
I N T E R

O F F I C E

MEMO

To: Mayor and Village Board
From: Randy Recklaus, Village Manager
Tom Kuehne, Finance Director/Treasurer
Date: October 30, 2017
Subject: **PROPOSED 2018 BUDGET MATERIALS**

The proposed 2018 Budget materials for the Village Board's review were sent out on Friday October 27th. These materials include:

- Proposed 2018 Budget
- 2018 Budget Variance Report
- 2018 Boards & Commissions Budget Packet

Budget Meeting Schedule: Monday November 13th, Wednesday November 15th, and Thursday November 16th - If Needed. (See Budget Calendar on page "xx" of the budget book for a more detailed agenda for each night.)

Budget Questions?

For budget questions that are not addressed through a review of the Village Manager's Budget Message and the Financial Summary sections of the proposed budget, as well as through the budget variance memo, please email your questions to:

budget@vah.com

The proposed 2018 budget document and a copy of this budget variance memo will be posted on the Village's website under the "Budget & Financial Reports" tab by Thursday November 2nd. A link to the email address noted above will also be included at this location on the website.

Questions from the Village Board and the public that are received by November 7, 2017 will be included on a list of formal responses to these questions which staff will post by November 9, 2017. This process will not only result in a more efficient Budget Review meeting, but will enhance the quality of the responses Staff is able to provide.

2018 Budget Variance Report

Village of Arlington Heights

October 27, 2017

Budget Variance Explanations
Current Budget vs. Proposed Budget

Board of Trustees Budget Variances 2018

General Fund – Board of Trustees

101-0101-501

19-10 **IMRF**- In 2018 Trustees Opted Out. Amount is for the Mayor.

22-03 **Training**– The reduction is more in line with prior year actuals.

22-05 **Postage**– The reduction is more in line with prior year actuals.

22-25 **IT/GIS Service Charge** – The Building Department and Water Utility Division added a number of Mobile Data Terminals and iPads respectively to their areas. The number of computers in the Board of Trustees area did not change from year to year. As a result, this lowered this area’s proportional charge.

Budget Variance Explanations

Current Budget vs. Proposed Budget

Integrated Services Budget Variances 2018

General Fund – Integrated Services

101-0201-502

- 22-02 **Dues** – \$5,000 for local government best practice benchmark cooperative.
- 22-05 **Postage** – Reduction is more in line with prior year actuals.
- 22-15 **Photocopying** – Reduction is more in line with prior year actuals.
- 22-25 **IT/GIS Service Charge** – The Integrated Services Department included two additional computers compared to the prior year.
- 30-01 **Publications Periodicals** – Reflects a small \$100 increase in subscriptions.

Technology Fund

625-0601-553.

- 10-01 **Salaries** – decreased due to the elimination of the GIS Manager position after the retirement of the incumbent. In lieu of filling this position, the Village joined the intergovernmental GIS Consortium.
- 20-05 **Professional Services** – reflects the costs of joining the GIS Consortium.
- 21-02 **Equipment Maintenance** – Reduction in GIS Software licensing cost.
- 21-65 **Other Services** – Seamless Gov – new interactive forms for the Village’s website.
- 22-02 **Dues** - Reduction in GIS organization membership costs.
- 22-03 **Training** - Reduction in GIS training costs.
- 22-37 **Vehicle/Equipment Lease Charge** - The 2018 Budget charge is computed by the Public Works Department based on prior year maintenance charges allocated to all departments and current year depreciation charges based on the specific department’s vehicles.
- 30-01 **Publications Periodicals** - Reduction in GIS costs.
- 30-05 **Office Supplies & Equip** - Reduction in GIS costs.
- 33-05 **Other Supplies** - Reduction in GIS costs.

Budget Variance Explanations

Current Budget vs. Proposed Budget

Human Resource Department Budget Variances 2018

General Fund – Human Resource

101-0301-503.

20-05 **Professional Services** - Decrease for \$7,000 Gov HR encumbrance in 2017.

Health Insurance Fund – Human Resource

605-0301-552.

