

MCHENRY COUNTY BOARD – COMMITTEE OF THE WHOLE
667 WARE ROAD - WOODSTOCK IL 60098

MINUTES OF FRIDAY, OCTOBER 7, 2011

Chairman of the Board – Kenneth D. Koehler (District 2)

District 1 Bob Bless Anna May Miller Marc Munaretto Robert Nowak	District 2 JS “Scott’ Breeden James Heisler Kenneth Koehler Donna Kurtz	District 3 Mary Donner Nick Provenzano Kathleen Bergan Schmidt Barbara Wheeler
District 4 Sue Draffkorn John Hammerand Pete Merkel Sandra Fay Salgado	District 5 Tina Hill John Jung, Jr. Virginia Peschke Paula Yensen	District 6 Randall Donley Diane Evertsen Mary McCann Ersel Schuster

The Honorable County Board of McHenry County, Illinois met as a Committee of the Whole on Friday, October 7, 2011. The meeting was called to order at 8:35 a.m. by Chairman Koehler. The following members were present: Bob Bless, Scott Breeden, Mary Donner, Sue Draffkorn, Diane Evertsen, John Hammerand, James Heisler, Tina Hill, Kenneth Koehler, Donna Kurtz, Mary McCann, Pete Merkel, Anna May Miller, Robert Nowak, Virginia Peschke, Kathleen Bergan Schmidt and Ersel Schuster. Mr. Provenzano arrived at 8:40a.m. Mr. Jung arrived at 8:55a.m.

ABSENT: Randy Donley, Marc Munaretto, Sandra Salgado, Barbara Wheeler and Paula Yensen.

Also in attendance: Peter Austin, County Administrator; John Labaj, Deputy County Administrator; Ralph Sarbaugh, Associate County Administrator-Finance; Adam Lehmann, Assistant to the County Administrator; Sheriff Nygren and Angela Wood-Zuzevich, Sheriff’s Department; Dave Christensen, EMA; Jeff Young, Division of Transportation; Pam Palmer, Auditor; Matt Hansel and Dennis Sandquist, Planning and Development; Phil Dailing, Court Services; Bob Ross, Assessor; Bob Ivetic, Human Resources; John Hadley, Facilities Management; Kathie Schultz, County Clerk; Pam Cumpata, EDC; staff; interested public and the press.

PUBLIC COMMENT: None.

NEW BUSINESS: *FY2012 Budget Development*. Mr. Austin and Mr. Sarbaugh joined the committee for presentation of the FY12 Budget Development. The meeting objectives were to present a balanced budget to set the final course for the budget. The key will be to continue to build and maintain the strength of the County. There are four objectives in order to present this balanced budget. These objectives are to present a balanced budget, review the budget timeline, provide an overview of recommended supplemental requests and provide a clear consensus on the Property Tax Levy, and discuss whether the County should take this allowed growth.

The FY12 Budget Timeline was reviewed with the committee. The budget kick-off started in June. The budgets were reviewed with County Administration is July. Budgets were reviewed by the Committees in August. On September 20th there was a presentation on to the Budget to the County Board. On September 27th the Finance and Audit Committee gave a soft consensus to allow for the taking of the levy. They also requested a Committee of the Whole meeting in order to discuss the levy and additional budgeting issues. Today’s meeting was to discuss the consensus on the levy so that the Finance and Audit Committee could review the balanced budget on October 11th with the County Board placing the budget on public display on October 18th.

Mr. Jung arrived at 8:55a.m.

The proposed FY2012 Budget as presented today includes \$251,927,274 in revenues and \$253,754,019 for expenditures. This means there is a shortage in the General Fund of \$1,826,745. All of the other funds have been balanced. In order to balance this budget they provided reduction options to the Committee. Committee members were reminded that expenses increase annually. If the proposed increase to the levy is allowed, it will only support the increased cost of doing business.

Committee members were reminded there are some costs we cannot control. The county will receive two additional judges that the County has no choice but to accept. The County Board is required to pay for the costs to have these judges. This also brings forward additional burden for parking at the Government Center.

