

Approved 11/2/09

**MINUTES
COMMITTEE OF THE WHOLE
OCTOBER 5, 2009
City-County Health Department**

Present: Thomas O'Neill, Robert Baietto, James Dillon, Brian Elsasser, Brad Harding, Bonnie Hester, Allen Mayer, Lynn Pearson, Michael Phelan, Stephen Morris, Phil Salzer, Bud Sous, Andrew Rand, Carol Trumpe, William (Junior) Watkins, Merle Widmer

Absent: William Prather, Patricia Hidden

Others: Patrick Urich, County Administrator; Erik Bush, Chief Finance Officer; Kate VanBeek, Human Resources Director; Erik Christian Assist Human Resources Director; Scott Sorrel, County Administrator Assist to; Jenny Zinkel, Strategic Communications Director; Carol VanWinkle, Auditor; Greg Chance, Public Health Administrator; Carol Janszen, Allied Agencies Administrator; Randy Brunner, Budget Analyst; Denise Patton, Finance Director-Sheriff Office; Pam Reel, Circuit Clerk, Chief Account

The meeting was called to order at 6:00 pm by County Board Chairman O'Neill. Mr. Urich informed the members of the meeting format. He stated that as staff crafts the budget, there are decision points board members need to be aware of. The PowerPoint presentation will cover the current economic state and lead to a larger policy discuss on financial policies.

Mr. Bush said he will talk about the events in the world around us, factors inside and outside the organization and how they impact the economy and our operations, revisit the financial goals as well as the guiding principles the business units used to craft the 2010 budget. Board members will have an opportunity to look at some of the business units' mission statements and talk about outcomes they want to see. To wrap up the session, Mr. Bush said board members will be asked to review the County Board goals and reprioritize them based on a *money disbursement exercise*. Staff will discuss from a budgetary standpoint what the County is looking at for 2010 and *out* years with the thought of not getting *pigeon holed* in a one year cycle. Mr. Bush walked through the power point.

What's a Fund?

He noted that a fund must have source(s) of revenue and revenues should match expenditures. Revenues can include Fund Reserves and, generally, resources in one fund cannot be used for the other. Each fund must be looked at distinctly. The County's property tax levy has 13 funds and the majority of the time when the budget is discussed, the General Fund is being referred to. Of the three operational funds; Bel-Wood, Employee Health, and General --the General Fund is the largest and where most of the services are provided from. The County is a \$120-\$130 mil corporation but most of this year discussion has been about the \$3 mil short fall which appears to be small in context of to the larger picture. However, this represents 10% of revenues in the General Fund that is gone due to the recession. The General Fund is a \$40-\$45 mil fund.

Service Delivery at Peoria County Level

A chart on *Low Cost Service Provision* was presented representing what the cost of service means to each resident in the community. (The graph reflects what consumers spend money on.) Comparing average dollars spend on common household goods to the cost of governmental services, slightly less is spent (\$300/capita) for household goods. Staff provided in-depth details and comparisons.

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Economic Uncertainty

Mr. Bush mentioned that the *state of the economy* both regional and national was discussed with board members late April, early May of last year. Staff did not have final numbers; therefore, speculated regarding the financial posture of the County. As an organizational effort, the departments responded by reducing their non-personnel budget by 4-5%. Mr. Bush and Mr. Urich gave a chronological summary of the budget process/development including previous discussions with committees:

- Budget process aligns with the Strategic Plan and complies with the County Board's financial policies.
- Budget targets were rolled out in June and recommendation is for departments to hit 95% of budgeted expenditure levels.
- Tax rate is recommended to remain flat in 2010. The 2010 property tax levy is based on an Equalized Assessed Valuation (EAV) of \$3.23 billion - an increase of 2.1% of 2008 (EAV growth recorded at 5%). It was noted that because Peoria County property tax levy has 13 separate funds, the challenge is *balancing* in order to keep the tax rate the same each year. If more cash is in one fund, it can be utilized elsewhere to keep the property tax rate down. The notable change in the property tax rate for 2010 is due to the rate reductions in the two levies for pension funding. Pension obligations will draw down reserves in excess of the Fund Balance Policy. The IMRF Fund is 100% funded by property taxes or money in the fund. Although there is a 20% increase range in pension funding, the financial burden will be less in 2010 because the County will have fewer employees due to the implementation of the Voluntary Separation Plan (VSP).
- Expenses for 2010 will be reduced 7.4% from 2009.
- Revenues for 2010 are \$112,218,397. There was a 21% drop in revenue in 2009.
- Overall 66 employees, to date, participated in the first phase of the VSP resulting in \$1.33 mil payout in 2009. 40 employees are in the General Fund departments which equates to approximately 10% of the General Fund.
- 2009 budget reflects the hiring/wage freeze for unrepresented employees and 3 furlough days for management. The 2010 budget includes 12 furlough days.
- General Fund shortfall in 2009: the primary taxes supporting this fund -- Personal Property Replacement estimated to drop 21%, MFT allotment continues to decrease as well as sales and income taxes that make up approximately 50% of the Fund's revenue stream are also decreasing. Also notable is funding for juvenile detention expected to decrease in 2010.