19-05 **Medical Insurance** – Due to upcoming retirement, forecasting family medical insurance when this position is filled.

19-06 **Med Ins – P&F duty Disability** – Accounts for the cost of the State mandated duty-disability health insurance costs, under the Public Safety Employee Benefits Act (PSEBA) being allocated to the Police and Fire Departments.

20-05 **Professional Services**- This line item is for actuarial charges and consultant fees for RDS and other mandated reporting and has been adjusted accordingly.

20-58 **Vision Plan Premiums** – Moved the Vision Buy-Up Account where Employees contributions are accumulated, to a General Fund balance sheet account.

20-60 **HMO Insurance Premiums** – Accounts for actual cost of premiums.

20-65 **Life Insurance Employer** – Decrease of \$7,000 due to rate adjustment. Accounts for life insurance premiums for existing employees. Equal to annual salary rounded up to \$50,000.

20-66 **Supplemental Life Employee**- This includes rate and enrollment decrease of new and existing employees. Employees pay the full cost.

Workers Compensation Insurance Fund – Human Resource

615-0301-552.

20-45 **Claims Administration** – Decrease due to current claims administration now being handled by IRMA. The remaining budget is for the administration of claims incurred prior to IRMA coverage as of June 1, 2017.

20-70 **Insurance Premiums** – Significant premium increase due to the Village's decision to move from self-insured coverage with a \$750,000 self-insured retention, to IRMA coverage with a \$100,000 deductible.

42-75 **Claims Medical Loss**

42-80 **Claims WC Salary Replacement**

42-81 **IRMA Medical Loss Deductible**

Claims cost moving from self-insured accounts to the new IRMA claim account.

Budget Variance Explanations
Current Budget vs. Proposed Budget

Legal Department Budget Variances 2018

General Fund – Legal

101-0401-503.

22-25 **IT/GIS Service Charge** – The Legal Department included one additional computer compared to the prior year.

30-05 **Office Supplies & Equipment** – Increase needed to ensure enough money to purchase needed supplies, as the Department has run out of money before the end of the budget year in the past.

Budget Variance Explanations

Current Budget vs. Proposed Budget

Finance Department Budget Variances 2018

General Fund – Finance

101-0501-503.

- 21-02 **Equipment Maintenance** – Reduced spend for typewriters and misc equipment mostly due to moving processes to computers.
- 22-01 **Advertising** – A small decrease based on prior year actual results.
- 22-02 **Dues** – A small decrease based on prior year actual results and from change in staff needs.
- 22-03 **Training** – The reduction is more in line with prior year actuals.
- 22-05 **Postage** – Slight increase due to business license mailings now being handled by the Village Clerk.
- 22-10 **Printing** – Increased for specialty printing of items as parking stickers, vehicle stickers and budget/ CAFR tabs.
- 22-25 **IT/GIS Service Charge** – The Building and Life Safety Department and Water Utility Division added a number of iPads to their areas. The number of computers in Finance Department did not change from year to year. As a result, this lowered this area’s proportional charge.

General Fund - Non-Operating

101-9901-591.

- 40-89 **Sales Tax Abatement** – Decrease due to the final Lowes sales tax abatement payment being made in the prior year.
- 40-96 **Contingency** – Decrease due to lowering the contingency amount in the General Fund.
- 90-05 **Operating Transfer-Out** – Reflects a proposed one-time transfer to the Arts, Entertainment, and Events Fund, which will be used to balance the fund’s revenues and expenses in 2018.

Water & Sewer Fund – Finance

505-0501-503.

- 19-05 **Medical Insurance** – Increase due to some employee changes to family from single health insurance coverage.
- 20-05 **Professional Services** – Decreased based on prior year actual results.
- 22-03 **Training** – A small decrease based on prior year actual results.
- 30-05 **Office Supplies & Equip** – Account fluctuates year to year based on inventory of supplies.

Budget Variance Explanations

Current Budget vs. Proposed Budget

Finance Department Budget Variances 2018 (Continued)

Arts, Entertainment & Events Fund – Finance

515-2005-525.

