b>	<b>90.7</b>	<b>74.1</b>	<b>263.9</b>	<b>233.6</b>
Deferred Inflows of Resources	28.3	32.0	5.3	3.2	33.6	35.2
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>201.5</b>	<b>191.5</b>	<b>96.0</b>	<b>77.3</b>	<b>297.5</b>	<b>268.8</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	109.9	111.8	116.7	113.5	226.6	225.3
Restricted	8.0	6.5	-	-	8.0	6.5
Unrestricted	(20.0)	(27.0)	48.2	38.1	28.2	11.1
<b>Total Net Position</b>	<b>\$97.9</b>	<b>\$91.3</b>	<b>\$164.9</b>	<b>\$151.6</b>	<b>\$262.8</b>	<b>\$242.9</b>

# General Fund

The General Fund is the primary operating fund of the City and accounts for resources used to support core municipal services including police and fire protection, public works, community development, and economic development. In addition, general government services such as administrative and financial services, information technology, human resources, the City Administrator's office, and communications are funded primarily through the general fund.

## Revenue Trends

Significant sources of General Fund revenue include property, sales, income, hotel, and alcohol taxes as well as franchise fees. Charges for services, license and permit fees, fines, investment income, local fuel taxes, grant and other miscellaneous revenues also provide the General Fund with income.

In total, FY 2022 General Fund revenue grew by approximately \$4,365,700 when compared to the previous year. Municipal sales and use tax revenues surpassed FY 2021 by \$3,854,300 or 19.2%. The sales tax generated from automobile sales rose sharply because of greater demand and retail price increases. Also, the sales tax produced by pharmaceutical and eating establishments far outpaced the previous year as a result of inflation and due in part to the lifting of COVID restrictions. Reductions in unemployment and growth in corporate profits and employee compensation increased income tax receipts by \$972,900 in FY 2022. The travel industry rebounded from the pandemic in FY 2022 which generated an additional \$989,500 in hotel taxes as compared to the previous year. Property tax increased \$308,200 year over year due to the 2.2% rise in the City's EAV. In FY 2021, the General Fund received \$1.9 million of Coronavirus Relief Funding which elevated grant

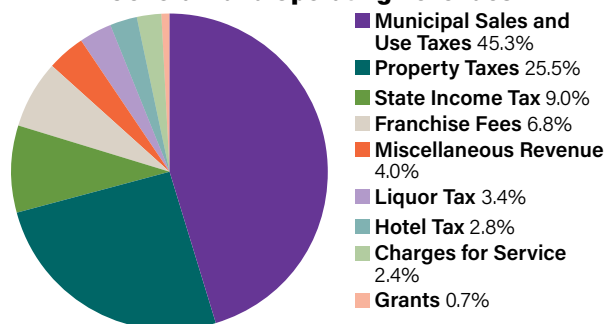
revenue in comparison to the current year. Charges for services were greater in FY 2022 due to the filming of a movie which generated additional special event revenues and as a result of increased developer activity and developer paid fees.

## Operating Expenditure Trends

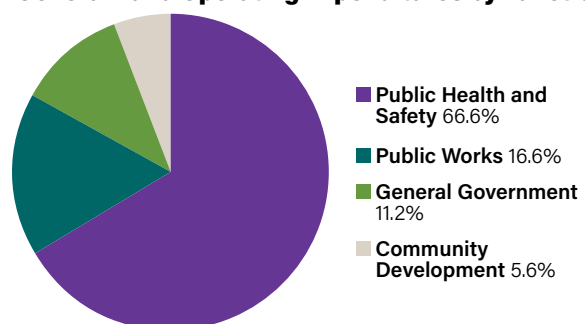
The single largest expenditure in the General Fund is personnel services. During FY 2022 employee compensation and benefit expenditures increased \$1.7 million or 5.1%. Police and firefighter pension contributions were \$749,200 more in FY 2022 which accounts for a portion of this increase. The remaining \$944,900 increment is mainly due to annual cost of living and merit increases and to a lesser extent increases in health insurance charges. Fewer purchases of snow and ice removal chemicals reduced material and supply expenditures in FY 2022. Contractual service expenditures grew year over year due in part to unusually high employee recruitment costs, and increased Business Incentive and Façade Improvement grant payments. Other Operating expenditures were larger because the annual \$1.4 million funding for vehicle replacements was reinstated. This program was not funded in FY 2021 as a cost saving measure. The General Fund allocates costs to other City funds to recoup expenditures related to the public works facility as well as administrative services provided by various City departments. The FY 2022 allocation was increased to reflect the rising cost of providing this support.

In FY 2022, a \$1.9 million transfer-in from the Police Building Capital Project Fund was made to return the remainder of funds previously transferred from the General Fund. Transfers-out were \$4.450 million greater in FY 2022 than FY2021. The unanticipated growth in

**General Fund Operating Revenues**



**General Fund Operating Expenditures by Function**





several revenue streams, allowed the General Fund to transfer an additional \$1.68 million to the Capital Projects Fund. Transfers of \$1.84 were also made to the Sewer and Water Funds for costs incurred to construct utilities related to development. In addition, the transfer to pay debt was approximately \$800,000 greater than the previous year.

