

General Fund Fiscal Year 2018 Budget Update

Committee of the Whole

September 26, 2017

**Budget Gap Originally
Reported on 7/20/17:**

\$5,995,213

Change in Revenue Since 7/20/2017

Additional Property Tax for new construction	50,000
Property tax shift from FICA & IMRF (result of cuts to payroll)	72,137
Additional Sales Tax (less conservative estimate)	134,000
Additional Income Tax (less conservative estimate)	80,000
Personal Property Replacement Tax (change in IDOR forecast)	(100,000)
Investment Income (increased avg interest rate from 0.8% to 0.9%)	51,783
Drawdown from Property Tax Freeze Protection Fund	600,000
Reimbursement from Kane Comm for prior year subsidies (FY15-FY17)	137,724
Reimbursement from Circuit Clerk for IT Services	299,000
Reimbursement from KDOT for IT Services	267,397
Sheriff - State Alien Assistance Grant	150,000
Sheriff - Inmate Telephone Fee Increase	50,000
Sheriff - Reimbursement for Services	81,000
Probation Salary Reimbursement Adjustment	(96,314)
Stormwater Permits	12,000
Total Change in Revenue since 7/20/2017	<u>1,788,727</u>

Change in Expense Since 7/20/2017

Building Management	(357,000)
Circuit Clerk	(239,338)
Contingency	(41,002)
County Auditor	(9,545)
County Board	(45,164)
County Clerk	(205,782)
Court Services	(212,005)
Development	(32,269)
Emergency Management Services	(8,000)
Finance	(38,242)
Human Resource Management	(14,601)
Information Technologies (software moved to Other)	(836,946)

Change in Expense Since 7/20/2017 (Cont.)

Judiciary and Courts	(149,000)
Merit Commission	(5,804)
Other Expenses - postage, phone, software (software moved from Information Technology)	525,622
Public Defender	(229,174)
Recorder	(38,000)
Regional Office of Education	(13,000)
Sheriff	(69,632)
Supervisor of Assessments	(82,044)
Treasurer/Collector	(33,478)
Total Change in Expense Since 7/20/2017	(2,134,404)

Change in Budget Gap Since 7/20/2017

Original Budget Gap reported 7/20/17	5,955,213
Deduct Increase in Revenue since 7/20/2017	(1,788,727)
Deduct Reduction in Expense Since 7/20/2017	(2,134,404)
Remaining Budget Gap as os 9/24/2017	2,032,083
Reserve excess budget cut by County Clerk for election equipment	161,816
Additional Budget Cut Expected	(47,357)
Budget Gap Before Remaining Requested Cuts Fulfilled	2,146,542
Remaining Requested Budget Cut - State's Attorney	(101,000)
Remaining Requested Budget Cut - Public Defender	(267,000)
Remaining Requested Budget Cut - Sheriff	(875,000)
Remaining Requested Budget Cut - Merit Commission	(3,500)
Remaining Requested Budget Cut - Court Services	(673,000)
Remaining Requested Budget Cut - Coroner	(222,000)
Remaining Budget Gap After All Requested Cuts Fulfilled	5,042

Additional Revenue Considered

Additional Revenue Item	Potential	Included in Budget
Property Tax on New Construction	\$565,000	\$550,000
Property Tax Increase Limited to CPI	\$1,141,382	\$0
RTA Sales Tax Reallocation	\$173,667 per 1% change in allocation	\$0
Draw Down of Property Tax Freeze Protection Fund	\$1,800,000	\$600,000
Court Security Fee Increase	\$659,215	\$0
Carry Forward of Savings	Uncertain	\$0



Clarification Regarding Court Security Fee Increase

- It has been suggested that we wait a year to determine the impact of the last Court Security Fee increase before increasing it again. However, it must be understood that the current recommendation to raise the Court Security Fee from \$48 to \$62 is simply the result of dividing the current year's (FY17) budgeted cost of Court Security by the number of cases that are subject to the fee. The actual amount of revenue collection has no effect on the calculation. Therefore waiting another year to see what happens with actual revenue collection will not change the result of calculation, it only means that we'll have lost another year's worth of increased revenue (\$659,000) while waiting.
- In the meantime, the funding that would normally be used for Sheriff's vehicles must again be used to subsidize Court Security.

