

Committee of the Whole

June 11, 2019

Agenda Items – Distributed

VII. Finance

A. New Business

6. County Executive

- a. FY2019 General Corporate Fund Budget Projection & Change Reports
 - Moody's Credit Opinion (For Information Only)

Champaign County
General Corporate Fund FY2019 Revenue Report

FY2019-May	FY2018 Actual	FY2019 Org. Budget	FY2019 Projected	Budget Variance		
Local Taxes						
Property Taxes	\$11,389,361	\$12,855,222	\$12,326,411	-\$528,811	-4.1%	1
Back Taxes	\$1,224	\$6,000	\$6,000	\$0	0.0%	
Mobile Home Tax	\$9,700	\$9,000	\$9,000	\$0	0.0%	
Payment in Lieu of Tax	\$8,451	\$7,500	\$7,500	\$0	0.0%	
Hotel Motel Tax	\$24,348	\$21,000	\$42,444	\$21,444	102.1%	
Auto Rental Tax	\$33,884	\$32,000	\$32,253	\$253	0.8%	
Penalties on Taxes	\$675,751	\$639,000	\$642,043	\$3,043	0.5%	
Licenses & Permits						
Business Licenses & Permits	\$25,955	\$28,500	\$28,500	\$0	0.0%	
Non-Business Licenses & Permits	\$2,069,401	\$1,647,585	\$1,463,092	\$184,493	11.2%	2
Grants						
Federal Grants	\$400,215	\$355,646	\$334,283	-\$21,363	6.0%	
State Grants	\$182,488	\$148,319	\$148,319	\$0	0.0%	
State Shared Revenue						
Corporate Personal Property Repl. Tax	\$768,900	\$695,943	\$831,094	\$135,151	19.4%	3
1% Sales Tax	\$1,434,978	\$1,470,000	\$1,360,132	-\$109,868	-7.5%	4
1/4% Sales Tax	\$5,763,314	\$5,865,000	\$5,560,583	-\$304,417	-5.2%	4
Use Tax	\$934,156	\$919,800	\$1,055,460	\$135,660	14.7%	5
State Reimbursement	\$2,077,200	\$1,592,747	\$1,592,747	\$0	0.0%	
State Salary Reimbursement	\$312,124	\$317,646	\$317,646	\$0	0.0%	
State Revenue Salary Stipends	\$45,500	\$48,500	\$48,500	\$0	0.0%	
Income Tax	\$3,111,440	\$3,140,000	\$3,363,655	\$223,655	7.1%	6
Charitable Games License/Tax	\$71,983	\$70,000	\$89,233	\$19,233	27.5%	
Local Gov. Revenue & Reimbursement						
Local Government Revenue	\$753,330	\$718,562	\$718,562	\$0	0.0%	
Local Government Reimbursement	\$686,058	\$650,067	\$650,067	\$0	0.0%	
Fees, Fines & Forfeitures (IMPACT OF FEES AND FINES LEGISLATION TO BE DETERMINED)						
General Government - Fees	\$3,768,111	\$4,215,331	\$3,888,452	-\$326,879	-7.8%	7
Fines (Bond Forfeitures, DUI Fines, Traffic)	\$747,582	\$625,000	\$760,269	\$135,269	21.6%	
Forfeitures	\$7,848	\$13,000	\$7,848	-\$5,152	-39.6%	
Miscellaneous Revenue						
Interest Earnings	\$112,134	\$41,850	\$128,082	\$86,232	206.1%	
Rents & Royalties	\$1,041,384	\$1,192,431	\$1,186,352	-\$6,079	-0.5%	
Gifts & Donations	\$17,361	\$11,000	\$16,142	\$5,142	46.7%	
Sale of Fixed Assets	\$1,692	\$0	\$0	\$0		
Miscellaneous Revenue	\$158,876	\$114,050	\$114,050	\$0	0.0%	
Interfund/Interdepartment						
Interfund Transfers (Includes NH Bond Def.)	\$1,205,369	\$1,918,211	\$3,767,938	\$1,849,727	96.4%	
Nursing Home Reimb. +Int. (To Repay Note)	\$0	\$0	\$2,042,400	\$2,042,400		8
Interfund Reimbursements	\$63,403	\$141,805	\$90,403	-\$51,402	-36.2%	
Other Financing Sources (Promissory Note)	\$0	\$0	\$1,980,400	\$1,980,400		
TOTAL	\$37,903,519	\$39,510,715	\$44,609,859	\$5,099,144	12.9%	

1 - Levied for additional property tax revenue associated with the hospital property tax exemption case.

