

DEBT MANAGEMENT SUMMARY

Introduction

The County has issued debt over the last two decades primarily for the rebuilding of its facility infrastructure. Issuance of debt is managed in compliance with the County's Debt Management Policy as documented in the Financial Policies section of the Budget document.

Debt Rating

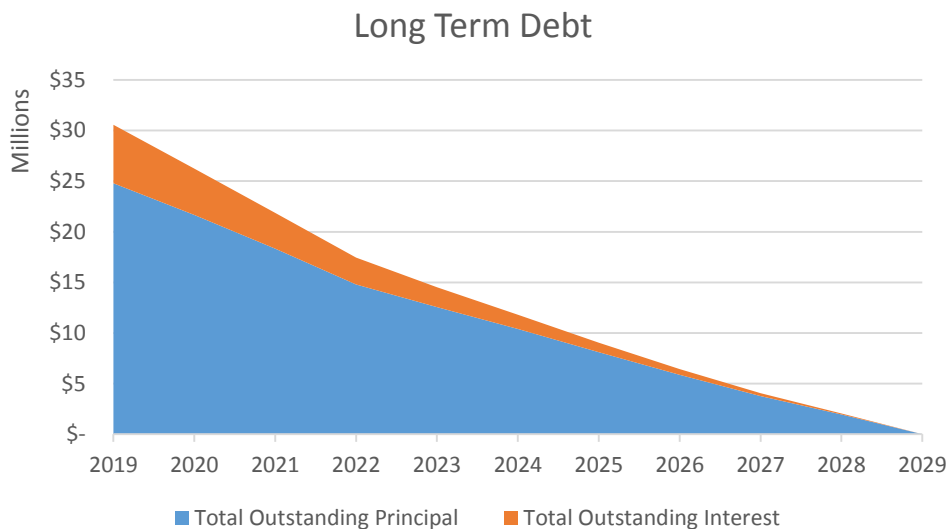
The County has maintained its Aa2 bond rating since 2007; however, the county's rating outlook was adjusted by Moody's in June 2017 from "No Outlook" to a "Negative Outlook." Moody's tied the outlook downgrade to the county's financially struggling Nursing Home and indicated that without material changes to operating revenues or expenditures it was anticipated there would be a further impact to the county's fund balance reserves which would place downward pressure on the rating. In May 2018, the County Board adopted a Resolution authorizing the sale of the home.

Recent Activity

In the past three fiscal years, the County made final payments on the following issues:

- FY2016 – 2007B Highway Fleet Maintenance Facility construction bonds
- FY2017 – 2000B Courthouse Facility bonds
- FY2018 – 2005A Refunded 2003 Nursing Home Construction bonds
- FY2018 – 2005B Refunded 1999 Courthouse and JDC Facility bonds

Subsequent to the maturity of the issues in FY2018, the County will not experience debt service relief in FY2019 due to ensuing principal payments on other issues. The following chart reflects the County's outstanding principal and interest in fiscal years 2019 through 2028.



Outstanding Debt as of December 31, 2019

Payable from Public Safety Sales Tax Alternate Revenue

Issued in 1999 for the construction and remodeling of the Champaign County Court Facility and for the construction of the Juvenile Detention Center issued for \$23.8 million. Outstanding principal is \$3.835 million.

