

**JOINT SPECIAL MEETING
OF THE TIPPECANOE COUNTY
BOARD OF COMMISSIONERS and COUNTY COUNCIL
JULY 8, 2014**

The Tippecanoe County Board of Commissioners and Council met Tuesday, July 8 shortly after 9:30 a.m. in the Tippecanoe Room of the County Office Building. Commissioners present were Vice President Thomas P. Murtaugh, and Commissioner David S. Byers. Council members present were President David R. Williams, Andrew S. Gutwein, Jeffrey A. Kemper, Bryan E. Metzger, Kevin L. Underwood, and Roland K. Winger. Others present were: Financial Consultant Greg Guerrettaz, Auditor Jennifer Weston, Attorney Doug Masson, and Recording Secretary Tillie Hennigar. Commissioner President John L. Knochel and Councilmember Vice-President John R. Basham II were absent.

Commissioner Murtaugh called the Commissioners to order and President Williams reconvened the Council and called the meeting to order.

President Williams turned the meeting over to Consultant Greg Guerrettaz.

Consultant Guerrettaz said he emailed the updated Sustainability Analysis which contains about 180 pages. Today, he plans to review an Executive summary of the document. The Sustainability Analysis reviews where revenues have been and where expenses are thus far. A forward looking projection has been made estimating 2015, 2016, and 2017 providing a snapshot for the future beyond the normal one year budget cycle. The document will show a trend on some of the major cash balances and help to move forward by showing where revenues will come in to determine an overall expense budget. Mr. Guerrettaz said continued talk about the future, looking five to ten years down the road is crucial when discussing CCD rates, Cumulative Bridge rates, and Income Tax rates.

Last year, *Build Tippecanoe County* began, using \$3 million of the Rainy Day Fund. In 2014, \$500,000 was transferred from EDIT to the Jail Lease fund, which reduced the tax rate used to levy property taxes. Instead of levying \$1.1 million for the fund, it was \$600,000, reducing the tax rate to all homeowners from 0.41 to 0.39. The assumption is that the homeowner will get a reduction in the tax rate again in budget year 2015; the financial analysis proves that is sustainable at this point.

Referring to the General Fund, Consultant Guerrettaz said in 2013 the County was able to achieve a higher balance. The minimum fund balance in the Resolution was \$6 million. The property tax portion was able to sustain through 2013; however, there is a concern about the direction it is going and the impact on Circuit Breaker. Circuit Breaker will continue to grow in Tippecanoe County but as far as the County as a whole, it is lower than many other counties. The growth formula for property taxes at 2.7 should mean that the General Fund and each of the other funds will get more money, increasing the revenue side. The biggest concern is the uncontrollable expenses, such as increased gasoline prices or increased health premiums. When those expenses go up, it has a direct impact on the bottom line.

Consultant Guerrettaz commented on the 2015 3% salary increase, saying it is a strong increase. He inquired about the 27 pay creating a problem, even for the State. Auditor Weston said she budgets the annual and divides by the number of pays.

Councilmember Winger asked about the salaries assumptions as provided on page 4 of the handout from Mr. Guerrettaz. Consultant Guerrettaz said he backed off in 2016 and 2017 because of the trend on expenses going up and the balance starting to come down. It is a conservative approach on salaries; however, he is aggressive on other expenses.

TIPPECANOE COUNTY, INDIANA
Sustainability Analysis

Assumptions

Revenue

These growth factors will be applied to the 2015 budget, except for those funds not budgeted for; the funds not budgeted for will use a growth factor based off of the 2014 budgeted amounts, using the following:

