



November 19, 2019

Village President
Members of the Village Council, and
Village Manager

It is our privilege to present for your review and consideration the 2020 Annual Budget and Capital Improvement Plan. The 2020 Annual Budget and Capital Improvement Plan totals \$79,018,428 (excluding depreciation and interfund transfers), which is a decrease of \$12,445, or -.02%, compared to the 2019 budget. The operating budget assumes conservative revenue estimates for 2020 with an operating budget increase of \$609,286, or 1.02%, across all funds primarily due to pension increases. The 2020 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 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 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 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 2020 budget continues that commitment 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.

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- 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 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 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 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 - 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 effect 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 2020, there are economic and legislative factors to consider. 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, the local and national economy continues to grow with the current economic expansion, which as of July is officially the longest expansion in US history. In September, United States total nonfarm payroll employment rose by 136,000 and the unemployment rate decreased to 3.5%, the lowest rate in 50 years. According to the Federal Reserve, there are currently over 7.2 million job openings in the United States compared to 5.8 million people who are unemployed. The economy has achieved full employment. By most metrics the economy is still in great shape but the expansion appears to be peaking, and will at some point be followed by a recession. The Village still faces significant economic risks. So far in 2019, the Federal Reserve has cut interest rates twice. According to Fed Chairmen Jerome 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.” United States manufacturing growth, a key driver of the expansion is slowing and increased tariffs on imports (and exports) threaten to drive consumer prices higher (imports) while slowing GDP growth (exports). Finally, the Case-Shiller 20-City composite home price index has leveled off after seeing steady growth since 2012. Locally, the Winnetka real estate market has cooled as well. According to data obtained from the website Redfin.com home prices in Winnetka are averaging \$308 per square foot, which is down 5.2% from this time last year. There also continues to be a high degree of uncertainty within the State of Illinois. Earlier this year, JB Pritzker was sworn in as the 43rd governor of the State. With the transition to a new administration it appears that a state-wide property tax freeze is no longer on the table but other state legislation has been discussed that could ultimately impact Winnetka. This includes potential changes to public safety pensions, implementation of a progressive income tax and the State withholding a greater share of Local Government Distributive Fund (LGDF) remittances (currently 5%). One change already approved was an additional 19 cent per gallon tax on fuel which will increase the Village’s motor fuel tax collections by 74%. The State is also significantly impacted by any of the risks identified at the national level. For example, due to retaliatory tariffs, exports of the soy beans, Illinois’ largest agricultural crop, decreased by 91% in one year.

Nobody knows for certain if and when any of the above mentioned economic threats will fully materialize. 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 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. 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 2020 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 2020 budget provides \$7,530,000 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 license agreement issued by the County in early 2020, and intends to proceed with engineering and begin construction thereafter. As the Strand Vision included multiple phases and approaches, and prior to securing a County license agreement, the Village is also in the process of securing intergovernmental agreements (IGA's) for stormwater storage at Winnetka School District 36, and Winnetka Park District properties. An IGA was reached with New Trier High School for Stormwater storage during 2019. A key policy issue for the Council to address during fiscal year 2020 will be financing and funding of the stormwater improvement projects outlined in the CIP.
- **Downtown Redevelopment** – The 2020 budget provides approximately \$1,363,000 towards downtown redevelopment 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. In the current year, the Village dedicated approximately \$1.8 million towards Phase I streetscape improvements for Chestnut and Spruce Streets. For 2020, spending will be dedicated towards Phase II improvements on Elm Street between Green Bay and Chestnut. Other initiatives in this fund include various sidewalk, grate and brick paver projects, as well as design work for future projects. 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 \$8.25 million dedicated to funding aging infrastructure. This includes \$3,147,402 dedicated towards improvements in the electric plant and power grid; \$3,372,000 towards roadway, sidewalk, parking and bridge improvements; \$400,000 in sanitary sewer replacements; and \$1,335,000 towards water main replacement.
- **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 consistent with what was recommended in these studies.

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.

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 will source commercial collection to the private sector and offer a residential curbside refuse collection option. While certain transitional expenses have been planned as part of the 2020 budget, the fee structure related to these changes will be finalized next year. The proposed Refuse fund budget includes \$265,000 of capital investments for new curbside refuse containers.

