

# County Board Meeting

---

*Items Distributed*

*July 20, 2017*

## County Board Agenda

**XI. Areas of Responsibility:**

**A. Finance**

3. FY2017 General Corporate Fund Projection Report
4. FY2017 General Corporate Fund Budget Change Report

**Champaign County**  
**General Corporate Fund FY2017 Revenue Report**

FY2017 - June	FY2016 Actual	FY2017 Budget	FY2017 Projected	Budget Variance	
<b>Local Taxes</b>					
Property Taxes	\$10,413,681	\$11,327,775	\$ 10,794,626	-\$533,149	-4.7% <sup>1</sup>
Back Taxes	\$5,962	\$5,000	\$ 5,000	\$0	0.0%
Mobile Home Tax	\$9,020	\$8,500	\$ 9,000	\$500	5.9%
Payment in Lieu of Tax	\$7,114	\$6,000	\$ 7,000	\$1,000	16.7%
Hotel Motel Tax	\$23,268	\$28,000	\$ 20,691	-\$7,309	-26.1%
Auto Rental Tax	\$32,165	\$30,000	\$ 29,853	-\$147	-0.5%
Penalties on Taxes	\$647,557	\$634,000	\$ 645,000	\$11,000	1.7%
<b>Licenses &amp; Permits</b>					
Business Licenses & Permits	\$32,411	\$36,500	\$ 36,500	\$0	0.0%
Non-Business Licenses & Permits	\$1,578,398	\$1,428,110	\$ 1,560,958	\$132,848	9.3%
<b>Grants</b>					
Federal Grants	\$445,643	\$455,279	\$ 455,279	\$0	0.0%
State Grants	\$195,791	\$182,552	\$ 182,552	\$0	0.0%
<b>State Shared Revenue - The County is still analyzing the impact of recent legislation on State Shared Revenues</b>					
Corporate Personal Property Repl. Tax	\$806,043	\$798,271	\$ 953,333	\$155,062	19.4% <sup>2</sup>
1% Sales Tax	\$1,146,921	\$1,100,900	\$ 1,398,720	\$297,820	27.1%
1/4% Sales Tax	\$5,473,500	\$5,582,500	\$ 5,545,438	-\$37,062	-0.7%
Use Tax	\$769,750	\$814,289	\$ 838,444	\$24,155	3.0%
State Reimbursement	\$1,153,238	\$1,946,106	\$ 1,946,106	\$0	0.0% <sup>3</sup>
State Salary Reimbursement	\$304,157	\$307,682	\$ 307,682	\$0	0.0%
State Revenue Salary Stipends	\$45,500	\$45,500	\$ 45,500	\$0	0.0%
Income Tax	\$3,139,832	\$3,354,520	\$ 3,126,027	-\$228,493	-6.8% <sup>2</sup>
Charitable Games License/Tax	\$69,886	\$77,000	\$ 70,000	-\$7,000	-9.1%
Off-Track Betting	\$3,117	\$0	\$ -	\$0	
<b>Local Gov. Revenue &amp; Reimbursement</b>					
Local Government Revenue	\$747,420	\$666,784	\$ 703,281	\$36,497	5.5%
Local Government Reimbursement	\$618,872	\$611,740	\$ 618,872	\$7,132	1.2%
<b>Fees, Fines &amp; Forfeitures</b>					
General Government - Fees	\$4,094,088	\$4,104,383	\$ 3,901,835	-\$202,548	-4.9%
Fines (Bond Forfeitures, DUI Fines, Traffic)	\$713,775	\$921,000	\$ 572,088	-\$348,912	-37.9% <sup>4</sup>
Forfeitures	\$9,361	\$13,500	\$ 34,950	\$21,450	158.9%
<b>Miscellaneous Revenue</b>					
Interest Earnings	\$17,456	\$8,950	\$ 17,456	\$8,506	95.0%
Rents & Royalties	\$847,855	\$1,090,000	\$ 990,000	-\$100,000	-9.2% <sup>5</sup>
Gifts & Donations	\$23,260	\$13,800	\$ 13,800	\$0	0.0%
Sale of Fixed Assets	\$2,650	\$0	\$ -	\$0	
Miscellaneous Revenue	\$635,111	\$115,115	\$ 129,973	\$14,858	12.9%
<b>Interfund/Interdepartment</b>					
Interfund Transfers	\$684,195	\$700,710	\$ 700,710	\$0	0.0%
Interfund Reimbursements	\$131,665	\$365,914	\$ 83,244	-\$282,670	-77.3% <sup>6</sup>
Interdepartment Revenue	\$1,480	\$1,027	\$ 1,027	\$0	0.0%
<b>TOTAL</b>	<b>\$34,830,142</b>	<b>\$36,781,407</b>	<b>\$ 35,744,945</b>	<b>-\$1,036,462</b>	<b>-2.8%</b>

1 - County will not receive additional budgeted property tax revenue associated with the hospital property tax exemption case.

