



County of **GREENE** State of Missouri

GREENE COUNTY SALES TAX OVERSIGHT BOARD

October 2, 2019

To: Greene County Commission

From: Greene County Sales Tax Oversight Board

Regarding: **2018 Annual Report – General Revenue II**

In November of 2017, Greene County voters authorized an additional one-half cent general sales tax to supplement the existing one-half cent general sales tax passed in 1984, of which 50% is allotted to General Revenue. Although this new tax (herein referred to as “GR II”) is classified as General Revenue, the Greene County Commission passed the October 2, 2017 Resolution (Resolution) prior to the approval of the tax which detailed the intended uses of the fund. The Resolution proposed several purposes for this tax: much-needed building maintenance; equipment replacement; increased operating cash reserves; environmental projects; and a more efficient criminal justice system, including increasing jail capacity.

In order to ensure transparency of both revenues and expenditures associated with this tax, and that the promises of the Resolution were fulfilled, the County Commission authorized the formation of an independent Sales Tax Oversight Board in March of 2018. This summary covers the first year of activity associated with the tax, ending December 31, 2018.

Revenues (Resolution: \$21,007,380; 2018 Receipts: \$17,389,725)

Revenues for 2018 were originally projected in the Resolution at just over \$21 million, which included a \$1 million increase in state boarding revenue. For the 2018 budget, sales tax collection was forecast to come in slower at \$17.2 million and actual revenues reflected this. In addition, the increase in state boarding revenue failed to occur.

Expenditures

In the Resolution, the County Commission presented a list of individual expenditures to be funded by the proposed sales tax increase, and these were collected into five broad categories:

- Environmental Initiatives
- General Revenue Stability
- Community Projects
- The Justice System
- Capital Projects

Environmental Initiatives (Resolution: \$1,500,000; 2018 Expenditures: \$1,323,794)

The purpose of environmental initiative expenditures was to fund storm water projects in anticipation of compliance to future Federal and State regulations. At the time of the Resolution, Greene County had no funding for this program. It was given a baseline of funding at \$1.5 million for the first

year, with 2% annual growth thereafter. Significant steps were taken in environmental initiatives and community awareness with the new influx of tax revenues, which included a number of storm water buyouts and maintenance projects. In total, the County utilized over \$1.3 million of GR II funds for environmental initiatives.

General Revenue Stability (Resolution: \$377,008; 2018 Expenditures: \$226,238)

General Revenue stability was proposed in the Resolution to give administrative support for the new tax. It was intended to provide funding for seven additional full-time-equivalent support positions and related operating expenses across several departments, including the Budget Office, Purchasing, Human Resources, Information Systems, and the Public Information Office. Initially established with a baseline amount of \$377,008 in the Resolution, it was projected to grow thereafter at an annual rate of 4%. These support positions were filled over the course of the year, at a total cost in GR II funds of \$226,238.

Community Projects (Resolution: \$995,500; 2018 Expenditures: \$747,289)

Several uses of GR II funds fell under the umbrella of community projects in the Resolution: animal control, construction of a new animal shelter, mental health spending, municipal projects, and the establishment of partnership law enforcement specialty units.

Construction of the animal shelter and mental health spending were not scheduled to occur until after 2018, so proposed spending was limited to \$995,500 in the first year of the GR II tax. An animal control officer position at the Springfield-Greene County Health Department along with associated operating expenses was funded for the latter half of the year, along with funds to begin the planning of the animal shelter.

In July, a committee comprised of leaders from the seven outlying municipalities of Ash Grove, Battlefield, Fair Grove, Republic, Strafford, Walnut Grove, and Willard presented and approved project proposals from each municipality to be funded wholly or in part from GR II.

In October, after several months of planning, the Family Justice Center held its grand opening. A cooperative program between the Prosecuting Attorney's Office, the Sheriff's Office, and the Springfield Police Department, the Family Justice Center works in conjunction with Harmony House and The Victim Center in offering assistance to survivors of domestic abuse, elder abuse, sexual assault, and family abuse. Also effective in October, the County Commission approved the formation of a second partnership unit, the Fugitive Apprehension Unit. This collaboration between the Prosecuting Attorney's Office and the Sheriff's Office was formed to handle the backlog of warrants in the justice system, and to coordinate the serving of warrants between the two departments in an effort to help minimize inmate holding times prior to court proceedings. Although this unit is considered a partnership law enforcement unit under the Resolution, its expenses are reimbursed back to the fund from Federal inmate boarding revenues, which increased in 2018 with the re-negotiation of the County's contract with the US Marshals' Service.

In 2018, GR II funds paid for over \$747,000 in community projects.

