

 Lake County Policy	<i>3.5 Budget Development Policy</i>
	Approved by the County Board on: May 10, 2022

1. Purpose and Intent

1.1 The purpose of this policy is to provide overarching, consistent, guidelines and structure that support a strategic, long-term approach to budget development and financial management of Lake County’s resources through a framework for stability and continuity, clear strategic intent, defined boundaries, and mitigation of risks.

2. Background

2.1 The Illinois Counties Code (55 ILCS 5/Div.6-1) requires Lake County to adopt an annual budget for the succeeding fiscal year. The contents of the annual budget document include the specifications in 55 ILCS 5/6-1002.

3. Scope

3.1 This policy applies to all departments, agencies / commissions, and elected offices whose funding is approved by the Lake County Board, unless certain criteria apply that supersede this requirement as defined in 3.1 *Finance Policy, Section 5.3*.

4. Authority

4.1 The Authority as stated in 3.1 *Finance Policy, Section 4* applies.

5. Policy

5.1 The Financial and Administrative Committee shall present Annual Budget Planning Guidance approved by Board Resolution. Such resolution shall be presented to the Board and considered no later than the June meeting each year.

5.2 As passed by the Board, such resolution shall provide specific direction to County Staff for the setting of the County’s annual budget for the succeeding fiscal year.

5.3 Said resolution shall be in compliance with the County Budget Law as set forth in the Illinois compiled statutes.

5.4 County Staff, the Finance and Administrative Committee, and the County Board shall take into consideration goals as set forth in the County’s Strategic Plan and all potential and known legal and/or economic constraints at the time of consideration by the County Board.

5.5 The County Board will officially accept an estimated tax levy for the new fiscal year no later than the September County Board meeting of the fiscal year immediately preceding the new fiscal year. The estimated levy is determined for preparation purposes only; the final levy is approved in November in conjunction with the annual budget.

5.6 The Financial and Administrative Committee shall recommend the annual budget, Levy Ordinance and Appropriation Ordinance for approval by the County Board.

5.7 No later than June 1st each year, the County Administrator shall provide the County Board and Department, Agency, and Elected Office Leadership with the annual budget development / planning calendar.

5.8 General Guidelines

5.8.1 The County will prepare an annual budget and 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 borrowing from future year's revenues.

5.8.2 The County continues to use the cash basis of accounting for budgetary purposes with the addition of encumbrances through carryovers while financial statements will be prepared using the modified accrual basis of accounting, as identified by generally accepted accounting principles (GAAP) in the United States.

5.8.3 The budget as recommended to the County Board shall be balanced. The budget will be considered balanced when planned operating expenditures in the Property Tax Operating Funds do not exceed expected revenue plus use of reserves approved by the County Board. The use of reserves to balance the budget will only be used after all other options are exhausted.

5.8.4 Appropriations will not exceed available working cash and/or anticipated revenues. Adequate cash flow requirements will be maintained. As an exception, appropriations in funds or departments funded all or in part by reimbursement grants may temporarily exceed available working cash due to the reimbursement nature of their revenues.

5.8.5 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.

5.8.6 All costs will be included in the department's budget submittal. These include, where appropriate, retirement (IMRF, FICA), Health-Life- Dental insurance (H-L-D), unemployment, liability, worker's compensation, indirect costs, and any direct costs that can be identified.

5.8.7 The number of Full Time and Part Time Positions approved during the Annual Budget process shall be the maximum number of positions each department/office/agency may hire/have employed during the budget year. Any mid-year additions to Full Time or Part Time Positions require Financial & Administrative Committee approval unless the limited exceptions in 3.1 Finance Policy, Section 5.3 apply.

5.8.8 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 be within 0.2% and 1.0% of the total operating expenses in the Property Tax Operating Funds, with half being designated for salaries and benefits; 15% to commodities; and 35% to contractual services.

