

*Note: These minutes are not official until approved by the Finance Committee at a subsequent meeting. Please refer to the meeting minutes when these minutes are approved to obtain any changes to these minutes.*

DeKalb County Government  
Sycamore, Illinois

**Finance Committee Minutes  
January 7, 2015**

The Finance Committee of the DeKalb County Board met on Wednesday, January 7, 2015, at 7:00 p.m. in the Administration Building's Conference Room East. Chairman Paul Stoddard called the meeting to order. Those members present were Mr. Dan Cribben, Mr. John Gudmunson, Mr. Tracy Jones, Mr. Jim Luebke, and Mrs. Ruth Anne Tobias. Mr. Steve Reid was present via phone.

Also present was Gary Hanson, Pete Stefan, Paul Miller, Christine Johnson, Greg Millburg, Sheriff Roger Scott, Joyce Klein, Jim Scheffers, and Joan Hanson. Chairman Stoddard shared that Mr. Reid was ill and asked to attending the meeting electronically.

**It was moved by Mrs. Tobias, seconded by Mr. Jones and it was moved unanimously by voice vote for Mr. Reid to join the meeting as a voting member electronically by phone.**

**APPROVAL OF THE MINUTES**

**It was moved by Mrs. Tobias, seconded by Mr. Cribben, and it was carried unanimously to approve the minutes of the November 5, 2014 Finance Committee Meeting.**

**APPROVAL OF THE AGENDA**

**It was moved by Mr. Cribben, seconded by Mr. Jones and it was carried unanimously by voice vote to approve the agenda.**

**PUBLIC COMMENTS**

There were no public comments made.

**FUND BALANCE UTILIZATION TARGET FOR FY 2016 BUDGET**

County Finance Director Pete Stefan explained that last year, at the June Finance Committee Meeting, major budget targets were established for property taxes, salary increases, and COLA for commodities & services. In November, the FY 2015 approved budget included a General Fund fund balance utilization of \$740,000. At that time, it was project that a near similar level of fund balance utilization could have been repeated for one more budget year while still keeping the overall fund balance at a safe level in accordance with the updated fund balance target of 28%. However, in early December, the Illinois Department of Revenue notified the County that a total of \$634,000 in sales tax overpayments would be deducted from the monthly sales tax remittances to the County, spread out over a four month period. This follows similar reductions due to sales tax overpayments of \$818,000 in 2013 and \$512,000 in 2012.

Given the most recent \$634,000 reduction in sales tax revenue, the Finance Committee may wish to establish a target for next year's General Fund fund balance utilization early in 2015, that could be refined by the time the final budget parameters are communicated to departments in June. CPI increase for property tax levies in 2015, preliminary financial results for 2014 will be available for the March Finance Committee Meeting, and the estimated EAV figures become more and more reliable with each passing month. Although the ultimate goal is to have a balanced budget with no fund balance utilization, or ideally a surplus that replenishes reserves that needed to be accessed during the recession and the ongoing recovery process, reducing the fund balance utilization from \$740,000 to zero in one year may require potential reductions in service and staff that could be avoided with more gradual approach.

Mr. Stefan reviewed the attached bar chart that depicts the history of the declining General Fund budgeted fund balance utilization from \$1 million in 2011 to the \$740,000 budget in 2015, which amounts to only 2.6% of total budgeted expenditures. The chart also includes the actual results for 2011 to 2013 which show that the actual audited results for each year have been lower than the budgeted fund balance utilization each year even after accounting for the \$1.3 million in sales tax revenue reductions netted from the 2012 and 2013 totals.

He also included a Target Fund Balance Analysis report that shows the calculation behind the change in the fund balance target percentage from 35% in 2011 to 28% in 2013.

Mr. Stefan and the Committee reviewed that charts that he provided to them that mapped out the budgeted funding sources for General Fund expenditures from FY 2011 to FY 2015 along with the target fund balance analysis as of December 31, 2013.

The Committee voiced their concerns with the uncertainty of knowing if there could be any additional sales tax overpayment reductions taken from the Illinois Department of Revenue next year like they have the past three years. Mr. Stefan noted that because of confidentiality purposes he was not able to get any additional information at this time that would give the County any indications that there would be additional payments to be made in the future.

Mr. Stefan also wanted to stress or consider when determining a target fund balance that the Committee should look at figuring a specific hard number but rather an operating range. He used to example that the 28% is the target but also to establish a floor and a ceiling range that they want to stay operating within.

