



IRFC

Quarterly Meeting

October 26, 2023



Roll Call

Opening Remarks

Approval of the Minutes



Agenda

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Executive recommendation	9
Long-term forecast	21
Schedule and next steps	37

Quarterly updates



Principles of the IRFC

Principle	Action Taken
Document Economic and Operational Drivers	Tracked economic indicators and updating forecast
Pursue Consistency in Modeling	Utilized consistent methods for revenue forecasting, including alternative revenue scenarios
Systematically Track Monthly Operational and Revenue Data	Continued to analyze monthly revenues and expenses
Catalogue Historical Rates and Policies	Documented the process for internal tasks, including short-term monitoring, long-term forecasting, and calculating the annual property tax allocation to the General Fund
Review Alternative Scenarios	Updated General Fund and Health Fund alternative scenarios
Benchmark Forecasts Against Other Jurisdictions	Discussed forecasting with the City of Chicago
Strive for Greater Collaboration	Conducted biweekly meetings with Cook County Health (CCH) staff



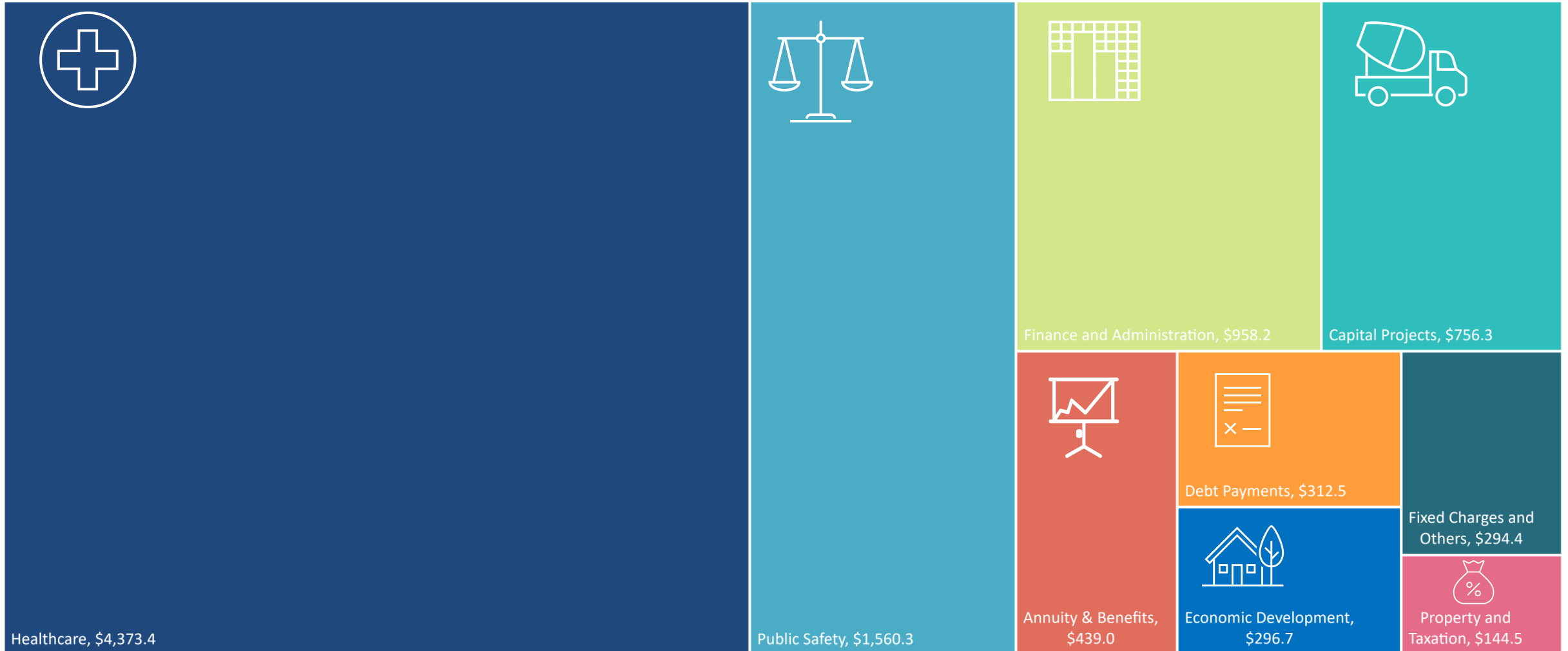
IRFC deliverables

Deliverable	Progress
Methodological report and tax history document	Completed draft of methodological report with several key revenue sources
Health Fund validation	Continuing the process to create new accounts for eliminating domestic transfers. Will be updating model that compares actual collection rates to collection rate assumptions used in the forecast
Calendar of economic data releases	Calendar of economic data releases is updated for 2023
Prioritize an initial set of fees to explore and collaborate with the offices that impose the fees to obtain data on fee rates and volumes	Conducted meetings with three County offices that collect fee revenues and received related fee data for analysis
ARPA sustainability analysis	Executive recommendation includes creation of a reserve
Access IDOR sales tax data	Held initial meeting with IDOR staff
Economic and policy factors in the CCH revenue forecast	Beginning to scope project



Executive recommendation

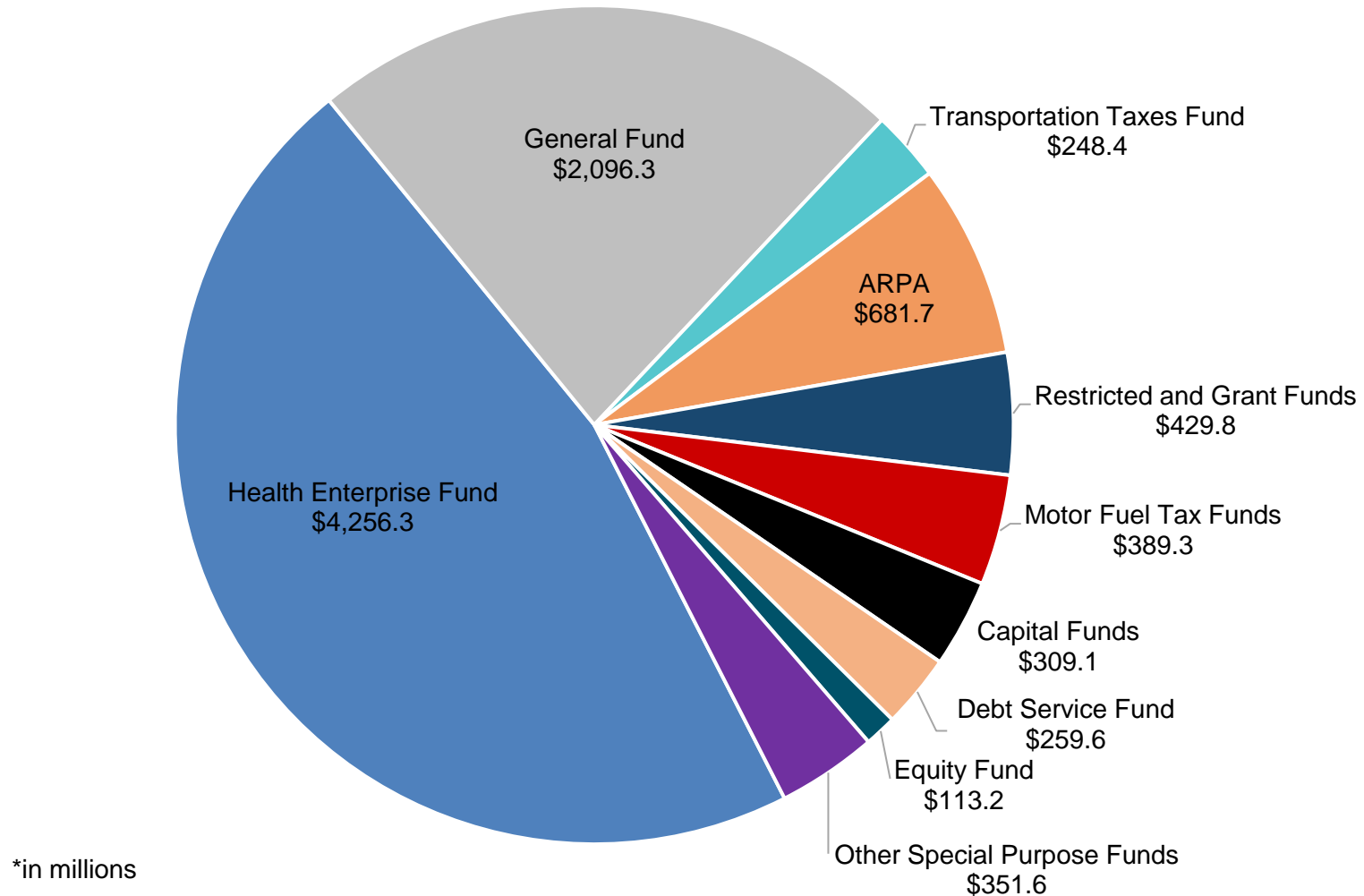
FY2024 Total Budget Recommendation: \$9.14 Billion



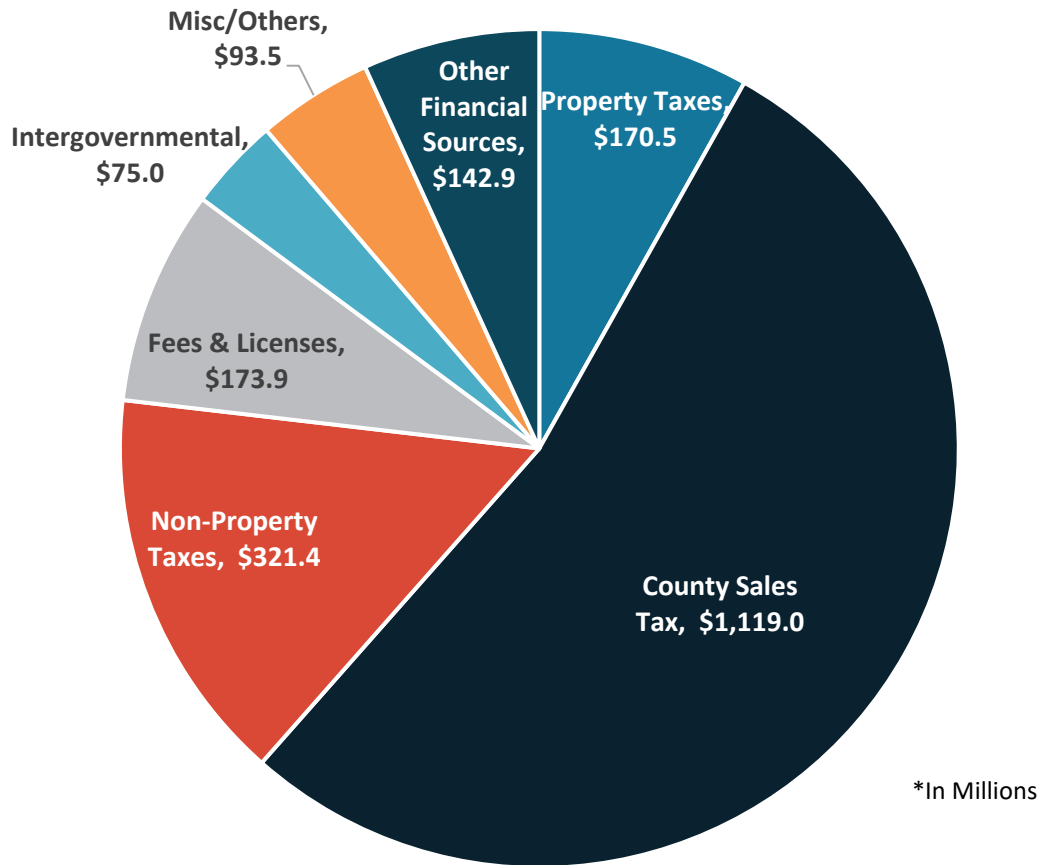
The total budget of \$9.14 billion is a 3.9% increase over the FY2023 adopted appropriation



