

Village of Mount Prospect

Finance Department

First Quarter Financial Review

For the Quarter Ended March 31, 2023



Prepared By:
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Director of Finance

Introduction

The Finance Department prepares and presents a review of the financial activities for the most recently ended quarter. This report summarizes the financial activities of the Village of Mount Prospect for the first quarter of the fiscal year 2023. The report begins with summarized and unaudited financial results from the fiscal year 2022, followed by an analysis of General Fund reserves and Police and Fire Pension Funds' funding reports. Further, the report contains revenues and expenditure analysis for the quarter ended March 31, 2023. The report also contains a few special items of interests and updates.

2022 Unaudited Financials

The fiscal year 2022 started with uncertain COVID-19 environment and market uncertainties. As year progressed, the Village faced many challenges including 40-year high inflation, supply-chain issues, high interest rates, unrealized losses in pension fund investments due to volatile investment market and also faced delayed property tax payments from Cook County. Despite these major challenges, the Village had a stellar financial performance and collected record-breaking revenues, especially the State of Illinois shared revenues including State Sales Tax, State Income Tax, and Personal Property Replacement Tax. The Village also established a new Tax Increment Financing District in the southern part of our Village, called South Mount Prospect TIF. The Village has seen continued growth in the Downtown Mount Prospect with various multi-family projects. The Village also abated \$2.1 million in property taxes in November 2022 for the 2022 levy payable in 2023.

Revenue Category	Adopted Budget - 2022	Amended Budget - 2022	Actual Revenues - 2022	Actual Revenues - 2021	Revenues 2022 vs. 2021	% Change
Property Taxes	20,873,259	20,873,259	20,412,679	20,485,088	(72,409)	-0.4%
Other Taxes	13,304,500	13,304,500	16,009,745	14,852,966	1,156,779	7.8%
Intergovernmental Revenue	54,713,145	59,448,145	51,345,778	48,691,397	2,654,381	5.5%
Licenses, Permits & Fees	3,008,000	3,008,000	3,160,526	3,144,958	15,568	0.5%
Charges For Services	38,333,258	38,448,258	39,021,842	37,421,529	1,600,313	4.3%
Fines & Forfeits	541,000	953,000	909,414	628,522	280,892	44.7%
Investment Income	118,070	690,070	1,270,724	(101,190)	1,371,915	+++
Other Financing Sources	20,580,000	25,560,000	14,788,882	4,852,505	9,936,377	204.8%
Other Revenue	2,261,860	2,261,860	1,896,591	3,149,544	(1,252,953)	-39.8%
Reimbursements	397,000	397,000	510,970	396,415	114,555	28.9%
Total Revenues	154,130,092	164,944,092	149,327,152	133,521,734	15,805,417	11.8%

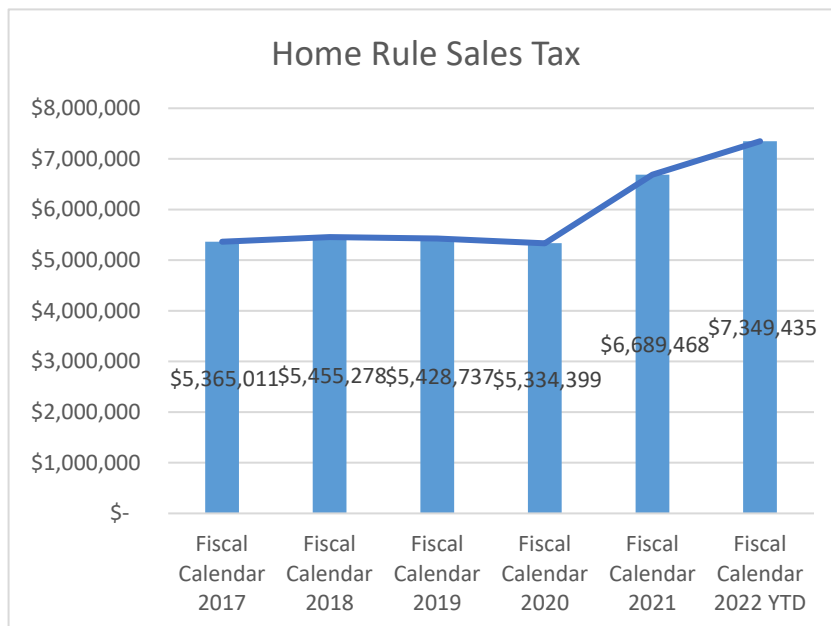
The above listed revenue sources are analyzed below:

Property tax

Property tax is one of the most reliable revenue sources. The Village's total 2022 levy was \$19.4 million, which includes 2.0% for losses and costs. The Village was expected to collect 98.5 percent of the 2021 levy payable in 2022. The actual property tax collection for the year 2022 totaled \$19.1 million or 99.3 percent. The property tax budget for the year also included \$1,650,000 for Tax Increment Financing District (TIF). The actual collection for the TIF was recorded at \$1,307,969. Collectively, the Village collected \$20.4 million in the property tax revenue against the total budget of \$20.9 million. Some of the property taxes for the year are collected after December 31, 2022. However, the reported property tax payment reflects collection through February 2023 (per the GASB regulations).

Other Taxes

Other Taxes mainly include locally enacted taxes comprised of home rule sales tax, food & beverage tax, real estate transfer tax, municipal motor fuel tax, utility taxes, hotel/motel taxes and cable franchise fees. The 2022 collection totals \$16.0 million, which is higher



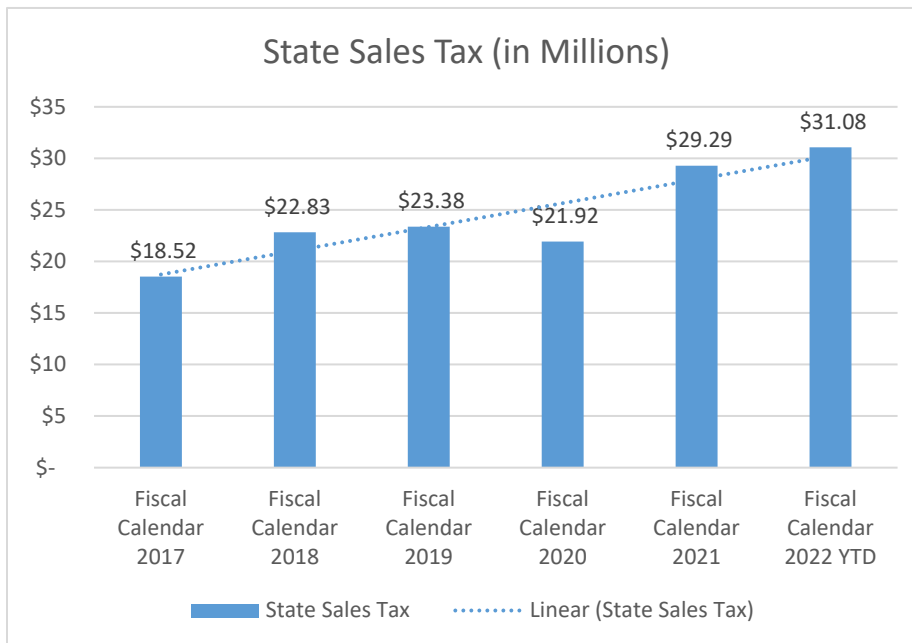
than the 2021 collection by \$1.2 million or 7.8 percent. The home rule sales tax collection totaled at \$7.3 million, an increase of \$659,967 or 9.9% compared to the 2021 collection. The Village collected \$3.2 million in various utility taxes, \$4.4 million in various use taxes, \$701,365 in franchise fees

and \$307,732 in business district taxes. The Village tax collection increased by 5.3 percent for utility taxes, by 8.8 percent for use taxes, and 5.8 percent for Business District taxes. The Village collection for franchise fee decreased by \$38,805 or 5.24 percent

compared to 2021 collection.

