



City of Naperville 2019 Budget Highlights

Each year, the City Council and City staff spend a significant amount of time envisioning how the municipality will operate, both in the short-term and into the future. As policy setters, the City Council's decisions regarding Naperville's finances set the tone for preparation and implementation of the City's annual operating budget and Capital Improvement Program.

The City of Naperville's 2019 budget is recommended at \$452.2 million, an overall increase of 2.2% from the \$442.4 million 2018 budget. In preparing the 2019 budget, staff sought direction from the Council on a variety of factors that influence the budget recommendation, including adherence to the City's financial principles, direct correlation to the City's ends policies and goals and justification for service level issues and associated resource requests.

The City's mission statement, ends policies and financial principles are primary guiding influences in the budget development process. With service delivery at the core of each City department's daily efforts, those services are reflected in the final budget recommendation, which staff believes lays out the resources necessary to accomplish the City's goals and maintain the high-quality service levels Naperville's residents and the business community have come to expect.

These highlights encompass major changes, additions or expenses being requested in the 2019 budget recommendation and how they directly tie back to the City's ends policies and goals.

Public Safety - *Naperville will deliver highly-responsive emergency services to provide for a safe community*

The City's public safety ends policy focuses on maintaining response times, reducing the cost of service delivery and reducing recidivism amongst the mental health community. The 2019 budget submission includes recommendations that support this ends policy and associated goals. Below are the major revenue and expenditure changes associated with the public safety ends policy.

Key Initiatives

The following key initiatives for 2019 align with this ends policy category and all have a direct impact on the budget; however, they do not have a specific associated revenue or expense.

- Certify nearly 50 sworn investigations personnel as Juvenile Officers and Victim Centered Trauma Informed Sexual Assault Investigators.
- To address the increase in mental health calls, increase the number of crisis negotiators on each shift to assist with mental health/suicidal subject calls that begin to escalate.
- Follow up on Community Risk Reduction (CRR) initiatives focused on reducing specific risk factors related to mental health issues, vehicle accidents and aging community incidents.
- Initiate a power shifting staffing model for personnel utilization at peak call times to enhance our minimum staffing and provide the ability to staff up to two additional ambulances during the power shift work period.

Revenues

- The City is projected to be reimbursed for **\$200,000** of increased expenses in 2019 that correlate to a \$1.3 million FEMA grant received in 2017 in partnership with the City of



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Aurora for emergency preparedness training. The grant exercise will continue to increase in complexity in 2019 and culminate with a full two-to-three-day exercise in 2020.

- The City is projected to receive approximately **\$330,000** in 2019 as part of a three-year SAFER grant valued at \$944,323 to maintain existing firefighter staffing levels.
- The City anticipates seeing continued increases in ambulance billing revenues in 2019 by **\$100,000**. The 2017 change to the ambulance billing structure eliminated out-of-pocket costs to residents.
- The City anticipates a decline in traffic fine revenues, with a projected **\$200,000** decrease compared to 2018. Alternately, the City is projecting a **\$70,000** or 20% increase in parking fines for 2019, which is partially attributable to traffic citation technology enhancements implemented in 2018.

Expenditures

- The City seeks to implement a solution that automates and simplifies the management of ordinance and code enforcement violations, including the associated administrative hearings, fine collection and payment to increase customer and officer convenience, which is anticipated to cost **\$95,000**.
- The Police Department seeks the addition of a new Deputy Director of Administrative Services at a cost of **\$146,585**. This position will oversee records, communications, accreditation, crime analysis, and public safety IT.
- The **\$45,270** upgrade of a Radio Technician from part-time to full-time will serve to assist in the replacement of components of the Radio Communication System planned for 2019.
- An increased **\$268,700** investment in public safety technology will include new software packages such as Watchguard, BEAST, Graykey, Cellebrite, Pre-Plan and new technology hardware such as docking stations, laptops, license plate readers and battery back-up systems.
- Enhanced officer safety through a **\$78,000** investment in advanced safety gear and training.
- The State of Illinois Emergency Telephone Systems Act mandates that by July 1, 2020, every 9-1-1 system in Illinois must provide Next Generation 9-1-1 service. In 2019, **\$500,000** will be put towards this project that will replace the 10-year-old phone equipment currently utilized by PSAP and City Dispatch centers at both the main facility and the Backup Communications Center.
- Aurora and Naperville currently share a Radio Communication System. The current hardware and software are reaching the end of their life. The **\$1 million** replacement will enhance system redundancy, resiliency, improve user experience, functionality, and reduce hardware footprint by taking advantage of virtualized applications.
- The City seeks to modify the old Household Hazardous Waste (HHW) facility for multiple purposes, including a Fire Department operational training classroom, training equipment and fire apparatus storage, and all-seasons training operations at a cost of **\$48,000**.
- The budget includes the **\$1.3 million** replacement of a Fire Department ladder truck. Based upon the current age, condition and maintenance expense, replacing the existing vehicle is recommended to maintain appropriate responses to public safety events



