



ANNUAL OPERATING BUDGET

AND CAPITAL IMPROVEMENT
PROGRAM

2025

BUDGET WORKSHOP #2
OCTOBER 22, 2024



TONIGHT'S AGENDA

2025 Budget Considerations & Summary

General Fund

- Revenue review
- Significant operational requests for 2025

Electric & Water/Wastewater Utility Funds

- Capital review & operational requests
- Electric & Water rate studies

Naper Settlement

Naperville Public Library

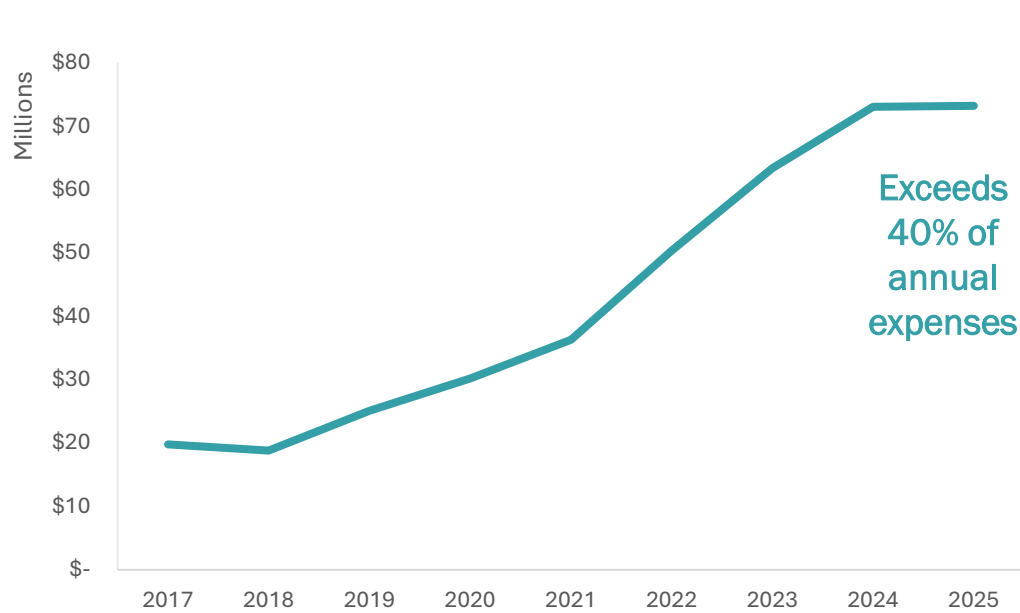
Miscellaneous Services: NCTV17, NDP, DNA

BUDGET CONSIDERATIONS & SUMMARY

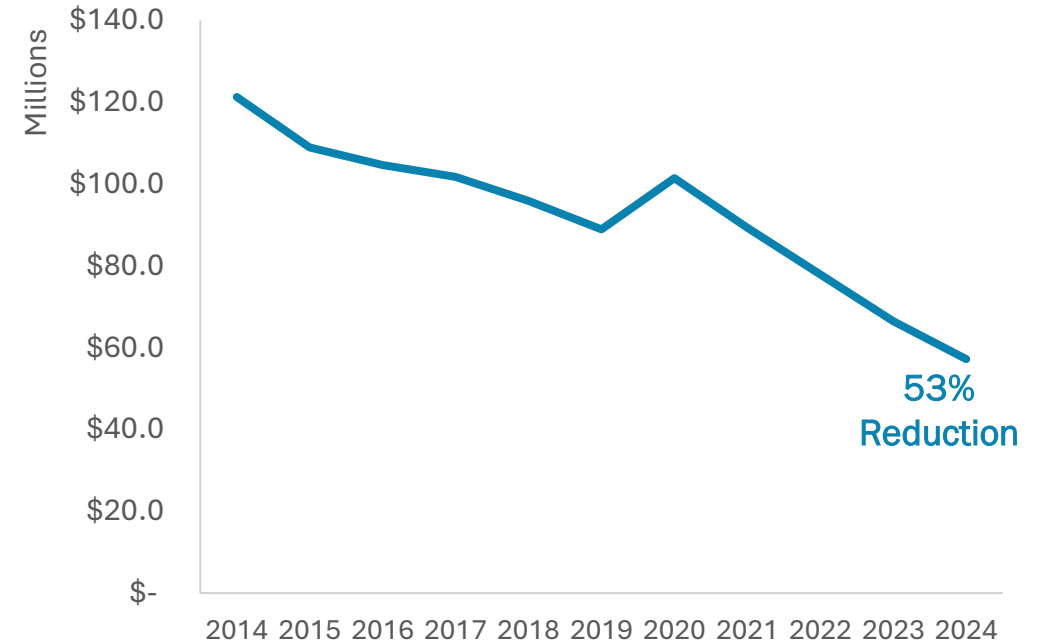


PAST FINANCIAL EFFORTS

General Fund Cash Balance



Total City Debt



- Dedicated effort to increase cash reserves & reduce debt
- Conservative revenue estimates during pandemic years
- Evaluations of major utility assets – better long-term capital planning



WHILE WELL POSITIONED FINANCIALLY, THERE ARE SEVERAL POTENTIAL CHALLENGES AHEAD

- Part of 2025 budget development



STAFF TOOK A CONSERVATIVE APPROACH TO BUDGETING

- Support existing services first, tie service enhancements to long-term financial solutions

