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DeKalb County Government
Sycamore, Illinois

Finance Committee Minutes
August 4, 2021

The Finance Committee of the DeKalb County Board met on Wednesday, August 4, 2021, in the Legislative Center's Gathertorium in Sycamore, Illinois. Chairman Bagby called the meeting to order at 7:00 p.m. Those Members present were Mr. Bill Cummings, Mr. John Frieders, Ms. Dianne Leifheit, Mr. Jim Luebke, and Chairman Tim Bagby. Mr. Scott Campbell and Mr. Steve Faivre were absent. A quorum was established with five Members present and two absent.

Others present included Brian Gregory, Robert Miller, Anthony Cervini, Scott Gima, Karen Cribben, and Roy Plote.

APPROVAL OF THE AGENDA
It was moved by Mr. Luebke, seconded by Ms. Leifheit and it was carried unanimously by voice vote to approve the agenda as presented.

APPROVAL OF THE MINUTES
It was moved by Mr. Frieders, seconded by Mr. Cummings and it was carried unanimously to approve the minutes of the June 2, 2021 Finance Committee Meeting and the June 9, 2021 Special Finance Committee.

PUBLIC COMMENTS
There were no public comments.

FY 2020 AUDIT PRESENTATION
Mr. Anthony Cervini, partner at Sikich LLP, the County's auditing firm joined the Committee. Mr. Cervini was in attendance to formally present the FY 2020 Audit Reports. Hard copies of the reports were distributed at the meeting but electronic copies are posted on the County's website and can reviewed at: https://dekalbcounty.org/departments/finance-office/audit-cafr/

Mr. Cervini shared that overall Sikich prepared twelve documents but reviewed the main Comprehensive Annual Financial Report for the Year Ended December 31, 2020. He began by commending the County on preparing the CAFR. This is a document that goes well above and beyond the minimum reporting requirements with both what the Illinois Compiled Statutes require and what the generally accepted accounting principles require from a financial statement standpoint. The County has chosen to prepare this document in the spirit of full disclosure, transparency, and accountability to the taxpayers, constituents, and any other who may have an interest in the County's financial position.

Mr. Cervini congratulated the Committee, the County Board, and the Finance Office for being presented with a Certificate of Achievement for Excellence in Financial Reporting from Government Finance Officers Association for the 34th consecutive year in a row for its Comprehensive Annual Financial Report.

He also suggested the Committee Members to read the Finance Office's Letter of Transmittal. This provides a great overview of what happened over the year and provide a look forward for the County. He reiterated that the suggested the Committee reviewed that Letter of Transmittal in conjunction with the Management Discussion and Analysis.

In reviewing the Independent Auditor's Report, Mr. Cervini proudly announced that Sikich has issued a clean and unmodified opinion for the County's Finance Statements for the Fiscal Year ending December 31, 2020. That clean and unmodified opinion is the highest level of assurance that Sikich can provide as auditors in accordance with accounting principles generally accepted in the United States of America.

Some key highlights from the County's CAFR included:

1. The assets and deferred outflows of resources of the governmental activities of the County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $126.6 million which is an increase of $1.6million from the previous year. This increase is primarily due to the combined effect of the following three factors: a) a $16.0 million decrease in net pension liability due to stellar market returns on pension assets which significantly decreased the associated net pension liability in 2020; b) a $9.1 million decrease in deferred outflows of resources related to pension items combined with a $6.3 million increase in deferred inflows of resources related to pension items and c) a $4.3 million increase in restricted net position due to road and bridge project expenses requiring planned drawdowns of restricted reserves. Also, of significant importance, the property tax base increased by $118.7 million or 5.7% for the 2019 Tax Year (collected in 2020) which is the fifth consecutive annual increase following five consecutive years of declining property values, an indication that property values continue their recovery towards the pre-recession peak attained in 2009.

2. For the fiscal year ended December 31, 2020, revenues totaled $74.7 million. This is an increase of $4.2 million or 5.9% from 2019.