FY2024 Budget Recommendation by Fund



General Fund: Revenue - \$2.10 Billion



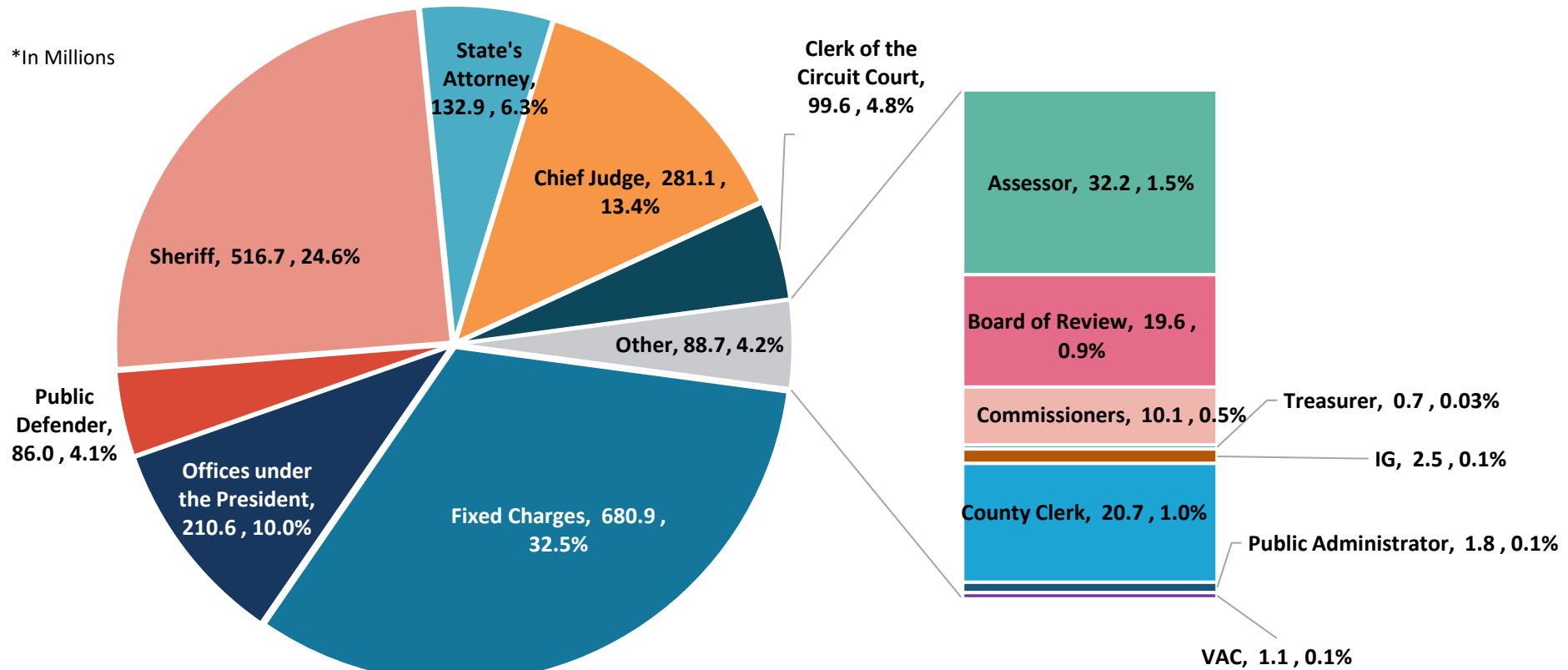
6.2% increase in anticipated GF Revenues

- Increase in investment income thanks to rising interest rates and performance
- Small increase in economically sensitive revenues such as sales tax, amusement tax, and hotel tax
- **Appropriation of unassigned FY2022 fund balance** to invest in Equity Fund, Landbank operations, Infrastructure Fund and Pension Annuity & Benefit Fund

Allocation of **Illinois Gaming Casino Tax** to **Equity Fund** for permanent sustainability plan for Equity Fund Initiatives and Equity specific programs post ARPA



General Fund: Expenditures - \$2.10 Billion



Program Area	FY2023 Budget	FY2024 Recommendation	% Change	% of GF Budget
Finance and Administration	\$194.68	\$206.79	6.2%	9.9%
Public Safety	1,063.94	1,120.32	5.3%	53.4%
Property and Taxation	70.71	73.15	3.4%	3.5%
Economic Development	14.69	15.07	2.6%	0.7%
Fixed Charges and Others	630.26	680.91	8.0%	32.5%
Total	\$1,974.28	\$2,096.25	6.2%	100.0%



FY2024 Fund Balance Reserve Policy

FY2024 Fund Balance Transfers		(in millions)
Pension Fund payment from General Fund	\$99.8	
Cook County Land Bank	11.9	
One-time General Fund expenses	11.2	
Equity Fund	10.9	
Infrastructure and Equipment Fund	9.1	
Total Transferred Fund Balance	\$142.9	
FY2023 Fund Balance Assignments		
ARPA Program Sustainability Reserve	158.8	
Total Assigned Fund Balance	\$158.8	
Total Transfers and Assignments	\$301.7	

Fund Balance Policy

- Maintain an unassigned fund balance for the General Fund of no less than two months or “floor”, and a “ceiling” of three-months-worth of the General Fund’s and Transportation Related Home Rule Taxes Fund’s total expenditures
- If the unassigned fund balance should exceed the ceiling, the County can use these funds to pay for nonrecurring expenses, an outstanding liability, or transfer it to a committed or assigned fund balance in the following fiscal year
- If the unassigned fund balance should fall below the floor the County will develop an action plan to replenish it in coordination with the annual adopted budget.

Unassigned ending fund balance

- FY2022 unassigned ending fund balance was \$301.7 million higher than the ceiling
- Fund balance under the FY2022 ceiling would remain unassigned to ensure sufficient financial resources exist to operate the County in the event of unanticipated variances



ARPA Program Sustainability Reserve

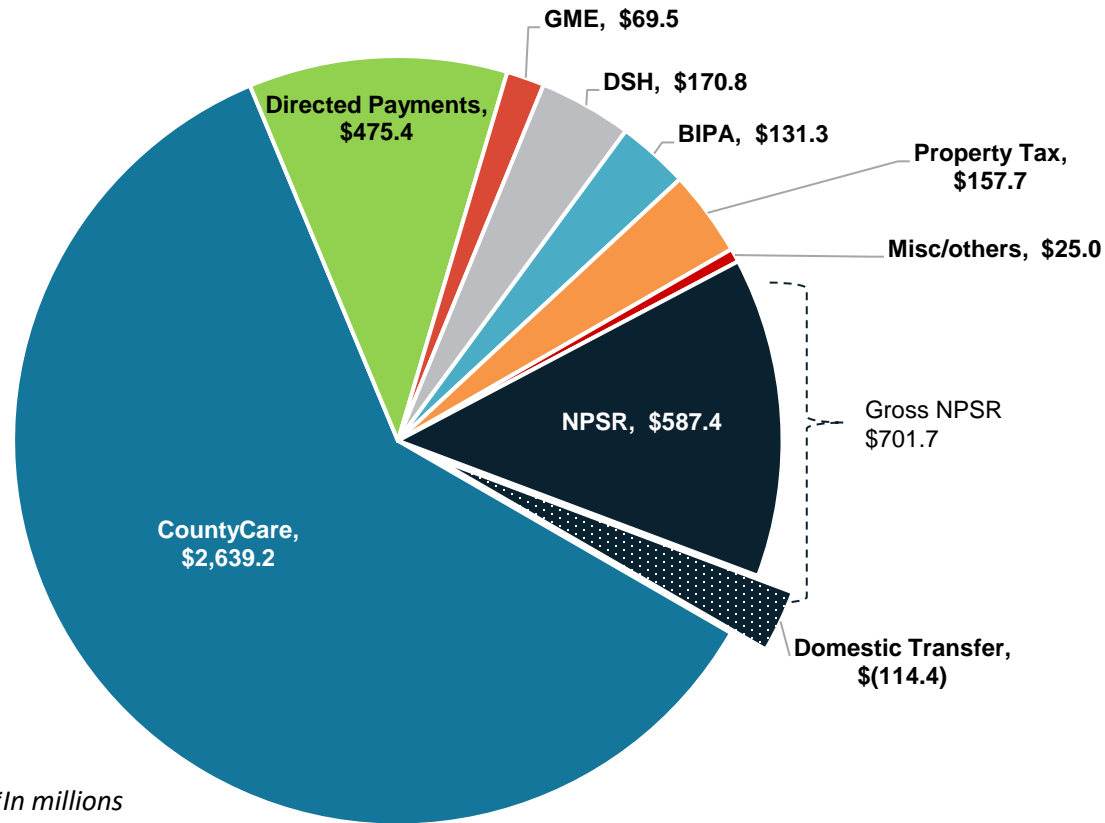
Anticipated Releases of \$166.3 Million ARPA Sustainability Reserve for ARPA Program Support



- Reserve would support sustained ARPA programs during a step-down period
- Funding will provide support as sustained initiatives establish funding support from grants and other sources

Health Enterprise Fund: Revenue - \$4.26 Billion

Health Enterprise Fund Revenues by Source

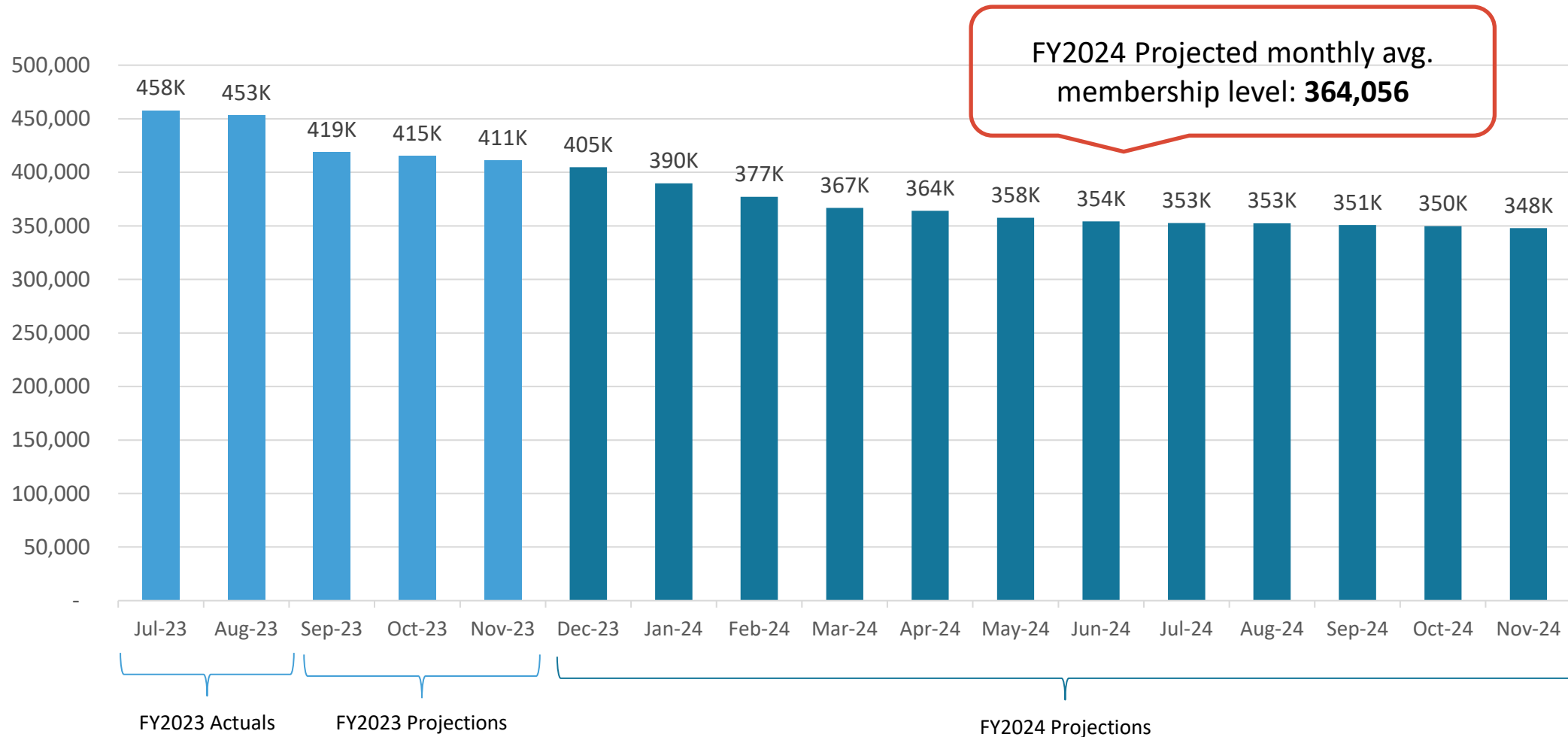


*In millions

- CountyCare PMPM revenue remains the largest revenue source for HEF with \$2.86B budget in FY2024; PMPM revenue decreases compared to FY2023 YE estimate due to the resumption of the re-determination of Medicaid population.
- NPSR is expected to generate \$702M, slightly higher than the FY2023 YE estimate and \$141.4M higher than FY2023, due to a continued increase in overall patient volumes and associated gross charges, partially offsetting a decrease in patient fees resulting from more uncompensated care due to the resumption of Medicaid redetermination.