The Justice System (Resolution: \$1,887,664; 2018 Expenditures: \$1,203,090)

Justice system proposals in the Resolution included several initiatives: the funding of additional positions and support costs for the Prosecuting Attorney's Office; the expansion of treatment programs, such as Drug Treatment Court, to minimize recidivism; support for and upgrade of the emergency trunked radio system which is utilized by Greene County through the Sheriff's Office, the Office of

Emergency Management, and the Road and Bridge Department; and funding of additional staff and operating expenses in conjunction with the expansion/renovation of the Justice Center. Trunked radio system spending and additional Justice Center staff positions were not scheduled for 2018.

In the Prosecuting Attorney's Office, the need for additional support was based upon over 4,600 felony cases referred by law enforcement annually, at a projected annual growth rate of 3.6%. This need took the form of 21 new positions in the Office, with additional positions to be filled in future years in line with ongoing caseload growth, at an estimated cost of just over \$1.2 million in 2018. These positions were gradually filled over the course of the year, at an expense in salaries and operating costs of \$657,272.

Treatment program services have taken several forms with GR II funding. Court wraparound services have provided both temporary housing and treatment center reimbursements. Pretrial services added two RANT (Risk and Needs Triage) screener positions to assist with supervised release efforts. The Prosecuting Attorney's Office assigned a Senior APA exclusively to the Drug Treatment Court. Originally projected in the Resolution at an annual cost of \$463,307 and growing at approximately 3.4% thereafter, GR II spending for these services (which didn't commence until August) totaled nearly \$188,000.

The Greene County Justice Center experienced total inmate counts in excess of available bed space, which has required the need to house inmates at jails in other Counties (an expense referred to as 'reciprocity'). Because one of the intents of GR II funds was to help pay the expenses associated with the continuing increase in the Greene County inmate population, reciprocity was classified as an additional jail operating expense under the Resolution. In 2018, reciprocity costs totaled \$357,868.

In all, out of the nearly \$1.9 million set aside in 2018, just over \$1.2 million of GR II funds were used for justice system initiatives.

Capital Projects

(Resolution: \$2,936,284; 2018 Expenditures: \$1,842,811)

Capital projects comprise the largest category of spending in the GR II Resolution over the next twenty years. Several large projects have been proposed, including: building demolition and acquisition to increase parking availability (scheduled for 2018), construction of a General Operations Center (2018-2019) and a new Juvenile facility (2024), renovations within the Judicial Courts facility (2018-2024), and the expansion/renovation of the Justice Center (planning and design beginning in 2018). These projects will be funded through a combination of cash payments and the issuance of bonds to be paid for from GR II funds over future years. Other spending in the Resolution under this category includes the expansion of staff and services for Building Maintenance in 2021, and annual departmental equipment replacements.

Bond repayments for construction were originally projected in the GR II Resolution at \$1.94 million for 2018. However, the bond repayment plan was restructured prior to issuance in such a way as to both reduce principal faster and to fund portions of the expenditures through cash outlays. This strategy will bring the County significant interest savings over the life of the bonds which can then be allocated to capital projects. The 2018 Certificates of Participation were issued in September of 2018, and the first principal and interest payment will not be due until March of 2019, thus there was no funding out of GR II for this expense.

Cash expenditures for demolition, acquisition, and construction in the original Resolution were projected at \$595,000. However, because of the finance restructuring and cash outlay strategy, the actual cost of this was higher in 2018, in the amount of \$935,828. Building maintenance projects and equipment replacements, originally projected at a cost of \$1 million, cost \$905,775. In total, capital projects received GR II funding in the amount of \$1.84 million.

Additions to Cash Reserves**(Resolution: \$6,039,845; 2018 Additions: \$9,303,185)**

Another use of GR II tax revenues as outlined in the Resolution was to assure the necessary levels of cash reserves to meet operating requirements, and to maintain the highest possible bond ratings with Moody's to save taxpayer money on bond interest expense. For 2018, Greene County was able to set aside \$9.3 million in GR II funds to meet adequate reserve levels.

Reconciliation of Available Cash for Operations

Available cash for operations on the accrual basis totaled \$2,743,318 at the end of 2018. To reconcile operating funds on a cash basis, it is necessary to account for the posted accruals for both revenues and expenses.

