



Financial Forecast Champaign County, Illinois

FY2022-FY2027



Introduction

The County's budget process begins with the presentation of the Financial Forecast in April. It is difficult to accurately forecast beyond one year due to unknown variables in future fiscal years such as Consumer Price Index (CPI) changes, new Equalized Assessed Valuation (EAV) added to the tax rolls, legislative changes, health insurance and Illinois Municipal Retirement Fund (IMRF) rates, and unnegotiated labor contract increases. Additionally, small deviations in one year can result in significant differences in later years since projections in future years are based on outcomes in previous years.

The Forecast provides a framework for future financial decisions and can be used as a planning tool prior to beginning the FY2023 budget process. Presentation is by summary of revenue and expenditure categories and is based on current and projected economic conditions, historical performance, recognized budget impacts, and anticipated trends in revenues and expenditures. Over fifty funds support County operations; however, the Forecast's focus is on the following funds: General, Public Safety Sales Tax, Capital Asset Replacement (CARF) and American Rescue Plan Act (ARPA).

Strategic Plan

The County Board approved a Six-Year Strategic Plan with five goals in July 2019.

[Champaign County Strategic Plan](#).

Financial Rating and Outlook

Moody's Investors Services affirmed the County's Aa2 rating in May 2019. Cited as factors that could lead to a rating upgrade were growth in operating fund balance and liquidity, sustained tax base expansion and moderation of pension burden. The County improved in these three areas as reflected in its 2020 Audit.

- Champaign County's Annual Comprehensive Financial Report for the period ending December 31, 2020, confirms a General Fund budgetary balance of \$9 million, or 23% of operating expenditures, which surpasses the minimum financial policy recommendation of 16.7%.
- Rate setting Equalized Assessed Value (EAV) for tax year 2020 increased 2.7% to \$4.4 billion, with the EAV for tax year 2021 increasing 4.7% to \$4.6 billion.
- The County's pension plan net position improved in 2020 and 2021, and in 2022 the County will make an additional payment of \$550,000 towards its net pension liability for its Elected County Officials (ECO) plan.

*According to Moody's State of Illinois Forecast Report, "Among metro areas, Urbana-Champaign's economy is the strongest in Illinois and one of the best-performing in the region...The labor force has made a convincing comeback, setting it apart not only from the rest of the state but from the rest of the country."*¹

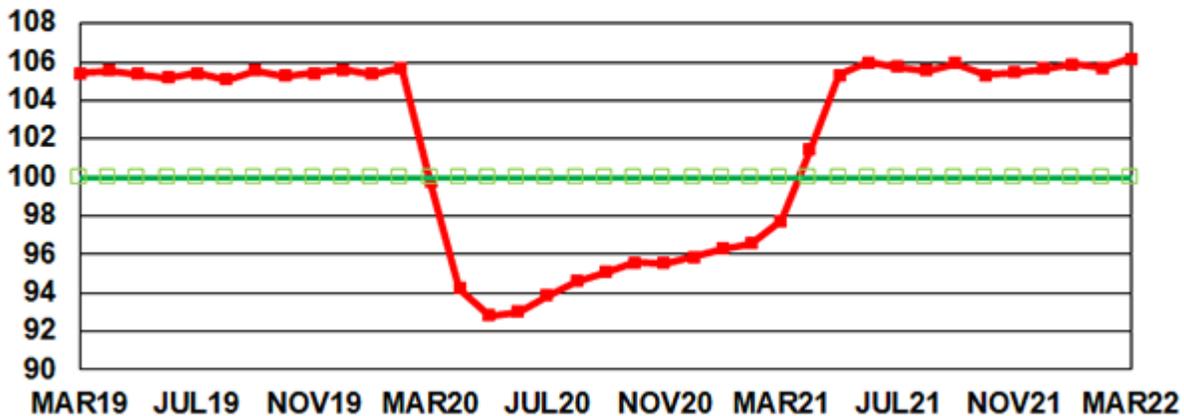
¹ <https://cgfa.ilga.gov/Upload/2022MoodyEconomicForecast.pdf>

Economic Conditions

The inflationary percentage recognized by the Illinois Department of Revenue (IDOR) for FY2023 levy calculations under the Property Tax Extension Limitation Law (PTELL) is limited to 5% (reduced from 7%), which is up from 1.4% in FY2022. This is the largest CPI percentage dating back to 1996 when Champaign County first became subject to PTELL.

The Conference Board’s February 2022 Consumer Confidence Survey reflects slightly declining consumer confidence in the first two months of the year. Senior Director Lynn Franco states that while consumers “do not expect the economy to pick up steam in the near future, they also do not foresee conditions worsening.”² In February 2022, the unemployment rate for Champaign County was 3.8%, a decrease of 1.9% compared to the prior year period, with the U.S. and Illinois at a higher 4.1% and 5.0% respectively.³

U OF I FLASH INDEX OF ILLINOIS ECONOMIC GROWTH--March 2022



After breaking the dividing line between economic growth and decline in April 2021, the University of Illinois Flash Index, designed to give a quick reading of the state economy, has hovered between 105 and 106, hitting 106.1 in March 2022. According to Illinois economist Fred Giertz, “many observers have expected the economy to slow somewhat in 2022, but this has yet to materialize.”⁴

² <https://www.conference-board.org/topics/consumer-confidence>

³ <https://ides.illinois.gov/resources/labor-market-information/laus/current-monthly-unemployment-rates.html>

