



ANNUAL OPERATING BUDGET

CAPITAL IMPROVEMENT PROGRAM

20 24

CITY OF NAPERVILLE, ILLINOIS

Workshop #2: Resources & Operations

09.26.23



Tonight's Discussion

OUR OPERATIONAL BUDGET

- A review of the functional areas of the operating budget and the departments that serve those functions

CLOSING SERVICE GAPS

- How the 2024 budget will address maintaining quality of life and service levels

FUNDING OUR WORK

- Status of major revenue sources responsible for funding operations

REVENUE ALLOCATION ADJUSTMENTS

- Introduction of potential revenue allocation adjustments for Council consideration prior to budget publication

Tonight's Takeaways

**OUR OPERATING BUDGET PROVIDES THE VARIOUS RESOURCES
NECESSARY TO SERVE THE COMMUNITY.**

**REVENUE FORECASTS INDICATE THAT THE CITY CAN FULLY SUPPORT ALL ITS
PROPOSED 2024 BUDGETARY REQUESTS.**

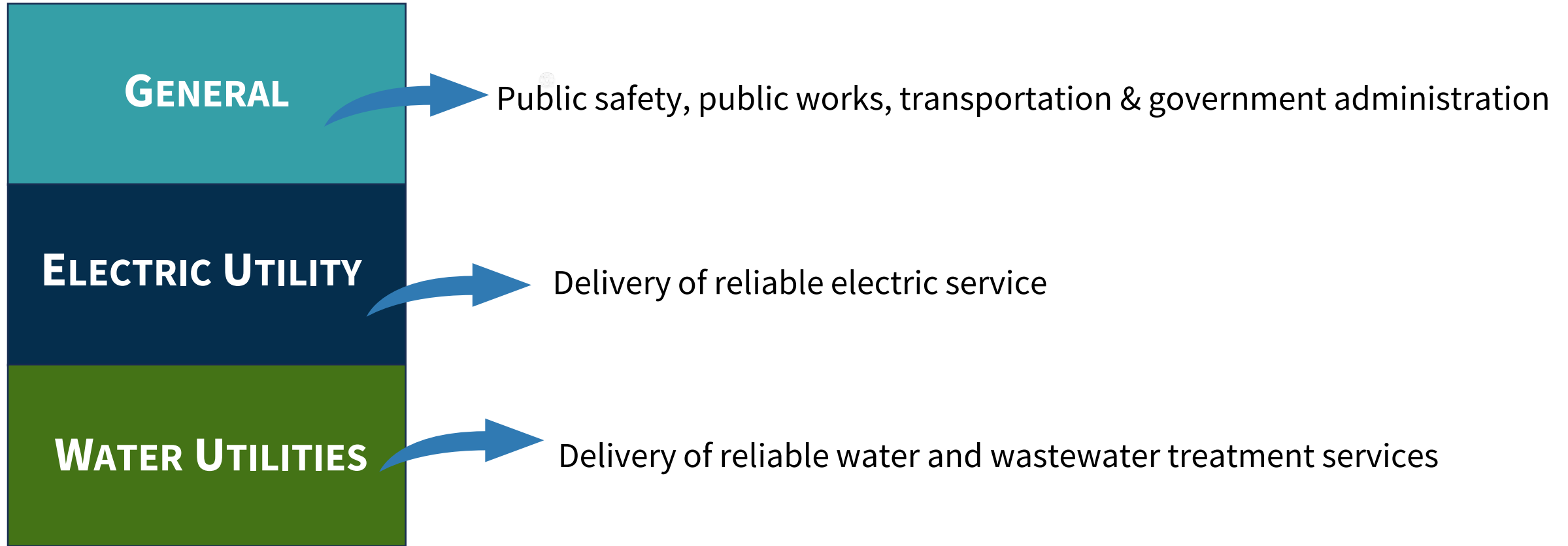
**2024 FTE REQUESTS ALIGN WITH AREAS WHERE THE CITY IS SEEING – OR
BEGINNING TO SEE – DOWNWARD SERVICE TRENDS THAT MUST BE ADDRESSED
NOW TO MAINTAIN CURRENT SERVICE QUALITY LEVELS.**

**20
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OUR OPERATIONAL BUDGET

The City has **3 main budget funds** that support its services.



Each fund is supported by departments that help provide these services.

GENERAL

- Police
- Fire
- Public Works
- Transportation, Engineering & Development
- City Manager's Office & Communications
- Finance
- Human Resources
- Information Technology
- Community Services
- Legal

ELECTRIC UTILITY

- Electric
- Legal
- Finance
- Community Services
- Information Technology
- City Manager's Office & Communications
- Human Resources

WATER UTILITIES

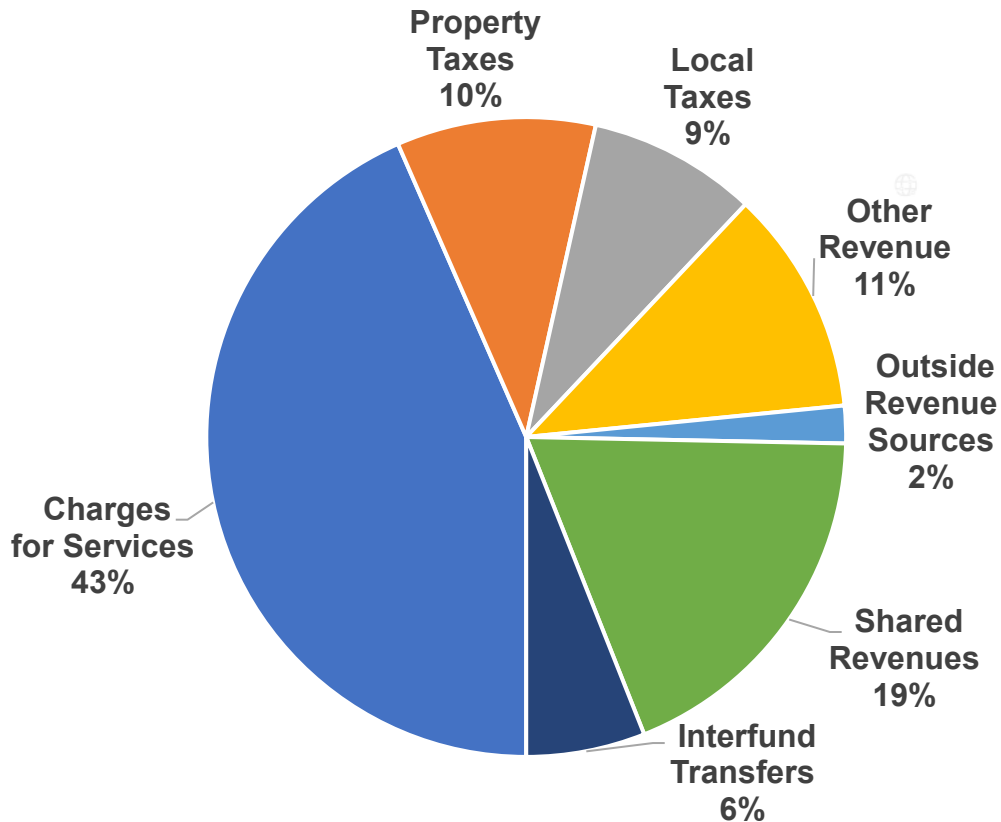
- Water
- Legal
- Finance
- Community Services
- Information Technology
- City Manager's Office & Communications
- Human Resources





FUNDING OUR WORK

Revenues remain highly diversified across all funds.



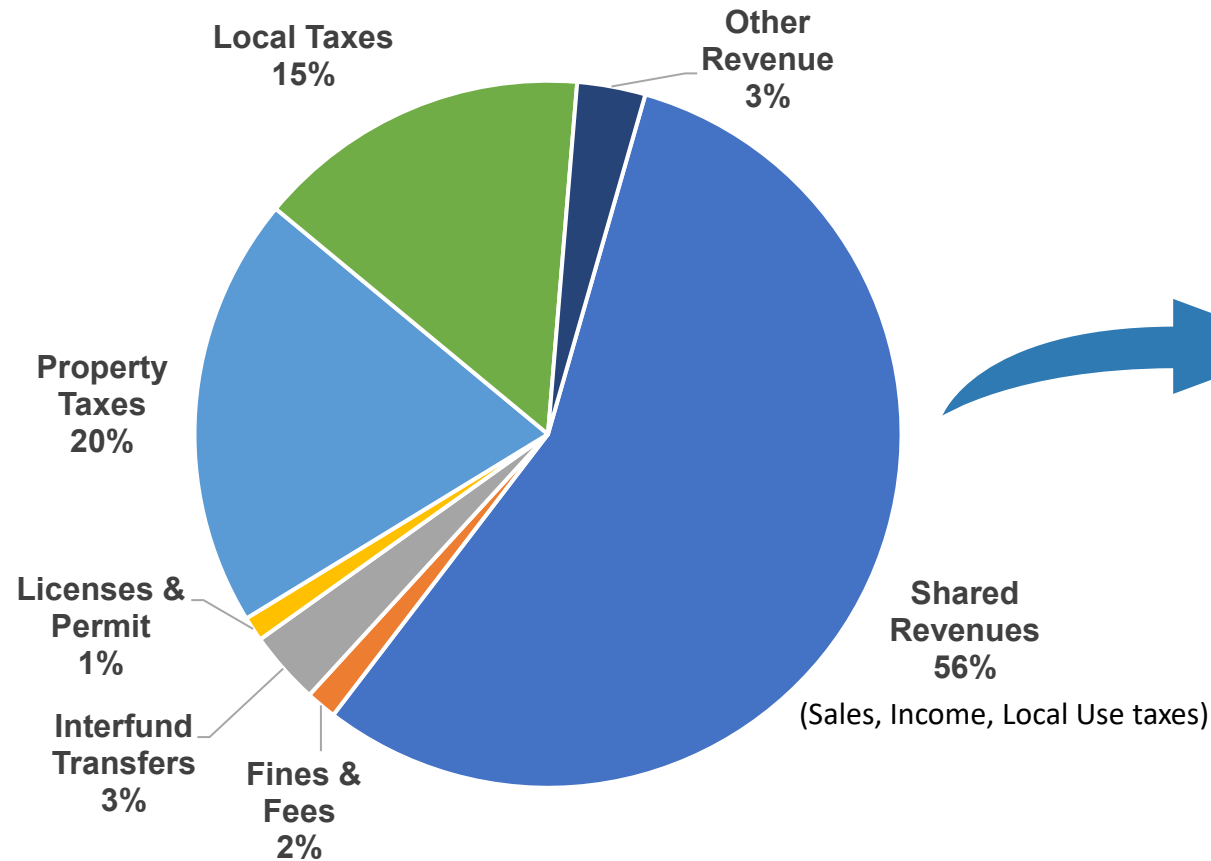
Charges for utility services are the single largest revenue source for the City

2023
\$215M, or 40%, of
total revenue

REVENUE DIVERSIFICATION PLAYS A KEY ROLE IN FINANCIAL STABILITY

- Economically sensitive revenues (sales tax) are balanced by more stable revenues (property tax)

General Fund revenues are more sensitive to the economy.



