

Village of Mount Prospect

Finance Department

Quarterly Financial Review

For the Quarter Ended June 30, 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 second quarter of the fiscal year 2024. 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 an analysis of financial statements for the Police and Fire Pension Funds. The report provides a general economic outlook for the local and national outlook where possible and provides a few special items of interest and updates.

Major Highlights – Q2-2024

- a) The Village completed its strategic planning workshops in Q2-2024. The plan is 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 2024 and received the highest possible (unqualified) opinion on its financial statement. The Village's General Fund reported an accounting surplus of \$4.3 million for 2023 and a total fund balance of \$52.6 million. During 2023, the Village funded certain items from the 2022 surplus of \$13.4 million. However, for accounting purposes, these items are treated as yearly expenditures. The Village reported an accounting surplus of \$4.3 million after these expenditures. The actual time-constrained surplus for 2023 is \$14.8 million.
- c) The Village collected \$32.3 million in revenues during Q2-2024, a decrease of \$10.2 million over the same period last year, mainly due to timing issues with the property tax payment. The YTD revenues stand at \$62.5 million, while at the same time last year, the Village recognized \$64.4 million in revenues. In Q2-2023, the Village transferred \$6.5 million to the Economic Emergency Fund. This transfer has occurred in Q3-2024 for the current year. Except for this transfer, the Village collected \$4.6 million, 8.0 percent higher than the previous year.
- d) The inflation numbers have improved. However, the Federal Government has not lowered interest rates. The higher interest rates have resulted in a higher amount of investment income. The Village earned \$3.3 million in interest income through June 2024.
- e) The Village incurred expenditures totaling \$33.8 million during Q2-2024, a decrease of \$5.2 million over the same period last year. As explained for revenues, an inter-fund transfer from the General Fund to the Economic Emergency Fund has resulted in higher reported expenditures for Q2-2023. This transfer will be reported in Q3 for the current fiscal year. The year-to-date expenditures total \$60.7 million for the current fiscal year.
- f) As of June 30, 2024, the Village's General Fund unassigned fund balance stood at \$44.2 million, or 48 percent of the annual expenditures.
- g) The Police Pension Fund reported a positive \$4.8 million change in its net position, and the Fire Pension Fund reported a positive \$3.7 million change.

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, 2024, the beginning Cash and Cash Equivalents totaled \$123.2 million. During the second quarter, the Village collected cash receipts totaling \$27.2 million. The investment income for the month totaled \$1.6 million. The payroll cost for the quarter was \$5.6 million, and accounts payable were paid in the amount of \$23.2 million. The inter-fund activity increased the cash position by \$530, while other disbursements totaled \$2,051,285. As of June 30, 2024, the Village's Cash and Cash Equivalents totaled \$122.3 million.

	Cash and Cash Equivalents	Investments	Total Cash and Investments
Balance at April 1, 2024	\$ 123,168,436	\$ 14,976,047	\$ 138,144,483
Cash receipts	27,172,735	-	27,172,735
Investment income	1,599,208	145,861	1,745,068
Transfers from investments to cash	-	-	-
Transfers to investments from cash	1,182,000	(1,182,000)	-
Interfund activity	530	-	530
	-	-	-
Disbursements:	-	-	-
Accounts payable	(23,151,701)	-	(23,151,701)
Payroll	(5,647,590)	-	(5,647,590)
Other	(2,051,285)	-	(2,051,285)
Balance at June 30, 2024	<u>\$ 122,272,334</u>	<u>\$ 13,939,908</u>	<u>\$ 136,212,242</u>

As of June 30, the Village has a total of \$13.9 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 \$136.2 million as of June 30, 2024.

The table below summarizes the Cash and Cash Equivalents by Fund type as of June 30, 2024.

Fund Details	Amount
General Fund	\$ 53,004,666
Special Revenue Funds	17,854,264
Debt Service Funds	1,750,260
Capital Projects Funds	18,003,966
Enterprise Funds	21,790,990
Internal Service Funds	9,868,189
<u>Total Cash and Cash Equivalents</u>	<u>\$ 122,272,334</u>

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 June 2024.

