

City Council Follow-Up from November 9, 2020 Budget Workshop #2

Below is a list of questions and topics that were raised by various members of the City Council during the November 9, 2020 Budget Workshop. Certain topics discussed during Budget Workshop #2, such as Police CIT, were addressed in the Q&A following Budget Workshop #1.

1. Please provide details on the Naperville Development Partnership's financial position. (Sullivan)

Please see the attached financial statements for the Naperville Development Partnership.

2. Does the City collect tax from phone providers that can be used to fund Next Gen 911 or other public safety related technology upgrades? (Sullivan)

The City receives a monthly surcharge per billed subscriber of network connections provided by the telecom carriers within the City limits. Expenditures from the fund are made upon direction of the Emergency Telephone System Board. To date, the city has received \$3.17M in telecom tax and has reimbursed a total of \$2.3M for eligible E911 expenses, which includes salaries, benefits and operating expenses related to public safety dispatch services.

3. What is the estimated payback, in years, on the Water AMI project? (Krummen)

The benefit of AMI is anticipated to be indirect and realized through improved data for operational evaluations and reductions in the number of monthly estimates for utility customers; however, AMI implementation is anticipated to have an almost immediate payback in terms of operational costs.

Based on the business study conducted by West Monroe Partners that was completed earlier this year, continuing with a manual meter reading method would cost the City nearly \$1 million a year over the next 20 years. This amount is equal to the annual projection for AMI technology, assuming an average debt service payment of \$442,000 for the initial \$7 million bond.

4. How did staff arrive at the revenue estimate for cannabis tax? (Coyne)

There are two revenue components associated with cannabis. The first is the state tax revenue that is shared on a per capita basis. The City began receiving this revenue in March and has collected just over \$70,000 to date. Our projection for 2021 is \$132,705, which is based on a per capita projection provided by the Illinois Municipal League.

The second, larger revenue component is the 3% local tax that was imposed on sales that take place in Naperville. Staff obtained information from various sources to determine its revenue estimate, including published information on statewide sales for the first six months of 2020 and projections from municipalities with dispensaries in operation. Although information is limited at this early stage of the rollout of legalized cannabis, staff estimated \$50,000 in tax revenue per month, or \$600,000 annually, in local tax revenue for each dispensary.

When the budget was developed it was not clear when any or all three of the dispensaries would be open for business as some operators have experienced long permitting delays at the state level. Therefore, staff conservatively estimated revenue at about 50% in 2021. That amount would increase if all three dispensaries were open for business early in 2021. Currently, one location is open for business.

5. Please provide information on the City's current efforts to collect on unpaid utility fees. Are fees added to the collection amount to cover the fees of the collection agency, and if so, how much? (Hinterlong)

For active customer accounts, the City uses the disconnection process as the primary means to collect amounts due to the City for utility service. Once accounts are terminated, outstanding balances can be collected through the City's third-party collection service. For example, all accounts that were terminated in January through August 2020 and left an unpaid balance are in the process of receiving a collection letter that would give them until the end of December to make payment. At that point, if payment was not made, they would be sent to collections. There are 669 eligible accounts for a total of \$216,235.27.

Currently, we do not assess any additional fees to offset the collection agency cost, which is 17%. We do have an ordinance in place that would allow us to cover that cost: [8-2C-7: 9. Collection](#). Historically, we have not added the collection cost on to the outstanding balance as it can be difficult to collect the balance itself let alone an additional 17% fee.

6. Under staff's scenario the average homeowner should see a decline in their taxes of \$4 depending upon the EVA. What would the current rate provide in taxpayer payments? (Gustin)

Staff targeted a rate of 0.6870 during the 2020 and 2021 budget cycles, which is the same rate as the 2018 extension for taxes payable in 2019. The 2019 extended rate for taxes payable in 2020 came in at 0.6937 because the final EAV growth did not meet the initial 4% estimate. If the City were to maintain the 0.6937 rate for 2020 taxes payable in 2021, the average homeowner would pay approximately \$4 more to the City, which would increase the total dollars levied by about \$500,000 over what is currently included in the budget. This assumes that EAV growth is 3.5%, which may be conservative. It is important to note that targeting a precise tax rate is difficult as final EAV is not determined until after the levy must be established and can be impacted by exemptions that are not included in preliminary EAV estimates.

