

COUNTY COUNCIL AND COUNTY COMMISSIONERS SPECIAL JOINT MEETING, MAY 6, 2009

The following Council members were present: Charles Canary, Ron West, Josh McCarty, Anita Knowles, Steve Hollenbeck, and Beth Boyce. Brian Walker arrived during the discussion of Employee Medical. The following Board of Commissioners members were present: John Price, Troy DeHart, and Tom Kite.

REVIEW OF JOHNSON COUNTY FISCAL PLAN

Michael Reuter, Financial Advisor, appeared to give a presentation to the two boards on the updated Fiscal Plan. He distributed a copy of the plan to each member. He first started with the assumptions concerning the financial forecast for property tax and County Adjusted Gross Income Tax (CAGIT). The six-year non-farm personal income growth factor drives the property tax levy for the county. The funds that are part of the levy are General, Health, Animal Shelter, Reassessment, and Cumulative Bridge. The Reassessment rate is set by the State. The Cumulative Bridge rate, once established remains the same until it is changed. Because of the recent economic downturn he projected the non-farm personal income rate would decrease each year from 1.040 (2008), 1.035 (2009), 1.025 (2010) and 1.021 in 2011. That could result in property tax revenue only increasing around two percent. The effects of a recession on a governmental unit tend to lag far beyond of when the recession took effect. The recession started in December of 2007, however the county will be feeling the effects through 2011.

Mr. West asked when the circuit breakers begin to take effect will the majority of the property tax increase be shifted from homestead properties to others such as rentals and commercial property.

Mr. Reuter explained it would depend on the assessed valuations and what the individual units rates are doing across the county. That is how all units of government are linked together now. If the assessed valuation grows only 1.025 percent and the levy only increases 1.025 percent that means no rate increase. If the rate does not increase then there is no further loss to the circuit breaker. The only time the county would have more loss to the circuit breaker is if the rate increases. In other words, if property taxes were going up 5% and the assessed valuation was only increasing 2%, then that is when others will start to pay.

Mr. Reuter reviewed the projected CAGIT distributions thru 2012. Because of the loss employment he projected there would be no rate of increase for two years and then gradually start to increase in 2010. He estimated the county would receive the special distribution in the amount of \$4,316,375 (county wide portion) for 2010. The special distribution must be deposited into the Rainy Day Fund.

General Fund

Mr. Reuter explained the projected budget for 2010 is out of balance in the amount of \$2,101,621 leaving an ending cash balance of \$2,666,931. The plan does not include pay raises for employees but does have an increase in the employee medical from

\$811,000 to \$2,230,250. The revenue forecast is projected to decrease from \$26,825,648 (2008) to 24,144,382 (2009) and then to \$24,114,759 in 2010. He revised the interest on investments, excise tax, loss in property tax (circuit breaker) downward for the incoming year. He also noted the food & beverage revenue remained the same.

In 2008 the county general fund had an ending cash balance of \$6,232,064. He explained the county has recovered nicely over the past few years from an ending cash balance in 2004 of \$1,711,673. Ideally a governmental unit should have an ending cash balance of half the estimated property tax collection for the ensuing year.

Mr. Price stated he feels the employee medical insurance needs to be increase to at least 3 million for 2010.

Discussion was held on the employee medical and Mr. Reuter stated he would revise the fiscal plan to reflect an increase.

Mr. McCarty noted that once the medical insurance is revised upwards that would result in the general fund having a deficit of approximately \$2.9 million in 2010.

Rainy Day Fund

Mr. Reuter noted the special CAGIT distributions are deposited into this fund. He projects that in 2010 the county's share of the special distribution would be \$959,236. The fund had an ending balance in 2008 of \$1,997,992. In 2009, \$989,000 has been appropriated for employee medical. The county may need to appropriate additional funds for the insurance. The plan does not reflect that at this time.

Reassessment Fund

This fund has a fairly stable cash balance; however, more funds will be used in 2009 and the following years due to the ongoing trending process.

Animal Shelter

Mr. Reuter explained this fund is part of the maximum levy and he projects enough property taxes to balance the budget.

Highway Fund

The cash balance could increase in the ensuing years as long as revenue continues to come in from the State of Indiana.

Highway Special (Wheel Tax/Surtax)

He projected the fund would expend all of the revenue that it receives in the year, leaving a cash balance of \$590,375.

Local Road & Street

The fund is projected to expend \$322,613 more than the revenue received from the State.

Cumulative Bridge Fund

The revenue received from property tax is based upon a set tax rate times the assessed valuation. The rate is .015 and last year it generated \$986,324 (property tax) and in 2009 the amount is projected to be \$841,627. The loss of revenue is because of the assessed valuation reduction.

Mr. Reuter reviewed the forecast of assessed valuations for the incoming years.

Mr. Price explained because of the ratings of the bridges in the county the property tax rate for Bridge may need to be increased to cover the expenses.

Mr. Reuter noted that if the rate is increased this would impact the general fund. The county might want to consider a bond issuance for bridge projects. However, with the rate impact of a bond, the county could lose more from the circuit breaker. The voters must approve projects that are more than 12 million, and then the bond would be outside the caps.

Health Fund

The fiscal plan on this fund projects enough property taxes to balance the budget.

Cumulative Capital Development

This fund will also feel the impact because of the loss in assessed valuation. In 2007, the county transferred \$491,486 into the Rainy Day Fund and \$650,000 in 2008. The projected ending cash balance for 2009 is \$2,751,911.

E911 Fund

Mr. Reuter explained this fund's expenditures are approximately \$400,000 more than the revenue. At the current rate of expense the cash balance will have a negative \$90,000 by the end of the year.

Jail Lease Rental Fund

Debt Service Fund scheduled to be paid off in 2013.

General Obligation Bond 2001

Debt Service Fund paid off.

General Obligation Bond 2006

Debt Service Fund will be paid off in 2010.

Mr. Reuter reviewed the county's Property Tax Rates.

Mrs. Knowles asked if Mr. Reuter had any suggestions to address the projected deficit.

Mr. Reuter stated either cut expenses or increase revenue. The tax increase option would be a Local Option Income Tax. A one-half cent income tax would generate

approximately \$16 million; however, \$8 million would reduce property tax and the other \$8 million would be split between the county, cities, and towns based on the units levies. The State is pushing for local government to move from property tax over to local option income tax.

Mr. McCarty asked if the Council would like for Mr. Reuter to factor the impact of the possible merger between White River Township and Greenwood City.

Discussion was held on the subject, though no decision was made.

Mr. Reuter concluded the fiscal plan is in draft form and he will modify the employee medical for 2010 in the General, Highway, and Cumulative Bridge Funds. If there were any other changes the Council would like for him to make he would do so accordingly.

Budget hearing dates were discussed, however nothing was set at this time.

There being no further business, Mr. McCarty moved to adjourn the meeting. Mrs. Knowles seconded the motion that carried unanimously.