More defined



Revenue
growth moderation



Asset
needs

Not as certain



Grocery tax
replacement



Compensation
study results

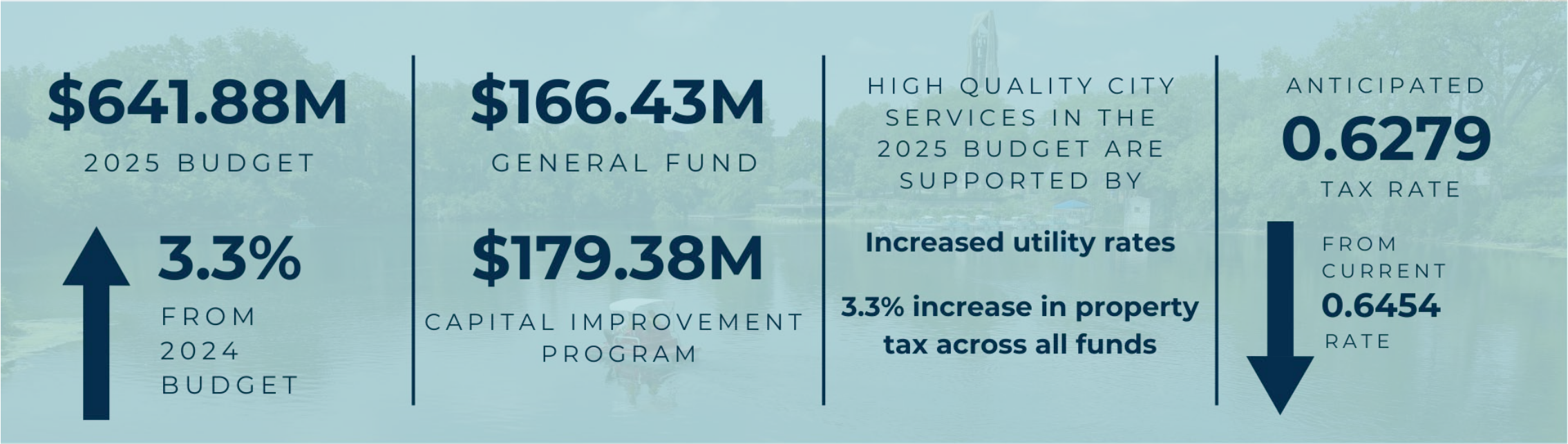


Global &
national
economy

KEY TAKEAWAYS

- ◆ Past efforts have given us the financial capacity to move forward a larger capital plan & support our service levels.
- ◆ We are still taking a conservative approach to budgeting because of several financial trends we need to monitor next year.
- ◆ Given these trends & unknowns, our primary goal for the 2025 budget was to support existing City services.
- ◆ New requests are tied to an existing long-term funding source or finding one before implementation.

2025 BUDGET SUMMARY



- FTE requests: Nine new positions across four departments
- Notable increases in health insurance and pension costs

2025 MAJOR FUNDS SUMMARY

	2024 Budget	2025 Proposed Budget	Change (\$)	Change (%)
General Fund	156.35	166.43	10.08	6.4%
Electric Utility Fund	156.07	166.85	10.77	6.9%
Water Utilities Fund	127.57	140.13	12.56	9.8%

\$ in millions



- General Fund balanced for 2025
- Strategic use of cash balances and debt issuance in certain funds
- Full fund-by-fund review presented in third budget workshop

GENERAL FUND BUDGET DEVELOPMENT



2025 BUDGET ALIGNS WITH MODERATION IN POST—PANDEMIC REVENUE GROWTH

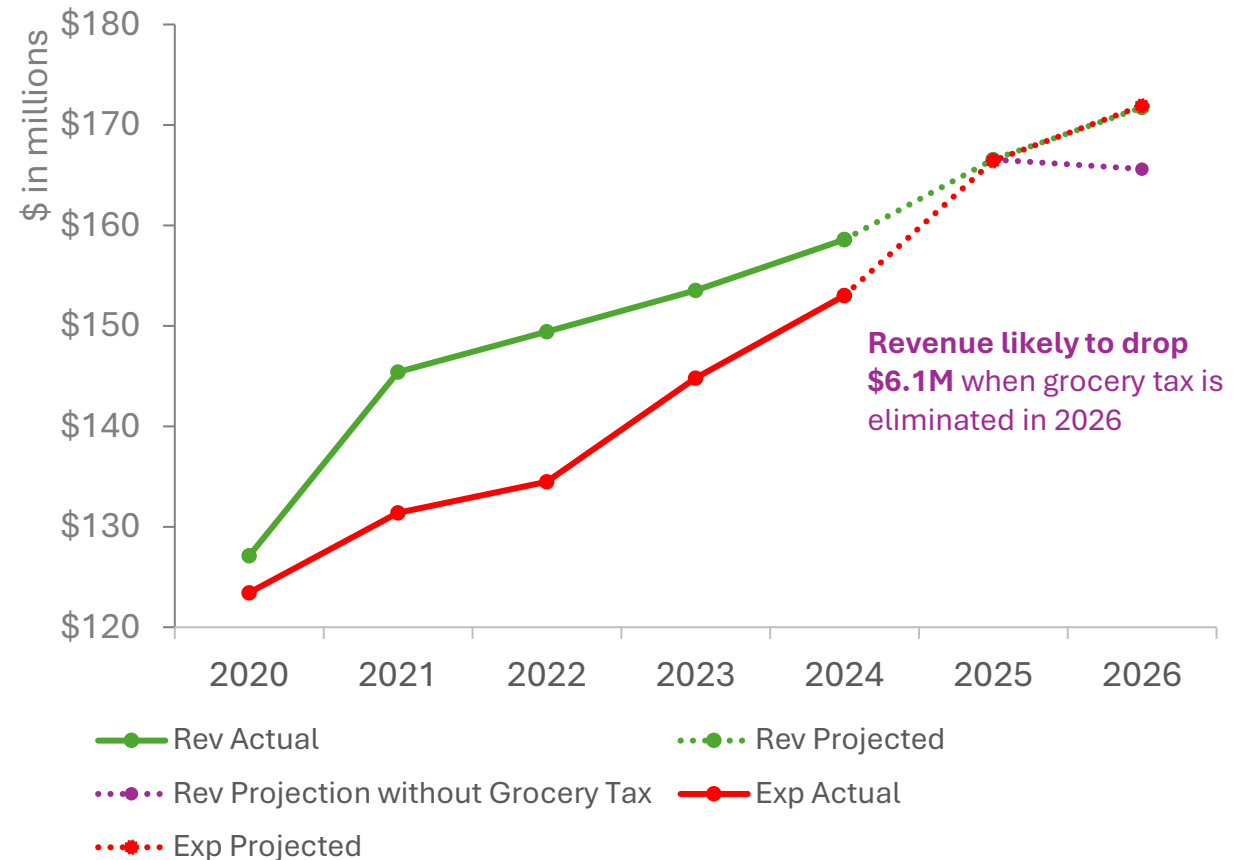
- General Fund is structurally balanced
- Major funding sources remain strong
- Some revenues continue to decline



