

TERM OF COMMISSION: November Session of the November Adjourned Term

PLACE OF MEETING: Roger B. Wilson Boone County Government Center
Room 220

PRESENT WERE: Presiding Commissioner Don Stamper
District I Commissioner Karen M. Miller
District II Commissioner Skip Elkin
Deputy County Clerk Shawna Victor

The meeting was called to order at 9:01 a.m.

Subject: Presentation of 2003 Proposed Budget

June Pitchford, Boone County Auditor, was present on behalf of this item.

June Pitchford presented the Executive Summary to the Commission, which includes the Budget Message, General Information, Fund Statements, Financial Summaries, and Capital and Personnel Summaries. These are the minimum contents required by State Statute.

Mrs. Pitchford reviewed the following fiscal highlights:

- The FY2003 budget is comprised of approximately 105 separate budgets with funding derived from more than 45 separate funds (General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Internal Service Funds, and Non-Expendable Trust Funds).
- Proposed property tax rates are unchanged. The General Fund and Road and Bridge property tax levies remain at \$0.13 and \$0.05 per \$100 assessed valuation, respectively. Total property taxes to the General Fund and Road and Bridge Fund are expected to be approximately \$2.1 million and \$890,000 respectively.
- The budget contains no increases in locally established fess (for instance, Building Permits, Animal Control, On-Site Waste Water)
- Excluding the impact of the additional one-eighth cent sales tax for Law Enforcement Services effective January 1, 2003, overall revenues are flat in the General Fund and only slightly increased in all special revenue funds combined.
- The FY2003 Budget for the General Fund of \$20.3 million reflects a 1% increase over the FY2002 Budget. Estimated FY2003 General Fund revenue is \$19 million.
- The FY2003 Budget for all governmental funds combined is \$38.5 million and

reflects a 5% increase. This increase is attributable to the \$2.17 million increase spending resulting from the one-eighth cent sales tax for Law Enforcement Services. If this impact of the additional sales tax were excluded, the overall budget would reflect a 1% decrease.

- Budgetary goals addressed in the FY2003 Budget:
 - o Implementation of initiatives pledges in the Law Enforcement Sales Tax Proposal
 - o Continued implementation of the FY2002 Salary Plan begun in FY2002
 - o Replacement of older model PCs and printers – completing replacement initiatives begun in FY2002

Mrs. Pitchford noted the Auditor's Office receives budget requests by September 10 each year. The deadline is September 1 but if offices do not submit a request by September 10 she is responsible for putting the request together. The numbers have to stop moving at the end of October in order for her to begin aggregating the data.

The County Commission has limited control in setting the local fees such as Building Permits, Animal Control, and On-Site Waste Water.

There is approximately a 1% increase for the General Fund and all Special Revenue Funds aggregated.

The overall budget, which is all governmental funds combined (General Fund, Special Revenue Funds, Capital Project Funds, and Debt Services Funds) total \$38.5 million, which is a 5% increase. This increase is due to from the one-eighth cent sales tax for Law Enforcement Services which was approved by voters in August 2002 and will be effective January 1, 2003.

If the impact of the one-eighth cent sales tax were excluded, the overall budget would reflect a 1% decrease. This is due to the capital spending on the Health Department in the 2002 budget and there is no continuation of this funding that has been established at this time.

Mrs. Pitchford stated the County Commission is solely responsible for adopting the budget for those funds over which it has appropriation authority. The County Commission is not able to dictate to independently elected officials what those elected officials goals and objectives should be. This is different than a City Manager form of government.

Mrs. Pitchford reviewed the 2003 Budgetary Goals for Personnel, Public Works Road and Bridge System, Technology, and Law Enforcement and Judicial. Each Budgetary Goal is listed in the Budget Message and includes a budgetary impact statement.

Mrs. Pitchford stated the deadline for adopting the budget, per State Statute, is January 10

except in a year in which the Presiding Commissioner's new term of office begins; in those years, the deadline is January 31.

Mrs. Pitchford reviewed the Economic Conditions, Fiscal Assumptions, and Revenue and Expenditure Projections, which is followed by the Expenditure Assumptions and Projections. She also reviewed the County's Capital Planning and Budgeting, Impact of Capital Expenditures on the Annual Operating Budget, Fund Balances and the policies pertaining to Fund Balances, and Long-Term Debt.

There is very low unemployment and inflation but the economy is not growing.

Mrs. Pitchford stated she has assumed a 3% growth rate in assessed valuation. The table on page vii of the Budget Message shows a 5% increase, but this is comparing budget year to budget year. She has developed the FY2003 budget by reviewing the most recent assessed valuation numbers.

