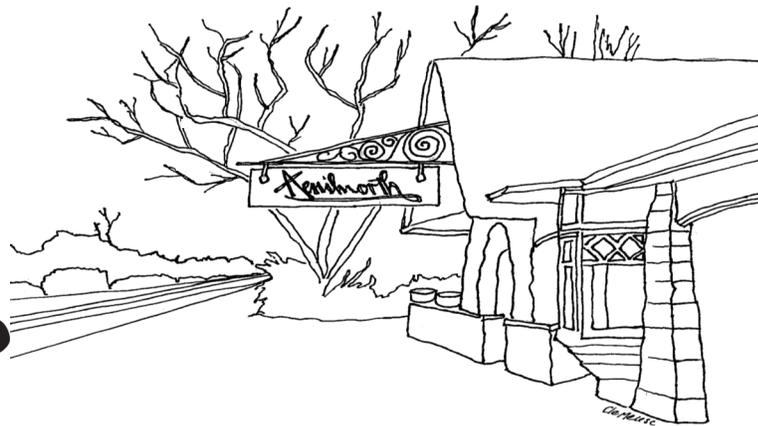


Village of

Kenilworth



419 Richmond Road
Kenilworth, IL 60043

Phone: 847-251-1666
Fax: 847-251-3908

www.villageofkenilworth.
org

E-mail:
info@villageofkenilworth
.org

Village President
Fred G. Steingraber

Village President's Message—Vol. VII

Dear Fellow Residents,

Although not planned with this in mind, it is somewhat fortuitous I am addressing my message to you once again in conjunction with a change of seasons. While remnants of winter are clearly still around, the calendar tells us we should expect improvement in the weather. Similarly, while we at the Village find ourselves still deeply involved with a number of challenging issues, we are beginning to see signs of improvement. It is still early to be able to confirm with confidence the sustainability of our results to date. Nevertheless, we are making progress on multiple fronts as we approach the end of our fiscal year, April 30, 2010. As a result, I believe it is important to update you on our progress and our work in process, as we look ahead to fiscal year 2011, which comes up May 1st.



Fred G. Steingraber
Village President

Improvements

Some of the key areas where we have seen tangible improvements include the following:

- The completion of the installation of the electrical power upgrade for Kenilworth, providing greater capacity, additional sources of power into the Village, and greater flexibility for load switching (a \$1.5 million investment by Commonwealth Edison) has taken more time than planned due to the winter weather and cable failures in the system. Com Ed is currently estimating all work should be completed by early April. Again, I especially appreciate everyone's extraordinary patience in going through this major inconvenience, and I trust that we will be able to fully appreciate the results of this investment when we encounter the next change of seasons (the hot summer weather).
- We implemented a year-long wage and salary freeze for employees to save on costs in our operating budget in fiscal year 2010, and this has helped. We very much thank our employees for their patience and understanding.
- We have made changes in some vendors, including insurance, auditing, janitorial services, etc., to reduce costs and improve service.
- We have been exploring opportunities for intergovernmental purchases and shared services to reduce costs. Examples include activities such as joining a tree consortium and entering into a cooperative focused on joint community sidewalk programs. Again, all with a focus on improving costs, quality, and services.

Continued on Page 2

Continued from Page 1

- We have finalized plans for reorganization of the Public Works and Water departments into a single operating department to reduce costs, improve personnel deployment, flexibility, and productivity, and provide job enrichment opportunities. This will be implemented beginning with our fiscal year 2011, May 1st.
- Again in fiscal year 2010, we deferred capital expenditures for hydrants, valves, streets, sewers, vehicles and computers, well beyond normal useful lives.
- We implemented appropriate adjustments in fiscal year 2010 to selective fee-based services (waste removal, vehicle stickers, animal licenses, beach passes, and water charges) to cover costs and improve revenue.