- 40-81 **Operating Contribution** – \$260,000 was requested by the Performing Arts at Metropolis (PAM) for 2017, which reflects a planned two percent annual increase.
- 40-82 **Restricted Contribution** – \$52,000 is budgeted for the annual restricted contribution held by the Village, which reflects a planned 2% increase each year.
- 50-55 **Other Capital Outlay** – Decrease of \$50,700 in 2018 from \$21,700 of encumbrance and projects with higher cost in 2017. Unplanned projects in 2017 that required budget amendments included \$5,000 toward the cost of security doors and \$5,000 to install AED units.

General Liability Insurance Fund

611-0501-552.

- 20-45 **Claims Administration** – Decrease due to current claims administration now being handled by IRMA. The remaining budget is for the administration of claims incurred prior to IRMA coverage as of June 1, 2017.
- 20-70 **Insurance Premiums** – Decreased, as the proportional IRMA charge between general liability and workers' compensation calculated by the Village is based on total claims over the last five years. The IRMA premium charged to this fund is less than the cost of the prior year insurance premium.
- 42-53 **Vehicle Loss**
- 42-55 **Property Loss**
- 42-60 **Liability Losses**
- 42-81 **IRMA Liability Deductible**
Claims cost moving from self-insured accounts to the new IRMA claim account.

Budget Variance Explanations

Current Budget vs. Proposed Budget

Police Department Budget Variances 2018

General Fund – Police

101-3001-511.

- 11-70 **Police Officer** – There are a number of newer officers in the Department that were hired over the past three years whom will receive step increases.
- 20-37 **Central Dispatch** – Increased due to proportionally higher calls reported by the Village compared to other member communities.
- 22-05 **Postage** – Increase due to shipping costs.
- 22-10 **Printing** – Decrease resulted from prior year encumbrance for Field Directories.
- 22-15 **Photocopying** – Increase due to expired manufacturer maintenance contracts for two older copiers.
- 30-35 **Clothing** – Decrease resulted from prior year encumbrance for police uniforms.
- 30-50 **Petroleum Products** – Decrease due to gasoline price drop.
- 40-67 **Canine Program** – Moved account to the Criminal Investigation Fund (State Awards).

Board of Fire and Police Commissioners

101-1008-502.

- 20-75 **Examinations** – Increase reflects required testing.

Criminal Investigation Fund – Police

231-3003-511.

- 22-02 **Dues** – Decrease due to moving the cost of the Northern IL Regional Crime Lab membership to the Justice account.
- 40-01 **State Awards** – Increase due to moving the canine account from the General Fund, and includes replenishing official advance funds from the Federal Awards Account.
- 40-11 **Justice** – Increase due to funding two capital projects: fitness equipment for the new police facility and a public safety command vehicle. Also see “Dues” narrative above.

Budget Variance Explanations Current Budget vs. Proposed Budget

Fire Department Budget Variances 2018

General Fund – Fire

101-3501-512.

- 20-37 **Central Dispatch** – Increased due to proportionally higher calls reported by the Village compared to other member communities.
- 22-25 **IT/GIS Service Charge** – The Building and Life Safety Department and Water Utility Division added a number of IPads to their areas. The Fire Department only added one computer to their total. As a result, this lowered this Department’s proportional charge.
- 22-37 **Vehicle/Equipment Lease Charge** - The 2018 Budget charge is computed by the Public Works Department based on prior year maintenance charges allocated to all departments and current year depreciation charges based on the specific department’s vehicles.
- 30-50 **Petroleum Products** – Decrease due to gasoline price drop.
- 31-85 **Small Tools and Equipment** – Decrease due to a prior year encumbrance.

Budget Variance Explanations

Current Budget vs. Proposed Budget

Planning Department Budget Variances 2018

General Fund – Planning

101-4001-521.