   Capital grants and contributions experienced a decrease of $2.3 million, the majority of which was due to the completion of several road and bridge projects in 2020 that were funded by Federal and State grants. The 2020 projects included Peace Road-Route 64, Plank Road, and Peace Road-IL64 & IL23.

   As mentioned earlier, operating grants and contributions increased by almost $8.7 million due largely to the $3.6 million in grants related to the Coronavirus pandemic.

   The decrease of $0.2 million in Governmental Activities charges for services revenue was due in large part to the Coronavirus causing the closure of multiple county offices for several months in 2020.

   Property tax collections increased by $1.0 million in 2020 which was comprised of the allowable 1.9% increase from the Consumer Price Index plus another 0.8% for new construction activity. Property taxes support governmental activities including employee pension fund contributions.

The other taxes classification includes a number of different revenue sources such as sales tax, replacement tax, and local use tax. The County no longer receives any State inheritance tax.

The major type of sales tax is the retailer's occupation tax (ROT). This sales tax is collected by the State of Illinois. A portion of the ROT is shared by the State with the County based on the point of sale. The rate of sales tax that the County receives if the business is located outside of an incorporated area, is 1.25 percent. If the business is located within an incorporated area, the percentage is 0.25 percent. State-shared sales tax revenues in 2020 totaled $2.6 million which represents a $1.4 million decrease from 2019. The reason for the decrease was the phase out of the sales tax revenue the County received on the sale of airline fuel. Effective December 2019, the County no longer receives any of this revenue as the State changed the distribution method for future distributions.

DeKalb County also receives sales tax dollars through an intergovernmental agreement with the City of DeKalb involving two developments that are located on the former County Farm and County Home sites located within the City of DeKalb. In 2020, a portion of the County Farm site sales tax revenues of 1.25 cents per dollar of sales are received and distributed at the rate of 0.75 cents into three of the County's Debt Service Funds, the 2010A Build America Bonds Fund, the 2010B Recovery Zone Economic Development Bonds Fund, and the 2020A Refunding Bonds Fund, to fund the required debt service payments. The remaining sales tax revenues from each site are deposited into the General Fund and the PBC Lease Fund in varying amounts. This revenue source generated $1.4 million in 2020 and is classified as intergovernmental revenue.

Finally, income taxes are also shared by the State but on a per-capita basis and are therefore classified as intergovernmental revenue as well. Income tax revenue in 2020 amounted to $1.7 million which was a 2.1% increase from 2019.

3. DeKalb County's expenses totaled $74.8 million in 2020 increasing by $7.1 million or 10.6% from 2019. Public Safety expenses remain the largest expense group for the County at 36% of total expenses as they surpassed Health and Welfare expenses in 2014. Public Safety expenses relate to the operations of the Sheriff's Department, which includes Patrol, Communications, Corrections, and Court Security, as well as the Emergency Services & Disaster Agency, and the expenses related to the court system, which includes the Circuit Clerk, Judiciary, Court Services, State's Attorney, and Public Defender offices.

Public Safety expenses increased by $1.6 million or 6.5% in 2020. This increase was due primarily to a) $0.6 million for the radio communication system, b) $0.2 million increase in costs for our Comprehensive Opioid Abuse Program, c) $0.2 million increase in overtime pay and related costs to continue minimum staffing in the communications division during the COVID-19 pandemic, and d) $0.6 million expended on standard inflationary increases in operating costs.

Health and Welfare expenses include the Departments of Public Health, Community Action, Financial Aid, Senior Services, Veteran's Assistance, Community Mental Health, and the DeKalb County Rehab and Nursing Center. Total Health and Welfare expenses for the County in 2020 increased by $1.4 million or 5.8% due to increased operating costs they encountered during the pandemic.

General Government expenses increased by $1.4 million from 2019 to 2020 due primarily to a) a $0.3 million increase in public building maintenance costs as several rooftop HVAC units were replaced, b) a $0.5 million in election costs due to 2020 being an election year, and c) a $0.1 million increase in the costs related to the census. The remainder of the increase was due to standard inflationary increases to operating costs.

