

OFFICE OF THE CHAMPAIGN COUNTY EXECUTIVE

1776 East Washington Street, Urbana, Illinois 61802-4581

Darlene A. Kloeppel, County Executive

To: Honorable Members of the Champaign County Board

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

RE: Letter of Transmittal – FY2022 Budget

The Fiscal Year (FY) 2022 Annual Budget, for the period beginning January 1, 2022 and ending December 31, 2022, 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 **\$176,043,712** and expenditure of **\$179,767,329** and complies with relevant [Champaign County Financial Policies](#).

The budget was developed over a seven-month period starting with the [Long-Range Financial Plan](#) in April, [Legislative Budget Hearings](#) in August, American Rescue Plan Act [ARPA Study Sessions](#) held April through September, and a [Special Finance Committee](#) meeting in September. The Champaign County Board placed the FY2022 Budget on file in October, with anticipated passage at its November 18, 2021 meeting. Some parts of the budget are guided by established plans previously implemented by the County Board including the [Facilities Plan](#) and [Technology Plan](#), and plans established by relevant committees such as Highway's Pavement Management Program.

For its Legislative Budget Hearings, Administration prepared PowerPoint presentations ([Night 1](#) [Night 2](#)) making the information easier for the public to follow and comprehend. The [Champaign County Facebook](#) and [County Executive's Facebook](#) pages provide updates on the budget process and notice opportunities for public involvement. In FY2022, the public was very active and engaged through the ARPA Study Sessions referenced previously. Public comment on the proposed FY2022 Budget was sought at the Special Finance Committee meeting on September 30, 2021.

This transmittal letter is intended to provide an executive summary and overview of the budget document. Additional budget details are included in the *Budget Summary All Funds*.

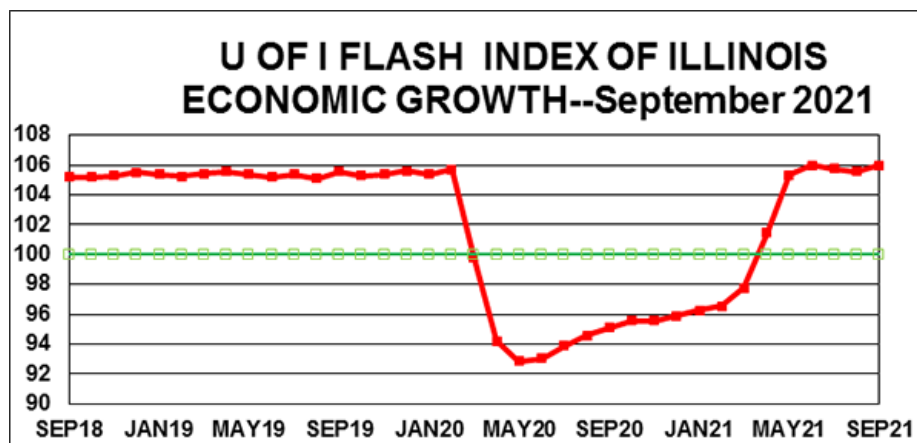
Budget Document

Champaign County strives to publish its budget in a format that is accessible to screen readers. 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 FY2022 Budget includes fifty-six funds, with each fund containing at least one department budget. The *Department/Fund Relationship* matrix, also in the Introduction section, illustrates the relationship between the County's financial structure and its organizational structure.

Economic Environment

Economic uncertainty because of the ongoing COVID-19 pandemic and spread of the Delta variant caused consecutive drops in consumer confidence in July, August, and September 2021, and according to Conference Board Senior Director of Economic Indicators Lynn Franco, “These back-to-back declines suggest consumers have grown more cautious and are likely to curtail spending going forward.”¹

In September the University of Illinois Flash Index, designed to give a quick reading of the state economy, was 106.0 up from 95.1 compared to the year-ago submission of the FY2021 budget.² In an October 1 report, University of Illinois economist J. Fred Giertz asserts the state’s economy has surprisingly not been impacted as a result of the resurgence of the Delta variant.³ The index shows thirteen months below the 100-dividing line between growth and decline, with April 2021 breaking the line.



