

FINANCE COMMITTEE MEETING
Special Meeting – Budget Meeting #7
October 31, 2013
5:15 P.M.

MEMBERS PRESENT

Keith Ashby, Chair
Jay Dunn, Vice Chair
Kevin Greenfield
Linda Little
Patty Cox

MEMBERS ABSENT

Susanna Zimmerman
Tim Dudley

COUNTY PERSONNEL PRESENT

Amy Stockwell, Auditor
Carol Reed, Auditor's Office
Josh Tanner, S of A
Merv Jacobs, Board Member
Rodney Forbes, Public Defender
Mike Baggett, State's Attorney's Office
Steve Bean, County Clerk
Tony Brown, Sheriff's Department
Jeannie Durham, County Board Office

CALL TO ORDER

The meeting was called to order at 5:15 p.m. by Chair Keith Ashby at the Macon County Office Building.

APPROVAL OF MINUTES

Motion to approve minutes of the prior meeting on 10/22/13 was made by Linda Little, seconded by Kevin Greenfield and motion carried 5-0.

Budget Discussion

Amy Stockwell reviewed the new material that had been sent out on the Administrative Departments as revision #7 to the Budget Books.

The Animal Control contribution of \$95,000 which has been made from the general department for the past 2 years – making this the 3rd year – was omitted. On Health Insurance, knowing the current rates and utilization is, we do not know what the renewal or utilization will be next July, so we have 7 months of known and 5 months of unknown. This year, there was a minor cost increase in health insurance because of changes in the plan. Next year will probably be the same where there will either be a minor cost increase or additional changes in the plan will be made to keep the cost increase minor. Some cost increase has been included in the budget as a cushion because of the unknown. The amount coming back from the funds is also an estimate.

The Retirement Fund rate is slightly down for the main part of retirement. This fund has reserves at about the right place. One big unknown is payroll. There has been some shifting in the past year where some people being paid by special revenue funds such as automation or State's Attorney's grant and contributing to the retirement fund have now been shifted to the general fund. To keep reserves at current level, based on the best guess of where we end up this year, an increase in the levy is being requested for that fund.

Social Security, looking at both where we think we will come in, what payroll is in the proposed budget and what the distribution of payroll is in the proposed budget, and to keep the reserves where they are now, which is about 3 months, a slight increase in the levy is being requested.

Insurance and Self-insurance are in two funds. Under the Self-Insurance, thanks to the hard work of Carol, Ed Flynn and our loss control partners, we have had very good experience with workers comp claims. Further risk control is being actively worked on so we are reducing that number. Some additional money, \$8,000, has been added to the budget for risk control. Line 7200, Risk Control, is anticipated to be primarily the training program that Sheri Oleson has started and we want to maintain that in its initial phase centrally. We don't want departments saying they can't do the training because they don't have money in the budget. The training program needs to be established and make sure programs that are of value are offered. Already being offered are the Wellness Programs and Training for Supervisors on key aspects of hiring, performance reviews, termination, and those things that make a difference long term. There may be other things that need to be done to make sure the risk control is keeping up with the level of risk.

These expenditures total \$230,000 and that is the number that folds into the prior page on line 7775. An increase in the Workers Comp premium is being shown for the catastrophic insurance as the market has tightened. This year, additional bond coverage was put into place and that will be continued at a small increase. The Inland Marine Insurance should not show an increase. Line 7750 is a firm number and is a quote from the primary and secondary carrier.

Line 6011, the charges paid if there are layoffs and people apply for unemployment, based on the last two quarters, is projected to be below last year's budget.

Fund 16 continues and at this point, pretty much every department has some lease for office equipment. A proposal to set up a similar fund for vehicle purchases will be presented at this coming Monday's Finance Committee meeting.

The Building Commission Lease fund, at Mr. Bean's request, includes just the numbers as they exist in the multi-year lease agreement before adjustments are made for the surplus because the City is still in the LEC. The current surplus will not be known until December or January. It is looking good for this year, so far.

