County of Champaign, Illinois

Financial Forecast

General Fund FY21-FY26
Public Safety Sales Tax Fund FY21-FY29
Capital Asset Replacement Fund FY21-FY29

Introduction

The Champaign County Financial Forecast projects the financial condition of the County for the current and upcoming fiscal years based on several assumptions. The Forecast focuses on the General Fund (FY2021-FY2026), Capital Asset Replacement and Public Safety Sales Tax Funds (FY2021-FY2029) and provides a context for future financial decisions and direction as the County begins the FY2022 budget process.

There are many variables that are unknown for future fiscal years such as the annual Consumer Price Index (CPI), new Equalized Assessed Valuation (EAV), health insurance rates, unnegotiated labor contract increases and Illinois Municipal Retirement Fund (IMRF) rates. It is difficult to accurately forecast beyond one year, and 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 is presented 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.

Financial Rating and Outlooks

Moody's Investors Services affirmed the County's Aa2 rating in May 2019. The sale of the Nursing Home in April 2019 resulted in the removal of the County's negative outlook. 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. Although unaudited at the time of this writing, the General Fund ending balance in fiscal year 2020 exceeds the County's established target of 16.7%. Cited as factors that could lead to a downgrade were narrowed fund balance or liquidity, contraction of the tax base or weakened resident income, and significant increases in debt or pension burden.

The 2021 Moody's outlook for US local governments is negative based on continued pressure on revenues with economic recovery anticipated in the second quarter.[1] Moody's Forecast for Illinois singles out Urbana-Champaign as having "navigated the crisis better than most," and anticipates economic recovery for the State to begin in the middle of the year largely mirroring the U.S.[2] The local government outlook from S&P is also negative with specific citations to proactive management and maintenance of higher reserves to avoid rating downgrades.[3]

Strategic Plan

The County Board approved a 6-Year Strategic Plan at its July 2019 meeting.
http://www.co.champaign.il.us/CountyBoard/CB/2019/190718_Meeting/190718%20handouts.pdf.

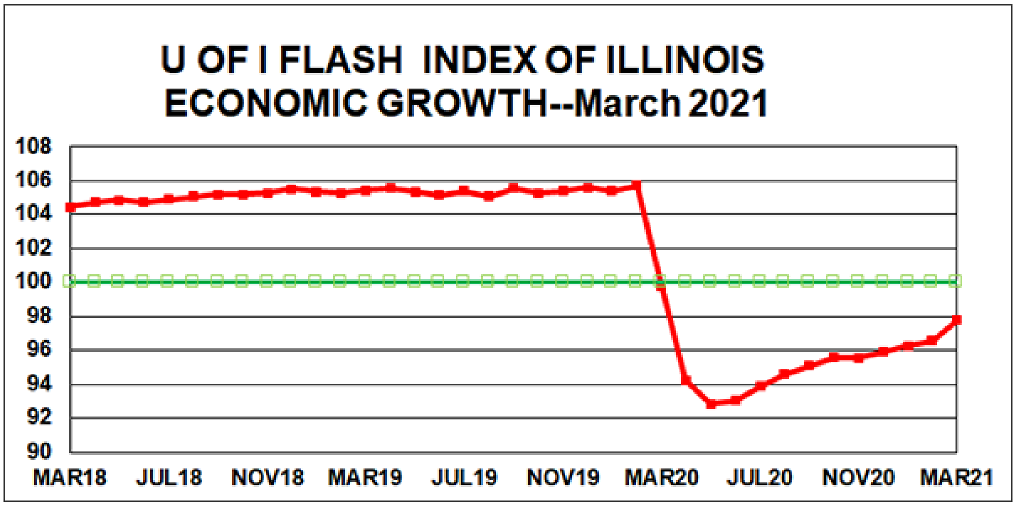
Economic Conditions

The Illinois Department of Revenue (IDOR) is using an official figure of 1.4% as the CPI for FY2022 levy calculations under the Property Tax Extension Limitation Law (PTELL), which is down from 2.3% in FY2021. The Conference Board's February 2021 Consumer Confidence Survey showed improvement over January with consumers remaining "cautiously optimistic, on the whole, about the outlook for the coming months."[4] Likewise, a March 2021 National Association for Business Economics survey shows panelists are optimistic about economic growth in 2021 with over fifty percent of respondents forecasting growth in the latter half of the year.[5]

[1] https://www.moodys.com/research/Moodys-Outlook-for-US-local-governments-remains-negative-as-revenue--PBM_1255805
[2] https://cgfa.ilga.gov/Upload/2021%20February%20Moody's%20Economic%20Forecast.pdf
[3] https://www.spglobal.com/ratings/en/research/articles/210106-outlook-for-u-s-local-governments-revenue-pressures-mount-and-choices-get-harder-11789912
[4] https://www.conference-board.org/data/consumerconfidence.cfm
[5] https://www.nabe.com/NABE/Surveys/Outlook_Surveys/March_2021_Outlook_Survey_Summary.aspx

In February 2021, the unemployment rate for Champaign County was 5.1%, an increase of 2.4% compared to February 2020, with Illinois and the U.S. both at higher 7.8% and 6.6% respectively.[6]

The University of Illinois Flash Index, designed to give a quick reading of the state economy, shows strong growth in March 2021; however, remains below the dividing line between growth and expansion. According to the April report, "unlike many recessions, this recovery is marked by strong pent-up demand accompanied by substantial savings."[7]



News and Highlights

1. **Rescue Funds.** The American Rescue Plan Act (ARPA) of 2021 became law on March 11, 2021 and provides additional relief to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals, and businesses. Champaign County government is expected to receive $40.7 million. At the time of this writing, the County had just begun internal discussions regarding plans for its allocation; therefore, this Forecast does not include ARPA funds as it is indeterminate how funding will be used.

