Financial Forecast
Champaign County, Illinois

FY2023-FY2028

SEAL OF THE COUNTY OF CHAMPAIGN, ILLINOIS

FEBRUARY 20, 1833

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, and unknown rates for health insurance and Illinois Municipal Retirement Fund (IMRF). 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 FY2024 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

Prior to the County's issuance of bonds in December 2022, Moody's Investors Services upgraded the County's bond rating to Aa1. This is the highest rating ever awarded to Champaign County. Cited as the basis of the upgrade is the County's very healthy financial operations. Moody's stated in its rating action that significant growth in fixed costs and/or declines in operating reserves and liquidity could lead to a rating downgrade.

- Champaign County's Annual Comprehensive Financial Report for the period ending December 31, 2021, confirmed a General Fund budgetary balance of $14.7 million, or 35% of operating expenditures (inclusive of transfers out), This allowed the County to use $3.75 million of its reserves in FY2022 to finance the architecture and engineering costs of its two major facility projects, Jail Consolidation and County Plaza renovation.

- Rate setting Equalized Assessed Value (EAV) for tax year 2022 increased 8% to $4.9 billion.

- The County's IMRF plan net position improved in 2020 and 2021. A strategic move to make additional contributions towards the Elected County Officials (ECO) plan in 2022 ($550,000) and 2023 ($500,000) will drastically reduce the net pension liability of the unsupported plan.

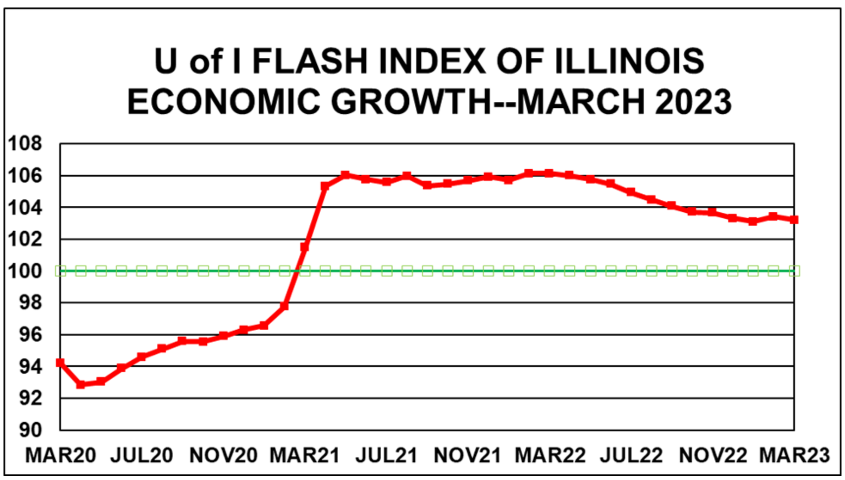
Economic Conditions

The inflationary percentage recognized by the Illinois Department of Revenue (IDOR) for FY2024 levy calculations under the Property Tax Extension Limitation Law (PTELL) is limited to 5% (reduced from 6.5%). Inflationary growth in FY2023 was also limited to 5% (reduced from 7%). This limitation can be problematic when the increasing cost of operations exceeds the ability of the County to generate enough revenue to cover increasing costs.

References to an imminent recession are a recurrent theme in public and private sector finance publications. The Conference Board's February 2023 Consumer Confidence Survey reflects declines in the first two months of the year. Senior Director Ataman Ozyildirim stated in the report "the outlook appears considerably more pessimistic when looking ahead" with consumers poised to reduce spending due to higher costs and increasing interest rates.[1] In a March 2023 report, the Conference Board stated the probability of a US recession remains elevated and is likely within the next twelve months.[2] According to the Illinois Municipal League (IML), 60-70% of economists polled predict a recession will come to fruition in 2023.[3] A publication issued by Raymond James at the end of March, following another increase in the Fed funds rate, states "a recession is just around the corner" and "there is a growing disconnect in how the market views the economy and how Fed officials see the economy."[4]

A Moody's report in January 2023 asserts that while recession is a "serious threat," and could be "self-fulfilling" based on strong pessimism, a "slowcession" is a more likely possibility.[5] In last year's economic forecast for the State of Illinois, Moody's singled out Urbana-Champaign's economy as one of the best in the region; however, in its 2023 forecast for the State, Moody's indicated the local economy has "lost steam" with the state and region catching up due to a slowing labor market.[6]

The February 2023 unemployment rate for Champaign County was 4.1%, an increase of 0.1% compared to the prior year period, with the U.S. at a lower 3.9% and Illinois at a higher 4.5%.[7]



In March the University of Illinois Flash Index, designed to give a quick reading of the state economy, is down from 106.1 to 103.1 compared to the year-ago period. The report states, "the wait for the anticipated recession later this year continues with experts placing the odds at about fifty-fifty, providing little guidance about the future."[8] For the fourth year in a row, preparation of the County's financial forecast has been particularly challenging with so much economic uncertainty, and mixed signals coming from expert sources.

[1] https://www.conference-board.org/topics/consumer-confidence
[2] https://www.conference-board.org/topics/recession/CoW-Recession-Probability
[3] https://www.iml.org/page.cfm?key=28972
[4] https://t.e2ma.net/click/k2ntbg/kmn2xab/w38jnp
[5] https://www.moodysanalytics.com/-/media/article/2022/slowcession.pdf
[6] https://cgfa.ilga.gov/Upload/2023Moody'sEconomicForecast.pdf
[7] https://ides.illinois.gov/resources/labor-market-information/laus/current-monthly-unemployment-rates.html
[8] https://igpa.uillinois.edu/march-u-of-i-flash-index-declined-slightly/

News and Highlights

1. **Investment in County Facilities** The County issued $36 million in bonds at the end of 2022 for the purpose of consolidating it jail facilities, and for renovating the former County Plaza building for the relocation of various County offices. An additional $6.4 million of American Rescue Plan Act (ARPA) funds will support the jail consolidation project. The majority of the work is planned for County Plaza will occur in FY2023, with the jail consolidation project expected to last the majority of FY2024. These investments reflect the County Board's strategic goal to maintain high quality public facilities.

2. **American Rescue Plan Act (ARPA)** The County Board appropriated $22 million of ARPA funding in its FY2023 Budget. A planned investment of nearly $10 million will support countywide broadband expansion. Funding has been allocated for affordable housing assistance, community violence intervention, county department projects, early learning assistance, water infrastructure projects, small business support, mental health services, and household assistance. More information about projects is posted on the County website Champaign County ARPA.

3. **Enterprise Resource Planning (ERP) and the County Budget** At the end of 2022, the County completed its first year on a modern financial system after transitioning from an aging in-house system. A new budget publication platform was also implemented in 2022. Through revisions to its Chart of Accounts and the increased functionality of the budget publication platform, the County was able to reduce the number of pages in its budget from 651 (FY2022) to 392 (FY2023). This is something Government Finance Officers Association Distinguished Budget Award reviewers have been asking the County to do for many years.

