

## **COUNTY COUNCIL SPECIAL MEETING – MAY 13, 2024**

The meeting was called to order by President, Pamela Burton.

### **A. Call the Meeting to Order**

#### **1. Roll Call**

The following members were present: Ron Deer, John Myers, Jonathan T. Myers, John Mallers, John Ditmars, and Melinda Griesemer.

### **B. Update on County's Fiscal Plan**

Mike Reuter, Financial Advisor for the County, was present to give the Council an update of the County's fiscal plan. He stated this included the 2023 actual revenues and expenditures, the current budgets, and any additional appropriations to date. He added it now also forecasts the year 2027. It also includes a legislative change that recently occurred, which he would review later on in the meeting.

Mr. Reuter then began to talk about the six-year non-farm personal income growth factor, which is used to calculate how much property tax the County will be able to collect for the operating fund each year. Due to large increases in assessments, the State has tried to limit this factor. They are still using the initial formula, but have added a conditional statement. You take the six-year average and multiply it by 80% and if that is greater than 4%, then it is capped at 4%. This change (of the "capped at 4%") was extended for another year (his model in the fiscal plan shows this for 2024, 2025, and 2026). The majority of the units will be capped at 4%; however, because of the County's growth, we will be eligible for another growth appeal. He also wanted to put a note out that there is a lot of conversation going on around the State House regarding appeals. To qualify, a unit has to be growing 2% faster than the statewide average, which is 1.0872. A unit has to be growing 11% to qualify for the growth appeal and the Johnson County unit meets this qualification. The State will also be looking in more detail at the growth appeals.

Next Mr. Reuter talked about the Assessed Valuation (AV). He has projected for 2025 that the three-year average growth factor will be 1.1177, which makes the County eligible for the growth appeal. He noted last year's growth was 5.10%, while in 2023 it was 20.58%. One of the reasons for the decrease is due to part of the property tax reform the State made; they increased the Supplemental Homestead Deduction from 35% to 40%. This affected the County's net AV. So, even though the County grew more than 5%, it was offset by this change in the Supplemental Homestead Deduction. Going into next year (2025), he is forecasting a conservative number of 5.5%. He noted he briefly talked to the County Assessor prior to this meeting and was told the gross AV seems to have increased about 8% for 2025. The net AV will be certified sometime in August. He also noted the Supplemental Homestead Deduction will be reduced from the 40% to 37.5% (in 2026) and then reduced again the following year (2027) from 37.5% to 35%. These changes also affect the amount of bonding (debt) the County can do without raising the tax rate. If the General Fund levy is increasing 11.7% but the AV is only increasing 5.5%, this causes the rate to go up and it takes the rate away from the Debt Fund. If the AV comes in closer to 10%, things would look different regarding the bonds. The County would be in better shape to collect the appeal levy, which is part of the max levy and it compounds year after year. It is also part of the LIT calculation. You are always better off to get and secure as much maximum levy you can before you secure debt.

He then reviewed the maximum levy calculations. Mr. Reuter stated the County has appealed the growth factor the prior two years, noting last year it was a difficult process. In 2023, the appeal was for roughly \$400,000 and in 2024, it was about \$1,670,000. He explained the DLGF is reviewing the appeals more closely. To qualify for the appeal, you have to meet the calculation, but then there is also a subjective piece that has to be approved as well. He is projecting the appeal amount for 2025 to be around \$1,686,000.

Mr. Reuter also talked about the Local Option Income Tax (LIT). The last known year for this is 2022, which increased 7.67%; in 2021, it had increased 14.13% (which included the pandemic money). This increased the allowable balance at the State. He explained that if the State has more than a 15% cash balance, then they have to do a Special Distribution. Johnson County should be getting about \$13,460,000 in a Special Distribution, which is almost double the amount that was received in 2023.

With everything being said, looking at the fiscal plan, Property Tax has been very stable (which includes the growth levy appeal) and the LIT is showing strong numbers. These are the two largest revenue sources for the County.

Next, Mr. Reuter reviewed some of the main funds and explained the model he had prepared:

- General Fund – He first explained the line for the “loss from circuit breakers”, noting this number has decreased, which could be looked at as a good thing to the units. Normally, as the levy increases, so does the amount of the circuit breaker loss; however, due to the large increases in AVs, taxpayers are still hitting the property tax caps, but they are not getting as much of a credit. He then noted the County unit will be getting about \$3.8 million of the Special LIT Distribution in 2024, whereas in 2023 the County only received about \$1.77 million. He has assumed a 6% salary increase across the board; overall this fund has a good cash balance. He noted a good balance to have on hand should be at least 50% of the next year’s property tax collections; the projected cash balance at the end of 2024 is just over \$37 million. He noted \$8 million of this and an additional \$4 million is budgeted each year and earmarked for road projects. Another reason for the good, strong balance relates to the high interest rates (over \$5 million was received, but this will reduce in future years). This year’s budget is in balance and this fund is the largest, most flexible fund for the County.
- Reassessment – This fund currently has a nice, strong balance; however, there are more expenses than revenue in this fund. This fund shares the same maximum levy as the General Fund. Sometime down the road, some of these expenses will need to be moved elsewhere in order for this fund to maintain a good cash balance.
- Animal Shelter – The cash balance in this fund has been low the last few years by design. He puts enough levy in it to fund the expenses; however, it has been pretty tight and an advanced draw is needed before the spring settlement is received. At the end of 2024 it should end with a cash balance of \$744,531. He noted this fund also shares the same maximum levy as the General Fund.
- Rainy Day Fund – This fund has a good cash balance of about \$3.5 million. He stated 2024 is the last year that up to 15% of the total budget can be put into the Rainy Day Fund, in 2025 it reduces to 10% of the total budget that can be put into the Rainy Day Fund. A transfer from the General Fund can be done at any time.
- Highway – He noted if the entire budget is spent, including encumbrances, the remaining cash balance for this fund will be about \$5.19 million. He noted this fund does not receive Property Tax revenue so there does not have to be a large cash balance in the fund; it receives monthly revenue from the State.
- Local Road & Street – This fund has a strong cash balance; if everything is expended, the ending cash balance for 2024 would be about \$2.9 million. This is still over half of the expected income for next year; this fund also does not receive Property Tax, but gets monthly revenue from the State.
- Health – This fund is like a department of the General Fund as it takes a portion of the levy from that fund. He stated there is a strong cash balance in this fund so there is an option to decrease the levy to put more cash back into the General Fund. It is projected to have a balance of \$1.5 million at the end of 2024, but really only needs about \$630,000; they can lower the levy for 2025 (which would give the General Fund more cash), but need to re-evaluate it again for 2026.

- Cumulative Capital Development – This is a rate driven fund and is not part of the maximum levy (the increase in cash is due to the increase in the AVs). There was a gain in the cash balance, but there was also an encumbrance of about \$1.6 million. He noted in his plan model, since the “capital outlays” is not a fixed cost (it varies from year to year based on any projects), he does not carry that number into future years. The ending cash balance for 2024 is still strong at about \$5.5 million.
- General Obligation Bonds (Bond 3) – This fund is built with short-term bonds and is flexible based upon the amount of change in the AV. He stated with the 5.5% AV increase (conservatively), he estimates a payment of around \$3.7 million in 2025 to keep the overall tax rate flat. He stated again, when the General Fund levies are increasing 11.77% and the AVs increase 5.5%, that rate increase pulls away from the bond fund; however, if the AVs come in higher than the 5.5% it will put a bigger number back into this bond fund.
- LIT (Jail) – He noted this will be paid off in 2025. When you look at the budget for 2023 and 2024, it shows more expenses than revenue but that is okay because it has a healthy cash balance. When the bond payment is paid off in 2025, there will be a surplus in 2026 of about \$4.6 million, which could be applied to another bond payment such as the Community Correction project.
  - E-911 – This is a fund to keep an eye on as the expenditures are outweighing the revenues. This fund is guaranteed to receive about \$1.9 million; however, the budgeted expenses have been closer to \$2 million and is eating away the cash balance. He suggested moving some of these expenses to the General Fund moving forward, especially if the special distributions could be going away.
  - EDIT – This is a newer fund and it is similar to the General Fund. He noted \$8 million was budgeted in this fund, but has not been spent yet. It is earmarked for road projects as needed.
  - Food & Beverage – He noted this fund looks pretty good. He projects the ending cash balance to be around \$2.77 million. This fund receives monthly revenue so there is not a need for a large cash balance in this fund. He also added this may be a good place to use the cash balance to pay for some of the Group Health Insurance expenses. You could budget around \$4 million in this fund for 2025 and be fine.

Lastly, Mr. Reuter talked about tax rates. He noted the tax rates ended up in 2024 with no increase (it remained flat), based on approval of the levy appeal. For 2025 if no short-term bonds are issued, the rate would reduce by \$.03.

There was some brief discussion on some of the assumptions made in the fiscal plan and a few questions were asked and answered.

The Council members thanked Mr. Reuter for his information and time.

### **C. Adjournment**


There being no further business, Mr. John Myers moved to adjourn the meeting. Mr. Mallers seconded the motion, which carried unanimously.

## **COUNCILS' SPECIAL MEETING – MONDAY, MAY 13, 2024**

  
 Pamela Burton, Council Member

  
 John Mallers, Council Member

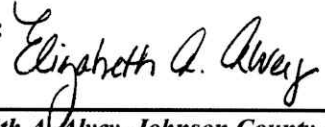
  
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**Ron Deer, Council Member**

  
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**Jonathan T. Myers, Council Member**

  
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**Melinda Griesemer, Council Member**

  
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**John Myers, Council Member**

absent  
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**John Ditmars, Council Member**

Attest:   
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**Elizabeth A. Alvey, Johnson County Auditor**