

**MINUTES OF THE INFORMAL MEETING OF THE JOHNSON COUNTY
BOARD OF SUPERVISORS:
JANUARY 18, 2011**

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BUDGET WORK SESSION

Chairperson Harney called the Johnson County Board of Supervisors to order in the Johnson County Administration Building at 9:06 a.m. Members present were: Pat Harney, Terrence Neuzil, Janelle Rettig, Sally Stutsman, and Rod Sullivan.

FY 2012 COUNTY BUDGET

Budget Coordinator Rich Claiborne said the meeting will begin with the decisions pending document and Social Services' changes. He will need to get updated worksheets from Social Services to update the line items. He would also like to cover the Rural Basic Fund and discuss scenarios for tax calculations. He would like direction from the Board regarding what tax scenario to use. He will incorporate the decisions from the current meeting and have the budget packet ready for the meeting scheduled for January 21st. He said the Board will spend that meeting going over the packet, page by page. A group from the Auditor's Office, Executive Assistant Andy Johnson, County Treasurer Tom Kriz, Rettig, and Claiborne went over the packet on January 14, 2011. Everything looks good and is verified.

Stutsman said she cannot attend the meeting scheduled for January 21st. Claiborne said he will probably have the packet done beforehand, and he can meet separately with Stutsman. Stutsman said that would be wonderful.

Social Services

Social Services Coordinator Amy Correia said she talked with Johnson late on January 14th. She said Johnson shared some of the Board's discussion points, so she prepared a brief memorandum on General Assistance to substantiate the recommendations for increasing support for that program. The community conditions listed in the memo came from the 2010 Community Needs Assessment. She said

Johnson County has seen an 18% increase in population. Johnson County has the largest income inequality in the state of Iowa, which is also larger than the national average. This means there is a bigger gap between those at the lowest income level and those at the highest income level, with the lowest earning \$10,000, which is below the poverty line for a family of one.

Correia said while the unemployment rate in Johnson County is generally lower than the national average, it has been rising over the last three years. The January to June rate is 4.7%. Regarding the General Assistance program, Social Services staff has seen an increase in temporary employment, which is a trend that has been seen over the last six to seven years. Companies are utilizing temporary employees in Johnson County. This is probably due to a variety of factors including economic recessions and companies not knowing if they can keep permanent employees. There are a lot of General Assistance applicants that have worked temporary jobs and are between temporary jobs. It is a very tenuous labor environment, especially for low skilled workers. Over half of renter households in Johnson County are experiencing a cost burden, or a severe cost burden, meaning that those households are paying more than 30% to 50% of their income on rent. The majority of General Assistance is used for rent.

Stutsman asked if the data takes the student population into account. Correia said the renter household data does not generally include the student population. She said Johnson County has the highest poverty rate in the state of Iowa, at 15%. That does not incorporate the students.

Correia said Social Services staff looked at the General Assistance usage trend over time. The number of households seeking assistance and the number of households that are determined to be eligible for assistance have increased from FY06 to FY10. There is a 75% increase in applications received, where each application represents a face-to-face appointment with a General Assistance worker. Screening is conducted over the phone and anyone determined ineligible over the phone does not receive an appointment. Correia said the number of those persons determined eligible between FY06 and FY10 has increased by 40%, and there has been an 86% increase in the number of unduplicated households served. Staff also tracks the number of actual households served. Correia said there is a 31% increase in applications during the first six months of FY11 as compared to the last six months of FY10, and a 45% increase in applications determined eligible for assistance and approved.

Correia said the staffing pattern in General Assistance has not increased in the last 20 years, and now additional staff is necessary. She examined this when the Clerk I position was completely transferred to Social Services, rather than sharing that position with the Iowa Department of Human Services, which was the clerk's role when Social Services was housed in its former location. The Clerk I position assists with the administrative duties in General Assistance and also completes the financial claims to free up General Assistance staff for appointments and case management. Correia said the new database from Information Technology has freed up staff time. The Clerk I can also help input data in the database.

Correia said Social Services has basically exhausted its ability to absorb those administrative tasks into the Clerk I position. Often staff works overtime. Therefore, Correia recommends increasing General Assistance funds so Social Services can operate the one-time assistance program longer during the year.

Rettig said Correia is asking to go from a 1.75 full-time equivalent (FTE) to 2 FTE. Rettig asked how Correia arrived at the \$20,000 figure for a quarter-time staffing increase. Correia said she asked the Auditor's Office about the current position. Rettig said the numbers don't add up. Correia said she can get the exact figure from the Auditor's Office but that \$20,000 is the estimate to increase staffing to 2 FTE.

Rettig asked what a General Assistance staff persons pay grade is. Correia said it is a union position. Sullivan said he agrees with Rettig, the number is probably pretty high. Stutsman said maybe that can be checked out. Correia said other people provide the payroll numbers and the \$20,000 is an estimate, including all benefits. Sullivan said the existing position already includes benefits and insurance, so the increase is just the salary and payroll tax. Correia said no, a 0.75 FTE does not receive full benefits. That person has to pay in to the program. Sullivan said that person is getting some benefits. Correia said yes, some. Sullivan said only part of the benefits have to be added.

Rettig said her point is that the estimate of \$20,000 is too high. Correia agreed. Rettig said even if the Board approves this request, then that would create a remaining balance that would be higher. Correia said she asked the Auditor's Office and Human Services what was estimated for the position and that is what she was told. Harney said the Board can get the exact numbers from Human Resources and the Auditor's Office. Correia said that information could be obtained from First Deputy Auditor Chris Edwards.

Correia said Prevent Child Abuse Iowa solicits applications from Community Partnership Sites every year to host an AmeriCorps member to assist with local efforts. She thinks there are around 11 positions. Community Partnership Sites, of which Johnson County is one, can compete for a position. She said Community Projects Specialist Latasha Massey, who oversees the program, has mentioned her desire to compete for that position. AmeriCorps requires a local match for the position. The work that Massey has been doing in North Liberty has been very well received in the community. Correia said Massey relies heavily on volunteers, however much more could be accomplished with additional staff. Correia noted that the AmeriCorps program is a competitive grant program.

Stutsman said Correia has requested \$3,600 for that program. Rettig said she is OK with these changes.

Claiborne said there are two Supervisors who were unsure of their support of several items in the Social Services budget. He said Neuzil wanted more information on the General Assistance Assistant position increasing from part time to full time. Neuzil said

he thinks those things were resolved through the memorandum from Correia. Rettig said yes and the real amount for the position just needs to be plugged in. Correia asked if she should ask Edwards to make that change. Claiborne said yes. He said Rettig was unsure about the AmeriCorps request. Rettig said she is fine with the AmeriCorps request now.

Stutsman asked Correia if she thinks \$20,000 is adequate for the Innovation Fund. Correia said she does not know but \$20,000 can certainly make a difference. The question is whether the County wants to do something before the larger strategic planning process or if they want to wait. Neuzil said maybe both. The idea is to at least start to create an Innovation Fund, while holding the bottom line. Neuzil said it does not look like Correia would have to cut very much out of the Block Grants for FY11. It looked to be about \$4,000 to \$5,000, which was dependent on the General Assistance position. Correia said if the General Assistance position costs less than \$20,000 then the money would be moved into the Innovation Fund.

Rettig said she has some confusion regarding the Social Services budget. She said Correia was proposing to move some money to pay for a sexual assault nurse position. She asked if the amount in the remaining balance used as determined column is of \$15,800 before or after paying for the sexual assault nurse. Correia said when she was originally proposing moving money from Department 45 into Department 20 she was not proposing to move the whole amount of \$15,800. She had just proposed moving \$10,975. She does not have the whole \$15,800 included in what was originally given the Board.