Economically sensitive shared revenues accounting for larger percentage of General Fund revenue

2019

51%

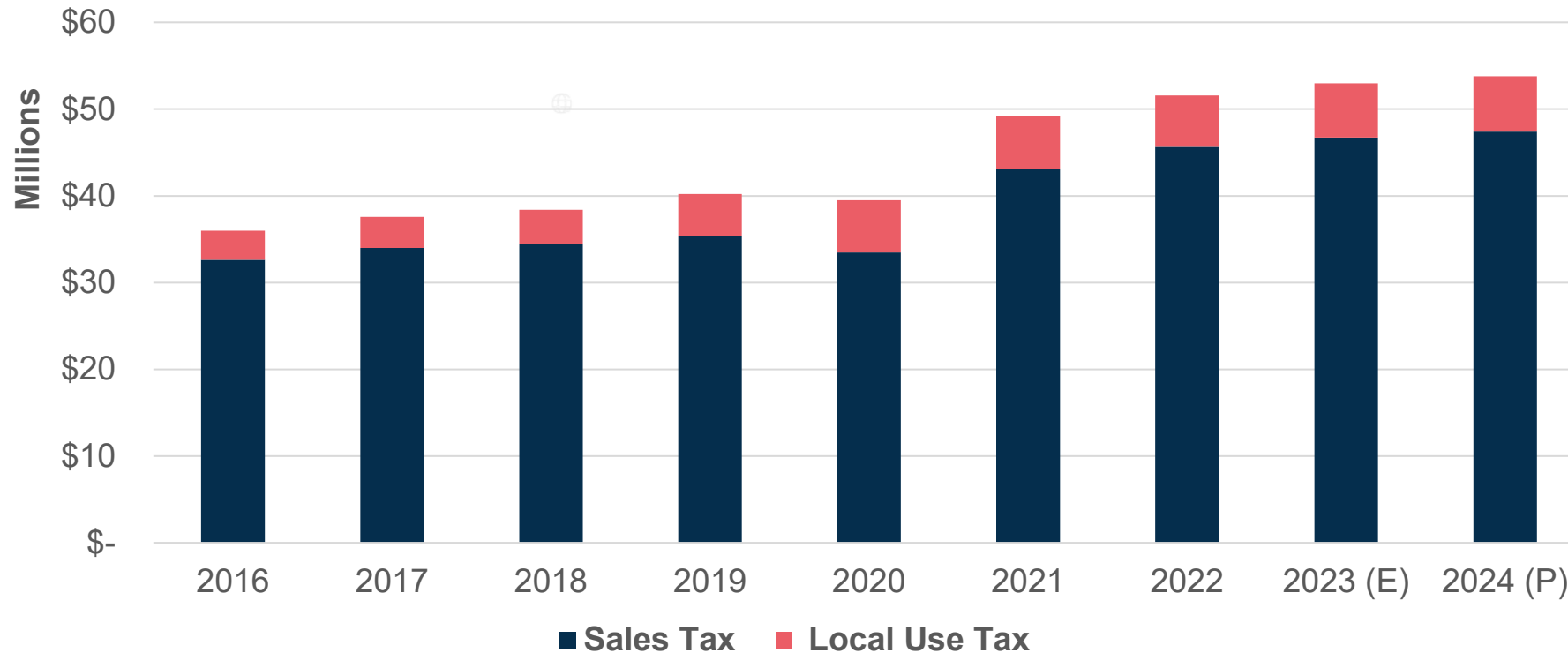
2024

56%

PROPERTY TAX IS THE MOST STABLE REVENUE SOURCE IN THE GENERAL FUND

- Funds public safety pensions, IMRF and a small portion of operating expenses
- Property tax collections consistently exceed 99% of the annual levy

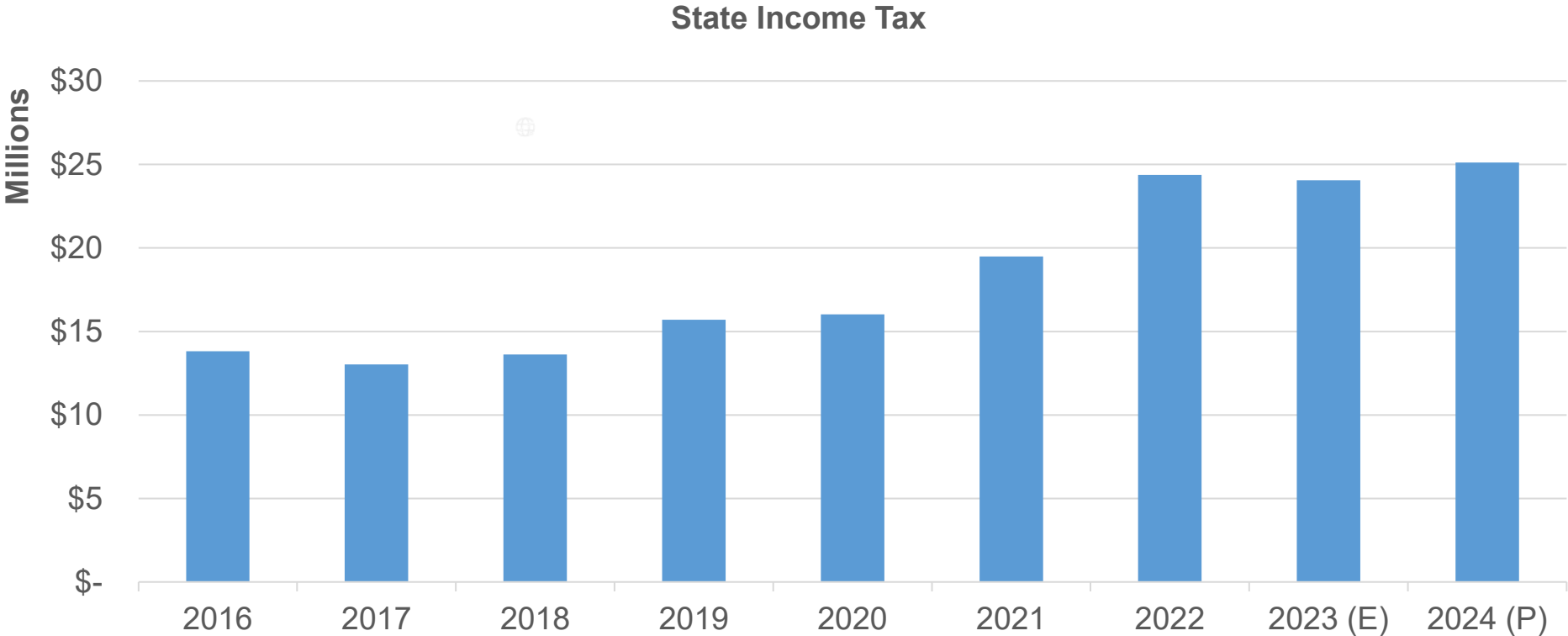
State sales & use tax projections symbolize a new normal.



SALES TAX IS THE SINGLE LARGEST REVENUE SUPPORTING PUBLIC SERVICES

- Sales and use tax have traditionally maintained a steady growth pattern
- Level the Playing Field Act resulted in an increase in revenue – impact first seen in ‘21

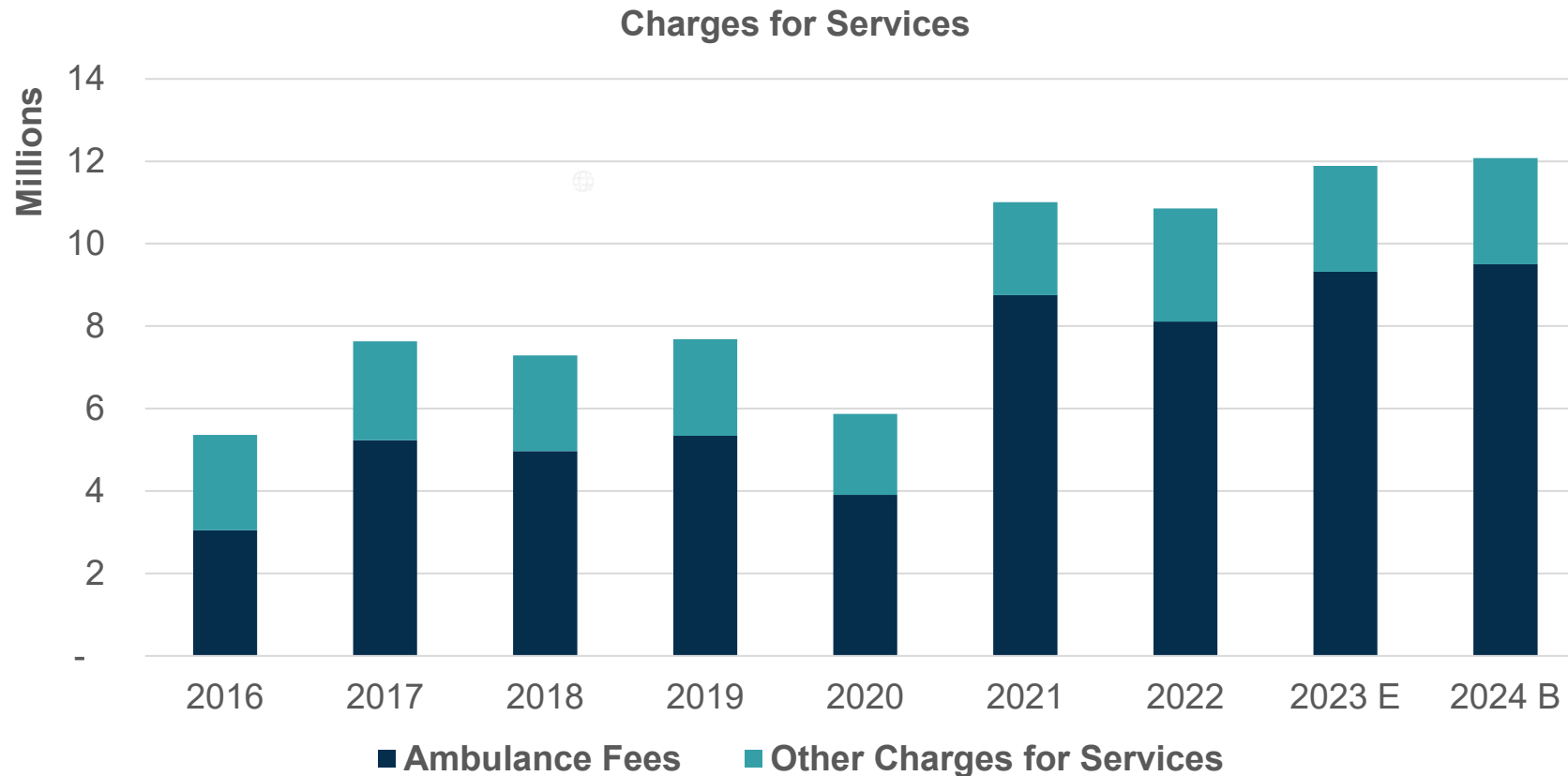
State income tax continues to outperform expectations.