## Fund Balance

In FY 2022, total fund balance increased \$1,704,494 to \$31,856,912. The City has established a policy of maintaining a minimum of 25% of the amount of General Fund expenditures and transfers-out in unassigned fund balance. As of April 30, 2022, the unassigned portion of fund balance was \$24,870,571 or 47.0 percent of total General Fund expenditures and transfers-out.

## Statement of Revenues, Expenditures, and Changes in Fund Balance

GENERAL FUND	FY2022	FY2021	FY2020
<b>REVENUES</b>			
Property Taxes	\$13,448,114	\$13,139,911	\$12,893,492
Municipal Sales and Use Taxes	23,910,130	20,055,815	18,311,993
Franchise Fees	3,607,490	3,516,263	3,500,594
State Income Tax	4,752,990	3,780,050	3,573,864
Hotel Tax	1,499,765	510,280	2,136,291
Alcohol Tax	1,794,527	1,603,277	1,967,058
Charges for Service	1,258,687	1,051,629	1,027,069
Grants	343,938	2,291,132	200,178
Miscellaneous Revenue	2,136,157	2,437,691	3,101,787
<b>TOTAL REVENUES</b>	<b>\$52,751,798</b>	<b>\$48,386,048</b>	<b>\$46,712,326</b>
<b>EXPENDITURES</b>			
Personnel Services	\$34,694,474	\$33,000,465	\$31,505,454
Materials and Supplies	1,339,211	1,545,537	1,453,393
Contractual Services	9,719,575	9,435,419	9,086,388
Other Operating	1,828,732	352,842	1,628,425
Allocated Costs to Other Funds	(5,877,193)	(5,082,588)	(5,260,212)
<b>TOTAL EXPENDITURES</b>	<b>\$41,704,799</b>	<b>\$39,251,675</b>	<b>\$38,413,448</b>
<b>Excess Of Revenues Over Expenditures</b>	<b>\$11,046,999</b>	<b>\$9,134,373</b>	<b>\$8,298,878</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from the Sale of Capital Assets	3,025	-	-
Transfers In	1,876,815	659,120	289,981
Transfers (Out)*	(11,222,345)	(6,772,112)	(7,733,601)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$(9,342,505)</b>	<b>\$(6,112,992)</b>	<b>\$(7,443,620)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$1,704,494</b>	<b>\$3,021,381</b>	<b>\$855,258</b>
Net Position, May 1	30,152,418	27,131,037	26,275,779
<b>NET POSITION, APRIL 30</b>	<b>\$31,856,912</b>	<b>\$30,152,418</b>	<b>\$27,131,037</b>
<b>GENERAL FUND BALANCE</b>			
Nonspendable	\$3,947,858	\$4,518,444	\$5,105,919
Restricted	38,483	24,524	7,616
Assigned	3,000,000	6,379,225	4,163,583
Unassigned	24,870,571	19,230,225	17,853,919
<b>TOTAL FUND BALANCE</b>	<b>\$31,856,912</b>	<b>\$30,152,418</b>	<b>\$27,131,037</b>

\*Transfers out are comprised of debt service, capital outlay, and the reimbursement of services provided by other funds. These are accounted and tracked in another fund of the City. The revenue in the General Fund supports these expenditures and therefore transfers money to these funds to cover costs.

# Electric Fund

The City of St. Charles has owned and operated its own electric utility since 1892. This fund is the largest of the City's four proprietary funds in terms of revenue generation. Proprietary funds are intended to be fully self-supporting, receive no tax support, and operate exclusively on the revenue generated from the rates paid by customers. The fees charged should support the cost of operating the utility as well as the maintenance and capital improvements that must be undertaken to ensure the stability of the system.

The electric utility distributes power to more than 16,200 residential, commercial, and municipal customers. The City purchases energy from the Illinois Municipal Electric Association (IMEA). The ability to ensure a long-term and stable power supply prompted the City to execute a power purchase agreement with IMEA that remains in force until 2035.

## Revenue Trends

Approximately 98% of the revenue in the Electric Fund is derived from the sale of power as well as user fees. The remaining 2% is comprised of expense reimbursements for work performed by the electric division, administrative fees, and other miscellaneous income. There were no changes to the Electric utility's rate structure in fiscal year 2022. The 3.0% growth in service revenue was due to a significant increase in the total number of kilowatt hours billed as compared to the previous year. Three large reimbursable projects were completed in FY 2022 which contributed to the year-over-year increase in miscellaneous revenue.

## Operating Expense Trends

The single largest expense in the Electric Fund is the cost to purchase power which is included in the contractual services expense category. The cost of wholesale power declined by \$981,000 or 2.35% in FY 2022. Although a greater number of kilowatt (kWh) hours were purchased in FY 2022, the average price per kWh decreased therefore the total cost of energy also declined.

Capital additions and improvements to the electric distribution system are ongoing and increase the amount of the fund's depreciable assets causing a rise in depreciation expense. As shown in the table below, the Electric Fund's capital assets, net of depreciation, have grown year over year.

Despite annual wages increases, personnel service costs fell slightly in FY 2022 when compared to the prior year. Prolonged position vacancies within the Electrical division reduced wages and related benefit expenses.