Rettig said it is not Correia's fault, but that confuses Rettig even more. Johnson said as he understood it, the Board wanted to create the Innovation Fund at \$20,000. Then the Board would get Correia's recommendation regarding the funding for it. Part of the funding could be from the sexual assault nurse, part of it could be from Block Grants, and some of it could be from elsewhere. Basically, the \$15,800 keeps the bottom line level, but gives Correia the discretion to move things around to fund the Innovation Fund.

Sullivan said yes, the Board directed Correia to get something started on the Innovation Fund. The Board had told Correia that if she wanted to fund the Innovation Fund rather than a sexual assault nurse, then that would be one option. Stutsman said the money is there, regardless. Rettig said then she does not support this item. She does not agree with cutting funds from Block Grants without having done the strategic planning in advance and having given everyone fair warning when they applied for a Block Grant.

Neuzil said roughly \$4,000 is also going to have to be cut. Rettig said not if Correia funds the sexual assault nurse; Correia would have to find \$15,000 because she would end up with only \$5,000 left over. Neuzil said yes. Harney said he thought the \$20,000 was to help establish the Innovation Fund and not necessarily lose dollars from what is being provided for. Neuzil said those organizations would potentially lose some funds, but some would likely get some dollars back.

Harney said he is getting confused now. He asked how the sexual assault nurse would be funded and if the money would come out of the Innovation Fund. Harney asked if the nurse position is hired, then how will it be funded the following year. Neuzil said his understanding was that the sexual assault nurse position is not being funded out of the Social Services budget, but it could be eligible under the Innovation Fund. Harney said if the sexual assault nurse position is put into place, then the County is obligated to fund it for the following years. Stutsman asked if Neuzil is saying that the sexual assault nurse salary is part of the \$20,000. Neuzil said he thought it could be part of it. Sullivan said he thought the Board intended to ask Correia what she thought about that suggestion in the current meeting.

Neuzil said right now he is not convinced that the sexual assault nurse position is an expenditure the County should make. He said he does not support this request and recalled that County Attorney Janet Lyness' argument was a bit strange. He said Lyness' argument was that the sexual assault nurse could not be funded through the Rape Victim Advocacy Program because that service is used by the County. However, the County would be funding the Innovation Fund which is a conflict too. Sullivan said he understands what Neuzil is saying. Neuzil said he sees a lot of red flags.

Harney said he agrees with Neuzil. Neuzil said yes, basically the County would be funding an organization that cannot necessarily be on the side of the County. Stutsman asked what Neuzil means by being on the side of the County. Neuzil said because the court system wants a neutral party. Correia said for evidence, the issue is that the court needs to be able to view collected evidence as not being biased in any way. Neuzil said but the County is funding it. Sullivan said the defense attorney is going to ask if it is true that the sexual assault nurse works for the County Attorney, the sexual assault nurse will say yes, and the court will throw the evidence out. Stutsman said but the sexual assault nurse would not work for the County Attorney. Neuzil said no, but the position is funded by the County. The defense could ask if the sexual assault nurse is funded by the County and that would be a conflict of interest.

Stutsman said this is a collaborative effort. The \$10,900 is not the entire amount. For her, the decision is about whether the sexual assault nurse is a valuable resource for the community and she thinks yes. If the County does not collaborate with the University of Iowa Hospitals and Clinics and others, then the sexual assault nurse position will not exist.

Sullivan said the sexual assault nurse position could be eliminated anyway, even if the County does fund it. Correia said she was going to talk to Lyness more about that. Neuzil said if the County is going to fund that sexual assault nurse position, then he would ask Correia to find the dollars outside of the \$20,000 set aside for the Innovation Fund. Stutsman said yes, she agrees with Neuzil. Correia said that is what she assumed.

Sullivan said the debate comes down to whether the Board should do nothing now with the Innovation Fund, knowing that it will be 18 months before something would

begin, or if it is better to put a small amount in to signal providers that this is the future course for the County. He asked if Correia has an opinion about these options.

Correia said there are probably pros and cons for both. The Board wants to have a strategic plan for Block Grants in place by July 1, 2011, so they would be trying to do both the Innovation Fund and a Block Grants strategic plan at the same time going forward for FY13. There have been many changes since the original budget request submitted at the end of October 2010. General Assistance will have less staff in the spring of 2011 due to maternity leave, so there will be additional work to cover for that.

Correia said she was informed two weeks ago that the Decategorization Board (Decat) has additional carryover funding that may need to be spent by June 30, 2011, and she will be working to help Decat spend it. She did not know about those circumstances when she first put the budget together. If the majority of the Board wants to do something, then Correia will certainly do something. However, the agencies are generally informed in the summer to submit an application by the end of the summer for the next fiscal year. In thinking of that timeline, it would behoove the County to have something in place for FY13, including what the process will be, by the July 1, 2011 deadline. That will require some pretty involved discussions and decisions. Sullivan asked Correia if her opinion is to hold off on the innovation fund. Correia said yes.

Neuzil said that is why he thinks the Board reduced the Innovation Fund quite a bit. One option is to make all the Block Grants part of an innovation fund, which he does not think is realistic. Instead, he wants to create some portion of funding so the Community Needs Assessment can begin sooner than 18 months from now. In his mind, these are two separate things. Rettig said Decat is likely to create an Innovation Fund with the extra pass-through money, which is what was done for FY11. She asked Correia how much that pass-through money is. Correia said around \$80,000. She is waiting on an opinion about whether the money can be carried over to FY12. If not, the money has to be spent by June 30, 2011. She said this Innovation Fund would begin on July 1, 2011. Rettig said for this reason, she has consistently not supported the innovation fund until the Strategic Plan is complete.

Stutsman said she is still supportive of putting money into the Innovation Fund. She said the County needs to send a message to agencies that business is not going to continue to be done as it has been done in the past. It is going to be based on strategic planning and on community needs. The sooner the County sends that message, the better it is for everyone, because no one knows what the Iowa Legislature is going to do in 2011. Rettig said she does not disagree with Stutsman, but then the County is asking people to chase grants, as opposed to having steady funding and matching funds for larger state and federal grants. If the County is going to go ahead with that process, it should be more thoughtful, as opposed to cutting budgets without examining the ramifications beforehand. That would include engaging the broader public in a discussion about it. Stutsman said the County will just continue business as usual for the upcoming Fiscal Year. Rettig said that would be smarter than just arbitrarily cutting funding without knowing the ramifications. She said the County has not even asked the

agencies what the change would mean; it could mean that an agency would lose a state or federal grant.

Neuzil said the compromise was to reduce the amount of the Innovation Fund from the original proposed amount of \$60,000 to \$20,000. He does not see \$20,000 having a gigantic impact on agencies. If the County takes a smaller approach, then it is probably a better approach, so he is still OK with it. He would like to know what Correia would do with \$20,000. Correia asked when the Board would need to know that information.

Rettig said it does not really matter because she is the only Board member opposed to the idea. She agrees with Correia that it should be postponed until the Board has given it more consideration.

Sullivan said if Claiborne knows what the bottom line is, then the Board is really only discussing internal line items and they then have more time to figure that part out. He said his opinion has changed, partly because Correia has changed her mind. He has wanted to follow Correia's recommendation and now that she has changed her recommendation it makes it harder for the Board. Either way, the decision is not going to have detrimental effects.

Correia said there are two Board members that support the Innovation Fund for sure, and one that does not. Harney said four Supervisors support it and one does not. Correia said OK. Harney said Rettig mentioned the fact that these agencies need to keep the lights on and pay the bills, but the County's subsidy is for services not utilities.