GROCERY TAX ELIMINATION IS A POTENTIAL HEADWIND

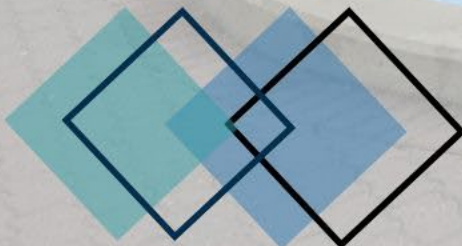
- State eliminated tax effective Jan. 1, 2026
- Issue specific to the General Fund – does not impact Utilities, capital projects, or other special-purpose funding
- 2026 impacts factored into 2025 recommendations

General Fund Forecast





QUESTIONS ?



GENERAL FUND



ISSUE: Police's ability to appropriately address complex mental health & social service calls while maintaining balanced service levels citywide.



High number of these calls

Thousands each year, many involving repeat contacts & requiring police response due to the type of call



Calls require more time & resources

Minimum of two officers & a sergeant & two hours on average
Reduces beat officer availability for proactive patrols & community policing



Delayed referrals can result in lack of resolution & recidivism

Follow-up with individuals in crisis & victims of violent crime is often difficult & less effective than providing referrals immediately during a critical incident

SOLUTION: Hire three officers and one sergeant to stand up a dedicated Mobile Crisis Intervention Team (MCIT) Unit.



Provides more immediate service

Expands & enhances current program

Allows for more immediate referrals, resolutions & interventions to residents in crisis when most effective



Improves communication & trust

Designated team will improve efficiency between officers & clinicians & build trust between residents & first responders

Will allow for a K9, which can decrease stress, anxiety & fear & facilitate difficult communication



Frees up beat officers

Allows beat officers to handle additional calls, conduct proactive patrols & engage in community policing

MOBILE CRISIS INTERVENTION TEAM

◆ Total annual salary & benefits - \$495k

- Budget is pro-rated at 50% of these costs and assumes the unit is formed in July 2025 (*pending identification of a long-term funding source*)

◆ Equipment for new officers - \$45k

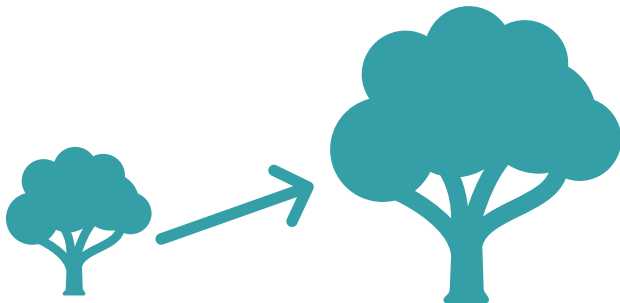
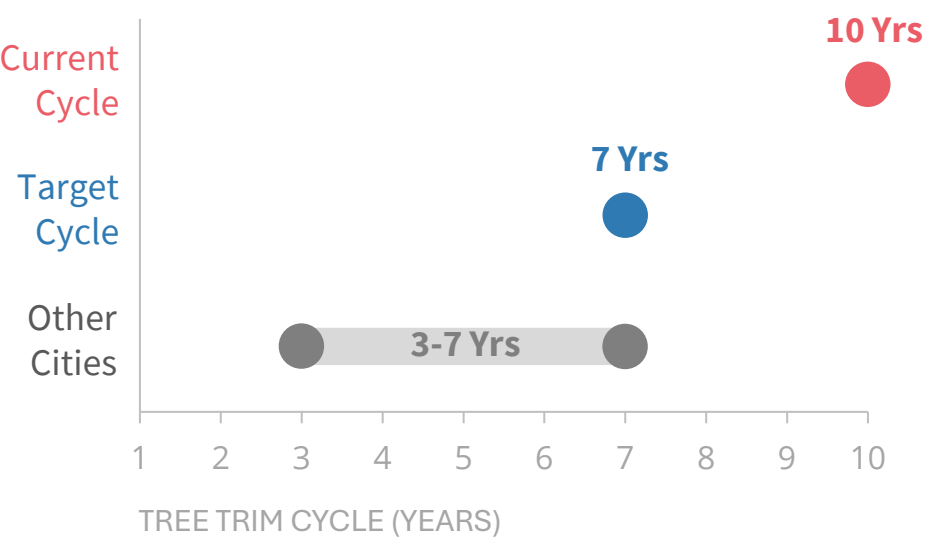
- New uniforms, radios, body cameras, Tasers, etc.

◆ Two additional patrol vehicles - \$181k

- Current patrol fleet cannot accommodate a new unit without adding vehicles
- Cost includes car and aftermarket equipment

ISSUE: TREE TRIMMING CYCLES HAVE BECOME LONGER.

It currently takes **10 years** to trim all parkway trees in the City.



42% Tree Canopy Growth

The City’s parkway tree canopy has experienced significant growth since 2012.

SOLUTION: Reduce tree trimming cycles by hiring more contractors to supplement DPW forestry crews.



Reduce trim cycle

Expanded trimming work moves cycle toward goal



Lower call volume

Increased trimming activity anticipated to reduce requests



Better response

Staff can address maintenance requests backlog & emergencies

Contractual Forestry Service Increases

- Parkway tree trimming increased by \$300k
- Dead tree removal increased by \$140k

ISSUE: WORK PERFORMED BY PUBLIC WORKS CONTRACTORS REQUIRES MORE ACTIVE MONITORING & MANAGEMENT.