CITY RECEIVING INCREASED SHARE OF LOCAL GOVERNMENT DISTRIBUTIVE FUND

- LGDF distributions increased since '21 due to low unemployment and high corporate profits
- Municipal share increased July 1 from 6.16% to 6.47%

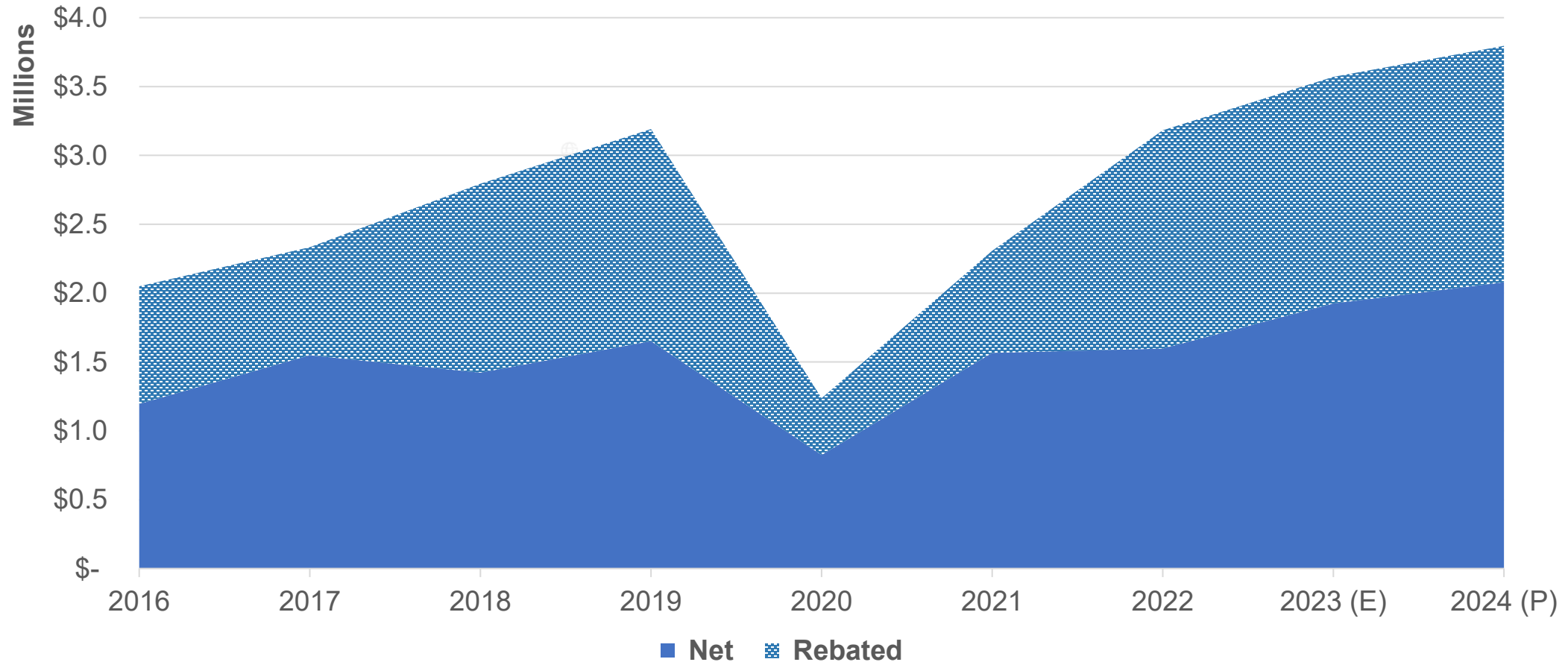
Service charges have also elevated in recent years.



AMBULANCE FEE REVENUE HAS INCREASED SIGNIFICANTLY AS FEES ARE ALIGNED WITH COSTS

- Ambulance fees based on Ground Emergency Medical Transport (GEMT) cost recovery model
- Revenue expected to increase with approval of the CART program

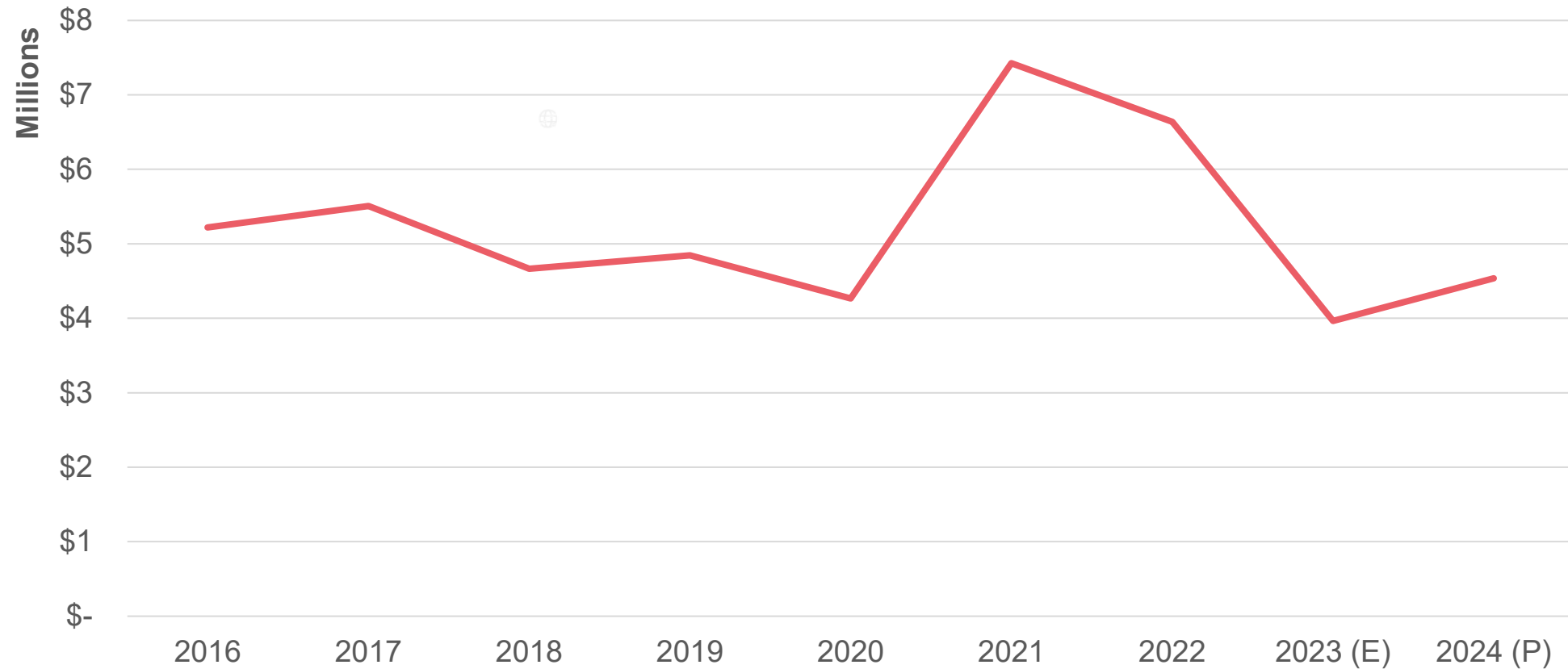
Hotel/motel tax has rebounded from the pandemic.



ALL GENERAL FUND REVENUES HAVE RECOVERED FROM PANDEMIC IMPACTS

- Hotel/motel tax continues to show strong growth – outpacing pre-pandemic revenue
- Increase in rebated revenue indicates large hotels are performing well

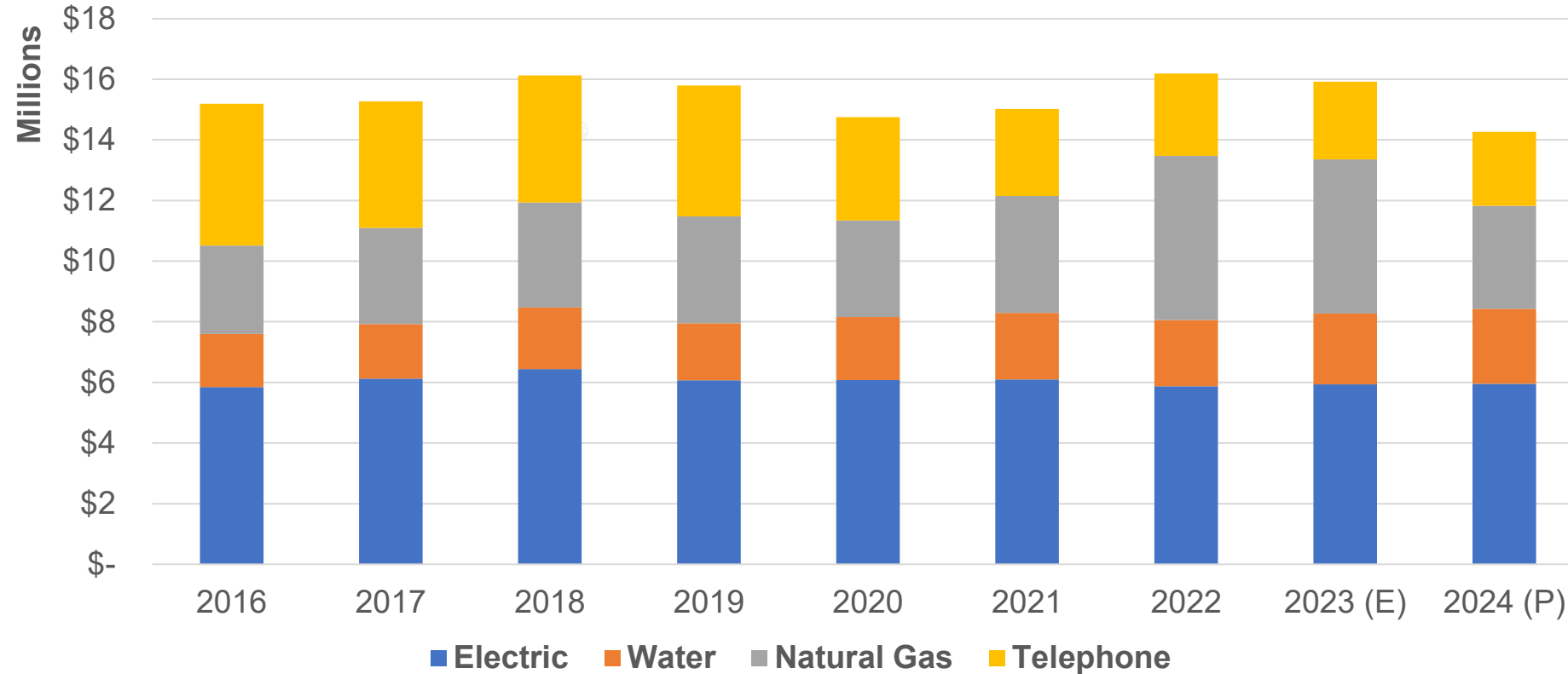
Real estate transfer tax is expected to increase next year, but not to the highs of the pandemic.



HIGH INTEREST RATES NEGATIVELY IMPACTED REAL ESTATE IN 2023

- Revenues are expected to make a recovery in '24 – assuming lower interest rates
- '20 and '21 were historically good years – no expectation for a return to those levels in '24

