



COOK COUNTY
BUREAU OF
FINANCE

Independent Revenue Forecasting Commission

Preliminary
Forecast

June 27, 2024



Agenda



Roll call



Approval of minutes



Opening remarks



Preliminary forecast



Long-term forecast



Sales tax forecast methods



Next steps



Public comment



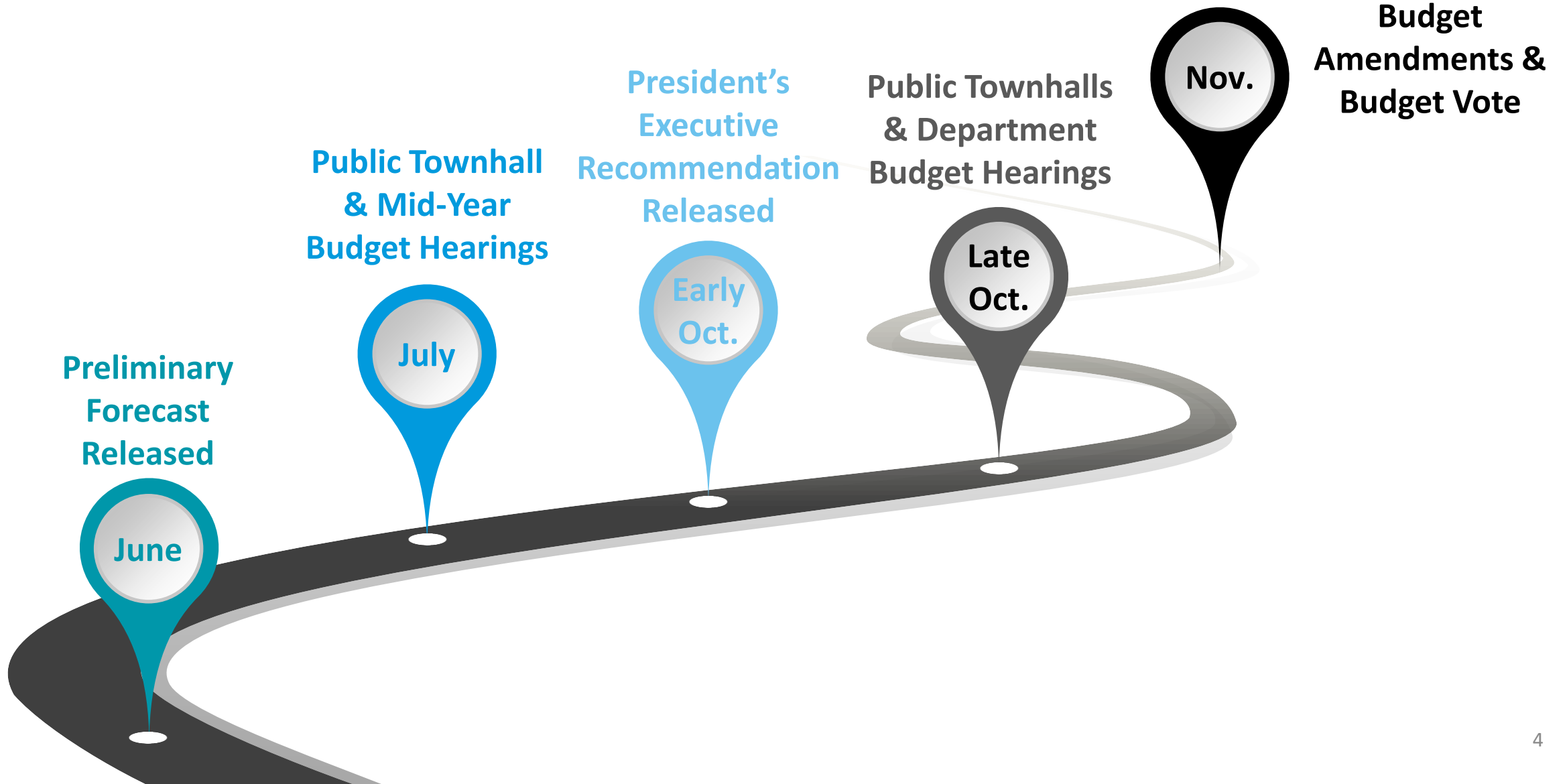
Preliminary Forecast General Fund





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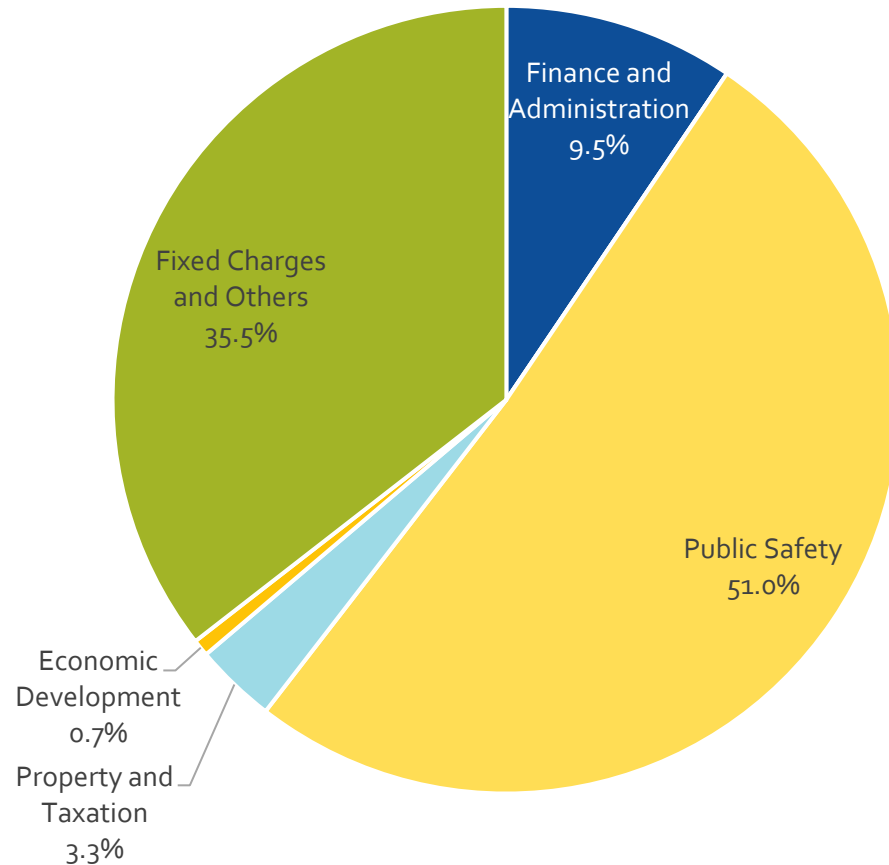
FY2025 Budget Calendar



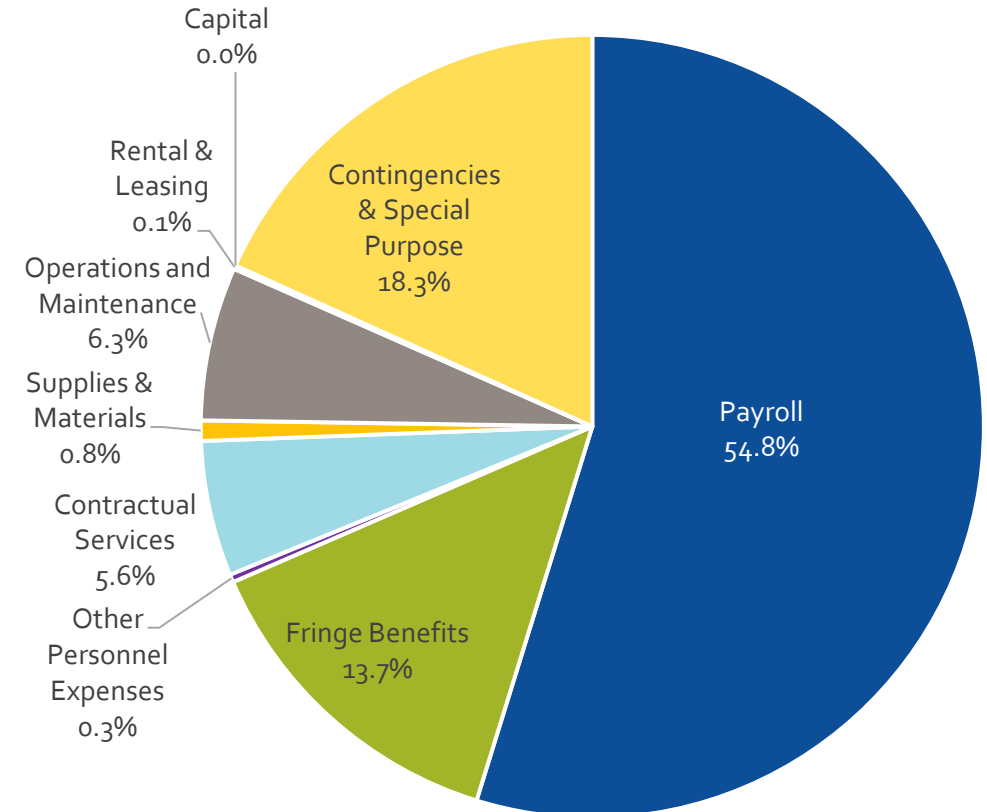


FY2024 General Fund Approp. - \$2.20B

General Fund by Function



General Fund by Expense Category

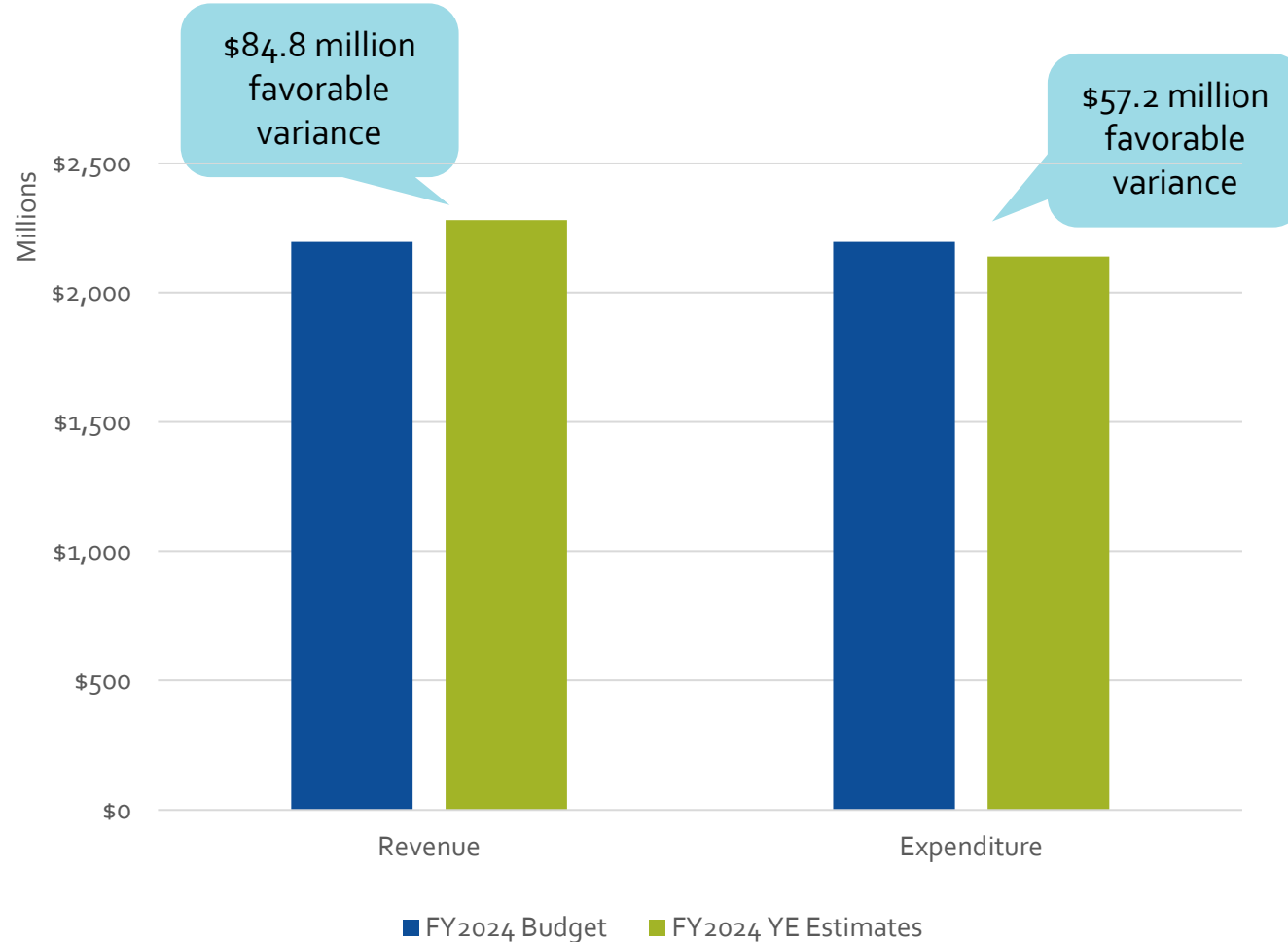


- About a half of the General Fund is dedicated to support public safety operations
- Fixed Charges, such as pension contributions and transfers to Disaster Response and Recovery Fund and Equity Fund, account for 36% of the GF
- Payroll & fringe benefits account for more than half of GF expenditures, resulting in COLAs and other payroll changes driving GF expenditure growth ⁵



FY2024 General Fund Year-End Projections

General Fund is expected to end the year with a favorable budget variance of \$142.0M



Tight Labor Market

County has been experiencing longer hiring timeframes leading to payroll savings.

Stronger Economy

Economic growth and higher than anticipated interest rates have led to increase in sales tax & investment income, leading to a favorable variance .

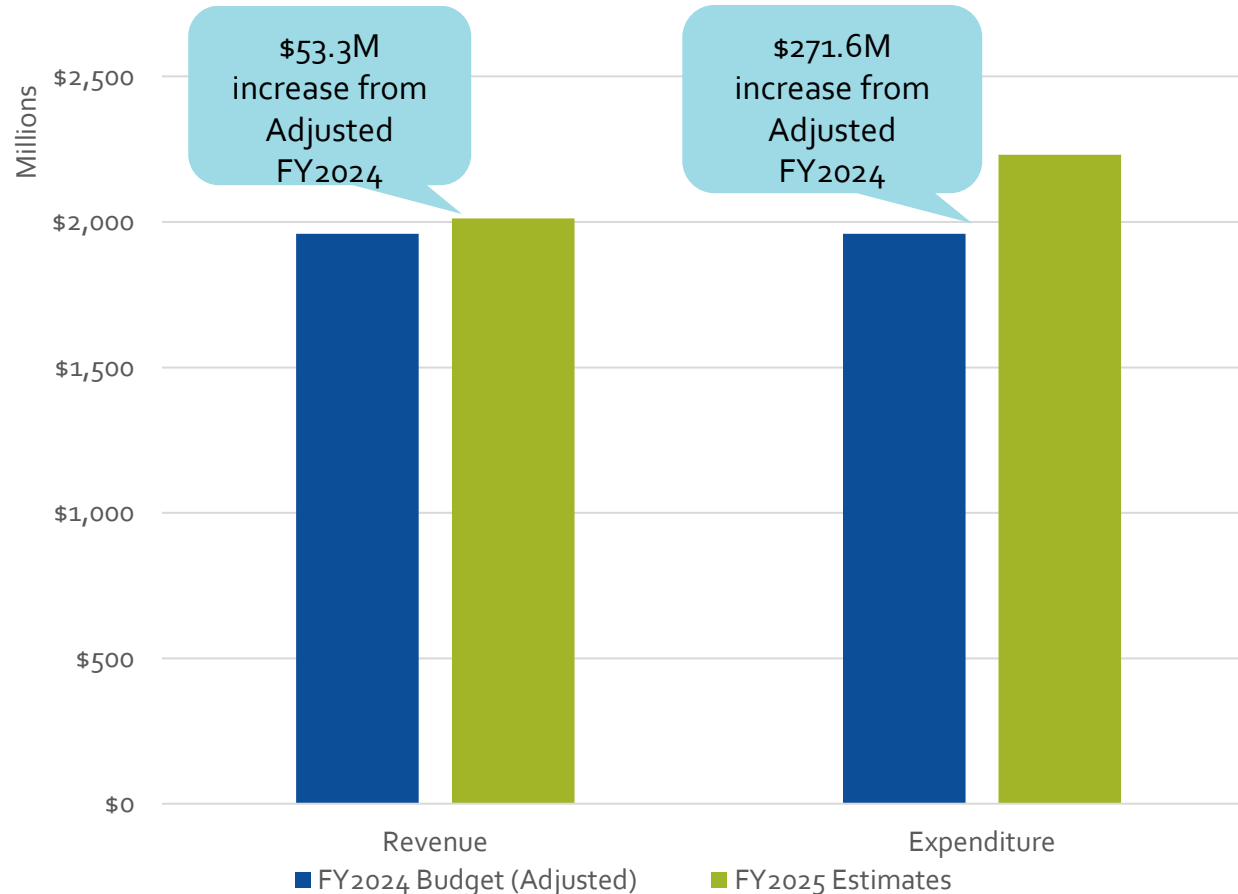
One time Revenue

A higher than anticipated volume of late property tax payments contribute to a favorable variance. TIF revenue is higher than budget.



