

COMMITTEE REPORT

COMMITTEE: Finance, Tax & Budgets
CHAIRPERSON: Steve Rutz
DATE/TIME: June 26, 2014 @ 6:00 p.m.

PRESENT: John O'Boyle Rick Dittmar Randy Jobgen
 Steve Rutz RJ Winkelhake Ron Smith

Other Board members:

Others: Dan Reimer, Carol Soat, Steve Keeffer and Joe Kratcha.

1. Review and approve minutes – RJ Winkelhake made a motion to approve the May 29, 2014 meeting minutes. Seconded by John O'Boyle and motion passed.

2. Citizens Comments

3. Staff Reports

a) **Chief County Assessment Office** – Chief County Assessment Officer, Donna Berlage was unable to attend the meeting but did provide a written report which was reviewed by the Committee. Township Assessor's work was due on June 16, 2014. Work has been turned in to the County Assessment office for all Townships except for the Berreman/Derinda/Pleasant Valley/Wards Grove district. The new assessor for this district took office in April 2014 and it is also a general assessment (quad) year for this district. Nothing new to report on PTAB case. Two townships have not sent in their assessment redistricting resolutions. The Board of Review met on June 16, 2014 to open up their 2014 session. The Board reviewed the Board of Review rules and a few changes were made. The Board also reviewed 2014 Senior Citizens Assessment Freeze applications and Disabled Person and Disabled Veteran exemption applications.

b) **Treasurer's Office** – Treasurer Carol Soat reported that the first installment for 2013 property tax payments was due June 20th. Soat reported that approximately \$28 million in property taxes have been collected to date. Soat completed the first distribution of property tax payments to the taxing districts today June 26th.

c) **County Administrator** – County Administrator, Dan Reimer reviewed the FY2014 six months YTD Revenue Comparison Report for the County's seven main operational funds and the General Fund Cash Flow Report. Reimer discussed concerns with declining revenue being received in FY2014 by the GIS Fund.

4. Unfinished Business

a) Jo Daviess County strategic goals – Nothing new to report at this time.

b) Township Assessor Pilot Program – Nothing to report at this time.

c) Township Assessor Program Intergovernmental Agreement – Nothing to report at this time.

d) Update on options to fund the Public Safety Radio Communications System- The committee discussed the importance of building funds for the future replacement of

the Public Safety Radio Communications system. Reimer reviewed the current revenue sources for this fund, which include the local share of video gaming tax (\$1,456 in FY2013), failure to appear warrant fees (\$1,140 in FY2013), an annual interfund transfer of \$8,334 from the General Fund, this amount is the operational savings identified with the new radio communications system, and an annual interfund transfer of \$117,200 from the General Fund to pay the annual debt service payment on the radio communication system.

- e) Update on five year capital improvement plan from standing committees – This item will remain on the agenda.

5. New Business

a) FY2015 Jo Daviess County Budget

Review round 1 revenue estimates - Dan Reimer, County Administrator reviewed a handout for STEP 4 of the FY2015 Budget process. Reimer discussed that the following Step 4 items will be covered; review round 1 revenue estimates, determine initial distribution of property tax levy and distribution of FY2015 county 1% sales tax, establish budget guidelines and set initial target funding amounts. Reimer explained that revenue forecasting represents an essential component of budgeting and is perhaps the most critical step in achieving a balance budget. Preliminary (Round 1) revenue estimates are intended to serve as the basis, or starting point for developing the allowable levels of spending on the expense side of most county budgets including the General Fund budget. Reimer recommended that the target-based budget process again be used to develop the FY2015 Jo Daviess County budget. Target-based budgeting enables the Finance, Tax & Budget Committee to limit total budget requests to expected revenue levels, while giving departments an opportunity to make a case for extraordinary needs. Preliminary (Round 1) FY2015 revenue estimates for the seven Jo Daviess County operational funds indicate an overall increase of \$45,476, or 0.04% from prior year. Four of seven operational funds are projecting revenue increases; General Corporate Fund 1.5%, County Highway 2.2%, Motor Fuel Tax 5.4% and Home Health 0.7%. Three of seven operational funds are projecting revenue decreases in FY2015. The Public Health Fund is indicating a 0.6% decrease, the Tourism Promotion Fund is indicating a decrease of 8.8% and the GIS Fund is indicating a decrease in revenue of 19.6%, this decrease is primarily due to declining revenue from GIS Automation Fees (\$38,295). GIS/IT Coordinator Joe Kratcha explained that approximately 74% of the revenue received by the GIS Fund is from GIS Automation Fees. Automation fees are received from the recording of deeds, mortgages or other instruments associated with documentation of the legal transfer of property. The GIS Fund receives \$23 per recording. In an average year approximately 7,000 deeds or other instruments are recorded. The number of instruments recorded in 2014 is down significantly from prior years. Kratcha distributed a report that shows FY2014 GIS Automation Fees down almost \$22,000 or 32% compared to FY2013 at the half way point of the fiscal year. If this trend continues, the ending fund balance for FY2014 in the GIS Automation Fund is projected to be very low or depleted. Kratcha will continue to monitor revenue and prepare a list of possible budget options for committee consideration. Reimer

discussed that preliminary (Round 1) FY2015 General Fund (GF) revenue is estimated to be \$7,059,650; this is an increase of \$104,917 or 1.5% more than the FY2014 revenue budget amount of \$6,954,733. Total available GF revenue (total revenue less estimated federal/state grants and state revenue stamps) is estimated to increase \$116,842 or 1.7%. Total core GF revenue (total revenue less estimated federal/state grants, state revenue stamps and inter-fund transfers) is estimated to increase \$111,856 or 2.1%.

