November 26, 2025

Cassy Taylor
County Administrator
McLean County
115 E. Washington St.
Bloomington, IL 61702

RE: Response to Correspondence of October 24, 2025

Dear Ms. Taylor,

On September 11, 2025, the City and Town issued a Default Notice under the shared sales tax IGA. The Notice identified several areas where the County is in breach of the IGA. On October 24, 2025, the County delivered a letter, disputing the existence of any breach.

To be clear, the 45-day cure period has expired, and the defaults remain uncured.

Nearly 10 years ago, the City and Town agreed to share sales tax revenue with the County, to be spent on behavioral health matters. To date, approximately $46 million has been shared with the County. The County has spent about half of that amount and is sitting on a reserve of nearly $21 million. It appears only a fraction of what has been spent has been dedicated to behavioral health matters. The IGA is failing to fulfill its essential purpose.

Nothing in this response should be construed as a waiver of the City's and Town's rights to pursue remedies under Section 4-4 of the IGA or that are otherwise available as a matter of law. Rather, the purpose of this letter is to move us closer to a mutually agreeable solution by correcting the legal and factual inaccuracies in your October 24th letter, together with proposing a path forward.

Failure to Maintain a Separate Fund and Diversion of Interest (Breach of Section 3-1)

The County's October 24th letter denies it breached Section 3-1 of the IGA, reasoning:

1. The County views the Mental Health and Public Safety Fund as a separate fund because:

   (i.) the County is able to determine a balance for that fund; and
   (ii.) a "close reading" of the ACFR shows that it is a special fund.

2. The County interprets section 3-11005 of the Counties Code (55 ILCS 5/3-11005) to permit it to divert the interest on the shared-sales-tax proceeds for general county spending.

As discussed more fully below, the County's legal reasoning in both regards is incorrect.

The County's Defense is Barred as a matter of Statutory Law

Your core defense, reliance on Section 3-11005 of the Counties Code (55 ILCS 5/3-11005), is misplaced. That statute authorizes investment income to be credited to the general fund *unless otherwise provided by statute*. The Illinois Public Funds Investment Act (IPFIA) provides *otherwise*.

The IPFIA governs the rules for investing by local governments, including counties. Under section 4 of that statute, all securities shall be held for the benefit of the public agency which purchased them, and if purchased with money taken from a *particular fund*, such securities "shall be credited to and deemed to be a part of such fund and shall be held for the benefit thereof." 30 ILCS 235/4.

When reviewing this exact issue, the Illinois Attorney General determined that the IPFIA and section 3-11005 of the Counties Code must be read *in pari materia* (together). The 1991 Opinion concludes: "it is my opinion that interest income earned from the investment of special fund monies should be credited to those special funds generating the interest and not to the county corporate fund." 1991 Op. Atty. Gen. (91-035).

The MHPSF was not independently created and funded by the County, which would require the Counties Code to apply.

As set forth above, the IPFIA, not the Counties Code, dictates the County's obligation to credit the interest it has and continues to collect to the Fund, not for its own corporate fund and use. As a result, the County has failed to meet its obligations under the IGA.

The City's and Town's legal interpretation and reasoning set forth hereinabove and as set forth in the September 11th Notice of Default, is not novel. Rather, it is consistent with controlling Illinois statutory and case law.

Illinois courts have consistently held that interest income earned on funds collected for specific purposes must be credited to the fund for which the principal was collected. By diverting nearly $1 million annually in interest to support its own general operations, the County has not fulfilled its duties under IGA, including Section 3-1.

Unauthorized Staffing Expenses (Breach of Section 3-2(b))

In your response, you appear to argue that, because the jail expansion itself was related to behavioral health, any expense related to that expansion is, automatically, for behavioral health.

The County's interpretation does not comport with the language of the IGA.

The text of section 3-2(b) allows the shared sales taxes to be used for:

> "(b) County Government criminal justice services related to expanded and renovated detention facility operations *for behavioral health services*." (Emphasis added).

In this provision, both the phrase "expanded and renovated detention facility" and the phrase "for behavioral health services" modify the noun "operations." Accordingly, the county can use the funds for criminal justice services related to its operations, but only if those operations (i) are related to the expanded and renovated detention facility and (ii) for behavioral health services. However, those staff (jail guards) are not there for behavioral health operations.

Under Illinois law, contracts will not be interpreted in a way that renders any provision superfluous. *Thompson* v. *Gordon*, 241 Ill. 2d 428, 442 (2011), *Thomas* v. *U.S. Bank Trust, N.A.*, 2025 IL App (1st) 230439, ¶23. The County's interpretation that everything related to the expansion is for behavioral health would render the phrase "for behavioral health services" superfluous.

If everything is, automatically, for behavioral health services, then the contract would not need to specify the limitation that the operations be for behavioral health services. Moreover, if this were to be the case, then the shared sales tax could be used for any and all expenses related to the expanded jail operations. That is far beyond anything contemplated by the shared sales tax agreement.

The IGA does not authorize funding for general "detention operations"; it authorizes funding for criminal-justice services "for behavioral health services". That limiting phrase has force. Correctional officers perform core security functions inherent to jail operation, which are baseline County obligations. Funding these positions with behavioral-health dollars renders the IGA's limiting language "meaningless," in violation of Illinois contract law. *Thompson v. Gordon*, 241 Ill. 2d 428, 442 (2011); *Thomas v. U.S. Bank Trust, N.A.*, 2025 IL App (1st) 230439, ¶23.

