



Date: June 1, 2018

To: Honorable Finance and Administrative Committee Chair and Members

From: Dakisha R. Wesley, Assistant County Administrator

Subject: Fiscal Year 2017 Year-End Report

Attached for your review please find the 2017 year-end report that compares 2017 financial performance to previous years. Please note that this report is being presented prior to the completion of the audit, and as a result is subject to final adjustments. I have highlighted several of the more significant items in the summary below.

- Overall, financial performance in 2017 was positive. All Departments and Agencies ended FY2017 within the total budget allocation. A table of salary expenses by Department/Agency compared to budget is included in the attached report. Interest Income performed considerably well due to higher than anticipated interest rates. Specifically, the General Fund realized an additional \$555,530 in revenue.
- As it relates to State Shared Revenues, the net effect was a reduction of about \$2.2 million. The most significant decreases were in State Income tax (\$453,386), 1% County Sales Tax (\$392,770) and the RTA ¼% Supplemental Sales Tax (\$325,933). The RTA ¼% Supplemental Sales Tax goes towards transportation projects, while to the other two goes into the general fund.
- Expenses were higher than FY2016 actuals largely due to Capital cost increases due to the construction on the Robert W. Depke Juvenile Justice Center in Vernon Hills and the Storage Facility in Libertyville. Most other account classes were virtually flat or decreased.
- Other notable expenditure trends include lower than budgeted wages and benefits in various departments/agencies due to vacancies/turnover and increased expenditures due to the opening of an additional jail pod that was offset by vacancy savings and funding from the general operating expense account. In addition, both revenue and expense for health insurance came in about 6% less than budget. In the Health Department, there was both less spending and less revenue as a result of grants not received. Finally, as is the case every year, capital expenditures were significantly less than the budget, as projects are carried over across multiple years.

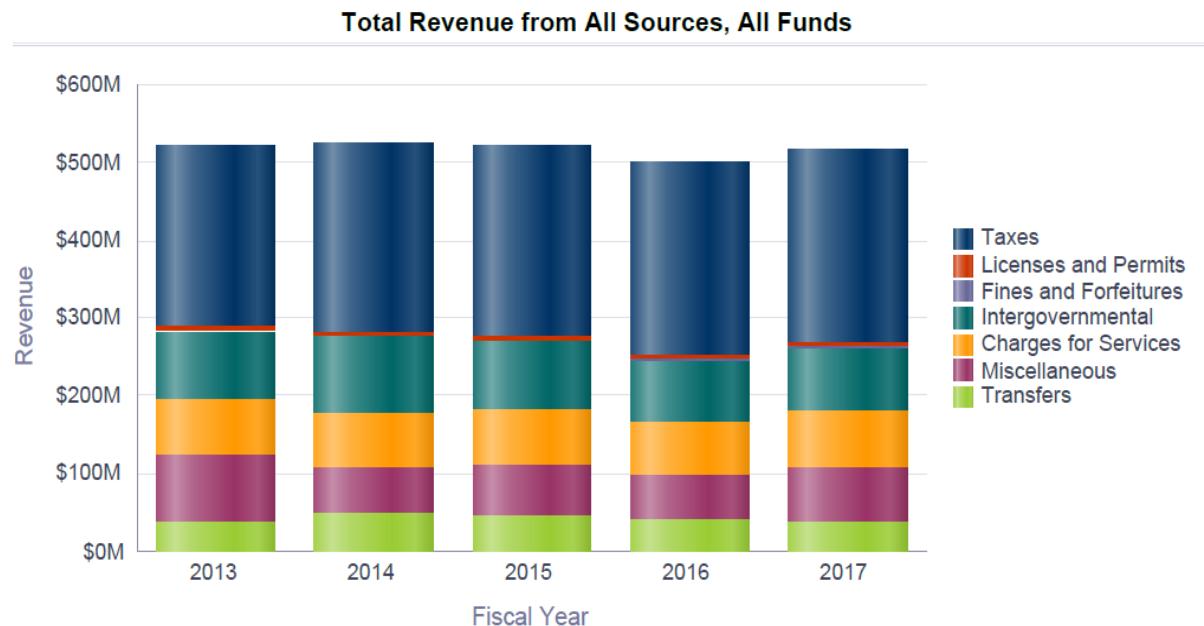
Additional information on expenses and revenues is detailed in the attached report that will be presented at the June 6th F&A meeting.

FINANCE AND ADMINISTRATIVE SERVICES

LAKE COUNTY * 18 N COUNTY STREET * 9TH FL * WAUKEGAN, ILLINOIS 60085

FY2017 Year-End Report

TOTAL REVENUE – ALL FUNDS



Revenue Category	2013	2014	2015	2016	2017
Taxes	\$231,751,057	\$242,242,903	\$243,515,842	\$248,087,849	\$248,689,729
Licenses and Permits	\$5,180,596	\$5,580,960	\$5,854,084	\$5,504,003	\$5,833,648
Fines and Forfeitures	\$1,323,684	\$1,315,793	\$1,453,107	\$1,368,103	\$1,350,102
Intergovernmental	\$85,187,141	\$96,895,886	\$88,424,204	\$78,153,824	\$81,041,232
Charges for Services	\$74,217,304	\$71,032,715	\$71,618,634	\$68,793,854	\$74,028,000
Miscellaneous	\$84,840,063	\$59,748,456	\$63,421,054	\$56,448,761	\$66,885,021
Transfers	\$37,725,683	\$47,195,766	\$46,174,478	\$40,808,445	\$38,960,414
Total Revenue	\$520,225,527	\$524,012,478	\$520,461,402	\$499,164,839	\$516,788,146

Compared to FY2016, FY2017 total revenues increased by approximately \$17.6 million or 3.5%. The increase is due primarily to collections in the Charges for Services and Miscellaneous revenue categories. The Charges for Services category includes fee revenues, such as building permit fees, court fees, and fees for medical services while miscellaneous revenue consists of items such as interest income, surcharges on fines, rental income, proceeds from sale of assets, and other miscellaneous revenue.

