

Q&A: Budget Workshop #2 – Sept. 26, 2023

Revenue

Electric Revenue/Energy Use:

- 1. Given the decline in energy use, how do we remain financially stable while continuing to promote energy conservation? (White)**

The Utility's cost to service its customers is largely independent of its energy sales. To account for this, in the 2024 Utility Rate Study, the consultant will likely recommend an increase in the fixed customer charge. An increase in the customer charge will provide the Utility with stable funding to maintain its overall system while the City continues to promote energy conservation.

- 2. With the introduction of alternative energy programs within the community, does the need for infrastructure investments increase? (Wehrli)**

The Utility's 2022 Hosting Capacity Study concluded that it has sufficient capacity in the distribution system to account for most residential and small commercial alternative energy systems available today. Additional costs will be incurred to increase the system's resiliency, required as electrification gains momentum, and for grid integration/control of customer-owned equipment such as battery storage systems.

Over time, the Electric Utility will transform from simply providing energy to its customers to managing and controlling all grid-connected resources, ensuring that generation and load are matched locally. As the Utility takes on this responsibility in the coming years, its financial needs will also grow.

- 3. Director Groth mentioned that at some point, a flat fee might need to be put in place for energy consumption to offset declining revenues. Should we assume this means energy costs would be going up for residents? (McBroom)**

The short answer is, yes. Utility energy sales, and thus revenues, have declined since the pandemic. Conversely, costs to serve customers have increased due to inflation and supply chain impacts. For example, the prices of some materials like transformers have increased by over 600%. Because of order backlogs, the Utility must keep several years' worth of equipment in its warehouse. This is required because some materials that took 12 weeks to be delivered before the pandemic now take up to three years. Thus, the Utility must now plan and purchase three years' worth of that material to serve existing and new customers.

While many cost-saving programs have been implemented within the Utility over the past two years, like transformer refurbishments and evaluation of material standards to eliminate any "nice to haves," there are essential staffing and material requirements that are necessary to operate a utility business at its most basic level, much less at the level

of service that customers demand. The Utility's rates, including its customer charge, must supply stable revenues to adequately fund infrastructure maintenance and system enhancements in alignment with industry standards.

The Utility expects the rate study consultant will recommend a rate structure that addresses these issues in 2024.

Workforce

Human Resources

1. What percentage of the HR Specialist role will be focused on training versus other tasks? Please provide a list of specific tasks related to supporting the Board of Fire & Police Commissioners. (Kelly)

Approximately 80% of the HR Specialist's time will be spent on BFPC responsibilities and 20% will support training.

The BFPC responsibilities include the following:

- Coordinates the preparation and scheduling of all pre-employment testing phases (written tests, interviews, background screening, etc.) of police officer and firefighter/paramedic. Secures all resources, logistics, etc. and partners with public safety representatives and selected vendors on job postings and advertising for new-hire testing processes. *(NOTE: What once was an every-other-year process has now turned into an annual process for both police and fire new hire testing.)*
- Coordinates the preparation and scheduling of all promotional testing phases (e.g., written tests, interviews, assessment center exercises, etc.) for the ranks of police sergeant, fire lieutenant, and fire captain.
- Serves as liaison/primary contact between the candidate and Board. Maintains candidate contact at every step of the hiring and promotional process and responds to requests for information from prospective police officer and firefighter/paramedic candidates.
- Acts as liaison for the Board with public safety departments and independent contractors/vendors who administer the various tests for hiring police officers and firefighter/paramedics and for promotional processes (e.g., vendors for application and testing, polygraph, psychological, and medical assessments). Meets with vendor and/or department representatives to schedule testing processes. Coordinates department interaction with testing vendors in identifying locations and subject matter materials for testing and designing relevant components for assessment center exercises.
- Prepares and posts the Board's bi-monthly meeting agendas and compiles meeting materials. Prepares and posts minutes from open and closed session meetings. Produces public announcements for Board meetings, sworn hiring processes, and testing dates. Creates and posts New Hire and Promotional eligibility rosters.

