JOINT SPECIAL MEETING OF THE TIPPECANOE COUNTY BOARD OF COMMISSIONERS and COUNTY COUNCIL MARCH 12, 2013

The Tippecanoe County Board of Commissioners and Council met Tuesday, March 12 at 10:00 a.m. in the Tippecanoe Room of the County Office Building. Commissioners present were President David S. Byers, Vice President John L. Knochel, and Commissioner Thomas P. Murtaugh. Council members present were President Roland K. Winger, Vice-President David R. Williams, John R. Basham II, Andrew S. Gutwein, Jeffrey A. Kemper, Bryan E. Metzger, and Kevin L. Underwood. Others present were: Financial Consultant Greg Guerrettaz, Auditor Jennifer Weston, Attorney David W. Luhman, and Recording Secretary Tillie Hennigar.

President Byers and President Winger called the meeting to order.

President Byers welcomed Consultant Guerrettaz and said the meeting today will provide guidelines and discussion for a five year Capital Improvement Plan, allowing Mr. Guerrettaz to provide future direction. President Winger said it has been a couple of years since the Plan has been updated. There is no obligation to have a Plan but it is important to get the consultant's perspective on where the County stands financially and provide input to move forward.

FIVE YEAR CAPITAL IMPROVEMENT PLAN

Greg Guerrettaz, President of Financial Solutions Group, stated he has served as an independent financial advisor for cities, towns, counties, libraries, school corporations, and townships for over 20 years. During the first 3-4 months of the 12 months of working with a company, he promotes one of three plans promoted by the rating agencies. The rating agencies are primarily concerned about two major plans: 1) the Capital Improvement Plan and 2) the Operations, or Fiscal, Plan.

With a \$30 - \$50 million County operation, being able to forecast the future operations is very important. The first question the rating agency presents is: where is the Five Year Capital Improvement Plan and how it is funded. The second question will be: what is the written reserve policy in regard to the General Fund and how does it interact with EDIT and Rainy Day Funds.

Consultant Guerrettaz referenced the Five Year Capital Improvement Plan prepared by Auditor Weston and said it would be referred to as Draft #1. As you move forward with the five year plan, be aware of hidden or large projects where building a reserve might be necessary, such as the Courthouse Bonds redemption a few years ago. Draft #1 is very critical and as planning proceeds to Draft #2, Consultant Guerrettaz referred to page 4 of Draft #1 and the Priority Key. The list contains needs from the department heads and each item should be ranked as *high, medium,* or *low.* Once ranked, he and Auditor Weston can move forward on funding options. How the projects are paid for has a far reaching impact. Rating an item as "low" does not mean the project is moved back; it is just low as a funding priority versus the items that are high or medium priorities. As time goes on, the medium items will become high priority. Greg used an example of another county with decreased crime and excess beds in their jail, changing the priority.

The deadline for ranking and returning the list is March 21 at 5:00 p.m. Each Council member and Commissioner will submit their ranking to Auditor Weston.

FINANCIAL FORECAST OF OPERATIONS

Consultant Guerrettaz said a *Sustainability Analysis* was put together in the past, taking the base line of the last few years and projecting forward on a line-by-line basis. He and Auditor Weston will need to look at the *Sustainability Analysis* and the fiscal forecast of Operations.

The 2012 General Fund ended with $8.6 million. Mr. Guerrettaz and the rating agencies look at it as two General Funds – General 001 and COIT 002. The two main sources of revenue, general property taxes and COIT go into two different buckets. For accountability, it's important to separate the two major sources of revenue, property taxes and income taxes. As a fiscal body, a critical issue is for the Council to maintain a written cash reserve policy. From the standpoint of the levy, property taxes don't go up, other than the growth quotion. The levy is the assessed value times the tax rate; the levy can only grow; last year it was 2.8%. With higher tax rates, the Circuit Breaker takes it away.

Auditor Weston said previously AV's were declining, resulting in a buildup in the General Fund balance. That trend is starting to turn; the Funds which were depleted by AV will now see an increase and the General Fund will not.

Consultant Guerrettaz said he was impressed with the Highway's salary and benefits numbers utilizing only 37% of their budget for personal services. Having the remaining funds available for bricks and mortar was very impressive. Compared to other counties, he felt other counties would have the percentages reversed.

For the forecast, look at how MVH and Cum Bridge is funded, how to migrate the tax levy to certain functions, and utilizing EDIT to continue to subsidize. The MVH balance is at the lowest point ever.

Focusing on the General Fund and looking at the five year balances, there was a 12% drop in revenues from 2010 to 2011, creating a $5 million loss. The cash reserve policy does two things: 1) buffers for a reduction in revenues and 2) eliminates the need to borrow or subsidize. The cash reserve is available for working capital. Sixty days of operating expenses for the General Fund would require $6.3 million in cash reserve. The General Fund will have more of a need of a cash reserve due to income tax revenues not flowing into that fund. What he wants the County to avoid is the need to borrow for the General Fund; it should sustain itself.