For Charges for Services revenue, multiple fees were raised to better capture expenses. Public Works connection fee revenue yielded approximately \$2.5 million more than anticipated, as a large development project came online sooner than anticipated in FY2017. Additionally, Public Works User Charges also finished the year, \$2.6 million more than expected.

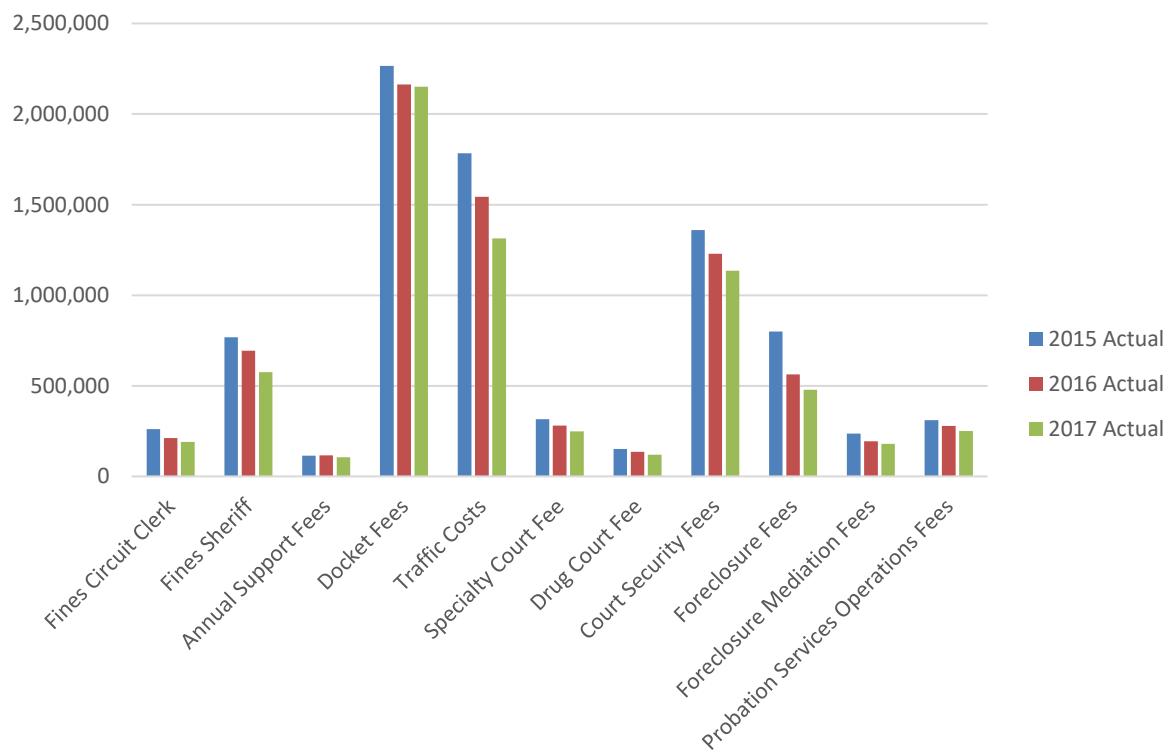
The increase in the Miscellaneous category is primarily due to revenue from the IL EPA's Water Pollution Control Loan Program (WPCLP) which is used to fund wastewater projects.

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It is important to note that the decrease from FY2015 to FY2016 is because of an approximately \$15.8 million decrease attributable to the transition of Winchester House operations. FY2016 was the first full year of a new contractual arrangement for Winchester House. Under the previous contract, all expenditures and revenues flowed through the County. Under the current arrangement, both revenues and expenditures are no longer part of the County's financial statements, except for limited and specific revenues and expenditures.

Continuing the trend seen in recent years, court-related fee revenue declined in FY2017 and finished the year \$660,413 less than FY2016 actuals. The most significant contributors to this decrease include: Traffic Costs (\$228k) and Sheriff Fines (\$118.7k). The court-related revenues are presented in the following chart and table.