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High Performing Government - *Naperville will provide reliable, efficient, and high-quality services*

The City's high performing government ends policy focuses on improving customer convenience, including online services such as electronic payment, building permits, service requests and licensing. The policy also focuses on improving transparency, communication and providing quality service levels to businesses and residents. High-performing government consists of three major components: continuity of existing service levels across all City departments, addressing service level concerns through implementing solutions for those areas, and providing resources to achieve City goals. The 2019 budget submission includes numerous recommendations that support this ends policy. Below are the major revenue and expenditure changes associated with the high-performing government ends policy. Due to the far-reaching scope of this ends policy, changes/additions/expenses are grouped by category.

Key Initiatives

Below are key initiatives for 2019 that align with this ends policy category and have a direct impact on the budget; however, they do not have earmarked revenue and expense associated with them.

- Establishment of the Citywide Data Team. This team will help to improve the City's open data initiative through improved data visualization, sharing, and analysis.
- Provide energy efficiency and renewable energy grant opportunities to electric customers that will reduce energy consumption.
- Finalize development of the YourEnergy customer energy dashboard.
- Complete development of an Asset Management System for the City's watermain and water supply infrastructure
- Begin research, analysis, and implementation of a new automated water meter reading system to eliminate the annual cost of manual water meter reads
- Staff will continue to research and negotiate a new agreement between the City and the Naperville Heritage Society regarding Naper Settlement.
- Staff will work collaboratively to incorporate safety education, training and reporting into a citywide safety structure. In addition, the safety division will be reorganized to hire an additional trainer and allocate contracted safety training dollars to provide specific training resources to employees.
- Public Works is currently negotiating a refuse and recycling contract that will examine opportunities for residential refuse and recycling collection that includes alternatives for electronics recycling, household hazardous waste disposal and leaf and brush disposal.

Technology

- Implementation of major technology initiatives, including the Enterprise Resource Planning (ERP) system and Cityworks, totaling **\$723,000**.
- The addition of two new positions in Information Technology: a Business Systems Analyst and a Project Solution Manager at a cost of **\$248,338**. These two positions are essential as staff implements new technologies including the ERP, Cityworks work order system, public safety projects, and other projects.
- Preparation for public-facing aspects of the new ERP system by building single sign-on capabilities for residents at a cost in 2019 of **\$60,000**.



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- Continuing to refine and enhance the Open Data Portal by purchasing and configuring OpenCheckbook, OpenBudget, and Citizen Connect at a cost of **\$46,410** in 2019.
- Continuing to expand security resources for the City's network at a cost of **\$197,501**. This includes the addition of a new Network Security Engineer who will address employee-targeted intrusion attempts such as phishing and fraudulent email practices. Additionally, the budget includes more network penetration testing.
- The budget recommendation includes the addition of 1.5 GIS technicians at a cost of **\$139,287**. One position is an upgrade in Public Works, and the other position will be shared between Public Works and the Water Utilities. The upgraded position will allow for the transition of public building asset management information to GIS and Cityworks and the continuation of sign inventory management. The new position will provide technical support to both operational groups.

Operations

- Public Works provides snow and ice removal services to improve safety and driving conditions for over 1,500 lane miles of pavement, City parking lots, City parking decks, sidewalks in the downtown and around the train station. The 2019 budget recommendation includes **\$498,548** in funding for an average winter season. In 2019, this increases overtime, contractor, and salt costs.
- Based upon the current fuel market, Public Works is projecting a significant increase of **\$386,000** in fuel costs. 330,000 gallons of gasoline is budgeted at \$2.60/gallon and 160,000 gallons of diesel is budgeted at \$2.75/gallon. Staff continues to diversify the fleet through investment in alternate fuel vehicles.

