

Committee of the Whole

Items to be Distributed April 10, 2018

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CHAMPAIGN COUNTY ADMINISTRATIVE SERVICES

1776 East Washington Street, Urbana, Illinois 61802-4581

ADMINISTRATIVE, BUDGETING, PURCHASING & HUMAN RESOURCE
MANAGEMENT SERVICES

Debra Busey, County Administrator

MONTHLY HR REPORT MARCH 2018

VACANT POSITIONS LISTING

FUND	DEPT	POSITION TITLE	HOURLY RATE	REG HRS	REGULAR SALARY	FY 2018 HRS	FY 2018 SALARY
80	16	Admin Assistant	\$15.57	1950	\$30,361.50	1957.5	\$30,478.28
80	20	Accountant	\$18.93	1950	\$36,913.50	1957.5	\$37,055.48
80	28	PC Appl Programmer	\$25.19	1950	\$49,120.50	1957.5	\$49,309.43
80	30	Legal Clerk	\$13.70	1950	\$26,715.00	1957.5	\$26,817.75
80	40	Deputy Sheriff	\$23.79	2080	\$49,483.20	2088	\$49,673.52
80	51	Court Services Officer	\$19.86	1950	\$38,727.00	1957.5	\$38,875.95
80	140	Clerk	\$13.70	1950	\$26,715.00	1957.5	\$26,817.75
80	140	Correctional Officer	\$19.81	2080	\$41,204.80	2088	\$41,363.28
80	140	Correctional Officer	\$19.81	2080	\$41,204.80	2088	\$41,363.28
80	140	Correctional Officer	\$19.81	2080	\$41,204.80	2088	\$41,363.28
80	140	Correctional Officer	\$19.81	2080	\$41,204.80	2088	\$41,363.28
80	140	Court Security Officer	\$18.84	2080	\$39,187.20	2088	\$39,337.92
80	140	Master Control Officer	\$15.57	2080	\$32,385.60	2088	\$32,510.16
80	140	Master Control Officer	\$15.57	2080	\$32,385.60	2088	\$32,510.16
80	140	PT Master Cntrl Ofcr	\$15.57	1040	\$16,192.80	1044	\$16,255.08
83	60	Highway Maint Wkr	\$25.97	2080	\$54,017.60	2088	\$54,225.36
-- TOTAL --						\$597,023.70	\$599,319.95

UNEMPLOYMENT REPORT

Notice of Claims received – 5

Nursing Home – 4

Highway – 1 (temporary snow bird – claim protested)

Benefit Determinations received – 1

Head Start – denied - 1

PAYROLL REPORT

MARCH PAYROLL INFORMATION

3/2/2018

3/16/2018

<u>Pay Group</u>	<u>EE's</u>		<u>EE's</u>	
	<u>Paid</u>	<u>Total Payroll \$\$</u>	<u>Paid</u>	<u>Total Payroll \$\$</u>
General Corp	515	\$979,002.40	509	\$955,613.00
Nursing Home	198	\$221,795.68	200	\$227,563.60
RPC/Head Start	231	\$312,142.18	232	\$320,736.23
Total	944	\$1,512,940.26	941	\$1,503,912.83

3/29/2018

<u>Pay Group</u>	<u>EE's</u>	
	<u>Paid</u>	<u>Total Payroll \$\$</u>
General Corp	540	\$983,802.54
Nursing Home	209	\$243,525.88
RPC/Head Start	232	\$311,968.24
Total	981	\$1,539,296.66

HEALTH INSURANCE/BENEFITS REPORT

Total Number of Employees Enrolled: 731

General County Union (includes AFSCME & FOP):

Single 198; EE+spouse 36; EE+child(ren) 70; Family 27; waived 56

Nursing Home Union:

Single 45; EE+spouse 7; EE+child(ren) 7; Family 2; waived 23

Non-bargaining employees:

Single 108; EE+spouse 37; EE+child(ren) 39; Family 11; waived 65

Life Insurance Premium paid by County: \$1,859.13

Health Insurance Premium paid by County: \$413,289.25

TURNOVER REPORT

Turnover is the rate at which an employer gains and loses employees. To get the best picture for turnover the calculations are based on rolling year averages.

General County

March 2018: .49% average over the last 12 months

March 2018: 4 out of 577 Employees left Champaign County: 4 resignations

WORKERS' COMPENSATION REPORT

<u>Entire County Report</u>	<u>March</u>	<u>March</u>
	<u>2018</u>	<u>2017</u>
New Claims	12	10
Closed	7	8

Open Claims	41	36
Year To Date Total (On-going # of claims filed)	26	26

EEO REPORT

Information provided based on EEO Tracking forms submitted by Applicant. Figures are for General County only.

ADMINISTRATIVE SUPPORT to COUNTY BOARD REPORT

Agendas Posted	10	Meetings Staffed	5	Minutes Posted	6
Appointments Posted	0	Notification of Appointment	0	Contracts Posted	5
Calendars Posted	5	Resolutions Prepared	21	Ordinances Prepared	1



Champaign County, Illinois



Five Year Financial Forecast Fiscal Years 2018 - 2022

Introduction

The Champaign County Financial Forecast projects the financial condition of the County for the current and next four fiscal years based on a number of assumptions. The Forecast focuses on the General and Public Safety Sales Tax funds and provides a context for future financial decisions and direction as the County begins the FY2019 budget process. It is challenging to accurately forecast beyond one year, and small deviations in one year can result in significant differences in later years since projections in future years are based on outcomes in previous years. The Forecast is presented by summary of revenue and expenditure categories and is based on current economic conditions, historical performance, and anticipated trends in revenues and expenditures.

This Forecast does not take in to consideration either the continued operation, or disposition, of the Champaign County Nursing Home; although there will be a subsequent impact on General Fund finances based on the County Board's decision regarding the home. The Nursing Home has three outstanding loans totaling \$726,802, which are due in 2018. The Forecast does identify the direct impact on the General Fund's reserve balance if the loans are forgiven due to the inability of the home to pay the balance of the loans.

Financial Rating

In June 2017, Moody's Investors Services affirmed the County's Aa2 rating and assigned a negative rating outlook.¹ Moody's stated that continued financial support of the Champaign County Nursing Home was expected to weaken the County's General Fund balance and would place downward pressure on its rating. Strengths identified are a large and diverse tax base and modest debt burden. Challenges identified include enterprise risk associated with ownership of the nursing home, anticipated draws on county reserves, and moderate exposure to the state for governmental and enterprise operating revenues.

The 2018 Moody's outlook for local governments issued in December 2017 is stable; however, some local governments will face increasing credit pressures.² Of the pressures cited, those relevant to Champaign County include unmet infrastructure needs and uncertain state funding. Moody's expects highly rated local governments will increase fund balances as property tax revenue grows.