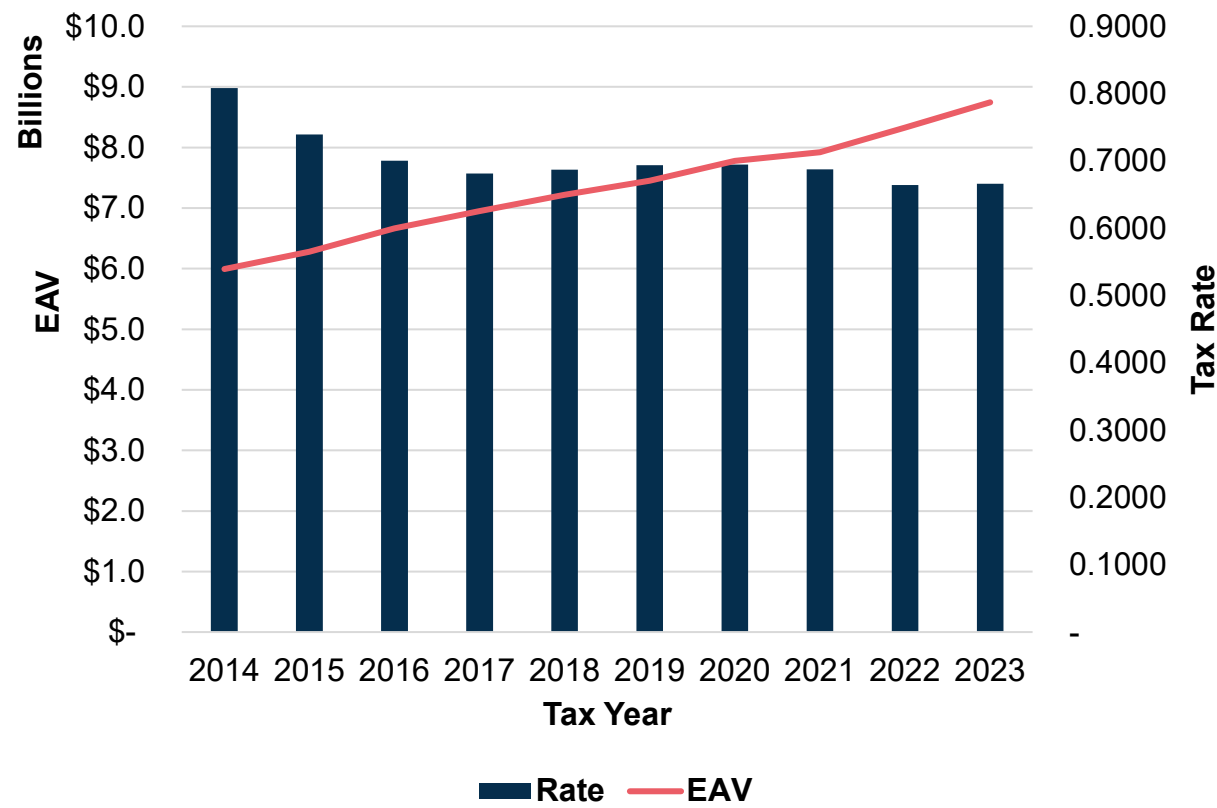
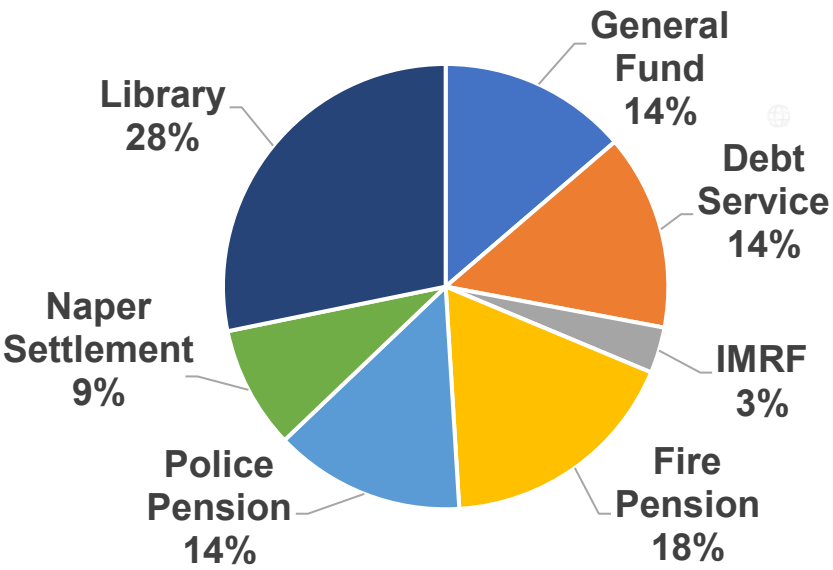
Utility taxes are expected to decline with natural gas costs.



UTILITY TAXES FLUCTUATE WITH USAGE AND COST

- Telephone tax revenue continues to move in a downward trend due to cord-cutting
- Natural gas tax expected to decline in 2024 as inflation subsides

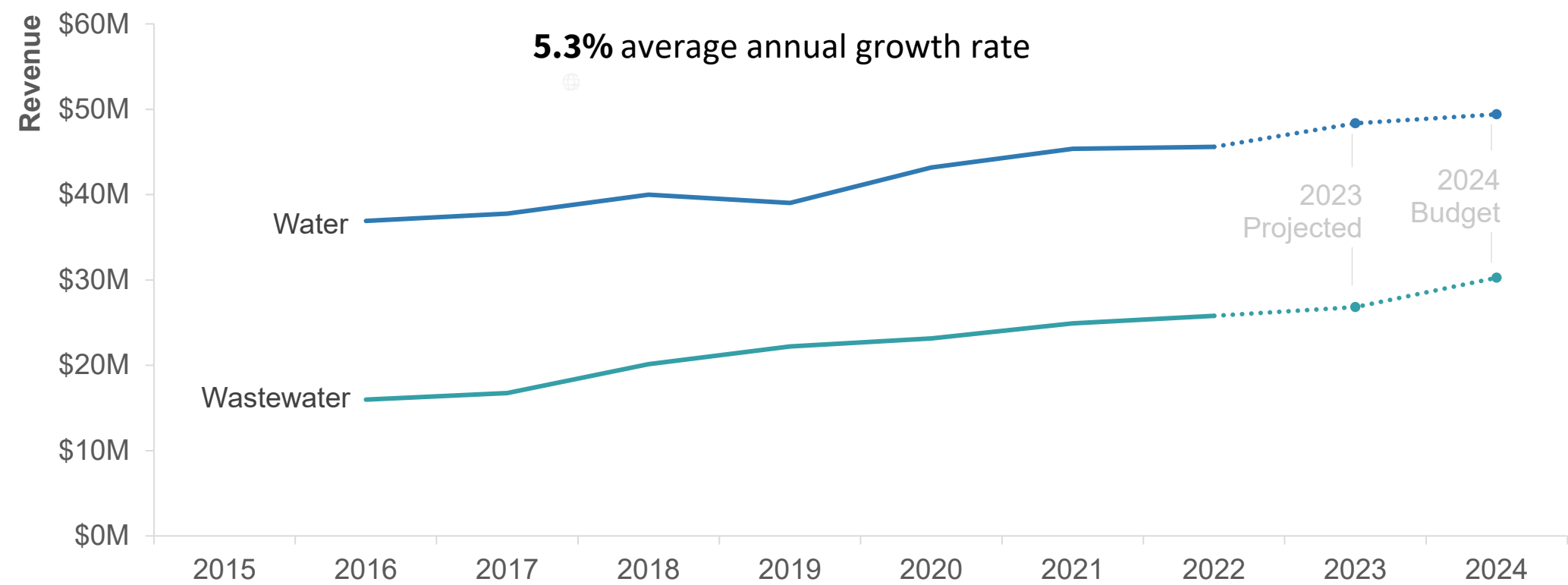
Property tax remains an important, **stable** funding source.



CITY ACHIEVED A HISTORICALLY LOW PROPERTY TAX RATE IN 2023

- General Fund portion of levy supports a small fraction of operating costs – equal to just 10% of Police and Fire operating expenses

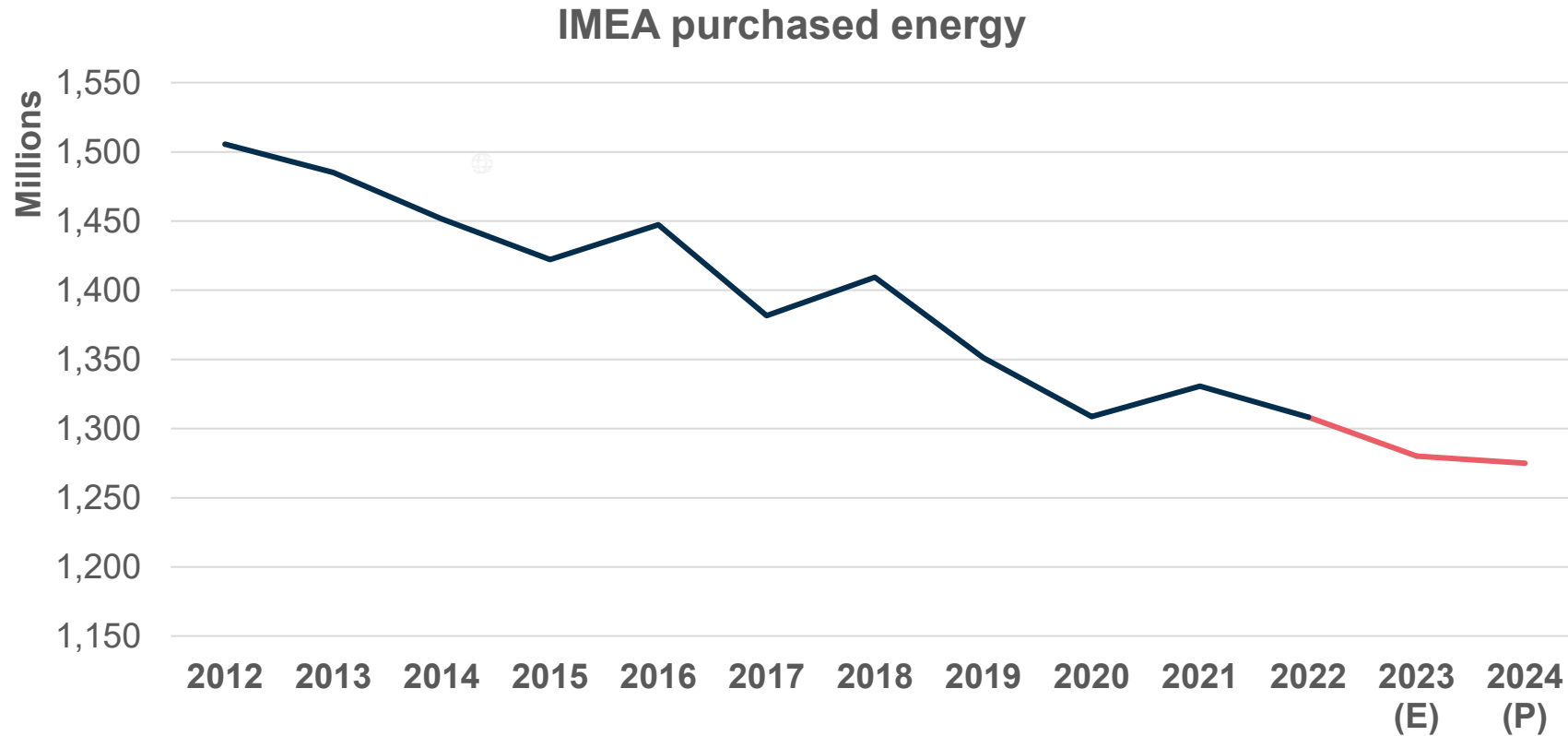
The Water Utility Fund consistently grows to support operations.



