

CHAMPAIGN COUNTY BOARD
COMMITTEE MINUTES

FINANCE COMMITTEE

Thursday, May 4, 2006

**Lyle Shields Meeting Room, Brookens Administrative Center
1776 E. Washington St., Urbana**

7:00 p.m.

MEMBERS PRESENT: Avery, Bensyl, Betz, Doenitz, Gross, McGinty, O'Connor, Tapley, Wysocki

MEMBERS ABSENT: None

OTHERS PRESENT: Deb Busey (County Administrator of Finance & HR Management), Andrew Buffenbarger (Nursing Home Administrator), David DeThorne (Senior Assistant State's Attorney), Joel Fletcher (Senior Assistant State's Attorney), Michael Frerichs (Auditor), Susan McGrath (Senior Assistant State's Attorney), Steve Moser (County Board Member), Jon Schroeder (County Board Member), Dan Walsh (Sheriff), Dan Welch (Treasurer), Steve Ziegler (First Assistant State's Attorney)

CALL TO ORDER

Vice-Chair Gross called the meeting to order at 7:02 p.m.

ROLL CALL

The Recording Secretary called the roll. Avery, Bensyl, Betz, Doenitz, Gross, Tapley, and Wysocki were present. Gross declared a quorum and proceeded with the meeting.

APPROVAL OF AGENDA/ADDENDUM

MOTION by Betz to approve the agenda and addendum; seconded by Bensyl.

Gross stated Budget Amendment #06-00052 would be the first item to be dealt with because the Sheriff was needed elsewhere on official business. The committee concurred.

Motion carried.

O'Connor entered the meeting at 7:03 p.m.

APPROVAL OF MINUTES

MOTION by Betz to approve the Finance Committee regular session minutes of April 6, 2006; seconded by Wysocki. Motion carried.

PUBLIC PARTICIPATION

There was no one for public participation.

BUDGET AMENDMENTS/TRANSFERS

Budget Amendment #06-00050

MOTION by Tapley to recommend to the County Board approval of Budget Amendment #06-00050 from Fund 078 Jail Construction Fund – Department 010 County Board for increased appropriations of \$2,500 for the Professional Services line with no increased revenue; seconded by Bensyl.

Betz asked what this budget amendment was for. Busey explained the budget amendment was prepared at the request of the County Facilities Committee. There was no expenditure budgeted in the Jail Construction Budget for this fiscal year. The Jail Construction Fund balance is more than sufficient to cover this expense. Gross asked what property at 204 E. Main was assessed. Busey stated it is the Downtown Correctional Center. Betz asked if the appraisal was for the purpose of value or use. Busey thought the appraisal was for value, but she could not say for certain. Avery said she is a member of the County Facilities Committee and she does not recall this issue, though it could have been on the agenda at a meeting she missed. She said it looked like the amendment was to cover an expense that has already been incurred.

MOTION by Betz to defer this item until the next meeting in order to answer the Finance Committee's questions; seconded by Doenitz. Motion carried with one no vote from Tapley.

Avery requested this time be placed on the agenda of any special Finance meeting that takes place before the June regular meeting. Gross noted that no other Finance meetings are scheduled this month, but this item will be included if one should be scheduled. Tapley objected to refusing to pay one of the County's bills. The committee continued to discuss the budget amendment.

McGinty entered at 7:12 p.m.

Budget Amendment #06-00051

MOTION by Betz to recommend to the County Board approval of Budget Amendment #06-00051 from Fund 080 General Corporate – Department 041 State's Attorney for increased appropriations of \$10,474 for the Regular Full-time Employees line with no increased revenue; seconded by Avery.

Avery asked why the State's Attorney is requesting funding for this Administrative Legal Secretary position. The position is funded by a grant that will not be renewed and County Board traditionally does not continue funding for positions that are funded by grants. Busey said the grant is expiring and if the committee approves this amendment, they will be approving the addition of this position to the General Corporate Fund State's Attorney's budget for this year. The position would be included in the FY2007 staffing budget as well. Avery asked for the salary of the position. Busey said the amendment was a request for six months of funding, so the salary for a full year would be about \$21,000.

