

OFFICE OF THE
COUNTY ADMINISTRATOR

To: Chairman C. Pius Weibel and Honorable Members of the Champaign County Board

Fr: Deb Busey, Interim County Administrator; and
Tami Ogden, Deputy County Administrator/Finance

RE: Letter of Transmittal – FY2019 Budget

The Fiscal Year (FY) 2019 Annual Budget, for the period beginning January 1, 2019 and ending December 31, 2019, is presented for your consideration and approval. The budget was developed in accordance with Resolution No. 2018-142, and pursuant to Illinois Statutes (55 ILCS 5/6-1001). The consolidated budget is submitted with revenue of **\$120,775,667** and expenditure of **\$122,974,563**, and complies with relevant Champaign County financial policies. This transmittal letter is intended to provide an executive summary and overview of the budget document.

Budget Document Overview

The budget document provides extensive financial information for every component of Champaign County government. The budget is divided into nine sections further explained in How to Use This Document, which is part of the Introduction section of the budget.

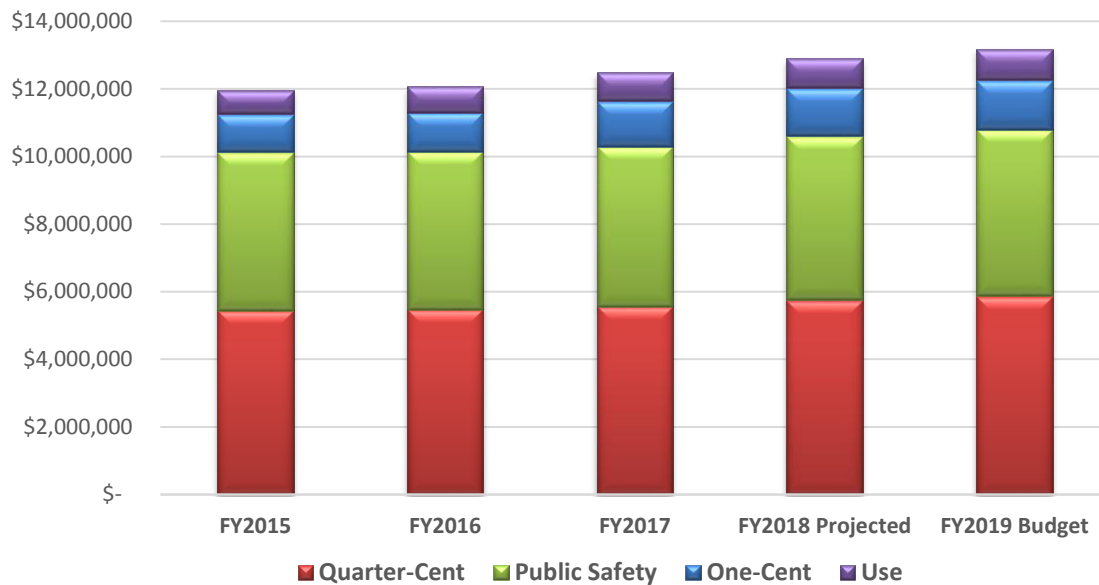
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The FY2019 Budget includes fifty-two funds, with each fund containing at least one department budget. This year, a new Department/Fund Relationship matrix was added to the budget in order to illustrate the relationship between the County's financial structure and its organizational structure.

Economic Environment

Per the Conference Board Consumer Confidence Survey, consumer confidence in September 2018 was at an 18-year high and not far from an all-time high reached in 2000.¹ Likewise in September, the University of Illinois Flash Index, designed to give a quick reading of the state economy, hit its highest reading of 105.2 since May 2016.² Champaign County's sales and use tax revenues as projected in FY2018 and budgeted in FY2019, reflect this economic expansion and increased consumer confidence.

Sales & Use Tax



As of August 2018, the Illinois' unemployment rate declined to 4.2%, down from 5.3% in the year-ago period. The August 2018 rate for Champaign County is flat at 4.5% compared to August 2017. Both local and state unemployment statistics exceed the national rate of 3.9%.