SOLUTION: Maximize the value received from contracts through a Restoration Inspector position.

Responsibilities



Ensure quality of contracted work



Ensure timeliness of contracted work



Ensure accurate contractor billing

Contracts Managed: \$ 2.5M



Site restorations



Mowing/herbicide



Building construction work

Budget Impact: \$127k for annual salary and benefits

PAYMENT CARD FEES



TYLER TECHNOLOGIES REQUIRING CLIENTS MOVE TO A NEW CREDIT CARD PROCESSOR

- Results in \$400k increase in credit card fees
- Applies to local tax, permits, licenses & tax stamps
- Does not impact utility billing or commuter parking



FINANCE CONSIDERING OPTIONS TO OFFSET RISING FEES

- Impose a ceiling on transaction amounts
- Require the use of e-checks instead of credit cards
- Pass on fees to customers
 - *This option requires time to implement.*

Tyler Payments Impact in 2025

Fund	Fee Increase
General Fund	\$243K (267%)
Food & Beverage Fund	\$67K (400%)
Road & Bridge Fund	\$30K (400%)

PENSION CONTRIBUTIONS



Firefighters' Pension

Required contribution
increases 6.5% to \$11.0M



Police Pension

Required contribution
increases 10.8% to \$8.9M



IMRF

Required contribution rate
increases from 6.82% to 7.06%
for a total estimated
contribution of \$5.1M



- Fire and Police pension contributions
 - One-time increase in 2025 due to updated actuarial calculation
 - Additional \$860k from Food & Beverage Fund as per the Municipal Code

EMPLOYEE COMPENSATION

- ◆ **Non-union employee merit pool budgeted at 3.5%**
 - Survey/market data shows wage increases ranging from 3.4% – 4.6% for 2025
- ◆ **Recommend increasing pay ranges by 5% (no direct financial impact)**
 - Pay ranges were not increased in 2024 pending outcome of compensation study that remains in progress
- ◆ **Union wages budgeted according to negotiated agreements**
 - Several Fire, Police and DPW contracts are currently in negotiations

COMPENSATION & CLASSIFICATION STUDY

- ◆ **Study initiated in March 2024 through McGrath HR Group**
 - Consultant analyzing non-union position classification & compensation structure

- ◆ **Initial data suggests some positions are below market**
 - Work to analyze data and formulate recommendations is ongoing
 - Implementation expected to begin in Q2 of 2025

- ◆ **Budget includes \$500k placeholder for potential wage adjustments**
 - Anticipated to be a multi-year effort to ensure all non-union positions in line with comparable market data

EMPLOYEE HEALTHCARE COSTS

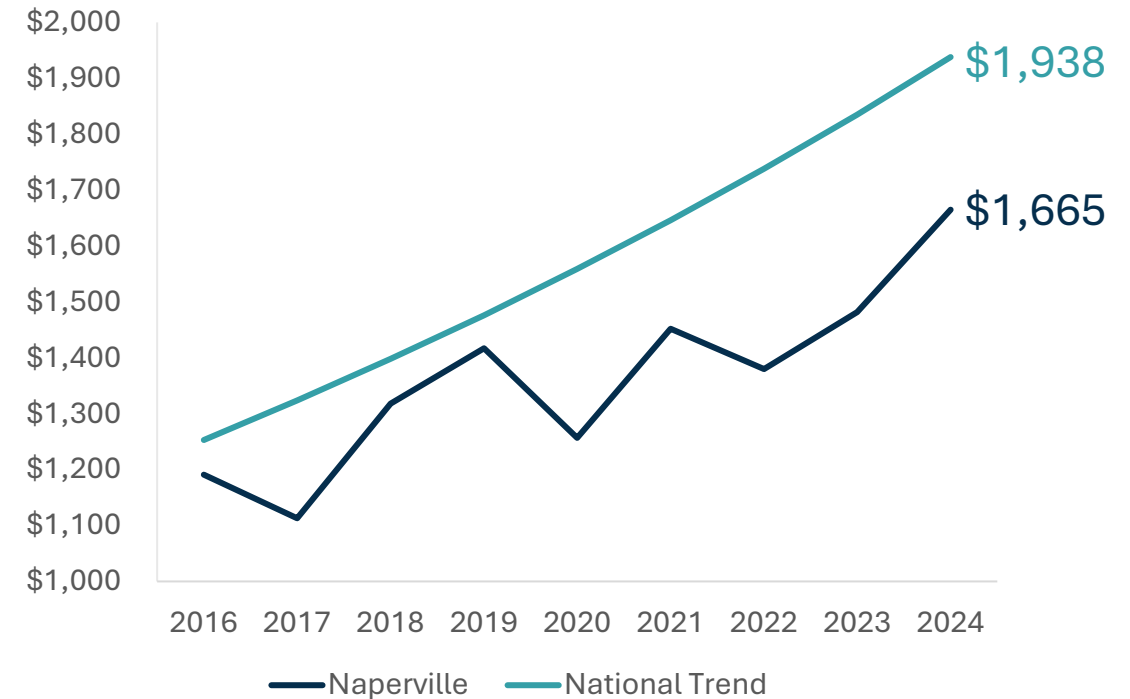
MEDICAL & DENTAL COSTS INCREASING BUT REMAIN BELOW NATIONAL TREND

- Premiums increased just 3.3% over past 3 years
- Plan costs have exceeded projections in 2024
- Results in 6.9% premium increase for medical and 3.3% increase for dental

EMPLOYER CONTRIBUTIONS FOR MEDICAL & DENTAL INCREASE WITH PREMIUMS

- Medical contributions - \$16.2M (+7.7%)
- Dental contributions - \$954k (+5.7%)
- Estimate based on current plan selections

Historical Annual Medical Costs (per employee per month)



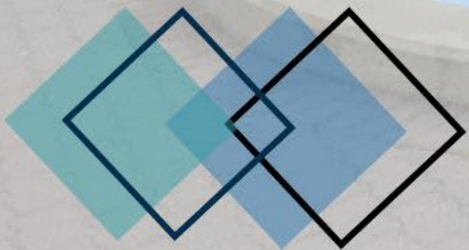
Average Annual Trend

National
+5.6%

Naperville
+4.3%



QUESTIONS ?



