

CHAMPAIGN COUNTY BOARD
BUDGET HEARING MINUTES

LEGISLATIVE BUDGET HEARINGS

Wednesday, August 24, 2016

**Brookens Administrative Center, Lyle Shields Meeting Room
1776 E. Washington St., Urbana**

MEMBERS PRESENT: Christopher Alix, Jack Anderson, Astrid Berkson, Lorraine Cowart, Aaron Esry, Stan Harper, Shana Harrison, Josh Hartke, Matt Hiser, Gary Maxwell, Jim McGuire, Max Mitchell, Patti Petrie, James Quisenberry, Giraldo Rosales, Rachel Schwartz, C. Pius Weibel

MEMBERS ABSENT: Lloyd Carter, John Jay, Diane Michaels, Jon Rector, Jon Schroeder

OTHERS PRESENT: Leanne Brehob-Riley (GIS Director), Catherine Emanuel (CCNH Board of Directors), Rick Snider (County Administrator), Gary Winschel (MPA), Kay Rhodes (Administrative Assistant)

CALL TO ORDER

County Board Chair Petrie called the hearing to order at 6:03 p.m.

ROLL CALL

Rhodes called the roll. Alix, Anderson, Berkson, Cowart, Esry, Harper, Harrison, Hartke, Hiser, Maxwell, McGuire, Mitchell, Petrie, Quisenberry, Rosales, Schwartz, and Weibel were present at the time of roll call establishing a quorum.

APPROVAL OF AGENDA/ADDENDUM

MOTION by Quisenberry to approve the agenda; seconded by Rosales. **Motion carried with unanimous support.**

BUDGET PRESENTATIONS

Snider credited Tami Ogden, Deputy County Administrator of Finance for preparing the bulk of the FY2017 budget. Ogden thanked the County Board for providing access to the former County Administrator, Deb Busey to assist her as she worked through this process for the first time.

Nursing Home Fund

Snider explained that a slightly different approach was utilized as they put together the FY2017 nursing home budget. In the past, the budgets represented the aspirational goals of the nursing home rather than providing an actual representation of known factors.

Emanuel explained they budgeted revenue for 180 beds and believe this is a realistic number for FY2017. The nursing home currently has 182 beds filled. Emanuel corrected the summary, explaining that the loss from operations is actually \$216,692. She also stated that agency costs were actually budgeted at \$332,000; a more accurate representation.

Schwartz pointed out that if the debt payment were removed from the calculation, the cash budget for operations would be positive. Emanuel explained that this point is mentioned later on in the narrative of the budget documents.

Ogden explained that as they reviewed prior budgets the actual fund balances were negative for the past 4 fiscal years. Snider added that his analysis of FY2010-FY2014 comparing the GAAP numbers and the modified accrual numbers from the auditor's reports showed a loss of approximately \$200,000 per year. This does not include accounts receivable or accounts payable, just cash in and cash out.

Schwartz questioned how the nursing home could operate this way without any additional loans from the General Corporate Fund. Snider said that the balance of the accounts payable has grown to approximately \$3 million.

Winschel explained that the fund balance is a balance sheet item which doesn't always reflect increase/decrease in accounts payable. In 2011, when the State of Illinois stopped paying the nursing home for 6-months, the accounts payable ballooned up to \$5 million. Once the nursing home received its payments from the State; the accounts payable debt was reduced. The same scenario is going on now, at a slower pace. The accounts payable has increased, but so has accounts receivable. Winschel stated that they look at the fund balance on an accrual basis. The negative fund balance entering into FY2017 includes the debt service and does not include any fluctuations in accounts payable and receivables because they remain on the balance sheet.

Alix suspected that the issue in the discussion was that this was being referred to as a fund balance when in fact it is actually net assets and there is no cash flow projection for the budget process. Discussion followed.

GIS Consortium

Leanne Brehob-Riley explained that the Champaign County GIS Consortium (CCGISC) was formed in September 2002 in order to secure the benefits of data collection and analysis at a county-wide level and to share the cost of implementation, maintenance, and data acquisition. Currently, there are seven members of the CCGISC: Champaign County, City of Champaign, City of Urbana, Village of Rantoul, Village of Mahomet, Village of Savoy, and the University of Illinois. Three other entities within Champaign County participate in the consortium as Principal Data Clients: the Champaign-Urbana Mass Transit District (CUMTD), the Champaign-Urbana Public Health District (CUPHD), and the Urbana-Champaign Sanitary District (UCSD). Participation is open to both public and private sector organization. Champaign County is the lead agency for the Consortium.

