



## RESOLUTION

WHEREAS, this County Board has adopted a formal process for the compilation, presentation, and approval of the annual budget; and

WHEREAS, this process calls for the development of budget policies to guide the submission and evaluation of departmental requests for the annual budget; and

WHEREAS, this County Board has also adopted policies previously which serve to guide the development, adoption and implementation of the annual budget, some of which are the Capital Improvement Program Evaluation Criteria System (for Corporate Fund departments and County properties), the Investment Policy, the Transportation Funding Commitment Policy, Employee Policies and Procedures, Travel Reimbursement Policy, and the Purchasing Ordinance; and

WHEREAS, the County Board Chair and this County Board's continuing concern regarding economic conditions and the reality of the Property Tax Extension Limitation Act have dictated that special consideration be given to the compilation of the guidelines for the coming fiscal year; and

WHEREAS, the County Board Chair, the Financial and Administrative Committee, and the County Administrator recommend that the budget policies set forth herein be utilized for the submission, preparation, approval and execution of the FY 2008 Lake County budget; and

WHEREAS, these policies represent an earnest attempt by this County Board to develop a budget with full cognizance of:

- current economic conditions and future economic trends,

- relevant labor markets and the need to maintain a compensation package that is externally competitive and internally equitable,
- compliance with the letter and spirit of the Illinois Property Tax Extension Limitation Act,
- perceived constituent service demands,
- the goals and targets established by the County Board, and
- prudent financial management practices for the short and long term.

NOW, THEREFORE, BE IT RESOLVED, by this County Board of Lake County, Illinois, that the attached budget policies are hereby adopted for the submission, preparation, approval and execution of the FY 2008 Lake County budget.

DATED, at Waukegan, Lake County, Illinois, on this 8th day of May A.D., 2007.

## FY 2008 BUDGET POLICIES

### I. GENERAL POLICY DIRECTIVES

#### A. Operating Budget Policies

1. The County will strive to pay for all current expenditures with current revenues. The County will avoid budgetary procedures that balance current expenditures at the expense of meeting future year's expenses such as postponing expenditures or accruing future year's revenues.
2. The budget will continue to provide for adequate maintenance of capital plant and equipment and for the orderly replacement of equipment.
3. The budget will continue to provide for adequate funding of all retirement systems.
4. The County will continue to maintain a budgetary control system to ensure adherence to the budget.
5. The Director of Finance and Administrative Services will prepare regular reports comparing actual revenues and expenditures to budgeted amounts.
6. Each year, the County will update expenditure projections for the next five- (5) years. Projections will include estimated operating costs of future capital improvements that are included in the capital improvement plan.

#### B. Revenue Policies

1. The County will try to maintain a diversified and stable revenue system to shelter it from short-run fluctuations in any one revenue source.
2. The County will estimate its annual revenues by an objective, analytical process.
3. The County will project revenues for the next five (5) years and will update this projection annually.
4. The year-to-year increase of actual revenue from the property tax will not exceed the Illinois Property Tax Extension Limitation Law.
5. All user charges and fees will be reviewed on a regular basis, and where appropriate adjusted to a level related to the cost of providing the services, subject to State statutes.

#### C. Capital Improvement Policies

1. The County will make all capital improvements in accordance with an adopted capital improvement program.
2. The County will develop a multi-year plan for capital improvements and update it annually.
3. The County will enact an annual budget in appropriate County funds based on the multi-

year capital improvement plan.

4. The County will coordinate development of the capital improvement budget with development of the operating budget. Any additional operating costs associated with new capital improvements will be projected and included in operating budget forecasts.
5. The County will use intergovernmental assistance to finance only those capital improvements that are consistent with the capital improvement plan and County priorities, and whose operating and maintenance costs have been included in operating budget forecasts.
6. The County will strive to maintain all its assets at a level adequate to protect the County's capital investment and to minimize future maintenance and replacement costs.
7. The County will identify the estimated cost and potential funding sources for each capital project proposal before it is submitted to the County Board for approval. This will include determining the least costly financing method for all new projects.
8. The capital improvement funding requests will be evaluated against criteria established in the most current resolution on capital improvements.

**D. Debt Policies**

1. The County will limit long-term borrowing to capital improvements that cannot be financed from current revenues.
2. When the County finances capital projects by issuing bonds, it will pay back the bonds within a period not to exceed the expected useful life of the asset.
3. The County will try to keep the average maturity of debt at or below fifteen (15) years.
4. Total debt service for general obligation debt will not exceed 5.75% of total assessed valuation.
5. The County will not use long-term debt for current operations.
6. The County will continue to maintain good communications with bond rating agencies about its financial condition. The County will continue full disclosure on every financial report and bond prospectus.

