



Legislation Text

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CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Receive the 2021 First Quarter Financial Report

DEPARTMENT: Finance Department

SUBMITTED BY: Raymond Munch, Budget Manager

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

Staff continues to provide monthly updates during City Council meetings on the status of the City's budget and progress towards local economic recovery. April provided an opportunity to review the first quarter finances, which also marked a full year since actions were taken to mitigate the COVID-19 pandemic, including stay-in-place orders by Governor J.B. Pritzker.

DISCUSSION

Through the first quarter, the City's financials showed positive trends in both revenues and expenses. Citywide revenues totaled \$97.88 million, which is a 0.9% increase over last year.

The General Fund finished the first quarter with \$26.55 million in recorded revenues. After removing anticipated increases tied to inter-fund transfers, General Fund revenues were up 4.3% from last year and outpaced projections by \$2.67 million. Much of the increase is better-than-expected state shared tax revenues, which totaled \$15.56 million, 3.5% more than 2020. The City's portion of the state income and local use taxes make up the bulk of the increase, as both are up \$1.14 million over the first quarter of 2020.

YTD State Collected Revenues through March

Revenue	Projection (\$)	Actual (\$)	Diff (\$)	Diff (%)
Sales Tax	8,663,804	9,029,386	365,852	4.2
State Income Tax	3,337,634	4,355,359	1,017,725	30.5
Home Rule Sales Tax	3,935,061	3,345,262	(589,799)	(15.0)
Motor Fuel Tax/TRF	1,453,428	1,319,051	(134,377)	(9.2)
Local Use Tax	1,439,978	2,082,097	642,119	44.6
Totals	18,829,906	20,131,155	1,301,249	6.9

March State Taxes

- **Sales Tax** - The City received their portion of December sales in March and saw a 13% jump from last month. The total revenue received was \$3.3 million.
- **State Income Tax** - The City received \$1.1 million, exceeding projections by 47%. The state distributes shares of income taxes to municipalities through the Local Government Distributive Fund (LGDF), which is a popular target for reductions when the state is having revenue shortfalls. Staff continues to monitor this revenue in relation to employment and the financial health of the state.
- **Home Rule Sales Tax** - Unlike sales tax, this revenue came in below projects at \$1.2 million, but improved 19% from last month. The projection does not account for an anticipated increase tied to online sales, which is expected in April.
- **Local Use Tax** - Online sales have provided a benefit to local use taxes with \$877,164 collected in March. The tax exceeded projections by 91% and increased 41% from the prior month. The receipt was the largest use tax the City ever received and indicates a surge in online sales during the holidays. The revenue is anticipated to decline in April with money shifting into the sales tax categories.
- **Motor Fuel Tax** - The one state tax not recovering as quickly as others is motor fuel tax (MFT), including transportation renewal funds (TRF). The combined total was \$402,919, which was short of projections by 13% and declined 6% from the prior month. The decline is likely tied to continued reductions in travel, particularly employees working from home.

March State Collected Revenues

Revenue	Projection (\$)	Actual (\$)	Diff (\$)	Diff (%)
Sales Tax	3,160,660	3,275,510	114,850	3.6
State Income Tax	772,079	1,139,133	367,054	47.5
Home Rule Sales Tax	1,448,253	1,215,262	(232,991)	(16.1)
Motor Fuel Tax/TRF	462,595	402,919	(59,676)	(12.9)
Local Use Tax	458,130	877,164	419,034	91.5
Totals	6,301,716	6,909,988	608,272	9.7

Locally Collected Revenues

February sales receipts from local taxes showed stable trends. Food and beverage sales increased 8% from January. February sales reported to date were \$27.72 million. Staff hopes to see improvement in the coming months, as indoor dining restrictions ease and the weather allows for a more comfortable outdoor dining experience.

Local gas sales dipped slightly from January, totaling \$4.10 million. The February receipts are a 3% decline from January and following the same trend as the state MFT revenues.

The real estate market declined in February, as transfer taxes receipts indicated only \$75 million in sales. This is nearly half the activity reported in January. However, the total is 12% higher than the same period last year, indicating property sales continue to be a strong for the area.

Hotel and motel sales will be received in April. These taxes are predominately collected on a quarterly basis, except for a couple special agreements. Staff is not anticipating significant changes

from the most recent quarterly sales reports.

Month	Food & Beverage	Hotel/Motel	Local Gas	Real Estate
October	31.80	4.39	4.60	191.77
November	24.28	0.20	3.78	133.49
December	28.22	4.39	3.76	148.18
January	26.15	0.18	4.23	144.86
February	27.72	0.20	4.10	75.03
YTD Totals	54.27	0.39	8.34	332.40
\$ in millions				

Utility Revenues

Both utilities are off to solid starts to the year with electric charges totaling \$36.56 million, a 1.4% increase from last year. Retail and customer charges are both tracking nearly identical to 2020.

Demand charge revenue is down 10%, but was offset by the Purchased Price Adjustment (PPA), which totaled \$1.61 million. The increased PPA accounts for the 1.4% increase. Water and wastewater charges totaled \$15.59 million, a 6% increase. All revenues are tracking above 2020, with wholesale charges (\$4.94 million) and retail rate revenue (\$2.59 million) accounting for most of the increase. The increased revenues are tracking with projections based on the programmed rate increases that began on January 1, 2021.

Expenses

Citywide expenses totaled \$80.69 million, a 10% decrease from 2020. The decrease is attributable to lower spend in capital and insurance-related accounts. Salaries and benefits account for 46% of expenses, totaling \$36.93 million. Salaries and wages are up 2.5% from 2020, which is in line with the overall increases planned in the 2021 budget. Benefits and related expenses are also up 1.6% over last year, totaling \$7.83 million. The City also saw an increase in grants and contribution expenses, which totaled \$2.14 million, more than twice the 2020 output. The increase is tied to the assistance programs the City is managing for small businesses and utility payments. Operating services and supplies are down 2% from last year, totaling \$9.81 million.

Purchased electricity expenses totaled \$26.64 million through the first quarter, which is a 6.2% increase over 2020. Purchased water bills are also up 3.1% from last year and total \$5.50 million for the first quarter. The increased consumption ties to the increased revenues both utilities experienced through March.

Capital expenses totaled \$3.05 million, a 35% decrease from 2020. Capital will likely level out in the coming months as construction season begins. Insurance benefit expenses, which totaled \$4.34 million through March, are nearly 30% less than last year. Medical claims under the HMO and PPO plans are both 30% lower than the same period in 2020, while dental and prescription drug expenses are more in line over that same period. Lower medical expenses may be the result of generally favorable health experiences among plan members or the timing of invoice payments. Staff typically monitors for trends over a longer period and expenses may normalize throughout the year.

FISCAL IMPACT:
N/A