FY2025 General Fund Preliminary Forecast

General Fund is expected to have a budget gap of \$218.2 million



Modest increase in GF revenues

General Fund revenues are expected to grow moderately.

Increased Costs for Labor

Increased cost of personnel due to 5% Cost of Living Adjustment effective June 2025 and natural salary progression and changes in the salary schedules. Employee health benefits are projected to increase.

Pension Contribution

Employee salaries increased, resulting in the increased need of the pension contribution.

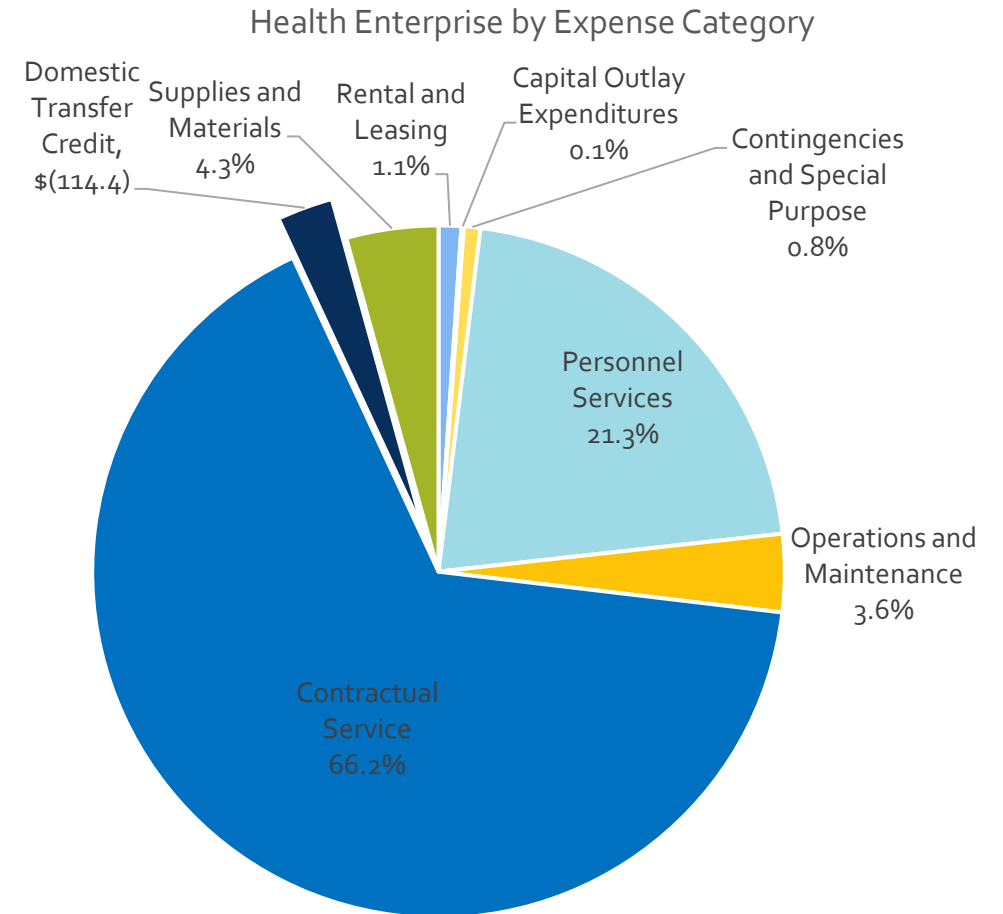
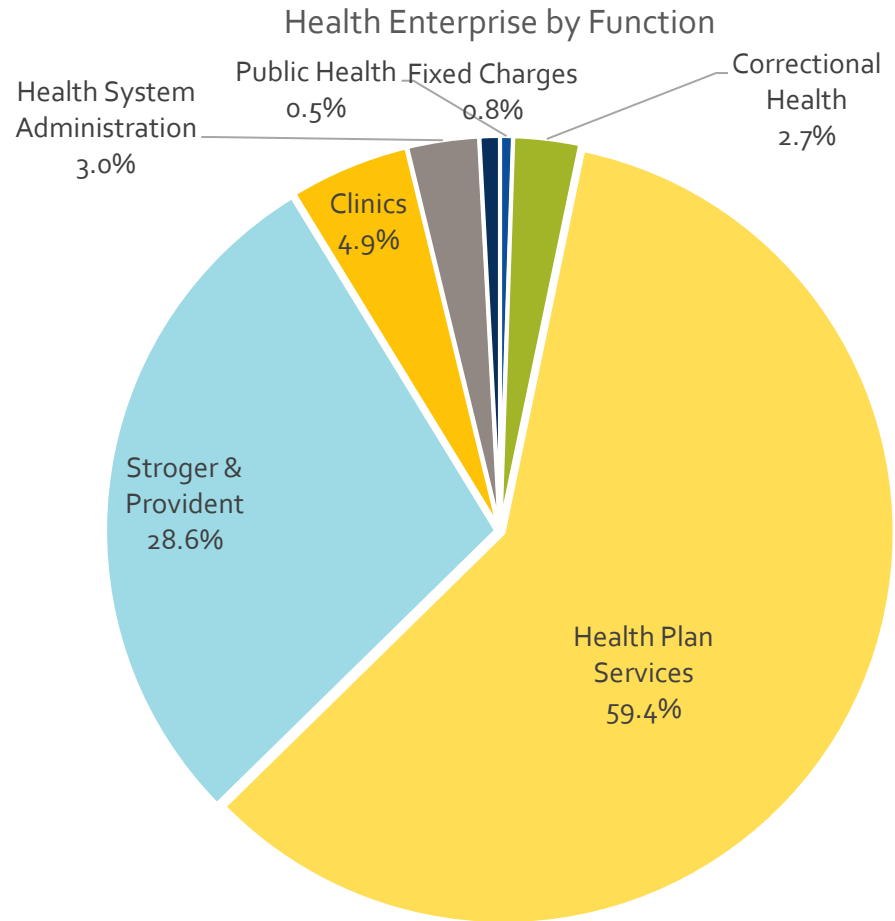


Preliminary Forecast Health Enterprise Fund





Health Enterprise Fund Approp - \$4.26B

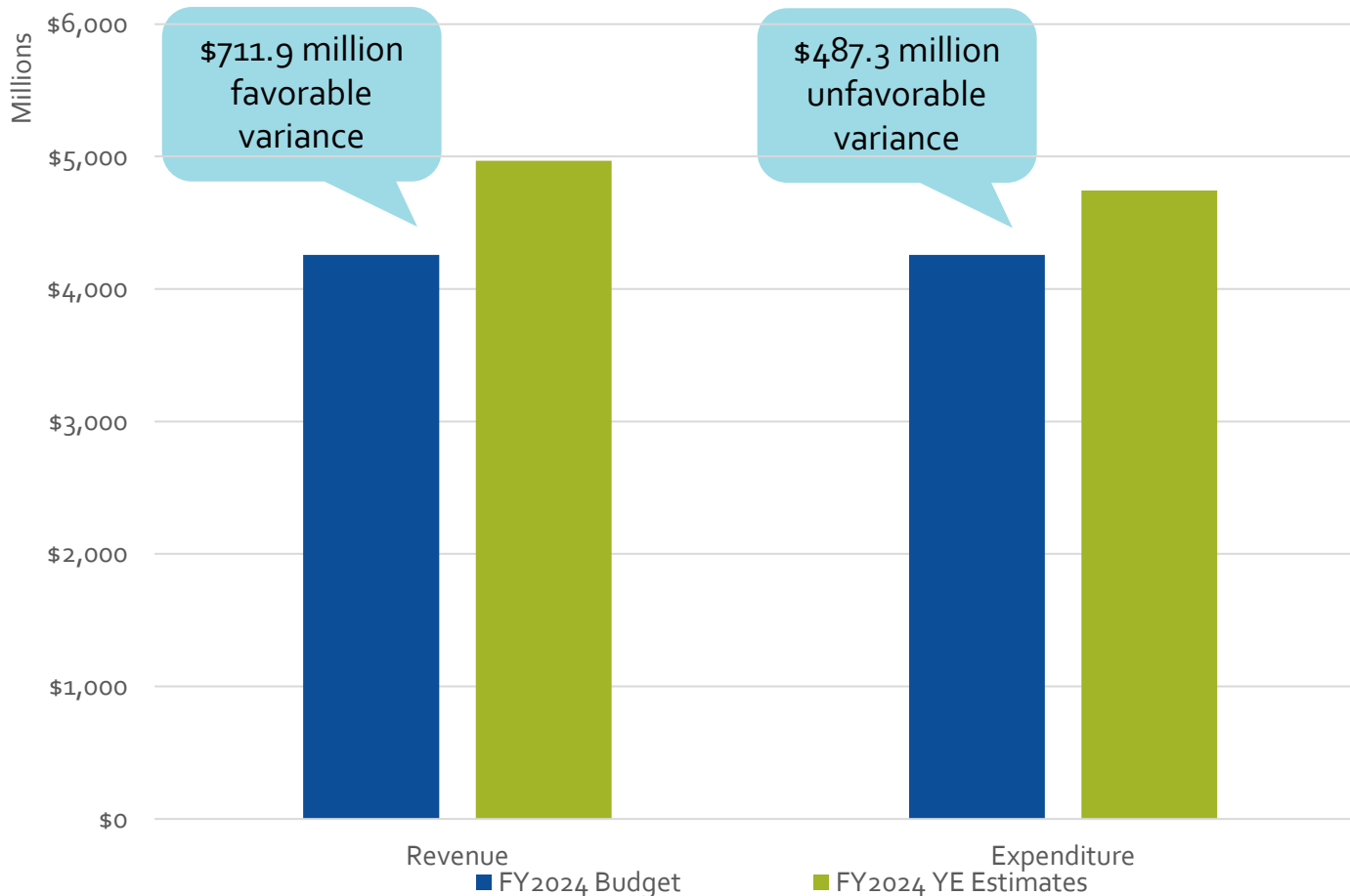


- About 60% of the HEF is allocated for the Health Plan Services (CountyCare)
- CountyCare membership levels and reimbursement rates drive the HEF budget



FY2024 HEF Year-End Projections

Health Enterprise Fund is expected to end the year with a net favorable budget variance of \$224.6M



CountyCare Revenues

Higher than anticipated CountyCare Membership level contributes to the CountyCare revenue increase by \$504M.

Net Patient Service Revenues

Due to the successful collection strategy and patient volume, NPSR is expected to come in higher than anticipated by \$160M.

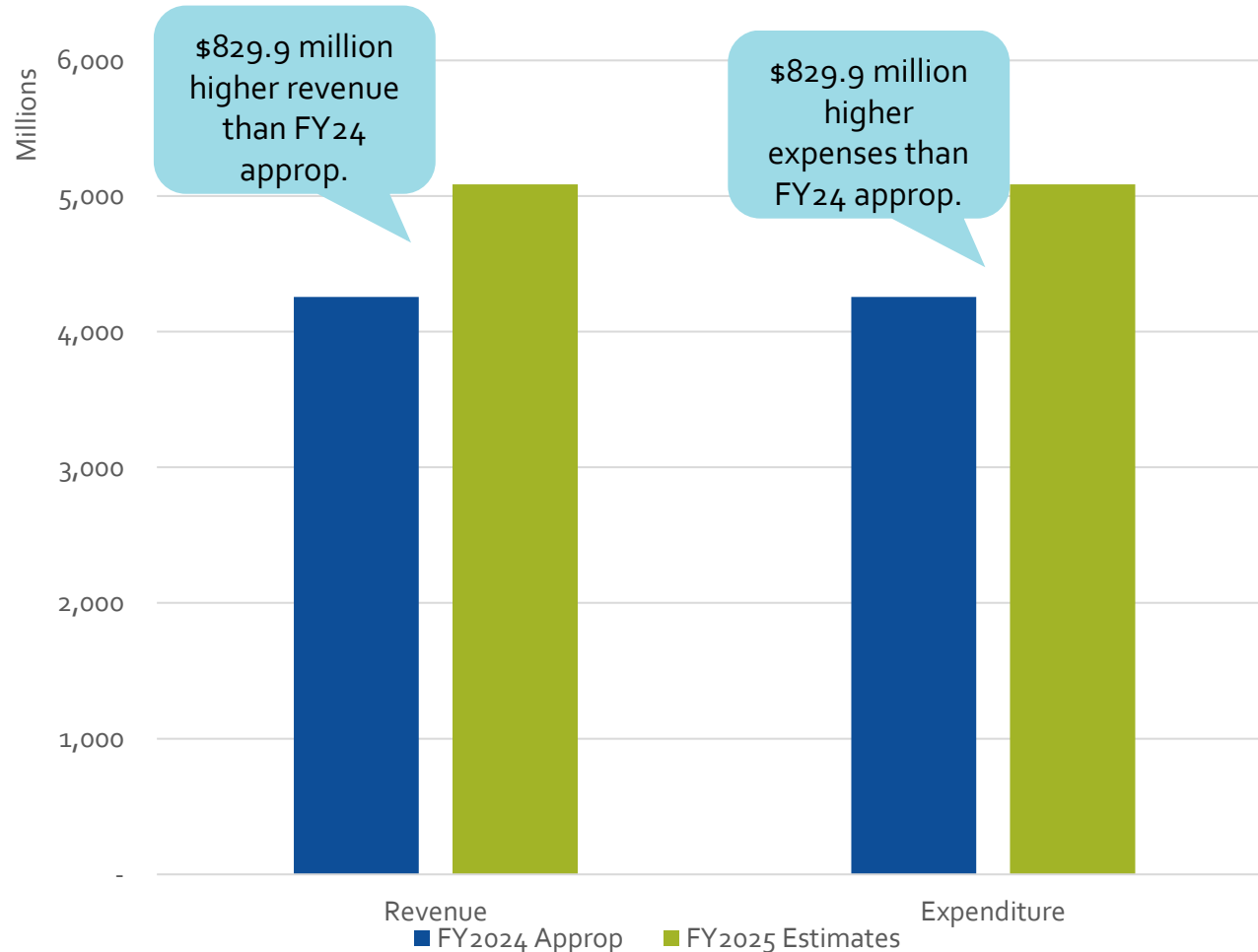
CountyCare Claims

Higher than anticipated CountyCare claim expenses due to higher CountyCare membership level by \$509M.



FY2025 HEF Preliminary Forecast

Health Enterprise Fund expects no deficits in FY2025



Increased Costs for Labor

Increased cost of personnel including negotiated salary increases and increase of fringe benefits.

CountyCare Revenues and Claims

While the overall membership level is expected to go down compared to FY2024 YE, Per Member Per Month (PMPM) reimbursement rate is projected to be higher than FY2024. Accordingly, CountyCare claim expenses are projected to increase.

