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Title: Receive the report on the City's service levels as part of the 2019 financial priorities guidance discussions and direct staff accordingly

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Attachments: 1. Service Level Data and Service Impact of 2018 Budget Reductions, 2. Attachment #1 - Detailed 2018 Budget Reductions, 3. Attachment #2 - Citywide Service Level Reductions, 4. Case Study Finance Department Workload and Service Analysis

Date	Ver.	Action By	Action	Result
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CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Receive the report on the City's service levels as part of the 2019 financial priorities guidance discussions and direct staff accordingly

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Finance Director

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

Service Philosophy

In 2015, the City Council examined Naperville’s service philosophy as part of the creation of the City’s three financial principles. During that discussion, it was reaffirmed that Naperville’s philosophy isn’t just to serve the community; it’s to serve the community *well*. Financial Principle No. 2, which states “the City commits to continuous improvement in the delivery of necessary and cost-effective services,” embodies this concept and showcases the connection between service delivery and the City’s finances.

As a service-based organization, service is a key component of how the City measures its success. Naperville’s four ends policies - financial stability, public safety, high-performing government and economic development - as well as the 10 performance management goals set by the Council in 2018 provide the framework for how the City serves its citizens. Success in these areas is directly tied to the City’s service levels.

From a budgetary perspective, the City must generate revenues through taxes and fees to support the many services our residents and businesses have come to expect, and in turn, support the achievement of the City's ends policies and goals. The setting of community service levels by the City Council ultimately dictates the revenue and expenditure requirements of the City and is integral to the budgeting process.

DISCUSSION:

At the August 21, 2018 City Council meeting, Finance presented the six-month 2018 financial update as well as updated assumptions for the 2019 budget. Based on staff's projections and assumptions, the City is at a point where not all financial goals and principles can be achieved in 2019 under current conditions.

Part of the August 21 discussion focused on four interconnected budgetary policies that the Council exerts significant local control over, including services, property taxes, debt issuance, and cash reserves. Staff's goal is that these policies work together to produce a balanced budget. The service levels will be discussed in this agenda item and the latter three policies will be discussed in-depth at the September 18 meeting.

Service Level Evaluation

City staff continually evaluates the level of service being provided to the community, not only as part of the budgeting process, but throughout the year. This evaluation is a critical component to understanding what progress is being made towards the City's goals and end policies. This proactive approach also allows staff a way to identify potentially unfavorable trends or dips in service levels before they reach unacceptable points.

The City has experienced numerous service success stories in recent years that continue to propel Naperville towards achievement of its goals. Some examples include decreased service calls to departments due to interactive maps on the City website, less streetlight outages due to upgrades, and reducing the taxi application and approval process from six months to one.

Staff's 2019 budget projections are based upon maintaining current service levels as well as aggressively pursuing City initiatives as set forth in our performance management goals. To maintain current service levels and achieve the City's goals will require additional resources. In gathering quantitative data, staff has begun to see downward trends in service levels that, without resource realignment or enhancements, could result in unacceptable performance to the community. While continuous improvement in City services is a hallmark of Naperville as an organization, staff also realizes that it is imperative to bring this data forth for discussion prior to creation of the 2019 budget.

Service Level Analysis and Impact of 2018 Budget Reductions

The City can identify potential issues by looking at four major indicators. These include:

- Decrease in service levels;
- Increase in wait times for service;
- Training and future performance implications; and
- Risk of increased future year expenditures.

A starting point for data is the reductions made during the 2018 budgeting process. During the budget review process in 2017, staff was challenged by the Council to reduce an additional \$1.2 million from the 2018 budget. Staff addressed this directive by bringing forward service-level reductions; with 2018 more than half over, staff can now evaluate short-term impacts of these cuts and anticipate future ones. The attached ***Service Level Data and Service Impact of 2018 Budget Reductions*** memo provides in-depth analysis of these impacts. Some of the major data points are below:

