

Village of Mount Prospect

Finance Department

First Quarter Financial Review

For the Quarter Ended March 31, 2024



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 2024. The report begins with summarized and unaudited financial results from the fiscal year 2023, 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, 2024.

2023 Unaudited Financials

The fiscal year 2023 started with many uncertainties and volatile market conditions. However, the Village of Mount Prospect ended its fiscal year on December 31, 2023, stronger than ever. The year was filled with many challenges, including residue inflation from 2022, a high-interest environment, delayed property tax payments, supply chain issues, state legislative updates, and a low volume of real estate transactions. 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, home-rule sales tax, and state income tax. The Village's TIF districts also performed well and collected \$5.4 million in TIF increments.

Revenue Category	Original	Amended	Actual 2023	% of Annual Budget	Actual 2023		
	Budget 2023	Budget 2023			Actual 2022	Vs. Actual 2022	% Change
Property Taxes	22,393,921	25,722,921	25,928,456	100.8%	20,412,679	5,515,777	27.0%
Other Taxes	13,743,156	14,880,500	15,017,323	100.9%	16,009,745	(992,421)	-6.2%
Intergovernmental Revenue	49,689,008	54,753,008	52,904,534	96.6%	51,345,778	1,558,756	3.0%
Licenses, Permits & Fees	1,959,500	2,046,500	2,100,734	102.7%	3,160,526	(1,059,792)	-33.5%
Charges For Services	40,837,772	42,195,772	42,316,803	100.3%	39,021,842	3,294,961	8.4%
Fines & Forfeits	530,140	530,140	572,018	107.9%	918,983	(346,965)	-37.8%
Investment Income	278,266	5,548,266	5,689,028	102.5%	933,725	4,755,303	509.3%
Other Financing Sources	11,350,000	18,931,000	14,347,502	75.8%	14,952,283	(604,781)	-4.0%
Other Revenue	2,166,550	2,358,550	2,459,878	104.3%	2,222,423	237,455	10.7%
Reimbursements	203,000	610,000	783,280	128.4%	510,970	272,310	53.3%
Total Revenues	143,151,313	167,576,657	162,119,556	96.7%	149,488,954	12,630,602	8.4%

The above-listed revenue sources are analyzed below:

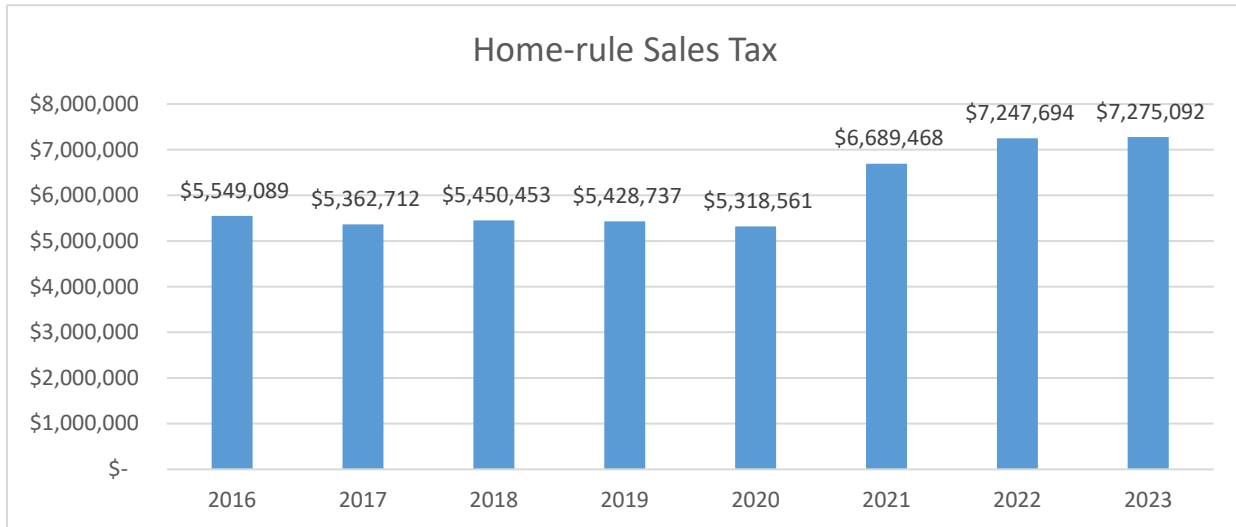
Property tax

Property tax is one of the most reliable revenue sources. The Village's total 2022 levy was \$20.4 million, which includes 2.0% for losses and costs. The Village was expected to collect 98.5 percent of the 2022 levy, payable in 2023. The property tax collection for 2022 (collected in 2023) totaled \$20.3 million, or 99.6 percent. The original property tax budget for the year also included \$2.0 million for the Tax Increment Financing District (TIF). The actual collection for the TIF was recorded at \$5.5 million. The Village collected