Court-Related Fees - 3 Year History



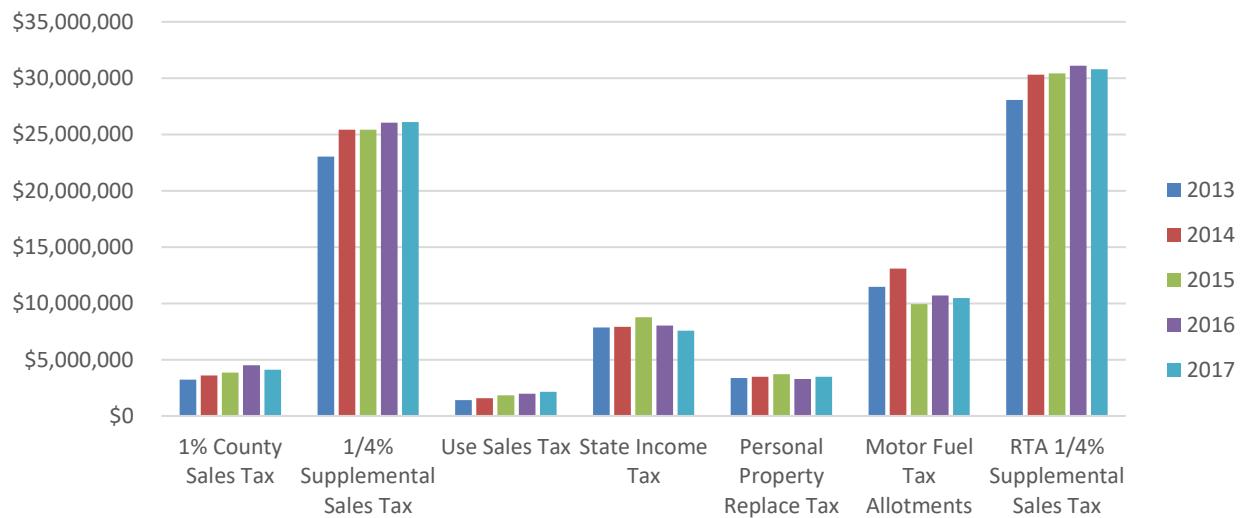
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Fee or Fine	2015 Actual	2016 Actual	2017 Actual
Fines Circuit Clerk	260,219	212,065	190,748
Fines Sheriff	768,612	694,116	575,445
Annual Support Fees	114,806	116,109	106,297
Docket Fees	2,265,684	2,163,936	2,150,138
Traffic Costs	1,782,736	1,542,691	1,314,340
Specialty Court Fee	315,272	280,131	248,025
Drug Court Fee	151,814	135,577	120,193
Court Security Fees	1,359,450	1,228,533	1,135,201
Foreclosure Fees	800,100	562,400	477,400
Foreclosure Mediation Fees	236,875	194,375	180,500
Probation Services Operations Fees	309,577	278,853	250,085
Total Court-Related Fees	8,365,145	7,408,786	6,748,373

State Shared Revenues

As illustrated in the chart below, several revenues declined slightly or very marginally increased in FY2017 when compared to prior years. The most significant decreases were in State Income Tax (\$453,386), 1% County Sales Tax (\$392,770) and the RTA ¼% Supplemental Sales Tax (\$325,933). Overall, the net effect was a reduction of about \$2.2 million in state shared revenue. The RTA ¼% Supplemental Sales Tax revenue goes to transportation projects while the other two revenues go to the general fund.

State Shared Revenues - 5 year History

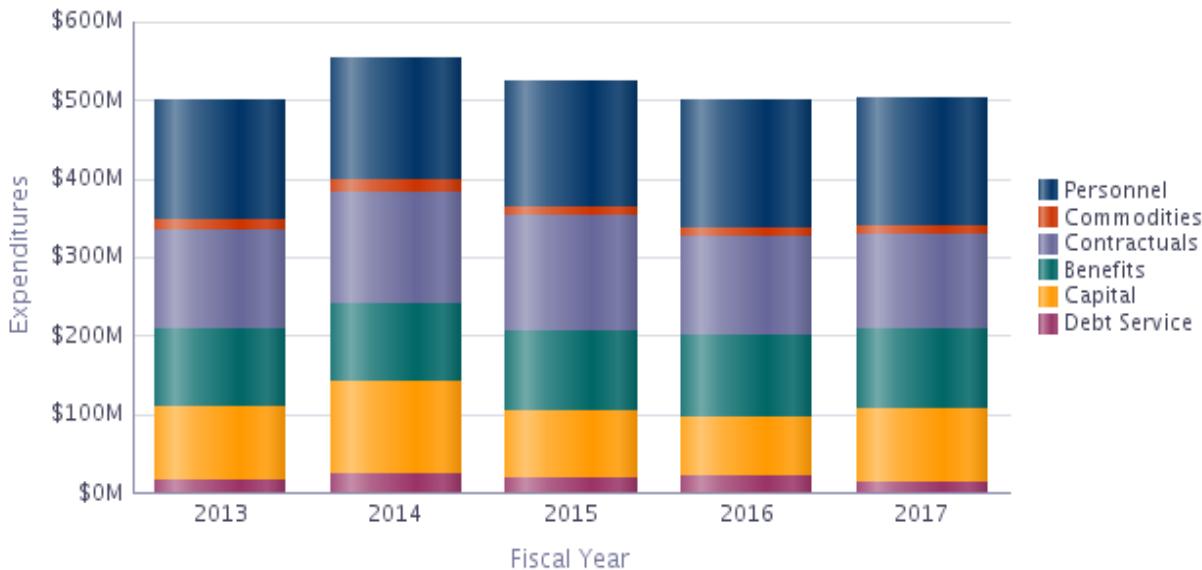


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Revenue	2013	2014	2015	2016	2017
1% County Sales Tax	\$3,212,296	\$3,600,647	\$3,854,281	\$4,501,065	\$4,108,295
1/4% Supplemental Sales Tax	\$23,039,516	\$25,413,674	\$25,405,168	\$26,036,708	\$26,113,852
Use Sales Tax	\$1,395,753	\$1,584,517	\$1,822,083	\$1,969,086	\$2,131,648
State Income Tax	\$7,862,534	\$7,900,226	\$8,779,435	\$8,031,953	\$7,578,567
Personal Property Replacement Tax	\$3,375,878	\$3,475,405	\$3,705,966	\$3,283,812	\$3,467,850
Motor Fuel Tax Allotments	\$11,466,733	\$13,079,453	\$9,935,635	\$10,685,918	\$10,462,088
RTA 1/4% Supplemental Sales Tax	\$28,073,082	\$30,300,745	\$30,421,112	\$31,101,965	\$30,776,032
Total State-Shared Revenues	\$78,425,792	\$85,354,666	\$83,923,680	\$86,791,484	\$84,638,331