| | 2015 | 2016 | 2017 | Comments |
|---|---------|--------|-------|---|
| All Other | 0.00% | 2.00% | 2.00% | |
| Property Tax | 2.70% | 2.90% | 4.00% | Nonfarm personal income continues to grow, -4.22% in 2009 |
| FIT | 2.60% | 2.70% | 2.90% | Growing similar to property tax, but, 1 year delay |
| CVET | 1.00% | 1.00% | 1.00% | Historically slow growing |
| Cigarette Tax | -7.80% | 0.00% | 0.00% | State estimated decrease |
| License Excise Tax | -1.00% | 0.50% | 0.00% | 3.2% reduction in 2014, State reviewing for future changes |
| Alcoholic Beverage Excise Tax | 3.00% | 2.00% | 0.00% | |
| COIT | 4.80% | 4.00% | 2.00% | See Income/Workforce Trends (Assumes no change to County portion) |
| Inheritance Tax | 0.00% | 0.00% | 0.00% | No future revenue expected |
| County Health Department | 0.00% | 5.00% | 4.00% | |
| Emergency Mgmt Matching Fund | 2.00% | 2.00% | 2.00% | |
| IV-D Various Reimbursements | 0.00% | 3.00% | 2.00% | |
| Juvenile Detention Reimbursement | 0.00% | 2.00% | 2.00% | |
| Sheriff-Inmate House-DOC | -10.00% | -5.00% | 0.00% | Expected State Decrease |
| Clerk of the Circuit Court | 0.00% | 3.00% | 3.00% | |
| Interest | 0.00% | 1.00% | 3.00% | Interest rates expect to rise slowly |
| Excess Levy Tax | 0.00% | 0.00% | 0.00% | |
| State Gaming | 0.00% | 0.00% | 0.00% | No change expected |
| Tipp. Villa - Care of Residents | 0.00% | 1.00% | 1.00% | |
| Cary, Home - Per Diem | 0.00% | 2.00% | 1.00% | |
| Reimbursements | 0.00% | 0.00% | 0.00% | |
| Sales Motor Vehicle Highway | 10.00% | 2.00% | 0.50% | 2015 will be final year of increase from 2013 Legislation |
| Sales & Use LRS | 0.00% | 1.00% | 0.50% | |
| E-911 User Fee | 0.00% | 1.00% | 2.00% | |
| EDIT Income | 4.80% | 4.00% | 2.00% | See Income/Workforce Trends (Assumes no change to County portion) |
| Excise Surtax | 0.00% | 2.00% | 1.00% | |
| Excise Wheel Tax | 0.00% | 2.00% | 1.00% | |
| Probation User Fee | 0.00% | 3.00% | 3.00% | |
| Youth Center - Out of County Care | 0.00% | 1.00% | 1.00% | |
| Youth Center - Reimbursements - Federal | 0.00% | 0.00% | 0.00% | |

Appropriations

Beginning in 2015, these two factors will be applied to the projected salaries and wages; PERF is applied to full time employee's salaries only; this benefit is not received by part time employees.

| | 2015 | 2016 | 2017 |
|-------------------|--------|--------|--------|
| Social Security | 7.65% | 7.65% | 7.65% |
| Retirement (PERF) | 11.20% | 11.20% | 12.00% |

These growth factors will be applied to the 2015 budget, except for those funds not budgeted for; the funds not budgeted will use a growth factor based off of the 2013 actual amounts, using the following:

| | 2015 | 2016 | 2017 |
|--|--------|-------|--------|
| Salaries | 3.00% | 1.00% | 1.00% |
| Health Insurance / Other | 11.00% | 8.00% | 8.00% |
| Supplies (All Other) | 3.00% | 1.00% | 2.00% |
| Other Services / Charges (All Other) | 3.50% | 1.00% | 2.00% |
| Mental Health (Equal to Property Tax Growth) | 2.70% | 2.90% | 4.00% |
| Gas/Oil | 5.00% | 5.00% | 5.00% |
| Sheriff Retirement | 5.00% | 5.00% | 5.00% |
| Meals | 7.00% | 5.00% | 5.00% |
| Vehicle Maintenance | 5.00% | 2.00% | 5.00% |
| Utilities (misc. combined) | 6.00% | 5.00% | 5.00% |
| Medical | 10.00% | 3.00% | 10.00% |
| Institutional Care | 5.00% | 5.00% | 5.00% |
| Insurance (Property & Auto) | 4.00% | 2.00% | 4.00% |
| IT | 5.00% | 5.00% | 5.00% |
| Zero Growth | 0.00% | 0.00% | 0.00% |
| Capital Outlays | 0.00% | 0.00% | 0.00% |
| Electricity | 10.00% | 5.00% | 5.00% |
| Heating Fuel | 10.00% | 5.00% | 5.00% |
| Water & Sewage | 2.00% | 1.00% | 3.00% |

Consultant Guerrettaz read the "Note" on page 160 – "Tippecanoe County currently has a .40% normal EDIT rate and a .10 additional EDIT rate for property tax relief for removal of inventory from assessed value." He said if there is a time to do it, it was last year, this year, and now to look at removing the .10 from the income tax rate and remove the impact on inventory. In 2006, income tax was raised to make up the replacement theory about personal property. The County was given authority to increase the income tax and replace the assessed value that was lost from inventory pulled from AV. Three things made up assessed value – real property, personal property, and inventory. The inventory replacement has no relevance today. All budgets and AV have changed since then. He said a change should be considered before November, or next year.

