



# **Capital Reallocation**

**Finance & Administrative Committee**  
**Thursday, March 6, 2025**

# Discussion Points

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- **Background Information/Policy**
- **Staff Recommendation/Action Item**

# Background / Policy


March 6, 2025

# Relevant Board Policy

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- Spelled out in Lake County Finance Policy 3.2 Fund Balance Reserve Policy

 <b>Lake County Policy</b>	<b><i>3.2 Fund Balance Reserve Policy</i></b>
	Approved by the County Board on: May 10, 2022

# Importance of Reserves

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- **Accommodate for contingencies (e.g., natural disaster, pandemic, unfunded mandates, unstable revenue)**
- **Accumulate funds for capital projects and other one-time expenses**
- **Ensure cash availability when revenue is unavailable**
- **Bond rating agency creditworthiness (ability to borrow debt at a lower interest rate)**

# Operating Property Tax Levy Funds LakeCounty

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- **General Fund**
  - Capital Improvement Fund
  - Video Gaming Fund
- **FICA**
- **IMRF**
- **Liability/Risk**
- **VAC**
- **Health**
- **Stormwater**
- **Division of Transportation**
- **Hulse Youth Detention Center**
- **Tuberculosis Clinic**

# Balanced Budget

## (Policy 3.5 Budget Development Policy)

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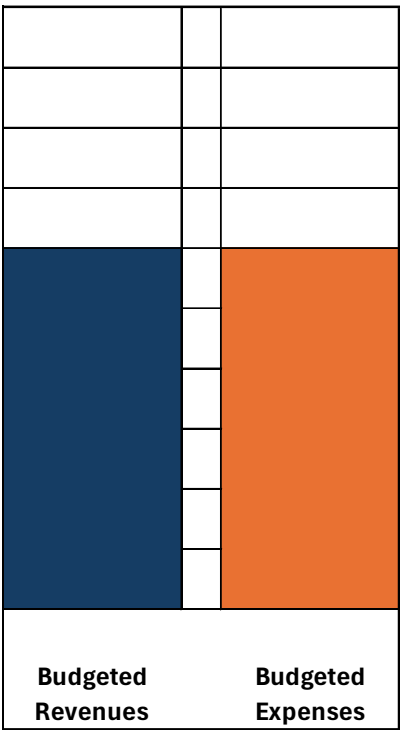


- 5.8.1 The County will prepare an annual budget and will strive to pay for all current expenditures with current revenues.
- 5.8.3 The budget as recommended to the County Board shall be balanced. The budget will be considered balanced when planned operating expenditures in the Property Tax Operating 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.

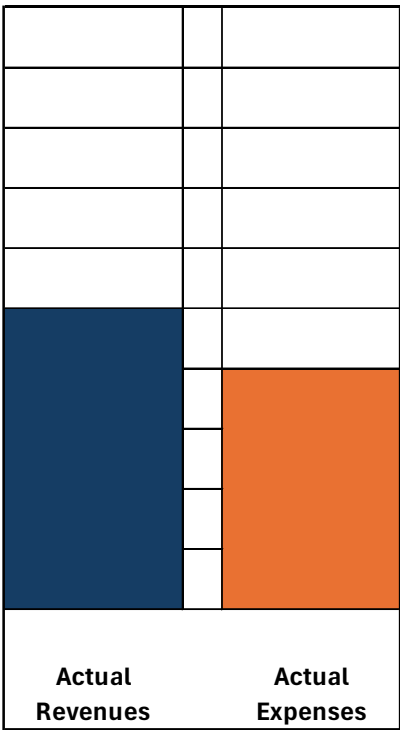
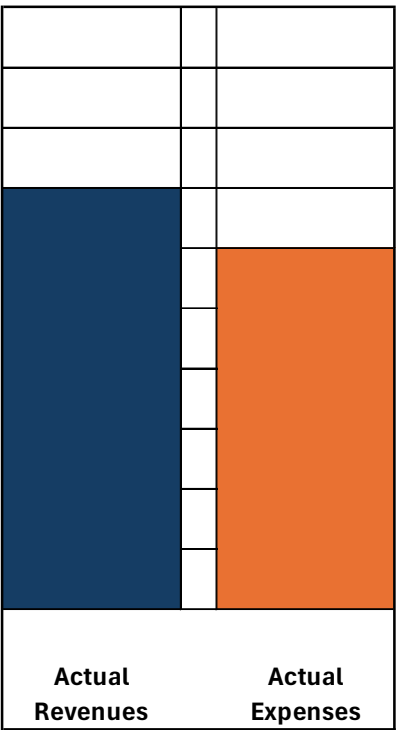
# Budget vs. Actual Performance



