CHAMPAIGN COUNTY BOARD
BUDGET HEARING MINUTES

LEGISLATIVE BUDGET HEARINGS
Tuesday, September 14, 2010
Brookens Administrative Center, Lyle Shields Meeting Room
1776 E. Washington St., Urbana

5:30 p.m.

MEMBERS PRESENT: Carol Ammons, Jan Anderson, Steve Beckett, Ron Bensyl, Tom Betz, Chris Doenitz, Matthew Gladney, Stan James, John Jay, Brad Jones, Greg Knott, Alan Kurtz, Ralph Langenheim, Brendan McGinty, Diane Michaels, Alan Nudo, Michael Richards, Giraldo Rosales, Larry Sapp, Samuel Smucker, C. Pius Weibel, Barbara Wysocki

MEMBERS ABSENT: Lloyd Carter, Lorraine Cowart, Steve Moser, Steve O'Connor, Jonathan Schroeder

OTHERS PRESENT: Kat Bork (Administrative Assistant), Andrew Buffenbarger (Nursing Home Administrator), Deb Busey (County Administrator), John Peterson (Board of Health Treasurer), Mike Scavatto (Management Performance Associates President), Bobbi Scholze (Board of Health President)

CALL TO ORDER

The hearing was called to order at 5:32 p.m. by Finance Chair McGinty.

ROLL CALL

Bork called the roll. Anderson, Beckett, Bensyl, Betz, Gladney, James, Jones, Knott, Kurtz, Langenheim, McGinty, Michaels, Nudo, Weibel, and Wysocki were present at the time of the roll call. McGinty declared a quorum and proceeded with the hearings.

Kurtz and Bensyl exited the hearing at 5:33 p.m.

Beckett called for a point of order because if one more Board member left the room, the quorum would be lost and the meeting would have to stop.

Kurtz and Bensyl returned to the hearing at 5:34 p.m. Rosales entered the hearing at 5:34 p.m.

APPROVAL OF AGENDA/ADDENDUM

MOTION by Beckett to approve the agenda; seconded by Langenheim. **Motion carried with unanimous support.**

BUDGET PRESENTATIONS

Champaign County Nursing Home

Scavatto made a PowerPoint presentation about the Champaign County Nursing Home's financial outlook. CCNH should close FY2010 with a loss of $300,000. This puts CCNH in a better position than last year and the Board applauded at the news. Scavatto explained the census remains tenuous and is the biggest factor in profitability. They are picking up indications that government reimbursement through Medicare and Medicaid will be frozen or more difficult in the future. The intergovernmental transfer remains unsettled and this has a devastating impact on cash flow. Scavatto is working diligently with others to get more political muscle behind the intergovernmental transfer. Scavatto stated CCNH wants to move beyond profitability to develop its capability as a better healthcare organization. The Nursing Home Board of Directors has been focused on this approach. Change has been very difficult for some at CCNH, but the vast majority of employees are pitching in and pulling together. The goal is to change the way employees behave and approach their work. There will be more emphasis on things that build an organization, such as systems and training. Scavatto said the cash calls have been the capital project of installing smoke barriers and the increased IMRF funding. CCNH was able to cope with those unexpected expenses.

Ammons entered the hearing at 5:39 p.m.

Scavatto described the challenges facing CCNH. The cash position is very important because more cash equates to more flexibility. Scavatto wants to build up the cash reserves, but obligations continue to outstrip cash flow. Government reimbursement represents 65% of CCNH's total reimbursement. The zero increase to this reimbursement in FY2011 will outstrip general inflation. CCNH is looking at increasing the private pay rate by 3%, which is competitive in the local market. The revenue is dependent on payer mix and this can change during the year. Great strides were being made to reduce CCNH's dependency on contract nursing this year. This improvement has been hurt lately by high turnover. Fortunately, the census has been higher during the last few months. The census target of 195 was only exceeded in July. A lower census can quickly hurt CCNH. However, CCNH will end FY2010 in a much better profitability position than it did in FY2009. For CCNH to progress, Management Performance Associates (MPA) is focusing a much greater emphasis on customer services, staff training, better communication, and better supervision. If CCNH continues to reach its census goal, then more resources can be directed to these organization building factors.

CCNH's average daily census is 195 and the occupancy rate has been about 80% of the 143 beds in the facility. Medicaid continues to dominate the census at 50% of residents. Medicare payers comprise about 15% of the census and generate almost 30% of the revenue. This makes Medicare very important. There is more need for dementia services in the community as the dementia unit runs close to capacity. Scavatto announced MPA was in the progress of reshaping CCNH's dementia services. The new dementia unit manager is a long-term CCNH employee who trained at the Rush Program in Chicago. Scavatto emphasized that cash was needed to expand dementia services.

