

**Winnetka Village Council**  
**BUDGET REVIEW MEETING**  
**Village Hall**  
510 Green Bay Road  
Wednesday, October 30, 2013  
7:00 PM

Emails regarding any agenda item are welcomed. Please email [contactcouncil@winnetka.org](mailto:contactcouncil@winnetka.org), and your email will be relayed to the Council. Emails for a Wednesday meeting must be received by 4 PM on Tuesday. Any email may be subject to disclosure under the Freedom of Information Act.

**AGENDA**

- 1) Call to Order
- 2) Budget Review Topic (2014 Budget previously distributed):

	<u>Text Pages</u>	<u>Budget Detail</u>
a) Community Development	29 – 32	117 - 118
b) Public Works	33 – 36	119 - 124
i) Sanitary Sewer Fund	45 - 47	153 - 155
ii) Refuse Fund	48 - 50	156 - 159
iii) Storm Sewer Fund	51 - 53	160 - 162
iv) Fleet Services Fund	58 - 59	169 - 173
v) Follow-up Issues	all	all

- 3) Public Comment
- 4) Adjournment

**NOTICE**

The Draft 2014 Budget is available at [villageofwinnetka.org](http://villageofwinnetka.org); the Reference Desk at the Winnetka Library; or in the Manager's Office at Village Hall (2<sup>nd</sup> floor).

Broadcasts of the Village Council meetings are televised on Channel 10 and AT&T Uverse Channel 99 every night at 7 PM. Webcasts of the meeting may also be viewed on the Internet via a link on the Village's web site: [villageofwinnetka.org](http://villageofwinnetka.org)

The Village of Winnetka, in compliance with the Americans with Disabilities Act, requests that all persons with disabilities who require certain accommodations to allow them to observe and/or participate in this meeting or have questions about the accessibility of the meeting or facilities, contact the Village ADA Coordinator – Megan Pierce, at 510 Green Bay Road, Winnetka, Illinois 60093, 847.716.3543; T.D.D. 847.501.6041.



## Agenda Item Executive Summary

**Title:** 2014 Budget Meeting

**Presenter:** Ed McKee, Finance Director

**Agenda Date:** 10/30/2013

**Consent:**  YES  NO

<input type="checkbox"/>	Ordinance
<input type="checkbox"/>	Resolution
<input type="checkbox"/>	Bid Authorization/Award
<input type="checkbox"/>	Policy Direction
<input checked="" type="checkbox"/>	Informational Only

### Item History:

During the Budget Meetings on October 10 and 14, 2013, the Council reviewed portions of the Village Budget. Staff has prepared responses to several requests for supplemental information.

### Executive Summary:

The agenda for the October 30, 2013 Budget Meeting has been revised and is provided as an attachment.

Attached are three memos which address questions from the first two budget meetings covering the following topics:

Vehicle Stickers - The Finance Director and Police Chief prepared memos explaining the financial and policy considerations should the Village wish to change our existing policy.

Electric Questions - The Water and Electric Director has provided a memo explaining the Village's electric rate history which reflects a generally declining electric rate over the last four years. This memo also includes information on cooling degree days which correlates with summer electrical use. A third issue explained in the memo is electrical losses in the electric system of the Village, which are below industry standards.

### Recommendation / Suggested Action:

Review attached budget follow-up materials and provide policy direction.

### Attachments:

- 1) Revised Budget Agenda for October 30, 2013 Meeting
- 2) Vehicle sticker and dog tag memo from Finance Director
- 3) Vehicle sticker and dog tag memo from Police Chief
- 4) Electric budget presentation follow-up memo and charts from Water and Electric Director

To: Robert M. Bahan, Village Manager  
From: Edward McKee, Finance Director *EM*  
Date: October 25, 2013  
RE: Vehicle Sticker and Dog Tag Revenues and Process

Vehicle Stickers

As discussed at the October 10, 2013 Council Budget Meeting, vehicle sticker revenue for the Village is an important revenue source. The 2014 Village budget contains \$295,000 of revenue from the sale of Village vehicle stickers. An additional \$38,000 is anticipated from fines for those who have not purchased a vehicle sticker and are issued a ticket. About 7,000 stickers per year are purchased between October 1 and June 30 at \$40 each. Vehicle stickers sold from July 1 to September 30 are sold at half price.