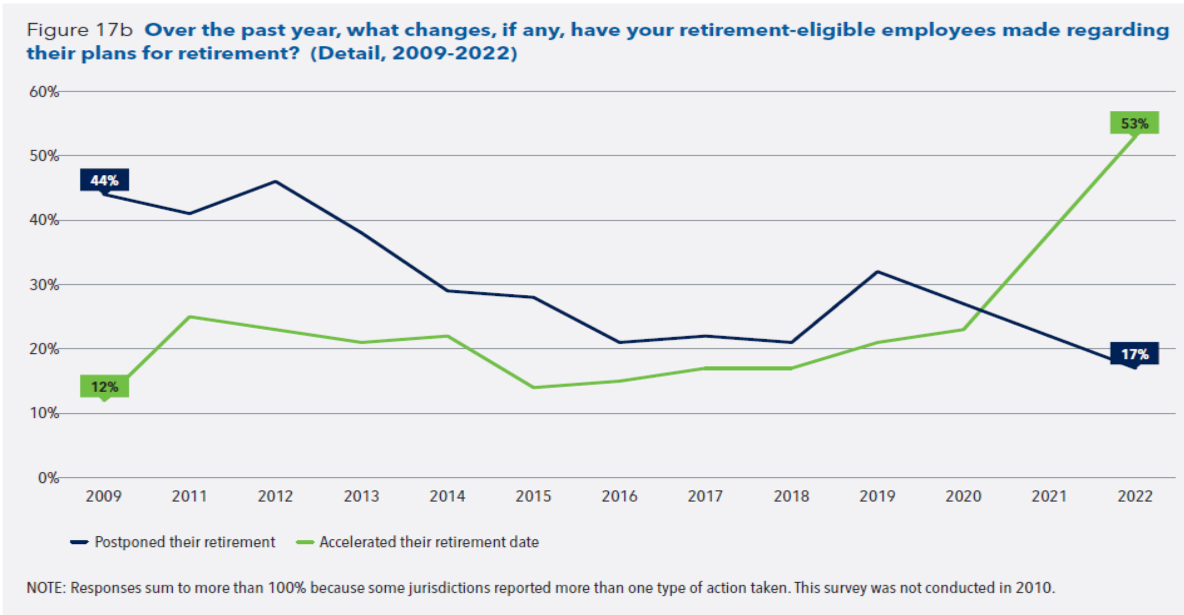
4. **Workforce Study** The County completed a Workforce Study in 2022 and held its first Study Session in March 2023 to identify next steps. As recommended by the study, the County now has a presence on all major social media platforms, has hired an intern to assist with more frequent and engaged use of social media, is developing materials to highlight the benefits the County offers to employees, is promoting job opportunities more aggressively and is offering professional development training to department heads and supervisors, with the hope of expanding to professional development for all staff in the summer.

Challenges

1. **Recruiting, Retention and Retirements** A state and local government workforce survey conducted in 2022 asserts the rate of state and local government job openings are the highest they have been over the past 20 years.[9] Champaign County has not been insulated from this experience and at the time of this writing had a total of 50 open positions (44 full-time and 6 part-time). This is up from 40 open positions in February 2021, and 20 open positions in February 2020. Policing and Corrections/Jails are listed among the top six hardest to fill positions in the report, which is consistent with the County's present vacancies inclusive of 13 Correctional positions and 9 Court Services officers.

[9] https://slge.org/wp-content/uploads/2022/06/2022workforce.pdf

Per the survey the top three reasons public sector employees listed for leaving are 1.) compensation is not competitive, 2.) retirement and 3.) lack of internal advancement opportunities.[10] The acceleration of retirement plans since the pandemic has increased dramatically, which is problematic for the public sector since its workforce tends to be older.



Source: https://slge.org/wp-content/uploads/2022/06/2022workforce.pdf

2. **Adding Additional Positions to Operating Funds** In FY2022 the County added seven new positions to the General Fund through the budget process, and one mid-year position for a total of eight. The positions were funded through increased sales tax revenue generated by Level the Playing Field legislation. In FY2023 two mid-year requests for new positions have been made and supported by the Board for the current year.

   As the County begins the FY2024 budget process, balancing requests for new positions alongside the County's need to address wage competitiveness is essential. The addition of new positions puts additional financial pressure on County funds, thereby competing with available funds to increase wages to retain current staff and recruit for vacancies. On the other hand, increasing staffing may relieve some pressure on departments that are understaffed making current staff feel less overworked. Limited revenue sources require the County to approach the addition of positions with caution as it deals with its current high level of vacancies and addresses wage competitiveness.

3. **Legislative and Administrative Changes** Decisions made at the State level continue to impact County operations as well as revenue and expenditure streams.

   - Veterans Assistance Commission
     Legislation recently passed by the State makes significant changes to the laws governing the Veteran's Assistance Commission (VAC). Discussions between the County and the VAC are ongoing

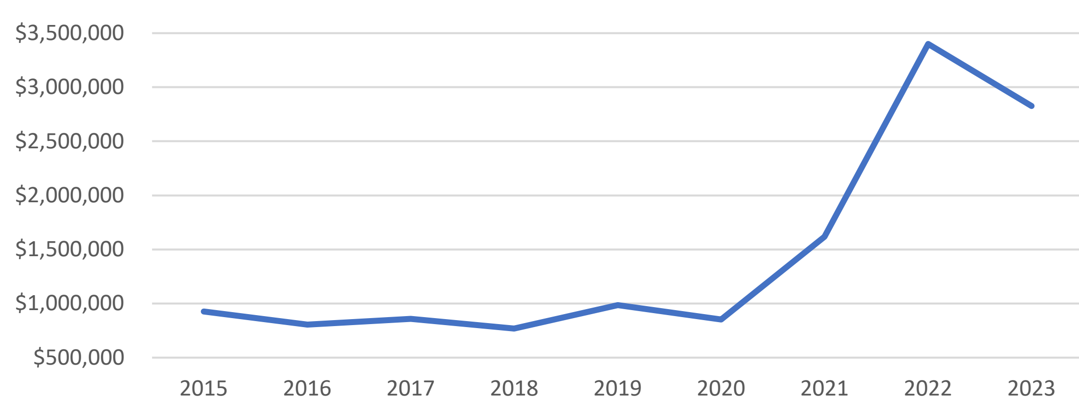
[10] https://slge.org/wp-content/uploads/2022/06/2022workforce.pdf