⁴ <https://igpa.uillinois.edu/Report/flash-index-march2022>

News and Highlights

1. **American Rescue Plan Act (ARPA)** The County Board appropriated the first tranche of funding in its FY2022 Budget and continues to have ongoing discussions and engagement with the community regarding utilization of the second tranche of funding expected in June 2022. The Forecast contains more information about ARPA projects and funding later in this document.
2. **Enterprise Resource Planning (ERP)** On January 3, 2022, the County transitioned from its aging in-house financial system to a modern ERP system. In conjunction with this implementation a revision of the Chart of Accounts (COA) condensed the number of account strings from approximately 7,000 to 3,000. Reducing the complexity of the COA was recommended as a best practice by the Government Finance Officers Association (GFOA) in the Business Case Report prepared for the County. This will result in a less granular level of detail reported within the County's budget.
3. **Increased Staffing** In FY2022, a total of seven new positions were added to the General Fund in order to meet increasing community needs for services. These included two positions each in Law Enforcement, the Public Defender, and Coroner's Offices, and one position in the Planning and Zoning department. The financial capacity to add these positions is largely attributed to increased sales tax revenue generated by Level the Playing Field legislation discussed later in this document.
4. **Jail Consolidation** Over the past decade, there have been several reiterations of studying, discussing, and planning for the dilapidated Sheriff's Office and downtown jail facility. At its November 2021 meeting the County Board approved the construction plan and funding strategy for consolidating the County's jail facilities. The County has entered into an architectural agreement to begin the design phase of the project.
5. **Additional Space Needs** In April 2022, the County purchased the building located across from the Courthouse commonly known as County Plaza. This will not only address the necessary relocation of the Sheriff's Office, but also the space needs of multiple County departments. A core design group of County Officials has been designated to plan for the space needs and considerations of County offices.

Challenges

1. **Recruiting and Retention** A state and local government workforce survey conducted in 2021, identifies the increasing recruiting and retention challenges the public sector faces. Sixty-four percent of survey respondents identified Corrections/Jail and Policing as some of the hardest to fill positions.⁵ In February 2022, the number of vacant County General Fund positions totaled thirty-five, including ten vacant Court Services and six Corrections positions. Compared to the February 2020 period, there were seventeen vacant General Fund positions comprised of two Court Services and one Corrections position.

Per the survey, additional challenges include difficulty competing with private sector salaries, and the acceleration of retirement plans since the pandemic, which is problematic because the public sector employs a large number of baby boomers.⁵ To help better analyze its position and recommend strategies to improve recruitment and retention, the County has initiated a Workforce Study.

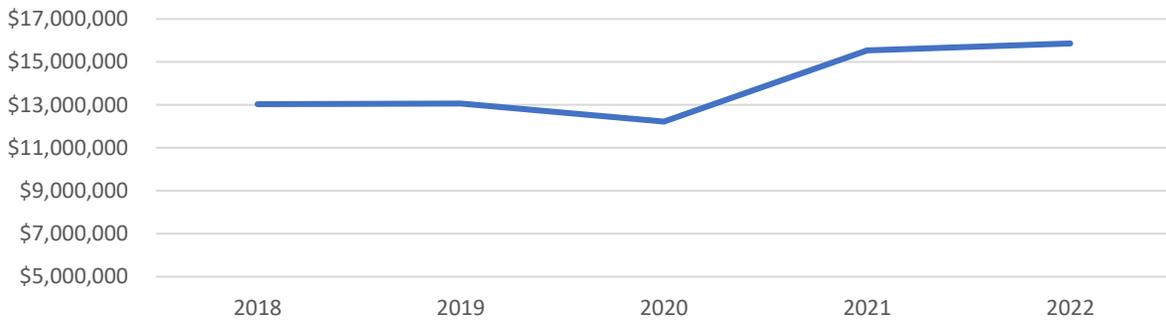
2. **Legislative and Administrative Changes** Decisions made at the State level continue to impact County operations as well as revenue and expenditure streams.
 - The “one-time” cut to Local Government Distributive Fund (LGDF) revenues ended in June 2021 (total lost revenue \$689,621); however, the State Collection Fee on Public Safety Sales Tax continues at a total-to-date loss of \$379,595 in County revenue.
 - Legislation eliminating cash bail in 2023 in conjunction with criminal justice reform mandates, will increase law enforcement costs, while reforms are expected to reduce County revenues. 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.
 - At the time of this report there were several pieces of legislation related to property tax levy limitations, exemptions, and freezes. The County is already limited to increases under PTELL. Additional limitations imposed by new legislation threatens the consistent and reliable growth the County counts on from one of its largest and most stable revenue sources.
 - While legislative changes predominantly have a negative impact on County revenues, the Level the Playing Field legislation, effective January 2021, favorably impacted revenues.
3. **Technology and Facility Investment** The County has been progressively and strategically investing in its technology and facilities; however, there is still work to be done. One significant system requiring modernization is the Justice Case Management System. Plans are underway to engage outside services to evaluate the current system to determine whether it meets the County’s needs and recommend an action plan.

⁵ <https://www.slge.org/wp-content/uploads/2021/05/statelocalworkforce2021.pdf>

Revenue Impact of Level the Playing Field Legislation

Because the impact of this legislation affects both General Fund and Public Safety Sales Tax Fund revenues, this summary is provided prior to the presentation of those funds. Effective January 1, 2021, the law required both state and locally imposed taxes be collected and remitted based on delivery destination, essentially “leveling the playing field” between remote and brick-and-mortar businesses. The County began receipting additional tax revenue with its April 2021 distribution. Following a revenue decline in FY2020, due to pandemic-related closures, collections rose notably in FY2021.

Impact of Level the Playing Field on Sales/Use Taxes



Budgeting was initially challenging because the impact on sales tax receipts is determined by the online shopping habits of the locality, for which the County had no historical data to use as a basis. Additionally, a decrease in Use Tax revenues was expected as some previously collected Use Taxes are now remitted as Sales Tax; although, the increase in Sales Tax revenue has outweighed the loss of Use Tax revenue.