\$25.9 million in property tax revenue against the original budget of \$22.4 million. The budget was revised from \$22.4 million to \$25.7 million. Some of the property taxes for the year are collected after December 31, 2023. However, the reported property tax payment reflects collection through February 2024 (per the GASB regulations).

Other Taxes

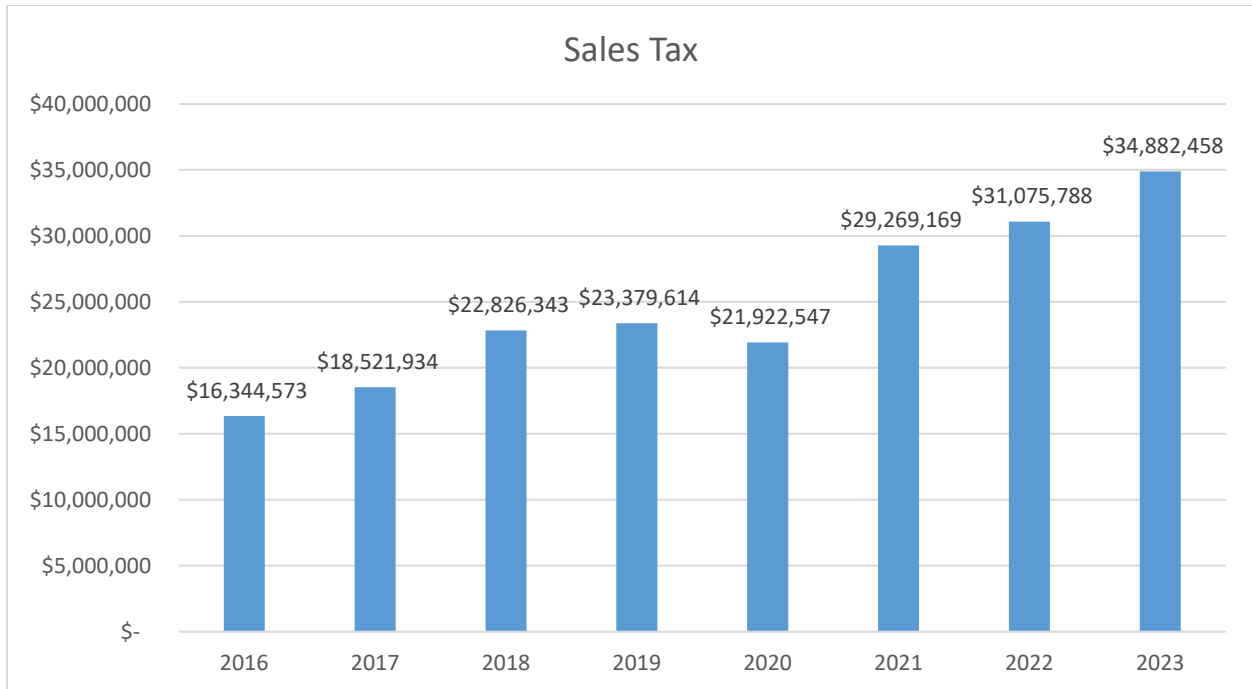
Other taxes include locally enacted taxes, such as home rule sales tax, food & beverage tax, real estate transfer tax, municipal motor fuel tax, utility taxes, hotel/motel taxes, and cable franchise fees. The 2023 collection totals \$15.0 million, \$992,421, or 6.2 percent lower than 2022, mainly due to lower real estate transfer tax collections. The home rule



sales tax collection totaled \$7,275,092, a marginal increase of \$27,398 or 0.4% compared to the 2022 collection. The Village collected \$2.9 million in utility taxes, \$3.8 million in various use taxes, \$650,392 in franchise fees, and \$304,261 in business district tax. The Village collected \$956,954 in real estate transfer taxes in 2023, a reduction of \$598,737 or 38.5 percent compared to the 2022 collections, mainly due to high mortgage rates and low inventory of real estate in the market.