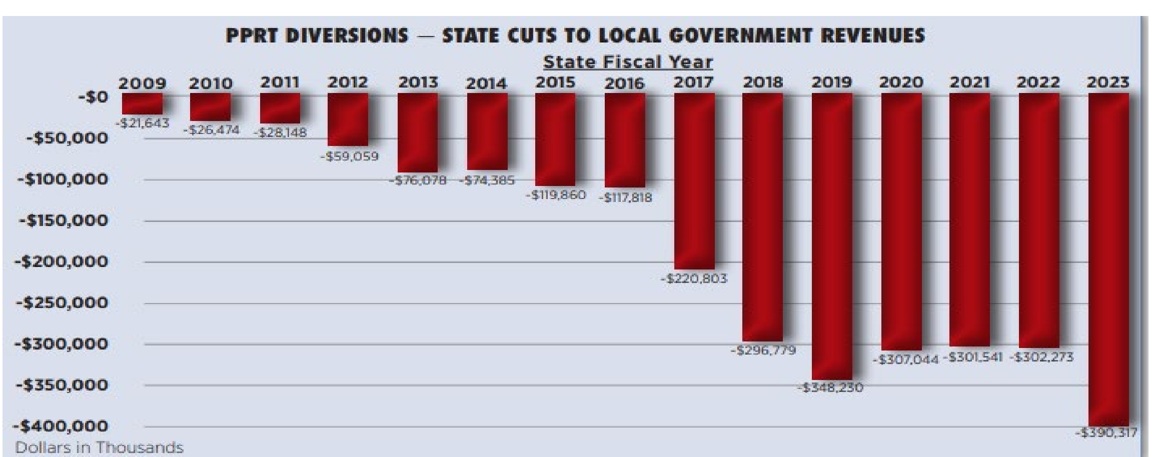
to plan for the required changes. One provision establishes a minimum annual funding requirement of 0.02% of EAV or an amount determined by the VAC to be “just and necessary.” If funding at the established minimum is required without implementation of a new revenue stream it will result in a serious financial hardship on the County.

- <u>Personal Property Replacement Tax</u>
  Although near-term legislative changes related to Personal Property Replacement Tax (PPRT) have benefited the County, the revenue stream has been volatile and difficult to budget. This revenue is collected by the Illinois Department of Revenue (IDOR) to replace money lost by local governments when their powers to impose personal property taxes were taken away. Prior to distributing to local governments, the State garnishes funds at a level that has increased significantly since 2009 and then applies a formula with 51.65% of revenues going to Cook County and the remainder being split between the other 101 counties.

  Legislation approved in 2021 eliminating corporate loopholes is expected to result in sustainable revenue levels; however, separate legislation enacted for pass-through entities causing 2022 revenue increases is not expected to be ongoing. Fiscal year 2023 revenues are adjusted down from the prior year based on IDOR and Illinois Municipal League (IML) projections. The budgeted $3.75 million revenue to expenditure deficit in FY2022 was significantly reduced largely due to unexpected growth in PPRT revenues. County fiscal year revenues exceeded IDOR’s State fiscal year estimates for Champaign County by $2 million.

Personal Property Replacement Taxes (General Fund)





Source: https://legal.iml.org/file.cfm?key=14820

- Administrative Fees
  State imposed administrative fees on local sales taxes have been in effect for six years now. The total amount of funding lost from the County's Public Safety Sales Tax has reached almost $500,000. This fee is also imposed on the County Cannabis Sales Tax.

- Criminal Justice Reform
  Legislation known as the SAFE-T Act, presently before the Illinois Supreme Court, will eliminate bond processing fees. A preliminary analysis shows County bond processing fee revenues were $72,285 in FY2022. A separate financial impact is the loss of revenue from the application of bond payments to court-ordered fees. A Civic Federation report for the Illinois Supreme Court found that 70% of bond payments were used to pay court-ordered fees.[11] The legislature has not replaced these lost revenues used to fund the offices of the circuit court clerks and other county-level court services. Reform mandates also implement changes that increase County costs while reducing County revenues.

4. **Health Insurance** Paid health insurance premiums continue to exceed paid claims year-over-year. Through the work of our Labor Management Health Insurance Committee and the willingness of our carrier BlueCross BlueShield to continue to subsidize losses, our plan increases have been sustainable. A minor plan change in FY2023 circumvented a $1 million increase. The willingness of our carrier to continue funding losses seems improbable and could lead to higher-than-average premium increases, and/or necessary plan changes in future fiscal years.

5. **Technology Investment** The County has been progressively and strategically investing in its technology. One important system still requiring evaluation is the Justice Case Management System, presently JANO. The County budgeted in 2022 and 2023 to engage outside services to study the current system to determine whether it meets the County's needs and recommend an action plan. At present no action has been taken to proceed with the study. Funding for system replacement has not yet been identified and considering the cost of replacement in conjunction with declining criminal justice fees and fines is of concern.

6. **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-L75. 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.

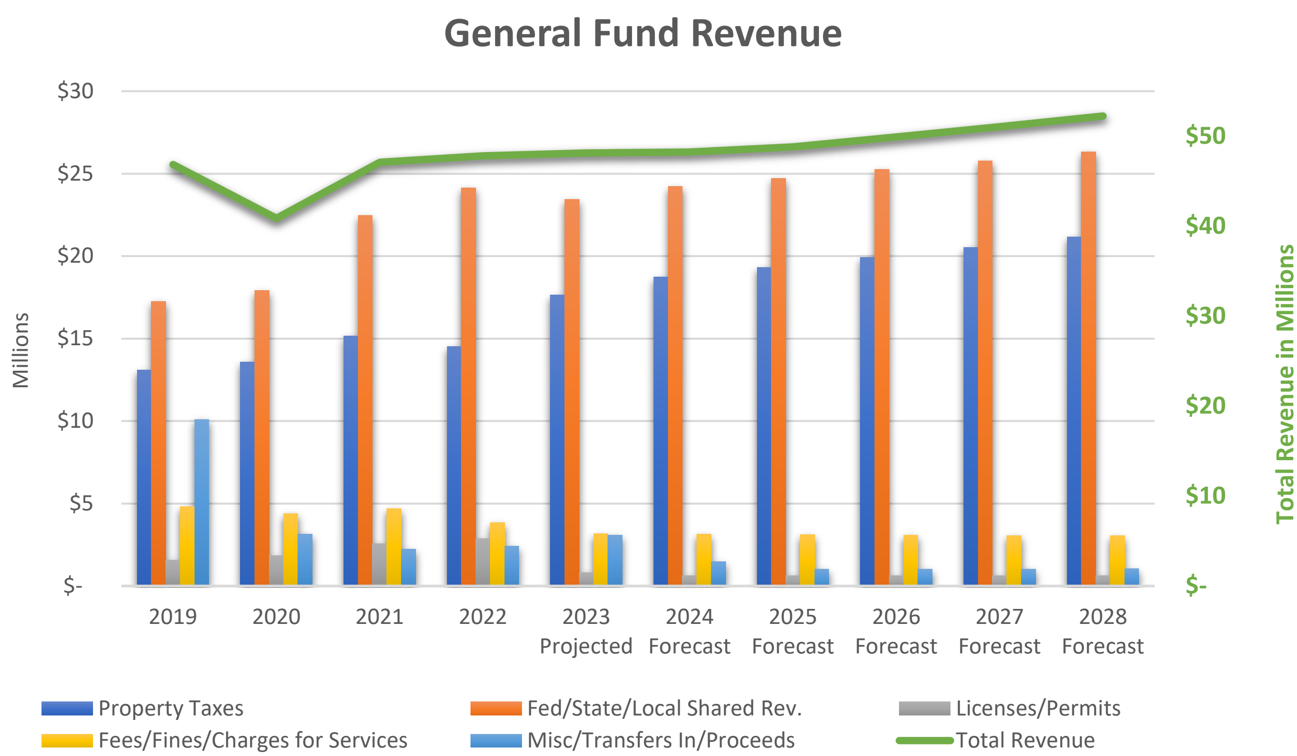
[11] https://www.civicfed.org/sites/default/files/financial_impact_of_eliminating_cash_bail_report_revised_august_2022.pdf

General Fund

Revenue

Forecast Assumptions

Revenue assumptions are based on historical averages, information provided by outside sources such as IDOR and IML, contracts and agreements, 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 must guide General Fund budgeting. Some of the expenses paid from the General Fund are eligible to be paid with Public Safety Sales Tax funds; therefore, transfers from the Public Safety Sales Tax Fund to the General Fund are often budgeted to help support the operating expenses of eligible departments. The level of transfers fluctuates annually based on the need to balance budgeted funds.