2024 RATE STUDY WILL ENSURE REVENUES CONTINUE TO SUPPORT OPERATIONS AND NECESSARY INFRASTRUCTURE IMPROVEMENTS

- Current revenue model sufficient to support operations – capital funding is the primary issue

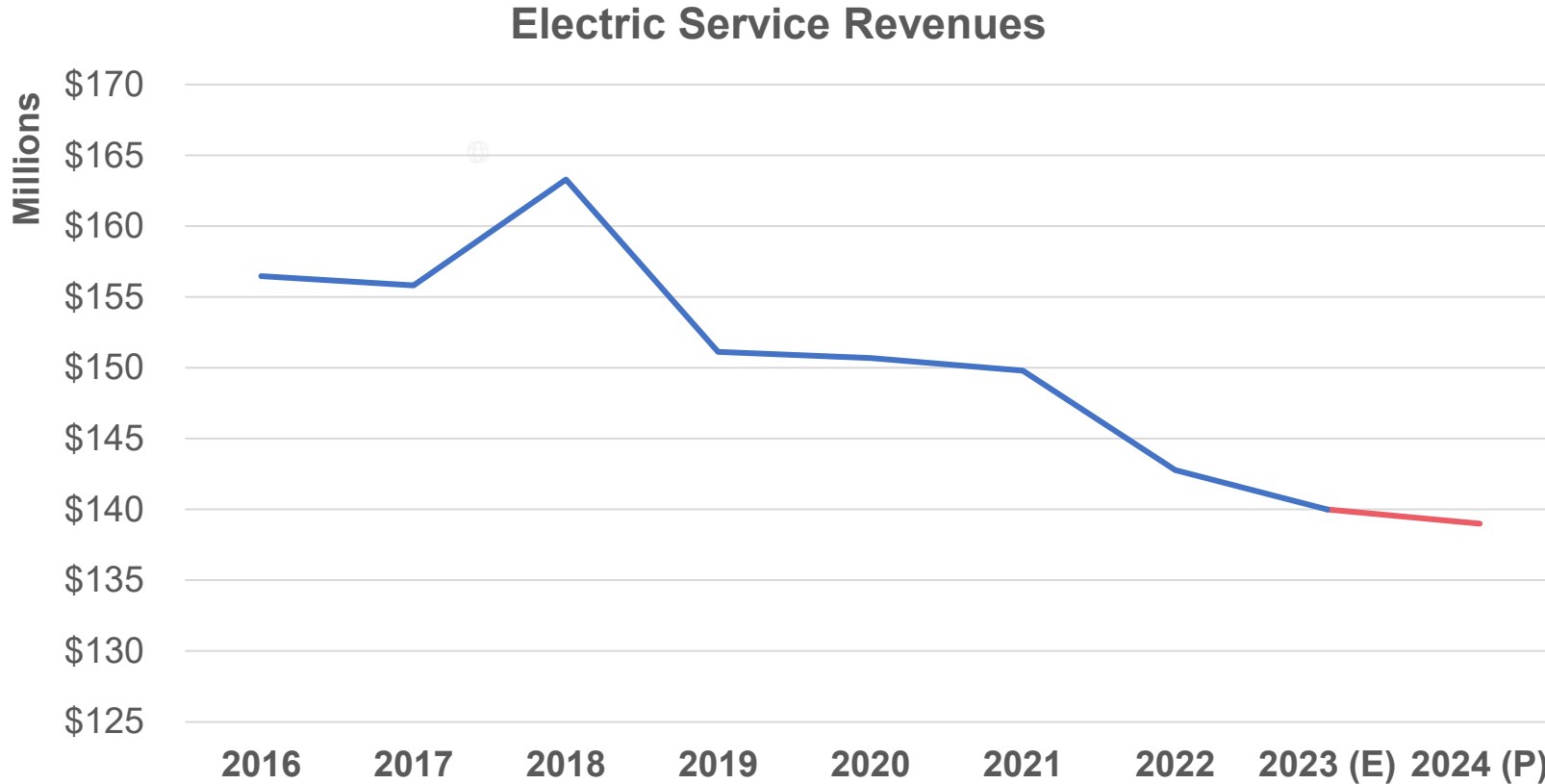
Energy use continues to decline.



GOALS TO ACHIEVE ENERGY CONSERVATION AND FINANCIAL STABILITY ARE CONFLICTING

- City encourages lower energy consumption through energy efficiency grant programs
- Lower energy use results in no change to the cost of operations and capital maintenance

Declining energy use impacts ability to fund operations.



ELECTRIC'S OPERATING BUDGET IS FUNDED THROUGH ENERGY-USE-BASED CHARGES

- Declining energy use is putting financial pressure on the utility's ability to fund operations
- '24 rate study to evaluate issue and recommend corrective actions



CLOSING SERVICE GAPS

**Ability to fund additional resources
and close service gaps already exists.**

ALL THESE RESOURCES CAN BE SUPPORTED THROUGH...

- Existing General Fund revenue sources
- With a flat to declining property tax rate

WHILE STILL MAINTAINING A BALANCED BUDGET



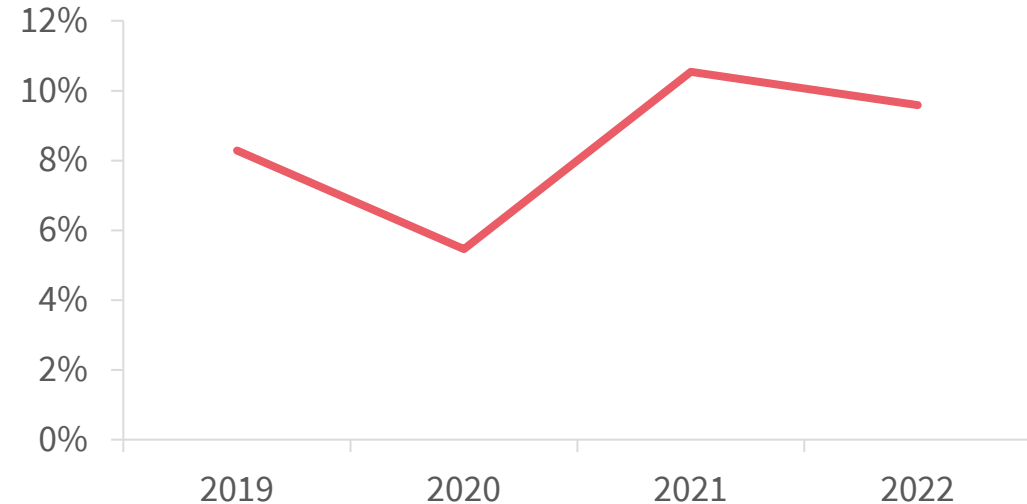
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The city's workforce is changing.

RETAINING TALENT IS INCREASINGLY DIFFICULT

The city loses 10% of its workforce annually.

Employee Turnover Rate



TENURE OF STAFF IS DECLINING

Level of institutional knowledge declines as workforce turns over.

Employee Tenure

2012
13.5 years



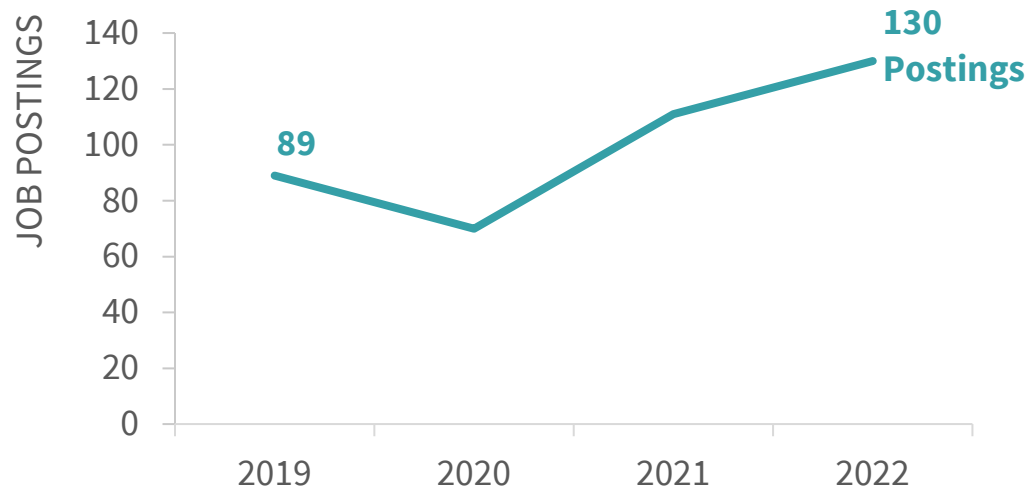
2023
10.8 years



Challenge: A tight labor market requires more effort to hire.

More time is being spent **posting jobs** and hiring candidates as we experience higher turnover.

Job postings are rising



Existing recruitment efforts are **not attracting as many applications** as they did before the pandemic.

 **-29%**

**Applications
per job posting**
2019 to 2023

 **-78%**

Police candidates
2018 to 2023

 **-71%**

Fire candidates
2018 to 2022

Solution: Add positions to better handle workload in order to enhance the recruitment, hiring, development & retention of City employees.

A **Recruitment Assistant** will:

- Provide the critical support needed for an expedited recruitment process
- Support the recruiter in the development of new strategies to increase the number of qualified candidates per job posting

An **HR Specialist** will:

- Work with the Board of Fire & Police in the recruitment and hiring process of Police and Fire candidates
- Encourage employee retention through the increase of training offerings and opportunities for development and career growth



Challenge: Technology investments require more support from the Geographic Information Systems (GIS) team.

Upcoming projects require high levels of support from the GIS team



Utility Network Modernization

- 12 hours/week in support
- 3 new servers



Public Safety Dispatching

- 15 hours/week in support



Addressing/Routing

- 30 hours/week in support

Existing GIS infrastructure maintenance needs are trending upward

Open maintenance tickets



Solution: Add a Senior GIS Analyst to handle the increasing responsibilities.



Senior GIS Analyst will augment the existing GIS team by:

Supporting upcoming major projects

11 Major projects in 2024

35 Hours/week

Administering enterprise geographic systems

20 Servers

5 Geodatabases

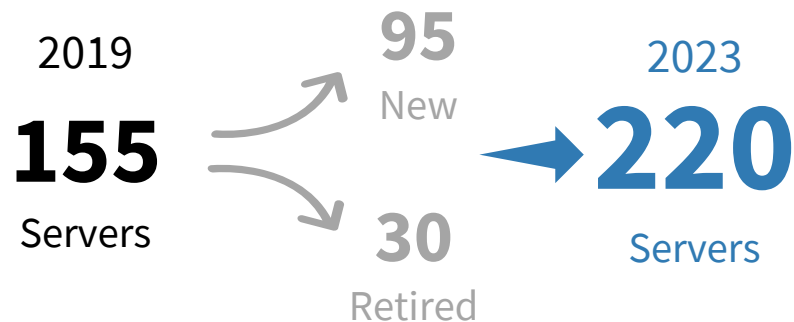


Challenge: Increasingly complex networks of technology systems are being put in place to support operations.

Accommodating new technology across the organization requires **more infrastructure to support software**



Network Server Growth



Several **upcoming major projects will require significant network support:**



Public Safety Dispatching



CJIS Security Modernization standards



Data Center Expansion



Network storage strategy

Solution: Provide additional network support to help keep organization-wide, critical projects on track and supported.



A **Network Administrator** will:

- Maintain & troubleshoot network hardware, communication links, operating software and 220 servers
- Administer environments for enterprise application such as CAD/RMS
- Provide critical support to major upcoming technology projects



Challenge: Transportation staff has capacity to manage day-to-day operations, but limited to no resources for special, focused studies and projects.

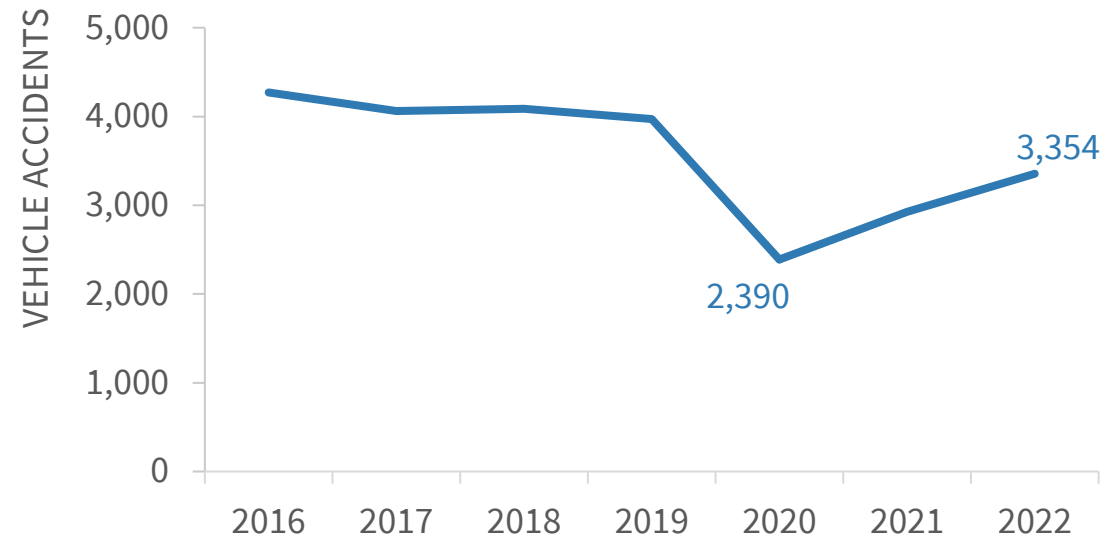
Historically, **traffic & mobility is a major concern** among the community.

