



# Storm Water Improvements Financial Presentation

November 27, 2017

# Presentation Topics

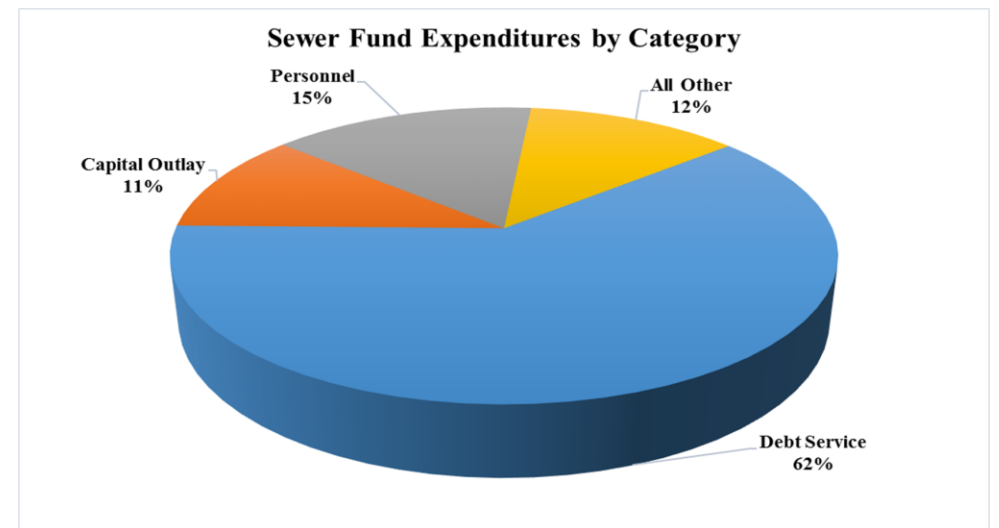
- Sewer Fund History
- Storm Water Management Project Alternatives
- Financing and Repayment Options
- Future Projected Cost of Village Services

# Financial Disclaimer

- All figures contained in this presentation are projections and will change over time
- Due to the number of variables that may impact project timing, the financial analysis in this presentation is based on 2017 dollars and does not account for construction inflation
  - Assuming construction begins in 2020 and is completed by 2023, total project costs are estimated to increase 10 - 14%
- As the Village narrows its options, the financial analysis will be updated to be more precise in regards to project phasing and the impact of construction inflation

# Sewer Fund History

- The Village implemented the sewer user fee in 1990 at \$0.22 per 100 cubic feet as it initiated a series of sewer improvements recommended by an appointed Sewer Commission
- The Sewer Fund operates as an enterprise fund, meaning that a fee is charged to users of the systems to pay for the associated services
  - All activities necessary to operate the Village’s sewer services are accounted for in this fund, including administration, operations, maintenance, financing and related debt service, billing and collections
- The sewer user fee, the sole revenue source for all sewer improvements in Wilmette, is assessed based on water consumption (1 unit = 100 cubic feet)
- The existing Sewer User Fee is \$4.24/unit
- 73% of the existing sewer fee pays for capital improvements