The number of business taxpayers registered with the Illinois Department of Revenue (IDOR) for Champaign County sales grew from 1,230 in 2020, to 4,810 in 2022.

In FY2021, IDOR listed the following businesses as the top contributors to the County’s one-cent sales tax revenues. For the first time ever, Amazon.com was listed in the top-ten filer report.

- | | |
|-----------------------------|----------------------------|
| RICHARDS BUILDING SUPPLY CO | ILLINI FS |
| PRAIRIE GARDENS INC | COUNTRY ARBORS NURSERY INC |
| ROAD RANGER LLC | PILOT TRAVEL CENTERS LLC |
| DCC PROPANE, LLC | CIT TRUCKS LLC |
| AMAZON.COM SERVICES LLC | AMAZON.COM SERVICES LLC |

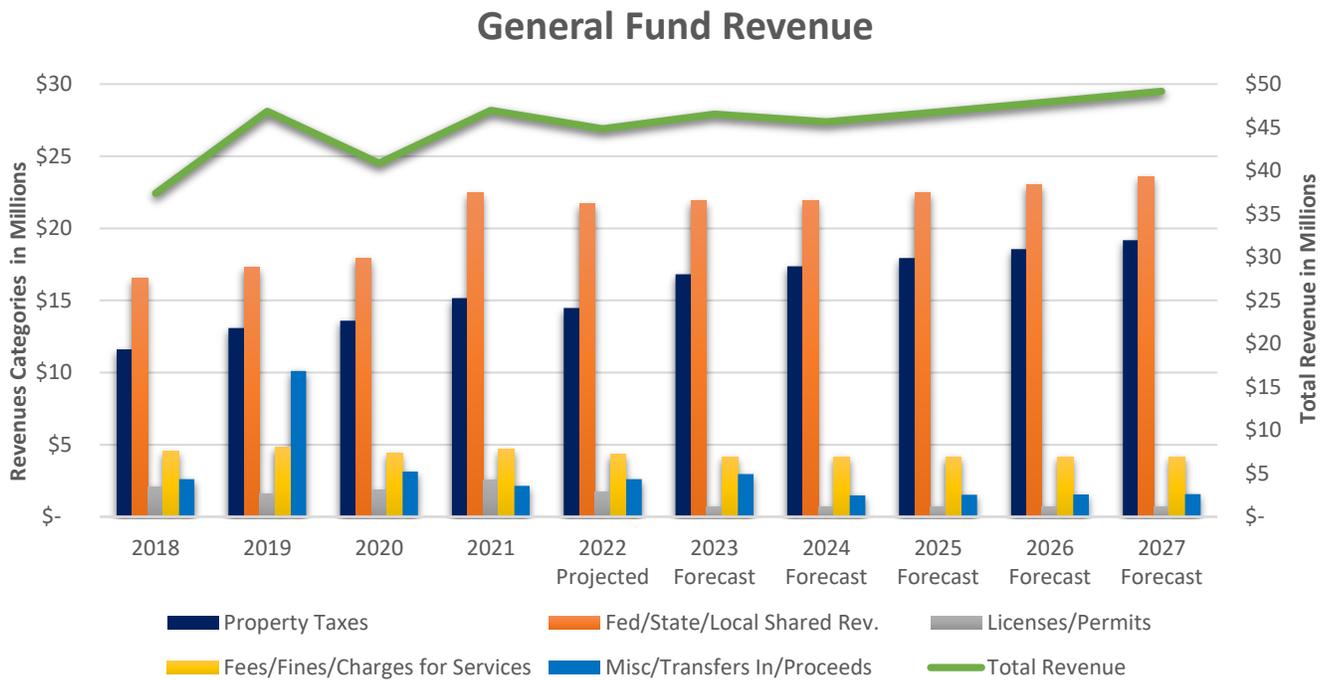
As the County began to better understand the financial impact of the new legislation on its revenues, it was determined the increased capacity could support the addition of seven General Fund positions in the FY2022 budget. In addition, two positions that had been moved to the Recorder’s Automation Fund due to budget cuts in FY2016, were moved back to the General Fund.

General Fund

Revenue

Forecast Assumptions

Revenue assumptions are based on historical averages, information provided by outside sources such as IDOR and the Illinois Municipal League (IML), contracts and agreements, transfers, and anticipated growth or decline based on economic and legislative factors. Because the County has limited control over most of its revenue sources, fiscal year revenues guide General Fund budgeting. The General Fund is the greatest contributor to the Capital Asset Replacement Fund; therefore, funding necessary for the County’s technology, facility, and equipment plans determines the level of transfer in each fiscal year.



Federal, State, and Local Revenue

This category, which includes grant revenue, is the principal source of General Fund revenues. Approximately fifty percent of the revenue stream is produced from sales taxes, including one-cent, cannabis, quarter-cent, and use tax. As previously explained, sales taxes have generated additional permanent revenue.

