

MEMO

To: Rosemary Ryba

Date: October 13, 2014

From: Mike Harrington

Subject: VBH Budget 2015

As you know, I will be unable to attend the Finance Committee meeting on October 23. Accordingly, here are a few notes for the budget numbers I have submitted for my areas of responsibility.

Municipal Building and Grounds

2015 budgeted numbers are the same as the 2014 budget numbers with two exceptions:

- 1) Exterior Building Maintenance was reduced from \$25,000 to \$20,000.
- 2) Landscape Restoration was increased from \$22,000 to \$27,500. This is to allow for the purchase and planting of plants to replace dead plants in village plant beds.

Although actual Building and Grounds expenditures for 2014 are likely to come in under budget, I recommend that we continue to utilize the same 2014 budget figures for 2015 because many of the expenses in this category are repairs and can be unexpected and are difficult to predict. We do not want to have insufficient budget to do necessary repairs. Moreover, the overall category budget of \$157,500 is relatively small compared to the village's overall budget.

Health Services

The category is small, with only three accounts. My recommendation is to maintain 2015 budgeted expenses at \$7,500, which is the same total level as 2014. I shifted \$500 from Board of Health to Animal Services, but the overall budget remains the same from 2014 to 2015.

Insurance

Unfortunately we did not receive our 2015 rate quotes as of the budget cutoff date. Accordingly, we did our best to estimate "placeholders" pending final quotes, which we expect to receive the third week of October for Health Insurance and early November for Property and Casualty.

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For health insurance, there are two components of cost: fixed premiums and variable expense in the form of village reimbursements for deductibles. Preliminary discussions with our insurance broker indicated fixed premium estimated increases of “single digit,” which is reflected in the placeholder budget number. Variable costs are a function of the how often and to what degree village employees utilize covered health services. Historically the utilization rate has been around 80%. However, for 2014, the utilization rate through the end of August was at a lower cost level of 42%. Utilization may be lower because: A) Employees are healthier; and/or B) The 2014 policy included an “imbedded deductible” of \$4,000 per individual family member vs. the higher total family deductible of \$5,000; and/or C) The implementation of higher employee sharing in deductibles and premium costs has created greater “elasticity of demand” for health services, which is to say that employees are less inclined to use health services when their out-of-pocket cost of such service increases. We don’t know for sure and with only 8 months of data it is premature to forecast 2015 based upon 2014 YTD August numbers. Furthermore, the higher cost sharing change did not apply to union employees and we won’t know if it will until collective bargaining negotiations are concluded. Accordingly, my budget includes a more conservative utilization figure of 80%, the historical norm.

Additionally, the budget includes a new expenditure line item (“VSP Expenses”) for the Voluntary Separation Plan (VSP) (Res. 14-19). Two eligible employees have elected to participate and an amount of \$49,000 has been budgeted accordingly. “VSP Expenses” will reflect the Village’s payment of their medical premiums and has been place marked with an estimated 10% increase over the 2014 premium rate.

For property and casualty polices, our insurance broker advised us that we should reasonably expect increases of 2-4%. Workers comp premiums are estimated to decrease 3% , and the budget utilizes this figure with an appropriate adjustment for the overall change in the number of employees. Final quotes are expected Mid-November.

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VILLAGE OF BARRINGTON HILLS
BUDGET PREPARATION WORKSHEET
BUDGET YEAR 2015

ACCT#	DEPT. 03 - HEALTH SERVICES DESCRIPTION (Mike Harrington)	2014 BUDGET	ACTUAL THROUGH 9/30/2014	2015 BUDGET REQUEST	(Ord 14-03) APPROPRIATED	Proposed Levy '14	Budget/Levy Variance
50401	ANIMAL SERVICES	\$ 1,500.00	\$ 1,400.35	\$ 2,000.00	\$ 4,000.00	\$ 2,000.00	\$ -
50403	BOARD OF HEALTH	3,500.00	-	3,000.00	7,000.00	3,000.00	-
50405	POTABLE WATER	2,500.00	-	2,500.00	8,000.00	2,500.00	-
	TOTAL DEPT. EXPENSES	7,500.00	1,400.35	7,500.00	19,000.00	7,500.00	-

