



Legislation Details (With Text)

File #: 21-0864 **Version:** 1

Type: Report **Status:** Agenda Ready

File created: 6/25/2021 **In control:** Financial Advisory Board

On agenda: 7/26/2021 **Final action:**

Title: Receive the 2021 2nd Quarter Financial Report

Sponsors:

Indexes:

Code sections:

Attachments: 1. July 2021 Financial Report, 2. July 2021 Monthly Report Presentation, 3. P6 Financial Report

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Receive the 2021 2nd Quarter Financial Report

DEPARTMENT: Finance Department

SUBMITTED BY: Raymond Munch, Budget Manager

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

The state moved into Phase 5 of the Restore Illinois Plan in June, prompting a near return to normal for the state for the first time since February 2020. Since the onset of the pandemic, staff has increased diligence in monitoring financial trends in and around the City to gauge potential stress points and the overall health of the local economy. This report provides an overview of the City's finances through the first six months of the year.

DISCUSSION

At the midway point, the City continues to show positive trends in both revenues and expenses. Citywide revenues totaled \$220.45 million, which is a 4.2% increase over last year.

Revenues	2021 Budget	2021 YTD Proj.	2021 YTD Actual	Variance
Maint. & Operating Funds	410.79	185.60	184.66	(0.94)
Capital Funds	51.90	18.08	20.41	2.33
Special Funds	33.13	15.82	15.38	(0.43)
Total	495.80	219.50	220.45	0.95

*\$ in millions

Revenues continue to receive a boost from state shared taxes and a recovering local economy. State shared tax revenues totaled \$26.07 million, 17.5% more than 2020. The City received a combined \$8.26 million in June, including \$2.18 million in income taxes and \$3.72 million in sales tax. Of the five major shared revenues, the City is exceeding projections by more than \$5 million.

YTD State-Collected Revenues through June				
Revenue	Projection (\$)	Actual (\$)	Difference (\$)	Difference (%)
Sales Tax	16,050,577	17,960,842	1,910,265	11.9%
State Income	7,707,053	10,829,776	3,122,723	40.5%
Home Rule Sale	6,809,628	6,700,840	(108,789)	-1.6%
Motor Fuel/TRF	2,761,870	2,700,056	(57,814)	-2.1%
Local Use	2,967,948	3,385,869	417,921	14.1%
Totals	36,297,077	41,581,383	5,284,307	14.6%

Locally collected taxes indicate several areas of the local economy were nearing recovery based on May filings. Food and beverage receipts exceeded \$40 million for the first time since December 2019 and were nearly \$1 million more than May 2019.

The real estate market also continues to be strong, as transfer stamp totals reflect \$153 million in property sales in May. Through five months, more than \$664 million in property was sold. The last time the City began the year with sales exceeding \$600 million through May was 2017. The property sales have generated \$3.17 million in real estate transfer stamps through June, which is nearly three-quarters of the \$4.20 million projection for the year.

Local gasoline sales also continue to inch closer to pre-pandemic levels with \$4.82 million in May receipts. The total was the highest received since February 2020 when sales exceeded \$5 million. Next month, the City will get a better gauge on the hotel and motel industry when the second-quarter receipts are received.

Both utilities continued to show revenue growth tied to increased consumption. Electric charges totaled \$69.77 million, a 1.8% increase from last year. Even with the 2% reduction in rates, revenue from retail rates, demand charges, and customer charges are all tracking nearly identical to 2020, indicating that consumption is higher in 2021. Higher electricity costs are driving an increase in Purchased Power Adjustment (PPA) revenue at \$2.99 million through the first half of the year.

Water and wastewater charges totaled \$31.79 million, a 6% increase over 2020. Water charges totaled \$19.74 million, a 6.5% increase, while wastewater charges totaled \$11.38 million, a 2.5% increase. Even with the programmed rate increases beginning January 1, 2021, water revenues are outpacing projections based on increased consumption.