How the Budget Cut was Calculated

Across-the-Board Cut Based on 3.64% of 2017 Adopted Expense Budget

Across the Board Budget Cut Based on 2017 Expense Budget Adjusted for Biennial Election and IT Expense Transfers & Reimbursements as of 9-14-17													
General Fund Department/Office Excluding Aurora Election Commission (807), Operating Support (808) & Contingency (900)	2017 Adopted Expense Budget	Consolidate 2017 Communication & Technology with IT	Adjustment for Biennial Election	2017 Adjusted Expense Budget	-3.64% Reduction of 2017 Adjusted Expense Budget Required to Balance	2017 Adjusted Expense Budget Reduced by -3.64%	Additional Reimbursement from CIC, KDOT, Kane Comm Special Revenue Funds for IT Personnel & Support Services	Final Target Expense Budget for 2018	2018 Submitted Expense Budget	Consolidate 2018 Communication & Technology with IT	2018 Adjusted Expense Budget	Across the Board Budget Cut Proportionate to 2017 Adjusted Expense Budget	Resulting 2018 Expense Budget
010 County Board	1,303,695			1,303,695	(47,454)	1,256,241		1,256,241	1,277,706		1,277,706	(21,000)	1,256,706
040 Finance	824,298			824,298	(30,004)	794,294		794,294	830,898		830,898	(37,000)	793,898
060 Information Technologies	3,887,576	1,060,414		4,947,990	(180,107)	4,767,883	559,891	5,327,774	3,774,955	1,655,562	5,430,517	(103,000)	5,327,517
080 Building Management	4,432,367			4,432,367	(161,338)	4,271,029		4,271,029	4,628,210		4,628,210	(357,000)	4,271,210
120 Human Resources	392,167			392,167	(14,275)	377,892		377,892	409,429		409,429	(32,000)	377,429
140 County Auditor	325,921			325,921	(11,864)	314,057		314,057	318,036		318,036	(4,000)	314,036
150 Treasurer/Collector	634,792			634,792	(23,106)	611,686		611,686	639,619		639,619	(28,000)	611,619
170 Supervisor of Assessments	1,262,461			1,262,461	(45,954)	1,216,507		1,216,507	1,298,845		1,298,845	(82,000)	1,216,845
190 County Clerk	2,604,569		600,000	3,204,569	(116,646)	3,087,923		3,087,923	3,125,764		3,125,764	(38,000)	3,087,764
210 Recorder	813,033			813,033	(29,594)	783,439		783,439	821,482		821,482	(38,000)	783,482
230 Regional Office of Education	309,171			309,171	(11,254)	297,917		297,917	310,850		310,850	(13,000)	297,850
240 Judiciary and Courts	3,310,423			3,310,423	(120,499)	3,189,924		3,189,924	3,338,455		3,338,455	(149,000)	3,189,455
250 Circuit Clerk	3,940,521			3,940,521	(143,435)	3,797,086		3,797,086	4,036,366		4,036,366	(239,000)	3,797,366
300 State's Attorney	5,780,462			5,780,462	(210,409)	5,570,053		5,570,053	5,671,137		5,671,137	(101,000)	5,570,137
360 Public Defender	4,026,098			4,026,098	(146,550)	3,879,548		3,879,548	4,146,432		4,146,432	(267,000)	3,879,432
380 Sheriff	27,330,832			27,330,832	(994,842)	26,335,990		26,335,990	27,210,638		27,210,638	(875,000)	26,335,638
420 Merit Commission	101,507			101,507	(3,695)	97,812		97,812	107,832		107,832	(10,000)	97,832
430 Court Services	12,422,786			12,422,786	(452,189)	11,970,597		11,970,597	12,643,710		12,643,710	(673,000)	11,970,710
490 Coroner	874,669			874,669	(31,838)	842,831		842,831	1,065,027		1,065,027	(222,000)	843,027
510 Emergency Management	208,021			208,021	(7,572)	200,449		200,449	208,021		208,021	(8,000)	200,021
690 Development	1,546,118			1,546,118	(56,279)	1,489,839		1,489,839	1,520,964		1,520,964	(31,000)	1,489,964
800 Other- Countywide Expenses	1,605,414	(1,060,414)		545,000	(19,838)	525,162		525,162	2,200,562	(1,655,562)	545,000	(20,000)	525,000
	77,936,901	-	600,000	78,536,901	(2,858,742)	75,678,159	559,891	76,238,050	79,584,938	-	79,584,938	(3,348,000)	76,236,938