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DEPT. 06 - INSURANCE		2014	ACTUAL THROUGH	2015	(Ord 14-03)	Proposed	Budget/Levy
ACCOUNT	DESCRIPTION (Mike Harrington)	BUDGET	9/30/2014	BUDGET REQUEST	APPROPRIATED	Levy '14	Variance
50902	WELLNESS REIMBURSEMENTS	\$ 2,400.00	\$ 1,920.00	\$ 2,400.00	\$ 2,500.00	\$ -	\$ (2,400.00)
50903	EMPLOYEE DENTAL PLAN	63,115.00	44,362.56	65,000.00	70,000.00	-	(65,000.00)
50904	WORKER'S COMPENSATION INS.	112,641.00	96,101.00	109,500.00	120,000.00	109,500.00	-
50905	EMPLOYEE MEDICAL AND LIFE	702,000.00	457,994.62	675,000.00	800,000.00	-	(675,000.00)
50906	VEHICLE/PHYSICAL DAMAGE	6,708.00	1,206.00	7,043.00	15,000.00	7,043.00	-
50907	SURETY BONDS	2,500.00	-	-	4,000.00	-	-
50908	DISABILITY INSURANCE	19,606.00	13,661.61	20,586.00	25,000.00	20,586.00	-
50909	PROPERTY INSURANCE	6,733.00	52.00	7,070.00	8,000.00	7,070.00	-
50910	INLAND MARINE/COMPUTER EQUIPMENT	1,046.00	-	1,098.00	2,500.00	1,098.00	-
50911	ASSET INVENTORY	11,770.00	2,381.00	12,358.00	18,000.00	12,358.00	-
50912	PROPERTY-FIRE STATION	1,842.00	-	1,934.00	2,000.00	2,000.00	66.00
50913	DEDUCTIBLE PAYMENTS	15,000.00	-	15,000.00	20,000.00	15,000.00	-
* 50914	VSP EXPENSES	-	-	49,000.00	-	-	(49,000.00)
	TOTAL DEPT. EXPENSES	945,361.00	617,678.79	965,989.00	1,087,000.00	174,655.00	(791,334.00)
* New Account							
	placeholder until final quotes are received						
DEPT. 07 - MUNICIPAL BLDGS&GROUNDS		2014	ACTUAL THROUGH	2015	(Ord 14-03)	Proposed	Budget/Levy
ACCOUNT	DESCRIPTION (Mike Harrington)	BUDGET	9/30/2014	BUDGET REQUEST	APPROPRIATED	Levy '14	Variance
51001	BUILDING IMPROVEMENTS	\$ 20,000.00	\$ 9,470.87	\$ 20,000.00	\$ 60,000.00	\$ 20,000.00	\$ -
51002	FURNITURE AND EQUIPMENT	5,000.00	138.60	5,000.00	20,000.00	5,000.00	-
51003	INTERIOR BLDG MAINTENANCE	36,500.00	19,681.56	36,500.00	65,000.00	36,500.00	-
51004	EXTERIOR BLDG MAINTENANCE	25,000.00	12,521.65	20,000.00	65,000.00	20,000.00	-
51005	GROUNDS MAINTENANCE	8,000.00	8,510.00	8,000.00	20,000.00	8,000.00	-
51006	CONTRACTUAL SERVICES	5,000.00	2,164.93	5,000.00	30,000.00	5,000.00	-
51007	PARKING LOT MAINTENANCE	4,000.00	1,216.43	4,000.00	6,000.00	4,000.00	-
51008	PROPERTY TAXES	5,000.00	2,830.70	4,000.00	8,000.00	-	(4,000.00)
51009	LANDSCAPE RESTORATION	22,000.00	18,543.50	27,000.00	35,000.00	27,000.00	-
51010	LANDSCAPE IRRIGATION	1,500.00	1,193.74	1,500.00	7,000.00	1,500.00	-
51011	SNOW REMOVAL	15,000.00	8,315.00	15,000.00	40,000.00	15,000.00	-
51012	SAFETY/SECURITY EQUIPMENT	9,000.00	16,538.44	9,000.00	25,000.00	9,000.00	-
51098	FIRE STATION MAINTENANCE	2,500.00	4,836.03	2,500.00	25,000.00	2,500.00	-
	TOTAL DEPT. EXPENSES	158,500.00	105,961.45	157,500.00	406,000.00	153,500.00	(4,000.00)

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			2014	Actual Through	2015	(Ord 14-03)	Proposed	Budget/Levy
ACCOUNT	DESCRIPTION (Mike Harrington)		BUDGET	9/30/2014	BUDGET REQUEST	APPROPRIATED	Levy '14	Variance
REVENUE	40000	PROPERTY TAX-INSURANCE FUND	\$ 94,468.00	\$ 88,500.95	\$ 99,189.00		\$ -	\$ 99,189.00
	43000	DEBT PROCEEDS	-	-	-	-	-	-
		TOTAL REVENUE	94,468.00	88,500.95	99,189.00		-	99,189.00
EXPEND.	51501	GENERAL LIABILITY POLICY	\$ 13,696.00	\$ -	\$ 14,380.00	\$ 20,000.00	\$ 14,380.00	\$ -
	51502	VEHICLE LIABILITY POLICY	16,963.00	-	17,811.00	20,000.00	17,811.00	-
	51503	EMPLOYMENT PRACTICE LIABILITY	4,458.00	-	4,680.00	10,000.00	4,680.00	-
	51504	LAW ENFORCEMENT POLICY	12,767.00	-	13,405.00	25,000.00	13,405.00	-
	51505	PUBLIC ENTITY MANAGEMENT	2,383.00	-	2,502.00	5,000.00	2,502.00	-
	51506	EXCESS LIABILITY POLICY	44,201.00	-	46,411.00	60,000.00	46,411.00	-
	*51509	DEDUCTIBLE PAYMENTS	-	1,008.00	-	15,000.00	-	-
		TOTAL EXPENSES	94,468.00	1,008.00	99,189.00	155,000.00	99,189.00	-
		SURPLUS (DEFICIT)	-	87,492.95	-			
		REVENUE VARIANCE FROM 2014 BUDGET TO 2015 BUDGET			4,721.00			
		EXPENDITURE VARIANCE FROM 2014 BUDGET TO 2015 BUDGET			4,721.00			
		* New account description placeholders until final quotes received						

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