OFFICE OF THE CHAMPAIGN COUNTY EXECUTIVE

1776 East Washington Street, Urbana, Illinois 61802-4581

Steve Summers, County Executive

Dear Board Members,

As required by state law, 55 ILCS 5/2-5009 (f), the County Executive shall *make an annual report to the board on the affairs of the county, on such date and at such times as the board shall designate, and keep the board fully advised as to the financial condition of the county and its future financial needs.*

While I understand the reasoning behind the requirement, I do believe our communication has been consistent and thorough and the Board is fully aware of the affairs and financial condition of the County. I will summarize a few items below and have attached the Financial Forecast, as it gives a detailed and robust picture of the County's future financial needs.

- Former Nursing Home Building – After lengthy discussions, the County is considering lifting the deed restriction on the property to allow for a sale by the bank on the foreclosed property. Any proceeds from the sale will allow the County to recoup legal costs due to the abandonment of the property by the previous owner.

- Bridge Replacement – The Executive's Office continues to reach out the state and federal representatives to find funding and assistance with replacing the overpass bridge between Urbana and St Joe.

- ARPA Spending – With the 2024 allocation deadline approaching, the Executive's Office is having regular conversations with grantees to ensure funds are spent in a timely manner. It is anticipated some reallocation conversations will need to occur during the budget process this year.

- Relocation to Scott M. Bennett Administrative Center – Construction is on schedule and, at the time of writing this report, the moving RFP responses are being evaluated. Relocating will be a major undertaking that will most likely require a dedicated project manager. Funds for moving were allocated from the General Fund to the FY24 budget.

- Tyler Munis Implementation – The implementation of the new County financial software program is complete and now the focus is on the human resource aspect of this program. The current timeline is a slow roll out this summer.

- Compression & Compensation Project – the Board is aware of the second step of the workforce study being the detailed plan for compression and compensation balance. At the time of this report, that work is underway and hopefully adjustments can be implemented with the FY25 budget.

- Public Safety Sales Tax – The Board and the Executive's Office have had numerous conversations about the financial future of the County and the need for a revenue increase. It is my hope the Board supports the referendum question for an increase to the PSST.

These are just a few of the current items the County is addressing. As always, my door is open to all Board members for more detailed conversations and I encourage all Board members to engage with all the Board Committees, as that is where the work of the County is truly done.

Sincerely,

Steve Summers
Champaign County Executive

Financial Forecast
Champaign County, Illinois

FY2024-FY2029

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 FY2025 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, 2022, confirmed a General Fund budgetary balance of $13.8 million, or 28.5% 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.

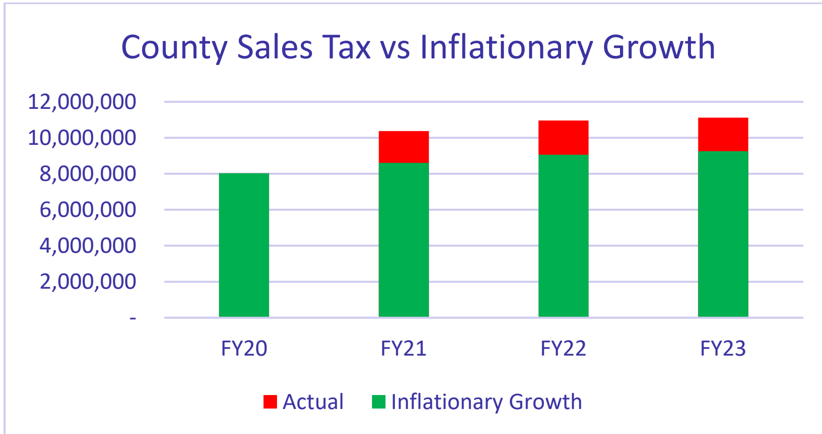
- Rate setting Equalized Assessed Value (EAV) for tax year 2023 increased 8.55% to $5.36 billion.

- 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.

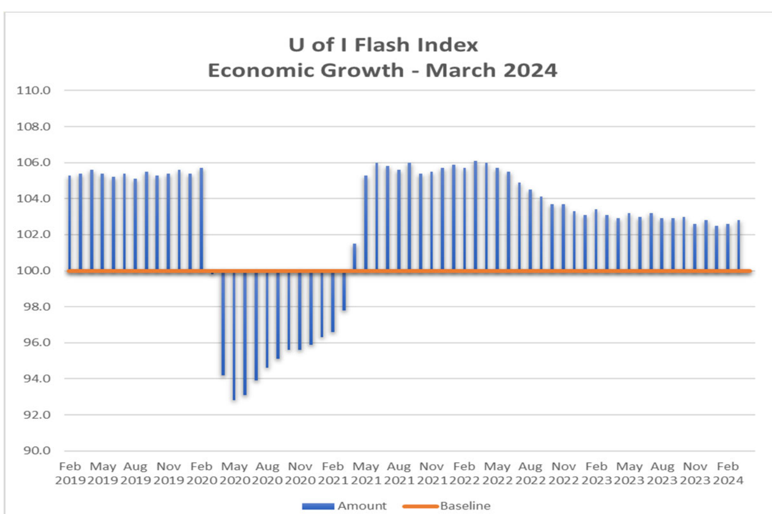
Sales Tax revenue for both the County and the State are at all time highs. Since these taxes are paid on a percentage of goods sold, high inflation has been a significant factor to the growth of these revenues. Additional factors are historically low interest rates, recent stimulus money, and ARPA spending in the community. There is concern that these revenues could flatten out, or potentially drop, in the near future as interest rates rise, inflation slows down, and stimulus and ARPA spending dries up.