The Budget Plan



Two examples of what often happens...





# Fund Reserve Requirement

## (Section 5.4)

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**The Lake County fund balance reserve shall meet the following requirements:**

- **Designated reserves will be maintained in the amount equal to the carryovers approved annually by the County Board for unfinished, encumbered projects budgeted in the previous fiscal year.**
- **Additional designated reserves will be maintained for Risk Management & Liability Insurance Fund liabilities in an amount based on a professionally performed actuarial analysis.**
- **An undesignated reserve shall not fall below 29% of the current fiscal year appropriation, with the exception of the FICA, IMRF and Risk Management & Liability Insurance Funds.**
- **The FICA, IMRF, and Risk Management & Liability Insurance Funds must maintain a minimum undesignated reserve of 12%.**

# Reserve Calculation



Comparison between:

Audited FY23 Ending Fund Balances in the General, FICA, IMRF, Liability/Risk, VAC, Health, Stormwater, DOT, Hulse, and TB Funds

and

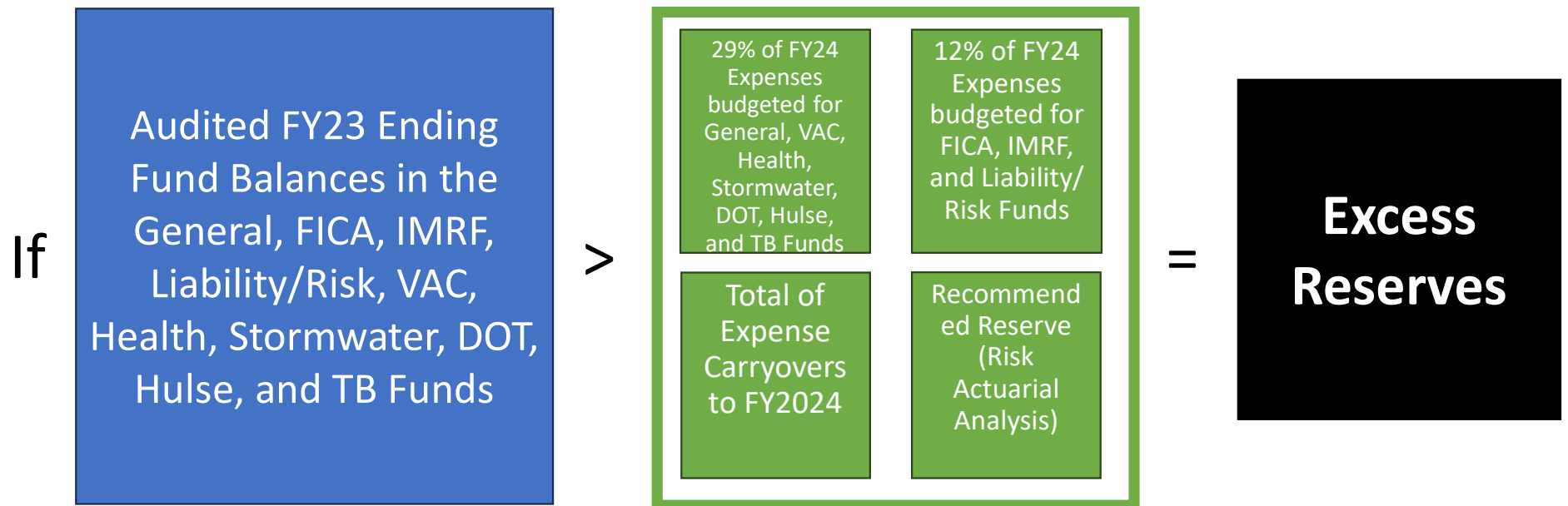
29% of FY24 Expenses budgeted for General, VAC, Health, Stormwater, DOT, Hulse, and TB Funds