Customer Service

- The Finance Department is requesting two new positions: an account representative and a customer care specialist. The Finance Department has seen an increase in customer call volumes and wait times in 2018. These positions will be vital to reducing call wait times, addressing customer billing issues, and helping transition to the new ERP. Also, Finance is requesting additional training resources for new employees and overtime dollars due to the ERP transition. Together, this accounts for a **\$123,726** expense.
- The City Manager's Office is requesting an additional Communications Specialist to provide strategic support on the multitude of citywide initiatives currently underway and those that will launch in the future. These initiatives include, but are not limited to, Cityworks/311, EnerGov, Munis, the refuse and recycling contract, utility rates, and automated water meter implementation. Each of these projects will require robust communication campaigns. Additionally, this position will assist in developing a strategic communications plan - **\$35,933** (partial year funding).

Building Maintenance and Improvements

- Continued re-investment in City facilities at a cost of \$2.2 million, including replacing a portion of the Municipal Center roof; joint repairs and sealant replacement at the Van Buren parking facility; Fire station overhead door replacements; roof top air handler unit replacements at the Electric Service Center, Police Department, and select Fire stations; and the Municipal Center front plaza and parking deck improvements



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- In 2018, custodial services were outsourced to the City's current custodial vendor. Staff identified three areas of measurable improvements including resource enhancements, efficiency, and cost. This is projected to save **\$101,640** annually.
- Building improvement projects totaling **\$520,000** include A/V equipment in City Council Chambers, upgrades to police training and roll call rooms, and the updating of citywide conference rooms.

Infrastructure Investment

- Continue the phased approach to the maintenance improvement program (MIP) per the 2017 validation study. Staff is recommending an increase to \$11 million of annual roadway projects, with full investment of \$12 million in 2021. This requires an additional **\$500,000** in 2019.
- The Water Utility will enact an enhanced plan to replace water meters. This program replaces a certain number of older, inaccurate residential and commercial water meters on an annual basis. New meters ensure accurate customer billing, stable revenues and reduce water loss associated with meter error. In 2019, approximately 7,000 water meters will be replaced at a cost of **\$2.3 million**.
- Increased investment in the Electric Utility's infrastructure. While the Utility worked to improve its overall cash position, it correspondingly reduced annual capital spending to \$12 million. This conservative approach has caused a backlog of maintenance work on the Utility's mainline feeders and a slowdown of cable replacement work within subdivisions. For the next three years, the Electric Utility is proposing to invest an additional **\$2 million** per year on infrastructure to catch up on this back log while continuing to complete planned, and reactive, work on the system to mitigate future risk of significant outages to customers.

Economic Development - *Naperville will be the location of choice for businesses*

The City's economic development ends policy focuses on improving the vibrancy of the City's economic base, increasing sales tax and filling vacant commercial space. The 2019 budget submission includes recommendations that support this ends policy. Below are the major revenue and expenditure changes associated with the economic development ends policy.

Key Initiatives

The following key initiatives for 2019 align with this ends policy category and have a direct impact on the budget; however, they do not have earmarked revenues and expenses associated with them.

- Go live in portions of EnerGov which provides on-line access to development, permits and inspections functions; including training and roll-out to internal and external customers, and continue to develop remaining portions of the application
- Facilitate the construction and occupancy process for Whirlyball, CityGate North, Polo Club, Clow Creek Farm, Avenida, Central Park Place and numerous other residential and commercial developments.



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Revenues

- In 2018, the City sold 8.2 acres of property on Frontenac Road for **\$2.2 million**. Staff is recommending using these funds for capital in 2019.
- In 2018, the City saw a significant increase in TIF disbursements due to valuation increases and is projecting to transfer **\$250,000** from the TIF in 2019 for debt repayment.
- In June, the Supreme Court issued an opinion in the South Dakota v. Wayfair case, thereby allowing states to collect use tax from businesses with no physical presence in the state. Based upon current disbursements, the City estimates a **\$350,000** increase in 2019.
- In 2018, the state implemented a 2.0% administrative fee on home rule sales tax. In 2019, the state reduced the fee to 1.5%. This is **\$70,000** of incremental revenues for 2019.
- In 2014, the City entered into a sales tax rebate agreement with Wal-Mart to rebate incremental sales tax above their prior facility's annual sales, with a cap of \$1.75 million or 10 years. The City is projecting that the final payment for the rebate will be made in early 2019 and that the sales tax will now be retained by the City at an annual value of **\$475,000**.
- Implement a Special Service Area (SSA) to generate repayment from property owners of improvements in the downtown streetscape along Jefferson Avenue and Main Street near Main Place; bringing in an additional **\$2.15 million** in revenues.