Intergovernmental Revenue

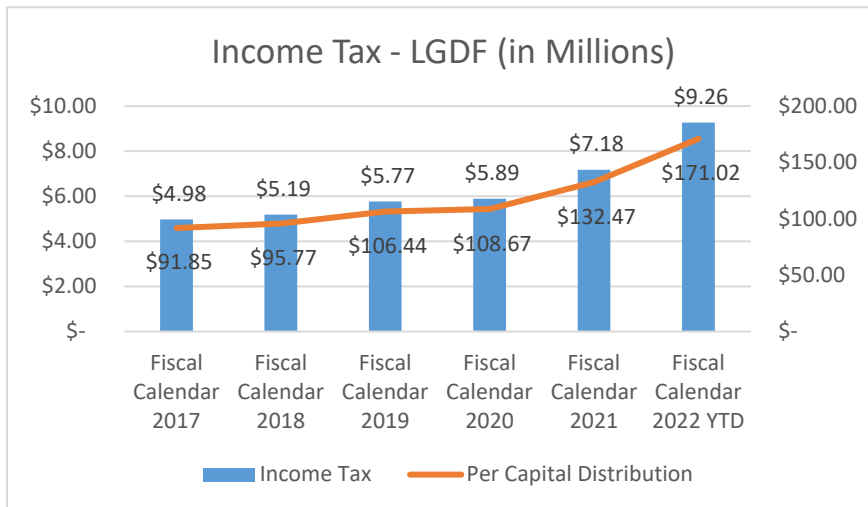
The intergovernmental revenues include revenues received from the other governmental units and agencies, mainly from the State of Illinois. The Village has recognized



intergovernmental revenues totaling \$51.3 million for the year 2022, an increase of \$2.6 million or 5.5 percent compared to the total 2021 intergovernmental revenues. The most significant revenue source under this

category is the state sales tax. The State of Illinois shares 1% of all general merchandise sales that occurs within the jurisdiction of the Village of Mount Prospect with the Village. All-time high sales totaling \$3.11 billion were recorded for the year of 2022, and the Village received the total sales tax collection of \$31.1 million. The 2022 state sales tax amount is higher by \$1,785,846 or 6.1 percent compared to the 2021 revenues.

Furthermore, the Village's income tax budget was initially set at \$6.3 million for the year 2022, but the actual collection at the State level was much higher. The income tax revenue is shared as a per capita item and the State shares 6.6% of the income tax



collection with all local governments based on population. The total collection for the year 2022 is recorded at \$9.3 million, an increase of \$2.1 million or 29.1 percent compared to the prior year collection. The Village also received

\$3.5 million from the American Rescue Plan in the year 2022. Although the American Rescue Plan revenue was received in 2022, the amount is restricted and will be treated as deferred revenue for the year 2022 and will not be part of the annual income or the unrestricted fund balance. The Intergovernmental revenue also includes \$2.2 million in motor-fuel tax, \$2.3 million in use tax, \$1.5 million in the personal property replacement tax, \$1.3 million in federal grants, and \$1.7 million in state grants. The Village collected \$1.5 million in personal property replacement tax, which reflects an increase of \$738,511 or 102.1 percent compared to 2021 collection.

Licenses & Permits

The Village collected \$3,160,526 in license and permit fees. The amount collected is higher by \$15,567 or 0.49 percent compared to 2021 collections. This category includes \$1,320,592 in vehicle license fees, which is earmarked for the street resurfacing program. The Village has suspended the vehicle sticker program for the FY 2023, and the Village has pledged other intergovernmental revenues to support the street resurfacing program for the FY 2023. An average household received a tax break of \$90 due to suspension of the vehicle sticker program.

Charges for Services

The Village collected \$39.0 million in charges for services for the year 2022. The amount is higher by \$1.6 million, or 4.28 percent compared to 2021 collection. The charges for

services includes water and sewer fees, refuse fees, ambulance billing fees, parking fees, internal service insurance payments and vehicle lease payments. The increases in the charges for services are mainly due to planned increases in the water, sewer and refuse fees and also due to additional ambulance billing fees of \$836,798 collected through Ground Emergency Medical Transport (GEMT). The Water and Sewer Fund recorded revenues totaling \$18.7 million. The total charges for services also includes \$2.0 million in vehicle lease payments, \$2.0 million in vehicle maintenance payments and \$8.1 million in risk management payments including health insurance, general liability insurance, worker's comp and other payments.