Ziegler, representing the State's Attorney's Office, explained the Domestic Violence Grant was, for the most part, discontinued last year. The State's Attorney was able to negotiate with the federal government to pool and extend some of the grant funding into the middle of the current fiscal year to cover the partial expense of the position. Since that time, there has been reorganization in the State's Attorney's Office. This particular Administrative Legal Secretary position is designed to work with one of the teams for the three courtrooms that are assigned to the new continuous jury calendar. It is a request for the County Board to roll this position into this year's General Corporate budget as a half year salary.

Avery asked about the Administrative Legal Secretary's duties. Ziegler said position is no longer solely dedicated to domestic violence because the grant funding is gone. The position will be needed for a number of

duties, including working with the continuous jury system. Wysocki asked if this position was included in the continuous jury system budget presented to the County Board that detailed the changes needed to allow the change to the new system. Ziegler said this position was not a part of that proposal.

Avery asked if this Administrative Legal Secretary position would fall under Circuit Court duties and if the court's budget had available funds. Busey stated the request is for a secretary for the Office of the State's Attorney. There is no crossover between that office and the Circuit Court. The new continuous jury system touches all six of the criminal justice system offices. Maintaining this secretarial position is critical to office's ability to provide the level of clerical support services to the State's Attorney staff under the continuous jury system. Ziegler concurred.

Motion carried with three no votes from Avery, McGinty, and Wysocki. Tapley asked about the vote. All nine Finance Committee members were present. Six voted in favor of the motion and three voted against the motion.

Gross stepped down as Chair of the meeting and McGinty assumed the Chair's responsibilities.

Budget Amendment #06-00052

MOTION by Tapley to recommend to the County Board approval of Budget Amendment #06-00052 from Fund 080 General Corporate – Department 040 Sheriff for total increased appropriations of \$45,460 for the Uniforms line (\$22,630), SLEP Regular Full-time Employees line (\$12,000), and SLEP Regular Full-time Employees line (\$10,830) with total increased revenue of \$45,460 from the Other Miscellaneous Revenue line (\$22,630), Other Miscellaneous Revenue line (\$12,000), and Reimbursement for Guards (\$10,830); seconded by Avery.

Avery did not have any questions about Budget Amendment #06-00052, but asked for the Sheriff to explain Budget Amendment #06-00050 about the Jail Construction Fund since he would need to leave the meeting directly after the discussion. The Sheriff stated he did not have any information about Budget Amendment #06-00052 because it was a request from the County Facilities Committee, not from his office.

Motion carried.

Budget Amendment #06-00053

MOTION by Betz to recommend to the County Board approval of Budget Amendment #06-00053 from Fund 476 Self-Insurance – Department 118 Property/Liability Insurance for increased appropriations of \$50,000 for the Attorney Fees line with no increased revenue; seconded by Bensyl.

Tapley asked if the increase was related to the Nursing Home. Busey stated the increase is to pay defense attorneys' fees in a number of different cases and issues where the County is represented by outside legal counsel.

Motion carried.

STATE'S ATTORNEY

Request Approval of First Renewal and Amendment of the Intergovernmental Agreement Between the Department of Healthcare and Family Services and Champaign County State's Attorney

MOTION by Betz to approve the first renewal and amendment of the Intergovernmental Agreement Between the Department of Healthcare and Family Services and the Champaign County State's Attorney; seconded by Wysocki. Motion carried.

NURSING HOME

Forgiveness of the \$400,000 Loan to the Nursing Home from the General Corporate Fund

MOTION by Tapley to forgive the \$400,000 loan to the Nursing Home from the General Corporate Fund; seconded by Gross.

Doenitz asked if this would be the only loan to the Nursing Home that the County Board was going to turn into a gift. Busey reminded the committee that they approved a \$500,000 appropriation to the Nursing Home from the General Corporate Fund last month. This \$500,000 was an appropriation instead of a loan because it was felt the Nursing Home would be unable to pay the money back. The \$400,000 was loaned at the beginning of the current fiscal year and the Nursing Home had twelve months to repay it. Busey recommended not forgiving this loan at the present time. The money is not in the General Corporate Fund balance and all reports about the General Corporate Fund will reflect the loan. The Nursing Home has until November to repay the loan. If the Nursing Home is able to recover and correct its operating deficits, Busey would advise the loan be repaid. The Nursing Home financial situation looks bleak at this point in time, but there is no reason to act on forgiving this loan at such an early date. Busey encouraged the committee to wait. It would be better for the Nursing Home to repay the General Corporate Fund. Tapley asked if the interest on the loan would have to be forgiven as well. Tapley realized it is theoretically possible that the Nursing Home could repay the loan, but he felt it is highly unlikely. Betz agreed with Busey that forgiving the loan was premature. He would like to have the new Nursing Home open and see how it runs for three to four months before determining if the Nursing Home will be completely unable to repay the General Corporate Fund. The loan might need to be made into a gift at a later date, but it is not necessary to do so now.