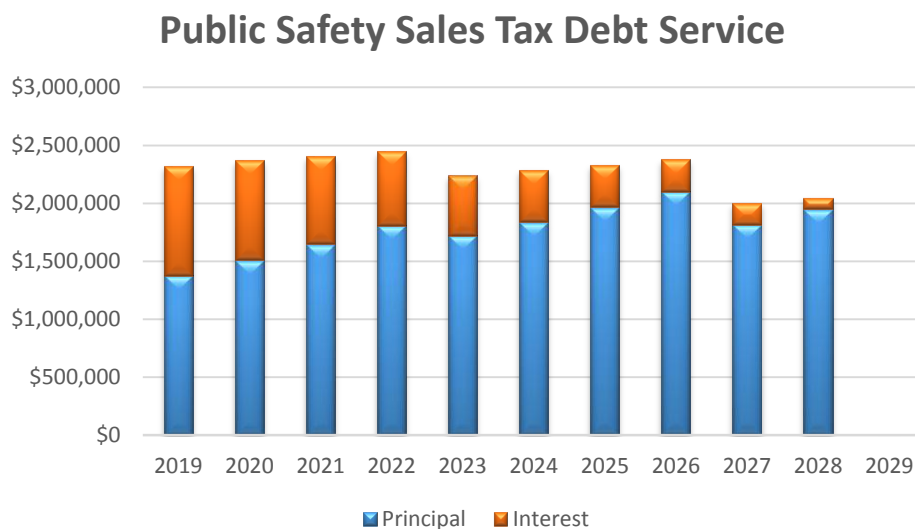
- Refunded for \$18.44 million in 2005 for the 1999 issue. Outstanding principal is \$0.
- Refunded for \$9.795 million in 2014 for the 2005 refunding of the 1999 bond issue. Outstanding principal is \$9.795 million.

Issued in 2007 for the Courthouse Exterior Renovation and Clock and Bell Tower Restoration project for \$5.955 million. Outstanding principal is \$0.

- Refunded for \$3.775 million in 2016 for the 2007 issue. Outstanding principal is \$2.725 million.

Issue – Public Safety Sales Tax	Amount of issue/refunding (in millions)	Outstanding Principal as of 1/1/2020 (in millions)
1999 Issue	\$23.8	\$3.835
2005B Refunded 1999 Issue	\$18.44	\$0
2014 Refunded 2005 Issue	\$9.795	\$9.795
2007 Issue	\$5.955	\$0
2016 Refunded 2007 Issue	\$3.775	\$2.725
Total Outstanding Principal		\$16.355

The following chart reflects the County's outstanding principal and interest for Public Safety Sales Tax debt service in fiscal years 2019 through 2028.

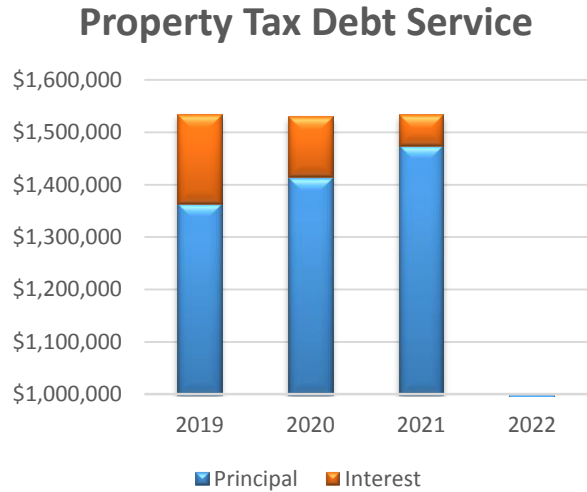


Payable from Property Tax

Issued in 2003 for the construction of a new Champaign County Nursing Home for \$19.9 million. – The principal amount outstanding is \$0.

- Refunded for \$4.255 million in 2011 for the 2003 issue. Outstanding principal is \$2.89 million.

The planned sale of the Nursing Home will result in the defeasance of the 2011 bonds and abatement of the levies in the bond ordinances. A defeasance escrow will be established to make the debt service payments until the earliest call date, July 1, 2021, at which time the bonds will be redeemed. At the time of budget preparation, a closing date for the sale of the home had not been set; therefore, the FY2019 debt service payments are included in the budget.