References to a possible recession or economic slowdown are a recurring theme in public and private sector finance publications. A Moody's report in February of 2024 asserts that economic growth in Illinois has lagged behind the US and even other states in the Midwest. While the Urbana-Champaign economy has been one of the best performers in the State, growth has come to a halt.[1]

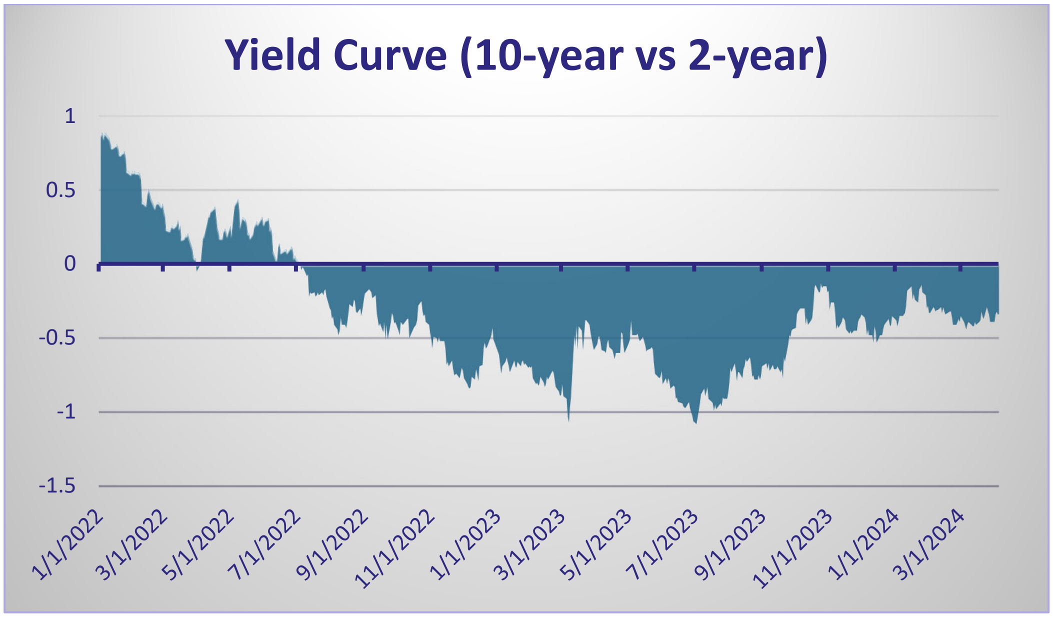
According to the Bureau of Labor Statistics, the February 2024 unemployment rate for Champaign County was projected at 4.4%, up from 4.1% compared to the prior year period, with the U.S. at a lower 3.9% and Illinois at a higher 4.8%.

In March the University of Illinois Flash Index, designed to give a quick reading of the state economy, is down from 103.1 to 102.8 compared to the prior year. The Flash Index analyzes Illinois growth rates in corporate earnings, consumer spending, and personal income. Amounts over 100 represent an expanding economy. Consistent with other indicators, the economy has been growing since 2021, but has recently slowed.



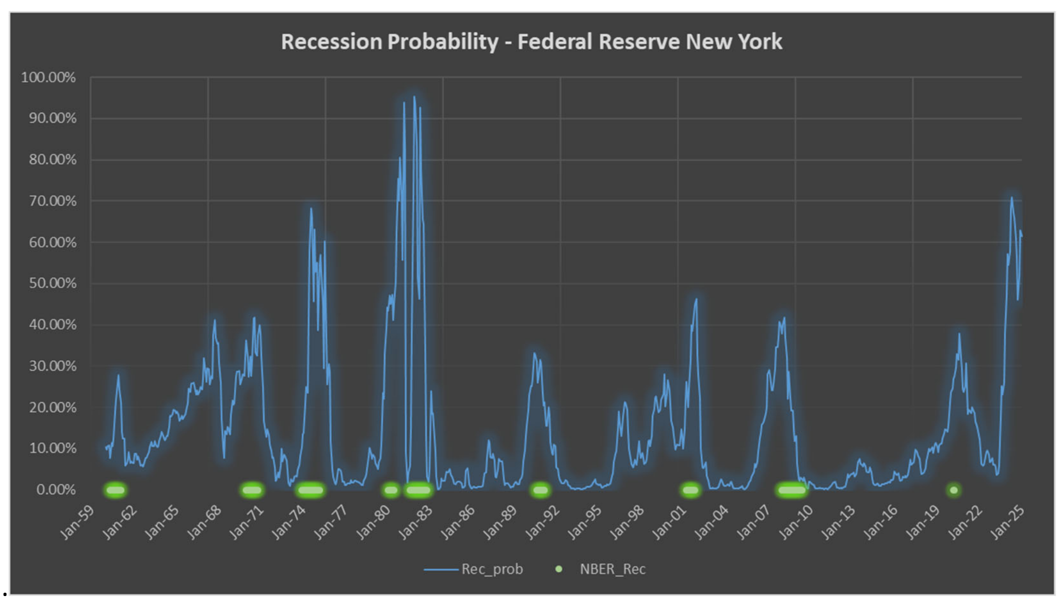
[1] https://cgfa.ilga.gov/Upload/2024MoodysStofILEconomicForecast.pdf

The 10-2 Treasury Yield Curve is the difference between the 10-year treasury rate and the 2-year treasure rate. A negative 10-2 yield curve has historically been viewed as a precursor to a recessionary period. Nearly each recession since 1955 was proceeded by a negative yield curve 6 to 24 months prior to the start of the recession. The yield curve has been negative since around July 2022.