MOTION by Betz to defer the forgiveness of the \$400,000 loan to the Nursing Home from the General Corporate Fund to the September meeting of the Finance Committee; seconded by Wysocki.

McGinty concurred with Betz's idea to have the loan stand until a later date when the committee would have more information about the Nursing Home's financial situation. Tapley pointed out if the Finance Committee thought the \$400,000 loan could be repaid, then the \$500,000 appropriation from the General Corporate Fund should have also been a loan instead of a gift. Tapley was willing to wait until a later date if it was the will of the majority of the committee. The committee discussed the loan and the Nursing Home's finances. Tapley asked for the amount of the Nursing Home's deficit. Buffenbarger confirmed the Nursing Home's deficit is about \$700,000. The Nursing Home averages about \$100,000 in additional deficits each month. The committee discussed potential savings with the new Nursing Home building. Tapley noted Nursing Home Administrator has projected, after moving into the new building, the Nursing Home will have an operating deficit of \$1.3 million. McGinty asked if the loan could carry over past the end of this fiscal year. Fletcher and McGrath said it could not. Legal counsel explained the loan was based upon a line of cases that suggests the County can make interfund loans to meet short-term case flow problems.

Motion carried to defer item to the September meeting.

ADDENDUM

Request Addition of 19 New Full-Time Positions in Preparation for the Opening of the New Champaign County Nursing Home

Buffenbarger stated the nineteen new positions are involved in taking care of the anticipated thirty additional residents in the new Nursing Home building. The new building will mean a considerable addition to the floor space that must be maintained, this requires more maintenance staff. This positions were included in the FY2006 budget and do not require any amendment to the budget.

MOTION by Tapley to approve the addition of nineteen new full-time positions in preparation for the opening of the new Champaign County Nursing Home; seconded by Betz.

Wysocki asked if any of these new positions would be filling openings created by the retirement of current staff. Buffenbarger said no, these positions are just additional.

Motion carried with two no votes from Doenitz and Bensyl.

COUNTY ADMINISTRATOR

General Corporate Fund FY2006 Revenue/Expenditure Projection Report

Busey distributed the General Corporate Fund FY2006 Revenue/Expenditure Report to the committee. She reported the revenue is tracking well after the first five months of the fiscal year. Revenue continues to show substantial increases in Non-Business Licenses & Permits, which is where the Recording Fees are recorded. Sales Tax revenue is coming in very close to the projected amount. General Government is not meeting projections, Busey did point out that this projection is set at 7% above last year. The County is projected to receive \$28,935,930; \$572,000 over the budget revenue amount, in revenue.

On the expenditure side, Personnel is operating between 96% and 97% for Regular Salaries & Wages. Busey anticipated a shortfall in SLEP Overtime (the Sheriff's Law Enforcement and Corrections), but this is made up for by savings in salaries. Fringe Benefits are projected to come in lower than the budgeted amount. The expenditure to purchase the real estate stamps is projected to need an increase of \$600,000 if real estate transactions continue as they have. The stamps are needed to produce the Recording Fees revenue. Busey projected the Gas Service budget will not be adequate to cover costs. The amount listed under Transfers to Nursing Home Fund is \$929,782. This was not the amount budgeted, but Busey listed it so the committee would have a clear picture of the transfers to the Nursing Home Fund from the General Corporate Fund. A total of \$758,957 was transferred from General Corporate to Self-Funded Insurance. The total projected expenditure amount is \$30,300,603. Busey compared the revenue to expenditures. A deficit of \$1,364,673 will occur based on projections. The deficit is caused by transfers to the Nursing Home and Self-Funded Insurance totaling \$1,688,739. The General Corporate Fund itself is not running a deficit outside of expenditures to the two funds that were in trouble.