2 - New accounting software and corrected distribution formulas have led to continued volatility in CPPRT and Income Tax.

3 - Although funding is expected to be received, timing of revenue receipt continues to be an issue. Aug 2016 reimb. was issued 5/31/17.

4 - Fine collections continue to decline (-20% YTD).

5 - Anticipated loss of rent revenue from ILEAS due to a reduction in leased square footage because of mold contamination.

6 - Debt Service Reimbursement from the Nursing Home is not anticipated to occur in FY2017.

**Champaign County**  
**General Corporate Fund FY2017 Expenditure Report**

FY2017 - June	FY2016 Actual	FY2017 Budget	FY2017 Projected	Budget Variance	
<b>Personnel</b>					
Regular Salaries & Wages	\$15,103,656	\$ 15,154,796	\$15,267,171	\$112,375	1.6%
SLEP Salaries	\$6,460,079	\$ 6,538,611	\$6,538,611	\$0	0.0%
SLEP Overtime	\$356,902	\$ 493,220	\$493,220	\$0	0.0%
Fringe Benefits	\$2,845,321	\$ 3,268,464	\$3,105,375	-\$163,089	-10.5%
<b>Total Personnel</b>	<b>\$24,765,958</b>	<b>\$ 25,455,091</b>	<b>\$25,404,377</b>	<b>-\$50,714</b>	<b>-0.4%</b>
<b>Commodities</b>					
Postage	\$211,387	\$ 245,891	\$184,208	-\$61,683	-60.2%
Purchase Document Stamps	\$960,000	\$ 884,000	\$960,000	\$76,000	19.0%
Gasoline & Oil	\$139,110	\$ 190,685	\$177,109	-\$13,576	-20.8%
All Other Commodities	\$792,745	\$ 727,862	\$727,862	\$0	0.0%
<b>Total Commodities</b>	<b>\$2,103,242</b>	<b>\$ 2,048,438</b>	<b>\$2,049,179</b>	<b>\$741</b>	<b>0.1%</b>
<b>Services</b>					
Gas Service	\$245,308	\$ 386,011	\$263,595	-\$122,416	-31.7%
Electric Service	\$839,308	\$ 830,000	\$839,308	\$9,308	1.1%
Medical Services	\$855,365	\$ 864,318	\$864,318	\$0	0.0%
All Other Services	\$4,875,577	\$ 5,221,218	\$4,976,218	-\$245,000	-4.7%
<b>Total Services</b>	<b>\$6,815,558</b>	<b>\$ 7,301,547</b>	<b>\$6,943,439</b>	<b>-\$358,108</b>	<b>-4.9%</b>
<b>Capital</b>					
Vehicles	\$171,373	\$ 145,000	\$145,000	\$0	0.0%
All Other Capital	\$94,162	\$ 127,500	\$201,823	\$74,323	58.3%
<b>Transfers</b>					
To Capital Improvement Fund	\$818,272	\$ 742,180	\$742,180	\$0	0.0%
To All Other Funds	\$231,940	\$ 123,250	\$163,250	\$40,000	32.5%
Interdepartment	\$1,480	\$ -	\$1,000	\$1,000	
<b>Debt Repayment</b>					
	\$497,646	\$ 477,060	\$477,060	\$0	0.0%
<b>TOTAL</b>	<b>\$35,499,631</b>	<b>\$36,420,066</b>	<b>\$36,127,308</b>	<b>-\$292,758</b>	<b>-0.8%</b>

**Champaign County  
General Corporate Fund FY2017 Summary**

\*FY2017 Budgeted Revenue includes an additional \$511,341 associated with preparing the property tax levy to capture new growth associated with a potential ruling in the hospital property tax exemption case. It was determined in March 2017 that the county would not received any additional property tax revenue in FY2017.

