

**MINUTES  
WINNETKA VILLAGE COUNCIL  
RESCHEDULED BUDGET MEETING**

**October 27, 2016**

(Approved: December 6, 2016)

A record of a legally convened meeting of the Council of the Village of Winnetka, which was held in the Village Hall Council Chambers on Thursday, October 27, 2016, at 5:30 p.m.

1) Call to Order. President Greable called the meeting to order at 5:30 p.m. Present: Trustees Andrew Cripe, William Krucks, Penny Lanphier, Christopher Rintz and Kristin Ziv. Absent: Trustee Scott Myers. Also in attendance: Village Manager Robert Bahan, Assistant Village Manager Megan Pierce, Finance Director Tim Sloth, Assistant Finance Director Nick Mostardo, Police Chief Patrick Kreis, Deputy Police Chief Marc Hornstein, Community Development Director Mike D'Onofrio, Director of Water & Electric Brian Keys, Assistant Director of Water & Electric Giovanni McLean, Public Works Director Steve Saunders, Public Works Analyst Matt Havlik, and one person in the audience.

2) Police Department. Chief Kreis reviewed the proposed 2017 budget, explaining that operational increases are due largely to personnel costs. Other factors affecting the 2017 budget include vehicle replacement, upgrades in software, building improvements, costs associated with the upcoming communications consolidation, and a radio system upgrade.

Chief Kreis reviewed the Department's patrol and community engagement activities, crime and arrest statistics, police activities, and administrative adjudication hearings. He said major objectives for 2017 are: (i) implement police communications consolidation plan; (ii) transition to new police radio network; (iii) implement digital citation issuance and crash reporting; (iv) expand existing community policing activities; (v) reinforce crime prevention efforts; and (vi) improve criminal investigations and enforcement efforts.

3) Water & Electric Department.

a) Water Department. Mr. Keys reviewed the Water Department's organizational chart, which includes a request for an additional employee in order to ensure succession planning for a highly technical position. He noted the 2016 water sales were 6% lower than projected, largely due to the popularity of appliances that reduce consumption. He explained that the overall budget for 2017 is increased 3.8%, and he gave a detailed financial summary, which illustrated that most 2016 budget projects were fairly on target. He noted that funding for the 2017 Capital Plan will require a \$1 million IEPA loan in order to prevent depleting cash reserves.

Mr. Keys explained that the 2017 budget is based on a 4% rate increase, which would increase a typical Winnetka resident's water bill by an additional \$2.05 per month. He reviewed major proposed operating and capital expenditures and explained the methodology used to schedule water main replacements. Mr. Keys added that a discussion about long-term water rate strategy to fund main replacement will take place in the near future.

- b) Electric Department. Mr. Keys said the Electric Department's sales are also trending just under budget projections, again attributed to customers' energy efficiency efforts. He reviewed the department's financial summary, and noted that the 2017 budget is based on a 4% rate increase. Fire protection for transformers at the Northfield substation is budgeted for \$600,000, which is significantly lower than originally estimated.

Mr. Keys reviewed electric rates, noting that the same unit rates used in 2016 will be used in 2017; however, a 4% revenue increase is being requested for both energy, demand and services charges. In past years, only energy charges have been increased, while service and demand charges have stayed the same. He explained how a proposed change in the power cost adjustment will impact the setting of rates, adding that the Electric Rate Study will be discussed early in 2017.

Mr. Keys said the fiscal challenges facing the Electric Department stem from the size of necessary capital improvements and meeting the target fund balance. He explained that the proposed 2017 budget was developed taking some areas of concern from the Electric Rate Study into account; however, no structural changes to the billing system are being proposed for 2017.

Next, Mr. Keys reviewed 2017 priority operating and capital expenditures, and he gave a preview of costs expected to be incurred in 2018 when the steam turbines are due for a major tear-down inspection and overhaul. He explained the cost vs. benefits of keeping the steam turbine engines, concluding that the Village is still reaping a financial benefit for its steam generation capacity.

Several Trustees asked for a longer term representation of the cost vs. benefit, as Mr. Keys' presentation used a snapshot view, and concern was expressed about the Plant's aging generators. Mr. Keys explained that concerns about long-term generator viability prompted Staff to propose adding a second Northfield transformer in the five year plan. He described the "three-legged" approach to Winnetka's electric system: (i) 12Kb lines from Northbrook; (ii) the Northfield substation; and (iii) generation capacity. On a peak summer day, at least two of the legs must be operational. If the generators were to be removed from that system, the Village will be left without options in the event of emergency power failure. Once a second transformer is installed at the Northfield substation, if the Council decides not to fund the generation capacity, there would still be three reliable sources for power delivery.

The Council was in favor of having a more detailed discussion before approving further funding of the generation capacity. Mr. Keys said the contract to disassemble Unit 4 in 2017 will be subject to more discussion before the turbine overhaul is begun. He added that his task is to ensure the Village has a reliable electric distribution system in place well before the turbines become obsolete.