Overall revenues show a 4% increase from the FY2002 to FY2003 budget. If the Law Enforcement Sale Tax was excluded from the revenue projections, the revenue would basically be flat. The revenues for the Law Enforcement Sales Tax are estimated to be \$2.3 million.

Commissioner Stamper stated the Sales Tax Revenue is at a 12% increase over the FY2002 budget is because of the Law Enforcement Sales Tax, which is also known as Proposition L.

Mrs. Pitchford stated the Sales Tax category also includes the County portion of the State Sales Tax on motor vehicles that the County receives in the Road and Bridge Fund, includes the 2% sales tax on tariff telephone charges which go into the E911 Fund. She noted the 60.7% total for FY2003 for revenue received is from sales tax.

Mrs. Pitchford explained the reasons for the hospital lease agreement. An amended lease agreement extends through December 31, 2010. The agreement calls for an annual lease payment to the County, in base year 2001 of \$1,350,000.00 and is adjusted annually by a Consumer Price Index (CPI). In 2001, the Hospital Lease Revenue was \$450,000.00. Under the old lease agreement, the County was entitled to the full year's lease payment at the beginning of the lease year, which was every September. When the revised and amended agreement was entered into, the agreement called for quarterly payments of that lease agreement to the County. The revenue is recognized as it is earned, which is now by the quarter.

Mrs. Pitchford stated the FY2002 budget will far exceed the FY2002 actual revenues. This is because the FY2002 budget is much greater than the FY2001 or FY2003 budget because of the sale of Boone Retirement Center, which was \$950,000.00. Also, other revenues were received that were not budgeted, such as \$500,000 insurance proceeds from

the Boone County Fairgrounds, \$465,000.00 in worker's compensation premiums refund, and Sheriff's Forfeiture Proceeds. The Sheriff's Forfeiture Proceeds cannot be estimated from year to year; because of this, these funds are not budgeted. In FY2002, over \$100,000.00 was received this year. The use of these funds is restricted to drug related enforcement, investigation, and educational activities.

Commissioner Miller asked about the worker's compensation refund. Mrs. Pitchford explained the claim years were closed by MARCIT and if the total premiums paid by members exceeded the total claims paid, MARCIT issued refunds. The County received two such distributions in 2002. These are one time funds and Mrs. Pitchford had to allocate those refunds to the various funds that paid into the worker's compensation fund.

Keith Schnarre, Presiding Commissioner-Elect, asked if there will be any additional refunds. Mrs. Pitchford stated this is unpredictable and would not be a stable source of revenue to rely on.

Mrs. Pitchford noted the sales tax annual growth rates. The estimate for 2002 was based on assumed growth of 3% over the 2001 amounts. The economy has slowed in that time frame. This illustrates the inherent volatility of sales tax as a revenue source.

She noted there is a one-half cent sales tax permanent in the General Fund, one-half cent sales tax ending in 2008 for Road and Bridge, and one-eighth cent permanent Law Enforcement sales tax, which is effective January 1, 2003.

Commissioner Stamper stated the actual will not be known until January or February 2003.

There is not much change in Intergovernmental Revenue. Mrs. Pitchford noted the State did reduce some payments when they adopted their fiscal year budget. She has assumed those will continue but not assumed any additional reductions.

Commissioner Miller stated the Missouri Association of Counties has filed suit against the State for violation of the Hancock Bill because funding cannot be reduced from previous years.

Mrs. Pitchford stated there are a few grants that will be ending and those are not noted in the budget. There are also some grants that are on a different calendar than the County's fiscal year. If a grant is renewed, the Commission will amend the budget to reflect the revenue.

Charges for Services, Interest and Other Revenues for FY2003 reflect a 4% increase due to the increased volume in the Recorder of Deeds Office and the full year impact of the increase Building Permit Fees, which were implemented mid-year 2002.

Mrs. Pitchford reviewed the Expenditure Assumptions and Projections. There is an overall 5% increase in the Expenditures, which is due to the implementation from Proposition L, the one-eighth cent sales tax for Law Enforcement.

She noted in the Community Health and Public Services Expenditures, for FY2002 the budget was \$1,229,413.00 and the projected for FY2002 is \$459,063.00 and the FY2003 budget is \$1,138,399.00. The reason for this is in 2002, the Commission established a capital project fund to account for the new Health Facility renovations. There was a long standing encumbrance in the Hospital Profit Share Fund of \$750,000.00. That encumbrance was voided and an operating transfer was done to move the funds into the capital project fund. Whenever an encumbrance is voided, it hits the budget as a negative expenditure. If this is removed, then the spending for Community Health and Public Services would have been \$1.2 million. The total projected spending would have been \$35.3 million.

