



Village Manager's Office

SUBJECT: 2020 Financial Analysis- Period 7 Update

MEETING DATE: August 25, 2020

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Background

The Village of Wilmette recognizes that coronavirus (COVID-19) will place a significant impact on the financials of the Village. The State of Illinois implemented a 'Stay at Home' order that started on Saturday, March 21, 2020. This order will place economic pressure on Wilmette and its budget. Staff has conducted an analysis of the potential financial impact on the Village's major funds and the below analysis shows the outcomes for the Village's General Fund.

At the April 28, 2020 Village Board meeting, staff presented initial projections for the impact of COVID-19 on the Village's revenues and expenses. At the May 26, June 23 and July 28, 2020 Village Board meetings, staff presented updated financial projections based upon the Village's actual revenue and expense experience.

Discussion

The updated revenue and expense projections are outlined below. The analysis focuses on changes in revenues estimates for each of the scenarios, changes in the expense projections, and provides an overview of the impact on Village reserves and cash balances.

Revenues

The primary impact of COVID-19 will be focused on Village revenues. These factors have been updated based upon performance. There are two different scenarios for the revenue impact based upon the duration of COVID-19 and the accompanying financial implications. These scenarios do not assume a full recovery to prior economic activity. Additionally, the Village continues to have revenue exposures if there is another surge in COVID-19 cases and the State re-implements business activity restrictions.

- Scenario #1 assumes economic improvement starting in the 3rd Quarter
- Scenario #2 assumes economic improvement starting in the 4th Quarter

To assess the Village's worst-case scenario, staff recommends assessing the month with the worst financial performance and factoring that amount against the economically sensitive revenues for the last four months of 2020. Staff does not recommend assessing this value against revenues such as property taxes, services charges, or the water fund transfer as those amounts are not vulnerable to COVID-19 impacts in 2020.

- The month of May was the worst performing month at 31.6% under budget for revenues for economically sensitive revenues.
- The economically sensitive revenue budget for September to December is \$6.32 million
- The worst-case scenario for revenue is estimated at a \$1.99 million loss. Scenario #2 currently projects a \$1.55 million loss; therefore, the additional downside risk is \$440 thousand, which is equivalent to a 1.3% reduction in fund balance.

Over the past month, staff monitored revenues and gathered additional information to refine projections. The information gathered over the last month is driven by the analysis of Period 7 (July) performance compared to projections

- Staff reviewed the performance of different revenues compared to the initial budget. The below table shows Period 7 performance compared to the original projection. Revenues for the month of July were up 2.3% compared to budget. Attachment #1 provides a comparison of monthly revenue performance through the first seven months of 2020. Overall revenues are down 3.8% compared to budget for the year.

	Amount	Over/(Under)
P07 Actual	\$3,447,257	
P07 Budget	\$3,368,853	\$78,404

- Additionally, staff reviewed the performance of different revenues compared to the two revenue scenarios. The below table shows Period 7 performance compared to the revenue scenarios. Period 7 performance was up 36% and 40% compared to scenario #1 and #2 respectively. Attachment #2 provides a comparison of actual revenues compared to both scenarios since the development of the financial model.

	Amount	Over/(Under)
P07 Actual	\$3,447,257	
P07 Scenario #1	\$2,529,311	\$917,946
P07 Scenario #2	\$2,459,678	\$987,579

This overperformance is a combination of several factors that include improvements in economically sensitive revenues and timing of revenue disbursements. For items that associated with timing, staff has updated the projections to reflect these revenue disbursements. As an example, \$700 thousand of property taxes was distributed in July when it was anticipated to be received in October. When Cook County delayed the property tax due date, staff shifted revenues, however the July performance indicates that funds were distributed in alignment with the original budget projection. The October revenue projection has been reduced to reflect this update.

The below section will detail the July performance and updates to the projections for the Village's major revenue sources in the General Fund.