2. **Local Coronavirus Urgent Remediation Emergency (CURE) Program.** In FY2020, the County received $1.3 million in grant funding for costs which were eligible for reimbursement. Funding predominantly went to the General Fund for technology and payroll expenses except for $64,000, which went to the Capital Asset Replacement Fund for the reimbursement of cough/sneeze guards.

3. **Enterprise Resource Planning Implementation.** Migration from an in-house financial system to a modern Financial & Human Capital Management software is underway with planned Go-Live for financials and human resources scheduled for September and October respectively, and budget for January 2022.

4. **Hospital Property Tax Exemption Cases.** In 2020, the Circuit Court granted Carle Foundation a refund of taxes paid for tax years 2005 through 2011. The County's portion of the refund was $1.48 million. An appeal of this decision is pending. Should the appellate court accept Carle Foundation's position on appeal, the County faces the risk of paying an additional refund for tax year 2004, and prejudgment interest. Two other cases seeking refund of property taxes paid by local hospitals are pending in the Circuit Court. The potential liability associated with one of these two cases is significantly smaller. The County does not have funds in reserve for this potential liability. Should the defendants' position prevail on appeal

[6] https://www2.illinois.gov/ides/LMI/Pages/Current_Monthly_Unemployment_Rates.aspx
[7] https://igpa.uillinois.edu/Report/flash-index-march2021

in the Carle Foundation lead case, the County could be entitled to a return of some or all the refund previously paid and reduced potential liability in the other two cases.

5. **Criminal Justice Reform Legislation**. Public Act 101-0652 could have a measurable impact on County finances. While the County will incur additional costs for training, staffing, equipment, and recordkeeping to meet the new mandates, it also anticipates revenue declines associated with abolition of monetary bail and elimination of certain fines and penalties.

Financial Challenges and Issues

The County faces many of the same financial pressures it has identified in previous years.

1. **State of Illinois**. State legislative and administrative decisions continue to impact County revenues.

    a. Income Tax. From July 2017 through June 2018, the state legislature imposed a "one-year," 10% reduction to Local Government Distributive Fund (LGDF) revenue. The cut was reduced to 5% from July 2018 through June 2020 and discontinued in July 2021. These cuts have cost the County \$690,000 in total. In his SFY2022 State Budget Address, Governor Pritzker proposed reimplementation of the 10% Income tax cut.

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    b. Personal Property Replacement Tax (PPRT). PPRT was designed to provide a revenue source for local governments to meet pension obligations, pay outstanding debt, and otherwise was an unrestricted source of funding for local government operations and services. The State's diversion of PPRT funds has reached \$312 million in SFY2021. Diversions have continued to increase since implementation in 2009 (\$21.6 million), resulting in less revenue being distributed to local governments.

    c. State Collection Fee. The legislature implemented a 2% collection fee on the County's Public Safety Sales Tax effective July 2017. This fee was reduced to 1.5% in July 2018 and is expected to be permanent. Since its inception, the fee has diverted \$288,000 in County funds that could have been used for public safety services.

    d. State Reimbursement and Funding. The Administrative Office of Illinois Courts (AOIC) reimburses the County for a portion of Juvenile Detention and Court Services personnel costs. After several years of declining reimbursement, which put a burden on County funds, the State increased funding in SFY2020. The timing of funding distribution often impacts General Fund year-end actuals as reimbursement is both inconsistent and delayed between six and nine months making it difficult to budget accurately.

    e. Property Tax Reform. Property tax reform legislation continues to be proposed at the state level. At the time of this report there were several pieces of legislation related to property tax extension limitation reductions and freezes. Although legislation introduced in prior fiscal years has been unsuccessful, it is important to recognize the impact to County revenues if additional restrictions are imposed. The County is already limited to increases under the Property Tax Extension Limitation Law (PTELL). Additional limitations imposed by new legislation would jeopardize the consistent and reliable growth the County relies on from one of its largest and most stable revenue sources.

f. Level the Playing Field. This legislation, effective 1/1/2021, is expected to have a favorable impact on County sales tax revenues as it requires both state and local sales taxes be imposed where a product is delivered.

2. **Infrastructure Needs**. Deferral of infrastructure investment is something that Moody's is following at the state and local level as it could lead to a form of soft debt. A Champaign County Facilities 10-Year Capital Plan was approved in 2018, amended in 2020[8], to address the County's backlog of deferred maintenance. Through this plan the County has been strategically investing in its facilities. The Sheriff's Office and downtown Correctional Center are not included in the 10-Year Capital Plan. Per a 2015 Facilities Condition Report, this facility was categorized as poor, and has continued to deteriorate over the past six-years. The 0–5-year Deferred Maintenance Backlog (DMB) is $2.9 million, and the 5-25-year DMB is $9 million. It is essential for the County to resume discussions regarding a plan for this facility.

3. **Technology Needs.** In December 2019, the County Board approved a Six-Year Information Technology Plan.[9] Many of the items scheduled for 2021 implementation have been deferred to 2022 as the County implements its ERP system. The County received grant funding in FY2021 for a significant portion of the cost to replace the Law Enforcement Records Management System (currently Area-wide Record Management System or ARMS) and METCAD Dispatch software, which is a joint venture with other law enforcement agencies. The costliest system to replace (currently scheduled for FY2022) is the Justice Case Management System. Per the plan the cost estimate is $15 million. A funding source for this replacement has not been identified.

4. **Health Insurance Costs**. Rising health insurance costs continue to be a concern. The FY2021 premium increase is 7%, with the three- and five-year average increases at 4.5% and 5.6% respectively. The County's Labor Management Health Insurance Committee will receive initial renewal rates for FY2022 in July.

