October 13, 2017

Village President
Members of the Village Council, and
Village Manager

It is our privilege to present for your review and consideration the 2018 Annual Budget and Capital Improvement Plan. The 2018 Annual Budget and Capital Improvement Plan totals $76,002,650, an increase of 8.3% compared to the 2017 budget, which is mostly due to an increase in planned capital spending of $2,765,296. The operating budget assumes conservative revenue estimates for 2018 with an operating budget increase of 5.3% across all funds. The 2018 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.

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, and 10) Closing Comments.

Summary of Key Budget / Financial Policies

The Village's core financial policy is to maintain its long-standing tradition of fiscal discipline and stewardship while delivering high levels of municipal services and historically investing in the infrastructure 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 the property tax bill, ensured a steady and predictable revenue stream, and resulted in very little debt. While a comprehensive list of Financial Policies is included in 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 and 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 2018 budget continues that tradition of operating within the non-home rule tax cap limitation.

    - 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, and storm 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 expenses shown below.

    - Operating Expenses – Increases in operating expenditures 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 looks to keep employee compensation fair and generally in-line with neighboring communities.

    - Public Safety Pensions – The Village is committed to making the required annual contribution amount calculated by the Pension funds' actuary with the goal of the public safety funds being 100% funded by December 31, 2035.

    - Capital Improvement Policies – The core planning tool for investing in the infrastructure 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. storm sewers), the Village will utilize cash reserves to the extent possible and may consider debt financing options as well.

- 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 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 - A fund balance/net assets policy establishes a minimum end-of-year fund balance/net assets target for select funds, as a result of the constraints imposed upon the resources reported by the governmental and proprietary funds. This policy is 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 effect on estimated Fund Balances and how those fund balances compare to policy can be found at the end of this letter.

Current Environment

Fiscal year 2018 will involve several critical junctures for the Village of Winnetka. On an organization-wide basis, elected officials, staff, and residents should be aware of a number of opportunities and pressures related to operational revenues, operational expenditures, and capital investment.

On the revenue side, as expressed in last year's budget transmittal, the local and national economy continues to improve. Nevertheless, there is still a high degree of uncertainty within the State of Illinois as shared revenue sources for municipalities remain under potential threat by key lawmakers in the General Assembly and the Governor. Additionally, there is a very real possibility that the Village will experience a state-wide property tax freeze at some point in the next one to two years. Property taxes account for about half of General Fund revenues. Most recently, the Village has only relied on new development in the tax base for any increase in the tax levy. Such increases related to new development have offset public safety pension increases, but have simultaneously reduced the new revenue going into the Village's General Fund. Additionally, actions taken by the State Legislature related to the Local Government Distributive Fund (LGDF) will see less money being remitted to the Village in 2018. Consequently, we have budgeted down our anticipated revenues from LGDF distributions by 12.6% or $140,000 in 2018.

One important consideration for the Village Council will be contingency planning in the event of a revenue interruption due to legislative actions in Springfield or an anticipated economic downturn. Staff has begun exploring some of these contingencies as it is fiscally responsible to be reviewing options in the event of prolonged revenue disruptions.

While the Village Council and staff need to remain cognizant about threats to recurring revenue sources, there is reason to be optimistic about the future. 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. Going forward, the Village may also want to explore the use of special services areas to fund specific neighborhood improvements. Furthermore, the Village's permit revenue for the next one to three years should track higher due to the One Winnetka planned development.

Budget Initiatives

The Village exercises strong control over its expenses, which along with revenue decisions, form the second set of critical junctures in the fiscal year 2018 budget. There are a number of 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 2018 budget provides $6,240,000 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 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 final permit issued by the County in early 2018 and intends to proceed with engineering and possibly begin construction next year. As the Strand Vision included multiple phases and approaches, the Village also intends to address outreach and engineering for stormwater storage at New Trier High School, Winnetka School District 36, and Winnetka Park District properties. One of the key policy issues for the Council to address during fiscal year 2018 relates to future funding of the several stormwater improvement projects outlined in the CIP.

- **Downtown Redevelopment –** The 2018 budget provides approximately $900,000 towards downtown redevelopment in the Business District Revitalization Fund. In 2016, the Village completed its Downtown Master Plan (DMP). Some of the top economic development priorities identified in the DMP that are funded in the 2018 budget are streetscape improvements for Chestnut and Spruce Streets, gateway/wayfinding signage, and DMP implementation consulting. Other initiatives dedicated towards downtown redevelopment include various sidewalk, grate and brick paver projects, as well as other related improvements.

Outside the Business District Revitalization Fund, the budget includes additional revenues and expenses related to the permitting process for the One Winnetka Development planned development. One Winnetka is a large multi-story mixed use development proposed for downtown Winnetka at Lincoln Avenue and Elm Street. The development consists of up to 62 high-end rentals, condos, and townhomes units along with first floor retail. This development has the potential to transform the Elm Street Business District.

- **Aging Infrastructure –** The 2018 budget contains a little over $7 million in funding dedicated to improving aging infrastructure including $3.25 million dedicated towards improvements in the electric plant and power grid; $2.5 million towards roadway, sidewalk parking and bridge improvements; $475,000 in sanitary sewer replacements; and $234,000 towards water main replacement.

