COMMITTEE REPORT

COMMITTEE: **Finance, Tax & Budgets**
CHAIRPERSON: **John Schultz, Chairman**
DATE/TIME: **July 19, 2022 at 6:30 p.m.**

PRESENT: ☒ John Schultz ☒ Staci Duerr ☒ Don Hill
☒ Diane Gallagher ☒ John Lang ☒ Don Zillig
☒ Steve McIntyre

Other Board members:

Others: Laura Edmonds, Melisa Hammer, Angela Kaiser and Scott Toot

1. **Call to Order –** John Schultz called the meeting to order at 6:30 pm.
2. **Roll Call –** A quorum was established.
3. **Approval of Minutes**: None.
4. **Citizens Comments:** None.
5. **Unfinished Business**
   a) FY2021/FY2022 Strategic Goals and Plans – The committee did not review the FY2021/FY2022 strategic goals and plans at this time.
6. **New Business**
   a) Discussion and possible action regarding items associated with the FY2023 Jo Daviess County Budget
      i. Review FY2023 Round 1 revenue estimates – Scott Toot reviewed the Executive summary that was included in the packet. The General Fund is $10,064,170. We are anticipating a $120,000 increase in Cannabis Sales Tax, $31,316 State Income Tax, $103,033 Corporate Personal Property Replacement Tax, $5,000 Building Permits, $8,610 Housing of Prisoners and $165,120 Salary Reimbursement (State). Revenue decreases are projected in Court Costs, Fines & Fees $40,000, CD Interest $6,000, Sheriff's Fees $3,980, Court Security Fees $4,000 and Transfer in from Tourism-H/M Tax Administration $5,000. Round 1 FY2022 estimated actual revenue is projected to be $10,865,069; this amount represents an increase of $1,132,450 or 11.6% more than the budget amount of $9,732,619. The five revenue categories anticipated to fall short of budget in FY2022 include Other Revenue $1,652, Other Intergovernmental $13,212, Interfund Transfers $23,865, Fines & Forfeitures $42,000 and Printing Fees $449. Four revenue categories are anticipated to exceed budget in FY2022 include Intergovernmental $1,117,549, Licenses and Permits $33,000, Fines & Forfeitures $6,200 and Service Charges $15,300. Significant line-item revenue increases ($20,000 or more) are projected for State Income Tax $31,316, Cannabis Sales Tax $120,000 and Corporate Personal Property Replacement Tax (PPRT) $103,303. Going forward for FY2023 Toot is projecting Cannabis Sales Tax revenue of $600,000. Significant line-item revenue decreases ($20,000 or more) are projected for Court Costs, Fines & Fees $40,000. Core Revenue is total revenue less state & federal grants, state revenue stamps and interfund transfers. Core revenue provides a majority of the revenue needed to maintain levels of service currently offered by General Fund

departments. Round 1 FY2022 General Fund core revenue is estimated to be $8,647,987; this amount is $255,674 or 1.1% more than the FY2022 budget amount of $8,392,313.

ii. Establish initial allocation of 2022 property tax levy (payable 2023) – Scott Toot reported the 2022 (payable 2023) estimated allowable property tax extension increase is $408,387. Four options have been prepared by Angela Kaiser for your review. Initially Toot felt that Option 1 (which we did last year) would be his recommendation. After further review he is recommending Option #4 which is a 5.91% overall increase, 11.7% increase to the General Fund, 5.91% increase to IMRF, SS, & Insurance. This way it will be done and we will have a benchmark to go from instead of waiting until further into the budget process. The four options can be seen on page 15 of the packet. This option would result in a $326,364 increase in the General Fund. Part of the reasoning is that we do not know what the compensation study will show us. The study is expected to be completed in September. **Diane Gallagher made a motion to approve the use of option #4 for initial distribution of the 2022 Jo Daviess County Property Tax Levy (payable 2023). Seconded by Don Zillig. A roll call vote resulted in all ayes; motion passed.**

iii. Establish initial allocation of FY2023 County (1%) sales tax – Scott Toot reported that the Round 1 FY2023 estimate is $500,000 for County (1%) Sales Tax. This is an increase of $1,234 or .24% more than the FY2022 budget amount of $498,766. Each year the County Board considers how this tax will be allocated. Based on recommendations from the 2019 County Board retreat the FY2021 County (1%) sales tax was allocated 100% General Fund and 0% Highway Fund. Administration recommends the FY2023 distribution of County (1%) sales tax be allocated 75% General Fund and 25% Highway Fund. John Lang is not in favor of this recommendation and feels it should be left the same as the last two years. **John Lang made a motion to establish the initial distribution of FY2022 County (1%) sales tax at a rate of 75% General Fund and 25% Highway Fund. Seconded by Staci Duerr. A roll call vote resulted in all ayes; motion passed.**

iv. Establish FY2023 Expense Budget Guidelines –The committee reviewed the FY2023 budget guidelines. Scott Toot pointed out that the initial FY2023 target amount for each General Fund expense budget, after allocating increases/decreases for allowable mandated expenses, shall be set at a 2% increase as the final FY2023 target amount less any non-recurring expenses added during the FY2022 budget process including any approved unfunded requests. Toot recommended that the following budget guidelines be used to establish FY2023 Jo Daviess County expense budgets:

1. The target-based budgeting process shall be used to establish the twenty-eight (28) General Fund expense budgets. A modified target-based process shall be used to establish the remaining sixty-eight (68) 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
   - Non-Elected/Non-Represented employees - compensation increase per position classification/compensation plan. A 5%

increase is budgeted for with an amount to be determined by New 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 **6.79%**, SLEP **15.84%**

c. Health Insurance: **5.0% rate increase**

d. S.S./Medicare – increase/decrease proportionally to payroll estimates.