Accruals for revenues totaled \$2,589,042, including nearly \$2.5 million in receivables for sales tax generated in 2018 but not received from the State of Missouri until the beginning of 2019. Accruals for expenditures were generated through outstanding warrants and salaries and benefits payable at year end, in the total amount of \$678,904. Accounting for these items, in converting to the cash basis, yields cash available for operations at the end of 2018 in the amount of \$833,179.

| Estimated ½% GR Sales Tax Plan | 2018 Resolution | 2018 Actual |
|--|-------------------|-------------------|
| Beginning Operating Balance | 0 | 0 |
| Total Revenues¹ | 21,007,380 | 17,389,725 |
| Environmental Initiatives | 1,500,000 | 1,323,794 |
| General Revenue Stability | 377,008 | 226,238 |
| Community Projects | 995,500 | 747,289 |
| Justice System | 1,887,664 | 1,203,090 |
| Capital Projects | <u>2,936,284</u> | <u>1,842,811</u> |
| Total Appropriations | 7,696,456 | 5,343,222 |
| Ending Cash Balance | 13,310,923 | 12,046,503 |
| Additions to Restricted Reserve ² | (5,751,845) | (9,015,185) |
| Addition to 27 th Pay Period Reserve | (288,000) | (288,000) |
| Available Cash for Operations (Accrual Basis) | 7,271,078 | 2,743,318 |
| Change in Revenue Receivables | 0 | (2,589,042) |
| Change in Expenditure Accruals | <u>0</u> | <u>678,904</u> |
| Available Cash for Operations (Cash Basis) | 7,271,078 | 833,179 |

1. The Resolution estimated revenues based on the outset of new tax receipts back in 2012. The outset of new tax receipts in 2018 was much slower. Regular monthly receipts are now at the expected level.
2. The Resolution did not take into account the County fiscal policy of restricting reserves over the 12-month period before a bond payment is due so restricted reserve includes \$2,535,403.

The Board understands that multi-year plans may require revisions as changes in information, regulations, and circumstances occur over time. Staff was charged with keeping track of changes or deviations from the resolution and informing the Board on these issues. Exhibit 1 consists of the listing of changes known at the writing of this report.

The revisions to the resolution will most likely provide for construction of a jail with a capacity that is much lower than set forth in the original resolution and that, based on the professional study completed, may be full at time of completion if no other effective changes are made to the Justice System infrastructure. Resolving the jail capacity problem was a major reason why the new tax was proposed and Commission is attempting to address that issue with a multi-faceted approach.

The Board would also like to caution Commission that while seeking a multi-faceted approach to jail capacity problems is essential, the decisions being made will not allow those who physically and emotionally harm significant others and children to avoid incarceration because the jail is full.

Signature page follows.

Accepted ASB

This report has been reviewed, modified, and approved by the Greene County Sales Tax Oversight Board.

Bernie Dana
Bernie Dana

George Deatz
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Conrad Griggs
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John Twitty
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Exhibit 1

Revisions to the October 2, 2017 Resolution

The Resolution was carefully planned, approved by Commission, and presented to taxpayers. Commission desires the spending of taxpayer dollars to be in the most efficient manner possible. Commission does not make changes to the Resolution lightly; however, changes in information, regulations, and circumstances over time leads to the necessity to reevaluate plans. The following list summarizes the changes that have been made since the adoption of the Resolution.

Revenues

- Federal and State boarding revenue sources have been segregated and adjusted to recognize the cap on the number of additional beds that the larger jail facility can hold.

Expenditures

- The Justice System
 - Reciprocity has been recognized on a separate line as an additional jail operating expense.
 - GR II funding for the trunked radio system has been reduced by 25%.
 - Projected costs for additional jail staff have decreased due to the employment of an indirect-supervision staffing model for an off-campus facility.
 - A line has been added for uniform, training, and vehicle costs related to additional jail staff.
 - Additional jail operating expenses, previously calculated at a consistent growth rate, have been pushed out to correspond with the completion of the new facility, and capped to align more realistically with the cap in the increased number of inmates that the new facility can hold.
- Capital Projects
 - Significant modifications were made in the bond financing plan in August 2018 as to allow for more cash outlays in order to reduce financing costs. These outlays apply to the Operations Center, Jail, and Juvenile facilities.
 - In June 2019, Commission met to discuss Resolution priorities and reallocated funding for staffing, operations, and other sources to support the financing of a second bond for jail construction. The second bond increases the overall budget for the new location of a Jail/Sheriff Office facility to \$130 million, with the possibility of up to \$150 million.
 - Acquisition of properties at Scott & Boonville and Central & Campbell to provide temporary space for Sheriff operations and permanent parking. Although parking is mentioned in Exhibit A of the Resolution, these items were not listed in the 20-Year financial plan in Exhibit B of the Resolution.
- Community Projects
 - Funding for the Animal Shelter has been delayed to match City of Springfield timing.
 - Funding for the Family Justice Center was reduced by 20%.
 - The Fugitive Apprehension Unit was added as a second Partnership Law Enforcement Unit, with the understanding that funding would come from savings in the Family Justice Center and increased revenues from Federal boarding.