12% of FY24 Expenses budgeted for FICA, IMRF, and Liability/Risk Funds

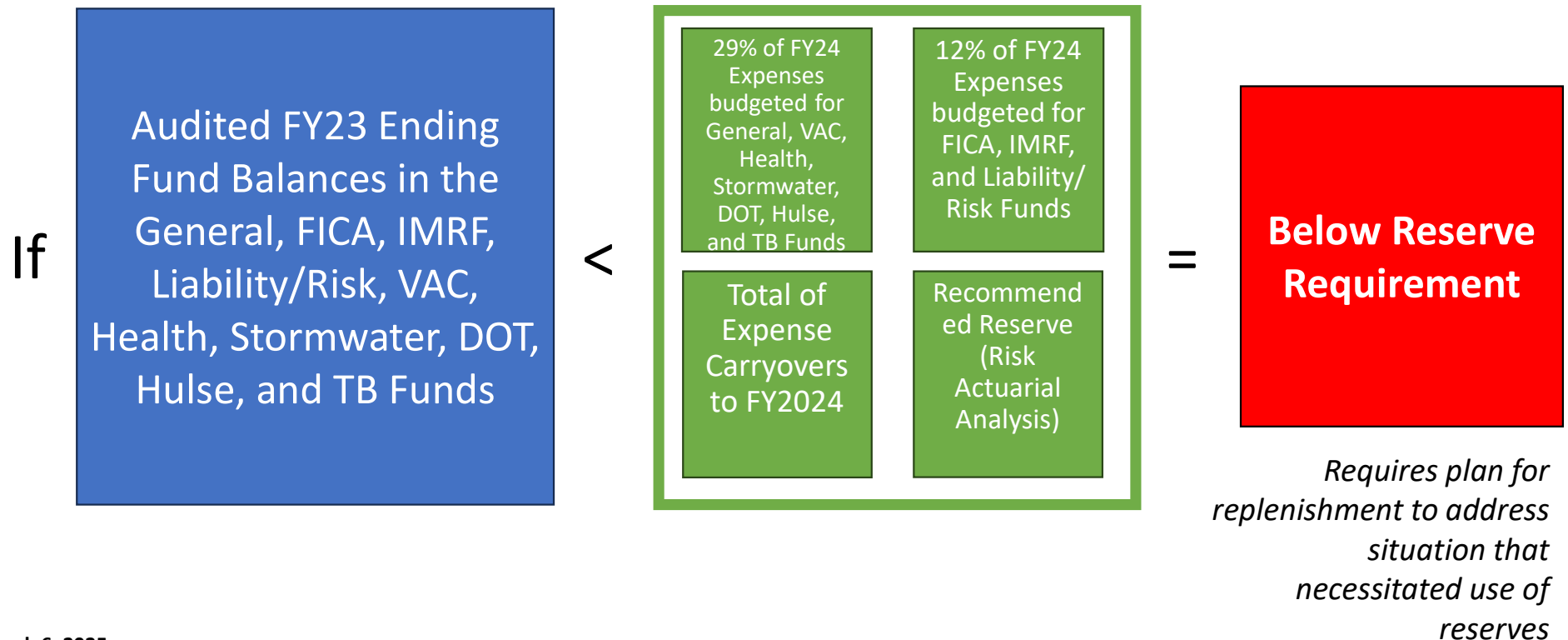
Total of Expense Carryovers to FY2024

Recommended Reserve (Risk Actuarial Analysis)

# Reserve Calculation



# Reserve Calculation



# Section 5.9 Excess Undesignated Reserves

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5.9 The County Board shall designate excess undesignated reserves, above the 29% minimum threshold, for the purpose of funding future capital and technology projects or other one-time expenditures.