Net Patient Service Revenues

Successful revenue cycle strategy allows CCH to maintain the collection rates of 38%. Patient volumes are expected to be higher due to the new immigrant population than FY2024.



ARPA Sustainability Plan & Community Engagement





ARPA Fiscal Sustainability

\$1B ARPA Allocation to the County

County's Operation
\$194,585,369

County Operation includes one-time and/or short-term County's administrative & operational costs, Capital Projects

73 Community Programs
\$805,787,016

Cook County did not spend all these ARPA dollars to invest in unfunded liabilities. Of hundreds of proposals, County launched 73 programs that directly benefit the County residents. These initiatives are categorized in six policy pillars that focus on Health and Wellbeing, Economic Development, Criminal Justice, Environment & Sustainability, Public Infrastructure and Good Government.

ARPA funds must be spent by the end of December 2026.
County is developing the ARPA Community Program sustainability plan.

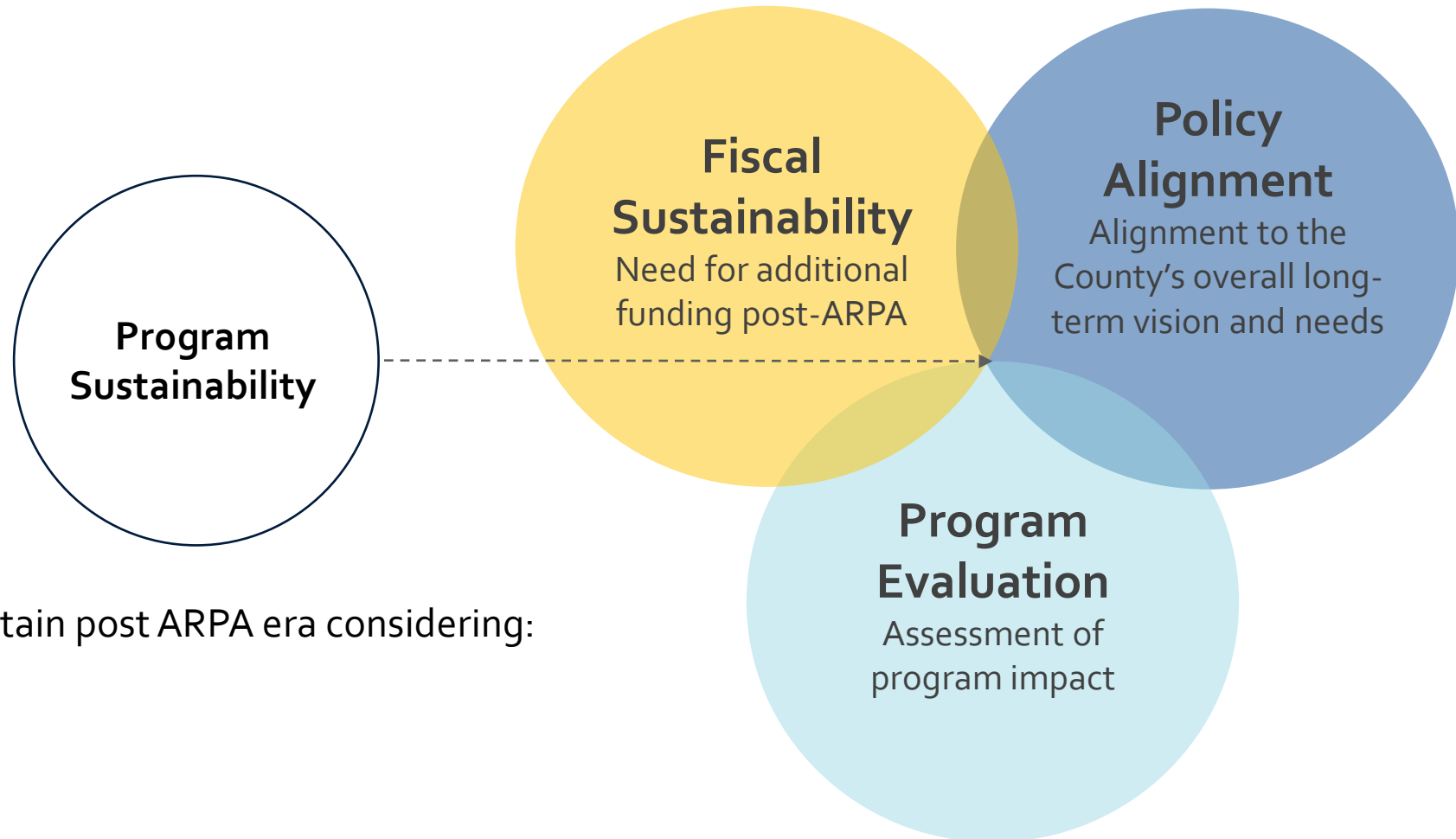


ARPA Sustainability Framework

Considering the upcoming budgetary adjustments post-ARPA funding, Cook County is dedicated to making informed decisions that best serve our county's needs and preferences.

County decides on the programs to sustain post ARPA era considering:

1. Fiscal sustainability/impact
2. Policy alignment
3. Program evaluation





Initial ARPA Fiscal Sustainability Questionnaire

In June 2023, the ARPA project leads were asked to complete a questionnaire on whether they anticipate a program to continue post calendar year 2026, with an estimated range of annualized costs.

45 out of 73

ARPA initiatives anticipated to
continue past 2026

\$88M - \$241M

Estimated annual expense range to sustain programs
past 2026

38 out of 45

Potential alternative fundings such
as federal & state grants, and
Medicaid waiver



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Community Engagement – ARPA Resident Voice Survey

County's Assessment

County's project leads and leadership started assessments of various projects

2023-2024



Hyperlocal Conversations

County will have opportunities to have dialogues with residents at a hyperlocal level, focusing on the disadvantaged communities.

Summer 2024



Implementation of Participatory Budgeting

Implement full participatory budgeting through townhall meetings and budget surveys

2026



Summer 2024 Community Survey

Community survey to hear voices from the residents and better understand their current priorities.



Winter 2024 Recommendation

Reviewing voices from the residents, we will report and incorporate the feedback into the ARPA sustainability plan





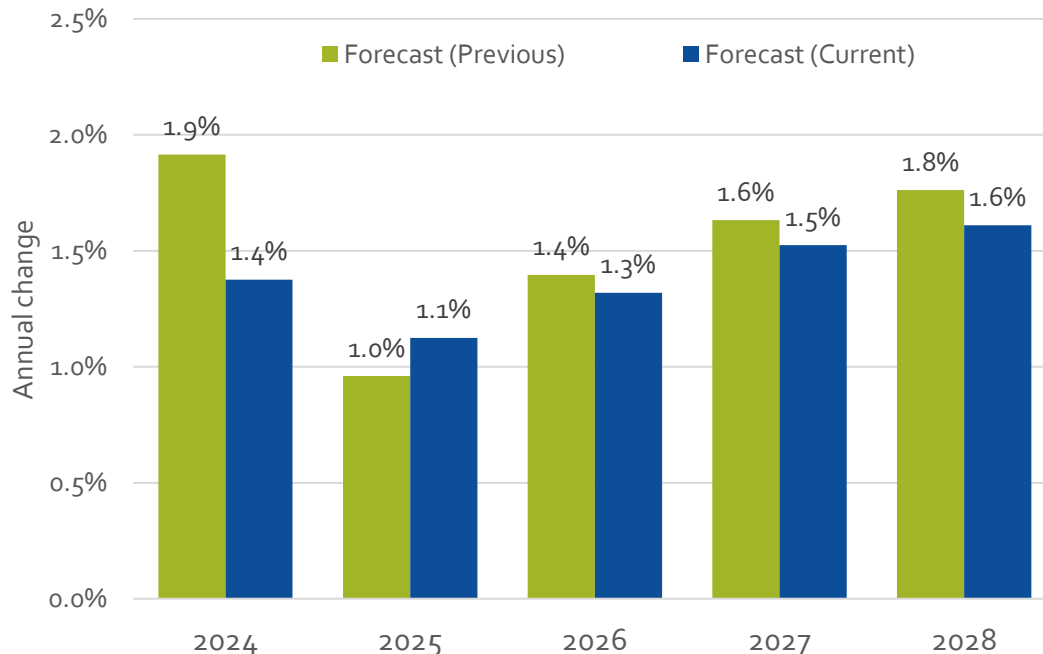
Long-term forecast General Fund



Economic update

Real gross metro product for the Chicago MSA has been revised down in 2024. Outyears have also been revised down slightly compared to previous forecasts.

Annual percent change in forecasted Gross Metro Product,
Chicago MSA, 2024-28



Sources: Moody's Analytics, March 2024 & May 2024

U.S. economic growth is projected to slow in 2025 as the economy continues to face elevated interest rates from the Fed's efforts to bring down inflation.

U.S. Real GDP forecasts

Year	Federal Reserve*	Wall Street Journal*	Moody's^	Survey of Professional Forecasters^
2024	2.1%	1.7%	2.4%	2.5%
2025	2.0%	1.9%	1.8%	1.9%
2026	2.0%	2.0%	1.9%	1.9%
2027	1.8%	2.0%	2.2%	2.1%

* Q4/ Q4

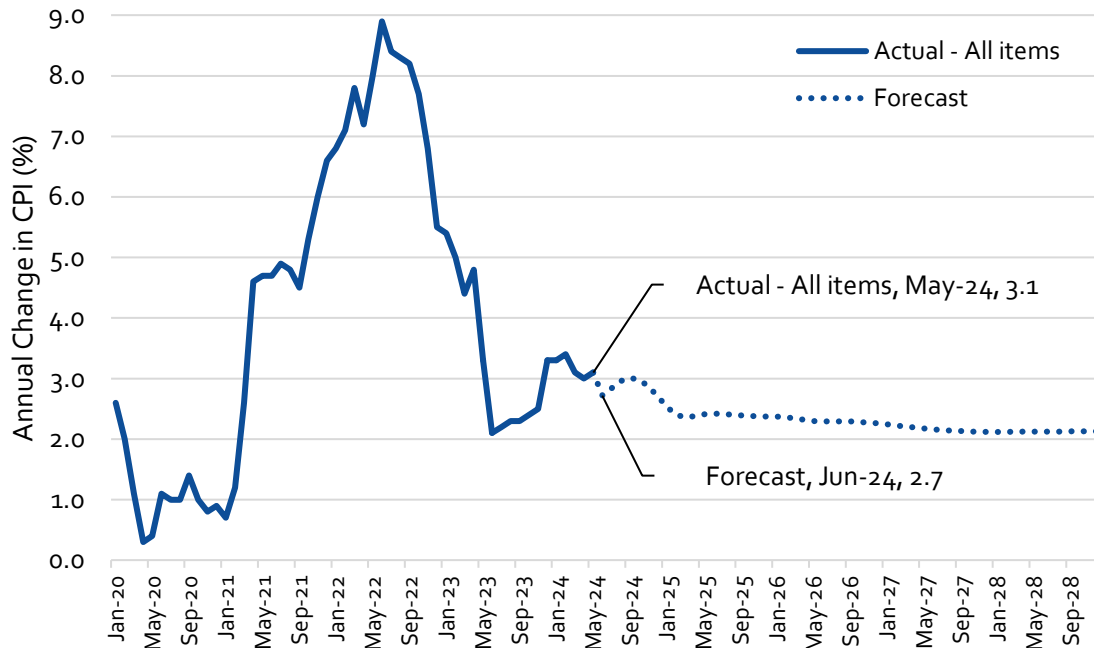
^ Annual avg

Sources: Federal Open Market Committee, June 2024; Moody's Analytics, June 2024; Survey of Professional Forecasters, May 2024; Wall Street Journal Economic Forecasting Survey, April 2024

Consumer Price Index update

Inflation is expected to continue its downward trend to the Fed's 2% target rate

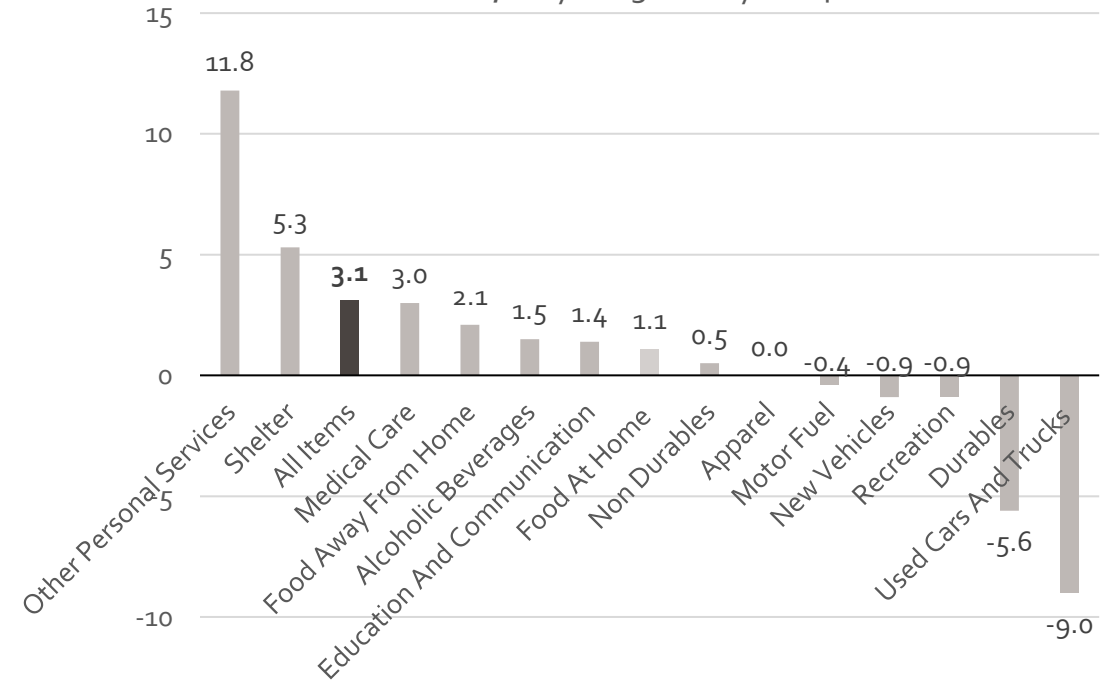
Year over year percent change in Consumer Price Index, Chicago MSA, actual and forecasted, 2020-28



Sources: U.S. Bureau of Labor Statistics, June 2024; Moody's Analytics, May 2024

Consumption outside of the County's sales tax base has driven recent inflation growth

