

COMMITTEE REPORT

COMMITTEE: Finance, Tax & Budgets
CHAIRPERSON: John Schultz, Chairman
DATE/TIME: June 29, 2020 @ 5:30 p.m.

PRESENT: John Schultz Steve Allendorf Staci Duerr
 Diane Gallagher Vacant Ron Smith
 Scott Toot John Lang

Other Board members: None

Others: Mary Althof, Laura Edmonds, Melisa Hammer, Rose Noble and Dan Reimer

1. **Call to Order** – John Schultz called the meeting to order at 5:31 pm.
2. **Roll Call** – A quorum was established.
3. **Approval of Minutes**
 - a) Minutes from June 4, 2020 Finance, Tax & Budgets Committee meeting – **Ron Smith made a motion to approve the June 4, 2020 Finance, Tax & Budgets Committee meeting minutes as presented. Seconded by Scott Toot. A roll call vote resulted in all ayes; motion passed.**
4. **Citizens Comments** – None
5. **Unfinished Business** - None

New Business

- a) Discussion and possible action on an Intergovernmental Cooperation Agreement with the Township of Apple River & Thompson – Laura Edmonds explained that all township assessment districts have an agreement for their laptop computers. When Edmonds was doing township field work for Apple River & Thompson she would use the computer in her office. She no longer is doing the work and the Township does not have a County laptop. **John Lang made a motion to approve an Intergovernmental Cooperation Agreement with the Township of Apple River & Thompson as presented. Seconded by Steve Allendorf. A roll call vote resulted in all ayes; motion passed.**
- b) Discussion and possible action on a Resolution to Temporarily Suspend the Annual Reapplication Requirements for the following Exemptions:
 - Homestead Exemption for Persons with Disabilities – 35 ILCS 200/15-168
 - Homestead Exemption for Veterans with Disabilities – 35 ILCS 200/15-169
 - Senior Citizen Assessment Freeze Homestead Exemption – 35 ILCS 200/15-172John Schultz explained that due to COVID-19 recent legislation temporarily suspends annual reapplication for certain exemptions. **Steve Allendorf made a motion to approve a Resolution to Temporarily Suspend the Annual Reapplication Requirements for the following Exemptions: Homestead Exemption for Persons with Disabilities – 35 ILCS 200/15-168, Homestead Exemption for Veterans with Disabilities – 35 ILCS 200/15-169, Senior Citizen Assessment Freeze Homestead Exemption – 35 ILCS 200/15-172. Seconded by Ron Smith. A roll call vote resulted in all ayes; motion passed.**

c) Discussion and possible action regarding items associated with the FY2021 Jo Daviess County Budget –

i. Review County Financial Position, Cash Flow Analysis, and Minimum Year End Fund Balance Policies – Dan Reimer discussed that the budget process has begun with Round 1 Revenue Estimates. Reimer reviewed the County’s financial position, cash flow, and Year-end Fund Balance Policies. There are many uncertainties associated with COVID-19 and the financial impact the COVID-19 pandemic will have on County finances. On March 19, 2020, in anticipation of increased expenses and reduced revenue due to COVID-19, the Jo Daviess County Board, voted to implement several Category 2 expense reducing options in the FY2020 Prioritized Options for Reducing Expenses and/or Increasing Revenue Policy.

The following Category 2 expense reducing options were approved:

- Hiring freeze – any new or vacant positions to be filled only with approval of the County Board
- Delay budgeted projects (2020).
- Limitations on new purchases – no purchase processed except for essential operating goods, contracts; grant orders, repairs to equipment and emergencies.
- The original motion was amended to read “Delay budgeted projects and/or capital improvements over \$25,000.00”.

Implementing cost-saving measures now, will help us be in a better position to protect our cash flow and meet our future obligations.

NET POSITION - Governmental Accounting Standards Board (GASB) Statement 63 describes net position as assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources. Net position replaced net assets. The Jo Daviess County statement of net position is included in the County’s Annual Financial Report (audit) and presents information on all of Jo Daviess County’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The following are excerpts from the Management Discussion and Analysis section of the FY2019 Jo Daviess County Financial Report (Audit) for the year ending November 30, 2019.

- At the close of fiscal year 2019 the County’s assets exceeded its liabilities by \$35,431,775 (net position). Of this amount, \$20,057,957 represented the County’s net investment in capital assets, \$10,746,622 was held for restricted purposes, and \$4,627,196 was unrestricted.