- **Personnel, Benefits, etc.** - Salaries and benefits are budgeted to increase by \$995,239 or 4.02% compared to 2019 mostly driven by increased pension costs of \$728,940. The number of budgeted full-time equivalent positions in 2020 is 155.5, down from 157.5 in 2019. The pension portion of the Village's personnel costs, which had been stabilizing over the last two budget cycles is budgeted to increase significantly in 2020. Generally, the Village has little local control over employer contributions required under state-mandated pension plans including the police and fire pension funds, and IMRF.

In 2020, the Village tax levy requirements for the police and fire pension fund are set to increase \$200,390 (13.19%) and \$149,333 (8.21%) respectively. The Village contribution (tax levy) for these funds is based on the required annual contribution amount recommended by the pension fund's actuary. The IMRF rate is projected to increase to 14.05%, from 11.75%, due to IMRF utilizing a more conservative rate of return assumption. The current rate is still 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.

This arrangement allowed the Village to retain its current health plan design and comply with collective bargaining agreements. By joining the IPBC, the Village was able to lock in rates for 18-months through the middle of 2019. 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, and the projected premium increase is .9% for the coming year.

Village-wide services and supplies have decreased 2.29% or \$515,625 from fiscal year 2019. 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 2020 budget with comparative data from the 2019 budget. Operational revenues have increased 1.9%, or \$1,339,079, from the 2019 budget. This is the result of electric, water, and sanitary sewer revenues increasing \$98,294, \$400,197, and \$64,603, respectively, as well as increased intergovernmental revenue largely driven by projected increased remittances in motor fuel tax.

The table below lists the overall fiscal year 2020 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

	2018 Actual	2019 Budget	2019 Estimate	2020 Budget	FY2019 to FY2020 Budget Change	
					%	\$'s
Operating Revenues	\$ 63,316,827	\$ 70,450,969	\$ 69,405,794	\$ 71,790,048	1.9%	\$ 1,339,079
Property Tax	\$ 13,227,479	\$ 14,838,985	\$ 14,564,210	\$ 15,047,473	1.4%	\$ 208,488
Other Taxes	\$ 812,709	\$ 790,000	\$ 815,710	\$ 790,000	0.0%	\$ -
Licenses/Permits	\$ 1,815,377	\$ 2,275,060	\$ 2,030,930	\$ 1,949,040	-14.3%	\$ (326,020)
Intergovernmental	\$ 3,486,973	\$ 4,163,000	\$ 4,043,296	\$ 4,615,000	10.9%	\$ 452,000
Service Charges	\$ 31,705,139	\$ 33,966,340	\$ 33,017,048	\$ 34,594,076	1.8%	\$ 627,736
Fines	\$ 235,728	\$ 197,500	\$ 242,820	\$ 217,500	10.1%	\$ 20,000
Interfund Services	\$ 4,380,445	\$ 4,514,648	\$ 4,225,970	\$ 4,310,728	-4.5%	\$ (203,920)
Payment in Lieu	\$ 1,418,311	\$ 1,461,896	\$ 1,461,900	\$ 1,644,887	12.5%	\$ 182,991
Other Revenue	\$ 3,960,338	\$ 3,932,833	\$ 4,010,165	\$ 4,294,234	9.2%	\$ 361,401
Interest Income	\$ 2,274,328	\$ 4,310,707	\$ 4,993,745	\$ 4,327,110	0.4%	\$ 16,403
Operating Expenditures	\$ 54,264,609	\$ 59,891,100	\$ 55,552,486	\$ 60,500,386	1.0%	\$ 609,286
Salaries and Benefits	\$ 27,692,984	\$ 29,487,312	\$ 28,032,562	\$ 30,619,532	3.8%	\$ 1,132,220
Services and Supplies	\$ 19,713,701	\$ 22,333,760	\$ 20,335,604	\$ 21,920,145	-1.9%	\$ (413,615)
Insurance	\$ 4,804,522	\$ 4,978,082	\$ 4,392,370	\$ 4,784,912	-3.9%	\$ (193,170)
Debt Service	\$ 635,091	\$ 1,330,050	\$ 1,330,050	\$ 1,330,950	0.1%	\$ 900
Payment in Lieu	\$ 1,418,311	\$ 1,461,896	\$ 1,461,900	\$ 1,644,847	12.5%	\$ 182,951
Contingency	\$ -	\$ 300,000	\$ -	\$ 200,000		\$ (100,000)
Net Operating Income	\$ 9,052,218	\$ 10,559,869	\$ 13,853,308	\$ 11,289,662	6.9%	\$ 729,793
Capital	\$ 3,491,136	\$ 19,139,773	\$ 8,415,568	\$ 18,518,042	-3.2%	\$ (621,731)