**E. Accounting, Auditing and Financial Reporting Policies**

1. The County will continue to establish and maintain a high standard of accounting practices.
2. The accounting system will continue to maintain records on a basis consistent with accepted standards for local government accounting.
3. Annual financial reports will present a summary of financial activity by major types of funds.
4. An independent public accounting firm will conduct an annual audit and the County

Administrator and/or Controller will issue a comprehensive annual financial report.

## II. BUDGET SUBMITTAL POLICIES

In an effort to support departmental operations and provide County services within a framework of fiscal responsibility, all departments of Lake County government shall prepare budget submissions consistent with the following Items:

- A. A *status quo* (no new positions or programs) budget shall be submitted in accordance with existing levels of services provided by the department. See the *Budget Instructions* regarding the definition, and exemptions, to determination of the *status quo* budget
- B. New or expanded programs may be included in the budget request as a separate package when funded by new sources of funds or a commensurate reduction of existing operations.
- C. New or expanded programs may be included in the budget request as a separate package when no funding source is identified and will be evaluated against County-wide priorities.
- D. County Board Members are also welcome to submit new or expanded programs for consideration. Departmental staff will be available to assist in writing the requests. These requests will be presented to the Board for consideration without staff recommendation.
- E. Department Heads are encouraged to review each vacant position in their department during the budget development and throughout the fiscal year with regard to each position's importance to the department and any alternative to refilling the vacant position.

## III. BUDGET POLICIES BY FUND TYPE

### A. Property Tax Funds (Excluding Special Service Areas)

1. The Illinois Property Tax Extension Limitation Law limits the amount of total property tax that can be levied by the County Board. In complying with the law, the levy for each fund shall be based upon an evaluation of its fiscal health; non-tax revenues; opportunities for non-tax revenue growth; level of planned expenditures; and cash requirements. Thus, departmental budget requests submitted in compliance with these policies may be subject to adjustment and/or reduction in order to satisfy levy determinations.
2. For all Property Tax Funds, the total of all unallocated fund balances is to be maintained in an amount equal to the total of all prior year maximum monthly cash flows in each fund plus an amount equal to 15% of the total of all Property Tax Fund's current fiscal year budget/appropriation. Except that the 15% requirement does not apply to the FICA, IMRF and Risk Management & Liability Insurance Fund. The reserve funds may be used only in accordance with the *Reserve Fund Balance Policy* below.
3. In addition to adequately budgeting for all planned expenditures, the annual budget shall include an undesignated contingency within the General Operating Expense budget. This undesignated contingency shall not be less than \$250,000 for personnel

related costs and \$300,000 of non-personnel related costs.

4. Aggregate appropriations, in each department, for commodity and contractual account classes shall not exceed the current year adjusted aggregate appropriations (cost increases for Health- Life-Dental Insurance, FICA and IMRF/SLEP are exempt).
5. No new or expanded state or federal grants shall be accepted that require use of County resources of any kind unless approved in accordance with Budget Submittal Policies (Section II.C). Renewals of state or federal grants shall receive the closest possible scrutiny.
6. If program funding from any non-County sources (e.g. state grants, federal grants, intergovernmental agreements, etc.) is reduced or eliminated, commensurate expense reductions or new revenue increases shall be made or, where necessary, the program will be eliminated. Exceptions may be made where grant funds were used to offset expenses that were previously provided for by local tax dollars. In the latter instance, the plan for working with adjusted amount of property tax revenue must be understood.
7. All Departments, including those that report to a Board or Commission separate from the County Board, will comply with all County administrative policies unless specific exclusions are granted annually by the Financial and Administrative Committee or except as provided by State law, including the Lake County Health Department and the Stormwater Management Commission. These include, but are not limited to; the County's Investment Policy, Travel Reimbursement Policies, Employee Policies and Procedures and the Purchasing Ordinance.
8. Capital Outlay: Corporate Fund departments shall identify all capital items, quantities and costs in their budget submission. Capital items under \$2,500 shall remain budgeted in department accounts. All items over \$2,500, and all computer or computer-related purchases of any amount, will be moved to, and the actual approved budget amounts shall be appropriated in, the General Operating Expense (GOE) budget. All purchases shall be limited to those items identified in the budget submittal. Any substitutions or additions must be approved in advance by the Director of Finance and Administrative Services.
9. Debt Service: Budgets shall be based on applicable bond schedules and/or other relevant factors relating to enabling ordinances.