The County's actions have resulted in a diversion of public funds earmarked for a specific purpose which is prohibited under Illinois law. As such, this default remains uncured.

Unauthorized Technology Expenditures (Breach of Section 3-2(c))

The County's assertion that the City and Town's prior participation in meetings related to the Records Management System (RMS) constitutes approval for the County's broader integrated technology project misstates the record and misinterprets the IGA.

Several years ago, the parties jointly evaluated a shared RMS platform, and, at that time, the selected system was believed to be the most viable option available. Since then, the vendor's performance issues and the system's inability to meet operational needs have been acknowledged by all parties, including the County. That limited historic engagement does not provide authority for the County to now expend Pledged Revenues on a substantially broader suite of County-only technology systems.

The IGA is explicit: Pledged Revenues may be used for "an electronic integrated case-management system to be used by Town and City public-safety agencies." This language is purposeful. If the parties intended to fund County systems such as a Jail Management System, court systems, and other internal County technology platforms, the agreement would not have expressly limited the expenditure to systems "to be used by Town and City public-safety agencies."

The County's interpretation would render that phrase meaningless, violating basic canons of contract interpretation. *See Thompson v. Gordon*, 241 Ill. 2d 428, 442 (2011) (courts must give effect to all contract language and avoid interpretations that render terms meaningless).

Here, funds dedicated to a shared public-safety technology platform are being redirected to County-only systems that the City and Town neither use nor control. That result is inconsistent with the IGA's express language and the public-funds purpose doctrine.

At the very least, this situation demonstrates that the language in the IGA governing shared technology investments requires clarification to ensure that future expenditures clearly align with the intent of all parties and are applied only to systems used by City and Town public safety agencies. Accordingly, this default remains uncured.

Failure to Consult the MCBHCC (Breach of Section 3-3).

The IGA requires the County to "seek the advice" of the McLean County Behavioral Health Coordinating Council "during the budgeting process" for all uses of Pledged Revenues. This obligation is not symbolic. It reflects the parties' shared commitment to transparency, collaborative decision-making, and maintaining the alignment of spending decisions with regional behavioral-health priorities. Consultation was included in the IGA specifically to ensure that significant expenditures, particularly multi-year staffing and capital investments, would occur only after structured input from the advisory body established to guide behavioral-health strategy.

In response to the default notice, you state that the County referred to the Mental Health Action Plan when making budgetary decisions. Those are not the same thing. While the Plan provides broad policy direction, reliance on a high-level strategic document does not satisfy the IGA's requirement to seek the advisory council's input during the budgeting process for specific allocations. Such general planning materials do not replace the obligation to present proposed expenditures to the BHCC, solicit feedback, and ensure alignment with jointly defined behavioral-health goals on an annual basis.

The records available to the City and Town do not reflect that this process occurred with respect to the staffing expenditures or the expanded technology initiative. Indeed, the County's own 2025 Annual Report references a "governance reset" in 2024, indicating that the consultative structure was neither functioning nor followed.

Path Forward

In your October 24, 2025 letter, you proposed to settle this matter with an 18-month pause, with an additional 18 months added to the term of the IGA. Throughout this process, we have advocated a pause in payments until the County spends down its excessive fund reserve. That is simply a matter of sound financial management. That pause alone, however, will not resolve all of the outstanding issues between the parties.

On August 22, 2025, Mayor Koos delivered a letter to the County invoking the good-faith renegotiation provisions under section 2-3 of the IGA. For the reasons set forth in that letter, it is appropriate to proceed with those renegotiations.

While the City and Town believe it's necessary to protect our remedy rights under the IGA, we also recognize that this initiative was created in the spirit of cooperation and shared purpose. Our three governments launched this effort together because we share the same goal: improving mental and behavioral health outcomes for residents across McLean County. That shared mission remains as important today as it was when the IGA was adopted.

With that commitment in mind, we believe the most productive next step is to re-engage collaboratively and work toward a mutually agreeable path forward. To help us do so efficiently and transparently, we propose that the chief administrative officials from each public body (i.e., the three of us), along with their respective legal counsel, form a negotiation team to meet regularly and address the matters identified in this and previous correspondence.

We recommend structuring this work similarly to collective bargaining, where tentative agreements are documented as consensus is reached and then submitted to the Mayors and the County Board Chair for review and sign off to indicate their personal support. Nothing will be final until the fully renegotiated agreement is approved by all three governing bodies. We believe this approach would provide clarity, accountability, and an orderly process for resolving outstanding issues while honoring the shared goals that brought the parties together in the first place.

We are confident that by approaching this collaboratively and with mutual respect for each other's roles and responsibilities, we can strengthen the agreement, support transparency in the administration of public funds, and continue the important work of advancing behavioral-health services for the benefit of the entire community.

Please let us know if this proposal to restart negotiations is acceptable to the County.

Sincerely,

[redacted]

Jeff Jurgens
City Manager, City of Bloomington

[redacted]

Pamela Reece
City Manager, Town of Normal