Expenses totaled \$195.36 million, a 4.6% increase from last year. After removing purchased electric and water, as well as interfund transfers, overall expenses were \$129.22 million, a 5.8% increase over last year.

Expenses	2021 Budget	2021 YTD Proj.	2021 YTD Actual	Variance

Maint. & Operating Funds	407.32	176.68	172.88	(3.80)
Capital Funds	60.47	14.58	7.22	(7.36)
Special Funds	34.63	15.25	15.26	0.00
Total	502.42	206.52	195.36	(11.16)
*\$ in millions				

The City is seeing normalization in many expenses compared to last year when spending slowed significantly in the second quarter. Purchased services, supplies, and capital expenses are all up more than 15% compared to last year but remain below projections for the year.

A total of \$13.13 million was spent on capital, an 18.6% increase over last year. Capital expenses were only 16% to budget through June but are anticipated to accelerate with construction underway on several projects.

The bulk of the City's capital spending has been on infrastructure, which totaled \$9.10 million through June. Most of the expenses have come from the utility funds, including \$4.62 million from Water, with the advanced metering infrastructure (AMI) and emergency well rehabilitation accounting for most of that amount. Electric expensed an additional \$2.71 million, primarily through the cable replacement program.

Capital Item	2021 Budget	2021 Actual (June)	2020 Actual (June)	Variance
Infrastructure	64.24	9.10	7.01	2.08
Building Improvements	8.63	1.64	0.79	0.85
Vehicles & Equipment	4.12	1.74	1.88	(0.14)
Land	3.27	-	-	-
Technology	3.07	0.65	1.39	(0.73)
Total	83.33	13.13	11.07	2.06
*\$ in millions				

Vehicles and equipment is the only area exceeding 25% of the budget to date. The City expensed \$1.74 million for fleet additions and replacements, which is 42% of the total budget for the year. Some of the expenses are carried over from 2020 as delivery of some vehicles was delayed by the pandemic, with the Bearcat police rescue vehicle being one example. All capital expenses are anticipated to increase in the coming months, as projects are completed and vendors begin issuing invoices on larger projects, such as the street maintenance improvement program (MIP), East Highlands project, and Moser Tower rehabilitation.

Even with the anticipated increase, the City is expecting some relief on borrowing needs later this year. Due to challenges in forecasting revenues, the City included \$6.25 million in HRST for General Fund operations. The maneuver reduced available funds for capital projects, which expected to be funded through borrowing. At the midway point, the General Fund exceeded projected revenues by \$6.16 million, providing staff with confidence the HRST revenues will be shifted back for use on capital projects, reducing the original \$13.32 bond issuance planned for non-utility capital projects in 2021.

Several projects have come in under budget this year, including the street MIP, as well as the East Highland Area Improvements. In addition, staff anticipates delays in land acquisition for the Washington Street Bridge project, lowering the projected borrowing for 2021. Those pieces, along with other smaller savings and potential delays, significantly reduce borrowing projections.

Additionally, the Water Fund appears on track to cover most capital needs through their rate revenue in 2021. The Water Utility has approximately \$13.20 million programmed into the current rate structure to support capital needs. Through June, Water expensed a total of \$5.03 million on capital. Included in that total is \$2.12 million on the AMI project, which was programmed for borrowing due to the \$7.16 million cost and 20-year life span of the technology. Additional bond proceeds were initially programmed into the Water Fund to ensure adequate funding for other projects. However, some favorable contract awards and delays related to supplies and permit reviews are likely to ease borrowing needs in 2021. At this point, the only borrowing necessary will likely be the AMI project.

	2021 Budget Amount	Revised Projection	Difference
Bond Fund	\$13.32	\$4.07	\$9.25
Water Utilities Fund	\$14.46	\$7.16	\$7.30
Total	\$27.78	\$11.23	\$16.55

Because unanticipated delays often occur in capital projects, the City utilizes a reimbursement method of borrowing that results in bonds being issues in the third or fourth quarter to cover actual expenses, thus decreasing the chances of over-borrowing.

FISCAL IMPACT:

N/A