In addition, we have made a number of administrative improvements in fiscal year 2010, including:

- Completing a comprehensive employee personnel policy handbook to document and standardize practices to comply with legal, audit, and risk management exposure.
- Improving budgeting and financial reporting, including separating operating from capital expenditure plans/results, realigning cost allocations to key departments, and preparing quarterly pro forma updated forecasts of annual revenues and expenditures, versus budget.
- Establishing Village Manager goals to be aligned with Village Trustee goals, which will be used as a basis for annual performance appraisal.

Work In Progress

At the same time, we have some work-in-progress initiatives currently focused on further opportunities for improvement, including the following:

- Increasing/improving communications. This includes the Village President's message, the Kenilworth Contact e-mail service, on-line payment of Village bills, website, surveys, and special meetings.
- Making changes to Business District zoning ordinance regulations to facilitate implementation of the Kenilworth Comprehensive Plan to result in material improvement to Kenilworth's commercial corridor to facilitate economic development. This has resulted in increasing inquiries, some proposed plans under review, and completion of one significant redevelopment project. There is much more to be done in the Business District area to help generate revenues.
- Conducting independent engineering and video-scoping studies to assess alternatives available to reduce areas of failure causing flooding in the combined storm and sanitary sewer system primarily on the east side of the village.
- Exploration of the potential for shared or outsourced Dispatch Service function with other communities.
- Exploration of the potential for lowering the cost of our Police operations while maintaining the expected level of security and service.
- Reviewing the appropriateness of the current intergovernmental agreement with the Park District, including whether there are opportunities for improving staff effectiveness and productivity through a shared service with the reorganized Public Works department.

Financial Impact on the General Fund Operating Budget

The result of these and other initiatives point to an improving trend in the General Fund Operating Budget Performance as outlined below:

FY 2008/2009	<\$394,660>	Actual
FY 2009/2010	<\$200,920>	Budget
FY 2009/2010	<\$125,433>	Forecast (3/1/10)
FY 2010/2011	+ \$24,015	Preliminary Budget

I would like to point out this improving trend is despite:

- Lower discretionary property tax revenue projected in fiscal year 2010 than budgeted, and lower budgeted discretionary property tax revenue for fiscal year 2011 than projected for fiscal year end 2010. In fact, our discretionary property tax revenue for 2011 will be lower than fiscal year 2008.
- Lower projected other revenues in fiscal year 2010 for sales and state income taxes, fines, licenses, permits and interest income.
- Higher police mandated pension fund contributions in fiscal year 2011 than projected in fiscal year 2010 (up 42.8%) and up 212% since fiscal year 2008. These pension contributions are taken out of the property tax revenue leaving lower discretionary property tax revenue for services.

In fiscal year 2011, we are projecting higher other revenues (non property tax revenue) despite a significant decline in permit revenue <22.4%> over fiscal year 2010. Perhaps the most significant change expected to the General Fund operating revenue (fiscal year 2011) has to do with the increased cost of the Village waste removal. This cost increased significantly last year, at the time of our contract renewal, since we had benefitted for several years with below market waste collection fees. Even with the increases we are still very competitive with our neighboring communities. In addition, this fee has historically been split with 50% of the cost being funded out of the property tax levy and 50% as a pass through fee. Going forward the entire amount will be passed through as a service fee to residents. This service will be billed directly to residents and businesses. While this change is required to help balance the operating budget, it also adds more transparency to the actual cost of the collection service to residents and the cost will be the same for all households.

Infrastructure Improvements

a) Key Projects

As you know, we have neglected our serious infrastructure issues for a long time. These cover the gamut from streets and curbs to sewers, water valves and mains, lighting, fire hydrants, vehicles, and facilities. Many of these items were identified by residents as serious problems and rated poorly in prior surveys, including the Revenue/Expenditure Study completed in fiscal year 2008/2009. The staff has undertaken an in-depth analysis of the risks and exposure we face in order to prioritize a scope of work to be undertaken over multiple years and within a reasonable financing framework beginning in fiscal year 2011.

