



OFFICE OF THE CHAMPAIGN COUNTY EXECUTIVE

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Darlene A. Kloeppel, County Executive

To: Honorable Members of the Champaign County Board

Fr: Darlene Kloeppel, County Executive; and
Tami Ogden, Deputy Director of Finance

RE: Letter of Transmittal – FY2021 Budget

The Fiscal Year (FY) 2021 Annual Budget, for the period beginning January 1, 2021 and ending December 31, 2021, is presented for your consideration and approval. The budget was developed pursuant to Illinois Statutes 55 ILCS 5/2-5009 and 55 ILCS 5/6-1001. The consolidated budget is submitted with revenue of **\$132,652,972** and expenditure of **\$136,939,369** and complies with relevant Champaign County financial policies. This transmittal letter is intended to provide an executive summary and overview of the budget document.

Budget Document Overview

The budget provides extensive financial information for every component of Champaign County government and is divided into nine sections further explained in *How to Use This Document*, which is part of the Introduction section of the budget. The FY2021 budget includes fifty-six funds, with each fund containing at least one department budget. The *Department/Fund Relationship* matrix illustrates the relationship between the County's financial structure and its organizational structure.

Economic Environment

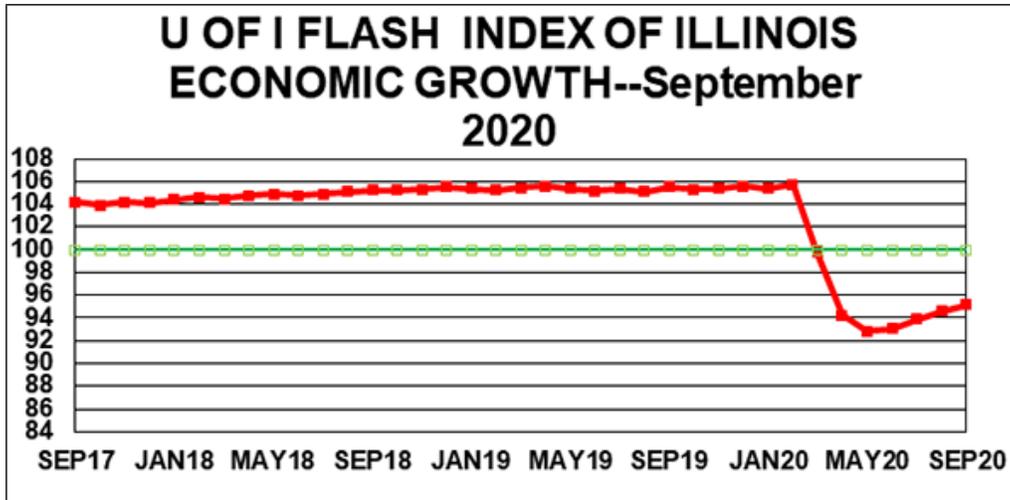
There is unprecedented economic uncertainty as a result of the COVID-19 pandemic, with varying opinions regarding when and how the economy will recover. Conference Board Senior Director of Economic Indicators Lynn Franco states, "There is little to suggest that consumers foresee the economy gaining momentum in the final months of 2020, especially with COVID-19 cases on the rise and unemployment still high."¹

In September the University of Illinois Flash Index, designed to give a quick reading of the state economy, was 95.1 down from 105.5 compared to the year-ago submission of the FY2020 budget.² University of Illinois economist J. Fred Giertz asserts the economy is rebounding as shown in the following chart, although the Illinois economy has a long road to recover from the impact of the pandemic.³ The index shows seven months below the 100-dividing line between growth and decline.