In FY 2022, other operating expenses increased from the previous year because of increases in Electric Excise taxes and Municipal Franchise Fees. The State requires the City to collect and remit an excise based on kilowatt-hours sold. Also, the City charges a 5% Franchise Fee on the total utility revenue generated in the Electric Fund. The franchise fee is remitted to the General Fund to support the general operations of the City. The growth in kilowatt hours sold and service revenue generated increased these costs. Also, inventory overhead charges were greater in FY 2022 as a result of the additional reimbursable projects completed. An employee injury resulted in a significant increase to worker's compensation expenses. Lastly, additional General Fund allocations, related to facilities and other administrative services, increased other operating expenses.

## Net Position

Net position may serve as a useful indicator of the funds financial position. The largest portion of the Electric Fund's net position is its net investment in capital assets (e.g., land, infrastructure, buildings machinery, and equipment) which increased \$2.3 compared to the previous year. The unrestricted share of net position grew \$5.7 million in FY2022 and is available for spending. The trend of the Electric Fund's net position indicates growth in financial strength.

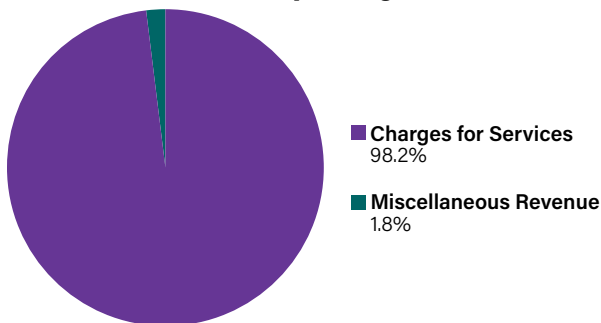
ELECTRIC FUND OPERATING INDICATORS	FY2018	FY2019	FY2020	FY2021	FY2022
Average No. Monthly Customers Billed	15,657	15,866	15,983	16,110	16,228
Billed Kilowatt Hours	514,272,091	523,955,799	497,320,225	479,368,454	499,747,360
Capital Assets (net of depreciation)	\$69,611,884	\$72,669,942	\$74,133,605	\$75,224,428	\$78,188,933



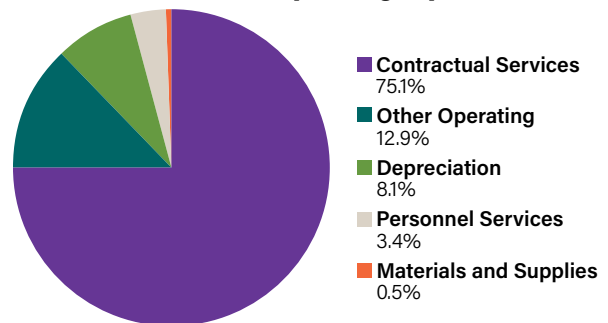
## Statement of Revenues, Expenses, and Changes in Net Position

ELECTRIC FUND	FY2022	FY2021	FY2020
<b>OPERATING REVENUES</b>			
Charges for Services	\$61,546,611	\$59,864,958	\$58,574,476
Miscellaneous Revenue	1,139,772	488,637	873,517
<b>TOTAL OPERATING REVENUES</b>	<b>\$62,686,383</b>	<b>\$60,353,595</b>	<b>\$59,447,993</b>
<b>OPERATING EXPENSES</b>			
Personnel Services	\$1,839,377	\$1,880,133	\$2,664,465
Materials and Supplies	279,882	218,417	227,469
Contractual Services	41,032,270	42,211,333	42,359,724
Other Operating	7,072,007	6,290,811	6,441,033
Depreciation	4,427,107	4,258,594	4,084,527
<b>TOTAL OPERATING EXPENSES</b>	<b>\$54,650,643</b>	<b>\$54,859,288</b>	<b>\$55,777,218</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$8,035,740</b>	<b>\$5,494,307</b>	<b>\$3,670,775</b>
<b>NON-OPERATING REVENUE (EXPENSES)</b>			
Investment Income	54,023	81,561	397,516
Connection Charges	375	-	-
Rental Income	15,000	15,000	61,623
Gain (Loss) on Sale of Fixed Assets	55,025	(15,689)	22,923
Interest Expense	(325,212)	(370,846)	(349,458)
Pole Rental	55,591	53,108	-
Other Income (Expense)	89,653	84,995	118,154
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>	<b>\$(55,545)</b>	<b>\$(151,871)</b>	<b>\$250,758</b>
<b>NET INCOME (LOSS) BEFORE TRANSFERS, CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>\$7,980,195</b>	<b>\$5,342,436</b>	<b>\$3,921,533</b>
TRANSFERS, NET	(10,773)	(116,774)	77,119
CAPITAL GRANTS AND CONTRIBUTIONS	-	-	-
<b>CHANGE IN NET POSITION</b>	<b>\$7,969,422</b>	<b>\$5,225,662</b>	<b>\$3,998,652</b>
Net Position, May 1	94,054,993	88,829,331	84,830,679
Change in Accounting Principle	-	-	143,838
<b>NET POSITION, APRIL 30</b>	<b>\$102,024,415</b>	<b>\$94,054,993</b>	<b>\$88,829,331</b>
<b>ELECTRIC FUND NET POSITION</b>			
Net Investment in Capital Assets	\$68,935,034	\$66,674,298	\$65,116,095
Unrestricted	33,089,381	27,380,695	23,713,236
<b>TOTAL NET POSITION</b>	<b>\$102,024,415</b>	<b>\$94,054,993</b>	<b>\$88,829,331</b>

**Electric Fund Operating Revenue**



**Electric Fund Operating Expenses**



# Sewer Fund

In terms of revenue generation, the Sewer Fund is the second largest of the City's proprietary funds. The City of St. Charles' Wastewater Treatment Division is responsible for ensuring that all wastewater produced by City residents is properly treated and disinfected prior to its return to the environment. The sewer system is comprised of fourteen intermediate pumping stations, two wastewater treatment facilities, and approximately 350 miles of sanitary and storm sewers. Both treatment facilities were designed and built according to the standards established by the Illinois Environmental Protection Agency and are capable of treating up to 9.7 million gallons of wastewater daily.