Continued on Page 4

Continued from Page 3

The fiscal year 2011 Village Capital Plans contemplate the following projects:

- Continuation of the Village's triennial sewer lining program where every third year a portion (approximately 10%) of the Village's sewer system is relined to extend the useful life of the sewers. (Sewer Fund)
- Implementing a project to mitigate flooding/standing water problems on the east side of the Village by increasing sewer capacity and restoration of the historical flow of Skokie Ditch into Lake Michigan. (General Fund / Sewer Fund)
- Initiating the first year of a critical multi-year project to address much needed valve replacement in the water distribution system. (Water Fund)
- Initiating the first year of a critical multi-year project to resurface Village roadways in serious disrepair, starting with Ivy Court and Leicester Road during fiscal year 2011. (Motor Fuel Tax Fund)
- Replacing aging fire hydrants. (General Fund)
- Replacement of a Police squad car after two years of deferral, which is beyond the normal replacement cycle and replacement of in-car computers for police vehicles (overdue). (General Fund)
- Cleaning of Village water tower (years overdue) - a frequent complaint in Village surveys. (Water Fund)
- Completion of a Village Hall project launched in 2009, including resurfacing of Village Hall parking lot and improving the Police Department locker room and evidence storage space. (General Fund)
- Undertaking critical forestry infestation management and removal. (General Fund)

b) General Fund Financing

The capital initiatives planned for 2011 within the General Fund total \$600,000 and will be undertaken through the Village's allowable annual bonding authority by issuing \$600,000 in bonds for General Fund capital expenditures. The anticipated property tax impact for the bond issue is estimated to be \$274 per \$10,000 in property taxes paid. Even though the work will commence this year, the incremental property tax levy amount will not be assessed for this until fiscal year 2012.

c) Sewer Fund Financing

The fiscal year 2011 budget contemplates a slight increase in the sewer charge which was last increased in 2006. The budget proposed for fiscal year 2010/2011 is to increase this fee from \$0.50/100 cubic feet to \$0.55/100 cubic feet. This fee is expected to generate an additional \$13,000 for the sewer fund and cost the average household an additional \$6.75 annually. The sewer lining project will be undertaken, drawing upon reserves in this fund.

d) Motor Fuel Tax Fund (MFT Fund)

The street resurfacing project will be funded out of the reserves in the Motor Fuel Tax Fund. No fee changes.

e) Water Fund Financing

We have been running consistent deficits in our Water Fund as a result of capital expenditures related to the replacement of water meters, water main repairs, and valve replacements which are well beyond their useful lives and are critical to our day-to-day operations. Currently we have a negative reserve balance. As you may recall, we increased our water rate last year for the first time since 2002. Villages everywhere across the country are instituting regular increases; many are in the double digits and on a regular basis due to the demand for water growing faster than supply. Illinois projects a 32% increase in water use by 2025 and a 0% growth in water supply. As a result, this year we are planning to increase our water improvement fee due to the high cost of water main repairs and valve replacements going forward. The fee will be increased from \$150 annually to \$345 per year and will be treated as a debt service charge to fund system improvements.

Conclusion

So overall, despite the consistent decline in both property tax and other revenues, the Village is currently projecting almost a 40% reduction in the forecasted General Fund deficit compared to budget for 2010 and a slight surplus in fiscal year 2011. This has been accomplished through cost reduction, cost avoidance, and deferred maintenance and investment as well as selective fee increases in the operating budget areas. Our plan is to secure a balanced operating budget on a going-forward basis by continuing to regularly focus on productivity and cost containment initiatives, as well as appropriate fee for service increases when required.

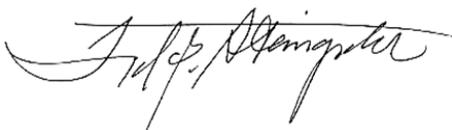
We will require bond financing to fund our overdue infrastructure improvement needs, but we will attempt to do this in a measured way as outlined above for fiscal year 2011.