[8] http://www.co.champaign.il.us/FacilitiesPlans/PDFS/10-Year_Capital_Facilities_Plan.pdf
[9] http://www.co.champaign.il.us/CountyBoard/Budgets/2021Budget/Final/Pages/technologyplan.pdf

General Corporate Fund

Forecast Assumptions

Revenue assumptions are believed to be conservative and are based on historical averages, projections provided by outside sources, and anticipated growth or decline based on economic and legislative factors, contracts or agreements, and transfers. Because the County has limited control over most of its revenue sources, fiscal year revenues largely guide General Fund spending.

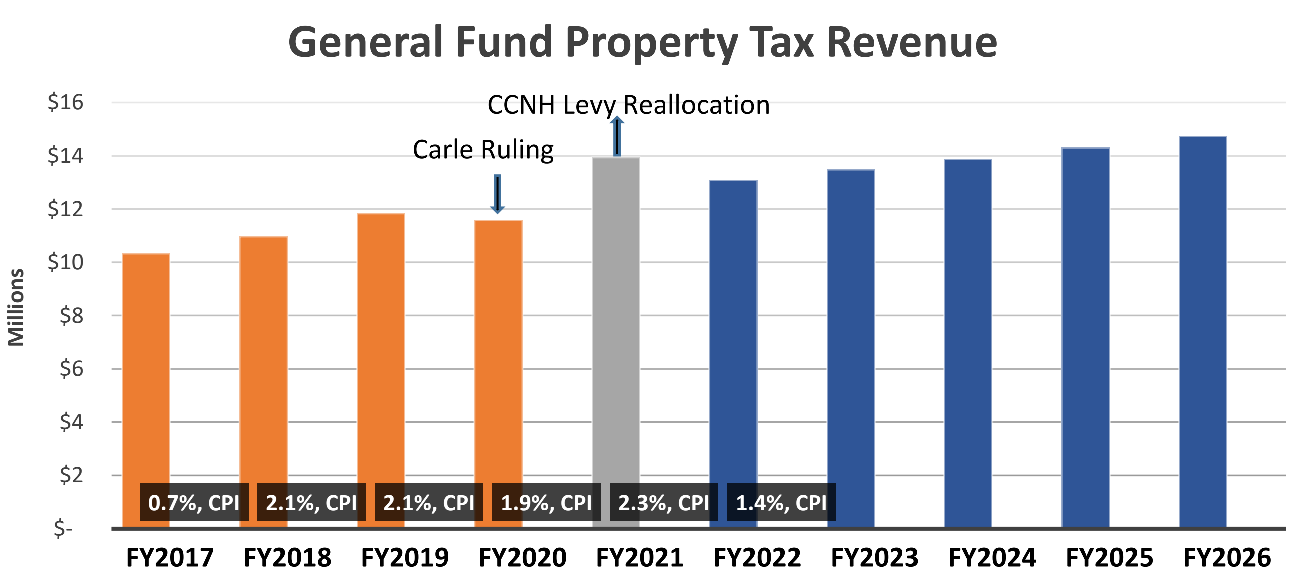
There will be growing pressure on General Fund revenues to cover expenditures as the County focuses on its investment in facilities, technology, and its workforce.

Revenue

Local Taxes. Property taxes are the predominant revenue source in this category. As reflected in the chart below, 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 FY2021, paid in FY2022 is 1.4%. In FY2020 the Carle Foundation ruling was treated as a revenue reduction, an impact of -$531,000 for the General Fund. In FY2021 the former Nursing Home operating levy was reallocated to the General Fund in order to remove the $1 million loan on the balance sheet and address some of the obligations owed by the Home. Future fiscal year revenue forecasts for property taxes do not include this levy reallocation in the General Fund as it has not yet been determined how the levy will be reallocated.

Once constructed, a planned 150MW solar farm in Sidney Township is expected to generate $737,000 in recurring property tax revenue for nine jurisdictions in Champaign County including $94,000 for Champaign County government. At the time of this writing, construction is set to begin in the summer of 2022.

Other local tax revenues in this category including hotel/motel, auto rental, penalties, mobile home, and back taxes, which are forecasted based on historical averages.



State Shared Revenue

- **Sales Tax.** Level the Playing Field Legislation was effective January 1, 2021. In April the County received its first distributions (for January collections), which reflected the application of state and local taxes at the point of delivery. Budgeting for the impact of the new tax structure on sales tax revenues, as well as weighing in the continued effect of the pandemic was challenging. The County conservatively budgeted for sales tax revenues; however, based on January 2021 collections it is expected revenues will perform significantly better than budget.

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  - In FY2020, **Quarter-Cent sales tax** revenues reflected a decline of 7.3% compared to FY2019. While October-December 2020 collections reflected losses compare to the year-ago periods, January collections were up 13.6% compared to the prior year month. Moderate increases in future fiscal years are forecasted.

  - The County's **Sales Tax** line now includes both **One Cent** and **County Cannabis** tax revenues. The County Cannabis tax was imposed beginning in July 2020. Because there are fewer than five cannabis retailers, the County is prohibited from disclosing total cannabis tax revenues.

    One-cent sales tax revenues fell so significantly in FY2020, that total sales tax revenue in this line was down 5% compared to budget even with the addition of unbudgeted Cannabis revenues. For one-cent sales tax, eleven out of twelve months in FY2020 reflected declines compared to the prior year period; however, the April 2021 distribution (January collection) was up 46%. Moderate increases in future fiscal years are forecasted.

