

FINDINGS AND RECOMMENDATION OF THE GREENE COUNTY FINANCIAL ADVISORY TASK FORCE

Dated January 26, 2016

Greene County Financial Advisory Task Force

On May 13, 2014 the County Commission issued an Order establishing the Greene County Financial Advisory Task Force (FATF). The FATF was charged with serving as advisors for a long-term financial forecast, reviewing and providing critical comments of processes and information utilized by the County, and providing suggestions for developing greater public confidence and understanding of the County's finances. The FATF membership is a select group of leaders in finance, business, and government.

In June of 2015 the County Commission reconvened the FATF with new goals and objectives. The County was participating in Springfield Mayor's Joint City County Planning Task Force (JCCPTF) since mid-year 2013. The JCCPTF was wrapping up with a final summary report and presentation coming in July 2015. County Commission wanted to share the results of the JCCPTF as a basis for the creation of a plan of action. The FATF was tasked with the following goals and objectives:

- A plan to secure the County's financial stability and the means to achieve stability
- Identify key points that should be conveyed to the public
- Prioritize County operations based on needs and/or public perception after meeting all state and federal mandates
- Develop options pertaining to capital building programs and operations

The FATF met monthly from June 2015 through January 2016. The first five months of meetings divided the findings of the JCCPTF into categories. November and December were presentations at the direction of the FATF and discussion of proposed recommendations. January's meeting was a discussion of the task force's draft report.

Greene County

The County of Greene, Missouri is a statutory first class county with over \$4.6 billion of assessed valuation. The County was formed as a non-charter government which means that all laws come from the state legislature. Greene County is the fourth largest county in Missouri in total population of 275,174 and unincorporated population of 83,963. The unincorporated population of Greene County is larger than the total population of any of the surrounding counties (largest being Christian County with 77,422). The duties of the County are carried out by 13 elected officials, 10 judges, and 6 court commissioners. These duties include many unique services provided for all citizens whether they live in a city or the unincorporated areas.

- Set, collect, and distribute taxes to cities, park boards, school districts, fire districts and the library system.
- Maintain real estate and lien records.
- Manage estates for the unrepresented deceased and minors.

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- Act as guardian/conservator for the mentally disabled.
- Manage all elections and many public licenses.
- Provide the County morgue and Medical Examiner.
- Maintain court records and collect child support.
- Provide facilities for the circuit courts and public defender.
- Provide quality prosecution and support public safety.
- Operate the County Jail, Court Security, Civil Process and maintains warrants, records, and permits.
- Provide \$1,727,000 in funds for paving in the City of Springfield and \$205,000 for paving in other cities.

In addition to the above listed duties the County also maintains the unincorporated areas and provides additional services to its citizens.

- Maintain 1,284 miles of road, 217 bridges, and 655 culverts.
- Provides planning and zoning, building regulations, and environmental oversight.
- Provides primary patrol and policing services.
- Provides a multitude of public health services to county residents.

Summary of Problem

Greene County has faced many challenges since October of 2008, when the county experienced almost three years of declining sales tax receipts. The impact of this period of declining revenues was compounded by increased costs in the Justice System. Budgeted spending on the Justice System went from \$27 Million in 2009 to over \$37 Million in 2015. This increase was possible in part due to an eighth-cent sales tax for law enforcement passed in 2012 (\$6.2 Million) and increases in revenue sources related to the justice system (\$1.8 Million) such as state inmate boarding fees. Despite these increases, there was a severe cost to the departments and offices that were not part of the justice system. In order to make the eighth-cent Law Enforcement Sales Tax more palatable to voters; Commission sunset an eighth cent Parks and Stormwater Sales Tax that was used for environmental projects (-\$6.2 Million), and another \$2.4 Million was cut from other departments and redirected to the justice system. The County was forced to scale back projects and services, as well as eliminate 26 positions. Moreover, the eighth-cent Law Enforcement Sales Tax was only estimated to take care of only 15% of the anticipated need for the justice system and was viewed as a temporary measure.

In order to sustain operations over this period of time, Greene County has deferred expenses related to building maintenance, equipment replacement, and salary enhancement. The increases in revenue that the County has experienced over the last two years have gone to returning the cash position back to a safe operating level. Only the most pressing building maintenance is performed, with the list of needed maintenance growing. Many benefits from new technology and equipment cannot be realized as decisions are still focused on doing only the most necessary replacements and, even then, the County is

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forced to ask employees to do more with less. As an example, deputies have had to use vehicles with high mileage and wear. A recent salary study shows that, on average, Greene County pays 20% below the market rate for its positions. The inability to pay closer to a market rate has led to higher turnover, training and outfitting costs, and the loss of job knowledge crucial to the efficient operation of the County. This is a careful balancing act and it only takes one surprise maintenance item to detrimentally impact the budget.