2 - Revenue stamps likely overstated based on YTD performance. Potential add. revenue for Solar Farm Zoning Permit (\$193,050).

Uncertain whether this revenue will be received in FY19 or FY20 (this report does not reflect receipt of this revenue in FY2019).

3 - PPRF revenues reflect a significant increase due to (one-time) higher than expected corporate income tax receipts in April/May.

4 - Sales tax revenues YTD are -7.6% (1-Cent) and -3% (1/4-cent) compared to the year-ago-period.

5 - Use tax revenues are projected to exceed budget due to unbudgeted revenue anticipated as a result of the Wayfair ruling.

6 - May Income tax dist was \$205,000 > than May '18. One-time occurrence from strong stock market perf & fed tax law changes.

7 - Budget included \$375,000 for NH reimbursement for General Fund services that is not anticipated to be received this fiscal year.

8 - Anticipated repayment from NH for transfer made in FY2018 to pay O/S A/P (allowing for repayment of Prom. Note).

Champaign County
General Corporate Fund FY2019 Expenditure Report

FY2019-May	FY2018 Actual	FY2019 Org. Budget	FY2019 Projected	Budget Variance	
Personnel					
Regular Salaries & Wages	\$15,687,810	\$ 16,219,496	\$15,956,264	\$263,232	1.6%
SLEP Salaries	\$6,350,652	\$ 6,507,373	\$6,452,255	-\$55,118	0.8%
SLEP Overtime	\$431,426	\$ 371,779	\$371,779	\$0	0.0%
Fringe Benefits	\$2,951,175	\$ 3,321,006	\$2,919,953	-\$401,053	-12.1%
Total Personnel	\$25,421,064	\$ 26,419,654	\$25,700,251	-\$719,403	-7.3%
Commodities					
Postage	\$218,556	\$ 238,195	\$218,556	\$19,639	8.2%
Purchase Document Stamps	\$1,291,831	\$ 1,000,000	\$884,550	-\$115,450	11.5% 1
Gasoline & Oil	\$173,257	\$ 188,885	\$188,885	\$0	0.0%
All Other Commodities	\$714,981	\$ 711,575	\$829,276	\$117,701	16.5%
Total Commodities	\$2,398,625	\$ 2,138,655	\$2,121,267	-\$17,388	-2.6%
Services					
Gas Service	\$305,432	\$ 350,000	\$341,592	-\$8,408	-2.4%
Electric Service	\$763,355	\$ 780,000	\$764,644	-\$15,356	-2.0%
Medical Services	\$978,826	\$ 1,044,434	\$1,066,127	\$21,693	2.1%
All Other Services	\$4,887,159	\$ 5,230,389	\$5,027,670	-\$202,719	-3.9%
Total Services	\$6,934,771	\$ 7,404,823	\$7,200,034	-\$204,789	-2.8%
Capital					
Vehicles	\$268,934	\$ 145,000	\$158,635	\$13,635	9.4%
All Other Capital	\$0	\$59,490	\$59,490	\$0	
Transfers					
To Capital Improvement Fund	\$775,985	\$ 1,880,948	\$1,880,948	\$0	0.0%
To Nursing Home Fund	\$2,898,874	\$ -	\$0	\$0	
To All Other Funds	\$81,917	\$ 107,000	\$107,000	\$0	0.0%
Interdepartment	\$0	\$ -	\$0	\$0	
Debt Repayment					
Bond & Debt Certificate Payments	\$471,663	\$ 474,160	\$2,019,841	\$1,545,681	326.0% 2
Promissory Note Repayment (with Int.)	\$0	\$0	\$2,042,400	\$2,042,400	3
TOTAL	\$39,251,833	\$38,629,730	\$41,289,866	\$2,660,136	6.9%

1 -Projected reduction in Revenue Stamp revenues correlated to decreased expenditure for Purchase Document Stamps.