Fine & Forfeitures

The Village collected \$909,414 in fines and forfeitures during the year 2023. The collected amount is higher by \$280,892 or 44.7 percent compared to the 2022 collection. The 2021 collection under this category was heavily impacted by COVID-19. Subsequently, the Village implemented a new in-house adjudication program and was able to reduce certain administrative costs by Cook County and was able to collect greater amounts. The above amount also includes \$138,618 in water and sewer late payment penalties and fees.

Investment Income

The Village reported investment loss of \$101,190 during Q1-2022 due to mark-to-market adjustment for its investments. Since then, those investments have matured and the Village has not only reversed these theoretical losses, but has also booked significant investment income. The Village has recognized an investment income totaling \$1,270,724 during 2023. Increased federal and WSJ prime rates have allowed the Village to earn higher interest rates on its investments.

Other Revenues

All other revenue sources include interfund transfers, bond proceeds, other misc. revenues, and reimbursements. The Village refunded its series 2013 bonds. While doing that, the Village received \$8.2 million in bond proceeds and the same was used to payoff

the previously issued series 2013 bonds. The Village also received \$2.0 million by selling the old Police and Fire HQ building. The Village has transferred to \$4.5 million in interfund transfers from the General Fund and allowed the Capital Improvement Fund, Flood Control Construction Fund, Pension Stabilization Fund, and the Parking System Fund to recognize revenues totaling \$2,700,000, \$1,000,000, \$750,000, and \$75,000, respectively.

2022 Expenditures (unaudited)

The original Expenditure Budget for FY 2022 was \$155.2 million. The actual spending for the year was \$124.0 million. Original budgets were revised and increased/decreased with carryover items from time to time due to the timing issues of the projects. The below tables recap the annual budget and actual spending for the year 2022 by department and by expenditure category.

Departments	Amended Budget 2022	Actual Expenditure YTD Dec 2022	% of Total Budget Used	Actual Expenditure YTD Dec 2021	Actual 2022 Vs. Actual 2021
10 Public Representation	613,657	455,939	74.3%	457,538	(1,599)
20 Village Administration	5,201,643	4,482,346	86.2%	4,017,123	465,223
30 Finance	2,300,407	2,269,109	98.6%	3,194,773	(925,664)
40 Community Development	4,434,367	3,286,392	74.1%	3,406,360	(119,968)
50 Human Services	1,858,890	1,301,918	70.0%	1,175,556	126,362
60 Police	20,856,067	19,960,823	95.7%	20,162,668	(201,845)
70 Fire	19,841,352	19,035,987	95.9%	17,663,052	1,372,935
80 Public Works	65,960,604	39,201,736	59.4%	38,689,452	512,284
00 Non-Departmental	37,071,236	34,051,410	91.9%	23,949,537	10,101,873
Total Expenditures	158,138,223	124,045,660	78.4%	112,716,059	11,329,601

Departments	Amended Budget 2023	Actual Expenditure YTD March 2023	% of Total Budget Used	Actual Expenditure YTD Mar 2022	Actual 2022 Vs. Actual 2021
Personnel	53,462,957	51,928,669	97.1%	50,317,884	1,610,785
Contractual Services	34,879,420	34,463,030	98.8%	34,219,709	243,320
Commodities & Supplies	2,568,654	2,219,348	86.4%	1,901,517	317,831
Capital Improvements	37,323,291	9,465,676	25.4%	9,482,380	(16,704)
Debt Service	18,687,538	18,244,954	97.6%	9,807,675	8,437,279
Other Expenditures	10,624,295	7,723,983	72.7%	6,986,892	737,090
Total Expenditures	157,546,155	124,045,660	15.5%	112,716,059	11,329,601

All the Village Departments have performed within the stipulated budget limits for the year 2022. The Village has spent a total \$124.0 million in expenditures for the year 2022, which

equates to 78.4 percent of the total approved budget. The Public Works Department is responsible for various capital projects. Some of these projects are either delayed due to supply chain issues, or they are grant funded and the grant amounts have not yet been received to conduct the projects. The expenditure by category (as mentioned in the second table) shows that the Village has spent 97.1 percent of Personnel costs, 98.8 percent of contractual services, 86.4 percent of supplies and commodities, and 18.2 percent of the debt service budget. The capital improvement items spent totaled \$9.5 million, which equates to 25.4 percent of the total budget.