- **Intergovernmental Cooperation (Police Dispatch)** – In 2017, the Village partnered with three other communities and joined the Glenview Consolidated Dispatch Center. The Village previously to performed this function solely in house without partnering with any neighboring communities. As a result of this intergovernmental cooperation, the Village is projected to save over $95,000 in 2018.

- **Utility Funding –** The Electric and Water 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 Water and Electric rates proposed in this budget are the same as what was recommended in these studies.

  Ongoing funding for the Sanitary Sewer Fund will require a policy discussion in 2018, as there are currently cash flow concerns beginning in 2019 and beyond due to declining user charges and the reinstatement of the sanitary sewer backflow cost sharing program in 2016.

  The Refuse Fund is being evaluated to determine how collection and fees should be structured moving forward. The Village does, however, plan to make $579,000 of capital investments in this fund in fiscal year 2018 to replace aging collection vehicles. Various funding scenarios will be brought to the Village Council for consideration as part of the budget review process.

- **Other Spending Initiatives** -Salaries and benefits have largely been held flat from the previous fiscal year due to the elimination of several positions from the Police Consolidated Dispatch. Operational needs have resulted in budgeting two transitional positions within the General Fund. The Village budgeted an eight-month Transitional Firefighter position as well as a six-month Forester II position in the Public Works Department. Both of these proposed positions will be eliminated in future budgets once a transition to a successor is complete. In the Refuse Fund, an additional Refuse Collector position was authorized to promote operational efficiencies (i.e. reduced use of contracted help and decreased overtime). As we anticipate recruitment for this position beginning in early 2018 and taking approximately 90 days, the budget reflects nine months of salary in 2018.

  The benefits portion of the Village's personnel costs is continuously benchmarked, tracked, and evaluated against neighboring communities. The Village has little local control over employer contributions required under state-mandated pension plans such as IMRF and the police and fire pension funds. The Village's IMRF contribution rate will increase slightly from 13.57% to 13.69%, but is still down significantly from the all-time high of 16.21% in 1991. For Fire and Police, the Village contribution is based on the required annual contribution amount recommended by the pension fund's actuary. For 2018 the Fire and Police pension fund costs per employee are 59.46% and 50.14% of salary respectively.

  The Village exercises more control over other benefit plans such as health and dental insurance benefits. Beginning in 2018, the Village will move away from a standalone self-insurance model for health benefits and into the Intergovernmental Personnel Benefit Cooperative (IPBC) pool.

This arrangement allows the Village to retain its current health plan design complying with collective bargaining agreements, but includes an 18-month rate lock and the advantage of pooling with dozens of area communities. Additionally, the IPBC, due to its size, has a significant number of broker resources to help control costs which would not have otherwise been available to the Village.

Finally, since the Village will be paying fixed rates and not direct claims as it does now, there is no longer a need to maintain a fund balance in excess of $1,000,000 in the Health Insurance Fund. As we draw down the fund balance over the next several budget cycles, the Village can plan to utilize the excess funds to contribute to capital project needs. The fiscal year 2018 budget includes a $250,000 transfer out of the Health Insurance Fund benefiting the Downtown Revitalization Fund ($175,000) and the Liability Insurance Fund ($75,000).

Village-wide services and supplies have increased 3.8% or $816,028 from fiscal year 2017. About half of this increase can be attributed to the shift from in-house police dispatching (personnel costs) to consolidated dispatching (contractual costs). Another significant driver of this increase is the reimbursable costs for the One Winnetka planned development initially borne by the Village and reimbursed by the developer. Please refer to the individual department sections contained within this budget document for additional details about these types of expenses.

Budget Summary

Below is a summary of the 2018 budget with comparative data from the 2017 budget. Operational revenues have increased 3.6%, or $2,318,094, from the 2017 budget. This is the result of 1) electric, water, refuse, and sanitary sewer revenues increasing $1,647,742, $164,332, and $20,708, respectively, 2) permit revenue from the One Winnetka planned development (net permit increase of $143,666), 3) a federal reimbursement in the Motor Fuel Tax fund for road improvements in the amount of $320,000, and 4) miscellaneous General Fund charges for service increases of $139,694, or 4%.

The table below lists the overall fiscal year 2018 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