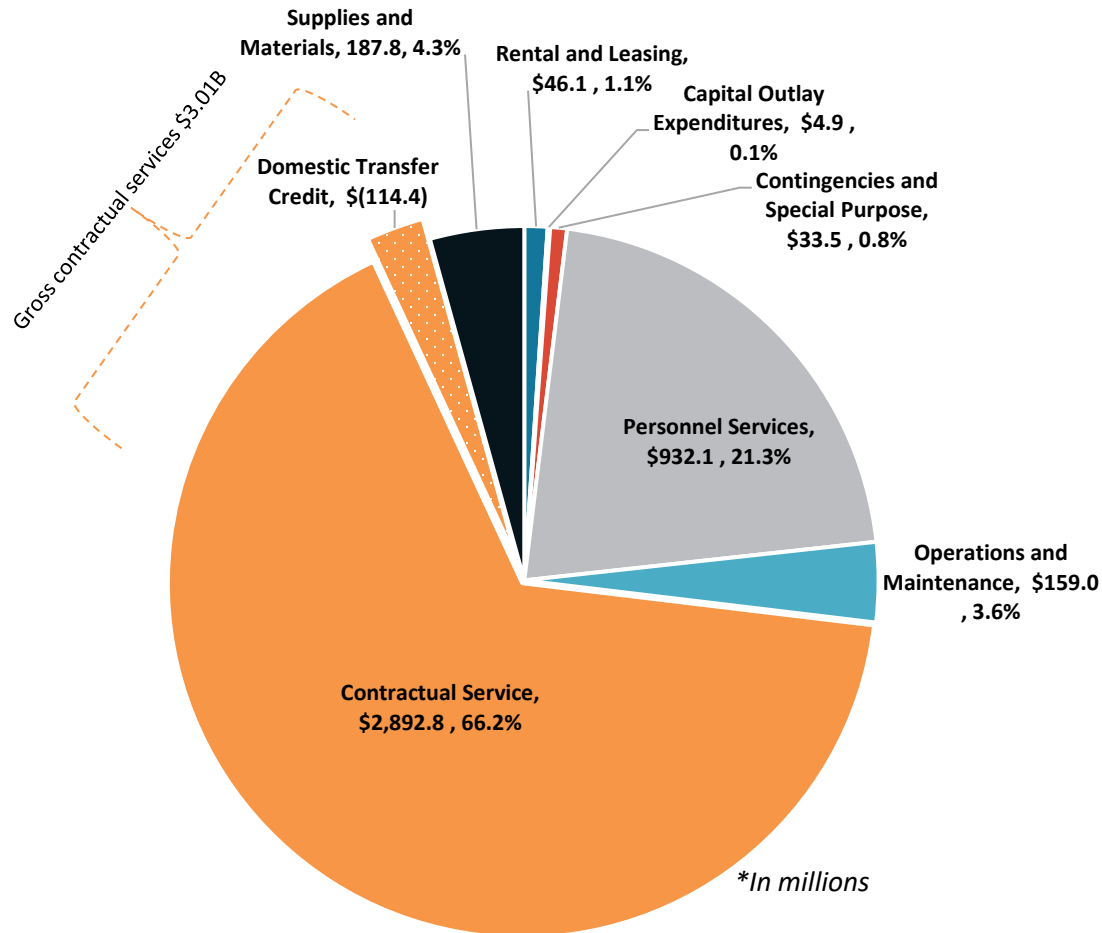


FY2024 Membership Projections: CountyCare

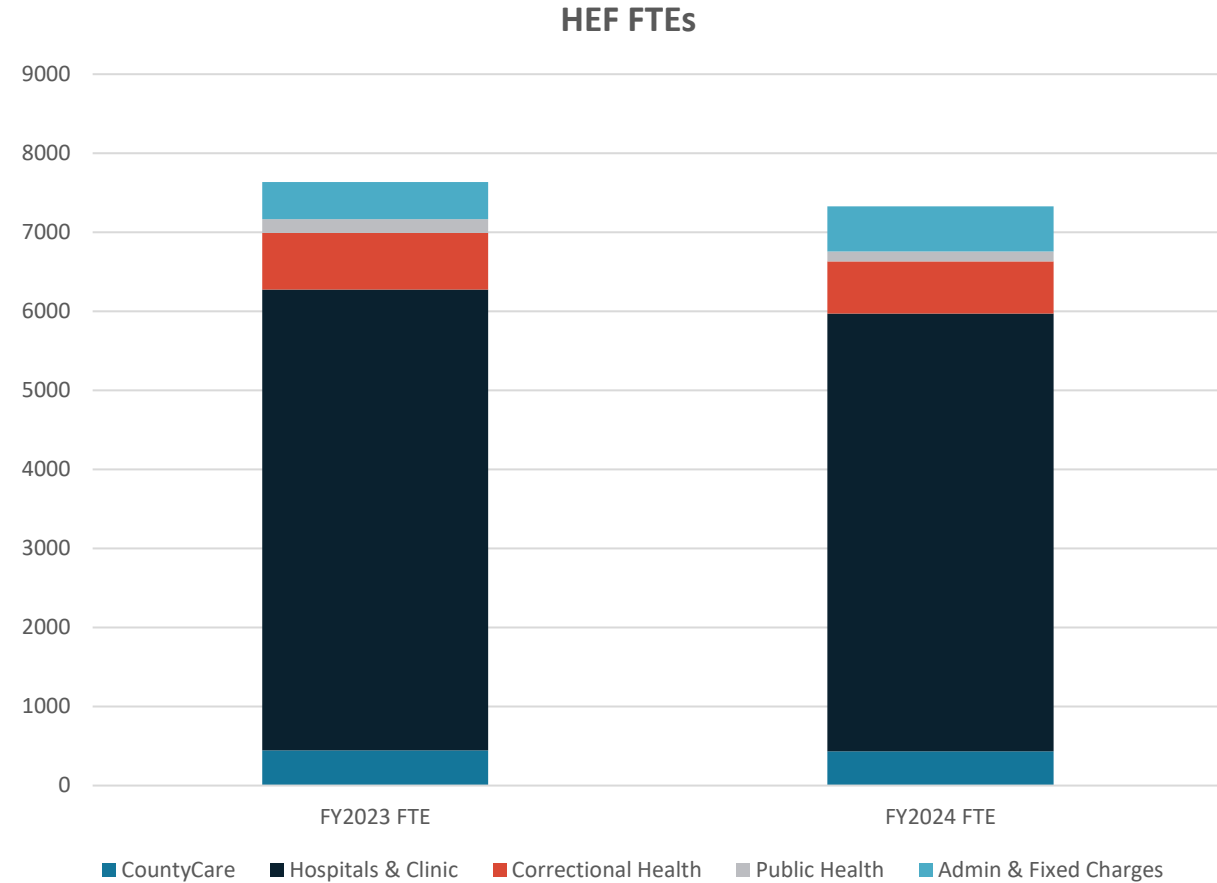




Health Enterprise Fund: Expenditures - \$4.26 Billion



Contractual services remains the largest CCH expenses at \$3.01B. \$2.50B is for CountyCare claims and \$198.8M is for contractual labor.

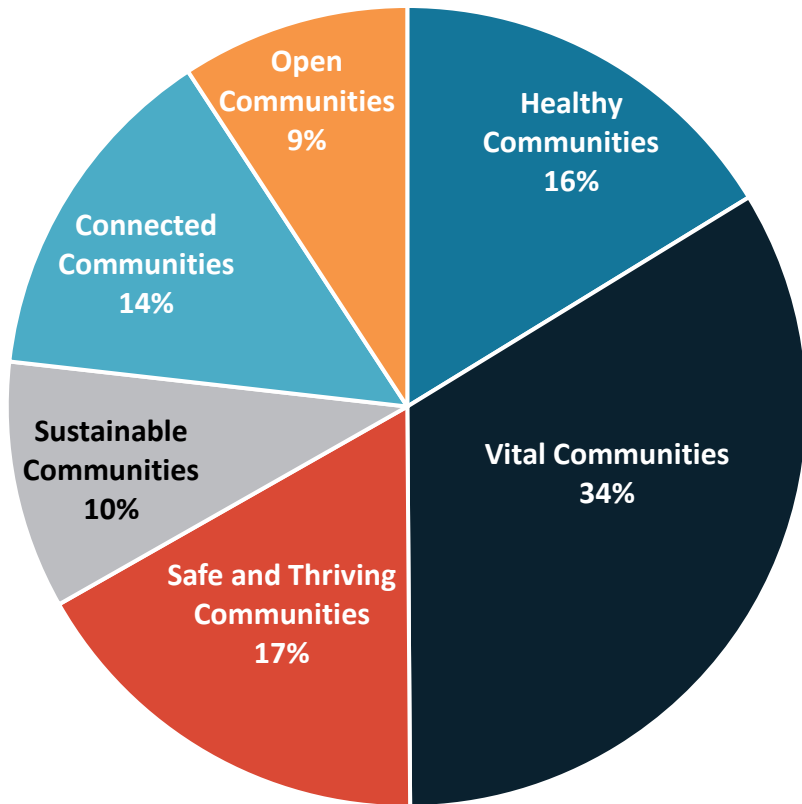


CCH recommended FTEs is 7,326, 308 FTE fewer than FY2023. CCH implemented a Position Control Program to effectively manage positions, leading to an increase of FTEs in Admin.