- i. Establish initial distribution of 2014 property tax levy (payable 2015) - Reimer explained that Jo Daviess County is a PTELL (Property Tax Extension Limitation Law) County. The estimated allowable property tax extension increase for 2014 (payable 2015) is \$151,863. To determine this amount, several variables were considered. The County Assessor's Office estimated the 2014 gross assessed valuation of Jo Daviess County to be \$740,000,000; this compares to a gross assessed value of \$746,609,213 in 2013 and \$789,772,775 in 2012. This total includes an estimated \$8,000,000 in new property/construction. Using a 9% factor for exemptions the County Clerk's Office estimated the 2014 taxable EAV for Jo Daviess County to be \$673,400,000 and the overall maximum aggregate tax levy extension for 2014 to be \$5,734,387. This amount represents an increase of \$151,863 or 2.7% more than the 2013 PTELL certified levy extension of \$5,582,524. Reimer discussed that for purposes of developing Round 1 revenue estimates, the Finance, Tax and Budget committee must decide how to distribute the estimated \$151,863 increase in allowable 2014 property tax levy (payable 2015). Reimer reviewed five possible options for the distribution of the property tax levy. For purposes of developing preliminary Round 1 General Fund revenue estimates and target expense guideline recommendations; management used tax levy distribution option #4. **Randy Jobgen made a motion to approve the use of option #2 for initial distribution of the 2014 Jo Daviess County Property Tax Levy (payable 2015). Seconded by Rick Dittmar and motion passed unanimously.**
- ii. Establish initial distribution of FY2015 County (1%) sales tax – Reimer explained that Jo Daviess County receives approximately \$360,000 of County (1%) sales tax annually (\$362,356 projected for FY2015) for its share of retail sales tax collected by the State from businesses in unincorporated areas of the County. Each year the County Board considers how this tax will be allocated. From FY2002 to FY2013 County (1%) sales tax was divided 50/50 between the General Fund and Highway Fund. For the FY2014 budget the County (1%) distribution percentage was revised to 75% Highway Fund and 25% General Fund. Reimer recommended that allocation of County (1%) sales tax be determined at the beginning of the FY2015 budget process. This will give both budgets a better opportunity to plan for a balanced FY2015 budget. **Randy Jobgen made a motion to establish the initial distribution of FY2015 County (1%) sales tax at a rate of 60% Highway Fund and 40% General Fund. Seconded by Rick Dittmar. After discussion the motion was voted on; the vote was 2 ayes and 4 nays, motion failed. RJ Winkelhake made a motion to establish the initial distribution of FY2015 County (1%) sales**

tax at a rate of 50% Highway Fund and 50% General Fund. John O'Boyle seconded. The motion was voted on; the vote was 4 ayes and 2 nays, motion passed.

- iii. Establish FY2015 Expense Budget Guidelines - The committee reviewed the FY2014 budget guidelines. Reimer discussed some of the variables that will affect the final bottom line of the FY2015 General Fund budget. During the early stages of developing the FY2015 Jo Daviess County budget certain assumptions must be made regarding key budget variables. Many of these assumptions will change or need to be adjusted as new information becomes available and additional organizational decisions are made. The following are some of the initial assumptions that were used in preparing preliminary FY2015 budget guideline recommendations: 3% rate increase for health insurance (compared to FY2014 actual rates), 10% rate increase for liability and WC insurance (compared to FY2014 actual amount), Salaries and wages – compensation increase per position classification/compensation plan for non-union employees, comparable increase for probation officers, per possible collective bargaining agreements for union employees, per resolution for elected officials, employer contribution rates for IMRF (10.87%) and SLEP (18.85%).

