



## **OFFICE OF THE CHAMPAIGN COUNTY EXECUTIVE**

1776 East Washington Street, Urbana, Illinois 61802-4581

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**Darlene A. Kloeppel, County Executive**

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To: Chairman Giraldo Rosales and Honorable Members of the Champaign County Board

Fr: Darlene Kloeppel, County Executive; and  
Tami Ogden, Deputy Director of Finance

RE: Letter of Transmittal – FY2020 Budget

The Fiscal Year (FY) 2020 Annual Budget, for the period beginning January 1, 2020 and ending December 31, 2020, is presented for your consideration and approval. The budget was developed in accordance with Resolution No. 2019-131, and pursuant to Illinois Statutes (55 ILCS 5/2-5009 and 55 ILCS 5/6-1001). The consolidated budget is submitted with revenue of **\$129,145,592** and expenditure of **\$129,689,501**, 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.

The FY2020 budget includes fifty-two funds, with each fund containing at least one department budget. The *Department/Fund Relationship* matrix illustrates the relationship between the County's financial structure and its organizational structure.

### **Economic Environment**

Per the Conference Board Consumer Confidence Survey, trade and tariff issues have generated volatility, thereby affecting consumer confidence levels. Senior Director of Economic Indicators Lynn Franco states, "While confidence could continue hovering around current levels for months to come, at some point this continued uncertainty will begin to diminish consumers' confidence in the expansion."<sup>1</sup> In September the University of Illinois Flash Index, designed to give a quick reading of the state economy, hit 105.5, following a year-to-date low of 105.1 in August.<sup>2</sup> Compared to the year-ago submission of the FY2019 budget, the Flash Index reading was 105.2. Total FY2019 sales and use taxes are projected to decline slightly compared to FY2018 totals, with the FY2020 budget reflecting a 2% total increase over FY2019 projections. Use tax is budgeted to reflect the strongest growth at 7%.

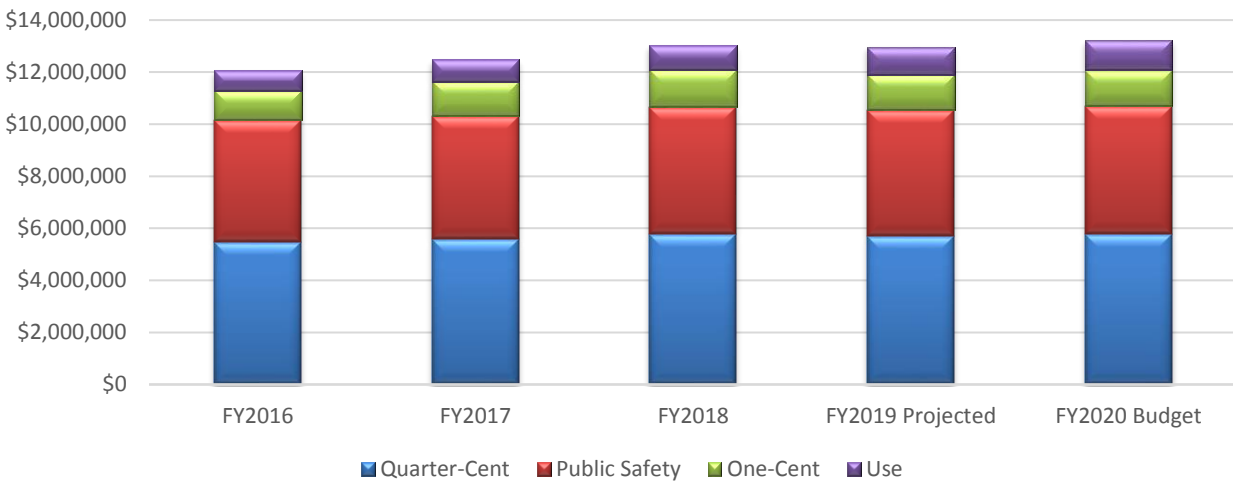
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<sup>1</sup> <https://www.conference-board.org/data/consumerconfidence.cfm>

<sup>2</sup> <https://igpa.uillinois.edu/Report/flash-index-september2019>

Legislation enacted by the Illinois General Assembly will change the way sales taxes are collected and remitted by remote retailers and marketplace facilitators effective July 2020. State and locally-imposed sales taxes will be imposed based on the jurisdiction where a product is delivered. Under the new law, some taxes presently being distributed as Use tax, will be distributed as sales tax. The table below shows total sales tax revenues for fiscal years 2016 through 2018, as well as FY2019 projections and FY2020 budget.

