



GOODHUE COUNTY BUDGET COMMITTEE
MINUTES
Administration Conference Room
January 27, 2004
11:00 a.m.

Present: Robert Noah, Roseanne Grosso, Brad Johnson, Amy Hove, Terri Heaton and Andrea Benck.

C/Noah called the meeting to order and stated that Mr. Hamilton would be joining the meeting as soon as possible.

1. 4th Quarter Reports. Included in the budget packet were departmental reports for the fourth quarter.

2. Year end County Cash Position Summary. Ms. Hove stated that included in everyone's packet was an overview of where the county was for the year for 2003. She pointed out that the county's expenditures for the year were 93.79% and anything under 100% was to be considered good.

C/Noah asked if the \$700,000 was included in the bottom line total. Ms. Hove stated that was included in the bottom line total.

Ms. Hove stated that the revenues were at 108.38%, and anything over 100% is good. Ms. Hove pointed out that waste management coming in at 178.04% was a bit misleading due to the transfer in.

Ms. Hove went through the 2003 budget for the general fund expenditures and revenues. The current expenditures for 2003 were at 91.68% and revenues were at 107.78%. She pointed out that the departments which came in most under budget were Facilities Maintenance, Court Administration, Sheriff and Extension. As far as revenues the ADC, Sheriff, Recorder, and Court Services are the departments that brought in the most over their budget.

Ms. Hove went through fund comparisons from 12/31/02 versus 12/31/03. In all the county was \$5,093,919 better then they were last year at the same time.

Mr. Johnson reported that as a reminder, the budget records activity: revenues, expenditures, transfers during the year (January 1, 2003-December 31, 2003). The fund balances record cash as of December 31, 2003, within statutory or Board approved funds. Some key facts are:

	Dec 31, 2002	Dec 31, 2003	Cash change	Percent change
Total Fund Balance	\$20,059,864.74	\$25,153,783.67	+\$5,093,918.93	+25.4%
General Fund	(\$111,502.04)	\$2,837,429.44	+\$2,948,931.48	--
Unreserved General Fund Balance	(\$2,475,719.12)	(\$329,542.56)	+\$2,146,176.56	--

The General Fund is a key fund for bond raters such as Moody in analyzing the financial health of a County, because it has the fewest restrictions in its use. The Unreserved General Fund Balance indicates the amount of General Fund not carried in a Reserve or designation—this, too, is a key indicator of the health of an organization. The General Fund Reserves (\$3,166,972) include our “Fund Balance Reserve” of \$1,784,160.26, the accumulation of \$700,000 per year we have levied as part of the five-year plan to bring our general fund balance back to \$0. If that specific reserve is “unreserved”, our unreserved general fund balance becomes \$1,454,617.70. This is a better and more accurate picture of our improving financial health. Most of the other reserves are statutory and are a liability on the General Fund Balance. Our office recently reviewed these with departments and the Budget Committee and a number of non-statutory ones were eliminated.

Mr. Johnson noted that our “stability” goal, which would increase or decrease with the annual general fund budget, is for a general fund balance of about \$5,300,000 given the current budget. Though substantial progress was made, he cautioned that the year-end balance contains expenses that will soon be paid for work begun in 2003—for example, the asbestos abatement. Also, we have a negative unreserved General Fund Balance.

The Auditor/Treasure’s office has made continual projections of cash flow and year-end fund balances. The end result was better than expected for the following reasons:

Examining the departments within the General Fund, a number of them (twenty-one) had better revenue results than projected. Total Revenues, including grants, aids, taxes, and programs, were \$17,972,334 against \$16,852,705 budgeted. The departments with over \$50,000 of revenue exceeding budgeted revenue are, in descending order of dollars over budget:

Jail	\$409,157
Sheriff	\$197,459
Recorder	\$120,551
Reserve Compensation	\$ 94,944 (this is a Reserve within the General Fund)
Court Services	\$89,048
Law Library	\$57,213 (this is a Reserve in the General Fund)
Totals:	\$1,119,629

Regarding General Fund Expenditures, several departments (ten) spent less than expected. Total General Fund expenditures were \$15,311,598 against \$16,909,599 budgeted. Mr. Johnson noted that some departments had vacant positions for some months during the year. The departments, again in descending order of most dollars underspent on their budget:

Facilities Maintenance	\$241,802
Court Administration	\$85,158

Sheriff	\$69,861
Extension	\$69,518
Boat & Water	\$36,862
MIS	\$34,334
Assessor	\$31,154
Total	\$1,598,001

In this total is \$498,628 underspent within General Miscellaneous. This includes the \$339,000 budgeted under the levy for potential capital improvements, that is currently being spent on asbestos abatement on the old jail. Also, the Fund Balance Reserve levy of \$700,000 is another piece of the gain in General Fund. Also, the Sheriff had some encumbrances due to revenue gained that was to be spent on certain expenses not generated in 2003, but will be in 2004.

The county's progress in rebuilding the General Fund can be illustrated by the year-end balances over the past few years. In 2000, the balance was -\$3,369,901, in 2001, it was -\$3,008,934, in 2002, it was -\$111,502, and now, in 2003, it is +\$2,837,429.

