



OFFICE OF THE
COUNTY ADMINISTRATOR

21 November 2016

To: Ms. Pattsy Petrie, County Board Chair; and
Honorable Members of the Champaign County Board:

Fr: Rick Snider, County Administrator
Tami Ogden, Deputy County Administrator/Finance

RE: Letter of Transmittal – FY2017 Budget

We are pleased to present for your consideration and acceptance the Champaign County, Illinois fiscal year 2017 governmental budget, beginning January 1, 2017 and ending December 31, 2017. The budget was developed in accordance with Resolution 9618 establishing the budget process for this fiscal year and pursuant to Illinois Statutes (55 ILCS 5/6-1001). The consolidated budget is submitted with revenue of **\$125,963,255** and expenditure of **\$127,209,559** and complies with relevant Champaign County financial policies.

This transmittal letter is intended to provide an executive summary and overview of the enclosed budget document, which in turn provides comprehensive, detailed information about the relationship of the budget to county board policy, the operational elements of county government, and how the financial planning needs of the county have been addressed.

Budget Document Overview

The budget document provides extensive financial information for every component of Champaign County government. The document is divided into nine sections:

- Introduction. This section contains background information that offers insight into the economic environment informing the construction of the annual budget, a brief instructional article to guide the reader in using the budget document, and Champaign County Board policy and process information.
- Budget Summary. This section contains key highlights of the fiscal year 2017 budget.

- **General Fund.** This section contains a summary statement of the county's general government fund as well as individual department budgets. Any Special Revenue Fund budgets related specifically to elected officials with operations in the General Fund are included immediately after their corresponding section of the General Fund budget.
- **Special Revenue Funds.** Summary and budgetary information is provided in this section for each of the County's 18 special revenue funds.
- **RPC Funds.** This section discusses the five special revenue funds (encompassing 100 individual department budgets) managed by the Champaign County Regional Planning Commission.
- **Joint Venture Fund.** This section discusses the budget for the Champaign County GIS Consortium, a joint venture fund for which Champaign County is the lead agency and is supported by the following seven government entities: Champaign County; City of Champaign; City of Urbana; University of Illinois; City of Rantoul; City of Mahomet; City of Savoy.
- **Debt Management and Capital Projects Funds.** This section offers budgetary information about the County's debt service and capital projects funds, and discusses financial details, revenue sources, debt structure, and project status.
- **Proprietary Funds.** This section covers the Champaign County Nursing Home enterprise fund, and the Self-Funded Insurance internal service fund.
- **Supplemental Information.** This final section includes miscellaneous information including budget ordinances, property tax distribution, personnel budgets and salary schedules, and a terms glossary.

Budget Organization

The Champaign County budget is organized into components using the concept of a fund. A fund is a self-balancing accounting entity with revenues and expenditures segregated for carrying out specific programs in accordance with County policies and certain applicable state and federal laws.

Each fund has at least one department budget, which is a group of expenditures that provides for the accomplishment of a specific program or purpose. Each department overview includes the following narrative elements:

- **Mission statement.** This is a formal statement of purpose that captures the goals and values of the department or fund;
- **Budget highlights.** The highlights take note of any trends that may be occurring with the budget with respect to revenue or expenditure, and underlying factors having an impact on budget characteristics;

- Organizational chart and personnel headcount, with associated cost per capita data;
- Line-by-line departmental budgets. Includes a statement of revenue and expenditure with prior year actual, current year original budget and projected results, and future year budget figures. Revenues include tax, fee, and fine sources; expenditures include personnel, commodity, and service costs;
- Alignment to County Board goals. Each department or fund explains how their functions align with specific elements within the County Board's strategic plan;
- Objectives and performance indicators. These are a series of tangible, measureable operational objectives with quantitative performance criteria delineated for evaluation purposes.

Strategic Planning

The Champaign County Board last updated its Strategic Plan in 2015 and is presented in the Introductory section of this budget document. The four primary goals of the Plan may be summarized as follows:

- Goal 1: Champaign County is a high performing, open and transparent local government organization.
- Goal 2: Champaign County maintains high quality public facilities and highways and provides a safe rural transportation system and infrastructure.
- Goal 3: Champaign County promotes a safe, just and healthy community.
- Goal 4: Champaign County is a county that supports balanced, planned growth to balance economic growth with preservation of our natural resources.

It is expected that there will be another update with the new term of the County Board beginning in January 2017. However, the FY2017 departmental and fund details presented in this budget document have been aligned with the existing plan. In the document section that immediately follows the Strategic Plan, we have provided extended supporting details about the County Board initiatives related to the Plan goals, current and planned activities, and expected outcomes for each.

Champaign County is also in need of a long-term financial plan. Budgets are the instruments through which a governing body can express its policy goals. However, they cannot operate in a vacuum and must reflect the realities of the financial environment within which the organization lives. Some of the prerequisite work in developing a financial plan has been completed. For example, in FY2016 the County adopted a detailed facilities action plan that incorporated expert recommendations and data regarding the maintenance and construction needs for its \$160 million investment in buildings over the next ten years. In FY2017, we intend to embark on a process that will consider community needs, establish service priorities and their implications for operating and capital expenditures, examine financial policies, and develop projections for current and potential revenue sources.