# Sewer Fund History

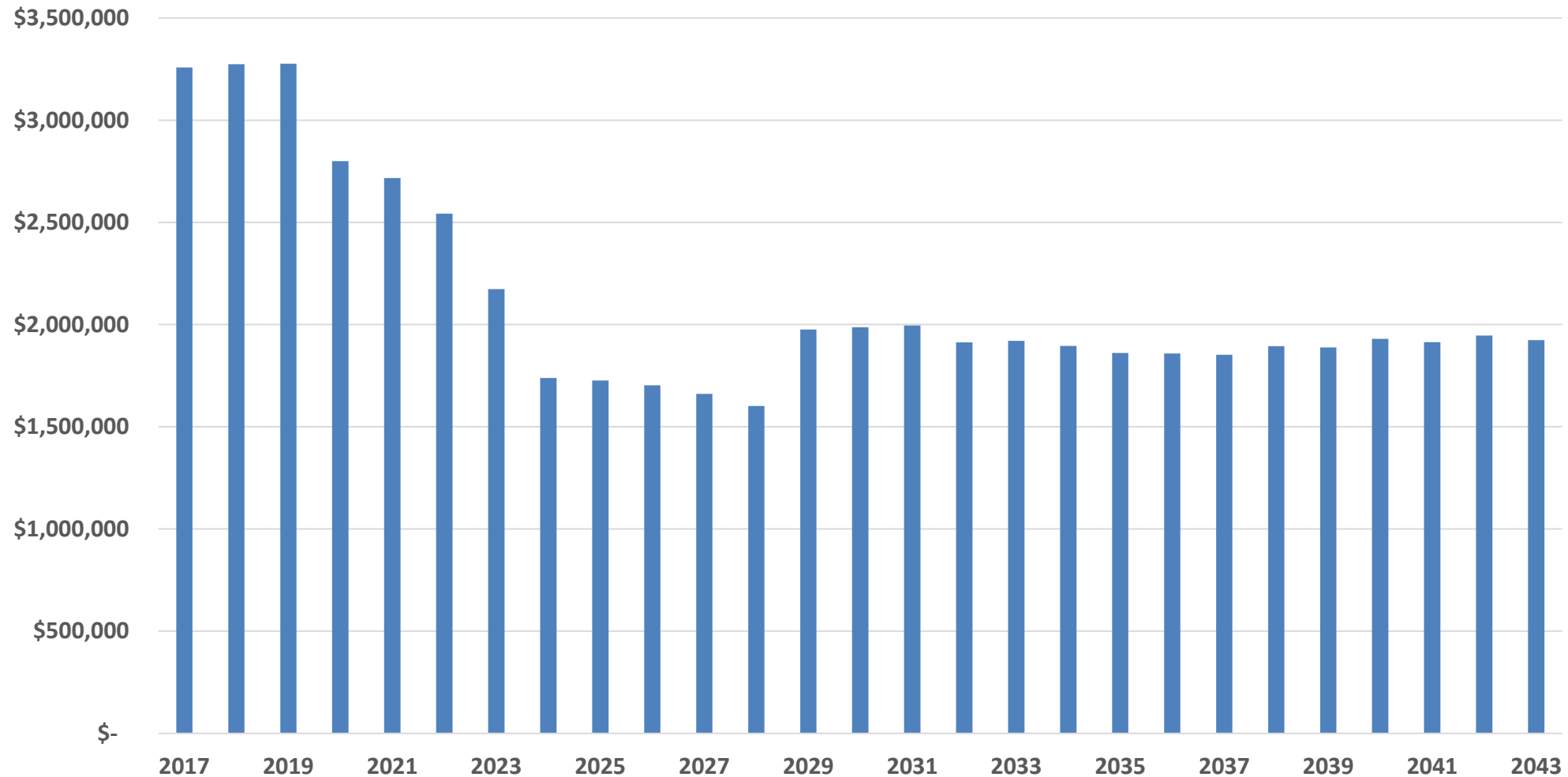
- The following table identifies the history of improvements to the Village's sewer systems since 1990

Year	Combined System (East of Ridge)	Separate System (West of Ridge)	Both Systems
1992 - 1998	39,726,922	17,133,695	
2001 - 2006	3,496,004		2,408,561
2007 - 2010	2,044,456	1,108,130	5,108,380
2012		142,211	1,190,121
2013	942,547	1,313,097	892,793
2014		3,839,508	980,862
2015		18,939,507	1,120,000
2016		105,801	1,100,000
<b>Total</b>	<b>46,209,929</b>	<b>42,581,949</b>	<b>12,800,717</b>

Sewer system investments are adjusted for inflation (2017 dollars)