Federal, State, and Local Revenue

This category is the principal source of General Fund revenues. Beginning in 2021, sales taxes have generated additional permanent revenue largely due to legislation that imposes both state and local taxes based on the delivery destination, essentially "leveling the playing field" between remote and brick-and-mortar businesses.

The number of business taxpayers registered with the Illinois Department of Revenue (IDOR) for Champaign County sales grew from 1,230 in 2020, to 6,710 at the beginning of 2023.

With a probable economic slowdown pending, sales and income tax revenues are conservatively forecasted at 2.25% and 2.5% respectively. In 2023, IML projections for Income tax are lowered from FY2022 based on "the probability (if not certainty) of a recession," and the expectation that corporate profits will decline in tax year

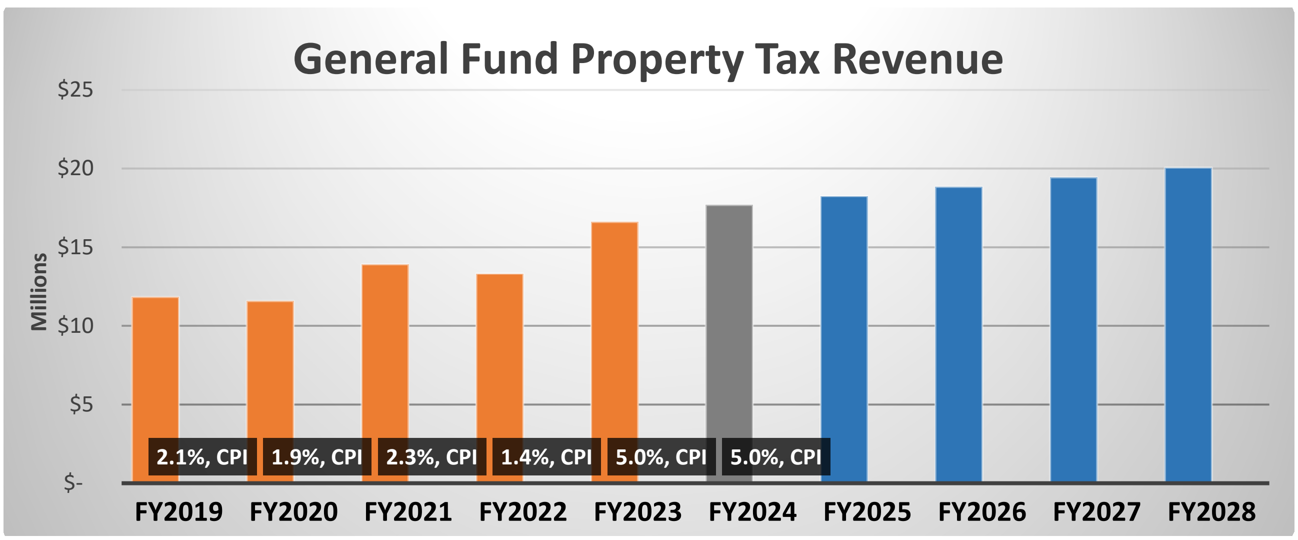
2023.[12] Personal Property Replacement Tax revenues as explained previously are expected to remain at a higher level than historical years; with a decline from the 2022 increase occurring in 2023 then leveling off in future years.

In FY2022, IDOR lists these businesses as the top contributors to the County's one-cent sales tax revenues.

Richards Building Supply Co.	Illini FS
Prairie Gardens Inc.	Country Arbors Nursery Inc.
Road Ranger LLC	National Seating & Mobility Inc.
DCC Propane, LLC	CIT Trucks LLC
Amazon.com Services LLC (4216-0952)	Amazon.com Services LLC (4345-8998)

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 2023 (FY2024) is capped at 5% (rate is 6.5%). Preliminary projections from Deloitte Insights projects CPI for 2024, taxes paid in FY2025, at 2.8%.[13] The federal administration's projections for the long-term CPI inflation rate are 2.3%.[14] Considering historical growth based on new property added to the tax rolls this forecast projects combined inflationary and new growth in the levy for fiscal years 2025-2028 at 3.2%



Fees/Fines/Charges for Services

Due to legislative changes, declines in criminal justice fees, fines, and charges are certain although the exact impact is indeterminant. In addition to declining fees and fines revenues, there has been a significant shift in fees/fines revenue allocation between County funds beginning in the spring of 2022. According to the Circuit Clerk, the JANO system began disbursing funds historically going to the General Fund to the Circuit Clerk's Operations and Administration Fund. This resulted in a significant shift in revenues from the General Fund to the special revenue fund and required several months of research and communication between the Circuit

12 https://www.iml.org/page.cfm?key=28972&parent=5224
13 https://www2.deloitte.com/us/en/insights/economy/us-economic-forecast/2022-q4.html
14 https://www.whitehouse.gov/wp-content/uploads/2023/03/ap_2_assumptions_fy2024.pdf

Clerk's Office, JANO, the State's Attorney's Office and the Auditor's Office. Two transfers were made in FY2022 to move some funds back to the General Fund; however, there is still an additional $552,000 that is deposited in the Circuit Clerk's Operations and Administration Fund that is under scrutiny. At the time of this report, the matter was unresolved.

Based on research by the State's Attorney's Office, and what is believed by the Circuit Clerk's office to be proper coding in JANO, some funds historically going to the General Fund will flow to the Circuit Clerk's Operations and Administration Fund in FY2023. A meeting was held in March with the Circuit Clerk, Auditor's Office, County Executive, Finance Chair and County Board Chair to discuss the changes and plan for moving forward. For FY2024, the County will need to determine how to handle expenses historically supported by fees and fines revenues that had been going to the General Fund and are now going to the special revenue fund.