Kevin Greenfield asked about line 7200, Risk Control and whether the \$8,000 was the same as the October 16th version showing \$3,000. Amy said yes, she knew she was going to have to ask for some in insurance, but wasn't sure where it needed to be when the 10/16 version was done. Kevin asked how it went from \$3,000 to \$8,000. He asked if it was a part of the new program that will help keep our insurance rates low? Amy explained that Risk Control is very important to being responsible stewards to the taxpayers' money and to keeping the insurance cost as low as possible. There are a number of new initiatives that have been taken on and things the insurance company has asked us to do that is incumbent on us to try to implement as many of their suggestions as possible. This is being suggested as a reasonable effort to continue to push on risk control.

Jay Dunn stated that this is not just about risk control, but customer service training is included. He said that when he became chairman, the previous chairman had set up training in one of the offices, but nobody showed up. A discussion with Mr. Flynn revealed that that kind of training could be required. He said he had been talking of hiring an HR person for years to run this kind of stuff. Sheri was selected through Workforce Investment and he feels they made an excellent

choice. Sheri has had several training sessions on customer service. People are accepting and wanting to be involved in it. Customer Service training is as important as Risk Control. Amy stated that Customer Service is a part of Risk Control because if you are dealing with problems as they happen, they won't explode into bigger problems. We just need to keep that momentum going.

Amy went on to explain that the LEST fund obtains revenue from only one source. Sales taxes are clearly down. Because of that, and because we've known for several years that the fund balances in LEST were being worked down and that, at some point, spending would have to equal what is coming in. We have hit that point now. On 11/30/13, the fund balance will be zero and we will have spent everything that has come in. That means, next year, we can only spend what we have come in. The Treasurer's Office did an independent study and we are both pretty close. We are comfortable saying it will be \$2.3 million next year. The issue is that the Sheriff has requested more than \$2.3 million in LEST. The request in the books is a net of \$6.7 in the general fund which is the Sheriff's Department and the Jail and \$3 million in LEST which is the Sheriff Department and Court Security. The raises for the Deputies and a little AFSCME total \$126,000. That is charged in and increases the general request and total. He is willing to forego \$240,000 in expenses. His request, walking into this meeting, is now \$9.58. To make the numbers work, \$460,000 has to be shifted out of LEST to the General Fund leaving net spending of \$2.3 million in LEST. This is the same total, but a different arrangement of expenses. Keith Ashby asked how much was being left in LEST. Amy didn't have the exact figures, but said it has been \$2.7 or \$2.6 depending on how it is divided. It is a significant down, but it is a projection and an educated guess based on the long term trends and the data on hand. Keith said the LEST is down to about \$2.4. Amy agreed and said that is expected because of the steady decline. It is not going to stop all of a sudden. The downward trend is going to continue for some period into the next year.

The bottom line, with no change in the levy for the General Fund, in other words, it was dropped a million dollars last year and this is just holding it with no change. These approved budgets from the various departments with the shift of the Sheriff's expenses from LEST to General, where we think total General Revenue is going to be. The same decline in sales tax is being seen in the General Fund, offset to some degree by increases in expenses. It is a big number - \$2.6 expense less than revenue. Last year, the budget had us planning to take \$1.6 out of reserves at the end of this year on 11/30/2013. Based on the running rates in September, the GUESS is, and any department could spend 100% of their budget as they are entitled to do, but typically they do not. Revenue is still a guess. The best guess right now is that the General Fund will end up on 11/30 as minus \$300,000. We thought we would have to take more than a million dollars out of reserves and instead we will take about \$300,000 out. Keith asked if there was about \$10 million in reserves. Amy confirmed. Keith said then it will be \$10 million minus \$300,000. Amy confirmed. October is closing right now and the projection will be redone, but this is the best educated guess based on the running rates seen right now. This proposal, with continuing to give the taxpayers the benefits of the million dollars you gave them last year and holding on for the revenue items that are not known (how big is the loss of sales taxes we are projecting) Amy said she is comfortable with holding the General Fund Levy at the million dollars less than where we were. Keith asked if the \$300,000 includes the overlooked \$95,000. Amy said that the \$95,000 is in FY14 not FY13. The \$300,000 is for this year. Amy said that if the publication of the Display Budget were authorized, her commitment is to get it on display tomorrow so the clock starts, but any line or the whole thing could be amended.

Official action is not being taken until the budget is approved and that could be with whatever amendments.

