

City Council Follow-Up from Nov. 18, 2019 Budget Workshop #2

Below is a list of questions and topics that were raised by various members of the City Council during the November 18, 2019 Budget Workshop.

- 1. Please breakout the capital expenses related to the Library by fund and item. (Sullivan)**

Library Capital Program	Amount
Bond Fund	375,000
LB020 – Parking Lot Repairs	375,000
Library Operating Fund	210,000
Building Furnishings	80,000
Technology Equipment	120,000
Vehicle Purchase	10,000
Library – Capital Fund	175,000
LB014 - Maintenance & Emergencies	175,000
Technology	-
Total	760,000

- 2. Please breakout the capital expenses related to the Settlement by fund and item. (Sullivan)**

Naper Settlement Capital Program	Amount
Bond Fund	462,605
NS058 – Naper Settlement Security Cameras	120,670
NS059 – Access Control - Card Reader Improvements	341,935
Settlement Fund	90,000
Settlement Building Improvements	90,000
Total	552,605

- 3. Please provide the number of employees added in 2019. (Chirico)**

The City added a net 5 FTEs in 2019. The City added or upgraded nine positions and removed four resulting in a net increase of five FTEs. Details on the positions additions, upgrades and removals are provided in the attachment.

The proposed 2020 budget includes 8 additional FTEs.

- 4. Provide more details on where funding for ambulance billing fees are provided (Brodhead)**

In 2018, the Fire Department performed 7,281 emergency medical transports. The breakdown of the payment type is as follows:

- Medicare = 40%
- Medicaid = 14%

- Private (commercial insurance) = 37%
- Self-Pay = 9%

5. Please clarify the Electric Fund projections in comparison with the rate model, noting the Edward Hospital Project (Chirico)

The Electric Utility Rate Study for the three years starting in 2019 projected a 2019 ending cash balance of \$26.5M. However, it also recommended a minimum target ending balance of \$30.0M.

In 2019, the Utility received \$3.6M in prepayments for work that will be done in 2020. Edward Hospital paid \$2.4M and work requests for a major development total \$1.2M. Removing the two advancements from the cash balance results in an ending cash balance of approximately \$29.9M. Close to the recommended balance.

**Electric Utility
2019 Cash Balance Analysis
Rate Study Recommended Cash Balance: \$30 million**

	Beg. Cash Bal.	Revenues	Expense	Unapplied Revenues	End Cash Bal.
Rate Study	\$21.0	\$158.5	(\$153.0)	-	\$26.5
2019 Projection	\$26.8	\$156.0	(\$149.3)	(\$3.6)	\$29.9

*in millions

*The Electric Utility received \$2.4 million in funds from Edward that will be expended at a future date. In addition, \$1.2 million from a major development for calendar year 2020 work.

6. What initiatives is the City taking to increase the City’s diversity among employees (White)

The City utilizes a variety of strategies to recruit new employees. For certain technical and specialized jobs (in addition to more traditional postings through sites such as Indeed, LinkedIn, local newspapers, local junior colleges, and universities) we reach out to associations and organizations that target those specialized jobs (e.g., American Public Power Association, American Public Works Association). Most sites and associations allow an upgrade to reach out to veterans and disabled workers.