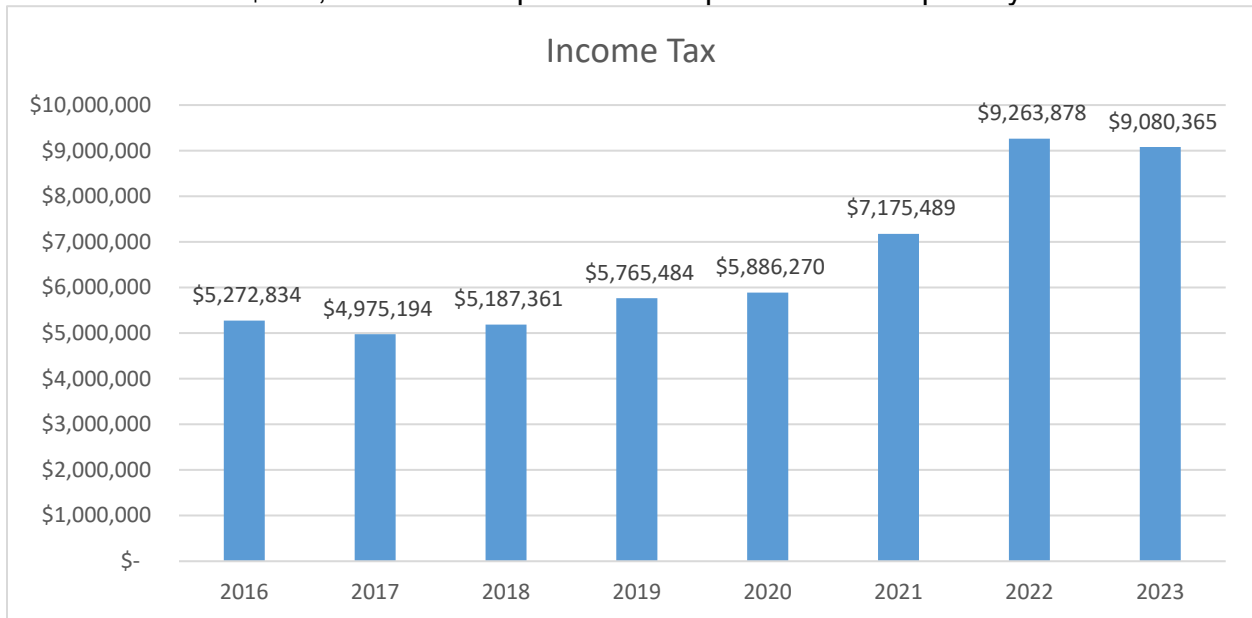
Intergovernmental Revenue

The intergovernmental revenues include revenues received from other governmental units and agencies, mainly from the State of Illinois. The Village has recognized intergovernmental revenues totaling \$52.9 million for 2023, an increase of \$1.6 million or 3.0 percent compared to 2022 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 within the jurisdiction of the Village of Mount Prospect with the Village. All-time high sales totaling



\$3.49 billion were recorded for 2023, and the Village received a total sales tax collection of \$34.9 million. The 2023 state sales tax amount is higher by \$3.8 million, or 12.2 percent, compared to 2022 revenues.

Furthermore, the Village’s income tax budget was initially set at \$7.5 million for 2023, 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 2023 is recorded at \$9.1 million, a decrease of \$183,513 or 2.0 percent compared to the prior year’s collection.



The Intergovernmental revenue also includes \$2.4 million in motor fuel tax, \$2.3 million in use tax, \$1.2 million in the personal property replacement tax, \$1.9 million in federal

grants, and \$472,028 in other grants.

Licenses & Permits

The Village collected \$2.1 million in license and permit fees. The amount collected is lower by \$1.1 million or 33.5 percent compared to 2022 collections. This category previously included \$1.3 million in vehicle license fees. The Village suspended the vehicle sticker program for FY 2023, and the Village has pledged other intergovernmental revenues to support the street resurfacing program for FY 2023. An average household received a tax break of \$90 due to the suspension of the vehicle sticker program. Vehicle stickers are permanently eliminated starting 2024.