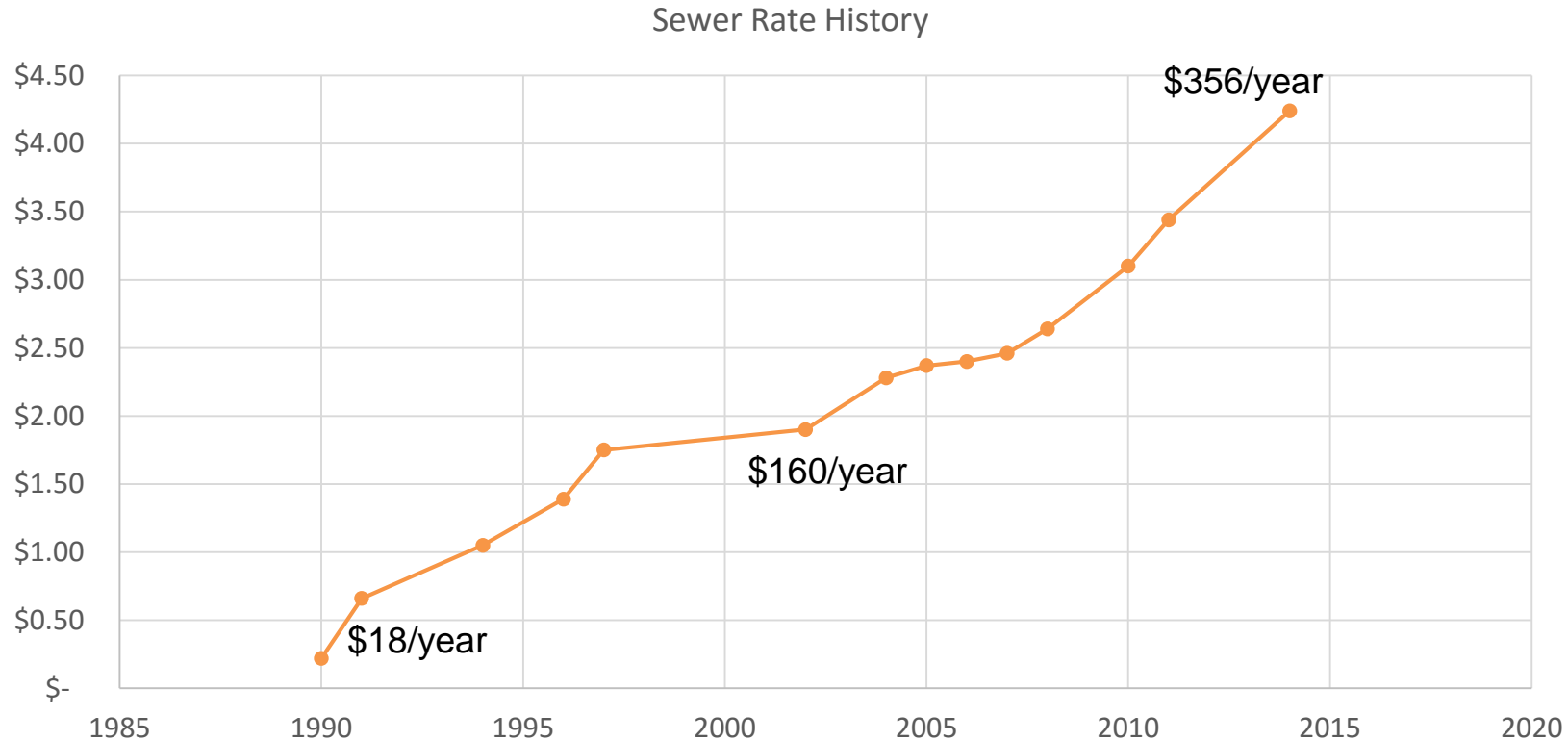
# Sewer Fund History

- Based on completed sewer improvements since 1990, the following chart depicts future debt service requirements in the Sewer Fund:



# Sewer Fund History

- The following chart depicts the history of the Sewer User Fee and its impact on the median sewer bill (21 units per quarter) since its implementation in 1990:



- Based on existing debt service, continued use of IEPA loans to fund lining of the sewer system, and planned Storm Water Pumping Station improvements, a \$1.00 rate increase is projected in Fiscal Year 2033
  - The \$1 increase does not include any of the storm water projects under consideration
  - This would be an \$84 increase to the annual median sewer bill in 2033