Sullivan said if Correia is concerned about staffing and the department's ability to launch Innovation Fund programming, then she needs to let the Board know now. Rettig said Correia already stated her concerns about it. She said Correia talked about how Social Services will be down one employee on family leave, and there is \$80,000 coming into Decat that maybe needs to be spent by July 1, 2011. Now the Board is asking Correia, against her recommendation, to create an Innovation Fund in the same period of time and to do all of the strategic planning for it. Neuzil said no, it would not be the same period of time because the County is creating a fund that does not have to be spent by July 1, 2011, like Decat does. The Innovation Fund has to be spent 18 months from now, so that is a completely different ballgame.

Neuzil said the other component he wants to clarify has to do with the sexual assault nurse position. He asked if the Board is voting yes on the recommendation of \$10,000 for the sexual assault nurse. Rettig said they originally asked for \$30,000. She is unsure about whether she supports this because she never got an answer from anyone about whether anything good could come from the position if it is cut to \$15,000. Sometimes partial funding makes no difference. She never got an answer back, other than what Lyness told the Board.

Neuzil said the amount is actually \$10,975. Rettig said it is \$15,000. The original request was for \$30,000. Neuzil said Correia's recommendation is to propose \$10,975.

Correia said no, it is for \$15,000. Neuzil said he has a memorandum from January 10, 2011. Correia said she would move \$10,975 into Department 20, and she reduced funding to Uptown Bill's to get the money. Stutsman said then it would come to \$15,000. Neuzil said the memorandum states a recommendation to move funds from Department 45 to Department 20 to help the sexual assault nurse examiner program with \$10,975. Correia said yes, but the sheet has the sexual assault nurse examiner at \$15,000 with the remainder coming from a recommended reduction to Uptown Bill's.

Sullivan said he has to trust that no one is more knowledgeable than Lyness on this subject. He said when Lyness says she does not know, and will take what she can get, then he assumes that is the best answer the Board will get. Stutsman said she thought the Board said that if the position is not funded, then the money is not there. Correia said correct. Neuzil said right, he wants to know about the other collaborations. Stutsman added that absent a collaborative effort, she is not interested in putting any money into the position. Correia agreed.

Correia said she is familiar with the Sexual Assault Nurse Examiner Program (SANE), which has been receiving funding from the Iowa Attorney General's Crime Victim Assistance Division. One year after applying, there was a drastic cut to the program and they would not have been able to operate the program. The decision was appealed to the State and the State increased the allocation, but not up to the level of the prior year. The State directed SANE to look for additional supplemental funding. She does not think that meant the Iowa Attorney General's Crime Victim Assistance Division would discontinue funding for SANE; funding would just not be at the previous level. Correia has to ask if Lyness has any sense of the level of funding for SANE in FY12.

Harney asked how the Board will decide whether to take the money from Uptown Bill's. He said Uptown Bill's provides an excellent service for the community and a void will exist without it. Correia said Uptown Bill's came in during her first year at Social Services which was FY06 or FY07. Uptown Bill's was at a different location where their overhead expenses were extremely high and they needed additional funding to survive there. Uptown Bill's has since moved to a new location near the Administration Building with a much lower overhead cost. Originally, Uptown Bill's had requested funding for three years. Now they are going into the fifth year of that funding. She said the County wants to support the excellent work that Uptown Bill's is doing, but they are a nonprofit business enterprise, which sells food, books, and other goods and services. Correia said Uptown Bill's does not operate like the traditional nonprofit entities that Social Services funds. Social Services does not fund any nonprofits that operate a business enterprise, such as Goodwill Industries International. Social Services funds nonprofit organizations that do not generate income from the sale of items.

Harney said if they take the money from Uptown Bill's it will seem like they are penalized for moving to a new location. He said he understands what Correia is saying, but at the same time, Uptown Bill's is a lifeline for many individuals. He asked how much the County will be giving Uptown Bill's. Stutsman said according to Correia's

chart, it will be \$3,200. Neuzil said that could change, depending on the creation of the Innovation Fund and where those dollars are going to come from.

Neuzil said Correia's reasoning is acceptable to him. He thinks the Board is asking Correia, with her expertise, to reduce some of the Block Grants to help create new funding which will include a new nurse position and an Innovation Fund.

Stutsman said she is OK with what is being proposed for the sexual assault nurse, the changes in funding, and the \$20,000 for the Innovation Fund. Sullivan said it is important that there is a process for the Board to recoup these funds, in case things do not pan out. Stutsman said yes, it certainly seems like there are plenty of General Assistance needs. Neuzil said he does not think it is going to be a fund that is going to be decreased, even with the mandated requirements. He would like to remind the Iowa legislators that if they decide to cut 40% of the County's commercial tax base, then the legislators need to take some responsibilities away from the County. Stutsman said this would include the sexual assault nurse. Neuzil said Iowa legislators keep cutting funding without reducing the county mandates.

Johnson said to clarify, the decreases that Correia suggested are approved, but the bottom line is the same. Some of the details are still to be recommended. Rettig reiterated that she does not support those items. Johnson said right. Rettig said she does not support the sexual assault nurse position because it should not be funded by decreasing Block Grants without further investigation. Harney said he does not support it either. He has concerns about taking it all from one organization. Neuzil said then there are three Supervisors that do not want to fund that program.

Rettig said she is willing to fund it, but she is not willing to cut Block Grants without a broader strategic plan in place. Neuzil said that means three Supervisors do not support it. Claiborne asked who else does not support it. Stutsman said she is in favor of the sexual assault nurse position. Rettig said Claiborne is referencing the wrong line item on the worksheet. Sullivan said Harney changed his opinion, so that makes three Supervisors who do not support this item. Correia clarified that the majority of the Board does not support it. Neuzil said it will have less of an impact on the Block Grants. Correia said right. Sullivan agreed. Stutsman said the Board says no to that, and will continue funding at the same level for all of the Block Grants. Neuzil said that is not quite right. There will still be some cuts.

Correia said she will get the exact numbers from Edwards for the cost of the full-time General Assistance position. Stutsman said if the Board is not going to fund the nurse position, then she is going to say the money is not there. Correia said that means Stutsman does not want her to move the \$15,800 from Department 45. Stutsman agreed. Neuzil said it should just go into General Assistance as extra money.

Stutsman said she is bothered that the Board is interrogating Correia over the Social Services budget when Correia has done exactly what the Board requested. She said Correia looked over the budget, assessed the areas of need, made recommendations, and

now the Board has spent six hours interrogating her. Neuzil said it is because Correia came back to the Board and changed her recommendation. Rettig said the Board asked Correia to put it into the Strategic Plan by July 1, 2011, which is not the same thing as doing it without public input and public notification. The Board changed their minds in midstream, after Correia had already sent out Block Grant applications. Rettig said that is the problem she has with all of it. The County sent out the Block Grant applications and then did a bait and switch maneuver, changing the process by creating an Innovation Fund without public input.

Neuzil said without the sexual assault nurse position, \$4,000 or \$5,000 will need to be found in existing grants. He does not think that is very much to take out of Block Grants to create a new fund that the organizations are going to be eligible for. Rettig said there are already four Supervisors in support of this so they do not need to continue to talk about it. Stutsman said that is true and suggested they move on.

Sullivan asked if the Board is going to direct Correia to follow up with Lyness. Stutsman said the Board already decided they do not support this, so it should not be brought back up again. Sullivan said he does not mean that. He said the sexual assault nurse position was in the budget when Lyness had met with the Board, so Lyness does not know that has changed. Neuzil said maybe Correia can have something ready by January 21, 2011. Certainly, Claiborne will know the Social Services bottom line, which is pretty much where it is for FY11. Claiborne said hopefully by today or tomorrow, he will know because he has to get the information into the Government Employees Management System (GEMS).

