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DeKalb County Government
Sycamore, Illinois

**Finance Committee Minutes
September 1, 2021**

The Finance Committee of the DeKalb County Board met on Wednesday, September 1, 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. Scott Campbell, Mr. Bill Cummings, Mr. Steve Faivre, Mr. John Frieders, Ms. Dianne Leifheit, Mr. Jim Luebke, and Chairman Tim Bagby. A quorum was established with all seven Members present.

Others present included Brian Gregory, Robert Miller, Sheila Santos, Scott Gima, Karen Cribben, Jim Scheffers, Becky Springer, and Sheriff Sullivan.

APPROVAL OF THE AGENDA

It was moved by Mr. Faivre, 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. Luebke, seconded by Mr. Faivre and it was carried unanimously to approve the minutes of the August 4, 2021 Finance Committee Meeting.

PUBLIC COMMENTS

There were no public comments.

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 August 26, 2021. There was a strong stretch of census growth that was seen from late June through the second week of July. Since then, census dipped and has remained within a range of 115 to 120. Referrals and submissions were strong in the first two weeks of July but those are also dipping.

Medicare census showed growth through mid-July, hitting a high of 18, but also showed a dip in the later weeks of July. A slight rebound over the past week did increase Medicare census to 16, but recent discharges have dropped the totals down. The good news is that most of the discharges covered to long-term residents.

A drop in referrals occurred in the last two weeks of July, which matches up with the fall in census during the same period. Mr. Gima additionally reviewed the types of referrals they were receiving.

The monthly census averages showed that census has not changed much in June, July and so far in August. The expenses were down slightly in May, driven by reductions in agency expenses and non-labor expenses.

At the time of the report, there were no positive COVID residents in the facility and there hadn't been for quite some time. They still have staff testing positive from time to time. The staff in the facility have about an 80% vaccination rate. With the vaccine mandates coming down the pipe, they are still waiting to receive more guidance from CMS. A number of employees have indicated though that if they were mandated to receive the COVID-19 vaccine, they would quit.

Due to staffing issues now, they are cutting back on staff and closing down a hallway in Building A. Mr. Gima noted that in all his years, he has never seen staffing become such a critical issue to the operation of a rehab & nursing center. Staffing all around is hampering many issues of operations. They are also having a difficult time receiving food from their food supplier, Gordon Food Service. Mr. Gima also predicted that they would be dealing with COVID and the issues that are hampering operations for the foreseeable future.

Mr. Gima also described to the Committee that due to cashflow issues, he has been working with some of the Nursing Home's biggest suppliers and vendors to try and set up a payment plans with them. He noted that the County is currently holding a few months' worth of checks in the Finance Office to Nursing Home vendors in order to cover payroll.

The Committee began questioning the short and long-term sustainability of the operation and asked that the process of reviewing all of the options begins soon. Mr. Gregory agreed and expressed that he and MPA will begin reviewing all of the alternatives as decisions are going to need to be made as the operation has exhausted all of its cash on hand (including the two-million dollars borrowed to it by the County). The Nursing Home is part of the County and while the Operating Board makes decision regarding the execution of contracts and has spending authority, ultimately if the bills cannot be paid, they will become the responsibility of the County.

Mr. Gregory also noted that the County owes \$661,500 per year for the next thirty years for the Nursing Home debt. The Expansion Project is not currently completed nor is it still opened for completion. That will be another challenge that the County's overall budget will have to factor in. 2019 was not a profitable year and in 2020, the bonds were issued for the Expansion Project. Mr. Gregory noted that he will show those numbers more when he goes through the budget presentation.

Mr. Gregory shared that in his opinion, the major issues with the Nursing Home began in 2019, due to a various amount of reasons, but now COVID it putting an artificial cap (ceiling) on the ability to get the operation back on its feet. MPA has tried many different ways to increase census and reduce Agency Staff costs, but COVID is not allowing them to fight through that cap and grow the census. Next meeting, more discussions will be had on this issue and they could potentially include the Rehab & Nursing Center Operating Board on those discussions.

PROPERTY TAX SALE RESOLUTIONS

DeKalb County Treasurer/Collector Becky Springer shared that the County, as Trustee, held the annual Sealed Bid Auction of Surplus Properties recently and sold 60+ properties. This month she was requesting the approval of two Property Tax Sale Resolutions. Next month there will be several more. The requested properties for this month consisted of a lot in Cortland Township and a retention pond in DeKalb Township.