### Sales and Use Tax



In August 2019, the Illinois’ unemployment rate was 4%, down from 4.2% in the year-ago period. The August 2019 rate for Champaign County matched the national rate at 3.7%, and reflects a significant decrease in the local rate compared to 4.8% in August 2018.<sup>3</sup>

According to the Champaign County Association of Realtors, year-to-date home sales as of August 2019 are down 8.9 percent compared to the same period last year; however, median home sale prices are up 14% at \$165,000.<sup>4</sup> Growth in this sector is important for the county as property taxes represent a major segment of its revenue sources. Equalized Assessed Valuation (EAV) for revenue year 2018 exceeded \$4 billion for the first time ever, and reflects a 4 percent increase over revenue year 2017, with growth in EAV from new construction at \$97.5 million. The County’s total EAV, tax rate, and property tax extension comparison for tax levy years 2009 through 2018 is shown in the following table.

Tax Levy Year	EAV	% Increase/Decrease	Tax Rate/\$100 of EAV	Property Tax Extension
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

<sup>3</sup> <https://fred.stlouisfed.org/release/tables?rid=116&eid=254133#snid=254143>

<sup>4</sup>

<http://www.champaigncountyassociationofrealtors.com/News/TabId/101/ArtMID/469/ArticleID/360/Champaign-County-Area-Median-Home-Prices-Increase-in-August.aspx>

Tax Levy Year	EAV	% Increase/ Decrease	Tax Rate/\$100 of EAV	Property Tax Extension
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
2018	\$ 4,132,219,001	4.0%	0.8157	\$ 33,706,510*

\*Nursing Home GO bonds were defeased in 2019 resulting in the abatement of the 2018 property tax levied for that debt service.

## Revenues and Expenditures

Revenue for all county funds in FY2020 is budgeted to increase \$8.4 million (+6.9%) compared to the original FY2019 budget. Significant growth is attributed to increases in federal and state funding for highway motor fuel taxes, and Regional Planning Commission (RPC) Early Childhood Education and Independent Service Coordination (ISC) programs.

Property tax revenue in the FY2020 budget includes approximately \$1.06 million the County is uncertain whether it will receive. The property tax levy was prepared in order to capture new growth revenue in the event the OSF and Carle properties are assessed as non-exempt in the upcoming levy year. The Board of Review will make the initial determination as to whether this happens, based upon the submissions of each hospital and the state of the law at the time the Board of Review acts. If the EAV associated with the hospital properties is included in the extension and the properties are treated as non-exempt, the Property Tax Extension Limitation Law (PTELL) will not prevent the County from capturing new revenue associated with them.

Expenditure for all county funds in FY2020 is budgeted to increase \$6.7 million (+5.5%) compared to the original FY2019 budget, and is predominantly attributed to increases in personnel and services categories. Personnel expenditure growth reflects employee wage increases, higher IMRF rates, and staffing increases to accommodate expansion of RPC programs. The FY2020 budget includes a net increase of 75 full-time employees within RPC and Head Start funds. Increased services expenditures reflect increased contributions and grants within the Mental Health Board and Developmental Disabilities Board funds, computer/information technology services increases due updating and implementing software, office rental expenditures for RPC Early Childhood program expansion, and energy assistance for RPC Energy Assistance program expansion.

The \$544,000 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 FY2020. The FY2020 budget is balanced per Champaign County's Financial Policies.

## Investment in Facilities and Technology

The County continues to increase its investment in facilities and technology, which have been deferred over time due to budget constraints. The FY2020 budget includes \$2.2

million for facility improvements per the 10-Year Capital Facilities Plan. In October 2019, the newly formed Information Technology Planning Committee began meeting to develop a plan for the County's aging software and technology systems. The FY2020 budget includes appropriation for replacing the County's in-house financial system with a modern Enterprise Resource Planning (ERP) system, for which an RFP was issued in October 2019. Following implementation of real estate tax cycle software in 2019, the FY2020 budget includes funding for Computer Assisted Mass Appraisal (CAMA) software, enabling digitization of property record cards with a sketching and valuation system providing assessment uniformity and online record accessibility.