According to the Champaign County Association of Realtors, year-to-date home sales as of August 2018, are 1.78 percent ahead of last year with 2,155 homes sold so far this year.³ This represents an increase of 77 homes compared to year-to-date 2017. The positive news from this sector is important for the county as property taxes represent a major segment of its revenue sources. Preliminary equalized assessed valuation (EAV) for revenue year 2018 exceeds \$4 billion and reflects a 4 percent increase over RY2017, with growth in EAV from new construction estimated at \$83 million. The County's total EAV, tax rate, and property tax extension comparison for tax levy years 2008 through 2017 is shown in the table on the following page.

¹ <https://www.conference-board.org/data/consumerconfidence.cfm>

² <https://igpa.uillinois.edu/report/flash-index-continues-upward-climb>

³

<http://www.champaigncountyassociationofrealtors.com/News/TabId/101/ArtMID/469/ArticleID/330/Champaign-County-Area-Home-Sales-Bounce-Back-in-August.aspx>

Tax Levy Year	EAV	% Increase/Decrease	Tax Rate/\$100 of EAV	Property Tax Extension
2008	\$ 3,485,212,304	5.7%	0.7426	\$ 26,000,871
2009	\$ 3,537,653,786	1.5%	0.7487	\$ 26,607,976
2010	\$ 3,561,497,476	0.7%	0.7688	\$ 27,506,700
2011	\$ 3,546,623,981	-0.4%	0.7841	\$ 27,911,272
2012	\$ 3,532,086,251	-0.4%	0.8138	\$ 28,832,637
2013	\$ 3,479,591,533	-1.5%	0.8511	\$ 29,700,112
2014	\$ 3,532,923,580	1.5%	0.8255	\$ 30,598,651
2015	\$ 3,600,615,388	1.9%	0.8322	\$ 31,404,567
2016	\$ 3,806,286,018	5.7%	0.8458	\$ 32,245,372
2017	\$ 3,972,464,264	4.4%	0.8481	\$ 33,737,737

Change in Form of Government

At the November 8, 2016 general election, voters approved a proposition to establish the County Executive form of government. The County will transition to this form of government in December 2018 following the November 6, 2018 general election, when the first County Executive will be elected at large.

Revenues and Expenditures

Revenue for all county funds in FY2019 is budgeted at \$120,775,667, a decrease of \$10.7 million (-8.1%) compared to the original FY2018 Budget. While the budget reflects strong growth in property tax (\$1.5 million) and grant revenues (\$650,000), the significant decrease in total budgeted revenue is the result of the planned sale of the Champaign County Nursing Home prior to December 31, 2018. Sale proceeds and operating revenues for the Home were included in the FY2018 Budget, while the FY2019 Nursing Home Budget includes revenue of only \$2.5 million in anticipation of fees the County will continue to collect for previously provided services.

Property tax revenue in the FY2019 Budget includes approximately \$1 million the County is uncertain whether it will receive. A return of the currently exempt hospital properties to the County's tax base would result in increased tax revenue when treated as new construction under the Property Tax Extension Limitation Law (PTELL). This case is currently before the Champaign County Circuit Court and is scheduled for trial in January 2019. If the ruling is not forthcoming prior to the closure of the tax books in 2019, the County Clerk will automatically reduce the levy to the maximum allowed under PTELL.

Expenditure for all county funds in FY2019 is budgeted at \$122,974,563, a decrease of \$6.7 million (-5.2%) compared to the original FY2018 Budget. The budget for FY2019 reflects reduced expenditures in every category with the exception of capital and Interfund expenditures. The decrease in total budgeted expenditure correlates to the discontinuation of Nursing Home operations as a result of the planned sale of the Home.

The \$2.2 million revenue to expenditure deficit is the result of combining current fiscal year revenues with funds reserved in prior fiscal years for planned projects and replacements

scheduled in FY2019. The Motor Fuel Tax Fund will utilize \$2.2 million of its fund balance for a major road reconstruction and the match for a Federal grant to upgrade the County's guardrail system. In the Capital Asset Replacement Fund, \$666,000 is appropriated from prior fiscal year reserves for items scheduled to be replaced in the current year. The FY2019 Budget is balanced per Champaign County's Financial Policies.

