



October 23, 2020

Village President  
Members of the Village Council, and  
Village Manager

It is our privilege to present for your review and consideration the 2021 Annual Budget and Capital Improvement Plan. The 2021 Annual Budget and Capital Improvement Plan totals \$78,280,081 (excluding depreciation and interfund transfers), which is a decrease of \$738,387, or -.93%, compared to the 2020 budget. The operating budget assumes conservative revenue estimates for 2021 with an operating budget increase of \$179,944, or .29%, across all funds primarily due to increases in services and supplies, insurance, and contingency offsetting a decrease in salaries and benefits. The 2021 Annual Budget and Capital Improvement Plan is balanced and does not rely on the use of fund balance or other one-time revenue sources for operating purposes.

At the time of the development of the FY 2021 budget, the world continues to struggle with the novel coronavirus (COVID-19), a global pandemic. The financial implications of this public health emergency have been significant, with regional, national and global impacts on the economy resulting from the stay at home orders implemented earlier in the year and continued social distancing restrictions. The Village of Winnetka was under a State mandated stay at home order from March 21<sup>st</sup> through May 30<sup>th</sup>. Village staff have taken numerous actions to promote community safety, while minimizing the impacts on Village services and operations to the greatest extent possible. During this time, the Village closed its facilities to the public, and transitioned a majority of its workforce to remote (telework) status, while maintaining essential services such as fire, police, public works, and utilities.

On May 12<sup>th</sup>, Staff presented to the Village Council the projected financial impacts of the pandemic along with a planned financial response. Staff projected a revenue shortfall of almost \$4 million (5.56%) across all funds for the year 2020. Key revenue categories that were expected to be significantly impacted included Permits, Sales Tax, Income Tax, Fines, and Interest Earnings. Staff also noted that the Village was beginning to experience additional direct expenses as it began procuring such items as personal protective equipment, enhanced cleaning supplies, and technology expenses to enable remote work opportunities. The financial response presented on May 12<sup>th</sup> included the following:

- Identified expenditure reductions totaling \$3.9 million to largely offset expected revenue declines.
- Utilizing the Village's Liability fund to track and provide insurance reimbursement for additional direct expenses related to Covid-19.
- Applied for Federal and State funding opportunities such as FEMA Public Assistance Grants and Federal CARES Act funds.

On June 26<sup>th</sup>, the Village entered Phase 4 of the Restore Illinois plan which loosened some restrictions and allowed for the safe reopening of several key business segments, such as indoor dining (with capacity limits). While some restrictions were lifted, several public health measures such as mask wearing, social distancing and capacity limits continued. After having been closed since the beginning of the stay at home order, Village facilities re-opened to the public on June 29<sup>th</sup>. The Village has continued to operate in Phase 4 of the Restore Illinois plan since that time.

On September 1<sup>st</sup>, Staff presented to Village Council a Covid-19 financial update. Staff noted that revenue projections had improved since the first Council update in May. The initial \$4 million shortfall projected in May was revised to an estimated \$3.1 million in September. Staff also noted that the planned financial response was sufficient in scope and recommended no further changes or additional budget cuts.

In addition, the Community and Economic Development departments have worked diligently to support local businesses. This Fall, the Village implemented the Sales Tax Rebate Economic Relief Program to deliver funds to businesses that have suffered economic loss from the pandemic. This program provides direct cash support for short-term financial or operational needs. The Village identified \$400,000 in funding for this program with local businesses eligible for a one-time rebate of up to \$10,000. Other pandemic related local business support included:

- Offering direct assistance through phone calls, emails, socially distanced visits.
- A health-awareness campaign through materials supplied by the Winnetka-Northfield Chamber of Commerce.
- Creation of a webpage on the Village website with health and operating guidance for businesses.
- Tutorials for businesses to help them create a strong social media presence.
- Maintaining and promoting a list of open businesses; providing guidance for residents on how to patronize them.
- Promoting businesses on the Village's social media platforms, including the Farmers' Market and Sidewalk Sale.
- Assisting business owners in filling out loan and grant applications.
- Expediting the Outdoor Dining Permit process to shorten approval time from weeks to days to assist restaurants in opening outdoor dining as quickly as possible when the Illinois moved into Phase 3
  - The Village approved seating at 12 new and expanded patios and at 8 existing outdoor patios.
- Adapting existing policies and guidelines to support businesses:
  - Relaxing A-Frame signage rules to temporarily allow businesses to use sidewalk signage for marketing.
  - Allowing businesses to offer carry-out and curbside packaged liquor and liquor for delivery.

- Extended deadlines for Zone A parking permit renewal for employees in commercial business districts.
- Deferred utility billing payments for two months and established payment plans for those needing assistance.

As we look forward to 2021 and beyond there remains an elevated level of uncertainty. Staff has made every effort to utilize conservative, yet realistic, revenue estimates in putting forth a balanced budget. The Finance Department will continue to monitor the financial environment closely and will be prepared to develop and implement revised financial plans should it be required.

The remainder of this Transmittal Letter is divided into ten sections:

1. Summary of Key Budget / Financial Policies
2. Current Economic Environment
3. Budget Initiatives
4. Budget Summary
5. Budget Impact on a Resident
6. Tax Levy Analysis
7. Explanation of Individual Fund Budgets
8. GFOA Recognition
9. Community Profile
10. Closing Comments

**Summary of Key Budget / Financial Policies**

The Village’s core financial policy is to maintain the long-standing tradition of fiscal discipline and stewardship, while delivering high levels of municipal services. Historically the Village’s infrastructure investment has been on a pay-as-you-go basis. These guiding principles ensure that the Village delivers a high level of services and minimizes increases in operating expenses. The Village’s fiscal prudence has earned it a Aaa bond rating, reduced the Village’s portion of total property tax bills, ensured a steady and predictable revenue stream, and resulted in very little debt. While a comprehensive list of Financial Policies is included within this budget document, the summary below encapsulates the significant policies as they relate to maintaining fiscal discipline:

- **Balanced Budget** – We define a balanced budget as relying on recurring annual operating revenues to fund recurring annual operating expenditures. The Village does not rely on drawing down of fund balances or one-time (non-recurring) revenue sources to fund operating expenditures.

- Revenue – Ideal revenue sources are those that are stable and predictable, and to the greatest extent possible, they should grow in tandem with costs.
  - Tax Levy – In 2005, through voter referendum, the Village became a home rule municipality. As a home rule community, the Village Council can set the property tax levy at any amount it deems appropriate. As part of the voter referendum in 2005, the Village committed to operate within the non-home rule tax cap limitations. The 2021 budget continues that commitment by again operating within the tax cap limitation and not increasing the tax levy for the seventh year in a row.
  - Fees – When the Village charges fees, such as building permit fees, they should be set to recover the cost of providing the specific service.
  - Utility Rates – Retail electric, water, sanitary, refuse and stormwater sewer rates are set using a cost of service analysis to ensure an equitable allocation of revenue requirements.
- Expenses – A snapshot of the Village policies regarding operating expenses is shown below.
  - Operating Expenses – Increases in operating expenses generally should be equal to increases in revenues unless specific Council action is taken to increase or reduce cash balances.
  - Personnel Expenses – A well-trained and experienced work force is a vital component of providing high quality services at a reasonable cost. The Village strives to keep employee compensation fair and competitive, and generally in-line with neighboring communities.
  - Capital Improvement Policies – The core planning tool for infrastructure investment is the Village’s five-year Capital Improvement Plan (CIP), which is updated annually for the General, Motor Fuel Tax, Village Facilities, Business District Revitalization Water, Electric, Refuse, Sanitary Sewer, and Stormwater Sewer Funds. The Village will continue to maintain and upgrade most infrastructure via routine capital improvement projects on a pay-as-you-go basis. For large scale projects (e.g. stormwater sewers), the Village will utilize cash reserves to the extent possible and evaluate debt financing options as needed.
- Debt Policies - The costs associated with acquiring and improving many long-term capital assets are met primarily through net operating income and accumulated fund balances, but occasionally the Village will elect to issue debt. The Village reviews existing debt obligation structure, current and projected surplus from operations, and future liability levels before making decisions to issue new debt. The Village has consistently retained a Aaa bond rating with a “Stable Outlook”.