Revenue Category	Budget 2024	Actual YTD June 2024	% of Annual Budget	Actual 2024		
				Actual YTD June 2023	Vs. Actual 2023	% Change
Property Taxes	22,022,359	13,005,979	59.1%	10,953,174	2,052,804	18.7%
Other Taxes	14,689,000	4,788,662	32.6%	4,488,516	300,146	6.7%
Intergovernmental Revenue	57,179,236	17,093,461	29.9%	16,433,592	659,869	4.0%
Licenses, Permits & Fees	2,037,000	987,160	48.5%	1,272,060	(284,901)	-22.4%
Charges For Services	42,240,404	20,201,806	47.8%	20,342,393	(140,586)	-0.7%
Fines & Forfeits	470,955	276,792	58.8%	265,444	11,348	4.3%
Investment Income	1,818,245	3,345,509	184.0%	2,439,479	906,029	37.1%
Other Financing Sources	14,779,000	-	0.0%	6,543,301	(6,543,301)	-100.0%
Other Revenue	2,854,944	2,290,833	80.2%	1,496,386	794,447	53.1%
Reimbursements	337,000	559,664	166.1%	238,620	321,044	134.5%
Total Revenues	158,428,143	62,549,865	39.5%	64,472,965	(1,923,100)	-3.0%

The above amounts do not represent all revenues to be recognized for the period under review. Certain state taxes, such as sales tax, home rule sales tax, and a few other taxes, will be received by the Village in July 2024 and later. The table below summarizes major governmental revenue sources with their respective year-to-date amounts for 2024 and 2023. (The amount excludes water/sewer/refuse service charges.)

Revenue Category	Calendar 2024	Calendar 2023	2024 Vs. 2023	% Increase / (Decrease)
415 - State Taxes	16,476,570	15,237,886	1,238,684	8.1%
400 - Property Tax	13,005,979	10,953,200	2,052,779	18.7%
456 - Interest Income	2,221,754	1,510,013	711,741	47.1%
402 - Use Taxes	1,791,329	1,521,090	270,239	17.8%
403 - Home Rule Sales Tax	1,709,346	1,565,941	143,405	9.2%
401 - Utility Tax	1,069,030	1,168,969	(99,939)	-8.5%
449 - Service Charge	914,027	1,272,244	(358,217)	-28.2%
409 - Business Licenses & Permits	583,858	561,287	22,570	4.0%
416 - Personal Property Replacement Tax	407,813	728,613	(320,800)	-44.0%
410 - Nonbusiness Licenses & Permits	403,302	710,773	(307,471)	-43.3%
Total Revenues	38,583,007	35,230,016	3,352,991	9.5%

The year-to-date collection for 2024 totaled \$62.5 million, a decrease of \$1.9 million over the same period last year. The decrease in the reported revenue is mainly attributed to the timing issues with the inter-fund transfers (between the General Fund and the Economic Emergency Fund). Except for inter-fund transfers, the revenue collection is higher by \$4.6 million or 8 percent over last year. The top 10 revenue sources for the Village totaled \$38.5 million in year-to-date revenues. They accounted for 62 percent of the total governmental revenues (excluding water/sewer/refuse charges and inter-fund transfers).

Property Taxes: The Village's total levy for the year is \$19,469,004. The total property tax budget, including TIF revenues, is \$22.0 million. The Village has collected \$13.0 million in property taxes so far for the tax year 2023. Based on the currently available information, the Village is set to receive \$4.4 million in the TIF increment for its Prospect & Main TIF and \$798,000 in the TIF increment for the South Mount Prospect TIF. The total expected property tax collection for the year is \$24.7 million against the budget of \$22.0 million.

Other Taxes: The category of Other Taxes includes all the taxes enacted per local ordinances, including Home Rule Sales Tax, Hotel/Motel, Food and Beverage, Municipal Motor Fuel Tax, Utility Taxes, etc. As the State collects some of these taxes, there is a three-month lag between the actual sales and the tax remittance. In addition, all the local economic activities for Q2-2024 are reported in Q3-2023. The YTD tax collection under this category totals \$4.8 million, trending higher by \$300,146 or 6.7 percent compared to the previous year. Most revenue lines under Other Taxes are tracking higher than the previous year, except Utility Taxes. Due to a mild winter, the Utility tax line is trending lower by \$99,939. The YTD collection for gas tax is \$286,581, which was \$378,944 last year. The Village also collected \$657,358 in food & beverage taxes and \$500,969 in real estate transfer taxes through June 2024. These line items are trending higher by \$116,262 and \$103,434, respectively, compared to last year. The Village also reported \$1.7 million in home rule sales tax under this category. The amount represents three months' revenue (from January to March) reported during April and June. The home rule sales tax is trending higher by \$143,405, or 9.2 percent, compared to 2023.

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 tax remittance. The year-to-date collection totals \$17.1 million and is trending higher by \$659,869 or 4.0% compared to 2023. Intergovernmental revenues represent the single most significant category for the Village and represent 27.0 percent of the total Village revenue sources. The state sales tax alone accounts for 23.0 percent of the total Village revenue and 78 percent of the total intergovernmental revenue. The YTD sales tax revenue (Jan to March) received through June 2024 totaled \$9.0 million, an increase of \$887,523 or 10.9 percent over the 2023 year-to-date amount. The YTD income tax collection through June 2024 totaled \$5.4 million, an increase of \$391,574 or 7.9 percent over the 2023 collections.