- Income Tax
 - Income taxes remained stable in the month of July with performance aligning with 2019 actuals and the 2020 budget. Staff has received preliminary information on the August income tax disbursement, which is projected to be \$367 thousand, which is 102% greater than budget. This is due to the State of Illinois' delay of income tax filing and the subsequent revenue from those filings. *Staff has updated the August figures to reflect this disbursement, but future month assumptions will be maintained.*
- Licenses
 - Licenses, which includes business, contractor, and liquor licenses and vehicle stickers overperformed compared to period seven scenarios. This was due to the continued catch-up in vehicle sticker revenues which underperformed in the second quarter. Overall vehicle sticker revenues are at \$1.42 million, which is still \$104 thousand below year to date budget estimates. *The current assumption for both scenarios will be maintained.*
- Fuel Tax
 - In the month of July, fuel tax receipts performance aligned with 2019 actuals and 2020 budget, part of this was due to the payment of prior period taxes. Due to the continued sensitivity of this revenue source, staff feels that the projections are properly set. *The current assumption for both scenarios will be maintained.*
- Hotel Tax
 - Hotel tax receipts continued to decline in the month of July. Revenues were down 73% compared to budget but did align with staff projections in scenarios #1 and #2. *The current assumption for both scenarios will be maintained.*
- Permits
 - Permit revenues in July were \$169 thousand, which overperformed both scenarios by \$110 thousand and was up 60% compared to budget. This performance continued the positive trend over the past two months; staff will improve the projections with one more month of positive performance. *The current assumption for both scenarios will be maintained.*
- Property Taxes
 - In period seven, property taxes overperformed projections by \$700 thousand. This was driven by timing of the disbursement. When Cook County delayed the property tax due date, staff shifted a component of the Village's property tax distribution to October to reflect the new due date. However, July performance indicates that we aligned with the original budget projections. *Overall, 2020 property tax projections will not be impacted, and the October projections have been reduced to reflect this revenue timing shift.*
- Real Estate Transfer Tax
 - The original assumption for period seven in scenario #1 and scenario #2 were a 20% and 40% reduction in revenue. In period seven, revenue was up 23% compared to budget and overperformed 2019 actuals. Based upon this positive performance trend, the projections for real estate transfer tax will be updated. *The current assumptions for scenario #1 and scenario #2 have been updated to reflect a 7% and 11% improvement in total revenues for real estate transfer tax.*
- Sales Tax
 - The revenues received in July are related to April sales, therefore July revenues were directly impacted by COVID-19 business closures. Home Rule Sales Tax receipts in the month of July were \$81,103, which was 40.3% under the budget

of \$135,880. Municipal Tax (including local use tax) receipts for July were \$255,025, which was 7.0% under the budget of \$274,313. The underperformance of municipal tax is offset by increased revenues in local use tax, which is driven by online sales. Overall, sales tax figures have aligned with the scenario projections. *The current assumption for municipal sales tax and home rule sales tax both will be maintained.*

- Ambulance Billing
 - Starting in period five, staff recognized a 6% reduction in ambulance transport fees, which was driven by a reduction in ambulance transports. Through period seven, ambulance billing fees are down by 4.7% compared to budget. *The current assumption for both scenarios will be maintained.*
- Utility Taxes
 - Utility taxes continue to trend 9% below budget; this trend is caused primarily by the telecommunications tax and is not directly related to COVID-19 but rather has been trending downward for several years. *Staff made revisions in prior periods to both scenarios and will maintain the updated scenarios.*

Revenue Outcomes

The revenue outcomes combine both period seven performance and updated revenue assumptions for both scenarios. The 2020 budget for General Fund revenues is \$34.17 million. During the first seven periods of 2020, revenues tracked 3.8% below budget. The chart layers in the updated impacts of scenario #1 and scenario #2 and shows the total reduction from budget.

The arrows indicate if there was a change from prior assumptions. These assumption changes are based upon prior period performance and indicate staff's projections on the revenue impacts for the remainder of the year; yellow arrows indicate no change; red arrows indicate the revenue assumptions decreased; and green arrows indicate revenue assumptions improved. The updated impact range for the General Fund is a revenue reduction from \$2.21 million to \$2.62 million.

Revenue Type	Budget	Scenario #1 Reduction	Scenario #2 Reduction
Grant/Contributions	0.13	-	-
Income Tax**	2.92	(0.23)	(0.23)
Licenses	1.84	(0.08)	(0.09)
Other	4.11	(0.61)	(0.66)
Permits	2.02	(0.28)	(0.43)
Property Tax	10.37	-	-
Real Estate Transfer Tax	1.08	(0.10)	(0.14)
Sales Tax	5.41	(0.72)	(0.88)
Service Charges	3.18	(0.00)	(0.01)
Utility Tax	2.05	(0.17)	(0.17)
Water Fund Transfer	1.05	-	-
Totals	\$ 34.17 M	\$ (2.21) M	\$ (2.62) M
Total Revenue	\$ 34.17 M	\$ 31.96 M	\$ 31.55 M

*in Millions

**based upon known actuals from month of August

There are several attachments that show the changes in the financial model since its initial inception in April and how the model continues to evolve on a monthly basis:

- Attachment #3 shows the model change for both Scenario #1 and Scenario #2 by each major revenue category.
- Attachment #4 show the model change for both Scenario #1 and Scenario #2 on a period by period basis.
- Attachment #5 shows the total projected revenue reduction change for major revenue categories in both Scenario #1 and Scenario #2.