- Budget Amendments - It is the practice and policy of the Village to avoid budget amendments whenever possible by budgeting strategically during the annual process. To that end, each year the budget includes a contingency expense that is approved by the Village Council. With Council approval, contingency can be used to pay for unforeseen items, or ongoing projects that may have been advanced or delayed from a previous fiscal year.
- Fund Balance / Net Assets Policy - Fund balance/net assets policies establish a minimum end-of-year fund balance/net assets target for select funds. These policies are established to provide financial stability, cash flow for operations, and ensure that the Village will be able to respond to emergencies with fiscal strength. Additionally, detailing the availability of fund balance increases the ability of financial statement users to understand the availability of resources. A summary chart showing the budget's impact on estimated fund balances and how those fund balances compare to policy can be found at the end of this letter.

### **Current Economic Environment**

For fiscal year 2021, there are economic and legislative factors to consider. On an organization-wide basis, elected officials, staff, and residents should be aware of several opportunities and pressures related to operational revenues, operational expenditures, and capital investment.

On the revenue side, after experiencing the longest economic expansion in US history, the local and national economy are now in an economic recession due to the global pandemic. At the height of the recession the unemployment rate which was at a fifty year low of 3.5% in February-2020 increased to 14.7% by April-2020. While the unemployment rate has improved since April currently standing at 7.9% as of September-2020 there are still 12.6 million unemployed people in the United States. The Federal Reserve has made two interest rate cuts this year with rates currently at a target level of 0-25%. The Fed sees interest rates staying at or near zero through the end of 2022. "We're not thinking about raising rates. We're not even thinking about thinking about raising rates," Fed Chairman Jerome Powell said. "What we're thinking about is providing support for the economy. We think this is going to take some time." According to Powell the rate cuts were to "keep the U.S. economy strong in the face of some notable developments and to provide insurance against ongoing risks." The United States is projected to post a GDP decline for the year of 6.5%.

For 2021, the broader national economy faces heightened economic risks related to areas of ongoing uncertainty related to the pandemic and continued economic recession. There also continues to be a high degree of uncertainty within the State of Illinois. This includes a stretched State budget, the possible implementation of a progressive income tax and whether the State will withhold a greater share of the Local Government Distributive Fund (LGDF) remittances (currently 5%). At a local level, Village shops and restaurants remain susceptible to the continued economic downturn and potential additional social restrictions to combat the pandemic. On a bright note, the Winnetka real estate market seems to be improving with the average sale price of a home up 7.1% since last year according to data obtained from the website Redfin.com. The future remains uncertain - if and to what extent any of the above-mentioned economic threats will be fully realized. Therefore, it will remain an important consideration for the Village Council to continue contingency planning in the event of a revenue interruption due to an economic downturn.

While the Village Council and staff need to remain cognizant about threats to recurring revenue sources, there is still reason to be optimistic about the future. Thus far during the pandemic, the Village has seen new businesses and restaurants open in our community, and the local real estate market has been strong. Further, the Village of Winnetka has historically relied on traditional sources of revenue and has not captured additional revenue sources, such as a home rule sales tax, that are statutorily available and utilized by neighboring communities. Furthermore, the Village has always budgeted revenue sources realistically and does not balance the budget utilizing revenue assumptions that are not likely to be achieved.

### **Budget Initiatives**

The Village exercises strong control over its expenses, which along with revenue decisions, form the second set of considerations in the 2021 budget. There are several initiatives which will impact the Village's operational and capital expenses for the short and long-term in the proposed budget. Those initiatives include:

- **Stormwater Management / Flooding Initiatives** – The 2021 budget provides \$6,167,000 for stormwater management / flooding initiatives. Stormwater continues to be a critical policy issue within the Village. In 2016, Strand Associates drafted a “Stormwater Vision” for the Village, which included strategies for moving stormwater to the west in cooperation with the Cook County Forest Preserve. As part of the Vision, the Village signed a Memorandum of Understanding (MOU) in 2017 with the Forest Preserve District of Cook County (FPDCC). This memorandum allows the Village to proceed with further study and preliminary engineering for the utilization of the FPDCC property on the west side of the Village for stormwater detention and runoff. The Village hopes to have a license agreement issued by the County in early 2021 and is currently proceeding with engineering and design for this important storage component of our plan. As the Strand Vision included multiple phases and approaches, and is required prior to securing a County license agreement, the Village secured intergovernmental agreements (IGA's) for stormwater storage at Winnetka School District 36, New Trier High School and Winnetka Park District properties.

- **Downtown Improvements** – The 2021 budget provides approximately \$1.9 million towards downtown improvements in the Business District Revitalization Fund. In 2018, the Village Council adopted the Downtown Streetscape and Signage Master Plan. As part of that plan, \$8.9 million of projects were identified for the downtown area. Phase I streetscape improvements were located at Chestnut and Spruce Streets while Phase II streetscape improvements were located on Elm Street between Green Bay and Birch St. For 2021, spending will be dedicated towards improvements on Lincoln Avenue, North of Elm Street. Other initiatives in this fund include installation of gateway and wayfinding signage, redevelopment of 93 Green Bay Road, development of a concept design for Hubbard Woods streetscape, and annual streetscape maintenance items. The proposed budget utilizes \$1.1 million in property taxes along with a \$550,000 transfer from the General Fund.
- **Improvements to Aging Infrastructure** – The 2020 budget contains a little over \$8.12 million dedicated to funding aging infrastructure. This includes \$2,884,701 dedicated towards improvements in the electric plant and power grid; \$2,340,000 towards roadway, sidewalk, parking and bridge improvements; \$400,000 in sanitary sewer replacements; and \$2,491,511 towards water main renewal and replacement.
- **Utility Funding** – The Water and Electric Funds both underwent in-depth rate studies during 2016-2017, which yielded new rate structures generating the revenue needed to address distribution and plant infrastructure projects. The residential water and electric rates proposed in this budget of 8.5% and 2.2% respectively are consistent with what was recommended in these studies. The rate increases are sufficient to sustain over \$3.0 million in water system improvements and \$2.9 million in electric infrastructure.

In 2017 and 2018, the Village engaged an outside consultant to perform a sanitary sewer evaluation survey. This survey identified key sources of inflow and infiltration into the Village’s sanitary sewer system along with the costs associated to mitigate defects. The report identified \$3,328,700 in rehabilitation projects that will need to be completed over the next five years. Projects were categorized as critical, high, medium or low priority repairs. Staff has completed repairs and replacements for all projects identified as critical in nature, and has developed a five year “pay as you go” funding plan that will address all of the high and medium level recommended repairs with \$400,000 recommended for 2021.

The Refuse Fund has completed the transition from a property tax-based funding model to a sustainable fee-based cost recovery approach. During the current year, Council has been evaluating the current service delivery model, and offering a residential curbside refuse collection option. While certain transitional expenses have been planned as part of the 2021 budget, the final fee structure related to these changes will be determined next year. The proposed Refuse fund budget includes \$265,000 of capital investments for new curbside refuse containers. Plans to source commercial collection to the private sector this year were postponed to 2022 and will be discussed during budget presentations.

- **Salaries and Benefits** - Salaries and benefits are budgeted to decrease \$766,506 or 2.5% across all funds compared to 2020 primarily due to decreased public safety pension costs and a transitioning workforce. A cost of living adjustment is tentatively planned for 2021. However, the Village is monitoring the potential future negative economic impacts of COVID-19 should the State enact enhanced mitigation efforts as a result of the anticipated second wave of increased cases this Fall. If significant revenue declines are experienced, the cost of living adjustment may not be feasible. The number of budgeted Village-wide full-time equivalent positions in 2021 is approximately the same as 2020.