100-120 Average number of resident traffic requests per year, most of which require study

68% Respondents factor **walkability** into their decision of where to live
2023 Pedestrian & Bicycle Survey

Vehicle accidents are trending upward since the pandemic, requiring more attention to traffic studies and roadway enhancements.

Vehicle Accidents Trending Up Post-Pandemic



Solution: Rehire a manager to develop long-term solutions to traffic flow and safety through special studies & projects.

Transportation Manager will proactively manage traffic projects & programs aimed at alleviating traffic issues.



Comprehensive
transportation plans



Traffic &
signal studies



Pedestrian & biking
improvements



Downtown parking
& wayfinding

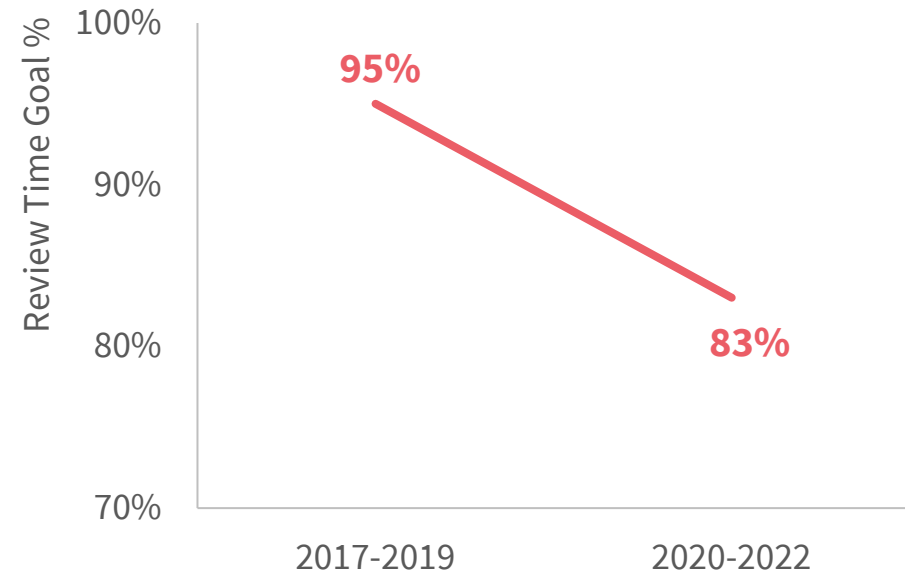


Challenge: Customer service standards are not being met due to long building permit turnaround time.

To keep up with the workload and meet deadlines, **large numbers of overtime hours are necessary.**

Seven TED permit staff members have worked a combined **553 overtime hours** in 2023 (as of early September).

Since the pandemic, **permit review time goals have been slipping.**



Solution: Add positions to better handle workload & ensure customer service standards are met.

A **Lead Permit Technician** will:

- Serve as a working supervisor to lead the permit team
- Improve team effectiveness through continuous teaching and training
- Ensure work is completed properly to reduce errors and longer review times

A **Permit Processing Generalist** will:

- Manage permitting process documentation and standard operating procedures
- Provide support for processing commercial and large residential permit projects
- Eliminate the need for overtime hours by serving as a backup with knowledge of the entire permitting process



Challenge: Procurement workload is increasing due to reinvestment and regulatory compliance.



New investments are creating **more procurements to administer**



New regulations are **increasing the workload per procurement**

Rise in Procurements to Process

2015

2022

200 → 350

RBO

Responsible Bidders Ordinance

New ordinance will require additional review time during each bid process.

DBE

Disadvantaged Business Enterprises

New state statute will require annual evaluation of over 2,500 vendors.

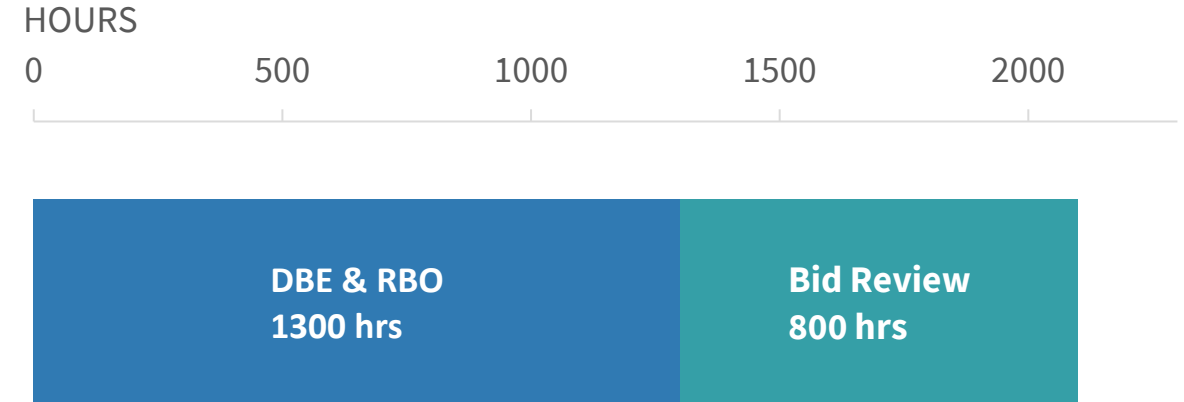


Solution: A Procurement Specialist will keep procurements on track.

A Procurement Specialist will:

- Alleviate the increased procurement volume by **performing bid reviews** including contracts, insurance and bonding activities.
- Maintain our compliance with the **Disadvantaged Business Enterprises** statute and the **Responsible Bidders Ordinance**.

Estimated Annual Workload

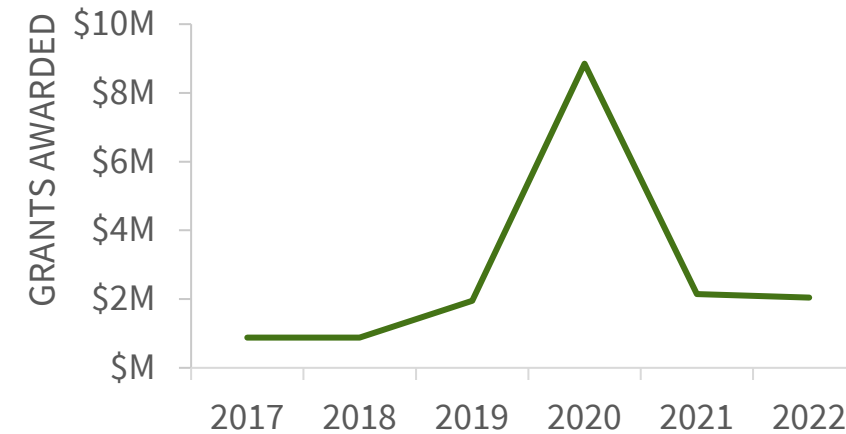


Challenge: City lacks a coordinated grant management strategy.

Availability of state and federal grants has increased, and the City does not have staff to properly administer grant programs.

The City's **independent auditor has noted deficiencies in grant management** in the past two annual financial audits.

Grants Awarded



2023
\$3.3M in
grants awarded
or applied for
+
\$37M in
Electric grants

"During our testing of grants, we noted that grants are tracked in various departments throughout the City. As a result, accumulating information in a timely and accurate manner for accounting and reporting is insufficient. We recommend that the City consolidate its grant management and involve the Finance Department in all aspects and regards to aid in the accurate, timely, and appropriate reporting of grants."

Sikich LLP

Solution: Hire staff with a specialized focus on coordinated grant management.

A **Grant Coordinator** will:

- Ensure accurate and timely financial reporting throughout the year and during the annual financial audit.
- Mitigate the risk of non-compliance with grant reporting requirements and spending restrictions.
- Help departments identify and apply for new grant opportunities to assist with funding of capital projects and operating programs.



Challenge: Public Works' current contractor model is no longer efficient for the City's concrete restoration work.

Contractors are getting expensive

Jobs are too small and scattered across the City to be profitable. As a result, **bid prices are rising.**

The cost to replace a 5-foot sidewalk square is rising

2019
\$500

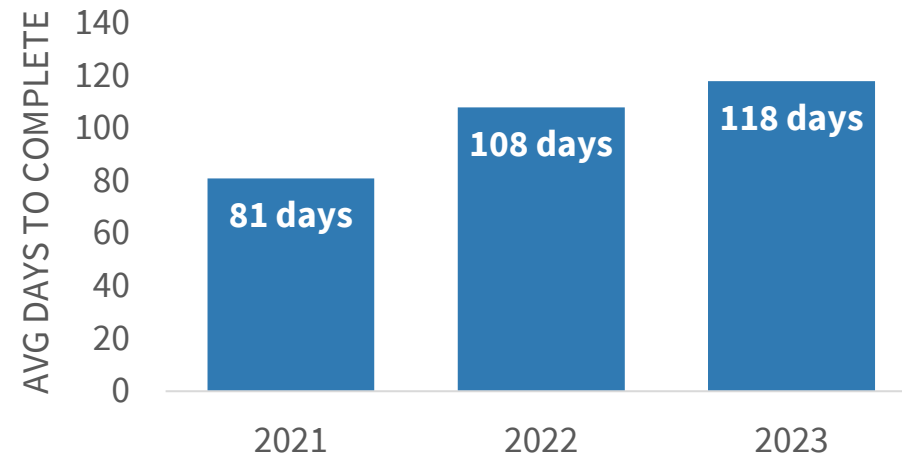
→

2023
\$675

Contractors are taking too long

Contractors won't start until there are enough jobs in the queue, **causing concrete jobs to sit unfinished for months.**

Concrete Restoration is Taking Longer



Solution: Hire 3 additional equipment operators in Public Works to serve as an in-house crew.