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 FY2023 target amount for each General Fund expense budget, after allocating increases/decreases for allowable mandated expenses, shall be set at a 2% increase as the final FY2023 target amount less any non-recurring expenses added during the FY2022 budget process including any approved unfunded requests.

5. The initial FY2022 target amount for the County Highway Fund (002) expense budget shall be set at the same baseline level as the final FY2021 budget amount less the $265,300 interfund transfer (IFT) to the Highway Capital Investment Fund (059), $265,300 is the amount of unassigned fund balance allocated by the County Board from the County Highway Fund (002) for FY2021 unfunded requests. Beginning with the FY2021 budget an unfunded request process was implemented for the County Highway Fund (002) similar to the unfunded request process used by the General Fund.

6. **All Interfund Transfers** scheduled in FY2022 (except for the $265,300 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 accordingly, with review and approval by the Finance, Tax & Budgets Committee.

8. Any **new necessary expense** that causes the target amount 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 shall be submitted as an unfunded activity.

9. Any **new General Fund 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 departments.** The initial target amount for each Special Fund will be set at the same amount as the final FY2022 budget amount. <u>Any increase or decrease of $2,000 or more,</u> 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 FY2022 budget. **Don Hill made a motion to approve FY2023 expense budget guidelines as presented for the Jo Daviess County General Fund (001) and County Special Fund expense budgets and set the initial FY2023 agency funding amount at the same funding level as appropriated in the FY2022 Jo Daviess County budget with a 2% increase for the target base. Seconded by John Lang. A roll call vote resulted in all ayes; motion passed.**

b) <u>Discussion and possible action to approve initial FY2023 General Fund target budget amounts including any new mandatory and/or necessary expenses</u> – Scott Toot informed the committee that the General Fund Revenue Estimate document was prepared by Melisa Hammer. Initial General Fund target expense budget amounts were established using guidelines approved on July 19, 2022 by the Finance, Tax, & Budgets Committee. Our initial FY2023 General Fund target expense estimate is projected at **$9,532,269** (attached); this is **a decrease of $643,728 or 0.7%** less than the final approved FY2022 target amount of $9,599,442. Melisa Hammer added that since you approved the General Fund revenue tonight, if you look at that as your General Fund Revenue Estimate and subtract the expenses from that amount we are in a surplus of $531,901 at this point. **Don Hill made a motion to approve the General Fund target amounts as presented. Seconded by Don Zillig. A roll call vote resulted in all ayes; motion passed.**

Scott Toot thanked everyone for their indulgence. This is his greatest challenge when he has to deal with the budget and he fully acknowledges it and he wanted to again say thank you to Melisa Hammer and Angie Kaiser for helping him.

7. Staff Reports – None.

8. Citizens' comments – None.

9. Board Member Concerns – Staci Duerr said thank you for the work thus far on this and added that she is not super convinced that our expense amounts are figured high enough. John Lang thanked Scott Toot for his efforts in putting this together. Lang would rather start off a little bit conservative and we may have to go to the reserve fund to cover some items. This is a good starting point. Don Zillig commented that he thinks Scott Toot is great a great job and Angie Kaiser and Melisa Hammer as well. Don Hill commented that this is all a learning process for everyone and is brand new to Scott Toot. We are all catching on a little bit at a time. Thanks to everyone for all of the work you are putting into it. Hammer and Kaiser are the ones who know what is going on right here and everyone else is catching up. Hill is glad that we do have some money in reserve just in case things happen. We couldn't project what happened the last two years and going forward it is going to be hard to project the next two years. John Schultz echoes Hill. Diane Gallagher asked if the new budget software was used and was it helpful in this regard. Toot responded that Mary Althof, Melisa Hammer and Angie Kaiser all were telling him that we needed to be doing things but he didn't see the forest for the trees. The information that is in here tonight will be put into that software. Revenues have been input into the software which was taken from there and put into this spreadsheet. Melisa Hammer added that the information was data input by the Admin office but there is a process that none of us have learned yet in that financial software where we can actually pull those reports and do these reports without having to do the actual data input into our spreadsheet. It is just a matter of learning that process. We are doing one step at a time. Diane Gallagher also asked if not having the additional staff person in the Administrator's office if that position was not filled immediately because of lack of funds or lack of applicants. Scott Toot responded that we have not had a single person apply. We didn't put it in the paper again and we are going to revise the ad and put in there full County compensation package including the IMRF as well as put it on Indeed. It was in the paper for two weeks and has been on the County website for a month and just no one has applied. Gallagher asked if we would use a temp agency as in the past and Toot stated that we would not go that route this time. Other County positions have taken a while to fill as well.

The next Finance, Tax & Budgets Committee meeting will be on Thursday, July 28, 2022 at 6:30 p.m.

Diane Gallagher made a motion to adjourn at 7:20 pm. Seconded by Don Zillig and motion carried.