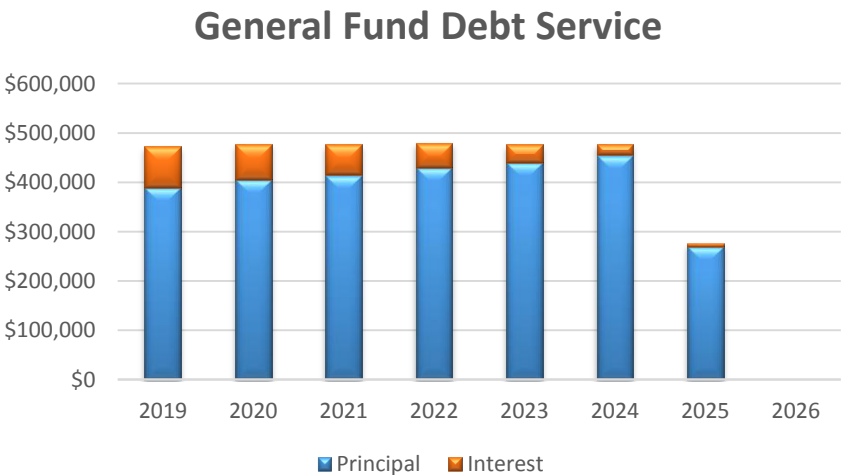
Payable from General Sales Tax Alternate Revenue

Issued in 2006 for the additional cost required to complete the new Champaign County Nursing construction project for \$4 million. Outstanding principal is \$0.

- Refunded for \$2.535 million in 2015 for the 2006 bond issue. Outstanding principal is \$1.57 million.

The planned sale of the Nursing Home will result in the redemption of the 2015 bonds and abatement of the levies in the bond ordinances. At the time of budget preparation, a closing date for the sale of the home had not been set; therefore, the FY2019 debt service payments are included in the budget.

A debt certificate was issued in 2011 for the 202 Art Bartell Facility housing the Coroner, Physical Plant, and County Clerk Election Storage for \$1.995 million. – Outstanding principal is \$845,000.



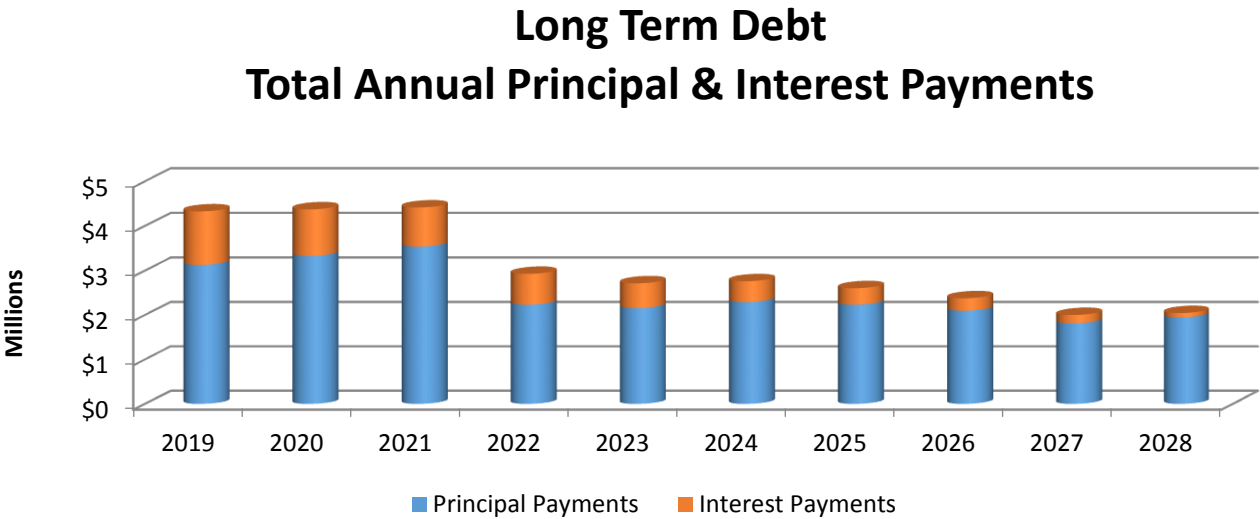
The County issued its debt as general obligation bonds to achieve the lowest possible interest rates. However, with the exception of the Nursing Home \$19.9 million bond and subsequent refunding of that Nursing Home bond issue, all of the debt is repaid with dedicated revenues rather than property taxes.