Brehob-Riley explained that the GIS Policy Committee approved the annual budget in July 2016 and the FY2017 budget includes the addition of a capital technology purchases fund as a result of the adoption of a capital technology improvement plan approved by the GIS Policy Committee. The budget includes a 2.5% membership increase for FY2017 to cover rising expenses.

The committee recessed at 7:30 p.m. and resumed session at 7:40 p.m.

Rhodes called the roll. Alix, Anderson, Berkson, Cowart, Esry, Harper, Harrison, Hiser, Maxwell, McGuire, Mitchell, Petrie, Quisenberry, Rosales, and Weibel were present at the time of roll call establishing a quorum.

GIS Fund

Ogden explained that the GIS Fund was established by the Champaign County Board, pursuant to 55 ILCS 5/3-5018, with the adoption of Ordinance No. 640. The revenue from this fee, assessed on documents filed and recorded in Champaign County, is to be disbursed according to law, for the advancement of the county-wide GIS system.

Ogden reviewed the budget highlights: Based on declining revenues in an independent review of the GIS Recorder's fee was completed in 2015. The cost study justified a fee increase and the County Board subsequently approved an increase of \$5.00, which took effect on January 1, 2016. Both projected FY2016 and budgeted FY2017 revenue is expected to increase 50% over FY2015, which is the result of the fee increase and an increase in documents filed and recorded.

Ogden said the expenditure budget covers the following expenses: \$273,933 to pay the County's annual membership fee to the GIS Consortium; \$15,875 for future ortho-photography scheduled to be done in FY2017 - all GIS Consortium members pro-rate the total cost of the tri-annual ortho-photography and deposit annually an amount equal to the anticipated one-third of their share of that future project. This eliminates budget spikes for the member agencies in the 3rd year in which the ortho-photography is updated.

Public Safety Sales Tax Fund

Ogden stated that the ¼ cent Public Safety Sales Tax is the primary source of revenue for this fund. The FY2016 projected revenue reflects a 1.8% increase over budgeted revenue. The FY2017 revenue for the sales tax is budgeted at 1.5% over current FY2016 projections. This sales tax has historically grown at a slower rate than the County's general 1/4 cent sales tax. The difference between the two is that the Public Safety Sales Tax is not assessed on the sale of any vehicles licensed through the State of Illinois.

Ogden summarized the expenditure highlights for FY2017: \$129,703 is budgeted for software maintenance for the Courts Technology system; \$162,564 is budgeted to be transferred to the Capital Asset Replacement Fund for technology needs of criminal justice system offices; \$234,038 is budgeted as the 5% of FY2016 revenue designated for delinquency prevention grant funding in FY2016. There

remains within the Public Safety Sales Tax Fund Balance \$78,991 of previously unspent 5% Delinquency Prevention Grant Funding from prior years, to be appropriated to future one-time expenditures for these initiatives; \$2,375 is budgeted for the payment of annual fees on the debt service covered by the Public Safety Sales Tax Fund; \$83,054 is budgeted for transfer to General Corporate Fund/Corrections Budget to offset the salary cost of one lieutenant dedicated to Classification system oversight and development in the Jail; \$9,728 is budgeted for transfer to General Corporate/General County Budget to cover the annual health insurance contributions for the Lieutenant noted above; \$100,000 is budgeted for continued funding of the Re-Entry Program contracted by the County to Rosecrance; \$60,763 is budgeted for transfer to the Specialty Courts Fund for the salary and benefits of the Specialty Courts Coordinator position; \$388,356 is budgeted for a transfer to the General Corporate Fund to offset the utilities costs for the public safety buildings; and \$3,574,302 is budgeted for debt service on bonds issued for the construction of the Courthouse and Juvenile Detention Center.

Ogden added that based upon the foregoing, the total budget for the Public Safety Sales Tax Fund is presented as revenue positive in the amount of \$9,278.

Quisenberry hoped that if the County did indeed receive revenue from a ¼ cent sales tax; then perhaps a portion of this funding could go towards some of these expenditures if they meet the qualifications under the parameters of the referendum and thus free-up other funding without restrictions. Discussion followed.

Anderson felt that the purpose of the ¼ cent sales tax referendum was to fund new initiatives and not old ones. He cautioned committee members as they move forward and hoped to have much more detailed discussions regarding the use of this potential revenue.

Schwartz returned to the meeting at 7:52 p.m.

Capital Asset Replacement Fund

Revenue for the Capital Asset Replacement Fund (CARF) is transferred into the fund from General Corporate Fund, Public Safety Sales Tax Fund, Probation Services Fees Fund, and any other fund deemed an appropriate source for a purchase from the CARF. Since 2008, declining revenues in the General Corporate Fund and Public Safety Sales Tax Fund have resulted in cuts in funding for future reserve items in the Capital Asset Replacement Fund. (FY2010 is the only exception when \$416,000 was deposited for Facilities replacement issues, and only \$172,000 of that was spent.)

