

CAPITAL ASSET REPLACEMENT FUND

Fund 105-000

Pursuant to statutory authority documented in 55 ILCS 5/6-1002.5, the Champaign County Board adopted Resolution No. 4555 on May 21, 2002, establishing the Capital Asset Replacement Fund as the fund to receive revenues and appropriate expenditures for the implementation of a long term capital planning for technology, vehicles, furnishings and office equipment for the County's General Corporate Fund departments. Beginning in FY2006, the Champaign County Board added funding for capital improvements for some facilities needs to the Capital Asset Replacement Fund. Sources of revenue for this fund include, but are not limited to: General Corporate Fund, the Public Safety Sales Tax Fund, the Court Services Probation Service Fees Fund, and grant funds.

BUDGET HIGHLIGHTS

In FY2018, the budgeted increase in CARF expenditures is partly the result of budgeting for the replacement of some items that have been deferred from prior fiscal years. Departments may or may not choose to replace those items in FY2018; however, they have the ability to do so if necessary. The budget includes the addition of \$272,000 to accommodate a SaaS contract for replacement of the County's financial software system or Enterprise Resource Planning (ERP) system. Funding for this expenditure is split between the General Corporate Fund and the Public Safety Sales Tax Fund. The County does not have a contract in place at this time; however, has estimated the cost based on similar ERP service contracts. New Information Technology expenditures include \$20,000 for firewall updates and Azure cloud services, and \$37,000 for the AS/400 lease. In FY2018 there are greater than average CARF expenditures due to the replacement of both mobile and portable radios for the Sheriff's Office. There is no reserve funding in place for these items and the total cost is estimated to be \$387,000.

Since 2008, declining revenues in the General Corporate Fund and Public Safety Sales Tax Fund have resulted in cuts in funding for future reserve items in the Capital Asset Replacement Fund. (FY2010 is the only exception when \$416,000 was deposited for Facilities replacement issues, and only \$172,000 of that was spent.)

In past fiscal years, the budget has initially been prepared with full funding for the fiscal year and scheduled future reserve for all other items. Due to the lack of available revenue, the budget is subsequently revised to include current funding only. Administration recognizes the need for a long-term financial plan including the future cost of the County's upcoming capital asset needs. Therefore, in FY2018 administration recommended that rather than calculating the future reserve funding, the budget be prepared with funding for the current fiscal year, with an analysis of the capital asset needs for the next four fiscal years.

Excluding facilities, fully funding the Capital Asset Replacement Fund in FY2017 required a total of \$786,480 in revenue; however, in order to enhance the ability to establish balanced budgets for the General Corporate Fund and the Public Safety Sales Tax Fund, the budget was prepared with current only funding of \$372,483 resulting in a shortfall for future reserve of \$413,997. Although this calculation was not made for FY2018 it is anticipated that the County is underfunding the CARF by at least \$400,000 on an annual basis.