- 5.8.9 The budget shall provide for adequate maintenance of capital infrastructure, facilities and equipment. When possible, the scheduled replacement of equipment will also be provided for in accordance with a documented replacement schedule consistent with the underlying asset's useful life.
- 5.8.10 The budget shall provide for adequate funding of the County's retirement systems (Illinois Municipal Retirement Fund and Sheriff Law Enforcement Pension). The other post-employment benefits (OPEB) liability will be funded on a pay- as-you-go funding basis.
- 5.8.11 The County shall maintain a financial system with statutory budget control to ensure adherence to the budget. The budgetary level of control is based on five subtotals for each department: 1) personnel; 2) commodities; 3) contractals; 4) benefits; and 5) capital. Debt service is budgeted in a separate category in accordance with debt service schedules.
- 5.8.12 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.
- 5.8.13 Revenue received by the County from Video Gaming will be expended in accordance with the County's Video Gaming Revenue policy.
- 5.8.14 County departments/agencies/offices will include performance metrics on departmental core mission areas and activity and progress on County Board priorities. Measures will illustrate trends, targets and other criteria by which the County's efforts on a given program can be evaluated on a periodic basis. This evaluation is intended to inform organizational awareness and provide a basis for repeating successful activities and reallocating resources away from less successful efforts.
- 5.8.15 After determination of all sources, all revenues shall be allocated across the various items appropriated by the County Board as provided by law. Revenues are not specifically matched to expenses, except in the case of grants or other cases where the matching is statutory. Unless otherwise provided by law, no Department/agency/office shall appropriate any specific source of revenue even though that revenue may be generated by any service it provides.
- 5.8.16 Departments/agencies/offices will be provided instructions for a target budget amount that will result in a budget that is balanced. This may be an amount less than last year's actual or approved budget.
- 5.8.17 The County Administrator may adjust specific line items, based on such things as budget limitations or historical averages (e.g., personnel vacancy factor), as necessary to balance the budget.
- 5.8.18 When workload levels have changed, or as appropriate based on financial challenges, the County Administrator may require the submittal of multiple budget scenarios including departmental reductions.
- 5.8.19 In an effort to continuously evaluate opportunities to provide services more efficiently and cost-effectively, all County departments/agencies/offices are expected to evaluate their operations (including the need to fill vacant positions) as a

part of the budget process and throughout the course of the fiscal year and make the necessary reductions to their budget.

- 5.8.20 An indirect cost allocation plan in compliance with Federal OMB Circular A-87 Cost Principles for State and Local Governments is prepared on an annual basis. This third party-prepared plan determines the cost of administrative overhead that should be charged to departments/agencies/offices based on their portion of the services provided. This cost will be included in the budgets of Public Works, special revenue funds, and grants that use the County-wide rate. Property tax operating funds will not be charged the indirect cost to avoid the administrative burden.
- 5.8.21 The budget preparation of all departments/agencies/offices will be synchronized as much as possible to align with the County budget preparation process.
- 5.8.22 As outlined in the Strategic Plan, Staff will consistently consider and present options to advance energy and environmental stewardship (e.g., vehicle fleet, solar, wind, energy retrofits, etc.).

5.9 Personnel Guidelines

- 5.9.1 The County shall maintain compensation packages that are sufficient to attract and retain quality employees.
- 5.9.2 Department/Agency/Office Heads shall review each vacant position in their department during budget development with regard to each position's importance to the department's mission and any alternative to refilling the vacant position. Funding should be requested for only essential positions.
- 5.9.3 If, upon conducting research on workload, performance data, comparable organizations, and statutory and/or legal requirements, it is determined that strategic headcount reduction is necessary, rightsizing of departments / agencies / offices may be authorized through the budget process. This will ensure that each department/agency/office has the right headcount and right skillset to accomplish the needs of the organization.
- 5.9.4 Rightsizing may entail workforce planning, upskilling and/or reskilling, natural attrition, reduction of underperformers, a hiring freeze, or reduction of non-essential staff.
- 5.9.5 Consolidation, centralized services, shared services, or other productivity-enhancing alternatives to County personnel must be reviewed and considered by departments/agencies/offices as a means of cost savings before filling a vacancy or requesting a new position. Human Resources, the Finance Department, and the County Administrator's Office will review the options considered.
- 5.9.6 Reclassification of individual positions that impact budget shall follow documented Human Resources policies and procedures and should be introduced for consideration during the budget preparation process.
- 5.9.7 Major reorganizations of departmental staffing should occur through the annual budget development process.
- 5.9.8 Any funded position that is vacant for twelve months will automatically be eliminated during budget preparation along with its associated funding, unless

approved by the Board during budget hearings upon presentation of justification.

5.9.9 The County Administrator's recommendation for an annual salary / wage increase for County employees shall consider: (1) Consumer Price Index, (2) historical actuals, and (3) comparables to peer entities.

5.9.10 The increase in the wage tables that establish non-union wages and salaries by grade shall be increased by the Consumer Price Index (CPI) or one half the budgeted pay increase, whichever is lower. A formal study will be conducted every five years to normalize the table, if necessary.

5.10 Capital Improvement Guidelines

5.10.1 The County will develop a five-year prioritized plan for capital improvements and investments and update it annually. All departments/offices/agencies that have a separate capital planning process will present their current year budgeted capital plan in the context of the five-year plan.

5.10.2 The County will enact an annual capital budget in appropriate County funds based on the five-year capital improvement plan. Capital expenditures will be presented together as a comprehensive capital plan to facilitate transparency and long-term planning. The capital improvement plan budget will be adopted concurrently with the annual operating budget.

5.10.3 There will be an annual budgeted contribution to capital improvements from the operating expense budget in an amount equal to 1% - 5% of the Property Tax Operating Funds, excluding debt service.