TOTAL EXPENSES – ALL FUNDS

Actual Expenditures By Category, All Funds



Expense Category	2013	2014	2015	2016	2017
Personnel	\$152,197,375	\$156,558,728	\$159,632,671	\$162,399,966	\$162,107,616
Commodities	\$14,366,431	\$14,581,375	\$11,676,880	\$11,466,595	\$11,411,473
Contractuals	\$124,527,055	\$142,280,775	\$144,810,133	\$125,295,141	\$120,018,834
Benefits	\$98,516,046	\$100,603,040	\$103,881,816	\$103,788,803	\$102,531,039
Capital	\$94,592,891	\$116,604,017	\$85,538,440	\$75,757,796	\$91,959,313
Debt Service	\$16,077,693	\$24,091,839	\$17,763,281	\$20,459,488	\$14,196,021
LC Total Expenses	\$500,277,490	\$554,719,775	\$523,303,221	\$499,167,788	\$502,224,296

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In total, expenses across all funds were down 0.6% from FY2016. This decrease was due primarily to Debt Service, which decreased 30%. Capital increased more than 20% due to the construction on the Robert W. Depke Juvenile Justice Center in Vernon Hills and the new storage Facility in Libertyville. Please note that unspent capital funds from FY2017 have been carried over to FY2018, as these projects often span multiple fiscal years.

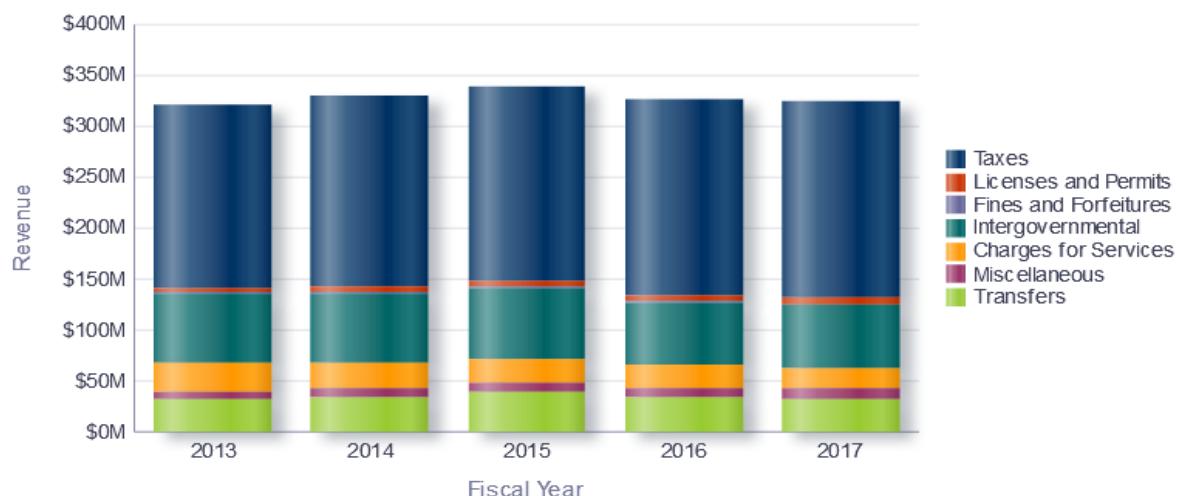
PROPERTY TAX OPERATING FUNDS

In order to isolate the operating funds (those that fund the day-to-day operations of the County), this section analyzes the revenue and expense in Funds 101 – 220 only.

Revenue

Revenues from all sources in Property Tax funds in FY2017 remained virtually flat, decreasing only 0.4% from FY2016. As a whole, revenues for property tax funds were at 96% of the FY2017 budget of \$337,995,297.