Decisions Pending Document

Sullivan asked if the bottom line that Claiborne has on the screen is the impact of all of the changes the Board submitted on January 14, 2011. Claiborne said yes. Sullivan said he came up with a different number and asked Claiborne to go through the document quickly. Claiborne said that is because he had \$40,000 put into the Innovation Fund. He does not recall why. In the previous meeting, \$20,000 was there and he had put \$40,000 off to the side. He asked if that was increased to \$40,000 or not. Harney said it was \$40,000, but was reduced to \$20,000. Neuzil said it was \$60,000, but the Board reduced it to \$20,000 which was probably the \$40,000 that Claiborne had down. Harney asked if some of the money was in the County Attorney's budget. Neuzil said Lyness did not take it because she thought it would look odd if the funding came out of the County Attorney's Office budget.

Claiborne asked if the Board would like to go through the budget and review the decisions that they have made. Then he would like the Board to look at the Rural Basic Fund. Neuzil said they have already done this and nothing has changed. Harney said the Board did this last week. Claiborne said he would like direction on which tax scenario the Board would like to use. Neuzil said that is what he would like to do, look at the Rural Basic Fund. Rettig said they have not talked about Secondary Roads. Claiborne said the only thing the Board has left is the transfer. He said they already covered

Secondary Roads. Rettig said not really. She said in FY11 the Board created \$405,000 of new money for maintenance. She said Claiborne said that money was not carried forward into the FY12 budget. Claiborne said right. Rettig said when that decision was made in FY11, she thought it would be a permanent change. So if the County is going to continue to fund maintenance at a higher level, which there is a need for, then the Board has to put those changes into the FY12 budget.

Claiborne said line 105 is highlighted and he put a note about the \$405,000 from FY11. As things are put into the budget now, the Board is giving Secondary Roads \$473,000. Rettig said that would only be \$68,000 more than FY11. Claiborne said right. Sullivan said he thought Claiborne was talking about line 119, and that it reflected the \$400,000 that the Board put in. He asked if the Board shot halfway between the minimum and maximum, and then put \$400,000 in above that number. Rettig said no, that was total. Claiborne said no, every single year they have done the minimum General Basic and minimum Rural Basic. FY11 was the first year that the Board actually went above the minimum. The net increase in FY11 was \$405,000 more than the Board had ever transferred before. Now he is saying, based on the \$3,100,000, same match as last year, the effect is \$473,000.

Rettig asked if that assumes a maximum General Basic Transfer. Claiborne said yes. Rettig asked for the level of the Rural Basic. Claiborne said it is a midpoint. He has another worksheet that the Board can examine. Neuzil said that is what the Board needs to figure out. As the County puts more money into the Rural Basic Fund, the impact on taxes is going to be different than what the Board is viewing now on the worksheet. Claiborne said the taxes will just be different for Rural Basic.

Stutsman asked if there are three Supervisors who support the Secondary Roads maintenance budget. Another question is whether the Board has heard anything from County Engineer Greg Parker about the impact of those monies. She asked if Parker wants to continue to have those dollars transferred in because she has not heard anything from him about it.

Rettig said they did hold a Work Session where she voiced concern that the Board did not increase the chip seal contract. She said the Secondary Roads staff argued and proved that the extra money was spent on gravel. She said the Secondary Roads staff thought there was direction from the Board to focus on gravel and not maintenance on chip seal roads. The roads are in terrible condition and she thinks the Board needs to find as much money as possible to maintain the roads. Sullivan said his impression is that Parker and Maintenance Supervisor Kevin Hackathorn wanted the money. Secondary Roads said they would start doing additional crack sealing, and between \$80,000 and \$100,000 of the additional money was spent on it. However, the job costs \$250,000, so he thinks Secondary Roads staff would like to continue that project for FY12.

Sullivan said when the Supervisors comment on the condition of County roads, it is relative and depends on the time of year and the weather. He does not know that Johnson County roads are better or worse than other counties' roads. Neuzil said due to the

weather the last few years, it can be hard to compare. Rettig said the Board gets a lot of complaints about the condition of the roads. Sullivan said that has been going on for years. Neuzil agreed.

Rettig said she is supportive of the maximum General Basic Transfer. Neuzil said he is also. Harney said he is willing to give the money to Secondary Roads, but he wants to make sure it is used for road maintenance and not on something else, such as local match dollars for a grant. Stutsman said maybe there should be a plan that states how the Board wants the money spent. Harney said it should be part of the Strategic Plan. Sullivan said Parker and Hackathorn discussed with the Board how they planned to move forward. Two years ago was the first time the Board got a handle on what it would cost for all these items.

Sullivan said each Supervisor has their own priorities for Secondary Roads. He just wants to set the budget, not determine what projects should be done. Rettig said the Board can set the budget and then give direction on how the Board expects Secondary Roads to spend the budget. Neuzil said he would at least like the Board to get in the habit of following the same plan they did this past year, where the entire General Basic Transfer amount is used and the Board tries to find medium ground which is not the lowest potential for the Rural Basic.

Claiborne asked if all five Supervisors want to continue with the additional funds for Secondary Roads. Sullivan said he wants to know what is already in Rural Basic first. Claiborne said the General Basic transfer is at the maximum, giving \$237,509 more than the minimum. The Rural Basic transfer is at a midpoint, giving \$235,847 more than the minimum. The total is \$473,356. FY11 was \$405,000. Neuzil said he thinks that is a trend that should continue. Claiborne said it is already reflected in the budget worksheet. Neuzil said OK.

Rettig said if the Board does not make any changes, then Secondary Roads will have \$473,000 more for maintenance than in FY10. Secondary Roads is getting \$68,000 more in FY12 than in FY11. Those tax rates are already reflected in the charts. Neuzil said that is good to know. Claiborne said any increases or decreases from those figures will be indicated on a different sheet that he will show the Board.

Neuzil asked if the County still has the Capital Improvements Plan and the Trails fund. Rettig said no, it was zeroed out. Sullivan said it is all in General Basic. Claiborne said it is all capital expenditure now and is no longer in Rural Basic.

Claiborne asked if five Supervisors support going forward with what is currently in the budget. Sullivan said he likes what is in the budget right now. Neuzil said he does also.

Rettig said in her notes on the Rural Basic Fund, there was a rural health project proposed to Public Health. She thinks Public Health did not even consider it. She wonders whether the Board has any interest in forcing the proposal for rural health to be

considered, which could include agriculture health, the nurse, and the innovation cooperative project with the University of Iowa. It is her understanding that Public Health did not pursue it at all. She thinks the request was for \$15,000.

Stutsman said she thinks the request was \$17,000 and she would support it. It is a small amount of money. Looking across the country, it is disgraceful that Iowa City is one of the few places without a rural health program. She does not know how the Board of Health does not understand that public health includes rural safety. Neuzil said the Board has identified some additional dollars in the Economic Development/Quality of Life Block Grants Fund. That is probably where there needs to be some consideration regarding funding.

Rettig said Public Health had money built into their budget for vehicle replacement, but the Board did not support that item. However, it was built into their budget. She said Public Health also included the clerical position that the majority of the Board did not support. She is interested in taking the \$25,000 from the clerical position and putting it into an Innovation Fund or a direct rural health care fund. Neuzil said he is OK with it, but he thinks it falls under Rural Economic Development. He would want the Board to have control of it rather than Public Health because they did not show interest in the program. If the Board wants to increase the Rural Economic Development expenditure, then he would be interested in that.

Sullivan said part of the issue is that all five Supervisors expressed interest in the program when the Board was shown the presentation. However, the Board cannot force Public Health to do it. He is not sure he wants to set up a separate, parallel program. The County has cut back the Public Health budget to some degree, which will hopefully send a message that the Board wants to work more closely with Public Health. He said Neuzil's approach is probably the closest the Board will get. Neuzil said at least it would be a placeholder within the budget. The Board can show rural residents that they are investing in something outside the city limits of the communities.