Tapley asked if the projected \$1.3 million deficit included the \$2 million Nursing Home Construction Project overruns. Busey said the \$2 million is not included and the Nursing Home Construction Project will be discussed during the study session held after the meeting.

General Corporate Fund Budget Change Report

Busey distributed the General Corporate Fund Budget Change Report to the committee. Busey stated this report did not change substantially from the previous month; it matches the budget on paper.

TREASURER
Monthly Report

Welch's report was distributed to the committee. Welch has changed how the information was presented in his report. The changes included the addition of a column for each individual fund balance so there is no more borrowing within funds to prop up the fund balance on the accounting side. For example, the Trust & Agency Combined Account is one of the six bank accounts and is comprised of fifty different funds. Because the funds are combined with one account, when one fund runs a deficit it will not affect the ability of the bank account to be solvent. Welch is presenting the fund balances as they actually are for each fund. This will enable the Finance Committee to see the scope of deficits in the funds.

Welch stated the real estate tax bills were mailed on May 1st. A total of 68,958 bills were mailed, an increase of 1,600 over last year. Welch predicts the County will collect about \$221 million in taxes, which represents a 7.2% increase over last year.

MOTION by Betz to receive and place on file the Treasurer's April monthly report; seconded by Tapley.

Avery thanked Welch for the clarity of the fund balance information provided in his report. She asked about the Regional Planning Commission's deficit in Fund 075 and why the Finance Committee has not been receiving any budget amendments concerning the deficit. Welch stated Fund 075 RPC was borrowing from Fund 475 RPC Development. The third to last page of Welch's report is a list of outstanding interfund transfers to date. This list includes the money Fund 475 RPC Development has loaned to Fund 075 RPC starting in November 2004. The Regional Planning Commission has several funds within one bank account. Welch explained that RPC has used money from one fund to cover shortfalls in another fund. If Fund 075 RPC was in a bank account by itself, then it would be overdrawn by \$213,619.80. Welch's new report setup gives the committee a clearer picture of how each fund is actually doing. Welch explained more about the different funds combined in the six separate bank accounts. The committee expressed appreciation to Welch for providing the more detailed information.

Motion carried.

AUDITOR
Purchases Not Following Purchasing Policy

Frerichs distributed the list of purchases not following the purchasing policy for information only. The list continues to include FY2005 bills that were not received until FY2006.

Monthly Report

MOTION by Betz to receive and place on file the Auditor's March monthly report; seconded by Avery.
Motion carried.

CHAIR'S REPORT

There was no Chair's Report.

OTHER BUSINESS

Closed Session Pursuant to 5 ILCS 120/2(c)2 to Consider Collective Negotiating Matters Between Champaign County and Its Employees or Their Representatives and Deliberations Concerning Salary Schedules for One or More Classes of Employees

MOTION by Betz to enter into closed session pursuant to 5 ILCS 120(c)2 to consider collective negotiating matters between Champaign County and its employees or their representatives and deliberations concerning salary schedules for one or more classes of employees. He further moved that the following individuals remain present: the County Administrator of Finance & HR Management, County's legal counsel, Nursing Home Administrator, and the Recording Secretary. Motion seconded by Avery. The Recording Secretary called the roll. Motion carried with a vote of 9 to 0. Avery, Bensyl, Betz, Doenitz, Gross, McGinty, O'Connor, Tapley, and Wysocki were present and voted in favor of the motion.

The Chair declared closed session at 7:51 p.m. The committee resumed open session at 8:00 p.m.

DESIGNATION OF ITEMS TO BE PLACED ON COUNTY BOARD CONSENT AGENDA

The Chair designated agenda items VI C, VI D, and VII A for the consent agenda.

CONCLUSION OF REGULAR BUSINESS MEETING

The regular business meeting was concluded at 8:02 p.m.

FINANCE COMMITTEE STUDY SESSION REGARDING OVERVIEW OF COUNTY'S CURRENT FINANCIAL POSITION RELATING TO GENERAL CORPORATE FUND AND NURSING HOME FUND ISSUES

Busey distributed packets of materials concerning the General Corporate Fund and Nursing Home Fund to the committee members. Much of the material was being presented at the request of Finance Committee members from the April 20, 2006 Finance meeting. The packet included fund balance reports, a Tort Immunity Fund overview, a General Corporate Fund five-year projection, a General Corporate Fund five-year projection with continuing subsidy to the Nursing Home, a Nursing Home Construction Project financial report, a Nursing Home operating monthly net loss report, and graphs about the General Corporate Fund balance and Nursing Home Fund balance.