2- Includes defeasance of the 2015 Nursing Home Bonds.

3- Budget includes repayment of the Promissory Note with Interest.

Champaign County
General Corporate Fund FY2019 Summary

Projects Nursing Home Reimbursement to General Fund in FY2019 (for O/S A/P transferred in FY2018) and repayment of the Promissory Note.

FUND BALANCE 12/31/18 (unaudited)	\$3,210,669	
Beginning Fund Balance % OF BUDGET	8.3%	
	<i>Budgeted</i>	<i>Projected</i>
FY2019 REVENUE	\$39,510,715	\$44,609,859
FY2019 EXPENDITURE	<u>\$38,629,730</u>	<u>\$41,289,866</u>
Revenue to Expenditure Difference	\$880,985	\$3,319,993 *
FUND BALANCE PROJECTION - 12/31/19	\$4,091,654	\$6,530,662
% OF 2019 Expenditure Budget	10.6%	15.8%
<i>Reserve Fund Balance TIF Surplus</i>		\$ 307,427
*Repayment to General Fund for O/S A/P transfer (+ Prom. Note Int.)		\$ 2,042,400
*FY2019 Budget Projected Revenue/Expenditure Difference		<u>\$ 1,277,593</u>
		\$ 3,319,993

GENERAL CORPORATE FUND
FY2019 BUDGET CHANGE REPORT

FY2019 Original General Corporate Fund Budget	FY19 Budget Expend. \$ 38,629,730	FY19 Budget Revenue \$ 39,510,715	Difference \$ 880,985
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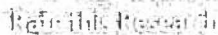
BUDGET CHANGES

Department & Description	Expenditure Changes	Revenue Changes	Difference
General County Record Promissory Note (for Nursing Home O/S Accounts Payable)	\$ 2,049,900	\$ 1,980,400	\$ (69,500)
Public Defender Replace damaged TV	\$ 500	\$ -	\$ (500)
County Board UCCI Reimb. for Hotel costs	\$ 150	\$ 150	\$ -
Public Defender Equitable Salary Request	\$ 35,423	\$ -	\$ (35,423)
General Fund Debt Service for bond redemption	\$ 1,570,000	\$ 1,849,727	\$ 279,727
			\$ -
			\$ -
TOTAL CHANGES	\$ 3,655,973	\$ 3,830,277	\$ 174,304

General Corporate Fund Budget as of Report Date % of Increase/Decrease	Current Budgeted Exp \$ 42,285,703 9.5%	Current Budgeted Rev \$ 43,340,992 9.7%	Difference \$ 1,055,289
Changes Attributable to One-Time Factors	\$ 3,620,550	\$ 3,830,277	\$ 209,727
Changes Attributable to Recurring Costs	\$ 35,423	\$ -	\$ (35,423)

CREDIT OPINION

11/11/19


 Refine this Research

CONTACTS

CLIENT SERVICES

Champaign (County of) IL

Update to credit analysis

Summary

Champaign County, IL (Aa2) benefits from a large and diverse tax base that derives stability from the institutional presence of the University of Illinois (A1 stable). The county's fund balance and liquidity are healthy and its debt burden is modest. The county contended with some operational challenges when it continued to provide financing support of a nursing home from its general fund. The county sold the nursing home in April and used proceeds to pay off debt and plans to reimburse its general fund for prior transfers. The county anticipates no other operations in fiscal 2019 without having to support the nursing home. The county's unfunded pension burden is above average among local governments but fixed costs do not presently pose a significant challenge given the low debt burden and very low unfunded net-fee healthcare obligations.

On May 31, 2019, we affirmed the county's Aa2 rating and removed a negative outlook.

Credit strengths

- » Satisfactory financial position following sale of the nursing home enterprise
- » Large and diverse tax base that benefits from the institutional presence of the University of Illinois
- » Modest debt burden

Credit challenges

- » Above average pension burden

Rating outlook

Outlooks are generally not assigned to local governments with this amount of debt.