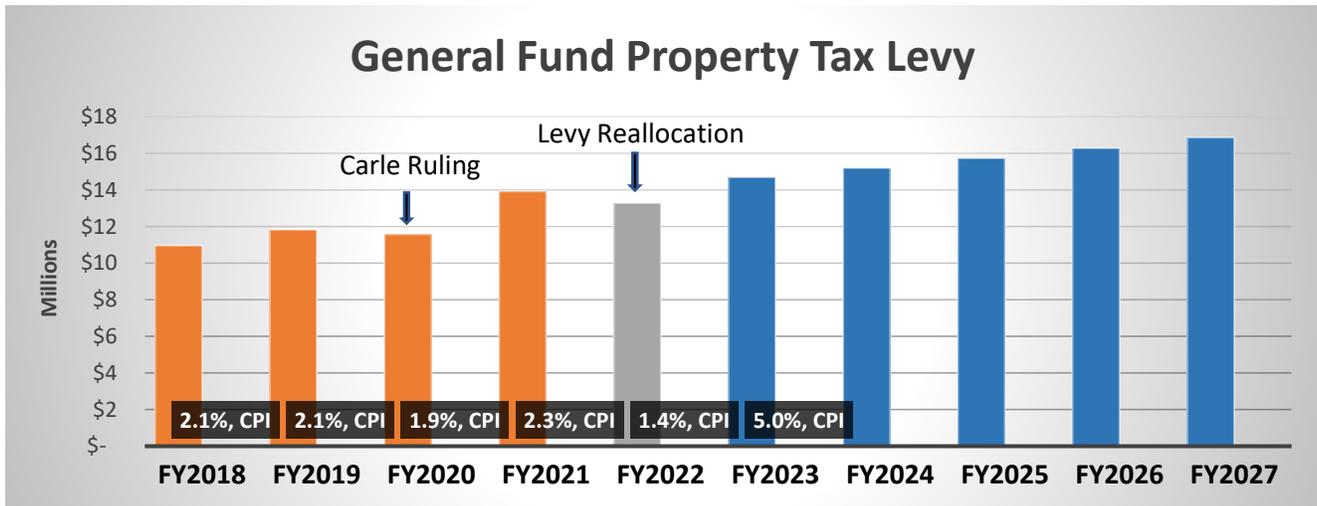
Income and Personal Property Replacement Tax (PPRT) have reflected solid growth due to increased business and individual income tax receipts. According to IDOR, increases are attributed to both genuine growth and legislative changes, with several corporate loopholes being eliminated mid-2021.

Property Taxes

The second principal source of General Fund revenue is property taxes. The County has relied on consistent increases in property tax revenues primarily due to inflationary growth allowed under PTELL, and new property added to the tax rolls. The CPI increase for taxes to be levied in 2022, paid in FY2023 is 5%.

In the chart below, the decrease in property tax revenue in FY2020 is the result of the County’s court-ordered payment to Carle Foundation Hospital, which was treated as a revenue reduction in the financials. It should be noted the County has not set aside funds for potential liability regarding outstanding hospital property tax exemption cases, and any ruling against the County in these cases would come from fund balances.

At the end of FY2021, obligations still owed by the former Champaign County Nursing Home to other County funds totaled \$4.72 million. In FY2022, the home’s former operating levy was reallocated to the liability levy, with reallocation back to the General Corporate levy expected in FY2023.



Other Revenues

Elimination of cash bail in Illinois, beginning in 2023, is expected to impact County revenues. According to a study conducted by The Civic Federation, 70% of bond payments are used to pay for court-ordered costs.⁶ While 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.

With the implementation of a modern financial system, the County has the capability to implement more appropriate financial reporting processes. Beginning with the FY2023 budget, the County will handle the state’s portion of revenue stamps and rental housing support program fee (RHSP) revenues, and subsequent remittances, as due from and due to others. This will more appropriately eliminate the pass-through portions of the funds from the budget and treat them as balance sheet transactions.

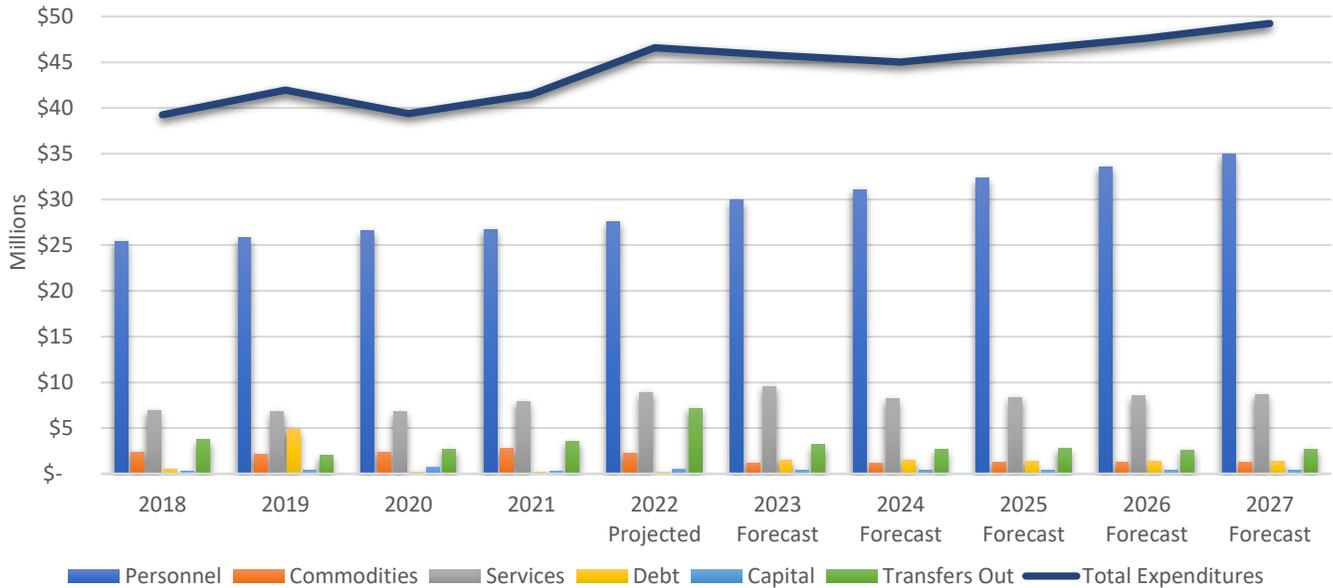
⁶ https://www.civicroad.org/sites/default/files/executive_summary.pdf

Expenditure

Forecast Assumptions

Expenditure assumptions are based on historical trends, anticipated increases in wages and health insurance costs, contracts, agreements, known and anticipated debt service payments, and strategic funding per the County’s capital and technology plans.