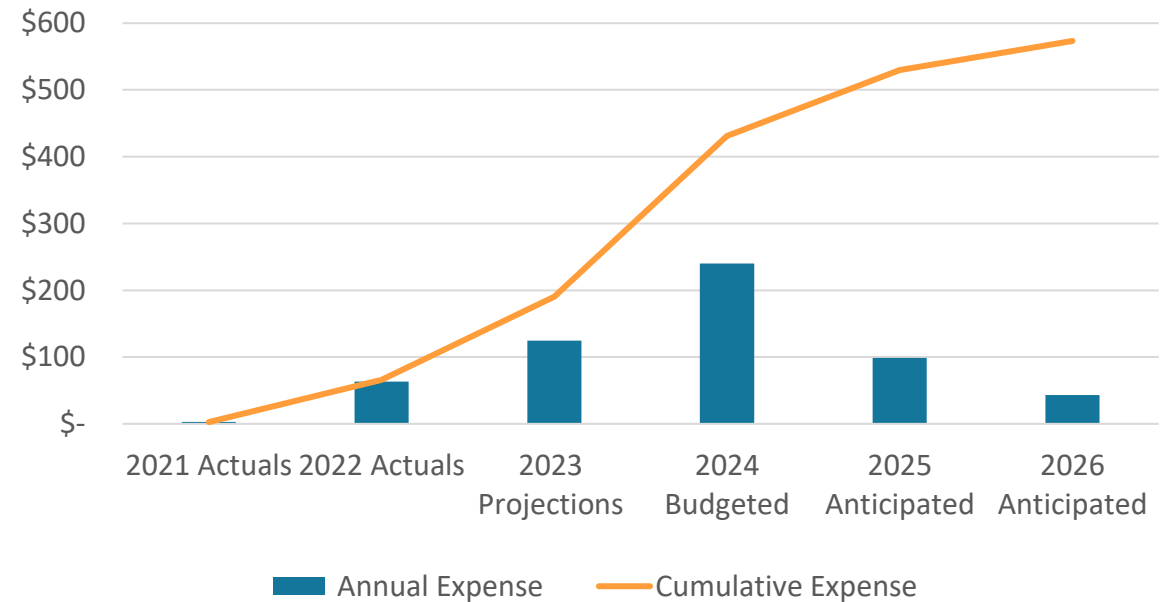
ARPA Funding for FY2024

Community Initiatives by Policy Pillar
FY2024 Budget: \$240.3 million



Community initiatives	\$240.3 million
Revenue loss	\$24.4 million
Total FY2024 budget	\$264.7 million

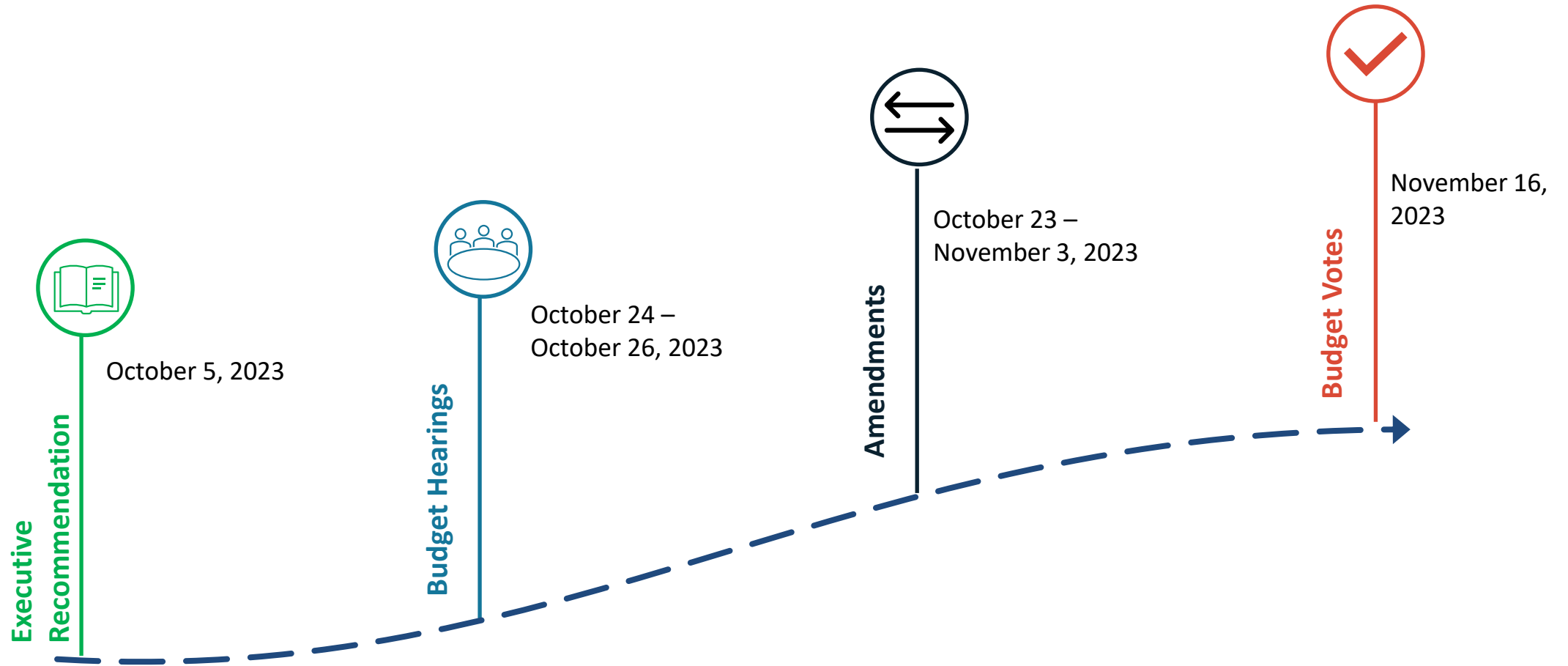
ARPA Initiative Expense Performance



County has launched over 70 initiatives and will continue to spend through FY2026

A drop in anticipated expenses in FY2025 is primarily due to some initiatives sunsetting in FY2024

FY24 EXECUTIVE BUDGET RECOMMENDATION





General Fund long-term forecast

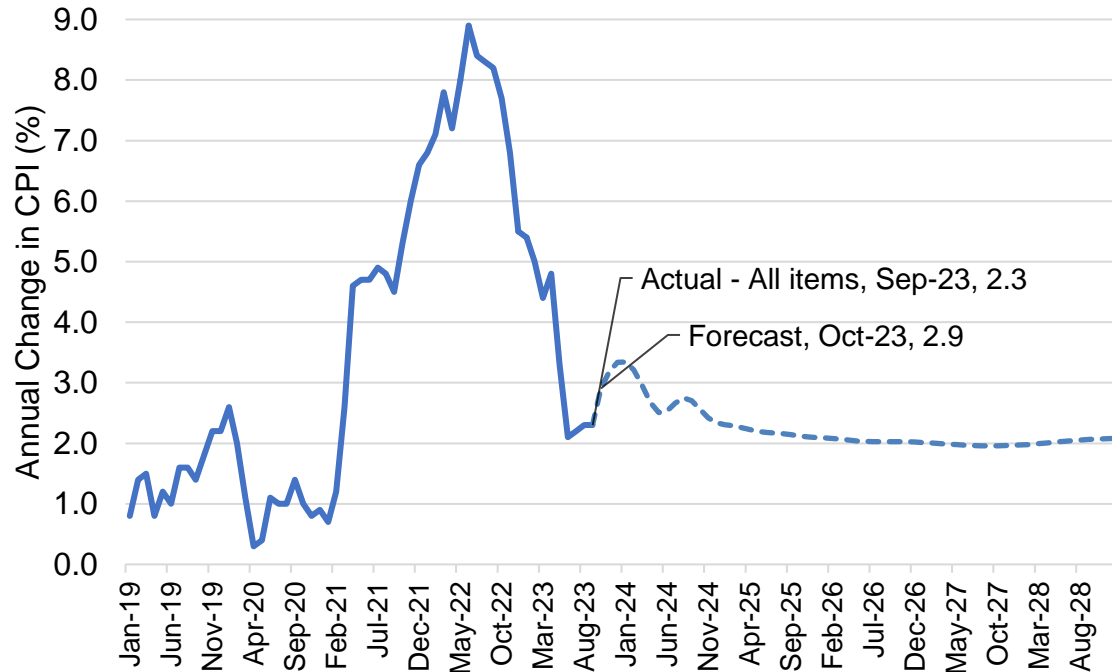


Economic update

Inflation growth continued to decline from its June 2022 peak, but CPI growth has slowly ticked higher in recent months.

After experiencing 5.9% growth in 2021 and 2.1% in 2022, **U.S. economic growth** is projected to slow in 2024 as the economy faces elevated interest rates as the Fed tries to continue bringing down inflation.

Year over year percent change in Consumer Price Index, Chicago MSA, actual and forecasted, 2019-28



Sources: U.S. BLS, September 2023; Moody's Analytics, September 2023

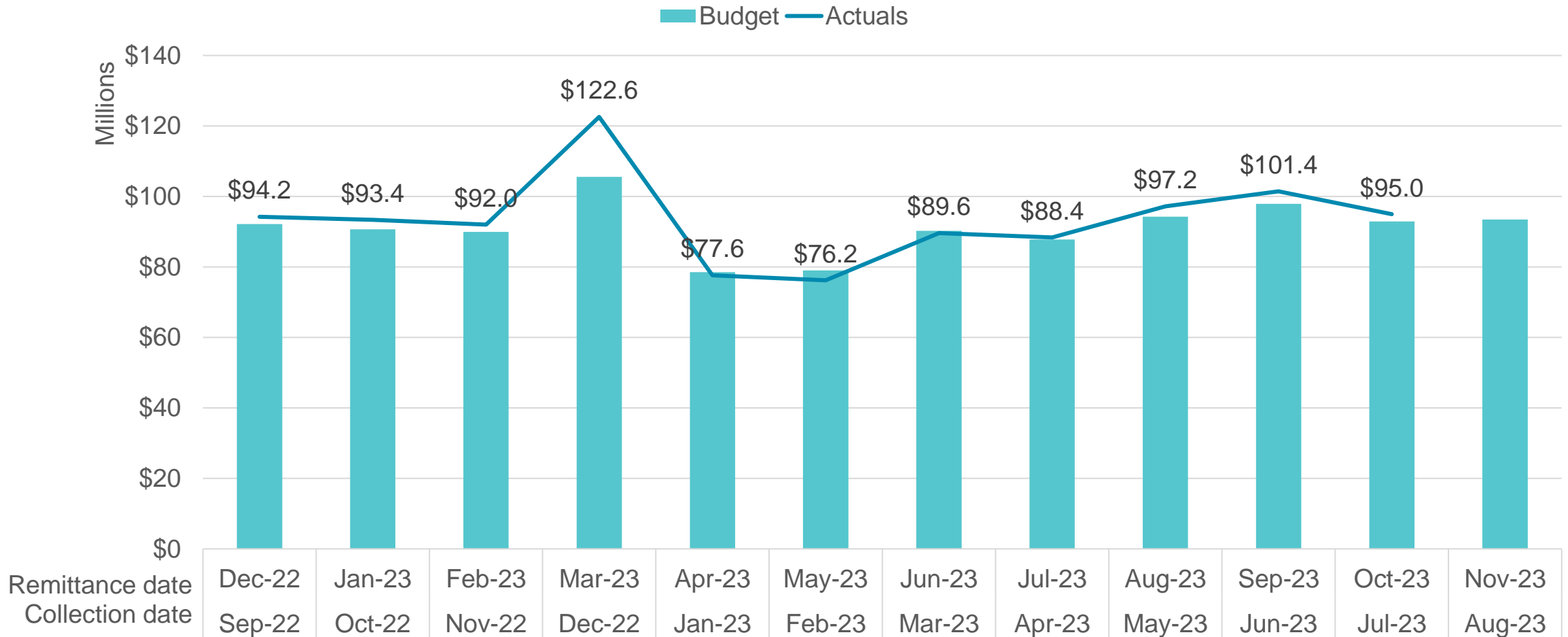
Real GDP forecasts

Year	Federal Reserve	Moody's	Survey of Professional Forecasters	Wall Street Journal
2023	2.1%	2.1%	1.3%	2.2%
2024	1.5%	1.4%	1.0%	1.0%
2025	1.8%	1.9%	2.4%	2.1%
2026	1.8%	2.6%	2.3%	2.0%