ELECTRIC & WATER UTILITY FUNDS



UTILITY BUDGET DEVELOPMENT

◆ The utility enterprise funds are separate from the General Fund and not as susceptible to some of the same financial unknowns.

◆ Budget development influences:

- Asset evaluations (Water – complete, Electric – ongoing)
- Rate studies (asset evaluations provided key information)
- Federal & state requirements

◆ The recommended rate increases in both Electric & Water achieve the utilities' identified goals & address asset needs.

- Many projects are multi-year (example: Springbrook improvements)
- Same mindset of maintaining & improving infrastructure that already exists (example: undergrounding existing overhead electric lines)



ELECTRIC CIP DRIVEN BY CURRENT ASSET MANAGEMENT EFFORTS

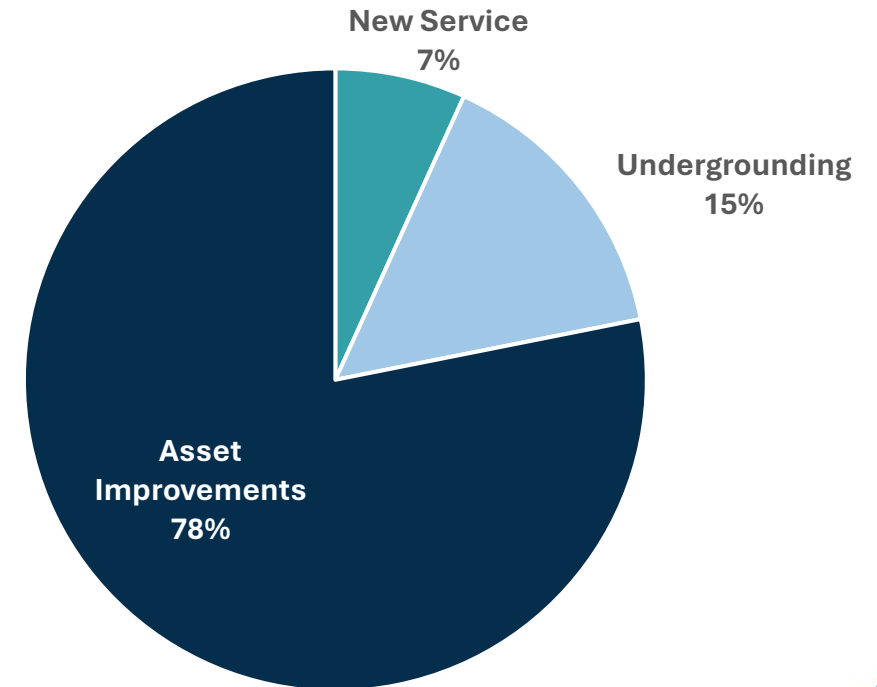
- 78% of CIP is maintenance of existing assets
- All assets inspected over next four years
- Consultant asset evaluation is underway



UNDERGROUNDING REPRESENTS A SIGNIFICANT COST AND EFFORT

- **Benefits:** Improved aesthetics and reliability, consistent service delivery
- **Potential drawbacks:** Initial & ongoing costs, additional staff, shifts dollars from other replacement projects, customers w/overhead will have to bear some of the cost

Electric Projects by Type (2025-2029)



ISSUE: Electric has several highly technical projects already underway and more on the horizon.



Technical experts also project managing

141 software programs being managed by those who should be keeping systems current to ensure cybersecurity & that users can perform daily tasks



Significant upcoming technology projects

Next 5 years: utility billing & GIS upgrades, software integration platform replacement



High-priority & grant-funded projects need additional oversight

Undergrounding work cannot be absorbed by existing staff

System upgrades to ensure cyber security & efficiently integrate distributed energy resources into the grid require consistent, long-term ownership

SOLUTION: Hire additional resources necessary to achieve these in-progress, high-priority, and grant-funded projects.

Project Manager - Technology

- Will manage Electric portion of utility billing software upgrade & GIS upgrades
- Result: More projects completed & less scheduling disruptions to other departments
- Budgetary impact: \$152k in annual salary and benefits

Electric Engineer I

- Will assist with full integration and maintain ownership of outage management system
- Will expedite work on grant-funded distributed energy resource management system (DERMS)
- Budgetary impact: \$144k in annual salary and benefits

Electric Engineer III

- Will manage undergrounding project & provide resources for complex residential work
- Budgetary impact: \$180k in annual salary and benefits

ELECTRIC RATE RECOMMENDATION



OUTCOMES OF RECOMMENDED RATE INCREASES

- Increases income to support operations
- Supports \$30 million in capital investment
- Stabilizes cash reserve balances at 30 days
- Ensures significant debt coverage ratio
 - 10.0x vs. 1.4x (industry recommended)
- Maintains rates lower than ComEd

Proposed Electric Rate Increases

Final Recommendation

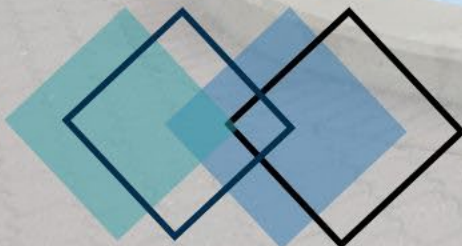
2025	2026	2027
6.1%	5.6%	5.6%



Average residential bill increases less than **\$8 per month**



QUESTIONS ?



WATER CAPITAL OVERVIEW

Major revitalization work is needed in the coming years for existing assets.