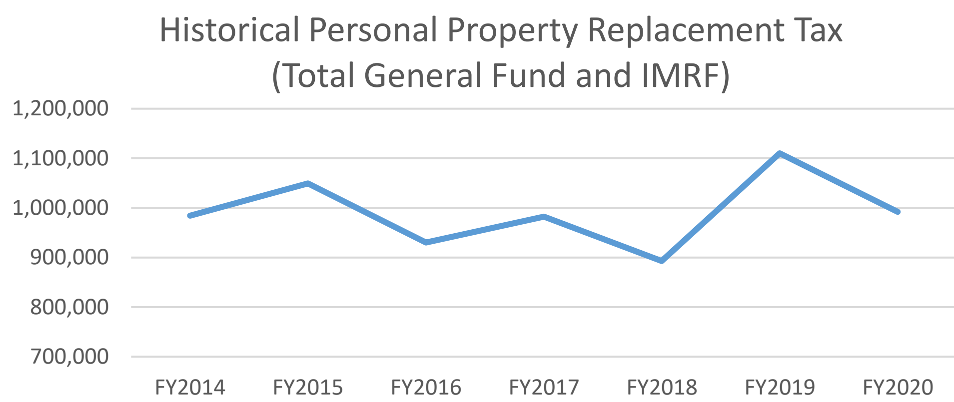
    County's Top Ten 2020 One-Cent Sales Tax Contributors

Staley Concrete	Richards Building Supply	Prairie Gardens
LS Building Products	Road Ranger LLC	Sport Red-Mix LLC
DCC Propane LLC	CIT Trucks	Illini FS
County Arbors Nursery		

  - Consistent increases in **Use Tax** revenue since 2010 correlate to growth in e-commerce sales, with FY2020 revenue reflecting 29% growth over FY2019. Significant changes in consumer behavior during the pandemic positively affected this revenue stream, while Level the Playing Field legislation is expected to negatively impact Use Tax revenues beginning in FY2021. The Illinois Municipal League (IML) projects revenues could fall between 25% and 50%, although there is no data yet available to support the projections. The Forecast assumes revenue will come in as budgeted in FY2021 with nominal increases in future years.

- **Income Tax** revenue has not reflected the significant declines originally anticipated as a result of the pandemic. The estimates provided by IML in September 2020, were $92 per capita for calendar fiscal year (used for FY2021 Budget). Current IML estimates are $112.40 per capita. This could result in as much as $645,000 in additional County revenue in FY2021. The Forecast assumes modest growth of 2.25% in future fiscal years. In his SFY2022 State Budget Address, Governor Pritzker proposed reimplementation of the 10% cut, which is not factored in to the Forecast.

- **Personal Property Replacement Tax** revenues came in very close to budget in FY2020. The first $124,000 of this revenue stream is required to go towards IMRF pensions. The State provides an annual estimate for this revenue; however, economic factors, State transfers to the Refund Fund, and increasing diversions prior to distribution result in significant fluctuations, as seen in the following chart, making it difficult to forecast this revenue. In FY2021 it is expected revenues will exceed the State provided estimate. Forecasted revenues are based on historical averages.



- **State Reimbursement** is predominantly for partial salary reimbursement for juvenile and court services officers. The uncertainty of the annual funding level from AOIC coupled with the delayed and sporadic disbursement of funds makes this revenue stream difficult to budget and forecast. The forecast assumes both level and consistent funding in future fiscal years.

Other Revenue

1. **Licenses and Permits** revenue predominantly comes through the sale of Revenue Stamps for real estate transactions. There is a direct correction between this revenue and the Purchase Document Stamp expenditure as the County must submit 2/3 of the revenue collected to the State of Illinois. A healthy real estate market has resulted in stable revenues in fiscal years 2015 through 2020. The FY2022 Forecast includes anticipated permit revenue of $193,000 for the planned 150MW solar farm previously mentioned.

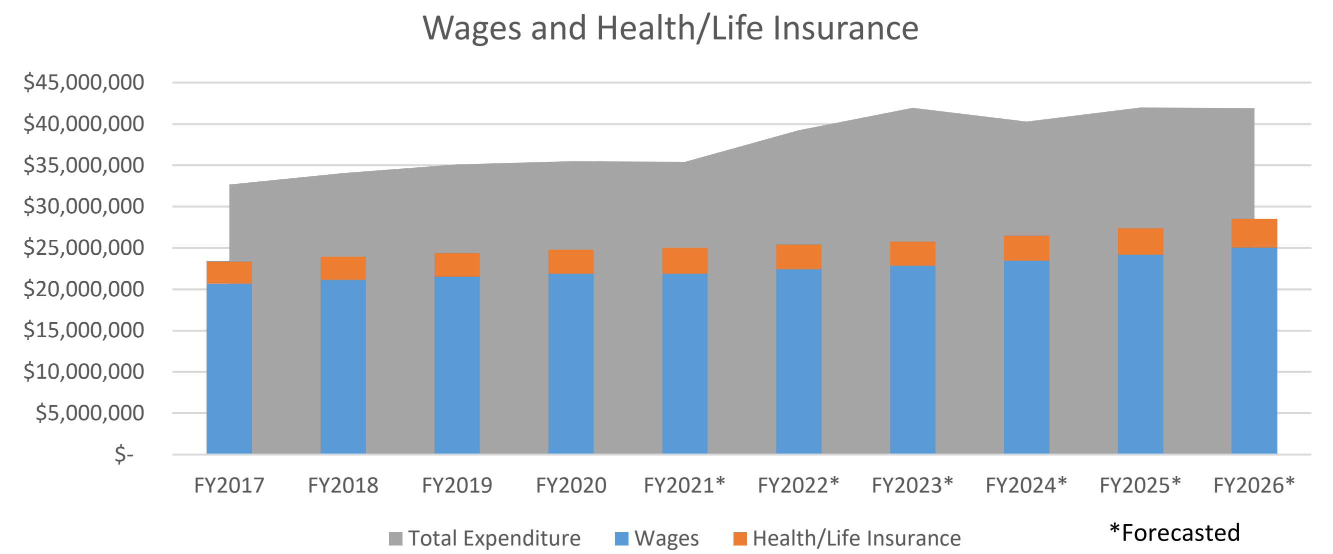
2. **Grant** revenues in FY2021 include a one-time federal grant from the Department of Justice for transitioning to a new Report Management System that is shared with other law enforcement agencies in Champaign County. The new system will be National Incident Based Reporting System (NIBRS) compliant (which is mandatory in 2021), assist with more effective communication with other public safety systems in the County, and produce enhanced data and statistics.