## Revenue Trends

Sewer user charge revenue is comprised of a usage component and a fixed monthly charge. Nearly 100% of the revenue in the Sewer Fund is derived from usage and service charges. Reimbursements for work performed by the Sewer Fund and customer account administrative fees are also collected but account for less than 1% of operating revenue. There was a 3.2% increase in service charges in FY 2022 as compared to FY 2021. This growth is due partially to the 2.0% rate increase that was implemented with the June 2021 billings. Also, billed usage rose in FY 2022 which contributed to the increase in revenue.

## Operating Expense Trends

Depreciation is the single largest expense in the Sewer Fund and fell slightly year over year despite significant additions to capital assets in FY 2022. As shown in the table below, the Sewer Fund's capital assets grew approximately \$14.5 million. Most of this increase is attributable to the \$13.1 million of additional costs incurred constructing the West Side Water Reclamation Facility. Because this project is in the construction phase depreciation is not charged. This project will be completed in FY 2023 at a total cost of \$20.8 million.

In FY 2022 contractual service expenses increased approximately \$811,000 as compared to the prior year. The main reason for this fluctuation is that the majority of sewer lining projects scheduled in FY 2021 were purposely postponed and completed in conjunction with the FY 2022 sewer lining projects. The cost of these projects approximated \$749,200 in FY 2022 compared to \$43,700 in the prior year.

Personnel service expense is comprised of the wages and employee benefits of staff responsible for operating and maintaining the wastewater treatment system. FY 2022 personnel service costs remained relatively constant despite annual wages increases. Staffing vacancies within the Sewer Fund offset wage and related benefit increases. Other operating expenses increased from the previous year because General Fund allocations for facility maintenance and other administrative services was raised in proportion to budgeted expenditures.

Non-operating revenue increased \$1.1 million in FY 2022 because the Sewer Fund received a Department of Commerce and Economic Opportunity grant to construct a tertiary building at the West Side Water Reclamation Facility. Net transfers were greater than the previous year as a result of the General Fund transferring \$1.66 million to reimburse the Sewer Fund for costs incurred to construct utilities for an auto dealership and housing development.

## Net Position

As is true of all of the City's major enterprise funds, the largest portion of the Sewer Fund's net position is its investment in capital assets (e.g., pumping stations, treatment facilities, sewers, and machinery). The unrestricted share of net position grew approximately \$3.1 million. The Sewer Fund has several sizable capital projects budgeted in FY 2023 and will utilize these funds as a financing mechanism.

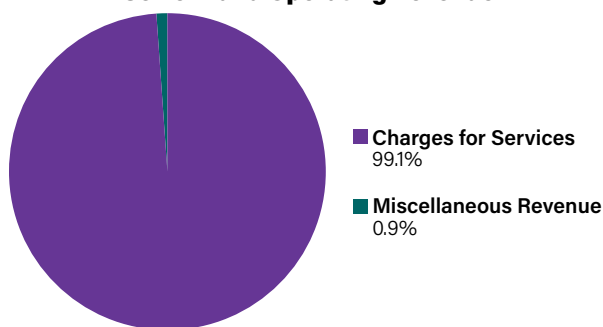
SEWER FUND OPERATING INDICATORS	FY2018	FY2019	FY2020	FY2021	FY2022
Average No. Monthly Customers Billed	15,047	15,275	15,402	15,467	15,557
Billed Usage	1,130,146	1,134,336	1,073,705	1,065,974	1,082,257
Capital Assets (net of depreciation)	\$49,219,998	\$58,402,679	\$59,103,698	\$59,297,099	\$73,778,407



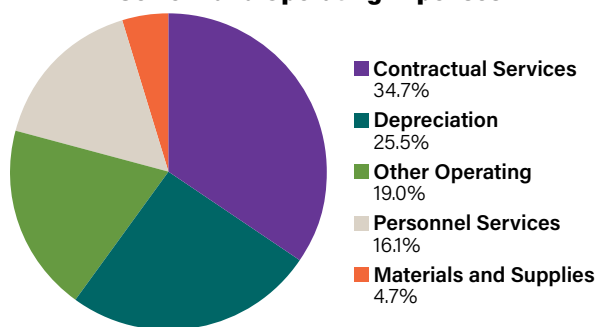
## Statement of Revenues, Expenses, and Changes in Net Position