Regarding the operating revenues, Medicare A brings in about $4 million, Medicaid brings in about $4.8 million, and private pay brings in about $4.5 million. Scavatto stated 93% of CCNH revenues come from patient services. He wants to reach the point where CCNH can function without the property tax. He described the balance needed in the payer mix to cover expenditures. The balance is currently 30% Medicare, 34% Medicaid, and 31% private pay. McGinty asked if this was Scavatto's goal for revenue balance. Scavatto said it was a good balance, though he would like to see stronger Medicare reimbursement. The dilemma is that every skilled facility has the same strategy to go after Medicare. Medicare is the biggest payer now, but Scavatto thinks Medicare will start to pay less and less. MPA has had some success in figuring out why the State of Illinois has not moved forward on the intergovernmental transfer. The federal government is involved in the transaction and it has been a year since MPA has gotten any resolution. The impact on CCNH's cash flow amounts to about $628,000. Scavatto knows CCNH has about $1.8 million in outstanding accounts payable. The more political influence brought to bear on this issue, the better it will be.

Ammons asked how far behind CCNH was on its accounts payable. Scavatto answered the total amount is $1.8 million, with almost $1 million of that amount over 90 days. Ammons wanted to know if CCNH was behind on its 2009-2010 bills. Scavatto would be surprised in any FY2009 bills are unpaid and FY2010 has not ended yet. This is what happens when an operation does not have cash. CCNH has struggled to make its payroll during the month when there are three payrolls. Another set of tax anticipation warrants may need to be issued closer to the end of the year.

On the expenditure side, Scavatto explained that salaries and benefits are the largest expenditure. Under professional services, the largest expense is the therapy vendor on the Medicare program at about $550,000. Ammons asked if CCNH changed therapy companies. Scavatto confirmed they switched to Alliance Rehab for therapy services. Non-labor costs include principle and interest on the construction loan. CCNH is going with the full funding rate for IMRF and is hoping to get by with a 10% increase on health insurance. MPA is looking to improve productivity at every chance. Scavatto noted unscheduled absences are down at CCNH and productivity should be up. The future operating issues will involve developing some reserve, developing a plan to fund capital expenditures in next several years, and manage within an intensifying regulatory environment.

Weibel inquired what capital expenditures might occur in such a new facility. Scavatto answered that electric beds or broken equipment will need to be replaced. Nursing homes are always exposed to new regulatory requirements, like the smoke barriers. CCNH's walls were constructed with drywall that constantly gets dinged in any healthcare facility. These walls will end up being replaced with thick vinyl.

Ammons wanted to know what plan will be put in place to reverse the trend of approaching $2 million in outstanding accounts payable. Scavatto said the only strategy that makes sense is to get the intergovernmental transfer finished. Ammons asked if there was a realistic date when the County could expect the payments it is owed by the state. Scavatto answered no, because Illinois ranks 50th in what it pays for Medicaid. Ammons asked how long CCNH could hold on. Scavatto expressed that CCNH is doing much better this year than last year. The County must recognize the source of cash is with the state and federal governments. The completion of the intergovernmental transfer would put a considerable dent in the account payables balance.

James was concerned with the need to start putting money aside for future capital expenditures, such as roof repair. He has not heard the projections that were given when the new home facility was being constructed come true. The County Board was told so many rooms were needed and those rooms are not being filled. James was worried about the facility's HVAC system.

Nudo, who sits on the Nursing Home Board of Directors, explained they are looking at how to improve revenue and the payer mix. He asked for some details about the new Admissions Director to be shared with the Board. Buffenbarger explained the new Admissions Director has been working for a couple of months. She has done a great job building the census and visits the hospitals every day, in addition to developing brochures and distributing advertising.

MOTION by Knott to receive and place on file the Champaign County Nursing Home budget presentation; seconded by Beckett. **Motion carried with unanimous support.**

General Corporate, Public Safety Sales Tax, GIS, Capital Equipment, & Other Related Funds

Busey presented the budgets for the General Corporate, Public Safety Sales Tax, GIS, Capital Equipment, and other related funds with a PowerPoint presentation. The Board was given binders that included the individual General Corporate Fund (GCF) budgets and a hard copy of the PowerPoint presentation. Busey prepared a balanced budget in accordance with the budget process resolution approved by the County Board. The Board also directed GCF departments to present budgets with 4% cuts in FY2011 due to continuing declining revenues. Busey provided an overview from of the actual FY2009 budget, the original FY2010 budget, the current anticipated FY2010 budget, the change from FY2009 to the current FY2010 budget, the FY2001 budget, and the change from the original FY2010 to the FY2011 budget. She pointed out the Farnsworth award of $1 million was included in the FY2009 revenue and expenditures amount. This was used to forgive the $1 million outstanding loan to the Champaign County Nursing Home from the GCF. Busey considers the true revenue and expenditure in FY2009 to be $31.2 million. The shortfall experienced in FY2009 was about $500,000, of which $405,000 was due to the fact that the County did not receive income tax revenue in last two months of the year.