In addition to the current needs, the demands on the Justice System are still increasing. The jail is experiencing capacity issues, which forces the County to pay to house prisoners elsewhere. Although an expansion of the jail is greatly needed, the entire justice system needs to be addressed. Without more public defenders, assistant prosecutors, and judges to efficiently move cases through the Justice System; the number of inmates in the jail will continue to grow. While, the State is adding two more judges to the Circuit Court, this has necessitated the County building two more courtrooms and has caused the Prosecuting Attorney's Offices to be relocated off campus. This change will cost the County almost \$3 million and it creates an increased demand for county space which must be rented.

An independent space needs study by an architect has recommended that current and future space needs are 252,000 square feet for the justice system, not including inmate housing. The Judicial Courts Facility is currently only 100,000 square feet. By providing another 152,000 square feet of office space, the County could stop paying rent for the Prosecuting Attorney's Office and the Public Defender. In addition, the Public Administrator and Juvenile could be moved from sub-standard office space and Sheriff's Office could be moved from the Jail and the Judicial Courts Facility, making room for another 140 beds of inmate space and room for additional courtrooms. In addition, a parking garage is needed to add parking spaces to campus, a new Juvenile Detention Facility, and a large expansion to the jail will be needed for long-term planning.

The final identified threat to the sustainability of Greene County operations is the near-term possibility of environmental mandates. The County has been part of an integrated team of local entities that have been proactively working with the Missouri Department of Natural Resources and the Environmental Protection Agency. The integrated team has introduced concepts such as community affordability as a factor in determining mandates. In addition to the cost of permits, Greene County has estimated that the annual program costs to satisfy regulatory agencies will be \$2.5 Million. This figure is only for the unincorporated areas of the County. The estimated cost for the City of Springfield and the urban service area around it is \$11.3 Million plus permits a year.

Revenues

Total revenues for the 2016 Budget are projected to decrease 0.96% (\$1,032,176.70) to \$106,102,707.60 for the following major operating funds: General Revenue, Road & Bridge, Assessment, E-911, Sewer District, LEST I, Parks, and LEST II. This decrease is primarily due to \$1,165,000 in less revenue for special bridge projects in Road & Bridge Fund and \$510,887 less due to no

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projects being financed in the Sewer District Fund. It should also be noted that the 2% growth in sales tax anticipated for the General Revenue Fund is almost \$300,000 less than the decline in real estate property and personal property taxes, due to the timing and calculation of the Hancock Amendment. A similar decrease is expected in the Road & Bridge Fund.

Tax revenues comprise 75% of the revenue for the major operating funds and sales tax specifically represents 62% and real estate property and personal property taxes represent the remaining 13%.

Property Tax

The voter approved rate for property tax is 0.350 per \$100 of assessed valuation; however, due to the Hancock Amendment and rollbacks from Sales Tax, the levied rate is only 0.116 per \$100 of assessed valuation.

Sales Tax History and Components

- General Sales Tax – The County’s ½-cent General Sales Tax was approved by voters in 1988. It is estimated at \$26.5 million in 2016. The General Sales Tax is shared equally between the General Fund and the Road and Bridge Fund, with each estimated to receive approximately \$13.25 million. Due to the actual authorizing language of this sales tax, one-half of the collections, in the prior year, are subtracted from the anticipated property tax for the current year. In practical terms, the General Revenue Fund and Road and Bridge Fund each get a quarter cent of sales tax; however, the growth in revenue is only equal to an eighth cent for each.
- 1997 Law Enforcement Sales Tax (LEST I) – In 1997, voters authorized an ¼-cent sales tax to fund law enforcement activities. Approximately 62.5% (\$7.99 million annually) are estimated to be distributed to the area municipalities of Greene County. The remaining 37.5% (approximately \$4.79 million annually) will be put towards activities in Juvenile Court, the Prosecuting Attorney Office, the Sheriff Office and the Jail. The County’s share of the LEST I tax is not sufficient to provide full funding for operations promised to voters. The County’s General fund will be required to transfer approximately \$0.7 million to help fund operations in the 2016 Budget and many of the activities promised to be funded by this tax are now funded directly by general revenue. This further exacerbates a negative effect on non law-enforcement operating departments.
- 2001 Parks Sales Tax – In 2001, voters authorized an 1/8-cent sales tax to provide funding for parks capital projects and maintenance. In 2016, the 2001 Parks Sales Tax is estimated to generate an estimated \$6.3 million. 100% of these funds are distributed to area municipalities, the Springfield-Greene County Park Board or are used to retire the debt of the Dan Kinney Family Center Bond.
- 2006 Parks Sales Tax – In 2006, voters authorized an ¼-cent sales tax to fund Parks and Stormwater projects and maintenance. In 2012, the portion dedicated to Stormwater (1/8-cent)

