

Village of Mount Prospect

Finance Department

Quarterly Financial Review

For the Quarter Ended June 30, 2023



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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 second quarter of the fiscal year 2023. The report begins with the major highlights, followed by an analysis of revenues, expenditures, and fund balance for the second quarter. The report also contains analysis of financial statements for the Police and Fire Pension Funds. The report tries to provide a general economic outlook for the local and national outlook where possible and provides a few special items of interests and updates.

Major Highlights – Q2-2023

- a) The Village completed its strategic planning workshops in Q2-2023. The plan serves as a crucial guide for the Village's action plan and budgeting (Capital and Operating) decisions.
- b) The Village also concluded its annual audit in June 2023 and received the highest possible (unqualified) opinion on its financial statement. The Village's General Fund reported a surplus of \$13.4 million for the year 2022 and a total fund balance of \$48.2 million.
- c) The Village collected \$42.5 million in the revenues during Q2-2023, an increase of \$14.0 million over the same period last year, mainly due to timing issues with the property tax payment. The first installment of property tax payments was collected in first quarter of 2022, while the same is collected in the second quarter during the year 2023. The year-to-date collection for 2023 totaled \$64.5 million, an increase of \$9.3 million over the same period last year (including an interfund transfer to the Economic Emergency Fund of \$6.5 million).
- d) Due to a higher interest rate environment as well as the Village's proactive investment strategy, the Village earned an interest income of \$1.3 million during Q2-2023 and the year-to-date investment income totaled \$2.4 million.
- e) The Village incurred expenditures totaling \$38.3 million during Q2-2023, an increase of \$13.4 million over the same period last year. The Village has executed various budgeted interfund transfers during Q2-2023 and that has resulted in a higher expenditure during Q2-2023. The year-to-date expenditures for 2023 totaled at \$61.5 million, an increase of \$11.8 million over the year-to-date expenditures incurred last year. The interfund transfers include a transfer of \$6.5 million from the General Fund to the Economic Emergency Fund during Q2-2023.
- f) The Village of Mount Prospect revised its Fund Balance Policy during Q2-2023 and the new fund balance levels were set between 30 to 50 percent of the annual expenditures. The Village Board also approved creation of an Economic Emergency Fund and funded the same with an initial funding level of \$6.5 million from the 2022 General Fund Surplus of \$13.4 million.
- g) The Police and Fire Investment fund reported a positive quarter in terms of investment returns. The Police Pension Fund reported a year-to-date net change in the position by \$5.5 million, while the Fire Pension Fund reported a year-to-date net change in the position by \$3.7 million.

Cash and Investments

The Village of Mount Prospect maintains a sufficient liquid cash balance at various banking and investment institutions for the smooth operation of the Village's day-to-day activities. The remainder of the cash assets are invested in multiple interest-earning accounts and investment options in accordance with the Village's Investment Policy. As of April 1, 2023, the beginning Cash and Cash Equivalents totaled \$92.8 million. During the second quarter, the Village collected cash receipts totaling \$30.3 million. The investment income for the month totaled \$1.2 million. The payroll cost for the quarter was \$5.4 million, and accounts payable were paid in the amount of \$21.8 million. The inter-fund activity increased the cash position by \$18,675, while other disbursements totaled \$844,083. As of June 30, 2023, the Village's Cash and Cash Equivalents totaled \$105.3 million.

GOVERNMENTAL AND ENTERPRISE FUNDS

	Cash and Cash Equivalents	Investments	Total Cash and Investments
Balance at April 1, 2023	\$ 92,789,960	\$ 25,731,743	\$ 118,521,704
Cash receipts	30,291,794	-	30,291,794
Investment income	1,185,669	111,395	1,297,064
Transfers from investments to cash	-	(9,049,982)	(9,049,982)
Transfers to investments from cash	9,049,982	-	9,049,982
Interfund activity	18,675	-	18,675
Disbursements:			
Accounts payable	(21,766,902)	-	(21,766,902)
Payroll	(5,392,194)	-	(5,392,194)
Other	(844,083)	-	(844,083)
Balance at June 30, 2023	\$ 105,332,902	\$ 16,793,156	\$ 122,126,058

As of June 30, the Village has a total of \$16.8 million invested in long-term investment options, including U.S. Treasuries, AAA+ rated money market Funds, and FDIC insured CDs. The Cash, Cash Equivalents, and Investments totaled \$122.1 million as of June 30, 2023.