Source:https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_yield_curve&field_tdr_date_value_month=202206

The Federal Reserve Bank of New York uses a variation of the yield curve to calculate the probability of a recession in the United States in the twelve months ahead. The graph below shows this probability back to January 1959 compared to recessions that occurred defined by the National Bureau of Economic Research (NBER).



Source: https://www.newyorkfed.org/research/capital_markets/ycfaq#/interactive

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 work for County Plaza and the jail consolidation project is expected to last through much 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. This will help support a 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.

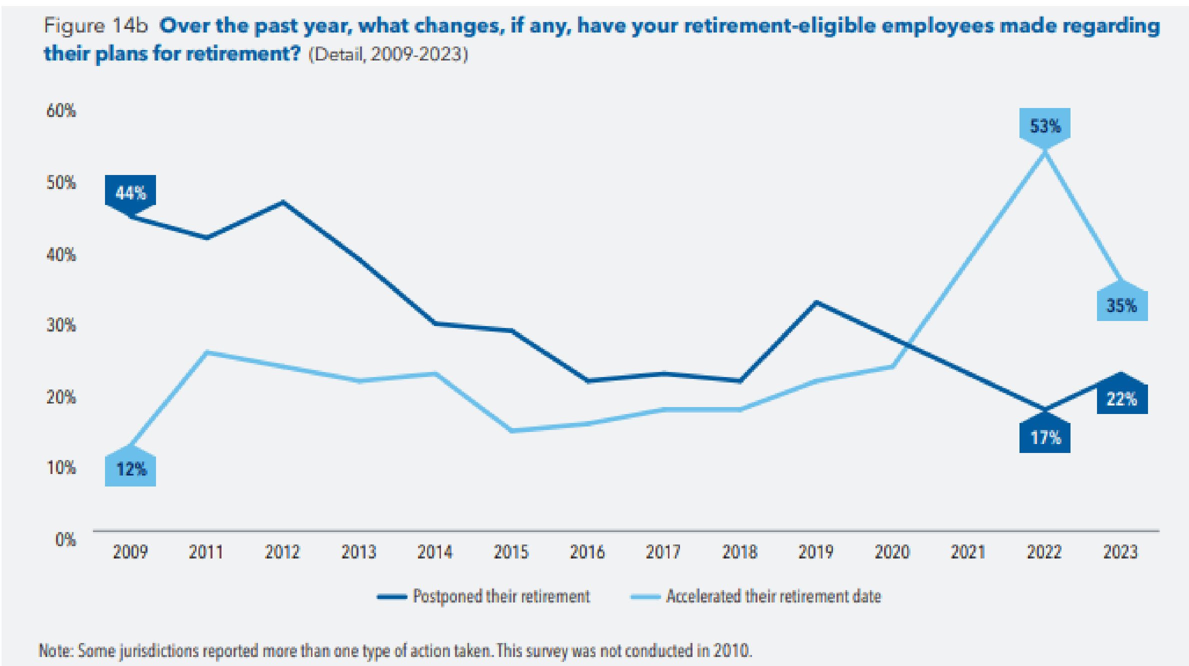
3. **Enterprise Resource Planning (ERP) and the County Budget** At the end of 2022, the County completed its first year on a modern financial system after transitioning from an aging in-house system. A new budget publication platform was also implemented in 2022. Through revisions to its Chart of Accounts 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 around 400 in FY2023 and FY2024. 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. The County has contracted with Gallagher to conduct a Classification and Compensation Study to review duties and responsibilities for all positions. This new study is expected to be completed in the summer of 2024.

Challenges

1. **Recruiting, Retention, and Retirements** A state and local government workforce survey conducted in 2023 asserts the rate of state and local government job openings are still some of the highest they have been over the past 20 years. While the private sector has largely recovered to pre-pandemic employment levels, state and local government still lags behind.[2] Policing and Corrections/Jails are listed among some of the hardest positions to fill in the report, which is consistent with the County's present vacancies.

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



Source: **https://research.missionsq.org/resources/state-and-local-government-workforce-survey-2023**

2. **Adding Additional Positions to Operating Funds** In FY2022 and FY2023, the County added new positions to the General Fund. The positions were funded through increased sales tax revenue generated by Level the Playing Field legislation. In the FY2024 budget, 6.5 FTEs were added.

   As the County begins the FY2025 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

[2] **https://research.missionsq.org/resources/state-and-local-government-workforce-survey-2023**
[3] **https://research.missionsq.org/resources/state-and-local-government-workforce-survey-2023**