General Fund

General Fund	Adopted Budget - 2022	Amended Budget - 2022	Actual Revenues - 2022
Revenue	65,779,208	77,251,208	75,853,209
Expenses	69,211,839	69,256,685	62,268,699
Surplus/Deficits	(3,432,631)	7,994,523	13,584,510

The total General Fund revenue budget for the year 2022 was \$65.8 million, while the original expenditure budget was \$69.2 million. The revenue budget was eventually revised to \$77.2 million, while the expenditure budget was revised to \$69.3 million. The actual recognized revenue for the General Fund totaled \$75.8 million, while the expenditure totaled \$62.3 million. As mentioned earlier, a few outperforming intergovernmental revenues including state sales tax, income tax, personal property replacement tax, and ambulance billing fees are the main reasons for the surplus for the year.

General Fund Reserves	Unrestricted Fund Balance	As Percentage of Budget
Unrestricted Fund Balance as of Jan 1, 2022	30,752,940	40.2%
Add: Release of Restricted Fund Balance	-	
Add: Net Surplus	13,584,510	
Less: Less: Restricted Fund Balance as of Dec 31, 2022	-	
Accounting Fund Balance	44,337,450	58.0%
Less: Taxes Receivable from the State & Other Agencies	13,710,769	17.9%
Spendable Fund Balance	30,626,681	40.0%

As mentioned in the above table, the General Fund started the fiscal year 2022 with \$30.8 million in the unrestricted fund balance, while the actual spendable fund balance as of January 1, 2022, was \$18.5 million. The net accounting surplus of \$13.6 million (from 2022 activities) is added to the unrestricted fund balance. The above listed amounts do not include \$7.0 million received from the American Rescue Plan. The fund balance as of December 31, 2022, equates to 58.0 percent of the 2023 annual budget and totals \$44.3 million. Some portion of \$44.3 million is not readily available for spending and it is occupied by taxes and other receivables totaling \$13.7 million and that leaves the Village with a spendable fund balance of \$30.6 million, which equates to 40 percent of the 2023 annual budget.

The Finance Department has proposed a revision to the Fund Balance Policy and the same was discussed with the Finance Commission. The Finance Commission has supported these revisions, which will also be discussed the joint workshop.

Police and Fire Pension Fund Unaudited Financials

Overall, the fiscal year 2022 was a highly volatile year for the Police and Fire Pension funds and both funds have unrealized losses in the investments totaling \$16.6 million and \$15.4 million, respectively, to their net positions. The Village is still waiting for actuarial reports currently. Due to reduction in the investment values, the Village pension funds are expected to show a reduction in the funding ratios.

Income Statement	Police Pension Fund	Fire Pension Fund
Income		
Contributions		
Member	1,020,818	811,804
Municipal	3,821,104	3,678,359
Total Contribution	4,841,922	4,490,163
Investment Income		
Interest & Dividends	667,458	485,621
Fair Value Increase/(Decrease)	(14,326,972)	(12,514,648)
Investment Expenses	(77,211)	(42,038)
Total Investment Income	(13,736,725)	(12,071,065)
Total Income	(8,894,803)	(7,580,902)
Expenditures		
Administration	68,343	69,199
Pension Benefits & Refunds	6,839,629	6,965,087
Total Expenditures	6,907,972	7,034,286
Net Change	(15,802,775)	(14,615,188)
Beginning Net Position	96,474,332	85,017,228
Ending Net Position	80,671,557	70,402,040

Quarter 1, 2023 – Revenues

Q1-2023 reflects the total recognized revenues of \$22.0 million, and it represents 15.5 percent of the annual budgeted revenues. At the same time last year, the total collection was \$26.4 million. The Q1-2023 collection is trailing lower by \$4.4 million, or 16.8 percent compared to the Q1-2022 collection, due to delayed property tax payments from Cook County. The data is summarized in the below table.