Stutsman said she agrees with everything that has been said. She asked if it should come out of the Rural Basic Fund. Rettig said that is why she brought it up during the Rural Basic discussion. However, the money that has been identified is already in the Public Health budget, if the Board does not fund the clerical position. Stutsman asked if that money will just be transferred into Public Health. Rettig said in theory, the program should be paid out of Rural Basic Fund. It just makes sense. However, the money is in Public Health's budget if the Board says Public Health is not allowed to hire the extra half-time clerk. She said the Board can do both. The Board can decide that the program is paid for out of the Rural Basic Fund and the Board can decide how much money there is for the program.

Stutsman said if the Board of Supervisors funds the rural health program, then it sends a message to the Board of Health that the Supervisors feel it is important enough to fund. If Public Health does not want to do it, then there can be a direct grant for the program. Sullivan said that is the next battle. Neuzil said there is some emphasis in the

budget that the Board would like to use some of those funds for Public Health. Rettig said the Board is creating that fund. So, if the Board says the funds are for Economic Development/Quality of Life, then the Board can say that a certain amount should go to rural health. Neuzil agreed and said there is a need for some investment in rural health. Sullivan and Stutsman said they are OK with it.

Neuzil said the Board would like to see a line added to the budget that increases rural economic development funding, which comes out of Rural Basic Fund. Sullivan asked if \$15,000 is the number. Neuzil said he thinks there is already a placeholder of about \$3,000 or \$5,000 from what the Board was putting in for local foods.

Sullivan said he has another question specific to the Rural Basic Fund. The Board had undershot the landfill costs almost every year in terms of their budget projections. He asked if that was raised for FY11. Claiborne said yes, the Board did that in FY11 and it was carried forward into FY12. Rettig clarified that there is no indication that the budget is currently inadequate. Sullivan asked Johnson if it is going to cover the cost in FY11. Johnson said he does not know, but he can check.

Rural Basic Fund

Johnson said he has been trying to get a handle on the Johnson County Council of Governments (JCCOG) and East Central Iowa Council of Governments (ECICOG) dues. Right now, the Rural Fund includes an amount for JCCOG solid waste management and JCCOG rural assessment. Then, the Central Services budget includes JCCOG human services and transport. Essentially, JCCOG has one assessment, and they bills the County for ECICOG's rural assessment. There is a total of \$40,000 budgeted in the Rural Fund for both the solid waste management and the rural assessment. The ECICOG rural assessment is going to be \$7,139 in FY12. If that is all that is paid out of the Rural Fund, the Board would not necessarily have to budget \$33,000 in that fund. However, in Central Services, the County has budgeted \$19,882 for human services and transport, and the total JCCOG assessment is \$40,765.

Rettig said she is kind of confused. She asked if in the past the County paid JCCOG dues from both funds, but paid ECICOG from only the Rural Fund. Stutsman said no. Sullivan said the County paid JCCOG the ECICOG money. Rettig said she understands that, but wants to know if the money came from General Basic or Rural Basic. Johnson said he thinks it came from both. Rettig said the dollar amounts do not matter so much, but the line items were incorrectly identified on their document. There are JCCOG dues and ECICOG dues, and the question is how much should come out of General Basic versus Rural Basic. Neuzil agreed.

Johnson asked if it makes sense to pay half of JCCOG dues from the Rural Fund and the other half from Central Services, and then pay all of the ECICOG rural assessment from the Rural Fund. Rettig said it makes sense that all of the ECICOG dues be paid from the Rural Fund because ECICOG cannot help with urban areas of the County. Sullivan said if population is a determining factor then about 10/13ths should come from

urban. Rettig said however, the County does not maintain any roads in the urban area, therefore, their JCCOG money will always go outside of town.

Rettig said she does not have a strong feeling about whether it should be 50/50 or 75/25. However, she does think it should be a formula so a number can just be plugged in every time. Stutsman asked if it should be based on population. Rettig said basing it on population would include a lot of math for only changing it by several thousand dollars. Sullivan said it could be 77%, which is population based. Johnson said that means 77% comes out of Central Services of JCCOG. Johnson said that will result in a cut in the Rural Fund and an increase in Central Services. Sullivan clarified that it is just a couple thousand dollars. Johnson said he will calculate that while the Board talks about the next topic.

Claiborne asked if there is interest in increasing the transfer of Rural Basic to Secondary Roads, or is the Board comfortable with the \$3,100,000, which produces the \$473,000 when it was \$405,000 in FY11. Neuzil said he is comfortable with that. Stutsman, Sullivan, and Rettig agreed.

Conservation Clerk Position

Neuzil asked if the issue about the Conservation Clerk position has been resolved. Claiborne said he talked to Conservation Director Harry Graves who explained that the cost of the position is absorbed in the Conservation budget. He said Graves had cut other line items to make up for it. Rettig asked if the Board verified that. Neuzil asked if Graves keeps operating expenses the same because the operating expenses should have been reduced by \$17,000.

Stutsman asked if Claiborne will go through it. Rettig asked when Graves presented the Conservation budget. Stutsman said it was awhile ago. Neuzil said he does not remember the topic ever coming up. However, he wants Graves to verify the changes because he wants to be assured that it has actually taken place. Stutsman asked if the Board wants to cut the budget by \$17,000 if that has not occurred. Neuzil said yes. Stutsman said she is OK with it.

Salaries

Neuzil said six new union contracts are coming up and the Board is sending a message, with the upcoming vote, that they would like to have the nonunion Administrative Unit increase its impact on health care. He asked if the Board should send a message in 2011 that they would like some reduction in all nonunion employee salaries. Sullivan asked if Neuzil means reduction or reduction in the percentage. Neuzil said a reduction of percentage. Neuzil said the Board is not currently doing it with health care. If the Board wants to do this, then the money needs to be in the budget. Stutsman asked how much money they are discussing. Neuzil said a rough estimate was about \$160,000, if the Board wanted to reduce it by 1%.

Harney said it goes in the face of what the Board has been talking about regarding the shrinking distance between supervisors and employees salaries. Harney said the only reason to do it is if the Board is going to pursue minimizing or eliminating pay raises depending on the economy.

Neuzil said if ever there was a time to reduce the raise for the Administrative Unit, now is the time and he proposes a 2% raise.

Stutsman said she would be OK with a 2% raise. She is not OK with eliminating raises altogether. Neuzil agreed. Sullivan asked if Neuzil calculated the difference between a 3% raise and 2% raise to be \$160,000. Neuzil said that is a very rough estimate.

Harney asked if the new union contracts include raises of 2.5% and 3%. Sullivan said the Board does not know yet. It will be open for FY12. Rettig said for FY12 it is 3%, but there is one contract open. She said Neuzil is proposing a reduction of the 3% raise to break the model that they always follow the Administrative Unit. Rettig said she thinks breaking the model that they always follow the Administrative Unit is OK, but she does not necessarily agree to the model that they always follow Elected Officials. Neuzil said no, no, no, he has no idea. Rettig said that is what Neuzil proposed in 2010. Neuzil said he is asking if the Board wants to start with a different system. This system will probably sound a lot better to a mediator, which is probably where this is going anyway. Many counties have done the same all across Iowa. There are many counties that are not giving any raises. Sullivan said yes. Stutsman and Rettig said right.

Rettig said she is OK with breaking the model that they always follow the Administrative Unit. However, she is not OK with having the model that they will always follow elected officials. Neuzil said he does not want to do that either. Stutsman clarified that Neuzil is proposing a 2% raise increase. Neuzil said yes, he proposes that the Board reduce the 3% raises by 1%. He does not know what the elected officials' compensation is, and he has no idea what they are going to do.

Sullivan said if the Board is going to move forward with this, then they need to talk about how because it is a big change. He proposes sending a letter to employees, because employees budget personal finances based on a raise they think they will receive. Neuzil said it would begin July 1, 2011 and employee raises would be 1% less. Rettig said they should ask department heads to take a look at where it collapses the cascading salaries. She said Secondary Roads argued with the Board about how the cascading effect was not present for management. In that situation there was no incentive for someone to advance to management because they were actually going to lose money.

