

Jim Kemp

Aug 28

A Pathway to Financial Sustainability

I want to simply clarify that this is a draft proposal of a possible pathway forward that provides an annual process for us to work together. The focus is to gain a better understanding of the challenges before us in order to improve our decision-making process that directly impacts both the employees and taxpayers of Brown County.

For county council members across all 92 counties in Indiana, the challenge is to understand the breadth and depth of the regulatory framework established by the Indiana General Assembly, Department of Local Government & Finance (DLGF), and the Indiana State Board of Accounts.

In addition to the ever-changing rules and regulations, another challenge is the two-year election cycle for council members. Just about the time a council member becomes proficient, they may choose to vacate their seat or potentially be voted out of office.

This challenges the competencies of the group, as a whole, due to differing combinations of skills, knowledge, attributes, and behaviors that enable the individual and/or group to perform a task efficiently and/or effectively.

In addition, the council may develop a dependency on the Auditor as well as other professional service providers such as accountants, attorneys, and financial advisors. Once this dependency is established, the council may rely too heavily on these service advisors rather than their own collective knowledge base. Because after all, there isn't a disciplined college program (to the best of my knowledge) that provides instruction on everything required to be an effective county council member.

Because this system has existed for decades, it can foster an environment ripe with miscommunications, misunderstandings, incompetencies, and decisions that can be detrimental to the political subdivision in both the near and long term.

This culture can create a mindset of win-lose versus win-win or no deal. It can fuel individuals driven by their own personal desires to evolve into what I refer to as tribal leaders who promote group think so they are able to control and drive their own agendas. In some instances, this can create dissension among the ranks and evolve into finger pointing, back biting, and assigning blame. If left unchecked, morale and trust can erode, leading to higher employee turnover.

So, what is the solution? We must first begin by clearly identifying and prioritizing our challenges. Next would be to begin the process of a root cause analysis while understanding the correlation of the differing variables (cause and effect) that create the very challenges that we are seeking to solve. Simply put, a quick fix will not solve all of our issues but instead would create a new set of problems.

To create a long-lasting effective solution, the first step is to simply identify and prioritize the fiscal challenges our county currently faces in both the near and long term. Then the next step is to develop an approach, supported by a definable process, that will guide us together on a twelve-month recurring cycle.

I am proposing a twelve-month cycle that begins in the fourth quarter of every year and ends the third quarter of the following year.

With what we hopefully perceive to be true, let's start at the end of the year and work backwards.

- We know that the DLGF sends out 1782 Notices after reviewing submitted budget forms and identifying any changes. The DLGF must certify budget figures for all Indiana government units by February 15th of the year the budget takes effect. After the DLGF reviews the forms, budget field representatives issue a 1782 Notice that states any changes made. The unit then has ten days to respond with any changes.
- We also know that the proposed budget is submitted to the DLGF by September 1st and the council is required to adopt the budget by a final deadline of October 31st.
- We know that the 27 departments submit their Form 1 to the Auditor by July 1st.
- We expect that year-to-year expenses of each department and/or office are essentially unchanged with only minor +/- adjustments.
- We know that the primary funds in Form 1782 are 0101 General, 0124 Reassessment, 0180 Debt Service, 0702 Highway, 0706 Local Road & Street, 0790 Cumulative Bridge, 0801 Health, 1185 Jail Lease Rental, and 2391 Cumulative Capital Development.
- We know that for Brown County, Form 1782 expenses exceeded revenues in 8 of the 9 funds by \$1,827,192 in 2024.
- We also understand the financial risk that the county bears with our group medical.
- We know that our rainy-day fund is underfunded.
- We know that our employees have requested wage increases because of financial pressures due to the high inflation environment of the last 3.5 years.
- We are aware that PERF and the sheriff's pension is funded at more than \$1,000,000 per year.
- We are aware that employee paid time off costs the county \$0.27 cents, on average, for every \$1.00 dollar paid in employee wages.
- We know that the county has issued debt in order to cover the cost of capital improvements.

What I am proposing is that we, as a council body, implement the following organizational development best practices by creating and focusing on a defined monthly process. Rinse & Repeat, every 12 months.