7. Please provide an update on Naper Settlement's fundraising efforts. Did the Heritage Society raise the money to get our match for 2021? (Sullivan)

As clarification, the City's contribution is not a match but a fulfillment of the 1/3 agreed upon at the time the campaign began. The capital campaign was developed and approved under a 1/3 contribution model where the Naperville Heritage Society (NHS) would raise 1/3, seek an additional 1/3 from state funding, and the City of Naperville would contribute another 1/3 for its City's museum.

Per a telephone conversation with City Manager Doug Krieger and as explained at the last

meeting of the Naper Settlement Museum Board (that includes Councilman Hinterlong and Mayor Chirico), the request for the \$2.4 million listed in the 2021 budget is contingent. The Naperville Heritage Society has submitted a grant request to the Illinois Department of Natural Resources for Ag and another to the Illinois Department of Commerce and Economic Opportunity for Innovation Gateway. A separate grant request for building and infrastructure has also been submitted to a private foundation. We are hopeful that at least one of the two state grants will be awarded. Should either or both of the Illinois state grants be successful, we would be ready to begin construction of the building (or buildings) in 2021 through 2022. The CIP request was included in the 2021 budget to ensure that the funding would be available should the grant(s) be awarded in late December or during the first quarter of 2021 as expected. These grants have a 15-month cycle and all work must be completed within that time period, which in this case would be in 2021 through 2022. Should only one grant come through, the request would be reduced to \$1.2M. If neither grant is funded, we would postpone the CIP request for the following year.

To date, between dollars raised (including the City's contribution) and in-kind gifts, the construction of Innovation Gateway is approximately 71.3% funded, while the construction of Ag is approximately 74.9% funded.

8. Does the Police Department currently maintain school liaison officer positions at Naperville North, Naperville Central, or at any other schools in the community? (Gustin)

The School Resource Unit consists of eight officers at the following locations to prevent crime, develop school safety programs, and serve as a vital resource to students, parents, educators, and others. However, due to remote learning, these officers supplement patrol when not involved in school-scheduled activities.

District 203

Naperville North High School
Naperville Central High School
Jefferson Junior High
Lincoln Junior High
Madison Junior High
Washington Junior High

District 204

Neuqua Valley High School
Neuqua Valley Freshman Center
Crone Middle School
Gregory Middle School
Hill Middle School
Scullen Middle School

9. Is the City receiving the appropriate amount of fine revenue from the County based on the minimum fines established in our Municipal Code? (Gustin)

Judges in DuPage County consistently assess fines for Naperville traffic and ordinance violations in accordance with the City's fine schedules (within the municipal code's minimum

and maximum ranges). In August 2018, Governor Rauner signed into law the Criminal and Traffic Assessment Act (P.A. 10-0987). That Act reformed Illinois' system of court costs, fines, and fees and reduced the burden of court costs, fines, and fees on defendants who cannot afford to pay them. The Act was effective July 1, 2019. It appears the DuPage County Circuit Court Clerk's Office is assessing, collecting, and remitting to the City fines and costs for City violations consistent with the CTAA. Notably, DuPage County has increased its transparency as well as its assessment of court costs to ensure that the City is receiving an appropriate share of violation revenues.

10. Please provide further explanation of the water loss graphic offered in the Workshop 1 follow-up Q&A. What qualifies as unbilled vs. billed consumption? And, what is the City's current cost of water per gallon? (Gustin)


The water loss graphic on the following page provides better detail as to the various classes of unbilled consumption and to what extent each contributes to our overall non-revenue water. Unbilled consumption typically includes water use or consumption associated with governmental activities, including: fire protection, hydrant flushing, sewer jet flushing, etc. Billed consumption refers to metered accounts associated with our various customer classes.