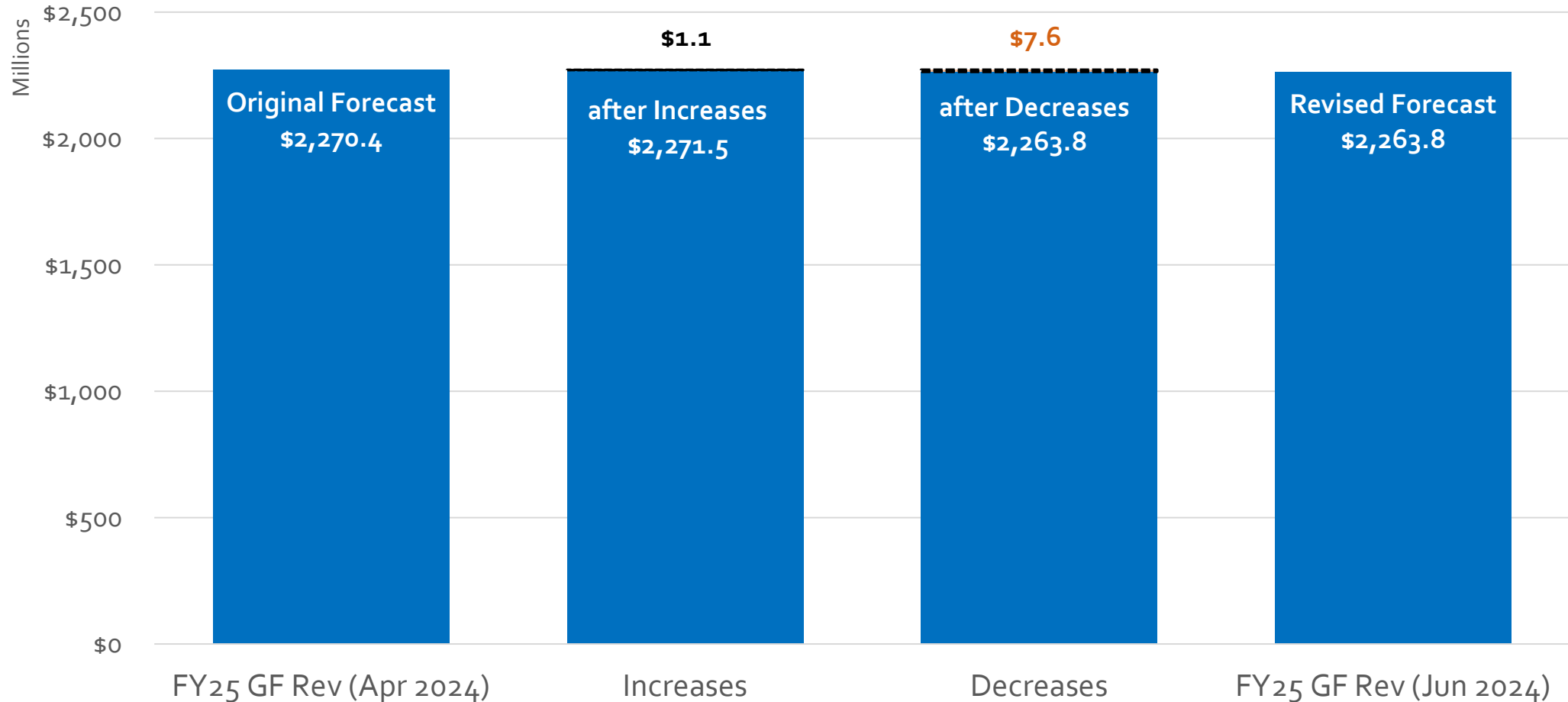
Percent change in Consumer Price Index for Chicago MSA, selected items, May 2023 to May 2024



Sources: U.S. Bureau of Labor Statistics, June 2024



General Fund forecast Changes from April 2024 forecast





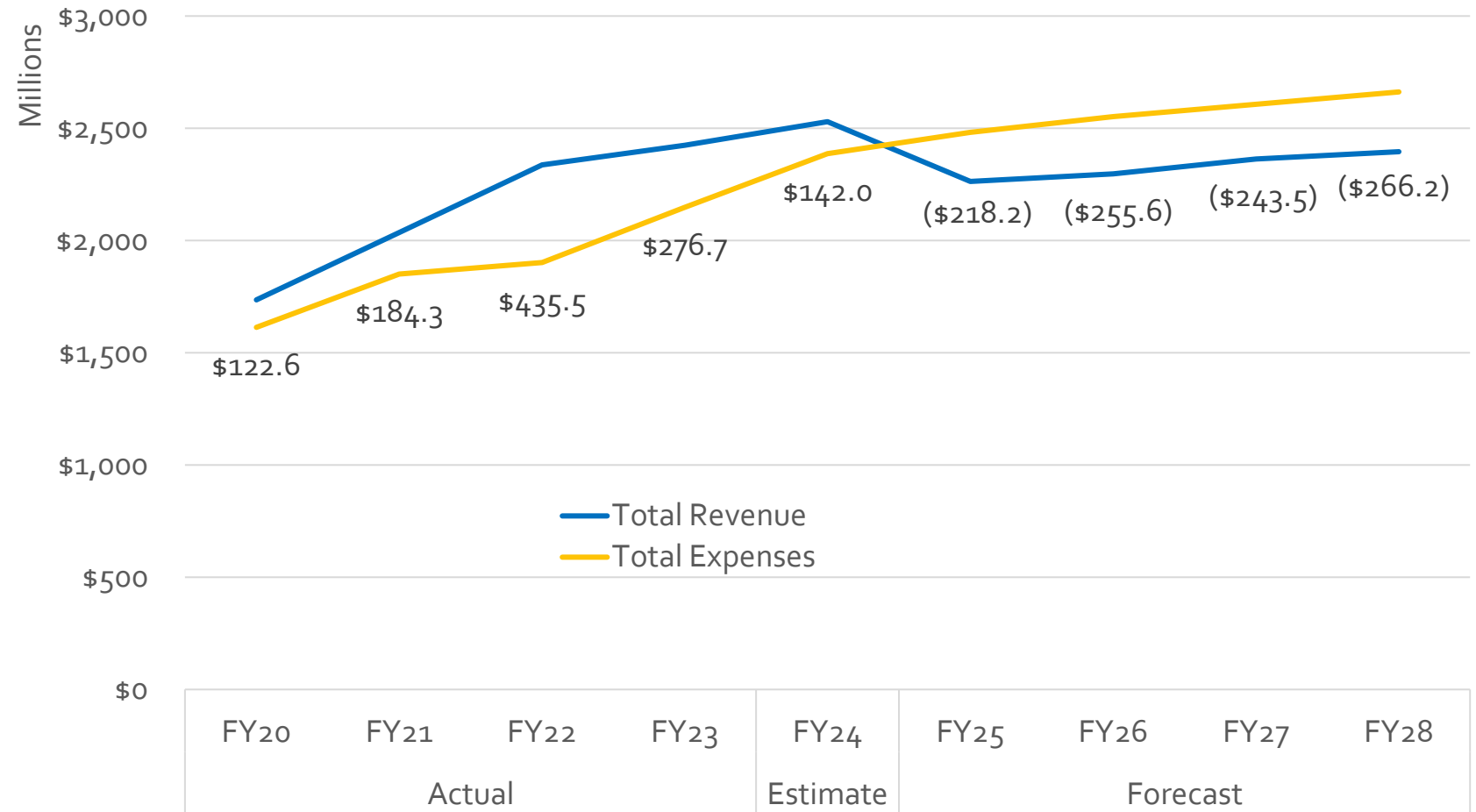
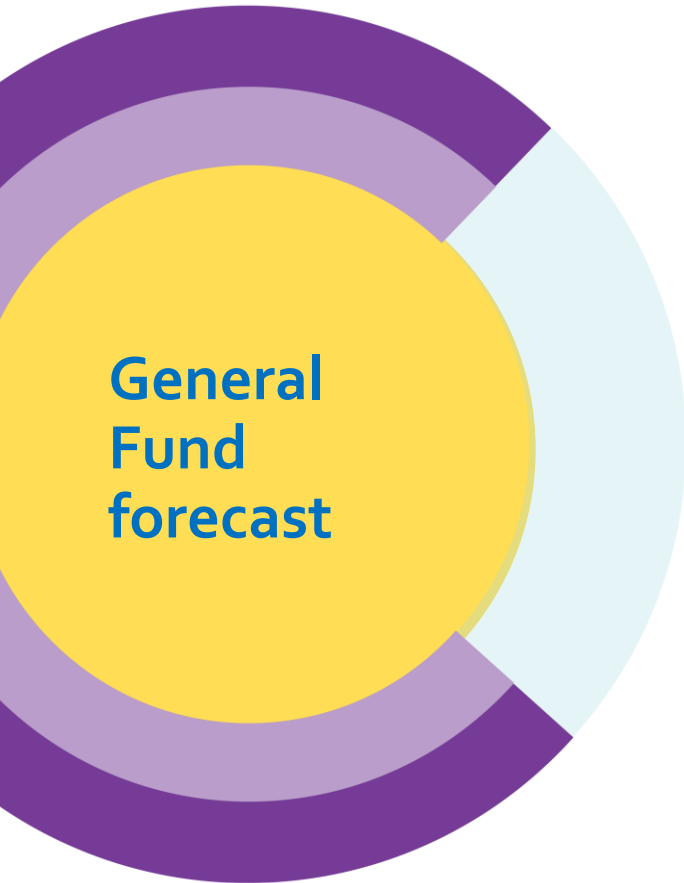
Major changes from April 2024 forecast

Revenue source*	June forecast FY2025	Percent change in forecast FY2025	Amount change in forecast from April 2024 forecast				
			FY2024	FY2025	FY2026	FY2027	FY2028
402100-County Treasurer	\$40.0	(0.2%)	(\$3.4)	(\$0.1)	\$2.3	\$2.3	\$2.3
407010-Miscellaneous Revenue	\$39.7	0.5%	\$5.7	\$0.2	\$1.6	\$1.5	\$1.6
401190-Gasoline / Diesel Tax	\$86.3	0.0%	(\$0.4)	\$0.0	\$1.5	\$1.5	\$1.4
402548-Clerk of the Circuit Court Fees	\$64.8	0.0%	\$3.0	\$0.0	\$1.2	\$1.3	\$1.5
406010-State of Illinois	\$56.4	(6.5%)	(\$3.3)	(\$3.9)	(\$4.0)	(\$4.1)	(\$4.2)
401110-Non Property Taxes	\$78.5	0.0%	(\$3.4)	\$0.0	(\$4.5)	\$1.4	\$0.9
401150-County Sales Tax	\$1,146.9	0.0%	(\$1.0)	\$0.0	(\$7.8)	(\$13.1)	(\$18.3)
Subtotal major changes	\$1,512.6	(0.3%)	(\$2.7)	(\$3.8)	(\$9.8)	(\$9.2)	(\$14.7)
Other GF revenues	\$751.3	(0.4%)	\$6.9	(\$2.7)	(\$1.4)	(\$1.0)	\$0.9
Total GF revenues	\$2,263.8	(0.3%)	\$4.2	(\$6.5)	(\$11.2)	(\$10.1)	(\$13.8)

*Considers Transportation Related Home Rule Taxes



Net surplus/(deficit) projection



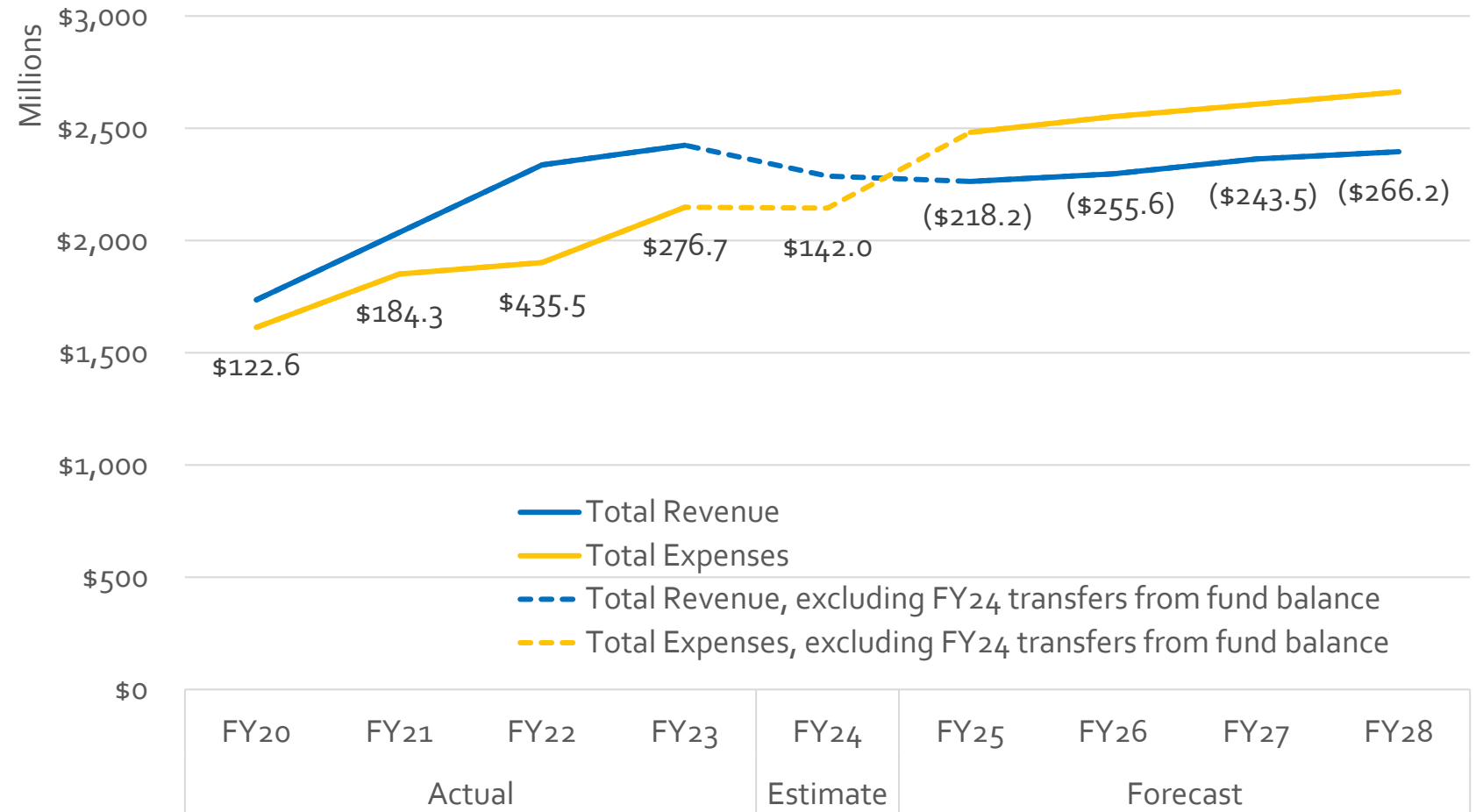
*Includes Transportation Related Home Rule Taxes Fund

- The amounts displayed along the lines in the chart represent the net surplus or (deficit) corresponding to the fiscal year when considering the total revenue against total expenses.



Net surplus/(deficit) projection

General Fund forecast

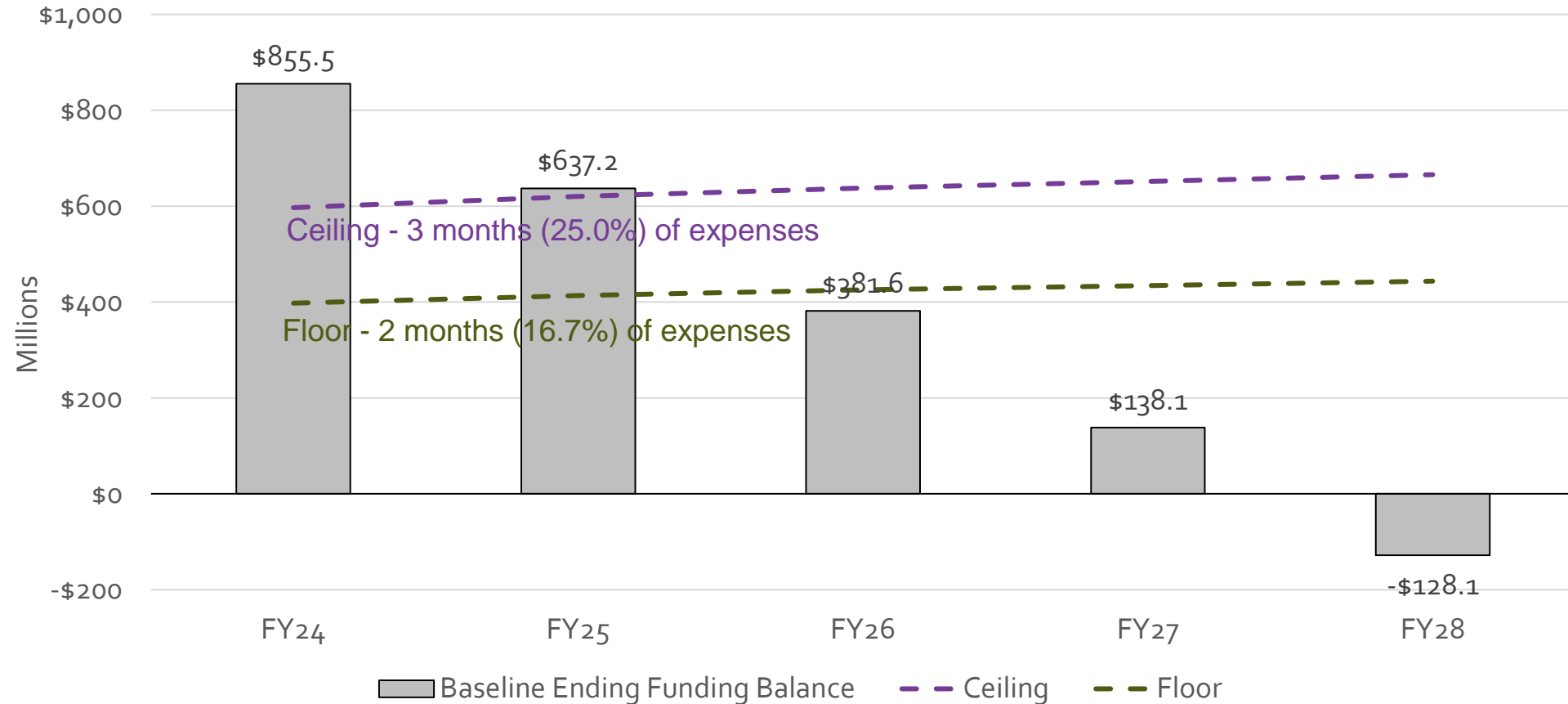


*Includes Transportation Related Home Rule Taxes Fund

- The amounts displayed along the lines in the chart represent the net surplus or (deficit) corresponding to the fiscal year when considering the total revenue against total expenses.