									FY2017 to FY2018 Budget Change	
		2016 Actual		2017 Budget		2017 Estimate		2018 Budget	%	$'s
Operating Revenues	**$**	**63,570,079**	**$**	**65,183,301**	**$**	**63,825,955**	**$**	**67,501,395**	**3.6%**	**$ 2,318,094**
Property Tax	$	14,142,989	$	14,589,906	$	14,589,906	$	14,706,625	0.8%	$ 116,719
Other Taxes	$	788,736	$	910,000	$	790,000	$	785,000	-13.7%	$ (125,000)
Licenses/Permits	$	2,274,087	$	2,237,684	$	2,086,350	$	2,380,330	6.4%	$ 142,646
Intergovernmental	$	3,263,092	$	3,558,020	$	3,219,445	$	3,517,628	-1.1%	$ (40,392)
Service Charges	$	28,558,026	$	28,988,861	$	28,116,137	$	30,986,751	6.9%	$ 1,997,890
Fines	$	191,582	$	191,500	$	177,500	$	192,000	0.3%	$ 500
Interfund Services	$	3,790,034	$	4,349,635	$	4,287,632	$	4,453,469	2.4%	$ 103,834
Transfers	$	2,069,244	$	2,065,026	$	2,065,026	$	2,818,311	36.5%	$ 753,285
Other Revenue	$	3,556,524	$	4,742,123	$	4,720,326	$	3,858,911	-18.6%	$ (883,212)
Interest Income	$	4,935,766	$	3,550,546	$	3,773,633	$	3,802,370	7.1%	$ 251,824
Operating Expenditures	**$**	**53,382,370**	**$**	**57,712,292**	**$**	**55,971,910**	**$**	**60,770,258**	**5.3%**	**$ 3,057,966**
Salaries and Benefits	$	27,970,471	$	28,650,772	$	27,498,754	$	29,177,189	1.8%	$ 526,417
Services and Supplies	$	19,316,265	$	21,228,838	$	21,049,068	$	22,044,866	3.8%	$ 816,028
Insurance	$	2,698,510	$	4,151,306	$	4,042,712	$	5,095,942	22.8%	$ 944,636
Debt Service	$	1,324,881	$	1,316,350	$	1,316,350	$	1,333,950	1.3%	$ 17,600
Transfers	$	2,072,244	$	2,065,026	$	2,065,026	$	2,818,311	36.5%	$ 753,285
Contingency	$	-	$	300,000.00	$	-	$	300,000		$ -
Net Operating Income	**$**	**10,187,709**	**$**	**7,471,009**	**$**	**7,854,045**	**$**	**6,731,137**	**-9.9%**	**$ (739,872)**
Capital	$	5,140,081	$	12,467,096	$	6,885,568	$	15,232,392	22.2%	$ 2,765,296

Staffing has been reduced from 169 full-time employees in 2000 to 151 in 2018 (151 full-time, 19 part-time). In 2017, the reorganization of the staff in the Village Manager's Office and Finance Department that began in 2016 was significantly completed. Succession planning and evaluation continues to be a significant tool for staff in our recruitment and retention efforts. The Village also hired its first full-time Economic Development Coordinator in 2017.

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 2018, we estimate a typical residential customer will pay 2.3%, or $173 more, for municipal services as the following increases are incorporated in the 2018 budget: residential electric rate 3% ($77), water rate 8.5% ($79), and sanitary sewer charges 5% ($18). The fiscal year 2018 budget proposes a 0.8% tax levy increase, but as 0.8% of new development is assumed, residents will not see any increase in the Village's share of their property tax bill. This goes beyond the Village's commitment of adhering to tax cap policy for non-home rule communities, even though the Village is home rule.

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 2017) and typical utility use:

Homeowner Impact Analysis
Select Taxes and Fees

	2017	2018	Change $'s	Change %
Village Property Taxes *	$ 3,208	$ 3,208	$ -	0.0%
Electric **	$ 2,558	$ 2,635	$ 77	3.0%
Water ***	$ 931	$ 1,010	$ 79	8.5%
Sanitary Sewer ****	$ 350	$ 368	$ 18	5.0%
Refuse	$ 120	$ 120	$ -	0.0%
Stormwater Utility Fee	$ 262	$ 262	$ -	0.0%
Telecommunications Tax	$ 60	$ 60	$ -	0.0%
Natural Gas Tax	$ 80	$ 80	$ -	0.0%
Licenses - Cars (2) & Dog	$ 90	$ 90	$ -	0.0%
Total Taxes and Fees	$ 7,659	$ 7,832	$ 173	2.3%

* Assumes $25,000 property tax bill with a 12.83% Village portion.

** Based on 3.0% increase in electric (2.2% residential base rate and 0.8% projected power cost adjustment).

*** Based on 8.5% increase in water.

**** Based on 5.0% increase in sanitary sewer.

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 2017 was allocated among the taxing districts, with the Village receiving 12.83 cents of every dollar paid, down from 13.05 cents in tax year 2015 (payable in 2016):

The following chart depicts typical property tax growth in the community for property tax years 1997 to 2016 (payable in 1998 to 2017, due to the one year lag in payment). The initial property tax bill is set at $15,000 in 1997 and is estimated to have grown to $25,441 by tax year 2016, based on a home valued at $750,000. With these assumptions, the typical homeowner would have seen a 26.3% increase in the Village portion of property taxes over this time frame, less than the 19-year increase in the consumer price index (CPI) of 52.6% for the same period. This typical taxpayer would have experienced a 69.6% 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
1997 Versus 2016 Tax Years