# Storm Water Management Project Alternatives

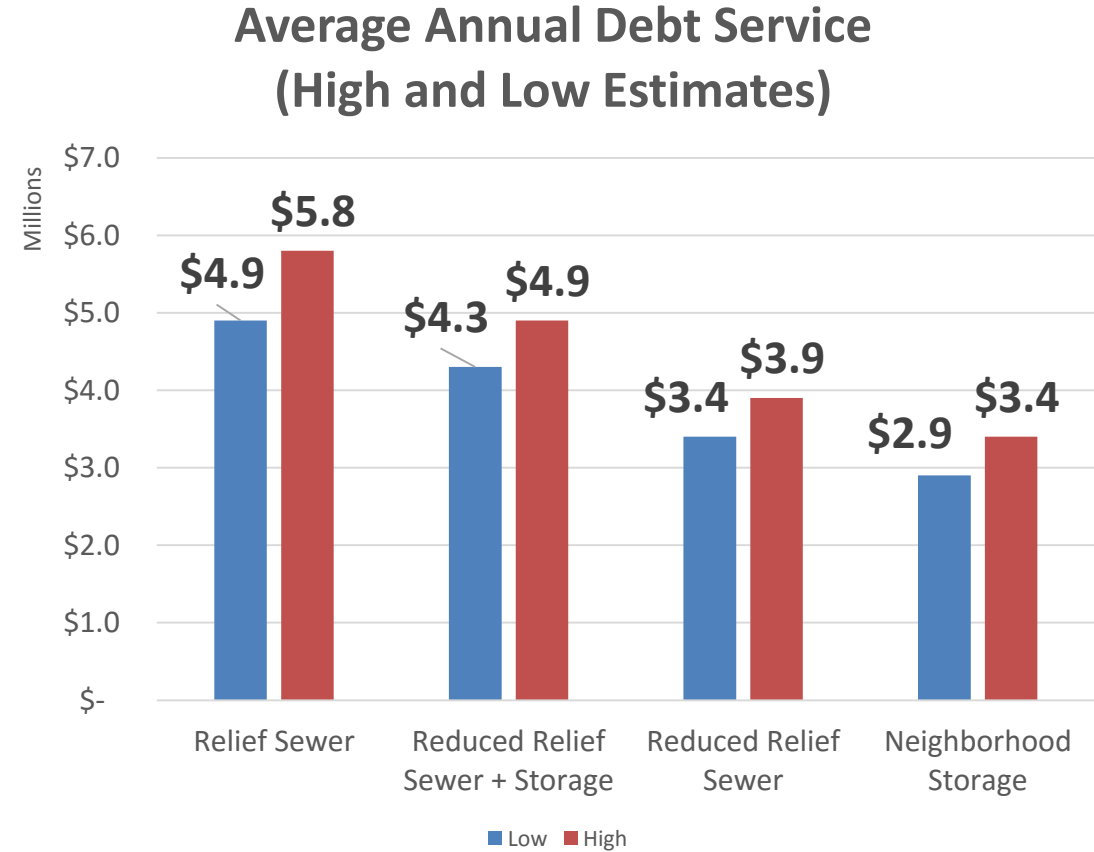
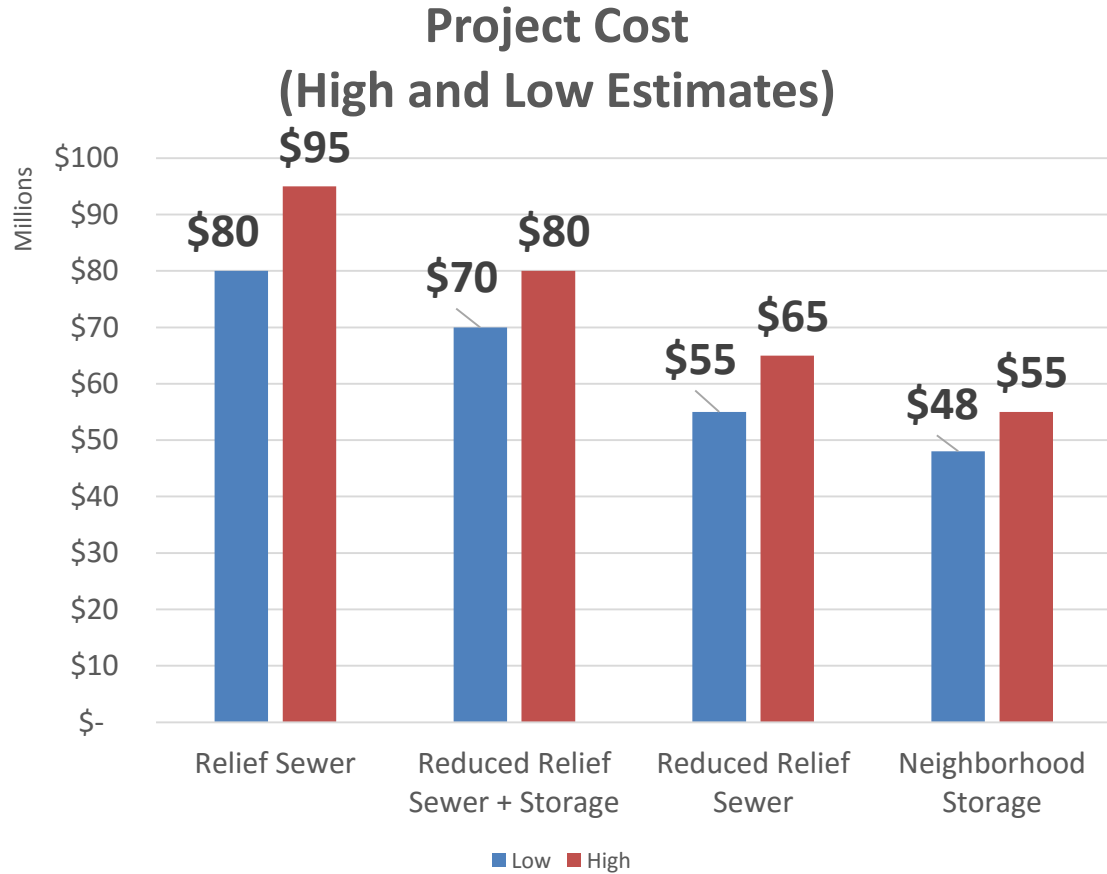
The four projects under consideration by the Village include:

1. Relief Sewer Improvements (\$80M - \$95M)
  - Construction of 8 miles of new relief storm sewer
2. Reduced Relief Sewer Imp. + Neighborhood Storage (\$70M - \$80M)
  - Reduced conveyance plus neighborhood storage in Kenilworth Gardens
3. Reduced Relief Sewer Improvements (\$55M - \$65M)
  - Reduced conveyance
4. Neighborhood Storage (\$48M - \$55M)
  - Neighborhood storage at Thornwood Park, Centennial Park, and the Community Rec Center