As we approach year-end and look at where we are at in terms of progress against our key initiatives and against our fiscal year 2010 operating budget, there is evidence of improvement and we have key work still in progress that could contribute more. At the same time, we will be moving forward to address some critical needs in our infrastructure. Recognizing the challenging economic environment in which we still find ourselves we are planning at this time to take advantage of the low interest rates to move forward in a modest way to address some of the high priority areas of need within the Village's bonding authority.

We will be holding our public hearing on the fiscal year 2011 budget at 6:30 p.m. on April 6, 2010 at the Village Hall. If you have questions concerning this in advance please feel free to contact our Village Manager, Brad Burke at 847-251-1666 or via email at bburke@villageofkenilworth.org.

Finally, rest assured we will work diligently on the matters outlined above to continue to seek ways to improve on our performance going forward and hopefully continue to maintain your trust.

Sincerely,



Fred Steingraber
Village President

Property Taxes Explained

One of the discussions heard these days is the status of the property tax system. As property values continue to decline, the expectation is assessments and tax bills should do the same. However, this is not occurring; thus, many have come to the conclusion something must be wrong, and the system must be broken. In fact, the property tax system is working the way it was designed by being a stable revenue stream to local taxing authorities for the purpose of providing local services.

Your share of the total tax is the result of the average of the three years of sales of properties with similar characteristics (age, square footage, and type of construction) prior to the assessment date. Multiple years of sales are taken into consideration because of the stability of market value predictions. Therefore, local institutions such as the Village and school district are provided steady streams of funds rather than an ebb and flow.

Many people think the property tax system is not working because it is not doing what everyone wants right now and because many never really understood how it was intended to work in the first place. In a badly declining real estate market, we now see shortcomings that did not bother us in the double digit appreciating market experienced a few short years ago. Assessments lagging behind the market are now a disadvantage, and many homeowners feel over assessed. To calculate your property tax bill, use the following example, which is for a home with estimated market value of \$100,000:

\$100,000	Estimated Market Value
<u>X .10</u>	Assessment Level (10%)
\$10,000	Proposed Assessed Valuation
<u>X2.9786</u>	2008 State Equalizer
\$29,786	Equalized Assessed Value
<u>- 5,500</u>	Homeowner Exemption
\$242.86	Adjusted Equalized Value (Divided By 100)
<u>X 0.704</u>	Municipal Tax Rate
\$170.97	Estimated Village Tax in Dollars

The Village Board sets the tax levy annually at its December meeting. As a non-home rule municipality, Kenilworth must adhere to state property tax cap laws. This means the Village is limited in the amount of the annual property tax levy increase to either the consumer price index (CPI) or 5%, whichever is less. The Village's levy represents only a portion of the total property tax paid by residents. The property tax bill received includes taxes levied by Sears School, Kenilworth Park District, New Trier Township High School, as well as other local taxing districts. The Village of Kenilworth's portion of the property tax bill represents only 12.4% of the total tax.

Property taxes are one of the most hated taxes paid because it is so visible. Bills are received and must be paid in two large installments only three months apart. For most of us, this is a major expense, and we cannot help but think of the other ways these dollars could be spent. On the other hand, property taxes are a very transparent type of tax. The "blue card" received every year tells us the new assessment, the change from the previous year, where to get additional information, and how to challenge the assessment if we feel it is incorrect. Additionally, a majority of property taxes paid benefit residents directly because the money is locally paid and stays local. All taxpayers see what they are paying and can make a determination if they are getting their money's worth. In the event you do not like what you see, you are encouraged to speak to your elected officials.