Factors that could lead to an upgrade

- » Growth in operating fund balance and liquidity
- » Sustained tax base expansion and moderation of the county's pension burden

Factors that could lead to a downgrade

- » Decrease in fund balance or liquidity
- » Contraction of the county's tax base or weakening of resident income indices

significant growth in the county's debt or pension burden.

Key indicators

Table 1

Champaign (County of IL) Economy/Tax Base	2013	2014	2015	2016	2017
Total Full Value (\$000)	\$10,606,856	\$10,449,224	\$10,600,380	\$10,812,659	\$11,440,288
Population	202,423	201,214	205,756	206,420	207,948
Full Value Per Capita	\$52,393	\$51,868	\$51,560	\$52,332	\$54,968
Median Family Income (% of US Median)	107.5%	107.2%	106.8%	107.1%	105.6%
Finances					
Operating Revenue (\$000)	\$62,138	\$63,585	\$64,730	\$62,801	\$63,530
Fund Balance (\$000)	\$19,422	\$13,129	\$16,352	\$15,906	\$16,272
Cash Balance (\$000)	\$15,532	\$13,851	\$16,659	\$16,784	\$14,277
Fund Balance as a % of Revenues	31.4%	20.6%	25.2%	25.3%	25.8%
Cash Balance as a % of Revenues	24.7%	21.6%	25.7%	26.7%	22.3%
Debt/Pensions					
Net Direct Debt (\$000)	\$15,000	\$7,065	\$4,569	\$3,495	\$3,229
3-Year Average of Moody's AMPL (\$000)	\$50,315	\$64,971	\$38,210	\$114,673	\$132,706
Net Direct Debt / Full Value (%)	0.1%	0.1%	0.3%	0.3%	0.2%
Net Direct Debt / Operating Revenues (x)	0.7x	0.6x	0.5x	0.5x	0.4x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	0.6%	0.6%	0.3%	1.0%	1.2%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	1.0x	1.0x	1.4x	1.6x	2.0x

Source: Moody's Investors Service, 2017. *Historical information is based on the Bureau*

Profile

Champaign County lies 130 miles south of the City of Chicago (hal studio). The county serves an estimated population of 208,000 and is home to the University of Illinois.

Detailed credit consideration

Large and diverse tax base that benefits from presence of U of I

The county's local economy is expected to remain stable, supported by a solid local economy, growth and diversification, and the significant stability provided by the University of Illinois. The county's \$11.4 billion tax base has grown at a modest annual average rate of 2.1% over the last five years and is slightly larger than the US median. Additionally, median family income is solid (95% of the US median) and the county's population is currently estimated at 208,000 and has grown 3.1% since the 2010 census. The University of Illinois enrolls 49,000 students and employs an estimated 14,000 local residents. In addition to the university, the Foundation Hospital and Champaign County (CUSD) employ an estimate 16,400 and 11,600 local residents.

Financial operations and reserves: satisfactory financial position following sale of nursing home

Following the sale of its nursing home, the county's financial position is expected to remain healthy. The county had struggled to support the nursing home for many years and often made transfers from the general fund to support both operations and debt payments. The county estimates fiscal 2018 with a reduction in general fund balance due largely to a \$29 million transfer to the nursing home. The estimate fiscal 2018 general fund balance is \$3.2 million, though the county's financial audit is not yet available. In April 2018, the county sold the nursing home and the proceeds to defeas \$6 million of debt associated with the facility. Proceeds from the nursing home sale will also replenish some fund balance funds in prior years to finance operational transfers. Without having to support the nursing home, the county anticipates closing the current fiscal 2017 with a general fund surplus of up to \$3 million, which includes a transfer of \$2 million from the sale of the nursing home.

At the close of fiscal 2017, general fund reserves totaled \$5.4 million, or a satisfactory 15% of revenues. Across all county operating funds (general, debt service, working cash, mental health, development disability, IMRF, early childhood, tort, county public health, public safety sales tax, social security funds) available reserves totaled \$16.3 million, or 21.8% of operating revenue.

LIQUIDITY

At the close of the county's operating fund, its generally available total of \$14.3 million and 21.8% of operating revenue at the close of fiscal 2017.