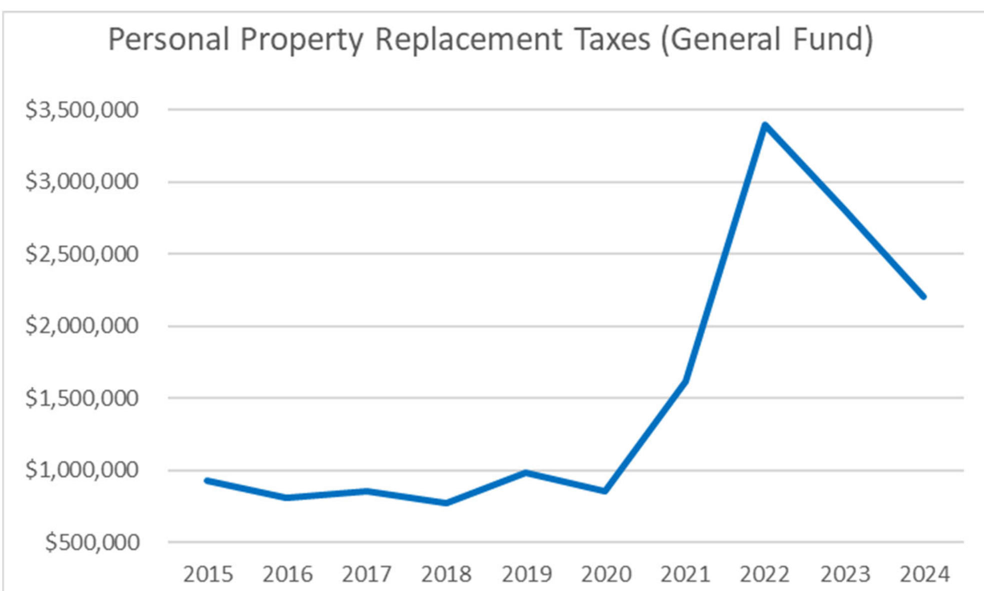
revenue sources require the County to approach the addition of positions with caution as it deals with its current high level of vacancies and addresses wage competitiveness.

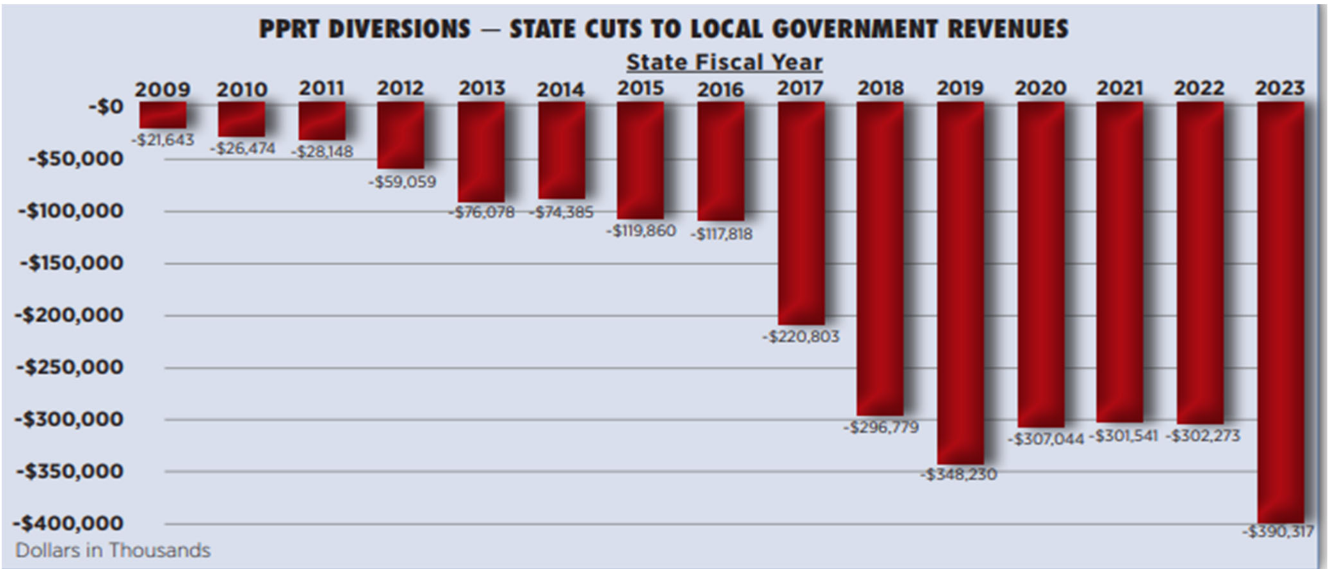
3. **Legislative and Administrative Changes** Decisions made at the State level continue to impact County operations as well as revenue and expenditure streams.

- 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 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.

- Personal Property Replacement Tax
  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 2024 through 2026 revenues are adjusted down from the prior years based on IDOR and Illinois Municipal League (IML) projections due to the State changing their formula and claw back of past revenue due to this formula error.





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 around $500,000. This fee is also imposed on the County Cannabis Sales Tax.

- Criminal Justice Reform
  Legislation known as the SAFE-T Act eliminated bond processing fees. County bond processing fee revenues were around $72 thousand 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.[4] 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. There was a significant increase to premiums in FY2024 of about 20% and the willingness of our carrier to continue funding losses seems less likely which could lead to higher-than-average premium increases, and/or necessary plan changes in future fiscal years as well.

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

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

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.