Charges for Services

The Village collected \$42.3 million in charges for services for the year 2023. The amount is higher by \$3.3 million, or 8.4 percent, compared to 2022 collections. The charges for services include 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 water, sewer, and refuse fees. The category includes \$13.3 million in internal service payments for risk management premiums, vehicle and computer replacement leases, and vehicle maintenance internal service charges.

Fine & Forfeitures

The Village collected \$572,018 in fines and forfeitures during the year 2023. This amount is lower by \$346,965, or 37.8 percent, compared to the 2022 collection. In 2022, the Village received a one-time payment of \$413,407 from a federal drug seizure program. This item was not repeated in 2023, resulting in a lower collection compared to 2022. The 2023 collection amount includes \$163,634 in late penalties for water and sewer bills.

Investment Income

The original budget for investment income for 2023 was \$278,266. However, due to high interest rates in the market, the Village earned an investment income of \$5.7 million. Part of the general fund's interest income was used to fund capital improvements for Fire Station 11.

Other Revenues

All other revenue sources include inter-fund transfers, reimbursements, and other miscellaneous revenues. The original budget included inter-fund transfers from the General Fund totaling \$11.4 million. The budget was revised several times during the year, and the final inter-fund transfer amount was set at \$18.9 million. Not all the budgeted transfers are executed. The Village executed inter-fund transfers totaling \$14.3 million.

Transfer In Received By	Amount
002 Debt Service Fund	1,236,599
020 Capital Improvement Fund	2,000,000
023 Street Improvement Construc Fund	1,900,000
024 Flood Control Construction Fund	1,000,000
038 Economic Emergency Fund	6,500,000
039 Pension Stabilization Fund	750,000
050 Water and Sewer Fund (From ARP)	894,312
Total Transfers	14,280,911

The Village also collected other revenues totaling \$2.5 million and reimbursement amounts totaling \$783,280.

2023 Expenditures (unaudited)

The original Expenditure Budget for FY 2023 was \$148.2 million, but the actual spending for the year was \$137.4 million. Due to the timing issues of the projects, original budgets were revised and increased/decreased with carryover items from time to time. The tables below recap the annual budget and actual spending for 2023 by department and by expenditure category.

Departments	Original Budget	Amended Budget 2023	Actual Expenditure 2023	% of Total Budget Used	Actual Expenditure 2022	Actual 2023 Vs. Actual 2022
10 Public Representation	624,596	658,596	561,712	85.3%	455,939	105,773
20 Village Administration	5,293,601	5,438,601	4,978,390	91.5%	4,482,346	496,044
30 Finance	2,501,347	2,495,447	2,194,159	87.9%	2,236,343	(42,184)
40 Community Development	4,839,744	5,843,602	5,180,817	88.7%	3,286,392	1,894,425
50 Human Services	1,952,212	1,926,711	1,397,171	72.5%	1,301,918	95,253
60 Police	22,514,071	22,900,527	22,394,548	97.8%	19,970,392	2,424,156
70 Fire	20,522,909	21,584,672	21,364,522	99.0%	19,035,987	2,328,535
80 Public Works	59,613,439	60,005,812	44,297,081	73.8%	38,727,817	5,569,264
00 Non-Departmental	30,339,135	39,121,135	33,787,545	86.4%	32,941,046	846,500
Total Expenditures	148,201,054	159,975,102	136,155,946	85.1%	122,438,180	13,717,766

Category	Original Budget	Amended Budget 2023	Actual Expenditure 2023	% of Total Budget Used	Actual Expenditure 2022	Actual 2023 Vs. Actual 2022
Personnel	56,849,705	57,619,765	56,663,120	98.3%	51,421,984	5,241,135
Contractual Services	38,331,191	39,671,315	37,561,538	94.7%	34,463,030	3,098,508
Commodities & Supplies	2,608,315	2,634,020	2,140,693	81.3%	2,219,348	(78,655)
Capital Improvements	27,773,113	28,282,673	11,008,791	38.9%	9,475,245	1,533,546
Debt Service	9,037,425	9,679,425	8,756,076	90.5%	18,183,727	(9,427,651)
Other Expenditures	13,601,305	22,087,905	20,025,728	90.7%	7,887,384	12,138,345
Total Expenditures	148,201,054	159,975,102	136,155,946	85.1%	123,650,718	12,505,228

All the Village Departments have performed within the stipulated budget limits for the year 2023. The Village has spent a total of \$136.2 million in expenditures for the year 2023, which equates to 85.1 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 98.3 percent of budgeted personnel costs, 94.7 percent of the budgeted contractual services, and 86.4 percent of the budgeted supplies and commodities.