Sullivan said before the Board does this, he would like feedback from Human Resources. Neuzil said this will not be popular and many department heads are going to advocate for their employees. Neuzil said no one else has ever concerned themselves with elected officials and their administrative assistants. Rettig said the department heads

know what they are getting into; it is completely different for elected officials and deputies. Neuzil said he would like feedback from Human Resources also.

Sullivan said there are obviously pros and cons. One example is that Parker had a position to fill, but it made no financial sense for the person to seek the promotion.

Stutsman said life is full of choices, and she does not want to get wrapped up in continually raising salaries to attract people into management. Rettig said she understands, but the Board should not make the decision without consulting the County's paid, professional staff first. Stutsman agreed. She said she wants to stress that this is not a reduction in salary. The Administrative Unit is still getting a 2% Cost-of-Living Adjustment (COLA) increase. Neuzil said that is absolutely right.

Sullivan said another thing is that there are a number of different ways and timeframes to measure the cost of living. He said the COLA increase is around 1.4 %. Harney said that number varies across the country. Stutsman said it has been that way for years. Inflation has been much lower than the COLA the County has awarded.

Neuzil said he wants this decision to be based upon the negotiation process for the next six units coming up. If someone were to ask why the increase in the cost of health insurance, he would say because that's the fair thing to do and that the Board is trying to take a proactive approach.

Harney said his approach is a little different. Personally, he does not mind not getting as much as the unions are getting, he views it as increased participation in health care. Neuzil said that is the case, the Board is making a decision this Thursday. Rettig asked if Shramek will be available to discuss this.

Stutsman is concerned because this comes on the heels of payroll deductions for employee parking fees. Rettig said for two years, employees have not paid for parking. That argument has already been made and payroll increases for this reason have been requested from the Compensation Board two years ago and last year. Neuzil said he thinks this will fuel more carpooling. Stutsman said people will be complaining. Neuzil said yes, but employees will still receive a raise. He thinks the money should be retained in department budgets and if the Board decides on a 2% raise, then that money would be put into reserves.

Sullivan asked Johnson if he is going to discuss those key issues with Human Resources Administrator Lora Shramek and ask her to attend the meeting scheduled for January 21th. Johnson said yes. He said those topics will include the effect of holding non-bargaining employees at a 2% raise for COLA, determining what the cost of living is. Sullivan said another would be the anticipated impact on future negotiations. Basically Shramek needs to prepare the pros and cons. The Board is assuming that a pro is negotiation, and a con is the cascading effect. However, Shramek can talk about all of that. The last topic is what percentage Human Resources staff uses for COLA. Neuzil

said it is a philosophical message that a 3% raise is no longer on the table. There is a reason why the Board decided on a one year contract.

Sullivan said in the current year, Linn County froze the salaries of all non-bargaining employees. He suggested inquiring with Linn County, Scott County, Blackhawk County, Polk County, and Story County to ask how they have handled the non-bargaining unit over the last few years. Neuzil said those counties froze salaries and Johnson County is talking about a 2% increase in salary.

Harney asked which tax asking scenario the Board is choosing. Rettig said that has not been decided yet. Claiborne said he would like the Board to tell him. Harney said he has some concerns because if the Board is talking about the Rural Basic Fund, then that is going to be a large jump. Neuzil said it is all in the scenario already and has been calculated. Harney said the Board has been adding some things and was already at a 3% increase on the back page of the tax calculation draft work sheet with various budget scenarios. Neuzil said no, the only thing that was increased was \$15,000. Stutsman said that was for economic development.

Summary

Johnson said there will be an \$11,000 increase to Central Services to split JCCOG by 77%. He said the memorandum from Graves said that when he hired an administrative assistant, Human Resources advised him that the person should begin with an hourly salary of \$15.97 retroactive to the date of hiring. However, Graves had budgeted \$12.87 for that position. Therefore, the difference between what he proposed for wages at that rate per year plus the raise, plus Federal Insurance Contribution Act, and Iowa Public Employees Retirement System funds were deducted from Department 24 and added to the Conservation personnel budget. What was added to the personnel budget was deducted in FY11, and then in FY12, the budget is flat plus a \$2,800 reduction. He said Graves is saying that it was built into the budget.

Rettig said she does not think it is true. On the Conservation budget spreadsheet, all of the personnel costs are completely blocked out. When Graves made all of the changes, there is only a \$2,870 reduction. Johnson said last year Graves had built in a base reduction. Rettig said FY11 would not have any meaning. Johnson said Graves made assumptions in FY11. Rettig said it could not have happened because the FY11 budget is \$307,000 and the re-estimated budget is \$307,000. Therefore, Graves did not re-estimate anything and now, Graves is asking for \$304,000.

Neuzil said he understands what Johnson is saying, the question is whether Graves had already taken the money out of the original \$307,000. Johnson said it would have to be compared to FY10, because Graves reduced those lines by \$17,000 during the FY11 budgeting process. Sullivan said that information is not included. Rettig said Graves did not reduce the budget, and he secured the position off budget, which is one of the problems she has with it. Rettig said the only way it could have happened is if the budget included a re-estimate number, but no such number in in the budget.

Neuzil said if Graves secured the position outside the budgeting process then there is no way he could have taken out \$17,000. Neuzil said he would like Claiborne and Johnson to communicate that to Graves and to remind Graves of what he said he would do. Johnson asked if the request was not made during the budget process last year. Sullivan said he thinks yes. Rettig said it was in the spring. Neuzil said it seems like it was done outside of the budget process. Rettig said that was her problem with it. Neuzil said Graves said he would take it out of his operating expenses.

Rettig said she is sorry, Graves had requested the position during the budget process but by the time Graves hired the administrative assistant, it was off budget. Sullivan said that was his understanding. Johnson said yes, Graves had reduced the budget by \$17,000. Neuzil said that is what the Board has to find out. The question is whether Graves reduced the FY11 budget by \$17,000, and if so, then Graves is living up to what he said.

Claiborne said it would be an internal line item, Graves would move the \$17,000 from material to salary and it would not be reflected as a \$17,000 decrease. Neuzil said that is fine, if that is what Graves wants. Neuzil said the Board just needs to understand how it was done. Rettig said sorry, there is a way Graves could have done that.

Ending Fund Balances

Rettig said the Auditor's Office, the Treasurer's Office, Claiborne, Johnson, and she met to discuss the status of the budget. The County had \$4.7 million of capital projects in FY10 and ended up with a decent sized reserve at the end of the year. The Board budgeted to pay off half of the Health and Human Services (HHS) Building. If the Board decides to pay off the rest of the HHS Building, then the reserve will be reduced by about another half million. The budget scenario packages for FY12 assume that any reserve amount not already calculated into the budget would be spent in this budget. This is why there is not a large difference between the two tax askings. Rettig said she would like the County to pay off the HHS building now, reducing the reserves.

Rettig said Claiborne has calculated an FY12 ending fund balance of General Basic and General Supplemental totaling \$3,667,000. Rettig said in FY11, the ending fund balance is \$8.2 million. The budget worksheets that the Board has not seen yet are the worksheets that explain why these numbers seem strange.

Sullivan asked if the \$3.66 million is based on the first scenario, because there would be a difference of a few million dollars depending on which scenario is used. Rettig said it would just change the bottom number of how much was available for other things. Johnson said the calculations in each scenario assume the same ending balance amount. Sullivan asked if the amount is \$3.66 million. Rettig said it is \$3,667,867. She said because the Finance Committee has not met yet, and will not meet soon, the Board has to preempt the Finance Committee for one year on the ending fund balance recommendation.

