

Village of Prairie Grove

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Memorandum

To: President and Board of Trustees

Date: May 6, 2010

From: Jeannine Smith, Village Administrator
Jean Smith, Village Treasurer

Re: 2010/2011 Proposed Budget

We have received one response with questions regarding the 2010/2011 Proposed Budget following last month's Board meeting. Below please note the questions along with our response (in red). Please forward any additional questions or comments to Jean & Jeannine.

Also, we have attached an adjusted Budget. The following changes have been made which allows the budget to balance except for the \$204,000 remaining in the Construction Bond line item which by contract must be exhausted this year.

Revenues:

1. State Income Tax potential decrease of \$13,228. *(However, this \$13,228 may go away given recent correspondence from the State of Illinois)*
2. State Grants increased by \$1,678. This was to adjust for actual monies received vs. anticipated by 4/30/10.
3. Please note that our budget numbers do not reflect the \$47,421.55 due for prior fiscal year income tax revenue.

Expenditures:

1. Administrative – Decrease of \$1,500 in Admin Consultants.
2. Administrative - Decrease of \$639 was made in Employee Health Insurance costs. We received updated information and elected to change our plan's deductible to reduce costs.
3. Administrative - Increase of \$2,097 for State Planning Grants to adjust for actual monies spent vs. anticipated by 4/30/10.
4. Public Works – Education Expense decreased by \$200.

5. Public Works – Road Bond Expenses decreased \$2,000 due to adjustment for actual expenses paid in FY 2009/10. (204,000 actual Construction Funds Remaining)
6. Police – Decreased salaries by \$20,038 to better reflect actual payroll costs in 2009/2010 (\$144,361 actual 2010/2011 budget \$162,412).
7. Police – Decrease in payroll taxes of \$1,540 as a result of decrease in salaries.
8. Police – Decreased 911 service \$4,200 due to contract amount.
9. Police – Debt Service decreased by \$3,800 changed purchase of new Tahoe from a two year loan to a three year loan.
10. Building Department – Decreased Auto Maintenance by \$250.

Thank you,

Jean & Jeannine

RESPONSE TO QUESTIONS REGARDING 2010/2011 DRAFT BUDGET

- I would like to conservatively reflect the 10% hit the state is suggesting for income taxes for our revenue impact.

We have adjusted the budget to reflect an anticipated 10% impact. (a decrease to income tax revenue by \$13,000)

- In looking at the first page, the expected Ending General Fund Balance appears to be dropping by nearly 225K which is nearly a 40% decrease and not one in which I am comfortable with at all

In the attached amended budget you will see the net revenue to expenditure amount is \$204,000. That amount is equal to the remaining construction bond funds which were received in a prior year, not fully expended in the last two years, held in reserve and must be exhausted in this fiscal year by contract.

Summary Explanations:

- Public Works: Equipment Repair we're showing an increase in maintenance which I don't disagree. What I have issue with is the rather unscientific nature of what our potential maintenance costs are all together. I may be off base here but I do not believe we have any consistent tracking of maintenance records for all of our equipment. It does not address the budget item near term and at this point it would seem to be as good a guess as any but I want for Public Works to create an excel spreadsheet for record keeping purposes for each and every piece of equipment and I want us to track all performed significant maintenance (oil changes, tune ups, etc.) where we capture notes about maintenance performed, cost, who performed the maintenance, reason for maintenance, etc. We need to begin capturing history so we have a basis of budgeting for these items but also allowing us to anticipate and hopefully avoid problems.

Prior to completing the budget, we compiled this information for the past 2 years. We currently have two separate spreadsheets with which we track these maintenance items. One is for in-house maintenance and the other for work contracted out.

- Parks & Recreation – I would like to see us take a phased approach and abandon the OSLAD grant personally. I think we need to also look at ways to implement paths along the existing roads with these funds to address safety issues of the highly used roads now and look for more practical park arrangement through volunteered time and materials from our residents that may have equipment or materials available.

When completing the budget, we must go by Board Direction. If this is the direction you would like to pursue, we can put the item on the agenda to discuss at the next Board Meeting.

- Police – While I appreciate the fact that the police likely need a new 4x4 sooner rather than later, I believe we need to defer one more year on that and maintain what we have. It is a substantial cash outlay in a very down year.

We definitely understand your concern; however the anticipated expense of \$6K to keep the Tahoe in working condition is greater than the increase in expenses as a result of the increase in monthly payments. To help reduce the impact, we have adjusted the budget to use a 3 year loan which will reduce our monthly payments. We budgeted to purchase the car in November when our final payment is made on the Crown Vic (so at no time do we have 2 car payments). Payments would begin in December and increase only slightly over the Crown Vic payments. The net effect from current year to next year would be approximately \$800.

- In general, I am disappointed to see that we have no funds allocated for future grants at all. I realize this is an area that is difficult in this economy but surely there must be some funding sources available to support local municipalities, are there not? I would like to see a definitive plan for exploration of grants for public works (equipment, roads, public utilities, etc.), parks and recreation, funded headcount as we were fortunate enough to receive this past year, etc.

We are always looking for grants to receive, however, we cannot put something in the budget that we are not aware of and quite certain of receiving. Additionally, we must consider all aspects of the grant application including resources we have available – both financial and manpower.

Almost all of our grant opportunities come from the Federal Government. The monies allocated are handed down to several State agencies for distribution. Depending on the type of grant, the Village might apply to the State or if it is of a regional nature, the County. There are a few private grant sources available; however, they typically target educational entities.