# Project Alternatives

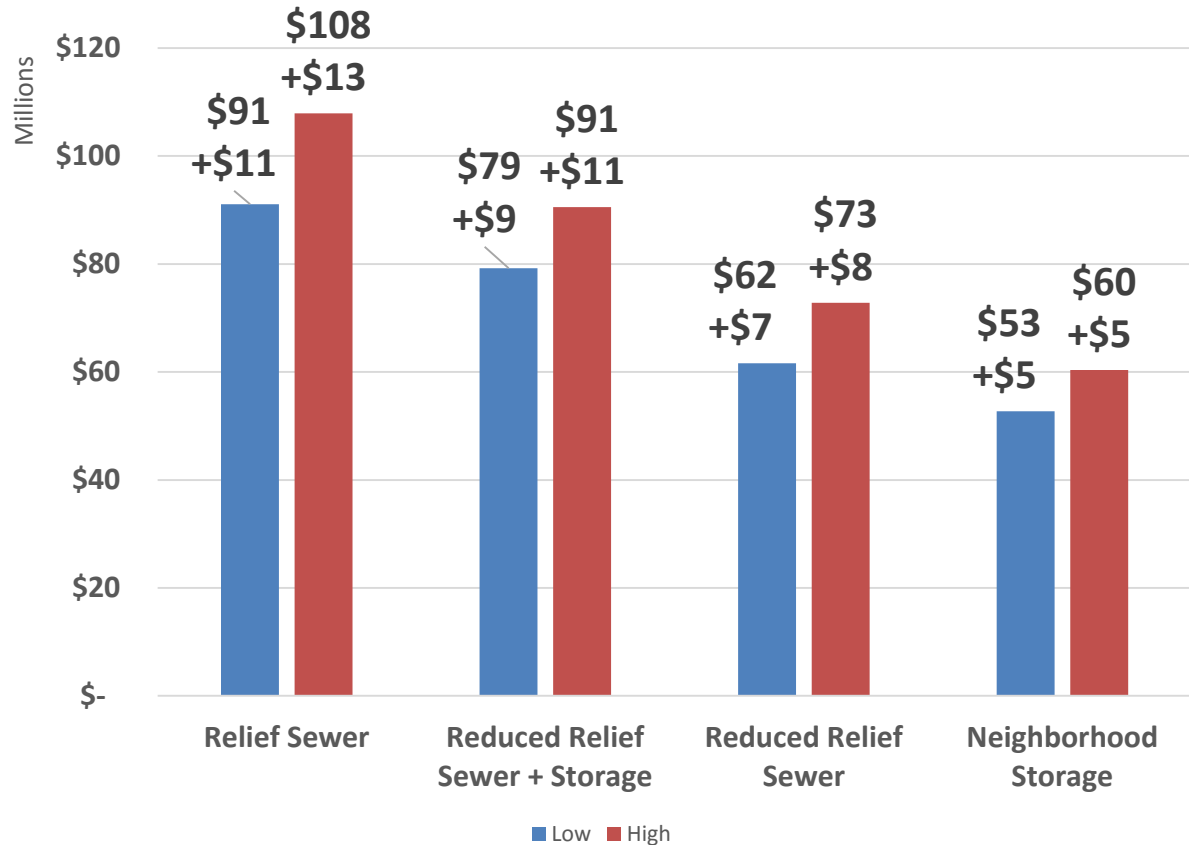
## Average Annual Debt Service



Note: The Village's financial advisor prepared projected annual debt service expenditures for each of the projects under consideration (in 2017 dollars), using a 4.0% interest rate and maintenance of the Village's Aaa bond rating.

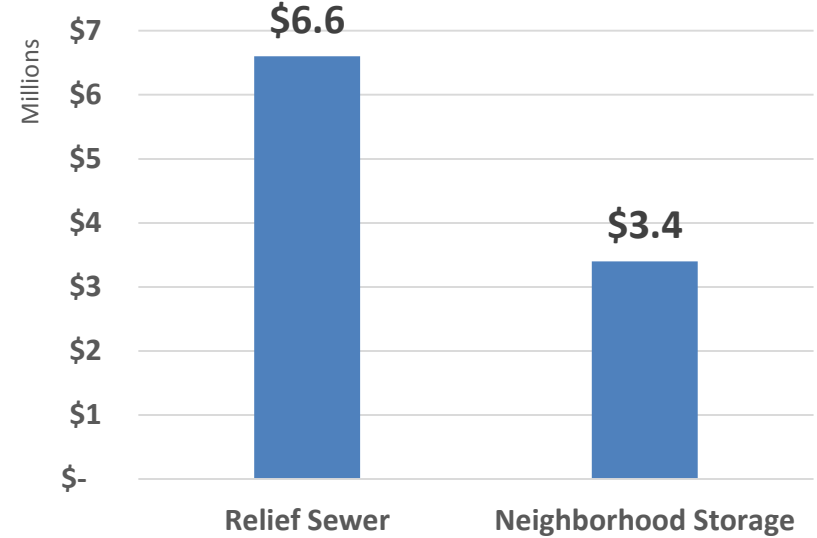
# Project Alternatives Construction Inflation

Project Cost w/ Inflation  
(High and Low Estimates)

