

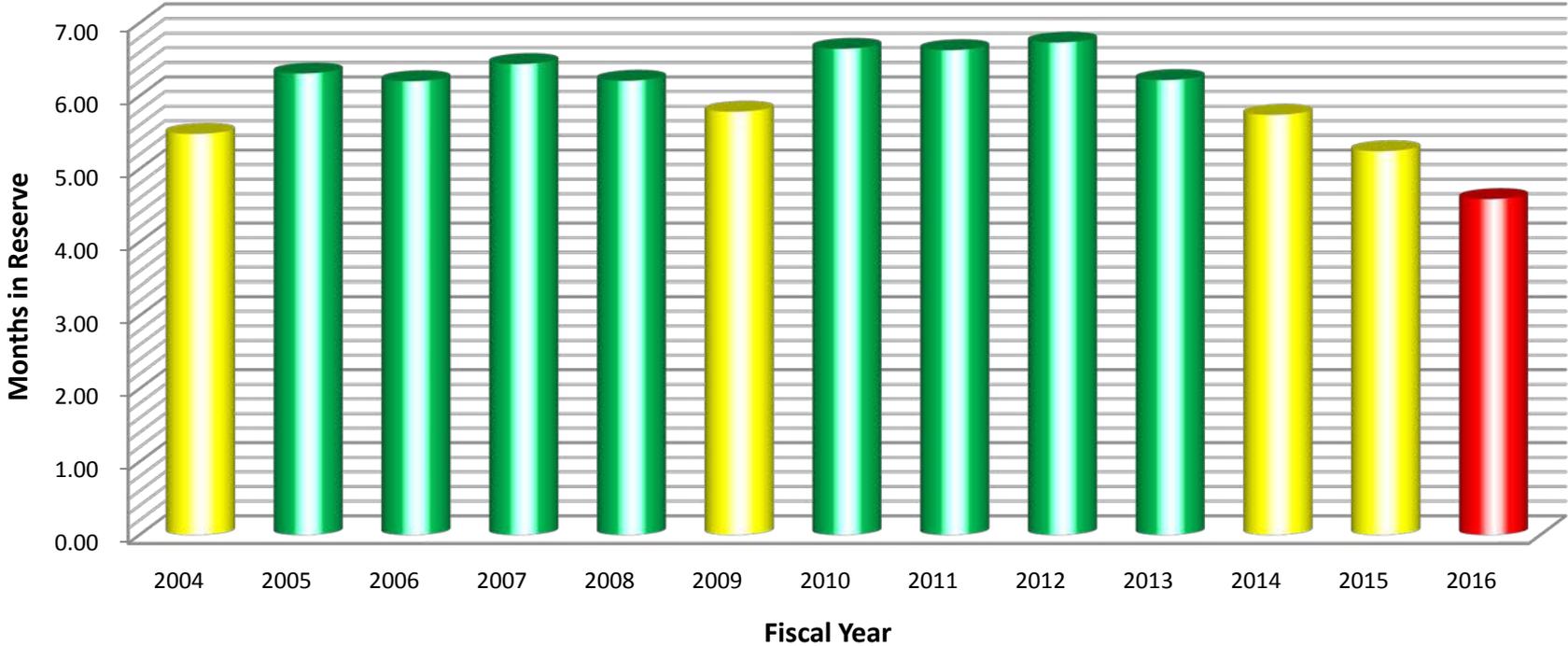
Budget Task Force #4

FY13 Budget Policy

Recap from Budget Task Force #1

- What is the Financial Model?
 - What is included in the Financial Model?
 - What are the assumptions?
- General Fund Reserve
 - Current Goals
 - Current Situation
 - Has not been a tool for operating costs

**McHenry County Government
General Fund
Operating Reserves**



 > 6 Months  > 5 Months  < 5 Months

County of McHenry
General Fund - Operating Fund Reserve
as of March 31, 2012

	as of 12/31/11	as of 01/31/12	as of 02/29/12	as of 03/31/12	YTD Revenues	Projected 04/30/12	Projected 05/31/12
Beg. Fund Balance - Undesignated	52,830,273	43,807,622	38,360,604	34,377,592	52,830,273	27,696,454	24,006,552
Adjustment to Balance	0	0	0	422,663	422,663	0	0
Actual Revenues	3,579,585	2,168,895	1,594,478	1,666,921	9,009,878	1,810,098	2,500,000
Actual Expenditures	(5,733,390)	(8,348,644)	(5,961,751)	(9,382,223)	(29,426,009)	(6,000,000)	(6,500,000)
Encumbrances	(6,868,845)	732,731	384,262	611,501	(5,140,351)	500,000	325,000
End. Fund Balance - Undesignated	\$43,807,622	\$38,360,604	\$34,377,592	\$27,696,454	\$27,696,454	\$24,006,552	\$20,331,552
Months In Reserve	6.57	5.71	5.01	4.15	4.15	3.69	3.13