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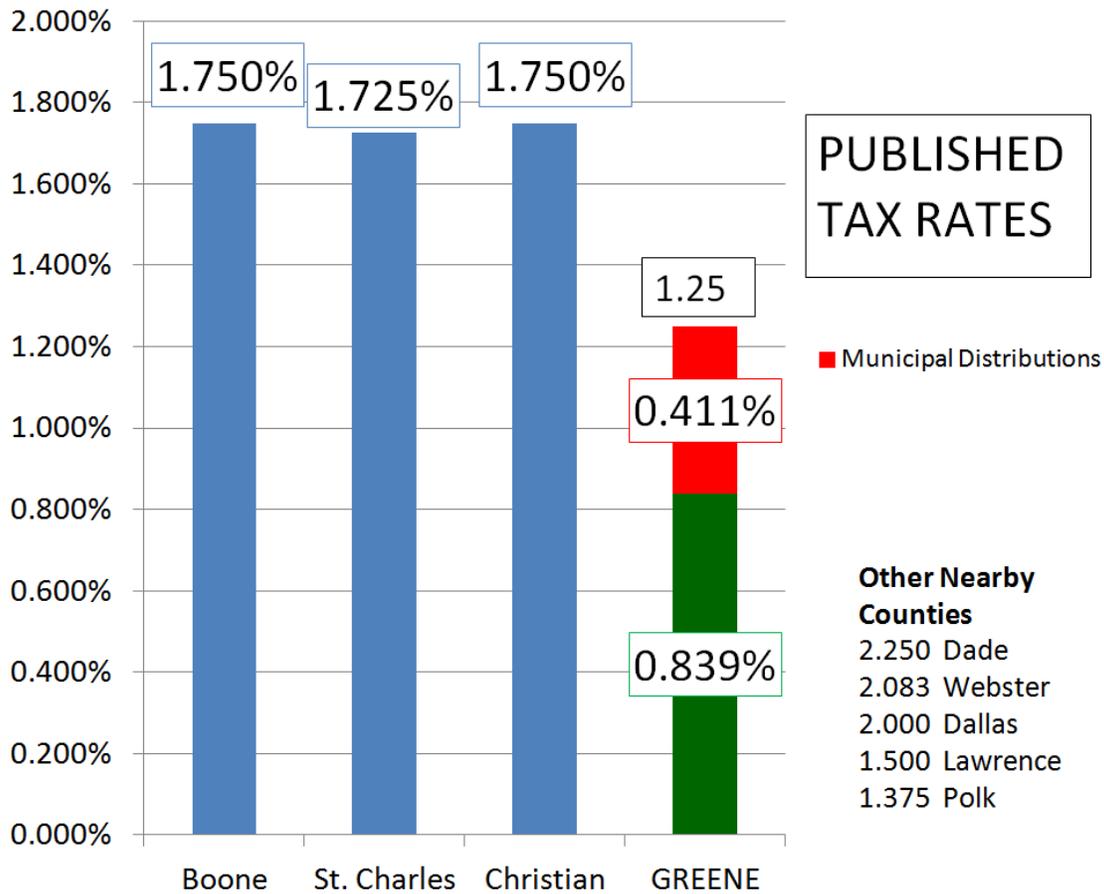
was sunset. The sunset, in effect, made the request for the 2012 Law Enforcement Sales Tax a net-neutral request. The remaining 1/8-cent is projected to generate \$6.4 million and is 100% designated to the Springfield – Greene County Park Board and the area municipalities of Greene County.

- 2007 E-911 Sales Tax – In 2007, voters authorized an 1/8-cent sales tax to provide funding for the Springfield – Greene County Emergency Communications (E-911). This sales tax is estimated to generate approximately \$6.3 million in revenue in 2016.

- 2012 Law Enforcement Sales Tax (LEST II) – In 2012, voters authorized an 1/8-cent sales tax to be used exclusively for Greene County’s justice and law enforcement needs. The estimated \$6.58 million in annual revenue helps to provide funding in the Juvenile Office, Prosecuting Attorney’s Office, Sheriff’s Office, Jail, and Pretrial Services. When this tax was passed in 2012, it was considered a net-neutral tax due to the 1/8 cent portion of the 2006 Parks Sales Tax being sunset. At the time this tax was passed it was stated that it would only take care of 15% of the projected need in this area.

As detailed above, Greene County’s sales tax rate is a combined 1.25%. When distributions to area municipalities and the Springfield-Greene County Park Board are removed, the effective sales tax rate is 0.839%. Because of the reduction in property tax, this brings only 0.589% in new revenue to the County. Greene County works very efficiently with the citizens’ tax dollars and the level of tax is very favorable when compared to surrounding and similar counties. This fact is demonstrated in the following chart.