- 18-01 **Temporary Help** –Reduced to meet budget ceiling resulting in only one summer intern.
- 20-05 **Professional Services** – The one year planning services contract ended.
- 21-02 **Equipment Maintenance** – Equipment maintenance has been minimal in the past few years.
- 21-65 **Other Services** – Minor reduction in other services.
- 22-15 **Photocopying** – Reduction reflects greater use of electronic distribution to Commissions.
- 22-37 **Vehicle/Equipment Lease Charge** - The 2018 Budget charge is computed by the Public Works Department based on prior year maintenance charges allocated to all departments and current year depreciation charges based on the specific department’s vehicles.
- 30-01 **Publication Periodicals** – Reduction based upon projected need.
- 33-05 **Other Supplies** –Reduced as the Hotel Visitor Guide was budgeted in 2017.

Budget Variance Explanations

Current Budget vs. Proposed Budget

Department of Building and Life Safety Budget Variances 2018

General Fund – Building and Life Safety

101-4501-523.

- 10-01 **Salaries** – Reflects the new proposed part-time front desk Administrative Assistant position.
- 18-01 **Temporary Help** – Transferred \$12,000 in 2017 to Professional Services to use third-party contractor services in lieu of direct hires. This may be done next year again, but the amount is uncertain, so the budget reflects the previous standard amount.
- 20-05 **Professional Services** - Put \$12,000 back in Temporary Help. This amount was transferred into the account during the 2017 year.
- 21-65 **Other Services** – 2017 included a \$16,000 encumbrance carryover. The budget for this account is returning to a previously approved level.
- 22-05 **Postage** – Reduced as the Village Clerk is now handling business license function.
- 22-25 **IT/GIS Service Charge** – The Building and Life Safety Department and Water Utility Division added a number of iPads to their areas. As per last year’s budget, the Building and Life Safety Department added five laptops. As a result, this increased this Department’s proportional charge.
- 22-37 **Vehicle/Equipment Lease Charge** - The 2018 Budget charge is computed by the Public Works Department based on prior year maintenance charges allocated to all departments and current year depreciation charges based on the specific department’s vehicles.
- 30-01 **Publications and Periodicals** – Decreased as the Code books were replaced during the prior year.

Budget Variance Explanations

Current Budget vs. Proposed Budget

Department of Health and Human Services Budget Variances 2018

General Fund – Health & Human Services Department

101-4502-523.

- 10-01 **Salaries** – Decreased as the Public Health Nurse position was changed from a full-time position to a part-time position.
- 18-01 **Temporary Help** – Increased to help accommodate the change in the Public Health Nurse position.
- 21-10 **Property Maintenance** – Reduction is more in line with prior year actuals.
- 22-37 **Vehicle/Equipment Lease Charge** - The 2018 Budget charge is computed by the Public Works Department based on prior year maintenance charges allocated to all departments and current year depreciation charges based on the specific department's vehicles.
- 30-50 **Petroleum Products** – Decrease due to gasoline price drop.
- 33-05 **Other Supplies** – Reflects a decrease due to a one-time 2017 fee to purchase Environmental Health software.

Budget Variance Explanations

Current Budget vs. Proposed Budget

Department of Health - Senior Services Budget Variances 2018

General Fund – Senior Center

101-4503-523.

- 18-01 **Temporary Help** – Decrease due to the prior year inclusion of a one-time increase to accommodate a temporary vacancy.
- 22-03 **Training** - Staff have been participating in more training. While this appears to be a 10 % increase, it is only a \$100 increase over the prior year. This past year, Senior Center staff declined a volunteer management conference because the line item for training was insufficient.
- 22-05 **Postage** - Reduction is more in line with prior year actuals.
- 22-40 **Taxi Service Subsidy** – Decrease line item to reflect actual taxi use.
- 31-65 **Other Equipment & Supplies** – Added \$200 for replacement of aging equipment such as lectern; added \$300 to supplies for volunteer banquet awards, decorations and supplies; Added \$1,100 for patio program supplies-these are partially or fully defrayed by ticket sales; added \$100 for National Senior Health and Fitness Day for expansion of the program; added \$200 to add additional inventory item (Gatorade) - this cost will be fully defrayed by the purchase price.

Budget Variance Explanations

Current Budget vs. Proposed Budget

Engineering Department Budget Variances 2018

General Fund – Engineering

101-5001-524.