More Responsive

An in-house crew can roll out for a smaller number of jobs, fixing people's yards faster



Low Startup Cost

Minimal supplies and equipment are needed; the biggest item is a small concrete mixer

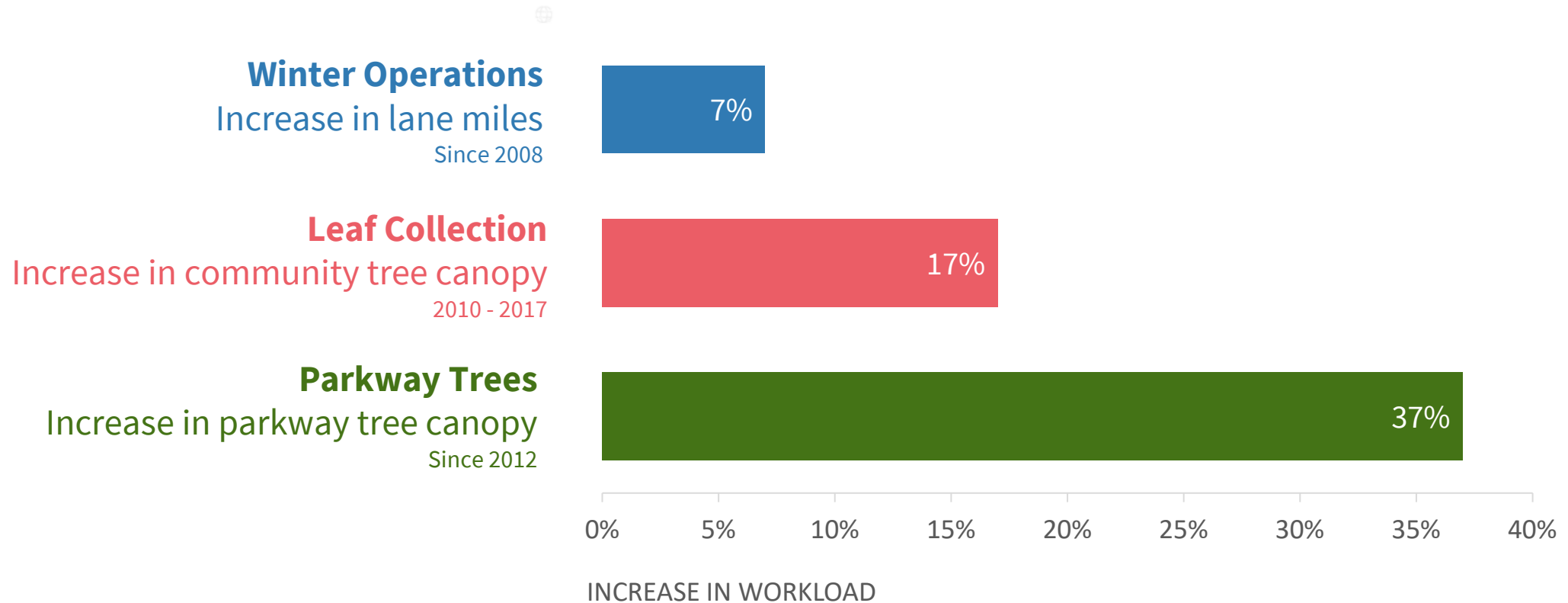


Flexibility

This crew can support other critical tasks during the off-season.



That flexibility is especially important to help provide highly regarded annual services.



Challenge: Ability to address new and increasing public safety demands with existing staff.



Downtown Patrol

Current downtown beat officer model provides only 30 hours of dedicated coverage each week.

Downtown is the smallest police beat in size but has more calls per day than four other beats.

Requires officers from neighboring beats to respond to calls, reducing proactive patrol in those areas.



Strategic Response Unit

Among the critical tasks assigned to this unit are FOID card and firearm restraining order enforcement.

Per Illinois State Police, there are more than 300 revoked FOID card cases in Naperville requiring investigation.

High-risk activity requires team-based approach.

Solution: Hire six additional police officers.

Four **Downtown Patrol Officers** will:

- Increase staffing for each patrol shift to allow a uniformed officer to patrol the downtown 24/7, 365.
- Enhance service delivery through proactive patrolling, a constant police presence, and quicker response to calls for service, crimes in progress, and other issues in this area.

Two **Strategic Response Unit Officers** will:

- Increase staffing of the SRU from six to eight officers
- Increase flexibility to respond to current trends and future concerns in a proactive, data-driven, and targeted manner
- Improve upon proactive enforcement of revoked FOID card violators and firearm restraining orders



**Ability to fund additional resources
and close service gaps already exists.**

ALL THESE RESOURCES CAN BE SUPPORTED THROUGH...

- Existing General Fund revenue sources
- With a flat to declining property tax rate

WHILE STILL MAINTAINING A BALANCED BUDGET

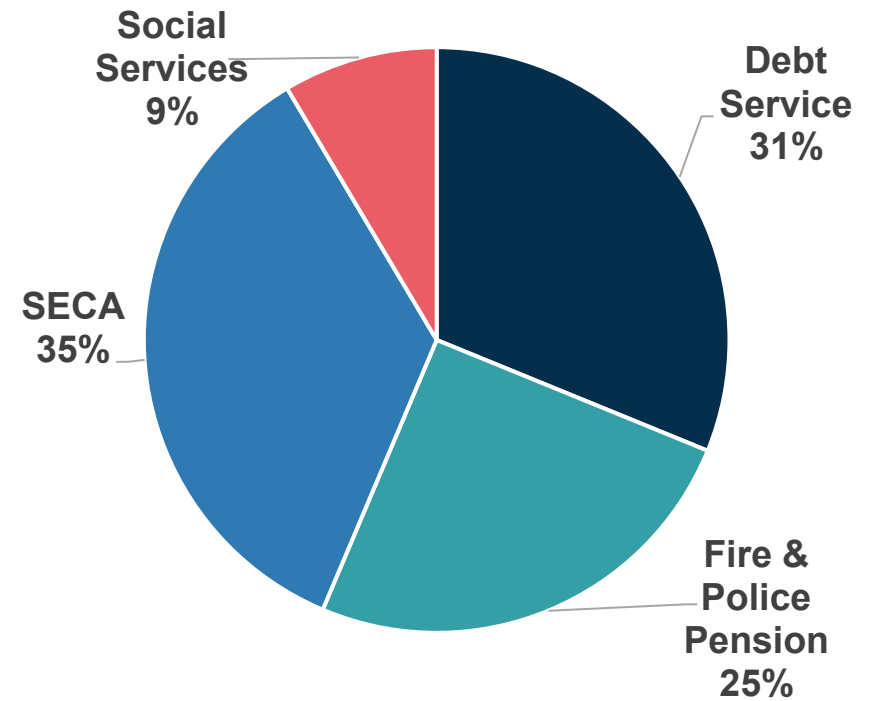
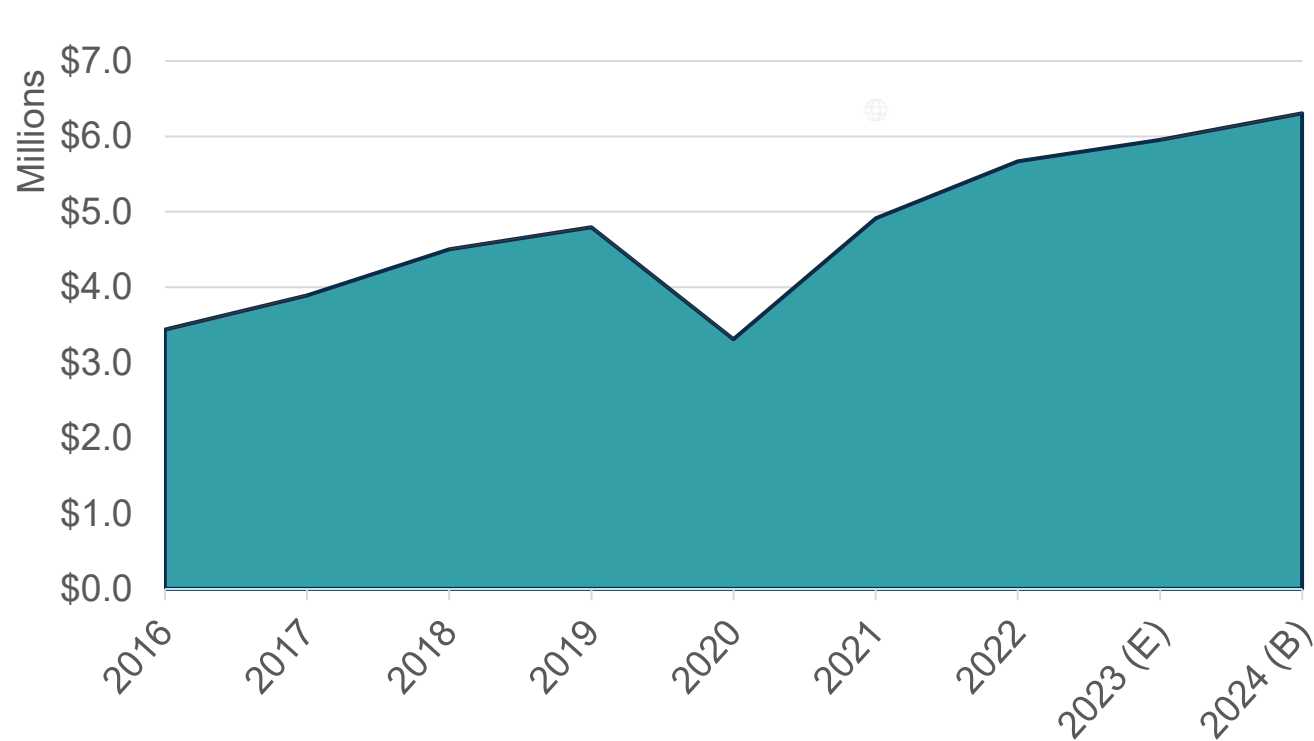


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REVENUE ALLOCATION ADJUSTMENTS

The Food & Beverage Tax is a stable funding source for special purposes.



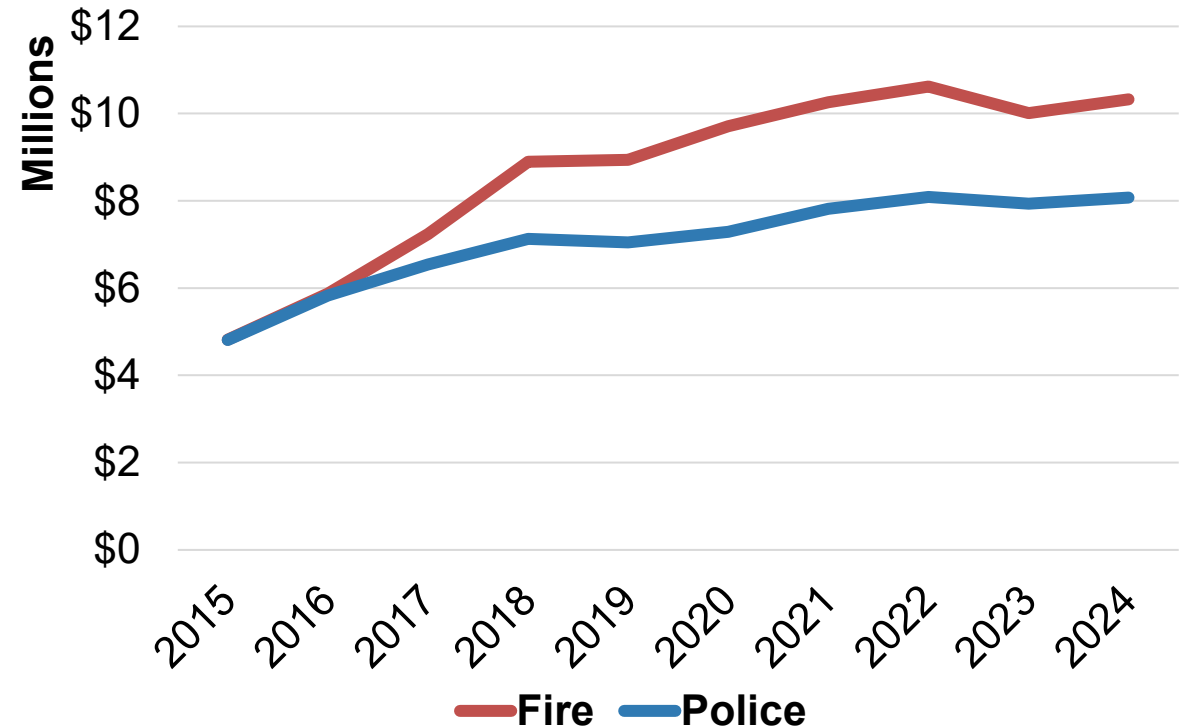
- Consistent year-over-year growth
- Fully recovered post-pandemic
- Uses defined by City code
- Needs have changed over time

Pension increases have stabilized.

ASSUMPTION CHANGES MADE IN 2018 HAVING POSITIVE IMPACT

- **2016 – 2018:** Average annual contributions increased by an average of **15.6%**
- **2019 – 2024:** Average annual contributions increased by an average of **2.2%**
- Contributing **\$1.48M more than the required** amount in 2023

Required Annual Contribution



Mental Health continues to be a critical need.