Strategic Plan

The Champaign County Board last updated its Strategic Plan in 2015. The Strategic Planning Committee met between April and September 2017 in order to review the plan; however the committee has not forwarded recommendations for updating the plan to the County Board. The goals and initiatives identified in the current Strategic Plan will be used guide the budget priorities for FY2019. It is recommended that after the County transitions to the County Executive form of government in December 2018, the Strategic Planning Committee resume deliberations to update the 2015 plan.

¹ https://www.moody.com/research/Moodys-Affirms-Aa2-on-Champaign-County-ILs-GO-and-GOLT--PR_904080653

² https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBM_1093434

Economic Conditions

The Illinois Department of Revenue (IDOR) is using an official figure of a 2.1% increase in the Consumer Price Index (CPI) for levy calculations under the Property Tax Extension Limitation Law (PTELL). In February 2018, consumer confidence hit its highest level since 2000 as consumers anticipate the economy will continue to expand in 2018.³ Unemployment rates continue to fall with Champaign County mirroring the U.S. rate in December 2017 of 3.9%, and Illinois at a much higher 4.7%.⁴

Also in February, the University of Illinois Flash Index, designed to give a quick reading of the state economy, climbed to its highest level since May 2017, which economist Fred Giertz states is a benefit of a strong national economy.⁵ Conversely, Internal Revenue Service data indicates that Illinois continues to lose people and income. For tax year 2015-2016, Illinois lost 86,100 people based on exemptions and \$4.75 billion in adjusted gross income. Per the 2018 State of Illinois Forecast Report, for the fourth consecutive year Illinois' population declined despite other states in the region adding residents.⁶ Moody's Analytics reports that the state's fiscal problems and weak demographic profile "cast doubt on the forecasts for state and local government".⁶

For the fourth consecutive year Illinois population declined despite other states in the region adding residents.



Financial Challenges

The County faces many of the same financial pressures it has identified in previous years.

1. **State of Illinois.** Legislative and administrative decisions made at the state level pose significant financial challenges for County revenues. The State of Illinois adopted a budget in July 2017 after a two-year impasse; however, not without an unfavorable impact on local governments.
 - a. **Income Tax.** In July 2017, the General Assembly increased the state income tax rate from 3.75% to 4.95%; however, local governments did not share in the additional revenue. Instead, the state legislature imposed a "one-year", 10% reduction to Local Government Distributive Fund (LGDF) revenue in conjunction with accelerating the distribution of tax payments. Additionally, IDOR's implementation of a new general ledger system in 2016 resulted in extreme volatility in Income

³ <https://www.conference-board.org/press/pressdetail.cfm?pressid=7331>

⁴ http://www.ides.illinois.gov/LMI/Pages/Current_Monthly_Unemployment_Rates.aspx

⁵ <https://igpa.uillinois.edu/report/flash-index-feb2018>

⁶ <http://cgfa.ilga.gov/Upload/2018MoodyEconomyILForecast.pdf>

tax revenues. During his state budget address, Governor Rauner proposed extending the 10% cut for a second year.

During the state budget address, Governor Rauner proposed extending the 10% cut to Income tax for second year.

- b. **Personal Property Replacement Tax (PPRT).** Administrative process changes and new accounting software have resulted in fluctuations and uncertainty in PPRT revenues. The state's diversion of PPRT funds has increased from \$21.6 million in 2009, to \$296.8 million in 2018, resulting in less revenue being distributed to local governments.
 - c. **State Collection Fee.** The legislature implemented a 2% collection fee on the County's Public Safety Sales Tax effective July 2017. This fee is expected to be permanent and decreased County revenue by \$57,000 in FY2017, with an estimated loss of \$96,000 in FY2018.
 - d. **Motor Fuel Tax Cuts.** Due to the shift of \$300 million in expenses from the state's General Fund to the Transportation Fund, the Illinois Department of Transportation implemented cuts that will result in an anticipated loss of \$187,000 in County Motor Fuel taxes in FY2018. It is uncertain whether this cut will continue in future fiscal years.
 - e. **Property Tax Reform.** Property tax reform legislation continues to be proposed at the state level. Expanded exemptions are expected to have little effect on property tax revenues because the property tax burden is merely shifted between property owners; however, implementation of new exemptions such as a long-time homestead exemption will likely require additional County staff to implement and verify exemption eligibility. A property tax freeze will impact County revenue because it will remove the County's ability to levy for inflation presently allowed under PTELL.
2. **Federal Tax Reform.** Analyzing the local impact of the recently enacted federal tax reforms is difficult. The ability to deduct income taxes or sales taxes prevents taxpayers from being taxed twice on the same income. The ability to deduct property taxes and mortgage interest makes it more affordable to own a home. Mr. Mattoon, predicts that as the tax advantage of home ownership diminishes, housing prices will adjust down as well as the value of taxable property.⁷ Moody's Investor Services states that overall, the tax reform is negative for local government finances.⁸
3. **Declining Fees and Fines Revenue.** In FY2017 there was a \$440,000 drop, or 9% decline in fees and fines revenues. Changes in public policy related to criminal justice reform continue to impact these revenue streams, which is discussed in more detail later in this document.

⁷ https://cgs.niu.edu/Financial_Forecast_Forum/Economic-Industry-Perspectives_Mattoon.pdf

⁸ https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBM_1093434

4. **Champaign County Nursing Home.** In 2017, the General Fund loaned the Nursing Home \$500,000 in order to help the home meet its payroll and vendor obligations. The General Fund also extended a \$226,802 loan made in FY2016 for boiler replacement, bringing the total of outstanding loans due in FY2018 to \$726,802. As of March 2017, multiple county funds were owed for either services provided, or bills paid by the County on the home's behalf. Also in March, the County Board approved a \$94,000 budget amendment, from the balance of the General Fund, transferring funds to the Nursing Home for crucial accounts payable obligations.
5. **Infrastructure Needs.** The County's annual investment in its facilities falls significantly short of the funds recommended to keep its facilities from declining. A comprehensive assessment of County facilities completed in November 2015⁹ identified an annual maintenance investment of \$4.5-\$5.6 million for the County's twenty-two facilities; however, due to the lack of revenue the facilities budget for the past several years has been \$532,000. In FY2018, the Highway Department established a capital budget to allocate \$100,000 for repair and maintenance of its facilities. Deferral of infrastructure investment is something that Moody's is following at the state and local level as it could lead to a form of soft debt.
6. **Technology Needs.** Migration to modern financial, human resources, and tax cycle administration software is critical. The current AS/400 system is forty years old and requires programming support that is no longer taught. Jail management and Courts technology system upgrades are also imminent.
7. **Health Insurance Costs.** The increasing cost of health insurance continues to be a concern. The FY2018 increase was a manageable 2.7%, down from 11.6% in FY2017. In 2018, the County changed its provider from Health Alliance to BlueCross BlueShield, and its plan from a Health Maintenance Organization to a Preferred Provider Organization. In January 2018, the 40% federal excise tax referred to as the "Cadillac tax" was once again deferred and is now set to take effect in 2022.
8. **Hospital Property Tax Exemption Case.** The property tax levies for revenue years 2016 and 2017 were prepared to capture new growth in the event of a potential ruling regarding the property tax exemption status of hospitals. In March 2017, the Illinois Supreme Court remanded the case back to the Circuit Court. A favorable ruling in the case could result in as much as \$1 million in recurring revenue for the County's levy funds. The County's liability in the event of an unfavorable ruling is \$2.6 million, for which there is \$946,000 reserved within the County's fund balances.
9. **Annexations.** In May 2017, the Village of Mahomet annexed 90 acres of land including four businesses, which resulted in an annual estimated loss of \$99,000 in video gaming, liquor license, and sales tax revenue for the County.