General Fund Expenditure



Personnel

Personnel expenditures include wages and health insurance and account for the largest percentage of the General Fund budget. IMRF, workers compensation and FICA expenditures are budgeted in separate funds. It is anticipated the County will underspend personnel appropriations in FY2022 due to turnover and vacancies. At the time of this writing, wage increases are not set for AFSCME, FOP, and non-bargaining staff for FY2023 and beyond; therefore, historical average increases are used for forecast purposes. Health insurance rates are also unknown; however, based on recent information regarding the County’s insurance loss ratio, a twelve-percent increase is assumed for FY2023 and a seven-percent increase thereafter.

The County is in the process of conducting a workforce study to review its job descriptions, hiring processes, wages and benefits, retention, and other recommendations for improving equity, inclusion, and diversity. Funding for implementation of any recommendations has not yet been specifically identified.

Commodities and Services

Historically, the County’s largest commodity expense was the state’s portion of pass-through funds for revenue stamps. As previously explained, the County will no longer be budgeting to remit revenue stamp and RHSP fees; therefore, those expenditures are not forecasted beginning in FY2023. Out of County boarding will continue during the jail consolidation project at a forecasted cost in FY2023 of \$1.5 million and \$750,000 in FY2024. Medical, dental, and mental health services, utility costs, and METCAD fees represent significant services expenditures and are all forecasted to increase year-over-year.

Debt

Currently budgeted in the General Fund is debt service for 202 Art Bartell Drive (Coroner’s Office/County

Clerk Elections Storage/Physical Plant Operations building). The debt certificate matures at the end of FY2024. The Forecast includes additional debt service payments beginning in FY2023 based on a 20-year, \$20 million issue for County Plaza renovations.

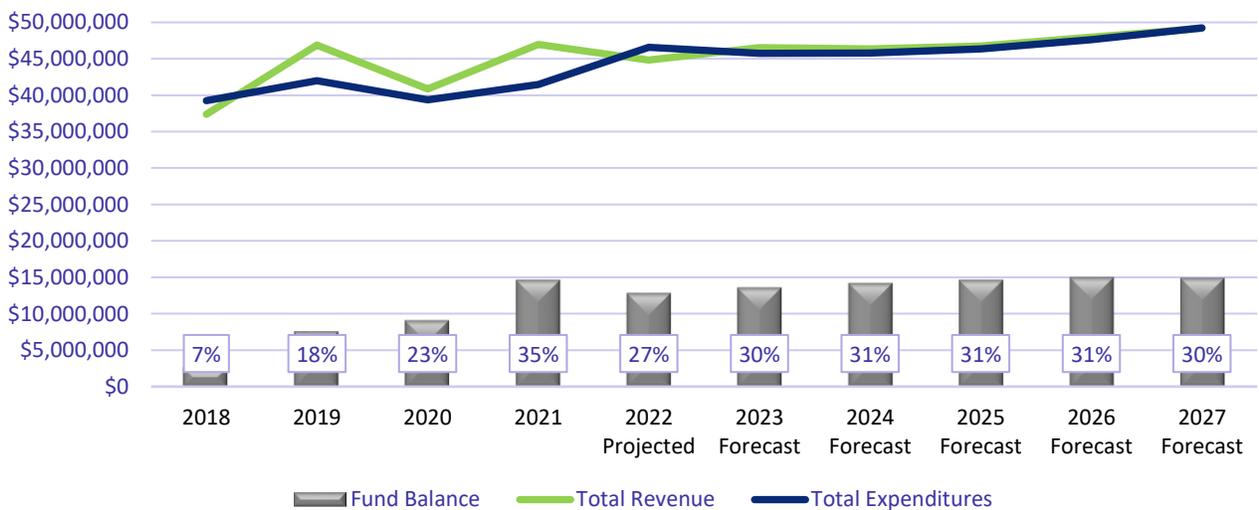
Transfers

The forecasted transfer to CARF includes current (no reserve) funding for items scheduled for replacement per the CARF schedule, recurring software costs including the ERP, and strategic funding per the Capital Facilities and Technology plans. As the County navigates the budget process it prioritizes and determines revenues available to either partially or fully fund capital, facility, and technology projects.

General Fund Summary

The past few fiscal years have reflected variability in both revenues and expenditures. Future fiscal years reflect steadier trendlines as the County balances expenditures to revenues annually through its budget process.

General Fund Revenue/Expenditure Trend and Fund Balance Projection



Fiscal Year	Budget Performance Explanation
2018	The budget deficit and low fund balance is the result of a \$1.98 million transfer to the nursing home for payment of the home’s outstanding accounts payable obligations.
2019	A budget surplus was generated when \$1.98 million was transferred back to the General Fund following the sale of the home. Additional budget factors included the early receipt of AOIC reimbursement, redemption of the nursing home bond eliminating the debt service payment, posting an additional income tax distribution to the fiscal year aligning the income and use tax deposits, and underspending in personnel and services.
2020	Budget surplus driven by receipt of Coronavirus Urgent Remediation Emergency (CURE) funding.
2021 Unaudited	Due to economic uncertainty and the financial impact of the ongoing pandemic, the budget was prepared with conservative revenue estimates. Underspending, better than expected economic performance, and the boost in sales tax revenues due to Level the Playing Field legislation resulted in a budget surplus.

