

WILL COUNTY BOARD
FINANCE COMMITTEE MEETING

MINUTES

September 29, 2011

Will County Office Building
County Board Committee Room
302 North Chicago Street
Joliet, IL 60432
10 a.m.

CALL TO ORDER

Mr. Kusta called the meeting to order at 10:12 a.m.

ROLL CALL

Present were Members: Dralle, Gould, McPhillips, Wilhelmi, Zigrossi and Kusta.

Absent were Members: Maher.

Also Present: County Board Chairman Jim Moustis, Chief of Staff Bruce Friefeld and County Board Deputy Chief of Staff Melissa Johannsen.

Present from State's Attorney's Office: ASA M. Tatroe.

PLEDGE OF ALLEGIANCE

Mr. Gould led the committee in the Pledge of Allegiance.

APPROVAL OF MINUTES

A motion was made by Ms. Zigrossi, second by Mr. Wilhelmi, to approve the minutes of the Sept. 6, 2011 meeting. All in favor. MOTION CARRIES.

OLD BUSINESS

None.

NEW BUSINESS

Mr. Rafac noted the members of the committee had a packet containing the monthly statements through August and a quarterly payroll analysis. Revenues are slightly down, but expenses are controlled at a higher rate so the county still is balanced. The cash flow is good, and at the end of August there was \$48.9 million in the bank. The bottom line still is positive. In sales tax and some other areas there is a little more money, but it is not clear how long that will continue. Overall, the state is a little ahead of where it has been historically. The payroll analysis requested by the board is on the last page in the packet. There are four departments

that are negative compared to projections. The percentage of payroll processed at the end of this period was 73%, and these figures also include accruals through the end of the month. The Public Defender and the Treasurer are operating at about 74%, so there is a 1% variance. The Public Defender has had higher numbers but typically controls that cost by keeping vacancies open longer. The Treasurer also was running at a higher rate earlier in the year, but there are fewer opportunities to make that up because of the office's size. The Sheriff's custody of prisoners is operating at 77%, and that is because of overtime issues at the around-the-clock operation. Overtime has not been funded there for the past few years and won't be funded next year. The elections number is running at 80% because of running an election in springtime. That should be made up by the end of the year.

As Mr. Rafac continued his review, he stated the 2012 budget maintained the same expenditures. There have been quite a few minor changes on the revenue side. Overall, next year's budget is \$44,000 less in revenues and expenses compared to the 2011 budget. There are some areas of variance on the expense side. In some situations, the county is spending more money, in others it is spending less. In medical services, for example, there is a contract for health care services for the jail and the River Valley Justice Center. There are built-in increases in that contract, and that amount is going up. There is a similar increase in the medical services line at Sunny Hill Nursing Home. That increase is offset, however, by a substantial increase in Medicare Part A. Although there are some variances in individual line items, the overall revenues and expenditures are flat and essentially the same as last year.

Mr. Moustis asked if the revenue could be discussed first. The assumption is that the county will tax to the maximum allowed in the levy. In your estimation, if the county taxes to the maximum of the legal limit, how many additional dollars would that generate?

Mr. Rafac replied across the corporate and special funds it will generate \$2.7 million in additional revenue relative to the prior levy. There is no use of fund balance in this budget.

Mr. Moustis stated this was not the time to talk about the possibility of support for the maximum levy. I wanted to clarify that it is in the budget, and it would be a real estate tax increase of \$2.7 million.

Mr. Rafac stated it was across all the special funds. The increase in the corporate fund is roughly \$1.3 million. Last year the county did take advantage of new property. However there were some final adjustments and the county did not take advantage of the full increase in new property. Based on the July estimates from the Supervisor of Assessments' abstract, there is almost \$1.1 million in new revenue related to new property. The additional amount of nearly \$1.7 million is related to the CPI adjustment.

Mr. Moustis commented that it always seemed odd that the levy was not handled before the budget. It would be better to know the amount of money before doing the budget rather

than afterward. The levy discussion should be held along with the budget discussion because they go hand-in-hand. I think all the other revenue projections look pretty good. I do believe the county will continue to see a slight bump in the sales tax because there still are retailers opening in Will County such as the new Walmart in New Lenox.

Mr. Kusta asked if there should be a separate discussion on the levy during the Oct. 6 Finance Committee meeting.

Mr. Rafac indicated the discussion could be held now. The levy is in the back of the budget in the final section.

Ms. McPhillips asked about the telephones for the inmates at the Adult Detention Facility. That has been an on-going source of revenue. Is it going away? There is none requested.

Mr. Rafac answered that he had a conversation with Mr. Moustis and Mr. Friefeld. Historically the telephone lines for the inmates funded the Center for Correctional Concerns. It has been moved to the Sheriff's restricted fund along with the center's expenses. That is a major variance on the revenue side. There is a similar issue regarding the cost for diesel fuel. It has been shifted from the Highway Department to the Finance Department. A large part of the cost is the Sheriff's operations, and that is all corporate. The entire expense has been moved back into corporate so all the fuel is in one category.

Mr. Moustis mentioned he would ask later about the variances so that everyone would be clear on them.