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Stewardship

The County Commission and Greene County take very seriously the charge of being good stewards of the citizen’s monies. The County has demonstrated this in an innovative way by participating in open book management with the guidance of the Great Game of Business, Inc. In September of 2015, the County was awarded the Pioneer Award by the Great Game of Business, Inc. In addition, the County has been able to demonstrate the fiscal discipline necessary to bring General Revenue cash operating levels from a dangerously low level of less than \$4 Million at the end of 2010 to over \$14 Million by the end of 2015. These are among the reasons that the County’s issuer rating was upgraded by Moody’s Investors Service on January 20, 2016. Moody’s Investors Service provides credit ratings and research covering debt instruments and securities. The 2016 budget is providing for some capital and personnel needs, while also having to provide for the burden of increased election costs due to a presidential election year. Now that operating cash is at safe levels, the focus is on spending funds in the most efficient way while maintaining a minimum safe level of cash. The County has participated in many initiatives that have helped improve the management of funds. These initiatives include:

- Enlisting citizens to participate in task forces
- Participating in joint task forces with municipalities

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- Initiatives to convert from paper to electronic to save on mailings and supplies
- Improving web-sites to be more accessible with forms, information and payment taking capabilities
- Cross training employees to compensate for lost positions and eliminate duplication of work
- Introducing technology in the field so reports can be completed at the site involved
- Contracting with outside entities to perform seasonal work
- Utilizing grants whenever possible
- Reducing health care cost through risk management and health risk assessments
- Utilizing contracts for office equipment
- Issuing a summons instead of an arrest warrant
- Streamlining case management and rotating staff to ensure claims are filed within a week
- Increased use of diversion and treatment programs
- Providing plea offers at preliminary hearings
- Better contract management and increased use of cooperative contracts
- Streamlining permit processes
- Instituting employee suggestion programs
- Utilizing preventive maintenance to extend road life
- Reducing face to face visits with Public Administrator clients to legal minimum
- Accreditation process to help update medical practices and protocols
- Monitoring fuel efficiency and initiated a no idling policy
- Expanded jail capacity
- Citizen on Patrol volunteer program and expanded neighborhood watch program
- Inmate work program
- Converting stand alone processes into our integrated accounting system so that data is shared and readily available
- And many more

Recommendation

It is the unanimous opinion of this task force that the County needs more revenue and that the level of revenue should be the equivalent of a ½ cent sales tax. The FATF has determined that this amount is reasonable for the need and that this level of sales tax will place Greene County at a tax level comparable with peers and surrounding counties. A significant majority of the task force recommended that this tax take the form of a General Revenue Tax. This will allow for it to be presented to the citizens as a single tax initiative and allow for funds to support operations, capital items, expand the justice system, and environmental mandates.

The FATF strongly encourages the County to look at needs of all municipalities and address those that improve the flow of the Justice System. In addition, the County should look at ways of sharing the tax revenue to address other current needs.

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It is the further recommendation of the FATF that the County Commission engage the services of an independent analyst. The analyst should evaluate the public's attitudes and perceptions related to the recommended tax initiative.

The task force is in favor of the projects as detailed in the staff and independent architect presentations. These projects are not being specifically recommended by the FATF as to scope, date, or dollar amount. The County Commission needs to retain the flexibility to adapt these projects to changing needs and circumstances.

Finally, the task force would like to commend not only the County Commission, but all elected Officials and employees of Greene County for the innovative spirit that they bring to local government. This report summarizes the dedicated level of stewardship applied in utilizing the taxpayers' dollars. It details a few examples of the many initiatives that the County has instituted to operate more efficiently. In addition, the task force would like to commend Greene County Government for embracing the concept of open book management. Open book management has transformed the culture of the County and has led to open dialogue about all issues with employees, municipalities, and citizens. The County regularly meets with municipalities and has combined many services to become more efficient. The creation of this task force is another example of the County being open and receptive to opinions and recommendations. It is the opinion of this task force that Greene County is deserving of the tax payers' investment in the proposed expanded services for its citizens.

Dr. Robert Spence, Chairman
Chancellor
Evangel University

Tom Bates
Compliance Officer
SRC Holdings Corporation

George Deatz
Retired
Businessman

Rachel Dwiggins
Partner
BKD

Lyle Foster
Owner
Big Momma's

Steve Fox
Regional President
US Bank

Derek Fraley
Vice-President
BancorpSouth

Conrad Griggs
AVP – Business Development
Bank of Missouri

Bob Hammerschmidt
Regional President
Commerce Bank

Pete Harris
Retired
City of Republic

Debra Shantz Hart
Principal
Housing Plus, LLC

Stephanie Montgomery
Attorney
Stenger Homes

John Twitty
Retired
City Utilities