3. **Charges for Services (Fees), Fines and Bond Forfeitures**. This category is made up of multiple revenue streams with the largest being Circuit Clerk and Recorder fees. Total court-related fees and fines were down $700,000 in FY2020, predominantly related to the Courthouse closure and delays in resolving cases due to the COVID-19 pandemic. County Clerk fee revenues were down $60,000 largely due to fewer marriages licenses being issued because of the pandemic. Recording fees were up $208,000 correlating to the strong real estate market. As previously stated, Criminal Justice Reform Legislation is expected to impact revenue. Although the impact is uncertain, the Forecast does assimilate a reduction in the fines and bond forfeitures revenue line beginning in FY2023.

4. **Miscellaneous Revenues** consist largely of rental income and cable television franchise fees. Rental income revenue is forecasted to increase marginally year-over-year while cable television fees are flat.

Expenditure

Budgeted Personnel costs in the General Fund, including wages and insurance, account for 67% of General Fund expenditures in FY2021 (IMRF, work comp and FICA expenditures are in separate funds). Negotiated wage increases for FOP labor contracts, not including step increases, range from 2% to 3.5% in FY2022, while labor contracts for AFSCME groups are not yet negotiated. It is anticipated the County will underspend personnel appropriations in FY2021 due to turnover.



Health Insurance costs are driven by multiple factors including the composition of the risk pool, increasing cost of medical services and prescription drugs, administrative fees, claims history, and legislative and regulatory changes. Consequently, it is difficult to forecast premium increases for subsequent fiscal years. Through the efforts of the County's broker and Labor Management Health Insurance Committee (LMHIC), the County has been able to utilize market competition and plan structure changes to obtain more moderate increases than initially quoted. The Forecast projects expenditure increases of 7% in FY2022 and 4.5% in future fiscal years.

Fiscal Year	Premium Increase	Notes
2017	11.6%	Initial quote was a 51% increase
2018	2.7%	Change from Health Alliance to BCBS (PPO)
2019	2.0%	No plan changes
2020	4.5%	Increase included 2.4% for Affordable Care Act fees
2021	7.0%	No plan changes

In FY2020, health and life insurance costs were 7.5% of total General Fund expenditures.

Commodities and Services

Forty-seven percent of the FY2021 commodities budget is for the purchase of real estate transfer tax stamps as the Recorder collects a tax through the sale of stamps, and remits two-thirds to IDOR. The second largest commodity, 11% of total expenditures, is for postage. The largest single expenditure line in the services category is for Medical, Dental, and Mental Health Services. The contractual agreement for these services reflects a 2.8% increase beginning in April 2021, with the Forecast projecting a 3% increase in future fiscal years. Electric services and METCAD fees are the second and third largest services expenditures, with the Forecast projecting a 3% increase for METCAD fees.

Capital

Appropriation for replacement of Sheriff's Office squad cars is $145,000 in FY2021, with the Forecast projecting status quo. The County Clerk's Office budget includes $85,000 for the purchase of Voter Assist Terminals (VATs), with the Forecast projecting an equal appropriation in FY2022 as the Clerk agreed to defer the purchase of some equipment in 2021.

Transfers

The forecasted transfer to CARF includes funding for items scheduled for replacement per each departments CARF schedule, recurring software costs including the ERP, and scheduled funding per the Capital Facilities Plan. **Not** included in the forecasted transfer is funding for systems per the County's Technology Plan (although there is already partial reserve funding in CARF for network and phone system upgrades). Funding for technology predominantly comes from the General Fund and Public Safety Sales Tax Fund, although special revenue funds also contribute to some technology costs. As the County navigates the budget process it prioritizes and determines revenues available to fund scheduled technology projects. A more detailed discussion of CARF, and technology funding follows later in this document.

Debt

There is one debt service issue paid from the General Fund, a debt certificate issued for the Art Bartell Facility, which was refunded at the end of 2019 and will mature at the end of FY2024, relieving the General Fund of $185,000 in annual expenditure.