Ms. McPhillips asked about the reimbursement from Kankakee at the River Valley Justice Center. We have only received \$433,000 of \$1.2 million.

Mr. Rafac answered it simply was a delay.

Mr. Moustis stated Kankakee probably would not do a payment this year because of the reserves.

Mr. Rafac explained when the River Valley Justice Center was established in a partnership, Kankakee made a large payment up front. Will County stretched the payment over a longer period of time. Will County has about \$4 million sitting in cash reserves, and Kankakee has \$2 million. They are not at the target of roughly 25 percent. Kankakee will not make a contribution this year but I assume they still will make their bond payment.

Mr. Moustis stated the reserve was basically maintenance and replacement.

Mr. Gould asked about page 131 the FICA taxes. There is \$6.1 million in FICA taxes projected. If congress reduces the FICA on the employer's side of the payroll tax and there are extra funds, would that money be transferred to another fund? Although this is a hypothetical question, if the tax drops from 6.2% to 4.2%, there wouldn't be as much money needed for 2012 to cover the FICA expenses.

Mr. Rafac replied the adjustments that have been made to date on the FICA side were on the individual component not the employer component. Because the budgets have been tight for the past several years, no additional reserves were built into FICA and IMRF. I have been keeping it straight line. Depending on how we levied the funds, my recommendation would be to reallocate that money. If that happens, the analysis should be done again to see what is needed in FICA or IMRF over a three-year span. Or the county should shift the analysis into corporate. There is no funding for the other post-employment benefits in this budget. If it were to be funded, it would be funded out of surplus or cash reserves. Additional levy could be shifted to the corporate fund and fund it from that.

Mr. Gould stated it essentially would be a one-year windfall.

Mr. Rafac agreed.

Mr. Kusta stated he would like to focus now on the total dollar discussion so the bottom line number would be available. As a committee, we need to make a decision about what total dollar will be.

Mr. Moustis asked if he wanted to talk about the levy.

Mr. Kusta answered yes.

Mr. Moustis asked for a list of line items that increased by more than 5%.

Mr. Rafac stated he was able to discuss today the variances in overall categories such as supplies and professional and technical services.

Mr. Moustis stated Mr. Rafac mentioned an increase in professional/technical services. There also will be a discussion about consultants. There is another item listed as contractual and maintenance. It went from \$400,000 to \$600,000, a substantial increase. If that is something that has been shifted because of a contractual obligation, I would like an explanation of the 13 ½ % increase.

Mr. Rafac commented I can go quickly through some of the major categorical differences.

Mr. Moustis stated he wanted more detail.

Mr. Rafac stated he thought he could provide it.

Mr. Moustis stated he wanted an explanation prepared outlining why certain line items such as financial services increased considerably. I know some things have been moved there including fuel and utilities. But I want to know which utilities were moved there, for whom and why.

Mr. Rafac stated there were about a dozen items that explained most of the variances.

Ms. McPhillips agreed. I actually had the same questions. This is an aggregate, and I would like details.

Mr. Moustis stated he would like an explanation of line items that increased either more than 5% or more than \$5,000. There probably also should be a discussion of the nursing home and escalating costs. I agreed to shift some things to the executive, but perhaps some of them should come back to the County Board for oversight. That will be a separate discussion.

Mr. Rafac stated everything had to be created manually. I will look at major categories of expenses, I will look at large variances, I will give a break out of where the variances occur and I will explain any logic.

Mr. Moustis commented I am reluctant to raise any line items without justification. It would have to be something fairly concrete.

Ms. McPhillips asked for a breakdown of salaries and benefits for the Sheriff's new employees.

Mr. Rafac replied there was a line item for new employees. The meetings with the benefits consultants showed a 1.5% increase in estimated benefit costs.

Mr. Kusta asked if Mr. Rafac could adjust revenues and expenses if the committee quickly made a decision about dollars. There could be separate meetings for discussions on revenues and expenses.

Mr. Rafac replied yes.

Mr. Moustis stated this requires the board to raise the levy and taxes.

Mr. Kusta asked how the members of the committee felt about the levy in the proposed budget.

Mr. Bilotta replied the levy should be frozen. More cuts could be made.

Mr. Moustis indicated he was not supportive of freezing the levy. I don't support the increase in the \$2.7 million. If the revenue stayed flat in the levy it still would require a rate increase. There is enough in this budget to find the \$3 million to \$3.5 million.

Mr. Bilotta stated he did not support an increase in the levy or the rate.

Mr. Wilhelmi asked if there was no support for an increase would property taxes be decreased.

Mr. Bilotta replied yes.

Mr. Wilhelmi replied it was not responsible.

Mr. Moustis stated it was irresponsible to raise people's taxes.

Mrs. Dralle stated I do not support an increase. I am not going to increase anyone's taxes.

Ms. Phillips indicated she agreed. Keep the dollar amount flat. If we keep the rate we are going to have to cut.

Mr. Rafac stated if the rate stayed flat then \$4.2 million must be cut.

Mr. Moustis commented it was a good goal.

Mr. Bilotta agreed.

Ms. Zigrossi stated at the very least the County Board must maintain what has been there previously. I can't support the decrease.