¹ <https://www.conference-board.org/data/consumerconfidence.cfm>

² <https://igpa.uillinois.edu/page/flash-index-archive#section-0>

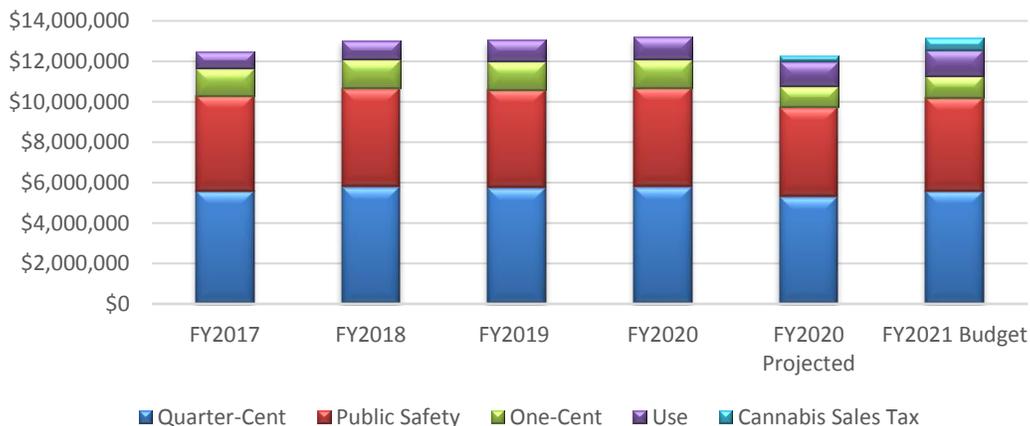
³ <https://igpa.uillinois.edu/Report/flash-index-sept2020>



The September 2020 unemployment rate for Champaign County was 6.2% and reflects a significant increase in the local rate compared to the year-ago period of 3.3%. The Illinois' and national unemployment rates for September compare at 9.8%, and 7.7% respectively.

Total FY2021 sales and use taxes are budgeted at \$13.2 million and include new County Cannabis sales tax revenue of \$600,000. With the new revenue source, fiscal year 2021 total budgeted sales and use tax revenues are very close to original FY2020 budget numbers, although 2020 projections are expected to be significantly lower than budget. The Level the Playing Field Act effective January 1, 2021, requires both state and local sales taxes be imposed where a product is delivered. Under the new law, some taxes presently being distributed as Use tax, will be distributed as sales tax. The table below shows total sales tax revenues for fiscal years 2017 through 2019, FY2020 budget and projected, and FY2021 budget.

Sales and Use Tax



According to the Champaign County Association of Realtors, year-to-date home sales are up almost 10 percent compared to 2019 with September marking a 14-year high and the

average home sale price in September at \$197,044 up 15.85 percent from one year ago.⁴ Growth in this sector is important for the county as property taxes represent a major segment of its revenue sources. Equalized Assessed Valuation (EAV) for tax year 2019 continues to exceed \$4 billion, and reflects a 4.1 percent increase over tax year 2018, with growth in EAV from new construction at \$85.5 million. The County’s total EAV, tax rate, and property tax extension comparison for tax levy years 2010 through 2019 is shown in the following table.

Tax Levy Year	EAV	% Increase/ Decrease	Tax Rate/\$100 of EAV	Property Tax Extension
2010	\$3,561,497,476	0.7%	0.7688	\$27,506,700
2011	\$3,546,623,981	-0.4%	0.7841	\$27,911,272
2012	\$3,532,086,251	-0.4%	0.8138	\$28,832,637
2013	\$3,479,591,533	-1.5%	0.8511	\$29,700,112
2014	\$3,532,923,580	1.5%	0.8255	\$30,598,651
2015	\$3,600,615,388	1.9%	0.8322	\$31,404,567
2016	\$3,806,286,018	5.7%	0.8458	\$32,245,372
2017	\$3,972,464,264	4.4%	0.8481	\$33,737,737
2018	\$4,132,219,001	4.0%	0.8157	\$33,706,510*
2019	\$4,299,867,692	4.1%	0.8189	\$35,211,617

*Nursing Home GO bonds were defeased in 2019 resulting in the abatement of the 2018 property tax levied for that debt service.