Total Revenue from All Sources, Property Tax Operating Funds Only



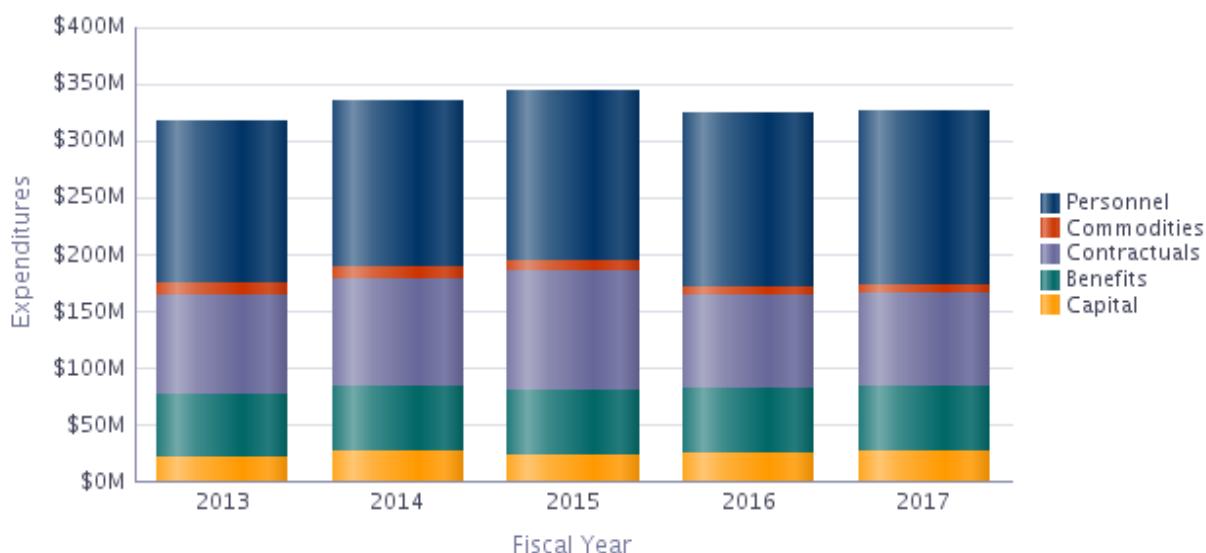
Revenue Category	2013	2014	2015	2016	2017
Taxes	\$179,250,911	\$186,092,674	\$190,481,896	\$191,467,075	\$192,842,810
Lenses and Permits	\$5,180,596	\$5,580,960	\$5,854,084	\$5,481,067	\$5,785,354
Fines and Forfeitures	\$1,288,829	\$1,236,607	\$1,364,047	\$1,295,695	\$1,326,384
Intergovernmental	\$67,587,989	\$67,793,452	\$69,067,178	\$61,380,619	\$61,540,131
Charges for Services	\$27,896,020	\$24,647,157	\$23,634,416	\$22,804,580	\$20,824,010
Miscellaneous	\$7,631,106	\$9,197,448	\$8,961,381	\$9,335,565	\$10,135,950
Transfers	\$32,316,893	\$34,626,180	\$39,421,680	\$33,908,322	\$32,034,910
LC Total Revenue	\$321,152,343	\$329,174,478	\$338,784,682	\$325,672,923	\$324,489,549

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Expense

Expenses were higher than FY2016 actuals largely due to Capital cost increases due to the construction on the Robert W. Depke Juvenile Justice Center in Vernon Hills and the Evidence Storage Facility in Libertyville. Most other account classes were virtually flat or decreased. The largest decrease was in Contractuals, which was due to several items, including a reduction in costs for judges of elections (\$280k), postage costs (\$136.7k), management fees for Winchester House (\$711.8k), and bad debt expense (\$675k). As a whole, expenses for property tax funds were at 78% of the FY2017 budget of \$418,029,468.

Actual Expenditures By Category, Property Tax Operating Funds Only



Expense Category	2013	2014	2015	2016	2017
Personnel	\$142,445,710	\$146,774,219	\$149,410,418	\$152,084,714	\$152,794,041
Commodities	\$10,158,637	\$10,267,360	\$8,519,619	\$7,546,012	\$7,785,843
Contractuals	\$88,448,508	\$95,102,544	\$105,066,298	\$82,608,594	\$80,843,545
Benefits	\$54,696,036	\$56,875,624	\$57,642,589	\$57,805,972	\$57,729,440
Capital	\$21,478,313	\$26,875,609	\$23,293,189	\$24,258,538	\$26,657,278
LC Total Expenses	\$317,227,204	\$335,895,357	\$343,932,113	\$324,303,831	\$325,810,147

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GENERAL FUND

General Fund revenue realized a decrease from the modified budget amount by \$2.9 million, finishing the year at 98%. Licenses and Permits, Fines and Forfeitures, Interest, and Miscellaneous Revenues exceeded budget. Interest income did particularly well as interest rates rise, with an additional \$555,530 in revenue.

Shortfalls were seen in State Shared Taxes (State Income Tax and PPRT), Intergovernmental, and Transfer revenue. These last two sources are highly variable due to the timing of various road project payments.

Actual Revenue vs Budget, General Fund Only

Revenue Category	Modified Budget	Actual Amount	% Collected
411X - Local Taxes	\$110,628,213	\$111,017,705	100%
41X - State Shared Taxes	\$11,866,000	\$11,046,416	93%
42X - Licenses and Permits	\$3,440,640	\$3,710,937	108%
43X - Fines and Forfeitures	\$1,197,007	\$1,296,205	108%
44X – Rentals	\$4,500	\$10,894	242%
45X – Intergovernmental	\$15,031,123	\$13,692,670	91%
46/7X - Charges for Services	\$16,552,790	\$15,459,190	93%
48X – Interest	\$1,517,900	\$2,073,430	137%
48X – Miscellaneous	\$6,764,317	\$7,128,512	105%
49X – Transfers	\$21,622,814	\$20,299,141	94%
Grand Total	\$188,625,303	\$185,735,100	98%

Only 71% of the modified budget was expended, with Wages and Benefits under budget by \$1.7 million and \$1.36 million, respectively. However, carryovers of \$43.6 million to FY2018 have been approved; therefore, the revised actual amount expended is 88%.