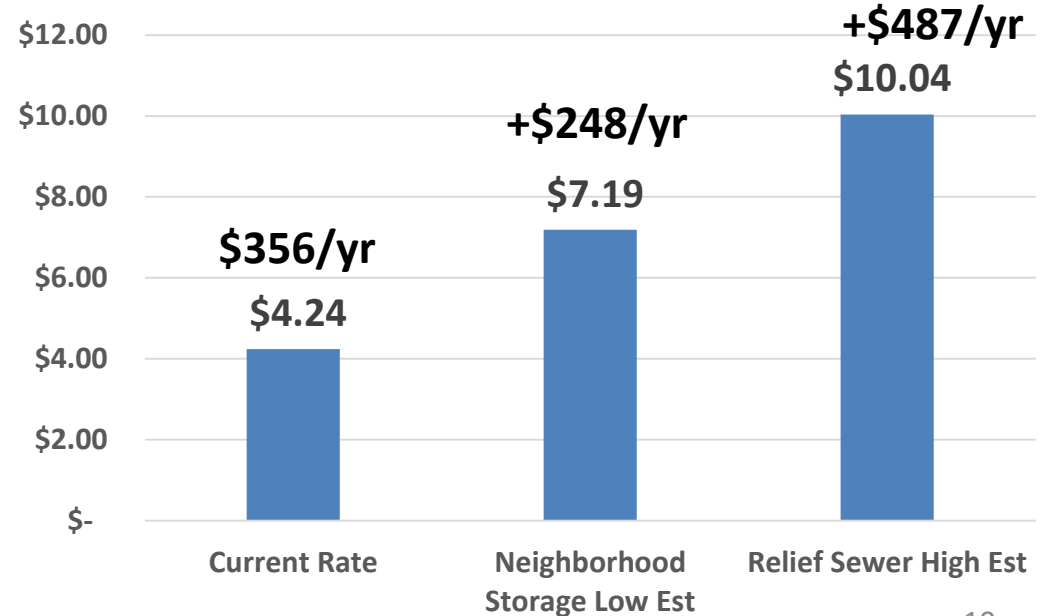


Assumes 3% inflation and construction beginning in 2020

Annual Debt Service w/ Inflation



Sewer Rates & Impact to Median Bill



# Financing Options

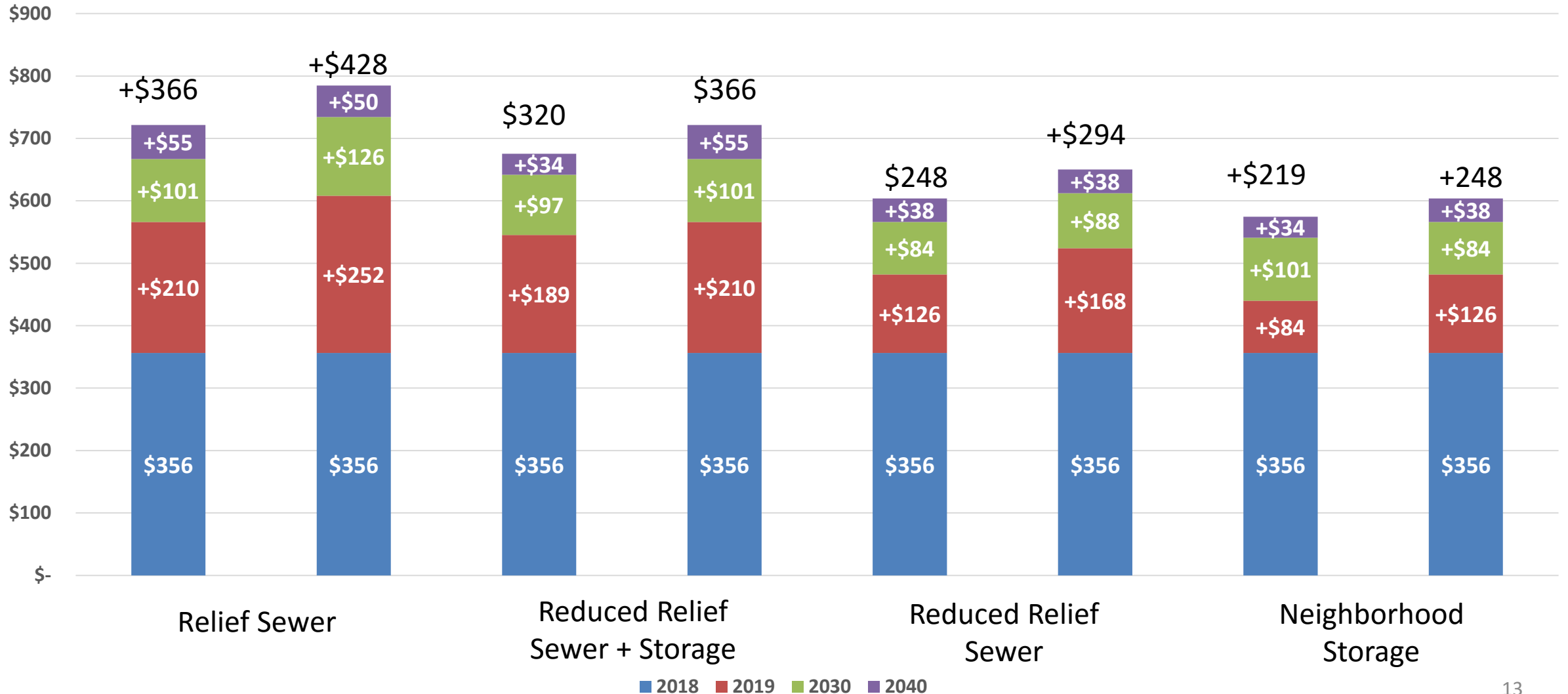
- Given the cost of the projects under consideration, the Village would need to issue 30-year debt to fund the storm water improvements
- The Village would issue General Obligation (GO) Debt, meaning that it would be backed by the full faith and credit of the Village
  - Issuing GO debt reduces the overall financing costs as compared to issuing other types of debt such as revenue debt
- Moody's has indicated that a large GO issuance for the storm water project would most likely not adversely impact the Village's Aaa credit rating provided the Village has identified a repayment source **other than the property tax**
  - If the State imposes a property tax freeze, the Village may not be able to issue GO Debt and may see a downgrade in its bond rating, possibly requiring issuance of revenue debt and increasing borrowing costs