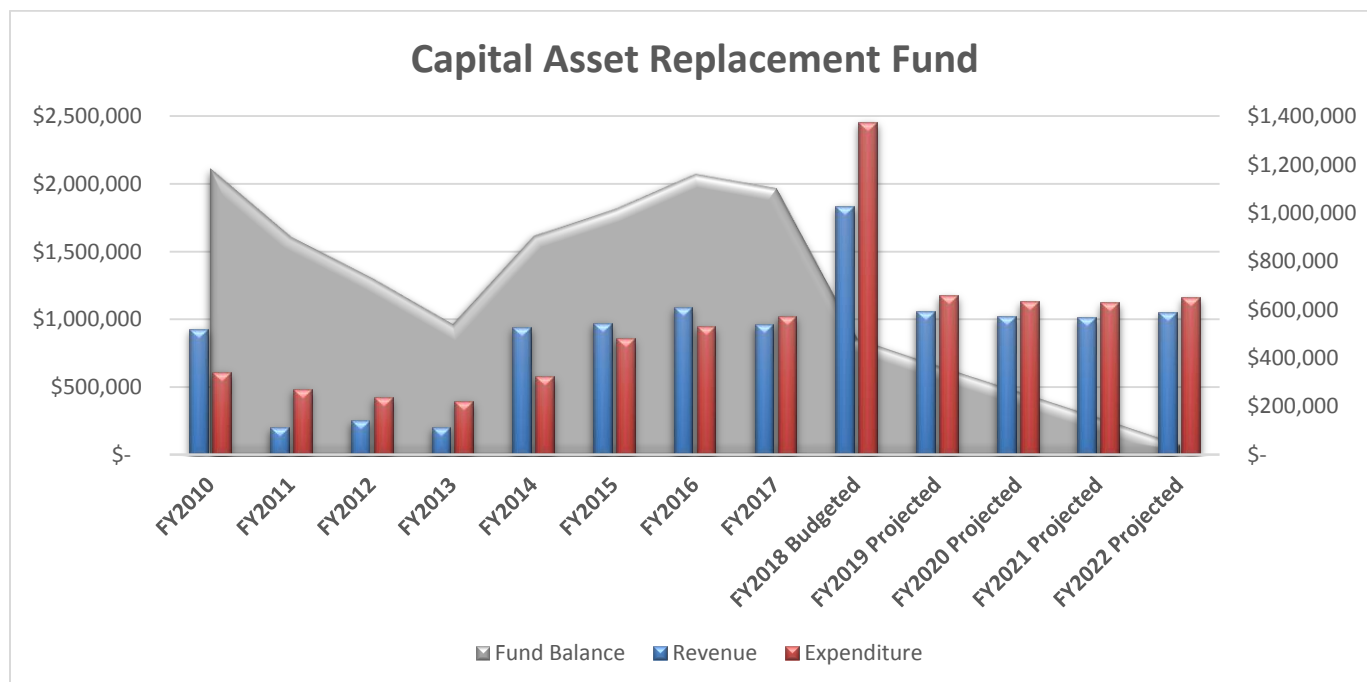
FY2017 CARF Funding	Full Funding	Current Only Funding	FY2017 Underfunding
General Corporate	\$579,182	\$209,919	\$369,263
Public Safety Sales Tax	\$207,298	\$162,564	\$44,734
Total	\$786,480	\$372,483	\$413,997

The impact of failing to fund future reserve is demonstrated in the diminishing fund balance of the Capital Asset Replacement Fund. Because most items are on a 5 to 7-year replacement cycle, there will be very little future reserve left in the CARF fund at the end of FY2018, as there are fewer and fewer items to be replaced in future years with future reserve funding appropriated. Because departments are cognizant of the County's fiscal challenges, some items scheduled for replacement are deferred beyond their scheduled replacement. This deferral helps preserve the fund balance to some extent.

In FY2016 the budget included \$532,261 for facility improvements. The FY2017 budget, originally \$532,261, was amended to reencumber \$104,487 in unspent funds from FY2016, and receive a grant in the amount of \$18,550. The FY2018 appropriation for facilities is \$532,261 of which \$462,261 is from the General Fund and \$70,000 is from the Public Safety Sales Tax Fund. There is also a transfer from the Public Safety Sales Tax Fund in the amount of \$261,331. The additional funds are appropriated for architectural/engineering services for the potential relocation of the Sheriff's downtown facilities. The funds are included in the Facilities CARF budget which is under the direction of the Facilities Committee. If the downtown facility is not closed the funds must be redirected to the ADA Budget in order to complete the remedial actions required by the County's Settlement Agreement with the Department of Justice. It should be noted that based on the County's Facilities Action Plan and Facilities Condition Assessment, the annual facility maintenance investment should average \$3 million, rather than the current \$532,261.

Looking forward to future fiscal years, expenditures are projected to average \$1.16 million annually. Two of the largest recurring expenditures in the CARF are for annual Microsoft licensing, \$146,000, and the SaaS contract for financial software, projected to be \$200,000 annually after initial one-time fees. As the fund balance diminishes, there will be an increased reliance on the General Fund and Public Safety Sales Tax Fund to transfer the necessary funds for CARF expenditures.