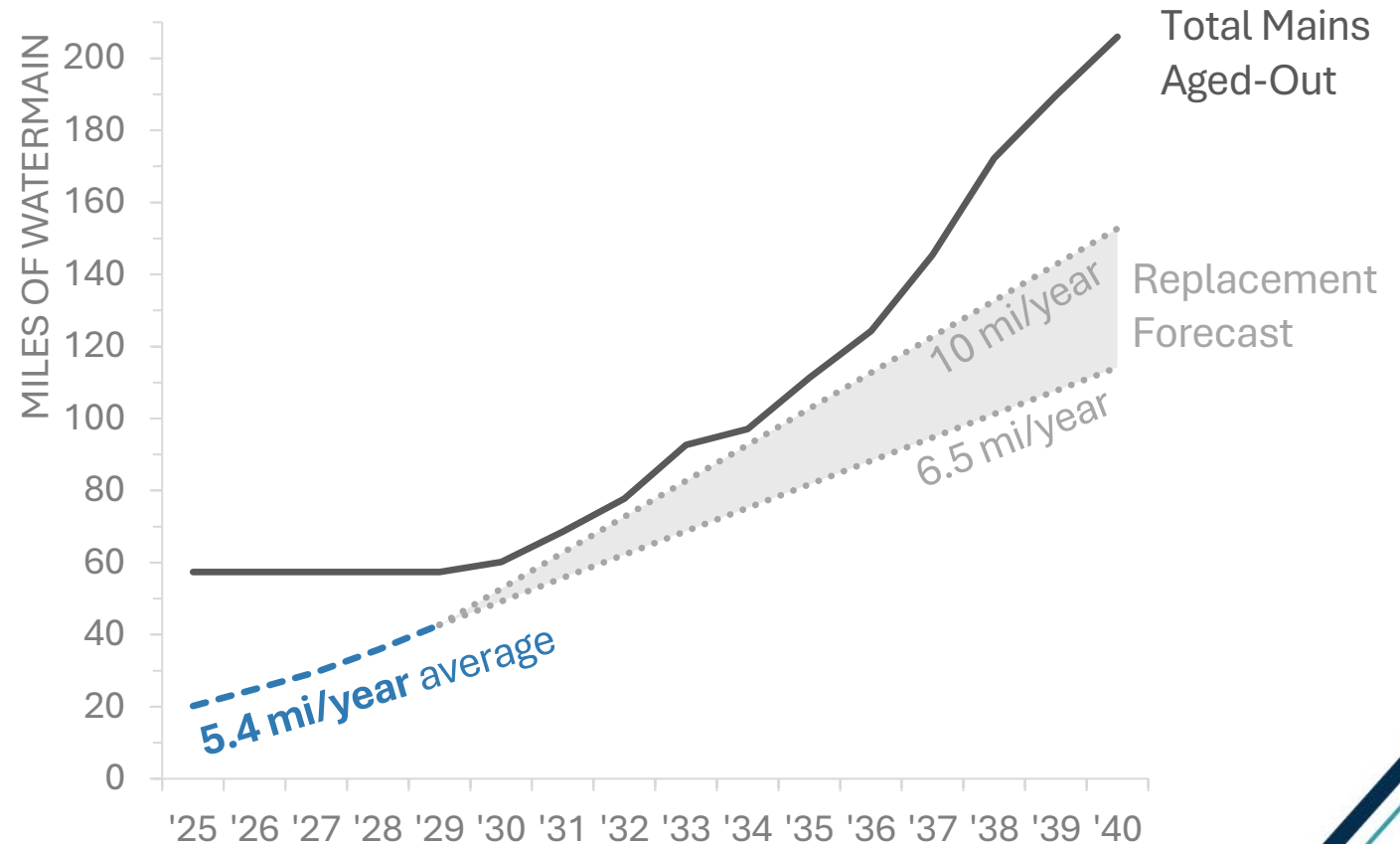
WATER MAIN REPLACEMENT

- Coordinated plan to increase replacements over time
- Advancing beyond 6 miles in near term unlikely – projects not yet designed
- Aggressive program planned for after Springbrook work is done

SPRINGBROOK IMPROVEMENTS

- Required projects underway to address new regulations, aging infrastructure & increased demand
- Work has operational impacts

Future Water Main Replacement



ISSUE: Springbrook needs a leadership succession plan.



Pending retirement of current expert

Current Deputy Director/Plant Manager (30+years of experience) plans to retire after current plant improvement/expansion



Future leader needs to know the “new” plant

Planned improvements require in-depth knowledge of new facilities & processes



Limited talent pool

Specialized leadership role, limited number of wastewater treatment plants in Illinois

SOLUTION: Hire a Water Reclamation Manager and mentor them to move into the leadership role.

Immediate & Long-term Benefits

- Person becomes part of planning, design & construction processes for the “new plant,” lessening the knowledge gap that retirement causes
- Closely involved in the optimization and analysis of operations at the plant
- Can assume some construction management tasks, reducing outside consultant costs

Budgetary Impact

- \$140k in annual salary and benefits



OUTCOMES OF RECOMMENDED RATE INCREASES

- Establishes long-term capital funding
- Maintains cash reserve balances at 30 days
- Ensures significant debt coverage ratio
 - 3.0x vs. 1.5x (industry recommended)
- Maintains rates in line with DWC median