The below table summarizes the Cash and Cash Equivalents by Fund type as of June 30, 2023.

Fund Details	Amount
General Fund	\$ 42,609,476
Special Revenue Funds	14,757,461
Debt Service Funds	2,344,074
Capital Projects Funds	14,303,136
Enterprise Funds	25,519,774
Internal Service Funds	5,798,981
Total Cash and Cash Equivalents	\$ 105,332,902

In addition to the funds summarized above, the Village of Mount Prospect has \$1.3 million in Escrow Accounts under the umbrella of Other Trust and Agency Funds.

a) Revenues

The below data summarizes the revenue recognized by the Village through May 2023.

Village of Mount Prospect
Quarterly Financial Review – June 2023

Revenue Category	Budget 2023	Actual Q2-2023	Actual YTD 2023	% of Annual Budget	Actual Q2-2022	Actual YTD 2022	Actual 2023 Vs. Actual 2022
Property Taxes	22,233,921	5,791,637	10,953,174	49.3%	486,444	11,261,364	(308,189)
Other Taxes	14,144,500	3,509,652	4,488,516	31.7%	3,792,661	4,867,470	(378,954)
Intergovernmental Revenue	49,689,008	13,035,895	16,433,592	33.1%	12,544,621	16,448,557	(14,965)
Licenses, Permits & Fees	1,959,500	681,551	1,272,060	64.9%	1,238,290	2,402,738	(1,130,678)
Charges For Services	40,837,772	10,490,884	20,342,393	49.8%	9,501,722	18,551,348	1,791,045
Fines & Forfeits	530,140	143,510	265,444	50.1%	428,626	529,985	(264,541)
Investment Income	278,266	1,299,045	2,439,479	876.7%	60,806	(177,317)	2,616,796
Other Financing Sources	17,850,000	6,539,801	6,543,301	36.7%	11,080	11,080	6,532,221
Other Revenue	2,166,550	868,431	1,496,386	69.1%	572,441	1,117,164	379,221
Reimbursements	203,000	116,394	238,620	117.5%	92,009	148,057	90,563
Total Revenues	149,892,657	42,476,801	64,472,965	43.0%	28,728,699	55,160,445	9,312,520

The above amounts do not represent all the revenues to be recognized for the period under review. There are certain state taxes, such as sales tax, home rule sales tax, and a few other taxes, that will be received by the Village in July 2023 and later. The below table summarizes the top 10 governmental revenue sources with their respective year-to-date amounts for the year 2022 and 2023. (The amount excludes water/sewer/refuse service charges).

Top 10 Revenue Sources	YTD Q2-2023	YTD Q2-2022	2023 Vs. 2022
State Sales Tax	8,101,552	7,427,317	674,235
Property Taxes	10,953,200	11,265,931	(312,731)
State Income Tax	4,984,588	5,388,271	(403,683)
Home-rule Sales Tax	1,565,941	1,572,974	(7,032)
Interest Income	1,523,886	102,874	1,421,012
Ambulance Fee	1,259,052	1,315,878	(56,826)
State Use Tax	1,034,347	993,842	40,505
State Motor Fuel Tax	944,169	855,868	88,301
Personal Property Replacement Tax	722,720	829,344	(106,624)
Food & Bev Tax	686,082	617,359	68,723
Total Top 10 Revenue Sources	31,775,537	30,369,658	1,405,880

The year-to-date collection for 2023 totaled \$64.5 million, an increase of \$9.3 million over the same period last year. The top 10 revenue sources for the Village totaled \$31.8 million in the total year-to-date revenues and accounts for 80 percent of the total governmental revenues received by the Village (excluding water/sewer/refuse charges and interfund transfers). The state sales tax and investment income are trending higher compared to their respective 2022 amounts, while income tax and personal property replacement taxes are trailing lower compared to their respective amounts for the year 2022. It is important to note that the state sales tax and home-rule sales tax for Q1-2023 are reported in Q2-2023 and shows only three months' worth of revenues for the year 2023.

Property Taxes: The Village's total levy for the year is \$20,443,677. The total property tax revenue budget, including TIF revenues, is \$22.1 million. The Village has collected \$11.0 million in property taxes so far for the tax year 2022. Due to a shift in the due date for the first installment, the collection is trailing lower by \$308,189 compared to the previous year.