4. As of December 31, 2020, the governmental funds had a combined fund balance total of $57.8 million including a $12.3 million General Fund portion classified as unassigned. There is also $12.7 million that is assigned for capital purposes. Total governmental funds unrestricted fund balances as of December 31, 2020 amount to $23.1 million. This reflects an increase of $0.8 million from the prior year due mainly to favorable General Fund results ($1.5 million) and a decrease in the unrestricted amount for capital purposes ($0.7 million).

   The unassigned General Fund fund balance of $12.3 million is 43.3% of total 2020 General Fund expenditures of $28.3 million or more than 158 days of operating funds. The General Fund fund balance increase of $1.3 million was primarily due to the decrease in expenditures due to the COVID-19 pandemic. With offices closed during the pandemic, working remotely became the norm for some employees which in turn lowered certain expenditures such as supplies, utilities, travel costs, and juror fees. Nonmajor governmental funds have combined fund balances of $45.2 million which is either non-spendable for prepaid items ($0.2 million), restricted for various purposes ($34.2 million), or unrestricted ($10.8 million).

   The County's proprietary funds had combined net positions of $17.1 million as of December 31, 2020 which is $1.9 million less than the 2019 year-end balances. Of this amount $4.3 million is the net investment in capital assets and $12.8 million is unrestricted.

5. General Fund revenues in 2020 were $0.6 million or 2.0% higher than budgeted amounts. The major contributing factors to this were the continued receipt of federal CARES Act grant revenue that was received due to the Coronavirus pandemic, which helped offset the decreases realized in charges for services, which was also lower than normal due to the pandemic.

   General Fund expenditures and transfers in 2020 were $1.3 million or 4.5% less than the final budgeted amounts as all departments ended the fiscal year under their final budget amounts.

Mr. Cervini briefly reviewed the County's Single Audit Report with the Committee. Mr. Cervini shared that the Single Audit Report is comprised of two separate auditor's reports and auditor's opinions. The first one being: Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial

Statements Performed in Accordance with Government Auditing Standards. As well as: Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance. Mr. Cervini announced he was pleased to report unmodified opinions on both audit reports.

The Committee thanked Mr. Cervini for joining them and providing them with the Annual Audit Presentation.

AUDITING SERVICES PROPOSAL

Mr. Gregory reviewed that at the Committee's last meeting they discussed that back in 2018, Sikich provided a five-year proposal and a three-year proposal to the County for auditing services. The Committee and the County Board ultimately approved to go with a three-year option, which concludes with the auditing of FY 2020. After speaking with Sikich, they had agreed to lock in the original pricing (for years four & five) that they proposed in 2018 for a now two-year agreement. Mr. Gregory recommended to extend the next two years of auditing services at the terms of that initial five-year agreement with Sikich LLP. Then, at the end of FY 2022, the Committee look to go out for bid for professional auditing services.

As of last month, the Committee wasn't comfortable with a two-year extension and requested a one-year proposal be brought back. As per the Committee's request, Mr. Gregory spoke with Sikich and they have agreed to lock in the same pricing for FY 2021 as they charged in FY 2020.

The proposed contract amounts for FY 2021 would include the following services: Basic County Audit ($48,875), Single Audit ($15,755), Circuit Clerk Compliance ($12,605), and Rehab & Nursing Center ($14,180);

The Committee reviewed a draft Resolution that would approve a one-year Proposal to Provide Professional Auditing Services for the Fiscal Years Ending December 31, 2021 from Sikich LLP of Naperville, Illinois for the total amount of $92,415.

It was moved by Mr. Frieders, seconded by Mr. Cummings and approved unanimously to forward the Resolution to the full County Board recommending its approval.

AUDIT SELECTION AND ROTATION POLICY

Last meeting, the Committee expressed that they wished to implement an audit rotation policy in an effort to further enhance accounting and auditing controls. They recognized that different auditing firms provide new ideas and perspectives in reviewing the County's financial.