PUBLIC SAFETY ASSESSING ADDITIONAL RESOURCES

- Fire Department – Community Advocate Response Team (approved Sept. 19)
- Police Department – Mobile CIT Unit (pending further evaluation)



SOCIAL SERVICE GRANTS PLAY A KEY ROLE

- Food & Beverage Tax supports \$500,000 in social service grants
- Addresses broad range of social service needs
- Considering additional \$250,000 restricted to mental health services

Investment in Naper Settlement is increasing.



MUSEUM EXPANSION

City-supported expansion through the construction of three new buildings



COSTS INCREASE

Program and facility expansion requires a larger operating budget

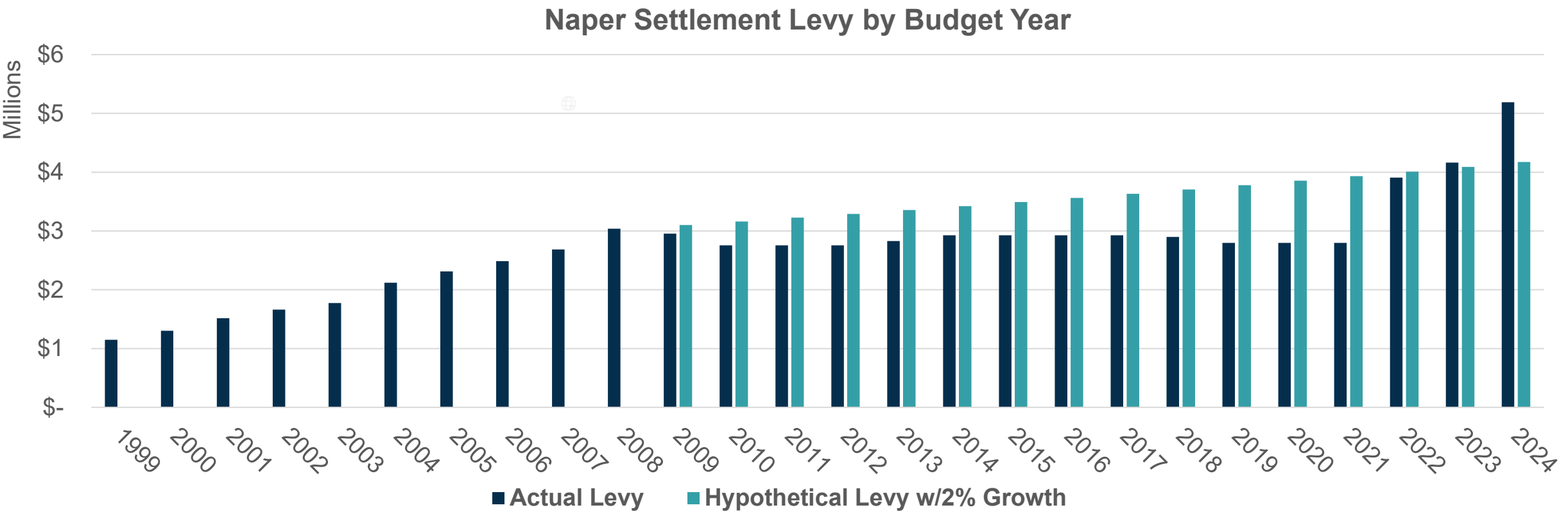


PROPERTY TAX RISES

Naper Settlement levy request has increased by 86% since 2021

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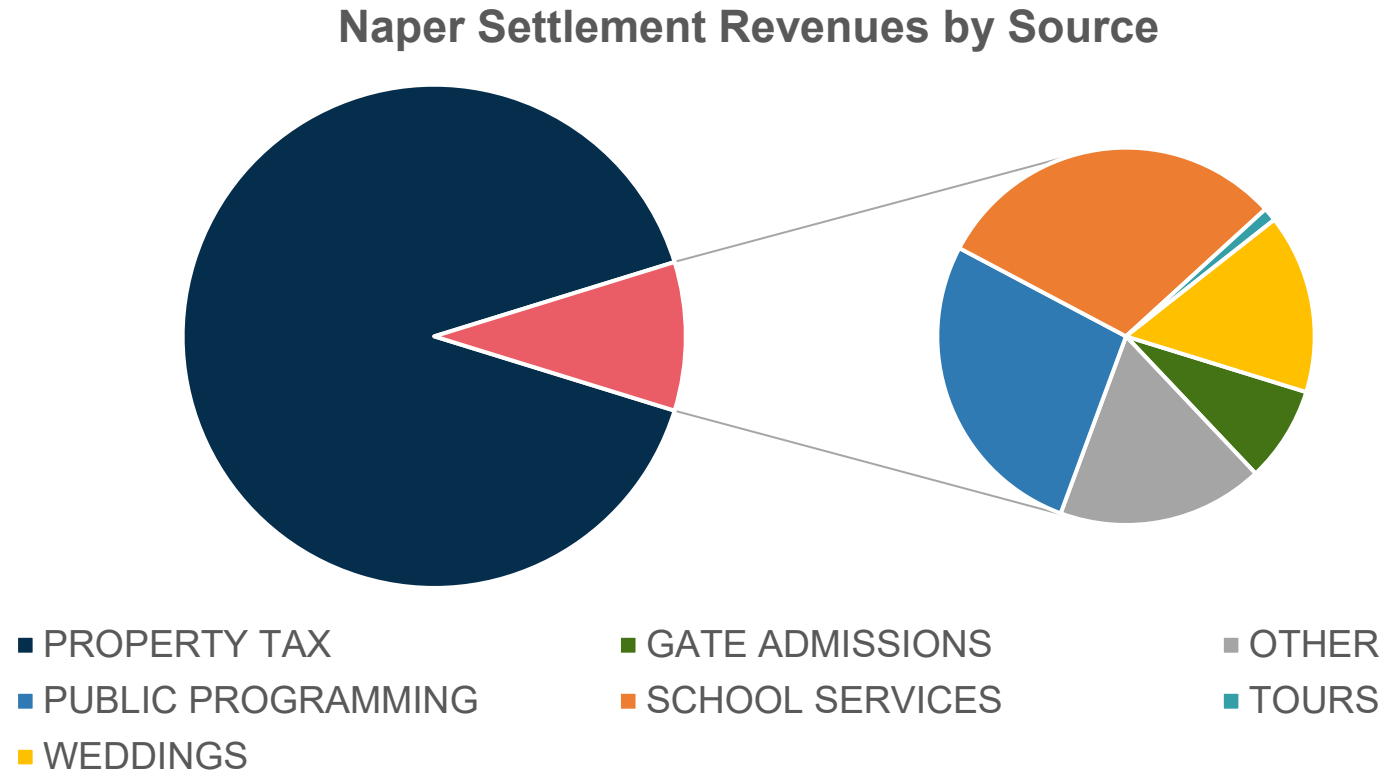
Settlement levy surpassing CPI growth rate.



MORE THAN 90% OF NAPER SETTLEMENT OPERATIONS FUNDED BY PROPERTY TAX

- Settlement portion of tax levy growing exponentially faster than other levy components
- A growth rate aligned with CPI would have resulted in the current funding level

Other Naper Settlement funding sources are limited.



PROPERTY TAX FUNDS MORE THAN 90% OF SETTLEMENT OPERATING EXPENSES

- Other funding sources have not grown at the same rate
- Museum expansion offers limited revenue growth in the short term

Amending the Food & Beverage Tax allows . . .

ADDITIONAL FUNDING FOR SOCIAL SERVICE GRANTS

- Consider additional \$250,000 directed toward mental health service providers

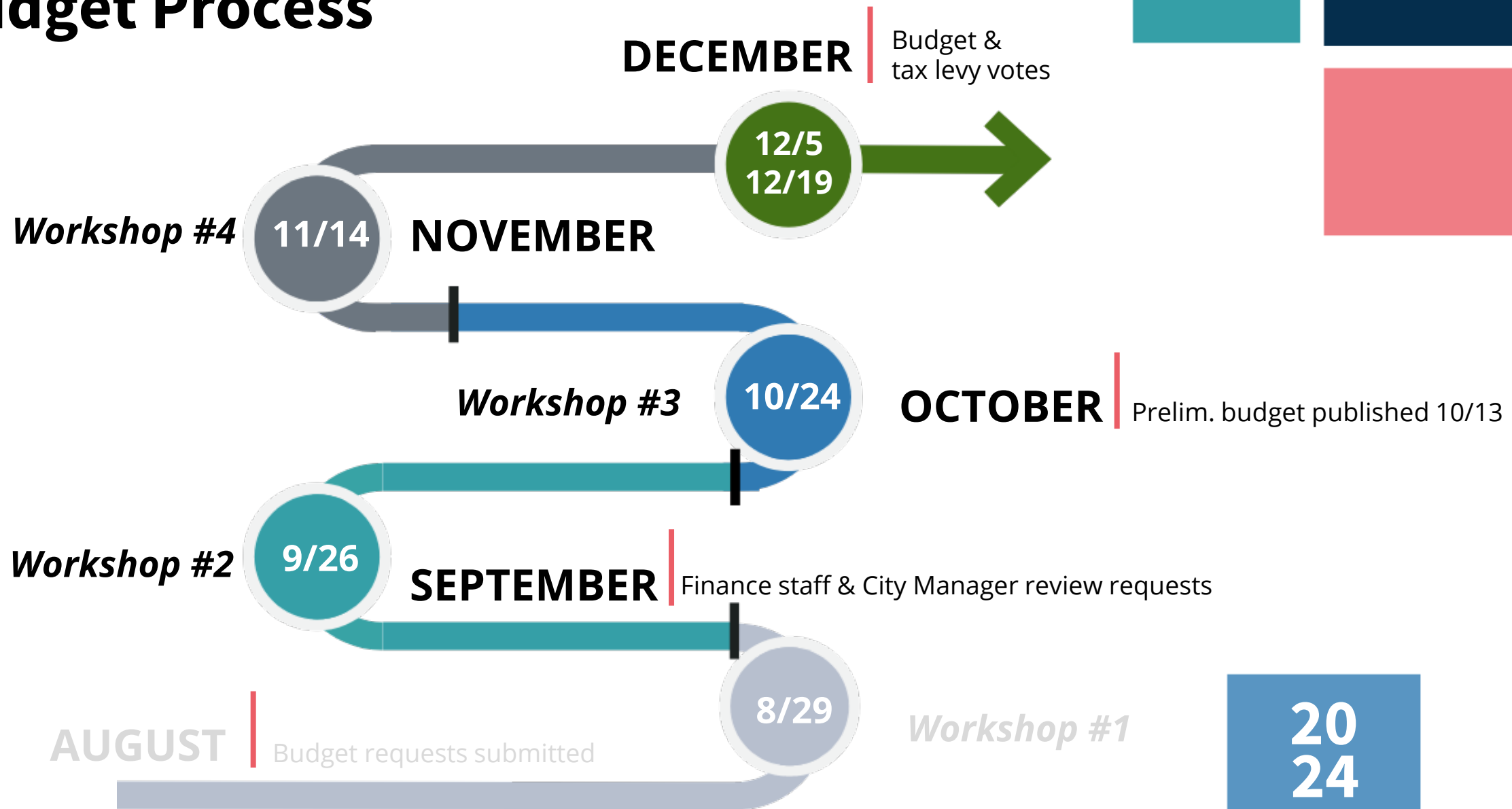
DIVERSIFICATION OF NAPER SETTLEMENT REVENUE

- Utilize Food & Beverage Tax to mitigate increases in property tax levy
- Use aligns with special events and community arts focus

CONTINUED SUPPORT FOR PENSIONS AND DEBT

- Reducing the amount directed towards these two uses has no significant negative financial impact

Budget Process



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QUESTIONS?