# Capital Improvements Funding Sources



Types of Capital Improvements	Funding Source(s)
Water and Sewer facility and system improvements	Public Works User & Connection Fees Revenue Bonds
Roads, non-motorized transportation	Motor Fuel Tax Funds County Option Motor Fuel Tax Funds ¼% RTA Sales Tax for Transportation & Public Safety Matching Tax Bridge Tax General Obligation Bonds
Buildings, facilities, systems/technology, stormwater improvements, sustainability, and anything else	Reallocation to Capital (in years when there is a surplus) General Obligation Bonds

# **Staff Recommendation / Action on Item 8.8**

March 6, 2025

# Fiscal Year 2023 Highlights

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- **General Fund:**
  - \$5.6M in unspent salary and employee benefits
  - \$4.9M ¼% Sales Tax over budget
  - \$4.0M Tax Sale proceeds/Penalties & Interest on Property Tax over budget
  - \$1.0M Cannabis Sales Tax over budget
  - \$2.2M State Income Tax over budget
  - \$1.6M Traffic Revenue over budget
- **Health Department:**
  - \$7.5M in unspent salary and employee benefit
  - \$1.6M in unspent commodities
  - \$3.2M in unspent contractual expenses
  - \$2.0M in unspent capital
  - -\$12.4M in unearned revenue
  - Net \$1.9M contributing to excess reserves



# Capital Improvements Needs



## FY 2025 Facilities CCIP Priorities



Board Ranking	CA Ranking	FY 25 Stakeholder Ranking	FY24 Ranking	Project Title	Cost Est (\$Million)	Alt Cost (\$Million)
<b>Facilities Major Maintenance &amp; Repair (MM&amp;R)</b>						
	<b>1</b>	n/a		Babcox Jail Medical, HVAC/Air Handlers <sup>1</sup>	<b>\$6.0<sup>1</sup></b>	-
<b>Major Construction</b>						
	<b>1</b>	2.5	2	Coroner's Office	\$11.0	<b>\$6.0<sup>2</sup></b>
	<b>2</b>	2.8	1	Sheriff's Office Public Safety Building	\$53.0	<b>\$10.0<sup>2</sup></b>
	<b>3</b>	4.8	3	Court Tower – Courtroom Build-out	<b>\$12.4</b>	\$-
	<b>4</b>	4.9	4	Center Courts 1 <sup>st</sup> Floor Renovation, Customer Service	\$7.5	<b>\$1.0</b>
	<b>5</b>	5.1	5	Babcox Jail Medical Expansion <sup>1</sup>	\$16.7	<b>Note 1</b>
	<b>6</b>	5.7	7	DOT Truck Barn and Multi-Use Facility <sup>3</sup>	<b>\$30.1</b>	\$-
	<b>7</b>	6.2	6	Child Advocacy Center	\$6.7	<b>\$-</b>
	<b>8</b>	7.2	8	Libertyville Campus Utility Improvements	\$5.0	<b>\$-</b>
	<b>9</b>	7.2	9	Annex Renovations (Basement – 4 <sup>th</sup> Floors)	\$40.7	<b>\$5.0</b>
	<b>10</b>	8.2	10	Center Courts Renovations (2 <sup>nd</sup> - 4 <sup>th</sup> Floors) <sup>4</sup>	\$48.4	<b>\$0.8</b>
<b>Totals:</b>					<b>\$231.5</b>	<b>\$22.8</b>

<sup>1</sup> HVAC only, requires phasing with other projects

<sup>2</sup> Alternative solution to construct multi-use facility for Coroner and Sheriff's Office

<sup>3</sup> Multiple funding sources

<sup>4</sup> Multiple Phases to remove asbestos material



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# Capital Improvements Fund



Fiscal Year	Fund Balance
FY2023 (Audited)	\$30,356,720
FY2024 (Estimated)	\$20,816,006

March 6, 2025

# Recommended Action

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- **Designate excess reserves in the amount of \$23,607,090 in Fund 106 Capital Improvements Fund for future capital improvements**



**Questions**