

An Update on Finances from the Village Board

Annual Budget

The Board passed the annual budget in May. This year's budget is quite similar to last year's. We expect little change in Golf's portion of your tax bills. Please keep in mind that Golf is just one of many taxing districts that impact the amount of your property taxes. In 2015 the Village represented approximately 27% of your tax bill. Other significant taxing districts included in your tax bill are District 225, District 34, and Niles Township.

A general breakdown of the budget is as follows:

Expenses

The budgeted percent of annual village expenditures breaks down as such:

- 37% Police Department
- 28% Infrastructure (street paving, water mains, sewers)
- 17% Fire protection Contract with Glenview
- 5% Grounds and Street Maintenance
- 5% Professional Fees (legal, accounting, consulting)
- 4% Administration
- 4% Trash Removal

Revenue

The budgeted percent of annual village revenue breaks down as the following:

- 79% Property Taxes
- 18% State Distributed Taxes (Income, Utility, Sales, Other)
- 3% Other

New Water Contract with Glenview

In June the Board finalized both a Water Distribution and Water Service agreement with Glenview. The Board recognizes the expert efforts from Consultant Al Rigoni, Village Attorney Bruce Huvad, Village Treasurer Kelly Zabinski, and Village Engineer Pat Glenn.

Our Current Agreement

- The current agreement with Morton Grove is a renewable annual agreement
- Morton Grove buys their water from Chicago
- Our water rates have been increasing at a rate of approximately 10% per year; with no end in sight as Chicago keeps raising the rates to suburban customers

The Glenview Agreement

- The term is 20 years with an option to stretch it to 30 years
- Glenview gets its water from Wilmette
- The initial water consumption rate is about 50% of the rate we are paying currently
- Rate increases will be at the exact same percentage as Glenview residents rate changes
- 2 connections to the Glenview system will be constructed at the intersections of Overlook and Country; and Overlook and Crabtree
- Golf will pay to do this work at a cost of \$390,000.
- Glenview will be responsible for maintaining all aspects of this new construction going forward
- We have borrowed the money to construct this project. It is to be paid off in 10 years.
- This work begins July 11th! We will update the Village as necessary. Residents who will be affected by this work will be notified separately.**
- One connection to Morton Grove will be maintained for backup; the other will be shut down
- We anticipate switching over to the Glenview system around Jan. 1, 2017
- We entered into a separate annual Water Service agreement with Glenview replacing Morton Grove as our Certified Water Operator as well as providing repair service if needed to Golf's water system

Why did we enter into this agreement?

1. Very high current rates, with likely larger increases to come.
2. We are on an annual contract with Morton Grove, subject to Chicago rate decisions.
3. Morton Grove is in discussions with many of the local communities (Niles, Skokie, Park Ridge) to form a partnership to buy water from either Evanston or Wilmette. While this will likely result in rate reductions, it is a complicated deal with no real timetable. It is likely that Golf would have to participate in the construction costs, in some fashion.
4. Our main connection to Morton Grove, which runs down Overlook and then under Waukegan Road to Golf Road, is beyond its life expectancy and has had numerous breaks in recent years. If we continued to get water from Morton Grove we will likely have to replace this water main very soon; at a minimum cost of about \$500,000. And we would have to continue to maintain the 2,000 feet of piping going forward-this pipe is about 11% of our total water mains. Thus, from a pure infrastructure cost and maintenance perspective, we are paying \$390,000 instead of a minimum of \$500,000, and have reduced the amount of pipe we have to maintain and replace going forward by 11%
5. Having a 30-year agreement greatly reduces the lack of control we have in securing this vital necessity to the Village at a fair price
6. The Water Service agreement will result in reduced costs of any needed water main repairs to our existing system
7. How we plan to pay for this as well as all of our ongoing infrastructure needs will be discussed in Capital Assets below

Capital Assets

Some time ago the Board began the project of assessing the state of our significant capital assets. These large assets include: water mains, sanitary sewers, storm sewers, and streets We specifically have been working to determine the health, life expectancy, replacement costs, and maintenance costs of the assets; and whether there were any plans and policies for managing, assessing the status, and funding of our infrastructure.

What We Found

1. For the most part, the physical integrity of the assets is in good shape.
 - a. Storm sewers are relatively new with a long life expectancy
 - b. A good percentage of the Water Mains have a long life expectancy BUT; even with the vacation of the aforementioned Waukegan Main, we have some that are living on borrowed time and another group that are nearing the end of their useful life.
 - c. The Village Sanitary Sewer system's age, and thus various life expectancies, is quite similar to the Water Main system. Most are fine; some are going to need to be replaced soon. However, we need to do some extensive work locating and mapping where all the private sewers run and where they connect.
 - d. The condition of our streets are pretty self-evident. Some have not been repaved in many years and will need to be soon, others should be fine for quite some time
 - i. We have not forgot about this year's patching; it is on the docket
2. The need for capital to fund future infrastructure replacement is highly unlikely to be smooth. There will surely be long periods where no capital is needed as well as bubbles where very large amounts will be necessary
3. There was no plan or policy in place to specifically deal with the management, assessment, and funding of future infrastructure replacement.
4. There is very little money set aside specifically dedicated to fund infrastructure replacement; but, on a positive note, there are some funds available above and beyond the Board targeted cash reserves.

The Plan Going Forward

With the goal of creating an entity that would maintain a certain amount of continuity, even as Board members come and go through election cycles, the Board has created The Capital Asset Policy Committee. The Committee is made up of two residents, the Village Treasurer, the Finance Trustee, and the Village President. The Committee operates at the direction of, and reports to, the Board. In a general sense, its duties are to develop and maintain detailed

records of capital assets, set the goals for funding capital replacements, and make policy recommendations concerning the priority and funding of anticipated capital replacements.

The Committee has already done much of the necessary legwork and has made their initial recommendations to the Board, which have been approved.

The Committee used three general principles, from a funding perspective, in making these recommendations:

1. Minimize the cost associated with providing quality infrastructure;
2. Keep the Village's annual inflation adjusted expenditures for building and replacing vital infrastructure consistent with what they are now, and as smooth as possible year over year;
3. Separate the general fund (operating) from capital accounts(infrastructure)

Capital Asset Committee Recommendations

1. Create, and annually update, a street repaving plan that keeps the annual costs of repaving relatively smooth; which will largely reduce any need to borrow funds to repave streets going forward
2. Begin the work to map out the aforementioned sanitary sewers and connections
3. Use some of the savings with the new water rates to pay off the \$390,000 in debt incurred for the new water connection project
4. Assess each home and vacant lot an annual flat "Water Connection Fee" to be used to build funds dedicated toward future necessary water related infrastructure projects

What Does this Mean for your Future Water Bill?

While the "water connection fee" and next year's water rates have not been finalized, we are working under the assumption that each homeowner's total cost of water, including the "connection fee" and "usage rate to pay off the current project", should be similar to this year and about 15% less than what it would have been had we stayed with Morton Grove next year. To be clear, the water bills should be about the same even though they will be used to pay off the current project and a portion of upcoming projects.

On Behalf of the Board of Trustees,
Dan Williams
President
Village of Golf