2018 Budget Cut Log as of 9-24-17

General Fund Department/Office Excluding Aurora Election Commission (807), Operating Support (808) & Contingency (900)	Across the Board Budget Cut Proportionate to 2017 Adjusted Expense Budget	Amount Actually Cut from 2018 Expense Budget	Date Budget Cut Submitted	Amount Still Required to be Cut from 2018 Expense Budget	Amount Cut from 2018 Expense Budget in Excess of Amount Requested
010 County Board	(21,000)	(21,000)	09.20.17	-	-
040 Finance	(37,000)	(37,000)	09.20.17	-	-
060 Information Technologies	(103,000)	(103,000)	09.20.17	-	-
080 Building Management	(357,000)	(357,000)	09.19.17	-	-
120 Human Resources	(32,000)	(32,000)	09.18.17	-	-
140 County Auditor	(4,000)	(9,545)	09.15.17	-	5,545
150 Treasurer/Collector	(28,000)	(28,000)	09.20.17	-	-
170 Supervisor of Assessments	(82,000)	(82,019)	09.20.17	-	19
190 County Clerk	(38,000)	(199,816)	09.19.17	-	161,816
210 Recorder	(38,000)	(38,000)	09.19.17	-	-
230 Regional Office of Education	(13,000)	(13,000)	09.20.17	-	-
240 Judiciary and Courts	(149,000)	(149,000)	09.20.17	-	-
250 Circuit Clerk	(239,000)	(239,338)	09.20.17	-	338
300 State's Attorney	(101,000)	???		(101,000)	
360 Public Defender	(267,000)	- 0 -	09.21.17	(267,000)	
380 Sheriff	(875,000)	- 0 -	09.20.17	(875,000)	
420 Merit Commission	(10,000)	(6,500)	09.20.17	(3,500)	
430 Court Services	(673,000)	- 0 -	09.20.17	(673,000)	
490 Coroner	(222,000)	- 0 -	09.21.17	(222,000)	
510 Emergency Management	(8,000)	(8,000)	09.15.17	-	-
690 Development	(31,000)	(31,000)	09.18.17	-	-
800 Other- Countywide Expenses	(20,000)	(20,000)	09.20.17	-	-
Total	(3,348,000)	(1,374,218)		(2,141,500)	167,718



Summarized Responses of Elected Officials

- **State's Attorney** – Currently working on identifying line items to cut to comply with requested budget cut.
- **Public Defender** – “... I am unable to make the requested reductions in good conscience. My office is incapable of providing the services we are required to provide at our current level of funding. If the board ultimately determines that further cuts is how they will remedy the forecasted shortfall, I will work within the budget I am given to the very best of my ability.”



Summarized Responses of Elected Officials

- **Sheriff** – “You have received my cooperation to reduce my 2018 budget by as much as I possibly can and not fail to serve the public as I see necessary... There should be no expectation for an office holder to reduce their budget below what is necessary to operate the organization in a Constitutionally required manner.”
- **Merit Commission** – “... we are only able to cut \$6,500 from next year’s budget. To cut any further would force us to limit the number of applicants we would allow to test for the deputy and corrections testing process... Reducing the number of applicants ... would have adverse effects on the Sheriff’s staffing needs.”



Summarized Responses of Elected Officials

- **Chief Judge** – “As Chief Judge and the head of Court Services, I cannot possibly make the cuts that you have requested because of the substantial, detrimental impact this will have on the judicial system as a whole... Out of respect for the Board as the legislative body for the County, I will abide by and comply with the decision that is made by the County Board once a review of the attached analysis has been made.” (*Refer to “Impact Analysis” provided by Court Services.*)



Summarized Responses of Elected Officials

- **Coroner** – “The 2018 budget request from the general fund represents entirely what the county is statutorily responsible to provide. All other capital and most all commodity expense have been transferred to my special fund (289)... I have welcomed and collaborated with the county’s mandated study consultant ... and am awaiting the results of his study. Until I have received the results of the study, I cannot responsibly begin the discussion of cutting mandated functions and services.”



How Subsequent Increases to Budgeted Revenue Should be Handled

- Since the gap between budgeted revenue and expenditures has been shared by all departments and offices through an across-the-board cut to budgeted expenditures, any subsequent increases in revenues should likewise be shared across-the-board to alleviate the cuts that have been made.

Concept of General Fund “Savings”

- General Fund “savings” or “excess revenue over expenditures” are based on revenue **net** expense.
- The final calculation of General Fund “savings” is not available until the end of February or early March when all of the receipts, invoices and accruals for the fiscal year have been posted.
- Therefore, it is unwise to plan on “carrying forward” a certain amount of “savings” to balance the budget when the amount of “savings” is uncertain at the time the budget is being finalized.
- A significant amount of “savings” may be indicative of overfunding, and reallocation of resources should be considered.