The bonds for the Courthouse and Juvenile Detention Center projects are repaid with the County’s ¼% Public Safety Sales Tax. The \$4 million bond issue for additional costs to complete the Champaign County Nursing Home is obligated with the County’s 1% county sales tax within the General Corporate Fund. Historically, the Nursing Home has repaid that debt through an annual transfer from the Nursing Home Fund to the General Corporate Fund; beginning in FY2016 the home has been unable to reimburse the county for the debt service. The \$1.995 million 202 Art Bartell facility completed in 2011 is backed by the County’s general sales tax revenues. The \$19.9 million issue for the Champaign County Nursing Home, refunded in 2011, is paid with property tax pursuant to referendum approved by the voters of Champaign County in November 2002.

Debt Financing Plans

At this time, the County does not have a documented plan for issuing additional debt although in FY2019 the Facilities Committee will resume discussions regarding a plan for its dilapidated downtown Sheriff’s Office and Correctional Center. The deferred maintenance backlog is estimated to be just under \$9 million over the next 5-25 years. Additionally, the facilities are not ADA compliant. Relocation of the facilities would require the issuance of debt.

The following graph shows the County’s current outstanding debt through 2028, when the County’s debt service payments are scheduled to end unless new debt is issued.



The drop in debt service reflected in FY2022 is the result of the retirement of the 2003 Nursing Home construction bond issue that was refunded in 2011. The original construction bonds will be fully matured with the final payment due on January 1, 2022. As previously stated, the planned sale of the home will result in the defeasance of the 2011 bonds and abatement of the taxes levied in the bond ordinance, thereby removing the debt from the County’s balance sheet.

Capital Leases

The County entered into a 48-month Capital Lease for replacement, software and maintenance of the County AS/400. The total lease including financing is \$141,728.00. The term of the lease is November 2016 – October 2020, and the monthly lease payments are \$3,065.17. Lease payments will be made from the following budgets: Probation (November 2016 - October 2017), IT Capital (November and December 2017), Public Safety Sales Tax (2018), and Court Automation (2019 – October 2020).

FY2019 Debt Service Payments

Existing debt levels have contributed to the County's inability to address its backlog of deferred technology and facility maintenance issues in prior fiscal years. In FY2019, the County was able to fully fund future items scheduled for replacement in the Capital Asset Replacement Fund. Funding for facilities maintenance was increased 210%, and there is a significant investment in new and upgraded technology. The following debt service payments are included in the FY2019 Budget:

Payable from Public Safety Sales Tax	Principal	Interest	Total
Series 1999	\$1,015,000	\$400,125	\$1,415,125
Series 2014	\$0	\$489,750	\$489,750
Series 2016	\$360,000	\$56,687	\$416,687
Total	\$1,375,000	\$946,562	\$2,321,562

Payable from General Sales Tax Alternate Revenue	Principal	Interest	Total
Series 2015	\$245,000	\$37,270	\$282,270
Series 2010A	\$145,000	\$45,390	\$190,390
Total	\$390,000	\$82,660	\$472,660

Payable from Property Tax	Principal	Interest	Total
Series 2011	\$1,365,000	\$170,200	\$1,535,200
Total	\$1,365,000	\$170,200	\$1,535,200

Debt Limitations

Pursuant to 55 ILCS 5/5-1012, the County's debt limit is 5.75% of Assessed Valuation. The real estate year 2018 gross equalized assessed valuation for Champaign County is estimated to be \$4,131,910,558. By the statutory definition, the County's debt limit is \$237,584,857. The expected County debt applicable to the debt limit at the beginning of FY2019 is:

Debt	Amount
General Obligation Bonds	\$24,790,000
Debt Certificate	\$990,000
Capital Leases	\$66,204
Total Debt	\$25,846,204
Total Subject to debt limit	\$25,780,000

The legal debt margin is \$211,804,857 as of January 1, 2019.