Staffing has been reduced from 169 full-time employees in 2000 to 155.5 full time equivalents in 2020. While staffing from FY 2019 to FY 2020 has remained relatively stable (down 2 positions), the proposed budget reflects efficiencies in the Finance Department as a result of outsourcing utility bill printing and payment processing. Salary budgets are developed assuming each position is fully staffed throughout the year and include expected cost of living adjustments and step advancements.

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 2020, we estimate a typical residential customer will pay 1.9%, or \$158 more, for municipal services as the following increases are incorporated in the 2020 budget: residential electric rate 2.2% (\$60), water rate 8.5% (\$93), and sanitary sewer charges 5% (\$21). The fiscal year 2020 budget proposes a 1.405% tax levy increase, but as 1.405% of new development is assumed, residents will see no change or possibly a slight decrease in the Village’s share of their property tax bill. This is the sixth year of not increasing residential property taxes, which goes beyond 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 2019 / budget year 2020) and typical utility use:

**Homeowner Impact Analysis
Select Taxes and Fees**

	2015	2016	2017	2018	2019	2020	Change 19 to 20		Change 15 to 20	
							\$'s	%	\$'s	%
Village Property Taxes *	\$ 3,736	\$ 3,629	\$ 3,263	\$ 3,208	\$ 3,168	\$ 3,153	\$ (15)	-0.5%	\$ (584)	-15.6%
Electric **	\$ 2,412	\$ 2,460	\$ 2,558	\$ 2,635	\$ 2,714	\$ 2,774	\$ 60	2.2%	\$ 362	15.0%
Water ***	\$ 877	\$ 895	\$ 931	\$ 1,010	\$ 1,096	\$ 1,189	\$ 93	8.5%	\$ 312	35.6%
Sanitary Sewer ****	\$ 317	\$ 333	\$ 350	\$ 392	\$ 412	\$ 432	\$ 21	5.0%	\$ 115	36.3%
Refuse	\$ -	\$ -	\$ 120	\$ 300	\$ 540	\$ 540	\$ -	0.0%	\$ 540	100.0%
Stormwater Utility Fee	\$ 262	\$ 262	\$ 262	\$ 262	\$ 262	\$ 262	\$ -	0.0%	\$ -	0.0%
Telecommunications Tax	\$ 60	\$ 60	\$ 60	\$ 60	\$ 60	\$ 60	\$ -	0.0%	\$ -	0.0%
Natural Gas Tax	\$ 80	\$ 80	\$ 80	\$ 80	\$ 80	\$ 80	\$ -	0.0%	\$ -	0.0%
Licenses - Cars (2) & Dog	\$ 90	\$ 90	\$ 90	\$ 90	\$ 90	\$ 90	\$ -	0.0%	\$ -	0.0%
Total Taxes and Fees	\$ 7,834	\$ 7,809	\$ 7,714	\$ 8,037	\$ 8,421	\$ 8,579	\$ 158	1.9%	\$ 745	9.5%

- * Assumes \$25,000 property tax bill with a 12.61% 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 2019 was allocated among the taxing districts, with the Village receiving 12.61 cents of every dollar paid, down from 12.67 cents in tax year 2018:



The following chart depicts typical property tax growth in the community for property tax years 1997 to 2018 (payable in 1998 to 2019, 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 \$25,274 by tax year 2018, based on a home valued at \$750,000. With these assumptions, the typical homeowner would have seen a 29.5% increase in the Village portion of property taxes over this time frame, less than the 21-year increase in the consumer price index (CPI) of 55.8% for the same period. This typical taxpayer would have experienced a 77.0% 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
1997 Versus 2018 Tax Years**