Home value of $750,000

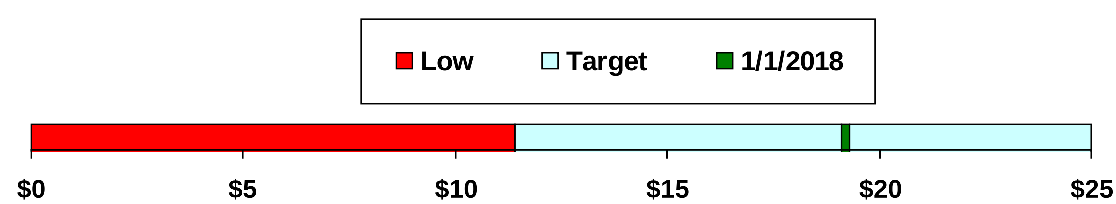
	1997			2016			Increase in Taxes Paid	% Change
	Tax Rate	Taxes Paid	%	Tax Rate	Taxes Paid	%		
Winnetka Public Schools	2.723	$4,751	31.67%	3.049	$9,821	38.60%	$5,070	106.7%
New Trier High School	1.967	$3,432	22.88%	1.974	$6,359	25.00%	$2,927	85.3%
Village of Winnetka	1.481	$2,584	17.23%	1.013	$3,263	12.83%	$679	26.3%
Cook County	1.028	$1,794	11.96%	0.316	$1,018	4.00%	-$776	-43.3%
Winnetka Park District	0.445	$776	5.17%	0.354	$1,140	4.48%	$364	46.9%
Water Reclamation District	0.451	$787	5.25%	0.406	$1,308	5.14%	$521	66.2%
All Others	0.502	$876	5.84%	0.786	$2,532	9.96%	$1,656	189.0%
Total	8.597	$15,000	100%	7.898	$25,441	100%	$10,441	69.6%
Consumer Price Index - U	158.200				241.432	19 Year Increase in CPI >>		52.6%
CPI Index (December, 19 years)	1997				2016			

Because of the one-year delay between the levy and receipt of tax funds, the 2018 budget will be funded by the 2017 property tax levy. The proposed 2017 property tax levy is anticipated to capture new development (estimated at 0.8% of the tax base). While individual homeowners will 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 fourth year in a row. The proposed 2017 Property Tax Levy can be found at the end of this letter.

The supplemental information section of this document (Tab 19) contains additional historical and projected property tax levy information.

Explanation of Individual Fund Budgets

General Fund:
Fund Balance (in millions)



The General Fund is used to account for most traditional municipal services, including police, fire, public works, and administrative functions. The projected December 31, 2018 fund balance of $19,469,647 is within the policy target range (six months of operating expenses). Sufficient cash balances are needed to serve as a buffer for unexpected items (such as late property tax receipts), 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 2018 policy threshold is $12,004,636, based on budgeted operational expenditures.

Our community has an estimated fund balance reserve policy that reflects the 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 similar to 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 significant 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 2018 General Fund revenues and transfers are budgeted at $25,738,664, up 2%, or $508,703, from the prior budget. The increase is primarily due to a tax levy increase of 0.8% (new growth), or $116,719 (most of which is to account for increased public safety pension funding), permit revenue ($143,666), charges for services such as unincorporated Police service, ambulance fees, cell tower rental ($139,694), and interest earnings ($50,310). General Fund operating expenses (excluding capital and transfers) are budgeted at $22,859,271, up 2.8%, or $615,822 from fiscal year 2017. Noteworthy revenue changes are displayed below:

Significant Revenue Sources Increase from Prior Fiscal Year	Change
Tax Levy (New Growth)	$ 116,719
Permit Revenue	$ 143,666
Charges for Service	$ 139,694
BMO Global Interest Earnings	$ 50,231
Total	$ 450,310

Following is a summary of General Fund operating expenses by department:

General Fund Operating Expenses	Actual FY 2016 A	Budget FY 2017 B	Estimated FY 2017 C	Budget FY 2018 D	Dollar Change D - B	% Change D v B
Administration	$ 2,931,237	$ 3,257,948	$ 3,056,408	$ 3,270,112	$ 12,164	0.37%
Police	$ 6,979,529	$ 7,514,176	$ 7,420,836	$ 7,468,906	$ (45,270)	-0.60%
Fire	$ 5,494,010	$ 5,824,864	$ 5,898,634	$ 6,128,185	$ 303,321	5.21%
Comm. Development	$ 1,374,118	$ 1,518,246	$ 1,517,818	$ 1,705,060	$ 186,814	12.30%
Public Works	$ 3,663,117	$ 4,128,215	$ 4,091,710	$ 4,287,008	$ 158,793	3.85%
Dept. Operating Expenses	$ 20,442,011	$ 22,243,449	$ 21,985,406	$ 22,859,271	$ 615,822	2.77%
Transfers	$ 700,000	$ 625,000	$ 625,000	$ 1,150,000	$ 525,000	84.00%
Total Operating Expenses	$ 21,142,011	$ 22,868,449	$ 22,610,406	$ 24,009,271	$ 1,140,822	4.99%

Certain increases in the individual departments are a result of personnel costs. As per the introductory section above, the General Fund added two transitionary positions (Fire and Forestry) for fiscal year 2018, which accounts for $162,001 of the increase. Employer pension contributions for IMRF and the public safety funds increased 3%, or $124,899. Additionally, certain GIS mapping charges previously budgeted in the utility funds were partially reallocated to the General Fund departments to totaling $29,357. There are a number of Community Development activities related to the One Winnetka planned development that will be charged to the Village, but eventually reimbursed per the development agreement. Finally, most departments needed to include some inflationary increases for general services and supplies in fiscal year 2018, as they were instructed to hold those items flat for several years in a row.