Ms. Phillips stated Mr. Rafac wrote a report last year showing how the inclusion of new construction in the levy would affect home owners and showing the rate. It helps to see the dollar amount of the additional revenue and the affect of the additional rate on the budget.

Mr. Rafac replied the new construction was roughly \$1.052 million. If that is removed from the rate increase and only considered cutting the CPI, there would be a reduction of \$1.675 million to the budget.

Mr. Kusta asked for the amount of new construction last year.

Mr. Rafac replied new construction last year was \$405 million. This year it is \$189 million. There were periods when the figure was in the billions. The county dropped from \$730 million in 2007 to \$661 million in 2008. In 2009, it was \$384 million, and in 2010 it was \$405 million.

Mr. Kusta asked how long it would take to prepare a statement on the different levy amounts.

Mr. Rafac stated it would be relatively simple. The spread sheet from last year had to be updated.

Mr. Kusta asked if it would be available for the Oct. 4 Finance Committee meeting.

Mr. Rafac replied yes.

Mr. Kusta stated it could be discussed during a Finance Committee meeting after the Executive Committee meeting on Oct. 6.

Other New Business

Mr. Moustis stated an issue involving pension spiking has emerged. Some employees want their money to be paid out in certain ways. There was a discussion with IMRF, and IMRF considered it pension spiking. Should this issue be addressed with some type of policy? If IMRF declares it pension spiking would that suffice and could the county then refuse those types of requests?

Mr. Tidwell replied IMRF has not said no. IMRF will interpret it as pension spiking but will not forbid it. If the employer allows it, IMRF will do it. A few Sheriff's deputies are retiring and taking advantage of the severance plan. Normally when you bifurcate the severance plan and someone is just retiring, the unused sick time typically is paid on the last pay check. Sometimes the employee terminates on pay day, sometimes it is a few days prior to pay day. Then the money is paid and it is removed from the books. During the past three years of the severance plan, the Sheriff's Department did not participate the first year, but it typically is paid out this way: once the employee terminates, the money is paid no sooner than seven days from the day

of the termination. Some employees are leaving on Sept. 30, the last day of the month, also a pay day. The county is not paying the sick time on this payroll. It is being paid with the severance payment on the next pay roll. This negatively affects some of the employees retiring tomorrow, and their monthly pension payment will be reduced by about \$100. IMRF uses something called the 125% Rule. A salary or payment for a month that is more than 125% of the average earnings over an approximately 45-month period is thrown out. If the county pays it all in October, it won't affect the county's rate. Paying tomorrow would affect it.

Mr. Moustis asked if there should be some type of policy on the issue.

Mr. Tidwell stated the Sheriff's employees are paid on a current basis. They are not paid in arrears. If an employee retires on a pay day, the county would pay the sick time to get it off the books. The Sheriff's employees are paid on a current basis, however. If the sick time is paid, the county is gambling. The sick time might have been used or might not have been used during that pay period. Exception time is paid in arrears; regular work time is paid current.

Mr. Moustis stated this should be clarified.

Ms. Johannsen asked if this type of policy was the responsibility of the individual elected officials.

Mr. Tidwell stated the County Board controlled the sick time. Anything reported more than 30 days of retirement is not IMRF wages.

Mr. Moustis stated this issue should come to the Executive Committee.

Mr. Tidwell commented most contracts allow the accumulation of as much as a year of sick time. We pay out 50% of it. The other half is reported to IMRF as service credit.

Mr. Moustis indicated some have been done in excess of \$100,000.

Mr. Tidwell stated perhaps an IMRF representative could come to the meeting and clarify the issue.

Mr. Rafac commented all county employees should be paid in arrears. The employees that use their sick leave as soon as it is earned are able to reap the benefit. It might be viewed as punishment for employees who don't use sick leave.

Mr. Moustis stated perhaps a compromise would be to pay 60% after 30 days. The sick time is not there to spike a pension.

Ms. May asked if all of the board members could have a copy of the explanation of the budget increases by department and line item.

Mr. Kusta replied yes.

Ms. May asked for an explanation of the term new construction. Will the explanation of the increases cover every department and include the departments that are funded by grants.

Mr. Moustis stated that grant-funded departments might be another discussion.

Ms. May commented that sometimes it seems as if grant-funded programs slip under the guise of the board. Also, what percentage of the actual budget is the \$2.7 million or \$4.2 million that might be cut?

Mr. Bilotta asked for the total of the corporate fund.

Mr. Rafac replied the corporate fund is \$171 million.

Ms. Johannsen stated that with the inclusion of the special funds it was about \$461 million.

Mr. Rafac stated the \$4.2 million figure would be 2.5% of the corporate fund.

Mr. Kusta stated there would be a schedule and a topic available on Oct. 6 for each meeting. The budget will be passed during the Nov. 17 County Board meeting.

Mr. Moustis stated a vote was required by Dec. 1.

EXECUTIVE SESSION

None.

ADJOURNMENT

A motion as made by Mr. Wilhelmi, second by Ms. McPhillips, to adjourn the meeting at 11:05 a.m. All in favor. MOTION CARRIES.