The FY2017 budget was initially prepared with restoring the budgeting of all required contributions for items that will be purchased in FY2017 and for the scheduled future reserve for all other items. Fully funding the Capital Asset Replacement Fund for FY2017 would require a total of \$786,480 in revenue. The FY2017 budget was prepared by transferring funding from the General Corporate Fund and Public Safety Sales Tax Fund for current (FY2017) expenditures only, \$372,483, and not for appropriation of reserve for future funding. This was done to enhance the ability to establish balanced budgets for the General Corporate Fund and the Public Safety Sales Tax Fund for FY2017.

The impact of not funding future reserve since 2008 is demonstrated in the diminishing fund balance of the Capital Asset Replacement Fund with a noted decline in that fund balance in FY2016. Because most items are on a 5-7year replacement cycle, there will be very little future reserve left in the CARF fund at the end of FY2017, as there are fewer and fewer items to be replaced in future years with future reserve funding appropriated.

The additional transfer from General Corporate of \$532,261 in FY2016 was approved for capital facilities projects, as the County Board began implementation of planning and budgeting for a Capital Infrastructure Plan for the County's facilities. The FY2017 appropriation is held at the same level as the FY2016 appropriation - at \$532,261 for facilities projects in FY2017. Ogden added that there is \$380,000 listed in the Brookens Building Construction/Improvement line item, as well as \$152,261 in 1701 Main Building Construction/Improvement. This money can be moved by the County Facilities Committee if necessary.

The Fund balance goal is \$1,000,000 - with anticipated annual expenditure of approximately \$500,000 and \$500,000 reserved for future expenditures. The greater than 10% fund balance decrease in FY2017 is the result of spending down future reserves appropriated in previous fiscal years for items scheduled to be replaced in FY2017, and the fact that the County has been unable to appropriate future reserve revenues to the Fund in recent years.

Debt Management

Ogden explained that the Nursing Home Debt Service is for the repayment of \$19,925,000 in general obligation bonds issued in FY2003 for the purpose of financing the current Champaign County Nursing Home.

Ogden stated that the General Corporate Fund Debt Service budget is for the repayment of \$4,000,000 in general obligation bonds (general sales tax alternate revenue source) issued in FY2006 for the purpose of financing additional costs of the Nursing Home Construction Project. The alternate revenue source for repayment is the County's 1 % sales tax. However, beginning in FY2010, the Nursing Home operating budget assumed responsibility for the debt service on this bond obligation and continues to do so through a transfer from the Nursing Home Fund to the General Corporate Fund. The County continues to set aside the sales tax revenue as required by the bond covenants, but the transfer from the Nursing Home effectively re-establishes the benefit of those sales taxes to the General Corporate Fund.

The County refunded the 2006A Nursing Home Construction Bonds in 2015 resulting in savings of \$272,770 after the cost of issuance. The Net Present Value (NVP) savings as a percentage was 9.8%. The County's debt management policies require that a minimum NVP savings of 3% be achieved over the life of an issue in order to be considered for refunding.

In FY2016, the County retired \$700,000 in general obligation bonds (general sales tax alternate revenue source). The bonds were issued in FY2007 for the purpose of financing a portion of the County Highway Fleet Maintenance Facility which is used to service the fleet of vehicles owned by the General Corporate Fund.

Ogden stated that the Public Safety Sales Tax Debt Service was for repayment of the \$28,797,290 in bonds issued for the construction/remodeling of the Courthouse and construction of the Juvenile Detention Center, and the \$5,955,000 in bonds issued for the Courthouse exterior masonry renovation and Clock and Bell Tower restoration projects are deposited in this budget. The corresponding annual bond payments are budgeted as expenditure in this budget.

The Budget reflects one annual principal payment and two semi-annual interest payments on the bonds that have been issued for the afore-mentioned projects. The anticipated refunding of the 2007 bonds in FY2016, and the refunding of the 2005 bonds completed in FY2014, and are generating savings in the annual debt service obligations paid out of the Public Safety Sales Tax Fund.

The County sold \$23,800,000 in General Obligation Bonds in June 1999 for the purpose of constructing a new Juvenile Detention Center, and for the construction of an addition and remodeling of the Champaign County Courthouse. The issued bonds were General Obligation - Public Safety Sales Tax Alternate Revenue Source Bonds.

The County sold additional bonds for the Courthouse construction/renovation project in February 2000 - \$1,370,000 General Obligation- Public Safety Sales Tax Alternate Revenue Source Bonds Issue 2000A; and \$3,627,290.25 General Obligation -Public Safety Sales Tax Alternate Revenue Source Bonds Issue 20008 (Capital Appreciation Bonds).