The Village of Winnetka's \$40 annual cost has remained constant for many years. In terms of what is done in neighboring communities, the Village of Northfield recently completed a survey on vehicle sticker costs which are reflected in the table below, showing an average cost of \$62.93:

Glencoe	Northbrook	Northfield	Wilmette	Deerfield	Highland Park	Lake Forest	Average	Winnetka
\$75.00	\$38.00	\$50.00	\$80.00	\$30.00	\$40.00	\$127.50	\$62.93	\$40.00

While selling vehicle stickers is administratively time consuming for Finance Department staff, the amount of revenue generated is important to balancing the General Fund Budget.

The Council asked staff to analyze the impact of eliminating vehicle stickers and adding the amount of money lost to the property tax levy.

The table on the following page indicates how a policy of adding \$333,000 into the property tax levy and eliminating vehicle stickers would impact various customers. This change would be almost expense neutral to a resident with a \$20,000 property tax bill and two cars, or a \$40,000 tax bill and three cars, or a \$60,000 tax bill with 4 cars. Renters, who do not pay property taxes directly, would see this cost transferred to the property owner. This analysis does not factor in any deductibility of property taxes.

**Homeowner cost with Vehicle Sticker Charge**

	Typical Resident			
Total property tax amount	\$ 20,000	\$ 27,135	\$ 40,000	\$ 60,000
Village share (13.32%)	\$ 2,664	\$ 3,614	\$ 5,328	\$ 7,992
Village share + \$333k tax levy	\$ 2,728	\$ 3,701	\$ 5,456	\$ 8,184
<b>Increase in property taxes</b>	<b>\$ 64</b>	<b>\$ 87</b>	<b>\$ 128</b>	<b>\$ 192</b>

Resident Savings (increased cost) if converted to a property tax levy

1 Vehicle				
Increased property taxes	\$ 64	\$ 87	\$ 128	\$ 192
Sticker eliminated savings	\$ (40)	\$ (40)	\$ (40)	\$ (40)
Increased (reduced) cost	\$ 24	\$ 47	\$ 88	\$ 152
2 Vehicles				
Increased property taxes	\$ 64	\$ 87	\$ 128	\$ 192
Sticker eliminated savings	\$ (80)	\$ (80)	\$ (80)	\$ (80)
Increased (reduced) cost	\$ (16)	\$ 7	\$ 48	\$ 112
3 Vehicles				
Increased property taxes	\$ 64	\$ 87	\$ 128	\$ 192
Sticker eliminated savings	\$ (120)	\$ (120)	\$ (120)	\$ (120)
Increased (reduced) cost	\$ (56)	\$ (33)	\$ 8	\$ 72
4 Vehicles				
Increased property taxes	\$ 64	\$ 87	\$ 128	\$ 192
Sticker eliminated savings	\$ (160)	\$ (160)	\$ (160)	\$ (160)
Increased (reduced) cost	\$ (96)	\$ (73)	\$ (32)	\$ 32

Calculation of property tax increase of adding \$333,000 to levy

2012 property tax levy           \$ 13,875,587

Increase                               \$ 333,000

Percentage increase                               2.4%

2013 Property Tax Levy IF \$333,000 added for vehicle stickers:

	Amount	% Increase
2012 Levy	\$ 13,875,587	
Inflationary Increase	\$ 235,885	1.7%
New Development	\$ 111,005	0.8%
Vehicle Sticker Change	\$ 333,000	2.4%
2013 Property Tax Levy	\$ 14,555,477	4.9%

The fact that many surrounding communities still utilize the vehicle sticker as a means of revenue generation is possibly the result of a focus on maintaining lower property taxes for municipalities.

From a policy standpoint, the Village could raise the property tax levy about \$460,000 more than currently proposed in the 2014 budget and still be under the tax cap allowed had the Village not achieved home-rule status. Moving a non-property tax based revenue to a property tax based revenue could reduce the Village's flexibility to address adverse economic developments by having a less diversified revenue base. Also, the Village has tended to hold the price on vehicle stickers. If \$333,000 of previously vehicle sticker revenue was in the property tax base, it would be more likely to be increased annually.