Unassigned ending fund balance

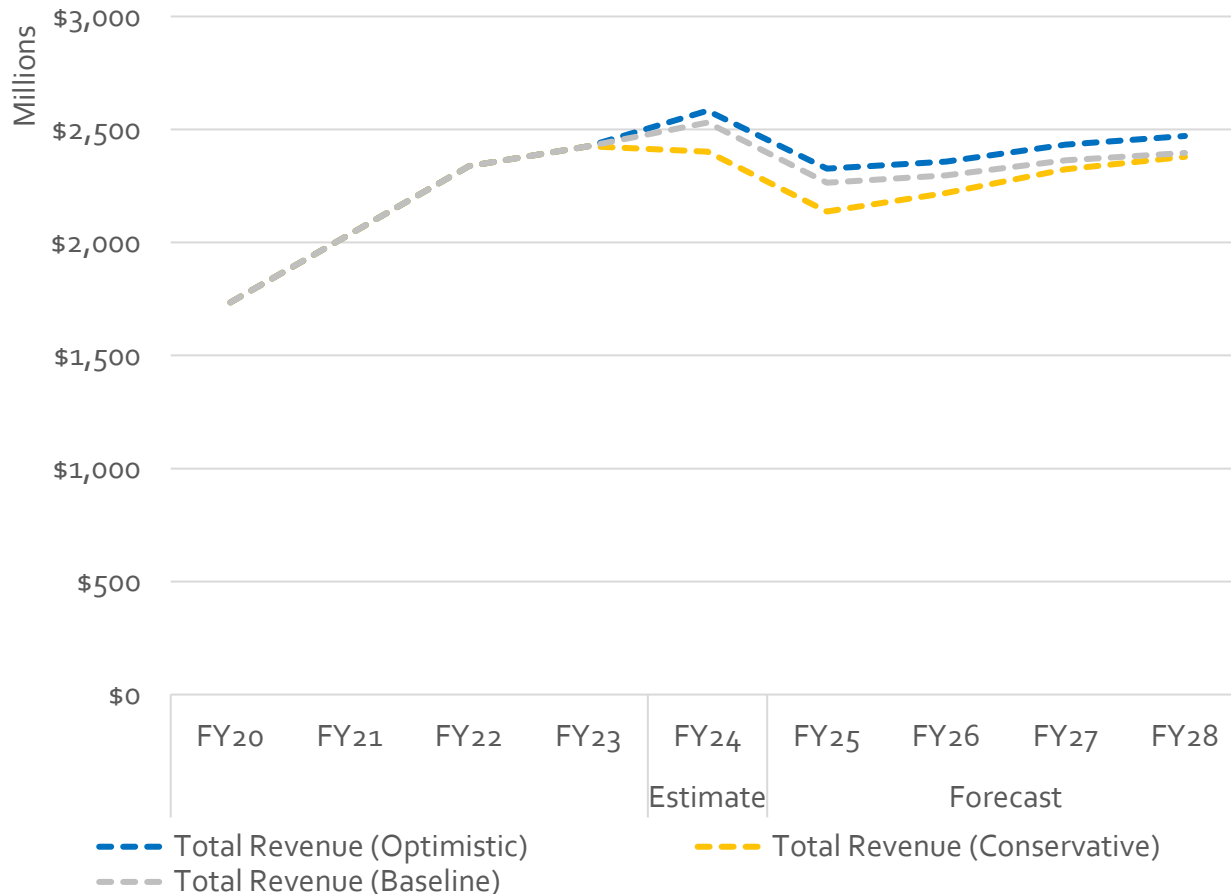


- Floor and ceiling incorporate both General Fund and Transportation Related Home Rule Taxes Fund expenses.
- Floor represents 2 months of projected annual expenses and Ceiling represents 3 months of projected annual expenses.
 - Floor and ceiling calculations determined pursuant to Government Finance Officers Association (GFOA) recommendations and Cook County's Fund Diversity And Stabilization/Financial Reserve Policy.



Revenue scenarios

General Fund Revenue Scenarios



Scenario Assumptions

Optimistic

- The economy has a 10% chance of performing better and a 90% chance of performing worse
- Russian invasion of Ukraine and the Hamas-Israel conflict resolve faster than anticipated
- The economy has more than full employment starting in Q4 2024
- Acceleration of China's economy boosts demand for U.S. exports and manufacturing

Baseline

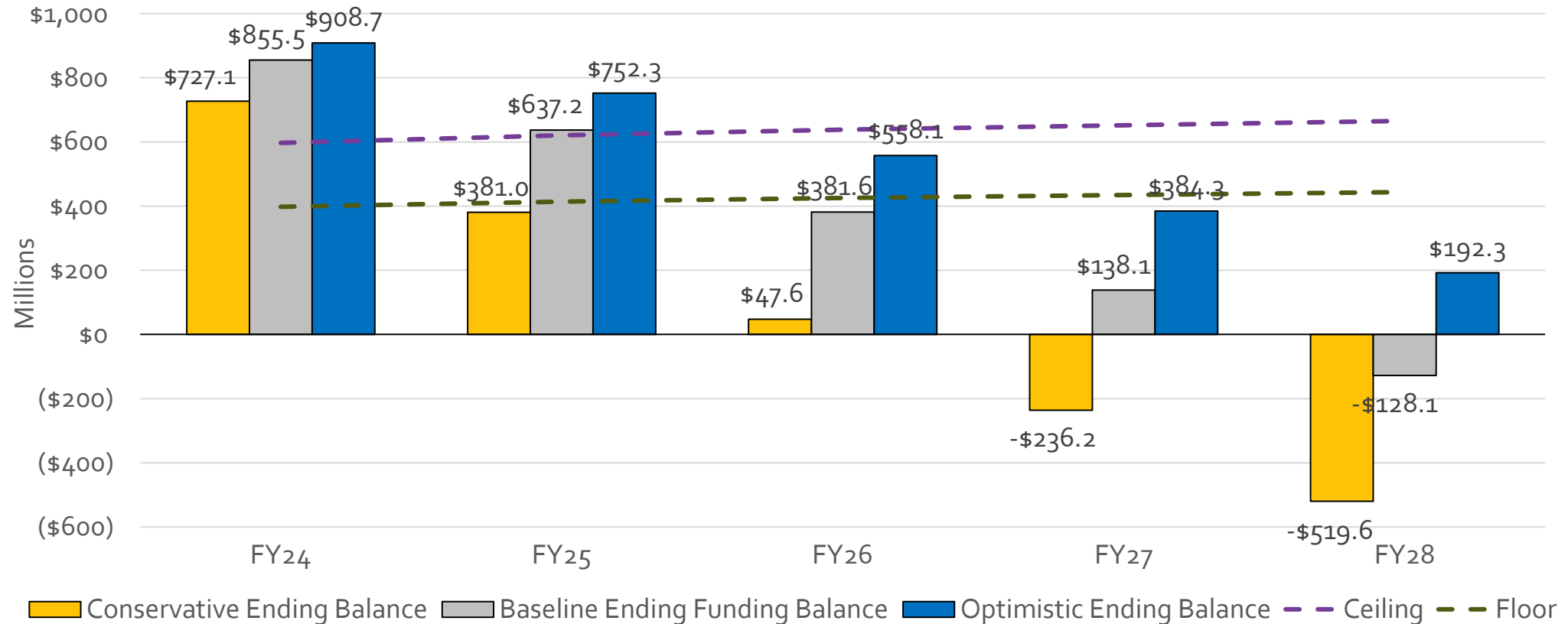
- The economy has a 50% chance of performing better and a 50% chance of performing worse
- The Fed is done tightening and will begin easing interest rates in 2024, cutting rates twice in 2024 (down from three times)
- Federal government avoids a shutdown with budget & supplemental spending in place; fiscal policy unchanged before election

Conservative

- The economy has a 90% chance of performing better and a 10% chance of performing worse
- Unemployment increases starting in Q3 2024, peaking at 8% in Q3 2025
- The combination of still-elevated interest rates, political tensions, and concerns about bank failures causes the stock market to fall. Economy falls into recession in Q3 2024.



Unassigned ending fund balance scenarios



Baseline scenario: - the economy has a 50% chance of performing better and a 50% chance of performing worse.

Conservative scenario: - the economy has a 90% chance of performing better and a 10% chance of performing worse.

Optimistic scenario: - the economy has a 10% chance of performing better and a 90% chance of performing worse.

- Floor and ceiling incorporate both General Fund and Transportation Related Home Rule Taxes Fund expenses.

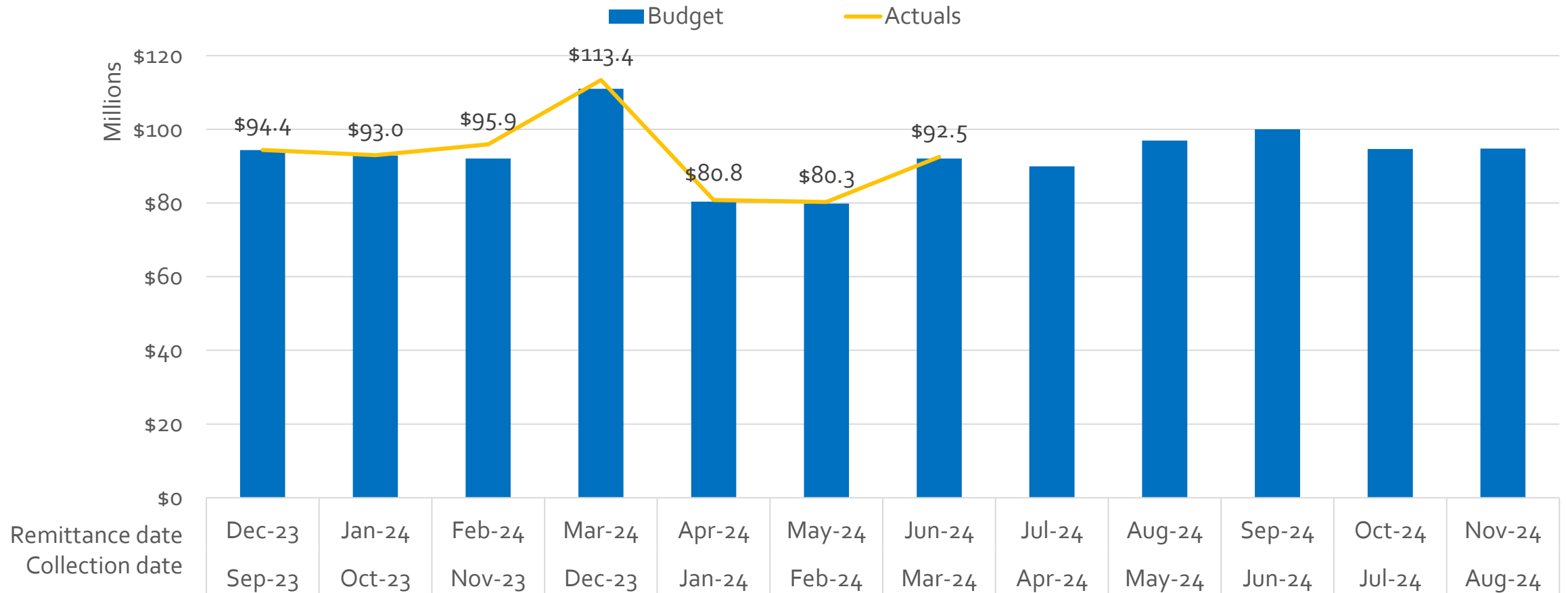


Sales tax methodology





FY2024 sales tax revenue compared to forecast

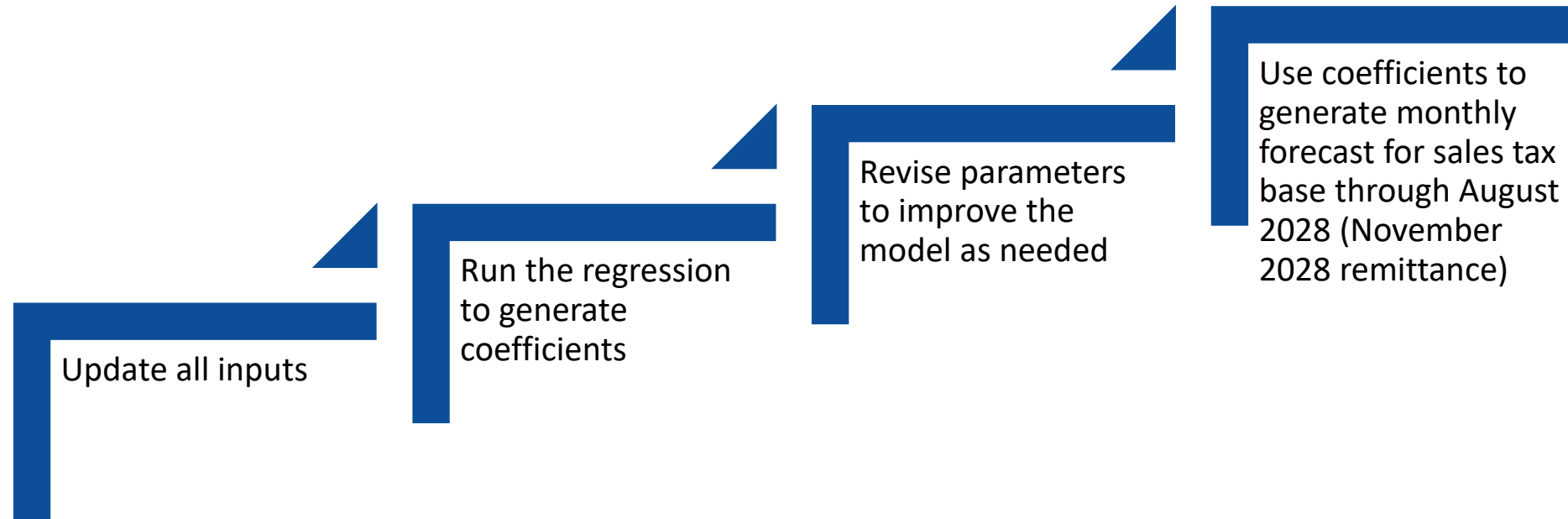


Note: Amounts displayed along line are Actuals



Sales tax forecast regression

Every quarter, the OCFO performs a sales tax forecast by updating a linear regression model with monthly data for each independent variable and the calculated sales tax base (after adjusting for the state administrative fee and accelerated payment)



Sales tax forecast results

SUMMARY OUTPUT – June 2024 sales tax base forecast

Regression Statistics

Multiple R	0.9843
R Square	0.9688
Adjusted R Square	0.9645
Standard Error	151,141,812
Observations	132

ANOVA

	df	SS	MS	F
Regression	16	8.1602E+19	5.1001E+18	223.26
Residual	115	2.6270E+18	2.2844E+16	
Total	131	8.4229E+19		