A lengthy conversation commenced in regards to EAV growth. In response to Mr. Elsasser's question, staff explained that EAV is calculated based on new growth -- new houses, new commercial buildings, etc. If there is a period of decline and then an upswing, the sale prices collectively will *level out*. However, the numbers this past year do not show any large ticket items in commercial building or new homes. It was noted that the final EAV number usually is known in spring. Responding to Mr. Rand's question of potentially how long will the recession affect County revenue, Mr. Bush said looking at past data, he anticipates 4 years as the average.

As a reminder, Mr. Bush said new debt service projects such as Bel-Wood Nursing Home, Peoria Riverfront Museum and technology-related ones will be presented to the County Board for approval in 2010-2011 and primary services will continue to be discussed.

Mr. Urich continued to review the charts and stated that we have an employee-based pension plan and cost continues to increase, therefore, it's a struggle to keep the tax rate stable. He said it is important to continue to look at cost cutting measures as expenses continue to rise. Explaining the property tax table, he advised that the audited fund balance in 2001 showed several funds on the books that were not listed in the budget. That included the years through 2006. These have been added into all budget funds as in the audit so there is transparency of the yearly financial statements and spending plan.

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Mr. Urich explained the chart showing aggregate expenses and revenue in the General Fund over several years. Also, he reviewed a chart for non-general fund departments and business units funding levels structured to absorb the pension spike in 2010 (due to investment losses of 2008 and losses in 2009).

Referring to the financial policies, Mr. Bush said they are comprehensive and have been in place for sometime and should be reviewed. If and when the policies are reviewed he said the question is, do the board members want to have a comprehensive review or case by case. He presented a table showing the compilation of the policies.

Responding to Mr. Rand's question about the Health Fund, Mr. Urich said we have approximately a total of \$2 mil and a half million was captured through savings of the VSP. Approximately \$770,000 is for Health Retirement Accounts (HRA) cost for health insurance. Staff will provide a detail breakdown.

Mr. Phelan said board members made an unofficial pledge to employees to do everything possible not to layoff and he feels that was accomplished. He now wants to make a pledge to citizens not to raise fees or taxes. He sees an opportunity to engage department heads. Therefore, he asked Mr. Urich how he will challenge them to explore new ways to do things whether it is to cross train or to bring someone in to assist. Mr. Urich said department heads understand that the paradigm has changed. It's important that in the era of fiscal crisis, management teams adapt to the changing environment. During administrative budget hearings, managers indicated they are starting to look at how they can improve their operations. He mentioned that he supports training as a way of continuous improvement. In particular, he apprised the board members of the *Baldwin* model that has been used as a tool to measure performance.

Referring to a budget discussion in which it was mentioned that departments such as the Sheriff Office cannot sustain operations with any more reduction in staffing levels or cut backs, it was noted that the Sheriff Office could be challenged to look at a change in schedules or other ways to be more cost effective in the provision of service.

Mr. Bush said he would like to see county officials start to look beyond a 12 month cycle and focus more on programs. Mr. Urich said he talked to the Sheriff about accreditation and looking at best practices, and the Sheriff is very supportive. Also, Mr. Urich mentioned he recently met with his peers to discuss the development of a comprehensive benchmarking system to use as a tool to compare how well we are doing with other entities across the country.

Mr. Widmer mentioned the general consensus is that the economy will have a lengthy trough. Also, the federal administration appears to be looking at another stimulus packet because the first one didn't work. He said the County needs to start looking at combining services -- not just the election commissions because the County cannot continue to raise fees and taxes. He agrees that we should look at ways to be more efficient, agile, and productive. Mr. Widmer asked for an update on the museum. Mr. Urich said Mark Johnson, Mr. Rand, Mr. Morris and he have been working on the governance. While doing so, the challenge is to assure the City and County is protected. Also, he does not want to move on the construction of the garage until the money is raised for the museum. Mr. Urich doesn't know when the groundbreaking will take place. Details will be provided to the Finance/Legislative Study Committee.

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Mr. Bush advised that he plans to recommend an increase in user fees; therefore, he needs to hear from the board members if they are opposed because the spending plan to get fee studies done has been built into the 2010 budget.

Board members participated in an exercise requiring an allocation of \$100 prioritized by County Board goals ranked according to the ones they value most. The meeting adjourned at 8:20 p.m. on motion by Ms. Pearson and second by Ms. Hester.

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