Revenue Category	Budget 2023	% of		Actual 2023		
		Actual YTD Mar -2023	Annual Budget	Actual YTD Mar - 2023	Vs. Actual 2022	% Change
Property Taxes	22,078,821	5,161,537	23.4%	10,774,920	(5,613,383)	-52.1%
Other Taxes	13,743,156	978,864	7.1%	1,074,809	(95,945)	-8.9%
Intergovernmental Revenue	49,689,008	3,397,697	6.8%	3,903,936	(506,239)	-13.0%
Licenses, Permits & Fees	1,959,500	590,509	30.1%	1,164,448	(573,939)	-49.3%
Charges For Services	40,837,772	9,851,508	24.1%	9,049,625	801,883	8.9%
Fines & Forfeits	530,140	121,934	23.0%	101,359	20,575	20.3%
Investment Income	278,266	1,140,434	409.8%	(238,123)	1,378,557	-578.9%
Other Financing Sources	10,600,000	3,500	0.0%	-	3,500	+++
Other Revenue	2,166,550	627,954	29.0%	544,723	83,231	15.3%
Reimbursements	203,000	122,226	60.2%	56,048	66,178	118.1%
Total Revenues	142,086,213	21,996,165	15.5%	26,431,746	(4,435,582)	-16.8%

- The first installment of the property tax was due in March during FY 2022, while the same is due in April 2023 for the current year. Due to the delayed due date for the property tax, the Village is trailing behind by \$5.6 million in property tax collections.
- Other Taxes encompass locally enacted taxes, including home rule sales tax, food & beverage tax, hotel/motel tax, municipal motor fuel tax, real estate transfer tax and a few more. The collection is trailing marginally lowered by \$95,945. The amount shown above is not final, as the home rule sales tax for Q1-2023 will be recognized in April 2023 and beyond.
- The intergovernmental revenues totaling \$3.4 million were collected during Q1-2023. The collected amount is trailing lower by \$506,239 or 13.0 percent. The revenues for Q1-2023 will be received in Q2-2023, as the State taxes lag by three months. The Village received a one-time Rebuild Illinois Grant Installment totaling \$594,611 during Q1-2022, which is not expected to be received in FY 2023 and has resulted in a lower collection for FY 2023.
- The Village suspended the vehicle sticker program for FY 2023. Due to the suspension, the Village has not collected any vehicle sticker revenue in FY 2023 and has resulted in lower collection for license and permits totaling \$590,509.
- Charges for Services are trailing higher by \$801,883. The total \$9,851,508 is

recognized for Q1-2023 as charges for services. The higher amounts are attributable to the rate increases in water, sewer and refuse rates.

- The Village collected \$121,934 in fines and forfeitures during the quarter under review. The amount is trailing higher by \$20,575.
- An investment income totaling \$1,140,434 is recognized during Q1-2023. There were certain US Treasury investments maturing in Q1-2023 and have resulted in a higher interest income for the quarter.
- Most of the other items are on track as expected and are in line with the 2023 budgeted revenues.

Quarter 1, 2023 Expenditures

Q1-2023 expenditures totaled \$23.2 million or 14.5 percent of the annual budget. The expenditures are trailing lower by \$1.6 million compared to Q1-2022, mainly due to lower Personnel and Capital Improvement costs. A brief analysis of each of these categories is provided on the next page.

Departments	Amended Budget 2022	Expenditure		Expenditure YTD March 20222	Actual 2023 Vs. Actual 2022
		YTD March 2023	% of Total Budget Used		
10 Public Representation	624,596	77,029	12.3%	38,134	38,895
20 Village Administration	5,193,601	953,104	18.4%	971,782	(18,678)
30 Finance	2,501,247	(767,876)	-30.7%	462,440	(1,230,316)
40 Community Development	4,784,744	720,877	15.1%	768,150	(47,273)
50 Human Services	1,954,711	345,248	17.7%	330,223	15,025
60 Police	22,458,993	4,913,970	21.9%	5,857,194	(943,224)
70 Fire	20,357,909	4,337,832	21.3%	5,231,223	(893,391)
80 Public Works	72,010,070	8,248,737	11.5%	8,045,820	202,918
00 Non-Departmental	30,339,135	4,369,543	14.4%	3,116,410	1,253,134
Total Expenditures	160,225,005	23,198,465	14.5%	24,821,375	(1,622,910)