Rettig said the fund balance will end with \$8.2 million in FY11, and this assumption is that they would end at \$3.6 million. She said the short-term recommendation is to achieve an ending fund balance somewhere around \$4.5 million to \$5 million, which would still be a reduction of this years ending fund balance of \$8.2 million. A minimum cash flow of \$2.1 million must be maintained to pay the bills. At this exact time a year ago, the cash flow was pretty lean and bill paying was held off. There is a collective agreement that \$8.2 million is too high and that it is OK to spend down some of that. She said the Board needs to keep in mind that the money will not be there next year. Backfilling will occur regardless of which scenario is used. In order to level out the tax increases, the Board might not want to absorb all of it at one time, which is what Edwards' memorandum said.

Neuzil said the other thing to consider is that if they want funds for a new building, this is the year to build up the Capital Projects Fund so money will be available. Rettig said the Board still needs to make decisions regarding the ending fund balance, leveling the taxes, and putting money aside for capital projects. Harney said another decision is whether to pay off some of the bonds. Rettig said yes. Other than paying off the HHS Building, which is a loan, not a bond, and she thinks the County pay that off now. Neuzil said the Board cannot budget for that in this fund. Rettig said then it would be removed from the FY12 budget, but that would reduce the ending fund balance.

Stutsman said the Board has talked about that and she thought they had decided that. Claiborne said it can be in the FY11 spring amendment. Rettig said it is not assumed in the budget scenarios for FY12. Neuzil said it is assumed that it is incorporated on the chart and if that is the case, there would be another additional \$565,000 that comes out. Sullivan said it makes the number \$1.6 million. Harney said the decision the Board has to make is whether the County should pay it now or July 1, 2011. Naturally, some interest will be saved the sooner it is done. Neuzil said Claiborne wants to know whether to budget for it, or whether it goes into capital projects and to not budget for it. Rettig said she thinks the County should just pay for it in the spring amendment and finish it. Sullivan agreed. Claiborne said that zeros out the HHS Building line item. Neuzil said that would be a zero. Rettig said right.

Johnson said he would like to clarify something from the discussion on January 14th and he wants everyone to double check it to make sure it is right. He does not think there is any Joint Emergency Communication Center (JECC) money that has to be paid out of the additional ending reserve fund. That amount has been incorporated into the amendment and the re-estimated amount. Sullivan said that was still his outstanding question. He said there is no JECC money budgeted.

Rettig said she was told that it was assumed in the FY11 budget that all of JECC would be paid out. Even if it is not paid out, it was reflected in a reduction already when the end balance is \$8.2 million. Harney said the operating request was paid out, but the money that was taxed to pay the bonds off stays at the County and is labeled for JECC. Rettig said yes, but the budget assumption was that by the end of FY11 the request would have come in to finish it. Harney said there would be some funds that are taxed for

JECC, but JECC is only paid twice per year. So there is some tax monies coming in. Johnson said the question was whether the ending fund balance assumed any monies owed to JECC. Sullivan said that backs up what Edwards and Deputy Auditor Dana Aschenbrenner said.

Rettig said on January 14th, she was told that the budget assumed that all JECC funding would be paid out in FY11. If that does not occur, then the County would end up with a larger ending fund balance than what the Board assumes. Neuzil said it is still encumbered. Harney said it is encumbered because it is only paid out twice per year. Sullivan said that is great to know. Neuzil said those are all good signs.

Tax Scenarios

Neuzil said the next task is to give some direction on which tax scenario the Board is comfortable with. Rettig said she thinks the Board should end up with between \$4.5 million and \$5 million in reserves. She asked if Claiborne took the half million out of the budget already. Claiborne said yes. Rettig said that would reduce the ending fund balance, so it would change the other worksheet as well. Neuzil said yes, by \$565,000. He said the Board will still want to potentially tax for it because it would be subtracted from what the County would have left. Stutsman said she is OK with a \$4.5 million to \$5 million recommended fund balance. Neuzil said he thinks it is reasonable. However, if the Board is going to commit to a new Ambulance facility, then the fund balance should be slightly higher.

Rettig said if the ending balance is increased by \$1 million, and \$1 million is added to Capital Improvements, such as the down payment on a new building, she finds there is still \$656,000. This is why she would rather make the decisions than to base it on the taxes, unless she is missing something. Sullivan said Rettig is not missing something; this is the classic problem the Board faces, whether to make the decisions then see what happens on the taxes, or to make the tax decision first.

Harney said he would like to see what the number is and then reconsider if the tax impact is too high. Claiborne said everything is decided. The Board is basically redirecting money that would be transferred to Capital Projects. He said it is not going to change the outcome on page 11 of the FY12 Budget Worksheet. Rettig said it would change if the Board decided not to tax that high. She does not have to accept any of the scenarios. She can request: \$1 million more to put into Reserves than what has been budgeted already, \$1 million more in Capital Projects than what has been budgeted already, and she wants to pay off the HHS Building. If she makes all these requests then it would create a brand new taxing scenario.

Neuzil said he would like to go through the numbers. He said the assessor revaluation has an enormous impact in the categories of "Residential: Other Cities" and "Commercial: Rural." Over the years, Neuzil has tried to not have that scenario impact anything else because there will always be a couple of things that jump out. He is looking for trends. His first game plan is to be under 3%, which is where he is starting.

He is not comfortable with the 3.5% scenario. He would like the Board to project something less than that, as long as the numbers hold up. Considering what the Board is going to deal with during FY13, and if they want to build a new Ambulance facility and update the Medical Examiner Department, this is the year to hold back some funding for those capital improvements.

Sullivan said like Neuzil, he does not support the 3.5% or 0.2% tax scenario. He prefers the 1.3 % scenario, but could be persuaded to 2.4%.

Stutsman said she is OK with the 1.3% scenario. Regarding the Ambulance buildings and such, she does not think the department should tell the Board what they need, but rather the Board should decide how much they will provide. Harney said he wants to take a second look at that because he is not satisfied with the design or the cost. Stutsman said despite this concern, she thinks the Board needs to put some money aside. Neuzil said the Board can give some better direction during the upcoming Key Issues Meeting.

Rettig said the FY12 budget includes \$3.7 million of new spending. That is done by spending reserves because the budget assumes that the County will spend \$4.6 million of reserves. The very last scenario can be done without raising taxes significantly, but that means spending \$4.3 million of reserves. That is a problem because to maintain the same funding for FY13 the Board will have to raise taxes significantly.

Stutsman said or the County would have to cut services. Neuzil said that is the other option. He said the question is what the Board should look at first. Rettig said the services should be cut right now, so the Board can ease in the changes. Sullivan said that is why he likes the 1.3% scenario better than the 0.2% scenario. Stutsman said it gives a little wiggle room. Sullivan said if things are tight in FY13, then it would be easier to figure out where to come up with \$1 million or \$2 million.

Neuzil said he does not like looking at percentages. He looks at dollars. He still thinks asking taxpayers for under \$2 a month is a reasonable request. Neuzil said he is pleased with all of the scenarios. He said there could be another scenario of 2%, rather than the current scenarios of 2.4% or 1.3%. Harney agreed. Neuzil said given the nature of what is going to happen in FY13, he would lean more toward the 2.4% scenario. He asked what a tax scenario of 1.9% would look like.

Rettig said she thinks the County could do everything at 0.2%. However, the question is whether the County would be spending too much of the reserves. She would prefer making a decision regarding what level of reserves are desired and where the Board wants additional capitals money, then Claiborne figures out the tax askings.

Sullivan said that is why he thinks the 1.3% scenario makes more sense. That number is potentially getting to the level of reserve that may be suggested by the Finance Committee and adopted by the Board. The Board has talked about that probably needing

to be a two, three, or four year process. It could be that the County is there now, which means the Board will not have to budget for reserve in FY13.