It is important to note that the fund balance of the General Fund will not be drawn down for operational expenditures in the 2018 budget, reflecting the Council's desire for conservative financial planning.

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

					Budget to Budget Change	
	2016 Actual	2017 Budget*	2017 Estimate	2018 Budget*	%	$'s
Operating Revenues	$ 24,844,879	$ 25,229,961	$ 25,160,835	$ 25,738,664	2.02%	$ 508,703
Operating Expenditures	$ (21,142,011)	$ (22,868,449)	$ (22,610,406)	$ (24,009,271)	4.99%	$1,726,438
Net Operating Income	$ 3,702,868	$ 2,361,512	$ 2,550,429	$ 1,729,393		
Capital	$ (2,411,206)	$ (2,580,000)	$ (2,490,874)	$ (2,636,500)	2.19%	$ 56,500
Net Change in Fund Balance	$ 1,291,662	$ (218,488)	$ 59,555	$ (907,107)		

*Contingency of $300,000 is excluded from budgeted totals.

The budgeted total fund balance drawdown of $907,107 in fiscal year 2018 reflects funding for high priority projects. This is an intentional drawdown that is driven in large part by the net $375,000 transfer out of the General Fund into the Business District Revitalization Fund for streetscape improvements. It should also be noted that the proposed streetscape improvements would be Tax Increment Financing (TIF) eligible reimbursable expenses if the TIF is approved. In fiscal year 2016, the Village experienced a net addition to fund balance of $1,291,662; we are estimating to outperform the 2017 budget and finish the current year with a positive net change to fund balance.

With Council approval in 2017, the General Fund advanced $1,000,000 in cash to the Water Fund for infrastructure improvements. The nature of this advance was a loan, which will be repaid by the Water Fund with interest within the next three years. Consequently, we did not recognize this advance as an expense from the General Fund and simply established it as a "Due to/Due from" on the balance sheet of each fund.

Regular Capital Outlay:

In a normal year, the Village will budget $2.5 million to $3.5 million in the General Fund for regular capital investment in items like roadways, equipment, and vehicle replacements. Due to scheduling, bidding, and budgeted contingencies, the Village usually does not spend 100% of the capital budget in a given year.

For 2018, General Fund capital outlay is budgeted at $2,636,500 and consists of two noteworthy projects: streets and sidewalks ($1,650,000) and the Elm Street commuter parking lot rehabilitation project ($450,000). These two items account for $2,100,000, or 79%, of the dollars budgeted for capital projects in the General Fund. Other significant projects include HVAC repairs at the Fire Department ($50,000), renovation of the Police Department office space left vacant by the consolidated dispatch ($87,500), and replacement of a Public Works Dump Truck ($219,000).

Transfers:

Historically, the General Fund makes transfers to the Refuse Fund to financially support collection operations. In addition, the General Fund transfers dollars to pay for capital projects that do not have a dedicated revenue stream. In 2018, there is only one transfer of this nature, which will be into the Downtown Revitalization Fund, helping to fund the cost of implementing the Chestnut and Spruce streetscape project. Finally, while the Village generally experiences low claim volume in its self-insured Liability Fund, departments have not been required to contribute to the Fund since 2012 due to the positive experience. Consequently, the Liability Fund requires a cash transfer to remain above its policy minimum in fiscal year 2018.

With respect to transfers in, the pooling of the Village's health insurance plan in 2018 has allowed us to transfer $250,000 from the Health Insurance Fund, which is no longer needed to sustain the fund policy minimum, to the General Fund. The chart below shows recent General Fund transfers:

General Fund Transfers	Actual FY 2016	Budget FY 2017	Budget FY 2018
Transfers In			
Health Insurance Fund	$ -	$ -	$ 250,000
	$ -	$ -	$ 250,000
Transfers Out			
Refuse Fund	$ 550,000	$ 550,000	$ 550,000
Business District Revitalization Fund	$ 150,000	$ 75,000	$ 525,000
Liability Fund	$ -	$ -	$ 75,000
	$ 700,000	$ 625,000	$1,150,000

Motor Fuel Tax Fund:

The Village finances bridge repairs and major road projects from this fund 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 a number of engineering approvals by IDOT before funds can be spent. In addition to our annual budgeted State allotment of motor fuel tax funds, the Village is expecting to receive a $320,000 bridge reimbursement. Planned 2018 expenditures consist of Cherry Street and Oak Street bridge deck repair and painting ($400,000) and the Green Bay and Elm traffic signal ($300,000), which is a rebudgeted project from 2017.

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 2018 Village Facilities Fund budget contains funding for the completion of the Village Hall storm window project that began in 2017. While there are no plans within the next several years to replenish the cash in this fund, we did include two placeholder projects of $50,000 each in 2019 and 2020 for Village Hall systems rehabilitation, which would include further evaluation and modernization.