In 2021, the Village tax levy requirements for the police and fire pension fund are set to decrease \$429,182 (24.95%) and \$543,030 (27.59%) respectively. On November 14<sup>th</sup>, 2019, the Illinois General Assembly passed pension legislation that mandated the consolidation of investments of more than 650 individual suburban and downstate public safety pension funds into two funds, one for Police and one for Fire. This legislation which was based on recommendations issued on October 10<sup>th</sup> by the Governor's Pension Consolidation Feasibility Task Force went into effect on January 1, 2020. The legislation calls for all local pension fund assets to be transferred to the new consolidated fund as soon as practicable "but not later than 30 months after the effective date of the legislation". Once funds are fully consolidated the pension funds will be adhering to funding targets set by state statute. The decrease in the Village tax levy requirements for the police and fire pension funds is due to the Village aligning funding targets in advance of consolidating the funds. The IMRF rate is projected to decrease to 13.40%, from 14.05%. The current rate is down significantly from the all-time high of 16.21% in 1991.

The Village exercises more control over other benefit plans such as health and dental insurance benefits. Beginning in 2018, the Village moved away from a standalone self-insurance model for health benefits and into the Intergovernmental Personnel Benefit Cooperative (IPBC) pool. The IPBC, due to its size, and leveraged purchasing power in the marketplace has a significant number of resources to help control costs which would not have otherwise been available to the Village. The projected premium increase is 3.81% for the coming year.

### **Budget Summary**

Below is a summary of the 2021 budget with comparative data from the 2020 budget. Operational revenues have decreased 1.4%, or \$1,025,878, from the 2020 budget. This is the result of projected decreases in some intergovernmental revenues (i.e. sales and income tax), other taxes (natural gas and telecom tax), service charges and other revenue (pension contributions).

The table below lists the overall fiscal year 2021 budget breakdown, including all operating revenues, expenditures, and capital outlay.

Village of Winnetka  
Summary of Operating Revenues, Expenditures, and Capital (All Funds)  
Excludes Depreciation Expense / Transfers Between Funds

	2019 Actual	2020 Budget	2020 Estimate	2021 Budget	FY2020 to FY2021 Budget Change	
					%	\$'s
<b>Operating Revenues</b>	<b>\$ 70,941,734</b>	<b>\$ 71,790,008</b>	<b>\$ 68,488,381</b>	<b>\$ 70,764,130</b>	<b>-1.4%</b>	<b>\$ (1,025,878)</b>
Property Tax	\$ 14,584,052	\$ 15,047,473	\$ 14,503,074	\$ 15,161,833	0.8%	\$ 114,360
Other Taxes	\$ 736,501	\$ 790,000	\$ 588,464	\$ 700,000	-11.4%	\$ (90,000)
Licenses/Permits	\$ 1,977,113	\$ 1,949,040	\$ 1,809,775	\$ 1,898,020	-2.6%	\$ (51,020)
Intergovernmental	\$ 4,106,222	\$ 4,615,000	\$ 4,108,162	\$ 4,807,378	4.2%	\$ 192,378
Service Charges	\$ 32,125,894	\$ 34,594,076	\$ 32,539,101	\$ 34,190,383	-1.2%	\$ (403,693)
Fines	\$ 193,748	\$ 217,500	\$ 128,560	\$ 212,500	-2.3%	\$ (5,000)
Interfund Services	\$ 4,239,117	\$ 4,310,728	\$ 4,238,195	\$ 4,365,008	1.3%	\$ 54,280
Payment in Lieu	\$ 1,461,896	\$ 1,644,847	\$ 1,644,847	\$ 1,634,947	-0.6%	\$ (9,900)
Other Revenue	\$ 4,101,431	\$ 4,294,234	\$ 4,314,089	\$ 3,307,064	-23.0%	\$ (987,170)
Investment Income	\$ 7,415,760	\$ 4,327,110	\$ 4,614,114	\$ 4,486,997	3.7%	\$ 159,887
<b>Operating Expenditures</b>	<b>\$ 54,950,311</b>	<b>\$ 60,500,426</b>	<b>\$ 57,422,680</b>	<b>\$ 60,680,370</b>	<b>0.3%</b>	<b>\$ 179,944</b>
Salaries and Benefits	\$ 28,551,509	\$ 30,619,532	\$ 29,524,514	\$ 29,853,026	-2.5%	\$ (766,506)
Services and Supplies	\$ 20,047,907	\$ 21,920,145	\$ 19,945,187	\$ 22,578,420	3.0%	\$ 658,275
Insurance	\$ 4,268,587	\$ 4,784,912	\$ 4,602,142	\$ 5,010,600	4.7%	\$ 225,688
Debt Service	\$ 620,412	\$ 1,330,950	\$ 1,330,950	\$ 1,303,377	-2.1%	\$ (27,573)
Payment in Lieu	\$ 1,461,896	\$ 1,644,887	\$ 1,644,887	\$ 1,634,947	-0.6%	\$ (9,940)
Contingency	\$ -	\$ 200,000	\$ 375,000.00	\$ 300,000	50.0%	\$ 100,000
<b>Net Operating Income</b>	<b>\$ 15,991,423</b>	<b>\$ 11,289,582</b>	<b>\$ 11,065,701</b>	<b>\$ 10,083,760</b>	<b>-10.7%</b>	<b>\$ (1,205,822)</b>
Capital	\$ 4,659,117	\$ 18,518,042	\$ 9,131,906	\$ 17,599,711	-5.0%	\$ (918,331)

Staffing has been reduced from 169 full-time employees in 2000 to 155.5 full time equivalents in 2021. Staffing from FY 2020 to FY 2021 has remained relatively stable. Salary budgets are developed assuming each position is fully staffed throughout the year.

**Budget Impact on a Resident**

The Village uses two primary metrics to evaluate finances as they relate to our residential customers: 1) estimating how the budget will change a customer's costs, and 2) measuring property tax increases over long periods of time. For 2021, we estimate a typical residential customer will pay 2.1%, or \$179 more, for municipal services as the following increases are incorporated in the 2021 budget: residential electric rate 2.2% (\$61), water rate 8.5% (\$101), and sanitary sewer charges 5% (\$22). The fiscal year 2021 budget does not include a property tax increase. However, a .76% tax levy increase will be captured as in prior years due to new development in the Village. Residents will not see a property tax increase from the Village and could possibly experience a slight decrease in the Village's share of their property tax bill. This is the seventh year of not increasing residential property taxes, continuing the Village's commitment of adhering to tax cap policy for non-home rule communities, even though the Village is home rule.