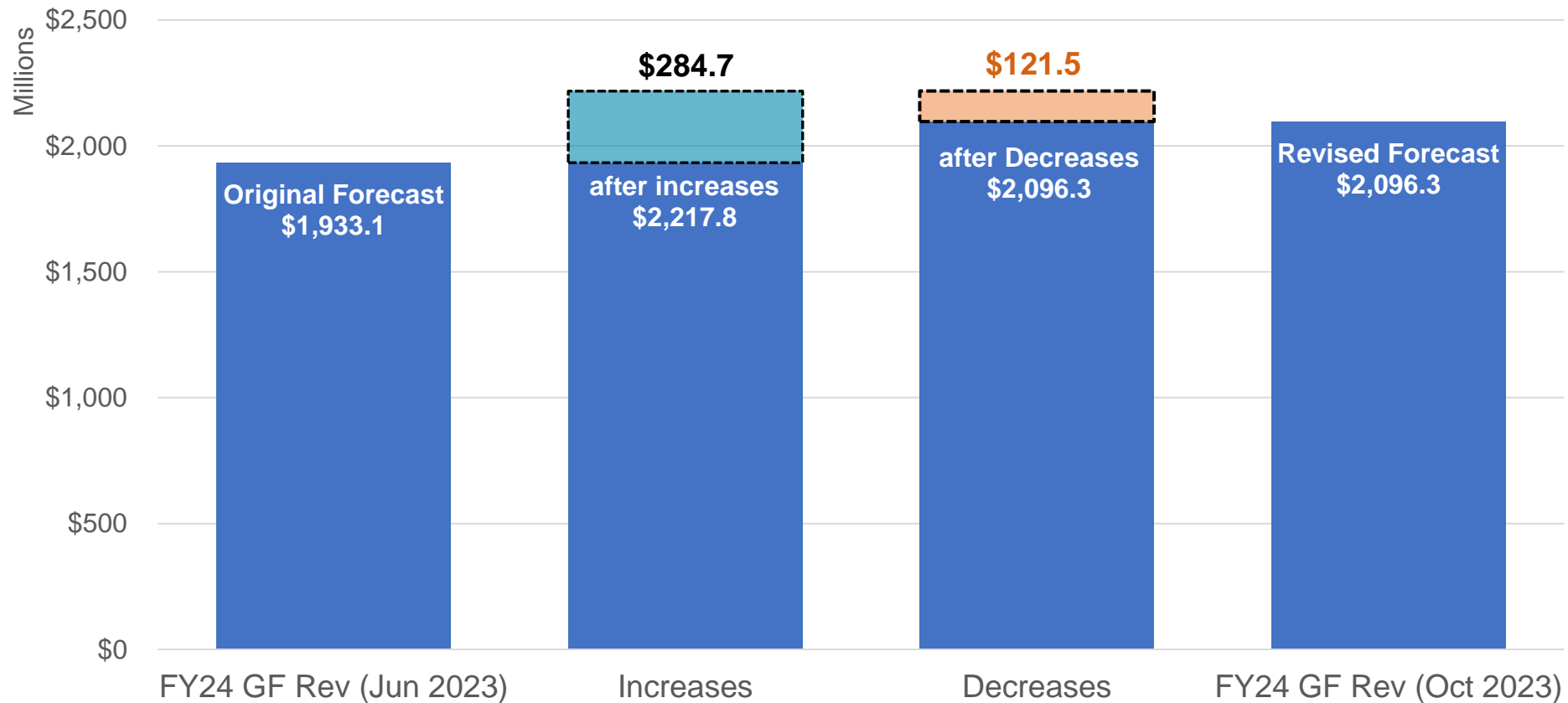
Sources: Federal Open Market Committee, September 2023; Moody's Analytics, October 2023; Survey of Professional Forecasters, August 2023; Wall Street Journal Economic Forecasting Survey, October 2023



FY 2023 sales tax revenue compared to forecast

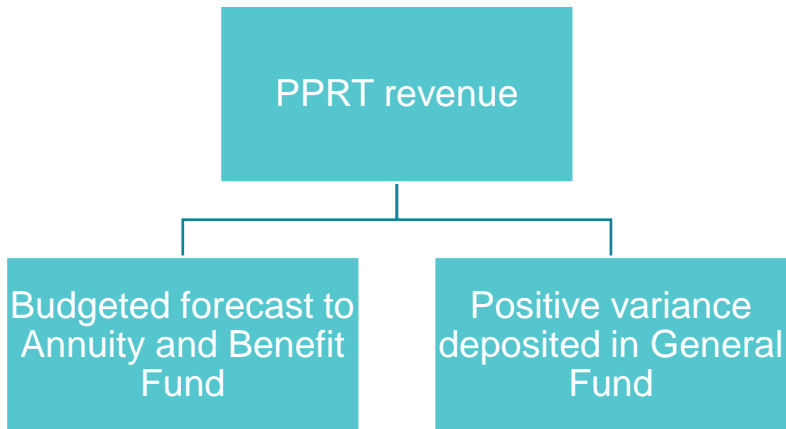


FY24 General Fund forecast – changes from June 2023 forecast



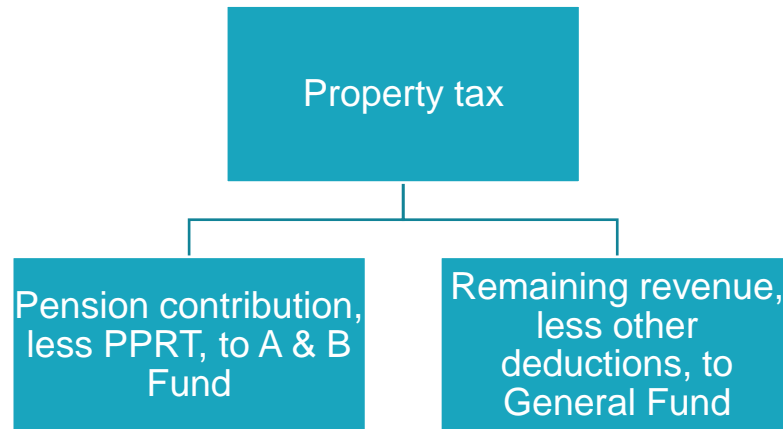
Major changes - Non property taxes

Past PPRT method



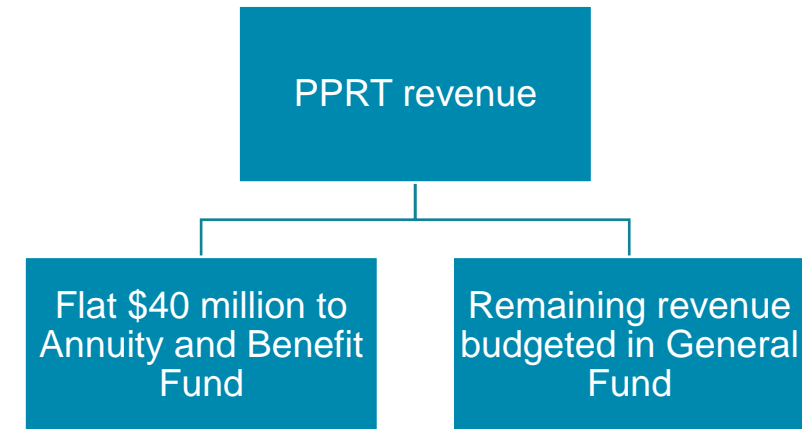
- Challenges with forecasting PPRT in arrears meant that recent positive variances were not reflected in budgeted revenues

Property tax method



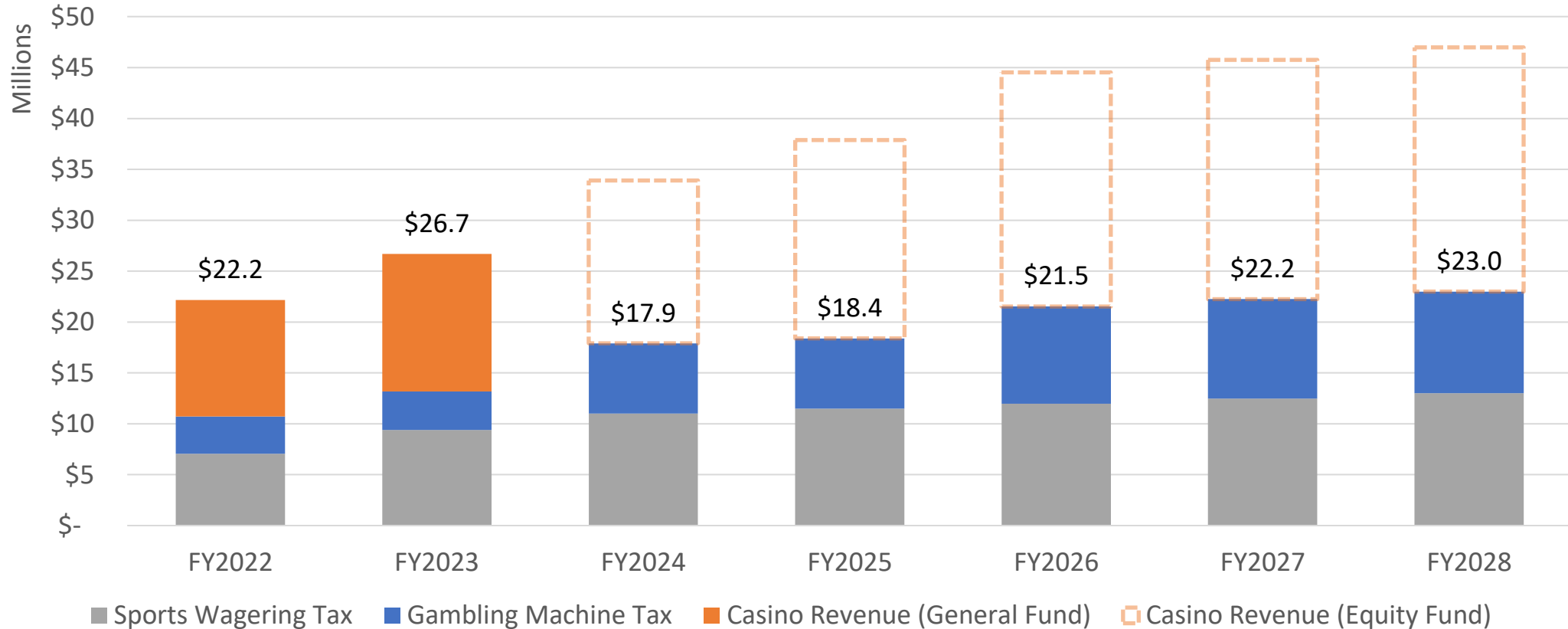
- Variability in PPRT was reflected in the General Fund's Property Tax Allocation
- Flat PPRT to the A & B Fund will reduce year-to-year changes in Property Tax allocation to the General Fund

New PPRT method



- Variability in PPRT will be reflected in the General Fund in Non-Property Taxes account

Major changes – Casino revenue



- Effective FY2024, Casino Tax revenue will shift from the General Fund to the Equity Fund as a permanent funding source
- By FY2027, Gambling Machine Tax and Sports Wagering Tax revenues are projected to reach the General Fund's FY2022's revenue levels, which included Casino Tax revenues