⁹ http://www.co.champaign.il.us/CountyBoard/CF/2015/151103_Meeting/151103Facilities_Assessment_Short_Report.pdf

Highlights and News

1. **Amnesty Program.** Champaign County had its first ever Amnesty week in 2017 allowing for a waiver of collections and late fees on outstanding criminal and traffic fees and fines. Over \$131,000 was collected and distributed to the County, State, and other local agencies. The amount of fees waived totaled \$36,346, with 181 cases paid in full. The Circuit Clerk's Office plans to offer the program again in 2018.
2. **General Fund Balance.** Despite multiple impacts to the 2017 General Fund budget, the County ended the fiscal year with an \$81,000 surplus, and a 12.9% fund balance as a percentage of 2017 expenditures: The fund balance as a percentage of the FY2018 expenditure budget is 12.4%.
3. **Settlement Agreement Under the Americans with Disabilities Act (ADA).** With the exception of the downtown Sheriff's facilities, the County will be in compliance with its three year agreement with the Department of Justice by July 2018. The Department of Justice (DOJ) has agreed to extend the compliance deadline for the downtown facilities; however, the County must provide a plan and timeline for DOJ review and approval. The Facilities Committee will resume this discussion in July.
4. **Form of Government.** In 2017 the County began planning for its transition to the County Executive form of government, which was approved by voters in November 2016. The County will transition to this form of government in December 2018.

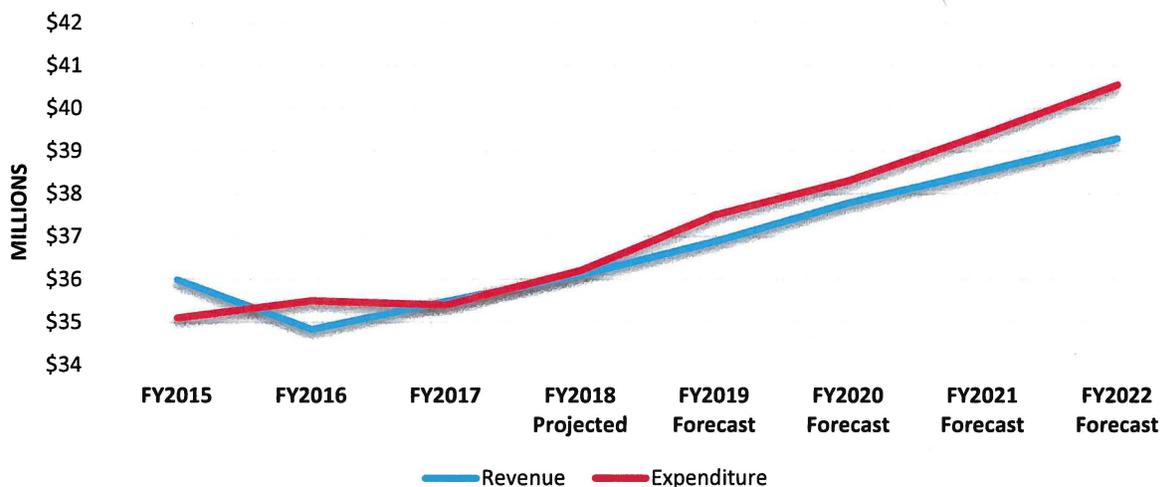
General Corporate Fund

Forecast Assumptions

Based on the forecast assumptions within the revenue and expenditure categories explained below, it will be necessary for the County to use current revenue to guide its spending. The County has limited control over the majority of its revenue sources, which poses a significant challenge for the County’s General Fund when the cost of services, commodities and personnel expenditures continue to rise.

Department Heads and Elected Officials have continuously been willing to defer capital needs and technology upgrades, restrain commodities and services spending, and use special revenue funds for personnel expenditures and transfers to supplement the General Fund revenues. The County’s Labor Management Health Insurance Committee (LMHIC) has worked diligently to negotiate more affordable increases in health insurance premiums. Through labor negotiations, employees are paying a higher percentage of their health insurance costs. Without continued efforts to balance the General Fund budget, a structural deficit emerges as forecasted expenditure growth exceeds revenue growth.

General Fund Revenue and Expenditure Forecast

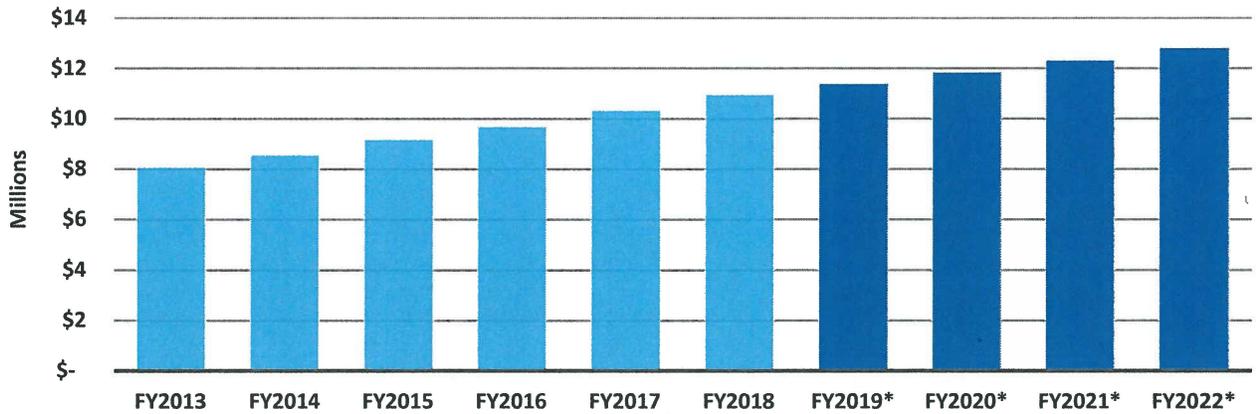


Revenue

Local Taxes. Property taxes are the predominant revenue source in this category. As reflected in the chart on the following page, the County has relied on consistent increases in property tax revenues primarily due to inflationary growth allowed under PTELL, and new property added to the tax rolls. The CPI increase for taxes levied in fiscal years 2017 and 2018, paid in fiscal years 2018 and 2019, is 2.1%.

