Approved 11/12/2017

CHAMPAIGN COUNTY BOARD
COMMITTEE OF THE WHOLE MINUTES

Special Finance – FY2018 Budget
Thursday, September 28, 2017
Lyle Shields Meeting Room

MEMBERS PRESENT: Christopher Alix, Jack Anderson, Brad Clem++mons, Lorraine Cowart, Shana Crews, Aaron Esry, , Jim Goss, Stan Harper, Josh Hartke, Robert King, Brooks Marsh, Jim McGuire, Diane Michaels, Max Mitchell, Kyle Patterson, Pattsi Petrie, Jon Rector, Stephen Summers, C. Pius Weibel

MEMBERS ABSENT: Giraldo Rosales, James Tinsley, Stephanie Fortado

OTHERS PRESENT: Tami Ogden (Deputy County Administrator/Finance), Kay Rhodes (Administrative Assistant), Rick Snider (County Administrator)

Call to Order

Weibel called the meeting to order at 6:35 p.m.

Roll Call

Rhodes called the roll. Alix, Anderson, Clemmons, Cowart, Crews, Esry, Goss, Harper, Hartke, King, Marsh, McGuire, Michaels, Mitchell, Patterson, Petrie, Rector, Summers, and Weibel were present at the time of roll call, establishing the presence of a quorum.

Approval of Agenda

MOTION by Esry to approve the Agenda/Addenda; seconded by Petrie. **Motion carried with unanimous support**.

Public Participation

Stuart Levy spoke about the implementation of the pre-trial services program and the recommendations of the ILPP report.

Communications

There were no committee communications.

Direction to County Administrator for Finalization of FY2018 Budget

Weibel asked the Deputy Chair of Finance, Mr. Alix to chair the rest of the meeting. Snider and Ogden provided a slide show presentation regarding the FY2018 budget decision points in order to finalize it with direction from the County Board members.

Snider listed the immediate and future needs outlined by the Strategic Planning Committee in their discussions: County Executive transition, ERP replacement, behavioral health, nursing home decision, Sheriff's office and downtown jail. In order to fulfill these needs, Snider suggested reducing cost structure in the areas of facilities, technology, and processes. He stated that the County should focus its operations on statutory requirements and the community's needs.

Snider reviewed the previously presented options regarding the nursing home. Option A – a recovery plan, which would require cuts of $1.35 million annually for the next 3-years in order to satisfy vendor demands; 21-27 headcount reduction in the General Fund; rebuild fund balance, capital funding. Alternatives to cuts would be to build up the nursing home census and rely heavily on Medicare A/B or increase tax revenues without addressing any other county needs.

Option B – this budget includes 6-months of operations and 6-months of wind down operations dependent upon the sale of the nursing home. Proceeds from the sale of the nursing home in this this option could assist with the fund balance recovery or capital asset replacement after the vendors and all loans have been satisfied.

If the County Board selected Option B, then a decision would need to be made next year regarding the levy for the nursing home operations.

Snider explained that the FY2018 General Fund budget currently has a deficit of -$153,031. He recommended that the County Board implement a municipal aggregation civic contribution fee, which will generate approximately $93,000 of revenue per year. Snider also recommended a one-time utilization of the Public Safety Sales Tax Fund to fund $70,000 of facilities capital improvements, which are necessary for the Adult Detention Center in FY2018. Another recommendation was to implement a 3-month hiring deferral when vacancies occur. Estimated savings would be approximately $99,000.

Alternate options for potential savings are 1) require 1% cut for departments with non-personnel budgets over $250,000. The approximate savings would be $69,000, excluding the Recorder's budget 2) eliminate the 1% merit increase for non-bargaining employees.

However, commodities and services budgets are already strained, two departments requested increases for non-personnel expenditures in FY2018, and one department has already cut $86,000 from non-personnel expenditures. Non-bargaining employee's health insurance contribution will increase 20% in FY2018 and the scheduled non-bargaining wage increase for FY2018 is in-line with current bargaining unit contract increases. The approximate savings would be $70,000, if implemented.

Lastly, a decision needs to be made regarding the budget for the nursing home. Budget A assumes status quo except for the debt service reimbursement. This budget assumes that the census will improve. The depreciation is not funded, the General Fund loans will remain outstanding and concerns remain regarding the outstanding AP.

Budget B assumes separation of the nursing home within the first six months of FY2018. This budget contains six months of operating expenditures and six months of wind down expenditures. This budget includes payment in full of accounts payable and loans. It pays off the General Obligation debt service of $1.98 million, which is callable 12/15/18 and includes other transaction expenditures.