Fiscal Year	Budget Performance Explanation
2022	The budget was prepared with a planned revenue to expenditure deficit and a transfer to CARF for specified projects. At the time of this writing, increased revenue and underspending will likely result in a smaller deficit than originally budgeted.
2023 - 2027	Future fiscal year revenues and expenditures, and thus fund balance projections, are conceptual based on forecasted performance. Through the budget process the County may determine to use surpluses for reserve CARF funding, one-time projects, or technology and capital needs. The minimum recommended General fund balance is 16.7%, although with the recent economic uncertainty and potential liability regarding outstanding hospital property tax exemption cases, maintaining a higher fund balance is judicious.

General Fund

	2022	2023	2024	2025	2026	2027
General Fund	Projected	Forecast	Forecast	Forecast	Forecast	Forecast
Property Taxes	14,474,641	16,808,599	17,369,250	17,949,524	18,550,107	19,171,711
Fed/State/Local Shared	21,696,369	21,889,731	21,914,482	22,453,895	23,008,388	23,578,390
Licenses & Permits	1,711,588	711,588	711,588	711,588	711,588	711,588
Fees/Fines/Services	4,338,767	4,138,752	4,138,752	4,138,752	4,138,752	4,138,752
Misc. & Transfers In	2,615,450	2,961,701	2,240,117	1,513,609	1,543,460	1,574,203
Forecasted Revenue	44,836,814	46,510,370	46,374,189	46,767,367	47,952,295	49,174,643
Personnel	27,557,714	29,916,953	31,086,659	32,307,651	33,582,414	34,913,571
Commodities	2,273,788	1,196,576	1,202,823	1,209,133	1,215,507	1,221,944
Services	8,892,057	9,566,467	8,968,858	8,375,565	8,536,711	8,702,424
Debt	185,775	1,509,663	1,514,400	1,327,850	1,328,450	1,327,850
Capital	526,485	370,000	370,000	370,000	370,000	370,000
Transfers Out	7,157,674	3,204,906	2,630,253	2,754,289	2,585,950	2,704,333
Forecasted Expenditure	46,593,493	45,764,566	45,772,994	46,344,488	47,619,032	49,240,121
Forecasted Difference	-1,756,679	745,804	601,195	422,879	333,263	-65,479

Public Safety Sales Tax Fund

Revenue

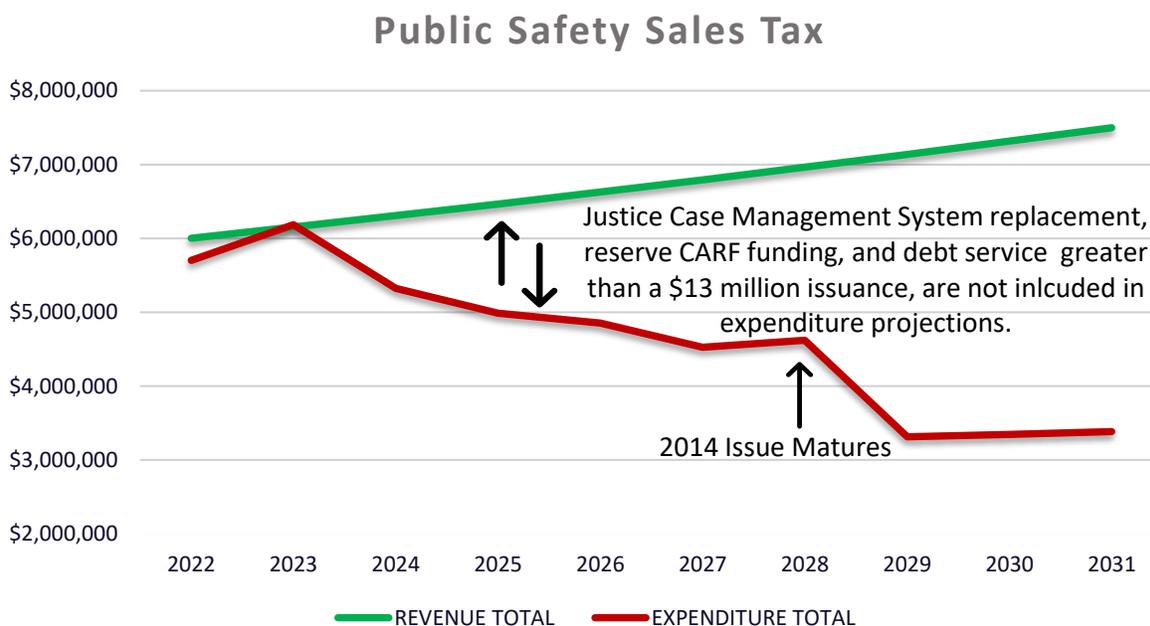
Level the Playing Field legislation previously discussed allowed for increased growth in this revenue stream in FY2021. Although it is still early in the fiscal year, 2022 revenue is anticipated to come in greater than budget. The revenue growth assumption for future fiscal years is 2.5%.

Expenditure

Debt Service is forecasted based on the anticipated issue of debt for the jail consolidation project with semi-annual debt service payments beginning in FY2023. Although the amount to be issued is inexact at this time, debt service payments are based on a \$13 million issue repaid over twenty years.

With the jail consolidation project anticipated to take 12-18 months after construction starts, the forecast includes a transfer to the General Fund for out of County housing in FY2023 of \$1.5 million and \$750,000 in FY2024. Additional expenditure assumptions include delinquency prevention funding for the Youth Assessment Center based on 5% of revenue, level Re-entry program funding, Justice Technology based on the Capital Asset Replacement Schedule, public safety utilities and facility maintenance, and jail classification wage and health insurance reimbursement.