Home value of \$750,000

	1997			2018			Increase in Taxes Paid	% Change
	Tax Rate	Taxes Paid	%	Tax Rate	Taxes Paid	%		
Winnetka Public Schools	2.723	\$4,751	31.67%	3.220	\$10,372	39.08%	\$5,621	118.3%
New Trier High School	1.967	\$3,432	22.88%	2.111	\$6,800	25.62%	\$3,368	98.1%
Village of Winnetka	1.481	\$2,584	17.23%	1.039	\$3,347	12.61%	\$763	29.5%
Cook County	1.028	\$1,794	11.96%	0.549	\$1,768	6.66%	-\$26	-1.4%
Winnetka Park District	0.445	\$776	5.17%	0.383	\$1,234	4.65%	\$458	59.0%
Water Reclamation District	0.451	\$787	5.25%	0.396	\$1,276	4.81%	\$489	62.1%
All Others	0.502	\$876	5.84%	0.542	\$1,746	6.59%	\$870	99.3%
Total	8.597	\$15,000	100%	8.240	\$26,543	100%	\$11,543	77.0%
Consumer Price Index - U	161.300			251.233	21 Year Increase in CPI >>			55.8%
CPI Index (December, 21 years)	1997			2018				

* 1997 Property taxes paid in March and August 1998.

** 2018 Property taxes paid in March and August 2019.

Because of the one-year delay between the levy and receipt of tax funds, the 2020 budget will be funded by the 2019 property tax levy. The proposed 2019 property tax levy is anticipated to capture new development (estimated at 1.405% 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 sixth year in a row. The proposed 2019 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:

The General Fund is used to account for most traditional municipal services, including police, fire, public works, and administrative functions. The projected December 31, 2020 fund balance of \$23,689,741 exceeds the policy target range (six months of operating expenses) by \$11,062,476.

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 2020 fund balance policy threshold is \$12,627,265, 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 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 2020 General Fund revenues and transfers are budgeted at \$26,428,395, up 2.21%, or \$571,757, from the prior budget. The small change in the year to year budget amount is the result of some revenue items being budgeted higher and others being budgeted lower. Revenue items that were budgeted higher for fiscal year 2020 are property tax collections (\$208,488), intergovernmental revenue such as income or sales tax (\$215,000), charges for services (\$109,642), payment in lieu of taxes (\$182,951) and a transfer in from the water fund of \$250,000 that repays the interim general fund loan. Certain other revenue items such as permits (\$325,000) and interest earnings (\$99,324) were budgeted lower. General Fund operating expenses (excluding capital and transfers) are budgeted at \$23,604,530, up 1.88%, or \$435,638 from fiscal year 2020. Noteworthy revenue changes are displayed below:

Significant Revenue Sources	
Increase (Decrease) from Prior Fiscal Year	Change
Tax Levy (New Growth Only)	\$ 208,488
Permit Revenue	\$ (325,000)
Intergovernmental Revenue	\$ 215,000
Charges for Service	\$ 109,642
Payment in Lieu of Taxes	\$ 182,951
Transfer In (Water Fund Loan Principal)	\$ 250,000
BMO Global Interest Earnings	\$ (99,324)
Total	\$ 541,757

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

General Fund Operating Expenses	Actual FY 2018 A	Budget FY 2019 B	Estimated FY 2019 C	Budget FY 2020 D	Dollar Change D - B	% Change D v B
Village Manager / Council	\$ 1,354,279	\$ 1,678,107	\$ 1,545,660	\$ 1,696,464	\$ 18,357	1.09%
Finance	\$ 1,460,617	\$ 1,578,514	\$ 1,423,000	\$ 1,538,081	\$ (40,433)	-2.56%
Police	\$ 7,022,192	\$ 7,587,984	\$ 7,207,672	\$ 7,847,431	\$ 259,447	3.42%
Fire	\$ 5,915,153	\$ 6,144,175	\$ 6,112,490	\$ 6,383,881	\$ 239,706	3.90%
Comm. Development	\$ 1,412,090	\$ 1,799,335	\$ 1,526,914	\$ 1,738,381	\$ (60,954)	-3.39%
Public Works	\$ 3,886,914	\$ 4,380,777	\$ 4,232,780	\$ 4,400,292	\$ 19,515	0.45%
Dept. Operating Expenses	\$ 21,051,245	\$ 23,168,892	\$ 22,048,516	\$ 23,604,530	\$ 435,638	1.88%
Transfers	\$ 600,000	\$ 550,000	\$ 550,000	\$ 550,000	\$ -	0.00%
Total Operating Expenses	\$ 21,651,245	\$ 23,718,892	\$ 22,598,516	\$ 24,154,530	\$ 435,638	1.84%