Through this process, we can begin the work to align strategic goals and priorities with available resources to create a realistic long-term financial plan.

Economic Environment

The economic environment remains a challenging one for local governments across the United States. While the economy has slowly improved over the past several years, many detrimental factors to county finances persist. These include the continued deluge of unfunded mandates arising at the state and federal levels; spiraling increases in employee health care costs; and revenue growth constraints imposed by Illinois' Property Tax Extension Limitation Law (PTELL).

General economic indicators show continued strength. Illinois' unemployment rate declined to 5.5% as of August 2016, improving from 5.8% in August 2015. The numbers for Champaign-Urbana continue to lead the rest of the state with unemployment declining to 5.1% as compared with 5.4% in the year-ago period (Source: U.S. Department of Labor, http://www.bls.gov/eag/eag.il_champaign_msa.htm). The Consumer Price Index (CPI-U) in September 2016 has increased 1.5% year-over-year with a 4.9% increase in health care costs possibly driving much of the CPI-U change (Source: <http://www.bls.gov/cpi/home.htm>).

The Champaign County Association of Realtors reported in September 2016 that the local median home price rose 5.87 percent year-over-year, with a slight softening in sales volume. (Source: <http://www.champaigncountyassociationofrealtors.com/News/TabId/101/ArtMid/469/ArticleID/240/Home-Sales-Ease-Slightly-in-September.aspx>). The positive news from this sector is important for the county as property taxes represent a major segment of its revenue sources. The upward climb in the market is reflected in the growth of the county's equalized assessed valuation (EAV), which stands at \$3.88 billion for revenue year 2016, representing year-over-year growth at a robust 7.8% rate. However, the impact of this growth upon property tax revenues is moderated through the constraints imposed by PTELL. The effect of PTELL will be discussed later in the Budget Summary section of this document. We also take note of the fact that this EAV growth includes the "new construction" represented by the return of the hospital properties to the tax rolls pending a favorable ruling by the Illinois Supreme Court. If this scenario does not come to pass, then the actual EAV will be \$3.76 billion representing growth of 4.5%.

Revenues and Expenditures

FY2017 revenue is budgeted at \$125,963,255 and reflects an increase of \$2,854,866 or 2.3% growth over the original FY2016 budget. Strong results in property taxes (up 6.1%), grant funding (up 4.8%), and state-shared revenue (up 2.2%) have led the way in supporting revenue levels; however, anticipated growth in budgeted fees and fines for FY2016 failed to materialize and our adjusted FY2017 budgeted revenue for that item (-8.4%) has largely offset gains in other sources.

It should be noted however that the receipt of approximately \$1 million in property tax revenue is uncertain at this point and depends upon a favorable ruling by the Illinois

Supreme Court in the ongoing hospital property tax exemption case. If such a ruling were to be issued prior to the closure of the tax books by the Board of Review, the return of the hospital properties to the tax rolls would result in the recognition of the associated equalized assessed valuation (EAV) as “new construction” under the Property Tax Extension Limitation Law (PTELL) and its consequent positive contribution to tax revenue.

FY2017 expenditure is budgeted at \$127,209,559 and reflects an increase of \$2,295,079 or 1.8% growth over the original FY2016 budget. Commodities and services expenditures were held to a net increase of \$162,594 (0.37%) over the original FY2016 budget. Personnel expenditures increased 0.9% to \$66,305,107. As explained below, much of the expenditure increase is a result of planned capital projects budgeted for FY2017.

The \$1,246,304 deficit of revenue to expenditure is the result of combining prior year revenues with current revenues for planned highway road and bridge projects budgeted in FY2017, and budgeting for the potential to secure an expanded ADA-compliant childcare facility for the Regional Planning Commission’s Head Start program. This project will depend upon availability of grant funding, facility acquisition, revenue streams and governing body approval. The FY2017 budget is a balanced budget per Champaign County’s financial policies.

In the General Fund, we have budgeted \$36,781,407 in revenue and \$36,420,066 in expenditure, with a surplus of \$361,341. Revenue growth measures 2.5% year-over-year, with increases in property tax receipts (up \$1,179,703 or 10.9% YOY) buoyed by a vigorous real estate market being offset by declines in state-shared revenue (down \$218,274 or -1.4% YOY) and fees and fines (down \$192,520 or -3.7% YOY). The shrinkage in fees and fines is part of a long-term trend with fewer traffic stops made by law enforcement reducing the number of citations issued, down an estimated 7% from the year-ago period. In addition, we have noted reductions in other lines such as bond forfeitures, electronic home detention fees, and miscellaneous court fees and charges.

Property tax revenue for the General Fund also includes a projected contribution that would result if a court ruling favorable to the County should occur. Absent such a ruling, there will be a revenue to expenditure deficit of \$150,000. This deficit results from non-recurring capital costs to comply with a Department of Justice settlement agreement to implement facility improvements in compliance with the Americans with Disabilities Act (ADA). However, the FY2017 budget is a balanced budget per Champaign County’s financial policies.