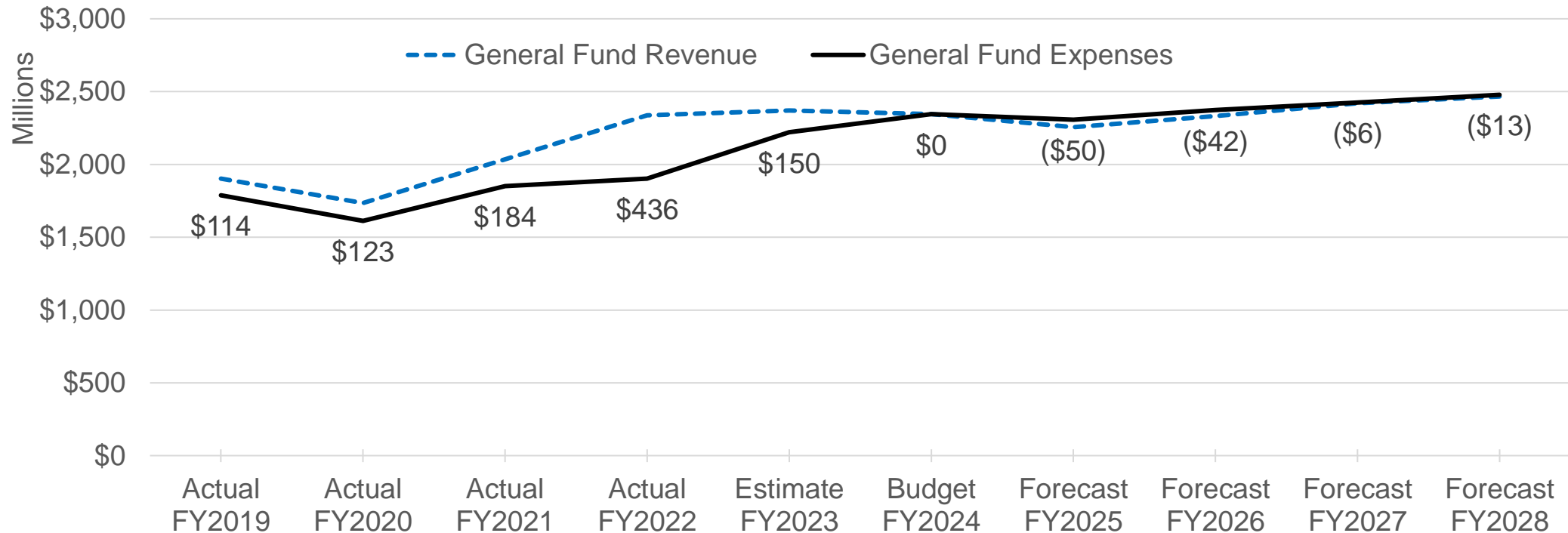


FY24 General Fund forecast – major changes from June 2023 forecast

Revenue source	October forecast FY2024	Percent change in forecast FY2024	Amount change in forecast from June 2023 forecast			
			FY2024	FY2025	FY2026	FY2027
400010-Property Taxes	\$157.0	(17.8%)	(\$34.0)	(\$40.0)	(\$62.1)	(\$72.3)
400040-Tax Increment Financing Taxes	\$13.5	(25.7%)	(\$4.7)	(\$0.9)	(\$0.9)	(\$0.9)
401110-Non Property Taxes	\$73.2	100.0%	\$73.2	\$79.0	\$103.0	\$117.8
401150-County Sales Tax	\$1,119.0	(1.0%)	(\$11.4)	(\$19.8)	(\$3.4)	\$16.8
401330-Il Gaming Des Plaines Casino	\$0.0	(100.0%)	(\$16.0)	(\$20.3)	(\$20.7)	(\$21.0)
401350-Amusement Tax	\$42.0	2.4%	\$1.0	\$0.9	\$0.8	\$0.7
401550-Hotel Accommodations Tax	\$35.3	11.9%	\$3.8	\$3.9	\$4.1	\$4.3
401590 - Sports Wagering Tax	\$11.0	10.0%	\$1.0	\$1.1	\$1.2	\$1.3
402548-Clerk of the Circuit Court Fees	\$59.5	(4.9%)	(\$3.1)	\$1.1	\$1.2	\$1.3
402200-County Recorder and Registrar / 402150-County Clerk	\$49.3	(1.9%)	(\$0.9)	(\$18.7)	(\$17.7)	(\$16.7)
405010-Investment Income	\$43.5	21.1%	\$7.6	\$3.7	\$5.6	\$7.8
406010-State of Illinois	\$59.4	2.2%	\$1.3	\$0.0	\$0.3	\$0.5
407010-Miscellaneous Revenue	\$46.6	41.1%	\$13.6	\$0.1	\$0.2	\$0.4
407080-Other	\$3.5	(75.6%)	(\$10.7)	\$0.0	\$0.0	\$0.0
411490 - Other Financing Sources	\$142.9	100.0%	\$142.9	\$0.0	\$0.0	\$0.0
Subtotal major changes	\$1,855.6	9.7%	\$163.5	(\$9.9)	\$11.6	\$39.9
Other GF revenues	\$240.6	(0.1%)	(\$0.4)	\$1.4	\$2.0	\$2.6
Total GF revenues	\$2,096.3	8.4%	\$163.1	(\$8.4)	\$13.6	\$42.5



General Fund Net Surplus/(Deficit) Projection



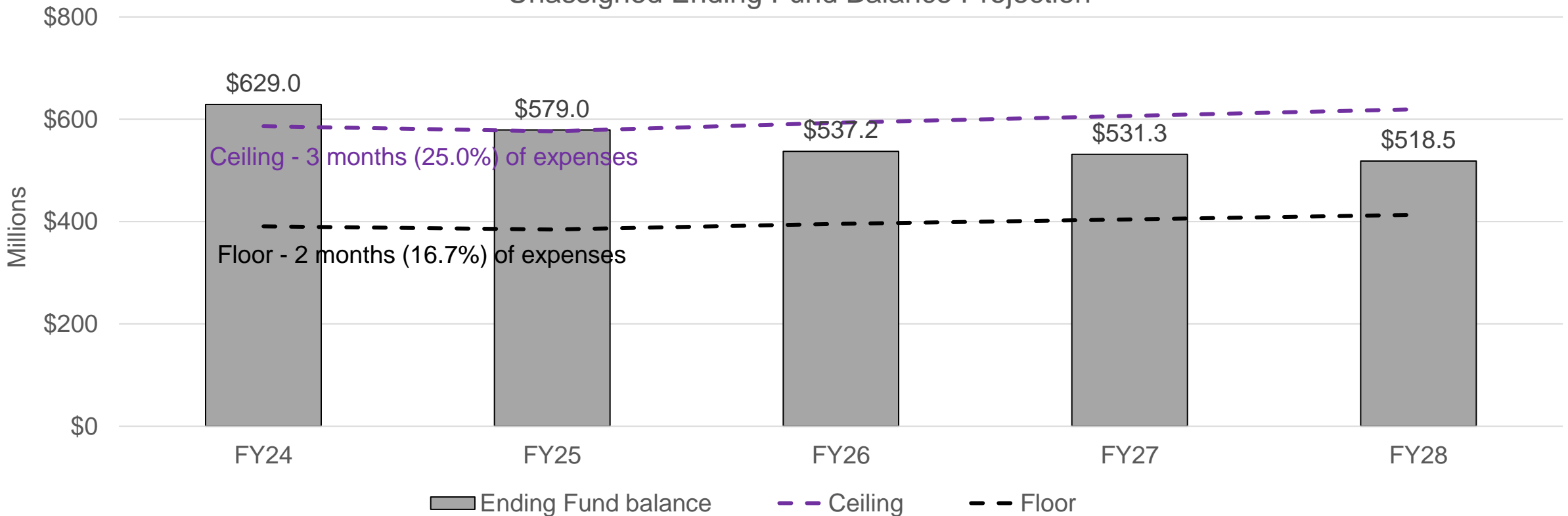
* includes Transportation Related Home Rule Taxes Fund

- Revenues are anticipated to keep pace with expenses largely due to expected growth in sales tax revenue
- Revenues from Hotel taxes are expected to grow faster than expenses as they recover from declines during the pandemic, while Gambling Machine Tax revenue is expected to increase with new casinos
- Several other revenue sources still fail to keep up with the growth rate of expenses, including declining cigarette tax and gas tax revenue



General Fund – fund balance

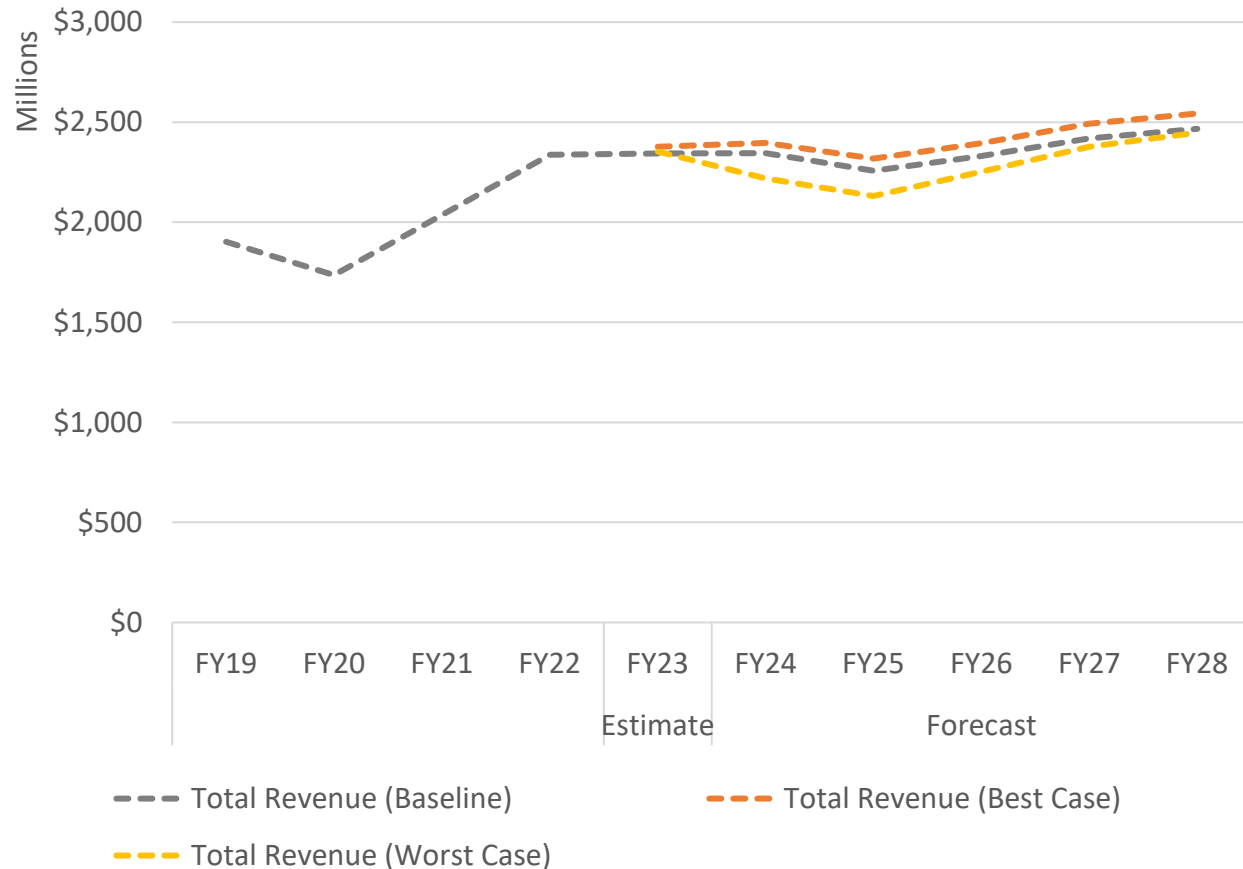
Unassigned Ending Fund Balance Projection



- Floor represents 2 months of projected annual expenses and Ceiling represents 3 months of projected annual expenses
 - Floor and ceiling calculations determined pursuant to Government Finance Officers Association (GFOA) recommendations and Cook County’s Fund Diversity And Stabilization/Financial Reserve Policy.
- Fund balance dips below ceiling (25% of expenses) in FY2026
- Floor and ceiling incorporate both General Fund and Transportation Related Home Rule Taxes Fund expenses
- Excludes a total of \$390.6 million in assigned fund balance



General Fund revenue scenarios



Scenario Assumptions

Best

- The economy has a 10% chance of performing better and a 90% chance of performing worse
- Interest rates & inflation are a bit higher than baseline due to stronger growth
- Fed restores consumer confidence after bank failures
- Unemployment declines below the baseline projection

Baseline

- The economy has a 50% chance of performing better and a 50% chance of performing worse
- The Fed is done tightening and will begin easing interest rates in June 2024
- Economy will grow at a slower pace in the beginning of 2024
- Inflation growth will approach the Fed's target range around Q3 2024