I am proposing the following:

1. Prepare governing documents for the council
 - a. County Council President: Roles & Responsibilities
 - b. County Council Member: Roles & Responsibilities - *memo*
 - c. County Council: How we conduct our monthly meetings -
2. Establish some basic fiscal policy boundaries
 - a. Highway and Health Departments are required to operate within their own budgets
 - b. Maintain 15% cash reserve balances
 - c. Annual expenses not to exceed 90% of revenues
 - d. Rainy day fund balance of \$2.5 million
 - e. Health fund 4700 with a reserve balance of \$1 million
3. Beginning the fourth quarter of every year through the end of the second quarter of the following year, focus and evaluate the following:
 - a. Establish a realistic historical revenue expectation for funds of each department
 - b. Employee turnover by department and countywide
 - c. Employee compensation, including overtime, by department and countywide
 - d. Employee handbook and employee paid time off
 - e. Group medical including HSA, Pro Active MD
 - f. Employee retirement plans
 - g. Review fixed operating expenses "line items" by fund and department
 - h. Review variable operating expenses "line items" by fund and department
4. Work together with the Auditor. By the end of June, the goal is to create a revenue and expense forecast to help identify our strengths and weaknesses in order for the council body to both effectively comprehend our financial position and communicate our financial position to other elected officials and department heads.
5. Collaborate with a shared vision and leverage each other's strengths in order to work together as an effective council body. I believe that the submission of our annual budget will become less burdensome and will put our county on a pathway to financial sustainability. In addition, our ability to effectively communicate our financial position will be improved. My assumption is that we all accept the shared responsibility we have to the taxpayers of Brown County.

Lastly, implement a process to assign each of the seven council members to work with specific departments and/or offices. For example:

1. Executive – Fiscal Body

- a. Commissioners Office
- b. County Council

2. Administrative

- a. Auditors Office
- b. Assessor's Office
- c. Recorder's Office
- d. Treasures Office
- e. Surveyors & GIS
- f. Area Planning Commission

3. Social Services

- a. Parks & Recreation
- b. Purdue Extension
- c. Veterans Services
- d. Soil & Water

4. Environmental & Infrastructure

- a. Health Department
- b. Highway Department

5. Justice System

- a. Dispatch
- b. Sherriff Deputies
- c. School Resource Officer
- d. Animal Control
- e. Jail
- f. Emergency Management
- g. 9018 Community Correction
- h. Clerk's Office
- i. Prosecutor's Office
- j. Circuit Court
- k. Public Defender
- l. Probation Office
- m. Coroner

Excluding the County Council, there are 26 different areas of discipline. Some may be what I will call “high touch” (requiring a lot of time & energy) while others may be very infrequent or “low touch”. Once the council member has been assigned to specific departments, they will be responsible to work with their individual departments and report back to the council on any and all issues, especially if the department head or elected official has requested to be on the council agenda. It will be the responsibility of the department’s council representative to give an overview of the purpose of the request to be placed on the agenda. This process will allow the individual council members to prepare in advance before the monthly council meeting.

Power and Duties of County Officials:

<https://www.browncounty-in.gov/DocumentCenter/View/186/Powers-and-Duties-of-County-Officials-PDF>

The council has the ultimate decision-making power regarding fiscal affairs. The council has authority to view or review fiscal matters, determine proper policy, and set priorities for the allocation and expenditure of county funds.

The General Assembly determines the powers of the county council in this area. Typically, these powers include:

- Approving and fixing annual operating budgets of all county government offices and agencies. {IC 36-2-5-7}
- Establishing salaries, wages, per diems, and other compensation for all county officials and employees. {IC 36-2-5-3}
- Fixing tax rates and establishing levies on all county property for the purpose of raising funds to meet budget requirements in conducting county business [IC 36-2-5-11}. as well as authorizing the borrowing of money in the form of bonds and notes. {IC 36-2-6-18}
- Appropriating public funds, i.e., authorizing the expenditure of county money by particular officials or departments for specific purposes. {IC36- 2-5-11 and IC 36-2-5-12}
- Authorizing certain purchases or sales of county owned land. {IC 36-1-11-3}
- Under IC 36-2-3-6, the county council may employ legal and administrative personnel necessary to perform its duties. (Generally, see IC 36-2-3, for duties of the county council)

I know this is a lot to take in at one time. But I also believe that we have a choice between either doing things the way we have always done or choosing to take a road less traveled.

Regards,

Jim Kemp