COMMITTEE REPORT

COMMITTEE: **Finance, Tax & Budgets**
CHAIRPERSON: **John Schultz, Chairman**
DATE/TIME: **July 28, 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, Anna Marie Kowalik 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**
   a) Minutes of the May 26, 2022 Finance, Tax & Budgets Committee Meeting – **Diane Gallagher made a motion to approve the minutes of the May 26, 2022 Finance, Tax & Budgets Committee Meeting. Seconded by Don Zillig and motion passed following a voice vote resulting in all ayes.**
   b) Minutes of the July 19, 2022 Finance, Tax & Budgets Committee Meeting **- Diane Gallagher made a motion to approve the minutes of the July 19, 2022 Finance, Tax & Budgets Committee Meeting. Seconded by Don Zillig and motion passed following a voice vote resulting in all ayes.**
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.
   b) Discussion and possible action on C-PACE Program – Anna Marie Kowalik, SVP, Director Business Development, The Illinois Energy Conservation Authority NFP and Andy Shaw, Blackhawk Hills Regional Council – John Schultz commented that we discussed this last November and since then he has reached out to the Treasurer, County Clerk, Assessor, former Planning & Development Director and our previous County Administrator. The Planning & Development Director was neutral on it. The rest of the people didn't seem too excited about it. Schultz gave Kowalik ten minutes to explain the program followed by a question and answer session to wrap this item up. Kowalik commented that most generally speaking commercial property assessed clean energy financing is a tool available to commercial property owners in the State of Illinois to help finance their energy efficiency, renewable energy, water conservation or resiliency projects. This is a very wide gamut per the Illinois statute. Kowalik represents the Illinois Energy Conservation Authority which is a program administrator here in the State of Illinois with now 14 counties having joined our program. What that means, since the product is property assessed, it is a debt instrument that is repaid via the tax bill via the special assessment mechanism. As such it needs to be enabled state by state across the nation as tax laws differ greatly from state to state often times. In that statute there is also

the provision to create, develop and implement a program. And this program is what facilitates the transaction between the deal stakeholders who are commercial property owners, their contractor, their capital provider and their mortgage lender who is part of the process. We facilitate that transaction between all those deal stakeholders on the one end and the County government on other other end. We have a comprehensive program that takes all of the burden off of the County. They have a set form of uniform documents, guidelines and procedures that are based on the state statue so that all rules and regulations are clear and part of the program. The only work that the County ever is responsible for is to review the documents at the beginning and then vote on them and wish to accept the program to allow for financings of this nature to occur within their county. Then the Treasurer‘s office usually has the responsibility of putting this line item on the tax bill. This is not an over burdensome procedure because if the County would have one C-PACE financing per year for the first three to five years that would actually be wonderful. There is the chance that one year you may have none and another year you may have two or three or five. All that is required then of the County Board when a transaction comes through is you would apply as few or as many as all the board members together to just review the deals as they come in to ensure that you understand and get the heads up that this is going to be processed on the tax bill and this is what's entailed in the financing. It's as simple as that. There are no costs to the County. They are a non-profit organization. They earn their fees through a one-time closing cost that they charge when the capital provider and commercial property owner close. They submit then a fee to them out of the closing. Also the County can earn a fee as well. Typically they are seeing those fees at about one-quarter of 1% of the total amount of the financing. The sweet spot of the financing is $100,000 and over. C-PACE is up to 100% financing of any retrofit or new construction project. Those energy efficiency measures which are qualified under the program such as energy efficiencies, HVAC replacements, roofing, windows, greater insulation greater than code factors, elevator maintenance and repair or upgrading. Anything that consumes energy and that can be made more efficient to consume less, save monies and create a better environment in the community. Renewable energies are another type of line item that is reviewed. They could be solar projects, geothermal, electrical vehicle charging infrastructure, water conservation. These projects can be financed at fixed rate long term loans which are unusual in the conventional lending industry. The only other thing like it is a mortgage. Since this is a debt instrument repaid on the tax bill mortgage lender written consent is required. The C-PACE product does not accelerate like a mortgage does. In there is an event, a sale, bankruptcy or foreclosure, that debt stays with the property until it is made whole. Because it is on the tax bill it is fully transferrable. There is a benefit to the commercial property owner because of this transferability factor making it nonrecourse to the property owner. It has the potential to be tax deductible dependent on the ownership structure and the owners financial situation. Because this is on the tax bill and it falls below the line it is not a loan liability on the balance sheets and leaves the owners credit facility fully available. If they need to borrow conventional lending product for other emergency type purposes that are not energy efficient they still have the credit facility to do so. John Schultz questioned if the County would have to issue up to half a billion dollars in bonds. Kowalik responded that is a misnomer. Schultz asked who pays the loan if the tax bill is not paid. Kowalik stated that it stays with the tax bill until it is paid. Schultz then asked what the interest rate is. Kowalik's response was mid five to mid six percent, Schultz asked her why he would want to take advantage of this program and she explained the benefits. Staci Duerr walked through a couple of scenarios for Kowalik to explain. John Lang asked if the County can restrict the amount of the loan from $100,000 to something less. Kowalik responded that it is up to the capital providers and they don't like to do less than $100,000. Diane Gallagher asked if there is a need for tax credits for energy improvements for manufacturers in our area. Kowalik responded that this is not necessarily just for manufacturing or renewable energy projects. This can be used for your local grocery store say for new HVAC units. Any commercial property that requires any upgrades are eligible. Angie Kaiser spoke on extending taxes and processing delinquent taxes and expressed her concerns with the County's process that will be involved. Melisa Hammer expressed her concerns in regards to not being able to take these properties to the tax sale if the taxes are not paid. Kowalik apologized for not having a tax consultant or an attorney present to answer several of these questions. Hammer stated that as the County Treasurer, she is not comfortable with this program and would sway the committee to not be in contract or making any agreement on this program, but it is up to the committee. The burden for the County Treasurer she would have to discuss with the County Board because she is not comfortable with it. Schultz is not sure what the need is for in the County either. We have enough in formation for this evening and cannot say either yay or nay on it. We will pass along our suggestion to the County Board. Kowalik thanked the committee for their time. Schultz does not feel that this is something that we need to jump into at this time. Duerr does not feel that there is a need for it at this time and our local banking institutes would give a better rate and fees than by using this program.