Departments	Amended Budget 2023	Actual		Actual Expenditure YTD Mar 2022	Actual 2022 Vs. Actual 2021
		Expenditure YTD Mar 2023	% of Total Budget Used		
Personnel	56,369,627	12,518,280	22.2%	14,359,882	(1,841,602)
Contractual Services	38,232,054	7,867,358	20.6%	7,397,780	469,578
Commodities & Supplies	2,608,215	636,022	24.4%	524,299	111,724
Capital Improvements	40,407,780	2,114,337	5.2%	2,370,970	(256,632)
Debt Service	9,037,425	54,015	0.6%	24,074	29,941
Other Expenditures	13,569,905	8,453	0.1%	144,371	(135,918)
Total Expenditures	160,225,005	23,198,465	15.5%	24,821,375	(1,622,910)

- Normally, the property tax collection for the first quarter includes the pension levy. The due date for the property tax levy was extended for the first installment from March 2023 to April 2023. The change has resulted in a lower collection of property tax for the year 2022. When the property tax is received for the pension levy, it is an income for the Pension Fund and an expense for the General Fund. Due to delayed property tax payments, a lower pension costs are recognized and resulted in a lower recognition of personnel expenditures. The Village has spent \$12.5 million in personnel related costs during Q1-2023. The amount represents 22.2 percent of the annual budget, and the amount is trailing lower by \$1.8 million compared to the previous year.
- The Village has spent \$7.9 million in contractual services. The amount represents 20.6 percent of the annual budget and includes many big-ticket items including the JAWA water purchase, engineering studies, and other major contracts. The amount is on track with the expected spending, and it is trailing higher by \$469,578 compared to last year due to various inflationary adjustments.
- The Village has spent \$636,022 in commodities and supplies, 24.4 percent of the annual budget. The amount is in line with the expected spending of the year, and it is trailing higher by \$111,724 compared to the previous year's spending. The amount for year 2022 includes some timing issues with recognition, while the 2023 amount is incurred as expected.
- The Q1-2023 capital improvement spending totaled \$2.1 million. This amount represents 5.2 percent of the annual budget. Most of the capital projects have

started for the year and major costs are expected to be paid out during the summer and the fall. A few projects might face supply chain issues and may result in delayed projects as well as expenditure recognition.

- The major debt service payments are due on June 1 and December 1. There are no significant debt service payments in Q1-2023.
- The Village incurred \$8,453 in Other Expenditures during Q1-2023. The amount represents 0.1 percent of the annual other expenditures budget. The category includes interfund transfers totaling \$11.5 million, which will be executed during the third and fourth quarter of the current year.

Other Items

a) It is recommended that fixed or semi-fixed revenue sources should be used to fund operating expenditures while variable revenue sources should be deployed towards funding capital/one-time project costs. Based on the current data and segment analysis, the Village should use certain portion of the state sales tax towards funding capital projects. Currently, the Village is using Home-rule sales tax to fund capital projects, while state sales tax is more suitable item for funding capital projects.

- State Sales Tax
 - With the current data, it maybe concluded that:
 - \$15.7 million is fixed – 52.33%
 - \$12.0 million is variable – 40.0%
 - \$1.6 million is semi-variable – 7.67%
 - Homerule Sales Tax:
 - \$5.3 million is fixed – 76.8%
 - \$1.6 million is variable – 23.2%
- With the above data analysis, the Village Administration proposes to allocate 100.0 % of the home-rule sales tax to the General Fund and to allocate \$2.0 million in the state sales tax to each of the three capital project funds.

- The above concept was presented and discussed with the Finance Commission, and the Commission has voted in support of the proposed allocation.

Conclusion

The Village is in strong and sustainable fiscal health and can provide quality governmental services to its residents and businesses consistently with a strong fiscal backbone. The Village's performance in the year 2022 proves a strong and robust local economy. The recent affirmation from S&P also proves the faith in the Village's fiscal strength and ability to serve its residents and business community for a sustainable future. This report and other items will be discussed at the Joint Workshop with the Village Board and the Finance Commission.

Respectfully Submitted,
Amit Thakkar, Director of Finance