5.10.4 Any additional operating costs associated with new capital improvements in the upcoming fiscal year will be projected and included in the appropriate operating budget.

5.10.5 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.

5.10.6 County staff 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.

5.10.7 The capital improvement funding requests will be evaluated against criteria established in the most current policy on capital improvements.

5.10.8 Medicaid Match. Revenues received by the Lake County Health Department from the Illinois Department of Healthcare and Family Services for Federally Qualified Health Centers (FQHC), providing Medicaid Match Managed Care Organization (MCO) funding will be the primary source of funding for Health Department capital and facility projects. The Lake County Health Department staff will prepare capital improvement projects using the County's standard Capital Improvement Program (CIP) format. Throughout the year, as capital and facilities projects are developed, they will be added to the County-wide integrated CIP and Facilities Assessment lists while awaiting Medicaid Match MCO funds. When Medicaid Match MCO funds become available, the Lake County Board of Health will review and approve the capital/facility project(s). Surplus Medicaid Match MCO funds can support Lake

County Health Department FQHC one-time, non-recurring operational expenses. Projects approved by the Lake County Board of Health will be sent to the Health and Community Services Committee and Finance and Administrative Committee for the appropriation of funds. Due to the nature of the receipt of the Medicaid Match MCO revenues, requests for appropriation will occur through the Emergency Appropriations process or, for carry over MCO revenue, the annual CIP and budget process.

- 5.10.9 All facility related costs including but not limited to requests for operational and maintenance costs, as well as building improvements of any kind shall be subject to review, revision, or consolidation by the County Administrator's Office. Requests shall be consistent with the Capital Improvement Plan.

5.11 Other Capital Expenses

- 5.11.1 Only items with a singular, unit cost of \$5,000 or more (including accessories) will be budgeted in the capital account category, in order to maintain consistency with the capitalization threshold. Smaller dollar purchases and replacements will be budgeted in the 6x Commodities account category and must be absorbed in the department/agency/office budget as the costs fluctuate from year to year.
- 5.11.2 Departments/agencies/offices are required to provide a multi-year replacement plan for large cost (greater than \$5,000) items/processes. Anything that is or will be budgeted in the capital (8x) account category must be included in this plan. The department/agency/office will update the plan annually to add subsequent years and update the replacements.
- 5.11.3 Requests for capital outlay should be limited to replacement items; upgrade or modernization of a current good, process, program or activity (with supporting documentation of comparison to in-kind replacement); or a sustainable alternative to a current good, process, program or activity (with supporting documentation of comparison to in-kind replacement). Request for new or expanded capital items must be submitted through a New or Expanded Program Request, if being accepted for the new fiscal year.
- 5.11.4 Capital expenditures funded with grant revenue will remain budgeted in department accounts and will be budgeted consistently with this policy.
- 5.11.5 All purchases shall be limited to those items identified in the budget submittal. Any substitutions or additions must be approved in advance by the Chief Financial Officer.

5.12 New or Expanded Programs

- 5.12.1 Budget Planning Departments/agencies/offices may only budget the same level of services and operations as has been previously approved. No new or expanded service or program can be included in the requested budget unless specifically allowed in the Annual Budget Planning Guidance approved by the Board.
- 5.12.2 A request will be considered a New Program if it is a new service/product offering not currently provided/owned by the department/agency/office. New program requests must have a definitive tie to the County Board's approved Strategic Plan.

- 5.12.3 A request will be considered an Expansion if it is intended to increase the level or reach of a program/service/tool currently provided/owned by the department/agency/office.
- 5.12.4 All requests will be included in the budget document, but only those that fulfill the required elements of the request package and that are recommended for funding in the Recommended Budget will be presented during the budget hearings for consideration.
- 5.12.5 The quantifiable or qualitative results or outcomes that will result from the new or expanded program must be included in the request package and will be reported upon to the County Board, both upon approval and after a reasonable timeframe to ensure the outcome was achieved.
- 5.12.6 Board Member requests will not be accepted. Board Members should make a request to the appropriate standing committee for consideration of a new initiative, as indicated in the County Board Rules of Order and Operational Procedures. These requests should be vetted through standing committees sufficiently before the department/agency/office budget submission deadline to allow staff time for inclusion during budget preparation and balancing.

5.13 Policy review and update shall be in accordance with policy 3.1 *Finance Policy*.

6. Severability

- 6.1 If any section or provision of this document should be held invalid by operation of law, none of the remainder shall be affected.

7. Non-Discrimination

- 7.1 Lake County prohibits the discriminatory application, implementation, or enforcement of any provision of this policy on the basis of race, color, sex, age, religion, disability, national origin, ancestry, sexual orientation, marital status, parental status, military discharge status, source of income, gender identity housing status, or any other protected category established by law, statute, or ordinance.

Policy History			
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