- 4) Community Development Department. Mr. D’Onofrio described his Department’s functions and reviewed a budget comparison from 2014 – 2017, including a breakdown of expense categories and third-party service costs. He noted that the permit fees for One Winnetka have not been factored into the 2017 budget. Trustee Cripe suggested that the Council could retain the recent tradition of keeping the Village’s existing tax levy at 0.0% if some of the proposed Downtown Master Plan projects are contingent upon the One Winnetka building permit revenue being received in 2017. Manager Bahan observed that the Village’s recent practice has been to capture the new development portion of the tax levy, even while existing properties stay at zero.

Mr. D’Onofrio reviewed statistics relating to total number of building permits, inspections and plan reviews. Some of the Department’s 2017 goals are: (i) Downtown Master Plan (DMP) implementation; (ii) final approval of the One Winnetka planned development; (iii) pursue economic development opportunities; (iv) building permit processing; and (v) staff support to advisory boards.

Mr. D’Onofrio reviewed proposed early DMP implementation projects, such as: a Post Office site evaluation, improved parking signage, street parklet prototype, bike rack installation, wayfinding and gateway sign program. Also planned in 2017: realign Merrill Street with a two-way conversion and improve the streetscape and gateway treatment at Spruce and Chestnut.

- 5) Public Works Department. Mr. Saunders described the activities of the Public Works Department, which are funded out of six different funds: General Fund, Sanitary Sewer Fund, Stormwater Fund, Refuse Fund, MFT Fund and Fleet Services Fund. He reviewed a General Fund summary and the 2017 Street Rehabilitation Program. Other capital projects for the General Fund include equipment replacement, sidewalk replacement program, and the Lincoln Avenue parking lot rehabilitation.

There was a discussion about the state of the Hubbard Woods train station, especially the pedestrian bridge, and Manager Bahan said the Village would follow up with Metra about rehabilitation of the Hubbard Woods station.

Mr. Saunders reviewed the Sanitary Sewer Fund, including a comparison of Winnetka’s sewer rates with those of surrounding communities, and he proposed a 5% rate increase. He explained a rate policy discussion will need to take place in the next few years, as the fund balance is being drawn down. He reviewed the improvements planned for 2017, along with a map illustrating areas which have already benefitted from sanitary improvements.

Mr. Saunders next reviewed the Refuse Fund, where savings have been realized as a result of the Village’s new recycling contract with Lakeshore Recycling. He noted that there is a cash flow issue on the horizon for this fund, and a refuse collection program evaluation is underway to identify solutions. He suggested stabilizing the fund with (i) a 10% increase in commercial rates; (ii) a 10% increase in sticker prices; (iii) a \$10 monthly service fee; and (iv) increased second-pickup subscription fees. He noted that the refuse collection fleet is very aged and a replacement program will run approximately \$1 million, and he reviewed several alternate cash flow options. He recommended taking time in 2017 to explore cost savings from switching to curbside collection, and survey the community to see who would be in favor of keeping backdoor service, and whether refuse service should be paid for

through fees or property taxes. The Council concurred with the revenue recommendations for 2017, along with evaluation and public discussion of the curb-side collection option.

Mr. Saunders reviewed proposed stormwater projects for 2017, which while resulting in a stable cash flow for the Stormwater Fund, does not include funding for any western alternative projects. Mr. Saunders showed a proposed phasing scenario for stormwater projects from 2017 through 2021. He explained that the funds expended in 2017 will be much lower than budgeted, due to the outcome of October's stormwater alternatives discussion. The stormwater project expenses will result in a negative cash balance starting in 2019; therefore, a funding strategy will need to be put in place in 2018, along with an examination of rate changes to pay for the anticipated debt.

Finally, Mr. Saunders reviewed the Fleet Services and Motor Fuel Tax Funds (MFT). MFT capital projects for 2017 are: rehabilitation of the Cherry and Oak Street bridges, traffic signal modernization at Green Bay Road and Elm Street, and facility improvements at Village Hall.

- 6) Public Comment. Terry Rynn, Winnetka Galleria. Mr. Rynn expressed concern with flooding that occurred in July in the parking garage and several first floor businesses, and requested the Village ensure that the Lincoln Avenue parking lot rehabilitation take place as soon as possible.

Manager Bahan asked the Council for its input on outstanding budget issues for the November 3<sup>rd</sup> Council meeting. It was suggested that the Council members email their comments to Manager Bahan. Manager Bahan suggested putting a follow-up budget discussion on the agenda for the November 3 meeting.

- 7) Adjournment. Trustee Cripe, seconded by Trustee Lanphier, moved to adjourn the meeting. By voice vote, the motion carried. The meeting adjourned at 9:25 p.m.

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Deputy Clerk