The Business District Revitalization Fund (12/31/16 fund balance of $523,132) is funded by transfers from the General Fund at this time. Capital projects to be funded in 2018 total $915,380 and include improvements associated with recommendations derived from the DMP. Most significant is the streetscape of Spruce and Chestnut streets, totaling $545,000. Other budgeted projects include gateway signage ($150,000) and sidewalk, grate, and paver projects ($50,000). While a General Fund transfer in the amount of $525,000 will be made for fiscal year 2018, it is important to recognize that this fund does not yet have a dedicated revenue stream. Going forward, the Council will need to make a policy decision to determine how to best fund continuing business district improvements. Among the options currently being explored are a TIF for the Elm Street business district. Other options include a home rule sales tax or targeted special services areas. 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 similar to 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 indicates 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 2016	Budget FY 2017	Budget FY 2018	% 17 to 18	Actual FY 2016	Budget FY 2017	Budget FY 2018	% 17 to 18
Operating Revenues	$ 16,256,660	$ 16,046,477	$ 17,697,623	10.3%	$ 3,679,108	$ 4,678,337	$ 3,845,335	-17.8%
Operating Expenses	$ (15,879,131)	$ (14,748,548)	$ (15,483,244)	5.0%	$ (3,047,214)	$ (3,492,844)	$ (3,593,112)	2.9%
Op. Income (Loss)	$ 377,529	$ 1,297,929	$ 2,214,379		$ 631,894	$ 1,185,493	$ 252,223	
Unit Sales	123	121	119	-1.7%	0.89	0.95	0.89	-6.3%
	Million kWHRs				Billion Gallons			

	Sanitary Sewer Fund				Refuse				Stormwater Fund			
	Actual FY 2016	Budget FY 2017	Budget FY 2018	% 17 to 18	Actual FY 2016	Budget FY 2017	Budget FY 2018	% 17 to 18	Actual FY 2016	Budget FY 2017	Budget FY 2018	% 17 to 18
Operating Revenues	$1,057,020	$ 1,100,329	$ 1,120,756	1.9%	$ 2,208,826	$ 2,694,047	$ 2,694,152	0.0%	$ 2,204,740	$ 2,061,551	$ 2,061,557	0.0%
Operating Expenses	$ (935,897)	$ (999,917)	$(1,004,785)	0.5%	$ (2,379,109)	$(2,369,361)	$ (2,463,206)	4.0%	$(1,566,636)	$ (1,941,387)	$(1,996,349)	2.8%
Op. Income (Loss)	$ 121,123	$ 100,412	$ 115,971		$ (170,284)	$ 324,686	$ 230,946		$ 638,104	$ 120,164	$ 65,208	

Electric Fund:

In 2017, the Electric Rate Study was completed and a new cost of service model was developed to be 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 go to fund ongoing capital infrastructure improvements within the electric utility.

For 2018, electric rate increases for each of the eight unique customer classes range from 1.4% - 3.0% as prescribed by the rate study. Customers will most likely experience a power cost adjustment recovery of 0.8% based on estimates from Illinois Municipal Electric Agency (IMEA). Where practical, every effort has been made to duplicate the assumptions in 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 2018 include fire protection for the turbines and diesels at the Electric Plant ($768,000), underground conductors ($513,000), and cable pulling and directional boring ($523,000). There are a number of One Winnetka expenses built into the Electric Fund capital plan involving infrastructure (cables and transformers); however, these will be reimbursed by the developer.

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. At the conclusion of the study, the Council agreed to an 8.5% increase in revenue for fiscal year 2018 which will be realized through an increase in the cubic foot unit cost and a new 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.

The Water Rate Study noted that a $1,000,000 loan or transfer was required in order to seed the ongoing replacement of the Village's water mains. It was the Village's intention to secure a $1,000,000 Illinois Environmental Protection Agency (IEPA) loan in 2018; however, two circumstances arose in 2017 that required a different approach. First, the IEPA loan approval process takes a complete year and requires identified projects in order to obtain funding, which would allow the Village to receive its loan in 2019 at the earliest. Second, a major water main (Forest Glen - East) which was scheduled to be replaced in 2018 failed this summer and the replacement was advanced to 2017. With those circumstances in mind, the Village Council authorized a $1,000,000 transfer to the Water Fund as a loan from the General Fund. Staff will continue the application process for the IEPA loan with the intention of receiving funding in 2019 and 2020 totaling $1,000,000. As fund balances improve, the Water Fund will reimburse the General Fund for the transfer, plus interest.

One of the commitments that staff made to the Village Council during the Water Rate Study was to continue the practice of keeping the cost of coordinating water main work with the PW street improvement and replacement schedule. Because the Forest Glen main replacement, originally scheduled for 2018, was advanced to 2017, there are no rate study identified water main replacements currently budgeted in the 2018 capital plan. However, the Water Fund is making other capital investments in fiscal year 2018, such as lining an existing main underneath the Union Pacific railroad tracks ($234,000). Beginning in 2019 and beyond, there are a significant number of water main replacements scheduled as prescribed by the Water Rate Study.