Expenditures

- As part of the train station and 5th Avenue redevelopment project, a City Advocate has been retained and is included in the 2019 budget at a cost of **\$125,000**.
- Coordinate with downtown property owners to upgrade the streetscape along Jefferson Avenue and Main Street near Main Place at a cost of **\$2.15 million**.
- Initiate an update to the City's Comprehensive Plan at a cost of **\$125,000**.
- Continue the evaluation of streetscape enhancements along the Ogden Avenue corridor. **\$30,000** in funds are included for pole sign removal along Ogden Avenue.

Financial Stability - Naperville will be financially stable and maintain a AAA bond rating

In 2015, the City implemented three financial principles that guide financial decisions and align with the City's ends policy of financial stability. These principles were developed to promote the long-term financial success of the community. The following principles were adopted:

- *Principle #1* – The City will pass a structurally balanced operating budget annually;
- *Principle #2* – The City commits to continuous improvement in the delivery of necessary and cost-effective services; and
- *Principle #3* – The City will actively seek to increase its reserves to 25% and reduce its debt by 25% in the next eight years.

The first step in the evaluation of the City's financial stability and principles is to evaluate the overall financial environment of the City. As part of this evaluation, the City is seeing positive trends and the overall financial environment improve. These changing factors were driven by both



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internal and external sources. Below are the major revenue and expenditure changes associated with the financial stability ends policy.

Revenues

- In 2018, the state reduced income tax disbursements by 10% and in 2019 changed the reduction to 5%. Due to the overlap of the State and City's fiscal years, there is no impact to the 2019 budget.
- The City-conducted special census increased Naperville's population by 5,988 residents. This census will increase projected revenues in local use tax, motor fuel tax and income tax; an incremental **\$880,000** of revenues is expected in 2019.
- In 2017, City Council approved a new rate schedule to address the financial needs of the Water and Wastewater Utilities. New rates went into effect in 2017 and annual increases are projected through 2021. A graduated phosphorus surcharge went into effect for wastewater customers, which will be used to fund the EPA-mandated improvements at Springbrook in the coming decade.
- When staff originally built the 2019 budget projections, the cost of refuse and recycling was expected to increase by 15 to 20%. Based upon current market conditions, staff is now projecting a **less than 5% increase**. This pass-through rate continues to be one of the lowest refuse collection fees of Chicago-area communities.
- A 2% rate electric rate decrease will be implemented for customers for each of the next three years. These rate reductions are possible due to the projected overall decrease in IMEA power supply costs over the next three years. This rate reduction is reflective of a \$24 per year savings for the average residential customer; as of January 2019, residential customers will be paying below the ComEd rate. The rate study also adjusts the PPA base to realign it with the purchase power cost.

Expenditures

- The budget recommendation includes a 2.75% non-union wage adjustment and union adjustments based upon collective bargaining agreements. These increases account for **\$941,608** of increases across all funds in the 2019 budget.
- The City continues to implement cost-saving changes and other enhancements to benefit plans, such as elimination of the CDHP, improved benefits for the dental plan, introduction of financial advisory services through the EAP provider and improved overall medical costs through generic preventative drug program for HDHP and virtual visit offerings. These changes continue to drive down healthcare costs, and in 2019, there is a **6.9%** increase in dental premiums and **0.0%** increase in medical premiums.
- The pension reports for the public safety pensions saw overall contribution levels decrease by **\$41,508**, or 0.26%. This reverses a trend of unsustainable annual increases. The positive results are driven by several factors, including investment returns and modifications to the pension calculation methodology.
- The City's IMRF contribution rate is expected at 9.34% for 2019. This is a 16% decrease from 2018 and staff is projecting a **\$990,000** decrease in expenditures across all funds.
- The City saw positive trends in long-term debt repayment. The Electric Utility fully re-paid the loan to the Water Utility with a final \$8.9 million payment in 2018. These funds are dedicated to the phosphorus fund. Due to the City's proactive debt reduction goal, overall debt service payments decreased by **\$433,580** from 2018 to 2019.



