



1471 Ring Road • Calumet City, IL 60409 • 708.862.2262

To: Village of Dolton-Mayor & Board of Trustees
From: Cristiano Miroballi, John Kasperek Co., Inc.
Date: November 24, 2020
Subject: Motion to Permanently Transfer Funds General Fund to Debt Service 2009A, 2009C and Homewood Disposal

As of November 24, 2020, the Village's bond escrow accounts weren't sufficiently funded to cover the December 1st bond payment. The Village escrow agent provided an invoice to the Village to fund the difference between monies in the escrow account and the December payment. The Village had the monies to fund the remaining portion, but if it didn't the escrow agent would start the process of drawing on the bond insurers which would place the Village in a default situation.

Prior Year Funding Needed

In FY20, the Village had to transfer monies into the escrow account to fund the difference between the escrow cash balance and the bond payment. The Village had to fund \$75,971.73 of the bond payment, with an overall collection rate as of October 31, 2019 of the 2018 levy of 78.17%.

Current Year Funding Needed

The FY21 debt service December obligation increased by \$1,283,930.75, with cash only increasing by \$722,701.37. The Village had to fund the difference of \$609,449.93, an 802% increase compared to the previous year. The Village overall collection rate as of October 31, 2020 for the 2019 levy was 76.25%. A 1.92% decrease in the overall collection rate created a \$533,478.20 increase in additional funding compared to the prior year additional funding need. For perspective purposes, \$533 thousand is \$130 thousand less than the entire payroll for November at current salaries.

Projected FY21 Funding Needed

The FY22 December obligation is \$4,071 million. If we estimate another 2% decrease in collection rate due to rising COVID-19 cases and the potential for another shutdown. The Village collection rate would be 74.25% meaning the Village would need to fund \$1 million of the December payment. The Village collection rate is around 80%-85%, but in October/November when the Village needs to have the funds to cover the bond payment its collection rate isn't in the 80%-85% range.

Tax Levy Recommendation & Resident Impact

We are recommending a 3% loss in cost for the pension and debt service levies in conjunction with the 1% increase in the pension operating levies, for an effective increase of 2.58%.

Below is a summary of how much a resident would pay on their property at varying tax amounts:

- 2019 Property taxes of \$3,200.98 (before exemptions)
 - 1.00% increase for pension \$5.94
 - 2.58% increase for pensions and loss in cost \$15.53
- 2019 Property taxes of \$7,751.01 (before exemptions)
 - 1.00% increase for pension \$12.76
 - 2.58% increase for pensions and loss in cost \$32.92
- 2019 Property taxes of \$44,093.25 (before exemptions)
 - 1.00% increase for pensions \$118.57
 - 2.58% increase for pensions and loss in cost \$305.91

2009B Series Build America Bond Rebate

We aren't including a permanent transfer for the 2009B series because it receives a subsidy of \$110k to fund a portion of its interest payment each year which covered the amount of the shortfall. The subsidy is reported in a separate cash account from the escrow account created for the 2009B series.

Interfund Write-offs

The General Fund funding the difference between the bond escrow cash balances and the bond payment create interfunds between the General Fund and each Debt Service fund. The Debt Service Funds will never be able to repay the General Fund for the amounts it contributed to fund the debt service payment, creating an uncollectible receivable. Proper accounting requires that when a receivable/payable is determined to be uncollectible it is written-off. The below transactions will recognize a revenue in each Debt Service Fund with an offsetting expenditure in the General Fund. The cash was already transferred to fund the bond payment.

Please motion as follows:

A motion to authorize the Finance Department/Director of Administrative Services to authorize the following permanent transfers for the December 1st bond payment:

- \$214,317.60 from General Fund to 2009A Debt Service Fund
- 158,727.20 from General Fund to 2009C Debt Service Fund
- 159,125.06 from General Fund to Homewood Disposal Debt Service Fund

Thank You.