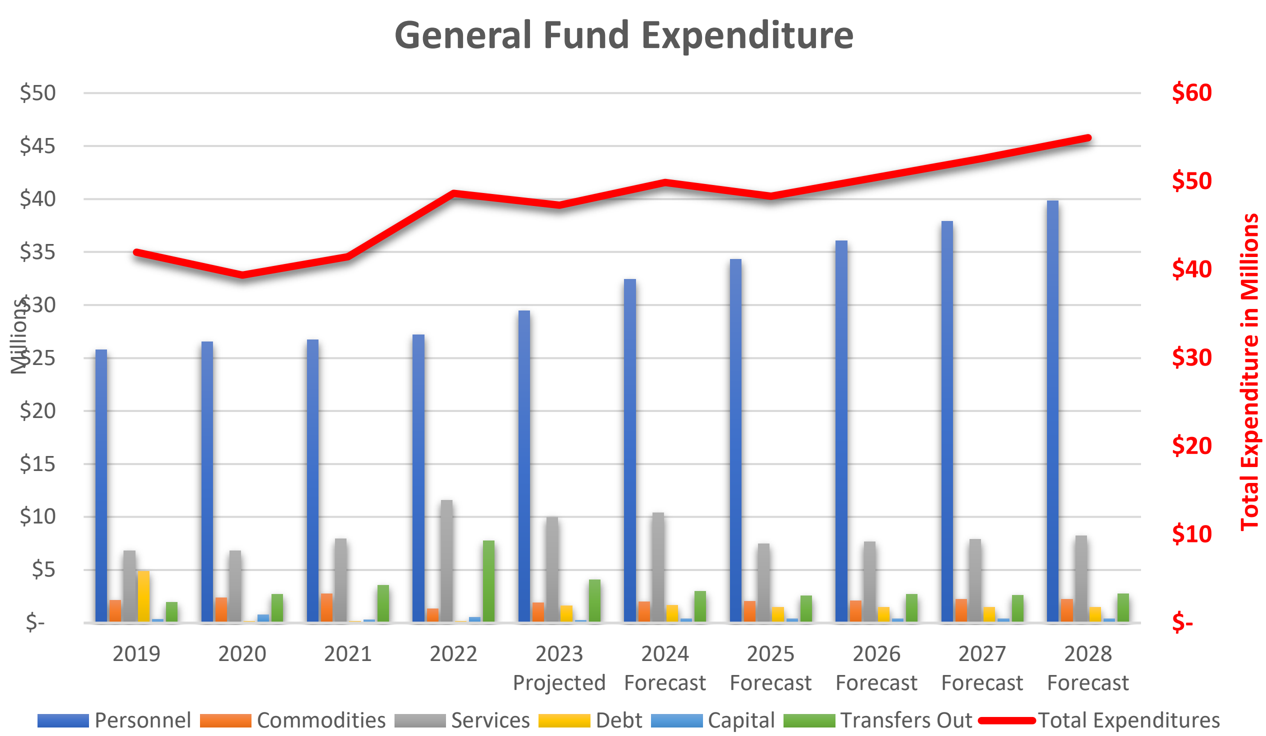
Other Revenue

Rent, royalties (includes aggregation and cable television fees) and transfers are the largest revenue sources in this category. A $1.5 million transfer from Public Safety Sales is budgeted in FY2023 mostly to help support out of county housing costs. Transfers between the funds in future fiscal years are not included in the forecast, although they will be necessary to support the operating costs of the County. This is discussed in more detail later in the report.

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.



Personnel

Personnel expenditures include wages and health insurance account for the largest percentage of the General Fund budget. Although IMRF, workers compensation and FICA expenditures are budgeted in separate funds, fluctuations in those rates can have an impact on General Fund revenue since the County is under PTELL. As an example, when IMRF rates fluctuate the County must fully fund the annual amount mandatory to support the pension plan, which may require reallocation between the General Corporate levy and the IMRF levy. Health insurance rates for future fiscal years are unknown; with a ten-percent increase forecasted for FY2024 and a seven-percent increase thereafter. It is anticipated the County will underspend personnel appropriations in FY2023 due to vacancies.

Commodities and Services

Historically, the state's portion of pass-through funds for revenue stamps and the Rental Housing Support Program (RHSP) were recorded on the County financials artificially inflating both revenue and expenditure. Beginning in FY2023 the County is recording state pass-through funding as 'due to others' thereby reducing total expenditures and slightly improving the General Fund balance as a percentage of operating expenditures. Out of County housing will continue during the jail consolidation project at a forecasted cost in FY2024 of $3 million. Some commodities and services costs are forecasted assuming increases based on historical trends such as year-over-year increases in the jail medical and food contracts, utility costs, and METCAD fees. However, most commodities and services are otherwise forecasted as flat.

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 new debt service payments beginning in FY2023 based on a 20-year, $20 million issue for County Plaza renovations. The bonds were not sold until after the budget was approved and based on the County's upgraded bond rating and favorable market timing, the lower debt service payments will result in a budget savings of $113,000 in FY2023. Future fiscal year debt service payments are $1.65 million in FY2024 and $1.5 million thereafter.

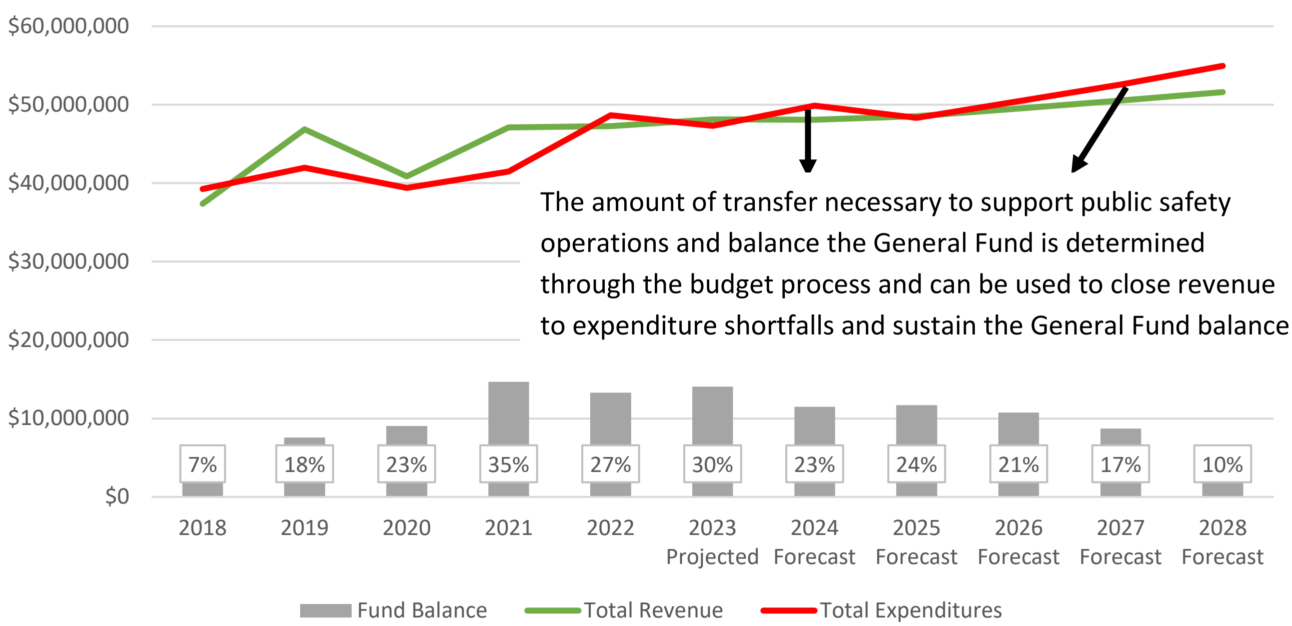
Transfers

The budgeted transfers to CARF include $2 million for improvements per the Facilities Plan, $943,363 for funding items for replacement per the CARF schedule, recurring software costs including the ERP, and strategic funding per the Technology Plan. Also transferred to CARF is $1.1 million for facility project cost overruns, which if unused could be reallocated for relocation costs and/or furnishings and equipment needed at County Plaza or the jail addition. Future fiscal year transfers are estimated based on County plans for facilities, technology, software, and equipment; however, do not include funding for replacement of the Justice Case Management System or reserve funding in CARF.