Regarding water costs, 2020 purchased water rates from DuPage Water Commission equal \$4.97 per 1,000 gallons. 2020 Naperville residential water rates equal \$2.62 per 1,000 gallons. 2021 Naperville residential water rates equal \$2.73 per 1,000 gallons.

Naperville Water Utility 3-Year Historical Non-Revenue Water

November 12, 2020

Annual IDNR-AWWA Water Use Audits (LMO-2)*

		2019		2018		2017	
Metric		MG/Year		MG/Year	%	MG/Year	%
Revenue Water	Total Water Imported / Purchased (DuPage Water Commission)	4,946.431		5,476.714		5,374.500	
	Total Water Supplied (Adjusted for Master Meter Error)	4,980.331		5,504.235		5,374.500	
	Total Billed-Metered Water (City of Naperville)	4,409.274		4,680.100		4,804.620	
Non-Revenue Water	Billed-Unmetered (billed consumption which is calculated based on estimates or norms from water usage sites that have been determined by utility policy to be left unmetered)	0.000	0.00%	0.000	0.00%	0.000	0.00%
	Unbilled-Metered (metered water consumed by the utility itself in treatment or distribution operations, or metered water provided to civic institutions free of charge)	0.000	0.00%	0.000	0.00%	0.000	0.00%
	Unbilled-Unmetered (fire-fighting, flushing of watermain & sewers, street cleaning, fire flow tests conducted by the water utility)	62.254	1.25%	68.803	1.25%	67.181	1.25%
	Total Authorized Consumption (Total Billed Metered Water + Billed-Unmetered + Unbilled-Metered + Unbilled-Unmetered)	4,471.528		4,862.214		4,871.801	
	Water Losses (Water Supplied - Authorized Consumption)	508.803	10.2%	642.021	11.7%	502.699	9.4%
	Apparent Losses (Unauthorized consumption + customer metering inaccuracies + systematic data handling errors)	113.459	2.3%	123.509	2.2%	123.501	2.3%
	Real Losses (Water Losses - Apparent Losses)	395.344	7.9%	518.512	9.4%	379.197	7.1%
	Non-Revenue Water	571.057	11.5%	710.824	12.9%	569.880	10.6%

Note(s):

*IDNR-AWWA Water Use Audit year is October 1st thru September 30th

11. As a part of the leak detection program, what percentage of repairs can in-house staff complete versus contracting out? Are there cost savings that can be achieved in this area? (Gustin)

The repairs associated with the Leak Detection Program are primarily performed in-house barring any unusual circumstances with emergencies or unique locations that may require special equipment. Use of outside contractors for these types of repairs will reduce our ROI and lengthen the payback period.

Large scale watermain replacement associated with the CIP are performed by outside contractors. We believe this is the right approach to allow our personnel to focus on timely repairs that occur throughout the entire system outside of the CIP project areas.

12. Is the money for sidewalk replacement removed from social service grant options and programmed into the CDBG? (Gustin)

There is currently \$3,000 allocated in CDBG funding and \$3,000 in SSG funding for sidewalk improvements/assistance. At this time, the City has received \$2,000 in requests. Due to how complicated CDBG funding requests, reviews, and approvals are to process, staff will be canceling the \$3,000 and programming future sidewalk assistance funding in SSG. In response to the COVID-19 pandemic, \$10,000 will be allocated for assistance in CY21 SSG.

13. If the City were to move forward with the downtown streetscape project in 2021, could the City provide any financial assistance to business owners that would be potentially impacted by the project? (Sullivan)

Staff has discussed the potential of offering small business assistance to businesses struggling through the pandemic; moving forward with this project would be another reason to offer such assistance. To offer additional assistance would be a policy decision of the City Council.

Such assistance could come in the form of local tax rebates or direct payments, such as a rebate of Food & Beverage taxes. The most important consideration surrounding financial assistance is identifying a funding source. Many communities have rebated food and beverage taxes during the pandemic. We could adopt a similar approach; however, those funds are already dedicated to specified uses that would then need to be funded through other sources, notably the Little Friends incentive payment, SECA, debt service, and the food and beverage portion of public safety pensions.