General Fund

General Fund	Original Budget	Amended Budget	Actual Amounts
Revenues	76,454,329	82,264,329	82,620,395
Expenditures	76,503,153	84,731,052	78,299,426
Surplus/(Deficits)	(48,824)	(2,466,723)	4,320,969

The total General Fund revenue budget for 2023 was \$76.5 million, while the original expenditure budget was \$76.5 million. The revenue budget was eventually revised to \$82.3 million, while the expenditure budget was revised to \$84.7 million. The actual recognized revenue for the General Fund totaled \$82.6 million, while the expenditure totaled \$78.3 million. As mentioned earlier, a few outperforming intergovernmental revenues, including state sales tax, income tax, and home-rule sales tax, are the main reasons for the surplus for the year.

Items/Details	Dec-22	Q1-2023	Q2-2023	Q3-2023	Q4-2023	2023 Total
Revenues - Unaudited	75,842,134	9,802,704	19,841,298	16,141,164	36,835,229	82,620,395
Expenses - Unaudited	(62,432,111)	(13,634,814)	(21,183,603)	(14,141,367)	(29,339,642)	(78,299,426)
Net Monthly Surplus/(Deficit)	13,410,023	(3,832,110)	(1,342,305)	1,999,797	7,495,587	4,320,969

Ending Unrestricted Reserves	40,587,665	36,755,555	35,413,250	37,413,048	44,908,634	44,908,634
As % of General Fund Budget	48%	43%	42%	44%	53%	53%

Unencumbered Cash Balance	30,091,800	39,920,051	38,788,966	40,831,884	37,211,789	37,211,789
As % of General Fund Budget	36%	47%	46%	48%	44%	44%

As mentioned in the above table, the General Fund started the fiscal year 2023 with \$40.6 million in the unrestricted fund balance, while the actual spendable fund balance as of January 1, 2023, was \$30.1 million. The net accounting surplus of \$4.3 million (from 2023 activities) is added to the unrestricted fund balance. The above-listed amounts do not include the \$6.0 million remaining unrecognized revenues from the American Rescue Plan. As of December 31, 2023, the fund balance equates to 53.0 percent of the 2023 annual budget and totals \$44.9 million. Some portion of \$44.9 million is not readily available for spending, and it is occupied by taxes and other receivables totaling \$7.7 million, which leaves the Village with a spendable fund balance of \$37.2 million, which equates to 44 percent of the 2024 annual budget. The actual surplus from 2023 activities is higher than \$4.3 million. The same has been clarified in the fund balance reconciliation provided below. Some items incurred and recognized in 2023 are funded from the 2022 surplus. For accounting purposes, these items are booked in 2023 and included in the

annual expenditure for the General Fund. In fact, if these items are excluded, as mentioned below, the net surplus for the General Fund for the year 2023 is \$14.1 million.

	2022 Surplus	2023 Actuals	Total
Revenues - 2023	-	82,620,395	82,620,395
Surplus from 2022	13,410,023	-	13,410,023
Economic Emergency Fund - Transfer	6,500,000		6,500,000
Debt Service Abatement	1,236,599		1,236,599
Pension Levy Abatement	2,000,000		2,000,000
Other Regular Expenditures For the Year	-	68,562,827	68,562,827
Total Expenditures	9,736,599	68,562,827	78,299,426
Net Remaining Surplus	3,673,424	14,057,568	17,730,992

Police and Fire Pension Fund Unaudited Financials

Overall, the fiscal year 2023 was a positive year for the Police and Fire Pension funds, and both funds have recouped some of the 2022 unrealized losses in investment values. The Village is currently waiting for actuarial reports. The Village hopes to see an increase in the funding ratio of the actuarial reports for the 2023 audit.