Other local tax revenues in this category including hotel/motel, auto rental, penalties, mobile home and back taxes. Overall growth in local taxes in fiscal years 2019 through 2022 is forecasted at 4.3%. A change in the property tax exemption status of hospitals could result in an increase of nearly \$500,000 in recurring property tax revenue for the General Fund; although the tax liability without a change in the exemption status is roughly \$840,000.

General Fund Property Tax Revenue



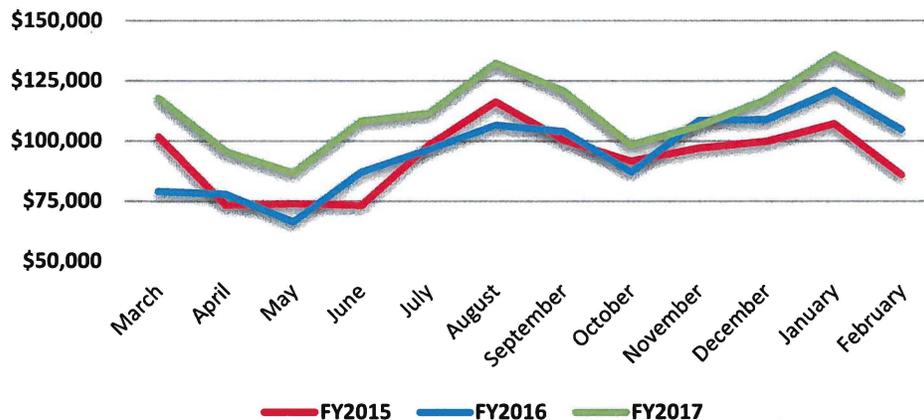
*Forecasted

State Shared Revenue

1. Sales Tax

- In FY2017, the **Quarter-Cent sales tax** exhibited stronger performance than the prior two fiscal years at 1.6% growth. The five and ten-year averages reflect growth of 1.4% and 1.1% respectively. Forecasted growth is 1.4%.
- After a revenue decline of 16% in FY2015, the County's **One-Cent sales tax** grew 2.7% and 17.7% in fiscal years 2016 and 2017. Champaign County entered into a reciprocal agreement with IDOR in 2017 to receive data related to its One-Cent tax. Although this information is presently available, the lack of historical data makes it difficult to analyze the reason for the extreme fluctuations in the past few years. The County's top ten taxpayers represent 50% of total One-Cent sales tax revenues; therefore, the loss of one top ten payer can have a significant effect on this revenue stream. The Forecast assumes 1.5% growth in the next five fiscal years. The chart below demonstrates the significant increase in FY2017 revenue compared to fiscal years 2015 and 2016.

One-Cent Sales Tax

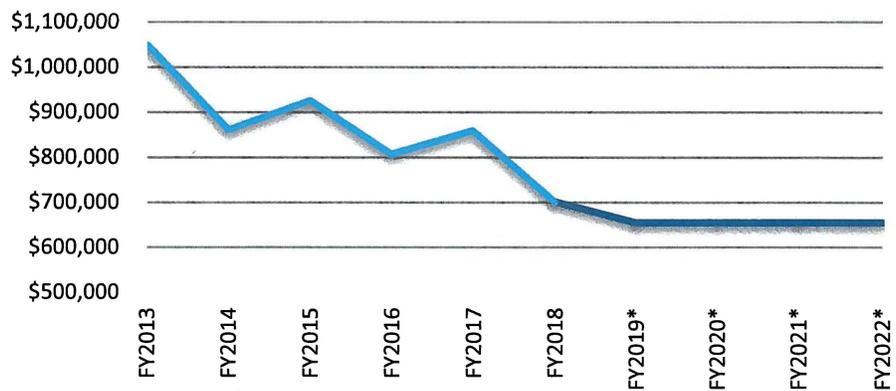


The County's top ten taxpayers represent 50% of total One-Cent sales tax revenues; therefore, the loss of one top ten payer can have a significant impact on this revenue stream.

- Consistent increases in **Use Tax** revenue since 2010 correlates to growth in e-commerce sales. The Forecast includes 4% growth.
- **Personal Property Replacement Tax** is budgeted to decline in FY2018 as a result of increased diversions implemented by the state legislature and a process implemented by IDOR, which attempted to adjust current receipts to correct misallocations of prior receipts. Due to taxpayer response to federal tax changes, acceleration of payments has caused additional variances in this revenue stream in the current fiscal year. Based on information provided by IML, which assumes continuation of multiple diversions and does not build the impact of federal tax law changes into the base, FY2019 is forecasted to decline 6.7%. Fiscal years 2020 through 2022 are forecasted as flat.

The state's diversion of PPRT funds has increased from \$21.6 million in 2009, to \$296.8 million in 2018, resulting in less revenue being distributed to local governments.

Personal Property Replacement Tax

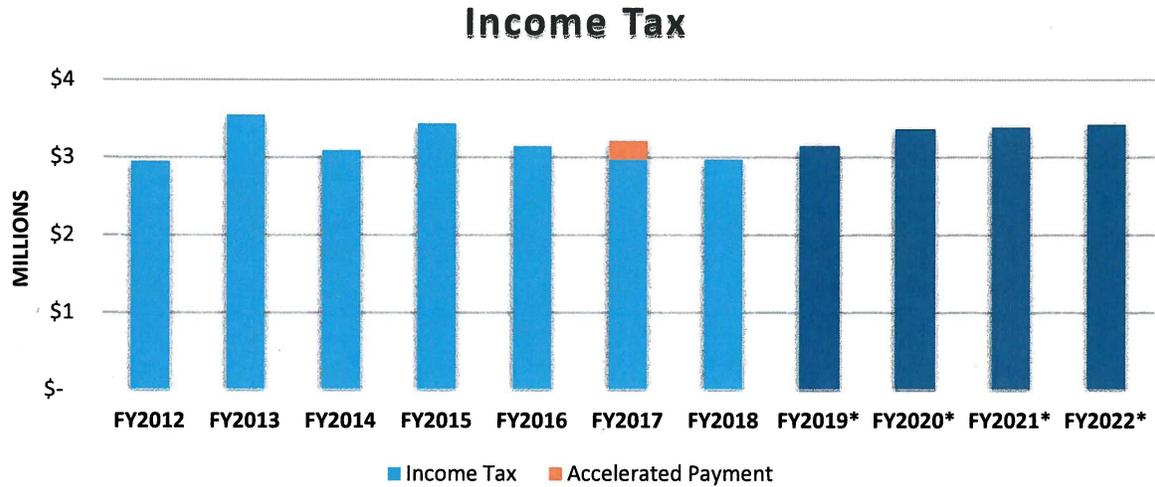


* Forecasted

2. **State Reimbursement** is predominantly for partial salary reimbursement for juvenile and court services officers. Revenue in FY2018 is projected to decline 2.3% from FY2017, and remain flat thereafter.
3. **Charitable Games Tax** revenue is forecasted to decline 5.5% in FY2018 and remain flat thereafter. The loss of revenue due to Mahomet's annexation of two establishments in FY2017 was partially offset by the addition of two less active establishments within the County. At the beginning of FY2018 there were six licensed video gaming establishments within the unincorporated limits of Champaign County.
4. **Income Tax.** As previously mentioned, Income tax revenue has been significantly impacted by both state legislative and administrative actions. In FY2017, the County received an accelerated payment; however, the impact of the 10% cut resulted in a revenue loss of \$130,000. The cut extends to the first six months of FY2018, at an estimated revenue loss of approximately \$180,000. During the February 2018 state budget address, the governor proposed an extension of the initially proposed "one-time" cut.