The August 2021 unemployment rate for Champaign County was 5.7% and reflects a decrease in the local rate compared to the year-ago period of 7.2%. The Illinois’ and national unemployment rates for August compare at 6.8%, and 5.3% respectively.⁴

Due to economic uncertainty, Champaign County was very conservative in its state-shared revenue projections in the FY2021 Budget; however, the negative financial impact of the pandemic coupled with revenue growth linked to the Level the Playing Field legislation resulted in actual revenues performing better than budget. This legislation, effective January 1, 2021, imposed both state and local sales tax where a product is delivered, and with the volume of internet sales, resulted in recurring increased revenue beginning in FY2021.

While there are fluctuations to some state-shared revenues in FY2022, the budget was prepared expecting the ongoing effects of the pandemic will not significantly impact 2022 sales tax revenues. The following chart shows total sales and use tax revenues for fiscal years 2018 through the 2022 Budget.

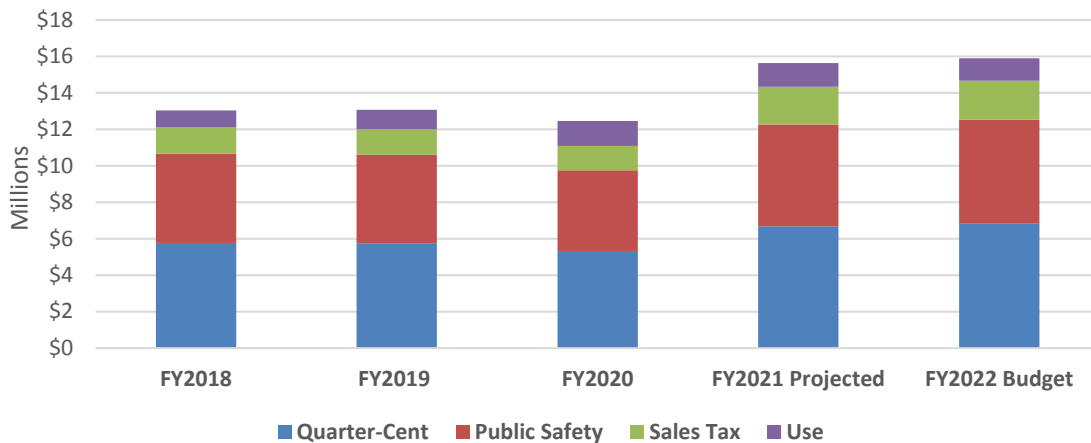
¹ <https://www.conference-board.org/data/consumerconfidence.cfm>

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

³ <https://igpa.uillinois.edu/report/flash-index-sept2021>

⁴ <https://ides.illinois.gov/resources/labor-market-information/laus/current-monthly-unemployment-rates.html>

Sales and Use Tax



According to the Champaign County Association of Realtors, year-to-date home sales are up 10 percent compared to 2020 with the median sale price in Champaign County at \$185,000 in August compared to \$169,900 for the year ago period.⁵ 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 2020 exceeded \$4.4 billion, and reflects a 2.7 percent increase over tax year 2019, with growth in EAV from new construction at \$99 million. The County’s total EAV, tax rate, and property tax extension comparison for tax levy years 2011 through 2020 are shown in the following table.