Licenses & Permits: The Village has collected \$987,160 in License and Permit Fees through June 2024. This amount is trending lower by \$284,901, or 22.4%, compared to last year's collection at the same time. The lower collection represents a lower construction and development activity level than last year.

Charges for Services: The Village has received \$20.2 million in charges for services through June 2024. This amount represents 47.8% of the annual budgeted amount for the category and is trending marginally lower by \$140,586 compared to last year's collection.

Investment Income: The Village has earned \$3.3 million in investment income through June 2024. It is currently earning anywhere from 4.0% to 5.4% 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 investment income. The overall investment income is higher by \$906,029, or 37.1 percent, compared to last year.

Other Categories: All other revenue categories have collectively generated \$3.1 million through June 2024. The amount mainly includes \$276,792 in fines and forfeitures, \$2.3 million in other revenues, and \$559,664 in reimbursements.

b) Expenditures

The below data recaps the expenditures incurred through June 2024.

Departments	Amended Budget 2024	Actual Expenditure YTD June 2024	% of Total Budget Used	Actual Expenditure YTD June 2023	Actual 2024 Vs. Actual 2023	% Change
10 Public Representation	708,940	263,747	37.2%	235,689	28,058	11.9%
20 Village Administration	6,206,145	2,289,818	36.9%	2,183,050	106,768	4.9%
30 Finance	2,574,094	1,007,638	39.1%	965,187	42,450	4.4%
40 Community Development	5,428,453	2,252,583	41.5%	1,912,999	339,584	17.8%
50 Human Services	1,902,802	700,319	36.8%	663,112	37,207	5.6%
60 Police	25,086,548	12,147,115	48.4%	10,457,672	1,689,443	16.2%
70 Fire	24,802,876	10,795,440	43.5%	9,384,648	1,410,792	15.0%
80 Public Works	79,218,309	22,380,127	28.3%	22,151,798	228,329	1.0%
00 Non-Departmental	34,902,797	8,814,878	25.3%	14,251,806	(5,436,929)	-38.1%
Total Expenditures	180,830,964	60,651,663	33.5%	62,205,962	(1,554,299)	-2.5%

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.

Category	Amended Budget 2024	Actual Expenditure YTD June-2024	% of Total Budget Used	Actual Expenditure YTD June-2023	Actual 2024 Vs. Actual 2023	% Change
Personnel	60,911,462	29,384,005	48.2%	26,077,273	3,306,732	12.7%
Contractual Services	40,367,860	17,616,060	43.6%	16,939,585	676,475	4.0%
Commodities & Supplies	2,688,649	1,185,731	44.1%	1,183,785	1,947	0.2%
Capital Improvements	49,839,803	8,810,818	17.7%	8,883,105	(72,287)	-0.8%
Debt Service	9,392,309	2,181,958	23.2%	2,206,540	(24,582)	-1.1%
Other Expenditures	17,630,881	1,473,092	8.4%	6,915,675	(5,442,583)	-78.7%
Total Expenditures	180,830,964	60,651,663	33.5%	62,205,962	(1,554,299)	-2.5%

Personnel Costs: The year-to-date expenditures for Personnel Costs, including benefits, are \$29.4 million or 48.2 percent of the annual budget for the category. The amount is trending higher by \$3.3 million compared to 2023. The overtime expense through June 2024 totals \$1.2 million, while at the same time last year, the overtime expense totaled \$1.1 million. The Village executed \$2.0 million in pension contribution payments from the Pension Stabilization Fund in June 2024. That has resulted in a higher amount of expenditure recognition compared to last year.

Services: This category covers most contractual services, including some large line items, such as JAWA water purchases, budgeted and grant-funded engineering studies, and other contracts. The year-to-date expenditure is \$17.6 million, which equates to 43.6 percent of the annual budgeted amount for the category. The expenditure amount is trending higher by \$676,475, mainly due to inflationary and timing issues.

Supplies: Through June 2024, the village spent \$1.2 million in supplies, totaling 44.1 percent of the approved budget and marginally trending higher by \$1,947 compared to 2023.

Capital Improvements: The Village originally budgeted \$35.4 million in approved capital improvement projects for 2024. The Village has amended its budget to carry forward \$13.8 million worth of projects from 2023 to 2024. At this time, many projects are in the pipeline and are awarded. Major expenditures under this category will be recognized and paid in the fall and later.

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 before due dates and

has sufficient funds on hand to execute them. The Village has incurred and paid \$2.2 million in interest expenditures through June 2024.