## **General Fund**

In the General Fund, revenue and expenditure are budgeted respectively at \$40,783,194 and \$40,308,522. The budget surplus of \$475,000 is attributed to property tax revenue, which as explained previously, the County is uncertain whether it will receive. The receipt of additional revenue in FY2020 will be utilized to improve fund reserves. The General Fund balance target is set at 16.7%, or two months of operating expenditure. Per Champaign County's financial policies the FY2020 General Fund budget is a balanced budget.

Revenue growth measures \$1.3 million, or 3.2% year-over-year with the largest increase in the federal, state and local revenue category, mainly due to full allocation of salary reimbursement from the Administrative Office of the Illinois Courts (AOIC). Expenditure growth measures \$1.7 million, or 4.3% year-over-year with increases in all expenditure categories except debt. The greatest expenditure increase is in the Interfund expenditure category, and is the result of a larger transfer to the Capital Asset Replacement Fund (CARF) for investment in County facilities.

In FY2020, the County Clerk's Office will purchase new election tabulators, as production and software for the County's current tabulators has been discontinued. The County Board identified the need to provide the necessary equipment and software for an accessible, safe and secure 2020 election as a budget priority in the Budget Process Resolution.

## **Nursing Home Fund**

In April 2019, the Champaign County Nursing Home was sold to Extended Care Clinical, LLC and Altitude Health Services, Inc. Following the sale of the Home, proceeds were used to redeem the 2015 Bonds and defease the 2011 Bonds. As of September 2019, the Nursing Home owed other County funds nearly \$10 million. The County's Self-Funded Insurance Fund has been significantly impacted due to a continued obligation to pay defense attorney fees and claims settlements. In FY2020, under the Property Tax Extension Limitation Law (PTELL), the tax levy previously allocated for Nursing Home operations will go exclusively towards the Home's outstanding balance owed to the Self-Funded Insurance Fund. The FY2020 Nursing Home budget includes nominal revenues and expenditures, which are explained in the Nursing Home Summary budget document.

## 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, Diversions and Legislation.

- **Income Tax.** The state legislature implemented a one-time, 10% cut to Income tax from July 1, 2017 through June 30, 2018. Rather than letting the cut expire as proposed, the legislature extended a 5% cut effective July 2018, extended again in July 2019. As of September 2019, the cut has resulted in the loss of \$520,000.
- **Sales Tax.** A 2% collection fee was imposed on Public Safety Sales Tax revenues in July 2017, and reduced to 1.5% in July 2018. The fee is expected to be permanent and since inception has cost the County \$188,000.
- **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 2020 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. After full funding in state FY2015, the County's allocation significantly declined in years 2016 through 2019. Full funding was restored in state FY2020; however, the level of reimbursement in future fiscal years is uncertain.
- **The Criminal and Traffic Assessment Act** effective July 2019, significantly changed the fines and fees collected through the courts and distributed to County funds. In summary, the act creates a set of criminal assessment schedules and punitive fines, sets a maximum on civil filing and appearance fees, and creates a graduated fee waiver that will apply to indigency orders in both civil and criminal cases. The impact of these changes will affect multiple county funds including the General Fund and some special revenue funds. In FY2020 fee and fine revenues are budgeted conservatively as the County is unable to fully assess the impact of allowable fee waivers based on the financial ability of an individual to pay.

### Facilities Maintenance and Planning.

The County Board approved a 10-Year Capital Facilities Plan 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 Report, 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 5-25 year DMB for these facilities

was \$9 million in 2015, and has likely increased since that time. At its October 2019 meeting, the County Board will consider the Champaign County Public Safety Facility Master Plan Update as it continues discussions regarding a plan for these facilities.

### **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 2020 budget. We also extend our special thanks to staff members providing crucial assistance in the development and completion of this budget document: Isak Griffiths, Deputy Director of Administration; Bill Simmering, Business Applications Developer; Andy Rhodes, Information Technology Director; Gabe Lewis, Planner II; Megan Robison, Administrative Assistant; and Rita Kincheloe, Executive Assistant to the County Executive.

On behalf of our officials and staff, we are pleased to present to you the fiscal year 2020 Champaign County Budget.

Respectfully submitted,



Darlene A. Kloepfel  
County Executive



Tami Ogden  
Deputy Director of Finance