General Fund Summary

The chart below does not reflect transfers from the Public Safety Sales Tax Fund to the General Fund in future fiscal years. Through the budget process, it is determined whether a transfer from the Public Safety Sales Tax fund is necessary, if funding is available, to support public safety operations and balance the General Fund.

General Fund Revenue/Expenditure Trend and Fund Balance Projection



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.

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 underspending and receipt of Coronavirus Urgent Remediation Emergency (CURE) funding.
2021	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.
2022 Unaudited	The budget was prepared with a planned draw on fund balance to pay for the architecture and engineering costs for County Plaza and the Jail Consolidation project. Increased revenue and underspending resulted in a smaller revenue to expenditure deficit than originally budgeted.
2023	A budget surplus is expected due to underspending from vacancies.
2024 - 2028	Future fiscal year revenues and expenditures, and thus fund balance projections, are conceptual based on forecasted performance, and as stated do not include transfers from the Public Safety Sales Tax fund. Through the budget process the County will determine what actions are necessary to balance the General Fund budget.

General Fund

General Fund	2023 Projected	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast
Property Taxes	17,645,574	18,745,923	19,327,039	19,926,751	20,545,653	39,854,676
Fed/State/Local Shared	23,432,859	24,214,616	24,717,002	25,233,211	25,763,650	2,261,801
Licenses & Permits	814,967	640,817	640,817	640,817	640,817	8,208,507
Fees/Fines/Services	3,140,223	2,983,212	2,834,051	2,692,348	2,557,731	1,466,450
Misc. & Transfers In	3,081,474	1,489,171	1,017,834	1,024,831	1,032,177	415,795
Forecasted Revenue	***48,115,097**	**48,073,739**	**48,536,743**	**49,517,958**	**50,540,028**	**51,603,652**
Personnel	29,446,059	32,419,345	34,344,185	36,086,540	37,921,683	39,854,676
Commodities	1,905,688	1,998,180	2,069,573	2,111,062	2,226,599	2,261,801
Services	9,976,484	10,413,886	7,455,925	7,676,497	7,909,323	8,208,507
Debt	1,648,718	1,650,850	1,467,200	1,465,200	1,466,700	1,466,450
Capital	242,535	415,795	415,795	415,795	415,795	415,795
Transfers Out	4,101,363	2,981,777	2,563,089	2,699,175	2,639,978	2,736,753
Forecasted Expenditure	**47,320,847**	**49,879,834**	**48,315,767**	**50,454,269**	**52,580,078**	**54,943,982**
Forecasted Difference	794,250	(1,806,095)	220,976	(936,312)	(2,040,050)	(3,340,329)

*FY2023 includes a $1.5 million transfer in from the Public Safety Sales Tax Fund. Fiscal years 2024-2028 do not include transfers in as the amount of transfer is determined annually through the budget process.

Public Safety Sales Tax Fund

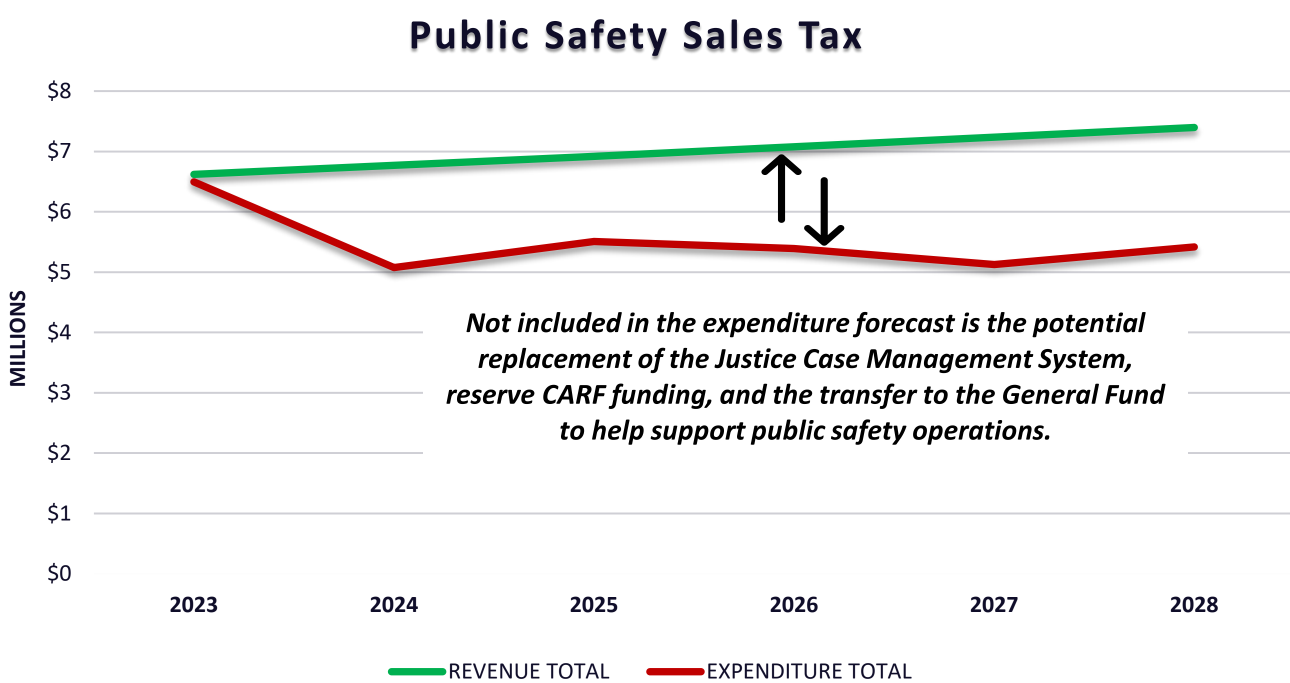
Revenue

Revenue assumptions for future fiscal years are conservatively forecasted at 2.25%. The fund balance at the end of FY2022 is healthy at $5.9 million, with $3.1 million of the balance pledged for FY2023 debt service. Reserve funding sufficient to pay debt service on the bonds is required prior to the abatement of the pledged taxes.

Expenditure

In FY2023 46% of revenues are required for annual debt Service payments. Other costs paid from this fund are for delinquency prevention, justice technology, the utility and minor maintenance costs of public safety facilities, re-entry programming, jail classification, and a transfer to the General Fund to help support public safety operations.

The continued requirement for out of county housing in FY2024 is expected to require a transfer to the General Fund, with the level of the transfer to be determined based on the fiscal position of the General Fund.