Richards entered the hearing at 6:06 p.m.

Busey presented the FY2010 anticipated revenue of $30.2 million and expenditures of $30.1 million. The FY2011 budget is balanced at $30,920,984. This is a net decrease of $533,000 over the original FY2010 budget. The GCF is dealing with a dramatic decrease in revenue. The primary revenue sources are property taxes, state shared revenues, and fees. Property taxes are going up at a much slower pace than in the five to seven years preceding FY2009. The state shared revenues have dropped and might show some rebound in FY2011. The fees revenue is fairly stable after being adjusted from being slightly overstated at beginning of FY2010. The interfund revenue has increased since FY2009 because departments with special funds have optimized them to offset the cuts in the GCF. Busey described the other smaller revenue sources. The local shared revenue is declining, partially due to reaching the tenth year of the fringe development agreement for properties annexed by the City of Urbana. The total revenue changes for FY2011 includes a $14,467 increase in property tax, diminishing state grants, fees down by $336,338 (about $200,000 of this amount is in real estate transaction fees and the rest is in Circuit Clerk fees), interfund revenue is down, intergovernmental revenue is down, and state shared revenue is down. Miscellaneous revenue is up, primarily due to an increase in penalties on property taxes.

Busey expressed that the lack of state shared revenue was the reasons GCF budget have been cut. She provided an overview of the five core revenues (use tax, income tax, Quarter Cent Sales Tax, One Cent Sales Tax, and the corporate personal property replacement tax). There has been a drastic reduction from FY2008 to FY2009 in both the income tax and the Quarter Cent Sales Tax. Busey was basing the FY2011 budget on posted information by the Department of Revenue about what Champaign County will receive from the State of Illinois. The One Cent Sales Tax has an 8% decline over the FY2010 original figure. The Quart Cent Sales Tax has a 1% increase over the FY2010 original figure. The use tax is down 9%. The inheritance tax had 0% growth. State reimbursement is up 29.5% over where it was at the beginning of FY2010. That amount is still $500,000 than that reimbursement was in FY2009. In state salary reimbursements, the Department of Revenue sent a letting stating it would only pay 40% of the amount it is obligated to pay under the statutes next year. That goes to reimbursements of specific salaries for the State's Attorney, Assistant State's Attorneys, Public Defender, and Supervisor of Assessments. The income tax is projected to be down 5.3%. The income tax revenue is projected for FY2011 with the assumption that the County will receive twelve months of revenue. This is 20% less than the amount actually received in FY2008, which is the last year the County received twelve full months of income tax revenue. The County has started receiving income tax revenue every month and the Treasurer believes that will continue.

The largest expenditure is personnel at 73%. $500,000 in personnel costs have been removed when the FY2011 proposed budget is compared to the FY2009 budget. The other expenditures remain fairly stable. The FY2011 expenditure budget is based on what was actually spent in FY2009. Services are budgeted to spend less in FY2011 than in FY2009. Busey listed the percentage cuts taken by each GCF department. Some departments did not take the full 4% cut as directed by the Board. The Auditor's Office shows an increase because the Auditor did not cut any expenses and Auditor's salary increased in FY2011. However, the Auditor has committed to paying County back the amount required for the cut out of his paycheck. Public Properties cut more than 4% because a good amount of the savings for that department comes from utilities. The Board of Review made no budget cuts in FY2011 because that entire budget is effectively personnel costs for the three appointed Board of Review members. One of the Board of Review positions was vacant for four months, so less was spent in FY2010. The County Clerk's Office cut over 5%. The Recorder cut the equivalent of 4% after the purchase document stamps were subtracted from the department budget. The Recorder has no control over the purchase document stamps that constitute a majority of her budget. The Supervisor of Assessments required an increase in publication costs next year, which offset what the office did cut. The Public Defender cut as much as he said he could and had some corresponding increases in Public Defender fees which offset the additional cut. The Sheriff cut as much as he could and had to absorb wage increases written in the Law Enforcement Division contract. The State's Attorney cut 3.6% and said that was as far as she could possibly cut. Both Court Services and the Juvenile Detention Center had revenue changes for state reimbursement which offset their personnel cuts. The Coroner cut 2.3% from this budget. The remaining departments cut the required 4%.