SEWER FUND	FY2022	FY2021	FY2020
<b>OPERATING REVENUES</b>			
Charges for Services	\$11,232,949	\$10,885,511	\$10,525,974
Miscellaneous Revenue	97,133	61,199	79,286
<b>TOTAL OPERATING REVENUES</b>	<b>\$11,330,082</b>	<b>\$10,946,710</b>	<b>\$10,605,260</b>
<b>OPERATING EXPENSES</b>			
Personnel Services	\$1,533,884	\$1,516,976	\$1,918,817
Materials and Supplies	447,867	423,216	425,398
Contractual Services	3,301,718	2,490,740	2,584,885
Other Operating	1,812,004	1,474,138	1,490,611
Depreciation	2,432,604	2,460,602	2,097,133
<b>TOTAL OPERATING EXPENSES</b>	<b>\$9,528,077</b>	<b>\$8,365,672</b>	<b>\$8,516,844</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$1,802,005</b>	<b>\$2,581,038</b>	<b>\$2,088,416</b>
<b>NON-OPERATING REVENUE (EXPENSES)</b>			
Investment Income	(4,873)	24,395	137,813
Grants and Other Allotments	1,179,234	-	-
Connection Charges	250,111	290,989	155,319
Rental Income	3,060	3,060	3,060
Gain (Loss) on Sale of Fixed Assets	6,725	6,608	95,918
Interest Expense	(644,943)	(670,270)	(667,641)
Other Income (Expense)	2,708	5,858	6,033
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>	<b>\$792,022</b>	<b>\$(339,360)</b>	<b>\$(269,498)</b>
<b>NET INCOME (LOSS) BEFORE TRANSFERS, CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>\$2,594,027</b>	<b>\$2,241,678</b>	<b>\$1,818,918</b>
Transfers, Net	1,411,640	(251,105)	(253,712)
Capital Grants and Contributions	414,163	-	143,356
<b>CHANGE IN NET POSITION</b>	<b>\$4,419,830</b>	<b>\$1,990,573</b>	<b>\$1,708,562</b>
Net Position, May 1	36,041,110	34,050,537	32,341,975
Change in Accounting Principle	-	-	-
<b>NET POSITION, APRIL 30</b>	<b>\$40,460,940</b>	<b>\$36,041,110</b>	<b>\$34,050,537</b>
<b>SEWER FUND NET POSITION</b>			
Net Investment in Capital Assets	\$29,091,568	\$27,772,308	\$27,046,602
Unrestricted	11,369,372	8,268,802	7,003,935
<b>TOTAL NET POSITION</b>	<b>\$40,460,940</b>	<b>\$36,041,110</b>	<b>\$34,050,537</b>

**Sewer Fund Operating Revenue**



**Sewer Fund Operating Expenses**



# Water Fund

The Water Fund is also considered a major utility fund with revenue levels exceeding \$7.9 million. The Water Division maintains seven water supply wells, six storage reservoirs, 236 miles of water main, and approximately 12,700 domestic service connections and meters. The water supply is chlorinated and fluoridated as required by state and federal regulations. Presently, water usage averages about 4.5 million gallons per day.

## Revenue Trends

Water service revenue is comprised of a usage component and a fixed monthly charge. Substantially all of the revenue in the Water Fund is derived from charges for service. Customer account administrative fees account for the remainder of operating revenue. User charges were 10.0% higher in FY 2022 compared to FY 2021. This increase is mainly due to the 9.0% rate increase that was implemented with the June 2021 billings. In addition, the number of water gallons billed increased in FY 2022 which resulted in additional revenue being generated.

## Operating Expense Trends

There was a significant decline in the Water Fund contractual services expense when compared to the prior year. FY 2021 costs included a \$582,400 charge for painting and repairing the 10th St water tower and a \$182,500 expense for maintenance to Well 13. Also, the costs associated with water line repairs declined from \$178,100 in FY 2021 to \$54,900 in FY 2022.

Compensation and benefits not incurred due to staffing vacancies within the Water Division offset wage increases resulting in a decline in FY 2022 personnel services expense. In the current fiscal

year, materials and supplies expense decreased approximately \$101,000 as compared to the prior year. The main reason for this reduction is the water hydrant painting slated for FY 2020 was delayed and completed in conjunction with the FY 2021 hydrant painting. The cost of painting approximated \$126,400 in FY 2021, compared to \$64,300 in the current year. Also, the costs associated with street repair materials declined \$37,300 year over year because there were fewer water line repairs resulting in less street patching. The allocation charged by the General Fund for facilities and other administrative services rose in FY 2022 and increased other operating expenses. Depreciation expense increased due to the addition of capital assets in FY 2021.

Net transfers were greater than the previous year as a result of the General Fund transferring \$184,750 to reimburse the Sewer Fund for costs incurred to construct utilities for an auto dealership.

## Net Position

The Water Fund's net position increased in FY 2022 when compared to FY 2021. While the unrestricted balance increased \$1.4 million, the investments in capital assets component of net position (e.g., supply wells, storage reservoirs, buildings, and machinery) declined approximately \$376,000. The Water Fund has several large capital improvements budgeted in FY 2023 and will need to finance these projects utilizing unrestricted funds.