The following is the calculated budget impact on a typical resident, based on an assumed \$25,000 property tax bill for all taxing districts (tax year 2020 / budget year 2021) and typical utility use:

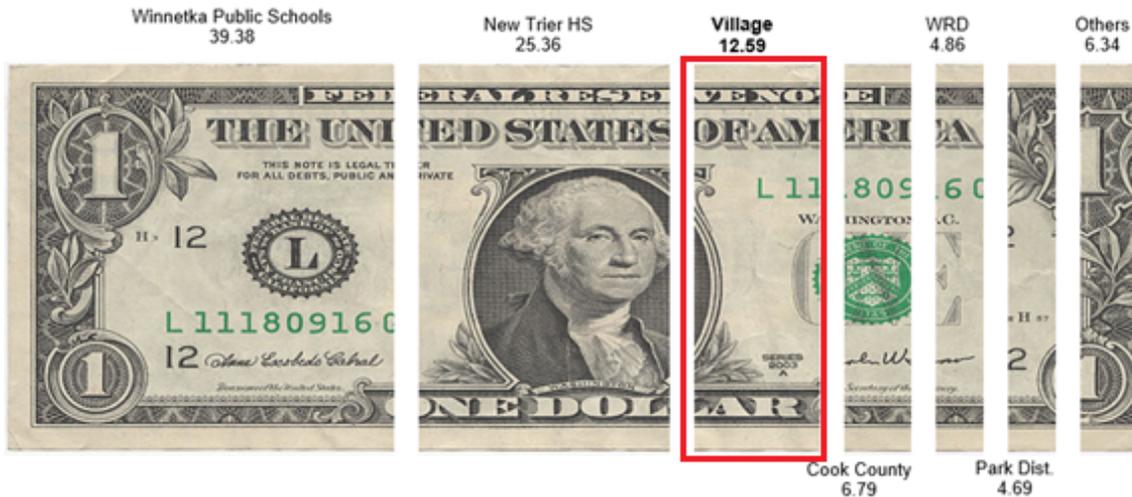
**Homeowner Impact Analysis  
Select Taxes and Fees**

	2018	2019	2020	2021	Change 20 to 21		Change 16 to 21	
					\$'s	%	\$'s	%
Village Property Taxes *	\$ 3,208	\$ 3,168	\$ 3,153	\$ 3,148	\$ (5)	-0.2%	\$ (482)	-13.3%
Electric **	\$ 2,635	\$ 2,714	\$ 2,774	\$ 2,835	\$ 61	2.2%	\$ 375	15.2%
Water ***	\$ 1,010	\$ 1,096	\$ 1,189	\$ 1,290	\$ 101	8.5%	\$ 395	44.1%
Sanitary Sewer ****	\$ 392	\$ 412	\$ 432	\$ 454	\$ 22	5.0%	\$ 121	36.3%
Refuse	\$ 300	\$ 540	\$ 540	\$ 540	\$ -	0.0%	\$ 540	100.0%
Stormwater Utility Fee	\$ 262	\$ 262	\$ 262	\$ 262	\$ -	0.0%	\$ -	0.0%
Telecommunications Tax	\$ 60	\$ 60	\$ 60	\$ 60	\$ -	0.0%	\$ -	0.0%
Natural Gas Tax	\$ 80	\$ 80	\$ 80	\$ 80	\$ -	0.0%	\$ -	0.0%
Licenses - Cars (2) & Dog	\$ 90	\$ 90	\$ 90	\$ 90	\$ -	0.0%	\$ -	0.0%
<b>Total Taxes and Fees</b>	<b>\$ 8,037</b>	<b>\$ 8,421</b>	<b>\$ 8,579</b>	<b>\$ 8,758</b>	<b>\$ 179</b>	<b>2.1%</b>	<b>\$ 949</b>	<b>12.2%</b>

- \* Assumes \$25,000 property tax bill with a 12.59% Village portion.
- \*\* Based on 2.2% residential increase in electric rates (based on 2017 Electric Rate Study).
- \*\*\* Based on 8.5% increase in water rates (based on 2017 Water Rate Study).
- \*\*\*\* Based on 5.0% increase in sanitary sewer volumetric rate.

**Tax Levy Analysis**

Because Winnetka is largely a residential community without a large commercial tax base, the Village relies significantly on local property taxes to pay for traditional municipal services. Below is how each property tax dollar paid during calendar 2020 was allocated among the taxing districts, with the Village receiving 12.59 cents of every dollar paid, down from 12.61 cents in tax year 2019:



The following chart depicts typical property tax growth in the community for property tax years 2000 to 2019 (payable in 2001 to 2020, due to the one-year lag in payment) levied by all taxing districts. This assumes a home valued at \$750,000 in 2000 as a baseline and then inflated to 2019 value of \$1,188,000. The initial total property tax bill in 2000 would have been \$14,065 and is estimated to have grown to \$27,703 by tax year 2019. With these assumptions, the typical homeowner would have seen a 44.0% increase in the “Village” portion of property taxes over this time frame, which is less than the 19-year increase in the consumer price index (CPI) of 52.2% for the same period. This typical taxpayer would have experienced a 97.0% overall increase in property taxes, as all but one of the other taxing districts have had larger percentage increases than the Village.

**Comparison of Property Taxes Paid  
Typical Taxing Districts in Winnetka  
2000 Versus 2019 Tax Years**

	2000*			2019**			Increase in Taxes Paid	% Change
	Home Value - \$750,000			Home Value - \$1,188,000				
	Tax Rate	Taxes Paid	%	Tax Rate	Taxes Paid	%		
Winnetka Public Schools	2.723	\$4,455	31.67%	3.149	\$10,909	39.38%	\$6,454	144.9%
New Trier High School	1.967	\$3,218	22.88%	2.028	\$7,025	25.36%	\$3,807	118.3%
Village of Winnetka	1.481	\$2,423	17.23%	1.007	\$3,488	12.59%	\$1,065	44.0%
Cook County	1.028	\$1,682	11.96%	0.543	\$1,881	6.79%	\$199	11.8%
Winnetka Park District	0.445	\$728	5.18%	0.375	\$1,299	4.69%	\$571	78.4%
Water Reclamation District	0.451	\$738	5.25%	0.389	\$1,348	4.87%	\$610	82.7%
All Others	0.502	\$821	5.84%	0.506	\$1,753	6.34%	\$932	113.5%
<b>Total</b>	<b>8.597</b>	<b>\$14,065</b>	<b>100%</b>	<b>7.997</b>	<b>\$27,703</b>	<b>100%</b>	<b>\$13,638</b>	<b>97.0%</b>
Consumer Price Index - U	168.800				256.974		<b>CPI Increase:</b>	<b>52.2%</b>
CPI Index (December, 19 years)	2000				2019			

\* 2000 Property taxes paid in March and August 2001. Home Value of \$750,000.

\*\* 2019 Property taxes paid in March and August 2020. Home Value of \$750,000 in 2000 inflated to 2019 value = \$1,188,000.

Because of the one-year delay between the levy and receipt of tax funds, the 2021 budget will be funded by the 2020 property tax levy. The proposed 2020 property tax levy is anticipated to only capture new development (estimated at .76% of the tax base). While individual homeowners may experience changes due to their assessment and that of other properties in the community, the Village’s property tax levy amount on those properties is being held flat for the seventh year in a row. The proposed 2020 Property Tax Levy can be found at the end of this letter.

The supplemental information section of this document (Tab 18) contains additional historical and projected property tax levy information.

## **Explanation of Individual Fund Budgets**

### **General Fund:**

The General Fund is used to account for most traditional municipal services, including police, fire, public works, and administrative functions. The projected December 31, 2021 fund balance of \$24,668,484 exceeds the policy target range (six months of operating expenses) by \$12,431,002.

Sufficient cash balances are needed to serve as a buffer for unexpected items (such as late property tax receipts, economic downturns, emergencies, etc.), shared revenue reductions or interruptions from the State of Illinois, fund significant non-routine capital expenses (stormwater projects, emergency repairs or expenses, downtown revitalization, facilities, etc.), allow for inter-fund borrowing, and serve as an asset that could be used to satisfy pension liabilities. The 2021 fund balance policy threshold is \$12,257,483, based on budgeted operational expenditures.

Our community has an estimated fund balance reserve policy that reflects the fiscally conservative nature of the Village. The Village does not issue debt except for financing major capital improvements. Reserves allow the Village to sustain financial shocks like those listed above without needing to seek outside financing. The Village has, at times, used General Fund balances for major capital projects, such as the Public Works Facility, Village Hall renovation, and to seed the stormwater utility (\$8.2 million). What makes Winnetka different from other municipalities is that we do not have a dedicated equipment replacement fund to pay for capital equipment needs, as the Village plans and funds these purchases well in advance using a “pay-as-you-go” approach. Consequently, without appropriate General Fund reserves, the Village would need to fund these projects in a different way. Finally, a healthy fund balance helps to maintain the Village’s Aaa bond rating and allows us to be in a financial position to self-insure risks.