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When the budget process begins, they take the amount that is allowed for inflation and spread this through the tax levies. This increase addresses any increases seen to budgets because of inflation. Committee members were questioned where cuts should be taken, if the levy amount was not taken. It was stated that expenses continue to increase annually. These increased costs need to be reviewed. This levy would only support the increased costs for doing business. Committee members stated that some of these increases are because the County is receiving additional judges. They stated that these expenses need to be reviewed. They stated they did not feel the county needs additional judges but instead needs to review how the courts are scheduling their court calls. Additional afternoon court schedules should be created to address the parking and overcrowding issues at the Courthouse. It was stated that the County is a long ways from making a decision regarding the creation of a branch court. Committee members were informed that the 22nd Circuit Court will be hosting a symposium on Court Management and Scheduling to be held sometime in January. Parking still is an issue that needs to be addressed especially as we approach FY2013.

During the past five years budget cycle there was an election contingency line item within the budget. The idea of this fund was to cover any increased expenses that may be seen during an election. This fund is at \$100,000. There may be increased costs to this fund because of additional election expenses. Committee members questioned if the department would see an increase in the precinct numbers? They were told that there have been 20 precincts split in the past. Ms. Schultz stated she doesn't want to see any further precincts broken apart. If this is done, it would have to be done by next summer.

There is also a contingency fund that is used in cases of emergencies in other departments. They have added to this account the previous two years though this account is not typically used to cover the cost of operations. This account pays for legal services, emergency equipment and mandates. The County has done a great job in not expending this account and any remaining funds are generally used to address end of the year budget shortfalls.

Committee members were reminded that there is also a desire to rewrite the Stormwater ordinance. This may be accomplished this year if the County should finish in the "black". Committee members questioned if there has been any effort to collect fees from any of the other government agencies that may benefit from this ordinance. Mr. Sandquist informed committee members that a proposed fee schedule will be going before the Planning and Development Committee in the next couple of months.

Committee members were reminded that Facilities Management has requested a Project Manager as well that they would like to fund. This would involve additional ongoing costs for the department.

Committee members were reminded that there are only a few supplemental requests that will be funded this year. Additional staff has been requested for the Auditor and the Information Technology Departments. This will result in ongoing costs being added to the budget as well.

Court Administration and Court Security will need additional staff if the branch court is approved. Additional hours are needed to address per diem costs for the Board of Review. The Planning and Development Department is struggling to get Stormwater Permits reviewed and or approved. Complaints have been received regarding the lengthy process it takes to approve these permits so additional staff has been requested in this area.

Some of the debts of the County will come off the books in the next couple of years. Staff has been working with the underwriter to address our financial strength. Debt payments compete with all the other costs in the organization. Committee members were reminded that the debt services payments come from out of the savings and not the general fund.

Committee members were cautioned not to take too much out of the reserve in order to maintain the current strength of the County. They were questioned how they would replace the reserve if it is drawn down too much. Committee members were informed that they would be better off if they would draw down the reserves a little at a time in order to maintain the current strength of the County. The County has the ability to pay down a portion of the debt payments without hurting its rating.

Growth in the budget is seen in areas where we have no control over. These are increased costs of doing business. Health insurance premiums have increased. Since the County is self funded, these amounts are based on what the consultants feel the claims for the coming year will be. The County has done a fantastic job

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in keeping the employees pretty healthy in order to keep these costs down. It has been recommended that the reserves for the health insurance claims be increased in case a pandemic type of crisis should occur. Committee members stated that there is a need to audit each of the departments in order to see where the costs are going. Many costs/issues revolve around grants. These grants and the employees associated with these grants become staples of the organization. Committee members stated that this is part of the underlying problems that are being seen. They stated that by having a new employee in the Auditor's office they would be able to get a handle on some of the grants that are being brought forward. In 1996 the county accepted \$5 million dollars in grants. They currently have \$18 million dollars in grants. The County needs to step back and review each grant to determine if they fill a needed service or if this service is already being addressed elsewhere. Committee members stated that they reject the idea of asking the taxpayers for more money on an annual basis. Committee members were reminded that a large portion of these grant funds include the Federal Grant for the Mental Health Board. The Health Department has reduced their staff as the department is receiving fewer grants than what has been received in the past. Committee members were reminded that if a grant goes away, the positions tied to the grants go away. Grants for the Sheriff's Department are tied to safety so these funds are not tied to personnel. Committee members stated that they still feel that the underlying increased costs in the County are because of these grants. They questioned why they are seeing increased costs within the proposed budget. They stated they did not expect to see an increase from the previous year. They stated that the CDBG grants and the process need to be reviewed in order to see what the true cost of the programs are. They stated the Senior Bus Transportation program needs to be reviewed to see what the true costs of this program is.