Chairman Stoddard shared that his impression was a good starting range was somewhere between the 33-28% is where they want to be but he does also think they need to think about setting a minimum that they shouldn't go below. He shared they also needed to prepare for the possibility of getting hit with another sales tax overpayment amount so Chairman Stoddard suggested that maybe whatever their target was last budget season they may want to look at cutting that in half. That would also help in starting to rebuild the reserve fund in the instance of hitting another hard recession.

Mr. Jones shared that he agreed with Chairman Stoddard comments and his look on cutting the fund balance in half from what they used last budget cycle. He also commented that he was glad to see from the charts that they have rarely ever taken as much out of the fund balance as they

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had budgeted for. He continued that they cannot keep rely so much of the reserve and start turning in the other direction of building back some of the reserve fund and cutting the utilization of the fund balance by half is hard but much easier than cutting it out completely. Mr. Jones started that he would like to see a goal of cutting the fund balance utilization by half in FY 2016 with the possibility of setting a zero amount of reserve utilization for FY 2017. He expressed the importance of having a goal when budgeting and by setting a goal now it will be easier to set their objectives to meet that goal in June when Mr. Stefan will have more information regarding the CPI and property tax levies.

Mr. Hanson noted that the Committee would need to temper that goal which is easier to talk about in January that it is in October when they are left with talking about cutting people and services. Chairman Stoddard shared he agreed and wanted to welcome the discussions to start now so that everyone is in the mindset to think about what it is going to take to cut the fund balance utilization in half.

Mr. Jones commented that he takes this budget process very seriously and he and Chairman Pietrowski took a few days to meet with many of the County's Department Heads and staff and shared that the County has phenomenal people working for them and when they have to make cuts he understands that it comes down to people's lives and he certainly doesn't take any of this process lightly. He also expressed his concerns with the very big topic of the Airline Fuel Tax issues that has been hanging over everyone's head for some time now with no definite answers in site. Mr. Jones commented that the County has a potential train wreck in front of them and a situation that could turn very ugly. He suggested that the County start thinking about what they are going to do without those funds because even if they win the current lawsuit, he would think that money would be gone in at least three or four years because of the possibility of the airlines moving into Chicago or another location.

Chairman Stoddard asked if Administration had any kind of feel what attrition would do for saving potentials within staffing for the next year or any feels on upcoming retirements. Mr. Hanson noted that he hadn't looked at that data but the argument that will be heard is that the departments are already in need of more staff and if they have the bad luck of losing someone if puts even more of a hardship on that department. Chairman Stoddard added that he was optimistic that the economy was turning about but in the instance that it doesn't they may have to look at some of the hard decisions now with the hopes that they are not needed to be actually implemented.

The Committee took some time to discuss what would be needed for the economy to actually turn around and the large need for new construction and increased sales tax earnings in DeKalb County. They also expressed their views on the tax cap.

**Mr. Jones moved to set a budget goal to take half of the amount of budget reserves that were utilized in FY 2015 as a target for the FY 2016 Budget (about \$370,000). Mr. Cribben seconded the motion. The motion carried unanimously by voice vote.**

### **ADDITIONAL GENERAL FUND REVENUE FOR FY 2015 BUDGET**

Mr. Stefan shared that as everyone was all aware, in November the County was notified that the Court Services Department's request for additional State funding was approved in its entirety which resulted in an additional \$282,000 in General Fund revenue. Of that amount, \$154,000 was approved by the Board to fund the two new positions included in the Court Services Department's request – an Adult Probation Officer position and a Supervisor position. The additional \$128,000 in General Fund money used to fund existing positions. As mentioned at the November County Board Meeting, this additional \$128,000 in General Fund revenue that is not currently allocated towards any specific personnel or programs would be discussed by the Finance Committee in early 2015 for the purpose of developing a recommendation to the full County Board for the best use of these funds.

One option for the use of these funds would be to reduce the General Fund fund balance utilization from its current budgeted level of \$740,000 to a reduced level of \$612,000. This option would reduce the budgeted fund balance utilization by one sixth and move the County 17% closer to eliminating the fund balance utilization altogether.