**B. Non-Property Tax Funds**

1. Appropriations will not exceed available working cash and/or anticipated revenues. Adequate cash flow requirements will be maintained.
2. The Department of Public Works will maintain a schedule of rates and charges sufficient at all times to pay operation, maintenance, and replacement costs, and provide Net Revenues sufficient to meet all outstanding bond coverage amounts as required in the Bond Ordinance.
3. All costs that are associated with non-property tax funds will be included in the department's budget submittal. These include: retirement (IMRF, FICA), Insurance (H-L-D, unemployment, liability, worker's compensation), indirect costs and any direct costs that can be identified.

4. As an Internal Service Fund the H-L-D (Health, Life and Dental) Fund will maintain a positive fund balance. Any excess of revenues over expenses in any year shall be retained in the fund as an addition to fund balance. The intent of maintaining a fund balance shall be to offset the cost of unanticipated high claims experience as needed, and to help offset the costs of additional wellness program incentives. The fund balance shall not exceed an amount equal to 3 months of claims based on the most recent fiscal year.

**C. All Funds**

1. Personnel Services Costs:

- a. Compensation will be addressed after budgets have been submitted and reviewed.

2. Revenues:

- a. After determination of all sources, all revenues shall be allocated across the various items appropriated by the County Board as provided by law. Unless otherwise provided by law, no department shall appropriate any specific source of revenue even though that revenue may be generated by any service it provides. Each property tax fund will be allocated a portion of any levy of taxes (where applicable), including any increase in a levy as may be applicable.
- b. The County will continue to increase the non-property tax revenues as follows:
  - (1) Make annual adjustments to all fee schedules under the jurisdiction of the County Board, where appropriate; and
  - (2) Maintain aggressive collection activities to receive outstanding monies owed the County; and
  - (3) Recommend new fees that could be charged for departmental activities or services that are currently being performed at no charge.

3. Capital Equipment:

- a. All budget requests for any capital items shall be based upon the estimated total purchase price, exclusive of trade-in value.
- b. Requests for capital outlay should be limited to replacement items only. Requests for new or expanded capital items must be submitted in accordance with the Budget Submittal Policies (Section II.C above).
- c. An item is considered capital equipment if it is a tangible item, has a useful life of more than 1 year, and has an acquisition cost including accessories of \$1,000 or more per item.

4. Facility-Related Expenses

All facility related costs including but not limited to requests for operations and maintenance costs and building improvements of any kind shall be subject to review,

revision, consolidation, and utilization by the County Administrator's Office. Requests shall be consistent with, but may be distinct from, the Capital Improvement Plan.

5. Exceptions

Any exceptions to these budget policies shall require the approval of the County Board.

**IV. Reserve Fund Balance Policy**

A. The County reserve policy is applicable to all tax levy funds except the Risk and Liability Fund. The General Fund balance can be used to assist other tax levy funds to meet the policy. Lake County adopts the following reserves:

1. A reserve to designate fund balance in the amount equal to the carryovers budgeted by the County Board for unfinished projects budgeted in the previous fiscal year.
2. A reserve for accumulated unpaid employee vacation and sick leave.
3. A cash flow reserve equal to the cash flow needs for the most recently completed fiscal year.
4. A fund reserve equal to 15% of the operating budgeted expense of the funds. The reserves can be used as follows:
  - a. In the general fund one-third (5%) and in the remaining tax levy operating funds two-thirds (10%) of this reserve can only be used in case of economic downturn as defined in the Economic Downturn Indicators section below.
  - b. One-third (5%) can be used to fund one-time emergency unanticipated expenditure requirements or to offset unanticipated revenue downturns occurring within a fiscal year.
  - c. One-third (5%) of this reserve in the general fund is set aside as additional liability reserves.
5. The 15% reserves can only be used after the budgeted contingency has been exhausted. These reserves can be used only after a plan has been outlined to address the situation that necessitated the use of the reserves.
6. The County Board may also designate cash balance in addition to the above reserves for the purpose of funding future capital projects.

B. Economic downturn indicators

1. Revenue growth for the following revenues in total falls below a 2% increase:

- a. Sales tax revenue
  - b. State shared revenues (use tax, income tax and personal property replacement tax)
  - c. Recording fees
  - d. Traffic costs
2. Unemployment exceeds 6.5% for a six-month period based on the Illinois Department of Security figures