Other Taxes: The category of Other Taxes includes all the taxes enacted per local ordinances and includes Home Rule Sales Tax, Hotel/Motel, Food and Beverage, Municipal Motor Fuel Tax, Utility Taxes, etc. As some of these taxes are collected by the State, there is a three-month lag between the actual sales and the remittance of the tax. In addition, all the local economic activities for Q2-2023 are reported in Q3-2023. The YTD tax collection under this category totals \$4.5 million,

and it is trailing lower by \$378,954 or 7.8 percent compared to the previous year. Most of the revenue lines under Other Taxes are tracking higher compared to the previous year, except the real estate transfer tax. The YTD real estate transfer tax collection totals \$397,535, while at the same time last year, the real estate transfer tax totaled \$735,208. The higher interest rate environment and low inventory in the market for available homes have resulted in a lower collection of the real estate transfer tax.

Intergovernmental Revenue: This category includes all the State shared taxes, including State Sales Tax, Income Tax, Use Tax, Motor Fuel Tax, and Grants. The Village is vigilantly tracking all intergovernmental revenues. As most of these taxes are collected by the State, there is a three-month lag between the actual sales and the remittance of the tax. The year-to-date collection totals \$16.4 million and is trending lower by \$14,965 or 0.1% compared to 2022 amounts. Intergovernmental revenues represent the single most significant category for the Village and represents 33.1 percent of the total Village revenue sources. The state sales tax alone accounts for 20.0 percent of the total Village revenue and 58% of the total intergovernmental revenue. The YTD sales tax revenue (Jan to March) received through June-2023 totaled \$8.1 million, an increase of \$674,235 or 9.0 percent over the 2022 year-to-date amount. The Village also recorded an all-time high sales tax collection (monthly) totaling \$2.9 million in June 2023.

Through June-2023, the Village collected \$4.9 million in income tax revenue, The Village is projected to collect \$8.2 million in income tax revenue and the income tax line item is expected to outperform the annual budget by \$700,000. All other intergovernmental revenue sources are tracking positively and are expected to meet the budgeted target.

Licenses & Permits: The Village has collected \$1.3 million in License & Permit Fees through June 2023. The amount is trending lower by \$1.1 million or 47.1% compared to last year's collection at the same time, mainly due to the suspension of vehicle stickers. The Village had collected \$1,260,062 in vehicle sticker revenues by this time last year.

Charges for Services: The Village has received \$20.3 million in charges for services through June 2023. The amount represents 49.8% of the annual budgeted amount for the category and it is trending higher by \$1.8 million compared to last year's collection at the same time, mainly due to the increased water/sewer and refuse rates.

Investment Income: The Village has earned \$2.4 million in investment income through June 2023. The Village is currently earning anywhere from 3.5% to 5.1% on its liquid investments. The Village's investments are in compliance with its Investment Policy and due to high federal rates, the Village is earning a higher amount in investment income. Last year at the same time, the Village's investments were marked to market and unrealized loss in the investment values were booked, which are now reversed and booked as a realized investment income.

Other Categories: All other revenue categories have collectively generated \$8.5 million through June 2023. The amount mainly includes \$265,444 in fines and forfeitures, \$1.5 million in other revenues, \$238,620 in reimbursements and \$6.5 million in interfund transfers.

b) **Expenditures**

The below data recaps the expenditures incurred through the month of May 2023.

Village of Mount Prospect
Quarterly Financial Review – June 2023

Departments	Amended Budget 2023	Actual Expenditure Q2 2023	Actual Expenditure YTD Q2 2023	% of Total Budget Used	Actual Expenditure Q2 2022	Actual Expenditure YTD Q2 2022	Actual 2023 Vs. Actual 2022
10 Public Representation	624,596	158,661	235,689	37.7%	147,677	185,811	49,879
20 Village Administration	5,438,601	1,229,777	2,183,050	40.1%	918,587	1,890,368	292,681
30 Finance	2,501,347	520,525	965,187	38.6%	521,949	984,388	(19,201)
40 Community Development	4,839,744	1,192,122	1,912,999	39.5%	865,222	1,633,372	279,627
50 Human Services	1,954,711	317,864	663,112	33.9%	308,316	638,539	24,573
60 Police	22,833,993	5,543,703	10,457,672	45.8%	4,096,719	9,953,913	503,760
70 Fire	20,735,011	5,046,816	9,384,648	45.3%	3,919,589	9,150,812	233,835
80 Public Works	72,610,070	13,903,061	22,151,798	30.5%	9,835,599	17,881,418	4,270,380
00 Non-Departmental	36,839,135	11,094,801	14,251,806	38.7%	4,245,247	7,361,657	6,890,149
Total Expenditures	168,377,207	39,007,330	62,205,962	36.9%	24,858,904	49,680,279	12,525,683