### **Summary of Revenue and Expenditure Changes:**

The fiscal year 2021 General Fund revenues and transfers are budgeted at \$26,998,993, down 1.92%, or \$529,402, from the prior budget. The change in the year to year budget amount is mostly due decreases in permit revenue (\$50,000), intergovernmental revenue (\$302,346), charges for services (\$99,365), other taxes (\$90,000) and interest earnings (\$97,151). The decreases mentioned above are slightly offset by the increase in the property tax levy.

Noteworthy revenue changes are displayed below:

Significant Revenue Sources Increase (Decrease) from Prior Fiscal Year	Change
Tax Levy (New Growth Only)	\$ 114,360
Permit Revenue	\$ (50,000)
Charges for Service	\$ (99,365)
Other Taxes (Natural Gas / Telecom)	\$ (90,000)
BMO Global Interest Earnings	\$ (97,151)
<b>Total</b>	<b>\$ (222,156)</b>

General Fund operating expenses (excluding capital and contingency) are budgeted at \$24,214,965, down 4.12%, or \$1,039,565 from fiscal year 2020. The following is a summary of General Fund operating expenses by department:

General Fund Operating Expenditures	Actual FY 2019 A	Budget FY 2020 B	Estimated FY 2020 C	Budget FY 2021 D	Dollar Change D - B	% Change D v B
Village Manager / Council	\$ 1,580,456	\$ 1,696,464	\$ 1,482,525	\$ 1,625,258	-4.20%	\$ (71,206)
Finance	\$ 1,414,229	\$ 1,538,081	\$ 1,455,711	\$ 1,553,646	1.01%	\$ 15,565
Police	\$ 7,214,266	\$ 7,847,431	\$ 7,437,483	\$ 7,422,831	-5.41%	\$ (424,600)
Fire	\$ 5,955,632	\$ 6,383,881	\$ 6,355,528	\$ 5,984,397	-6.26%	\$ (399,484)
Community Development	\$ 1,438,438	\$ 1,738,381	\$ 1,560,621	\$ 1,714,489	-1.37%	\$ (23,892)
Public Works	\$ 4,123,636	\$ 4,400,292	\$ 4,238,985	\$ 3,208,792	-27.08%	\$ (1,191,500)
Engineering	\$ -	\$ -	\$ -	\$ 1,055,552	NA	\$ 1,055,552
Dept. Operating Expenditures	\$ 21,726,657	\$ 23,604,530	\$ 22,530,853	\$ 22,564,965	-4.40%	\$ 1,039,565
Transfers	\$ 1,633,910	\$ 1,650,000	\$ 1,650,000	\$ 1,650,000	0.00%	\$ -
Total Operating Expenditures	\$ 23,360,567	\$ 25,254,530	\$ 24,180,853	\$ 24,214,965	-4.12%	\$ (1,039,565)

Salary and benefits costs are the key driver of this reduction with the fiscal year 2021 budget showing a decrease of \$1,000,757 or 5.46%. This is largely due to decreased public safety pension costs of \$972,212 as the Village transitions to the consolidated pension investment funds. It should be noted that the savings in pension costs have not been utilized to increase other operating expenditures. The chart below shows that the achieved pension savings increases the amount available to fund capital and shore up contingency funds as we head into an extended period of uncertainty.

**2020 Annual Budget**

Budgeted Revenue	\$ 27,528,395
Budgeted Operatng Expenditures	<u>25,254,530</u>
Net Income	\$ 2,273,865
Minus Contingency Budget	<u>(200,000)</u>
Amount Available for Capital	\$ 2,073,865

**2021 Proposed Budget**

Budgeted Revenue	\$ 26,998,993
Budgeted Operatng Expenditures	<u>24,214,965</u>
Net Income	\$ 2,784,028
Minus 2020 Contingency Budget	(200,000)
Add back decreased revenue	<u>529,402</u>
Amount Available for Capital	\$ 3,113,430

***Increase in Amount Available for Capital*     \$ 1,039,565 \***

\* A portion of this amount (\$100,000) has been dedicated towards additional contingency, not capital, for 2021.

In total, the General Fund is budgeting for 101.55 FTE employees which is a reduction of .8 FTE's compared to last year's budget due to re-structuring in the Public Works / Engineering departments. Other than salary and benefits, spending categories in the General Fund were consistent with last year.

The chart below outlines the net operating income for the General Fund:

General Fund Summary of Operating Revenue, Expenditures and Capital

	2019 Actual	2020 Budget	2020 Estimate	2021 Budget	Budget to Budget Change	
					%	\$'s
Operating Revenues	\$ 27,321,245	\$ 27,528,395	\$ 26,388,010	\$ 26,998,993	-1.92%	\$ (529,402)
Operating Expenditures	\$ (23,360,567)	\$ (25,454,530)	\$ (24,555,853)	\$ (24,514,965)	-3.69%	\$ (939,565)
Net Operating Income	\$ 3,960,678	\$ 2,073,865	\$ 1,832,157	\$ 2,484,028		
Capital	\$ (1,575,938)	\$ (2,460,000)	\$ (1,848,467)	\$ (2,425,000)	1.42%	\$ (35,000)
Net Change in Fund Balance	\$ 2,384,740	\$ (386,135)	\$ (16,310)	\$ 59,028		

It is important to note that in keeping with Council's desire for conservative financial planning, the fund balance of the General Fund is budgeted for a small surplus in 2021. This surplus could be used as additional contingency should revenues not materialize as expected. In fiscal year 2019, the Village experienced a net addition to fund balance of \$2,384,740.

**Annual General Fund Capital Outlay:**

In a normal year, the Village will typically budget \$2.4 million to \$2.6 million in the General Fund for regular capital investment in items like roadways, equipment, and vehicle replacements. Due to scheduling, favorable bidding, and budgeted contingencies, the Village typically does not spend 100% of the capital budget each year.

For 2021, General Fund capital outlay is budgeted at \$2,425,000 and consists of the following noteworthy projects: streets, sidewalks and parking lots (\$1,850,000), building improvements (\$50,000), and vehicle/equipment purchases (\$495,000).

**Transfers:**

The General Fund also transfers dollars to pay for capital projects that do not have a dedicated revenue stream. In 2021, there is only one transfer of this nature, totaling \$1,650,000, which will be into the Business District Revitalization Fund, funding the cost of implementing the Lincoln Avenue streetscape project.

### **Motor Fuel Tax Fund:**

The Village finances bridge repairs and major road projects using motor fuel tax dollars. The revenue in this fund is primarily derived from the State of Illinois' allotments of motor fuel tax to the Village. Monies in this fund are highly regulated by the State and require several engineering approvals by IDOT before funds can be spent. In addition to our annual budgeted State allotment of motor fuel tax funds of \$275,000, the Village is expecting to receive an additional \$185,000 due to the state increasing the Illinois gasoline tax by 19 cents a gallon in 2019. The Village is also budgeting \$332,000 as a reimbursement for previous Oak and Cherry bridge repair. Planned 2021 spending in the MFT fund totals \$510,000. Major projects include engineering for Phase III of the bridge repair at Cherry and Oak Street (\$10,000) and street resurfacing (\$300,000). Additionally, \$200,000 is budgeted for the Village share for the completed portion of the Cherry and Oak Street Bridge repair that is expected to be invoiced in 2021. In addition to the spending highlighted above the MFT fund will transfer \$267,724 in Rebuild Illinois Funds to the Stormwater Fund.

### **Capital Projects Funds (Village Facilities, Business District Revitalization, Special Service Areas):**

The Village establishes separate capital project funds for specific projects not financed through regular operations. The 2021 Village Facilities Fund budget contains funding for general Village Hall system repairs and other minor improvements. There are no current plans to replenish the cash in this fund within the next several years.