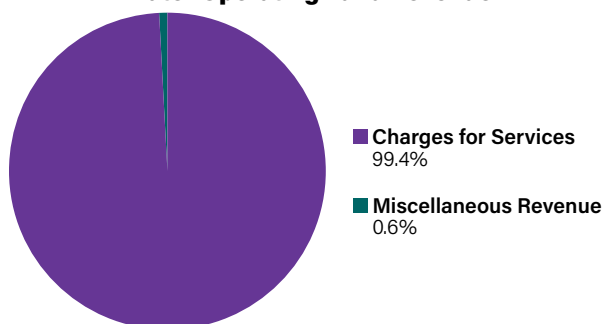
WATER FUND OPERATING INDICATORS	FY2018	FY2019	FY2020	FY2021	FY2022
Average No. Monthly Customers Billed	12,473	12,514	12,564	12,616	12,662
Water Gallons Billed	1,249,809	1,215,590	1,170,088	1,199,203	1,222,452
Capital Assets (net of depreciation)	\$31,819,908	\$32,333,908	\$32,579,057	\$32,771,317	\$34,053,331



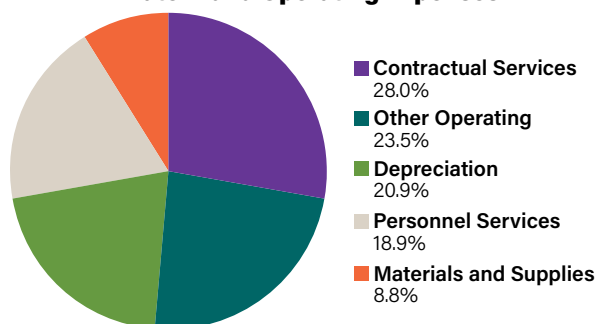
## Statement of Revenues, Expenses, and Changes in Net Position

WATER FUND	FY2022	FY2021	FY2020
<b>OPERATING REVENUES</b>			
Charges for Services	\$7,892,950	\$7,173,655	\$6,363,747
Miscellaneous Revenue	46,637	1,650	22,350
<b>TOTAL OPERATING REVENUES</b>	<b>\$7,939,587</b>	<b>\$7,175,305</b>	<b>\$6,386,097</b>
<b>OPERATING EXPENSES</b>			
Personnel Services	\$1,348,381	\$1,383,000	\$1,379,088
Materials and Supplies	625,265	726,245	485,345
Contractual Services	1,997,443	2,929,329	1,585,911
Other Operating	1,676,242	1,476,410	1,460,625
Depreciation	1,492,677	1,460,166	1,389,640
<b>TOTAL OPERATING EXPENSES</b>	<b>\$7,140,008</b>	<b>\$7,975,150</b>	<b>\$6,300,609</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$799,579</b>	<b>\$(799,845)</b>	<b>\$85,488</b>
<b>NON-OPERATING REVENUE (EXPENSES)</b>	<b>(112,624)</b>	<b>(42,876)</b>	<b>(26,193)</b>
<b>NET INCOME (LOSS) BEFORE TRANSFERS, CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>\$686,955</b>	<b>\$(842,721)</b>	<b>\$59,295</b>
Transfers, Net	8,720	(162,605)	(163,953)
Capital Grants and Contributions	295,017	-	574,479
<b>CHANGE IN NET POSITION</b>	<b>\$990,692</b>	<b>\$(1,005,326)</b>	<b>\$469,821</b>
Net Position, May 1	21,271,891	22,277,217	21,807,396
Change in Accounting Principle	-	-	-
<b>NET POSITION, APRIL 30</b>	<b>\$22,262,583</b>	<b>\$21,271,891</b>	<b>\$22,277,217</b>
<b>WATER FUND NET POSITION</b>			
Net Investment in Capital Assets	\$18,715,247	\$19,090,902	\$18,921,285
Unrestricted	3,547,336	2,180,989	3,355,932
<b>TOTAL NET POSITION</b>	<b>\$22,262,583</b>	<b>\$21,271,891</b>	<b>\$22,277,217</b>

**Water Operating Fund Revenue**



**Water Fund Operating Expenses**



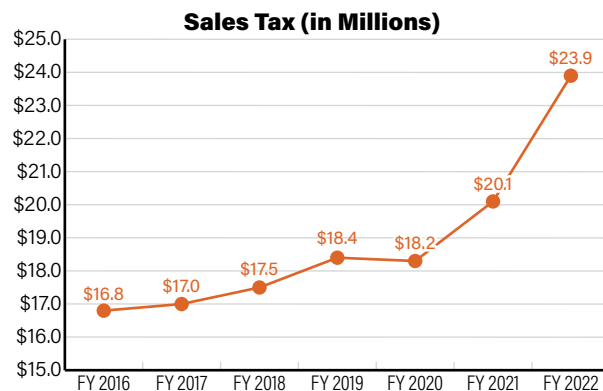
# Revenue Trends

The City of St. Charles benefits from a diversified revenue base. Sales tax, property tax, and income tax are three significant governmental revenue sources that the City relies on to provide a high-level of municipal services to residents and businesses.

## Sales Tax

The City of St. Charles receives 16% of the revenue generated by the 6.25% state sales tax on general merchandise (or 1% of gross sales). In addition, the City receives 100% of the revenue produced by the 1.00% state sales tax on food and qualifying drugs. Also, St. Charles has implemented a 1.00% local "home rule" sales tax which is collected on the same general merchandise, food, and qualifying drugs. The tax revenue that the City receives is generated from the actual sales made within the City of St. Charles corporate limits. Other taxing districts encompassing the City have also imposed a sales tax. The City's total sales tax rate is 8.00%.