Tax Levy Year	EAV	% Increase/Decrease	Tax Rate/\$100 of EAV	Property Tax Extension
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
2020	\$4,414,988,843	2.7%	0.8327	\$36,763,612

Budget Priorities

While the FY2021 Budget was largely focused on maintaining levels of service with an anticipated decline in revenues, new federal funding and increased revenues expected in FY2022 will allow the County to address some of its long-standing needs. Strategically budgeting the first tranche of American Rescue Plan Act funding was a priority of the County Board. The Finance Committee of the Whole held several study sessions to solicit input regarding its total \$40.7 million, [ARPA Study Sessions](#). There were informational

⁵<https://www.champaigncountyassociationofrealtors.com/News/ArtMID/469/ArticleID/403/Champaign-County-Home-Sales-Increase-Slightly-in-August>

presentations, written requests and verbal comments from community members, organizations, elected officials, and department heads. During a Special Finance Committee meeting held on September 30, 2021, board member prioritization surveys were reviewed, [ARPA Funding Priorities](#), and budget direction for ARPA funds was given for FY2022.

After years of a financial inability to move forward with a jail consolidation plan, a Special Committee on Jail Facilities was formed to present plans to 1) close and develop a plan for the future of the property at the downtown jail; and 2) relocate the Sheriff's Office to new or rehabilitated space; and 3) modify the Satellite Jail with accommodations for safe separations of conflicting classifications of inmates, education and training rooms, library, expanded medical offices, recreation facilities and equipment, and low or single occupancy rooms for isolating people for both disease and other safety concerns, and 4) present proposals to finance plans 1-3. The budget includes \$3.75 million to potentially proceed with architect and engineering plans based on the recommendation of the committee.

To better position the County to recruit and retain a qualified workforce, the FY2022 Budget includes appropriation for a comprehensive workforce study to address recruiting, hiring, retention, and development of staff to include review of positions, total compensation packages, training, analysis of sexual harassment, equity, and inclusion activities.

Following the 2008 recession, multiple positions were cut from the County budget. Additionally, demands on the criminal justice system have made it challenging for some departments to meet increasing community needs with current staffing. The FY2022 Budget includes seven new General Fund positions, two each in Law Enforcement, Public Defender, and Coroner's Offices, and one in the Planning and Zoning department. Cuts implemented in FY2016 moved two positions from the General Fund to the Recorder's Automation Fund. The FY2022 Budget restored those positions to the General Fund allowing the Automation Fund to use revenues to focus on record digitization.

The County continues to strategically invest in its facilities and technology. Fully funding the Capital Facilities Plan and reserve in the Capital Asset Replacement Fund in FY2022, upgrading its aging phone system and network infrastructure, and appropriating funds to study the potential replacement of its Justice Case Management System. The County will move from an aging in-house financial system to a modern Enterprise Resource Planning (ERP) system, including a human resources platform, with Go-Live scheduled for January 2022. More information on budget priorities can be found in the *Budget Priorities* section.

Revenues and Expenditures

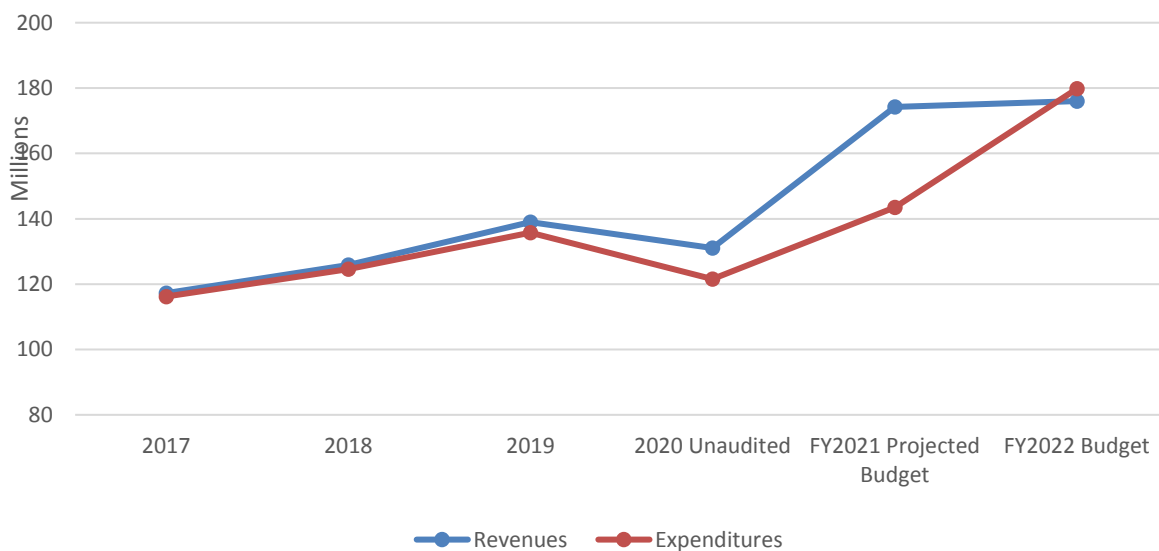
Revenue for all county funds in FY2022 is budgeted to increase \$43.4 million (+32.7%) compared to the original FY2021 budget. Growth is largely attributed to increases in federal funding for the Regional Planning Commission (RPC) energy and rental assistance programs totaling \$14.6 million, and the second tranche of ARPA funding totaling \$20.4 million.