Proposed Rate Increases

Final Recommendation

	2025	2026	2027
Water	12%	12%	12%
Wastewater	10%	10%	10%

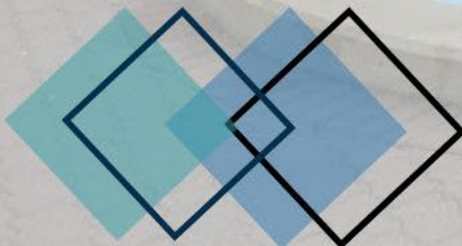


Average residential bill increases
\$9 per month

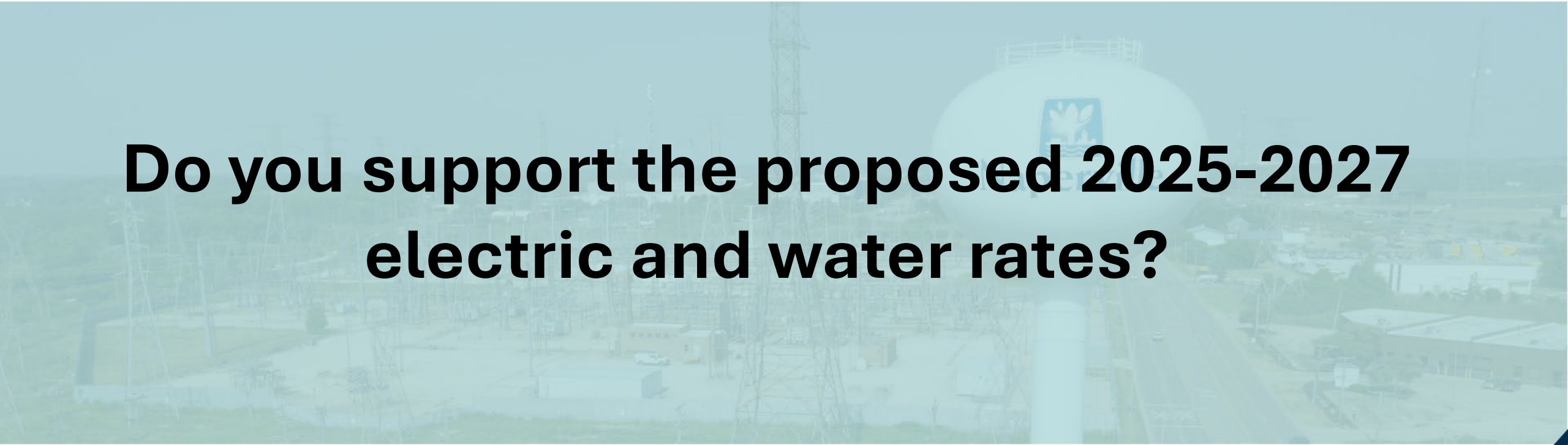
Note: Bill impact is 9% when City rates are blended with DWC charges



QUESTIONS ?



TONIGHT'S ASK



**Do you support the proposed 2025-2027
electric and water rates?**

To allow enough time for new rates to be programmed into billing systems before January 1, 2025, the first reading of an ordinance amending rates must occur at the Nov. 5 City Council meeting.



NAPER SETTLEMENT



NAPER SETTLEMENT



2024 ACCOMPLISHMENTS

- Opening of Innovation Gateway & film *Looking Back is Looking Forward*
- Welcomed over 9,990 guests for the first-ever Farmer's Market
- Through NHS, secured over \$1.8M in state & federal funding
- Successful completion of the sitewide infrastructure CIP
- Commemoration of the 150th Anniversary of the Naperville Fire Department
- Redesign of Naper Settlement website
- Successful completion of the last 5-year Strategic Plan and creation of a new 5-year Strategic Plan



2025 GOALS

- Source funding of \$1.5M for the Ag Hub nutrition lab at Halfway House
- Continued digitization of collection
- AAM Reaccreditation
- Develop the Master Plan



2025 NAPER SETTLEMENT REVENUES



No INCREASE TO 2025 PROPERTY TAX LEVY REQUEST

- Levy remains flat at \$3.89M
- Annual 2% increase in contribution from Food & Beverage Fund - \$1.02M

8% INCREASE IN EARNED OPERATING REVENUE

- 2025 revenue projected at \$590k, increase of \$43k
- Includes admissions, public programs, school programs, special events, tours, rentals, and weddings

NAPERVILLE HERITAGE SOCIETY PARTNERSHIP

- \$800k in federal funding for digitization
- \$774k in state grants for the Agriculture permanent exhibit
- Working with state legislator for an additional six-figure funding

2025 NAPER SETTLEMENT EXPENSES



1.2% INCREASE IN OPERATING EXPENSES - \$5.51M

- No new personnel requests for 2025
- Salaries and benefits budgeted in line with City
- Increases in Building & Grounds Maintenance offset by decreases in benefits & supplies and equipment



CAPITAL IMPROVEMENT PROGRAM REQUEST - \$398k

- Century Memorial Chapel HVAC replacement

NAPERVILLE PUBLIC LIBRARY





2024 ACCOMPLISHMENTS

- Launched a new app
- Revamped reading recommendation services
- Upgraded IT infrastructure
- Implemented new marketing initiatives
- Successful programs with community groups
- This year, we will see about 1.3 million visitors and circulate about 3 million items

2025 GOALS

- Implementation of automatically renewing Library cards
- 2 new collections: Book Club Collection and Children's Staff Picks
- Creation of a long-range facilities plan
- Upgrading wi-fi at all 3 locations
- Investigating new services and programs



NAPERVILLE PUBLIC LIBRARY REVENUES



4.6% INCREASE IN PROPERTY TAX LEVY TOTALING \$17.18M

- The main source of funding for public libraries in Illinois is the property tax levy
- The property tax rate for the Library has decreased for the last 10 years



SMALL INCREASES IN OTHER REVENUE TOTALING \$766k

- Primary sources include State Library Grant (\$222k), Personal Property Replacement Tax (\$300k) and charges for services (\$125k)



2025 OPERATING BUDGET TOTALS \$17.94M – INCREASE OF 4.8%

- From 2020-2024, the Library's
 - Total budget increased by 6.3% total (about 1.5% per year)
 - Salary and benefits budget decreased by 1.2%
- Reduction of 2 FTEs (4 staff positions) in 2025 budget
- Increase is largely driven by wage increases

CAPITAL IMPROVEMENT PROGRAM REQUEST - \$610k

- Nichols Library Renovations: \$460k
- Library Facilities Assessment: \$150k

MISCELLANEOUS SERVICES

DNA, NDP, NCTV17



DOWNTOWN NAPERVILLE ALLIANCE



◆ Funding request totals \$435k

- Annual funding through Downtown SSA

◆ DNA and TED collaborating on downtown wayfinding project

- \$680k included in capital project budget for 2025

	2024 Budget	2025 Budget	Change (\$)	Change (%)
Annual Advertising & Marketing	\$427,085	\$435,650	\$8,565	2.0%
Streetscape Construction Marketing	\$100,000	-	\$(100,000)	-100.0%
Total	\$527,085	\$435,650	\$(91,435)	-17.3%