General Fund Forecast Summary

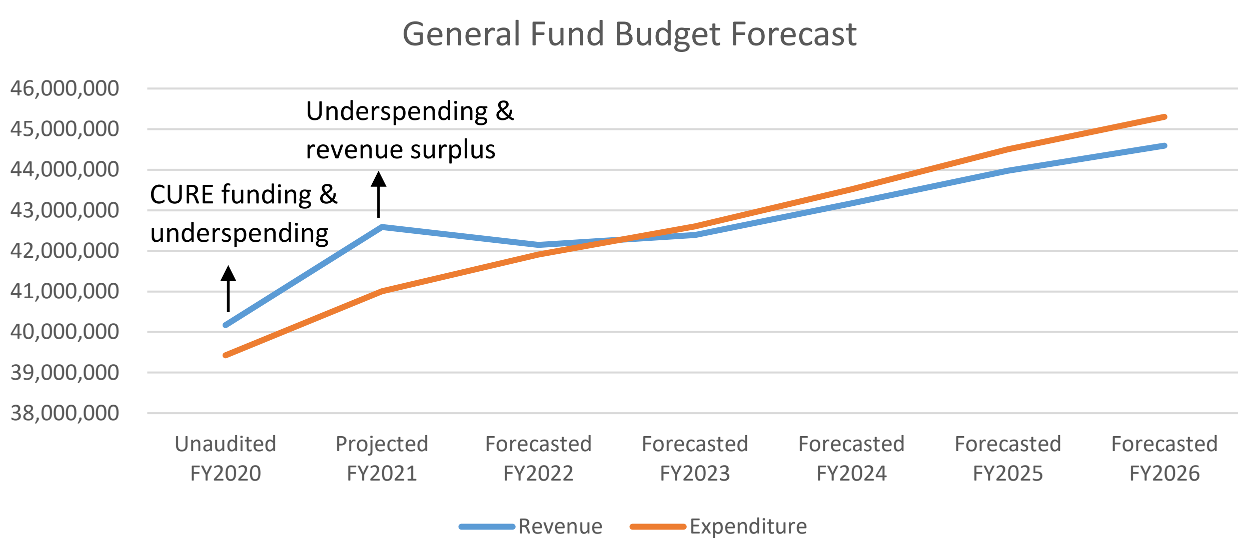
	Budget FY2021	Projected FY2021	Forecasted FY2022	Forecasted FY2023	Forecasted FY2024	Forecasted FY2025	Forecasted FY2026
Local Taxes	15,252,408	15,133,755	14,317,812	14,724,110	15,142,598	15,573,639	16,017,612
Licenses and Permits	1,653,215	1,576,112	1,845,500	1,652,500	1,652,500	1,652,500	1,652,500
Intergovernmental Revenue	882,945	875,535	558,000	558,000	558,000	558,000	558,000
State Shared Revenue	15,043,498	16,267,070	16,703,410	17,012,938	17,329,883	17,654,425	17,986,753
Local Government Revenue	766,963	748,963	764,956	781,429	798,397	815,873	633,874
Government Reimbursement	515,344	515,344	527,166	538,001	549,161	560,656	572,496
Charges for Services, Fees and Fines	4,549,172	4,330,000	4,330,000	4,015,000	4,015,000	4,015,000	4,015,000
Miscellaneous	1,415,441	1,376,159	1,398,352	1,411,072	1,423,982	1,437,085	1,450,386
Interfund Transfers and Reimbursement	1,800,398	1,767,298	1,698,779	1,700,396	1,702,081	1,703,837	1,705,667
Total Revenue	**41,879,384**	**42,590,236**	**42,143,977**	**42,393,447**	**43,171,602**	**43,971,016**	**44,592,288**
Personnel	27,919,259	27,406,488	28,536,731	29,404,114	30,300,220	31,226,055	32,182,659
Commodities	2,141,379	2,116,554	2,144,965	2,148,569	2,152,191	2,155,831	2,159,490
Services	7,947,674	7,541,251	7,990,482	8,078,018	8,167,642	8,259,413	8,353,393
Capital	230,000	230,000	230,000	145,000	145,000	145,000	145,000
Transfers	3,570,506	3,570,506	2,823,748	2,646,772	2,569,731	2,719,093	2,462,310
Debt	183,750	183,750	185,776	182,712	184,650	-	-
Total Expenditure	**41,992,568**	**41,048,550**	**41,911,702**	**42,605,185**	**43,519,434**	**44,505,392**	**45,302,852**
Revenue/Expenditure Difference	**(113,184)**	**1,541,686**	**232,275**	**(211,738)**	**(347,832)**	**(534,376)**	**(710,564)**
Fund Balance (unaudited)	**8,201,111**	**9,855,982**	**10,088,256**	**9,876,519**	**9,528,687**	**8,994,311**	**8,283,748**
Fund Balance as a % of Expenditure	**19.5%**	**24.0%**	**24.1%**	**23.2%**	**21.9%**	**20.2%**	**18.3%**

FY2020 – The receipt of CURE funding and underspending in FY2020 generated a budget surplus of $745,000.

FY2021 – Preliminary projections indicate a budget surplus in FY2021 of up to $1.5 million, largely due to projected underspending in personnel and services categories, and economic recovery resulting in conservatively budgeted revenues performing better than anticipated.

FUTURE FISCAL YEARS – It is estimated that as much as 91% of the County's expenditures grow with inflation, while only 72% of the County's revenues grow. This creates a budget imbalance that often necessitates efforts to close the gap. While working to balance the General Fund operating budget, the County must also allocate funding for its capital and technology needs, which are largely supported by a transfer from the General Fund.

As stated previously, 67% of total General Fund expenditures are for personnel costs. The County budgets for full wages, although turnover often results in underspending in personnel costs. The following chart reflects forecasting which includes budgeting for full personnel costs.