#### Dog Licenses

I have asked the Police Chief to write a memo on dog tags and their operational benefits to his department and the community at large, which is attached. On an annual basis, dog licenses generate about \$10,000 of revenue.

#### Closing Remarks

Both the vehicle sticker and dog license decision is a policy issue. Eliminating the vehicle sticker requirement would have a notable adverse financial impact on the General Fund if that revenue were not replaced.

The Village has historically reserved raising property taxes beyond the rate of inflation for extraordinary circumstances, not revenue mix allocations. Since 2005, the Village has increased property taxes about \$450,000 less than the rate of inflation. Deciding to raise property taxes beyond the annual inflationary increase in the proposed 2014 budget is a shift in policy. The decision would also have a differing financial impact on our residents, depending on the property taxes currently paid and the number of vehicles owned.

Electing to increase property taxes to offset the loss in revenue from eliminating vehicle stickers would reduce the flexibility currently available to raise property taxes should extraordinary circumstances warrant such an action. Electing to use \$333,000 of this margin leaves only \$117,000 of property tax revenue raising flexibility. This is a safety margin of only 0.8% on a \$14.22 million property tax levy.

While the sale and enforcement of vehicle stickers and dog licenses has administrative over-head, eliminating these two items would not materially reduce Village operating expenses. Overtime would likely be reduced somewhat, but current staffing levels would be maintained.

---

**VILLAGE OF WINNETKA**  
**INTEROFFICE MEMORANDUM**

---

**TO:** Ed McKee, Finance Director  
**FROM:** Patrick Kreis, Chief of Police  
**RE:** Village Vehicle & Dog Licenses  
**DATE:** October 25, 2013

---

Staff has reviewed fines associated with the village vehicle license (sticker) violations in order to help evaluate the financial effects of eliminating sticker requirements. The average annual fine revenue for vehicle sticker violations is \$38,000. This is a result of the department issuing an average of 730 citations annually. Village code calls for a \$50 fine for each violation of failing to purchase or display a vehicle sticker. The average fine amount in the neighboring communities is \$55.

Glencoe	Northbrook	Northfield	Wilmette	Deerfield	Highland Park	Lake Forest	Average	Winnetka
\$50.00	\$20.00	\$100.00	\$50.00	\$40.00	\$50.00	\$75.00	\$55.00	\$50.00

The practical public safety impact of eliminating vehicle stickers is limited. Officers nearly always identify vehicles by state issued license plates. Officers' secondary means of confirming vehicle identification is typically the vehicle identification number (VIN). Vehicle stickers are used in a few locations to help regulate specific parking space restrictions, including two village owned parking lots and two streets near schools. Other solutions could be identified for these locations if the vehicle sticker program was eliminated. Officers in certain circumstances might draw inferences from observing vehicle stickers. For instance if an officer sees a vehicle parked in front of a house late at night and observes it to have a Winnetka vehicle sticker, he or she may assume it is owned by the homeowner. An officer is not likely to put too much emphasis on such observation and any specific interest on the vehicle or location would result from further inquiry. In summary I recommend consideration of eliminating the annual vehicle sticker system be based on financial analysis rather than public safety impact.

The Village dog license requirement has a much smaller financial impact but does serve a very practical purpose. The Department averages about 190 stray dog calls each year. The department issues about 50 tickets annually for unlicensed dogs. The primary goals when responding to those calls are to ensure the safety of the public, safeguard the animal to the extent possible and return the animal to its owner as soon as practical. The presence of a village dog license often aids in identifying the dog and returning it promptly. There are other means to identify dogs, such as an owner ID tag or an implanted microchip. Cook County does issue rabies vaccination tags and they are sometimes used to identify a stray dog's owner. Village code requires and village staff confirms current rabies vaccinations for all dogs licensed. However the police department does not have direct access to the Cook County database and is

limited to telephone inquiries during business hours. Relying on rabies vaccination tags would not be a suitable alternative.

Although the village could institute alternate methods of requiring proper identification of dogs, I strongly suggest the current requirement not be eliminated until a suitable alternative is adopted, disseminated and given time for implementation.