- Responds to general correspondence to the Board; composes letters and prepares reports, documents, and forms. Responsible for confidentiality of all matters and actions of and from the board.
- Assists in preparing the annual budget for the Board. Processes invoices and purchase orders; monitors procurement card transactions.
- Maintains Board files and sworn personnel new hire and promotional records and archived records.
- Collects and researches information, statistics, and reports on testing, relevant legislation, and other issues for the Board.
- Participates in the training of new Board commissioners and coordinates attendance of commissioners at annual seminars.
- Maintains and publishes the current Rules and Regulations of the Board and updates documents as directed.
- Facilitates communication with the Board's attorney to maintain legal compliance and best practice Board procedures.

2. Can the City utilize outsourced or contract labor to fulfill any of the personnel requests? (Taylor/Holzhauer)

The City has used and continues to use contract labor to supplement the permanent workforce. Contract labor addresses temporary and long-term needs, including project-specific assignments and coverage in short-staffed areas.

While using contract labor/staffing removes the restrictions associated with IMRF, there are significant challenges related to these arrangements, and the use of contract staffing has been met with mixed results and is not a solution for every situation. Contract staff would not be appropriate to fulfill the duties of all the personnel requests if the requested positions are not approved.

When using a staffing agency, the City is paying a much higher hourly rate for that work, with additional fees averaging 40% on top of that hourly wage. Since the beginning of 2022, the City has spent nearly \$600,000 on contract staffing. Through September of 2023, the City has incurred \$383,000 in contract staffing expenses. Councilman Holzhauer specifically mentioned Upwork, which is an online version of the staffing agencies currently used by the City. Staff has no experience to compare Upwork or other online platforms with the City's current staffing firms; however, cost is not the only issue here.

There is also significant turnover with contract staff. For example, over the past two years, Finance has used contracted staff for seven customer service, procurement, and administrative support positions. In that time, 18 different contracted workers cycled through these positions. The contracted staff are often in transition, seeking full-time employment with benefits and will leave the City as soon as a full-time opportunity is obtained. In other instances, because skilled contract staff are a limited pool, some

contract staff do not perform well, and the City has chosen not to retain them due to the poor quality of work.

When contract staff are identified with the correct experience and skills, a significant amount of training is still required to bring them to the point of being full contributors. Full-time staff are responsible for training contract staff, and the time invested is often lost when the position turns over. This places an additional burden on regular staff.

The cost of using contract labor/staffing in direct costs (hourly rate + agency fees), plus the cost to conduct ongoing training due to contracted staff turnover, is neither cost-effective nor sustainable for ongoing staffing needs.

Outsourcing work is used when appropriate and is utilized when there is not sufficient staff capacity, a specialized skill set is required, and the work can be completed by a third party that can bring their specialized skills to the City, allowing City staff to work on current projects and initiatives that cannot be outsourced.

Contract staffing remains a solution for some projects and work situations, but it has not proven to be an adequate replacement for a full-time City employee when addressing a long-term or ongoing need of the organization.

Information Technology

1. Please provide the number of IT positions added within the past five years. (Taylor)

Six IT positions were added between 2019 and 2023. To provide additional context around these numbers and the 2023 FTE requests, staff is providing a brief history of IT staffing milestones below.

- Staffing from 2010 to 2015 remained essentially flat; however, a consultant evaluation and survey in the mid-2010s noted that IT was understaffed and not serving its internal customers effectively. Additional staff were added to bring service up to expected levels but not to address increasing technology implementations.
- In 2019, another re-evaluation of the department showed key deficiencies that would increase risks around network security, public safety support, business continuity (a single staff member covering critical areas), and several new citywide projects in essential stages of development without additional personnel. These citywide projects included the Enterprise Resource Planning (ERP) system (software that manages and integrates vital parts of a business), Cityworks (work order system), and Water AMI (wireless water meter implementation).
- In 2021, the City Council approved a mid-year FTE add to ensure the successful implementation and maintenance of the Police Department's body camera and in-car systems, among other public safety initiatives.

The six positions added over the last five years have built upon the work done in the past decade to bring IT up to a baseline and begin the process of accounting for emerging technology implementations from an infrastructure and administrative level. This year's

FTE requests build upon growing needs from upcoming projects to allow for appropriate implementation while simultaneously supporting, maintaining, and troubleshooting past projects and the existing technology of an almost 1,000-employee organization.