	Police Pension Fund	Fire Pension Fund
Revenues		
Contributions		
- Village	5,571,505	5,210,069
- Employees	1,337,196	864,081
Total Contributions	6,908,701	6,074,149
Investment Income		
Interest & Dividends	592,915	1,285,004
Net Change in Fair Value	9,915,658	9,113,958
Total Investment Income	10,508,573	10,398,962
Less Investment Expenses	(125,435)	(95,123)
Net Investment Income	10,383,138	10,303,839
Total Revenues	17,291,839	16,377,988
Expenditures		
Administration	71,791	80,866
Pension Benefits & Refunds		
Pension Benefits	7,153,642	7,139,494
Refunds	42,684	93,311
Total Pension Benefits & Refunds	7,196,326	7,232,805
Total Expenditures	7,268,117	7,313,671
Change in Net Position	10,023,722	9,064,318
Beginning Net Position	80,671,330	70,402,040
Ending Net Position	90,695,052	79,466,358
Accrued Liability (Previous Amount)	148,712,189	128,902,013
Percentage Funded	61.0%	61.6%
Percentage Unfunded	39.0%	38.4%

Quarter 1, 2024 – Revenues

Q1-2024 reflects total recognized revenues of \$30.3 million, representing 19.2 percent of the annual budgeted revenues. At the same time last year, the total collection was \$21.2 million. The Q1-2024 revenue collection is higher by \$8.3 million, or 37.6 percent, compared to the Q1-2023 collection, mainly due to the on-time property tax collection in 2024, which was delayed in 2023.

Revenue Category	Budget 2024	Actual YTD Q1-2024	% of Annual Budget	Actual 2024		
				Actual YTD Q1- 2023	Vs. Actual 2023	% Change
Property Taxes	22,022,359	12,390,315	56.3%	5,161,537	7,228,778	140.1%
Other Taxes	14,689,000	1,080,600	7.4%	978,864	101,736	10.4%
Intergovernmental Revenue	56,598,663	3,448,705	6.1%	3,397,697	51,008	1.5%
Licenses, Permits & Fees	2,037,000	610,179	30.0%	590,509	19,670	3.3%
Charges For Services	42,240,404	10,004,003	23.7%	9,851,508	152,495	1.5%
Fines & Forfeits	470,955	94,552	20.1%	121,934	(27,383)	-22.5%
Investment Income	1,818,245	1,575,615	86.7%	1,140,434	435,181	38.2%
Other Financing Sources	14,779,000	-	0.0%	3,500	(3,500)	-100.0%
Other Revenue	2,854,944	618,858	21.7%	627,954	(9,097)	-1.4%
Reimbursements	337,000	438,545	130.1%	122,226	316,319	258.8%
Total Revenues	157,847,570	30,261,371	19.2%	21,996,165	8,265,207	37.6%

- Last year, the first installment of the property tax was due in April, while the same is due in March for the current year. An earlier due date has resulted in an on-time and \$7.2 million higher property tax collection for 2024. The Village collected \$12.4 million in property taxes during Q1-2024.
- 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 higher by \$101,736, totaling \$1,080,600. The above amount is not final, as the home rule sales tax for Q1-2024 will be recognized in April 2024 and beyond.
- Intergovernmental revenues totaling \$3.4 million were collected during Q1-2024. The collected amount is higher by \$51,008 or 1.5 percent. The revenues for Q1-2024 will be received in Q2-2024, as the State taxes lag by three months. The amount for Q1 includes state income tax—\$2.3 million, use tax—\$438,814, motor fuel tax—\$391,694, and a few other miscellaneous taxes.
- License and permit fees totaling \$610,179 were collected during Q1-2024. The collected amount is higher by \$19,670, or 3.3 percent, compared to the 2023 collections.
- Charges for Services: A total of \$10.0 million is recognized for Q1-2024 as charges for services. This amount is higher by \$152,495, or 1.5 percent, compared to 2022 revenues.
- The Village collected \$121,934 in fines and forfeitures during the quarter under review. The amount is trailing lower by \$27,383, or 22.5 percent, compared to last year.

- Investment income totaling \$1.6 million was recognized during Q1-2024. Investment income is up by \$435,181 compared to 2023 revenues. The investment income budget was set at \$1.8 Million. Q1 collection accounts for 86.7 percent of the annual budget. If rates are not lowered before December 2024, the annual investment income will be from \$5.4 Million to \$6.0 Million.
- The Village received its initial contribution back from HELP, totaling \$765,560. 50% of the received amount (\$382,780) is recognized as income for 2024. This unexpected receipt resulted in a higher reported amount for Q1-2024 reimbursements.
- Most other items are on track as expected and align with the 2024 budgeted revenues for the year.