Mr. Gregory proposed a draft Audit Selection and Rotation Policy that outlined that the County would seek proposals via a competitive process for multiyear agreements with independent auditors of at least five years (mostly likely to be a three-year proposal with two option years) to allow for greater continuity and help to minimize the potential for disruption and help to reduce audit costs by allowing auditors to recover certain "startup" costs over several years, rather than over a single year. The policy also outlined that the County promotes rotation in audit firms every five years, however, in order to remain competitive a firm performing the audit services in the first five-year agreement will be considered for a second term provided that senior engagement staff, such as engagement partners and senior managers, be rotated to provide a fresh perspective. If a firm has performed the County's independent audit for more than one consecutive five-year term a new firm should be selected in order to bring a different perspective and approach to reviewing the County's financial practices.

It was moved by Mr. Cummings, seconded by Ms. Leifheit and approved unanimously to forward the recommended Policy Resolution to the full County Board recommending its approval.

COUNTY HMO INSURANCE PLAN
Mr. Gregory presented the Committee with an option to provide County employees with an HMO option to add to their insurance offerings. This would be another option and would not be designed to take any of the current options away. The County would therefore still have the PPO, the high-deductible HSA plans and the HMO option.

DeKalb County offers full-time employees health insurance coverage where the County picks up 75% of the cost and the employee covers the remaining 25%. The plans offered include a traditional PPO plan and two high deductible plans, commonly referred to as Health Savings Accounts (HSA). In the standard HSA plan the County provides an incentive to help fund the deductible as an incentive to participate in the more economical plan and to allow employees to save for post-retirement healthcare. Employees can also choose a very basic HSA plan or opt out of the insurance and receive a $3,000 cash buy-out.

The County does not currently offer an HMO plan. This is likely due to the fact that there were very few in-network providers prior to Northwestern Medicine purchasing Kishwaukee hospital. With the expanded HMO network now available in the County, there are benefits to both the employee and the County to offering an HMO option. This fully insured option would provide a significant cost saving over the traditional PPO, as the user needs an in-network referral for specialists.

While the HMO does not provide the same level of options as the more expensive PPO, it does provide a cost savings to the County. Since the plan costs less, the employee will in-turn pay less for the plan. To further incent employees to consider this fully-insured option, it is recommended that 33% of the savings be shared with the employee either through a reduction in the premium cost or through a bi-weekly incentive.

A spreadsheet that breaks down the HMO vs. PPO plan costs with the incentive was distributed (uses current rates; expect a similar increase in both plans as of January 1st). The employee is $1,503.18 ahead with the single plan and $3,967.01 with the family plan when compared to their cost of the PPO. The County saves approximately the same cost in each of the plans. In the end, if five employees moved coverage in each of the four coverage options, the County would save over $50,000 and our employees would realize roughly the same savings.

The HMO plan may not be the best coverage for every situation, however there are many situations where this may prove the best alternative. The County's Benefits Coordinator, Finance Office and Administration Department will work to help educate our employees on the different options and provide them the information to make the best decision for their individual needs.

There is no cost to the County to offer the fourth option. In fact, the plan is much more cost effective to the County and therefore Mr. Gregory recommended that the County share in the savings as an incentive to those interested in switching. In the end, the County and the employee can save if they chose to switch to the HMO. Mr. Gregory noted that these are the types of "win-

win" situations the County should continue to look for as it would certainly benefit the County and some of the employees.

It was moved by Mr. Luebke, seconded by Mr. Frieders and approved unanimously by the Finance Committee to implement an HMO option as a fourth option of insurance offerings to DeKalb County Government employees.

DEKALB COUNTY REHAB & NURSING CENTER FINANCIAL UPDATE
The Committee welcomed Mr. Scott Gima, Executive VP of Compliance & Management, Management Performance Associates (MPA). MPA are the managers of the DeKalb County Rehab & Nursing Center (DCRNC) and have been for 20+ years. When the County Board approved the Memorandum of Understanding Between DeKalb County Government and the DeKalb County Rehab & Nursing Center Operating Board, one of the stipulations were that "The Operating Board will provide monthly reports to the Finance Committee of the County Board, that outline the current census, change in census, actions and initiatives taken to promote census growth, financial projections for the current year with current year profit-and-loss projections, and initiatives taken to reduce costs or improve financial efficiencies".