Another option would be to fund one or two of the positions that were requested in the FY 2015 budget but for which no funding was approved. A list of the twelve requested but unfunded positions not included in the FY 2015 budget is attached. The list is categorized by those three positions which were denied and appealed but still went unfunded, and those nine positions which were denied but not appealed. It should be noted that the three positions which went through the appeal process were in fact ranked by the Law & Justice Committee in the event funding for additional staff was identified, and that ranking is included on the list of unfunded positions. It should also be noted that strong arguments and justifications for each of these twelve positions was made by each department but, due to a lack of a funding source, all of the positions were denied as part of the original budget recommendation.

Mr. Stefan lastly added that all other options are on the table as well, but these two options focus on the two issues that seemed to dominate the FY 2015 budget discussions – the General Fund fund balance utilization and staffing requests.

The Committee reviewed the additional handout Mr. Stefan provided for them regarding the matter and they discussed the different options they had in front of them regarding the additional funds. It was added that the Law & Justice Committee had already ranked three positions that they felt were the most important to them to fund prior to receiving the news that the County was granted the entire requested funding.

It was clarified that the \$282,000 allocated from the Administrative Office of Illinois Courts (AOIC) was not a one-time allocation from the State. It is an addition the current annual allocation of about \$222,000 that the County has been receiving for many years from the AOIC for position funding subsidies within the Court Services' Department.

Mr. Stefan also noted that some of the positions including those within the Sheriff's Department could help reduce the overall operating costs associated with the Jail Expansion Project.

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Mrs. Tobias expressed that she felt the most important position to consider to be funded would be an additional Correction Office for the Sheriff's Department because of the need there and the desire to reduce liabilities with the already crowded conditions of the current facility.

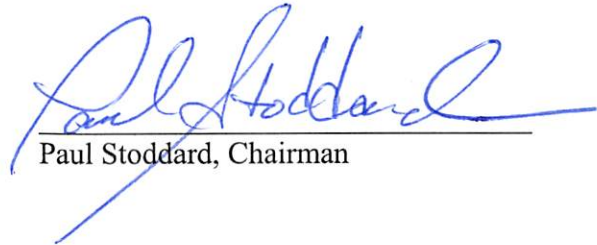
Mr. Jones wanted to clarify that if they were to fund the Correction Office A position at \$92,000 they would still be able to reduce the fund balance utilization by another \$36,000. Mr. Stefan noted that that would be correct. Mr. Jones expressed that he was torn although he sees the very large need for the Correction Office he also doesn't want to add to the same budget they are trying to reduce.

**Mrs. Tobias moved to forward a resolution to the full County Board to approve the funding of one Correction Officer position for the FY 2015 Budget. Mr. Luebke seconded the motion. Chairman Stoddard called for a roll call vote. Those voting yea were Mr. Cribben, Mr. Gudmunson, Mr. Jones, Mr. Luebke, Mr. Reid, Mrs. Tobias, and Chairman Stoddard. The motion carried unanimously.**

**ADJOURNMENT**

It was moved by Mr. Luebke, seconded by Mr. Jones, and it was carried unanimously to adjourn the meeting.