We are on several listservs and networks with other agencies to keep apprised of opportunities available. There are few grants that are available on an on-going basis

that we are eligible to receive funding for (such as most CDBG grants due to our high income level.) Most of the opportunities that are made available and we qualify for are made available with short notice to local government. Therefore, tracking is difficult.

On the larger scale grants, we can track a few of them and Staff is working on a Matrix to review regularly as we move toward completing the priorities identified in our Comprehensive, Route 176 and (soon to be) TOD Town Center plans.

The most important thing to remember with regard to grant application and administration is that there is almost always a municipal match. So depending on the project, we must be cognizant of all costs involved included the upfront costs of producing the application. For instance, there might be a grant available for infrastructure improvements but that type of grant typically requires an engineer to produce documentation and drawings in support of the project

Recognizing all of the above, just because we apply for a grant doesn't mean we will receive it when you throw politics in the mix. Last year we applied for an emergency repair grant through the State of Illinois for Half Mile Trail. We were very confident that the condition of this road could not be ignored by the grantors; however, there were so few funds available that our legislator decided to divvy them up among his townships to increase the value of the local impact.

Local governments received another grant opportunity for roads this year and were given three days to apply including providing engineering for the project! When the Administrator looked into the grant opportunity she was advised by the State (and she verified this with the Feds) that there was only \$3million being allocated for the entire USA! The Village did not apply as the costs to produce the application (engineering fees for drawings and documentation) far outweighed any chance of receiving a benefit.

Tim has already looked into IDOT grants to replace road signs this year; but because we are considered an "urban area" by the State of Illinois, we are not eligible. Our high school student Schaad will be returning to work with public works again this summer at no cost to the Village through the McHenry County Workforce Network grant; therefore, we cannot place his salary in our budget.

Ron has been approved for reimbursement of Officers' salaries for several campaigns this year through an IDOT grant which is included in the budget.

Jeannine is continually looking into all types of grants. At the current time she is working on an energy efficiency grant for which the Village is eligible to receive. If it is a feasible grant and we are chosen, the Village will need to provide funding at a 25% participation level. We were made aware of this grant this past Monday and have until June 11th to submit a proper application. Therefore, since we had no knowledge of when this grant would be made available, it is not included in our budget.

10-10-5022 Employee Health Insurance

- What is our current cost share (how much does the village pay vs. the employee)?

Currently the village pays for 100% of employee health care and 50% of family & spouse when elected. We met with the Health Insurance Representative to determine how we could lower our costs. We have discussed our options with the employees and everyone has agreed to change the Village's plan slightly.

10-10-5002 Salaries

- Adding the 2nd day per week for treasurer I question with the down turn and less activity in general, it would seem as though there would be less work. What is the justification for the additional day per week?

During most weeks, Jean works a minimum of 3 days per week at the cost of 2. The previous treasurer paid bills, received money, and did payroll. Jean's work has been increased with the addition of the various sales tax incentive agreements. Additional paper work is required to track the various agreements. Jean has also become heavily involved with the budget as well as the appropriations, and the tax levy processes. If we must decrease the budget in the future due to a decrease in funds being available, this is an area for consideration.

10-10-5040 Miscellaneous

- Are we required to have the defibulator and does someone need to be certified to use the device? What is the maintenance and support cost of the device annually?

While there is no requirement for us to have a defibulator, Jeannine had received an exceptional deal through the State on the purchase of one. We felt as a municipality we should have one on hand. There is no certification required to use the device; in fact, it is a computerized instructional device to assist anyone with its operation.

10-14-5602 Salaries

- I believe we need to trim back on the pt seasonal help or it will force us to cut headcount elsewhere.

Part-time/seasonal salaries has been cut back substantially... monies allocated are only when additional head count is required by law for flaggers when work is being done on roads as well as some money to assist in snow removal. Current budget has \$3,800 for Part-Time seasonal. Actual paid during 2009/2010 was \$7,800 with \$12,000 being budgeted.

10-14-5610 Equipment Repair

- What is the 1K chipper repair? Do we have a chipper or not because it looked as though we cut it out in the 10-14-5605 account. See my comments from the summary about maintenance.

We have an old chipper and took the purchase of a replacement chipper out of the current budget... If we are going to use our old chipper repairs are needed.

10-15-5004 Special Events

- 3500 for golf outing and egg hunt? Is the village paying for the golf outing but it is being offset with donations?

Yes, we must pay for the food, the rounds of golf and any other expenses to be offset by donations. Please see account #10-00-5045 for donations.

10-15-5327 Consultants

I'd like to understand the \$7,500 for the consulting for the park

That is the estimated engineer's cost.

10-30-5310 Salaries

- I would ask for exploration to reduce the time needed and as such salary for Phil. He has done an outstanding job and this is surely not my preference but I believe we need to look at a way to reduce this cost some by approximately 25% so we do not have to look at elimination overall. Phil is an amazing addition to our staff but this is purely a budget issue only.

It is our opinion, if you do this he will find employment elsewhere. We have been able to balance the budget without cutting his hours. If we must decrease the budget in the future due to a decrease in funds being available, this is an area for consideration.

Misc Question(s)

- Will the census impact us at all positively or negatively from a budget perspective?

We do not anticipate much of a change as a result of the 2010 Census as compared to the partial special census completed in 2007. It is unlikely the population has changed much during the past few years.

Cc: Village Attorney, Full-time staff members

JMS: jms