Coefficients

	Coefficients	Standard Error	t Stat	P-value
Intercept	-7,894,837,914	791,508,944	-9.97	0.00
Time trend	-25,402,672	4,020,640	-6.32	0.00
January	-1,190,588,100	64,845,226	-18.36	0.00
February	-1,216,602,223	64,852,154	-18.76	0.00
March	-485,866,946	64,780,711	-7.50	0.00
April	-623,367,073	64,606,554	-9.65	0.00
May	-216,037,916	64,544,472	-3.35	0.00
July	-331,353,394	64,610,023	-5.13	0.00
August	-326,830,765	65,003,622	-5.03	0.00
September	-349,252,173	65,169,864	-5.36	0.00
October	-422,111,554	65,062,560	-6.49	0.00
November	-452,225,928	64,905,023	-6.97	0.00
December	414,504,215	64,848,594	6.39	0.00
Remote	1,199,772,468	57,515,862	20.86	0.00
Baseline Scenario (May 2024): Gross Metro Product: Total, (Bil. Ch. 2017 USD, SAAR)	13,461,544	2,377,213	5.66	0.00
Baseline Scenario (May 2024): Labor: Number of Employed, (Ths. #, SA)	586,780	223,917	2.62	0.01
Baseline Scenario (May 2024): Income: Median Household, (USD, SAAR)	89,421	17,455	5.12	0.00

Regression uses monthly data for the past ~11 years

Coefficients used for the forecast of the sales tax base
(The sales tax base has typically ranged from \$4 - \$6 billion per month over the past three years)

Independent variable to account for linear trends over time
that vary from other indicators

Independent variables to capture
conditions that vary by month

Each month is assigned a dummy variable that is phased in
across January through June 2021 dates of sale

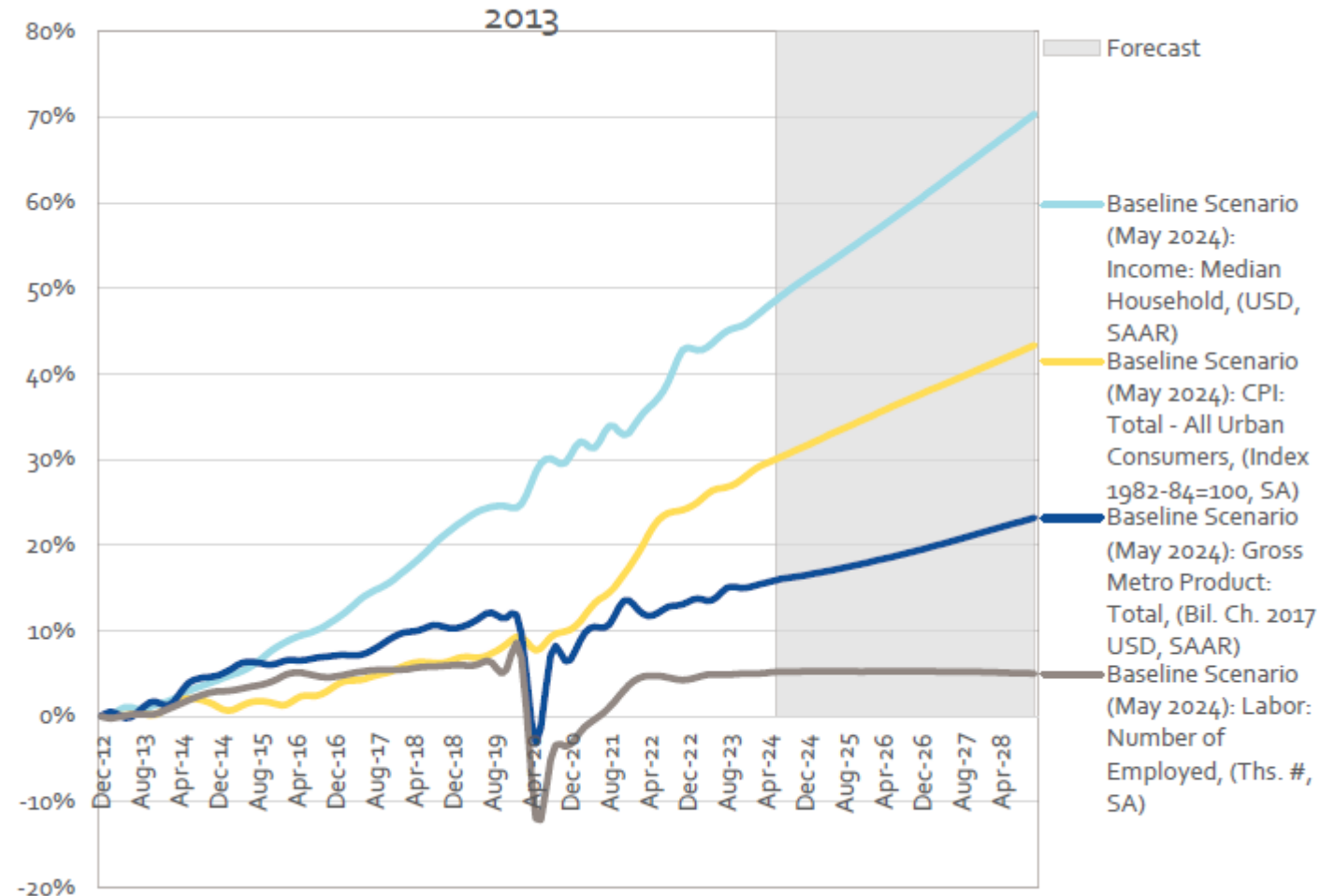
Forecasted monthly data from Moody's Analytics for
the Chicago-Naperville-Elgin MSA



Economic indicators

- The region's economy has had a strong relationship to sales tax revenue over the past decade
- The regression generally uses real Gross Metropolitan Product along with 1-2 other indicators that improve the forecast results. Examples include:
 - Number of Employed
 - Households
 - Consumer Price Index (CPI)
 - Median Household Income

Forecasted economic indicators, percent change from January

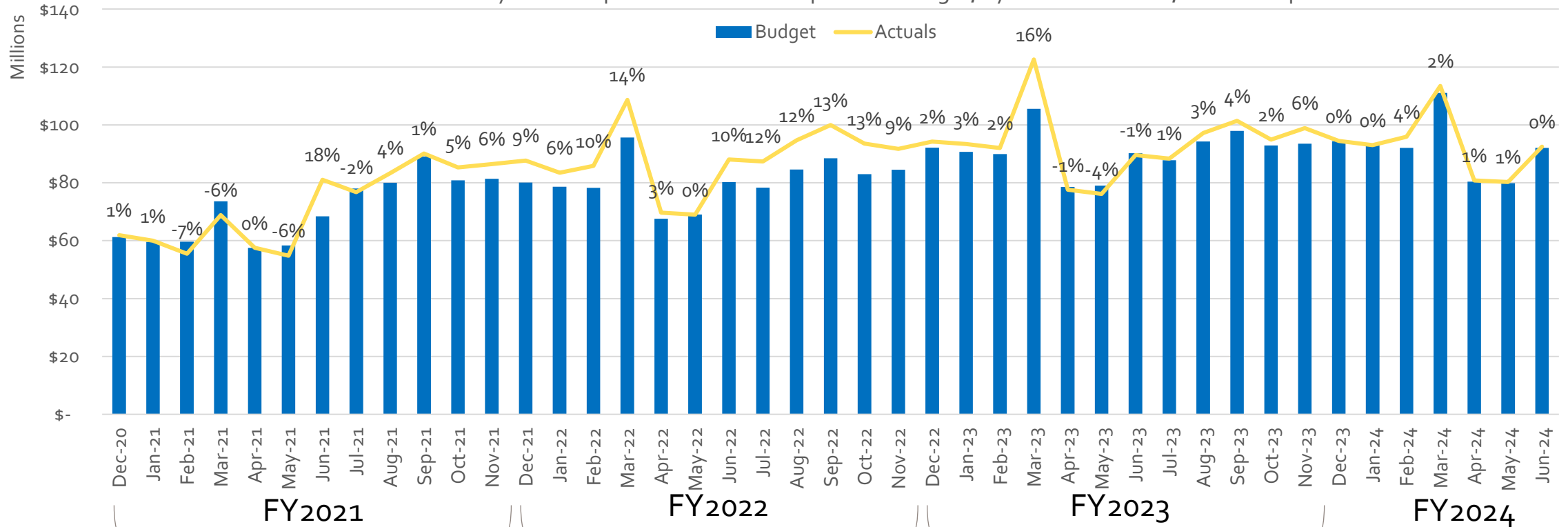


Source: Moody's Analytics, May 2024



Sales tax forecast history

Monthly sales tax percent error as compared to budget, by remittance date, FY2021 to present



Mean absolute percentage error (MAPE) = 4.9%
Higher than anticipated revenue due to economic uncertainty

MAPE = 9.1%
Higher than anticipated revenue due to inflation

MAPE = 3.7%
Higher than anticipated revenue due to high accelerated payment

MAPE = 1.2% YTD



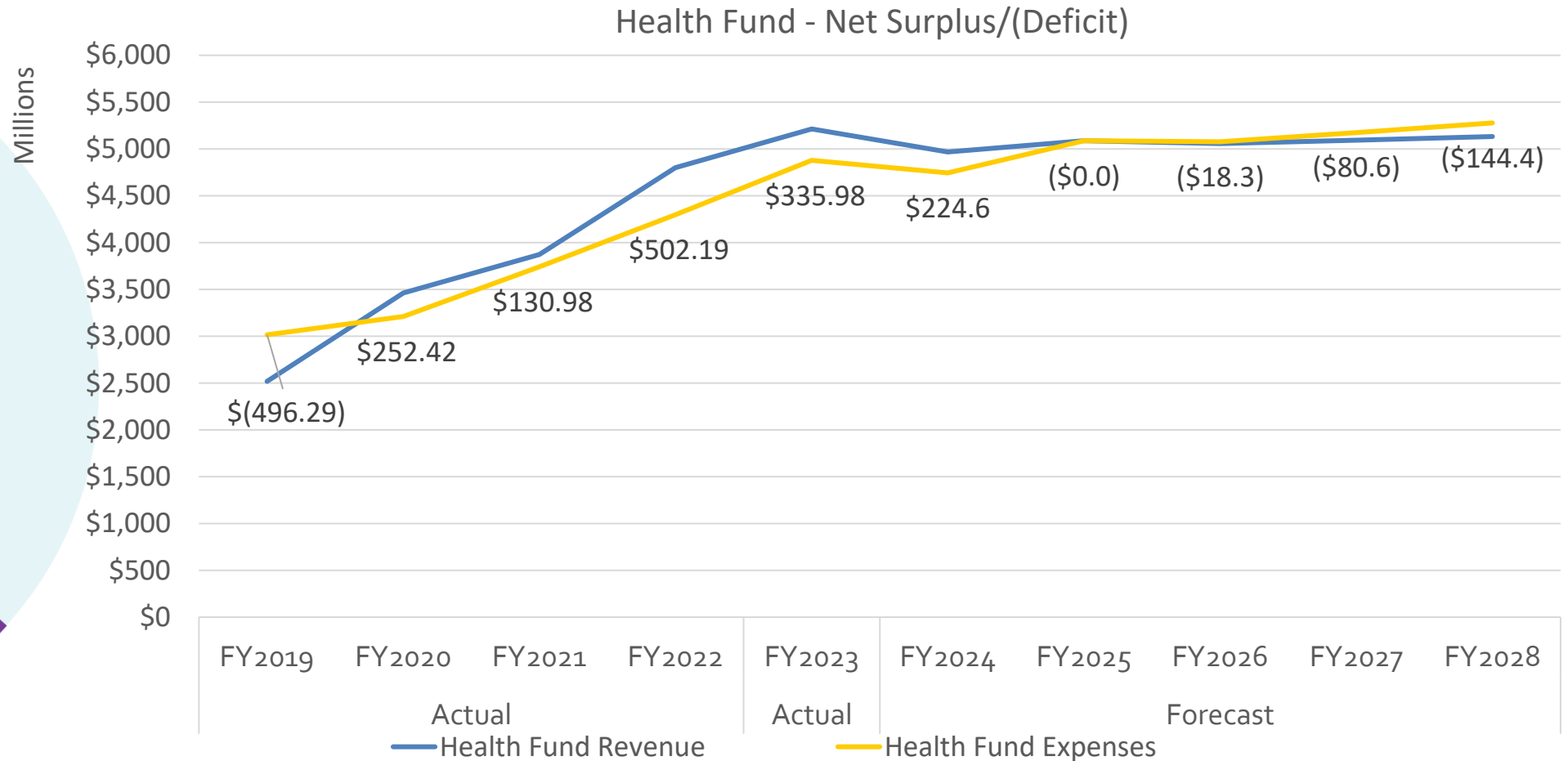
Long-term forecast Health Fund





Net surplus/(deficit) projection

Health Fund forecast

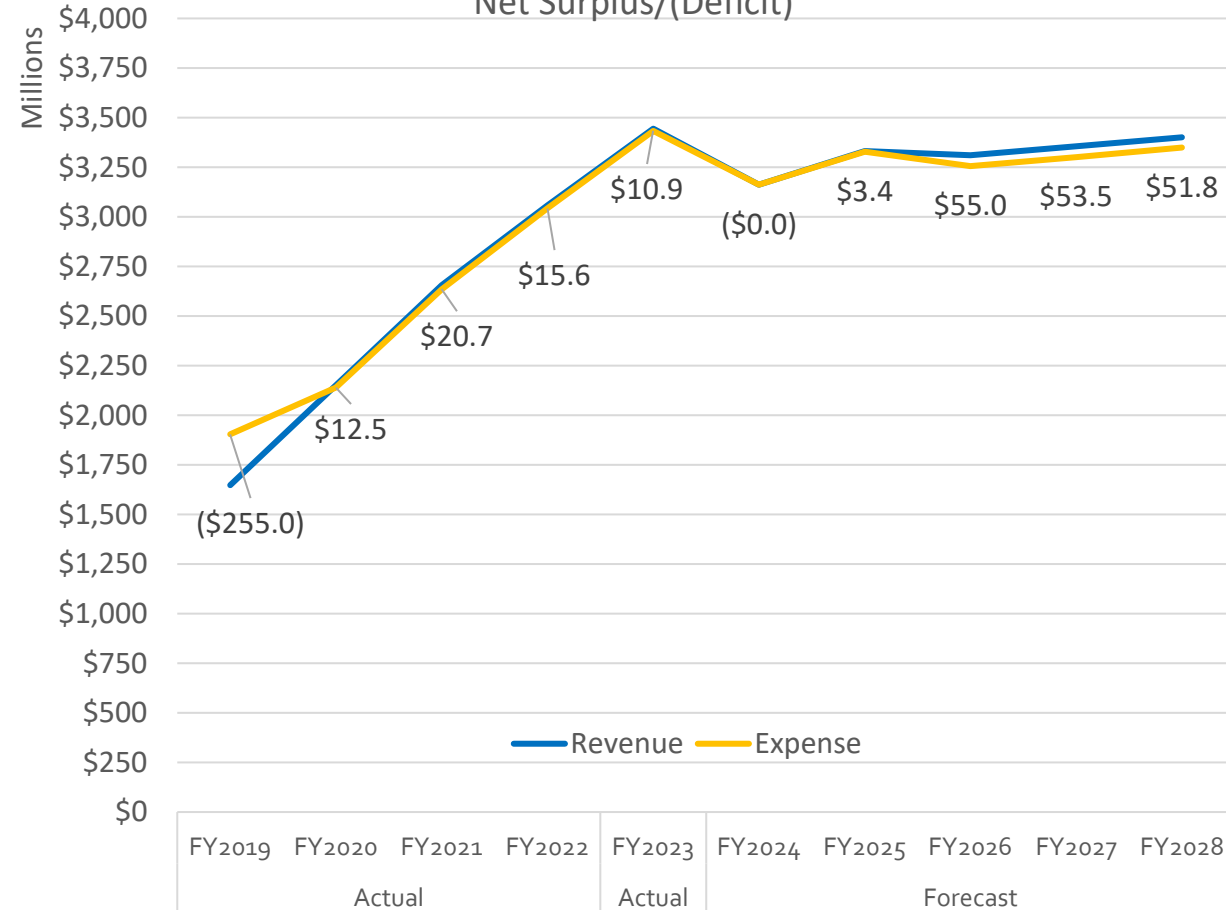


Note: FY2020 through FY2023 includes directed payments and domestic claims that CountyCare passes through to CCH in the revenues and expenses of both Health Plan Services and Health Care Services. Beginning in FY2024, directed payments will only be accounted for in the budget for Health Care Services while domestic claims will be offset in a separate account.