Recap Budget Task Force #2

- Personnel costs are 76% of the General Fund budget
- Frozen positions and Vacant positions are numerous  *need to be considered prior to the FY13 Budget process*

Recap Budget Task Force #3

- Familiarize Board with steps in the budget process
- Consider if there is different information that should be presented
- Prepare to update the FY13 Budget Policy at the May Budget Task Force – *Does the Board want to add additional guidelines?*
- Review initial list of functions/services of each Office/Dept (strategic action plan)

Ralph's Fun Fact

From calendar year 2000 to 2008, the valuation of property in McHenry County grew by

- \$850,756,210
- \$1,944,256,800
- \$5,134,311,751
- \$8,655,243,187

From 2008 to 2011, the valuation of property in McHenry County has declined by.....

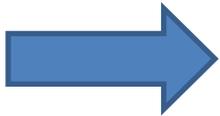
- \$500,000
- \$250,775,286
- \$1,673,883,483
- \$3,243,256,210

New Property (growth) in levy year 2011 was.....

- \$52,875,246
- \$31,688,547
- \$ 853,256
- \$ 100,000

Goals for Today....

- Review the proposed content of the FY13 Budget Policy
- Consider what might be added to the FY13 Budget Policy



no final decisions will be made today

- Discuss the next steps in the FY13 Budget Policy process (*May 22 Finance Committee, June 5 County Board Meeting*)

Review the Proposed FY13 Policy

- Review what has historically been included...

Questions to think about?

- Should we change the budgeting policy?
 - If so, what should we change?
- What should be the primary goal(s) of the FY13 Budget Policy?
 1. Prioritizing and Providing county services?
 2. Minimizing property taxes?
 3. Maintain County's Financial stability?
- Is the financial strength of the County a liability?
- Is maintaining the financial strength a liability?

Potential Guidelines to Add in FY13

- Contract Management
- Direction on Frozen/Vacant Positions
- Is five a month reserve sufficient?
- Outside Agency Funding
- Addressing PTELL Issues
- Targets for union & non-union wage increase

Contract Management

- To ensure all contracts have been approved by the purchasing department and State's Attorney for legal and operational compliance
- All contracts are contained in one electronic directory for ease of reviewing
- Enforce all original contracts are filed in the County Clerk's Office

Outside Agency Funding

Proposed Budget Prioritization for FY13 (pg 4 in Budget Policy)

- First - All mandated services must be budgeted
- Second - All operating necessities (Utilities, IMRF, Health Insurance, Union Contracts, the Correctional Facility, etc.)
- Third – Non-Union Employee performance pay adjustments
- Fourth – General operating costs to provide services
- Fifth – Capital Needs of the Organization
- Sixth – Recommended Supplemental Requests
- Seventh – **Outside Agency Funding** / Local Match to Grants

5 month vs. 6 month minimum reserve

What could reduce our Aaa rating?

Moody's says...

- Material declines in the General Fund reserves
- Erosion of the County's tax base or economic profile

Is there a better term for “reserve”?

Review text from page 3 of the FY13 Budget Policy

Protections for Taxpayers

1. Tax Code – Statutory rates cannot be exceeded
2. Property Tax Extension Limitation Law (PTELL)
 - Total Property Tax extension may be increased by the rate of inflation or 5%, whichever is less