The City has also enacted a 3.00% sales tax on recreational cannabis purchases which became effective on July 1, 2020. The combined amounts from state, home rule and municipal use taxes are reflected in the chart below.



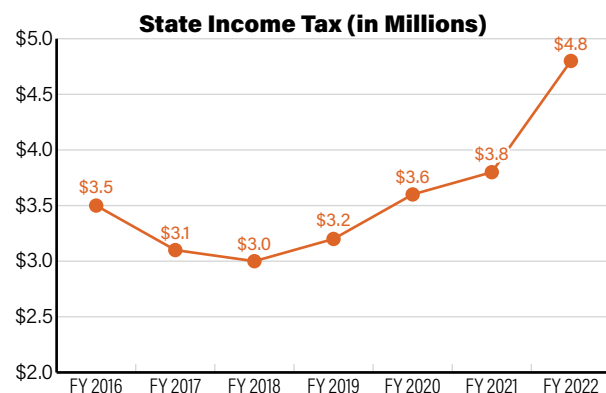
FY 2021 sales tax revenue grew approximately \$1,744,000. The opening of a recreational cannabis dispensary produced additional state shared sales tax as well as home rule recreational cannabis sales tax. Also, automobile sales far outpaced previous year sales which contributed to the increase. In addition, the city

received \$319,000 more of local use tax due to the State requiring that remote (internet) retailers and marketplace facilitators collect and remit use tax. FY 2022 sales tax revenue surpassed the prior year by \$3,854,315. The sales tax produced by pharmaceutical and eating establishments was substantially greater than FY 2021 due in part to inflation and secondly as a result of lifting COVID restrictions. Also, the sales tax revenue generated from automobile sales rose significantly because of higher demand and price inflation.

## Income Tax

The State of Illinois imposes an income tax on individuals and corporations. Illinois municipalities and counties receive a share of the income tax collected by the state through the Local Government Distributive Fund (LGDF). The LGDF distributions are based on a set distribution percentage and the local government's official census population.

On July 1, 2017, the State's income tax rates increased from 3.75% to 4.95% for individuals and 5.25% to 7.00% for corporations. However, these increases did not flow down to the municipalities or counties. To the contrary, the LGDF distribution percentage was reduced to 6.06% from 8.00% for individual income tax collections and to 6.85% from 9.14% for corporate income tax collections.



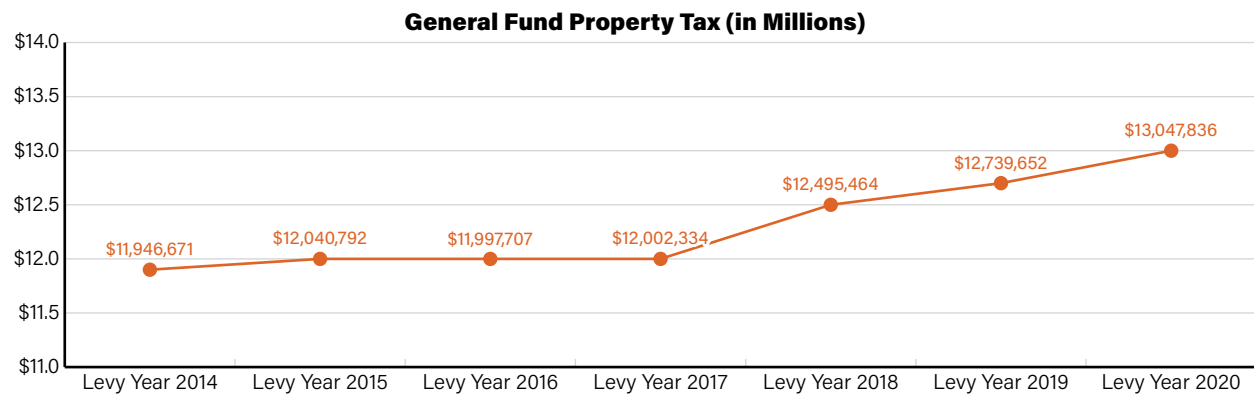
Several positive economic factors including an improved labor market, extraordinary corporate income tax receipts, and higher tax payments from individuals contributed to the growth in FY 2022 income tax revenues.



## Property Tax

Property tax is the second largest revenue source in the General Fund. As a result of the 2008 economic downturn, the equalized assessed value (EAV) of properties in St. Charles declined for six consecutive years. As a means of stabilizing this revenue stream, the property tax levy amount had been held constant at \$12,055,117 for nine years. Beginning with the 2018 property tax levy, collected in FY 2020, the City has

maintained a consistent tax rate and increased the levy in proportion to the growth in EAV. This strategy provided the General Fund with additional tax revenue. The City has the authority to levy property taxes to pay the principal and interest on outstanding General Obligation Bonds. However, past practice has been to abate the debt service portion of the property tax levy and satisfy the annual principal and interest payments utilizing other revenue sources.