Other Expenditure: The Other Expenditure category includes all other expenditures not categorized above. The category budget includes \$14.8 million in inter-fund transfers and \$2.9 million in other expenditures. The YTD expenditure in this category totaled \$1.5 million, mainly in redevelopment agreement incentives through the Prospect & Main TIF.

d) Fund Balance Analysis:

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

Items/Details	FY 2023	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Total
Revenues - Unaudited	82,613,435	2,186,312	3,907,856	9,293,882	5,499,376	6,281,137	5,056,722	32,225,285
Expenses - Unaudited	(78,299,452)	(3,003,826)	(6,926,423)	(7,474,896)	(4,432,961)	(4,639,685)	(5,208,321)	(31,686,112)
Net Monthly Surplus/(Deficit)	4,313,983	(817,514)	(3,018,567)	1,818,987	1,066,415	1,641,451	(151,599)	539,173
Ending Unrestricted Reserves	43,700,864	42,883,350	39,864,783	41,683,769	42,750,185	44,391,636	44,240,037	44,240,037
As % of General Fund Budget	48%	47%	43%	45%	47%	48%	48%	48%
Unencumbered Cash Balance	32,347,539	34,917,995	36,517,114	41,683,769	42,750,185	44,391,636	44,240,037	44,240,037
As % of General Fund Budget	35%	38%	40%	45%	47%	48%	48%	48%

The above fund balance analysis is not audited and is subject to change. The unrestricted fund balance as of June 2024 is estimated at \$44.2 million. Not all revenues and expenditures for the fiscal period are recognized, and the above amount will change as and when yearend accruals and adjustments are added. In 2023, 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 initial funding from the General Fund reserves. In May 2023, this planned transfer was executed and deposited in the Economic Emergency Fund. This balance was invested in an AAA-rated I-prime account. The Village Board recently authorized a second installment of the Economic Emergency Fund funding. This funding is executed in July 2024 and will be reported in future monthly reports. The Economic Emergency Fund reported a fund balance of \$6,871,970, initial funding of \$6.5 million, and an interest income of \$371,970.

Economic Emergency Fund	Q2-2023	Q3-2023	Q4-2023	Q1-2024	Apr-24	May-24	Jun-24
Revenues	6,521,524	85,792	88,374	87,879	28,999	30,109	29,293
Expenditures	-	-	-	-	-	-	-
Net Monthly Surplus/Deficit	6,521,524	85,792	88,374	87,879	28,999	30,109	29,293
Beginning Fund Balance	-	6,521,524	6,607,316	6,695,690	6,783,570	6,812,568	6,842,677
Ending Fund Balance	6,521,524	6,607,316	6,695,690	6,783,570	6,812,568	6,842,677	6,871,970

e) Police and Fire Pension Funds:

	January 1, 2024 to June 30, 2024	
	Police Pension Fund	Fire Pension Fund
Revenues		
Contributions		
- Village	3,367,613	3,184,121
- Employees	538,020	452,152
Total Contributions	3,905,633	3,636,273
Investment Income		
Interest & Dividends	290,780	633,583
Net Change in Fair Value	4,483,620	3,280,958
Total Investment Income	4,774,400	3,914,541
Less Investment Expenses	(25,324)	(38,929)
Net Investment Income	4,749,076	3,875,612
Total Revenues	8,654,709	7,511,885
Expenditures		
Administration	29,605	31,922
Pension Benefits & Refunds		
Pension Benefits	3,801,384	3,739,475
Refunds	-	-
Total Pension Benefits & Refunds	3,801,384	3,739,475
Total Expenditures	3,830,989	3,771,397
Change in Net Position	4,823,720	3,740,488
Beginning Net Position	89,960,809	78,761,763
Ending Net Position	94,784,529	82,502,251

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 \$4.7 million, while the same is \$3.9 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. In 2023, some of those unrealized investment losses were recouped and the same has been continued during first half of 2024. The employer's contribution includes levy collected through June 2024, and \$1.0 million in the additional contributions from the Village funds to each of the above pension funds. As of June 30, 2024, the net position of the Police Pension Fund is \$94.8 million, while the same is \$82.5 million for the Fire Pension Fund.

f) **Other Items:**

- a. During the second quarter of 2024, the Village issued 323 real estate transfer tax stamps, of which 133 were exempt and 190 were non-exempt. During the quarter under review, the Village collected \$237,276 in real estate transfer taxes. The average selling price for real estate was \$414,947. At the same time last year (Q2-2023), the Village sold 345 transfer tax stamps, of which 132 were exempt and 213 were non-exempt. In the same quarter last year, the Village collected real estate transfer taxes of \$273,663, and the average selling price was \$428,431.

Respectfully Submitted,
Amit Thakkar
Director of Finance