

Jennings County Council Meeting

May 18, 2020 6:00 pm

The meeting was held through ZOOM.

All members were present.

Dave Woodall opened the meeting.

Paige from Bakertilly reported on the Comprehensive Financial Plan (Includes Estimated Impacts of COVID-19) 2018-2022.

Paige said that this is a working draft report. If something needs changed it can be done at this time. Any bond rating calls are asking if you have a long term financial plan. Bond rating agencies are looking for this documentation. It shows you have a pro-active approach to manage finances.

She summarized the report and touched on some highlights.

The report states that they did not audit the financial statements, they are not auditors. They just compiled the financial records.

The Executive Summary shows the minimum cash reserve should equal 15-20% of operating disbursements. This is what bond rating agencies tend to focus on the most. They have assumed that we will have a 10% decrease in property tax collections. This is based on what happened in 2008-2009 during the recession. This is a completely different situation but that is all they had to base the assumptions on other than that.

Another item has to do with gas tax-motor vehicle, highway and local road and street distributions. INDOT reported that traffic counts are down between 35-45%. That directly correlates to gas tax. This should be taken into consideration when figuring how much gas tax will be taken in starting May and include May, June and July. This would be about a 10% decrease for the year. This tax is about 1-1 ½ months in arrears.

Earnings on investments was taken down 50%, this affects the general fund. That should bounce back as all of these should.

They are estimating a 15% decrease for local charges for services in 2020 due to offices being closed or limited openings. There will be a 10% increase in this for 2021.

There is a lag time for LIT, what you get in 2021 is based on returns filed as of June 30, 2020. People don't have to file their returns now until July 15 so this will impact the 2021 distribution and also the 2022. The distribution for the current year will remain unchanged.

Circuit breaker credits, this limits the amount of property taxes paid by property owners. These credits are funded by each individual unit. Basically it is a direct reduction of the property tax. You levy a certain amount but don't collect it all because part of it is being returned to the taxpayer in the form of credits. In 2020 4% of the property tax that was levied is not collected.

Compared net assessed value with certified tax rates are gone over next. Since 2012 the tax rates have only increased by 3%. There has been some growth in net assessed value in that time. The net assessed value has grown by 9% in that time. The higher your net assessed value the lower tax rate it takes to generate the amount of maximum levy that you need to fund the services.

Focusing on the main operating funds it shows that the cash reserves jumped up and she tried to figure out why. It looks like the receipts were underspent in 2017 and 2018. This doesn't include jail LIT. If receipts are underspent then you will add to the cash reserve. She didn't know if the County was saving up for something or what the situation was but nonetheless, in 2016 in all the funds combined the county ended up with about 2.1 million. At the end of 2019 the county ended with 6.7 million. She reported that is what they are trying to prevent, a downward cash projection.

She said the county has a 2016 general obligation bond that is due to pay off at the end of this year. The county has a debt service property tax rate on that debt service. If they don't want that debt service rate to drop off (which most taxing units want to continue that rate) they should consider issuing bonds before the end of this year. That can be discussed later. If it is not issued before the end of this year that rate will drop off and then if a project comes up in the future and the rate is put back on it will look like a rate increase to the taxpayer. The rate on that fund in 2020 is 0.0353. Bakertilly strongly recommends that the county not let that rate fall off.

Jennings County does not have a cumulative capital development fund. Most counties in the state have this fund. It is beneficial as it is outside of the maximum levy limitations. If the county levied this fund at the maximum rate of 0.0333 it would generate additional revenue of about \$280,000.00 a year that could be used on a wide variety of capital projects and improvements. It is an overall tax rate increase. Paige just wanted the council to be aware of this as it's an option that they have. This would need to be established anytime between January and May 1 of any year. The Commissioners would adopt this fund initially but then going forward the Council would approve the budget.

What the target budget for 2021, if the county wants a balanced budget, is around \$8.8 million. This year for budget purposes the financial plan should make that process much easier.