The total expenditure changes included a decreased personnel budget of $214,581 or 1%. Commodities have been reduced by $47,200 or almost 3%. The services budget has decreased by $191,904 or 3%. The capital budget increased because no capital was budgeted last year. The $80,000 will be spent on Sheriff's vehicles. The Sheriff had to replace vehicles after three years of cutting this portion of this budget. Transfers were cut by 35%.

Jay entered the hearing at 6:19 p.m.

Busey stated the total expenditure cuts amount to $532,955 or 1.7%. She provided a summary of the staffing changes resulting from the 4% cuts. Another 13.6 positions have been effectively eliminated after eliminating 30 positions last year. Those changes saved $500,400. In many insistences, employees' hours were reduced, higher level positions were replaced with lower level positions, and vacancies went unfilled. At the same time the personnel expense were added by salary increases in the FOP contracts and increases to elected officials salaries. Busey is projecting the health insurance increase to cost $244,875. The total net change end up being $214,581 after those increases were subtracting from the savings. The non-personnel expenditure changes included numerous line item cuts in commodities. The utilities costs are reduced by $212,000. The County's participation in the co-op and some building improvements has meant the gas and electric services costs have been decreasing. The Capital Asset Replacement Fund is not being fully funded next year.

The total revenue and expenditure budgets match at $30,920,984. The County Board adopted a contingent policy which states the contingency appropriation goal is 1% of the total anticipated expenditure for the GCF. The contingent approbation in the FY2011 budget is $218,730 or 0.71%. Busey highly recommended leaving this amount in the contingent line because uncertainty remains with state shared revenues, the GCF balance is significantly short of the 12.5% goal, and the County has a liability associated with three expiring labor contracts in November, four labor contracts with wage reopeners in December, and a pending arbitration with one labor contract. The FY2011 GCF balance goal is $3,865,123 and the anticipated beginning fund balance will be $1,946,136 or 6.3%. This places the fund balance at half of its goal. The GCF will need to work on rebuilding the fund balance so the fund does not need to borrow for cash flow during the year.

Busey announced the estimated growth in the total EAV for FY2010 is 1.4%. Under the property tax extension limitation law, the CPI factor the County can apply is 2.7%. Busey presented the levy amounts. Each of the levies in the County's top aggregate would increase by 3.57% for a total growth of $642,267. The Mental Health and Developmental Disabilities levies are based on a slightly different calculation because they abate differently in enterprise and TIF zones. The problem is $91,000 was not enough growth for IMRF. Busey made adjustments to the property tax levies to make them work within the budget requirements. The GCF and Social Security growth is going to IMRF. She discovered the County Highway Fund has not been paying for Social Security or IMRF. It is the only fund that has not been paying these costs. Busey worked out a plan with the County Engineer for the County Highway Fund to phase in the Social Security and IMRF payments over four years. Some of the County Bridge growth will go to County Highway to begin paying their share of IMRF and Social Security. Extension Education made a 4% cut and their growth went to IMRF.

Jones asked if the property tax rate dropped or increased. Busey answered that the rate stayed fairly stable last year. This happens when the CPI is greater than the EAV growth.

Busey recommended property levy rates. The Tort Immunity Tax Fund has gap of $218,000 between revenue and expenditure in FY2011. This covers the GCF's share to Self-Funded Insurance of workers' compensation, auto, liability, property, and general liability. The required contribution in FY2011 is $1,337,000 and the available revenue is $1,118,682 for a gap of $218,318. In FY2007 there was no gap, but the actuarials are going up faster than property taxes. The plan for correction Busey presented was for the available balance in Self-Funded Insurance to absorb the deficit. Priority will need to be given to the Tort Immunity levy next year. The Self-Funded Insurance Fund pays for the actual liability claims and insurance. The FY2011 expenditure is anticipated to be $1,848,889 and the revenue is anticipated at $1,913,500. IMRF Fund required a 38% increase to fully fund the rate increase from 2009. The Capital Asset Replacement Fund only appropriated revenue for current technology and equipment expenditures. This is the fourth year of short funding to the Capital Asset Replacement Fund. Ammons asked how the construction the new building will impact this fund. Busey explained the new building is paid for out of a separate fund, not Capital Asset Replacement.

