

February 2007

Dear Northfield Neighbor,

The year 2007 will produce some important changes for the Village of Northfield that impact every resident and further the Village's goal of providing you with the highest quality municipal services in the most cost effective manner. These changes fall mainly into two categories:

1. Infrastructure improvements on the Village's water system and;
2. Improving the Village's general finances and providing for a balanced budget

#### Water Mains

Northfield's Lake Michigan water is piped from Winnetka through two huge water mains that pass under the Skokie Lagoons and the Edens Expressway. These mains need to be replaced this year. They are 80 and 60 years old and have already had several small ruptures. If a major rupture were to occur, it would result in the loss of water service to the community.

The Village Board has faced the seriousness of this matter and has taken steps to replace these old mains by approving the issuance of up to \$3,950,000 in bonds. These bonds will finance this project as well as an emergency interconnect with the Village of Glencoe and a supervisory control and data acquisition (SCADA) system. Because the Village operates on the fundamental principal of "intergenerational equity," meaning that various generations benefiting from such major infrastructure improvements share in the cost, the water bonds will be repaid over a 20 year period from water revenues.

Beginning approximately May 1, 2007, residents will see an increase in their water bills. However, due to our long history of prudent financial practices, the Village has a sterling credit rating which will help us secure a low interest rate on the bonds and keep the necessary water rate increase manageable.

#### General Village Finances

In recent years, the Village of Northfield has been faced with dramatically increasing costs in the areas of state imposed unfunded mandates, fuel and utilities, health care, fire services, and state regulated pensions. As a Non-Home Rule community, we are under state imposed tax caps which limit increases in property taxes and our ability to generate revenues from other sources. To address the increasing gap between revenues and expenses, the Village has aggressively stepped up measures to reduce costs. In addition, we have reduced our cash reserves to a more moderate but, still secure, level.

We will continue on this path in 2007 by reducing staff through early retirements and attrition and through more general cuts in operational costs in all of the Village departments. Also, as part of the operating cuts, the Village has had to make the difficult decision to discontinue partially subsidizing basic waste and recycling collection costs. This will mean that for the new contract year beginning May 1, 2007, the cost for basic refuse collection (one time per week service at the curb) of \$10.17 per month will be billed direct to all residents. Multi-family homeowners who use multi-family dumpsters will continue to pay for waste collection through their association.

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Additional details about these changes are attached and will also be printed in the March-April issue of the Northfield News. After reading this information, if you have questions, feel free to contact Village Manager Stacy Sigman or her Executive Assistant Linda Gittel at the Village Hall, 847-446-9200 x2231. If you prefer, you can email the Village Board via the Northfield web site, [www.northfieldil.org](http://www.northfieldil.org). or fill out the Resident Input section of the Northfield News.

The Village has spent considerable time and effort weighing our available options to ensure that we provide cost effective, high quality, services to the residents of Northfield. We will continue this effort as we finalize our 2007-2008 fiscal year budget. Our Budget meeting will be held Tuesday, February 27 at 6:00 p.m. in the Village Hall. All interested residents are encouraged to attend.

I truly appreciate your support with these changes and look forward to another successful year.

Sincerely,

John L. Birkinbine, Jr.  
Village President

### **Working to ensure Northfield's quality of life and financial security**

About 15 years ago, the Village Board, with the support of the community, adopted a farsighted and workable financial plan. The fundamental principle of this plan was to pay for municipal improvements in a fair and equitable manner when the need presented itself.

As part of this plan, we decided not to tax you excessively in order to build massive reserves that would be used for future improvements benefiting later generations but not necessarily you. At the same time, we did not see the reason for borrowing large amounts of money to fund capital projects while the Village had reserves on hand.

Due to a long period of economic prosperity and the Village's prudent use of revenues, those reserves grew over the years. In the past, the Village returned some of those reserves to residents, spending them down to help offset the cost of your water service and temporarily eliminating vehicle stickers while at the same time remaining essentially debt-free.

That same history of conservative spending provided the Village with firm financial footing for a future time when we would need to borrow to fund major infrastructure projects.

*That time has come.*

The challenge for 2007 centers on ensuring a dependable and safe water supply for another 60 to 80 years as well as meeting current and future financial demands with a healthy and balanced budget.