- The County’s total net position increased by \$953,858 during fiscal year 2019 as reported in the statement of activities.

- At the close of fiscal year 2019, the County’s governmental funds reported combined ending fund balances of \$18,198,748, an increase of \$1,567,916 in comparison to prior year.

CASH FLOW - Cash flow is a measure of the difference between cash or inflows and outflows, and is a key indicator of an organization's fiscal health. Cash flow forecasting

and management takes on increased importance in a financial crisis. Cash is critical for ongoing operations. It pays the salaries and buys the supplies and equipment that produces public services. A balance sheet may report plenty of assets, but without cash a government is effectively insolvent. GFOA recommends that Governments in a financial crisis should develop cash flow models that allow the organization to pinpoint its current cash position and provide insight into future position.

MINIMUM FISCAL YEAR END FUND BALANCE POLICIES - The purpose of minimum fiscal year end fund balance policies is to ensure that the certain funds retain sufficient revenue to meet cash flow timing needs, to ensure against revenue short falls (such as those currently being experienced with COVID-19) and fluctuations in revenue receipts, to provide funding for unforeseen emergencies, and to account for specific purpose fund balance that per GASB 54 is classified into one of the following categories: non-spendable, restricted, committed, or assigned.

The Jo Daviess County GASB 54 policy resolution states in part:

Section 2: It is the policy of Jo Daviess County to establish and designate minimum fiscal year end fund balances (Committed Fund Balance) for the following governmental funds: General Corporate Fund, County Highway Fund, Public Health Fund, Social Security Tax Fund, Illinois Municipal Retirement Fund, Insurance Fund, Home Health Care Fund, Tourism Promotion Fund, and the GIS Automation Fund to ensure that these funds retain sufficient revenue to meet cash flow timing needs, seasonal cash flow shortfalls, and/or to provide funding for unforeseen emergencies, economic downturns or local disaster. Committed Fund Balances must be re-established annually before fiscal year-end.

Section 3: It is the policy of Jo Daviess County to maintain a committed fund balance in the General Fund to fund operations for a period of at least three months (“Cash Flow Commitment”). The Cash Flow Commitment in the General Fund is adjusted annually with the adoption of the annual budget and is calculated as three months (25%) of General Fund expenditures.

Section 4: Fund balance will be maintained to provide the County with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing.

Section 5: It is the policy of Jo Daviess County to assign a portion of Fund Balance in the amount of debt service payments for governmental debt for the following year. These funds may be assigned in either the General Fund or an appropriate Special Fund. A designation for debt service that is equal to one year of debt service payments will be maintained.

ii. Review FY2021 Round 1 revenue estimates – Reimer reviewed a handout for STEP 4 of the FY2021 Budget process. Reimer discussed that the following Step 4 items will be covered, review round 1 revenue estimates, determine preliminary distribution of 2020 property tax levy (payable FY2021) and approve FY2021 budget guidelines to be used in establishing initial funding amounts for departments and agencies. Reimer explained that revenue forecasting represents an essential component of budgeting and is perhaps the most critical step in achieving a balanced 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. The Jo Daviess County budget is developed by using a 15 step target-based budget process. Over the years target-based budgeting has proven to simplify

the budget preparation process, ensure the County's budget process remains organized, reduce interdepartmental conflict, and has assisted the County in providing essential services to the residents and taxpayers of Jo Daviess County in a fiscally responsible manner. County Departments and agencies are familiar with the process. Target-based budgeting also enables the Finance, Tax & Budgets Committee to limit budget requests to expected revenue levels, while giving departments an opportunity to make a case for extraordinary needs. We have started the process of analyzing county revenue sources impacted by COVID-19 (there are many). And the associated impact on the County's financial position. During fiscal year 2019 the most significant sources of government-wide revenue were property taxes (43.2%), charges for services (14.7%), operating grants and contributions (9.6%), income taxes (7.7%) and sales tax (6.8). Preliminary (Round 1) FY2021 revenue estimates for the seven (7) Jo Daviess County operational funds is projected to be \$12,537,053; this is an overall decrease of \$101,254 or -0.8% less than the FY2020 budget amount of \$12,638,307. Preliminary Round 1 revenue estimates do not include a property tax levy increase. Departments with budgets that receive an annual property tax allocation were requested to leave this line item at the same amount as the FY2020 budget and/or certified amount. Historically, the Finance, Tax & Budgets Committee establishes preliminary tax levy allocation amounts at their June meeting and final allocation amounts are determined at the Budget Workshops in October. The Finance, Tax & Budgets Committee will have an opportunity to make preliminary decisions on the distribution of the property tax levy in Section H.