Personnel costs are a significant portion of General Fund operational expenditures. The fiscal year 2020 budget shows an increase in personnel costs of 4.06%, or \$714,038. This is almost exclusively due to increased pension costs as the increased budget for regular salaries was only 2.13%. The impact of pension costs to the General Fund budget is \$459,108 and includes police & fire pensions and IMRF. In total, the General Fund is budgeting for 102.85 FTE employees which is a reduction of two positions compared to last year's budget. The increase in Personnel costs are largely offset by a decrease in Services and Supplies which is down 4.56% or \$252,680. This is driven by costs associated with the One Winnetka project that were budgeted in 2019 that are no longer budgeted in 2020.

It is important to note that the fund balance of the General Fund will not be drawn down for operational expenditures in the 2020 budget, reflecting the Council's desire for conservative financial planning.

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

General Fund Summary of Operating Revenue, Expenditures and Capital

	2018 Actual	2019 Budget*	2019 Estimate	2020 Budget*	Budget to Budget Change	
					%	\$'s
Operating Revenues	\$ 25,586,804	\$ 25,856,638	\$ 26,059,090	\$ 26,428,395	2.21%	\$ 571,757
Operating Expenditures	\$ (21,651,245)	\$ (23,718,892)	\$ (22,598,516)	\$ (24,154,530)	1.84%	\$ 435,638
Net Operating Income	\$ 3,935,559	\$ 2,137,746	\$ 3,460,574	\$ 2,273,865		
Capital	\$ (2,496,037)	\$ (2,457,500)	\$ (1,865,500)	\$ (2,460,000)	0.10%	\$ (2,500)
Net Change in Fund Balance	\$ 1,439,522	\$ (319,754)	\$ 1,595,074	\$ (186,135)		

The budgeted total fund balance drawdown of \$186,135 in fiscal year 2020 reflects funding for high priority projects. This is an intentional drawdown that is driven in part by large equipment purchases, increased roadway improvements, and by the \$550,000 transfer out of the General Fund into the Business District Revitalization Fund for streetscape improvements. In fiscal year 2018, the Village experienced a net addition to fund balance of \$1,492,522; we are currently estimating to outperform the 2019 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 over the next four 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 typically 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, favorable bidding, and budgeted contingencies, the Village typically does not spend 100% of the capital budget in a given year.

For 2020, General Fund capital outlay is budgeted at \$2,460,000 and consists of the following noteworthy projects: streets and sidewalks (\$2,080,000), facility improvements (\$170,000), and vehicle/equipment purchases (\$210,000).

Transfers:

The General Fund also transfers dollars to pay for capital projects that do not have a dedicated revenue stream. In 2020, there is only one transfer of this nature, totaling \$550,000, which will be into the Downtown Revitalization Fund, helping to fund the cost of implementing the Elm Street Phase II streetscape project.

The chart below shows recent General Fund transfers:

General Fund Transfers	Actual FY 2018	Budget FY 2019	Budget FY 2019
<u>Transfers In</u>			
Health Insurance Fund	\$ 250,000	\$ -	\$ -
	\$ 250,000	\$ -	\$ -
<u>Transfers Out</u>			
Refuse Fund	\$ -	\$ -	\$ -
Business District Revitalization Fund	\$ 525,000	\$ 550,000	\$ 550,000
Liability Fund	\$ 75,000	\$ -	\$ -
	\$ 600,000	\$ 550,000	\$ 550,000

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 a number of engineering approvals by IDOT before funds can be spent. In addition to our usual annual budgeted State allotment of motor fuel tax funds of \$300,000, the Village is expecting to receive an additional \$240,000 due to the state increasing the Illinois gasoline tax by 19 cents a gallon. The Village is also budgeting \$332,000 as a reimbursement for bridge repair. The major planned 2020 expenditures for MFT are the Cherry Street and Oak Street bridge repair (\$830,000), engineering for Phase III of the bridge repair (\$82,000), Willow Road engineering (\$125,000), and replacement of the parking lot at Spruce and Birch (\$275,000).