When the FY2006 Budget was adopted, Busey reported to the Finance Committee that there were two problem areas, the Nursing Home and Tort Immunity/Self-Funded Insurance. The County Board appropriated \$758,000 to the Tort Immunity Fund this year, which will also address the deficit that had grown in Self-Funded Insurance. It is anticipated with the \$758,000 the Tort Immunity will end FY2006 with a zero balance. In order to keep the Tort Immunity Fund at a zero balance in FY2007, there will have to be a substantial increase in the property tax levy for Tort Immunity or additional funds appropriated from the General Corporate Fund. Busey estimated if the FY2007 property tax levy aggregate increase is approximately 5% (consistent with the growth in recent years), the total increase in the aggregate of all of the County's levies will be \$732,070. In order to meet an anticipated liability insurance budget of \$883,000 (a 10% increase over FY2005 expenditures), the levy increase will need to be \$318,025. This is \$289,734 more than the levy growth that would be appropriated to that levy under the PTELL calculation.

Busey's proposal is that the needed additional levy growth be taken from the General Corporate Fund's levy growth. Busey anticipated the General Corporate Fund's levy growth would be about \$314,004, of which \$289,734 will have to be appropriated to Liability Insurance. The balance of General Corporate Fund's levy

growth will be needed for IMRF. Busey does not know what kind of increase IMRF will require for the next year at this time. If IMRF requires more than an 8% increase, the County Board would need to look at appropriating some of the levy growth allowed some of other levies within the aggregate. Tapley asked if the IMRF rate information could be obtained from the County's IMRF agent. Busey will ask the agent for that information. Busey is presenting this information to the Finance Committee because it looks like this will be the recommended method to correct the shortfall in revenue for the Tort Immunity Fund.

Betz asked if any portion of the Tort Immunity Fund money is allocated for prevention. Busey stated Self-Funded Insurance pays for some preventive activities. Recently the County's legal counsel, Deputy County Administrator HR, and Insurance Specialist have been working with the Work Injury Network (WIN) to try and address workers' compensation issues countywide. They are focusing on the Sheriff's Office and the Nursing Home. McGrath stated the revised Personnel Policy incorporates elements of the WIN Program to prevent loss and address loss sooner. The Sheriff's Office and the Nursing Home are the biggest users of workers' compensation, but this program can be used in all departments. Adoption of the Personnel Policy at the May County Board meeting will mean the adoption of a substantial loss prevention program that will hopefully stabilize this fund. Betz asked if there will be a monitoring of the program to document the difference that could occur. McGrath said yes, the Personnel Policy has a specific reporting program.

Tapley asked how underfunded the fund is on an actuarial basis. Busey said this recommendation is only intended as a first step in addressing the issue of the Tort Immunity Fund. Self-Funded is supposed to be a place for the County to build a fund balance and no fund balance exists there. Tapley was against characterizing the \$750,000 appropriation to the Tort Immunity Fund as a one-time expense because there are recurring expenses for this fund. Busey stated the goal is to get Self-Funded to a point where it is not operating at a deficit and address building a fund balance again. Tapley agreed with Busey's approach, but wants to be sure the County Board is aware of the true amount of liabilities. McGrath stated another avenue in which the County is seeking to address the loss prevention issue is to be more aggressive in managing all of its outside claims. McGrath felt they have been very successful in the last two years in keeping on top of some of the claims and addressing prevention programs, particularly in the Correctional Center, in order to prevent claims from recurring.