Proposed spending for FY2003 exceeds estimated revenues by \$1.5 million. This is primarily due to accumulated resources in the Road and Bridge Fund and the Record Preservation Fund being used to finance significant projects. In the General Fund, the proposed spending is in excess of revenues. A portion of that is the emergency appropriation of \$570,000.00. Every year, the Commission is required by State Statute to establish an emergency appropriation. The plan is that the emergency appropriation would not be used but is established to address issues that could not be foreseen. In FY2002, there has been minimal spending from the emergency fund.

Historically, the County spends approximately 92% to 95% of the annual appropriations. Projected expenditures for FY2002 will be approximately 96% of the annual appropriations. If the emergency appropriation is taken away, then one will get a better picture of what the spending ratio is, which is 98%.

In FY2002-2003 budget, resources have been reallocated from other areas into the personnel appropriations to fund the salary plan. If implementation of the salary plan is successful in achieving its goals, such as reducing turn over, stabilizing the County's workforce, then the County can expect to spend a higher percentage of the annual salary and wage appropriations. Over time, the spending ratio would come closer to 100%.

For FY2003 General Fund includes estimated expenditures of \$20.3 million, compared to estimated revenue of \$19 million.

Commissioner Elkin asked what percent of the fund balance should be and where the County will be. Mrs. Pitchford explained the unreserved undesignated fund balance for the end of FY2003 is projected to be \$4,819,133.00, which is approximately 23% of the annual budget.

Commissioner Elkin asked if the County is close to where it should be. Mrs. Pitchford

stated that was correct and noted the Commission decides what to spend.

Mrs. Pitchford stated the spending ratio has increased from 94% to 98%. Her prediction to the Commission is if the emergency appropriations are removed, then the County will spend what has been budgeted. She believes this discussion about fund balance is appropriate and is for funds the County is financing on-going significant operations, such as the General Fund, Road and Bridge Fund, Proposition L Funds, and Assessment Fund.

Commissioner Stamper noted the Commission has historically been careful in using the Fund Balance for what they perceive to be a one time investment and not to be used for on-going expenses.

Mrs. Pitchford stated the County does not have a formal Capital Planning process in place and this may be something the Commission may want to give consideration to. The County does not prepare a separate Comprehensive Capital Improvement Budget. The County uses long-ranges plans, task force reports, base needs studies and such to guide planning and budget development. Once projects are decided upon, the Capital Improvement Project is fully incorporated into the annual budget.

The County Commission has identified several areas of capital need requiring further study, review, and planning. These needs include additional programming space at the Juvenile Justice Center, development of a records center and conversion of the existing records storage site to office space, completion of the shell space in the Government Center and future space needs of offices located in the Courthouse. There are no appropriations in this budget to accomplish any of these items. The Commission has expressed an interest in studying these items further and this budget includes a \$20,000 appropriation from the Hospital Profit Share fund for architectural services to further study these items.

As the County moves forward with capital projects, there is a need for the projects impact on the annual operating budget to be assessed. She has done this with the capital project of the Public Works South Facility. The 2002 budget included Phase I of the South Facility Project. The 2003 budget includes Phase II of the project. It has been determined by the department and the Auditor that the budgetary impact will be nominal.

Mrs. Pitchford stated the County needs to maintain healthy fund balances in the major operating funds. There are certain mandatory legal reserves the County has to have.

Commissioner Stamper noted the Commission has made a commitment to maintaining a fund balance in the Law Enforcement fund. Mrs. Pitchford stated this will partially be achieved in 2003 but there will be significant start up costs.

Mrs. Pitchford stated the County has minimal long-term debt. The County's debt consists of the debt of the Boone County Government Center and Neighborhood Improvement

District (NID) related debt. There will be no property taxes needed to service that debt.

Commissioner Miller leaves the meeting.

Mrs. Pitchford reviewed the financial summaries section of the proposed budget. This section contains data from 1994 to 2003.

Mrs. Pitchford stated there was concern about the Proposition L funding package and what will be funded by the package.

Mrs. Pitchford listed the key components of the Law Enforcement Services Fund for FY2003.

Commissioner Stamper noted the County will be reviewing the interest rates and the potential savings that will come with refinancing. There are also capital projects that the Commission would like to accomplish within the debt structure as it is now.

Mrs. Pitchford stated the debt service is being paid from the General Fund.

Commissioner Stamper thanked Mrs. Pitchford and her staff for their work on the budget. He noted this will be a tight budget year but there is room for improvements.

There are supplemental requests submitted by each department and many of those will be difficult to fund.

There was no public comment.

The meeting was adjourned at 9:55 a.m.

Attest:

Don Stamper
Presiding Commissioner

Wendy S. Noren
Clerk of the County Commission

Karen M. Miller
District I Commissioner

Skip Elkin
District II Commissioner