Revenues and Expenditures

Revenue for all county funds in FY2021 is budgeted to increase \$3.5 million (+2.7%) compared to the original FY2020 budget. Growth is largely attributed to increases in federal funding for the Regional Planning Commission Local Workforce Innovation Area (WIOA), state funding for the Board of Health administered contact tracing grant and the Highway IDOT REBUILD grant.

The property tax levy was prepared with the inflationary increase allowed under the Property Tax Extension Limitation Law (PTELL) of 2.3%, and to capture new growth revenue from new construction and recovered Enterprise Zone EAV. The increase in the total levy over the 2019 tax year extension is 4.4%.

Expenditure for all county funds in FY2021 is budgeted to increase \$7.2 million (+5.6%) compared to the original FY2020 budget and is predominantly attributed to significant increases in the services and capital categories. Increased services expenditures reflect increased contributions and grants extended by the Mental Health Board and Developmental Disabilities Board funds, computer/information technology increases due to updating and implementing software, and professional services for contract tracing funded through an Illinois Department of Public Health grant. Increased capital expenditures are largely driven by appropriating for the Highway IDOT REBUILD grant and insurance

⁴ <http://www.champaigncountyassociationofrealtors.com/News/TabId/101/ArtMID/469/ArticleID/389/Strong-Buyer-Interest-Continues-to-Boost-Home-Sales-Activity-in-Champaign-County-Area.aspx>

reimbursement received in 2020 for hail damage repairs to roofs and HVAC systems planned in 2021.

The \$4.3 million revenue to expenditure deficit is the result of appropriating reserve balances within individual funds for planned projects and capital expenditures. The FY2021 budget is balanced per Champaign County's Financial Policies.

Investment in Facilities and Technology

The County continues to strategically invest in facilities and technology, which have been deferred over time due to budget constraints. In November 2020, the Facilities Committee will consider revisions and updates to the 10-Year Capital Facilities Plan. The FY2021 budget includes \$1.97 million for facility repairs and improvements, and \$3.4 million for hail damage repairs sustained in 2020.

The County entered a Software as a Service (SaaS) agreement with Tyler Technologies effective September 2020 for replacing its aging in-house financial system with a modern Enterprise Resource Planning (ERP) system. The County's Six-year Technology Plan establishes a schedule for systems implementation and replacement; however, identifying funding for both facilities and technology needs while balancing the budget will continue to be a challenge.

General Fund

Revenue and expenditure are budgeted respectively at \$41,879,384 and \$41,992,568 with a \$113,184 draw on fund balance for pilot programs identified by the County Board. The FY2021 General Fund budget is balanced per Champaign County's Financial Policies with a projected fund balance of \$7 million, or 16.7% of operating expenditures at the end of 2021. The General Fund balance target is set at 16.7%, or two months of operating expenditure.

Revenue growth measures \$1.1 million, or 2.7% year-over-year with the increase predominantly in the property tax revenue category. Expenditure growth measures \$1.7 million, or 4.2% year-over-year with the greatest increase in the personnel category inclusive of wage increases and health insurance premium increases. Detailed information about General Fund revenue and expenditure is documented in the *General Fund Budget Summary*. In FY2021, the budget includes forgiveness of the \$1 million loan from the General Fund to the Nursing Home Fund further discussed below.

Nursing Home Fund

In April 2019, the Champaign County Nursing Home was sold to Extended Care Clinical, LLC and Altitude Health Services, Inc. Following the sale of the Home, proceeds were used to redeem the 2015 Bonds and defease the 2011 Bonds. As of October 2020, the Nursing Home owed other County funds approximately \$7.5 million. The former Nursing Home operating levy was reallocated under PTELL to the liability levy in FY2020 for the Home's outstanding amounts owed to the Self-Funded Insurance Fund. Reallocation of the levy in FY2021 is to the General Fund for outstanding obligations owed to that fund including the \$1 million loan recorded on the balance sheet. The loan was extended to the Home between

November 2018 and March 2019 for accounts payable obligations to ensure provision of essential services.