2. Can the responsibilities of the Network Administrator be absorbed by the current workforce? Is existing staff organized/being used effectively? (Taylor/Wilson)

Naperville's IT department is organized into functional groups based on specialty training. Technology positions require highly specialized skillsets specific to one functional group. For example, a GIS developer's professional training, skills, and expertise vastly differ from a network administrator's skill set. Cross-training is limited to employees *within* the separate functional groups; crossover is not possible because the skills are not interchangeable.

Network administrators provide day-to-day support and engage in regular maintenance and project-specific tasks. Day-to-day support tickets have increased by 50% from last year, placing IT in a reactive mode versus analyzing tickets to address causes proactively. Project-specific tasks are also growing, with 90 projects this year either completed or in progress and another 70 on the horizon, some spanning multiple years and heavily complex (e.g., CAD/RMS for public safety).

About half of 2024 projects require a network administrator to handle work associated with the project, not just at the beginning but also post-implementation. Regular maintenance involves upgrading, backup, and updating systems. The requested position is necessary to support these new technology projects not just when they are implemented but ongoing as technology issues arise and human intervention is needed to fix them and provide a stable, functional, and secure technology environment.

3. Please provide benchmark data from comparable cities on the number of IT personnel on staff. (Holzhauer)

Below is the requested benchmark data from comparable cities. Please note that an accurate comparison between one community and another is generally not possible due to varying IT systems used to achieve a community's specific needs and priorities and each entity's different services. For example, not all municipalities have a 9-1-1 center or an Electric Utility while others have parks services embedded within the organizational structure.

Another point of context that impacts comparables is how an organization customizes technology. Naperville operates in a very specialized environment where software is utilized in ways to fit unique operations. This means out-of-the-box network solutions aren't always a fit for the organization. While we standardize what we can, this requires in-house staff with institutional knowledge of specific adaptations.

Based on readily available information, Pasadena's organizational structure, scope, goals, and work program is most comparable to that of the Naperville IT department.

Name	Population	IT FTE
Pasadena, CA	130,935	79
Fort Collins, CO	167,554	77
Fort Lauderdale, FL	179,447	77
Bellevue, WA	144,755	62
Overland Park, KS	196,147	41
Aurora, IL	177,108	40
Naperville, IL	149,936	35
Cambridge, MA	118,488	30
McAllen, TX	144,579	30
Joliet, IL	150,718	15

Transportation, Engineering & Development (TED)

- 1. Please provide the dollar value for the 553 overtime hours indicated for the permitting team. How do those costs compare to the cost of hiring an additional FTE? (Taylor)**

Since Jan. 1, 2023, the overtime cost for employees on the permitting team is \$25,765. In addition, TED utilized a temporary worker through a staffing agency who provided an additional 574 hours of supplemental time. The cost for those 574 hours was \$21,726. The total cost between overtime and temporary staffing over nine months is \$47,481. Extending that cost for a full year totals \$63,308.

By comparison, the proposed permitting FTEs are budgeted at \$60,000, plus estimated benefits of \$36,000, for each position's total annual cost of \$96,000. While the cost to hire additional staff is higher, there are hidden costs associated with forcing overtime of regular staff, including employee burnout that can lead to low morale, errors in work, and ultimately, employee turnover.

Revenue allocation adjustments

- 1. Will the considered allocation to the Settlement come from the entire Food & Beverage fund or SECA? (Kelly)**

The Food & Beverage Tax allocation to Naper Settlement would not diminish funding for SECA. Under the current City code, SECA is the first use of Food & Beverage Tax revenue, and staff does not propose changing that.