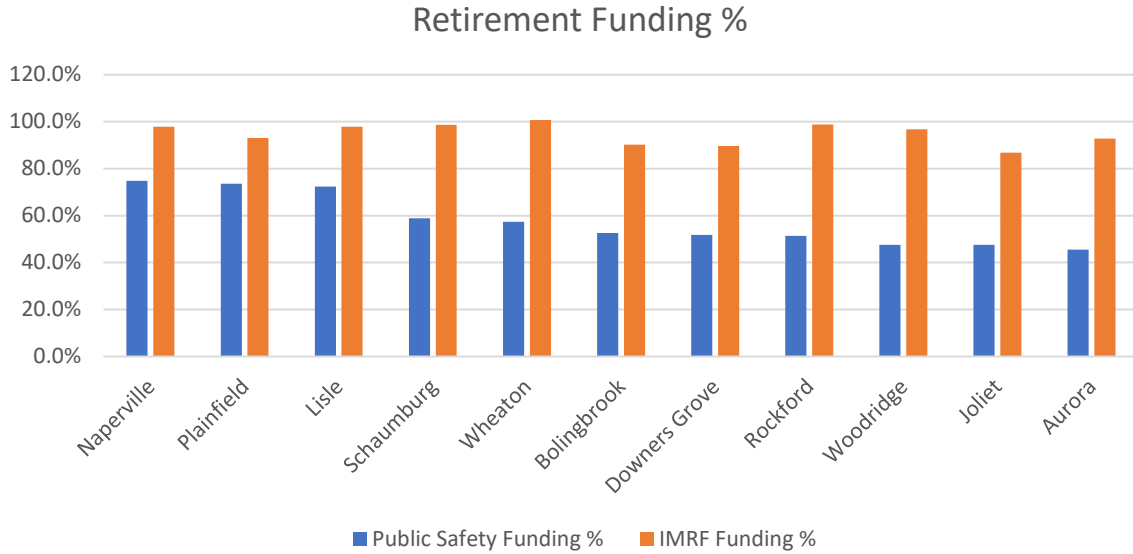
Additionally, the Board of Fire and Police work with a testing consultant, IO Solutions, to include a broader outreach in recruiting sworn police and fire employees. The City used many of these sites to recruit candidates. The most recent list included: IMDiversity.com, Diversity Employers Network, Blueline, La Raza newspaper, National Minority website, and colleges and universities with public safety degrees at minority serving institutions. The City continues to pursue other recruiting tools and alternatives to broaden the candidate pools for our open positions.

7. Please develop a plan for time off adjustments (Brodhead)

City staff plans to bring a proposal to amend the Tier II time off benefit plan (PTO-11) at the first City Council meeting in 2020 and hopes to have perimeters developed before the

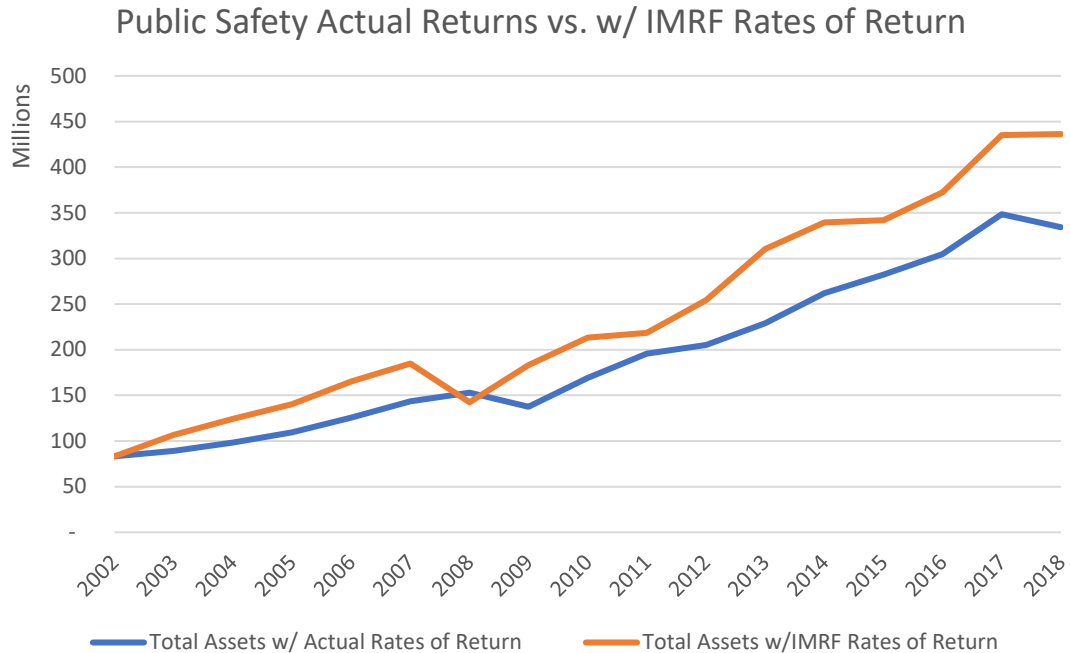
end of the year. Staff shared a proposed program amendment in the Q&A responses from the first budget workshop. Staff will review the recommendation and provide a final recommendation to City Council.