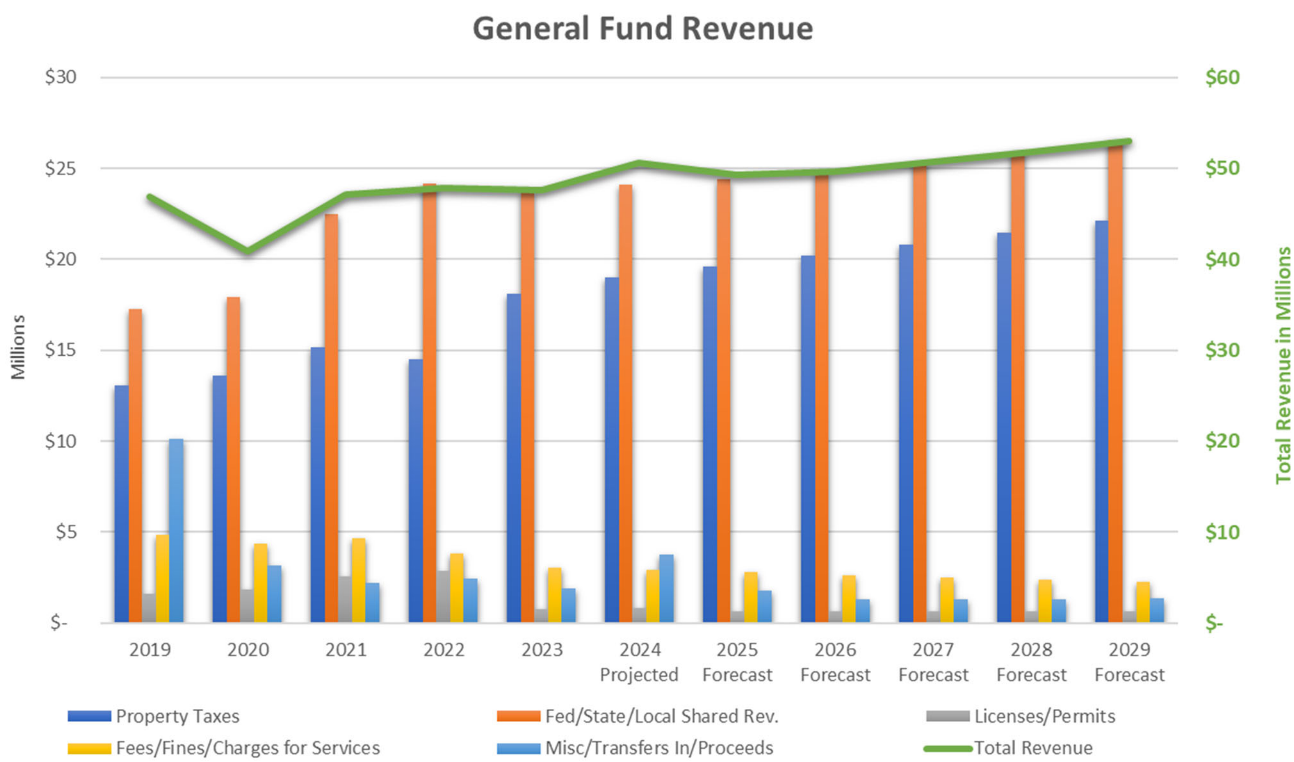
6. **Hospital Property Tax Liability** There are presently three outstanding cases against Champaign County and other taxing districts related to hospital property tax exemptions. The first, 2008-L-202, is on appeal. The County has paid its share of the liability in this matter, relating to tax years 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. <u>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.</u>

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 forecasted at 2.25%. Personal Property Replacement Tax revenues, as explained previously, are expected to drop while still remaining at higher levels than the past.

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%). 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 2026-2029 at 3.2%

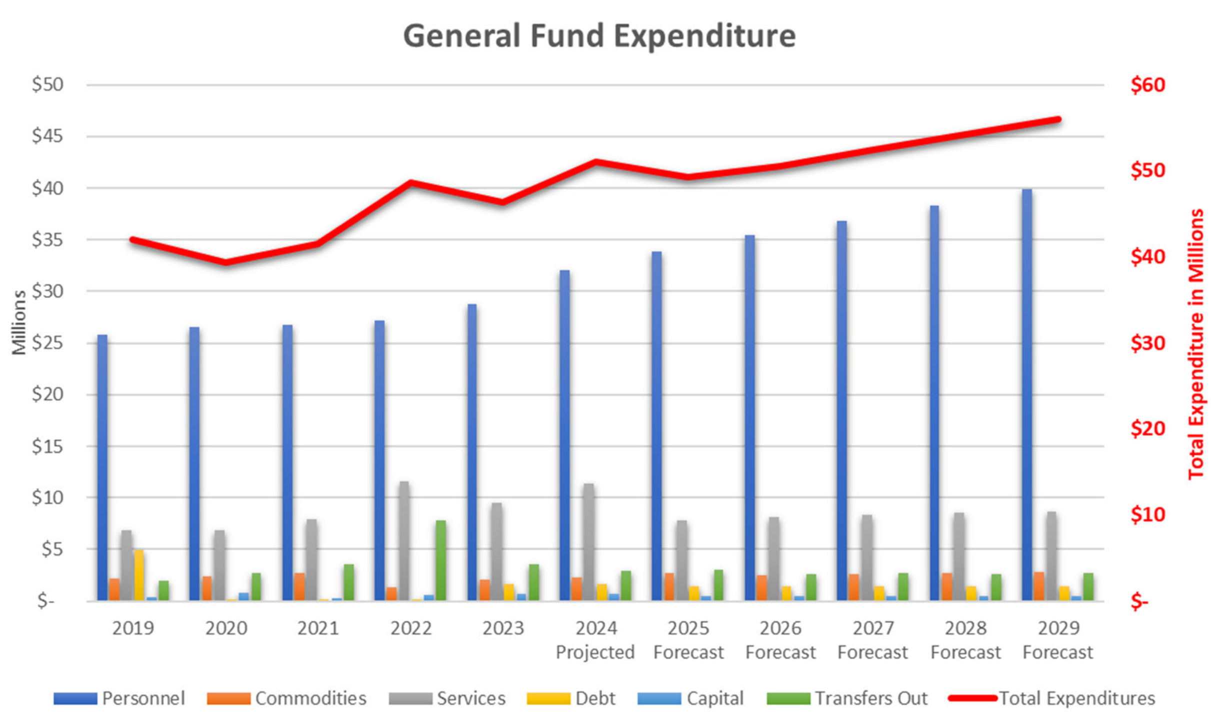
Fees/Fines/Charges for Services
Due to legislative changes, declines in criminal justice fees, fines, and charges are certain although the exact impact is indeterminant. For FY2024, there was a budgeted 30% decrease from FY2023. In addition to declining fees and fines revenues, there has been a significant shift in fees/fines revenue allocation between County funds starting in the spring of 2022.