Worst

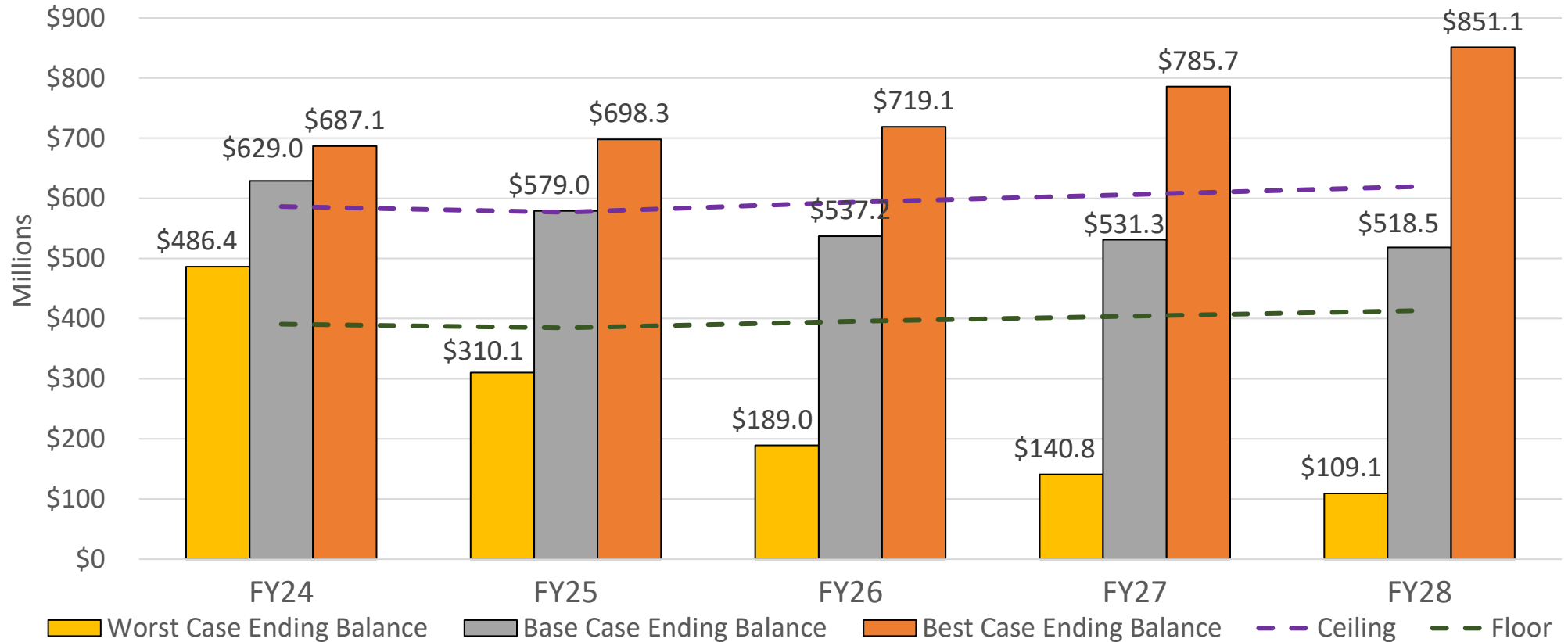
- The economy has a 90% chance of performing better and a 10% chance of performing worse
- Unemployment increases starting in Q4 2023, peaking in Q4 2024
- Further instability in banking sector, reducing consumer confidence
- Economy falls into a recession at the end of 2023

*Includes both General Fund and Transportation Related Home Rule Taxes Fund



General Fund - fund balance scenarios

Unassigned Ending Fund Balance Projection



*Incorporates both General Fund and Transportation Related Home Rule Taxes Fund

Base scenario - the economy has a 50% chance of performing better and a 50% chance of performing worse

Worst case scenario - the economy has a 90% chance of performing better and a 10% chance of performing worse

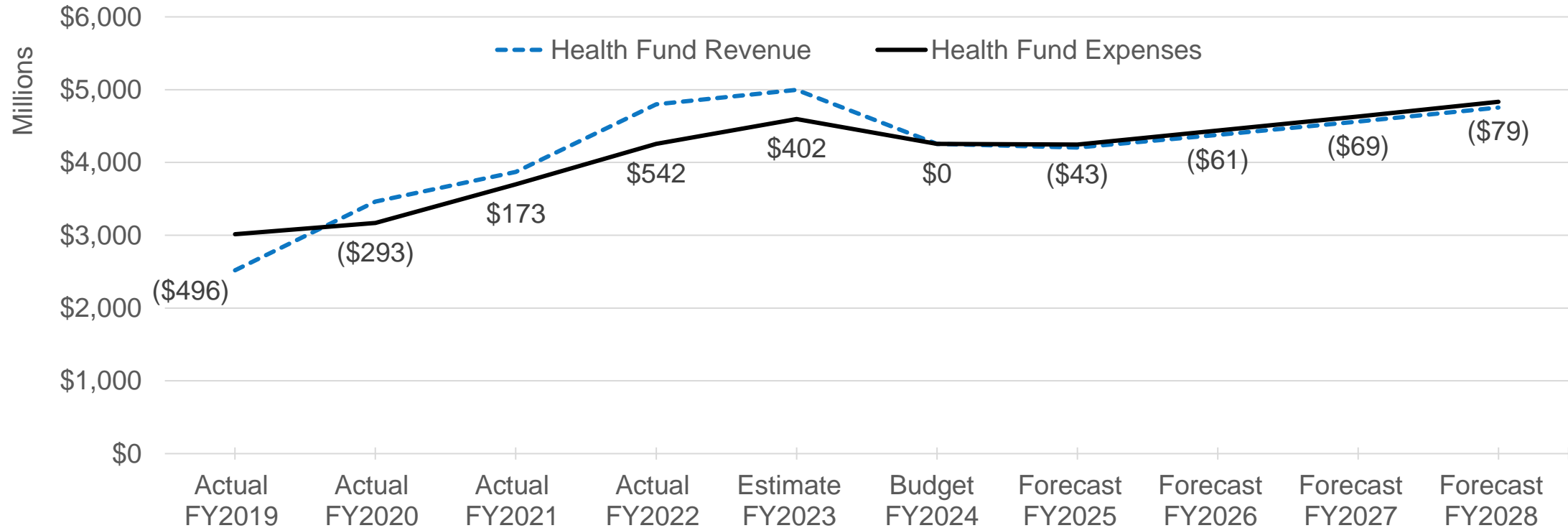
Best case scenario - the economy has a 10% chance of performing better and a 90% chance of performing worse



Health Fund long-term forecast



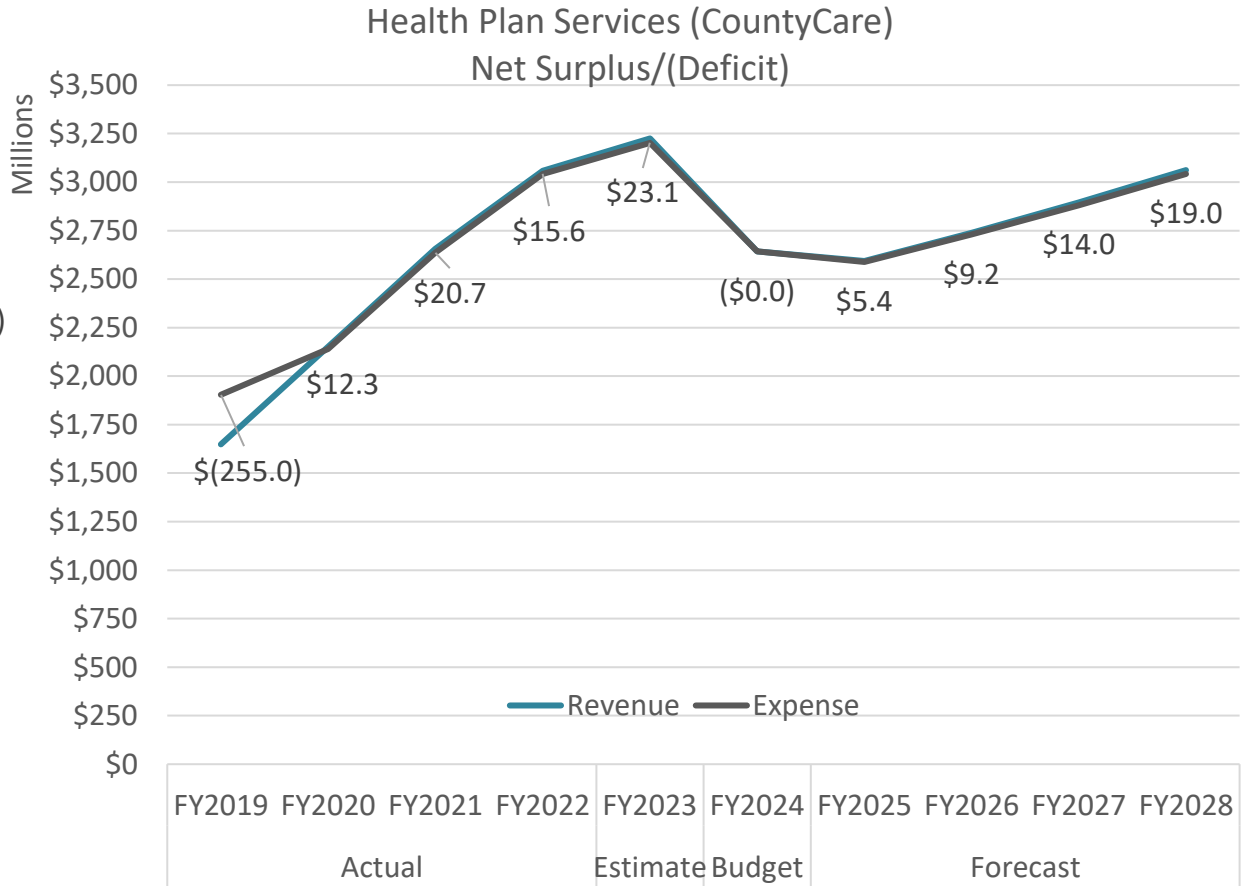
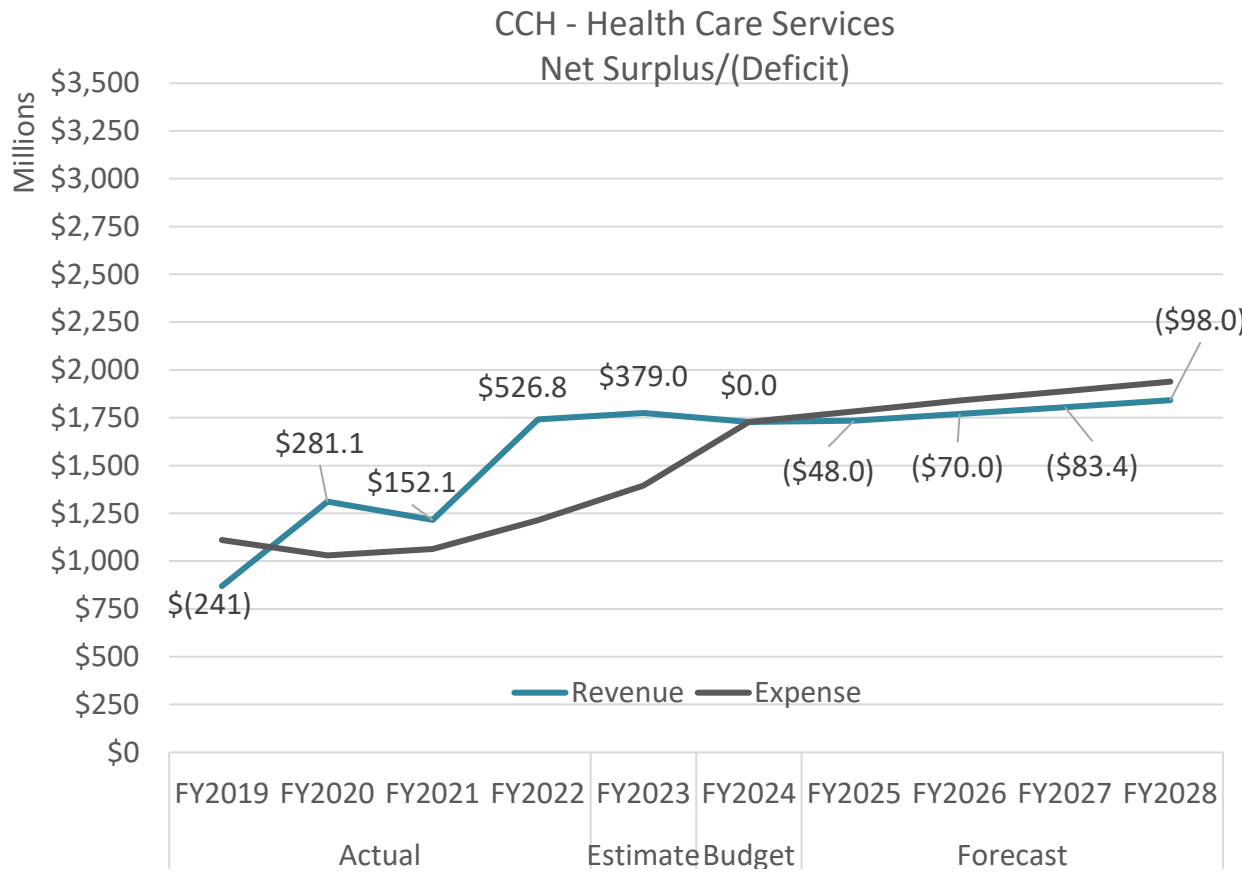
Health Fund Net Surplus/(Deficit)