Respectfully submitted,



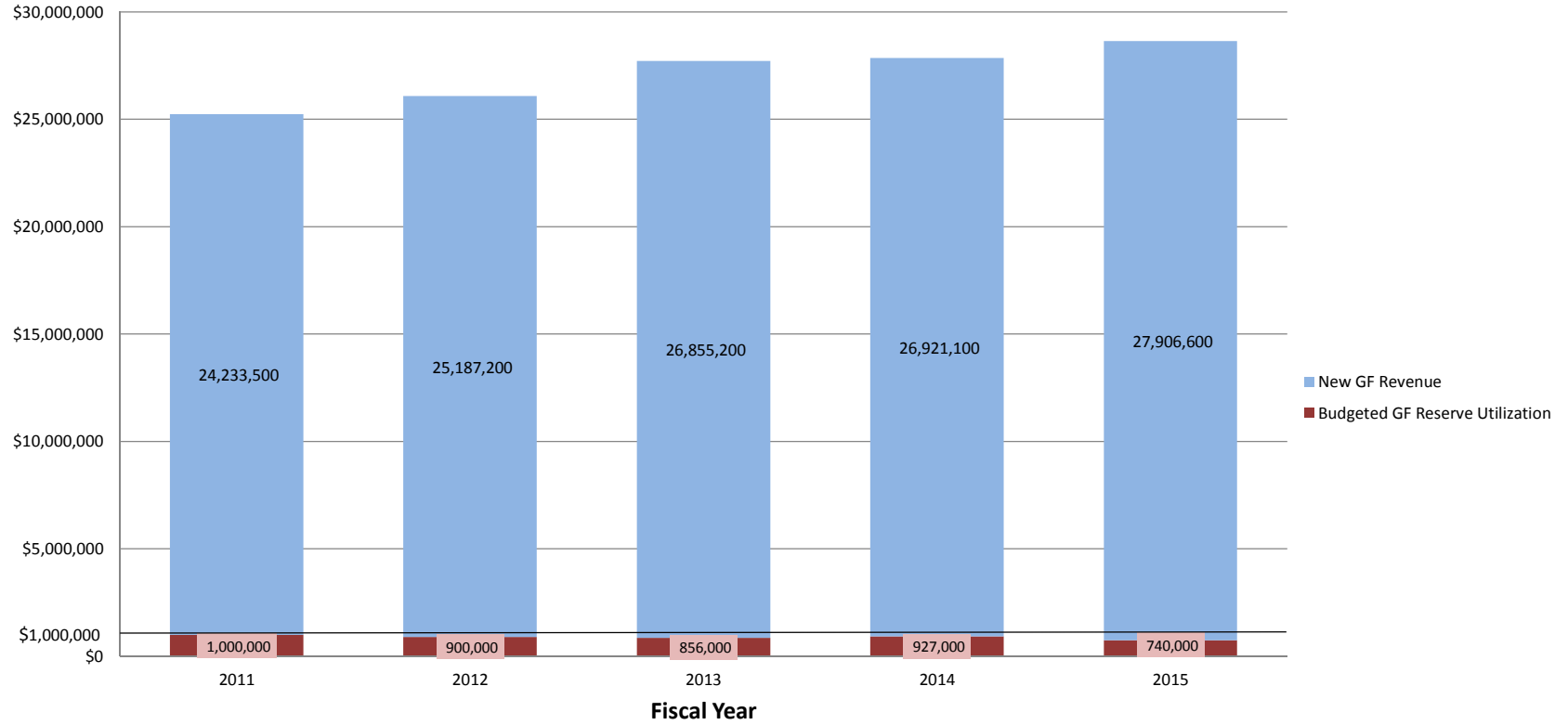
Paul Stoddard, Chairman



Tasha Stogsdill, Recording Secretary

01/05/2015

### Budgeted Funding Sources for General Fund Expenditures FY 2011 to FY 2015



Actual Results

+\$763,616

(\$425,031)

(\$679,638)

N/A

N/A

**Target Fund Balance Analysis  
as of December 31, 2013  
Updated 09-03-2014**

<b>Actual Results - Audited</b>	<b>2013</b>				<b>Comments</b>
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Restated</b>	
County General Fund Revenues for Fiscal Year	24,980,840	25,044,249	26,019,247	25,087,831	Section 5311 & DOAP Grant Revenues Deducted.
County General Fund Expenditures for Fiscal Year	23,232,116	24,464,130	26,040,076	25,108,660	Section 5311 & DOAP Grant Expenditures Deducted.
Unassigned Fund Balance as of December 31st	11,351,661	10,043,649	9,198,172	9,198,172	
Unassigned Fund Balance as Percent of Expenditures	49%	41%	35%	37%	
Unrestricted Fund Balance as of December 31st	11,351,661	10,899,649	10,119,272	10,119,272	
Unrestricted Fund Balance as Percent of Expenditures	49%	45%	39%	40%	
Total Fund Balance as of December 31st	11,528,970	11,103,939	10,424,301	10,424,301	
Total Fund Balance as Percent of Expenditures	50%	45%	40%	42%	

**Ideal Unreserved Fund Balance Target**

Vulnerability to Extreme Events	65,000	63,000	65,000	63,000	Based on 0.0025% of Revenues.
Revenue Source Stability	1,500,000	1,503,000	1,561,000	1,505,000	Based on 6.0% of Revenues.
Expenditure Volatility	250,000	250,000	260,000	251,000	Based on 1.0% of Revenues.
Leverage	(2,400,000)	(2,667,000)	(3,540,000)	(3,538,000)	
Budget Practices	650,000	626,000	650,000	627,000	Based on 2.6.0% of Revenues.
Liquidity	8,000,000	8,014,000	8,326,000	8,028,000	Based on 32.0% of Revenues.
Borrowing	-	-	-	-	No Borrowing Repaid with General Fund Assets.
Total Target Unassigned Fund Balance	8,065,000	7,789,000	7,322,000	6,936,000	
Target Unassigned Fund Balance as % of Expenditures	35%	32%	28%	28%	