Commissioner Murtaugh asked if personal property was eliminated without transferring it to tax relief, could it have an effect on Circuit Breaker. Mr. Guerrettaz said it would have a minimal effect because there is a nice growth in AV; you would not want to eliminate it when AV was declining. Auditor Weston agreed. Consultant Guerrettaz said with 25% of the County being reassessed each year, the likelihood of growth in the next four consecutive years is very high unless a quadrant of the county has no growth. Commissioner Murtaugh asked if the revenue that is currently generated would be redistributed in a different formula. Mr. Guerrettaz said if it was removed and replaced, it would be. Auditor Weston said with the method used now, only about 50% has to do with inventory; the rest is allocated uniformly to the units. Consultant Guerrettaz said relief is already being given on the jail which lowers the Circuit Breaker.

Referring to page 169, he discussed the Tax Trust Balances.

TIPPECANOE COUNTY, INDIANA
Sustainability Analysis

**Estimated Income Tax Trust Balances
(Held by State)**

COIT - Tippecanoe County (as of 12/31)

| <u>Year</u> | <u>Estimated Balance</u> | <u>Percent Change</u> |
|-------------|------------------------------|---------------------------|
| 2010 | \$ 537,326 | |
| 2011 | 4,058,877 | 655.38% |
| 2012 | 4,725,488 | 16.42% |
| 2013 | 6,253,236 | 32.33% |

EDIT - Tippecanoe County (as of 12/31)

| <u>Year</u> | <u>Estimated Balance</u> | <u>Percent Change</u> |
|-------------|------------------------------|---------------------------|
| 2010 | \$ 516,722 | |
| 2011 | 3,455,344 | 568.70% |
| 2012 | 4,026,068 | 16.52% |
| 2013 | 5,312,846 | 31.96% |

Referring to pages 170 and 171, Consultant Guerrettaz discussed Per Capita Income, the Workforce, and Unemployment Rate.

Historical Income Amounts

Per Capita Income - Tippecanoe County

| <u>Year</u> | <u>Per Capita Income</u> | <u>Percent Change</u> |
|-------------|------------------------------|---------------------------|
| 2009 | \$ 29,942 | |
| 2010 | 30,438 | 1.66% |
| 2011 | 32,025 | 5.21% |
| 2012 | 33,278 | 3.91% |

Total COIT Distributions - Tippecanoe County

| <u>Year</u> | <u>Total COIT</u> | <u>Percent Change</u> |
|-------------|-----------------------|---------------------------|
| 2011 | \$ 17,419,247 | |
| 2012 | 18,096,845 | 3.89% |
| 2013 | 19,155,136 | 5.85% |
| 2014 | 20,017,064 | 4.50% |

Workforce - Tippecanoe County

| <u>Year</u> | <u>Workforce</u> | <u>Percent Change</u> |
|-------------|------------------|---------------------------|
| 2011 | 83,582 | |
| 2012 | 85,194 | 1.93% |
| 2013 | 85,905 | 0.83% |
| 2014 | 86,411 | 0.59% |

Unemployment Rate - Tippecanoe County

| <u>Year</u> | <u>Unemployment Rate</u> | <u>Percent Change</u> |
|-------------|------------------------------|---------------------------|
| 2011 | 7.60% | |
| 2012 | 7.10% | -6.58% |
| 2013 | 6.80% | -4.23% |
| 2014 | 4.60% | -32.35% |

Unemployed Workers - Tippecanoe County

| <u>Year</u> | <u>Number of Unemployed</u> | <u>Percent Change</u> |
|-------------|---------------------------------|---------------------------|
| 2011 | 6,392 | |
| 2012 | 6,046 | -5.41% |
| 2013 | 5,839 | -3.42% |
| 2014 | 3,946 | -32.42% |