In Commodities, accounts impacted by the opening of an additional pod reached or exceeded the budget. These accounts include Food and Provisions, Cleaning Supplies, and Linen and Bedding. There will be more detail on these accounts in the section on the Sheriff's Office. At the same time, there were also several accounts that finished the year under budget, such as Office Supplies at 77%, Operational Supplies at 78%, and Ammunition at 73%. The dollar amount of commodities carryovers to FY2018 was low, so the number in the following table represents true savings in this expense category.

In Contractuals, carryovers totaled \$4.8 million, making the total amount spent or carried into FY2018 for spending \$37 million, or 94% of the modified budget.

Capital projects often span multiple years and are funded through carryovers, so it is not unusual that those funds show that only 27% of the modified budget was spent. In addition to the actual spending, more than \$33 million was carried into FY2018 to allow projects to continue.

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Actual Expenses vs Budget, General Fund Only

Expense Category	Modified Budget	Actual Amount	% of Budget Spent
5X-Personnel	\$93,281,938	\$91,563,462	98%
6X-Commodities	\$3,886,395	\$3,274,876	84%
7X-Contractuals	\$39,609,445	\$32,419,798	82%
7XX-Benefits	\$35,620,121	\$34,259,712	96%
8X-Capital Outlays	\$86,991,018	\$23,876,562	27%
Grand Total	\$259,388,916	\$185,394,409	71%

Additional departmental details that explain these variances are shown below.

The **Planning, Building and Development Department** ended the year with revenues coming in at budget. The Planning Department received higher than budgeted revenues in several areas, including Zoning Administration Fees (\$120.7k more than budgeted or 155% of budget) and Revenue from Municipalities (\$92k more than budgeted or 132% of budget).

The Planning Department came in nearly 8% or \$303k below budget for expenses. Savings in employee wages and benefit costs account for nearly 50% of the savings. The remainder is largely from Consultants, Abatements, and Temporary Employment Services in the contractuals cost category.

The **Sheriff's Office** ended the year with revenues falling short of budget by \$410,537. While some revenues were significantly less than projected, such as All Other Salary Reimbursement by \$278,513, others exceeded projections significantly, such as Special Police Services by \$147,694, and Telephone Commissions by \$131,058.

During most of the fiscal year, the average daily population in the jail was over 600 and some costs were higher, as additional pod had to be opened. This pod had been in operation since Fall 2016. In August 2017, the County Board authorized up to \$750,000 from GOE (General Operating Expense) for Corrections to cover the costs of employing additional corrections officers to operate the pod, as these costs were not anticipated in the FY2017 budget. Of this amount, \$449,722 was used for wage and benefit costs of corrections officers hired during the calendar year to meet this need.

As referenced in the section on the General Fund, some accounts were impacted by the opening of the additional pod and as a result, each exceeded its budget. The accounts exceeding budget related to the pod and related information are displayed in the following table.

Account	FY2017 Actual	% of Budget	Amount in Excess of Account Budget
Food and Provisions	\$910,562	116%	\$124,061
Cleaning Supplies	\$183,658	122%	\$33,360
Linen and Bedding	\$57,337	157%	\$20,793

In addition, overtime wages were over budget by \$2,789,816, but these costs were offset by vacant positions in the Sheriff's Office. Despite these challenges, and with the help of funding from GOE, the

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Sheriff's office ended the year with expenditures under budget by \$516,113, with nearly all resulting from savings in employee benefit costs, specifically FICA and SLEP.

In the **Recorder of Deeds' Office**, document recordings were 96,106, down from 101,210 in FY2016. As the Recorder budgeted for 100,000 recordings, revenues to the GIS Fund and Recorder Automation Funds were down \$67,442, though together the funds came within 4% of their budgeted amount.

The **County Clerk's Office** saw a decline in redemption fees and tax sale notices, however revenues slightly exceeded projections overall by 4%, or \$38,180, due to revenues for items like marriage licenses coming in higher than expected.

OTHER PROPERTY TAX FUNDS

The **Health, Life & Dental Fund** ended FY2017 within 6% of budget for revenues and expenses. Revenues for benefit reimbursements provided the bulk of the reason for not meeting budget, however, given the nature of Lake County's self-insurance, this shortfall is a positive development as it implies less usage of services. Expenses for many accounts were at or near budget, however, there was close to \$200,000 saved in Voluntary Insurance (74060) as employees purchased less benefits than expected.

Budget to Actuals - Health, Life, & Dental Fund

	Modified Budget	Actuals	% of Budget
Revenue	\$45,189,420	\$42,694,593	94%
Expenses	\$45,189,420	\$42,647,823	94%

The **Risk (Liability Insurance) Fund** ended FY2017 with revenues down by approximately \$200,000 from budget, however, expenses for risk premiums, unemployment compensation, and other legal costs were approximately \$293,000 less than budgeted.

Budget to Actuals - Risk (Liability Insurance) Fund

	Modified Budget	Actuals	% of Budget
Revenue	\$6,300,407	\$6,096,815	97%
Expenses	\$6,686,800	\$6,393,252	96%

The **Health Department** experienced decreases in grant revenue due to funding cuts from the State of Illinois. In addition, the Health Department also had several individuals take advantage of the Accelerated Retirement Option (ARO). As a result, the Department had a decrease in personnel costs of \$2.1M. Additionally, the Zion Clinic project of approximately \$3 million started in late FY2017. The Department had \$6.3 million in carryovers, including unspent dollars for the Zion Clinic. The result is that more than \$77 million, or 92%, of the budget was spent in FY2017.