FUND BALANCE 12/31/16	\$4,596,112	
Beginning Fund Balance % OF BUDGET	12.6%	
	<i>Budgeted</i>	<i>Actual</i>
FY2017 REVENUE	\$36,781,407 *	\$35,744,945
FY2017 EXPENDITURE	<u>\$36,420,066</u>	<u>\$36,127,308</u>
Revenue to Expenditure Difference	\$361,341	-\$382,363
<b>FUND BALANCE PROJECTION - 12/31/17</b>	<b>\$4,957,453</b>	<b>\$4,213,749</b>
<b>% OF 2017 Expenditure Budget</b>	<b>13.6%</b>	<b>11.7%</b>

*Fund Balance Projection with Nursing Home Debt Service Reimbursement*

\$ 4,496,419  
12.4%

As of 7/17/17 there are two loans to the Nursing Home recorded as balance sheet transactions (boilers and cash). The total of the loans is \$461,802. The loans have no impact on the County's Fund Balance unless they are unpaid at which time they will be recorded as an expenditure in the General Fund. The impact to the Fund Balance if the loans are not paid is reflected here:

\$ 3,751,947  
10.4%

**GENERAL CORPORATE FUND  
FY2017 BUDGET CHANGE REPORT**

<b>FY2017 Original General Corporate Fund Budget</b>	<b>FY17 Budgeted Exp</b> \$ 36,420,066	<b>FY17 Budgeted Rev</b> \$ 36,781,407	<b>Difference</b> \$ 361,341
--	---	---	---------------------------------

**BUDGET CHANGES**

<b>Department &amp; Description</b>	<b>Expenditure Changes</b>	<b>Revenue Changes</b>	<b>Difference</b>
ADA Compliance Re-encumber ADA funds	\$ 74,323	\$ -	\$ (74,323)
Sheriff Body Camera Donation	\$ 6,000	\$ 6,000	\$ -
Coroner Re-encumber FY2016 Grant Funds	\$ 4,737	\$ -	\$ (4,737)
Sheriff K-9 Training Donation	\$ 500	\$ 500	\$ -
General County Remove levied Property Tax Revenue (hospital case)	\$ -	\$ (511,341)	\$ (511,341)
Circuit Court Foreclosure Mediation Transfer	\$ 34,410	\$ -	\$ (34,410)
			\$ -
			\$ -
<b>TOTAL CHANGES</b>	<b>\$ 119,970</b>	<b>\$ (504,841)</b>	<b>\$ (624,811)</b>

<b>General Corporate Fund Budget as of 12/31/17</b>	<b>Current Budgeted Exp</b> \$ 36,540,036	<b>Current Budgeted Rev</b> \$ 36,276,566	<b>Difference</b> \$ (263,470)
<b>% of Increase/Decrease</b>	0.3%	-1.4%	
<b>Changes Attributable to One-Time Factors</b>	\$ 119,970	\$ (504,841)	\$ (624,811)
<b>Changes Attributable to Recurring Costs</b>			\$ -

**CREDIT OPINION**

22 June 2017

Update

Rate this Research &gt;&gt;

**Contacts**

**Coley J Anderson** 312-706-9961  
 Analyst  
 coley.anderson@moodys.com

**David Levett** 312-706-9990  
 AVP-Analyst  
 david.levett@moodys.com

## Champaign County, IL

Update - Moody's Affirms Aa2 on Champaign County, IL's GO and GOLT Debt; Outlook Negative

**Summary Rating Rationale**

Moody's Investors Service has affirmed the Aa2 rating on Champaign County, IL's general obligation unlimited tax (GOULT) and general obligation limited tax (GOLT) debt and assigned a negative outlook. As of fiscal 2015, the county had \$32.6 million and \$1.4 million in outstanding GOULT and GOLT debt.

The Aa2 rating incorporates the county's large and diverse tax base that benefits from the institutional stability provided by the University of Illinois (A1 negative); satisfactory operating fund reserves, modest debt burden and moderate pension burden. The rating also takes into consideration a degree of enterprise risk associated with ownership of a nursing home facility. The lack of notching on the GOLT debt reflects the nature of Illinois local governments' certificates and notes, which are payable from any available funds and are a first budget obligation.

**Credit Strengths**

- » Large and diverse tax base that benefits from the institutional stability provided by the University of Illinois
- » Modest debt burden

**Credit Challenges**

- » Degree of enterprise risk associated with the ownership of a nursing home facility
- » Projected near-term draws on reserves, and projected budget gap
- » Moderate exposure to the state of Illinois for governmental and enterprise operating revenues

**Rating Outlook**

The negative outlook reflects the expectation that without material changes to operating revenues or expenditures, continued support of the county nursing home will likely continue to weaken the county's reserve position, placing downward pressure on the rating.