8. Provide a comparison of IMRF and Public Safety pensions with other communities (Gustin)



9. Potential impact of the public safety pension consolidation (Hinterlong)

See the below graph completed in conjunction with an exercise coordinated by Hoffman Estates; which shows the potential impact of the rate of return increase. Staff continues to work with internal and external partners to understand the full impact of the final bill language, especially as it relates to changes in Tier 2 benefits.



10. Please provide current and projected revenues related to online sales (Gustin)

In 2018, the U.S. Supreme Court determined states had the authority to implement laws requiring remote retailers to collect and remit taxes to the state where the purchaser lived. The result of the ruling was an increase in sales tax revenue, which the City received through the local use tax. In 2018, local use sales tax revenue increased \$401,000 and is projected to increase another \$772,000 in 2019.

In 2019, Governor J.B. Pritzker signed legislation changing the way the state collects sales and use taxes, which will result in the City receiving online sales tax revenue through the retail sales tax distribution beginning in July 2020. Further details on the changes are detailed by the Illinois Municipal League at the following link: <https://www.iml.org/file.cfm?key=16124>

11. Waste Fund and pulling all that together with leaf, brush and hazardous waste. Pulled out the garbage fees because it was an immediate pass through. Not sure that is the way to go (Gustin)

We are not currently proposing to move the leaf collection program, brush collection program, or Household Hazardous Waste Program into the Solid Waste Fund. We presented that concept as an area to explore in the future, as we continue to seek to align the costs of solid waste services with those who receive those services.

12. Please provide more details on how the Library will use grants in 2020. (Gustin)

The library applies for possible grants on a regular basis. In the past and the 2020 Budget, the revenue includes \$184,000 for the Illinois Per Capita Grant. The grant form will be reviewed and approved at the December 2019 Library board meeting to be filed by

January 15. The Library is also currently working on an application with RAILS for a potential grant that will partner with NCTV17 on a project. The grant application will be filed this week. Recently, the Library reviewed a possible funding contribution for a construction grant on the 95th Street Library Parking Lot. After reviewing the document language, the Library determined the project does not qualify. The Library is continually searching for appropriate grants and will apply as opportunities are available.

13. Average electric bill. Someway we can also get commercial users (Gustin)

DPU-E compared ComEd commercial customers bills to compare with Naperville. Overall Naperville commercial rates are compatible with ComEd rates. The customers compared are not completely comparable due to the fact that ComEd customer can have power supply from different power marketers. These independent power contracts have different provisions for each year. A customer's bill can charge 49%, 10% more than a Naperville customer, or a customer who paid 11% less than a Naperville commercial customer. Beside power supply contract differences, Naperville commercial customers who use energy more efficiently (high load factor) have more favorable rates in Naperville than ComEd, customer who use energy less efficiently (low load factor) has better rates in ComEd.

Again, while Naperville and ComEd have different rate structures, the rates are compatible for commercial customers overall.

14. Please provide a dollar figure on the AMI project (Gustin)

The City is budgeting \$10 million for AMI as a place holder. Staff is currently working through the RFP process with plans to present a formal recommendation to Council in March 2020. At this point, all associated dollar figures remain rough estimates and staff will not be able to provide a solid cost until a vendor is selected and contract negotiations begin. Once an official award total is available, staff will begin working with Council to determine the best method of funding, i.e. use of cash-on-hand or outside borrowing.