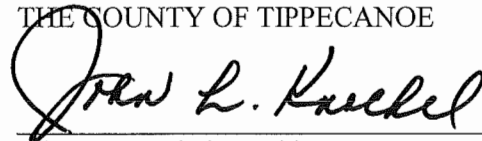
Consultant Guerrettaz continued to say on the revenue side, we still have the legislation for motor vehicle highway which runs out in 2015. Other than income taxes and a possible drop in property taxes, there is not a lot of good news on the revenue side. He discussed "Food and Beverage" saying he believes it is very resilient and growing 10 to 14% in most municipalities. As an example, Mr. Guerrettaz said 1% would generate millions. It takes a lot of work and planning but will generate an amazing amount.

On the expense side, he said he hoped for the latest information on health insurance. Commissioner Murtaugh said all of the cost for next year will be fixed, with the exception of claims. Auditor Weston said the total cost may go slightly over the budget which means you're eating into the cash balance of the self insurance fund. The claims have been running approximately \$700,000 per month for 2014 compared to \$560,000 in 2013. She projected the cash balance to be \$1 million at the end of the year; currently it is \$2 million.

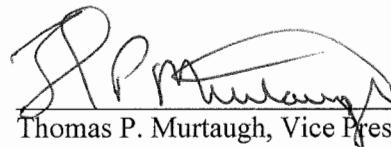
To summarize, Consultant Guerrettaz said Tippecanoe County is in a good position, the funds are strong and should be put to work, and the *Build Tippecanoe* plan should continue.

Councilmember Winger and Commissioner Byers moved to adjourn.

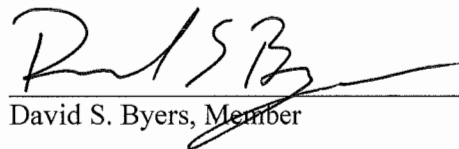
BOARD OF COMMISSIONERS OF
THE COUNTY OF TIPPECANOE



John L. Knochel, President



Thomas P. Murtaugh, Vice President



David S. Byers, Member

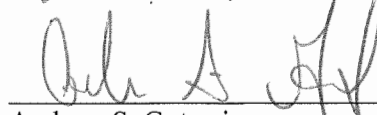
TIPPECANOE COUNTY COUNCIL



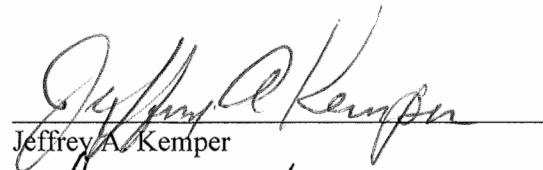
David R. Williams, President

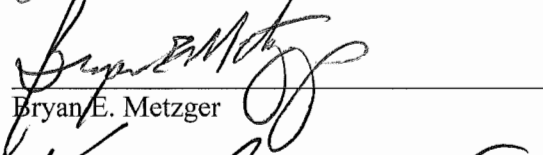


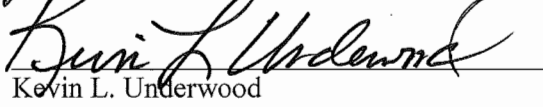
John R. Basham II, Vice President

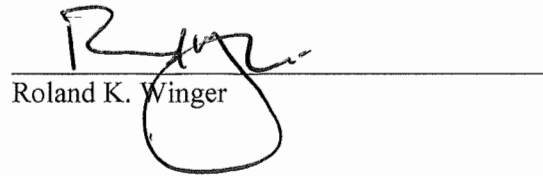


Andrew S. Gutwein

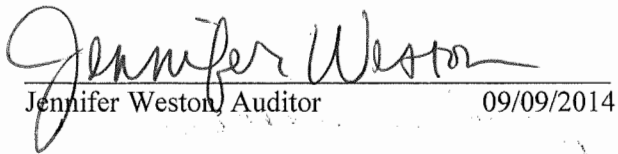

Jeffrey A. Kemper


Bryan E. Metzger


Kevin L. Underwood


Roland K. Winger

ATTEST:


Jennifer Weston Auditor 09/09/2014

Minutes prepared by Tillie Hennigar, Auditor Administrative Assistant