Busey presented a five-year projection report for the General Corporate Fund that takes into consideration that there would be no property tax growth for the fund in FY2007. The revenue and expenditure projections are conservative. The debt repayment line does include the future obligations the County is aware of, such as contributions to the Highway Facility Project and Scottswood Drainage Project. A five-year projection report for the General Corporate Fund was presented with the revenue side basically remaining the same and the expenditure side assuming the Nursing Home subsidy continues as it is today. The Nursing Home subsidy would potentially be \$1.1 million in additional expenditures every year. The subsidy would have an extremely detrimental effect on the General Corporate Fund balance. The packet includes some fund balance history graphs and a graph of the Nursing Home's operating budget on a monthly basis for the last three years. Moving forward without correction of the Nursing Home subsidy would substantially harm the General Corporate Fund. It would be very difficult to rebuild the General Corporate Fund. If the General Corporate Fund balance dropped below \$2 million, the County would have a constant cash flow problem.

The report on the Nursing Home Construction Project Budget was provided to the County Facilities Committee this week. It is a glimpse of where the project is as of May 1st. Busey reported the County has paid out project expenses of \$20.4 million. There is a balance of anticipated project expenses of \$2,745,654. The total anticipated project expense is \$23,222,792. This is in compliance with the budget for this project as it has been approved by IDPH and substantiated to the Illinois Health Facilities & Planning Board. The cash position for the Nursing Home Construction Project as of May 1st is \$797,837.84; with a remaining project expense of \$2.7 million. This leaves a cash shortfall of \$1,947,816.44. The report included the major categories of

expenses, the original budget for each category, the adjusted budget for each category, the actual payments, and the balance to finish. A substantial piece of the shortfall on this project budget was the mold remediation expenses which are anticipated to be about \$1.6 million. Whether or not the County will absorb the full cost of that expense is subject to litigation. Any further discussion about the litigation would require the committee to enter into closed session. Busey stated the anticipated \$1.9 million shortfall is a worst case scenario. The project budget will probably go negative. The County Administrators reported to the County Facilities Committee that it seems appropriate to wait see what settlement might be reached with regard to the mold remediation and what the actual final expenses will be. The \$1.9 million shortfall will have to be paid for in some way. Busey stated there are three options available to the County: 1. issue general obligation bonds based on a voter referendum, 2. issue alternate revenue source bonds, identifying a specific revenue source with which the bonds would be repaid, or 3. issue debt certificates. The third option is what is recommended for an obligation of this size by the County's bond counsel. If the County issued debt certificates for \$2 million over a ten-year period, based on today's market, the repayment would be about \$270,000 a year. This is an expense that would have to be absorbed either by the Nursing Home Fund or the General Corporate Fund. There is no other fund that could absorb this expense. Betz asked when a formal recommendation regarding this project will be made. Busey stated the County Facilities Committee was informed this decision would need to be made within six months.

Bensyl asked about the line item of Other in the amount of \$690,363 on the page that categorizes the project expenses. Busey explained this was the Contingency Fund for the project. It has been zeroed out because the money has been moved to pay other expenses. Betz asked if the County had a rough estimate when the mold remediation would be settled. Busey said she could not provide an estimate because the matter is subject to negotiation and litigation. Avery asked why there was such a high cost overruns under Site Improvements. Busey did not have the exact specifications, but the costs had to do the asphalt for the parking lots and Art Bartell Drive and the Scottswood Drainage Project. The Nursing Home is a major contributor to the Scottswood Drainage Project and the assessment was large. Moser asked if the Scottswood Drainage Project coming in under budget would have a positive effect on the assessment. Busey said that was correct.

Closed Session Pursuant to 5 ILCS 120/(c)2 to Consider Collective Negotiating Matters Between Champaign County and Its Employees or Their Representatives

MOTION by Betz to enter into closed session pursuant to 5 ILCS 120/(c)2 to consider collective negotiating matters between Champaign County and its employees or their representatives. He further moved that the following individuals remain present: the County Administrator of Finance & HR Management, County's legal counsel, Nursing Home Administrator, and the Recording Secretary. Motion seconded by Wysocki. The Recording Secretary called the roll. Motion carried with a vote of 9 to 0. Avery, Bensyl, Betz, Doenitz, Gross, McGinty, O'Connor, Tapley, and Wysocki were present and voted in favor of the motion.

The Chair declared closed session at 8:29 p.m. The committee resumed open session at 9:37 p.m.

ADJOURNMENT

The Chair adjourned the study session at 9:38 p.m.

Respectfully submitted,

Kat Bork
Administrative Secretary

Secy's note: The minutes reflect the order of the agenda and may not necessarily reflect the order of business conducted at the meeting.