Use of General Fund “Savings”

- General Fund resources appropriated for a department’s or office’s use to perform its function do not “belong” to that department or office.
- The department head or elected official is only a steward of those General Fund resources.
- Any General Fund resources remaining at the end of the fiscal year still belong to the General Fund and become the responsibility of the County Board to allocate.
- “Savings” must first be applied to an existing deficit and to replenish depleted reserves. Any remainder may be used to fund one-time and/or temporary budgetary needs in the next fiscal year(s), to build strategic reserves, and to pay down unfunded liabilities.



Use of Reserves

- Reserves should only be used for the purpose intended.
- Drawing down of reserves to fund operations is a temporary solution at best and should only be applied to a temporary problem.
- Drawing down of reserves to fund ongoing operations is unsustainable and must ultimately be replaced with a more permanent solution, such as alternative sources of funding and/or budget cuts.

County's Reserves

Reserve	Balance	Comment
General Fund	\$50,750,000 (as of 11/30/16)	Equivalent to 7 months' worth of expenses on hand; any use of General Fund reserve to balance budget would indicate lack of fiscal discipline and will likely cause credit rating to be downgraded.
Contingency Account in General Fund Budget	\$1,017,907 (as of 9/25/17)	Intended to be used for unbudgeted expenditures during the Fiscal Year. Any balance remaining at year end must first be applied to an existing deficit in the General Fund. Any remainder becomes part of the overall "expenditure savings" and should be used to replenish reserves determined by the Board in March, such as the Health Insurance Fund or Capital Fund.
Insurance Liability Fund	\$6,000,000 (as of 11/30/16)	Reserved to cover county's liability, worker's comp, unemployment, and tax-sale-in-error claims. As of 11/20/2016, reserve for outstanding claims was \$5,759,000, almost the entire fund balance. This reserve should be increased to cover future claims.

County's Reserves (Cont.)

Reserve	Balance	Comment
Tax Sale in Error Fund in Excess of \$500,000	\$2,400,000 (as of 6/30/17)	Reserved to pay liabilities resulting from a tax-sale-in-error. It is recommended that balance be transferred to Insurance Liability Fund to cover future claims.
IMRF Fund	\$5,543,000 (as of 11/30/16 after \$250,000 planned drawdown in 2017)	Equivalent to 10 months' worth of expenses; need at least 7 months' worth on hand; excess reserve is being drawn down at the rate of 10% per year to help in balancing the budget; \$263,000 is being drawn down in the 2018 budget, leaving \$5,280,000 in the reserve, or 9 months' worth of expenditures.
FICA Fund	\$3,086,000 (as of 11/30/16 after \$250,000 planned drawdown in 2017)	Equivalent to 10 months' worth of expenses; need at least 7 months' worth on hand; excess reserve is being drawn down at the rate of 10% per year to help in balancing the budget; \$105,000 is being drawn down in the 2018 budget, leaving \$2,981,000 in the reserve, or 9 months' worth of expenditures.
Special Reserve Fund	\$305,000 (as of 6/30/17)	A drawdown of \$297,000 is already included in the 2018 budget to fund the biennial election, leaving \$8,000 in the reserve.

County's Reserves (Cont.)

Reserve	Balance	Comment
Emergency Reserve Fund	\$4,900,000 (as of 11/30/16)	Reserved to be drawn down in an emergency defined as General Fund "Other Tax Revenue" collections falling 1% below budget or as an unbudgeted expenditure requiring more than 10% of the contingency budget; this fund has loaned \$641,000 to the Title IV Fund.
Property Tax Freeze Protection Fund	\$1,810,000 (as of 6/30/17)	To be drawn down in lieu of property tax increase; a drawdown of \$600,000 is already included in the 2018 budget, leaving \$1,200,000 in the reserve. Use of this reserve provides only a temporary solution until new revenues are realized and/or additional expenditure cuts are identified.
Capital Fund	\$6,694,000 (as of 9/25/17)	Current capital needs exceed current fund balance.
Public Building Commission Fund	\$2,090,000 (as of 6/30/17)	Most appropriate to use for special capital project as determined by the Board.
Working Cash Fund	\$3,125,000 (as of 6/30/17)	May not be appropriated for use according to statute; purpose is to bridge the gap between disbursements (cash out) and revenue collection (cash in).



Remaining Timeline:

3 Days Left to Balance Budget

- September 27 – Finance Committee – budget should be final or near final
- September 28 – Enhanced Finance & Budget Committee – budget must be finalized
- October 4 – Executive Committee – final draft should be available for review
- October 10 – County Board approves final draft for public display
- October 20 – Final Draft placed on public display