The property tax levy was prepared with the inflationary increase allowed under the Property Tax Extension Limitation Law (PTELL) of 1.4%, and to capture \$99 million in new growth revenue from new construction and recovered Enterprise Zone EAV. The increase in the total levy over the 2019 tax year extension is 3.6%.

Expenditure for all county funds in FY2021 is budgeted to increase \$42.8 million (+31.3%) compared to the original FY2021 budget and is predominantly attributed to significant increases in services. Increased services expenditures reflect planned ARPA contributions and grants for household and small business assistance, housing support, community violence interventions, immigration support, architecture/engineering, broadband, stormwater, and drinking water initiatives. Additional services appropriation increases are largely for RPC program expansion for energy, rental, utility, and mortgage assistance.

A \$3.7 million revenue to expenditure deficit is the result of appropriating reserve balances within individual funds for planned projects and capital expenditures. The FY2022 budget is balanced per the County's [Financial Policies](#).

Champaign County Revenue and Expenditure



In the chart above, the revenue decline in FY2020 reflects the economic impact of the pandemic on County finances, while the expenditure decline reflects conservative spending and hiring during the pandemic. An influx of federal funding in fiscal years 2021 and 2022 correlates to higher revenues in those fiscal years, with the County appropriating to spend \$19.5 million of its total \$41 million of ARPA funds in FY2022.

Proposed Budget compared to Adopted Budget

When the budget was originally presented by the County Executive to the County Board in September 2021, the Board was still conducting Study Sessions to determine how it would allocate its ARPA funding. Elected official wages had not been set for December 2022, and there was a budget surplus in the Public Safety Sales Tax fund. The changes between the proposed and adopted budget in the following table are largely attributed to appropriating the first tranche of ARPA funding and allocating Public Safety Sales tax funds for out of county housing.

FY2022	Proposed Budget	Adopted Budget	Change
PROPERTY TAXES	\$44,563,616	\$44,563,616	\$0
LICENSES AND PERMITS	\$2,311,006	\$2,311,006	\$0
FEDERAL, STATE & LOCAL SHARED REVENUE	\$93,935,639	\$93,942,407	\$6,768
FEES AND FINES	\$11,607,710	\$11,607,710	\$0
MISCELLANEOUS	\$9,553,580	\$9,553,580	\$0
INTERFUND REVENUE	\$13,087,960	\$14,065,393	\$977,433
REVENUE TOTALS	\$175,059,511	\$176,043,712	\$984,201
PERSONNEL	\$69,086,831	\$69,869,632	\$782,801
COMMODITIES	\$4,283,651	\$4,452,590	\$168,939
SERVICES	\$62,246,158	\$72,495,359	\$10,249,201
CAPITAL	\$9,584,763	\$17,441,257	\$7,856,494
NON-CASH EXPENSES	\$155,000	\$155,000	\$0
INTERFUND EXPENDITURE	\$10,290,500	\$12,717,933	\$2,427,433
DEBT	\$2,635,558	\$2,635,558	\$0
EXPENDITURE TOTALS	\$158,282,461	\$179,767,329	\$21,484,868