# Memorandum

**To:** Rob Bahan, Village Manager  
**From:** Brian L. Keys, Director of Water & Electric  
**Cc:** Ed McKee, Finance Director  
**Date:** October 17, 2013  
**Re:** W&E Budget Presentation Follow-up Items

On October 10, 2013, staff presented the Water & Electric Budget to the Village President and Trustees. During the meeting, staff was asked to provide additional information on historical electrical rate changes and cooling degree days. Also attached is additional clarification on the comparison of the Village's electric system losses to other published values.

***Historical Electric Rate Increases:***

The following information has been summarized on historical electric rates. The "blended rate" used in the chart was calculated using the assumption that 60% of a customer's consumption occurs during non-summer months and 40% of a customer's consumption occurs during summer months. For completeness, the purchased power cost adjustment has been provided. The Wholesale Purchased Power Cost Adjustment is the "annual true-up" to account for the difference between the budgeted cost of power and the actual cost of power.

Resolution #	Winter (\$/kWh)	Summer	Blended Rate (60% Winter, 40% Summer)	Percent Change of Base Rate (%)	Power Cost Adjustment (\$/kWh)	Effective Rate	Percent Change of Effective Rate (%)
R-6-2009	\$0.0996	\$0.1143	\$0.1055		\$0.002917	\$0.1084	
R-9-2010	\$0.1062	\$0.1209	\$0.1121	6.26%	\$0.003634	\$0.1157	6.73%
R-5-2011	\$0.1092	\$0.1239	\$0.1151	2.68%	\$0.000373	\$0.1155	-0.17%
R-8-2012	\$0.1114	\$0.1264	\$0.1174	2.00%	(\$0.003089)	\$0.1143	-1.04%
R-10-2013	\$0.1083	\$0.1233	\$0.1143	-2.64%	(\$0.000103)	\$0.1142	-0.09%
2014	\$0.1083	\$0.1233	\$0.1143	0.00%	\$0.000000	\$0.1143	0.09%

***Cooling Degree Days:***

A cooling degree day is used to relate the day's temperature to the energy demands of air conditioning. It is derived from measurements of outside air temperatures. Cooling degree

days are calculated by subtracting 65 from a day's mean  $((\text{max}+\text{mix})/2)$  temperature. Cooling degree days can be used to compare one summer to prior summers.

Example: If the daily high temperature is 90 degrees Fahrenheit and the daily low is 70 degrees Fahrenheit, the mean daily temperature is 80 degrees Fahrenheit. This equates to 15 cooling degree days.

Two charts on cooling degree days have been prepared for the Village Council. The first chart compares 2013 through September, to prior years. The second chart is specifically focused on the total cooling degree days for June, July and August of each year. Data provided on these charts was compiled from NOAA National Climate Data Center sources.

***Energy Losses:***

During the budget discussion, a question was raised as to how the Village's electrical system losses compare to industry standards. Additional clarification should have been provided on the data presented on the "System Losses, Purchase vs. Sales" on page 41 of the 2014 Budget. W&E staff tracks this ratio during the fiscal year. As discussed in the meeting, purchases from IMEA are budgeted 5% higher than estimated sales to customers. Electrical consumption used by the power plant is metered, but not billed. This consumption has been included in the data points provided for system losses.

From an industry perspective, metered load consumed by the Electric Plant is not considered a loss. The consumption is a known amount and is used in the production of electricity. The Village's five year average system loss of 2.4% compares favorably to industry levels for losses, as shown below. To my knowledge, there is no industry standard that is directly available for comparison. Some reference points for comparison are as follows:

- Data compiled by the U.S. Energy Information Administration indicates that annual electricity transmission and distribution losses average about 7% of electricity transmitted in the United States.
- Con Edison, Transmission & Distribution Losses Technical Conference (July 17, 2008): 1.2% Transmission, 3.6% Distribution, 2.2% Other
- California Energy Commission, A Review of Transmission Losses in Planning Studies: Average system losses for transmission and distribution range from 5.4 percent to 6.9 percent during the 2002-2008 period.

Please let me know if there are additional clarifications regarding the proposed 2014 Water & Electric Budgets.



# June, July and August