15. Total capital program budget comparison (Krummen)

The 2020 budget includes a total capital improvement program of \$87.93 million, which is a \$25.6 (41.1%) million increase over the 2019 budget. The bulk of the increase is tied to the Water AMI project, which added \$10 million to the Water Utility portion of the CIP. An additional \$7.76 million was added in unfunded capital, which will be accommodated within the increased borrowing capacity created by the underspend in 2019. An additional \$3.83 million was also added in other government funds, which is largely based on increased federal dollars for the North Aurora Road project.

16. Provide reasons and cost to contract out IT staff needs (Coyne)

Contracted staff will cost an estimate of \$187,200 based on a billing rate of \$90 per hour over 2,080 hours annually. Staff would prefer to hire this position in-house to reduce costs. The market range for the position is between \$85,000 and \$110,000 for a person with five-years' experience. IT budgeted the salary at the mid-point of the City's range, which is

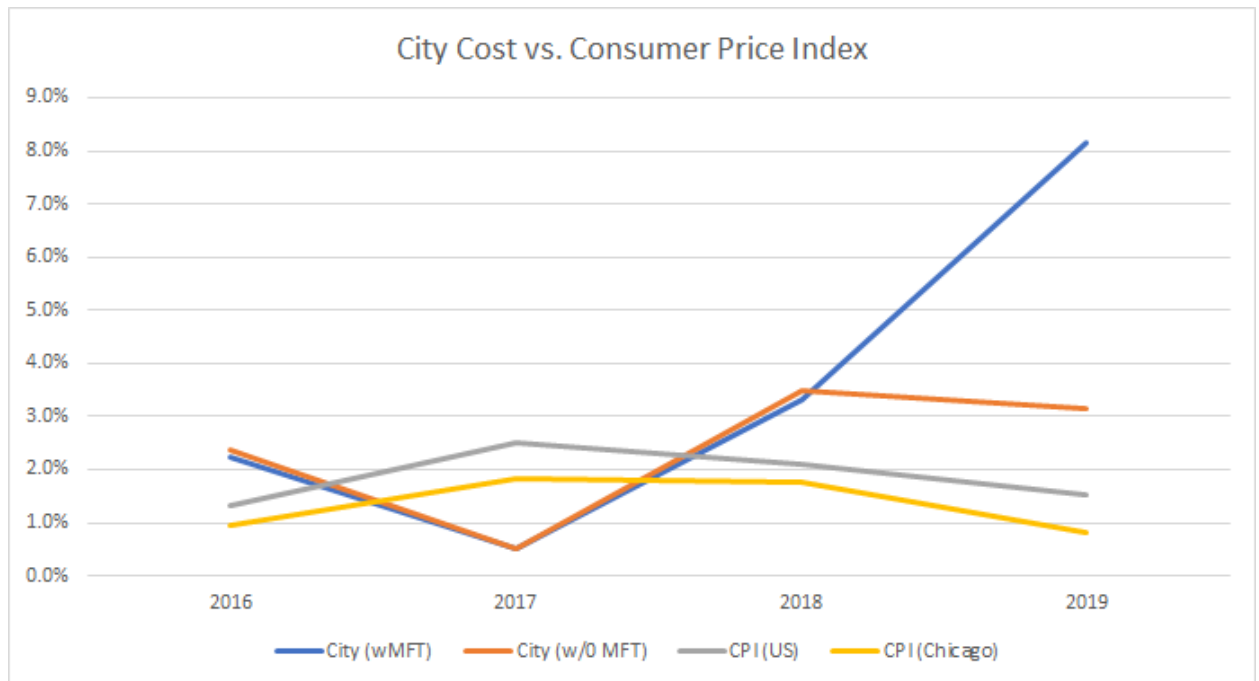
\$82,000, not including benefits. The needs of the department are continuous; thus, continuity and institutional knowledge are critical to the department.

