

SPECIAL MEETING OF THE CHAMPAIGN COUNTY BOARD AGENDA

County of Champaign, Urbana, Illinois
Wednesday, July 19, 2017 – 5:30 p.m.

Lyle Shields Meeting Room, Brookens Administrative Center,
1776 East Washington Street, Urbana, Illinois

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- I. Call To Order
- II. *Roll Call
- III. Read Notice of Meeting
- IV. Approval of Agenda/Addenda
- V. Public Participation
- VI. ****Adoption of Resolution No. 10041 Authorizing a Short-Term Loan from the General Fund to the Champaign County Nursing Home Fund to Protect Public Health and Safety, Protect Public Property, and to Limit County Liability** *(to be distributed)*
- VII. Adjourn

***Roll Call**

****Roll call and 15 votes**

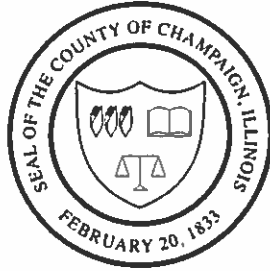
*****Roll call and 17 votes**

******Roll call and 12 votes**

Except as otherwise stated, approval requires the vote of a majority of those County Board members present.

*All meetings are at Brookens Administrative Center – 1776 E Washington Street in Urbana – unless otherwise noted.
To enter Brookens after 4:30 p.m., enter at the north (rear) entrance located off Lierman Avenue.*

Champaign County will generally, upon request, provide appropriate aids and services leading to effective communication for qualified persons with disabilities. Please contact Administrative Services, 217-384-3776, as soon as possible but no later than 48 hours before the scheduled meeting.



OFFICE OF THE
COUNTY ADMINISTRATOR

14 July 2017

MEMORANDUM

TO: Honorable Members of the Champaign County Board
FR: Rick Snider, County Administrator
RE: Additional Funds Required for Payroll – Champaign County Nursing Home (CCNH)

CURRENT ISSUE

Barring receipt of additional funds, the Champaign County Nursing Home will be unable to meet its payroll obligations for Friday, July 21, 2017. CCNH will require an infusion of funds in the amount of approximately \$250,000 no later than Wednesday, July 19, 2017 to allow sufficient time for the County Treasurer to deposit the required funds.

DISCUSSION

Despite efforts to restrict accounts payable to "must pay" obligations, the CCNH enterprise fund balance has reached a low of \$376.58 following processing of A/P for Thursday, July 13.

The home has experienced an unusual slowing of receipts in the month of July. Over the past six months, the home has typically received about \$600,000 in receipts by the 19th of the month; the lowest amount over this period was \$378,000 in January. However, CCNH has received only about \$112,000 in receipts through July 13. We expect some smaller payments for Monday, July 17, but they will be insufficient to meet expected payroll of \$235,000. The larger receipts from payor sources such as Medicaid are expected to arrive on or about July 20 but too late to meet payroll demands. Furthermore, we have about \$56,000 in payments due to "must-pay" vendors.

CCNH has drawn down the initial credit line provided by the County Board in March 2017. Draws were made in the amounts of \$50,000 for the June 23 payroll and \$185,000 for the July 7 payroll. Although the draws were expected to be made earlier they were delayed through actions taken by MPA to delay vendor payments. Using estimated income receipts, we anticipate the need for \$250,000 in additional credit line along with the remaining \$15,000 from the initial credit line. An exact dollar amount will be ascertained prior to the County Board meeting on Wednesday.

The County's General Fund is the only feasible and available funding source. However, this is not a sustainable method to cover shortages at CCNH. As will be reported by the Auditor at the July 2017 County Board meeting, the accounts payable owed to Champaign County by the nursing home will

reach \$1.55 million, an increase of over \$388,000 since early June 2017. Expected bills through the end of FY 2017 that CCNH will be unable to pay include approximately \$500,000 for IMRF/FICA and \$282,000 for debt service payments on the general obligation bond. Combined with the \$250,000 requested this month, CCNH would owe the County about \$2.58 million. With the \$2.3 million in A/P other than that due to the County, total obligations will reach \$4.88 million. The FY 2017 year-end General Fund balance is projected at \$4.21 million or 11.7% of expenditures, below our County financial policy's minimum reserve of 12.5%. The unconstrained growth of liabilities is a clearly alarming situation.

These figures do not include ongoing losses from Medicaid payment delays or unplanned demands for accelerated payments of outstanding obligations. As of today, a second vendor has notified the County that no further services will be provided to CCNH without immediate partial payments of its invoices. The continuing drain on General Fund reserves risks County insolvency in FY 2018.

Continued county ownership of the nursing home unquestionably will have negative implications for general county finances. In a recent surveillance call with Moody's Investors Service, the analysts made clear their concern about the ongoing drain on the General Fund to maintain operations at CCNH. While Moody's elected not to downgrade Champaign County debt for now, they did assign a negative outlook as a direct result of the nursing home's financial condition and impact on the County treasury. It is likely the county will be downgraded if a permanent solution is not found to stem losses.

As the Board works through issues surrounding the ongoing financial challenges posed by CCNH, it is appropriate to consider how a denial of funds could impact the County. It is my understanding that the County is legally obligated to pay employees under state and federal law, and that failure to do so would likely invite intervention from the state labor board and the courts. Other potential consequences of failure to fund the necessary payroll and A/P involve the proposed separation of CCNH from county ownership. Legal filings against the home might have the effect of reducing the number of potential buyers interested in the home and/or reducing the ultimate sale price of the home, and could impede or preclude the successful conclusion of any transaction.

RECOMMENDATIONS

The County Board should provide funding to CCNH to meet its legal obligations and to preserve the health and welfare of nursing home residents and protect the County from liability. Furthermore, the County Board must reach agreement on a permanent disposition for CCNH prior to the end of FY 2017 to avoid dire consequences for the entire County Government.