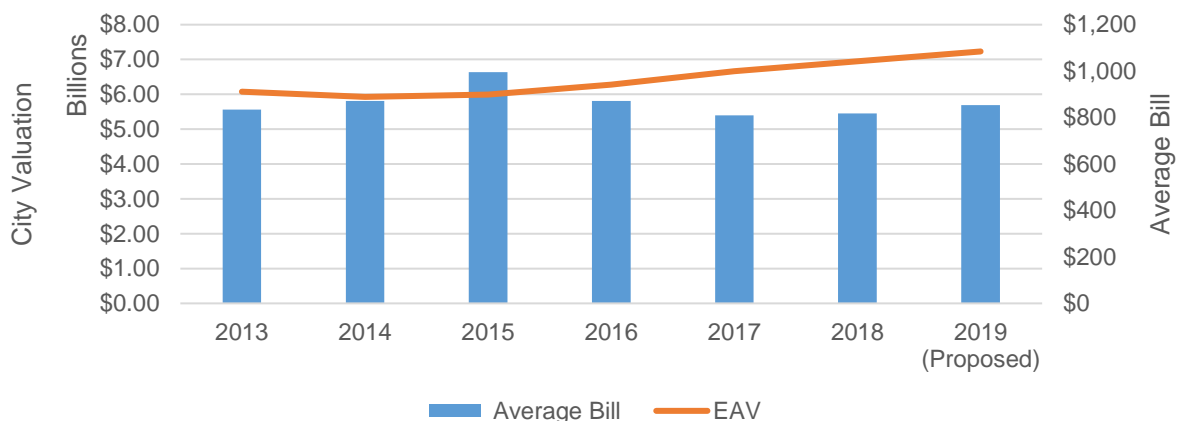
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These factors, combined with the City's investment in its other ends policies, has allowed it to continue to align with the three financial principles. To measure this alignment, staff reviews three key items: property taxes, debt reduction and cash reserves. An additional evaluation tool is the City's bond rating, which in 2018, the City was re-affirmed as a AAA community.

Property Taxes

Property taxes primarily fund long-term obligations of the City such as public safety pensions, IMRF pensions and debt service payments. Property taxes are also the predominate funding source for the Library and Naper Settlement operations. Historically, only 2% to 5% of property tax revenues are used to fund City operations.

The 2018 property tax extension totaled \$47.38 million, with a property tax rate of 0.6815. Using a 4% EAV growth factor would increase the City's valuation at \$7.23 billion and increases the average home value to \$409,000. The 2019 budget recommendation includes the assumption of maintaining a flat property tax rate, allowing the City to take advantage of incremental EAV growth throughout Naperville, including new development. The 0.6815 rate combined with EAV growth equates to **\$1.9 million** of incremental revenues for 2019. The chart below indicates the City's overall valuation compared to the average homeowner bill.



Debt Reduction

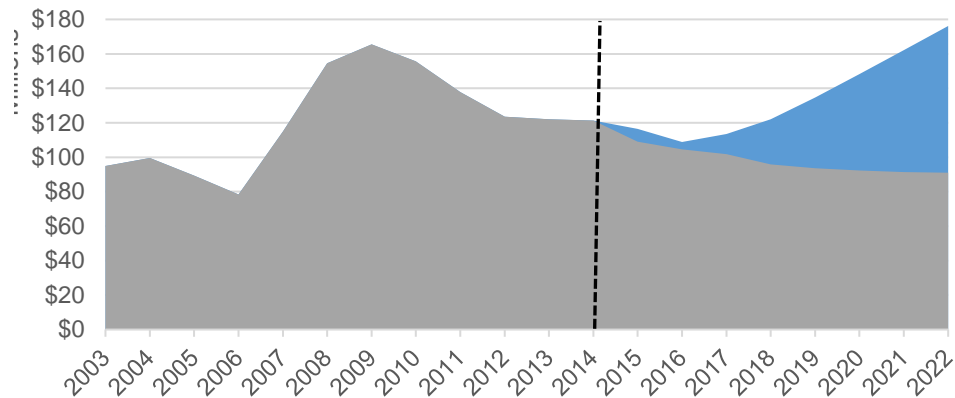
At the end of 2014, the City of Naperville had \$121.3 million in general obligation debt that was directly funded through property taxes. The City's goal for the 25% debt reduction is \$90.9 million at the end of 2022. Based upon the budget recommendation, at the end of 2019, the period funded by this budget, the City is projected to have \$93.63 million in outstanding debt, a 22.8% reduction, which is on track with the goal. The City is recommending **\$7.29 million** of borrowing in the 2019 budget.