# Repayment Options

- The following repayment methods are presented for the Village Board's consideration:
  - Sewer User Fee
    - Historically utilized to fund sewer system improvements
  - Storm Water Utility Fee
    - This would be a new fee based on impervious surface coverage of each parcel
    - To maintain a Aaa bond rating, the Village will need to demonstrate that this is a stable, reliable funding source prior to issuing debt
  - Property Taxes
    - Moody's has indicated that relying on the property tax would likely lead to a bond rating downgrade
    - The Sewer Fund is a utility/enterprise fund, like the Water Fund; property taxes are historically not used to subsidize or operate utility funds

# Repayment Option- Sewer User Fee

## Median Household Cost Increase (High and Low Estimate)



# Repayment Option- Storm Water Utility

- A storm water utility fee is based on each property's impervious surface area and its impact on the storm water system
- In Winnetka, impervious surface area is calculated as an Equivalent Runoff Unit (ERU)
  - One ERU equals 3,400 square feet of impervious surface area
    - This is the amount of the normalized average impervious area in Winnetka
    - The fee is assessed in fractions of ERUs
  - The fee is \$21.83 per ERU per month in Winnetka

# Repayment Option- Storm Water Utility

- The Village of Winnetka hired a consulting engineer to conduct a storm water utility feasibility study and to subsequently implement the fee (total cost of \$162,000)
- The consultants made a series of recommendations and comments, including the following:
  - Assume 12 - 18 months to design and implement the fee
  - Consider a credit program for non-residential properties to provide for a reduction in the fee for properties that provide on-site storm water management which exceeds village requirements
  - Consider implementing a financial incentive (reimbursement program, not a credit) for residential properties to implement best practices (funded by the village)
  - No exemptions for other units of government or tax exempt properties
  - Create an appeals process to handle property owner appeals