- In Finance, average customer wait times have increased more than 60%, from 3.01 minutes in 2016 to 4.56 minutes in 2018. The peak response times to calls has also increased to nearly 30 minutes. In addition, the average number of customers abandoning their calls has increased from 44 per day in 2017 to 52 per day in 2018, an 18% increase.
- In TED, the backlog of citizen requests for stop signs or traffic light evaluations are now estimated to take five years to address versus three years, this is partially due to the decrease of a project engineer position.
- In the Police's Records Division, the average ticket entry time has already increased by two days since last year, slowing down the ticket reporting process. During the 2018 budget process a records technician position was eliminated.
- Due to the reduction in Public Works' custodial services contract, there has been a 22% increase in extermination services due to infestations compared to last year.
- In Legal, \$9,000 was reduced from outside legal counsel expense, which has resulted in decreased attention and responsiveness to conflict of interest; dangerous/nuisance properties; and telecommunication matters. There is a potential that items not adequately addressed now will result in future litigation.

On a broader basis, additional indicators not related to the 2018 budget reductions show declining trends in service that, if continued, may result in unacceptable levels. Notable examples include:

- The Fire Department's goal is to respond to 90% of all incidents in six minutes or less. Response times have declined slightly over the past three years, from 86.8% in 2016 to 85.7% in 2018. Staff is currently in the process of analyzing the contributing factors driving this change.
- In Public Works, three vehicles had to be removed from service this year due to corrosion so severe the vehicle is unsafe to operate. Department service levels are impacted as the vehicles cannot be replaced until 2019.
- In Police, a Watch Commander was assigned to implement the new T2 Ticketing software. This assignment was added on to his public safety responsibilities. Because this Commander was required to balance both responsibilities, the quality of the implementation was impacted. As a result, the software is not producing the efficiencies anticipated. For example, the unpaid parking citation module is not fully-functioning, resulting in an increase in timely collection of revenue.
- In Finance, staff is experiencing an increased demand on statement of account inquiries. Through July, the department pulled 3,511 statements, which is an increase of 406 statements compared to last year. On average, each statement requires approximately 15 minutes of staff time, which equates to an additional 101 labor hours dedicated to SOA's this year.
- In Public Works, the average tree trimming cycle has increased to 8-9 years. Staff recommends a 6-year cycle. In order to return to this cycle, approximately 11,500 trees need to be trimmed each year. This would require an increase of 3,800 trees trimmed annually. The consequences of a longer cycle include increased service requests for trimming, reduced traffic sign visibility, and clearance issues due to low hanging branches.

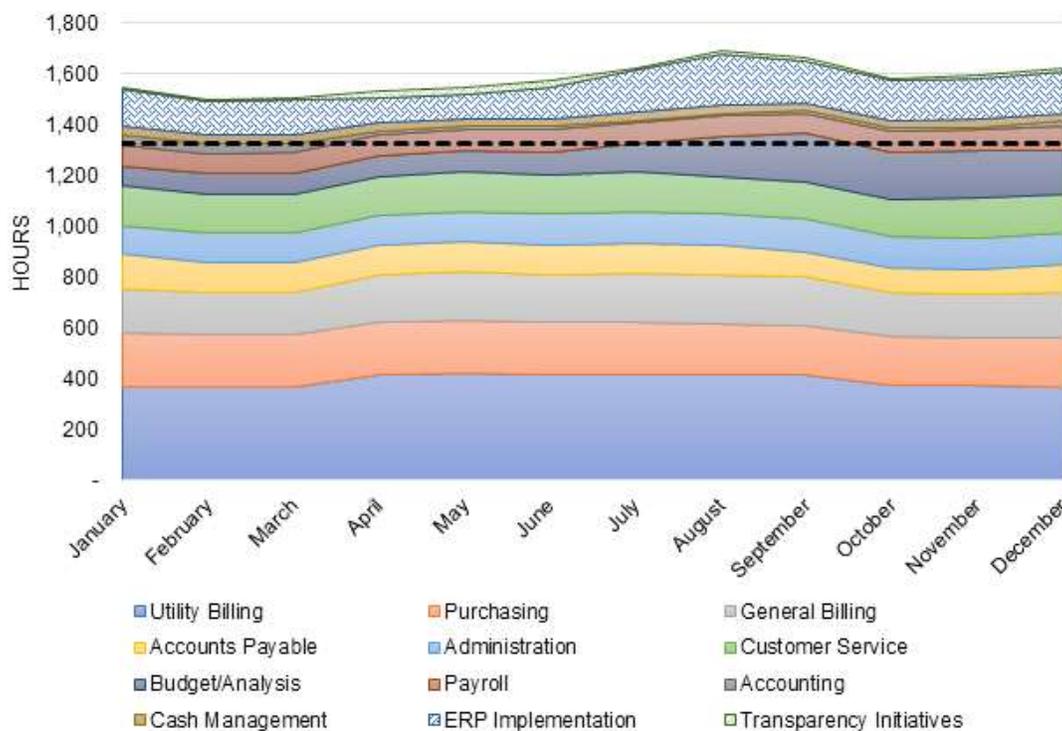
More qualitative data, or general community reaction to service levels, also shows increasing levels of dissatisfaction, specifically with certain technologies. The City’s existing eBill system, which allows utility customers to pay their monthly bills online, frequently receives negative feedback on very public channels, including social media. This type of feedback negatively impacts the City’s brand and reputation as a community that provides high-quality services to its citizens.