The above amounts do not include the expenditures for the Pension Funds, as they are separate entities. The above amounts are unaudited and subject to change with accrual/audit adjustments.

Departments	Amended Budget 2023	Actual Expenditure YTD June 2023	% of Total Budget Used	Actual Expenditure YTD June 2022	Actual 2023 Vs. Actual 2022
Personnel	57,274,759	26,077,273	45.5%	6,529,497	19,547,776
Contractual Services	38,333,054	16,939,585	44.2%	4,735,195	12,204,390
Commodities & Supplies	2,604,285	1,183,785	45.5%	244,262	939,523
Capital Improvements	41,007,780	8,883,105	21.7%	640,398	8,242,707
Debt Service	9,037,425	2,206,540	24.4%	24,074	2,182,466
Other Expenditures	20,119,905	6,915,675	34.4%	144,371	6,771,304
Total Expenditures	168,377,207	62,205,962	36.9%	12,317,797	49,888,165

Personnel Costs: The year-to-date expenditures for Personnel Costs, including benefits, are \$26.1 million or 45.5 percent of the annual budget for the category. The amount is trending higher by \$1.0 million compared to 2022. The overtime expense through June 2023 totals \$1.1 million, while at the same time last year, the overtime expense totaled \$1.0 million.

Services: - This category covers most of the contractual services that include some large line items, including JAWA water purchases, budgeted and grant-funded engineering studies, and other contracts. The year-to-date expenditure is \$16.9 million, and it equates to 44.2 percent of the annual budgeted amount for the category. The expenditure amount is trending higher by \$1.3 million, mainly due to the inflationary and timing issues.

Supplies: The Village has spent \$1.2 million in supplies through June 2023. The spending totals 45.5 percent of the approved budget. The Village is diligently tracking inflation. The recent inflation is at its highest in the last 40 years. So far, the Village has tracked inflation and its financial impacts successfully and the current budget and fund balance have the capacity to deal with short-term inflation impacts. The expenditures incurred are trending higher by \$81,757 compared to last year's amount at the same time. The most recent inflation reported for June (CPI-U) tracks at 3.0% inflation over the last 12 months.

Capital Improvements: The Village has \$41.0 million in approved capital improvement projects for the year 2023. The Village has amended its budget to carry forward \$12.7 million worth of projects from the year 2022 to 2023 (during March 2023). Many of the budgeted projects from the year 2022 will be completed in 2023. Through May-2023, the Village has incurred \$8.8 million on capital projects, 21.7 percent of the annual budget for the category. Many major projects at this time are in process and are expected to get completed before the year end. There are still supply-chain related issues with the vehicle replacement schedule and the Village may have to carry-forward some of these items to the next year (if not delivered on time).

Debt Service: Per the established debt service schedules, the Village's bond payments are due on June 1 and December 1. The Village processes these debt service payments a few days prior to due dates and has sufficient funds on hand to execute the same. The Village has incurred and paid \$2.2 million in interest expenditures through June 2023.

Other Expenditure: The Other Expenditure category includes all other expenditures not categorized above. The category budget includes \$17.9 million in interfund transfers and \$2.2 million in other expenditures. The YTD expenditure posted against this category totals \$6.9 million, including \$6.5 million in interfund transfers from the General Fund to the Economic Emergency Fund.

d) Fund Balance Analysis:

The fund balance is an essential tool to check the fiscal health of any governmental organization. The below data summarizes the Village's monthly unassigned/unrestricted General fund reserves. The fund balance data is unaudited.

