

To: Village of Dolton-Finance Committee
From: Cristiano Miroballi, John Kasperek Co., Inc.
Date: September 25, 2021
Subject: August Financial Report Notes

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

- Revenues
 - The Village didn't receive any real estate taxes in August for its operating levies because the County's delayed its issuing of property tax bills.
 - The Village is \$3.4 million below prior year in property tax collections, of which \$829 thousand and \$197 thousand are for general operations and the City of Chicago liability, respectively.
 - Sales, use, and income tax revenues are \$577 thousand above prior year.
 - Video gaming revenue is rebounding to pre-COVID levels.
 - The Village fines and forfeiture revenues are higher compared to the prior year meaning that revenue group will exceed expectation, decreasing any potential revenue shortfall.
 - Overall General Fund revenues are above prior year by \$575 thousand.
 - 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 \$460 thousand above prior year.
 - The Village will need to monitor water and sewer revenues because both revenues are below the 33% mark for 4 months of activity.
 - The Village recognized a rate increase in nonresidential water and sewer revenues and residential refuse revenue with August's billing.
 - The Village has collected less than 4% of its budgeted amount of real estate taxes for debt service.
 - Due to the lack of real estate taxes received for Homewood Disposal, the Village can't prepay some of its obligation, meaning that the Village won't be able to reduce some of the interest cost by paying some of the principal amount before December 1st.
- Expenditures
 - The General Fund recognized \$375 thousand in liability insurance, a portion of which will be allocated to Water and Sewer in October.
 - Police Department salaries are \$48 thousand below prior year, which is part of the reason why overtime is \$49 thousand above prior year.
 - Overall Police Department salaries are \$123 thousand above prior year.
 - Fire Department overall salaries have increased by less than \$2 thousand.
 - Overtime has increased by \$128 thousand compared to the prior year, which is over 60% of its budgeted amount. We anticipate a small reduction in overtime with the addition of 3 new firefighters. The large portion of overtime is due to minimum staffing requirements for senior positions per union contract.

- Expenditures (continued)
 - Public Works salaries is \$47 thousand above prior year. In June and August 2021, the Village had retirement benefits payout in excess of \$80 thousand, meaning that even though there was a reduction of two employees a large portion of budgeted salary has been expend.
 - In the prior year union raises due May 1st where 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 33% of budgeted amount.
 - The Village has only reported the costs for three months of Homewood Disposal services compared to the prior year four months. Also, the Village will be recognizing a 3% increase in billing for Homewood Disposal.
 - Overall General Fund expenditures have increased by \$700 thousand.
 - The Village has paid City of Chicago \$5 thousand less than the prior year due to a reduction in consumption, which will result in less water being sold to residential and nonresidential accounts.
 - The Water Fund operating expense have increased by \$59 thousand.
 - The Sewer Fund operating expense have increased by \$46 thousand, due largely to salaries and benefits and a \$41,000 vehicle purchase.
 - The Melanie Fitness Center operating expenses have increased by \$11 thousand, the majority of which relates to utilities and professional services.
- Other Considerations
 - The General Fund operated at a \$454 thousand deficit for the month of August.
 - The General Fund ended the period with a \$111 thousand surplus before any other financing sources and uses compared to the prior year surplus of \$235 thousand.
 - The Water Fund operated from a billing standpoint for the month of August at a \$76 thousand surplus.
 - The Water Fund for the last two months has operated at a cash deficit of over \$200 thousand, meaning that expenses paid have exceed collections requiring the General Fund to subsidize the operation of the Water Fund.
 - Cash management will become extremely important in the coming months until the Village receives real estate taxes because the Village will have to fund any shortfall in the annual bond payment and annual City of Chicago payment, and fund biweekly payrolls, monthly City of Chicago, and monthly vendor billing with state revenues and payment center collections.
 - Based upon current cash, the Village is projected to have a \$955 thousand shortfall for its bond payment and annual City of Chicago payment after expending all Water Fund, Debt Service, and General Fund reserve cash accounts.
 - Part of the monies in the Water Fund cash account are operational surpluses that are to fund infrastructure improvement.
 - The Village does have other cash accounts that can potentially be used to fund the shortfall, but those accounts fund general operations.
 - The Village on average has a cash outflow of over \$2 million consisting of \$300 thousand for City of Chicago, \$370 thousand per payroll, and \$1 million in vendor payments.
 - 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.