6. New Business

a) Discussion and possible action regarding a resolution to amend the following FY2022 Budgets:

   i. 104-47209 Work Release Fund
   ii. 106-47210 Marriage Fund
   iii. 107-47211 Co Clks Tax Redemption Fund
   iv. 112-47212 Inmate Commissary Fund
   v. 113-47213 Sheriff Kids First Fund
   vi. 115-47214 Probation Conference

   There was no action on this item at this time. It will be postponed to a later date.

b) Review changes to General Fund Revenue Amounts – Scott Toot reported that there is an updated General Fund Revenue Report included in the packet. You went with Option #4 for the Property Tax levy and that increased funding to the General Fund. Round 1 revenue estimates for the General Fund are updated to $10,314,284 to reflect the increase from the property tax levy being put in there. There was another change too in the Corporate Personal Property Replacement Tax. Toot had originally estimated $348,000. Schultz asked why it was so much and it is because part of that funding goes in to the IMRF and Social Security funding which Toot didn't account for in the original revenue estimates on the 19th but it is accounted for in the updated revenue estimates.

c) Review Special Fund Revenue & Expense Target Amounts – Scott Toot reviewed the updated Special Revenue & Expense Targets amounts after the actions of the Finance Committee meeting last week. Melisa Hammer added that this process is done every year. We are just doing it on a spreadsheet this year rather than sending it out on a cover sheet like it normally was. It needs to be done so that we have expense amounts to put into the system and to let the department heads know the amounts that they can have before we send the expense budgets out. Before they can even work on it this has to be done. No action needs to be taken on this, it is informational that the County Administrator's office is putting out to show where we stand.

d) Preliminary discussion regarding Courthouse facility renovation funding – John Schultz commented that our hope to acquire the primary school has been dashed. Scott Toot continued that Shive-Hattery will be at the Law Enforcement & Courts meeting in September and then it will go to the County Board in October. Bill Groh will do a presentation at the meeting and then Mike Lewis who is the main architect will be available in October. You have American Rescue Plan Funding that can be used for renovation to the building. It cannot be used for new construction. You can also use fund balance. The initial estimate for the entire project is $16 million. That includes major renovation inside the building but it will take the building into the 21st century. Toot has asked them to present the project in phases to try to break down how much it will cost. Melisa Hammer interjected that she asked to have this item put on the agenda to discuss the different options that we have for the purpose of the renovation of the courthouse. We have the option of a referendum, bonding, borrowing money or doing this re novation in phases. Whether it is $16 million or $35 million we should discuss how we are going to fund this. We cannot fund any of those options unless they come back with a phasing project of say $5 million, but then we will have to figure out where we will get money for the next phases. Staci Duerr does not think that a referendum would pass given the current economic environment. John Lang agreed. Duerr suggested we start talking to a bonding company to see what we could even do so that we know if we even have enough to cover the $16 million. Hammer agreed. Our audit book does tell us the amount that we could use. Toot added to stay tuned until the consultant presents their report at the September Law Enforcement & Courts Committee meeting.

