

TERM OF COMMISSION: September Session of the July Adjourned Term

PLACE OF MEETING: Roger B. Wilson Boone County Government Center
Commission Chambers

PRESENT WERE: Presiding Commissioner Kenneth M. Pearson
District I Commissioner Karen M. Miller
District II Commission Skip Elkin
Deputy County Clerk Kristina Johnson

The meeting was called to order at 5:32 p.m.

Boone County Commission Tax Rate Hearing

Commissioner Pearson stated that he was going to speak about the budget process in general. Commissioner Pearson stated that each year during the summer the Commission begins working on the budget. Each elected official and department head is supposed to have their budget in by September 1st if not by September 10th the date the Auditor who is the Budget Officer is required to prepare the budget for the individual elected official or department head. Commissioner Pearson stated all of Boone County works together during the summer and looks at what the needs are for each elected official and department. The Auditor comes forward with the budget, the Commission may change that budget slightly, and in the process the Auditor is also looking at revenues for the year and trying to make a projection for what the revenues will be for the next year. So, Boone County is budgeting on a calendar year basis and right now we are working on the budget for next year. June Pitchford is currently working on that, crunching numbers, getting everybody's information together, and she is also looking at a projection of next year revenues. Boone County did that this year for next year, and last year Boone County did that for this year. Commissioner Pearson further stated that three years ago, FY07 budgeted sales tax revenue was for 2% growth and it came in at a 1/2 % growth. Boone County had budgeted expecting to have more revenues and sales tax than Boone County actually collected. FY08 budget amount was we would have a 1/2 % growth and Boone County actually had about negative 1.6%. This last year the revenue estimate was flat, no growth, but through out this calendar year our sales tax revenues are down about 3 %. This means Boone County had negative growth this year, and last year and almost no growth the year before. This is important because Boone County is required by law when the County adopts a local option sales tax at least for the general revenue fund to roll back the property tax; the County takes 1/2 of the sales tax and reduces the property tax by that amount. Alternatively, when revenues, sales tax revenues decline the County can increase the property tax. This year the County has had a 3 % decline in revenue this year over last year and the county has expected that there would be no growth. Boone County is trying to determine the gap between the revenues and the actual expenditures and what kind of a change needs to be made in the tax rate to ensure that there is enough money in the budget. Commissioner Pearson further stated the reason for this hearing was to talk about the information from June Pitchford and Wendy Noren, and to give the public and opportunity to give their input.

Wendy S. Noren the County Clerk presented information on this issue. Ms. Noren stated that

she works with the State Auditor's Office to compute the maximum allowed tax rate. Historically, the County has never gone up to the maximum. Boone County when they adopted a sales tax the law for county sales tax says "half the revenue received from sales tax and uses it to reduce the property tax levy." Last year, half of the sales tax used for reduction would have been 5.731 million, and at this point this year the projection would be closer to 5.627 million. The amount of sales tax money to be used for property tax reduction is down. This means that the maximum property tax levy under the law increases. The goal of this property tax sales tax was to balance the revenue between sales taxes and property taxes. Ms. Noren stated that the place where the roll back begins is regulated by the Hancock Amendment. The Hancock Amendment froze the property tax levels and then what it required was annual computations of property tax rates. Those property tax rates would go up or down depending on the year. The Hancock Amendment sets maximum revenue that the County can get from the property tax. That revenue is capped at prior year's assessed value plus a consumer price indexed, based on the existing property. The Hancock Amendment sets a revenue cap and then the county backs into a maximum levy from that. The maximum property tax rates are developed for each jurisdiction. Ms. Noren stated that historically at this time in past years Boone County did not need any increase and budgetarily were just better off. These are annual formulas based on assessed valuation, sales tax collections, and the County's budgeted revenues and expenditures.

June Pitchford County Auditor presented further information on property tax rates. Ms. Pitchford stated that at this point in the year the County is refining the budget projections rather than *expenditure* of our current budget, in order to assess the County's total resources that may be available to us. The County is also developing our revenues and spending projections for next year. The Commissioner's have seen some of the preliminary numbers and Ms. Pitchford stated that she had compiled a summary for distribution tonight. Ms. Pitchford stated that she had only prepared it for the two funds which receive property tax revenue the general fund and the road and bridge fund. In the general fund there is a total spending budget of around 23 to 25 million. Of that general fund half of it comes from sales tax and property tax makes up about 12 % and then the hospital lease? Provide an additional 7 %. Beyond those three revenue sources there are about three or four more revenue sources, state reimbursement for prisoner board that generates about \$ 667,000.00 per year; property tax commission about a million and a half; real estate recording fees which vary greatly according to economic conditions. Ms. Pitchford stated that the County is experiencing unprecedented shrinking sales tax revenues. Ms. Pitchford stated that from the sales tax inception in 1989 there have been years of very slow growth 2 % or so but the first negative growth year since that time was FY08 and the County predicts another negative growth again next year. In addition to these major parts of the general revenue fund there are over a hundred other parts of the which are all going in different directions and which Ms. Pitchford has gone over again and again. These projections are also outlined on the attached schedule. Ms. Pitchford further stated that the good news is that spending is projected to be significantly under budget. Not enough to bring spending equal to budget but very favorable budgetary pull backs. In addition the budget was developed when the gas prices were higher than they are now and the County is seeing that is a result of more stable and lower fuel prices. FY 09 budget included no salary increases and there was at least one full time benefited vacant position which was eliminated. The County has continued to look at various cost saving measures from recycling uniforms at the Sheriff's Office, to eliminating and revising our

equipment replacing schedules and so forth. In FY08 spending exceeded revenues by about \$ 428,000.00.