Financial Concerns

Champaign County faces several concerns that could affect finances to varying degrees. We have attempted to highlight the most significant issues that have such potential to result in a detrimental impact.

Nursing Home sustainability. The Champaign County Nursing Home continues to struggle financially. The failure of the State of Illinois to fully satisfy its obligations to fund Medicaid patient care has strained the finances of the home. The inability to solve its operational issues in processing Medicaid applications in a timely manner has resulted in an estimated

loss of \$180,000 in monthly income. In addition, the state has not reconciled its intergovernmental transfer payments (IGT) that has added an estimated \$1.3 million to the home's accounts receivable totals. These impact vendors as well as the county directly. Although this is an enterprise fund, any shortfalls will inevitably become liabilities for the county.

State budget uncertainty. As of this writing, the State of Illinois has adopted a budget that only extends through December 31, 2016. The inability to establish the budget affects the county in many areas, such as reimbursement of costs in the State's Attorney's Office related to child support enforcement, and other grant-funded activities throughout the county. Service cutbacks may become necessary if the state were to suspend payments for these activities.

ADA facility remediation expenses. The county continues to make progress on completing necessary facility remediation projects agreed to in its settlement agreement with the U.S. Department of Justice. Failure of the voters to approve the quarter-cent facilities sales tax would leave the county without a feasible means to address the facilities needs that would allow shutdown of the downtown jail and sheriff's office. This would likely trigger the need to complete proposed ADA improvements in this facility, estimated at \$200,000.

State juror pay. The Illinois Supreme Court recently overturned a statute that included increases in county-paid juror compensation rates. The removal of this unfunded mandate has resulted in a net reduction of nearly \$182,000 in recurring costs for the FY2017 budget. However, it is possible that in the coming session, the General Assembly will pass new legislation that restores the pay rates.

Supreme Court Ruling on hospital taxes exemptions. A ruling is expected within the next year from Illinois Supreme Court regarding charitable property tax exemptions for Carle Foundation Hospital and Presence Covenant Medical Center. If the ruling favors the hospitals' position, this could adversely affect county finances by requiring return of previously collected taxes. The potential liability is approximately \$2.6 million. The county has reserved \$946,063 from a surplus TIF distribution that is recorded as a liability and can be used as an offset, reducing the net potential liability to approximately \$1.65 million.

Lack of funds for capital improvement and facilities maintenance. The budget has been balanced without sufficient funding for capital replacement and facilities maintenance. The county has advanced a facilities action plan to address needs over the next twelve years, along with a ballot question requesting voter approval of a quarter-cent facilities sales tax. The \$4.5 million generated annually by such a tax would be dedicated to the repair, replacement, and maintenance of countywide facilities as well as projects to consolidate and reduce the amount of square footage under management by the county. The tax would not apply to food, medicine or titled vehicles, and would be limited to a collection period of twelve years without further approval by voters for an extension. The sunset date on this tax would coincide with the retirement of all extant county bonds, leaving Champaign County debt-free by the end of 2028. Revenue streams previously dedicated to debt service could be reallocated to address ongoing facilities maintenance or put towards capital asset replacement needs.

Personal property replacement tax recapture. Due to an error made by the Illinois Department of Revenue in the formula for collection of the personal property replacement tax, the county has received an overpayment of approximately \$122,000 that will be recaptured by the state. The recapture is expected to begin in the state's FY2018 budget year, which would mean that repayments could be required as soon as July 1, 2017 in the second half of our fiscal year.

Declining AOIC funding. In FY2015, the Administrative Office of the Illinois Courts (AOIC) increased funding levels for supported positions within the Court Services Department. Previously, these positions had been funded at approximately 85% of expenditure; the increase provided for full funding. However, this increased funding was discontinued in FY2016 and we have subsequently adjusted the current year budget projection downward, along with FY2017 budgeted revenue.

Employee health care costs. Due to another difficult year of high claims in our subscriber pool, our health insurance premiums have continued their climb at double-digit rates. Although the county successfully reduced the final premium increase to 11.6% from an initial proposal for a 51% increase, the turbulence in the health insurance marketplace is likely to continue and it is expected that future renewals will require significant increases. The collaborative work put forth by the joint Labor Management Health Insurance Committee is vitally important to ensuring that health insurance remains affordable for both employees and the county.

Acknowledgements

We wish to acknowledge the outstanding cooperation and collaboration among all county elected officials, department heads, and County Board members in the preparation of the fiscal year 2017 budget. Through their combined efforts, we have overcome significant impediments to achieve our financial objectives. We also extend our special thanks to staff members providing crucial assistance in the development and completion of this budget document: Bill Simmering, Business Applications Developer; Andy Rhodes, Information Technology Director; Evelyn Boatz, Budget and Human Resource Specialist; Kathleen Oldrey, Planner II; Tammy Asplund, Executive Assistant to the County Administrator; and Kay Rhodes, Administrative Assistant.

On behalf of our officials and staff, we are pleased to present to you the fiscal year 2017 Champaign County budget.

Respectfully submitted,



Rick Snider
County Administrator



Tami Ogden
Deputy County Administrator of Finance