In 2005, the County approved the advance refunding of \$18,440,000 of the 1999 bonds due in 2010 to 2018 to achieve savings from lower interest rates. In 2007, the County sold additional bonds - \$5,955,000 General Obligation - Public Safety Sales Tax Alternate Revenue Source Bonds Issue 2007 A - for the exterior renovation of the original Courthouse, and for the restoration of the Courthouse Clock and Bell Tower. These bonds are eligible for refunding in October 2016.

In 2014, the County approved the advance refunding of \$9,795,000 - of the 2005B bonds due in 2023-2028 to achieve savings from lower interest rates.

Cowart recalled that a portion of the Clock & Bell Tower Project was paid for by citizen donations. Weibel clarified that approximately \$2 million was donated by citizens to extend the tower back to its original height, but the rest was paid for through bonds.

Ogden stated that the Highway Facility Debt Service was for the repayment of \$1,480,000 in general obligation bonds (alternate revenue resource) issued in FY2007 for the purpose of financing a portion of the Highway Facility constructed in 2007/2008. By the end of FY2016 this fund and debt service will be complete. The Highway Fund paid \$780,000 of the Highway Facility construction and the General Corporate Fund paid \$700,000 for the space dedicated to maintenance of fleet vehicles owned by the General Corporate Fund departments. Ogden pointed out that the \$107,139 of revenue will return to the Highway Fund when bond ends this year to be utilized for highway facility needs.

Ogden said that they had budgeted \$60,000 in the Courts Construction Fund for FY2017 for any outstanding ADA projects.

IMRF Fund

Ogden said that all of the County's IMRF rates are scheduled to decrease for FY2017. The total decrease in the required levy is \$217,653 - a 7.50% decrease. In FY2017, the County will have only one elected official who is eligible and enrolled in the ECO plan. A significant portion of the IMRF savings is attributed to the retirement of one elected official in FY2016. The additional appropriation authority for the IMRF levy has been assigned to the General Corporate Fund Levy for FY2017.

Due to changes in collective bargaining agreements for the Sheriffs Corrections and Sheriffs Court Security Employees, there are fewer employees covered by SLEP each year moving forward. The fund balance goal is to maintain a fund balance at 20% of annual expenditures for the purpose of managing cash flow. In FY2017, the fund balance goal is \$862,668.

Social Security Fund

Ogden said the FICA rate remains stable at 7.65%. The increase in the FY2017 expenditure budget is the result of an overall increase in salaries in FY2017. The General Corporate Fund portion of the total Social Security budget is \$1,655,757 and is paid through a property tax levy. This FY2017 levy represents an increase of 1.9%, or \$30,674, over the same levy for FY2016. The additional appropriation authority for the Social Security levy has been assigned to the General Corporate Fund for FY2017.

Tort Immunity

Because the property tax is the only revenue stream for this fund, the tax caps applied to the property tax have not allowed the revenue to keep pace with the annual required contributions from FY2008 to FY2014. In FY2015 and FY2016, because of decreases in the required property tax levies for IMRF and Social Security, the property tax levy for Tort Immunity finally had the capacity to increase to match the budgeted expenditures for those fiscal years. Under the application of the PTELL formula to the tax levy to be collected in FY2017, the levy increases 3.14% and again provides adequate funding to cover the required expenditures.

Self-Funded Insurance

The combining of the Self-Funded Insurance Fund and the Tort Immunity Fund provides the ability of the fund balance surplus in the Self-Funded Insurance Fund to absorb the fund balance deficit in the Tort Immunity Fund. The combined fund balance of the two funds {Self-Funded Insurance Fund and Tort Immunity Fund}- was at \$3.05 million at the end of FY2015, and is projected to be at \$3.15 million at the end of FY2016. An appropriate fund balance for the County's Self-Funded Insurance Program is \$2.5 million to ensure capacity to fund its obligations moving into the future. The following chart depicts the combining of revenues and expenditures for the Tort Immunity Fund and Self-Funded Insurance Fund, exhibiting the actual cash balance available for Self-Funded operations.

Ogden concluded that the last two budgets (Property Liability Insurance and Worker's Compensation Insurance), were pass through budgets for the Self-Funded Insurance.

MOTION by Esry to adjourn the hearing; seconded by Quisenberry. **The motion carried unanimous support.**

The hearing adjourned at 8:24 p.m.

Respectfully submitted,

Kay Rhodes
Administrative Assistant

Assistant's note: The minutes reflect the order of the agenda and may not necessarily reflect the order of business conducted at the meeting.