**Factors that Could Lead to an Upgrade**

- » Growth of operating fund reserves
- » Reduced enterprise risk associated with the ownership of a nursing home

- » Material tax base growth and improvement of resident income indices

### Factors that Could Lead to a Downgrade

- » Weakening of operating reserves
- » Contraction of the county's tax base or weakening of resident income indices
- » Growth of the county's debt or pension burden

### Key Indicators

Exhibit 1

Champaign (County of) IL	2011	2012	2013	2014	2015
<b>Economy/Tax Base</b>					
Total Full Value (\$000)	\$ 10,643,857	\$ 10,650,522	\$ 10,606,866	\$ 10,449,224	\$ 10,609,380
Full Value Per Capita	\$ 53,368	\$ 53,006	\$ 52,398	\$ 51,168	\$ 51,560
Median Family Income (% of US Median)	104.9%	105.4%	107.5%	107.2%	106.8%
<b>Finances</b>					
Operating Revenue (\$000)	\$ 58,326	\$ 58,767	\$ 62,198	\$ 63,585	\$ 64,780
Fund Balance as a % of Revenues	28.3%	28.3%	31.2%	20.6%	25.2%
Cash Balance as a % of Revenues	26.3%	29.4%	26.7%	21.8%	25.7%
<b>Debt/Pensions</b>					
Net Direct Debt (\$000)	\$ 51,776	\$ 48,038	\$ 45,000	\$ 37,065	\$ 34,569
Net Direct Debt / Operating Revenues (x)	0.9x	0.8x	0.7x	0.6x	0.5x
Net Direct Debt / Full Value (%)	0.5%	0.5%	0.4%	0.4%	0.3%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	N/A	1.0x	1.0x	1.0x	1.4x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	N/A	0.5%	0.6%	0.6%	0.8%

Source: Audited Financial Statements; US Census; Moody's Investors Service

### Detailed Rating Considerations

#### Economy and Tax Base: Large and Diverse Tax Base Benefits From Presence of U of I

The county's local economy is expected to remain sound supported by a sound socioeconomic profile and the institutional stability provided by the University of Illinois (A1 NEG). The county's \$10.8 billion has grown at a modest annual average rate of 0.3% over the last five years and is slightly larger than the US median. Additionally, the median family income is a solid 106.8% of the US level. On the other hand the full value per capita (\$52,548) is below other Moody's-rated counties nationwide, but is likely impacted by a large student population. The county's population is currently estimated at 205,766 and has grown 2% since 2010 and 14% since 2000.

Champaign County's economy and tax base benefit from the institutional stability provided by the University of Illinois. The college has an enrollment of 44,000 and employs an estimated 14,000 local residents. College enrollment is expected to continue to expand by expects to add approximately 12,000 additional students by 2021. In addition to the university, Carle Foundation Hospital and Champaign County CUSD 4 employ an estimated 6,400 and 1,600 local residents. Moderate tax base growth is expected over the near-term, driven by appreciation of several property types including residential, commercial and farmland. Additionally, several communities within the county have reported increased residential development, including Mahomet, Cunningham and Champaign. In 2016, the county issued 206 zoning permits, or an increase of 22% from 2015. Year to date for 2017, the county notes permit activity is on pace to match 2016.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody.com](http://www.moody.com) for the most updated credit rating action information and rating history.

**Financial Operations and Reserves: Healthy Financial Position With Exposure to County Nursing Home**

The county's reserve levels are currently healthy, but will likely weaken over the near-term given increased support for a nursing home facility, Champaign County Nursing Home (CCNH) and stagnant operating revenues. At the close of fiscal 2015 general fund reserves totaled \$5.2 million and a satisfactory 14.5% of revenues. Across all county operating funds (combined general, debt service, working cash, mental health, development disability, IMRF, early childhood, tort, county public health, public safety sales tax, social security funds) available reserves totaled \$16.4 million and a healthy 25.2% of operating revenue.

Fiscal 2016 closed on December 31, and management reports unaudited results reflect a general fund operating deficit of \$669,000 driven by declines in certain revenue streams including fines and forfeitures and increased support for CCNH. Reductions in fine revenues is partially attributable to criminal justice reforms in the county and initiatives to reduce incarceration. Additionally, due to poor performance at CCNH, the county has had to cover a majority of debt service costs traditionally covered by nursing home operations. For fiscal 2017, the county originally budgeted for a general fund reserve draw of \$150,000, but now expects to end the year with a \$375,000 operating deficit given \$280,000 in support needed for debt service costs for CCNH and shortfalls in fine and forfeiture revenues. The county is currently in the process of putting together a budget for fiscal 2018, as management has indicated it intends to consider several options to close a projected budgetary shortfall of \$800,000. As of June, the county had identified \$365,000 in potential expenditure reductions across a variety of operating funds.