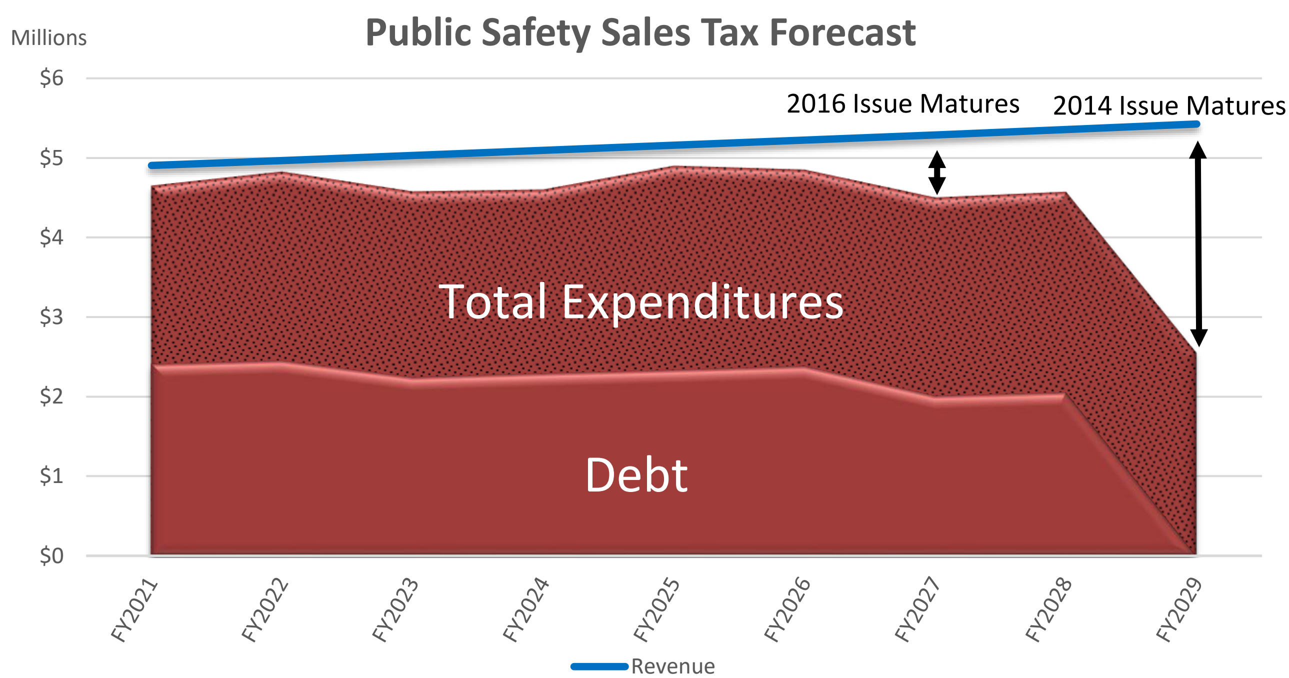
IT IS ESTIMATED THAT AS MUCH AS 91% OF THE COUNTY'S EXPENDITURES GROW WITH INFLATION, WHILE ONLY 72% OF THE COUNTY'S REVENUES INCREASE.

Public Safety Sales Tax Fund

Revenue

State Administrative Fee. This fee has resulted in $288,000 in lost revenue since implementation in July 2017.

Revenue. The tax does not apply to titled or registered tangible personal property (such as vehicles, watercraft, aircraft, trailers, and mobile homes) and qualifying food, drugs, and medical appliances. Fiscal year 2020 revenues were down 9% compared to FY2019, as a result of closures due to COVID-19. The Forecast assumes revenues will be fully restored in FY2021, followed by year-over-year growth of 1.25%. The chart below demonstrates revenue and expenditure forecasts through FY2029.



In FY2021, 49% of Public Safety Sales Tax revenue is allocated to make the principal and interest payments on the County's alternate revenue bonds.

Expenditure

Debt Service. In fiscal years 2021 through 2026, 45-49% of Public Safety Sales Tax revenue is allocated to make the principal and interest payments on the County's alternate revenue bonds. At the end of FY2022, the County will retire its 1999 Issue; however, principal payments ensue on the 2014 Issue beginning in FY2023. At the end of FY2026, the 2016 Issue will mature with the bonds paid in full at the end of FY2028.

Programs.

1. **Delinquency Prevention, Intervention and Diversion.** Five percent of annual revenue is allocated towards this programming. The FY2021 budget includes $242,500 for the Youth Assessment Center (YAC). Forecasted expenditure for fiscal years 2022 through 2029 grows based on projected revenue.

2. **Re-Entry.** Since FY2014, the County Board has contracted with a local provider for re-entry planning, management, and client services. The Forecast assumes annual funding of $100,000.

3. **Jail Classification System.** The salary and health insurance cost for the lieutenant dedicated to jail classification system oversight is appropriated from public safety funds. Incremental increases are forecasted in future fiscal years for wage and benefit growth.

4. **Specialty Court.** In FY2021, AOIC is funding the Specialty Courts Coordinator's salary; however, benefits will continue to be paid by the County.

Justice System Technology, Equipment, Public Safety Services, Utilities and Maintenance.

5. The County's costs for METCAD 9-1-1, Report Management System, and body-worn camera SaaS are partially paid with public safety funds through a transfer to the Sheriff's Law Enforcement budget.

6. Public safety buildings utilities and general maintenance is funded through a General Fund transfer.

7. Partial funding for the Courts Technology software maintenance (JANO) is paid from public safety funds. Software licensing and scheduled equipment replacement for public safety offices is appropriated as a transfer to the Capital Asset Replacement Fund (CARF).

Needs, Financial Challenges, and Issues

Public Safety Facilities Investment. The 2015 Facilities Condition Assessment Report assigned a "poor" Facility Condition Index (FCI) to the Adult Detention Center and downtown Sheriff's Office/Correctional Center. A "fair" FCI was assigned to the Emergency Operation Center, Juvenile Detention Center and Coroner's Office. As previously stated, the County's Capital Plan does not include the Sheriff's Office/Correctional Center, which has a significant Deferred Maintenance Backlog (DMB). It is essential for the County to resume discussions regarding a plan for this facility.

Technology Investment. Funding for some of the County's upcoming technology needs will require utilization of both General Fund and Public Safety Sales Tax Fund revenues. Per the Information Technology Plan, upcoming projects that could qualify for full or partial public safety sales tax funding are listed below. The following are **not** included in the Public Safety Sales Tax Forecast; however, as the County navigates the budget process it will determine revenues available to fund scheduled projects.

System	**Estimated Cost**
Jury System	$25,000
Courtroom Audio	$150,000
Phone System	$200,000
Network upgrades	$500,000
Justice Case Management	$15,000,000

Legislative Impacts. As stated previously, Public Act 101-0652 known as Criminal Justice Reform Legislation, could have a measurable impact on County finances generating increased costs while also experiencing revenue declines.