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 2020 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 (12/31/19 estimated fund balance of \$759,140) is funded by transfers from the General Fund and a portion of the Village’s property tax levy. Capital projects to be funded in 2020 total \$1,363,000 and include improvements associated with recommendations derived from the Streetscape Master Plan. Most significant is the streetscape of Elm Street Phase II between Green Bay and Birch totaling \$1,018,000. Other budgeted projects include Lincoln Avenue streetscape design and engineering (\$70,000), Hubbard Woods streetscape concept design (\$75,000), sidewalk, grate and paver projects (\$50,000), and continued site evaluation of 93 Green Bay Road. 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 2018	Budget FY 2019	Budget FY 2020	% 19 to 20	Actual FY 2018	Budget FY 2019	Budget FY 2020	% 19 to 20
Operating Revenues	\$ 17,051,944	\$ 17,872,725	\$ 17,995,967	0.7%	\$ 4,401,975	\$ 4,742,286	\$ 5,168,484	9.0%
Operating Expenses	\$ (16,886,258)	\$ (17,101,855)	\$ (17,292,256)	1.1%	\$ (3,749,123)	\$ (4,061,727)	\$ (4,372,054)	7.6%
Op. Income (Loss)	\$ 165,686	\$ 770,870	\$ 703,711		\$ 652,852	\$ 680,559	\$ 796,430	

	Sanitary Sewer Fund				Refuse				Stormwater Fund			
	Actual FY 2018	Budget FY 2019	Budget FY 2020	% 19 to 20	Actual FY 2018	Budget FY 2019	Budget FY 2020	% 19 to 20	Actual FY 2018	Budget FY 2019	Budget FY 2020	% 19 to 20
Operating Revenues	\$1,269,398	\$ 1,361,688	\$ 1,426,291	4.7%	\$ 1,879,471	\$ 2,759,777	\$ 2,714,777	-1.6%	\$ 2,333,453	\$ 2,561,765	\$ 2,561,765	0.0%
Operating Expenses	\$ (967,378)	\$ (1,210,258)	\$ (1,171,492)	-3.2%	\$ (2,044,936)	\$ (2,647,246)	\$ (2,703,440)	2.1%	\$ (1,430,672)	\$ (2,136,611)	\$ (2,145,863)	0.4%
Op. Income (Loss)	\$ 302,020	\$ 151,430	\$ 254,799		\$ (165,465)	\$ 112,531	\$ 11,337		\$ 902,781	\$ 425,154	\$ 415,902	

Note: The increase/decrease in revenues shown in the charts above do not equate to rate changes.

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 2020, 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 2020 include providing for an interconnection with ComEd at the Northfield substation (\$500,000), new switchgear and breakers (\$670,000), cable pulling and directional boring (\$400,000), and underground connectors (\$400,000).

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.

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; however, due to favorable performance within the Water fund the Village is no longer pursuing this loan and will rely on an existing \$1,000,000 loan from the General fund.

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 2020 water main replacement projects include work on Mt. Pleasant (\$115,000), Merrill Street (\$150,000), Gage St. (\$205,000), Warwick (\$465,000), and Westmoor (\$400,000). The Water Fund is making other capital investments in fiscal year 2020, such as lining an existing main underneath the Union Pacific railroad tracks (\$200,000) and replacement of the Water Plant roof over the mixing basins (\$140,000).

Sanitary Sewer Fund:

The charge for sanitary sewer services is proposed to increase 5% in 2020 from \$16.79 to \$17.63 per 1,000 cubic feet. The \$2 monthly customer charge introduced in 2018 will remain the same in 2020. 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 2020 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 2020 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 2020.