A common misconception about property tax is that the entire amount a property tax owner pays is remitted to the City. As indicated by the graphic below, the City of St. Charles will receive 10.4 percent of every dollar of property tax levied in 2021, collected in FY 2023. This important revenue source pays the City's

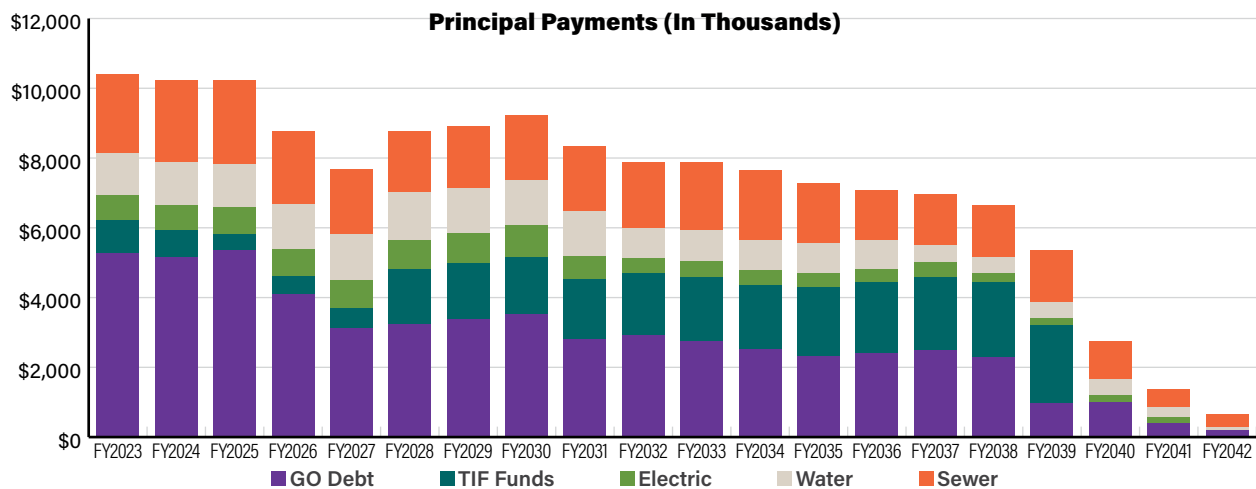
employer contributions to the Police Pension and Fire Pension Funds as well as supports public safety, public works, and mental health services. The remaining portion of each dollar, 89.6 cents, was allocated to other taxing districts.



# Debt Status

In the past, the City has issued two major forms of debt as a means of funding significant capital purchases and projects. General Obligation (GO) Bonds are direct obligations and pledge the full faith and credit of the City, and are payable from both the governmental funds and proprietary funds. In addition, the Illinois Environmental Protection Agency (IEPA) has extended

the Water and Sewer Funds low interest or no-interest loans for various projects. As of April 30, 2022, the City had \$108,920,000 of GO Bonds, \$2,665,000 of Revenue Bonds and \$45,962,656 of IEPA loans outstanding. The chart below provides information regarding the amortization of principle on these loans.



*\*\*As of April 30, 2022, the Sewer Fund had received initial loan proceeds of \$13,451,515 from the IEPA in conjunction with the building of the West Side Water Reclamation Facility. The loan agreement provides for \$20,822,600 of funding to complete this project. The graph above does not include amounts received as of fiscal year end.*

## Debt Rating

Many municipalities use Moody's Investors Service (Moody's) to calculate their bond rating. The bond rating is an important process because the rating alerts investors to the quality and stability of the bond. To that end, the rating greatly influences interest rates, investment appetite, and bond pricing. In conjunction

with the issuance of the 2021 General Obligation Bonds, the City of St. Charles received a rating of Aa1 from Moody's, the second highest possible bond rating issued by Moody's. Below is the standard rating scale utilized by Moody's.

## Global Long-Term Rating Scale

- |  |   |
|--|---|
| <p><b>Aaa</b> Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.</p> <p><b>Aa</b> Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.</p> <p><b>A</b> Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.</p> <p><b>Baa</b> Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.</p> <p><b>Ba</b> Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.</p> | <p><b>B</b> Obligations rated B are considered speculative and are subject to high credit risk.</p> <p><b>Caa</b> Obligations rated Caa are judged to be speculative of poor standing and are subject to very high credit risk.</p> <p><b>Ca</b> Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.</p> <p><b>C</b> Obligations rated C are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.</p> |
|--|---|

NOTE: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Additionally, a "(hyb)" indicator is appended to all ratings of hybrid securities issued by banks, insurers, finance companies, and securities firms.



# About the PAFR

The Popular Annual Financial Report (PAFR) is intended to provide selected information about the City's financial condition in a summarized and easily understandable format.

The PAFR is based upon the City's Annual Comprehensive Financial Report (ACFR). The selected information presented in the PAFR is consistent with Generally Accepted Accounting Principles (GAAP). However, the primary focus of the PAFR is the City's General Fund, Electric Fund, Sewer Fund, and Water Fund. These are considered to be the City's most significant funds. The City maintains several other accounting funds. For more comprehensive information about the City's finances, view an electronic version of the Annual Comprehensive Financial Report at [stcharlesil.gov/departments/finance](http://stcharlesil.gov/departments/finance).

**Questions concerning this report or requests for additional financial information should be directed to:**

**Bill Hannah, Director of Finance**  
**City of St. Charles, 2 E. Main Street**  
**St. Charles, Illinois 60174**  
**630-377-4478**  
[bhannah@stcharlesil.gov](mailto:bhannah@stcharlesil.gov)





ST. CHARLES



CITY OF  
ST. CHARLES  
ILLINOIS • 1834

[stcharlesil.gov](http://stcharlesil.gov)