The chart below focuses on the debt reduction component of the City's third financial principle and shows the total governmental debt (excluding utility and other funds) through 2022, eight years after 2015 (when the principles were adopted). The gray area shows the City's projected debt and assumes borrowing at the annual borrowing limit. The next section in blue denotes what



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the City's total debt would have been if a home rule sales tax had not been implemented to drive down debt and reduce capital borrowing.



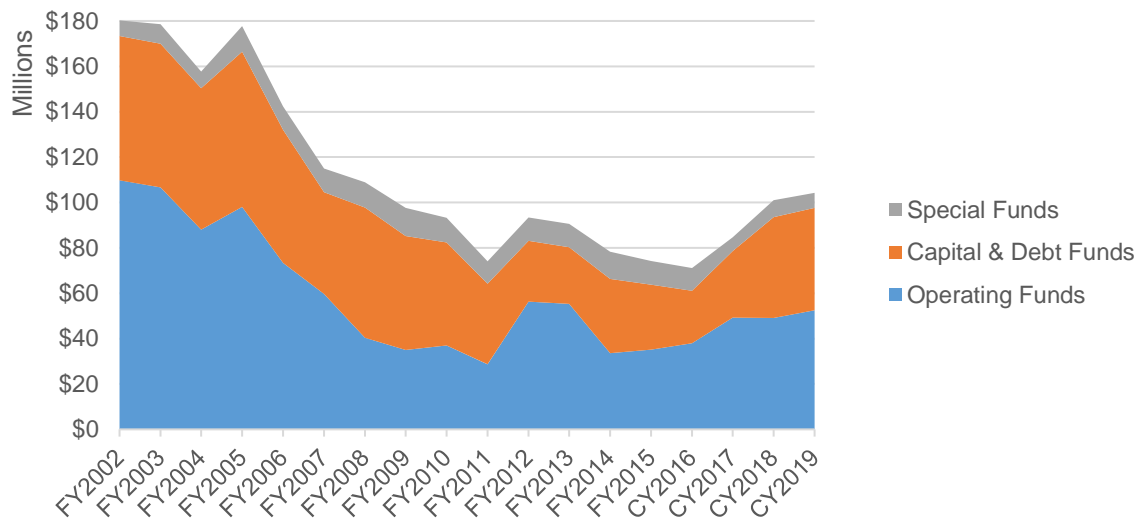
Cash Reserves

Financial Principle #3 states that the City will actively seek to increase its reserves to 25% over eight years. The intent of this long-term goal included reversing historical drawdowns of cash, protection against a potential downgrade of the City's AAA bond rating and security in the event of financial hardship. The City ended 2017 with \$28.41 million, approximately 23.7% of the 2017 actual general fund expenditures of \$119.66 million.

This policy was implemented because during the City's growth phase, substantial cash reserves were built, and by the end of 2002, the cash balances totaled nearly \$180 million. As growth began to slow and the recession struck, revenues started to decline and maintenance needs increased. Over the next decade, the City operated under a financial strategy that leveraged cash balances to mitigate the impact of the recession on the residents and businesses within the community. In 2015, it was determined that this was unsustainable and the City Council implemented the cash reserve principle. Staff continues to make strides towards cash stabilization through aligning costs of services with the appropriate revenue stream. For instance, a refuse collection fee was implemented, a phosphorus surcharge was implemented to build cash for the Water/Wastewater Utilities and both the Electric and Water/Wastewater Utilities conduct rate studies to maintain equitable and competitive utility rates for all customers. The chart below indicates the historical cash balances.



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Summary

City Council's proactive approach to fiscal management, including enacting ends policies and establishing the City's goals and financial principles, have put Naperville on solid financial footing. Council initiatives have led to pension stabilization, debt reduction, rebuilding of cash reserves and property tax reductions.

The City's fiscal responsibility to Naperville's taxpayers results in a continuous improvement model to find efficiencies in delivering services and appropriately perform governmental duties. The 2019 budget process delivers upon this philosophy as well as the three financial principles that serve as its guideposts. City staff looks forward to the upcoming City Council budget workshops and resulting discussions.