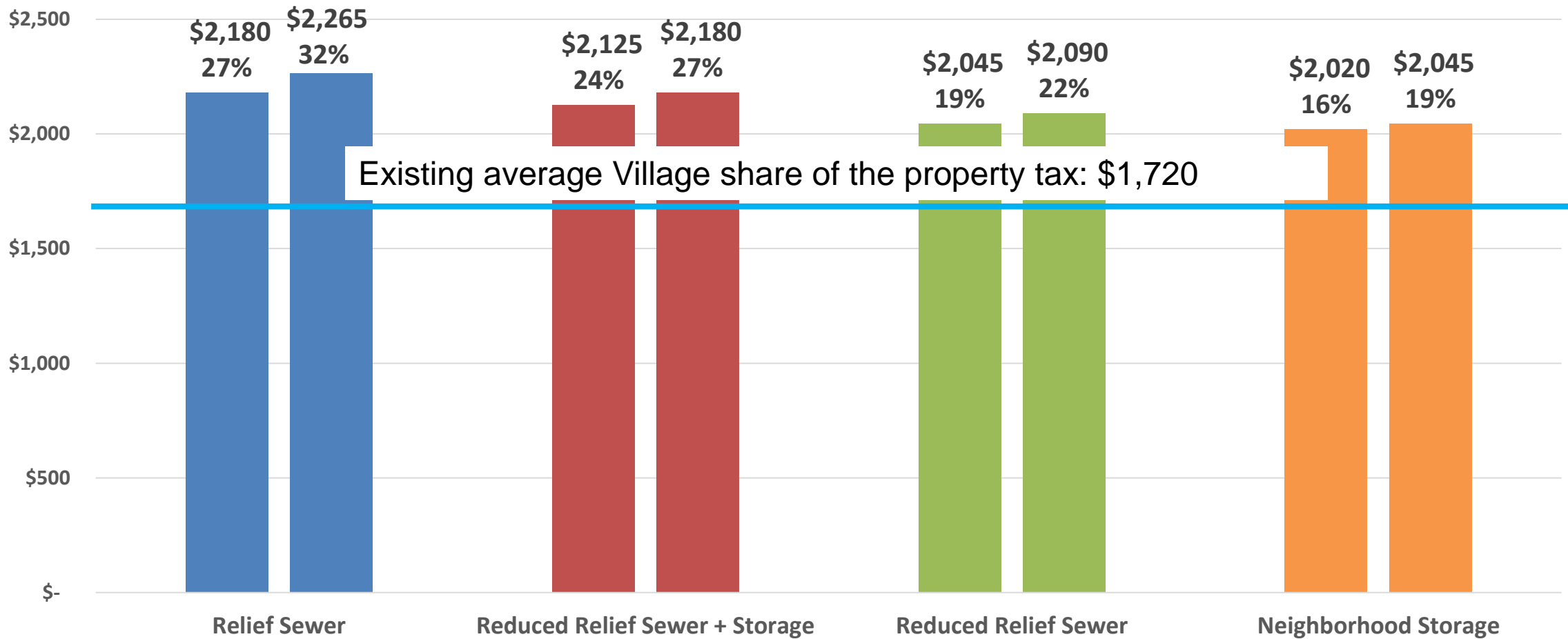
# Repayment Option- Property Taxes

- The Village's portion of a resident's total property tax bill is approximately 12% and the average total residential property tax bill is \$14,700 (Village portion is \$1,720)
- Moody's has indicated that use of the property tax to repay debt associated with a storm water project would likely lead to a downgrade of the Village's Aaa rating
- Historically, the property tax has been utilized to pay debt service for projects relating to general government and infrastructure, such as:
  - Facility improvements (other than the water plant)
  - Road and alley reconstruction and resurfacing
  - Large fire apparatus



# Repayment Option

## Impact on Property Tax Bill (Low & High Estimates)



# Projected Future Expenses- All Funds

- There are a number of known, significant projects and obligations that will require financial investment over the next 30 years, including:
  - Sewer Lining & Storm Water Pumping Station Electrical Improvements
  - Water Plant & Distribution System Improvements
  - Property Taxes- Operations & Public Safety Pension Contributions
  - Maturing General Fund Debt (Police Station & Road Program)
- The following slides will discuss these investments in more detail and identify projected future costs to taxpayers

# Projected Future Expenses

## Sewer System

### Sewer Lining

- The Village intends to continue lining the sewer systems at an annual cost of \$820,000 to be funded through IEPA Low Interest Loans

### Electrical Improvements

- The Storm Water Pumping Station (SWPS) will require \$1.2 million in electrical improvements in 2020

### Sewer User Fee Impact

- A \$1.00 Sewer User Fee increase (\$84 median increase annually) will be required in 2033

# Projected Future Expenses

## Water System Improvements

- Annual 3% water rate increases are anticipated for the foreseeable future (median increase of \$6.75 each year)
- The increases will maintain existing service levels, fund previously incurred debt service and finance the following essential projects:

Project	Year	Project Cost
Water Plant Electrical Imp.	2017 – 2019	\$8.975M (\$455,000 debt service)
Locust & Central Water Mains	2019	\$1.3M (\$85,000 debt service)
Annual Water Main Replc.	2020	\$1.3M annually
Water Main Intake	2022	\$14.2M (\$1.1M debt service)
Treatment & Electrical Imp.	2023 - 2026	\$4.4M (\$353,000 debt service)

# Projected Future Expenses

## Property Tax Levy

### Public Safety Pensions

- Due to State mandated pension benefits, an additional \$4.4M in public safety contributions (91% increase) is anticipated over the course of the next 22 years
  - Public safety pension contributions are projected to increase from \$4.9M in 2018 to \$9.3M in 2040

### General Operating Expenses

- Assumptions assume low, but consistent growth in operating expenses moving forward in order to maintain existing police/fire/public works service levels

### Tax Levy Impact

- The annual tax levy increase, excluding debt service, is projected to be 3 - 4% which is consistent with the Village's tax levy increases since 2009

# Projected Future Expenses

## Maturing General Fund Debt

- The Village has designated a use for approximately \$3.3M of tax levy capacity created by declining debt service requirements beginning in 2026
- Under a plan considered by the Village Board in 2016, the Village will be able to address the following critical funding matters without increases or decreases in the property tax levy:
  - The Police Station is scheduled for reconstruction in 2026 at an estimated cost of \$20-25 million (\$1.3M - \$1.8M in projected annual debt service)
  - The annual road program will realize enhanced funding, for a total program of \$3.5M - \$4M per year, to significantly reduce the percentage of streets in fair and poor condition

# Projected Future Cost of Village Services

- The following table projects the cost of Village services over time, taking into account the known obligations on the previous slides
  - Note that unanticipated expenses, state and federal mandates, weather, and performance of the economy will change these figures over time