The Business District Revitalization Fund (12/31/20 estimated fund balance of \$1,077,396 is funded by transfers from the General Fund along with \$300,000 in Rebuild Illinois state grant funds. Capital projects to be funded in 2021 total \$1,900,000 and include improvements associated with recommendations derived from the Streetscape Master Plan. Most significant is the streetscape project on Lincoln Avenue totaling \$1,320,000. Other budgeted projects include Hubbard Woods streetscape concept design (\$75,000), sidewalk, grate and paver projects (\$50,000), gateway and wayfinding signage (\$405,000) and continued site evaluation of 93 Green Bay Road (\$50,000). More information about the Business District Revitalization Fund initiatives can be found in the Budget Narrative Section and in the Capital Improvement Plan.

The Village has one active special service area (SSA #3) that covers local improvements previously made to roads and storm sewers on Trapp Lane. Property taxes from this special service area are not included in the overall property tax analysis, as they are only paid by a small portion of the community for specific local improvements benefitting those homes.

### **Utility Funds (Electric, Water, Sanitary Sewer, Refuse, and Stormwater):**

The Village operates utility funds that generate revenues to pay for operating and capital needs. Utility-enterprise funds use accounting like that used in the private sector where charges for utilities fully support these operations. User rates are charged based on a "cost-of-service" model and a review of the marketplace.

The following revenue and expense summary illustrate that each utility fund is operating with a positive net income, which is then dedicated to fund ongoing capital improvements:

	Electric Fund				Water Fund			
	Actual FY 2019	Budget FY 2020	Budget FY 2021	% 20 to 21	Actual FY 2019	Budget FY 2020	Budget FY 2021	% 20 to 21
Operating Revenues	\$ 16,457,640	\$ 17,995,967	\$ 17,564,029	-2.4%	\$ 4,651,796	\$ 5,168,484	\$ 5,309,158	2.7%
Operating Expenses	\$ (13,639,131)	\$ (15,692,256)	\$ (15,954,530)	1.7%	\$ (3,432,232)	\$ (3,922,054)	\$ (4,073,936)	3.9%
Op. Income (Loss)	\$ 2,818,509	\$ 2,303,711	\$ 1,609,499		\$ 1,219,564	\$ 1,246,430	\$ 1,235,222	

Note: The increase/decrease in revenues shown in the charts above do not solely equate to rate changes and incorporate changes in the units (gallons / kwh) of water and electricity consumed.

	Sanitary Sewer Fund				Refuse				Stormwater Fund			
	Actual FY 2019	Budget FY 2020	Budget FY 2021	% 20 to 21	Actual FY 2019	Budget FY 2020	Budget FY 2021	% 20 to 21	Actual FY 2019	Budget FY 2020	Budget FY 2021	% 20 to 21
Operating Revenues	\$ 1,265,764	\$ 1,426,291	\$ 1,421,193	-0.4%	\$ 2,782,196	\$ 2,714,777	\$ 2,646,500	-2.5%	\$ 2,405,593	\$ 2,561,765	\$ 2,602,324	1.6%
Operating Expenses	\$ (945,498)	\$ (1,061,291)	\$ (1,014,158)	-4.4%	\$ (2,492,886)	\$ (2,568,440)	\$ (2,483,951)	-3.3%	\$ (1,507,258)	\$ (1,895,863)	\$ (1,953,901)	3.1%
Op. Income (Loss)	\$ 320,266	\$ 365,000	\$ 407,035		\$ 289,310	\$ 146,337	\$ 162,549		\$ 898,335	\$ 665,902	\$ 648,423	

### Electric Fund:

In 2017, the Electric Rate Study was completed, and a new cost of service model was approved and implemented in fiscal year 2018. This model introduces varying customer charges and rate designs for each specific rate class in the electric utility. The money generated by the new rate structure will fund ongoing capital infrastructure improvements within the electric utility.

For 2022, electric rate increases for each of the eight unique customer classes range from 1.4% - 3.0% as prescribed by the rate study. Where practical, every effort has been made to maintain the assumptions within the rate study with those included in this proposed budget.

The Village continues to balance the need to recover its costs for wholesale power, operating needs, and capital expenditures with the desire to have reasonable electric rates. The Village purchases wholesale power through the IMEA, which is a long-term supplier of power to participating Illinois municipal electric utilities. This protects the Village from supply concerns and the on-going fluctuations of the spot market.

Major capital improvements being undertaken by the Electric Fund in fiscal year 2021 include providing for an interconnection with ComEd at the Northfield substation (\$1,230,576) and other electric system improvements (\$1,654,125) such as new switchgear, breakers, cable pulling, directional boring and underground connectors.

### **Water Fund:**

The Water Fund also completed a comprehensive rate study in fiscal year 2017. The study purpose was not only to establish an updated cost of service model, but also to create a plan to replace the Village's aging water mains over time. The study identified a watermain replacement cycle of 100 years and provided a 10-year ramp up in water rates to support this annual replacement target.

At the conclusion of the study, the Council agreed to 8.5% revenue increase for fiscal years 2018-2025 which will be realized through an increase in the cubic foot unit cost and the existing fixed cost recovery, also known as a customer charge. Even with the 8.5% increase, the Village of Winnetka still sells water at very competitive rates versus our North Shore neighbors.

One of the commitments that staff made to the Village Council during the Water Rate Study was to continue the practice of coordinating water main work with the PW street improvement and replacement schedule. This coordination lowers the cost of street repairs associated with watermain projects. The budgeted fiscal year 2021 water main replacement projects include work on Merrill Street (\$180,000), Gage St. (\$244,000), Warwick (\$481,000), and Birch Street (\$758,011). The Water Fund is making other capital investments in fiscal year 2021, such as lining an existing main underneath the Union Pacific railroad track (\$200,000).

### **Sanitary Sewer Fund:**

The charge for sanitary sewer services is proposed to increase 5% in 2021 from \$17.63 to \$18.51 per 1,000 cubic feet. The \$2 monthly customer charge introduced in 2018 will remain the same in 2021. This utility experiences cyclical challenges related to declining user charges, as many households have made the change to low consumption plumbing fixtures.

The Village hired the consulting firm of RJN in 2018 to complete a sanitary sewer evaluation study. This study identified nearly \$3.5 million in critical, high, medium, and low repairs to the system in the next few years. With the critical components of this work already completed, staff is proposing funding the high and medium repairs over a five-year period utilizing a pay as you go basis. At the end of the five-year cycle, staff will commence another sanitary sewer evaluation for the remainder of the town and identify future funding needs at that point.

The capital improvement activity budgeted in this fund for fiscal year 2021 includes high and medium level repairs from the 2018 RJN study (\$400,000).

### **Refuse Fund:**

The Refuse Fund previously relied on a combination of user charges and a portion of the Village's property tax levy to offset cost of service and capital improvements. Beginning in 2019, the Refuse utility shifted fully to being user fee funded, and the portion of the property tax levy previously dedicated to refuse collection has been utilized for business district revitalization purposes. The fiscal year 2021 capital plan includes \$265,000 for the purchase of new refuse containers as the Village moves towards adding a residential curbside collection option.

**Stormwater Fund:**

The Village began billing property owners for stormwater utility service effective July 1, 2014. Customers are billed for this charge based on the amount of impervious surface on their property, which is calculated as an Equivalent Runoff Unit (ERU). All properties with impervious surface above 170 square feet pay the stormwater utility fee, including residential, commercial, non-profit, governmental, and all other property types. A typical residential property has approximately 1.0 ERU.

The stormwater utility fee is billed on a customer’s regular utility bill. The annualized cost of 1.0 ERU is \$262, or \$21.83 per month. This amount not only funds capital expenditures, but also operation and maintenance of existing stormwater infrastructure. There is no change to the stormwater utility fee projected for 2021.

