JOINT SPECIAL MEETING
OF THE TIPPECANOE COUNTY
BOARD OF COMMISSIONERS and COUNTY COUNCIL
AUGUST 11, 2015

SCANNED

The Tippecanoe County Board of Commissioners and Council met Tuesday, August 11, 2015 at 7:30 a.m. in the Tippecanoe Room of the County Office Building. Commissioners present were President Thomas P. Murtaugh, Vice President David S. Byers, and Commissioner Tracy A. Brown. Council members present were President David R. Williams, Vice President John R. Basham II, Bryan E. Metzger, Sally Siegrist, Kathy Vernon, Kevin L. Underwood, and Roland K. Winger. Others present were Financial Consultant Greg Guerrettaz, Attorney Doug Masson, Auditor Bob Plantenga, Auditor Chief Deputy Jeremy Diehl, and Recording Secretary Tillie Hennigar.

President Murtaugh and President Williams called the meeting to order.

Greg Guerrettaz, President of Financial Solutions Group stated he serves as an independent financial advisor for many municipalities throughout Indiana. He said July and August have been very interesting from an overall budget standpoint. In working with Tippecanoe County for many years he has covered various things while proceeding through the budget process. Today, he is here to answer questions and go over draft number one of the Sustainability Analysis – the final 2014 numbers, the 2015 budget, and his estimate for 2016, 2017, and 2018.

Mr. Guerrettaz said across the state of Indiana the #1 goal/objective is to pay health care. Health care costs continue to increase dramatically; the cost of drugs is a major component with increases of 20-22% for some name brands. Building that in to the 2.6% growth factor (the growth in the maximum levy) is approximately $625,000 as new money in property taxes. The struggle is #1 group health insurance and #2 a payroll increase. Payroll increases throughout Indiana Counties vary from 2% to 4.5%; Counties giving a 4.5% increase have gone two to three years without an increase. What he is seeing is most Counties want to spend down cash balances, he suggests keeping reserves due to future events in 2017, 2018, and 2019. The 2.6% revenue is only one source of income; the other is income taxes which acts different. The property tax levy for 2015 is $27.4 million; the General Fund consumes $22.7 million. In 2014 the assessed valuation was $6.6 billion; in 2015 the assessed valuation is $7.0 billion. Auditor Plantenga said Tippecanoe County could experience a 4% growth in assessed valuation. Mr. Guerrettaz said the price of building a warehouse now versus four years ago has dramatically increased and many Counties have increased the warehouse cost. With the dramatic increase in assessed valuation some Counties are issuing a General Obligation Bond to meet capital needs and maintain the same tax rate.

Between now and the next meeting, Consultant Guerrettaz said the five year Capital Improvement Plan needs to be updated. Auditor Plantenga said the request was sent and they have been returned; the Commissioners are using them for the budget process. President Murtaugh said "round 2" is needed as the information returned was mostly 2016 budget requests, not future needs. Auditor Plantenga said TIF *estimates* have been sent out; there are a couple of new ones that need some work. It doesn't appear the bases will be altered very much and he could provide a fairly good estimate. Mr. Guerrettaz said the bases are not supposed to change dramatically since reassessment is every year. Auditor Plantenga said the captured TIF is not much different than the current assessed value of West Lafayette. Mr. Guerrettaz said high assessed valuation keeps the Circuit Breaker down and the tax rate lower; benefiting everybody. Tippecanoe County has done a very good job and deserves an "atta boy/atta girl"; sticking with the overall plan has paid off. When he reviewed the Sustainability Analysis, he intentionally looked for bad news and could not find any. Auditor Plantenga agreed and added that cuts obviously have to be made.

Auditor Plantenga asked about the Income Tax Trust Balances, saying the last numbers he could find were at the end of 2013. When the Trust Balances get high, the State is required to make a special income tax distribution. Consultant Guerrettaz said they were updated since six months ago but 2014 was not updated. The latest information he has is that the adjusted income growth went up 3.38%. The portion for the County is based on the prior year abstract levy. As an example for 2014, the County portion of COIT was $8 million of the $18 million; roughly 40%. The Abstract Levy is what the Auditor sends out as actual bills for property taxes which breaks down how the amount of the overall pot of income taxes are distributed. The Abstract Levy (or allocation) used was $44.9 million out of $102 million in 2014. Counties cannot appeal the assessed value; cities and towns can via an annexation appeal when they annex.