Investment in Facilities and Technology

The Budget Process Resolution approved by the County Board in May 2018, directed the FY2019 Budget be prepared utilizing all available General Fund and Public Safety Sales Tax Fund revenues to prioritize the County's technology and facility needs. Funding for facilities was increased by \$588,000 over the prior fiscal year in order to provide \$1.12 million for projects scheduled in FY2019 per the County's Capital Facilities Plan.

Funding for implementation of real estate tax cycle software to replace the current in-house system, jail management Software as a Service (SaaS), and law enforcement civil processing SaaS is included in the FY2019 Budget. Replacing the County's in-house financial and human resources system with cloud-based Enterprise Resource Planning (ERP) software is planned for FY2020; however, the current budget includes appropriations to allow the County to start on the project in FY2019 if feasible. The Capital Asset Replacement Fund budgets were prepared with funding for current items scheduled for replacement, as well as reserve funding for items scheduled for replacement in future fiscal years. A 24/7 Information Security Operations Center system is funded in FY2019 after the County experienced three severe virus outbreaks in 2018.

Staffing

The FY2019 budget reflects a net reduction of 140 full-time employees. While the sale of the Nursing Home reduces headcount by 191 employees, new and expanded grant initiatives increase budgeted personnel within RPC funds by 50 full-time employees. A net increase of one full-time employee in the General Fund is the result of a new Planner position in the Planning and Zoning department, the addition of a Data Analyst position in the Sheriff's Office, and the reclassification of the County Board Chair position from full-time to part-time.

General Fund

In the General Fund, revenue and expenditure are budgeted respectively at \$39,510,715 and \$38,629,730. Revenue growth measures \$2.25 million, or 6% year-over-year with increases in all revenue categories. Expenditure growth measures \$1.85 million, or 5% year-over-year with increases in all expenditure categories. Significant increases in both the Interfund revenue and Interfund expenditure categories represent transfers between funds for the County's increased investment in facilities and technology.

The budget surplus of \$880,985 denotes one-time revenues in the amount of \$375,252 owed from the Nursing Home Fund for services General Fund departments provided to the Home in previous fiscal years. This outstanding amount may be paid through the continued

collection of fees owed to the Home following its sale. Also included in the budget surplus is \$488,364 in property tax revenue that the County is uncertain whether it will receive. This amount is associated with a favorable ruling in the hospital property tax exemption case as previously explained. The receipt of additional revenue in FY2019 will be utilized to improve General Fund reserves. The fund balance target is set at 16.7%, or two months of operating expenditure. The FY2019 General Fund budget is a balanced budget per Champaign County's financial policies.

Nursing Home Fund

In January 2018, the County Board released a request seeking proposals for the sale of the Champaign County Nursing Home. One responsive proposal was received and in May 2018, the County Board approved Resolution No. 2018-141 authorizing the sale of the Home to Extended Care Clinical, LLC and Altitude Health Services, Inc. With the planned sale of the Home expected to be complete prior to December 31, 2018, proceeds will be utilized to defease or redeem the Nursing Home bonds and pay outstanding obligations to outside vendors in FY2018.

The FY2019 Budget was prepared in anticipation of receiving \$2.5 million in revenue for services previously provided by the Home. The expenditure budget predominantly reflects a transfer to the General Corporate Fund for amounts owed to that fund for services provided by General Fund departments, accounts payable paid on behalf of the Home, and transfers and loans made to the Home.

County-wide Financial Concerns

The impact of both legislative and administrative decisions made at the state level continue to alter and weaken some county revenue streams.

State Funding Cuts and Diversions.

- **Income Tax.** The state legislature implemented a one-time, 10% cut to Income tax from July 1, 2017 through June 30, 2018, that cost the County \$322,000. Rather than letting the cut expire as proposed, the legislature reduced the 10% cut to 5% effective July 1, 2018. This second year of cuts is estimated to reduce County revenues by \$165,000, part of which will affect the first six months of FY2019.
- **Sales Tax.** A 2% collection fee was imposed on Public Safety Sales Tax revenues and resulted in the loss of \$95,000 in the period ending June 30, 2018. Although the fee was reduced to 1.5% after the first year, it is expected to be a permanent fee.
- **Personal Property Replacement Tax (PPRT).** The state's continued diversion of PPRT funds prior to application of the funding formula for distribution to local governments increases each fiscal year. In 2009, diversions totaled \$21,643 and in 2019 total diversions exceed \$300 million.
- **AOIC funding.** The Administrative Office of the Illinois Courts provides reimbursement for a portion of the Juvenile Detention Center and Probation and Court Services

personnel costs. Funding has continued to decline since FY2015, when the allocation was \$2.17 million. Over the past four fiscal years, the allocation has declined by a total of \$638,000 with the most significant decrease, \$289,000, in FY2019.