Mr. Campbell moved to forward the two Resolution to the full County Board recommending their approval. Mr. Luebke seconded the motion and it was approved unanimously by voice vote.

ADMINISTRATIVE RECOMMENDATION OF THE FY2022 BUDGET

County Administrator Brian Gregory presented the FY2022 Budget Administrative Recommendation to the Committee. Along with hardcopy of the Budget Recommendation, he also presented a PowerPoint to the group that highlighted the key items.

The budget process has been streamlined for 2022, shifting the emphasis to providing the Board the compiled budget forms in lieu of the raw budget data. While that data is still available it has been compiled much earlier in the process to help the user understand the bigger picture of the overall County budget for 2022. The narrative outlines the assumptions that are factored into preparing this budget document for consideration. An emphasis has been placed on identifying “savings and efficiencies” in how departments are maximizing available resources.

Each fund includes a summary and recapitulation of the beginning and ending fund balances that align with the Comprehensive Annual Financial Report (CAFR). This was done to add transparency to the budget and also as a control to avoid negative fund balances and budget deficits. The format and headings have been changed in an effort to make the document easier to use and in addition, a brief narrative is included in each budget page to provide the reader an understanding of the service being supported by that particular budget. In addition, section B has been arranged to align with the CAFR by fund category. Fund categories include: General Fund, Special Revenue Funds, Capital Funds, Debt Service Funds, Proprietary Funds and Internal Service Funds.

Overall, the County is in a solid financial position, however there are some challenges that have not been addressed or deferred for multiple years and need to be factored into a multi-year budget plan to ensure financial goals are met. The 2022 Budget is presented in balance. The overall Budget is \$90,921,623 which includes \$32,373,470 for the General Fund.

The 2022 Budget shows the County has strong reserves (just under 40% FY20 to FY21 expenditures). Since last year, there has been significant development and tax base growth, some bounce-back revenues from pandemic impacts, and one-time in-flows that are to be expected. This budget also addresses some challenges that were discovered with multi-year budget plans as well as aiming for long-term sustainability.

The cost-of-living adjustment (COLA) under the Property Tax Cap Law is set at 1.4% for the 2021 levy year for 2022 collections. This amount is based on the consumer price index for all urban consumers as published by the U.S. Department of Labor. Budget preparation started with an overall goal of not increasing the property levy on existing property owners. The estimated total equalized assessed value for the County is expected to increase by 2.6% to \$2,334,695,573 for the 2021 levy year which funds the 2022 budget. This will be the seventh consecutive year that the assessed value has increased following five consecutive years of declining assessed value.

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New construction EAV is projected to remain steady as well and is expected to account for 1.6% of the growth in the County's assessed value at approximately \$37.2 million. There will be abatements that get factored in and other new construction yet to be added to what will become the net new construction EAV. Using the equalized assessed valuation of new construction at approximately 1.6%, a total of \$262,310 of property tax revenues attributed to new construction are expected for the General Fund. This means the County would therefore request the same levy as 2021 plus new construction. This would mean that, on average, existing property owners would expect to see their property values increase and their rate decrease by roughly the same percentage. Property owners should see their portion of the tax bill going to the County staying roughly the same in 2022 as it was in 2021.

Chairman Frieders commented that this would be the first time in many years that the County would not levy property taxes to the cap.

As noted in the narrative, this year's budget process focused on "value" and challenged Department Heads to identify areas that they were able to do more with less and achieve a savings, stretched the resources to be more efficient, or was able to bring in resources from outside the County in the form of grants. Collectively, the organization needs to look at ways to provide the best possible services at the best possible value to our residents. Toward that end Department Heads were given the opportunity to fill out Budget Form S&E to highlight noteworthy savings and efficiencies. In some cases, the savings are larger than others, however the philosophy and mind set is the focus.