Fiscal Year	2019	2020	2021	2022
Projected CARF Expenditure (including Facilities)	\$1,218,529	\$1,131,315	\$1,122,069	\$1,159,831



FINANCIAL

Fund 105 Summary			2016 Actual	2017 Original	2017 Projected	2018 Budget
334	85	DEPT COMMRC ECON OPPORTUN FEDERAL, STATE & LOCAL SHARED REVENUE	\$0 \$0	\$0 \$0	\$18,550 \$18,550	\$0 \$0
361	10	INVESTMENT INTEREST	\$1,182	\$0	\$0	\$0
364	10	SALE OF FIXED ASSETS	\$4,200	\$0	\$0	\$0
		MISCELLANEOUS	\$5,382	\$0	\$0	\$0
371	6	FROM PUB SAF SALES TAX FD	\$109,735	\$162,564	\$162,564	\$1,039,875
371	18	FROM PROB SERV FUND 618	\$16,130	\$10,000	\$40,652	\$10,000
371	80	FROM GENERAL CORP FND 080	\$818,272	\$742,180	\$742,180	\$775,985
383	50	CAPITAL LEASE FINANCING	\$141,728	\$0	\$0	\$0
		INTERFUND REVENUE	\$1,085,865	\$914,744	\$945,396	\$1,825,860
REVENUE TOTALS			\$1,091,247	\$914,744	\$963,946	\$1,825,860
522	2	OFFICE SUPPLIES	\$0	\$13,369	\$0	\$0
522	44	EQUIPMENT LESS THAN \$5000	\$240,476	\$607,057	\$229,569	\$411,901
522	45	VEH EQUIP LESS THAN \$5000	\$4,104	\$0	\$0	\$0
		COMMODITIES	\$244,580	\$620,426	\$229,569	\$411,901
533	2	ARCHITECT SERVICES	\$19,953	\$0	\$0	\$136,782
533	4	ENGINEERING SERVICES	\$22,004	\$0	\$34,133	\$124,331
533	42	EQUIPMENT MAINTENANCE	\$75,613	\$27,867	\$22,399	\$12,037
533	46	1905 E MAIN REPAIR-MAINT	\$0	\$0	\$0	\$80,000
533	47	JUV DET CTR REPAIR-MAINT	\$0	\$0	\$0	\$25,000
534	72	SATELLITE JAIL REPAIR-MNT	\$26,969	\$0	\$0	\$110,000
		SERVICES	\$144,539	\$27,867	\$56,532	\$488,150
544	16	COURTS FACILITY CONST/IMP	\$0	\$0	\$0	\$250,000
544	17	SATELLITE JAIL CONST/IMPR	\$0	\$0	\$0	\$67,261
544	18	BROOKNS BLDG CONST/IMPROV	\$358,847	\$380,000	\$345,867	\$0
544	30	AUTOMOBILES, VEHICLES	\$41,698	\$118,450	\$95,464	\$95,500
544	31	RADIO EQUIPMENT	\$0	\$0	\$0	\$443,489
544	33	OFFICE EQUIPMENT & FURNIS	\$120,251	\$139,477	\$0	\$466,996
544	34	MAINTENANCE EQUIPMENT	\$6,000	\$62,148	\$0	\$0
544	47	1701 MAIN BLDG CONST/IMPR	\$0	\$152,261	\$275,298	\$0
544	85	POLICE EQUIPMENT	\$0	\$0	\$3,522	\$186,000
544	86	COURT SECURITY EQUIPMENT	\$23,012	\$0	\$0	\$0
		CAPITAL	\$549,808	\$852,336	\$720,151	\$1,509,246
581	3	CAPITAL LEASE PRINC PMTS	\$5,909	\$5,792	\$34,384	\$35,140
582	3	INTEREST ON CAPITAL LEASE	\$222	\$339	\$2,400	\$1,642
		DEBT	\$6,131	\$6,131	\$36,784	\$36,782
EXPENDITURE TOTALS			\$945,058	\$1,506,760	\$1,043,036	\$2,446,079

FUND BALANCE

FY2016 Actual	FY2017 Projected	FY2018 Budgeted
\$1,161,130	\$1,082,040	\$461,821

The Fund balance goal is \$1,000,000. The greater than 10% fund balance decrease in FY2018 is the result of spending down future reserves appropriated in previous fiscal years for items scheduled to be replaced in FY2018.