The FY2018 Income tax budget is flat compared to actual FY2017 revenues; however, is likely overstated at \$3.2 million. Based on an assumed extension of the 10% cut, FY2018 revenue is forecasted at \$2.97

million and FY2019 revenue is forecasted at \$3.13 million. Fiscal year 2020 reflects the elimination of cuts and conservative 1% growth, which is carried through FY2022.

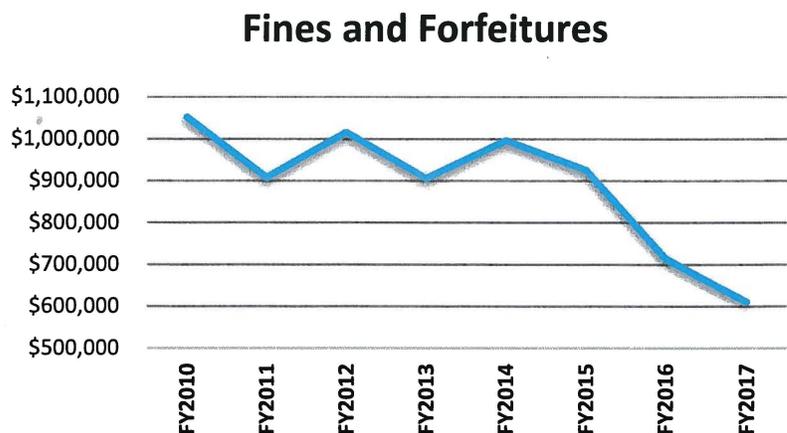


*Forecasted

Other Revenue

- Licenses and Permits** revenue predominantly comes through the sale of Revenue Stamps for real estate transactions. There is a direct correlation between this revenue and the Purchase Document Stamp expenditure as the County must submit 2/3 of the revenue collected to the State of Illinois. A healthy real estate market has led to stable revenues over the past three fiscal years.

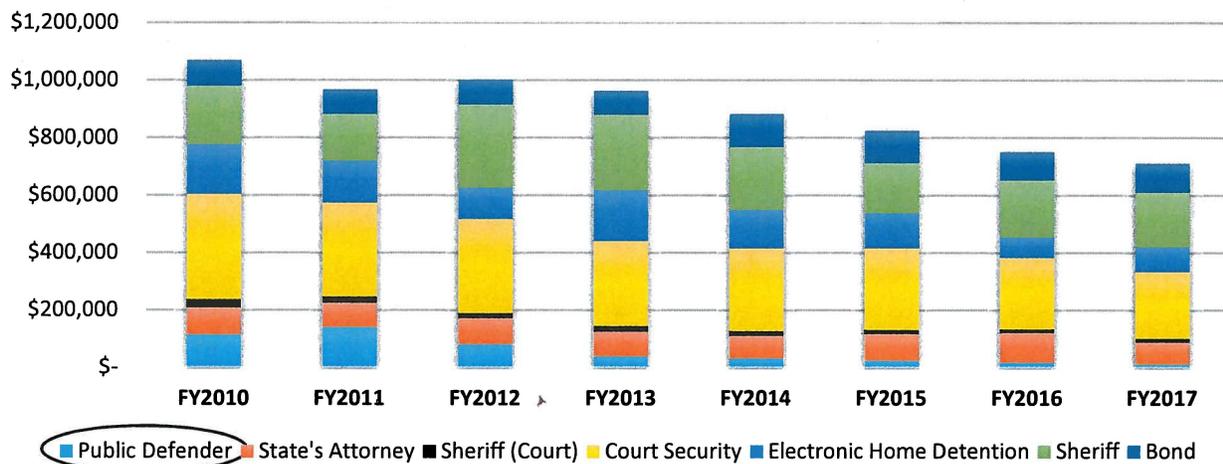
- Fines and Forfeitures** revenue has consistently dropped since FY2014. Revenue declines over the past three fiscal years were -8% in 2015 followed by -23% and -14.5%. As discussed during the budget process, this is likely the result of criminal justice reform and changes to adjudication practices. Further declines in revenue are anticipated.



3. **Charges for Services (Fees)** revenue is down \$336,000, or -8.2% in FY2017. This category is made up of multiple revenue streams with the largest two being Circuit Clerk and Recorder fees. The total number of documents recorded in FY2017 was down 1,767 from FY2016, with a little over half of that number being fewer mortgages filed.

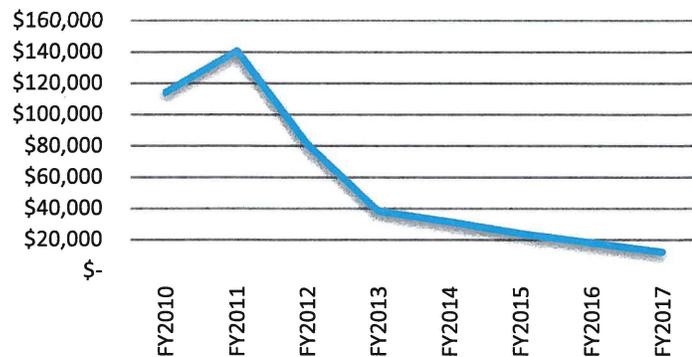
The main sources of Circuit Clerk fee revenues are for chancery, law magistrate, small claims and traffic cases. The number of chancery and traffic cases since FY2009 are down 49% and 42% respectively. As discussed during the FY2018 budget process, the decline in traffic cases is attributed to fewer tickets being issued. The chart below demonstrates that criminal justice fee revenues continue to trend downward.

Criminal Justice Fee Revenue



Most fees are set by legislation; however, Public Defender fees are set by the Judiciary. During the FY2018 budget process, the Judiciary agreed to begin implementing a nominal fee with some exclusions and waivers for persons with disabilities or those living on a fixed income. Unfortunately, revenue improvement in FY2018 will not occur because the judiciary has decided not to implement the nominal fee at this time.