The county is exposed to a moderate degree of enterprise risk associated with its ownership of CCNH. In fiscal 2015 the nursing home ran an operating deficit of \$456,795 less depreciation and closed the year with a deficit unrestricted net position of \$111,085 and available cash of \$366,629 and a narrow 9 days of operations. CCHN operations have been impacted by changes in occupancy and delayed funding from the state of Illinois. For fiscal 2016, the county expects audited results to reflect similar operations to fiscal 2015 with cash reserves declining to \$299,832. As of fiscal 2016, the county was reportedly owed \$750,000 from CCHN, which could increase to \$1.5 million by the end of fiscal 2017 if no additional state reimbursement is received. As of June 2017, the state owed the nursing home approximately \$2 million due largely to delays Medicaid reimbursement. In June 2017, the county board authorized the county administrator to negotiate a final brokerage to represent the county for the sale or transfer of the home. Management notes the typical transaction period is approximately six months. The facility has been assessed at a value ranging from \$10 million to \$13 million. The county would use proceeds from the sale of the home to payoff wind-down expenses including a current \$3.7 million in accounts payable, interfund loans and other outstanding debts.

**LIQUIDITY**

Cash across the county's operating funds is currently ample and totaled \$16.6 million and 25.7% of operating revenue at the close of fiscal 2015. Cash across all governmental funds was \$38 million and 45.3% of governmental revenue.

**Debt and Pensions: Low Debt Burden; Moderate Pension Burden**

The county's debt burden is low. At the close of fiscal 2015, net direct debt totaled \$34.6 million and a modest 0.3% of full valuation and 0.5 times operating revenue. The county's debt plans include a possible bond issuance to finance wind-down expenses at the county nursing home pending its sale that would finance outstanding accounts payable, employee separation costs and to abate long-term debt from construction costs.

**DEBT STRUCTURE**

All of the county's debt is fixed rate and long-term. Amortization of existing debt is healthy, as 81% of principal is set to be retired over the next ten years. At the close of fiscal 2015, the county's debt profile included \$32.6 million in GOULT debt and \$1.4 million in GOLT debt certificates. The county recently authorized a \$250,000 loan from its General Fund to CCN, which has not been needed to date. If delays in state funding continue, CCHN may need to draw on the loan.

**DEBT-RELATED DERIVATIVES**

The county is not a party to any derivative agreements.

**PENSIONS AND OPEB**

The county participates in the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent plan. Unfunded liabilities are \$23.9 million on a reported basis and \$139 million on a Moody's ANPL basis. Champaign County's three year average to operating revenues represented 1.4 times and 0.8% to full value, both of which are moderate, though have increased. Moody's ANPL reflects the use of

a market-based discount rate to value accrued liabilities. The county's fiscal 2016 payment was 126.5% of the amount necessary to tread water, that is, forestall further growth in the reported net pension liability if all assumptions hold. This is a comparatively stronger funding practice because many other local government pension contributions do not tread water.

#### **Management and Governance: Moderate Institutional Framework; Exposure to State For Operating Revenue**

Illinois counties have an Institutional Framework score of A, which is moderate compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. Most counties are non-home rule and are subject to tax rate limitations. Total operating tax yield for non-home rule entities subject to the Property Extension Limitation Law (PELL) is capped to the lesser of 5% or CPI growth, plus new construction. Revenue predictability is moderate, with varying dependence on property, sales, and state-distributed income taxes. Expenditures, which are primarily for criminal justice, are moderately predictable. Counties have limited ability to reduce expenditures given strong public sector unions and pension benefits that enjoy strong constitutional protections.

The state's fiscal stress, remains a potential operating challenge. In fiscal 2015, property taxes and intergovernmental aid accounted for 42% and 37% of operating revenue. The county receives approximately 5% of revenues coming from income taxes, which the governor has previously proposed cutting. As of fiscal 2015 the county was levying .2606 of a possible .3 within its general corporate fund. The county recently increased its minimum fund balance policy requirement from 12.5% of operating expenditures to 16.7%.

#### **Legal Security**

The county's GOULT debt is secured by a dedicated property tax levy, unlimited as to rate or amount. The county's GOLT debt certificates are secured by an all available funds pledge, and are a first budget obligation.

#### **Use of Proceeds**

Not applicable.

#### **Obligor Profile**

Champaign County covers approximately 1,000 square miles 130 miles south of Chicago (Ba1 negative). The county's population has steadily grown and was estimated at 205,766 in 2015.

#### **Methodology**

The principal methodology used in this rating was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of this methodology.