Quarter 1, 2024 Expenditures

Q1-2024 expenditures totaled \$26.9 million or 14.9 percent of the annual budget. The expenditures are higher by \$3.7 million compared to Q1-2023, mainly due to higher personnel and contractual costs. A brief analysis of each of these categories is provided on the next page.

Departments	Amended Budget 2024	Actual Expenditure Q-1 2024	% of Total Budget Used	Actual Expenditure Q1-2023	Actual 2024 Vs. Actual 2023	% Change
10 Public Representation	708,940	126,338	17.8%	77,029	49,310	64.0%
20 Village Administration	6,206,145	1,179,469	19.0%	953,272	226,196	23.7%
30 Finance	2,574,094	505,413	19.6%	444,662	60,750	13.7%
40 Community Development	5,428,453	770,417	14.2%	720,877	49,540	6.9%
50 Human Services	1,902,802	363,840	19.1%	345,248	18,592	5.4%
60 Police	25,086,548	6,744,606	26.9%	4,913,970	1,830,636	37.3%
70 Fire	24,802,876	5,836,812	23.5%	4,337,832	1,498,980	34.6%
80 Public Works	78,477,228	7,843,245	10.0%	8,248,737	(405,493)	-4.9%
00 Non-Departmental	34,902,797	3,499,999	10.0%	3,157,005	342,994	10.9%
Total Expenditures	180,089,883	26,870,138	14.9%	23,198,633	3,671,506	15.8%

Category	Amended Budget 2024	Actual Expenditure YTD Q1-2024	% of Total Budget Used	Actual Expenditure YTD Q1-2023	Actual 2024 Vs. Actual 2023	% Change
Personnel	60,910,762	15,903,922	26.1%	12,518,280	3,385,642	27.0%
Contractual Services	40,372,510	8,958,935	22.2%	7,867,526	1,091,409	13.9%
Commodities & Supplies	2,689,749	698,802	26.0%	636,022	62,780	9.9%
Capital Improvements	49,166,227	1,241,297	2.5%	2,114,337	(873,040)	-41.3%
Debt Service	9,392,309	57,415	0.6%	54,015	3,400	6.3%
Other Expenditures	17,558,326	9,767	0.1%	8,453	1,314	15.5%
Total Expenditures	180,089,883	26,870,138	14.9%	23,198,633	3,671,506	15.8%

- 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 in Q1-2023. Meanwhile, property taxes are collected on time during Q1-2024. This has resulted in an early recognition of pension contribution in Q1-2024 compared to Q1-2023. Overall, the Village has spent \$15.9 million of the budgeted amount in personnel costs during Q1-2024, and the amounts are tracking in line with the annual budget.

- The Village spent \$9.0 million in contractual services during Q1-2024. This represents 22.2 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 expected spending, and it is trailing higher by \$1,091,409 compared to last year due to various inflationary adjustments and timing issues.
- The Village has spent \$698,802 in commodities and supplies, 26.0 percent of the annual budget. The amount aligns with the year's expected spending, trailing higher by \$62,780 compared to the previous year's.
- The Q1-2024 capital improvement spending totaled \$1.2 million, representing 2.5 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 fall. A few projects might face supply chain issues, which may result in delayed projects and expenditure recognition.
- The major debt service payments are due on June 1 and December 1. There are no significant debt service payments in Q1-2024. \$57,415 is recognized as an expense for 2024 for the Randhurst developer's note.
- The Village incurred \$9,767 in Other Expenditures during Q1-2023, which represents 0.1 percent of the annual other expenditures budget. This category includes inter-fund transfers totaling \$14.8 million, which will be executed during the third and fourth quarters of the current year.

Conclusion

The Village is in strong and sustainable fiscal health and can consistently provide quality governmental services to its residents and businesses with a strong fiscal backbone. The Village's performance in 2023 proves a strong and robust local economy. The Village hopes for a AAA credit rating on its subsequent bond issuance scheduled in 2027. All of its recent efforts, including the start of an Economic Emergency Fund and revised fund balance policy, are designed to help the Village achieve the strategic goals provided by the Village Board efficiently and economically. Village staff plans to propose a second installment of \$6.5 million in funding for the Economic Emergency Fund from the 2023 surplus.

Respectfully Submitted,
Amit Thakkar, Director of Finance