NAPERVILLE DEVELOPMENT PARTNERSHIP



Funding Request totals \$1.37M

- 10.5% increase due to higher operating costs



2025 key initiatives focus on I-88 corridor

- Second year of I-88 Corridor funding (Year 2 of 2)



	2024 Budget	2025 Budget	Change (\$)	Change (%)
Economic Development Grant	\$325,000	\$375,000	\$50,000	15.4%
Hotel/Motel Income Sharing	\$575,000	\$655,000	\$80,000	13.9%
I-88 Corridor Marketing	\$150,000	\$150,000	-	0%
Restaurant Marketing Grant (SECA)	\$185,000	\$185,000	-	0%
Total	\$1,235,000	\$1,365,000	\$130,000	10.5%

NAPERVILLE COMMUNITY TELEVISION (NCTV17)



Funding request totals \$655k

- No new funding proposed for 2025



Cable TV revenue continues to decline

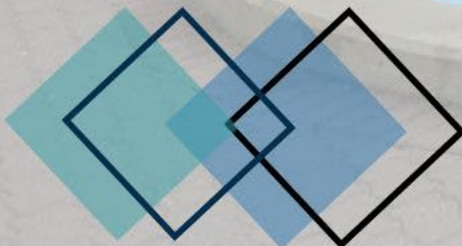
- Declining revenue offset by increase in city services



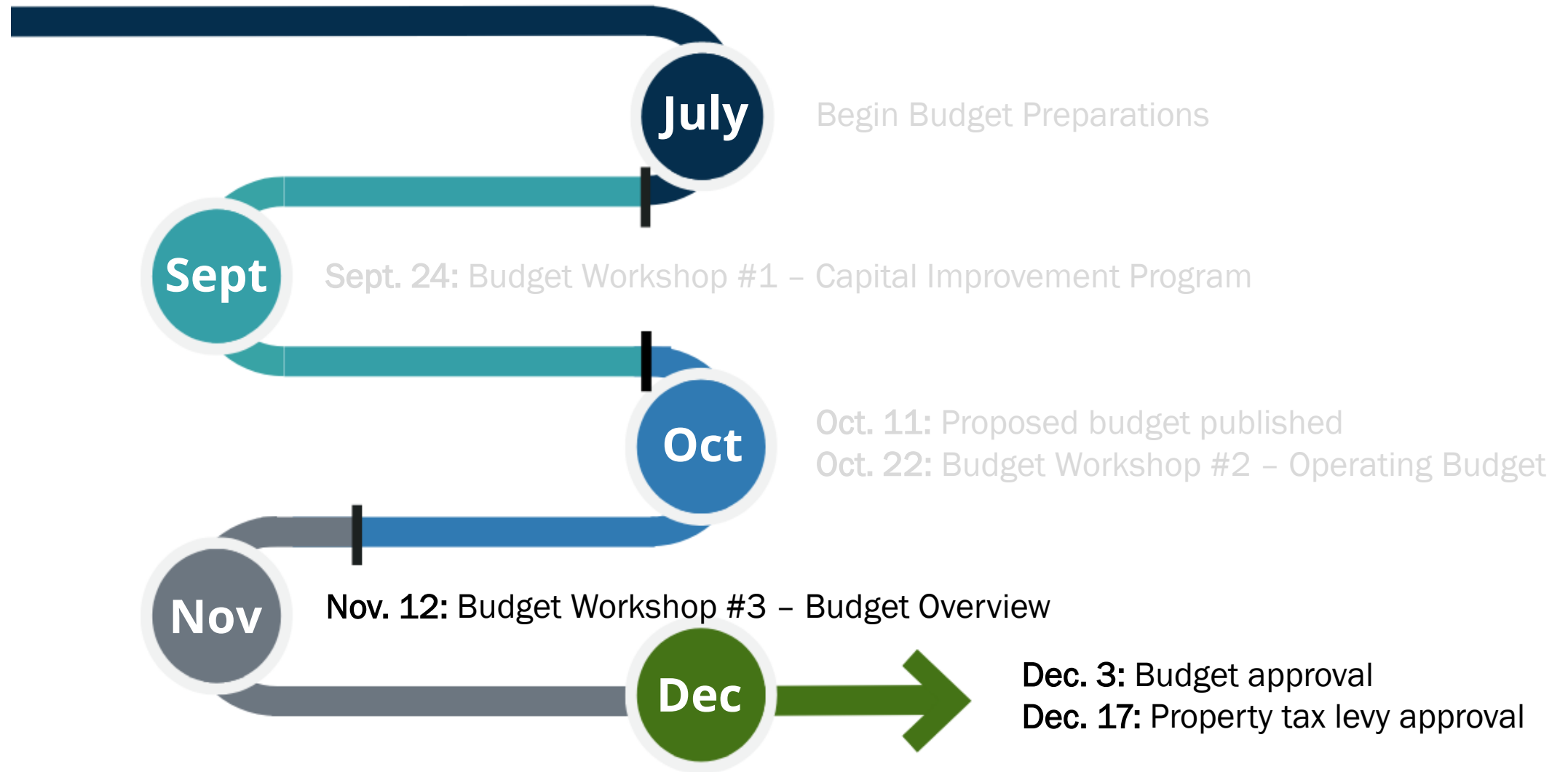
	2024 Budget	2025 Budget	Change (\$)	Change (%)
Cable TV Revenue Sharing	\$385,000	\$355,000	\$(30,000)	-7.8%
City Services	\$270,000	\$300,000	\$30,000	11.1%
Total	\$655,000	\$655,000	\$0	0%



QUESTIONS ?



BUDGET TIMELINE





ANNUAL OPERATING BUDGET

AND CAPITAL IMPROVEMENT
PROGRAM

2025

BUDGET WORKSHOP #2
OCTOBER 22, 2024