The Stormwater Fund is the only Village operating unit, with outstanding General Obligation (GO) debt. Bonds were issued in 2013 and 2014 to help pay for capital improvements associated with the Stormwater Master Plan, including improvements to neighborhoods in Northwest and Northeast Winnetka, and two pump stations. As of the writing of this letter staff is in the process of refinancing this debt at significantly lower interest rates. By re-financing staff expects to achieve approximately \$3.5 million in Net Present Value Savings.

Current outstanding debt as of January 1, 2020 is listed in the table below:

Issuance Year / Purpose	Repaid By:	Par Amount	Par Outstanding 1/1/2020	Final Maturity	Interest Rate
2013 Stormwater Improvements	G.O. Debt anticipated to be repaid with stormwater utility revenues	\$ 9,000,000	\$ 5,560,000	12/15/2046	4.14%
2014 Stormwater Improvements	G.O. Debt anticipated to be repaid with stormwater utility revenues	\$ 7,500,000	\$ 7,500,000	12/15/2043	4.60%
Total		\$ 16,500,000	\$ 13,060,000		

In 2016, Strand Associates drafted a “Stormwater Vision” for the Village, which included strategies for moving stormwater to the west in cooperation with the Cook County Forest Preserve. Components of the Strand Vision started progressing significantly in 2018 and there are several capital projects derived from the Vision budgeted in 2021. These major projects constitute portions of the Cook County Wetland-Duke Childs / Landfill projects of the Strand Vision, which involves the engineering and construction of stormwater detention and runoff infrastructure on the property of the Forest Preserve District of Cook County property. This project also involves utilizing property at Duke Childs Field and Park District to store detained stormwater.

**Insurance Funds (Workers' Compensation, Liability, and Health Insurance):**

Below is a summary of the Workers' Compensation, Liability, and Health Insurance Funds:

	Health Insurance			Workers' Compensation			Liability Fund		
	Actual FY 2019	Budget FY 2020	Budget FY 2021	Actual FY 2019	Budget FY 2020	Budget FY 2021	Actual FY 2019	Budget FY 2020	Budget FY 2021
Inflows	\$ 3,722,845	\$ 3,783,163	\$ 3,834,567	\$ 598,929	\$ 564,177	\$ 551,114	\$ 91,105	\$ 32,557	\$ 22,291
Outflows	<u>\$ (3,604,690)</u>	<u>\$ (3,796,912)</u>	<u>\$ (3,930,100)</u>	<u>\$ (678,901)</u>	<u>\$ (750,800)</u>	<u>\$ (770,800)</u>	<u>\$ (115,642)</u>	<u>\$ (417,200)</u>	<u>\$ (788,000)</u>
Cash-Flow	\$ 118,155	\$ (13,749)	\$ (95,533)	\$ (79,972)	\$ (186,623)	\$ (219,686)	\$ (24,537)	\$ (384,643)	\$ (765,709)
	Fund Balance: \$ 1,066,794			Fund Balance: \$ 437,176			Fund Balance: \$ 353,737		

The insurance funds' revenues consist largely of user department charges and interest income. In terms of cash balances, all funds can meet operating needs. Because of the uncertainty in self-funding these risks, these insurance funds have appropriate expense contingencies. The Village generally has fewer losses than provided for in the budget, which usually results in actual expenditures coming in below budget.

To provide benefits under its employee health insurance plans, the Village joined the Intergovernmental Personnel Benefit Cooperative (IPBC) pool in 2018 and has had a good experience. For the existing PPO coverages IPBC is projecting rate increases of 3.81%. Additionally, the Village added an HMO option in 2020, which could provide for significant long-term savings depending on employee participation. It should be noted that the projected rate increase is lower than what the Village's experience was when we were a standalone fully self-insured program. At that time, rate increases typically ranged from 6%-10% annually. Staff will continue to monitor the Village's participation in the pool and make additional recommendations to the Village Council if necessary.

Beyond the health insurance operation, the projected expenses in the Liability and Workers' Compensation Funds are based on an analysis of claims, administrative costs, and self-insured retention amounts. The Village's self-insured retention amounts per claim as of January 1<sup>st</sup>, 2021 are: \$250,000 for property, \$600,000 for workers' compensation, and \$100,000 for general liability risks. The Village purchases commercial insurance for select exposures when it is cost effective versus handling claims out of pocket.

The Village annually reviews reserve targets for these funds, considering recent loss history, the commercial insurance market, outstanding claims, reserves, and the Village's home-rule status. For 2021, the recommended fund balance target for the liability fund is being reduced to account for the Village's reduced risk exposure in this fund. Previously the fund balance target was to accumulate funds equal to four months operating expenses plus a \$1.5 million claim. In 2021, the Village secured liability insurance coverage at a \$100,000 retention (deductible) and propose reducing the minimum fund balance to four-months operating expenses plus a \$100,000 claim.

The 2021 liability budget includes a transfer of \$300,000 to the Information Technology fund for enhanced cyber-security initiatives that would have otherwise been transferred from the General Fund. The fund balance information later in the budget document indicates that as a group, there are adequate reserves for the Village's self-insurance funds.

### **Fleet Services Fund:**

The Fleet Services Fund accounts for maintaining the Village's rolling stock and some equipment. The actual cost of buying equipment is borne by the user departments. User fees for equipment are assessed based on a four-year rolling average of historical costs, with some limitations imposed for stability purposes.

### **GFOA Recognition**

The Village submitted its fiscal year 2020 budget document to the Government Finance Officers Association (GFOA) to be considered for the Distinguished Budget Presentation Award and recently received notification that it had won the award. Staff is further enhancing this year's budget document and intends to submit for the award again in 2021.

### **Community Profile**

The Village of Winnetka is located seventeen miles north of the City of Chicago on the west shore of Lake Michigan and is primarily a residential community. The Village was incorporated in 1869, prior to the adoption of the first State of Illinois Constitution, and thus enjoys Special Charter status with the State of Illinois. In 2005 the Village adopted Home-Rule status that provides additional legislative and revenue raising powers. To date, the Village has not utilized any of these new revenue-raising powers.

The Village is approximately 3.9 square miles. The 2010 federal census records a Village population of 12,187 persons. There are three business districts within the Village, all located adjacent to three commuter rail stations. The Village is one of the most affluent in the Chicago area, having a median household income of \$220,577. The Village obtained a Aaa bond rating from Moody's Investors Service in 1989 on General Obligation debt issued. At that time, the Village was only one of three communities having a Aaa bond rating within the State of Illinois based solely upon the merits of the Community. Moody's has reaffirmed this rating on several occasions, most recently on October 15, 2020.

Our community is over 75% residential and its economic base is rooted primarily in the service industry, which includes restaurants, professional practices, and light retail. The most recent assessed value of all Village property was \$1,428,664,856 for the 2018 levy year. This represents a slight increase from the previous levy year suggesting that property values are leveling off. Due to the high per capita income level in the Village and correspondingly large homes, nine of the ten principal property taxpayers in the Village are individuals with an average assessed property value of \$4.3 million.

The top ten employers in the Village represent 33.08% of total Village employment. These employers include the local high school district, the local elementary school district, the Village itself, and various commercial entities. The unemployment rate in the Village is estimated at 4.2% as of December 31, 2019.

**Closing Comments**

The proposed budget continues the Village's long-standing practice of controlling operating costs while investing in capital to repair and enhance the Village's aging infrastructure. The budget initiatives will allow the Village to make progress on many fronts, including rehabilitating the infrastructure of the electric and water utilities, additional stormwater management projects to reduce flooding, aggressive downtown redevelopment, and continued improvement of the Village's human capital.

The Village is fortunate to have made good long-range financial decisions in the past. Due to operational efficiencies, we have made staffing reductions when able over the past ten years. We have constrained property tax and other revenue growth to keep the cost of services roughly in line with inflation, unlike many taxing districts.

At this point in time, the Village can make major investments to modernize our infrastructure which will significantly improve our residents' quality of life and property values. Additionally, the Village should continue making investments in other infrastructure, such as our electric, water, sanitary sewer, refuse, and stormwater utilities.