Mr. Guerrettaz said what he sees is 2.6% growth in property taxes and 3.3% growth in income taxes. The revenue side is strong. In the General Fund, the miscellaneous revenues were $9.8 million in 2014. In 2015 the grand total budget in the General Fund was $32.6 million - $22 million from property taxes and $11.8 million form miscellaneous taxes (from $9 million in 2014). Across the state, miscellaneous taxes which are building permit fees, interest income, etc. are increasing.

A discussion was held about the loss of revenue from housing prisoners and the increased costs associated with jail medical expenses. Inmates entering the County jail are worse healthwise than in the past; some with serious health issues. In addition to the health issues, there are increased liability concerns. Commissioner Brown said the budget plans for the health services contract, those immediate costs are fixed; however, we can't plan for the volatility of the unknown for an inmate who needs extensive surgery or specific drugs.

Consultant Guerrettaz said from a growth quotation standpoint, he entered 3.5% for 2017 and 3.9% for 2018. Last year he spoke about the rolling 16 month - 5 year average of non-farm payroll as the basis for the growth in property taxes as the formula the State developed. One of the numbers in the formula was a negative and one of the numbers will roll off. As a result, the 2.6% for 2016 should grow. Last year there was proposed legislation to adjust the formula. If the negative is removed, you could go as high as 4.5% - 5%. DLGF is trying to look at a way to administratively change the formula so it doesn't grow that much. For COIT he used 3.3% based on the analysis of the 3.38% which recently came out. He didn't subtract much for annexation in 2016 but did lessen it to 2% and 3% for 2017 and 2018.

Still discussing income taxes, Mr. Guerrettaz said he still proposes that Economic Development Income Tax (inventory replacement) needs looked at and is an opportunity to serve better to have split as property tax replacement credit versus the old formula of EDIT. It is one of the income taxes he believes is outdated and tracking through an old method; it has nothing to do with the way Tippecanoe County looks now. Auditor Plantenga said the last inventory numbers were in 2006; inventory distribution within the County would be much different now. The uniform method would seem fairer. Consultant Guerrettaz said his proposal last year was to eliminate it and increase the LOIT property tax replacement credit. He assumed no new income taxes in 2016. Now that the law has changed for E911, most Counties go to E911 which the County collects as a whole. Auditor Plantenga said any changes have to go to the Income Tax Council and have a majority of the big three – County, Lafayette, and West Lafayette. Mr. Guerrettaz said it's an important point as we go forward with planning and assumption of no new revenue from income taxes. It's takes a year of education for the Council and the public to go to a new plan. The window of opportunity closes in October or November; it's too late for budget year 2016 but he encourages discussions to begin for 2017.

Consultant Guerrettaz said Tippecanoe County does not have a Major Bridge Fund but they do have major bridges. In Hendricks County, a Major Bridge Fund was created for 2016 which acts like a Cum Bridge Fund but it is outside the maximum levy. A Major Bridge Fund is for a bridge having a certain

approach length and wing span. Hendricks County's Fund is initially set up at $500,000 per year but will probably be lowered to $250,000. The revenue can only be spent on those bridges. Auditor Plantenga said it is a true tax increase and will impact Circuit Breaker. Mr. Guerrettaz said maybe.....if assessed valuation grows then it is not a true tax rate increase and it wouldn't have a Circuit Breaker impact if there is assessed value growth that outweighs it. If you start now, the amount levied can be less; it needs to be considered for the 2017 budget. Highway Director Opal Kuhl said Tippecanoe County has six bridges that cross the Wabash.

Going forward, Consultant Guerrettaz said the important points are the revenue side; having a plan for 2016-2018 income taxes; major bridge fund; property tax replacement; and E911. Looking at the summary of balances and funds, he likes where we are heading. The prior Resolution which was put together for target cash balances by fund should be revised each year. Staying with the plan and completing the homework assignment of updating the five year Capital Improvement Plan is critical. *Economic Smart Growth* which is growth in AV and higher income taxes is the key.

President Murtaugh moved to adjourn for the Commissioners. President Williams moved to adjourn the meeting with the Financial Consultant and reconvene for the regular Council meeting in five minutes.

Meeting adjourned at 9:45 a.m.

BOARD OF COMMISSIONERS OF THE COUNTY OF TIPPECANOE

Thomas P. Murtaugh, President

David S. Byers, Vice President

Tracy A. Brown, Member

ATTEST:

Robert A Plantenga, Auditor 09/08/2015

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Minutes prepared by Tillie Hennigar, Auditor Administrative Assistant

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