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 FY2024 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 but are expected to grow significantly.

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 around $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, other commodities and services are otherwise forecasted as flat.

Debt

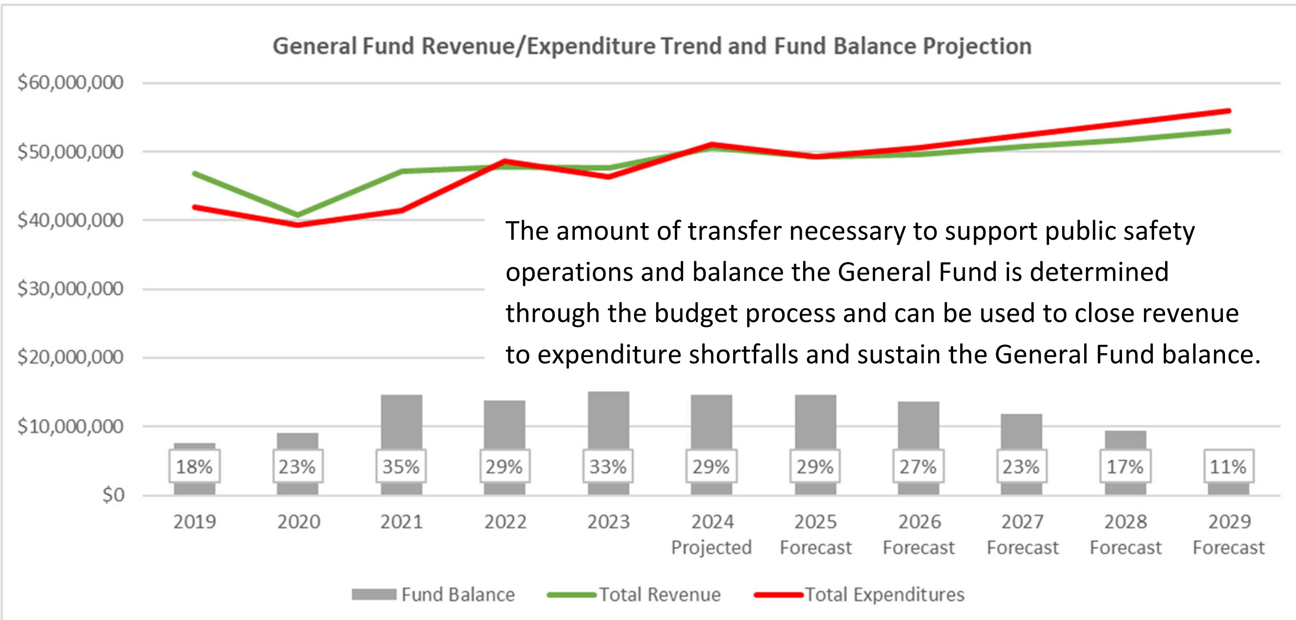
Currently budgeted in the General Fund is debt service for 202 Art Bartell Drive (Coroner's Office/County Clerk Elections Storage/Physical Plant Operations building). The debt certificate matures at the end of FY2024. The Forecast includes debt service payments that began in FY2023 based on a 20-year, $20 million issue for County Plaza renovations. Future fiscal year debt service payments are $1.65 million in FY2024 and $1.5 million thereafter.

Transfers

The FY2024 budgeted transfers to CARF is $10 million. 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.



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
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	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 Unaudited	A budget surplus is expected due to underspending from vacancies.
2024	FY2024 was budgeted at a deficit. Much of the increased costs were due to new positions and the increase in health insurance costs.
2025 - 2029	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	2024 Projected	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast
Property Taxes	18,983,243.13	19,603,497.21	20,207,113.88	20,830,046.29	21,472,912.54	22,136,350.50
Fed/State/Local Shared Rev.	24,090,174.00	24,415,798.63	24,780,297.61	25,358,920.57	25,954,146.17	26,566,474.96
Licenses/Permits	818,811.83	644,661.83	644,661.83	644,661.83	644,661.83	644,661.83
Fees/Fines/Charges for Services	2,931,098.00	2,784,543.10	2,645,315.95	2,513,050.15	2,387,397.64	2,268,027.76
Misc/Transfers In/Proceeds	3,777,471.00	1,789,070.00	1,318,570.00	1,326,445.00	1,334,713.75	1,343,395.94
Total Revenue	**50,600,797.96**	**49,237,570.77**	**49,595,959.27**	**50,673,123.84**	**51,793,831.93**	**52,958,910.99**
Personnel	32,068,367.37	33,874,330.62	35,482,599.98	36,875,660.09	38,332,362.67	39,856,009.78
Commodities	2,344,106.30	2,693,827.75	2,496,386.95	2,581,439.86	2,762,168.47	2,806,432.07
Services	11,417,111.98	7,816,885.44	8,085,289.43	8,297,707.12	8,522,043.42	8,685,519.39
Debt	1,650,850.00	1,467,200.00	1,465,200.00	1,466,700.00	1,466,450.00	1,464,450.00
Capital	718,123.99	495,060.01	495,060.01	495,060.01	495,060.01	495,060.01
Transfers Out	2,896,008.00	2,981,777.00	2,563,089.00	2,699,175.00	2,639,978.30	2,736,752.52
Total Expenditures	**51,094,567.64**	**49,329,080.83**	**50,587,625.37**	**52,415,742.08**	**54,218,062.87**	**56,044,223.75**
Difference	(493,769.68)	(91,510.05)	(991,666.10)	(1,742,618.24)	(2,424,230.94)	(3,085,312.76)