Public Safety Sales Tax	2023 Projected	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast
Forecasted Revenue	6,619,990	6,768,490	6,920,331	7,075,589	7,234,340	7,396,663
Forecasted Expenditure	(6,495,522)	(5,075,468)	(5,509,579)	(5,392,582)	(5,126,201)	(5,416,783)
Forecasted Difference	*124,468	1,693,022	1,410,752	1,683,007	2,108,139	1,979,880

*Projected surplus in FY2023 is mainly attributed to the 2022A bond debt service being less than originally budgeted based on upgraded bond rating and market timing. Bonds were not sold until after the budget was approved.

Capital Asset Replacement Fund (CARF)

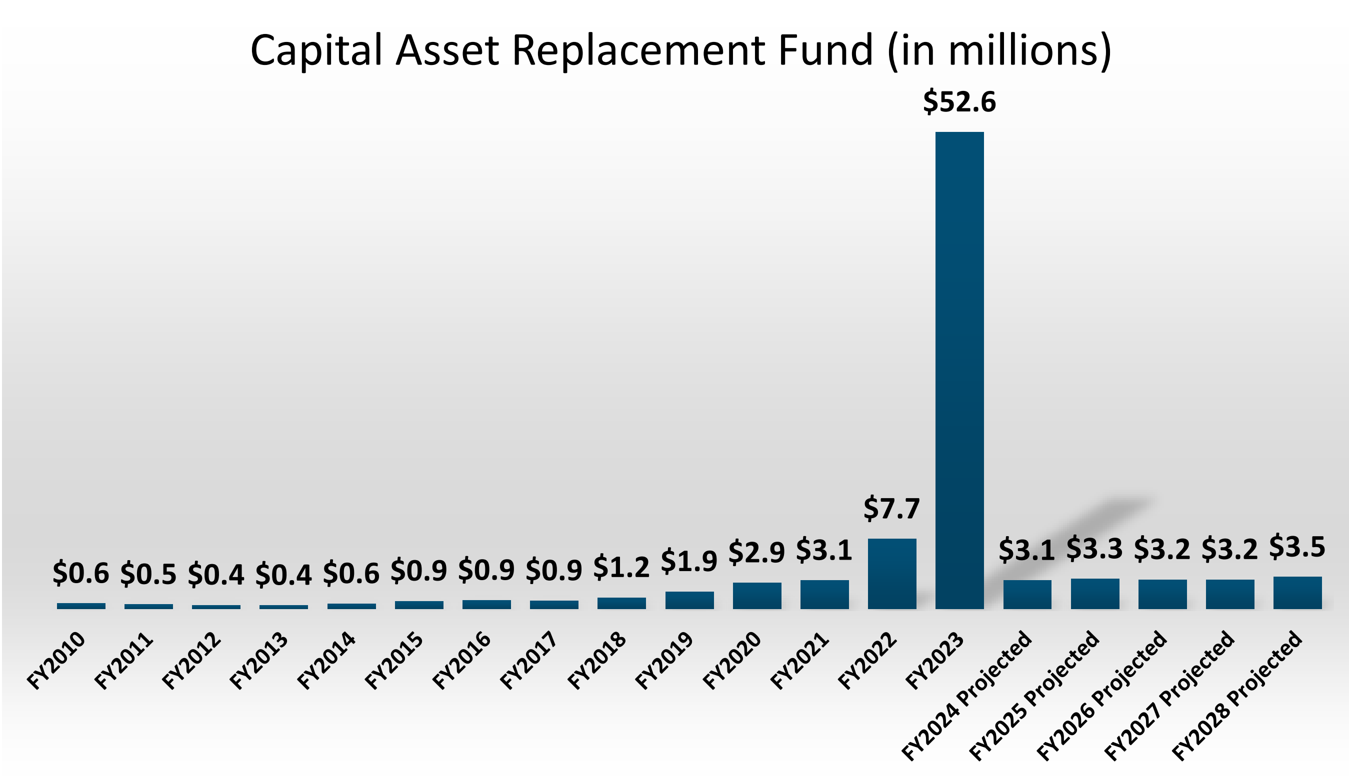
The main revenue sources for this fund are transfers from the General and Public Safety Sales Tax funds. The fund was established to implement long term planning for facilities, technology, software, vehicles, and office equipment for General Fund departments. If CARF is fully funded on an annual basis, equipment and vehicles scheduled for replacement will have reserve funding sufficient enough to purchase items in the year they are scheduled. Most items scheduled for replacement in the fund are on a five-to-seven-year cycle. Due to the lack of available revenue in some years, the budget is only able to support current year funding. The inability to build reserve funding circumvents costs from being smoothed out over multiple years and puts additional pressure on County funds especially in years when there are higher cost items scheduled.

ARPA funding has reduced pressure on CARF in the near-term, thereby providing some temporary relief to the General and Public Safety Sales Tax funds. Some software costs that are presently being paid for from ARPA, such as Digital Evidence Management System (DEMS), will be shifted over to CARF resulting in the need for increased contributions from County funds in future years.

The largest recurring appropriations within the fund requiring annual contributions are for software and facilities. Facilities maintenance investment per the County's Facilities Plan requires on average $2 million year. Many of the County's annual software costs are paid from CARF including Microsoft and Adobe licenses, property tax, financial, payroll, backup, jail management, and security software. On average, these total costs exceed $800,000 with many of the contracts increasing year-over-year.

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

Champaign County Facilities Plan ***Champaign County Technology Plan***



In FY2022 the County funded architecture and engineering fees for the Jail Consolidation and County Plaza projects reflecting increased expenditures in that fiscal year. In FY2023 the two facility projects are budgeted in CARF with the majority of the funding coming from bond proceeds in addition to a $6.4 million ARPA contribution for the Jail Consolidation project.

The Court Case Management System, JANO, is one County system still requiring evaluation and consideration for replacement. The County budgeted in 2022 and 2023 to engage outside services to study the current system to determine whether it meets the County's needs and recommend an action plan. At present no action has been taken to proceed with the study. In addition, funding for system replacement has not yet been identified and considering the cost of replacement in conjunction with declining criminal justice fees and fines is of concern.

American Rescue Plan Act Fund (ARPA)

The following is a summary of ARPA revenues and expenditures to date and projections for fiscal years 2023-2026. This report differs from the monthly report the Board is accustomed to receiving because it shows expenses by budget line based on the financials, rather than by project. This summary is intended to give a high-level financial overview of the fund.

At the time the FY2023 budget was prepared there was uncertainty about how much FY2022 funding would be carried over to the next fiscal year. The original 2022 ARPA budget was $19.5 million; however, only $6 million was actually expended at year end. For this reason, FY2023 projections exceed budgeted appropriations. Projections for FY2023 are based on the most recent ARPA report provided by the project manager. Depending on the progress of projects in 2023 a budget amendment may be necessary prior to year-end.

For FY2024 it will be important to ensure that all funds are obligated by the end of the year as unobligated funds must be returned. Obligated funds that are not expended by December 31, 2026 must also be returned. At the time of this report revenues are expected to exceed expenditures by $720,000, making those funds available for allocation by the Board.

