

To: Village of Dolton-Finance Committee
From: Cristiano Miroballi, John Kasperek Co., Inc.
Date: November 19, 2021
Subject: October Financial Report Notes

After reviewing October's financial statements, there are few items that we want to make the Committee aware of:

- Revenues
 - The Village has received its 2nd installment of real estate taxes.
 - As discussed in September, the larger distributions are reflected in October's financial statements.
 - The Village is \$60 thousand below prior year in property tax collections, of which \$206 thousand relates to debt service monies. Operating levy monies were 146 thousand higher than prior year.
 - A decrease in Debt Service revenues places an additional strain on the General Fund to ensure that the Debt Service fund will meet its annual obligation.
 - Sales, use, and income tax revenues are \$707 thousand above prior year.
 - The Village has received \$330 thousand in state income tax which is a larger distribution than prior month distributions by a little less than \$150,000. Last year's October distribution was \$258,000.
 - Overall taxes revenue is \$729 thousand above prior year, \$5.0 million in FY21 compared to \$5.7 million in FY22.
 - Permit revenue is \$61 thousand higher compared to prior year.
 - Housing fines revenue is \$70 thousand above prior year.
 - Red light revenue is almost \$400 thousand above prior year.
 - Overall General Fund revenues are above prior year by \$1.9 million, which is a significant increase compared to last month's financial report.
 - Governmental revenues do not have a consistent 12-month distribution, meaning the Village will not collect 1/12 of budgeted revenues every month.
 - The Village water utility revenue is \$282 thousand above prior year.
 - The Village has collected less than 64% of its budgeted amount of real estate taxes for debt service.
 - The Village has received over \$1.2 million in real estate taxes for Homewood Disposal and has made two prepayments of its December principal payment decreasing the interest due on the bonds.
- Expenditures
 - The Village has allocated a portion of general liability insurance coverage to the Water and Sewer Fund consistent with prior year practice of recognizing 6 months of expenses in October.
 - Police Department salaries are \$243 thousand above prior year, which is largely due to overtime increase of \$221 thousand.
 - The Police Department has exceeded its budgeted amount for overtime but has expended less than 50% of its budgeted amount for salaries.
 - Fire Department overall salaries have decreased by \$10 thousand, due to a decrease in overall staffing.

- Expenditures (continued)
 - Overtime has increased by \$116 thousand compared to the prior year, which is over 80% of its budgeted amount. We anticipate a small reduction in overtime after the promotions of engineers and lieutenants. The large portion of overtime is due to minimum staffing requirements for senior positions per union contract.
 - Public Works salaries is \$65 thousand above prior year. Due to the retirements of two senior members the Village was able to payout retirement benefits in excess of \$80 thousand and hire additional staff with only a \$65 thousand increase in salary.
 - In the prior year union raises due May 1st were deferred and employees weren't made whole until December 2020.
 - Public Works overtime has doubled compared to the prior year, but the Village is below the 50% of budgeted amount.
 - Overall General Fund expenditures have increased by \$860 thousand compared to prior year, but the General Fund is below the 50% threshold for 6 months of services compared to budgeted expenditures.
 - The Water Fund operating expense have increased by \$205 thousand, which is a month over month increase in operating expenses.
 - The Sewer Fund operating expense have increased by \$87 thousand, due largely to salaries and benefits and a \$41,000 vehicle purchase.
- Other Considerations
 - The General Fund operated at a \$1.7 million surplus for the month of October which is a \$1.8 million improvement compared to September.
 - The General Fund ended the period with a \$1.7 million surplus before any other financing sources and uses compared to the prior year surplus of \$657 thousand.
 - The Water Fund operated from a billing standpoint for the month of October at a \$114 thousand deficit.
 - The current cash balance within in the escrowed accounts for each bond won't be sufficient to cover the December 1st bond payment requiring the General Fund to fund the difference.
 - Based upon the cash balances as of November 18th, the Village escrow accounts were \$642,054.48 short of funding the bond payment.
 - The Village projected needing \$525,000 of General Fund monies to fund its December bond payment. Since 2nd installment property taxes went out late this year it is reasonable that the Village need an additional \$117,504.48 to fund its December bond payment.
 - Similar to the bond payments the City of Chicago annual payment required usage of operating surplus of \$82,218.03 from the Water Fund to fund its annual payment.
 - We have not updated the utility aged trial balance report because we are working to create the historical time segment information because with the conversion all amounts were posted as of date of conversion meaning that all balances would be reflected as less than 30 days outstanding, which would be misleading information.
 - All of the Village's union contracts have expired, meaning the Village will start the process of contract negotiation. The Village will need to be cognizant of the various requests of the union and plan how to fund those contract agreements.
 - Due to the unpredictability of cash flow and the economic uncertainty relating to the COVID-19 virus, the Village needs to maximize collection of its outstanding revenues and minimize as many expenditures/expenses as possible to ensure the Village will have reserves to operate effectively.