Public Safety Sales Tax Fund

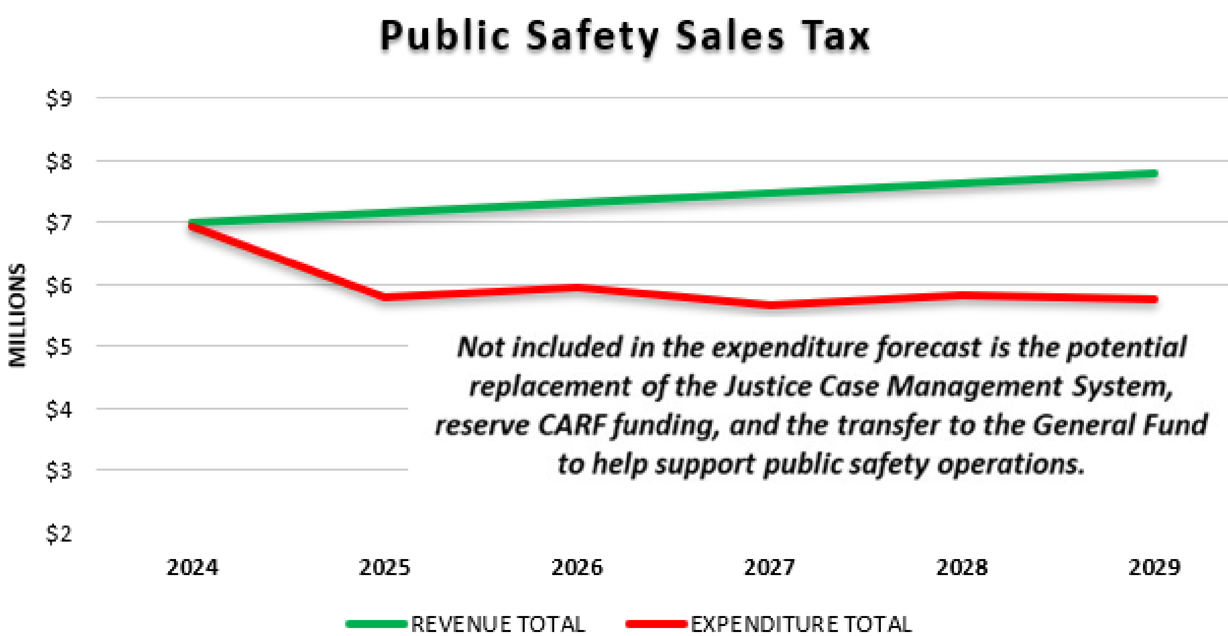
Revenue

Revenue assumptions for future fiscal years are conservatively forecasted at 2.25%. The fund balance at the end of FY2022 was a healthy at $5.9 million. In FY2024, $3.1 million of the balance is pledged for debt service. Reserve funding sufficient to pay debt service on the bonds is required prior to the abatement of the pledged taxes.

Expenditure

In FY2024 44% 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 costs 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. In both FY2022 and FY2023, this transfer was not done in order to build fund balance in the Public Safety Sales Tax Fund to help with future expenditures.



Capital Asset Replacement Fund (CARF)

The primary 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 the General Fund departments. If CARF is fully funded on an annual basis, equipment and vehicles scheduled for replacement will have reserve funding sufficient 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 can only support current-year funding. The inability to build reserve funding prevents 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 recent years, temporarily relieving the General and Public Safety Sales Tax funds. However, beginning in FY2025, some software costs, such as the Digital Evidence Management System (DEMS), will be shifted back to CARF, resulting in the need for increased contributions from County funds.

The most significant recurring appropriations within the fund requiring annual contributions are for software and facilities. Facilities maintenance investment per the County's Facilities Plan requires an average of $2 million per 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 contracts increasing yearly.

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 were budgeted in CARF, with most of the funding coming from bond proceeds in addition to a $6.4 million ARPA contribution for the Jail Consolidation project. In FY2024, funding for the facilities projects was once again budgeted in CARF, and the ARPA contribution was carried over to be used this year once bond funds for the Jail Consolidation project have been fully expended. We anticipate the completion of both projects by FY2025.

The Court Case Management System, JANO, is one County system still requiring evaluation and consideration for replacement. In FY2022, FY2023, and FY2024, the County budgeted 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 2024-2026. This summary is intended to give a high-level financial overview of the fund.

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.