### **Providing a safe and dependable supply of water**

When Northfield was still a fledgling community, our predecessors understood the importance of being able to obtain clean and plentiful amounts of water from Lake Michigan. Thanks to their foresight, for many decades Northfield has been blessed with a secure and dependable source of water. That system, which was constructed so many years ago, consists of two large water mains that run under the Skokie Lagoons and the Edens Expressway. These water mains carry lake water from Winnetka to Northfield and are older than the Skokie Lagoons, a Depression-era Civilian Conservation Corps project that turned swampland into valuable recreational and flood-control open space.

Because these mains have far exceeded their life expectancy and need replacement to continue to provide a safe and dependable supply of water, the Village commissioned a professional engineering study to determine the best course of action to prevent a catastrophic failure. Upon reviewing the results, we concluded that replacement of portions of the mains, as they failed, posed a costly and unacceptable risk. Indeed, at one point, the two mains are buried so close together that the failure of one would likely cause the collapse of the other.

Instead, we concluded that replacement of the mains was the best way to ensure the continued flow of water for future generations. As further insurance, an emergency feeder main from Glencoe is scheduled to be built in the north portion of the town. In addition, our plan is to install a state-of-the-art, computerized control system (SCADA) that will more effectively monitor the water coming through the mains from Winnetka and react to such things as changes in water pressure that can lead to water main breaks and other problems.

The Village estimates the cost to renovate the Village's water system will be about \$3.95 million and take approximately six months to complete. Following public hearings in December 2006, the Village Board authorized the sale of up to \$3,950,000 in bonds to finance the projects. Because we have rarely borrowed to support such infrastructure projects and because Northfield enjoys a superb

credit rating, we expect to sell the bonds at a very favorable rate. While it is impossible to accurately predict how the interest payments will affect you, in general, we foresee about a 15% percent increase in the combined water and sewer rates.

Going back to the Village's original financial principle, we believe it is fair and equitable to spread the cost of this more secure source of water over 20 years. This way both current residents along with future generations share in the expenses.

### **Improving our general financial health**

Taking on a major infrastructure project such as replacing our water mains will obviously impact the Village's operating budget due to interest and bond payments. In addition, several other factors, including normal cost increases, unfunded state mandates, decreased revenues, rising pension costs and tax caps are all playing havoc with the Village's budget.

Unfortunately, because Northfield is one of the few remaining non home rule communities in Cook County and the state, the Legislature has a stronger hand in deciding what we can and cannot do and what avenues are available for increasing revenues. On the horizon, we anticipate the Legislature may impose more costly pension requirements for municipal police and fire-rescue departments. The Village cannot control these additional costs but must address them as part of future budgeting.

To deal with the continuing gap between higher expenses caused by state mandates, tax caps, higher utility and fuel costs and increasing employee benefit costs, followed by lower revenues from a weaker economy and lower sales taxes, the Village has aggressively stepped up its efforts to reduce costs.

One program the Village has implemented to reduce personnel costs is to offer early retirement to employees who meet the age and/or years of service requirements. While the Village values the work of all its employees, we feel the dedication and energy of our remaining workforce and carefully selected replacement workers, where needed, are able to continue to provide the high level of service residents expect. The costs savings from early retirements is expected to add \$170,000 annually to the Village budget.

In addition, this year we reviewed the waste and recycling program which the Village partially subsidizes for homeowners with individual containers who get basic one time per week at the curb service. We have determined that over the more than 15 years this program has been used, the amount the Village subsidizes from reserves for the program has increased and is no longer equitable for all residents. Therefore, beginning with the 2007-2008 waste and recycling contract year which is in effect May 1, all costs will be billed direct to residents (not including multi-family units using multi-use containers). Residents will pay the basic waste and recycling collection rate of \$10.17 per month plus any extra services they contract for. This cost is in line with what residents in surrounding communities are paying for this service.

Throughout this process of reducing costs and balancing the budget, we have strived to avoid any general tax increase. Where we are asking you to shoulder an additional burden, it is in areas directly related to the benefit you receive. The Board and staff will continue to examine options for additional economies including becoming a home rule community. We want you to know that the actions we have taken and are considering are forward-looking, not crisis generated, and are done for the long-term interests, quality of life and financial stability of Northfield's residents. We look forward to working with you in 2007 to make Northfield an even better place to live and work.