- 20-05 **Professional Services** – Includes a prior year encumbrance of \$11,269, as well as a reduction of \$73,000 in contract assistance with reconstruction plans, and \$35,000 to convert the Cartegraph System data to a new work-order system software.
- 22-25 **IT/GIS Service Charge** – The Building and Life Safety Department and Water Utility Division added a number of iPads to their areas. The Engineering Department added three computers to their total. As a result, this increased this Department’s proportional charge.
- 22-37 **Vehicle/Equipment Lease Charge** - The 2018 Budget charge is computed by the Public Works Department based on prior year maintenance charges allocated to all departments and current year depreciation charges based on the specific department’s vehicles.

Budget Variance Explanations

Current Budget vs. Proposed Budget

Public Works Department Budget Variances 2018

General Fund – Public Works

101-7101-531.

- 21-11 **Building Maintenance:** Decrease due to the one-year elimination of gun range cleanings.
- 21-15 **Street and Sidewalk Maintenance:** Increase due to the formalization of contractual roadway and sidewalk programs. Programs added to 2018 include Asphalt Spray Patching and Paver Brick Maintenance.
- 21-36 **Equipment Rental:** Increase due to higher contractual costs for trucking associated with the edge-grinding program.
- 21-62 **Disposal Services** – Annual purchasing trends for disposal have been trending down and were reduced for 2018.
- 21-65 **Other Services:** Increase due to the inclusion of new software subscription costs such as Cityworks and See Click Fix.
- 22-25 **IT/GIS Service Charge** – The Building and Life Safety Department and Water Utility Division added a number of iPads to their areas. The Public Works Department added only one computer to their total. As a result, this decreased this Department’s proportional charge.
- 22-37 **Vehicle/Equipment Lease Charge** - The 2018 Budget charge is computed by the Public Works Department based on prior year maintenance charges allocated to all departments and current year depreciation charges based on the specific department’s vehicles.
- 22-70 **Telephone Services** - Increase due to the inclusion of data costs associated with the GPS-AVL system.
- 30-35 **Clothing** - Reduction is more in line with prior year actuals.
- 30-50 **Petroleum Products** – Decrease due to gasoline price drop.
- 31-45 **Janitorial Supplies** - Decrease due to the effectiveness of Central Purchasing.
- 31-55 **Building Supplies** - Decrease due to reduced need of building supplies during the construction of the new Police Station.
- 31-65 **Other Equipment and Supplies** - Decrease due to reduced need of small equipment supplies during the construction of the new Police Station.
- 31-80 **Street Sign Supplies** - Annual purchasing trends for sign supplies have been trending down and were reduced for 2018.
- 31-90 **Street and Sidewalk Supplies** - Decrease due to large prior year encumbrance for road salt.
- 33-05 **Other Supplies** - Annual purchasing trends for Draftsman have been trending down and were reduced for 2018.

Budget Variance Explanations

Current Budget vs. Proposed Budget

Public Works Department Budget Variances 2018 (Continued)

Water Utility Operations

505-7201-561.

20-05 **Professional Services**

21-02 **Equipment Maintenance**

Decreases in both of these accounts are due to prior year encumbrance rollovers.

21-62 **Disposal Services** - Annual purchasing trends for disposal have been trending down and were reduced for 2018.

21-65 **Other Services:** Increase due to the inclusion of new software subscription costs for Cityworks and See Click Fix.

22-20 **Annual Consumer Report:** Decrease due to the digital distribution of the Annual Consumer Report.

22-25 **IT/GIS Service Charge** – The Building and Life Safety Department and Water Utility Division added a number of iPads to their areas. The Water Utility Division added 13 iPads to their total. As a result, this increased substantially this Division’s proportional charge.

22-37 **Vehicle/Equipment Lease Charge** - The 2018 Budget charge is computed by the Public Works Department based on prior year maintenance charges allocated to all departments and current year depreciation charges based on the specific department’s vehicles.

22-70 **Telephone Services** - Increase due to the inclusion of data costs associated with the GPS-AVL system.

30-30 **Data System Supplies** - Increase due to greater need of security system supplies and reassigning some “Other Supplies” to this account.