Sanitary Sewer Fund:

The charge for sanitary sewer services is proposed to increase 5% in 2018 from $15.23 to $15.99 per 1,000 cubic feet. This utility is experiencing challenges related to declining user charges, as many households have made the change to low consumption plumbing fixtures. Additionally, in late 2016, the Village Council reestablished the sanitary sewer backup reimbursement program, which had been discontinued in 2013. This program is expected to cost $400,000 or more between 2017 and 2022.

During 2019, the Sanitary Sewer Fund begins to experience cash flow concerns, even with 5% rate increases loaded in from 2019-2022. This is due to rising operational costs including the backup reimbursement program and ongoing capital investment. One of the policy discussions for the Council in 2018 will be how to maintain the cash balance in this fund in future years. While the sanitary sewer backup reimbursement program is very popular with residents, there has not been an adjustment to revenue to offset the dozens of projects that are reimbursed each year up to the budgeted amount. The Council has a number of options to consider, which could include larger rate increases, introducing a fixed cost recovery charge, or adjusting the cost sharing split of the sanitary sewer backup program.

The capital improvement activity budgeted in this fund for fiscal year 2018 includes system inflow and infiltration (I/I) engineering and repairs ($300,000) and a continuation of the annual trenchless lining program ($175,000).

Refuse Fund:

The Refuse Fund is one of the Village's major utilities, but until recently, has relied on property taxes ($1,100,000) and support from the General Fund ($550,000), rather than user charges, to operate. In fiscal year 2017, in an effort to stabilize the falling cash balance in the fund, the Village introduced a $10 monthly service charge for residential collection in addition to raising certain other charges. This charge has had the intended effect on the Refuse Fund cash balance, which is now projected to close fiscal year 2017 at $647,531.

Given the stabilization of the Refuse Fund cash balance, staff has budgeted several overdue capital replacements of the collection fleet in the fiscal year 2018 capital plan. Two garbage trucks will be replaced at a budgeted cost of $240,000 each along with three refuse scooters at a budgeted cost of $33,000 per scooter. Staff is continuing to evaluate the refuse fund and the Council should expect several policy decisions related to refuse to emerge during 2018 budget review.

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 2018.

The Stormwater Fund is the only one of the Village's operating units 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. Current outstanding debt is listed in the table below:

Issuance Year / Purpose	Repaid By:	Par Amount	Par Outstanding 1/1/2017	Final Maturity	Interest Rate
2013 Stormwater Improvements	G.O. Debt anticipated to be repaid with stormwater utility revenues	$ 9,000,000	$ 7,645,000	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	$ 15,145,000		

In 2015, the Village retained Strand Associates to develop an alternative study for western and southwestern Winnetka. Components of the Strand Vision started progressing significantly in 2017 and there are a number of capital projects derived from the Vision budgeted in 2018. The major projects constitute Phases I and IA of the Strand Vision. Phase I involves the engineering and construction of stormwater detention and runoff infrastructure on the property of the Forest Preserve District of Cook County property. Phase IA involves utilizing property such as Duke Childs Field to store detained stormwater. Preliminary work on both phases began in 2017 and staff expects activity to ramp-up during 2018. Both phases will require partnerships with other government agencies.

As the Strand Vision contains three additional phases totaling an estimated $54 million dollars, the Village Council will need to make policy decisions within the next year related to funding the proposed improvements. There are a number of options, including debt, loans, increased user or neighborhood charges, or a combination thereof that the Council could pursue.

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

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

	Workers' Compensation			Liability Fund*			Health Insurance		
	Actual FY 2016	Budget FY 2017	Budget FY 2018	Actual FY 2016	Budget FY 2017	Budget FY 2018	Actual FY 2016	Budget FY 2017	Budget FY 2018
Inflows	$ 575,140	$ 552,463	$ 553,394	$ 23,659	$ 27,965	$ 101,713	$ 3,251,246	$ 3,823,603	$ 3,919,654
Outflows	$ (244,809)	$ (698,000)	$ (710,000)	$ 300,479	$ (396,450)	$ (336,450)	$ (3,395,997)	$ (3,801,434)	$(4,383,691)
Cash-Flow	$ 330,331	$ (145,537)	$ (156,606)	$ 324,138	$ (368,485)	$ (234,737)	$ (144,751)	$ 22,169	$ (464,037)

* Liability fund department contributions were suspended for 2012-2017 based on good loss experience. To offset this paused revenue stream, a one-time transfer of $75,000 will be made to the Liability Fund from the General Fund.

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 expects to have lower losses than provided for in the budget, which usually results in actual expenditures coming in significantly below budget.

The most significant change in the Village's insurance funds for fiscal year 2018 relates to the Health Insurance Fund. The Village has operated a self-insured PPO plan for many years. While our claim history has been reasonable, recent industry unpredictability and regulatory changes in the health insurance market resulted in the Village examining its self-insurance program during 2017. The analysis resulted in the Village joining the Intergovernmental Personnel Benefit Cooperative (IPBC) pool for 2018.