Alix asked the committee if anyone objected to providing direction to the County Administrator to move forward regarding the implementation of the municipal aggregation civic contribution fee, with estimated revenue of $93,000 and the use of Public Safety Sales Tax Fund to fund $70,000 of facilities improvements necessary for the Adult Detention Center in FY2018. There were no objections to proceeding with either item.

Alix noted that in the coming year a bond retirement would result in a $1.1-$1.2 million reduction in expenditures against the Public Safety Sales Tax Fund. He explained that the savings would be distributed throughout the budget for the replacement of the ERP system, which is over 40 years old; it would also assist the General Corporate Fund to make up for loss of revenue and deferred facility maintenance issues.

Ogden added that approximately $373,000 would go towards the purchase of mobile/portable radios for the Sheriff's department. This expense was not funded in the capital asset replacement fund. The current radios are eleven years old.

Alix discussed three key points necessary for the sustainability of the nursing home: 1) operating solvency, 2) ability to fund building maintenance and equipment, and 3) outstanding accounts payable to vendors. Alix expressed concern over the ability to bring the accounts payable up to date without selling the nursing home.

Petrie pointed to the Public Safety Sales Tax funding of the re-entry program at $100,000 and approximately $240,000 of funding towards the Youth Assessment Center and yet there is no documentation as to the success of these programs. The Mental Health Board also contributes $70,000 to the Youth Assessment Center. She would like to have a report detailing the outcomes of these programs before finalizing the budget. She suggested a report to the County Board by the Director of the Youth Assessment Center.

Anderson said that he had been on the Nursing Home Board of Directors for three years and it has been a continuous struggle to attract more Medicare beds. All nursing homes in the area are battling for the same clients. He was confident that SAK could bring in more Medicare clients, however probably not enough for the sustainability of the nursing home.

Crews asked if the purchase of mobile radios for the Sheriff's office could be deferred until FY2019. Snider said it was possible to defer, however he would need to check with the Sheriff. Crews asked if those funds from the Public Safety Sales Tax could then be applied to the nursing home debt. Snider indicated that Public Safety Sales Tax funds were not eligible for this expense directly. Crews asked if the 6-month timeline for the sale of the nursing home was even realistic and what would happen if the County exceeded this timeline.

Snider indicated that if the RFP for the sale of the nursing home were to be approved by the County Board in October, then the broker would commence marketing activities in November and potentially have proposals for consideration by the County Board in January 2018. Discussion followed.

Snider explained that the broker said the estimated value of the nursing home is $11 million, it could sell for more than this. The disbursement of the funds from the sale of the nursing home would go towards outstanding debt to vendors and the County, as well as the general obligation bond, which is approximately $2 million. There would be approximately $3.6 million of uncommitted revenue. This revenue could be placed in the General Corporate Fund or it could go into the Capital Asset Replacement Fund. The County Board may identify other uses for the revenue.

McGuire felt that SAK was making progress in moving the nursing home forward and he was confident that SAK could improve the nursing home census over time. SAK has projected census growth up to 183 in three years. The census is currently at 135. The nursing home has borrowed approximately $500,000 in the last 3-4 months to make payroll. It is expected that it will happen again next year and the County does not have the reserves to absorb it. McGuire stated that the County needs to move forward and see what kind of offers the broker can bring.

Michaels was also glad that SAK had made progress at the nursing home however; she supported Option B, and reminded everyone that a budget is a guideline and can be changed. She was concerned about payment to the vendors.

Goss was concerned about what kind of message the County would send to the vendors by adopting a budget that does not include a plan for bringing the accounts payable up to date and he supported Option B.

Hartke felt that it was irresponsible of the County Board to budget for a sale of the nursing home when there is no offer at this time. He supported a 12-month budget for full operation of the nursing home.

Alix said both options have deficiencies. Option B points to a sale figure of $11 million, perhaps the County should be more conservative with this figure, to allow more flexibility with the budget. The sale of the nursing home may not happen for 9 or 12 months. Alix said that Option A does not acknowledge the several million dollars-worth of vendor debt. The County has an obligation to pay its bills.

MOTION by McGuire to direct the County Administrator to prepare the FY2018 budget using Option B for the nursing home's budget; seconded by Rector. **Motion carried 12-7 with a roll call vote.** Goss, Harper, Marsh, McGuire, Michaels, Mitchell, Petrie, Rector, Alix, Anderson, Clemmons, and Esry voted in favor of the motion. Hartke, King, Patterson, Summers, Weibel, Cowart, and Crews voted against it.

Other Business

There was no other business.

Adjournment

Chair Weibel adjourned the meeting at 8:10 p.m.

Respectfully submitted,

Kay Rhodes,
Administrative Assistant
Please note the minutes reflect the order of the agenda and may not necessarily reflect the order of business conducted at the meeting.