Not included in the expenditure forecast is replacing the County’s Justice Case Management System projected in the County’s IT Plan to cost up to \$15 million, reserve CARF funding, and debt service payments for an issue in excess of \$13 million for the Jail Consolidation project.



	2022	2023	2024	2025	2026	2027
Public Safety Sales Tax	Projected	Forecast	Forecast	Forecast	Forecast	Forecast
Forecasted Revenue	6,002,000	6,155,000	6,308,750	6,466,344	6,627,877	6,793,449
Forecasted Expenditure	5,702,000	6,210,267	5,348,820	5,014,100	4,880,876	4,553,823
Forecasted Difference	300,000	-55,267	959,930	1,452,243	1,747,001	2,239,626

Capital Asset Replacement Fund (CARF)

The main revenue sources for the fund are transfers from the General and Public Safety Sales Tax funds. This fund was established to implement long term planning for facilities, technology, vehicles, furnishings, and office equipment for General Fund departments. Most items scheduled for replacement in the fund are on a five-to-seven-year cycle. The largest appropriations within the fund are for software and facilities.

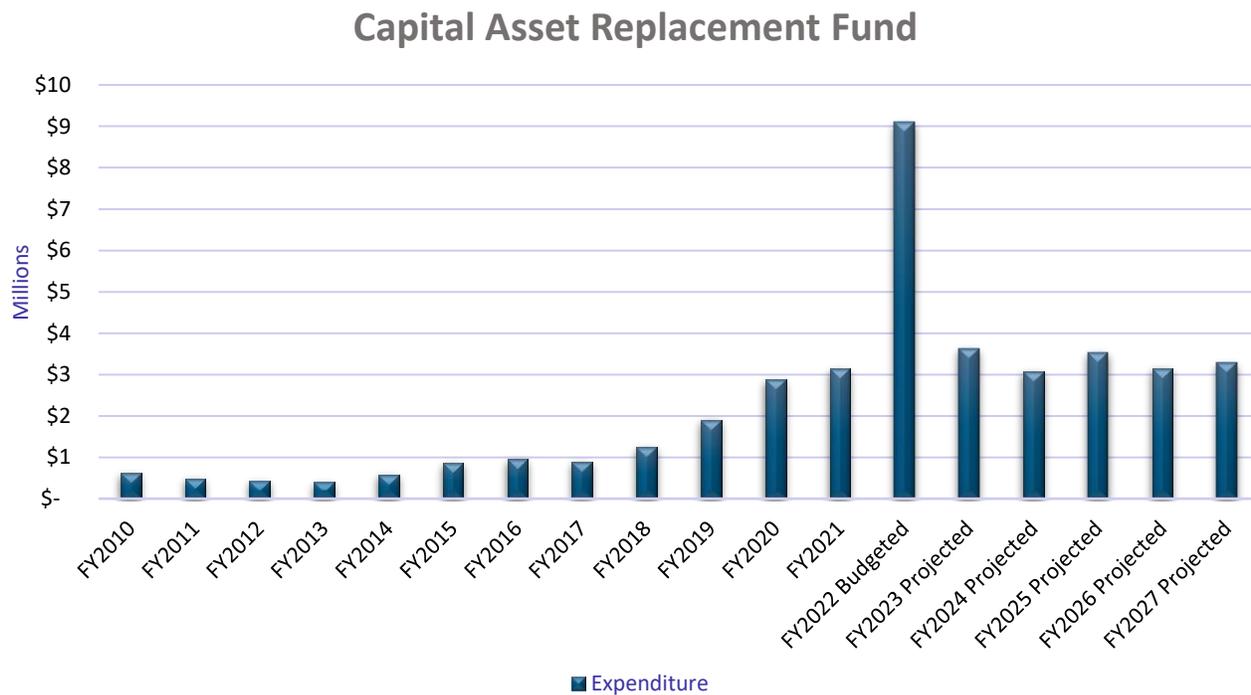
The following are not included in the projections as costs are yet to be determined:

1. Replacement of the Justice Case Management System; and
2. Relocation costs and purchase of technology, furnishings and office equipment that may be necessary for the relocation of some County offices to the newly procured County Plaza facility.

As shown in the chart below, the County has been strategically increasing its investment in facilities and technology using plans approved by the County Board.

[Champaign County Facilities Plan](#)

[Champaign County Technology Plan](#)



The FY2022 budget includes \$3.75 million for architecture and engineering services for the Jail Consolidation and County Plaza projects. Other large projects budgeted in FY2022 include network upgrades, continued implementation of the County’s Enterprise Resource Planning (ERP) system, a surveillance system for Brookens and phone system upgrades, which both may be deferred with the purchase of County Plaza.

American Rescue Plan Act Fund (ARPA)

The following is a summary of ARPA spending to date and committed funds/projects.

Projects and expenditures that have been implemented through ARPA in FY2022 include multiple County department costs: County Clerk's Office vote by mail sorting machine (\$228,960); premium pay (\$750,000); purchase of County Plaza & legal costs (\$2,000,000); and the Sheriff's Office full body scan system (\$166,251). The total projected cost \$3,145,211.

Projects, expenditures, and contracts that are in process include County Department costs, and assistance for community projects and services. These include administration (\$128,023); broadband professional services (\$85,500); Circuit Clerk partition furnishings (\$129,847); IT multi-factor authentication (\$44,383); Sheriff's Office Explorer Program (\$25,000); Sheriff's Office inmate COVID-19 testing (\$120,000); Sheriff's Office mobile command unit (\$507,531); household assistance via RPC (\$263,000); Immigrant services via UI YMCA (\$250,000); Mahomet Aquifer Mapping via UIUC Prairie Research Institute (\$500,000); mental health services via CCMHB (\$515,304); rural housing rehab via CILBA (\$250,000); sewer bill assistance via SVPWD (\$12,000); sewer bill assistance via UCSD (\$150,000); sewer bill assistance via Village of Mahomet (\$25,000); winter shelter housing services via C-U at Home (\$150,000). The total projected cost is \$3,155,588.