Financial Concerns

Hospital Property Tax Liability

There are presently two outstanding cases against Champaign County related to hospital property tax exemptions, 2013-CH-170 and 2015-L-75. The County has not set-aside funds specifically for this potential liability, and any ruling against the County in either of these cases would be paid from fund balances based on the rate for each levy fund.

Economic Recovery

Economist opinions vary when it comes to forecasting economic recovery from the pandemic. Champaign County sales and income tax revenues are budgeted conservatively; however, do not assume future stay-at-home orders. Property tax revenues are more stable and slower to adjust. Commercial sector and non-residential property assessments are most at risk with business closures and vacant leases of concern. In addition, inflationary increases allowed under PTELL are likely to be suppressed and may result in limited levy growth in future fiscal years. Federal funding received through the CURE grant was instrumental in protecting the General Fund balance in FY2020, and with a balanced FY2021 budget the County is in a stable position at the time of this writing.

The impact of both legislative and administrative decisions made at the state level continue to alter and weaken some county revenue streams.

- **Income Tax.** The state legislature implemented a one-time, 10% cut to Income tax from July 1, 2017 through June 30, 2018, reduced to 5% effective July 2018, and eliminated effective July 2020. This three-year, state-imposed cut resulted in the loss of \$690,000 in County revenue.
- **Sales Tax.** A 2% collection fee was imposed on Public Safety Sales Tax revenues in July 2017 and reduced to 1.5% in July 2018. The fee is expected to be permanent and since inception has cost the County \$257,000.
- **Personal Property Replacement Tax (PPRT).** The state's continued diversion of PPRT funds prior to application of the funding formula for distribution to local governments increases each fiscal year. In 2009, diversions totaled \$21,643 and in state FY2021 total diversions equal \$312 million.
- **AOIC funding.** The Administrative Office of the Illinois Courts provides reimbursement for a portion of the Juvenile Detention Center and Probation and Court Services personnel costs. The level of reimbursement on an annual basis is uncertain. After full funding in state FY2015, the County's allocation significantly declined in years 2016 through 2019. Full funding was restored in state FY2020, with additional funding for the salary of the Problem-Solving Court Coordinator and conversion of three subsidy positions to grant-in-aid positions in state FY2021.
- **The Criminal and Traffic Assessment Act (CTAA)** effective July 2019 significantly changed the fines and fees collected through the courts and distributed to County

funds. In summary, the act created a set of criminal assessment schedules and punitive fines, set maximum civil filing and appearance fees, and created a graduated fee waiver on indigency orders in both civil and criminal cases. The County was still in the process of assessing the impact of the CTAA, when the pandemic ensued resulting in the courthouse closure and delays in hearings and trials.

Pension Burden

In a June 2019 Credit Opinion, Moody's Investor's Service cited Champaign County's above average pension burden as a credit challenge. The County will continue to monitor this factor in consultation with the Illinois Municipal Retirement Fund (IMRF) and Moody's.

Sheriff's Office and Downtown Correctional Center

Per a 2015 Facilities Condition Report, this facility is categorized as poor. The 0-5-year Deferred Maintenance Backlog (DMB) is \$2.9 million, and the 5-25-year DMB is just under \$9 million. Building conditions have further deteriorated since the 2015 study, and it is essential for the County to resume discussions regarding a plan for the facility.

Acknowledgements

We wish to acknowledge the outstanding cooperation and collaboration among all county elected officials, department heads, and County Board members in the preparation of the fiscal year 2021 budget. We also extend our special thanks to staff members providing crucial assistance in the development and completion of this budget document: Isak Griffiths, Deputy Director of Administration; Bill Simmering, Business Applications Developer; Andy Rhodes, Information Technology Director; Gabe Lewis, Planner II; Megan Robison, Administrative Assistant; and Rita Kincheloe, Executive Assistant to the County Executive.

On behalf of our officials and staff, we are pleased to present to you the fiscal year 2021 Champaign County Budget.

Respectfully submitted,



Darlene A. Kloepfel
County Executive



Tami Ogden
Deputy Director of Finance