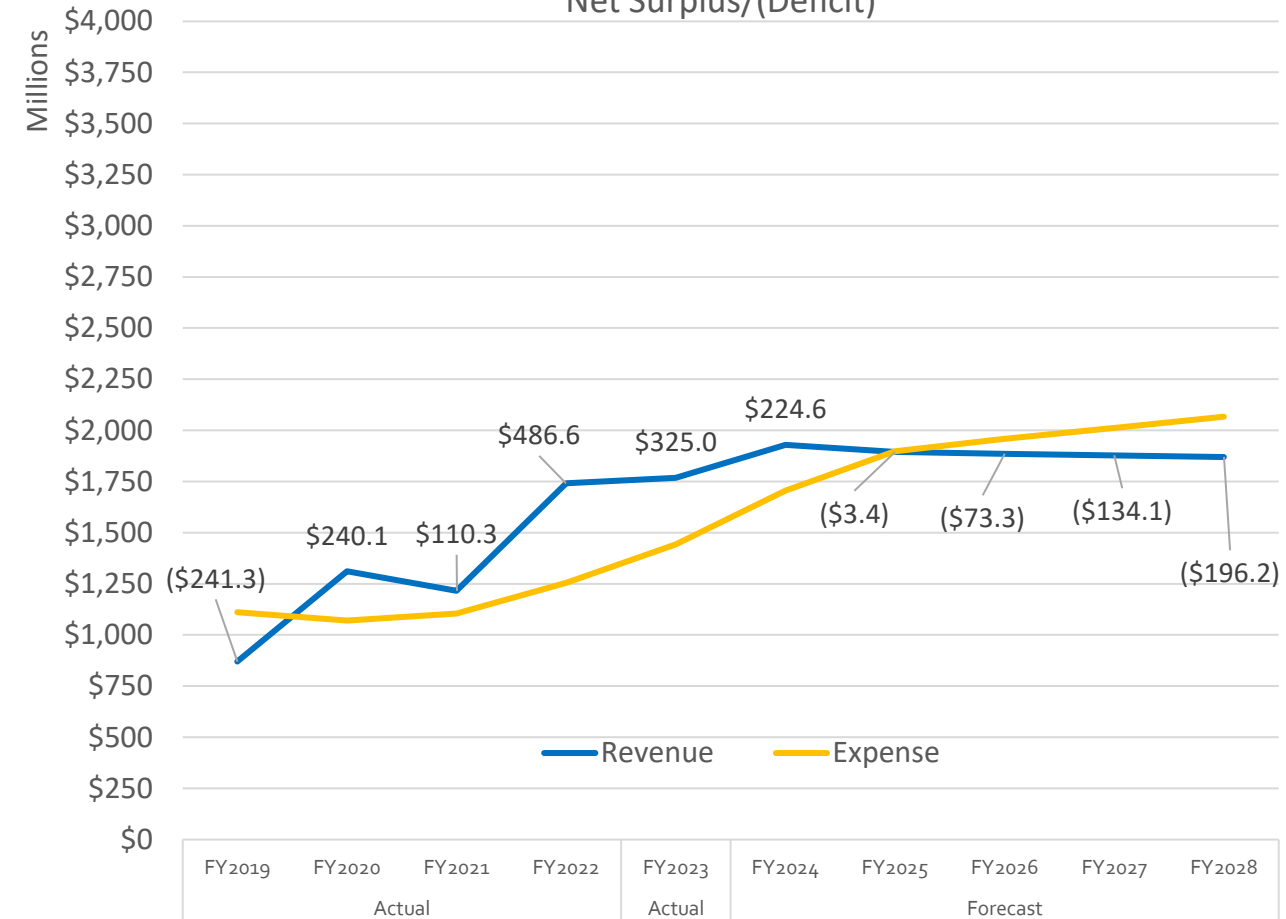


Net surplus/(deficit) projection

Health Plan Services (CountyCare)
Net Surplus/(Deficit)

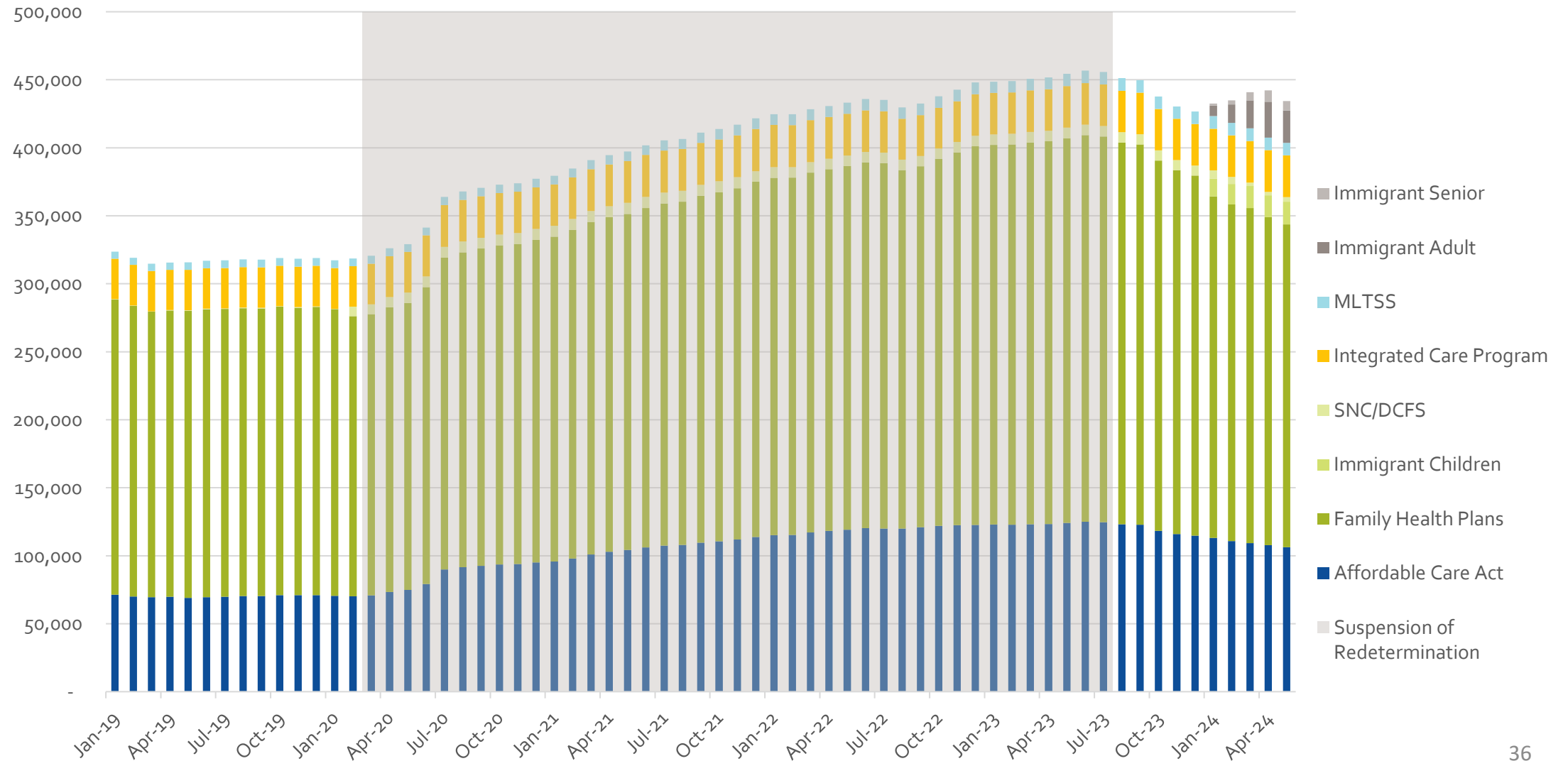


CCH - Health Care Services
Net Surplus/(Deficit)



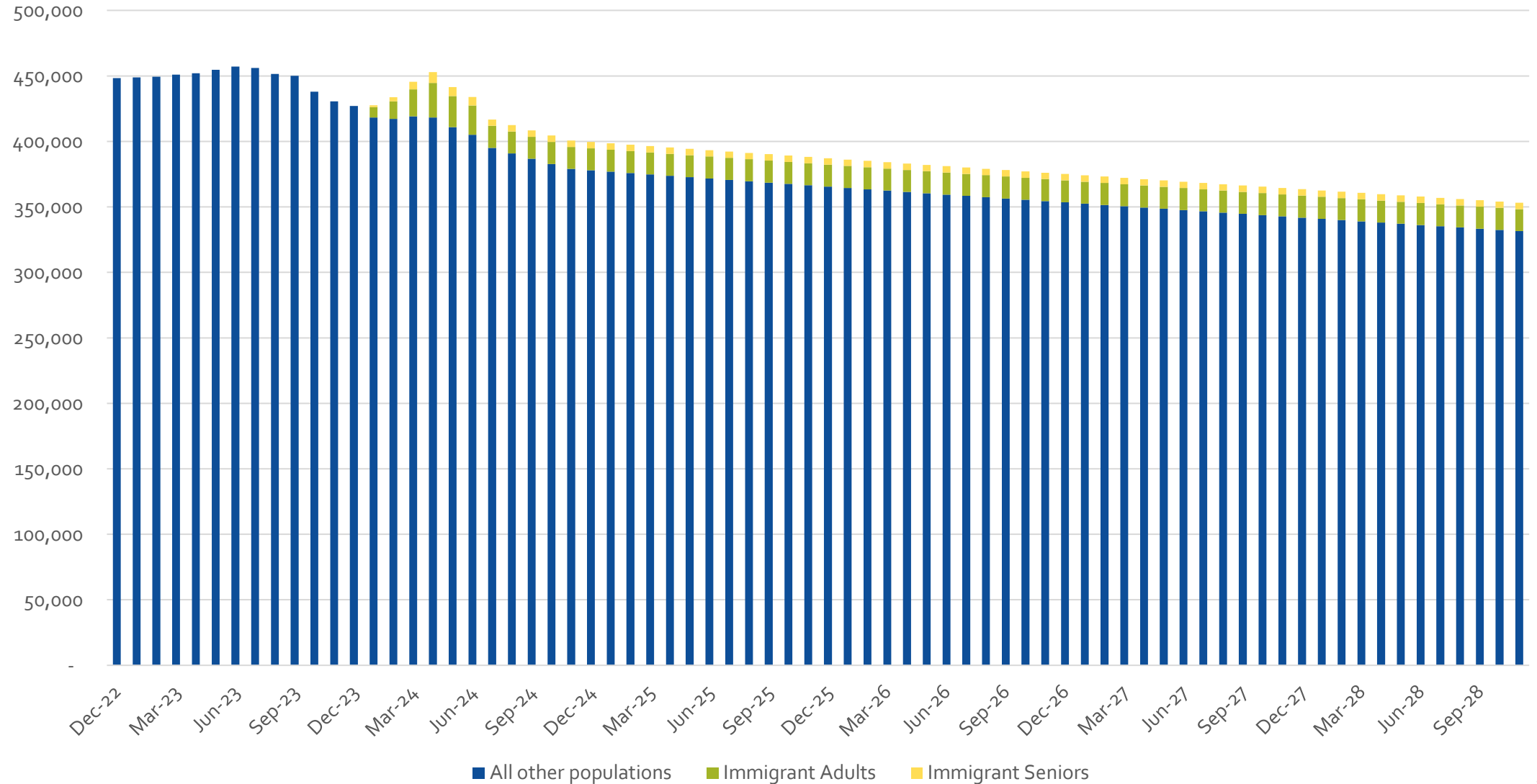


CountyCare Membership 2019 - 2024





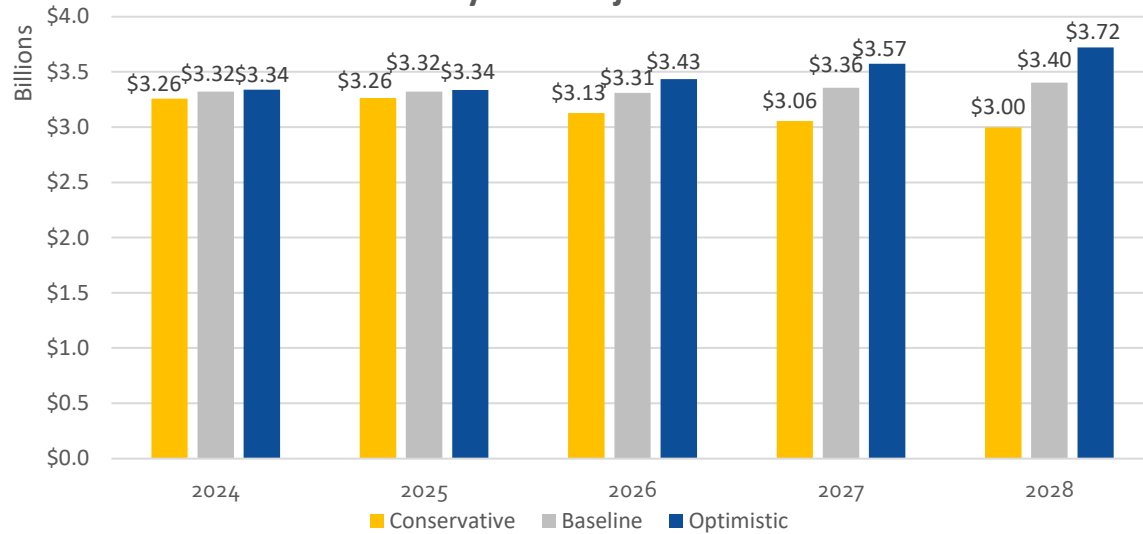
CountyCare membership projection





CountyCare scenarios

CountyCare Projected Revenues



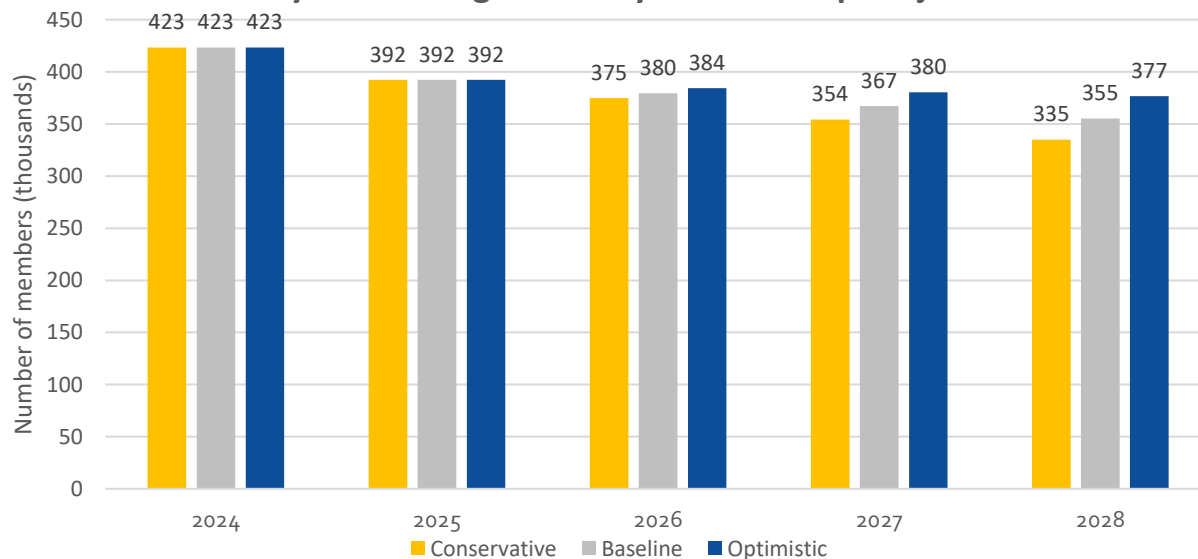
For **all scenarios**, average monthly membership is anticipated to drop in FY2025. The main contributing factor continues to be the impact of redetermination.