Items/Details	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Total
Revenues - Unaudited	22,813,049	1,747,061	1,671,385	6,384,258	9,632,101	4,819,709	5,389,489	29,644,002
Expenses - Unaudited	(10,700,346)	(1,984,080)	(4,548,458)	(7,102,276)	(5,880,180)	(10,938,438)	(4,364,985)	(34,818,417)
Net Monthly Surplus/(Deficit)	12,112,703	(237,019)	(2,877,072)	(718,019)	3,751,921	(6,118,729)	1,024,504	(5,174,415)
Ending Unrestricted Reserves	44,163,180	43,926,161	41,049,088	40,331,070	44,082,990	37,964,261	38,988,765	38,988,765
As % of General Fund Budget	58%	57%	54%	53%	58%	50%	51%	51%
Unencumbered Cash Balance	30,091,800	37,191,814	37,892,747	39,920,051	43,682,356	37,775,360	38,788,966	38,788,966
As % of General Fund Budget	39%	49%	50%	52%	57%	49%	51%	51%

(Unaudited and Subject to Change)

The above fund balance analysis is not audited, and it is subject to change. The unrestricted fund balance as of June 2023 is estimated at \$39.0 million. Not all the revenues and expenditures for the fiscal period are recognized and the above amount will change as and when yearend accruals and adjustments are added to the same. Recently, the Village revised its Fund Balance Policy, and the new target is set to maintain the fund balance between 30 to 50 percent. Besides that, a new Economic Emergency Fund was established and a transfer of \$6.5 million was executed as an initial funding from the General Fund reserves. During May 2023, this planned transfer was executed and deposited in the Economic Emergency Fund. This balance was invested in June 2023 in a AAA rated I-prime account.

Economic Emergency Fund

The Village Board authorized creation of a new Economic Emergency Fund in May 2023 and approved a budget amendment funding \$6.5 million from the General Fund reserves as an initial funding amount for the Economic Emergency Fund. This transfer was executed in May 2023. The below table summarizes the Economic Emergency Fund activities for the month Q2-2023. The Economic Emergency Fund earned an interest revenue of \$21,524 in June 2023 and the same has been added to the fund balance.

Economic Emergency Fund	May-23	Jun-23
Revenues	6,500,000	21,524
Expenditures	-	-
Net Monthly Surplus/Deficit	6,500,000	21,524
Beginning Fund Balance	-	6,500,000
Ending Fund Balance	6,500,000	6,521,524

e) Police and Fire Pension Funds

	Police Pension Fund	Fire Pension Fund
Revenues		
Contributions		
- Village	3,042,419	2,952,974
- Employees	723,236	428,477
Total Contributions	3,765,655	3,381,451
Investment Income		
Interest & Dividends	297,905	434,515
Net Change in Fair Value	5,136,825	2,910,061
Total Investment Income	5,434,730	3,344,576
Less Investment Expenses	(98,150)	(29,879)
Net Investment Income	5,336,580	3,314,697
Total Revenues	9,102,235	6,696,148
Expenditures		
Administration	32,941	57,108
Pension Benefits & Refunds		
Pension Benefits	3,541,228	3,570,092
Refunds	-	93,311
Total Pension Benefits & Refunds	3,541,228	3,663,403
Total Expenditures	3,574,169	3,720,511
Net Position	5,528,066	2,975,637
Beginning Net Position	80,671,330	70,402,040
Ending Net Position	86,199,396	73,377,677

Both above-listed pension funds experienced a positive investment income during the first half of the year. The Police Pension Fund reported a positive investment income of \$5.3 million, while the same is \$3.3 million for the Fire Pension Fund. Both the pension funds reported significant decline in the investment income during the 2022 and the funding ratio (based on the market value of the portfolio) dropped from 70.0 percent to 54.0 percent. Staff is hopeful for positive returns for the remaining part of the year, which should allow the Pension Funds to recoup some portion of the lost funding levels.

f) **Other Items:**

- a. During the second quarter of 2023, the Village issued 345 real estate transfer tax stamps, of which 132 were exempt and 213 were non-exempt. During the quarter under review, the Village collected \$273,663 in real estate transfer taxes. The average selling price for real estate was \$428,432. At the same time last year (Q2-2022), the Village sold 421 transfer tax stamps, of which 133 were exempt and 288 were non-exempt. In the same quarter last year, the Village collected real estate transfer taxes of \$492,249 and the average selling price was \$553,035. The year-to-date collection totals \$400,455, while at the same time last year, the collection totaled \$742,875.

Respectfully Submitted,
Amit Thakkar
Director of Finance