- Grants and Contracts. The loss of a Victim Advocacy grant, and a contract with the Illinois Department of Child and Family Services for a parental rights attorney, result in a \$70,525 reduction in revenue in FY2019.

Fees and Fines Legislation.

Signed on August 20, 2018, Public Act 100-0987 significantly changed the fines and fees collected through the courts and distributed to County funds. The 300+ page act amended or repealed multiple statutes and affects several County funds including the General Fund, Circuit Clerk Special Revenue Funds, State's Attorney Special Revenue Funds, and the Probation Services Fund. The majority of the changes are effective July 1, 2019. At the time of budget preparation, there were still uncertainties regarding the impact on County funds; therefore, the FY2019 Budget was prepared without consideration for the legislation as the County was not able to fully assess the magnitude of the Act on the last six months of FY2019.

Facility Maintenance and Planning.

The County Board approved a 10-Year Capital Facilities Plan⁴ in May 2018. The plan calls for an investment of \$23 million through FY2029, and prioritizes building envelopes, mechanicals, mechanical controls, business continuation/emergency preparedness, and parking lot/sidewalk maintenance. Interior improvements such as paint, carpeting, and flooring are not funded in the plan.

Facilities not included in the plan are the Sheriff's Office and downtown Correctional Center. Per a 2015 Facilities Condition Report⁵, these facilities are categorized as poor, and have either "more significant deficiencies that require replacement or repair, or a larger quantity of components needing to be upgraded or repaired." The 0-5 year Deferred Maintenance Backlog (DMB) for these buildings is \$2.9 million, and the 5-25 year DMB is just under \$9 million. It is essential for the County to resume discussions regarding a plan for these facilities early in FY2019.

Technology Investment.

The County's FY2019 investment in technology is significant; however, continued investment in future fiscal years is essential. Replacing the current in-house financial and human resources system with cloud-based Enterprise Resource Planning (ERP) software and Animal Control business and kennel management software should be prioritized in FY2020 as these systems are still on the County's AS/400 system. Complete replacement of the Law Enforcement Records Management System (currently Area-wide Record Management System or ARMS) and METCAD Dispatch software will be a joint venture with other law enforcement agencies commencing as early as FY2021 or FY2022.

⁴ http://www.co.champaign.il.us/FacilitiesPlans/PDFS/10-Year_Capital_Facilities_Plan.pdf

⁵ http://www.co.champaign.il.us/FacilitiesPlans/PDFS/Facilities_Assessment_Report.pdf

Hospital Property Tax Exemption Case.

A case to determine the charitable property tax exemption status of hospital properties is currently before the Champaign County Circuit Court. A ruling that favors the hospitals' position, could adversely affect county finances by requiring the return of previously collected taxes. The County's potential liability in the event of an unfavorable ruling is approximately \$2.6 million, not including possible pre-judgement interest.

Employee health care costs.


Following an 11.6% increase in FY2017, the County has enjoyed two years of affordable health insurance premium increases in fiscal years 2018 and 2019, 2.7% and 2% respectively. On January 1, 2018, the County changed from a Health Maintenance Organization (HMO) plan through Health Alliance, to a Preferred Provider Organization (PPO) plan through Blue Cross Blue Shield. Several factors contribute to the cost of a health insurance plan including claims history, the composition of the risk pool, the average age of the group, and the type and level of coverage. In future fiscal years, the collaborative work of the joint Labor Management Health Insurance Committee will continue to be vitally important to negotiating health insurance costs that are 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 2019 budget. 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 2019 Champaign County budget.

Respectfully submitted,



Debra Busey
Interim County Administrator



Tami Ogden
Deputy County Administrator of Finance