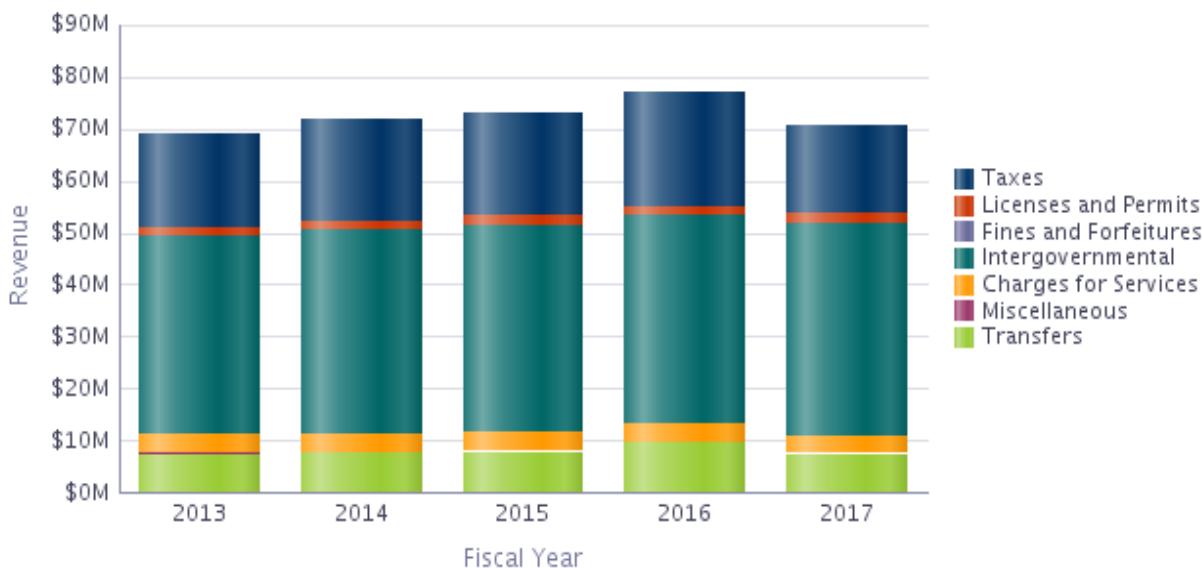
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Budget to Actuals – Health Department

	Modified Budget	Actuals	% of Budget
Revenue	\$78,210,975	\$70,718,156	90%
Expenses	\$83,573,352	\$72,115,054	86%

The following charts illustrate the revenues and expenses by category.

Total Revenue from All Sources, Health Department Only



Health Department Expenses by Category

Expense Category	Modified Budget	Actual Amount	Variance Amount	% of Budget Spent
Personnel	\$47,919,623	\$43,880,645	\$4,038,978	92%
Commodities	\$2,529,833	\$2,335,509	\$244,932	92%
Contractuals	\$9,823,619	\$8,270,150	\$2,183,125	84%
Benefits	\$18,235,858	\$16,261,458	\$1,974,400	89%
Capital Outlay	\$5,064,419	\$1,561,492	\$1,001,978	31%
Grand Total	\$83,573,352	\$72,309,254	\$9,443,414	87%

The **Division of Transportation** ended FY2017 with expenditures at 95% of budget. Due to the large flood event in FY2017, DOT exceeded its overtime budget by \$33,000, its gasoline budget by \$7,083, and came under its diesel budget by just \$2,055. DOT used 661 hours OT for \$52,046 during the flood of 2017. The winter was mild, and this helped reduce truck hours, salt costs, and overtime from plowing. Revenues were at 98% of budget.

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Budget to Actuals - Division of Transportation

	Modified Budget	Actuals	% of Budget
Revenue	\$19,409,494	\$19,047,467	98%
Expenses	\$20,704,771	\$19,736,509	95%

Public Works

As referenced earlier, Public Works had an increase in total charges for services, due largely to Connection Fees being greater than anticipated. \$3.5 million was budgeted for, but actual revenues were \$6.03 million, as a large development project came online in FY2017. In addition, User Charges were budgeted conservatively at \$37.6 million, with actual revenue being \$40.2 million. Finally, revenue from the IL EPA's Water Pollution Control Loan Program (WPCLP) is reflected in the modified budget under "Loan Proceeds" in the miscellaneous revenue category. As mentioned earlier, these dollars are used to fund wastewater projects.

Revenue Category	Adopted Revenue Budget	Modified Revenue Budget	Revenue Actual	% of Budget Received
Local Taxes	\$178,845	\$178,845	\$178,851	100%
Fines and Forfeitures	\$500	\$500	\$501	100%
Rentals	\$154,100	\$154,100	\$185,550	120%
Intergovernmental	\$340,026	\$340,026	\$618,330	182%
Charges for Services	\$42,229,200	\$42,229,200	\$47,826,788	113%
Interest	\$88,000	\$88,000	\$98,208	112%
Miscellaneous / Developer Contributions / Loan Proceeds	\$27,000	\$27,000	\$13,086,267	
Transfers	\$40,000	\$40,000	\$51,456	129%
Grand Total	\$43,057,671	\$43,057,671	\$54,253,191	126%

Public Works reported using only 88% of its modified expense budget, driven in large part by the variance in capital expenditures. A significant portion of the capital projects started in FY2017 are multiyear construction projects and approximately \$24,052,795 was carried over to FY2018 for completion. Personnel and benefit costs ended the year at 82% of the appropriated budget. The debt service amount also reflects the addition of annual depreciation that is not budgeted, which occurs only in Public Works as an enterprise fund.