In 2018 the county underspent the receipts by \$93,000, and increased the cash reserve. In 2019 the county underspent receipts by \$762,000. That is a very good cash reserve level. Jennings County is eligible to get reimbursements of up to \$895,000.00 from the Federal but it has to be for qualifying expenditures. Paige recommended that the county do all they can to get that. Tessia will send the timeline on that to the Council tomorrow.

Other funds were gone over (all of this is in the packet). She spoke of shifting amounts back from funds during the upcoming budget. Bakertilly will work with the Council on this at that time.

The Rainy Day fund showed that there was a transfer from the Correctional Facility LIT Fund so there is a \$3.3 million balance. She said she recommends it should remain, try to avoid spending it especially in

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times like now. This should be for emergencies and unforeseen circumstances. It can be used for capital but she would strongly encourage to hold on to this. The bond rating agencies also focus on the Rainy Day Fund in addition to the General Fund. Dave Woodall brought up that this was from the jail tax and they do have some repairs that are needed to the jail.

Riverboat Revenue will be reduced as they have been closed due to the COVID19. Jennings County gets \$127,000.00/year. Once it is in the Riverboat Fund you cannot move it but the Council does have the option to declare it dormant and transfer all of it into the general fund. A separate Riverboat Fund is not required. She recommended to not depend on that amount to be distributed forever. She feels it will be redirected eventually.

Cumulative Courthouse Fund shows a good cash reserve at this time. This is a rate driven fund, has a specific rate on it. The only way to increase the levy on this fund is if they reduce a levy on another controlled fund (ie general fund or health or reassessment). Counties usually do not try to increase the rate.

Cumulative Bridge Fund is a rate driven fund also. There is a balance in this fund. As above if the levy is increased the levy on another fund would be reduced.

Redevelopment Bonds are discussed. This has a property tax rate also. DLGF approves a levy that is high enough to fund your debt payments (we have a relatively small debt payment on this and a nearly 50% cash reserve).

Supplemental data is gone over. This is for the operating funds. The graph is in the Executive Summary.

There is a schedule for outstanding debt. The county does not have a lot of debt. There is the Redevelopment Bonds, General Obligation Bonds (2016) and Solar Project paid out of the General Fund.

The maximum amount the county could issue in General Obligation Bonds. It is subject to a constitutional debt limit. How that is determined is take net assessed value for 2020 (\$876 million) divide by 3 and then multiply it by 2%. The debt limit is \$5.8 million minus \$520,000 that is outstanding (\$5.3 million is debt limit). If there are projects that exceed that you can go beyond your debt limit by issuing Lease Rental Bonds (ie building a jail or some type of building project). You develop a leasing corporation to do this.

Paige said this is the end of her report.

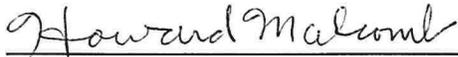
Bob Ellis asked if there was a way to lower the income tax rate. The Council has that authority but if it is lowered there will be less in LOIT, Public Safety, Economic Development and Certified Shares that go into the General Fund (depending on what you lowered). Jennings County ranks 2nd highest in the state in State Income Tax (this was while the jail tax was in effect).

Mike Gerth asked about expectations in the next few months. She recommended to take the report and start creating the budgets using the revenue estimates as a guideline. After these are created Bakertilly will take those and start looking at what will and won't work and where things may need shifted. They will most likely have some working group meetings with the Council.

Mike Gerth made a motion to adjourn. Bob Ellis seconded. Motion passed unanimously.

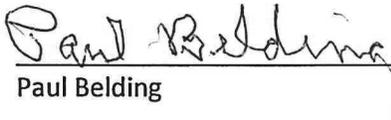


Tessia Salsman, Auditor



Howard Malcomb, President

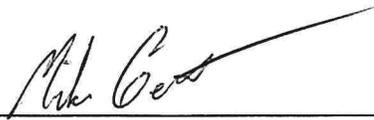
Dave Woodall, Vice President



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