Account Description	2021 Actuals	2022 Unaudited (data from financials)	2023 Original Budget	2023 Actuals	2023 Projected Based on March ARPA report	2024	2025	2026	Totals
FEDERAL - PUBLIC WELFARE	$20,364,815	$20,364,815	$0	$0	$0	$0	$0	$0	**$40,729,630**
INVESTMENT INTEREST	$10,963	$206,995	$120,000	$4,014	$120,000	$0	$0	$0	**$337,958**
TOTAL REVENUE	**$20,375,778**	**$20,571,810**	**$120,000**	**$4,014**	**$120,000**	**$0**	**$0**	**$0**	**$41,067,588**
TEMPORARY STAFF	$0	$21,073							**$21,073**
FRINGE BENEFIT COSTS	$0	$167,661							**$167,661**
EMPLOYEE BONUS	$0	$593,388							**$593,388**
POSTAGE, UPS, FEDEX	$0	$79,863							**$79,863**
EQUIPMENT UNDER $5000	$0	$55,274							**$55,274**
PROFESSIONAL SERVICES	$0	$294,366	$1,282,000	$25	$1,282,000				**$1,576,366**
OUTSIDE SERVICES	$0	$94,888							**$94,888**
ADVERTISING, LEGAL NOT.	$0	$193							**$193**
HEALTH NON-PAYROLL	$0	$20,216							**$20,216**
SOFTWARE LICENSE & SAAS	$0	$136,367	$521,414	$4,800	$521,414	$240,000			**$897,781**
CONTRIBUTIONS & GRANTS	$0	$1,999,247	$5,572,963	$425,710	$11,475,852				**$13,475,099**
LAND	$0	$720,000							**$720,000**
INFRASTRUCTURE	$0	$0	$7,000,000		$9,845,773				**$9,845,773**
BUILDINGS	$0	$1,281,586	$6,349,985		$8,349,974				**$9,631,560**
TRANSFERS OUT	$804,045	$93,455	$106,932	$20,657	$106,932	$110,124	$113,428	$116,831	**$1,344,814**
EQUIPMENT	$0	$530,130	$1,293,688	$507,531	$1,293,688				**$1,823,818**
TOTAL EXPENDITURE	**$804,045**	**$6,087,707**	**$22,126,982**	**$958,723**	**$32,875,633**	**$350,124**	**$113,428**	**$116,831**	**$40,347,768**
									$719,820

Final Thoughts

The Forecast has been prepared with conservative revenue projections based on a potential economic slowdown. Projections for 2023 are still very preliminary as the County has only receipted one month of state-shared revenues in the fiscal year due to the delay between collection and disbursement. Forecasted expenditures include wage and health insurance increases in addition to increases for some non-personnel costs such as METCAD fees, jail food and medical contracts. As previously cautioned, 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.

IMPORTANT INFORMATION TO UNDERSTAND: There are County needs and/or desires that are not yet addressed in the forecasts summarized below. An incomplete list includes:

- **Increased funding for Veteran's Assistance Commission**
- **Reserve CARF funding for future fiscal years**
- **Funding for new position requests**
- **Possible increase in juror pay**
- **Justice Case Management System Replacement**
- **Implementation of Workforce Study Initiatives**
- **Office relocation costs to new facilities and additional furnishing and equipment needs (if projects do not incur cost overruns there is some funding available in CARF)**

Fund	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
General	794,250	(1,806,095)	220,976	(936,312)	(2,040,050)	(3,340,329)
Public Safety	124,468	1,693,022	1,410,752	1,683,007	2,108,139	1,979,880
Total Forecasted Funds Surplus/(Shortfall)	**918,718**	**(113,073)**	**1,631,728**	**746,695**	**68,089**	**(1,360,449)**

The FY2023 projected surpluses are predominately based on the debt service payments being less than originally budgeted in both funds, and anticipated underspending in the General Fund due to vacancies.

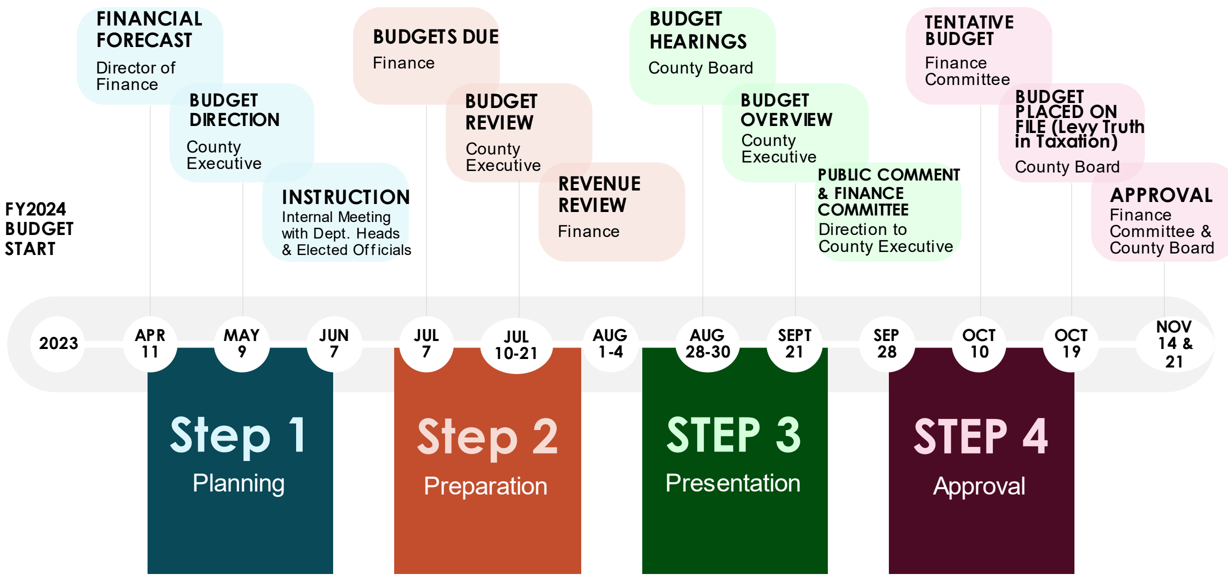
While the County expects to experience some temporary financial capacity in the near-term due to the discontinuation of out of county housing costs in 2025; a deficit is forecasted to emerge if projected revenues fail to keep pace with expenditures. While it is conceivable that property tax and state-shared revenue streams may perform better than forecasted based on economic performance, some revenue streams such as fees and fines will reflect declines. Year-over-year expenditure increases are certain even if the County holds most non-personnel costs flat, growth in wages and benefits is certain and represent the largest costs in the General Fund.

As stated previously, the Forecast is meant to serve as a framework for financial decision making. The County has consistently demonstrated sound fiscal management by balancing its budgets and improving its fund balances, placing itself in a solid financial position to head into any recession that might come to fruition. The actual work to ensure fiscal responsibility occurs during each fiscal year budget process and includes collaboration between elected officials, department heads, outside entities, staff, and the County Board.

The County Executive will provide information for the FY2024 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 FY2024 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.

FY2024 BUDGET PROCESS

Champaign County



Forecast prepared by:

Tami Ogden
Director of Finance
4/10/23