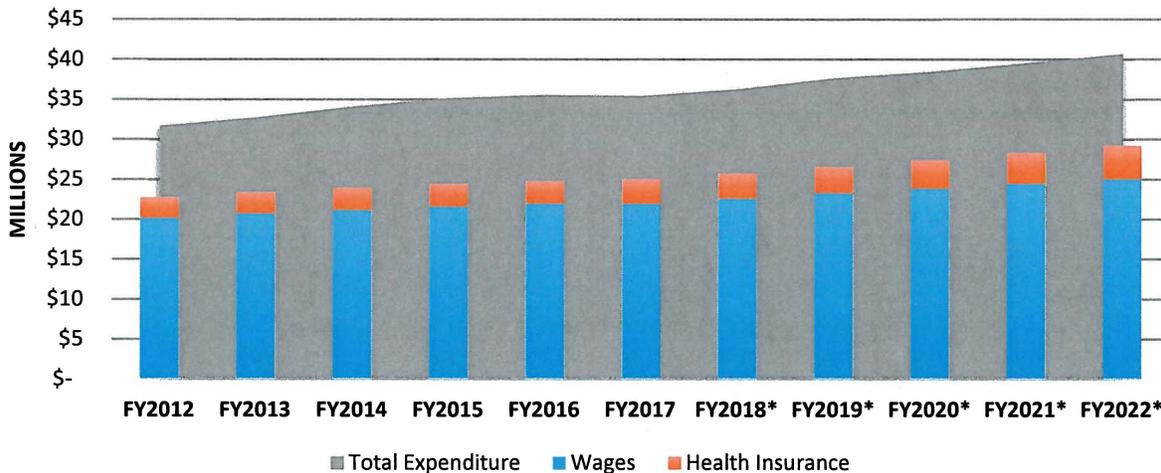
Public Defender Fee Revenue



Expenditure

Personnel costs including wages and insurance, accounted for 71% of General Fund expenditures in FY2017. The FY2019 budget will include appropriation for the newly created Elected County Executive position. The County Board set the salary for this position at \$117,269. Negotiated wage increases for FOP labor contracts, not including step increases, range from 1% to 2% in FY2019. Labor contracts for AFSCME groups will be negotiated in 2019.

Wages and Health/Life Insurance



*Forecasted

In FY2017, health and life insurance costs were 8.7% of total General Fund expenditures.

Health Insurance costs are driven by multiple factors including the composition of the risk pool, increasing cost of medical services and prescription drugs, administrative fees, claims history, and legislative and regulatory changes. Consequently, it is difficult to forecast premium increases for the subsequent fiscal year let alone future fiscal years. Through the efforts of the County’s broker and Labor Management Health Insurance Committee (LMHIC), the County has been able to utilize market competition and plan structure changes to obtain more moderate increases than initially quoted.

In FY2016, the County switched from a PPO plan to an HMO plan to avoid a significant premium increase. A 51% increase was initially quoted in FY2017; however, negotiations and an increased deductible resulted in an 11.6% increase. For the current fiscal year market competition and negotiations resulted in a 2.7% increase and a change in plan providers, which allowed the County to move back to a PPO plan. Through labor negotiations, employees have been funding a larger portion of their health insurance premiums. In FY2017, health and life insurance costs were 8.7% of total General Fund expenditures. The FY2018 expenditure budget is \$3.3 million; however, is expected to be closer to \$3.13 million partly due to an increase in the number of waivers. The Forecast projects expenditure increases of 5% in FY2019 and 8% in fiscal years 2020 through 2022.

Commodities

Forty-five percent of the commodities budget is for the purchase of real estate transfer tax stamps from the Illinois Department of Revenue. There is a direct correlation to "Revenue Stamps" revenue and "Purchase Document Stamps" expenditure as the Recorder collects a tax through the sale of stamps, which are purchased from IDOR. Budgeted expenditure is 2/3 of the budgeted revenue for Revenue Stamps. In FY2018, the projected 2% growth in total commodities expenditure is predominantly driven by the cost of purchasing document stamps based on the projected sale of Revenue Stamps. Future fiscal years reflect 1% total expenditure growth based on forecasted increases in gasoline and other commodities.

Services

Growth in services expenditure is 1.9% in fiscal years 2019 through 2022. In FY2018 an additional \$100,000 was added to the Medical, Dental and Mental Health appropriation due to an anticipated increase in the contract. Following the issuance of an RFP by the Sheriff's Office, the contractual increase was 32%, which will result in increased expenditure of approximately \$175,000 for Corrections and the Juvenile Detention Center in FY2018, and an additional \$35,000 in FY2019.

Capital

The Forecast includes restoration of the Sheriff's Office squad car replacement budget at \$230,000 beginning in FY2019. In order to help balance the budget, there were cuts to this line in fiscal years 2016 through 2018. The Capital Asset Replacement Fund (CARF) transfer includes current only funding for software and scheduled vehicle and equipment replacement for non-public safety departments. In FY2019, software and licensing is \$103,000. Other items planned for replacement total \$251,000. The largest item scheduled for replacement is Internet Protocol Version 6 (IPv6) routing switches estimated to cost \$84,000. When local entities decide to transition to IPv6 the County will need to replace its switches. It should be noted that spikes in CARF expenditures could be avoided if the County was financially able to reserve funds for items scheduled for replacement in future fiscal years.

The largest portion of the transfer to the CARF is for facility maintenance. For several years this appropriation has been \$532,261. Based on the Facilities Condition Assessment, the County is significantly underfunding its investment in facilities.¹⁰ In order to balance the FY2018 budget, \$70,000 of the \$532,261 came from the Public Safety Sales Tax Fund. In fiscal years 2019 through 2022 the full transfer from the General Fund is forecasted.

Enterprise Resource Planning (ERP) and Tax Cycle Systems

The County has been planning for the necessary replacement of its legacy financial and human resources system, ERP. The FY2018 budget included funding for a basic Software as a Service (SaaS) contract based on preliminary quotes received; however, replacement has not been initiated. The need for replacing the County's Tax Cycle system is also crucial. Every taxing body in Champaign County relies on the County to properly facilitate issuance of property tax bills and collect and record subsequent revenues. Additionally, the scope and cost of replacing the Tax Cycle system is more manageable than replacing the ERP system. It is recommended that the County initiate replacement of its Tax Cycle system in FY2019. Preliminary estimates, which are included in the Forecast, are \$195,000 in year one and \$165,000 thereafter. It is essential for the County to also identify funding and initiate replacement of its ERP system.