Linda Little asked what increases in the levy are being looked at for the retirement and the insurance. Amy said the General Fund is proposed the same. Retirement and Social Security together are \$266,000. As proposed, and this is the turning the boat problem because insurance and Judgement were taken way down because the reserves were felt to be excessive and we wanted to use them. We need to gradually move that up, so \$50,000 and \$150,000 are being recommended. There is a huge number on the DPBC lease which will be changed before the tax bills go out. Mental Health went down. For the Non-Building Commission Funds, the net at the bottom, the increase is just over 3%.

Linda Little asked about how many months the \$10 million in General Fund Reserves covered. Amy said it was about 4 months and a distinction is made between restricted and unrestricted. There are some restrictions on that \$10 million that have been established.

Keith Ashby said that if the budget is accepted, there will be about a \$300,000 deficit in the Auditor's best opinion. Amy said for FY13. On paper, we are looking at a much bigger deficit, almost \$3 million, for next year, but this year came in substantially better than predicted.

Kevin Greenfield asked, if, at the main County Board meeting, when the budget is accepted, could the levy be reduced or whatever. Amy said yes, you can change any line, and she said she expects there to be technical corrections. Kevin said then the Display Budget is as close a guideline as there is at this point. Amy confirmed.

Kevin Greenfield made a motion to pass it on as displayed, seconded by Jay Dunn, and motion carried 5-0.

Rodney Forbes explained that he was there because of the creation of the new Mental Health Court taking money from the Public Defender's Budget that was generated as revenue from the Behavioral Health Court fees. That money was put toward the creation of a new department that funds the Mental Health Court. When the budget was presented, this was still in the works. Now, that department has been created, and it is a part of the Display Budget. The Display Budget indicates that \$14,205 would be paid out of the Assistant Public Defender's line. The 5050 line would go towards that Mental Health Court fee. Then that department would be invoiced for payment of the actual services the attorney performs. He said he has an amendment that would reduce the budget 5050 line by \$14,205 and then they would just be invoicing the new department for the services that are rendered by the Public Defender's Office in connection to that.

Rodney reported that they would also like to purchase a new vehicle as part of the new fund the Auditor is going to propose for vehicle purchases. Some preliminary work indicates that a Chevy Impala could be purchased for \$408.93 per month for 48 months. Kevin Greenfield asked if the money is borrowed from the General Fund. Amy Stockwell explained that when the Capital Project Fund was created, rather than depositing a portion of the Judgment fund in the bank, they deposited it in this fund and it was used to buy copiers. A similar thing is being proposed for vehicles, but it would be a loan from the General Fund. So, rather than the General Fund putting money in a bank, it would be put into this fund. The fund would make the

purchase of the Impala, and Rodney would pay a lease payment to the fund. The benefit for the General Fund is that it is going to earn more money than it would at the bank and the benefit for Rodney is that rather than having to have his budget go up every 4 to 5 years to get a car, he can plan for the expenditures by leveling it out. Kevin asked why the Public Defender's office would be charged interest when the money isn't making interest at the bank. Amy said it is more the principal than the interest rate. The principal is that we are loaning ourselves money so he does not have to finance the whole thing through his budget. It gives a better cash flow. Rodney said that if this were to go forward, he would be asking to increase the equipment line 9040 up from \$5,000 to \$9,908 and to reduce the Assistant Public Defender line 5050 by \$14,205 down to \$587,838. There would be a reduction in the budget by almost \$9,000.

Amy said the committee could just tell her to include the numbers in the Display or a formal amendment could be made later. The committee agreed they'd prefer the Auditor take care of it.