There are several advantages to joining a pool with other government entities. First, IPBC provided the Village an 18-month rate quote. If the Village were to experience revenue disruptions as outlined at the beginning of this letter, it is comforting to know that health insurance rates are locked in through the middle of 2019. Second, the purchasing power of IPBC allows it to negotiate better rates and receive better service quality from health insurance companies and brokers. Third, since the Village is no longer paying claims, but instead paying fixed rates, the fund balance policy amount for the health insurance fund can be reduced, thereby freeing up cash in the fund to transfer out for Village infrastructure improvements. While $250,000 will be taken out of the fund in 2018, staff intends to evaluate the transition to IPBC and recommend further reducing the fund balance when appropriate. Additionally, a $205,287 expense was budgeted in the Health Insurance Fund in fiscal year 2018 to offset the incurred but nor reported reserves required for the transition to IPBC, which lowered the Village's overall rates in the 18-month quote.

It is also important to note that the IPBC model allows municipalities to retain control over their own plan design. This benefits the Village of Winnetka, as we are obligated to offer certain plan features in line with our collective bargaining agreements.

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 1st, 2018 are: $250,000 for property, $600,000 for workers' compensation, and $2,000,000 for general liability risks. The Village purchases commercial insurance for select exposures when it is cost effective.

The Village annually reviews reserve targets for these funds, taking into account recent loss history, the commercial insurance market, outstanding claims, reserves, and the Village's home-rule status. 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. Because of the Village's substantial deductible (up to $2,000,000 in some cases), large reserves are prudent for the Liability and Workers' Compensation Funds in particular.

Data Processing and Fleet Services Funds:

The Data Processing Fund finances the Village's computer network. Historically, Data Processing expenditures have been under budget, as there are some contingency funds available for software upgrades. In the 2017 budget, Finance and Data Processing staff introduced an information technology asset replacement program, which has been updated for 2018 and included within this budget document. There are a number of Village-wide technology initiatives being undertaken in fiscal year 2018, which include replacement of file and email servers and an organization-wide Microsoft Office upgrade.

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.

Police Pension, Fire Pension, and Illinois Municipal Retirement (IMRF) Funds:

The pension funds accumulate large investment portfolios to fund the Village's three defined benefit pension plans. The police and fire pension investments and benefits are administered by our locally established Boards, as required by State law. IMRF is a state-wide pension system for all full-time, non-public safety employees. IMRF centrally manages investments and benefit administration, and it charges each participating entity an annual contribution rate, based largely on their demographics and IMRF's investment results.

The proposed 2017 police and fire pension property tax levy (payable in 2018), covering 53 active sworn public safety employees, totals $3,265,119 (or $61,600 per employee). This reflects an increase of 3% from the previous levy year. The 2018 Village expense for IMRF pensions for the remaining employees totals $1,530,226 (or about $15,600 per employee).

As explained to the Village Council during a special 2017 study session, the public safety pension funds must adhere to strict statutes governing the funds' investment portfolio and funding assumptions. These funds are very closely monitored by the pension boards, their consultants, and Village staff. The boards are committed to utilizing the latest and most reliable mortality assumptions as part of their annual actuarial studies and also committed to utilizing a realistic rate of return. Given those commitments, it is expected that future levy increases to fund these plans will be manageable, with a goal of fully funding both public safety plans by December 31, 2035.

The appendix section of the budget document reviews pension assets and unfunded liabilities as well as provides a comparison of the Village's public safety pension plans to funding levels of plans in neighboring communities.

Below is a summary of assets and liabilities, by pension plan, as of 12/31/2016:

Pension Funding Summary
Amounts in Actuarial Value

	Assets	Liabilities	Unfunded Lability	% Funded
Police	$ 27,256,965	$ 41,587,868	$14,330,903	66%
Fire	$ 25,657,469	$ 42,106,042	$16,448,573	61%
IMRF *	$ 68,897,805	$ 79,622,293	$10,724,488	87%
	$121,812,239	$ 163,316,203	$41,503,964	75%

* Includes annuitized amounts for existing retirees of $47,819,801.

GFOA Recognition

The Village submitted its enhanced fiscal year 2017 budget document to the Government Finance Officers Association (GFOA) in early 2017 to be considered for the Distinguished Budget Presentation Award. The Village received notification in mid-2017 that it had won the award. Staff is further enhancing this year's budget document and intends to submit for the award again in 2018.

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 commercial 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 per capita income exceeding $100,440. 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 in November, 2013 when $9,000,000 of bonds were issued and January, 2014 when $7,500,000 of bonds were issued to finance Stormwater Sewer capital projects.

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 assed value of all Village property was $1,239,548,988 for the 2014 levy year. This represents a small increase from the previous levy year suggesting that property values are rebounding in the post-Great Recession environment. Due to the high per capita income level in the Village and correspondingly large homes, seven of the ten principal property taxpayers in the Village are individuals with an average assessed property value of $2.7 million.

The top ten employers in the Village represent 28.87% 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 1.2%.

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. For 2018, a typical resident will pay $7,832 for Village services, a $173, or 2.3% increase from 2017.

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 has the opportunity to make major investments to modernize our infrastructure, such as downtown redevelopment and stormwater improvements, which may significantly improve our residents' quality of life and property values. Additionally, the Village should continue making investments in our other infrastructure, such as our electric, water, and sanitary sewer utilities while committing to evaluate the future of the refuse utility.

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,

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