Mr. Gregory shared that he has heard throughout the County that if a Department Head gives up a position, they will most likely lose the opportunity to ever get that position back again. He made a strong point to state that, now, if a Department Head gives up a position to try and save the County money and realizes they need that position back, Mr. Gregory will help advocate on their behalf and make it a priority to see that Department Head can get that position back. He noted that is how it should be. They shouldn't be taking away or penalizing Department Heads for trying to do the right thing. Mr. Gregory expressed that it is a change in mindset but one he wants to instill into the organization.

Mr. Gregory walked through what he meant by bounce-back revenues as well as showed an example of how he comes up with trend analyses when budgeting. He additionally reviewed some challenges that he discovered while budgeting. The County currently has sales tax sharing agreements with the City of DeKalb to share revenues generated by the former "County Farm & Home" properties. This money pays for bond debt costs for the Courthouse Expansion, but the revenues that exceed the amount needed for debt service goes to the General Fund. The General Fund received \$652,000 from these sources in 2021, however the 2020 Refunding Bond Fund only received \$757,000 of the \$1,165,800 required annual debt service payment. When factoring the appropriate funding needed for debt service, the General Fund is left with only \$155,000 from the "County Farm Site"; a reduction of \$497,000.

The issues with the Rehab & Nursing Home were also reiterated and reviewed. Additionally, in the Court Security Fund, 2020 finished with a deficit balance of (\$2,375) and the approved 2021 budget spends \$288,000 more than planned revenues. Cutting back on some of the non-personnel related expenditures leaves an estimated deficit of (\$270,975). This deficit will need to be paid from somewhere and will be included with 2021 budget amendments; using the General Fund reserves to bring this fund to zero. This fix addresses 2021, but in order to balance the 2022 budget, \$334,851

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of net costs will need to be paid for from another fund. The General Fund budget as presented absorbs these costs which include a Sergeant and three Corrections Officers at a total of \$558,251 with a net transfer of \$223,400 coming from Court Security. The distribution of ARPA “Lost Revenue” Funds results in \$114,658 being transferred to the Court Security Fund. If the Board approves the distribution, it will reduce the transfer from the General Fund Reserve from \$270,975 to \$156,317.

The Sheriff’s Office Law Enforcement Projects Funds was used to offset pledged cost containment in 2017 and 2018 and for raises to address wage compression issues. These cost containment pledges were made from Law Enforcement Projects Fund which contributed \$447,200 to the General Fund in 2021. The fund balance heading into the year was \$344,197 with \$173,000 in anticipated revenue and \$511,300 in anticipated expenditures. As a result, the fund balance is exhausted, and with only \$148,000 in revenue planned for 2022, the transfer to the General Fund is only \$105,000. Therefore, the Law Enforcement Projects Fund is short by \$342,200 in the commitments that were made. One open position in the Communications budget has been eliminated, saving \$92,200; leaving a balance of \$250,000 owed to the General Fund. As noted, the General Fund will absorb the Court Security costs, however, the remaining \$250,000 owed annually by the Sheriff’s Office since 2017 will be addressed through a phased plan. In 2022, the General Fund reserves will be utilized to cover the \$250,000. Each fiscal year thereafter the budget will be evaluated for cost reductions, potential new revenue sources and absorption capacity within general revenues.

Mr. Gregory emphasized that this budget is a “living document” that needs to be adaptable to changing conditions and goals outlined by the County Board. The preliminary budget is a starting point with recommendations that are aimed at supporting County services at a level that provides the best value to our residents. Modifications and adjustments will likely be made to this document based on additional feedback generated throughout the process. An emphasis should always be placed on creating a sustainable budget that looks beyond just the coming fiscal year.

The FY2022 budget process timeline will remain the same as previous years. There will be a Budget Q&A Session prior to the September County Board Meeting. Throughout the month of October, Committees will have the opportunity to hear appeals, if any and as any specific questions regarding any Departments that report to them. If any appeals do go forward, the Finance Committee will hear them at the November Meeting, and the budget is scheduled to be approved at the November County Board Meeting.

Mr. Luebke moved to send a Resolution to the full County Board recommending placing the FY2022 Budget on file for public inspection. Mr. Faivre seconded the motion and it was approved unanimously.

ADJOURNMENT

It was moved by Mr. Luebke, seconded by Mr. Cummings, and it was carried unanimously to adjourn the meeting at 8:53 p.m.

Respectfully submitted,

Tim Bagby, Chairman

Tasha Sims, Recording Secretary