¹⁰ http://www.co.champaign.il.us/CountyBoard/CF/2015/151103_Meeting/151103Facilities_Assessment_Short_Report.pdf

Forecast Detail

	FY2017	FY2018 Projected	FY2019 Forecast	FY2020 Forecast	FY2021 Forecast	FY2022 Forecast
Taxes	\$ 11,437,802	\$ 12,114,272	\$ 12,628,486	\$ 13,165,839	\$ 13,727,373	\$ 14,314,177
Licenses and Permits	\$ 1,573,676	\$ 1,553,262	\$ 1,573,406	\$ 1,573,406	\$ 1,573,406	\$ 1,573,406
Intergovernmental Revenue	\$ 539,681	\$ 518,965	\$ 501,000	\$ 501,000	\$ 501,000	\$ 501,000
State Shared Revenue	\$ 14,183,561	\$ 13,873,522	\$ 14,124,011	\$ 14,481,843	\$ 14,655,264	\$ 14,831,974
Local Government Revenue	\$ 726,730	\$ 663,922	\$ 678,564	\$ 693,645	\$ 709,179	\$ 725,179
Government Reimbursement	\$ 651,458	\$ 631,476	\$ 649,023	\$ 663,723	\$ 678,865	\$ 694,461
Charges for Services (Fees)	\$ 3,757,973	\$ 3,607,654	\$ 3,571,578	\$ 3,535,862	\$ 3,500,503	\$ 3,465,498
Fines & Bond Forfeitures	\$ 610,337	\$ 567,614	\$ 556,261	\$ 545,136	\$ 534,233	\$ 523,549
Forfeitures	\$ 30,846	\$ 21,000	\$ 21,000	\$ 21,000	\$ 21,000	\$ 21,000
Miscellaneous Revenues	\$ 1,231,180	\$ 1,287,910	\$ 1,330,813	\$ 1,348,426	\$ 1,366,360	\$ 1,384,622
Interfund Transfers	\$ 672,193	\$ 1,238,749	\$ 1,226,132	\$ 1,228,575	\$ 1,231,079	\$ 1,233,646
Interfund Reimbursements	\$ 68,279	\$ 71,632	\$ 71,926	\$ 72,225	\$ 72,529	\$ 72,837
Total Revenue	\$ 35,483,717	\$ 36,149,978	\$ 36,932,199	\$ 37,830,681	\$ 38,570,792	\$ 39,341,349
<i>Growth</i>		1.9%	2.2%	2.4%	2.0%	2.0%
Personnel	\$ 24,992,280	\$ 25,592,489	\$ 26,428,435	\$ 27,281,397	\$ 28,171,530	\$ 29,100,977
Commodities	\$ 2,010,161	\$ 2,050,875	\$ 2,071,131	\$ 2,091,860	\$ 2,113,073	\$ 2,134,781
Services	\$ 6,719,123	\$ 6,996,524	\$ 7,130,827	\$ 7,268,553	\$ 7,410,371	\$ 7,556,423
Capital	\$ 325,961	\$ 167,920	\$ 255,000	\$ 255,000	\$ 255,000	\$ 255,000
Transfers	\$ 880,614	\$ 928,023	\$ 1,144,733	\$ 934,580	\$ 968,632	\$ 1,016,709
Debt	\$ 474,576	\$ 473,188	\$ 474,660	\$ 479,948	\$ 479,206	\$ 482,187
Total Expenditure	\$ 35,402,715	\$ 36,209,018	\$ 37,504,786	\$ 38,311,338	\$ 39,397,811	\$ 40,546,078
<i>Growth</i>		2.3%	3.6%	2.2%	2.8%	2.9%
Revenue/Expenditure	\$ 81,002	\$ (59,041)	\$ (572,587)	\$ (480,657)	\$ (827,020)	\$ (1,204,730)
Projected Fund Balance	\$ 4,559,009	\$ 4,499,968	\$ 3,927,381	\$ 3,446,724	\$ 2,619,704	\$ 1,414,975
Fund Balance as % of Expenditure	12.9%	12.4%	10.5%	9.0%	6.6%	3.5%
Nursing Home Loans Forgiven		\$ (726,802)				
Revenue/Expenditure		\$ (785,843)				
Projected Fund Balance		\$ 3,773,166	\$ 3,200,579	\$ 2,719,922	\$ 1,892,902	\$ 688,173
Fund Balance as % of Expenditure		10.2%	8.5%	7.1%	4.8%	1.7%

Explanation of variance in Revenue growth FY2018 through FY2020. The fluctuation in growth in these three fiscal years is predominately the result of income tax cuts. The Forecast projects an extension of the 10% cut, which affects all 12 months in FY2018 and the first six months of FY2019. Full restoration of funding is forecasted in FY2020.

Explanation of variance in Expenditure growth FY2019. The significant increase is attributed to a combination of factors including the salary for the County Executive position, tax cycle system replacement, restoration of General Fund facilities funding (\$532,261), restoration of funding for squad car replacement (\$230,000), and an increase in required CARF funding for items scheduled for replacement in FY2019 including \$84,000 for IPv6 routing switches.

Public Safety Sales Tax Fund

Revenue

State Administrative Fee. The permanent 2% fee implemented in July 2017, is forecasted to continue although legislation has been proposed to reduce the fee to 1%. The fee was charged in seven months of CFY2017, and decreased revenue by \$57,000. In fiscal years 2018 through 2022, revenue loss is anticipated to be just under \$100,000 annually.

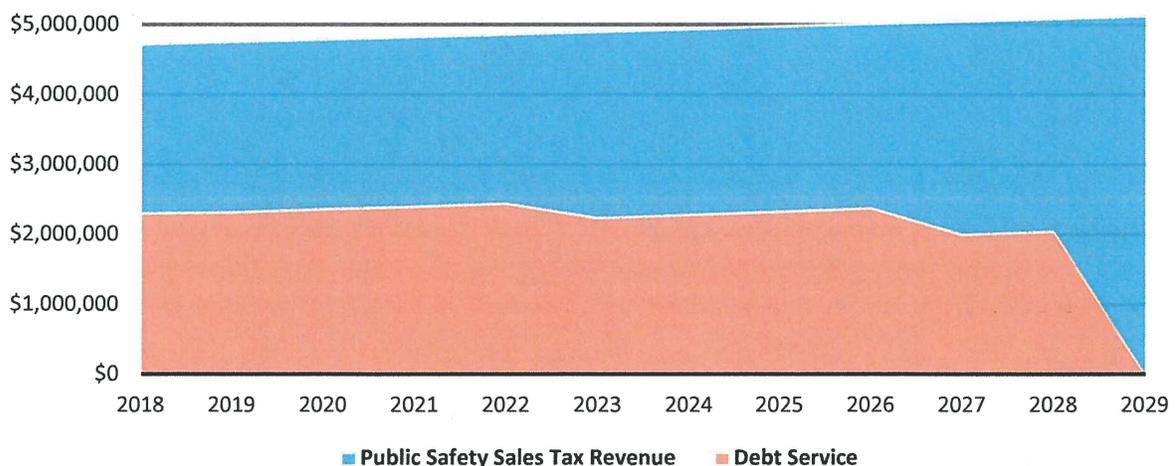
Modest Revenue Growth. Following two years of slightly declining revenues, FY2017 growth was 1.2%. The five-year average reflects 0.8% growth. In FY2018 growth is projected to be flat when accounting for the fee that will be charged all twelve months in 2018. The Forecast projects 1% growth in future fiscal years.