	2021 Actuals	2022 Actuals	2023 Actuals (Unaudited)	2024 Projected	2024 Actuals	2025 Projected	2026 Projected	Projected Totals
INCOME								
Dept of Treasury	$20,364,815	$20,364,815						$40,729,630
Investment Interest	$10,963	$206,995	$348,551		$4,667			$571,176
TOTAL INCOME	**$20,375,778**	**$20,571,810**	**$348,551**	**$0**	**$4,667**	**$0**	**$0**	**$41,300,806**
EXPENSES								
Administration Subtotal	$33,609	$116,986	$128,496	$130,124	$1,400	$113,428	$116,831	*$674,496*
Affordable Housing Subtotal	*$0*	*$150,000*	*$135,000*	*$1,570,000*	*$0*	*$0*	*$0*	*$1,855,000*
Broadband Projects Subtotal	*$0*	*$154,228*	*$4,993*	*$4,304,722*	*$0*	*$4,136,058*	*$1,400,000*	*$10,000,000*
Community Violence Intervention Subtotal	*$0*	*$185,769*	*$1,595,238*	*$2,172,427*	*$53,903*	*$106,720*	*$0*	*$4,060,160*
County Department Projects Subtotal	*$0*	*$3,940,300*	*$1,062,760*	*$8,491,844*	*$2,765*	*$0*	*$0*	*$13,494,904*
Early Learning Assistance Subtotal	*$0*	*$25*	*$2,000,025*	*$0*	*$0*	*$0*	*$0*	*$2,000,050*
Household Assistance Subtotal	*$0*	*$438,000*	*$0*	*$0*	*$0*	*$0*	*$0*	*$438,000*
Mental Health Services Subtotal	*$373,276*	*$219,621*	*$30,000*	*$90,000*	*$0*	*$0*	*$0*	*$712,897*
Non-Profit Assistance Subtotal	*$0*	*$83,333*	*$254,700*	*$311,967*	*$99,735*	*$0*	*$0*	*$650,000*
Small Business Assistance Subtotal	*$0*	*$81,400*	*$416,157*	*$502,443*	*$18,358*	*$0*	*$0*	*$1,000,000*
Water Infrastructure Projects Subtotal	*$0*	*$1,039,378*	*$1,330,554*	*$1,130,068*	*$96,654*	*$2,000,000*	*$0*	*$5,500,000*
TOTAL EXPENSES	**$406,885**	**$6,409,040**	**$6,957,922**	**$18,703,595**	**$272,814**	**$6,356,206**	**$1,516,831**	**$40,385,507**

Final Thoughts

The Forecast has been prepared with conservative revenue projections based on a potential economic slowdown. Projections for 2024 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:

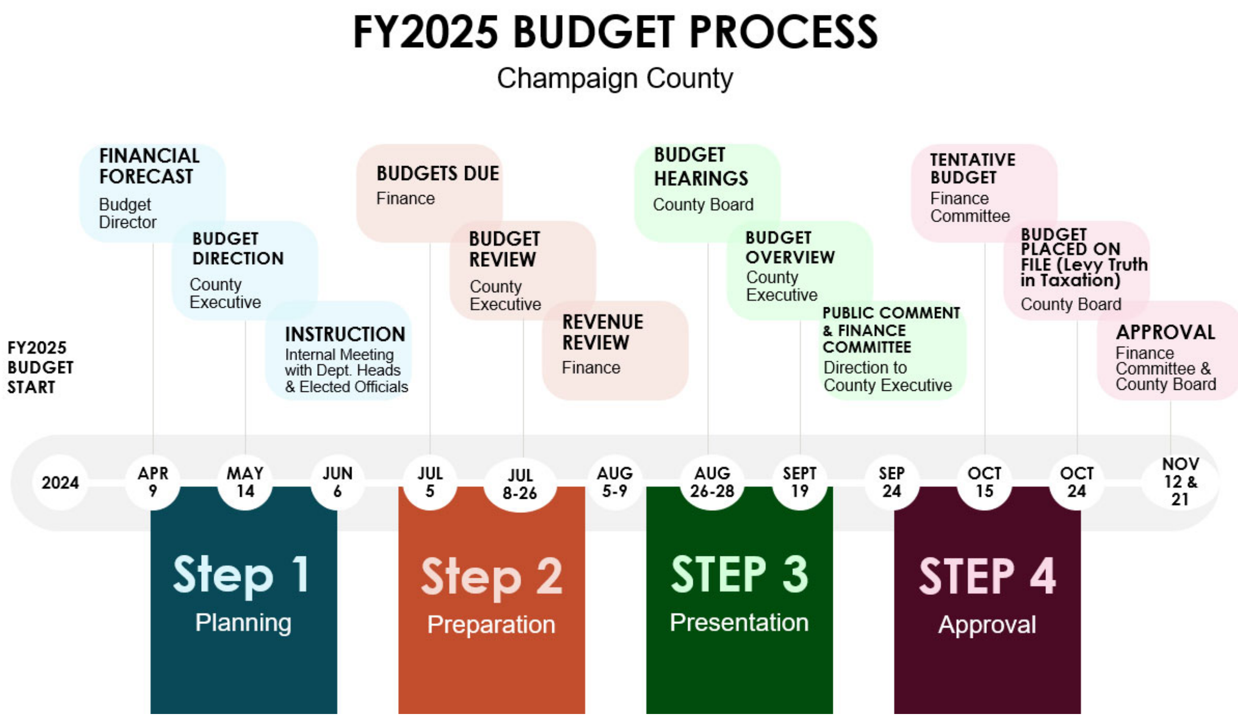
- **Increased funding for Veteran's Assistance Commission**
- **Reserve CARF funding for future fiscal years**
- **Funding for new position requests**
- **Possible increase in juror pay**
- **Justice Case Management System Replacement**
- **Hospital Property Tax Liability**
- **Funding for services for the Sheriff's Department**
- **Employee Compensation Study findings and Employee Family Health Care costs**
- **Software costs no longer covered by ARPA funds**
- **Revenue reductions caused by a potential recession**

	2024 Projected	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast
General Fund	(493,769.68)	(91,510.05)	(991,666.10)	(1,742,618.24)	(2,424,230.94)	(3,085,312.76)
Public Safety	55,505.78	1,360,416.50	1,364,994.33	1,795,248.36	1,803,352.76	2,022,226.96
Total Surplus/(Deficit)	(438,263.90)	1,268,906.44	373,328.22	52,630.13	(620,878.18)	(1,063,085.81)

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 FY2025 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 FY2025 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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4/9/24