

CHAMPAIGN COUNTY BOARD OF HEALTH

Study Session
Tuesday, May 12, 2009, 6:15 p.m.

Call to Order & Roll Call

The Board of Health held a study session on May 12, 2009 in the Jennifer K. Putman Meeting Room at the Brookens Administrative Center, 1776 East Washington, Urbana. The meeting was called to order at 6:15 p.m. by Julian Rappaport, immediately following a special meeting. Board members Brenda Anderson, Stan James, John Peterson, Cherryl Ramirez, Julian Rappaport, and Bobbi Scholze were present at the time of roll call. Absent Board members were Prashanth Gowda, Nezar Kassem, and Betty Segal. The staff member present was Susan McGrath (Senior Assistant State's Attorney). Also present were Deb Busey (County Administrator of Finance & HR Management), Julie Pryde (CUPHD Administrator), and Andrea Wallace (CUPHD Finance Director).

Approval of Agenda/Addendum

MOTION by James to approve the agenda; seconded by Peterson. **Motion carried.**

Public Participation

There was no public participation.

Board of Health Budget Discussion

Rappaport noted updated budget documents were distributed by Busey and CUPHD. Peterson recommended the Board members mark the revised documents with the date to prevent confusion at a later date. Rappaport asked about the changes CUPHD was requesting that differed from the current budget. Wallace stated all the changes were included in CUPHD proposed FY2010 contract budget. Rappaport suggested the Board have an informal conversation about the budget. James asked for Busey to explain the condition of the Board's finances at present and project where they would be at the end of FY2009 before moving onto discussion about the FY2010 budget. Busey explained the FY2009 budget is based on what was budgeted by the County Board of Health (BOH) for its expenditures and revenues for this fiscal year. Busey does not always have the most current information on grants and fees revenues from CUPHD, so she indicated what was originally budgeted. CUPHD should have a better idea as to whether the collections would match what is budgeted for FY2009. On the document distributed by Busey, the top large box is the CUPHD contract with the total grants, including the Local Health Protection Grant, the Tobacco Free Community Grant, the Bio-Terrorism Grant, and the West Nile Virus Grant. According to the original budget, the total revenue from those grants was \$234,050 and the total expenditures associated with those grants were \$253,319. This left a revenue shortfall of \$19,269. The Local Health Protection Grant covered the Infection Disease Prevention & Management (the mobile unit program), Maternal & Child Health Management, and IBCCP & Clinical Services. James asked if the shortfall comes out of the BOH's fund balance even though the grants were supposed to cover the expenditures. Busey said yes and would explain the shortfall as she went through the budget. She drew the correlations based on

the way CUPHD presents its information and Wallace concurred with her correlations. Busey pointed out the next box on her document concerned Environmental Health, where fees revenue is received. The fees revenue for food protection permits, private sewage permits, well water permits, and EPA Public Water System Supervision was budgeted at \$140,813 this year. Environmental Health expenditures, according to CUPHD's original budget document, are \$319,627. The Environmental Health revenue shortfall is \$178,814. There are also administration costs for CUPHD to administer the contract in the amount of \$87,643. There is no grant or fees revenue to offset the administration costs. Busey stated the BOH receives total revenue of \$374,863 and has total expenditures of \$660,589 for the FY2009 CUPHD contract. The shortfall is \$285,726.

In the next box, Busey listed the BOH's other revenues. The property tax is the revenue that offsets the expenditures that are in excess of grants and fees for the CUPHD contract. The BOH property tax revenue is budgeted at \$373,184 in FY2009. With the addition of investment interest and the County Board grant, the revenue totals \$430,184. The other expenditures are budgeted to include the Smile Healthy program of \$130,360, the RPC Senior Wellness Program of \$50,000, clerical support of \$10,000, and conferences expenses of \$1,000. The BOH's total FY2009 budget is \$805,047 in revenue and \$851,949 in expenditures. This leaves the BOH with a deficit of \$46,902 this year.

Peterson said the \$25,000 of the Mental Health Board collaboration was missing. Busey said that was appropriated from last year's budget and the Board had not approved it this year. Rappaport understood that if the Mental Health Board collaboration funding was approved for another year, then it would be taken out of the next fiscal year. Busey thought there was a misunderstanding because the Mental Health Board collaboration funding was added to last year's budget and not added to this year's budget. However, the BOH only paid half of the amount last year, so a budget amendment was done to pay the remaining balance of \$11,000. She did not reflect the Mental Health Board funding in this budget document because she did not know if it was an ongoing expense. Rappaport said the BOH would have to discuss the continuation of that program at night's meeting. Busey explained that the second page of her document is what the adjusted FY2009 budget would be based on the contract expenses proposed by CUPHD at the last meeting, which was a total contract of \$830,642. CUPHD requested increase in FY2009 for administration and Environmental Health that increased the total cost of the CUPHD contract by \$170,000 in FY2009. Busey prepared this page at Peterson's request. The BOH already has a contract with CUPHD based on the first page. The second page reflects the request made by CUPHD for increases to the FY2009 contract budget. Busey also prepared a look at the FY2010 and noted that CUPHD distributed a different proposal for their FY2010 budget tonight. Busey advised that unless there was a significant change in fees or grants, the FY2010 total revenue is projected at \$751,058. To adopt a balanced budget, the BOH would have to keep its expenses consistent with that revenue amount. The adjusted proposal from CUPHD in FY2009 would severely overspend revenue in FY2009 and FY2010. The BOH fund balance would quickly be depleted and BOH would be at a point of deficit spending by FY2011 unless some adjustments are made.