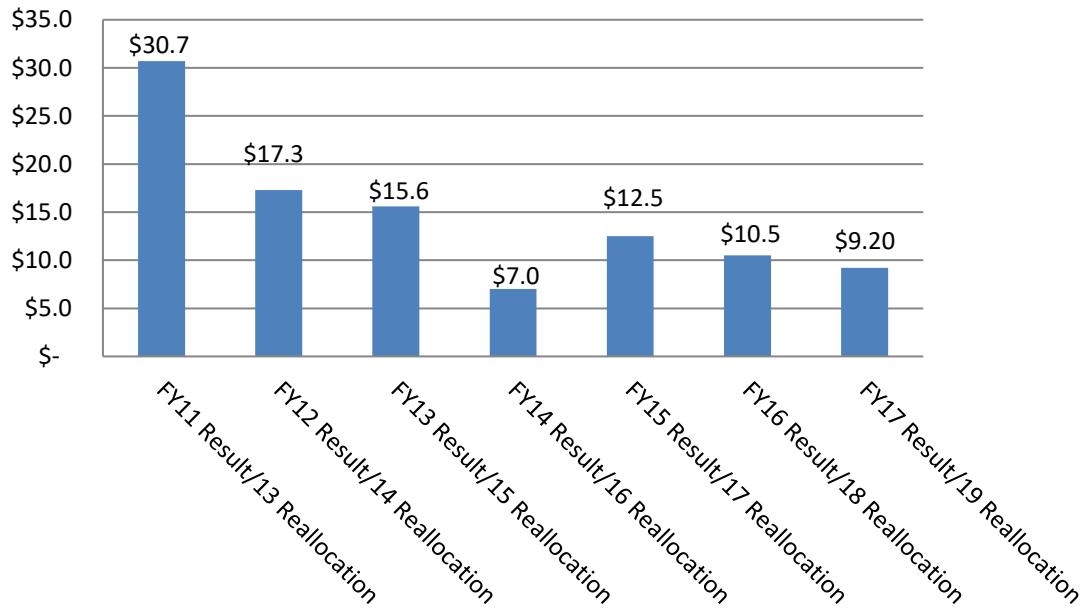
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Expense Category	Modified Budget	Actual Amount	% of Budget Used
5X-Personnel	\$6,864,339	\$5,611,027	82%
6X-Commodities	\$2,223,183	\$1,811,326	81%
7X-Contractuals	\$22,653,916	\$21,073,942	93%
7XX-Benefits	\$2,742,227	\$2,618,312	95%
8X-Capital Outlays	\$16,796,561	\$14,533,009	87%
DEBT	\$5,649,255	\$4,441,149	79%
Grand Total	\$56,929,480	\$50,088,765	88%

REALLOCATION FOR CAPITAL

After setting aside sufficient funds for the entire amount of the carryovers and the risk reserve, as indicated by the actuarial report on open claims and then reserving 27.5% of the FY2017 budget in these funds to accommodate the cash flow requirements and fund reserve policies, there was a surplus remaining in corresponding funds balances for reallocation in the amount of \$9.2 million. The historical trend of the reallocation is shown in the chart below.

Reallocation for Capital (in millions)



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The following table presents the expense performance of individual departments, agencies and offices in the general fund and other property tax funds.

Department	FY2017 Modified Expense Budget	FY2017 Actuals	% of Budget Used
General Fund			
Board of Review	\$494,255	\$470,346	95%
Chief County Assessment Office	\$1,948,752	\$1,909,935	98%
Circuit Court Clerk	\$8,474,263	\$8,203,343	97%
Circuit Courts	\$16,453,945	\$15,259,208	93%
Coroner	\$1,516,748	\$1,507,478	99%
County Admin	\$2,749,000	\$2,309,058	84%
County Board	\$2,508,691	\$1,994,577	80%
County Clerk	\$3,618,571	\$3,613,374	100%
Finance & Admin Services	\$13,566,761	\$11,820,209	87%
Human Resources	\$1,774,041	\$1,724,000	97%
Information & Technology	\$12,006,498	\$11,219,329	93%
Planning, Building, & Development	\$4,001,916	\$3,698,435	92%
Public Defender	\$5,264,967	\$5,213,924	99%
Recorder of Deeds	\$685,277	\$656,091	96%
Regional Office of Education	\$744,771	\$743,288	100%
Sheriff	\$64,792,953	\$64,253,108	99%
Sheriff's Merit Commission	\$161,640	\$103,102	64%
State's Attorney	\$14,746,410	\$14,659,346	99%
Treasurer	\$1,465,453	\$1,406,658	96%
Other Property Tax Funds			
Liability Insurance / Risk	\$6,686,800	\$6,393,252	96%
Veterans Assistance Commission	\$570,089	\$539,614	95%
Health Department	\$83,573,352	\$72,115,054	86%
Stormwater Management	\$4,854,743	\$3,095,384	64%
Division of Transportation	\$20,704,771	\$19,736,509	95%
Hulse Detention Center	\$6,882,109	\$6,556,658	95%
Winchester House	\$2,317,273	\$2,317,273	100%
TB Clinic	\$738,366	\$676,936	92%