- 2. Please provide a breakdown of the consideration to fund the Naper Settlement. Will it be a guaranteed amount each year, or will it fluctuate? (Taylor/McBroom)**

The allocation of the citywide Food & Beverage Tax is defined by City code. That code has been revised eight times since it was implemented in 2004, with revisions addressing changing needs over time. Below is a summary of significant changes over the years and the current use of Food & Beverage Tax dollars:

Year of Change	Summary of Change
April 2004	<ul style="list-style-type: none"> • 1% Food & Beverage Tax implemented, and Culture Fund established
March 2010	<ul style="list-style-type: none"> • Authorized temporary reallocation to General Fund during the Great Recession
April 2013	<ul style="list-style-type: none"> • Eliminated General Fund allocation • Established revised allocation to include: <ul style="list-style-type: none"> • 75% to Culture Fund up to \$2.0M with 2% annual increase • 25% to public safety pension funds – over and above required contributions • Up to \$500,000 in Social Service Grants • Remaining revenue to debt service
October 2015	<ul style="list-style-type: none"> • Reduced Culture Fund allocation to \$1.9M annually and eliminated automatic 2% annual increase
October 2016	<ul style="list-style-type: none"> • Eliminated Culture Fund • Added recovery of City costs for collection/administration of food and beverage tax as an allowable allocation of funds • Replaced reference to Culture Fund with SECA Grant Program • Added that pension allocation may be used to meet or exceed required funding obligations
May 2018	<ul style="list-style-type: none"> • Reestablished annual increase to SECA at the lessor of 2% or CPI
August 2020	<ul style="list-style-type: none"> • Added language for flexible use in 2020 and 2021 in response to the pandemic – no revenue was ever reallocated

Since its recovery from the pandemic, staff has been monitoring the Food & Beverage Tax and its associated allocations. As discussed in Workshop #2, several trends have

emerged over the past three years. Those trends are stability in public safety pension funds, the Naper Settlement expansion, and rising mental health initiatives. To address these trends, staff looked at the current Food & Beverage Tax allocation model and determined that emerging needs could be met by reallocating this tax revenue. The Food & Beverage Tax is one of the City's most consistent revenue streams, showing solid growth trends over time. The current revenue, projected at \$6.3 million for 2024, can support additional uses without a change to the tax rate.

Based on concerns over diminishing pension funding expressed by the City Council, staff recommends the following Food & Beverage Tax reallocation in 2024. This reallocation maintains current funding for SECA and public safety pensions and utilizes a portion of the debt service allocation to offset increases to the Naper Settlement property tax levy and increase social service grants for mental health.

2024 Food & Beverage Tax – Funding Allocations		
	Current Allocation	Proposed Allocation
SECA	2,097,127	2,097,127
Fire Pension	788,500	788,500
Police Pension	788,500	788,500
Naper Settlement	-	1,000,000
Social Service Grants	500,000	750,000
Debt Service Transfer	2,133,873	883,873
Total	6,308,000	6,308,000

This change can be accommodated without any negative implications on the Debt Service Fund due to the City's overall reduction in debt over the past eight years in alignment with the Financial Principles established in 2015. The change positively affects the property tax levy as \$1.0 million is moved off the Naper Settlement levy and onto the Food & Beverage Tax. The result would be a minimal 0.6% increase in the Naper Settlement portion of the tax levy next year. Staff proposes an annual increase on the Naper Settlement allocation that aligns with the yearly SECA increase, which is the lesser of CPI or 2%. Staff finds the Food & Beverage Tax to be an appropriate funding source for Naper Settlement given that the tax is paid by both residents and visitors to Naperville, and the Naper Settlement is a cultural amenity that individuals from outside Naperville come to enjoy.

3. **As I recall, it was discussed by the City Council that cannabis sales taxes would be used to fund mental health and addiction programs. Has this happened? How much does the City receive in cannabis sales taxes? Where does this money go? (McBroom)**

The City Council has not directed any specific use for municipal cannabis tax revenue. The 2024 budget includes a projected \$1.15 million in this revenue line allocated to the General Fund. Most General Fund revenue sources are not defined to support a specific

purpose; however, the addition of this revenue, beginning in 2021, has allowed for expanding public safety resources, including six police officers, one police social worker, and three police records specialists.

Separate from the municipal cannabis tax revenue, the City began receiving payments in 2022 resulting from a national opioid settlement. This restricted-use revenue must be used to support substance abuse response and prevention resources. The City is exploring a grant program allowing community partners and non-profits to leverage these funds to support new or established substance abuse prevention programs. Staff has included \$100,000 in the 2024 budget for this purpose.