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. Current outstanding debt is listed in the table below:

Issuance Year / Purpose	Repaid By:	Par Amount	Par Outstanding 1/1/2019	Final Maturity	Interest Rate
2013 Stormwater Improvements	G.O. Debt anticipated to be repaid with stormwater utility revenues	\$ 9,000,000	\$ 6,265,000	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	\$ 13,765,000		

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 a number of capital projects derived from the Vision budgeted in 2020. The major projects constitute Phase 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 and Park District to store detained stormwater. All phases will require partnerships with other local government agencies.

As the Strand Vision contains three additional phases totaling an estimated \$34 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. Once intergovernmental agreements are completed, staff looks forward to working with Council on stormwater financing strategies.

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 2018	Budget FY 2019	Budget FY 2020	Actual FY 2018	Budget FY 2019	Budget FY 2020	Actual FY 2018	Budget FY 2019	Budget FY 2020
Inflows	\$ 3,851,982	\$ 3,980,833	\$ 3,783,163	\$ 583,457	\$ 551,433	\$ 564,177	\$ 117,371	\$ 24,449	\$ 32,557
Outflows	\$ (4,217,152)	\$ (3,994,582)	\$ (3,796,912)	\$ (651,510)	\$ (763,300)	\$ (750,800)	\$ (228,713)	\$ (377,700)	\$ (417,200)
Cash-Flow	\$ (365,170)	\$ (13,749)	\$ (13,749)	\$ (68,053)	\$ (211,867)	\$ (186,623)	\$ (111,342)	\$ (353,251)	\$ (384,643)
	Fund Balance:		\$ 1,084,133	Fund Balance:		\$ 307,666	Fund Balance:		\$ 1,181,647

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 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 initial experience. For the existing PPO coverages IPBC is projecting rate increases of less than 1%. Additionally, the Village is adding an HMO option for 2020, which could provide for significant 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 1st, 2020 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 versus handling claims out of pocket. The Village is currently in the process of performing a comprehensive evaluation of self-insured workers’ compensation and liability programs including evaluating pooling our risk exposure with other communities.

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, though special attention should be paid to the Liability Fund cash flow during fiscal year 2020. 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 Fund:

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 2020 and included within this budget document. There are a number of Village-wide technology initiatives being undertaken in fiscal year 2020, which include replacement of file and email servers and an organization-wide Microsoft Office upgrade.

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.

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 required 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 2019 police and fire pension property tax levy (payable in 2020), covering 52 active sworn public safety employees, totals \$3,688,764 (or \$70,938 per employee). This reflects an increase of 10.5% from the previous levy year. The 2020 Village expense for IMRF pensions for the remaining employees totals \$1,687,664 (or about \$17,580 per employee). The IMRF employer contribution in fiscal year 2020 is budgeted higher than fiscal year 2019 due to an increase in the IMRF employer contribution rate from 11.75% to 14.05%.

As explained during the Village Council study sessions in 2017 and 2018, 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. It should also be noted that the State has initiated a Pension Modernization Task Force which is charged with recommending changes to modernize state pension benefit systems and report its findings to the General Assembly and the Governor by November 1. We will be monitoring any proposed legislation closely for its impact to the Village.

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 12/31/2018:

Pension Funding Summary
Amounts in Actuarial Value

	Assets	Liabilities	Unfunded Liability	% Funded
Police	\$ 30,455,193	\$ 46,403,223	\$ 15,948,030	65.6%
Fire	\$ 29,034,471	\$ 46,829,159	\$ 17,794,688	62.0%
IMRF	\$ 70,514,947	\$ 84,876,121	\$ 14,361,174	83.1%
	\$ 130,004,611	\$ 178,108,503	\$ 48,103,892	73.0%

GFOA Recognition

The Village submitted its fiscal year 2019 budget document to the Government Finance Officers Association (GFOA) in early 2019 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 2020.

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 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 on January 22, 2019.

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 \$1,479,805,926 for the 2017 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, seven of the ten principal property taxpayers in the Village are individuals with an average assessed property value of \$3.5 million.

The top ten employers in the Village represent 32.73% 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 2.3%.

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 has the opportunity to 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 with a large initial 'T'.

Timothy J. Sloth, CPA
Director of Finance