Mr. Gima reviewed the daily census trends with the Committee. From May 1 to July 26, 2021, referral and admissions were strong in the first two weeks of July. After hitting a high of 127, the census then fell to 117 for the past few days.

Medicare census has shown strong growth, hitting a high of 18, but has since dropped to the current census of 12. The cash flow impact of the rise in Medicare census is a rough conservative estimate of an increase of $70,000 for June and $140,000 for July, if July's Medicare census averages 13 for the entire month. The current average Medicare census if 14.6 so far in July.

As far as admissions, a chart indicated that April, May and June referrals, admissions, lost admissions and accepted referrals that we be admitted in the near future. Referrals and admissions showed strong numbers in May, June and in early July. Referrals have slowed over the past two weeks.

The change in monthly census follow with the monthly referral and admission statistics. The monthly census stats additionally point out the census increases are occurring with Medicare and private pay. Medicare has rebounded nicely in June and July. Of note is private pay, which has shown a steady climb every month starting in March. Medicaid census has remained stable around 60 since March.

March expense increases were driven by an increase in nursing labor, agency, personal protection/infection control supplies, infection control, survey and dementia consultants. Nursing labor costs increased with COVID hazard pay and shift bonuses to incentivize staff to pick up extra shifts to deal with COVID related staffing issues.

There are 29 Medicaid applications that remain unresolved that total a little more than $800,000 in receivables. These cases fall in the following general categories:

- Approved applications that have never been put into MEDI for 10 residents
- Approved applications with provisional payments for 15 residents
- Submitted applications with all additional financial information requests submitted for 4 residents.

Approved applications not put into MEDI. These are applications that have been approved. The last step needed to receive payment requires the Department of Healthcare and Family Services (HFS) to place the resident into the MEDI system, which is the Medicaid electronic data interchange system. Facilities cannot bill Medicaid without this last step.

Approved applications with provisional payments. These are applications that are still open for review but the facility has been receiving provisional Medicaid payments. The good news is that Medicaid payments are received, but in most instances, the provisional payments do not have the correct Medicaid start date and the facility is owed for a few months of Medicaid payments per resident.

Here is a not so short summary of provisional payments. A complaint, Koss v. Norwood was filed in April of 2017 with allegations that HFS (Norwood was the HFS Director at that time) had thousands of applications that were in two categories, applications with pending decisions and applications that were deemed eligible but not yet admitted into the MEDI system. In March of 2018, the US District Court for Northern Illinois Eastern Division found in favor of the plaintiffs and required the State to pay long-term care and other Medicaid benefits to individuals for Medicaid applications open longer than 90 days. In response, the State implemented a provisional eligibility process in July of 2018.

Submitted applications with all additional financial information requests submitted. For these, the application and supporting financial documentation have been submitted without any response or feedback from DHS.

A significant barrier to follow-up is the lack of response from DHS or HFS. The days of a specific office or caseworker that handles DCRNC's cases is long gone. DCRNC will attempt to follow up on applications through a general fax number, general email and phone number with no responses. When someone is reached, the response is typically that they have to get back to you after they find the applications and in almost every instance, a follow-up call does not occur.

Mr. Gima has reached out to a LeadingAge Medicaid consultant to assist in getting a direct contact with the State that can work with DCRNC to address these cases. As previously mentioned, there are two state agencies that are involved with applications, DHS and HFS. Generally speaking, DHS handles the applications and HFS handles the last step with MEDI and the billing/payments. The list is currently being reviewed by DHS.

ADJOURNMENT
It was moved by Mr. Luebke, seconded by Mr. Cummings, and it was carried unanimously to adjourn the meeting at 8:43 p.m.

Respectfully submitted,

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Tim Bagby, Chairman | Tasha Sims, Recording Secretary

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