<b>Input Variables</b>	<b>2013</b>				
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Restated</b>	<b>2014</b>
Municipal Price Index (MPI)	143.5	147.0	150.2	150.2	
Percent Change in MPI from Previous Year	2.4%	2.4%	2.2%	2.2%	
Revenue Source Stability	6.0%	6.0%	6.0%	6.0%	
Expenditure Volatility	1.1%	1.0%	1.0%	1.0%	
Leverage	-17.4%	-17.4%	-19.9%	-19.9%	
Retirement Fund - Fund Balance	1,259,705	985,164	707,182	707,182	\$436,000 available to General Fund based on FY 2013 expenditure ratio.
Medical Insurance Fund - Fund Balance	1,045,897	1,074,171	1,105,765	1,105,765	\$579,000 available to General Fund based on FY 2013 expenditure ratio.
Tort & Liability Fund - Fund Balance	4,627,342	5,395,689	6,153,813	6,153,813	\$63,000 available to offset Extreme Events exposure.
Renewal & Replacement - Sycamore Campus	817,457	1,013,384	-	-	
Renewal & Replacement - Community Outreach Bldg.	150,259	200,447	-	-	
Renewal & Replacement - Health Facility	1,680,138	1,981,923	-	-	
Renewal & Replacement - Public Safety Building	219,610	205,666	-	-	
Asset Replacement Fund - Fund Balance	3,076,285	3,701,003	4,183,185	4,183,185	\$1,046,000 available to General Fund based on 25% of fund balance.
Special Projects Fund - Fund Balance	887,645	738,857	621,655	621,655	\$155,000 available to General Fund based on 25% of fund balance.
Capital Improvement Reserve Fund - Fund Balance	-	-	1,503,216	1,503,216	\$376,000 available to General Fund based on 25% of fund balance.
Opportunity Fund - Fund Balance	-	-	3,531,378	3,531,378	\$883,000 available to General Fund based on 25% of fund balance.
Total Leverage Funds - Fund Balances	13,764,338	15,296,304	17,806,194	17,806,194	
Budget Practices	659,605	692,780	696,203	696,203	
General Fund Budgeted Expenditures - Subsequent FY	25,233,500	26,384,200	27,711,200	27,711,200	27,848,100
Liquidity	76.7%	76.0%	74.5%	71.8%	
General Fund Levy	8,427,000	10,340,000	10,974,000	10,974,000	11,755,000
Retirement (FICA) Levy	1,000,000	100,000	100,000	100,000	100,000
Retirement (IMRF) Levy	1,000,000	100,000	100,000	100,000	100,000
Total General Fund Tax Levies for Subsequent Year	10,427,000	10,540,000	11,174,000	11,174,000	11,955,000
Borrowing	-	-	-	-	

**Unfunded FY 2015 Staffing Requests  
as of January 5, 2015**

Budget Narrative Number	Department	Position	Cost	Law & Justice Committee Ranking
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**Positions Appealed via the Budget Appeal Process**

A)	#19	Public Defender	Level 2 Assistant Public Defender	93,000	2
B)	#22	Sheriff	Correction Officer A	92,000	1
C)	#22	Sheriff	Correction Officer B	92,000	3

**Positions Not Appealed via the Budget Appeal Process**

D)	#16	State's Attorney	Level 2 Attorney	93,000	
E)	#16	State's Attorney	Investigator	95,000	
F)	#18	Circuit Clerk	Court Clerk	57,000	
G)	#23	Sheriff	Correction Officer C (Jail Transition Team)	92,000	
H)	#23	Sheriff	Correction Officer D (Jail Transition Team)	92,000	
I)	#23	Sheriff	Correction Officer E (Jail Transition Team)	92,000	
J)	#24	Sheriff	Part-Time Correction Officers - Additional Hours	70,000	
K)	#29	Facilities Management	Maintenance Worker 2	66,000	
L)	#29	Facilities Management	Maintenance Worker 3	70,000	