Debt and pensions: modest debt burden, above average pension burden

The county's debt burden is modest. At the close of fiscal 2017, net direct debt totaled \$1.8 million, or a modest 0.2% of full valuation and 0.4x operating revenue. The county does not plan to issue additional debt at this time.

The pension burden for the county is above average. The Moody's three-year average adjusted net pension liability (ANPL), our measure of a local government's pension burden, is \$137.7 million, or 1.2% of full valuation and 2x operating fund revenue. The ANPL uses a market-based interest rate to value accrued pension liabilities. While the liability is above average, the cost burden is not expected to become a significant challenge as a share of the county's budget given current funding practices.

DEBT STRUCTURE

All of the county's debt is fixed rate and long-term. Amortization of existing debt is healthy, as 81% of principal is set to be retired over ten years.

DEBT-RELATED DERIVATIVES

The county is not a party to any derivative agreements.

PENSIONS AND OPEB

The county participates in the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent plan. For fiscal 2017, the county contributed \$2.5 million, or 3.7% of operating revenue, to the plan. This is a low share of revenue represented by pension contributions. The county's contribution was 115% of the estimated "tread water" payment. The tread water indicator measures the amount needed to forestall further growth in reported net pension liabilities if plan assumptions hold. Funding at or above this level indicates, on a relative basis, a stronger capacity to pay outstanding liabilities. It is therefore a comparatively stronger funding practice because many other local government pension contributions do not tread water. Still, the tread water indicator is based on IMRF's own assumed discount rate rather than the discount rate we use to value accrued liabilities.

Other post-employment benefit (OPEB) obligations do not pose material credit risk to the county. The county sponsors a single employer plan which provides continuing coverage of group health insurance for retirees and their dependents. The fiscal 2017 contribution to the plan was \$232,000 or 0.35% of operating revenue. As of January 1, 2016, the most recent actuarial valuation date, the plan had an unfunded actuarial accrued liability (UAAAL) of \$4.4 million, or a very low 0.07x operating revenue.

Management and governance: moderate institutional framework

Illinois counties have an Institutional Framework score of A, which is moderate. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. Most counties are non-home rule and are subject to tax rate limitations. Total operating tax yield for non-home rule entities subject to the Property Extension Limitation Law (PELL) is capped to the lesser of 5% or CPI growth, plus new construction. Revenue predictability is moderate, with varying dependence on property, sales, and state-distributed income taxes. Expenditures, which are primarily for criminal justice, are moderately predictable. Counties have limited ability to reduce expenditures given strong public sector unions and pension benefits that enjoy strong constitutional protections.

Rating methodology and scorecard factors

Exhibit 2

The US Local Government General Obligation Rating Methodology includes a scorecard, a tool providing a composite score of a local government's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible.

notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare local government credits.

Champaign (County of) IL		
Rating Factors	Measure	Score
Economy Tax Base (30%) ¹		
Tax Base Size / Full Value (10000s)	211,029,322	A+
Full Value Per Capita	759,326	A
Median Family Income (% of US Median)	115.6%	A+
Notching Factors: ²		
Institutional Presence		100
Finances (30%)		
Fund Balance as a % of Revenues	21.8%	Aa
3-Year Dollar Change in Fund Balance as % of Revenues	10.1%	Baa
Cash Balance as a % of Revenues	21.8%	Aa
3-Year Dollar Change in Cash Balance as % of Revenues	1.6%	Baa
Management (20%)		
Institutional Framework	A	A
Operating History (5-Year Average of Operating Revenues / Operating Expenditures)	1.0x	A
Debt and Pensions (20%)		
Net Direct Debt / Full Value (%)	0.2%	Aaa
Net Direct Debt / Operating Revenues (x)	0.4x	Aa
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	1.1%	Aa
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	2.0x	A
	Scorecard-Indicated Outcome	A-13
	Assigned Rating	A-12

¹ Economic measures are based on data from the most recent year available.

² Notching factors are generally defined in the U.S. Local Government General Classification on the Moody's website (July 2016).

³ Moody's financial statements are compiled from the (a) Moody's City and Local Government (CLG) database and (b) Moody's financial statements for the 2013 fiscal year as reported by Moody's. For more information on the data sources, visit www.moodys.com.