17. Please provide the CPI comparison over the previous 10-years to see the annual cost of living (White)

Since 2015, the average cost of living within Naperville increased 3.5% annually. A breakdown of the increases is provided in the table below:

Year	Average Household Cost of Living	Change (%)
2015	\$3,926	-
2016	\$4,014	2.2%
2017	\$4,033	0.5%
2018	\$4,167	3.3%
2019	\$4,506	8.1%

Average household cost of living totals was calculated based on the same assumptions presented during the second budget workshop (see table below). Staff researched and applied all applicable rates to the various categories to gather the annual comparison.



Of note on the above table, the 8.1% increase is predominately associated with Illinois doubling the state motor fuel tax rate from \$0.19 per gallon to \$0.38 per gallon of gasoline. Removing this factor from the equation results in a 3.1% increase over 2018. The bulk of the average costs are associated with property taxes and the electric and water/wastewater bills. In 2014, costs for refuse and recycling fees increased significantly, as the City shifted philosophies and began charging residents the full cost of service. Previously, the City subsidized approximately 80% of the cost through the

General Fund cash balances. Since applying the full charge, rates have increased an average of 1.9% annually. Rates for yard waste stickers have remained around \$2 per sticker over the past year, resulting in no significant changes. The City has also seen no changes in the local gasoline tax (\$0.04 per gallon) or the citywide food and beverage tax (1%). The state also has not adjusted the amount of sales tax distributed to municipalities (1%).

The one rate that has been adjusted is the home rule sales tax, which was enacted in 2015 and set at an initial rate of 0.50% beginning in 2016. The rate increased to 0.75% in 2018, and has remained unadjusted.

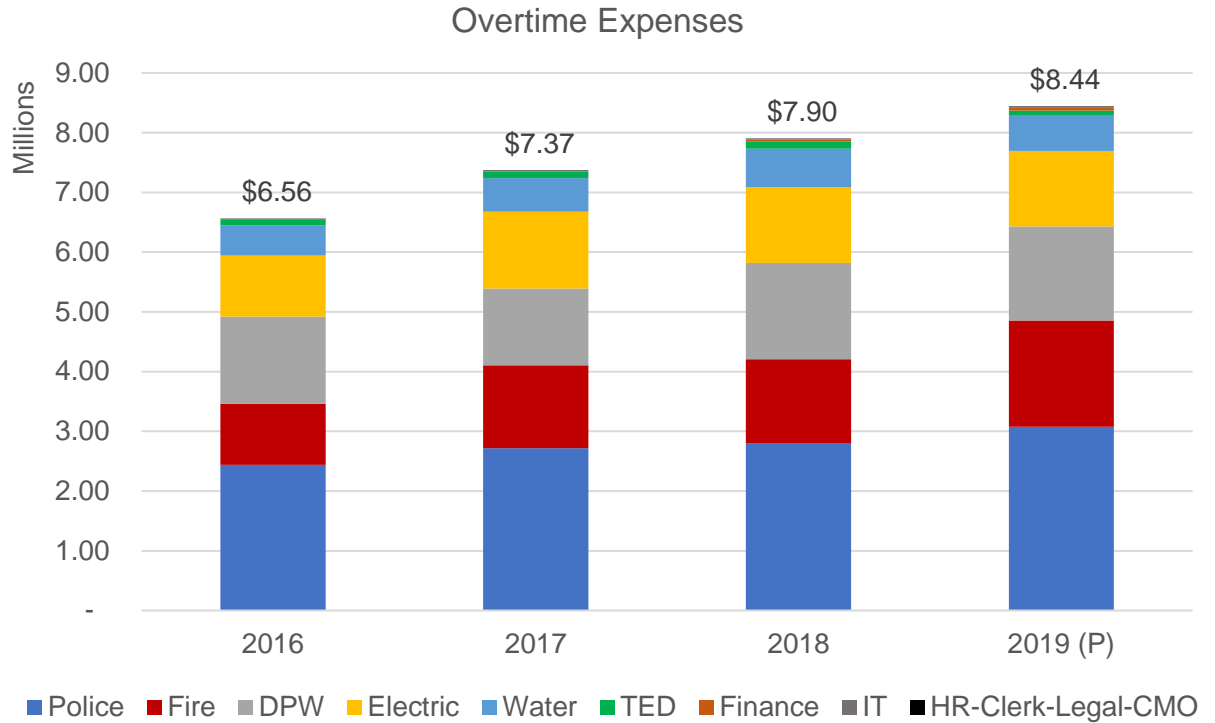
Service Charge or Tax	Factors
Property Taxes	Home value of \$409K
Electric Charges	844 kWh use
Water/Wastewater Charges	750 cubic feet/5,610 gallons
Refuse Collection	65-gallon cart
Yard Waste	2x bags for 39 weeks
Motor Fuel Tax (State & Local)	1,130 gallons
State Sales Tax	\$37,378 eligible sales
Home Rule Sales Tax	\$23,346 eligible sales
Food & Beverage Tax	\$5,015 eligible sales