iii. Establish initial allocation of 2020 property tax levy (payable 2021) - Reimer explained that Jo Daviess County is a PTELL (Property Tax Extension Limitation Law) County. The estimated allowable property tax extension increase for 2020 (payable 2021) is \$204,199. To determine this amount, several variables were considered. The County Assessor's Office estimated the 2020 gross assessed valuation of Jo Daviess County to be \$812,000,000; this compares to a gross assessed value of \$811,311,011 in 2019, \$801,429,524 in 2018, \$783,312,690 in 2017, \$761,137,644 in 2016. This total includes an estimated \$6,000,000 in new property/construction. Using a formula of total EAV plus state assessed minus exemptions minus TIF and Enterprise Zone the County Clerk's Office estimated the 2020 taxable EAV for Jo Daviess County to be \$746,099,442.

Taxable EAV in Jo Daviess County peaked in 2009 at \$816,953,398 before declining five (5) consecutive years, due to the effects of the great recession, to \$673,221,302 in 2015, a decline of \$143,732,096 or 17.6%. Since 2015 taxable EAV has increased \$72,878,140 or 10.87%.

The County Clerk's Office estimated the overall maximum aggregate tax levy extension for 2020 (payable 2021) to be \$6,729,486. This amount represents an increase of \$204,199 or 3.1% more than the 2019 PTELL certified levy extension of \$6,525,287. Approximately \$150,082 or 73.5% of the proposed 2020 property tax levy increase (payable 2021) is the result of a 2.3% inflationary CPI increase on existing property, approximately \$54,117 or 26.5 is the result of an estimated \$6 million increase in EAV associated with new property/construction.

Reimer discussed that for purposes of developing Round 1 revenue estimates, the Finance, Tax and Budget committee must decide how to distribute the estimated \$204,199 increase in allowable 2020 property tax levy (payable 2021). Reimer reviewed four possible options for 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 #1. Option #1 would keep all 10 tax levy funds at the same amount as the certified 2019 (payable 2020) tax levy amount. **John**

Lang made a motion to approve the use of option #1 for initial distribution of the 2020 Jo Daviess County Property Tax Levy (payable 2021). Seconded by Ron Smith. A roll call vote resulted in all ayes; motion passed.

iv. Establish initial allocation of FY2021 County (1%) sales tax - Round 1 FY2021 estimate, for the General Fund, is \$267,086. This is a decrease of \$47,133 or 15.0% less than the FY2020 budget amount of \$314,219. This estimate also assumes the continuation of a 75/25 distribution of County 1% sales tax between the General Fund and County Highway Fund. Similar to CST, County (1%) sales tax declines 2.6% in January and February, and declined 29.7% in March due to COVID-19. We anticipate this trend (30% decline) to continue for April, May and June before moderating in July to about 15% below prior year sales tax receipts as Illinois transitions to Phase 4 of the Restore Illinois reopening plan. Until Phase 5: Illinois Restored is implemented, we anticipate FY2021 CST to remain about 15% below FY2019 levels. We will review our estimate in 2-3 months.

In a normal year Jo Daviess County receives approximately \$400,000 annually for its share of retail sales tax collected from businesses in unincorporated areas of the County. This is referred to as the County (1%) sales tax. The estimated FY2021 amount is \$356,000.

Each year the County Board considers how this tax will be allocated. Since 2002, except for two years, the County (1%) sales tax has been divided 50/50 between the General Fund and Highway Fund. One of those years was 2020, 75% General Fund, 25% Highway Fund. It is recommended that an initial FY2021 distribution percentage be determined now at the beginning of the budget process, this gives each fund a better opportunity to plan for the expense side of their budget. Due to the large FY2020 General Fund deficit, and the prospect of a continued large budget deficit for FY2021, it is recommended that the initial distribution of County (1%) sales tax be allocated 100% General and 0% Highway Fund. **John Lang made a motion to establish the initial distribution of FY2021 County (1%) sales tax at a rate of 100% General Fund and 0% Highway Fund. Seconded by Ron Smith. A roll call vote resulted in Ayes (5): Schultz, Duerr, Smith, Toot and Lang; Nays (2): Allendorf and Gallagher. Motion passed.**

v. Establish FY2021 Expense Budget Guidelines - The committee reviewed the FY2021 budget guidelines. Reimer discussed some of the variables that will affect the final bottom line of the FY2021 General Fund budget. During the early stages of developing the FY2021 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. Reimer recommended that the following budget guidelines be used to establish FY2021 Jo Daviess County expense budgets:

1. The target-based budgeting process shall be used to establish the twenty-eight (28) General Fund expense budgets and the County Highway Fund (002) budget. A modified target-based process shall be used to establish the remaining 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 shall be calculated as follows:

a. Salaries/wages

o Non-Elected/Non-Represented employees - compensation increase per position classification/compensation plan.

- Probation Officers - comparable average increase of 2.7%.
 - Health Department employees – comparable average increase of 2.7%.
 - Union employees - per collective bargaining agreements.
 - Elected officials - per resolution.
 - Part-time line items – 2.7% increase
 - Overtime line items – 2.7% increase
- b. Employer retirement contribution rate: IMRF **10.80%**, SLEP **22.51%**
 - c. Health Insurance: **2.9% rate decrease**
 - d. S.S./Medicare – increase/decrease proportionally to payroll estimates.
 - e. Postage is no longer considered a mandatory expense.
3. The County Administrator’s office shall calculate mandated line item expenses for General Fund and operational Special Fund expense budgets (except for Health Department budgets) prior to expense packet distribution.
 4. The initial FY2021 target amount for each General Fund expense budget, after allocating increases/decreases for allowable mandated expenses, shall be set at the same baseline level (zero increase) as the final FY2020 target amount less any non-recurring expenses added during the FY2020 budget process including any approved unfunded requests.
 5. The initial FY2021 target amount for the County Highway Fund (002) expense budget shall be set at the same baseline level as the final FY2020 budget amount less the \$300,000 interfund transfer (IFT) to the Highway Capital Investment Fund (059). In lieu of an IFT from Fund 002 to Fund 059 an unfunded process will be implemented for the County Highway Fund (002) similar to the unfunded process used by the General Fund.
 6. **All Interfund Transfers** scheduled in FY2020 (except for the \$300,000 IFT from Fund 002 to Fund 059) shall be maintained unless otherwise instructed. Any request to change, revise, or add an interfund transfer shall be submitted to the County Administrators Office along with a letter or memo explaining the purpose of the change, revision, or addition. Requests will be submitted to the Finance, Tax & Budgets Committee for review and approval.
 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, of General Fund expenses budgets and the County Highway Fund (002) expense budget accordingly, with review and approval by the Finance, Tax & Budgets Committee.
 8. Any **new necessary expense** that causes the target amount for any General Fund expense budget or for the County Highway Fund (002) expense budget, to be exceeded shall 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 General Fund or County Highway Fund (002) request or activity not considered a mandatory or necessary expense**, and exceeds the department target amount(s), the requesting Department Head(s) shall submit as an unfunded activity on an unfunded expense estimate form. These forms will be used to rank unfunded activities and used as a reference point for approving further expenditures if additional revenue is identified or resources are allocated.

10. **Special Fund Budgets - Departments with Special Fund budgets are requested to follow the same guidelines as General Fund and County Highway Fund (002) expenses budgets.** The initial target amount for each Special Fund will be set at the same amount as the final FY2020 budget amount. Any increase or decrease of \$2,000 or more, in any expense line item, from the amount appropriated in that line item in the previous year shall include a detailed explanation in the expense notes. Any anticipated appropriation of fund balance is to be explained in a detailed memorandum.