Impact of Goals and Associated Workload on Service Levels

In addition to data surrounding more recent budget reductions, it is important to look at the City’s long-term goals and their exponential impact on everyday City service delivery.

An example is the City’s high-performing government ends policy, which will usher in technology advancements that allow for the on-demand services residents expect, including electronic payment and online building permit requests; service requests; and registrations/licenses. The Enterprise Resource Planning (ERP) system purchase made by the City is critical to achieving this goal; currently a multi-departmental effort spanning multiple years is underway to transition to this system.

Along with the ERP implementation is the need to also maintain existing services and technology. As such, the workload of staff has increased significantly, but the scope and breadth of services has not declined. The Finance Department was the first to be impacted by the ERP transition; as such, a case study on service levels in that department is provided in the attached **Case Study: Finance Department Workload and Service Analysis** memo. Of note is that, as the below chart shows, the workload associated with the ERP coupled with all other services that must be provided exceeds the available hours of existing staff (indicated by the black dotted line).



Staff realizes many of these projects will push the organization towards increased efficiency. In fact, the Finance Department, as an example, has seen benefits from the ERP implementation in the form of vendors receiving quicker payment due to the system, with payment times decreasing on average one day in 2018 compared to 2015-2017. However, delays in fully implementing these types of projects will yield a slower return on investment in the form of those efficiencies.

Action Requested

In examining existing service levels, and considering the desire to achieve the City's four ends policies and associated performance management goals in a timely fashion, data shows that there are some areas of concern beginning to emerge.

As the financial decisions made by the City Council dictate City service levels, staff is seeking the following on September 4:

- Council's input prior to the 2019 budget process on acceptable City service levels; and
- Council's tolerance for adjusting financial policies they exert control over to ensure service levels are not reduced below that acceptable threshold.

At the same time staff has been evaluating service levels, staff has also been exploring potential different solutions. Below are suggestions that staff believes could mitigate service level reductions as well as move the City towards its goals. These include:

- Viewing salary and benefits budgets from a dollars perspective versus a headcount perspective - Allowing staff to hire personnel within a defined dollar amount versus a defined headcount could allow greater flexibility to meet service needs.
- Extending technology implementation timeframes - Although there are additional costs associated with moving out timeframes, providing more time for staff to balance implementation with everyday duties provides potential relief in this area.
- Hiring contract staff to assist with daily workload - This action would allow City staff to focus on implementation of longer range technology initiatives.

At the September 18 Council meeting, staff will provide greater detail on property taxes, cash reserves and debt reduction, which are three financial policies Council has authority to control and adjust in order to provide appropriate service level funding. Input received will be used by staff to bring forth a 2019 budget this fall that reflects Council's priorities.

FISCAL IMPACT:

Based upon these discussions, staff will develop and present a budget that showcases the financial and service level priorities of City Council.