In using these initial assumptions the following guidelines are recommended for use in establishing FY2015 Jo Daviess County expense budgets:

1. The target-based budgeting process shall be used to establish the twenty seven (27) General Fund expense budgets and a modified target-based process shall be used to establish the fifty-nine (59) Special Revenue Fund expense budgets.
2. Personnel related expense line items shall be considered mandatory expenses for all County budgets (General Fund and Special Funds) and shall include salaries and wages, employee fringe benefits and postage; and shall be calculated as follows:
 - a. Employer retirement contribution rate – IMRF **10.87%**, SLEP **18.85%**
 - b. Health Insurance - **3%** rate increase
 - c. Salaries and wages - compensation increase per position classification compensation plan for non-union employees, comparable increase for probation officers, per possible collective bargaining agreements for union employees, per resolution for elected officials.
 - d. S.S./Medicare – increase/decrease proportionally to payroll estimates
 - e. Postage – no increase in FY2015
3. The County Administrator's office shall calculate mandated line item expenses for General Fund expense budgets prior to packet distribution and shall assist in the calculation of mandated expenses for operational Special Fund budgets.
4. Reductions made in FY2010 and continued in FY2011 to FY2014 budgets to meet the 3% General Fund budget reduction requirement **shall not be reinstated** in initial FY2015 budget target amounts.
5. The target amount for General Fund expense budgets, after allocating increases/decreases for allowable mandated expenses, shall be set at the same

level (zero increase) as the final FY2014 target amount less any non-recurring expenses added during the FY2014 budget process including any approved unfunded requests.

6. All Interfund Transfers scheduled in FY2014, except interfund transfers to the Contingency Fund, shall be maintained unless otherwise instructed.
7. Any **new mandated** expense or any new expenses which will increase per an existing contract or agreement shall be allowed to increase the target amount accordingly.
8. Any **new necessary** expense that causes the target amount to be exceeded should be submitted to the County Administrator's Office as an overage request with a detailed letter of explanation. Overage requests will be reviewed by the Finance, Tax & Budgets Committee. If the Committee determines the request is a necessary expense, the target amount will be increased accordingly. If the Committee does not consider the request a necessary expense, the request will be submitted as an unfunded activity.
9. Any **new request or activity not considered a mandatory or necessary expense**, and exceeds the department target amount, the Department Head shall submit as an un-funded activity on an un-funded expense estimate sheet. These forms will be used to rank unfunded activities and be used as a reference point for approving further expenditures if additional revenue is identified or resources are allocated.
10. Departments with Special Fund budgets are requested to follow the same guidelines as General Fund departments. Any significant increase or decrease in expense line item estimates that deviate from the previous three year period, or any anticipated appropriation of fund balance are to be explained in a detailed memorandum.
11. Initial funding amounts for agencies, who receive funding from the Jo Daviess County General Fund shall be set at the same level of funding as appropriated in the FY2014 budget.

RJ Winkelhake made a motion to approve the FY2015 expense budget guidelines as presented for General Fund expense budgets and Special Fund budgets. Seconded by Randy Jobgen and motion passed unanimously.

- iv. Set initial target funding amounts for departments and agencies – The committee discussed that guideline number (11) states that initial funding amounts for agencies, who receive funding from the Jo Daviess County General Fund shall be set at the same level of funding as appropriated in the FY2014 budget. **RJ Winkelhake made a motion to set initial FY2015 agency funding amounts at the same funding level as appropriated for each agency in the FY2014 budget. Seconded by Randy Jobgen and motion passed unanimously.**
- b. Discussion and possible action regarding an ordinance to amend Title 2 Chapter 1 Purchasing Procedures of the Jo Daviess County Code. Reimer handed out a copy of the Jo Daviess County Purchasing Ordinance. The current ordinance was adopted in 2009 and amended in 2011 and should be reviewed periodically for possible updates or revisions. Reimer suggested some areas to consider for possible amendments. Reimer will discuss the ordinance with County Department

Heads and bring back possible recommendations to the Committee.

- 2) Discussion and possible action regarding a resolution to pay additional Hesse Martone legal fees associated with union negotiations from the Contingency Fund (016). The resolution states in part that Hesse Martone was retained to assist the County with labor negotiations with the Illinois Fraternal Order of Police Labor Council for Jo Daviess County Sheriff's Sergeants Union (FOP), the Policeman's Benevolent Labor Committee for Jo Daviess County Sheriff's Employees Union (PBPA). A total of \$15,000 was appropriated in four Sheriff's Department FY2014 General Fund budgets for the purpose of union legal fees and as of April 30, 2014 legal fees charged by Hesse Martone in FY2014 exceed \$15,000. Union negotiations have continued longer than anticipated. One of the purposes of the Contingency Fund (016) is to provide funds for expenses incurred by County Departments that were unanticipated at the beginning of the budget year. It is recommended by the Finance, Tax, & Budgets Committee that additional Hesse Martone legal fees incurred between May 1, 2014 and November 30, 2014, not to exceed \$15,000, that are the result of union negotiations with the FOP and/or PBLC are to be paid from the Contingency Fund (016). **Randy Jobgen made a motion to approve a resolution to pay additional Hesse Martone legal fees associated with union negotiations from the Contingency Fund (016). Seconded by Ron Smith and motion passed unanimously.**

6. **Board Member concerns** - Ron Smith suggested the County look into contracting for certain services.

7. **Citizens' comments** -

Next committee meeting is on Thursday, July 31, 2014 @ 6:00 p.m.

John O'Boyle made a motion to adjourn at 9:20 pm. Seconded by Randy Jobgen and motion passed.