Using General Fund monies for one time capital expenditures is not a good idea. Be mindful of certain revenues going down and what needs to be done to sustain the Highway Department and Cumulative Bridge for the next ten years.

President Winger said the exercise would help with priorities and how much money is needed in Rainy Day but questioned how to know the amount placed in the Rainy Day Fund is enough. Consultant Guerrettaz said the Rainy Day balance should be used as a last resort. Some offices are establishing catastrophic or emergency funds. The reserve fund and the financial forecast need to be revisited each year.

Greg suggested the money be used to build assets, such as building a bridge early to keep the financial liability off the books. Also, looking at unfunded pensions and verifying they are up to the level they are supposed to be.

Where the tax levy is allocated for 2014, 2015, and 2016 is another issue to consider. Pennies can be reallocated in any one year and brought back the following year during the budget process. A migration policy for those reallocated funds would be in the plan.

Commissioner Knochel said the Cumulative Bridge rate was lowered a few years ago with no plans to raise it and it needs to be. Consultant Guerrettaz said plans should be made between now and budget time with implementation at budget time. Cumulative funds should be readvertised each year to the maximum (which he believed to be .10) to allow maximum flexibility and also enable them to choose the rate; avoiding the decrease as a result of reassessment. The negative result of raising the rate is what is put into Cumulative Bridge will affect other funds; resources will be taken from other funds.

Consultant Guerrettaz said Tippecanoe County is a leader from Indianapolis to Chicago but it's important to be aware of how cycles come and go. Councilmember Kemper asked if some scenarios via a graph or chart could be available to show pennies being moved from one fund to another.

Councilmember Williams inquired if Auditor Weston knew how many departments were not included on the priority list. Auditor Weston said seven or eight departments and all but two of the courts did not submit anything. The questionnaire was sent to all departments.

Consultant Guerrettaz said the parking garage is now ten years old and at the time it was built he attempted to get the County to buy into a *Funded Depreciation Fund*. The fund sets aside cash from the user fees or another source to fund repairs. He suggested $500,000 - $1 million be set aside for the parking garage repairs or structural issues that will appear by year 15 or 20. President Winger said he appreciated those types of ideas and other items that the board members may not think of. Councilmember Basham inquired if the revenue from the parking garage goes into Fund 322. Mr. Guerrettaz said yes, it does and there is a balance but the hope was for two funds; the second one would be an actual funded cash depreciation reserve; cash equal to the depreciation or the improvement needed on a major asset. He would like to see the parking garage pay for itself.

President Winger said there is a potential operation impact of unknowns such as Obama Care and the Wellness Clinic and asked the consultant to help quantify and consider policy to prepare for pending increased cost for health insurance. Mr. Guerrettaz said he recently spoke with a County having a clinic for approximately four years. The participation has doubled and they anticipate extending the hours; increasing administrative costs. Generally, clinics across the country, money is saved in the first five years. After the five years, the cost and utilization increases. Obama Care will increase most of the health care costs at least 25%. Consultant Guerrettaz requested a sub analysis on the clinic and insurance to project the next 3–4 years. A 5 year plan for the clinic should be compiled with a best case/worst case scenario. The best case would be a 10% increase; the worst case would be 25%, allowing planning in the middle. Commissioner Knochel said the contractor running the clinic should provide those figures.

President Winger said the average annual growth of the General Fund since 2007 is 1.3%; less than the rate of inflation. Consultant Guerrettaz said there is controllable growth, such as salaries and uncontrollable growth, such as gas or utility prices. He was surprised the Capital Improvement Plan didn't include Process Improvement. He commented that he doubted there was not a County process that couldn't be improved and provided an example of Highway purchasing three tandem trucks. With the purchase, the employees eliminated downtime waiting on a delivery from an outside source, making them more effective. Look at the addition of technology or new equipment to help with efficiency and limit new hires; the business will benefit by not adding people.

The plans for going forward:

- Tackle the Five Year Capital Improvement Plan
- Begin the process on the Financial Forecast for Greg to present Draft #1

President Winger asked Auditor Weston to prepare the ranking sheet in Excel and also resend the brainstorming ideas on operational costs. If there are additions or edits, turn those in by March 21 also.

An additional Joint Special Meeting will follow the April 9 Council meeting to focus on the Capital Improvement Plan. A meeting will be held 60 days later to discuss the Operational Forecast and integrate the Capital Improvement plan.

President Byers opened the floor for input from the public or department heads. As there were none, Commissioner Murtaugh moved to adjourn.

Meeting adjourned at 11:17 a.m.

BOARD OF COMMISSIONERS OF
THE COUNTY OF TIPPECANOE

David S. Byers, President

John L. Knochel

John L. Knochel, Vice President

Thomas P. Murtaugh, Member

ATTEST:

Jennifer Weston

Jennifer Weston, Auditor 06/03/2013

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