Tax Computation Report
McHenry County

Rate Setting EAV **8,817,375,055**

Fund/Name	Statutory Max. Rate	Actual Rate	Non-PTELL Extension	PTELL Factor	Limited Rate	McHenry County Total Extension
** 001 Corporate	0.0000	0.419683	37,005,024.15	0.993335	0.416886	\$36,758,402.17
** 005 IMRF	0.0000	0.053871	4,750,008.12	0.993335	0.053512	\$4,718,353.74
** 006 County Highway	0.2000	0.072584	6,400,003.51	0.993335	0.072100	\$6,357,327.41
** 008 JT. Bridge	0.2500	0.011795	1,040,009.39	0.993335	0.011716	\$1,033,043.66
** 018 Mental Health	0.1500	0.144942	12,780,079.75	0.993335	0.143976	\$12,694,903.91
** 020 TB Sanitarium	0.1500	0.003970	350,049.79	0.993335	0.003944	\$347,757.27
** 021 Matching Tax	0.0500	0.012589	1,110,019.35	0.993335	0.012505	\$1,102,612.75
** 035 Liability Insurance	0.0000	0.044798	3,950,007.68	0.993335	0.044499	\$3,923,643.73
** 047 Social Security	0.0000	0.037313	3,290,027.15	0.993335	0.037064	\$3,268,071.89
** 055 V.A.C.	0.0400	0.004083	360,013.42	0.993335	0.004056	\$357,632.73
** 113 Nursing Home	0.1000	0.068048	6,000,047.38	0.993335	0.067595	\$5,960,104.67
** 142 Senior Citizen	0.0250	0.020131	1,775,025.77	0.993335	0.019997	\$1,763,210.49
Totals (Capped)		0.893807	78,810,315.46		0.887850	\$78,285,064.42
Totals (Not Capped)		0.000000	0.00		0.000000	\$0.00
Totals (All)		0.893807	78,810,315.46		0.887850	\$78,285,064.42

** Subject to PTELL

Addressing PTELL Issues

Equalized Assessed Valuation

- EAV - an important factor, but *not a measure of the cost of business*
- Valuations have decreased since 2009 and this will continue through 2012.

BMO Slide

- Switch to separate slide

Question?

What is *raising* taxes?

If the County takes the inflationary protection provided by PTELL, is the County *raising* taxes?

The \$76,000,000 collected this year and used next year, is worth exactly the same as the \$78,000,000 collected last year and used this year.

CPI – FY2013 Budget Process

Options #1

The year-to-year increase of budgeted revenue from property taxes will adhere to the Illinois Property Tax Extension Limitation Law and shall not exceed the national consumer price index (CPI) for the year preceding the levy year on existing property.

Consumer Price Index – FY2013 Budget Process

Option #2

If Revenue estimates grow less than 2%, or show declines for FY 2013, a calculated portion of the CPI may be used to offset the following increases in operating costs incurred through contracts or inflationary adjustments. The CPI shall not be used to grow the budget in any other manner.

- Negotiated increase costs for union/non-union wage adjustments
- New costs added by Board resolution approval (11/16/11 - 6/05/12)
- Increased Health Insurance cost
- Mandated increased employer contribution for IMRF
- Utilities (electricity, natural gas, water-sewer) inflation adjustment

Once a draft balanced budget is presented, the Board may give direction to use remaining CPI generated funds to fund recommended supplementals.

Targets for union & non-union wages?

- The County has worked hard to bring approximate wage increase parity between union and non-union employees

Wages Increase over the Past Decade

12/1/02 – 12/1/11

Employee Group	Average Annual Increase
FOP Unit #1 (Deputies)	4.49%
FOP Unit #2 (Corrections)	3.75%
FOP Unit #3 (Sheriff's Civilians)	3.26%
Operating Engineers #150 (MCDOT)	3.69%
Operating Engineers #150 (Facilities Mgmt)	4.41%
Non-Union Employees	3.05%

Wage Increases for FY13

Known union wage increases for FY13:

- FOP Unit #1 2.75% (or more pending arbitration)
- FOP Unit #2 2.75%
- FOP Unit #3 *to be negotiated*
- Circuit Clerks 2.75%
- MCDOT #150 2.00% (or more)
- Facilities Mgmt #150 *to be negotiated*
- Animal Control *Arbitration*
- Coroners 3.0%
- Valley Hi ???
- *County-wide non-union ???*

Other non-union wages in the County

Known non-union wage increases for 2012:

- Crystal Lake 2.0% -2.5%
- Algonquin 2.5%
- Woodstock 2.0%
- Lake in the Hills 2.0%
- McHenry 2.0%
- Marengo 2.0%
- Prairie Grove 2.5%

Targets for union & non-union wages

- Refer to pg 4 in the Budget Policy....