Winnetka is an exceptional community in many respects. With continued sound management, solid long-range planning, adequate resources, and a strong personal commitment from all involved, we are excited about making an already outstanding community even better.

Respectfully submitted,

A handwritten signature in blue ink that reads "Timothy J. Sloth". The signature is written in a cursive style.

Timothy J. Sloth, CPA  
Director of Finance

**VILLAGE OF WINNETKA  
FUND BALANCE COMPARISON  
(ALL FUNDS, WITH CAPITAL)**

<b>FUND</b>	<b>12/31/2019 Audited Fund Balance</b>	<b>2020 Estimated Revenue</b>	<b>2020 Estimated Expense*</b>	<b>12/31/2020 Estimated Fund Balance</b>	<b>2021 Budgeted Revenue</b>	<b>2021 Budgeted Expense*</b>	<b>12/31/2021 Projected Fund Balance</b>	<b>FY 2021 Policy Amount</b>	<b>Surplus / (Deficiency)</b>	<b>Explanation of Target Amount</b>
General Fund	24,645,766	26,388,010	26,404,320	24,629,456	26,998,993	26,939,965	24,688,484	12,257,483	12,431,002	Six (6) months of operating expenses
Motor Fuel Tax Fund	3,167,739	990,094	907,000	3,250,833	1,065,724	911,586	3,404,971	396,000	3,008,971	Fifty percent (50%) of annual MFT revenue
Foreign Fire Tax Fund	146,626	101,110	77,500	170,236	85,150	79,250	176,136	-	176,136	None, current balance is policy amount
Special Service Area #3	46,694	27,540	-	74,234	26,520	-	100,754	-	100,754	None, current balance is policy amount
Village Facilities Fund	193,769	1,000	35,000	159,769	1,500	115,000	46,269	-	46,269	None, current balance is policy amount
Downtown Revitalization Fund	807,331	1,667,500	1,397,435	1,077,396	1,961,751	1,980,100	1,059,047	-	1,059,047	None, current balance is policy amount
Electric Fund**	6,790,539	17,451,742	16,912,474	7,329,807	17,564,029	18,885,587	6,008,249	5,318,177	690,072	Four (4) months of operating expenses
Water Fund**	3,970,172	4,749,951	4,953,262	3,766,861	5,309,158	7,100,990	1,975,029	1,357,979	617,050	Four (4) months of operating expenses
Sanitary Sewer Fund**	1,254,983	1,393,000	1,419,186	1,228,797	1,421,193	1,414,158	1,235,832	338,053	897,779	Four (4) months of operating expenses
Refuse Fund**	933,183	2,694,000	2,433,352	1,193,831	2,646,500	2,883,951	956,380	872,984	83,396	Four (4) months of operating expenses
Stormwater Sewer Fund**	15,515,857	2,291,195	2,776,987	15,030,065	3,003,910	8,120,901	9,913,074	651,300	9,261,774	Four (4) months of operating expenses
W.C. Insurance Fund**	595,052	571,810	510,000	656,862	551,114	770,800	437,176	856,933	(419,757)	Four (4) months of operating expenses + \$600,000 deductible
Liability Insurance Fund**	1,638,753	46,775	566,082	1,119,446	22,291	788,000	353,737	261,833	91,904	Four (4) months of operating expenses + \$100,000 claim
Health Insurance Fund**	1,152,502	3,703,385	3,693,560	1,162,327	3,834,567	3,930,100	1,066,794	600,000	466,794	Two months of IPBC invoices.
Information Technology Fund**	401,538	378,452	537,252	242,738	674,117	788,355	128,500	262,785	(134,285)	Four (4) months of operating expenses
Fleet Services Fund**	897,442	729,000	841,500	784,942	954,425	993,837	745,530	331,279	414,251	Four (4) months of operating expenses
Police Pension Fund	32,551,979	3,890,535	2,438,251	34,004,263	3,613,710	2,517,740	35,100,233	47,987,138	(12,886,905)	State Statute - Funding pension at 90% by 2040
Fire Pension Fund	31,451,348	4,042,282	2,551,425	32,942,205	3,631,064	2,661,347	33,911,922	47,493,441	(13,581,519)	State Statute - Funding pension at 90% by 2040
<b>TOTAL</b>	<b>\$ 126,161,273</b>	<b>\$ 71,117,381</b>	<b>\$ 68,454,586</b>	<b>\$ 128,824,068</b>	<b>\$ 73,365,716</b>	<b>\$ 80,881,666</b>	<b>\$ 121,308,117</b>	<b>\$ 118,985,384</b>	<b>\$ 2,322,733</b>	

\* - Expense totals omit depreciation

\*\* - Fund Balance is Current Assets less Current Liabilities

NOTE: The purpose of this spreadsheet is to show the effects of budgeted revenues and expenditures / expenses on Fund Balances / Net Assets and to show progress towards meeting targets set for the individual funds. Final Fund Balance is determined annually as part of the Village's audit and completion of the Comprehensive Annual Financial Report.



# VILLAGE OF WINNETKA

## Personnel Summary

### Budgeted FTE Counts

<b>Department</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
Village Manager's Office	7.6	7.5	7.5	7.0	7.0
Finance Department	11.9	11.5	10.5	9.5	9.5
Police Department	39.5	35.5	35.5	35.5	35.5
Fire Department	27	27.67	27	27	27
Community Development Department	6.7	6.7	7	7	7
Public Works Department	16.35	16.85	17.35	16.35	11.95
Engineering	0	0	0	0	3.6
Electric Department	25.55	25.55	25.55	25.55	25.8
Water Department	9.2	9.2	9.2	9.2	9.45
Sanitary Sewer Department	2.95	2.95	2.95	2.95	2.85
Refuse Department	7	7.75	8	8	8
Stormwater Department	2.95	2.95	2.95	2.95	3.85
Data Processing Department	1	1	1	1	1
Fleet Services Department	3	3	3	3	3
<b>Total</b>	<b>160.7</b>	<b>158.12</b>	<b>157.5</b>	<b>155.0</b>	<b>155.5</b>

**Village of Winnetka**  
**Schedule of Property Tax Levy Calculations**

<u>Tax Levy Category</u>	<b>2019 Actual Tax Levy</b>	<b>2020 Proposed Tax Levy</b>	<b>\$ - Change</b>	<b>% - Change</b>
<u>General Fund:</u>				
Corporate	\$10,258,709	\$11,345,282	\$1,086,573	10.592%
Business District Revitalization	\$1,100,000	\$1,100,000	\$0	0.000%
<u>Other Funds:</u>				
Police Pension	\$1,720,195	\$1,291,013	(\$429,182)	-24.950%
Fire Pension	\$1,968,569	\$1,425,539	(\$543,030)	-27.585%
 Total Village-wide Tax Levy	 \$15,047,473	 \$15,161,834	 \$114,361	 <b>0.760%</b>
 Less: New Development @ .76%		 (\$114,361)	 (\$114,361)	 -0.760%
 Existing Tax Payer Increase	 \$15,047,473	 \$15,047,473	 \$0	 <b>0.000%</b>

<b>Increase (Decrease) Based on Total Property Tax Bill</b>
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Total Property Taxes Paid 100.00%	Other Taxing Distr. 87.41%	Village 12.59%	0.0% Change / Village
\$10,000	\$8,741	\$1,259	\$0
\$15,000	\$13,111	\$1,889	\$0
\$20,000	\$17,482	\$2,518	\$0
\$25,000	\$21,852	\$3,148	\$0
\$30,000	\$26,223	\$3,777	\$0
\$35,000	\$30,593	\$4,407	\$0
\$40,000	\$34,964	\$5,036	\$0
\$50,000	\$43,705	\$6,295	\$0
\$60,000	\$52,446	\$7,554	\$0