FISCAL YEAR	PROJECTED PSST REVENUE	PROJECTED PSST EXPENDITURE*	PROJECTED AVAILABLE FUNDS
2022	$4,967,178	$4,825,635	$141,543
2023	$5,029,547	$4,577,983	$451,564
2024	$5,093,467	$4,600,283	$493,184
2025	$5,158,276	$4,899,535	$258,741
2026	$5,223,293	$4,850,024	$373,269
2027	$5,289,401	$4,499,608	$789,793
2028	$5,357,365	$4,571,217	$786,148
2029	$5,426,145	$2,549,840	$2,876,305

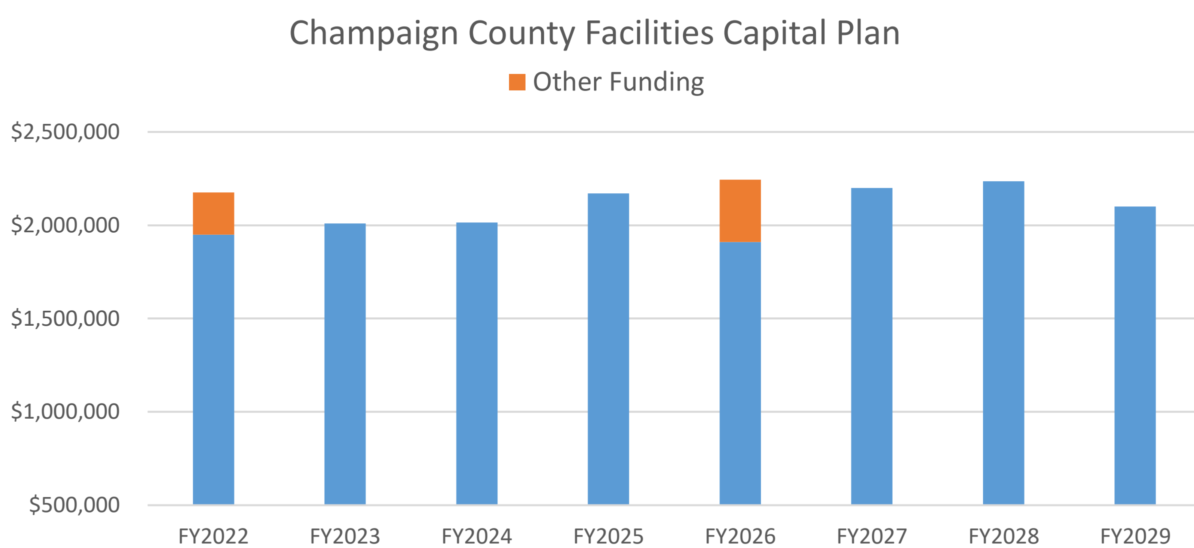
Potential funds available to address the Needs, Financial Challenges, and Issues previously stated.

*Does not include funding for legislative changes, facility needs, and system replacements previously identified.

Capital Asset Replacement Fund (CARF)

This fund was established to implement long term planning for facilities, technology, vehicles, furnishings, and office equipment for the County's General Corporate Fund departments. The main revenue sources for the fund are transfers from the General and Public Safety Sales Tax funds. The County has been strategically investing in its facilities and technology using Facility and Technology plans approved by the County Board.

The **County Facilities Plan**, previously linked in this document, was updated in November 2020, and projects an average annual investment of $2.1 million.



The **Information Technology Plan**, also previously linked in this document, was approved in 2019 and identifies system replacements through FY2025. The costliest system to replace will be the Justice Case Management System. The County currently utilizes JANO, which was purchased in 2003. Per the IT Plan, various departments report system deficiencies including the inability to generate on demand reports. Additionally, there is a lack of confidence that the current system will support eventually moving to paperless courtrooms.

Some systems identified for replacement in FY2021 have not been initiated although there is partial reserve funding for Network and Phone System Upgrades and Video Hearing System replacement within CARF. The following table identifies systems and estimated costs by fiscal year.

Fiscal Year	**FY2021 (not initiated)**	**FY2022**	**FY2023**	**FY2024**	**FY2025**
Estimated Funding	**$940,000**	**$15,140,000**	**$340,000**	**$40,000**	**$305,000**
	Network Upgrades	Appointment System	Email Archiving	Death Mgt Software	Website CMS
	Phone System Upgrade	Codification	Document Mgt/Retention	Planning & Zoning Software	FOIA Mgt.
	Animal Control/Shelter Mgt.	Agenda Management	Dynamics GP		Meeting Room A/V
	Courtroom Audio System	AS400 Replacement			
	Video Hearing (Arraignment)	Justice System Case Mgt			
	Video Evidence Mgt.	Jury System			

The forecasted transfers to the Capital Asset Replacement Fund from the General Fund and Public Safety Sales Tax Fund do not include:

- Reserve funding for future fiscal years
- Funding for the Sheriff's Office and downtown Correctional Center
- Funding for the projects identified above, although there is partial reserve funding for the video hearing, phone system and network upgrades in CARF.

As the County Board determines how it will utilize American Rescue Plan Act (ARPA) funds, it is advisable to consider eligible funding to address the County's facility and technology needs.

Final Thoughts

Reallocation of the former Nursing Home operating levy is not included in the Forecast. Currently, the outstanding balance owed by the Home to other County funds is $5.7 million. While the FY2021 levy will reduce this amount by $1.3 million, pending lawsuits may increase the total owed. The preliminary recommendation for FY2022 is to pay the balance owed to the Social Security Fund ($232,334) and IMRF fund ($182,643), with the remaining balance of the levy going towards self-funded insurance obligations.

In May, the County Executive will provide information for the FY2022 budget process at the Finance Committee of the Whole. Budget instructions will be given to Department Heads and Elected Officials in June, followed by meetings in July to begin developing the FY2022 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.

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