General Fund

Revenue and expenditure are budgeted respectively at \$43,889,800 and \$47,637,639 with a \$3.75 million draw on fund balance to be transferred to the Capital Asset Replacement Fund. The FY2022 General Fund budget is balanced per the County's Financial Policies with a projected fund balance of \$9.5 million, or 19.9% of operating expenditures at the end of 2022. The General Fund balance target is 16.7%, or two months of operating expenditure.

Revenue growth measures \$2 million, or 4.8% year-over-year with the increase predominantly in the Federal, State and Local Shared Revenue category. Expenditure growth measures \$5.6 million, or 13.4% year-over-year with the greatest increase in the Interfund transfer category. Detailed information about General Fund revenue and expenditure is documented in the *General Fund Budget Summary*.

Financial Concerns

Hospital Property Tax Liability

There are presently three outstanding cases against Champaign County and other taxing districts related to hospital property tax exemptions. The first, 2008-L-202, is on appeal. The County has paid its share of the liability in this matter, relating to tax years 2005 through 2011, in part, from a pre-existing TIF distribution. The appeal may result in either a refund of this payment, or additional liability (for the 2004 tax year, or if the appellate court reverses the trial court's denial of Carle Foundation's claim to prejudgment interest). There are two other 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 come from fund balances.

Continued Economic Recovery

Property tax revenues are more stable and slower to adjust to a recession than sales taxes. Commercial sector and non-residential property assessments are most at risk with business

closures and vacant leases of concern. As of October, the Board of Review had received 616 property assessment complaints including a much higher percentage of commercial complaints made up of apartment buildings appealing over-valuation, and retail, restaurants and hotels asserting the pandemic affected their income.⁶ Forty-two percent of the commercial complaints request an assessment reduction greater than \$100,000. In addition, inflationary increases allowed under PTELL are likely to be suppressed and may result in lower levy growth in future fiscal years.

Legislative Impacts

Elimination of cash bail in Illinois, beginning in 2023, in conjunction with new criminal justice reform mandates will have both a revenue and expenditure impact on County finances. New reporting and training requirements began in 2021, with additional compliance in 2022 and 2023. While these new requirements will increase law enforcement costs, other reforms are expected to reduce County revenues. According to a recent study conducted by The Civic Federation, 70% of bond payments are used to pay for court-ordered costs.⁷ While the fees will still be imposed, the discontinuation of bond payments means that source will no longer be used to satisfy payment of fees and assessments. The impact to Champaign County revenues is indeterminate at this time.

Justice Case Management System

In FY2022 the County will engage outside services to evaluate the case management system used by justice-related departments to determine if it meets the needs of the County, and to recommend an action plan. The system was purchased in 2003 and has received software upgrades; however, it does not lend itself to integration with more modern software systems. The system was scheduled for replacement in 2022 and according to the County's Technology Plan replacement costs could be as much as \$15 million.

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 2022 budget. We also extend our special thanks to staff members providing crucial assistance in the development and completion of this budget document: Bill Colbrook, Director of Administration; Bill Simmering, Business Applications Developer; M.C. Neal, Chief Information Officer; Gabe Lewis, Planner II; Megan Robison, Administrative Assistant; Mary Ward, 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 2022 Champaign County Budget.

Respectfully submitted,



Darlene A. Kloeppel
County Executive



Tami Ogden
Director of Finance

⁶ Information received from John Bergee, Board of Review Chair, on Oct. 26, 2021

⁷ https://www.civicfed.org/sites/default/files/executive_summary.pdf