Ms. Pitchford stated that the Road and Bridge fund sales tax accounts for over 75 % of the revenue and property tax accounts for about 8 %. The County Road Tax is the amount paid at the gas pump and this accounts for about 7%. The Road and Bridge Fund are predicted to have an additional \$ 60,000.00 short fall.

Commissioner Pearson stated the County Aid Road trust fund is about 7 % of the Road and Bridge fund is coming from the state and a big chunk of that money is motor vehicle sales tax. Commissioner Pearson asked if that is down from last year and this year?

Ms. Pitchford stated that those are projected to come in fairly close to budget but those have been reduced.

Commissioner Pearson stated that the reduction is directly related to the price of gas. Historically the property tax related to sales tax has been pretty close to \$0.12. This is due to the County electing in the past to remain below what the possible increases could be.

Jack Donelon and I live at 578 N. Grace Ln. Mr. Donelon stated that first off the County and the City is experiencing unemployment at 7 and 8%. This means that people do not have money. The County has seen some of the better paying jobs leave here. Our counter parts in Washington DC and the deficits they are creating, Mr. Donelon stated that he does not see any improvement for the next year or two or maybe three of any increase in sales tax because he believes that there is going to be less, and less employment. As a result of that with a tax increase with a person like myself, social security does not increase with the cost of living anymore; he lives on a fixed income. Mr. Donelon stated that in all the years that he has lived in Lake of the Woods he has never seen anyone come out and assesses the property for current value. He stated that he has two daughters one in Cole County and one in Springfield and to their knowledge neither of them have had any property tax increase. He stated that the County does an outstanding job and he understands the services that the County provides cost money however he believes that the County should exist within its means.

Don Mitzel stated that he is an architect in Rocheport. Mr. Mitzel stated that he has been in business for fifty two years. He stated that when the companies he ran and has worked for had down turns they had to cut costs, number two cut services, number three personnel had to go. Mr. Mitzel stated that he lives out on Roby Farm Rd. and he stated that they do not have water out there and they do not have garbage collection and they do not see any sheriff or deputy's out there and their roads have pot wholes in them. Mr. Mitzel stated that the services there have not increased and in fact he stated that he believes that they have decreased which is fine because when a tree goes down the neighbors get together and clear it. Mr. Mitzel stated that two and a half years ago he saw this coming and so he changed his ways. He moved his office, he cut his staff, and he cut his overhead by 70 % and he is still in business and works in approximately 17 different states. Mr. Mitzel stated that if the County does not have the income then the County must cut costs.

Greg Mullanix stated that he works for the County and has for twenty five years. Mr. Mullanix stated that he has had one salary increase in the last seven years. He stated that everyday he has to cut things in his house. He stated that he has to redo his budget monthly because everything changes so quickly. Mr. Mullanix stated that any raise in taxes is not really acceptable to him. Mr. Mullanix stated that he accepts the fact that they may have to take cuts on his end. He stated that there is nobody he can tax and nobody he can turn to or should turn to. He stated that he has to cut and he suggests that the County does the same. He further stated that if the County wants help in his department cutting say something to him and he will try to help.

Randy Yaeger stated that he has been in the Commissioners position because he was the Sheriff in Howard County for twenty eight years. He stated that they moved to the Ashland area and built a Blue Grass Residential care facility. Mr. Yaeger stated that several people in their facilities are just barely making ends meet. Mr. Yaeger stated that what really concerns him is the three or four deputy's sitting in lawn chairs running radar on 63 highway, and when you pick up the paper and you have tons of break ins around the county, he doesn't think the time is being spent properly. This increase would be tough for us while we are trying to get a business off the ground and with Social Security remaining the same, this would make it hard.

Don Mitzel stated that in Cook County they have a reduction in property tax for Senior Citizens because we're not using the schools, I don't know how much but it's 15 or 20% reduction. The other thing is investments are down somewhere between 28 to 38% stocks, bonds, etc.

Wendy Noren stated that you might want to look into homestead exemption for the elderly.

Lynette Yaeger stated that she was an RN and she had been in healthcare for a long time. She stated that now she runs her own business and she tells her workers everyday how lucky they are to have jobs. Ms. Yaeger stated that she had to cut salaries and she explained to her employees that if they are not happy they can leave. In rough times they have made sacrifices and there is no reason that the County should not do the same.

Commissioner Miller stated that the County is trying to be cost effective. The County has been making cuts such as combining two departments in public works, and cross training individuals to pick up the slack. Commissioner Miller stated that the Commissioner's did not want to have to hold a meeting over the need to increase property tax but the elected representatives have looked at the budget and there are significant short comings. Commissioner Miller stated that she had calculated her property tax with the proposed increase and she would be paying 4.40 per \$ 100 of assessed value .

Jack Donelon stated that everybody needs to be responsible for property tax renters, etc.

Someone from the audience inquired if sales tax could be raised without a vote?

Commissioner Pearson stated that the sales tax did have to be voted on.

Commissioner Elkin stated that the Commission has held the property tax at the same rate for

many years and even at some point rolled property tax back in times of prosperity. Commissioner Elkin further stated that the increase would be no greater than the amount of \$0.22 and the Commission has never increased property tax to the fullest of its ability.

Mr. Mitzel questioned if salaries have come down and have jobs come down in the County?

Commissioner Pearson stated that there had been a 1 % increase in 2008 and no increase in 2009. The County has in the past attempted to keep salaries competitive with the market salaries, but as of the last couple of years the County has been unable to keep up.

Commissioner Miller stated that their staff is trained and in the long run their competence will help the County be cost effective.

Commissioner Pearson called the meeting to adjournment.

The meeting adjourned at 6:36 p.m.

Attest:

Kenneth M. Pearson
Presiding Commissioner

Wendy S. Noren
Clerk of the County Commission

Karen M. Miller
District I Commissioner

Skip Elkin
District II Commissioner