Mr. Johnson reported that as usual and as with all funds, revenues and expenditures should be examined to enable accurate projections. Keep in mind that the year-end budget is a snapshot as of December 31, 2003; departments continue to receive revenue and to spend money. Spending of larger equipment items was held up in some cases due to uncertainty caused by the State budget crisis, some positions remained vacant for a time during the year, and in some cases, new sources of revenue opened. However, annually fund balances should be examined to determine if sufficient cash flow reserves are available, and if the levy can be reduced by spending "excess" reserves (something we are very unfamiliar with in the General Fund!).

In summary regarding the General Fund balance, the County is again ahead of projections towards this indicator of financial health, but are still not at the desired goal, particularly due to large amounts that are in reserves and designations (i.e. liabilities against the fund balance).

Mr. Johnson noted that regarding other financial goals, recommended by the State Auditor and the Investment Committee, the county is progressing well. At year-end, we completed pooling of bank accounts by merging Public Health Accounts with our main checking and money market accounts. All other funds are currently pooled. Last year, the county pooled interest to the General Fund as stated in statute and recommended by the State Auditors. Due to economic conditions, interest receipts are low, but we are generally receiving slightly better in money markets than on short-term paper, which is best for our needed liquidity position. Our long-term investments, one of which pays as high as 9.5%, are security for our Landfill debt.

Mr. Johnson reminded the Board also that our debt is dropping, with the retirement of another bond last year.

Mr. Johnson extended appreciation to the hard work Chief Deputy/Accountant Amy Hove put in compiling these reports, along with assembling and submitting numerous required year end financial statements.

Finally, Mr. Johnson offered some suggestions for financial goals in the future:

- 1) Reorganize the capital equipment plan. Levy for the “annual” type expenditures such as computers and sheriff’s fleet replacement. Bond only for items with a life longer than the term of the loan.
- 2) Continue the \$700,000 levy to improve our fund balances for cash flow, bond ratings, and contingency. As the first five year plan expires, establish a second five year plan.
- 3) Establish a component-based building reserve plan and reserves. For example, for a roof with a 20-year life, levy 1/20th per year.
- 4) Continue annual reviews of reserves and fund balances.

C/Noah pointed out that when compared to last year, it is much better then where we were. Mr. Johnson stated that we are definitely in a better situation, but we still had work to do. Mr. Johnson stated that he would be doing a follow up memo on what our fund balance should be.

C/Grosso stated that she would like to see a contingency fund setup for emergencies. Also, she thinks the county board owes the EDA and she would like to see some of those dollars returned to them.

3. Refinancing 1997 Landfill Bonds. Mr. Johnson reported that recently, he spoke with Bob Thistle at Springstead, regarding a review of the possibilities of refinancing any of our debt. One bond, the 1997 Landfill Closure Bonds, appears to have a reasonable certainty of savings if acted on soon. Currently, projections are that interest will increase prior to the call date of the bond, and we would save approximately \$62,000 over the term of the loan. Mr. Johnson distributed the documents from Springstead further explaining these issues and illustrating the savings calculations.

Terri Heaton with Springstead stated that the county has the option of refinancing. The call date on the particular bond she was talking about was in about a year from now. If they chose to refinance with the given rates for today the savings were projected to be \$63,700. The annual cash flow savings was estimated to be \$8,800. Ms. Heaton stated that the savings estimates are net of all costs associated with issuing the new refunding bonds including the funding of the escrow account that will make the interest payments on the new refunding bonds through the first call date on the Series 1997A Bonds.

(Mr. Hamilton arrived at the meeting.)

C/Noah asked if there was any problem with selling bonds. Ms. Heaton stated that there was not. There continues to be a market for it. Mr. Hamilton pointed out that there were always people looking for the certainty of risk.

The committee agreed that this was an issue that they should move forward on.

C/Noah asked when they could do this with the other bonds. Mr. Johnson thought that Mr. Thistle had already checked into the counties other obligations, but he would double check.

Mr. Johnson asked to add an issue to the agenda regarding budget adjustments. He explained that under current budget procedures, departments do not have formal procedures to follow when they would like to request a budget change during the year. There are various reasons that a department may want to change their budget. By giving departments the tools to make changes to their budget, we would be giving them an opportunity to share important changes that are affecting their budget and eliminate some unnecessary explanations that they are currently making in each quarter's summary.

Mr. Johnson provided a Budget Adjustment Request Form which was merely a template that the Auditor/Treasurer's office put together as a starting point for discussion. The County Board may want to see additional information listed on these requests and this template can be easily modified to accommodate any other changes.

C/Grosso pointed out that three people needed to sign off on it and asked if they all needed to agree. Mr. Johnson stated that it probably would be standard, however each would go to the board.

Mr. Hamilton stated that the likelihood of two not agreeing should be slim, but if that were the case, then the board could ask the appropriate questions and make the decision.

Ms. Hove pointed out that typically this would be used in a situation when it would be a budget neutral adjustment and simply an accounting tool for them to adjust the budget accordingly.

Mr. Johnson pointed out that this would also be beneficial when departments were doing their quarterly reports so that they would not be explaining the same thing over and over again with each quarter.

The committee agreed to accept the concept.

C/Grosso suggested the template forms be emailed to the management team to see if they liked the form and if they had any suggestions.