Expenditure

When the Public Safety Sales Tax was established by referendum in 1998, the County Board adopted an Ordinance, later revised in 2003, directing the use of revenue for the repayment of debt service, public safety related programs, justice system technology, and the annual maintenance costs of public safety buildings.

1. **Debt Service.** In fiscal years 2018 through 2022, nearly 50% of Public Safety Sales Tax revenue is allocated to make the principal and interest payments on the County’s alternate revenue bonds. In FY2018, the County will retire the 2005B Issue; however, principal payments on the 1999 Issue will commence. Debt service obligations increase slightly every year through FY2022, and then decline by \$209,000 in FY2023 following the maturity of the 1999 Issue. At the end of FY2028, the public safety sales tax alternate revenue bonds will be paid in full. The following chart shows the total debt service obligations in relation to forecasted revenues.

Public Safety Sales Tax Revenue & Debt



Nearly 50% of Public Safety Sales Tax revenue is allocated to make the principal and interest payments on the County’s alternate revenue bonds.

2. Programs.

- a. Delinquency Prevention, Intervention and Diversion. Five percent of annual revenue is allocated towards this programming. In FY2018, the budget includes \$236,600 plus an additional \$15,000 for Youth Assessment Center relocation expenses. Forecasted expenditure for fiscal years 2019 through 2022 grows based on projected revenue growth.
- b. Re-Entry. Since FY2014, the County Board has contracted with a local provider for re-entry planning, management and client services. The Forecast assumes annual funding of \$100,000.
- c. Jail Classification System. The salary and health insurance cost for the lieutenant dedicated to jail classification system oversight is appropriated at \$95,349 in FY2018. Incremental increases are forecasted in future fiscal years for wage and benefit growth.
- d. Specialty Court. In FY2018, \$60,881 is appropriated for the Specialty Courts Coordinator's salary and benefits. Incremental increases are forecasted in future fiscal years for wage and benefit growth.

3. Justice System Technology and Equipment.

- a. Funding for Jail Management software maintenance (Tyler/New Word) and partial funding for Courts Technology software maintenance (JANO) comes from Public Safety Sales Tax funds. Necessary upgrades to these systems are discussed on the following page.
- b. Software licensing and scheduled equipment replacement is appropriated as a transfer to the Capital Asset Replacement Fund (CARF). There is a significant increase in FY2018 due to replacement of mobile and portable radios for the Sheriff's Office, \$387,000, for which there was no reserve funding. In fiscal years 2019 through 2022 the CARF transfer for software licensing, technology and equipment is projected at \$175,000.
- c. The AS/400 lease payments are made with Public Safety Sales Tax Funds in FY2018. Payments are made from other funds in 2019 and 2020.
- d. Partial funding for a Software as a Service (SaaS) contract to replace the County's financial system is budgeted in FY2018. Although replacement has not been initiated, migration to a modern financial software is critical.

- 4. Public Safety Facilities Utilities and Maintenance Transfers.** In FY2018, \$800,000 is appropriated as a transfer to the General Fund to offset the cost of public safety buildings utilities and maintenance. The Forecast maintains the transfer at this level in future fiscal years. Also, in FY2018 \$331,113 is appropriated as a transfer to the CARF Facilities budget. Of this amount, \$70,000 is appropriated for public safety facility improvements, and \$261,113 for either completing the ADA compliance projects at the downtown Sheriff's facilities or preliminary planning for closure of those facilities.

Needs

1. **Technology Investment.** There is a significant need to replace and upgrade the technology that supports the County's public safety offices, including ERP software, Sheriff's Office business software, and jail management software. An upgrade of the Tyler/New Word Jail Management software is imminent, as support for the current version will be dropped in the near future and there is no support for the Graphical User Interface used by our current software version. Quotes for the upgrading the Tyler/New Word software are being obtained. This will also require an update to the JANO Interface.

Other technology systems that will need replaced in the upcoming fiscal years are the Law Enforcement Records Management System and METCAD dispatch software, which will be done in conjunction with other local entities. Additionally, for several years the County has been unable to reserve funding for public safety equipment scheduled for replacement in the Capital Asset Replacement Fund.

2. **Public Safety Facilities Investment.** The Facilities Condition Assessment Report prepared by Bailey Edward in October 2015, assigned a "poor" Facility Condition Index (FCI) to the Adult Detention Center, Sheriff's Office/Correctional Center, Correctional Center garage and Emergency Management Agency garage. A "fair" FCI was assigned to the Emergency Operation Center, Juvenile Detention Center and Coroner's Office.

Some of the most costly public safety facility maintenance needs recommended in the next few fiscal years include replacement of roofs, boilers and chillers, security systems, generators and control systems. The Champaign County Facilities Action Plan¹¹ summarizes countywide deferred maintenance needs including public safety facility needs; however, the downtown Sheriff's facilities were not included in the plan. Per the County's arrangement with the Department of Justice, the County will resume discussions regarding its plan for the downtown Sheriff's facilities in July 2018. The ADA required improvements are estimated to cost \$175,000 and have not been completed at these facilities. If the County continues to operate the downtown Sheriff's facilities, architectural estimates for maintenance costs within the next five years total \$2.9 million. Five to twenty-five year maintenance cost estimates total \$8.8 million.

¹¹ http://www.co.champaign.il.us/2016FacilitiesProposal/PDFS/Facilities_Action_Plan.pdf

Final Thoughts

The Forecast has been prepared based on conservative revenue assumptions, including modest sales tax growth, extension of income tax cuts in fiscal years 2018 and 2019, and the continued decline of fee and fine revenues. General Fund revenue includes maintaining the transfer for reimbursement of public safety facilities' utilities and general maintenance at the FY2018 level. Forecasted expenditures assume consistent growth in personnel costs, modest increases in commodities and services costs, implementation of Tax Cycle software, funding CARF items in the fiscal year they are scheduled for replacement, reestablishing the squad car appropriation at the FY2015 level, and restoring the General Fund transfer to CARF for facilities. Deviations from any of these assumptions will have a subsequent impact on forecasted revenues and expenditures.

Aside from the \$94,000 transfer to the Nursing Home approved in March, the Forecast does not include additional transfers to the home; although its continued operation will inevitably require General Fund support. The outstanding loans to the home are due in September and December 2018. As previously mentioned, the County Board's decision regarding these loans could have a significant impact on FY2018 expenditures and the General Fund's balance.

In May, a resolution establishing the FY2019 budget process will be presented to the Finance Committee. Administration will provide budget instructions to Department Heads and Elected Officials in June, followed by meetings in July to begin developing the FY2019 budget. By this time, more data will be available to better analyze revenue and expenditure performance in the current fiscal year and fine tune projections for the upcoming fiscal year.

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