- Revenues are expected to be just short of expenses in the out-year projections
- Property tax allocations to the Health fund are expected to increase by \$10 million annually
- Declines in revenues and expenses in FY2024 can be attributed to the reinstatement of redeterminations at Health Plan Services



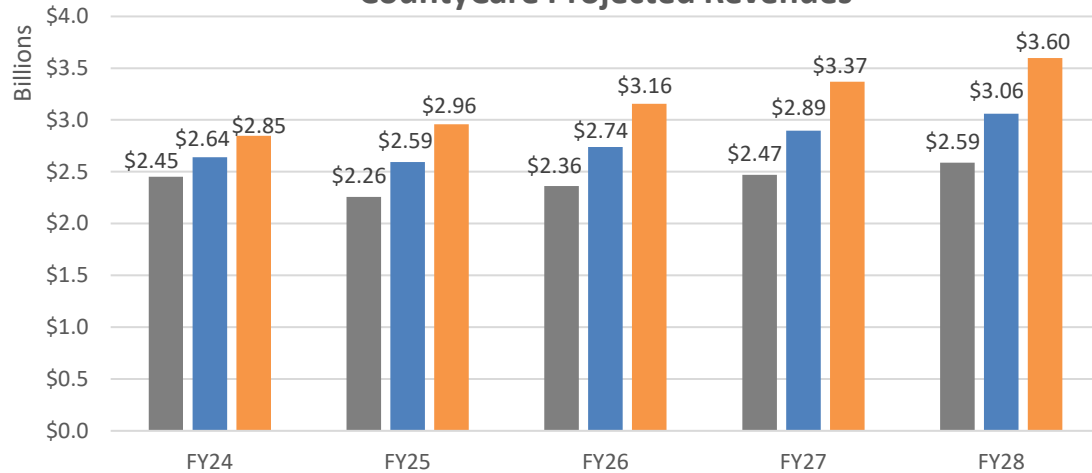
Health Fund Health Care Services and Health Plan Services



*Domestic claims elimination excluded from totals in both charts

Health Fund: CountyCare scenarios

CountyCare Projected Revenues



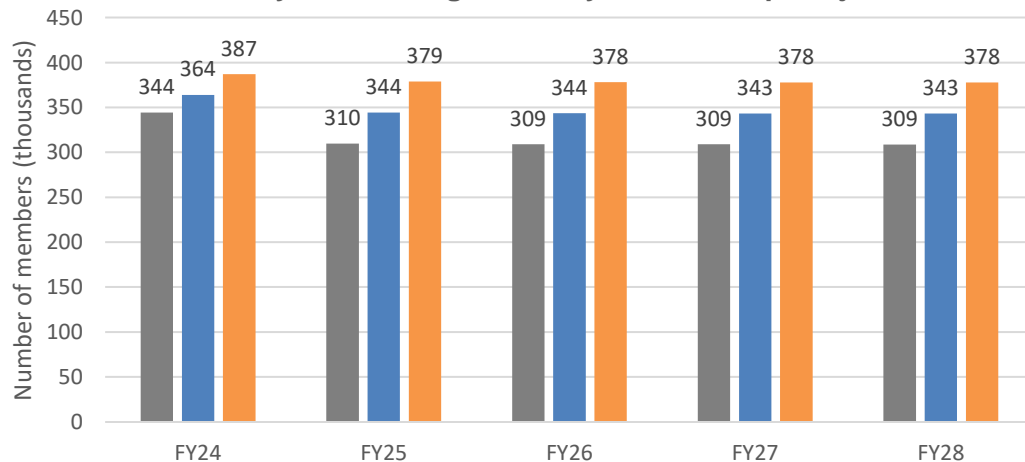
For **all scenarios**, average monthly membership is anticipated to drop initially in FY24 and then again in FY25. Starting in FY2025, all scenarios assume that attrition will return to historical averages, resulting in the net change in membership flattening.

Conservative: assumes autoenrollment will drop to 20%; PMPM rates will increase slower than past trends

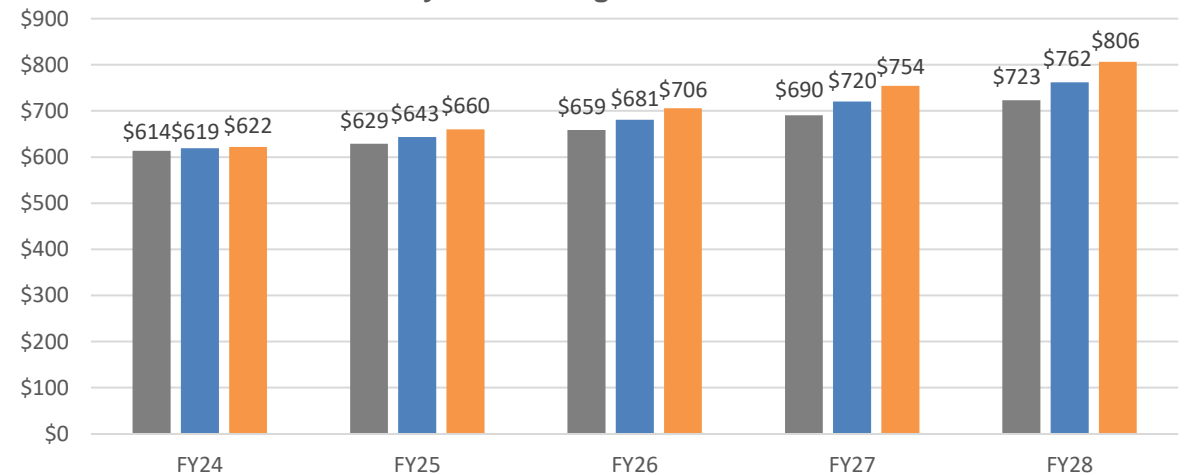
Baseline: assumes 35% of the pool will be assigned via autoenrollment to CountyCare; PMPM rates will increase as in the past.

Optimistic: autoenrollment will remain at 50%; PMPM rates will increase faster than past trends

CountyCare Average Monthly Membership Projections



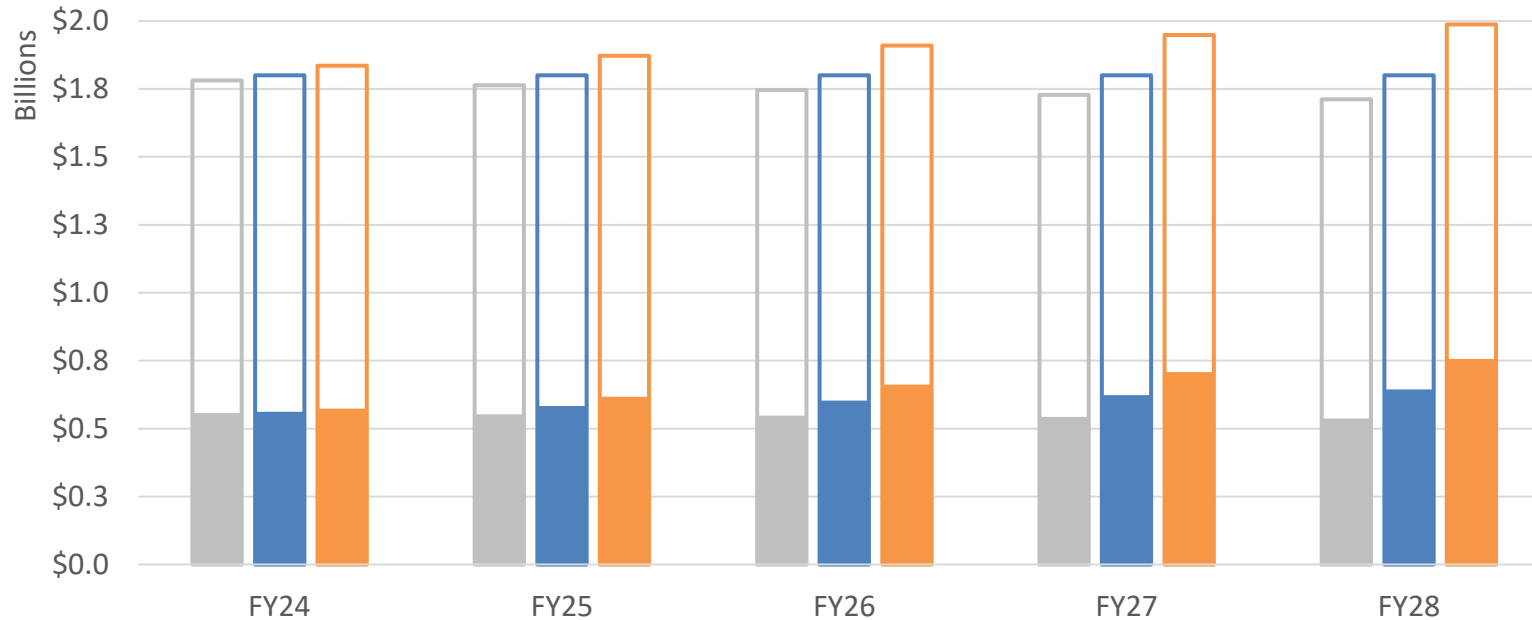
CountyCare Average PMPM Revenue



Health Fund

Net patient service revenue scenarios

Net patient service revenue compared to gross charges, FY2024-28



Scenario Assumptions

All scenarios: Due to lower Medicaid membership as a result of the resumption of redetermination, \$60M in gross charges are expected to be shifted from Medicaid payors to self-pay in FY2024

Conservative: volume and associated gross charges decline, fewer people will have Medicaid coverage, and reimbursement rates will fall below inflation

Baseline: consistent volume, people will maintain current coverage, and reimbursement rates will be consistent with inflation

Optimistic: that volume and associated gross charges will increase, more self pay will be covered by Medicaid, and reimbursement rates will be higher than inflation

*Estimates of gross charges billed by CCH are represented by the full bar and net patient service revenue estimated to accrue to CCH is represented by the filled in portion of the bar.

Schedule and next steps

Proposed 2024 meeting dates

Tuesday January 30, 2024

Tuesday April 30, 2024

Thursday June 27, 2024

Wednesday July 31, 2024

Wednesday August 28, 2024

Wednesday October 30, 2024



Meeting calendar

November

Su	Mo	Tu	We	Th	Fr	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

November 16: County Board meeting – budget vote

December

Su	Mo	Tu	We	Th	Fr	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

December 14: County Board meeting

January

Su	Mo	Tu	We	Th	Fr	Sa
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

January 30: IRFC quarterly meeting

*Disclaimer: dates are subject to change

Public comment

Adjournment