30-50 **Petroleum Products** – Decrease due to gasoline price drop.

33-05 **Other Supplies** - Decrease due to miscellaneous supplies being assigned to other accounts, such as Data System Supplies.

50-10 **Office Equipment** – The prior year included funds for the asset based work management system.

50-20 **Building Improvements** – The prior year included the Well #13 roof replacement.

Fleet Operations

621-7501-551.

21-02 **Equipment Maintenance** - Additional funding required for maintenance costs associated with the Village’s fuel pumps and other Fleet equipment.

21-07 **Vehicle Maintenance** - Additional funding required for contractual costs associated with the Fire Department’s vehicles.

21-08 **Vehicle Damage** - Annual costs for vehicle damage have been trending higher. This account was increased to accommodate the additional charges this account has experienced.

Budget Variance Explanations

Current Budget vs. Proposed Budget

Public Works Department Budget Variances 2018 (Continued)

- 21-36 **Equipment Rental** - Cost increase for welding cylinder rentals.
- 22-02 **Dues** - Membership dues have been trending down. This account was adjusted for 2018.
- 22-03 **Training** - Additional funding required for Automotive Service Excellence (ASE) courses.
- 22-10 **Printing** - Contractual printing services have been trending down. This account was adjusted for 2018.
- 22-25 **IT/GIS Service Charge** – The Building and Life Safety Department and Water Utility Division added a number of iPads to their areas. The number of computers in the Fleet Fund did not change from year to year. As a result, this lowered this area’s proportional charge.
- 22-37 **Vehicle/Equipment Lease Charge** - The 2018 Budget charge is computed by the Public Works Department based on prior year maintenance charges allocated to all departments and current year depreciation charges based on the specific department’s vehicles.
- 30-05 **Office Supplies and Equipment** - This increase accommodates a greater need for label making equipment and supplies.
- 30-50 **Petroleum Products** – Decrease due to gasoline price drop.
- 30-55 **Non-Village Fuel Resale** - Reduction in fuel resale due to lower per gallon price projections.
- 31-55 **Vehicle Maintenance Supply** - Vehicle supply parts costs have been trending down. This account was adjusted for 2018.
- 33-05 **Other Supplies** - Reduction in costs for shop supplies.

Municipal Parking Operations

235-7301-532.

- 21-50 **Utility Services:** Increase due to observed historical charges and realignments of accounts. During an internal review, it was found that the General Fund was paying for lighting in surface lots. These charges were moved from the General Fund to the Municipal Parking Fund.
- 31-65 **Other Equipment and Supplies:** Additional funding required to maintain the Municipal parking garage.
- 31-90 **Street and Sidewalk Supplies:** projected increase for parking garage winter maintenance materials.
- 40-75 **Administrative Service Charge** – the service charge to the General Fund was reduced to help balance the Municipal Parking Fund over the next five years.

Budget Variance Explanations

Current Budget vs. Proposed Budget

Public Works Department Budget Variances 2018 (Continued)

Vail Garage Operations

235-7302-532.

- 21-02 **Equipment Maintenance** - Increase in funding required for elevator maintenance.
- 21-50 **Utility Services** - Increase due to observed historical charges to this account.

North Garage Operations

235-7303-532.

- 21-50 **Utility Services** - Increase due to observed historical charges to this account.
- 31-65 **Other Equipment and Supplies** - Additional funding required to maintain the North parking garage.
- 31-90 **Street and Sidewalk Supplies** - Projected increase for parking garage winter maintenance materials.

Evergreen Garage Operations

235-7304-532.

- 31-65 **Other Equipment and Supplies** - Additional funding required to maintain the Evergreen parking garage.

Arts, Entertainment, & Events – Public Works

515-7101-525.

- 18-05 **Overtime Civilian** - Increased overtime costs in order to staff and support Village special events.
- 33-05 **Other Supplies** - An increase in supplies and rentals needed to support Village special events. These charges were historically supported by the General Fund. Examples include barricade rental for the Fourth of July and restroom rentals for the Memorial Day parade.