18. Number of total FTE’s, including the proposed new positions (Hinterlong)

The City’s approved FTE count for 2019 was 939.01. With the additional positions proposed in the 2020 budget, the count would increase to 948.01.

19. How overtime has been trending over the years (Hinterlong)

The overtime costs for the City have increased between 2016 and 2018. The expense has leveled in 2019, but staff anticipates finishing the year with a total expense of approximately \$8 million.



20. IT schedule on manpower, needs of it and when will we see saving (wants to see payoffs & timing) (Hinterlong)

The IT Department currently has 28 employees that support the technology needs of the City on an ongoing basis in areas such as customer support; database and web applications; enterprise resources such as GovQA, Granicus, SharePoint, Munis, and Cityworks; and public-safety emergency and telecommunications systems. It is, and continues to be, our culture to continuously evaluate the benefits of our expenditures and to find ways to reduce expenses where possible. So far this year staff has evaluated and/or eliminated the below:

- SharePoint Management - \$33,000
- Sales Force & 311 Portal, \$120,000
- CSE Software Helpdesk, \$35,000
- ESRI Roads & Highways, \$15,000
- Bridge Software Maintenance, \$40,000
- Socrata Open Data, \$85,000
- Group Link Support, \$12,000
- ESRI GIS Maintenance, \$5,000

Staff is continuing to evaluate the value and ROI and has reduced a number of annual maintenance by adjusting service-level coverage to be in line with actual usage rather than 24x7x365 coverage. Cost savings \$44,973.86. In the Public Safety arena, staff has reduced the annual maintenance on the Software module by \$17,130.49, by discontinuing maintenance for modules we were able to migrate to the ERP system

Staff is continuing its efforts to provide the tools that enable the City to operate efficiently and effectively and support residents' requests.

21. Explain policies on software & hardware, insurance on hardware, where you see the direction the department going. Where will the savings be?

Software: Annual maintenance cost (including support and software upgrade) or software subscription (the right to use their software) is mainly applied to software that is hosted in the Cloud. For hardware costs, staff requires vendors to provide warranty for their hardware. The city pays an annual maintenance cost for support service or parts replacements. Hardware carries a standard warranty, typically for a 3-year period, If the need requires an additional warranty for 4-5 years, this is accessed based upon the conditions under which they're used (24x7, harsh conditions or office conditions), the risk of breakage or part, and compatibility with current systems. Our key initiatives for software and hardware are focused on utilizing systems that will allow for users to be able to complete the required tasks and support the requests from residents in a timely, accurate manner.

GENERAL FUND SUPPORTED

City Manager's Office

- 1.0 Communications Specialist

Police

- 1.0 Deputy Director

Information Technology

- 1.0 Network Security Engineer
- 1.0 Project Solution Manager
- 1.0 Business Systems Analyst
- Upgrade 0.5 Radio Technician

Public Works

- Decrease of 4 Custodial positions in 2018
- Upgrade 0.5 GIS Technician
- 0.5 GIS Specialist

UTILITY SUPPORTED

Finance

- 1.0 Account Representative
- 1.0 Customer Care Specialist

Water Utility

- 0.5 GIS Specialist



**Financial
Stability**

FTE Changes

- Net increase of 5 FTEs in 2019