James asked if Busey was confident about the projected FY2010 property tax revenue. Busey said she was as confident as she could be at this point. The projection is based on an

overall county-wide growth in EAV of 3%, which is half of what it has been the last two-three years. This is a realistic number for EAV growth at this time according to the Supervisor of Assessments. Busey applied the tax cap calculation with the allowed 1.8% CPI increase. James was aware that foreclosures are starting to hit small communities. Busey reminded the Board that there may be some issues with collecting the property tax. James noted the County Board would not be continuing its grant to the BOH. Busey noted the BOH was informed last year that FY2009 would be the last year of the County Board Grant. James and Busey expressed that the County Board was facing some serious deficits with its budget. Based on the FY2009 budget that is in place, the BOH would end this year with a fund balance of about \$392,000. Any expenditure in excess of revenue is taken out of the fund balance next year. She wanted the BOH to be aware of what's happening to its fund balance as they plan for the subsequent year's expenditures.

The Board discussed its budget. James said the Mental Health Board collaboration would add to the projected deficit in FY2010 if it was continued. Peterson added the Mental Health Board collaboration amounted to \$25,000 in a fiscal year. Busey agreed that was not currently included in the FY2010 budget projections and would draw the fund balance down even more.

Pryde said they are discussing the idea of people needing three flu shots this year and that would be a huge mess. James asked what solution the BOH could have for expenses related to a grant which are in excess of the grant amount instead of spending its fund balance. He asked if the BOH had to do the grants if the money is not sufficient to cover the expenses. Rappaport asked if the BOH had to spend more than the grants provide in order to continue being a public health department. James asked which grants were being overspent. Busey stated the Local Health Protection Grant is the one being overspent. The other grants are basically pass-through funds. Pryde agreed that Busey was accurate. Peterson said the Illinois Breast & Cervical Cancer program was not balanced. Busey pointed out that was listed as being paid for by the Local Health Protection Grant. James wanted to see what the BOH was receiving and what alternatives it had to taking money from its fund balance or other revenues. He asked if it was mandated that the BOH had to pay those total operating costs. Peterson said other counties do not pay the total costs; instead they quit paying at the point when the grant money is gone. The patients, doctors, or hospitals absorb the costs. James asked if the services under the Local Health Protection Grant more important than some of the other programs the BOH is funding. Rappaport concurred that was a question the BOH would have to discuss. He encouraged asking questions like that about every program to get all questions on the table.

Scholze inquired if the BOH traditionally set a budget that runs a deficit. Peterson said the BOH has set a deficit budget, but only with the proviso that the deficit would be taken out of the carryover so it was not really deficit spending. Busey drew the Board's attention to Page 4 of her document where the revenue and expenditure totals for each year were shown on a bar chart. The totals shown are the actual revenue and expenditures, not what was budgeted. Scholze asked how the fund balance accumulated. Busey explained that the BOH built a fund balance by not spending all the revenue it received each year from 1998 (when the tax went into effect) to 2003. Ramirez asked if the BOH had a policy to maintain the fund balance at a certain percentage of its budget. Busey recommended the BOH establish what it would like the fund balance policy to be because that decision should come from the Board. A fund balance policy

has not been established. From a cash flow standpoint, Busey recommended establishing at least a 12.5% fund balance because a substantial portion of the BOH's revenue comes from property taxes. Property tax revenue is not received until the third quarter of a year, so the BOH needs cash flow to carry the budget though until the tax revenue is received. A 12.5% fund balance goal is standard for funds where a significant portion of revenue is derived from property taxes. The BOH could set a higher fund balance goal.

Peterson said it was acceptable, if not expected, that the BOH would spend down some of its fund balance. The BOH has approved previous budgets with the expectation that a portion of the fund balance would be spent. What actually happened was the property taxes revenue came in better than expected and, for some reason or other, one of the budgeted programs did not come together, reducing the anticipated expenditure. Peterson remarked that it became clear a couple of years ago that this pattern would not happen any longer and the BOH would start spending its fund balance. Rappaport asked what a 12.5% fund balance would amount to and Busey stated it would be 12.5% of the FY2010 operating budget. The exact amount would depend on the amount of the FY2010 budget. Peterson calculated a minimum fund balance of \$105,000 would be skating on thin ice. James added that the BOH is not obligated to make a payroll. Busey stated the BOH has to be able to meet its monthly expenses. Peterson said he would be more comfortable with a \$250,000 fund balance goal. Scholze suggested a goal of at least 20%. This is the amount required by Parkland, which relies on property taxes but also has a lot of other revenue sources. Ramirez remarked that the not-for-profit she works for maintains a six-month or 50% fund balance because they are reliant on membership dues. Ramirez and Scholze agreed with Peterson that a fund balance goal of only \$105,000 was worrisome. Busey noted the BOH relies on grants and fees collection, which can be dicey. The County Board has funds within its fund structure that have fund balance goals of 100% because they want the flexibility to be able to phase down spending when faced with unexpected cuts. She thought a 20-25% fund balance goal was completely realistic for a fund like the BOH. The Board continued to discuss the fund balance goal and agreed it wanted to set a fund balance goal. Peterson noted the BOH depends on federal and state grants. The state grants are very much in question right now with the turmoil of the state budget. Peterson warned that the BOH would face tough decisions at some point if it approved deficit budgets spending down the fund balance. The BOH would reach a point that it no longer had reserves to cover operating expenses in excess of revenue.

The Board continued its discussion over the FY2010 budget.

Adjournment

The meeting was adjourned at 8:15 p.m.

Respectfully submitted,

Kat Bork
Board of Health Secretary