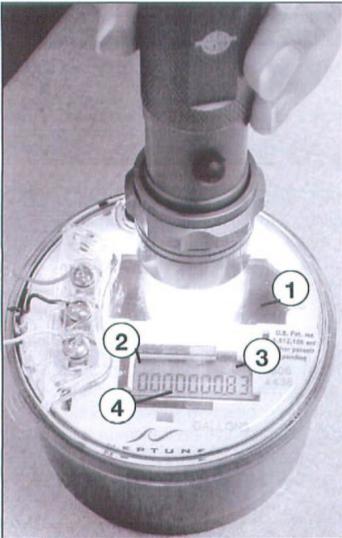
The spending side is somewhat less visible which is why taxpayers are left with the mistaken impression taxes go up because assessments go up. They never actually see the levy increases from year to year - only the assessments going up. In fact, increased property values and increased spending by taxing bodies are two factors that increase taxes. The services provided by the Village are not free. Our property taxes provide police protection, keep the water flowing and the streets paved. Balancing demands for services with the costs of providing them is a challenge. If you have questions regarding the Village's property tax levy, please contact the Village at 847-251-1666.

Explaining Your New Smart Water Meter

The Village of Kenilworth has installed an updated water meter in the homes of Kenilworth water customers. These new meters benefit everyone by eliminating estimated water bills, bothersome visits, and inaccurate readings.

Automatic Readings

Meters are read through the meter transmission unit (MTU) installed near your meter. This unit reads the numerical data from your water meter and transmits that information via radio waves to a data collection system in strategic locations throughout the Village. This data is then transmitted to Village Hall for accurate usage information and billing.



1. **Solar Cell**—Located at the top of the meter, supplies power for the display panel.
2. **Leak Detector**—Displays a possible leak with a dripping faucet icon on the display panel.
 - OFF**—No leak detected
 - FLASHING**—Intermittent leak indicates water has been used for at least 50 of the 96 (15 minute intervals) readings in a 24 hour period
 - ON CONTINUOUSLY**—Indicates water use for all 96 (15 minute intervals) readings during a 24 hour period.
3. **Flow Indicator**—Shows the direction of flow through the meter with an arrow icon in the upper right corner of the display panel.
 - ON**—Water in use
 - OFF**—Water not in use
 - FLASHING**—Water is running slowly
4. **Display Panel** —The meter shown in the photo is displaying the water meter reading 0000000.83 cubic feet of water. Rate of Flow screen then appears with the word **RATE** above the numbers and is displayed every 6 seconds.

Accurate Readings

Water meters check for flow every 15 minutes, 96 times per day, but only 2 readings (12 hours apart) are actually recorded. This helps identify leaks or other continuous flow situations.

How to Read Your Smart Water Meter if Needed

Hold a bright flashlight on the solar cell as shown in the photo above. The display panel will flash 3 reading screens:

1. The MTU serial number (not important to the resident)
2. Meter Reading (meter reads in hundredths, 2 decimal places).
3. Rate of Flow (if a reading shows up, there is water moving through the meter). This will appear every 6 seconds on the display panel.

Rate of Flow

To check for a leak, shut off all water in the house and look at the rate of flow. If there is a reading for the rate of flow (with your water shut off), there is a leak in your water system after the water meter. Contact a licensed plumber to remedy the problem as soon as possible to avoid excessive billing. If you have any questions about the new water meters, please call the Water Department at 847-251-1094.



419 Richmond Road

Phone: 847-251-1666

Fax: 847-251-3908

E-mail: infor@villageofkenilworth.org

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FY 2010-2011 Budget Update

Upcoming Meetings

- **Monday, April 5—Plan Commission Meeting—7:30 p.m.**
- **Tuesday, April 6—Finance Committee-of-the-Whole Meeting/Public Hearing on Proposed FY2010-2011 Budget —6:30 p.m.**
- **Thursday, April 8—Park Board Meeting—5:00 p.m.**
- **Monday, April 19—Village Board Meeting—7:30 p.m.**

For more information, see the Village's website, www.villageofkenilworth.org.