Neuzil said he trying to predict FY13 and FY14. If the Board has some commitment to the Ambulance facility, then the County is going to need more money. Rettig said she has penciled in setting aside \$1 million. The Board should increase reserves between \$4.6 and \$5 million. The Board should put \$1 million in capitals for a future building. The County still ends up with about \$600,000 with all of those decisions.

Neuzil said \$1 million is not going to be enough. He said that discussion will happen at a future meeting.

Harney asked if the recommendations for bonding, bonding capacity, and County rating was supposed to be somewhere around a \$7 million cash balance. Rettig said no, it is much worse than that, it is 20%, which would be about \$14 million. She does not think anyone involved thinks that is reasonable or justifiable. She said Kriz said that other than having 20% in reserves, the big question is whether a bond would consider all of the reserves. Rettig said the question she had asked is if there is something the Board can do to improve the County's bond rating in the next two years. She said Kriz told her the one thing the Board can do is to use reserves instead of taxing for what is needed. They rely on people over budgeting expenditures and under budgeting revenues and then capture the reserves to spend the following year. This is a problem because it assumes no budgetary control.

Harney said when the Board talked to Kriz in 2010, he thought Kriz said somewhere between \$7 million and \$8 million. Rettig said she and Kriz have common agreement that reserves of around 10% go a long way towards financial security. Harney said he is not saying the County should do it all in FY12.

Sullivan said the City of Iowa City has maintained a very high balance for exactly those purposes for a lot of years. The City has not done enough projects to justify having that rating. Rettig said the Board should take action if there is something they can do to improve the County's bond rating before the next referendum. A quarter of a point in the bond rating would make a huge difference on a \$50 million bond. The one thing Kriz said is that the County spends too much of the reserves and the budget is not tight enough.

Harney said the Board knows that the first scenario is out, and the second one is probably out too. He would like to look at the 1.3% scenario, but also, he would like Claiborne to develop an alternate scenario at 1.8% or 1.9%. Stutsman asked what the Board would do with 1.8%. She asked if it would mean putting more money into reserves. Harney said yes, and he wants to see how it affects taxing. Neuzil said he is comfortable with the 1.3% scenario. He asked Claiborne to give the Board an update on what 1.3% increase would leave in the fund balance. He said roughly what this means is that \$200,000 or \$300,000 will not be available next year. He asked the Board to remember this day, or whichever day they make the decision, that when they are cutting

this money the following year, that's what they will be doing because FY13 is not going to be like FY12.

Claiborne said on January 14th the group discussed how this situation could actually be an opportunity. In FY07 or FY08, there was a similar situation where the County had \$5.5 million. At that point, the money was put toward the HHS Building and the rest was cash flowed. That is how the County paid for the building without bonding. He thinks transferring the money to the Capital Projects Fund is advisable so that the money is available, and if budget projections for FY13 are glum, the Board can redirect the money. This also enhances reserves for the bond rating.

Claiborne said Moody's Investors Services Incorporated (Moody's) looks at the entire County reserves, which is what Kriz said. Rettig said Kriz did not say that, rather he said he did not know the answer to that question. Claiborne said Moody's does look at Capital Projects. Rettig said clearly yes, because there is flexibility in that fund. However, the question is whether Moody's looks at things the County does not have flexibility in. She said Kriz did not know the answer to that.

Ambulance and Medical Examiner Facility Funding

Neuzil said Claiborne just gave an argument of why the County is not going to be building a new Ambulance facility. Stutsman asked if the County can just borrow the money. Neuzil said the money can only be borrowed if there is a reverse bond to do so. That could be a strategy. Rettig said that is what the Board did with the HHS Building. Stutsman and Neuzil said yes. Rettig said the Board could save \$2 million, bond \$1.2 million, and do a reverse bond for the remainder. Neuzil said yes, but not enough is being saved. Sullivan added that would not be enough to do the building in a single fiscal year.

Stutsman said she looks at what the taxpayers would say. She asks if taxpayers want to be taxed for something that could or could not materialize. Or do taxpayers feel taxing for only the amount necessary to run the County and then bond for the rest. Neuzil said he does not disagree. However, he also knows that the Board has already committed at least \$70,000 to \$100,000 for designs for a new Ambulance facility. Rettig said that is part of the problem, the designs have been a waste of money. Neuzil said no, the Board has not spent the money yet. Rettig said she keeps seeing designs, and the Board is paying for some of those. She thinks the design they have come up with is ridiculous. The Board should not have been spending the money and the group should not be designing something every time someone changes their mind.

Stutsman said it seems like the building is leading the discussion. She wants the Board to lead the discussion and determine what building to build. Neuzil said that is not what has happened. The Board has already committed bond money to put toward design plans for a new Ambulance facility. It is not speculation anymore. Rettig said right, but that does not mean that anyone has to agree with the current design. In her opinion that was a waste of money. Neuzil said there are concepts now, which is what has been put in

place so far, nothing beyond that. Harney said this should be reserved for another discussion. He does not like the architect's projected cost either.

Stutsman asked if there is consensus about the scenarios. Rettig said she thinks the 1.3% scenario is too high.

Neuzil asked if it is too much too high that Rettig will not vote for the budget. That is what happened last year. At some point, all five Supervisors have to decide whether they support the budget. Stutsman asked Rettig what she thinks. Rettig said she would not vote for the 3.5% or 2.4% scenario. Neuzil said he is comfortable with that. Rettig said in all likelihood she can vote for 1.3%, but she thinks it is too high. Rettig said the major question is leveling out taxes from FY12 to FY13.

Neuzil said there will be cuts in FY13. Stutsman said that is not known yet. Rettig said things have improved with commercial property already. Stutsman agreed. Neuzil said the other obvious factor is the Iowa legislature. Rettig said sure, and that is an unknown.

Sullivan said that is part of his reasoning of why the 1.3% scenario is better than 0.2%. First, each percentage point equals about \$500,000, so the County would have \$500,000 more that would go into reserves or capital projects. By looking at some of the numbers in terms of commercial and industrial, he worries a little about maintaining a flat taxation. With tax cuts in the 2.4% scenario, there is almost no way to make FY13 good.

Rettig said she understands Sullivan's point. In this scenario, Coralville residential taxes will go up 4.2%, but industrial taxes in Coralville would go down 4.1% and commercial taxes would go down 3.8%. That is beyond the Board's control. That is a big problem. The assessments are causing that because they are sitting empty. Sullivan said if the Board goes with the 1.3% scenario, then there is a better chance of leveling out in FY13, and everyone seems to share a concern about FY13. Neuzil said it is even easier to understand the 2.4% scenario. The rollback changed somewhat, which was advantageous for government, and then the assessor revaluation fluctuated but went up in most categories, except in some areas of agricultural land. He does not know what the equalization is going to do.

Stutsman said there are Supervisors in support of the 1.3% scenario. Neuzil said he is comfortable with that as a placeholder. Sullivan asked if that means three Supervisors are in support of that scenario. Harney said he does not have a problem with that for now, but he would like to keep it open to change. Claiborne said he will prepare a 1.3% tax scenario. The Board decided they would also like a 0.8% and 1.8% scenario and Claiborne agreed to prepare those.

Sullivan said Neuzil brought up something that is totally political, but worth discussing. It is definitely nice if the Supervisors are unanimous in support of the budget. Everyone has the right to vote against it, but it causes a lot of consternation in the public. If compromises have to be made, then the Board should talk about them now. He would

rather do the compromising, than just go straight to a vote and risk a split vote. Neuzil said if there are Supervisors not in support of this budget, he wants to know now because there is still a chance to work it out. Stutsman said she supports compromise.

Adjourned at 11:08 a.m.

Attest: Tom Slockett, Auditor
Recorded by Emily Lentz