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 FY2020 budget. **John Lang made a motion to approve FY2021 expense budget guidelines as presented for the Jo Daviess County General Fund (001), County Highway Fund (002) and County Special Fund expense budgets and set the initial FY2021 agency funding amounts at the same funding level as appropriated in the FY2020 Jo Daviess County budget. Seconded by Rom Smith. A roll call vote resulted in all ayes; motion passed.**

- d) Review, discussion and possible action on a request from Galena Country Tourism (GCT) to consider supplementing GCT with additional funds from the Tourism Promotion Fund (027) – Rose Noble thanked the committee for having them on the agenda tonight. She apologized for not having some additional reporting prepared in time for the meeting. She will get more financials to the committee this coming week. Noble wanted to get the discussion going on a request to the committee and to listen to see what concerns there may be, any positives or negatives, and get a better understanding on the tourism promotion fund. The Tourism Board knows the County has a minimum year end fund balance policy for the Tourism Promotion Fund which is in the DMO contract, Noble wonders if that is something that can be amended or edited due to the fact that there is no longer a quasy branch underneath the County Board. She is here to answer any questions the committee may have or discuss the request. Dan Reimer provided some background on the tourism promotion fund and the Destination Marketing Organization (DMO) agreement. John Schultz commented that he understands that Noble is requesting we transfer \$300,000 of the over \$400,000 into their tourism budget. His personal feeling is that we don't know what next year is going to bring and it would be foolish to take out 2/3 of it right away. Noble replied they are requesting \$300,000 as a contract to be able to use towards tourism promotions. Noble understands Schultz' concern and even since she has last spoken to Reimer she sat on an ICCVB call today and got another update from the state so there may be some adjustments on projections as we move forward. There was discussion on salary and staff reductions if necessary as well as year end balances for GGMI. John Lang commented that he would like to see the County keep some kind of reserve. Reimer recommendation to not make any decisions until the GGMI audit is completed later year, then we will know the actual GGMI financial position. John Schultz stated that we recognize the request and we will consider it.

7. Staff Reports

- a) **Chief County Assessment Office** – Laura Edmonds, Chief County Assessor, reported that on May 27, 2020 the SOA Office held its annual farmland assessment meeting via ZOOM to approve the 2021 farmland values. Once again there will be a 10% increase per soil type. The Board of Review met on June 12, 2020 and opened up the 2020 assessment year. They approved non-homestead exemptions, certificate of errors, exempt applications and approved the Board of Review Rules. Members in attendance were Larry Wiedenheft and Dennis Siegel. Larry Wiedenheft is the Chairman for 2020. June 15th was the statutory deadline for Tax Assessors to turn their annual work into the SOA office. All

TAs complied – some even brought in early which has helped. The office has been busy with completing annual renewal forms and are now starting to work on the Tax Assessors annual work – we actually have completed all non-quad townships and are now focusing on going parcel by parcel for the quad townships. We are also working on all preferential assessment programs (forestry management, conservation stewardship, and renewal of farm land leases).

- b) **Treasurer's Office** – Melisa Hammer, County Treasurer, commented that we have collected over \$32 million of the \$58 million due in property taxes. Hammer made the first tax distribution last Friday. Hotel/motel tax is down quite a bit. Last month we were at about \$8,000 for the month of May and this month we are at \$10,000. Keep in mind that Eagle Ridge did not rent out any rooms at all during those two months. The Probation Department received news that their salary reimbursement will be increased about \$30,000 for the state fiscal year which ends July 1st. It will continue to be more money for the next fiscal year as well.
- c) **Grants Administrator** – Rich Machala, PCOM, was not in attendance.
- d) **County Administrator** – Dan Reimer, County Administrator, encouraged everyone to review the financial reports that were included in the informational packet. Reimer added that Rich Machala was appointed Interim PCOM and he was approved by the Illinois Department of Transportation. We are very fortunate to have Machala step up and take on the interim position.

8. Citizens' comments – Rose Noble thanked the committee for starting the conversation in regards to the letter she sent. She will get back in touch with her board chair and try to provide any necessary financial reports that the committee may require and work through the situation together.

9. Board Member Concerns – John Lang commented that he was looking at the financials and noticed every office is below the 50% of their allocated expenditures which he thinks is tremendous. Scott Toot echoed Lang's comment and complimented the administration staff for their efforts and work. Diane Gallagher gave a shout out to Sandra Schleicher at the Health Department who has worked diligently to try to catch up on the Census grant and to compliment the people of our communities who have responded graciously by posting signs in the yards for the Census. John Schultz echoed the thanks to Dan Reimer for his work on this meeting preparation.

The next Finance, Tax & Budgets Committee meeting will be on Thursday, July 30, 2020 @ 5:30 p.m.

Scott Toot made a motion to adjourn at 7:22 pm. Seconded by John Lang. A roll call vote resulted in all ayes; motion passed.