Conservative: assumes auto-assignment and choice adds will be lower and member terminations will be higher than the previous 3-month average; PMPM rates will increase slower than past trends.

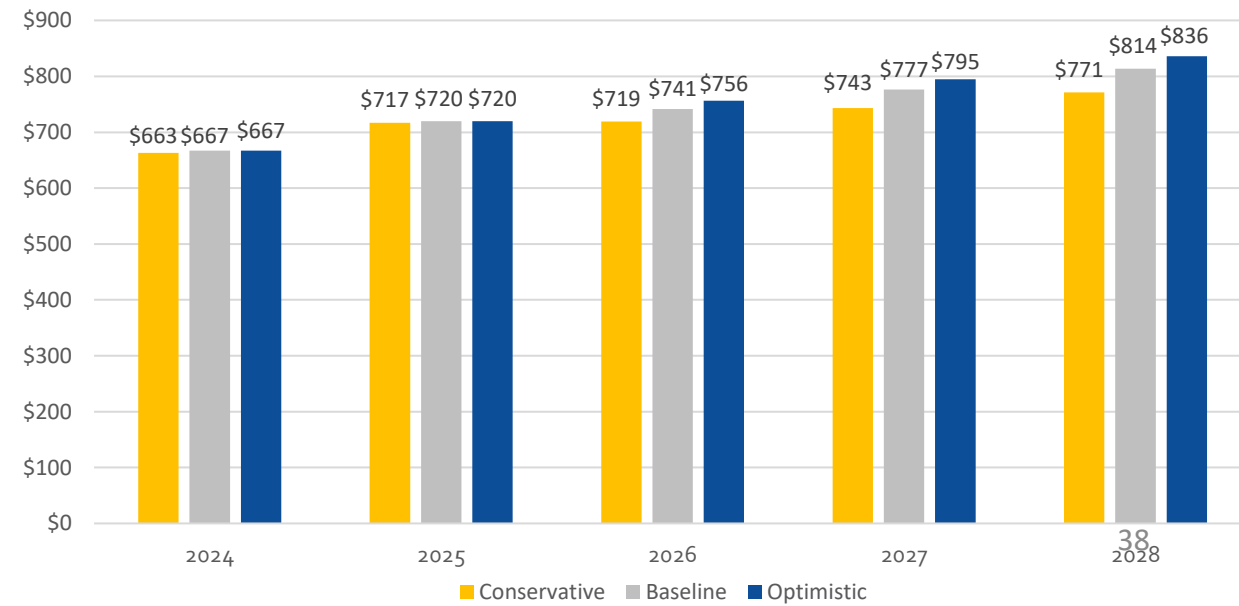
Baseline: assumes auto-assignment, choice adds, and member terminations will follow the previous 3-month average; PMPM rates will increase as in the past.

Optimistic: assumes auto-assignment and choice adds will be higher and member terminations will be lower than the previous 3-month average; PMPM rates will increase faster than past trends.

CountyCare Average Monthly Membership Projections



CountyCare Average PMPM Revenue



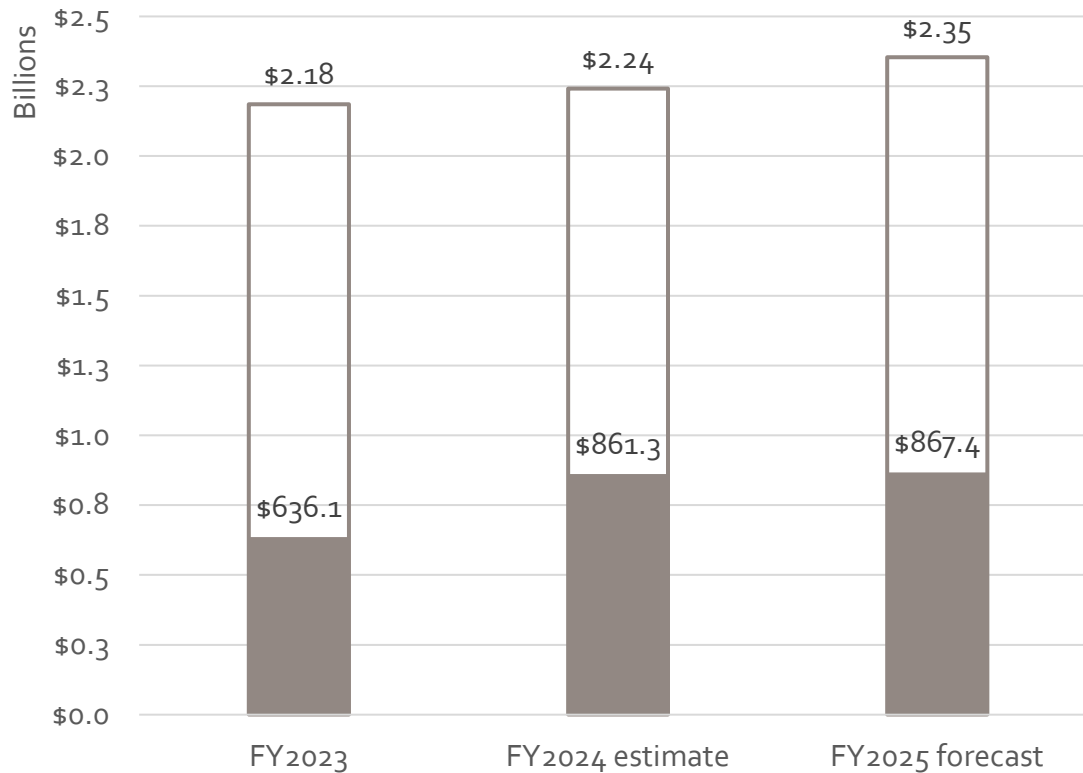


Baseline net patient service revenue

Patient fee revenue is expected to be 22.7% higher than budgeted in FY2024 driven by higher collections, while volumes are expected to increase in FY2025

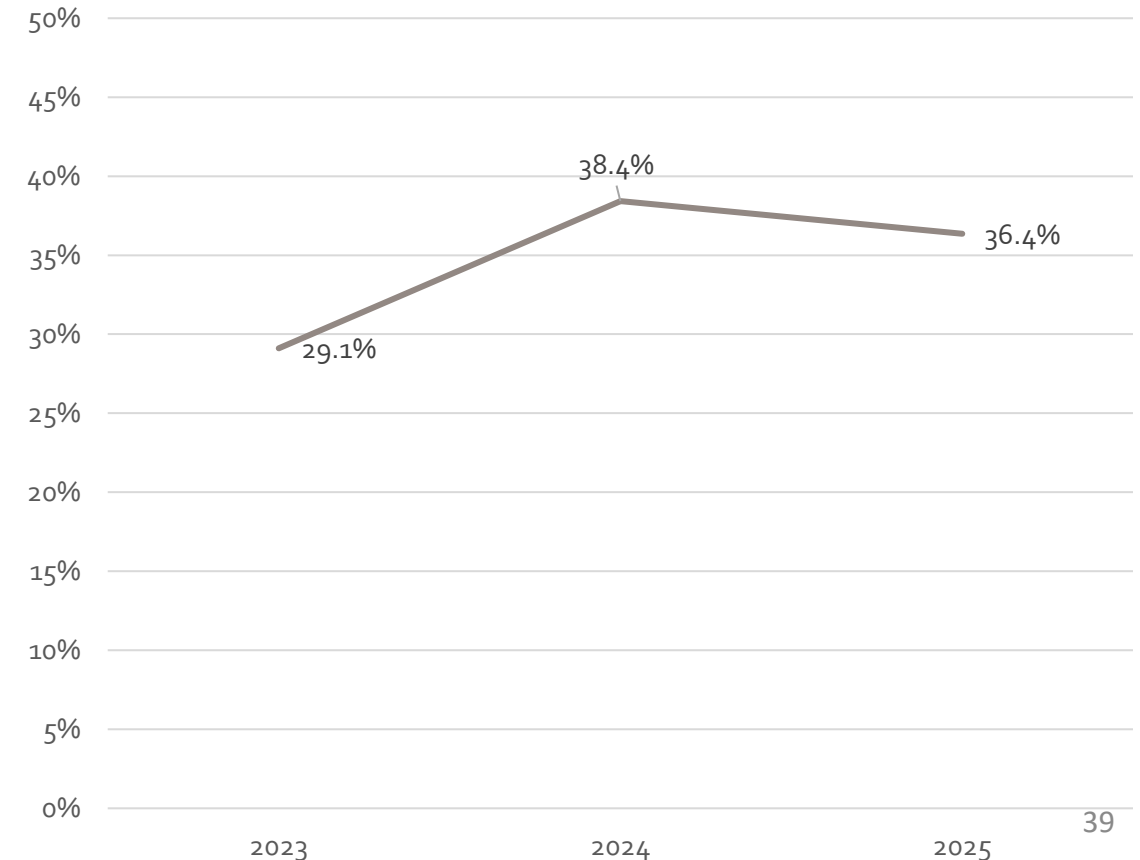
Yields are anticipated to increase through revenue cycle improvements

Net patient service revenue compared to gross charges



*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

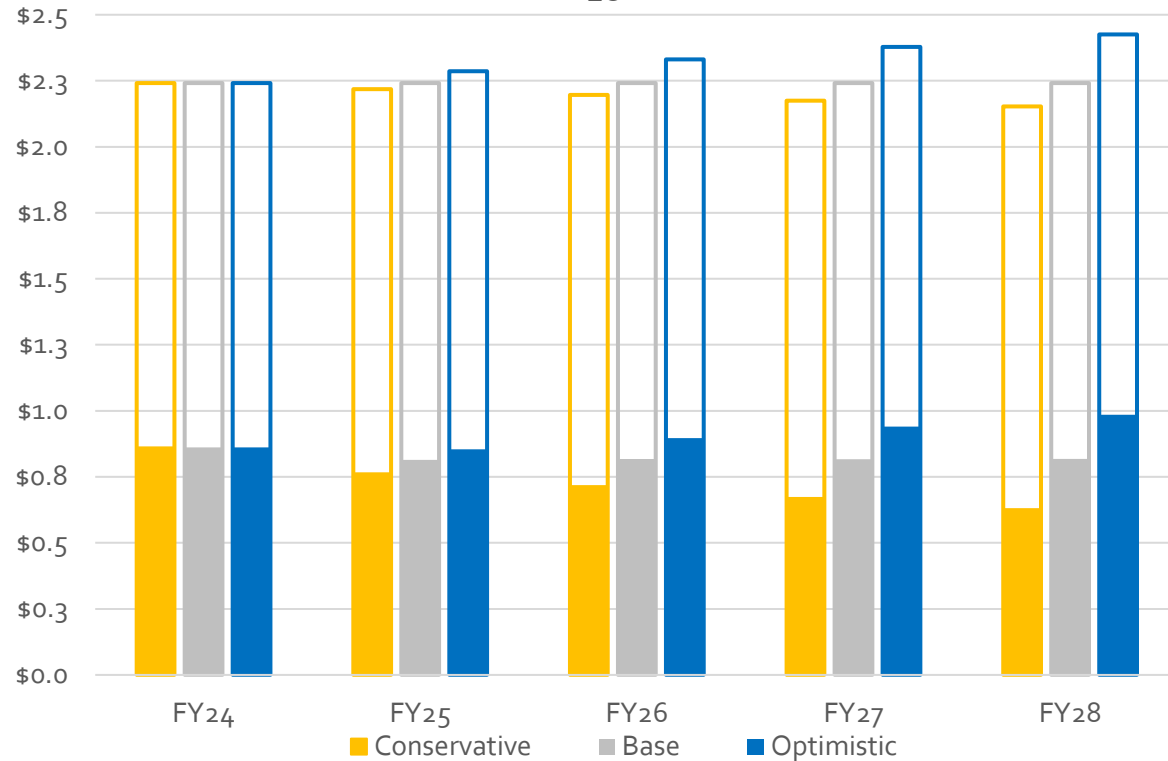
Projected yields, 2023-25



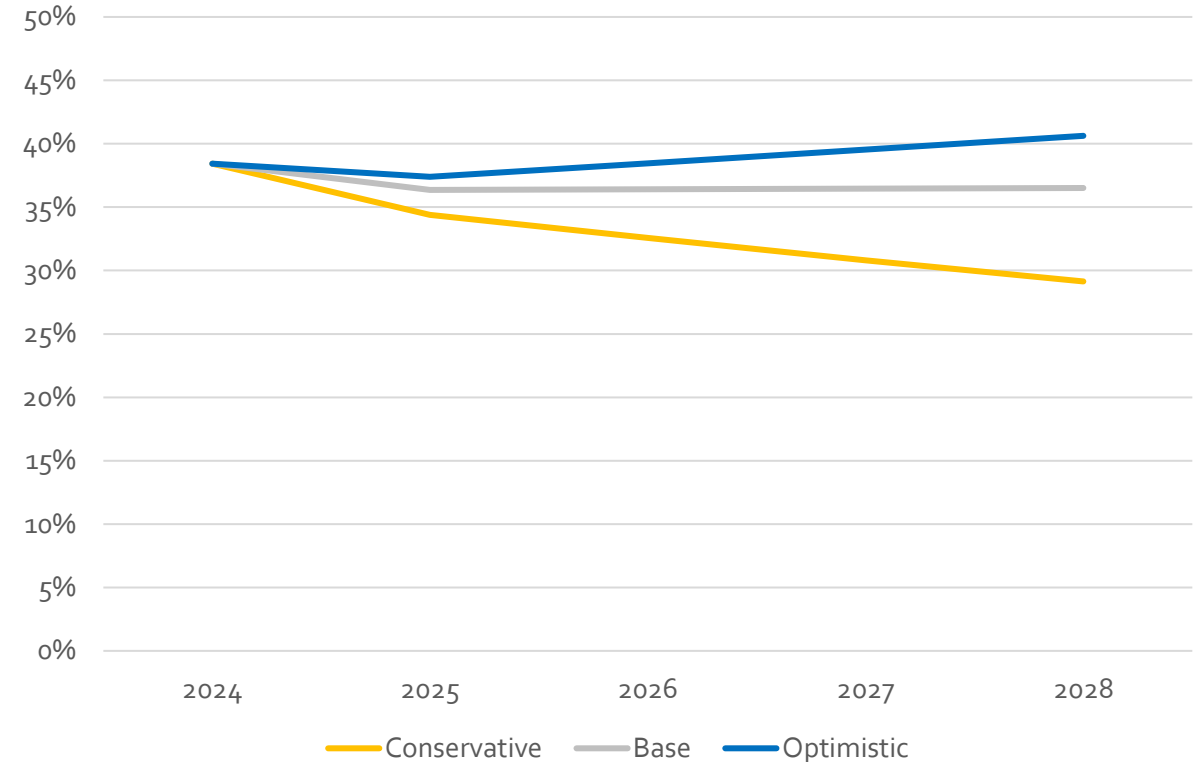


Net patient service revenue scenarios

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



Projected yields, 2024-28



Scenario assumptions

- **Conservative:** volume and associated gross charges decline, fewer people will have Medicaid coverage, and reimbursement rates will decline.
- **Baseline:** consistent volume, people will maintain current coverage, and reimbursement rates will be flat.
- **Optimistic:** that volume and associated gross charges will increase, more self-pay will be covered by Medicaid, and reimbursement rates will grow.



Next steps





Meeting calendar

July

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			

July 25: County Board meeting
July 31: IRFC quarterly meeting

August

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

August 23: CCH Board meeting
August 28: IRFC meeting

September

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					

September 19: County Board meeting

October

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		

October 10: Executive Recommendation
October 24: County Board meeting
October 30: IRFC quarterly meeting



Public comment





Adjournment