Champaign County projects, expenditures, and contracts that are in proposal process, negotiation, and/or approvals include county records digitization (\$475,000); State's Attorney Office digital evidence system (\$185,000); community violence intervention Crime Stoppers program (\$100,000); housing assistance through HACC (\$350,000); and rural water infrastructure projects (\$2,000,000). The total projected cost is \$3,110,000.

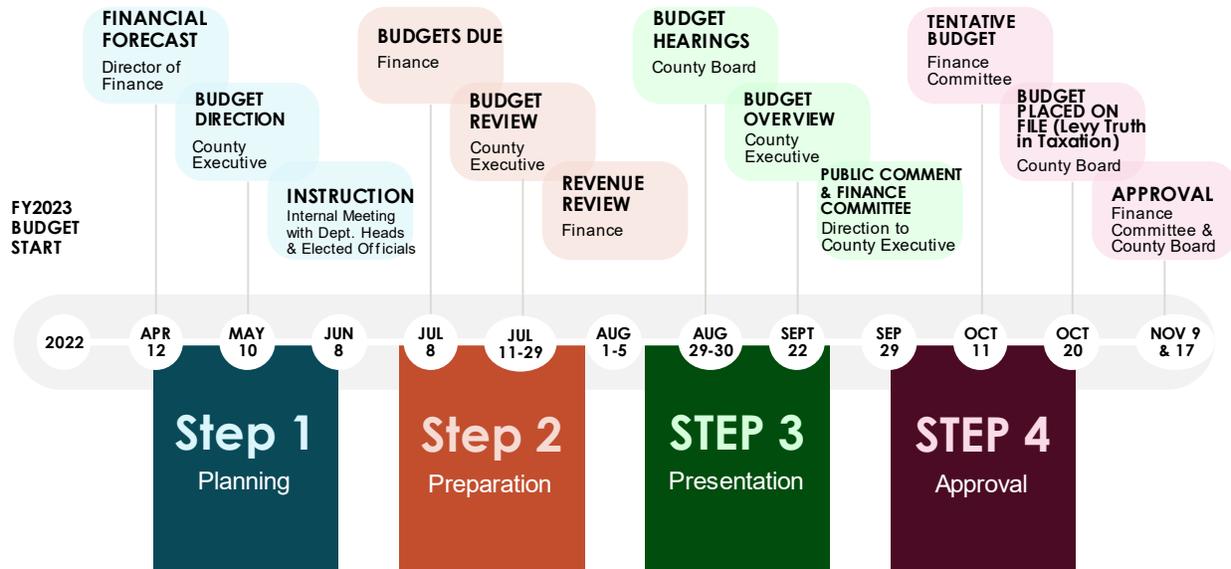
Projects, expenditures, and contracts that are budgeted for upcoming discussion include broadband initiatives (\$2,914,500); Circuit Clerk equipment and technology (\$115,055); Court Services equipment and technology (\$12,989); community violence intervention (\$1,400,000); Early Childhood Facility (\$1,500,000); Sheriff's Office camera system (\$525,000); small business assistance (\$1,000,000). The total projected cost is \$7,467,544.

A verbal commitment of \$250,000 for non-profit assistance, and \$3.5 million for urban district water projects has been made according to Executive Kloeppel. Those projects are reflected in 2023 in the chart below.

	Actual 2021	Projected 2022	Projected 2023	Projected 2024	Projected 2025	Projected 2026	Projected Totals
TOTAL INCOME	\$20,375,778	\$20,424,815					\$40,800,593
Administration	\$21,712	\$128,023	\$106,917	\$110,124	\$113,428	\$116,831	\$597,035
Affordable Housing	\$0	\$750,000	\$250,000	\$0	\$0	\$0	\$1,000,000
Broadband Project	\$0	\$3,000,000	\$0	\$0	\$0	\$0	\$3,000,000
Community Violence Intervention	\$0	\$1,500,000	\$0	\$0	\$0	\$0	\$1,500,000
County Departments	\$0	\$8,216,494	\$5,172,000	\$172,000	\$0	\$0	\$13,560,494
Early Learning Assist.	\$0	\$1,500,000	\$0	\$0	\$0	\$0	\$1,500,000
Household Assistance	\$0	\$450,000	\$0	\$0	\$0	\$0	\$450,000
Mental Health Services	\$770,436	\$0	\$0	\$0	\$0	\$0	\$770,436
Non-Profit Assistance	\$0	\$250,000	\$250,000	\$0	\$0	\$0	\$500,000
Small Business Assist.	\$0	\$1,000,000	\$0	\$0	\$0	\$0	\$1,000,000
Water Infrastructure	\$0	\$2,500,000	\$3,500,000	\$0	\$0	\$0	\$6,000,000
TOTAL EXPENSES	\$792,148	\$19,294,517	\$9,278,917	\$282,124	\$113,428	\$116,831	\$29,877,965

FY2023 BUDGET PROCESS

Champaign County



The County Executive will provide information for the FY2023 budget process in May. Budget instructions will be given to Department Heads and Elected Officials in June, followed by meetings in July to begin developing the FY2023 budget. By this time, more data will be available to better analyze revenue and expenditure performance in the current fiscal year and fine tune projections for the upcoming fiscal year.

Forecast prepared by:

Tami Ogden
 Director of Finance
 4/13/22