Committee members stated they are concerned that they see a grant that was accepted, where they decreased the county funding for the grant, which means that a portion of the funding was removed for this program. The County Board has now put the funding back in place and approved the funding for the coming year, even though the County Board previously voted to remove this funding. They noted that they need to remain firm when making decisions on these grants.

Committee members were reminded, even though they may not raise the levy, taxpayer bills may still increase. The County portion of the tax bills are only 9 to 11% of the bill. The tax bill will go up based on inflation and the County portion may go up as well. An example of how this could occur was reviewed. An email was received questioning what the CPI was. This person questioned how his county portion could go up by 15% if the CPI was only 2.7%. When this tax bill went up 15% it does not show where the increase occurs. The burden is shifted. The burden is shifted within the jurisdiction, whether it is from the schools, township or state. The CPI is not a cap on a person's tax bill. Regardless where the taxes come from, the taxpayers are on the hook for these costs. The real estate taxes are only a portion of the revenue source in the budget. The biggest unknown is the income tax that should come back to the County. The State continues to try to take more of these funds away from the County. 38% of the budget comes from property taxes.

Revenue for the Sheriff's Department has increased by \$800,000. These are not funds that have come from the taxpayers.

The reserves are growing by all revenue sources, not just property taxes. Sales tax numbers are starting to climb as well.

There is still a danger if there should be a double dip recession as the sales taxes will not continue to grow. If the State should pay for its proper share, our real estate taxes would be less. We are also subsidizing the costs of the Chicago School System.

If we don't take the levy increase, the County will have less to start with next year. Committee members were questioned where we need to take these increased costs from if the levy is not taken. It was stated that as a county we have a responsibility to help the economy grow. If we don't accept these funds, we can't go back and decide later that we should have taken them. We could end up in a large world of hurt because of this.

It was stated that everyone has an observation and not a solution. It was stated that unless someone can provide a solution, we need the 1.5% levy. They stated that we all agree that this is a challenging time but, providing a \$6 savings for each constituent is not the answer. They agreed there is no easy way to address shortages. Cuts have been made, as much as can be made from the budget. It was stated that \$6 isn't going to help those that are losing or have lost their homes. Mr. Hammerand asked for the committee to call for a vote. They were reminded that this is a COW meeting so they cannot take any action. It was stated that staff needs direction on this issue. The Chairman requested a voice vote to determine if there was a consensus to

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take the allowed levy growth and move the budget plan forward as presented by staff. The consensus of the majority of the committee was to move ahead with the budget as presented by staff. Some of the committee members voiced concern that there was a lot of "assumptions" with this vote and some of the budget may be changed. Committee members were reminded that changes can be made on the board floor if needed. It was stated that the County supplies each of the departments with budgets in order to run their departments. We expect that we have good managers of these budgets. We should not nitpick each of the line items in order to save a couple of dollars. Staff was complemented for the work provided based on the direction given with the budget.

Committee members were reminded that nothing is set with the budget until it is voted on by the County Board. Committee members voiced concern that the budget is not as transparent as it should be. They stated that they need to present a budget that is understandable by everyone.

When the County borrowed funds for projects in the past the County was earning more on its funds than it was costing to borrow. Now with the lack of growth, this causes the debt service payments to compete with operating budgets. The County still remains in a good financial position so it makes sense to use some of its reserves to pay down some of its debt.

ADJOURNMENT:

The meeting adjourned at 10:20 a.m. on a motion by Ms. Hill, seconded by Mr. Breeden. The motion carried with all members present voting aye on a voice vote.

Dated and approved by the McHenry County Board at Woodstock, Illinois this _____ day of _____, A.D., 2011.

KENNETH D. KOEHLER, Chairman
McHenry County Board

ATTEST:

KATHERINE C. SCHULTZ, County Clerk