CITIZEN REMARKS – PUBLIC COMMENT

None

OLD BUSINESS

None

NEW BUSINESS

Jay Dunn said he wanted to go over the charts that Amy had previously presented on the Sales Tax, Income Tax, and LEST. The sales tax and LEST are going down. Those taxes strictly deal with the economy in Macon County while the Income Tax, which is going up, deals with the whole state. The County gets a percentage. Since a lot of the other counties are doing a lot better than Macon County, we are benefiting from that and are bringing in more income tax. The LEST and Sales Tax, coming strictly from Macon County, shows that people are not buying as much as they used to be. The EAV chart shows a sharp rise and then it starts going down and then takes a sharp drop. One of the reasons for a little boost last year was an oil discovery. Josh Tanner said that they get the question a lot of why the EAV keeps going up after the economy tanks. There is a reason for that. The State does a sales ratio study every year. At the SA level, they are supposed to take the information and equalize the townships. It uses a 3 year average of sales prices. In 2008, when the housing market dropped, the EAV still kept going up because it is using the prior 3 years when the market was skyrocketing. In 2009, it still went up. In 2010, it flattened because it was using one bad year and two good years of sales. In 2011, still relatively flat with a drop in 2012 – all because of the use of the 3 year average. Conversely, when the economy turns around, it is still going to be 3 years before we see the EAV take back off. There is a lag factor in the EAV versus the economy. So, while the taxpayers were quite upset over the prior years because they felt like their home was not worth quite as much. It takes years of those sales to get through the system before you can see the effect on the home prices. There was a significant oil increase in South Wheatland Township. Oil is valued every year based on its production. According to the assessor who does this for the state, usually the first couple of years of an oil well, it produces a lot of oil. They get a 2 year break, so the first six months or so, they are charged a small amount, then it goes in increments up. After two years, they feel the full effect of the bill, but then the production starts tapering off according to the state formula. The County EAV does not look as bad as for the school districts and municipalities that are not in South Wheatland. The City of

Decatur, the Park District, Sanitary District didn't get the \$2.5 million break that the county did. Next year, it may not be there. Prior years it was only \$200,000 then it went to \$2.9 million. The other negative experienced this year was that the State keeps increasing the exemptions. This year the Senior Freeze went up \$1,000. There are not that many seniors compare to the general population, but if they were to increase the general homestead exemption which almost everyone receives, that would be huge. They did increase it in Cook County this year. We not only face declining values, but as the State keeps increasing exemptions, the EAV just disappears and there's nothing we can do about it.

Keith Ashby asked what the difference between Farm A & Farm B was. Josh explained that Farm B is the actual land such as the farmland, cropland, waste land. In the past, it went up 10% and was capped. This year, the law that was passed changes the formula. Now, the maximum it can go up or down is 10% of the median farmland. They are rated on numbers between 80 & 130. Most of the average in Macon County is 127. We are at the very high end which means our values will be going up less than they have in the past. Where in the past it was 10%, now it will be 5%, 6%, or 7%.

Jay said the reason he was bringing it up is because Kevin Greenfield has been talking about cutting the levy. He said looking at Amy's projections of going 3.18. It looks to be in the range of \$449,000 or somewhere there. Cutting the General Levy would make that down to zero. He said he understood Kevin's philosophy with the people and businesses in Macon County hurting, anything we can do to give them a shot in the arm is good. He said he was for that, but wanted the board to understand that when further action is taken, the ramifications of that and the discipline that the County is going to need next year and as time goes along. If we don't get some sudden outburst of increased revenue, we are going to have to ask our offices and elected officials to not just maintain, but to cut their budgets. We are looking at spending a bunch of money out of our reserves and we can only do that for so long before you have to start raising taxes. He said he really does not want to have to raise taxes. He said he has tried to set the example in his office by reducing the staff from 6 to 3. It is going to be up to the board to understand the amendments to this budget. What was just passed is going to have some ramifications and take discipline on our part. We have to understand our population is declining and getting older. We've had some major layoffs in the County. The Sales Tax & LEST show that. It could all turn around, but if it does not, next year, serious action on spending is going to have to be taken. That involves all the department heads and elected officials. He said he wants them to understand where we are at today and not next November.

Kevin Greenfield said he totally agreed and said he believes the government works best when it is lean. He said he felt it could be a little leaner. He said he really hoped cutting the levy could be considered.

Keith Ashby stated that he and Chairman Dunn were planning to send out a letter right away so they could stay on top of this during the next 12 months and not wait until May or June and be forced to react in the last 6 months. He said they wanted to react in the first six months.

CLOSED SESSION

None

NEXT MEETING

The regular Finance Committee Meeting will be on Monday, November 4th at 5:15. The special Board Meeting to approve the 2013 – 2014 Budget will be at 6 p.m. on Tuesday, November 19th.

ADJOURNMENT

Motion to adjourn made by Jay Dunn, seconded by Patty Cox, motion carried 5-0, and meeting adjourned at 6:35 p.m.

Minutes submitted by Jeannie Durham
Macon County Board Office