Busey noted the $500,000 transfer to GCF from the Public Safety Sales Tax Fund to offset facilities and maintenance expenses in the public safety buildings will not be continued after FY2011. Busey's summarized the overall budget as having a continuing lack of certainty regarding the state shared revenues; the $956,547 shortfall in GCF support, including Tort Immunity, the Capital Asset Replacement Fund annual shortfall of $242,576, and no money set aside for capital facilities issues (roof replacements, HVAC, etc.); the fund balance goal shortfall; and non-bargaining employee wages being frozen for a second year. On the positive side, the budgets are balanced except for Tort Immunity, there is some money in the contingency budget, and IMRF is fully funded.

MOTION by James to receive and place on file the General Corporate, Public Safety Sales Tax, GIS, Capital Equipment, & Other Related Funds budget presentation; seconded by Rosales. **Motion carried with unanimous support.**

<u>Champaign County Board of Health</u>

Bobbi Scholze, the Board of Health President, and John Peterson, the Board of Health Treasurer, presented the FY2011 County Board of Health (BOH) budget.

Ammons, Gladney, Knott, and Kurtz exited the hearing at 6:38 p.m.

Peterson described how the BOH was largely dependent on contracting with the Champaign-Urbana Public Health District (CUPHD) for a majority of its services, including all the core services mandated by the State of Illinois.

Doenitz entered the hearing at 6:39 p.m.

Peterson expressed that the BOH had approved a balanced budget with a fund balance at almost 23% to address contingency expenses. A number of unexpected expenses can arise during the year for public health, such as the food poisoning case at Lincoln's Challenge in Rantoul. CUPHD recently informed the BOH that a large migrant population has moved to Rantoul and there was concern about an increase in TB cases in that population. The BOH and CUPHD continue to be concerned with flu prevention. The significant change in CUPHD's budget request to the BOH was due to H1N1 grants awarded in FY2010 not continuing into FY2011.

Ammons returned to the hearing at 6:41 p.m.

Last year, the BOH completely cut its funding for Senior Services through the Regional Planning Commission and this year the joint funding of a perinatal depression program with the Mental Health Board will cease. The programs were cut to direct money to CUPHD to meet their increased budget requests. The Smile Healthy program for dental services for children was initially funded with a grant from the County Board through the General Corporate Fund. This grant was diminished over several years and has stopped. The BOH has cut the Smile Healthy program, while still trying to maintain some funding, due to the lack of revenue.

Sapp entered the hearing at 6:42 p.m.

In order to balance the budget, Peterson explained that the BOH fully funded CUPHD's budget request and gave the remaining portion of its FY2011 anticipated revenue to Smile Healthy. Smile Healthy is the only program outside of CUPHD that the BOH is funding at present. The Board's hands are tied in being unable to negotiate costs or programs with CUPHD because of the way the contract is written. CUPHD sets the services that will be provided and the price. The BOH sent a recommendation to the County Board to issue the required termination notice to renegotiate the CUPHD contract terms. This request was not approved by the County Board. The CUPHD contract term ends on November 30, 2013.

Smucker entered the hearing at 6:44 p.m. and Sapp exited the hearing at 6:44 p.m.

Peterson spoke about ongoing concerns that include the BOH's lack of negotiating power for the types and costs of its services provided through CUPHD. There is potential from the community to step up to plate in providing free dental services. The Smile Healthy model is not ideal because to uses County tax dollars to pay for child dental care that is all eligible to be covered by Medicaid. CUPHD has been able to capture significant Medicaid reimbursement through its dental clinic. The CUPHD clinic model appears to be a more efficient program than children being seen in private dental offices and might be the way to fund future dental services.

Kurtz returned to the hearing at 6:46 p.m.

Peterson shared information the BOH has received about the Frances Nelson Health Center working with Smile Healthy and other providers to develop a program housed at the health center.

Wysocki inquired if the programs cut by the BOH are being picked up elsewhere. Peterson replied the BOH just funds Smile Healthy as an outside program and that funding was reduced for FY2011. Scholze added that the funding cut will affect the amount of major dental surgery being offered through Smile Healthy.

Rosales asked about the recent salmonella outbreak. Peterson stated it did not affect the BOH's budget. Rosales asked if fines were being used for violations of the state-wide smoking ban. Peterson explained the BOH discussed the impact of the smoking ban at length when the Tobacco Free Communities Grant was up for renewal. The BOH has to respond to and monitor complaints. Smoking fines can be issued, but it is not a major area of activity for the BOH.

MOTION by Beckett to receive and place on file the Champaign County Board of Health budget presentation; seconded by Kurtz. **Motion carried with unanimous support.**

ADJOURNMENT

The hearing was adjourned at 6:50 p.m.

Respectfully submitted,

Kat Bork
Administrative Assistant

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