7. Staff Reports

a) Chief County Assessment Office – Laura Edmond reported her office is winding down with township assessor work, 90% of all townships are complete, working on Stockton and other miscellaneous items. They are still collecting redistricting resolutions that are due to the Illinois Department of Revenue by September 1st. Staff is working on and reviewing CPQ's. Edmonds is working on budget figures for the office. There will be a new part-time employee starting on August, Donna Hillard from Galena.

b) Treasurer's Office – Melisa Hammer reported that on Monday, July 18th the second distribution was deposited into the accounts of the taxing districts. A total amount of $12,333,487.83 was distributed. Our office has been working in the new business tax module for the collection of hotel/motel taxes. We are working on getting the on line credit card/debit card payment process set up. Once we are able to get this established we will be reaching out to all of the entities that pay the tax to let them know of the new process and new forms that will be used. Hammer is working with the County Clerk to research the accounts receivable module that our current financial software company (Civic) has and how it could benefit the county. We are hoping that this would eliminate the process of departments having to collect checks and cash and then bring to our office by courier. Hammer has included the cash report for the month of June 2022, this cash report does not reflect the money that was included in the first distribution of real estate taxes because the distribution was completed after the 15th of the month. Our office has been working with the County Administrator's office on the budget process and compiling the revenue information needed to make projections and to help determine the target amounts for expenses for both the general fund and the special funds. The compensation study is underway and each department has been asked to complete the CPQ (Comprehensive Position Questionnaire) for each of our department's positions. Hammer's employees are completing these questionnaires and will be returning to her for review so that she can forward on to the County Administrator's office by July 29th.

c) Grants Administrator – Tammy Cahill reported that The 708 Mental Health Board had their FY23 Budget Workshop Meeting this month. The Committee reviewed the FY23 Provider requests and approved the amounts to be reimbursed in FY23. The Mental Health Board approved all seven Provider requests for reimbursement for the FY21 second quarter activity. These reimbursements will go out in the September claims. A quick update on the GATA portal. The SAM registration is now active and good for another year. This week Cahill approved a NOSA (Notice of State Award) for the 5311 Transit Grant in the amount of $181,875.00 for SFY23. The FY21 CYEFR for the County is still being reviewed. Cahill does not have any updates on the ARP funds at this time. Claims are beginning to be paid out of this fund. She does plan to reach out to Department Heads at this month's Department Head meeting to forward the backup documentation for claims that are being paid out of this fund as she will need this information for reporting purposes for this grant. Cahill is looking forward to a two day training that she signed up for on Grant Management to be completed in the next month. She also found a wealth of information and training available on the DOJ sight (for free) while researching some grants this past month through a link Sheriff forwarded to her. This month Cahill also worked with Sheriff Turner on researching the JAG grant to possibly use for the Starcom project. After reaching out to our contact at the DOJ we found that we would not be able to use this grant for this project. The DOJ does not allow for "supplanting" meaning once the project has been budgeted for you cannot go after the grant. This project has already been budgeted for in FY22.

d) County Administrator – Scott Toot reported that as of June 30th, 58% of the fiscal year has elapsed. Fund 001 General County YTD Actual Revenues are $5,451,484 as compared to Prior YTD Actual Revenue of $4,750,448 which is an increase $701,036 or 14.7% as compared to the same period in FY 21. Intergovernmental Revenues for Fund 001 General County YTD Actual Revenues are $3,583,617.11 as compared to the Prior YTD Actual Revenue of $2,517,598 which is an increase of $1,066,019 or 42% as compared to the same period in FY21. State Income Tax, Corp. Personal Property Replacement Tax, County Supplemental ¼% Tax, County Sales Tax, Cannabis Sales Tax all have substantial increases over the previous fiscal year. Cannabis Sales Tax Revenue: The County receives 3% sales tax on sales of cannabis in Jo Daviess County. The YTD actual revenue is $450,438. The budgeted revenue amount for FY22 is $480,000 with 42% of FY22 remaining. Revenues/Expenditures Compared to Budget-Fund Summary For the 7 Months Ending June 30, 2022: Total Fund Revenue: YTD Actual $11,819,882 Prior YTD Actual $10,423,150 Budget $24,910,863 Total Expenditures: YTD Actual $10,202,140.Net Revenues over Expenditures YTD $1,617,692 Expense Budgets will be initialized ASAP and the first of the Committee meetings reviewing budgets is scheduled for August 15th. The Compensation Study is underway and I have included the schedule in the packet. Archer CPQ's have been sent to the Employees and will be returned according the schedule from the Archer Company. We are short staffed with Stacy Meade's departure. The Employment Ad has been revised in order to encourage potential applicants to actually apply. The one phone inquiry that was made asked about the starting pay and did not call back.

8. **Citizens' comments –** None.

9. **Board Member Concerns** – Don Hill thanked Angie Kaiser and Melisa Hammer for their input on the C-PACE discussion as well as Staci Duerr. Diane Gallagher commented that there is not a lot of good general information about what the County Board does, The booklet produced by the County Clerk is by far excellent. Don Zillig added that you need to think not

just about your district but the good of the entire county. John Lang suggested putting out a newsletter and highlighting a department each edition. Scott Toot reminded the committee that the County does have a Facebook page that can be utilized. We all need to present the County in a positive way at all times.

The next Finance, Tax & Budgets Committee meeting will be on Thursday, August 25, 2022 at 6:30 p.m.

John Lang made a motion to adjourn at 8:30 pm. Seconded by Don Hill and motion carried.