Expenses

In addition to reviewing the Village’s revenues, staff looked closely at expenses and how they will impact the finances of the Village in 2020. The development of the expense model for the financial analysis included the review of historical spending patterns and the analysis of cash flow projections for major capital outlays. Over the past month, staff monitored expenses and gathered additional information to provide more precise projections. The additional information gathered over the last month is driven by two primary sources:

1. Analysis of Period 7 (July) performance compared to projections
 - Staff reviewed the performance of expenses compared to the initial budget. The below chart shows Period 7 performance compared to the original projection. Overall, the performance in July was down 23.3% compared to budget. Attachment #6 provides a comparison of monthly expense performance through the first seven months of 2020. Overall expenses are down 9.1% compared to budget.

	Amount	Over/(Under)
P07 Actual	\$2,421,062	
P07 Projection	\$3,155,995	(\$734,933)

- While expenditures for period seven were down significantly compared to budget; a significant portion of the underspend was associated with capital projects and purchases. These expenses such as spending on the road program or purchase of new vehicles have been shifted to later periods, so they are still included in the year end projections.
2. Factoring in saving options and incremental expenses into the projection. The savings opportunities delineated below mitigate the impact of the COVID-19 pandemic without major service impacts to our residents. The additional costs provide support to the local economy in light of the pandemic.
 - Savings
 - \$430,000 in personnel expenditures – This 2% projected savings includes savings for regular wages of \$277 thousand; \$136 thousand in benefits; and overtime of \$27 thousand. These savings in personnel are due to holding vacant positions open and reduction in overtime work.
 - \$210,000 in operating expenditures –Includes savings for street lighting, winter operations, vehicle costs such as fuel and maintenance, urban forestry, training and a variety of other line items.

1. Staff added back the previously deferred tree pruning program for the Fall at a cost of \$25,000 and the winter hanging baskets at a cost of \$15,000.
 - \$150,000 for the engineering program – Includes bid savings for the street resurfacing program, alley maintenance, and brick street maintenance.
 - \$242,000 for capital equipment replacement fund (CERF) –Includes the deferral of the sidewalk snowplow and council chambers A/V equipment.
 - \$200,000 for the deferral of the comprehensive plan
 - \$125,000 for reduction of Hotel Tax Rebate based upon reduced hotel tax receipts
- Additional Costs
 - \$531,000 for economic grant program – This includes \$375,000 for the sales tax rebate grant and \$156,000 for the service business grant.
 1. \$276 thousand of the amount approved for grants have been disbursed. Based upon Village Board discussion, unspent grant funds of \$255 thousand have been shifted to October for the potential distribution of additional grants to local businesses.

In addition to the updates to General Fund expenses, staff made adjustments to capital expenses in both the Sewer Fund and the Water Fund. These shifts were due to timing of payments for major projects including the Neighborhood Storage Project and improvements to the Water Plant.

Expense Outcomes

The 2020 budget for General Fund expenses is \$35.54 million. From an overall perspective, the Village has had significant savings compared to our budget projections. The below chart layers in the savings options and additional expenses. The updated expense projection for 2020 in the General Fund is \$34.70 million.

	Amount
2020 Budget	\$ 35.54
2020 Updated Projection	\$ 34.70 ↓
Differential	\$ (0.84)

Reserve Impact

Based upon the projected impacts to revenues and expenses, staff reviewed the impact on the Village’s projected General Fund reserve levels. The below chart shows the projected impacts:

	Budget	Scenario #1	Scenario #2
2020 Beginning Reserve	\$ 15.01	\$ 15.01	\$ 15.01
Revenues	\$ 34.17	\$ 31.96	\$ 31.55
Expenses	\$ (35.54)	\$ (34.70)	\$ (34.70)
Projected Ending Reserve	\$13.64	\$ 12.27 ↑	\$ 11.86 ↑
% of Operating Expense	38.4%	34.5%	33.4%

**In millions*

Next Steps

From an overall perspective, the Village continues to be strongly positioned to weather an economic slowdown due to COVID-19. The Village's strong reserve levels and diverse revenue streams provide flexibility to the Village during these uncertain times. Village staff will continue to monitor, analyze, and report to the Village Board as more information is gathered. This data allows more precise projections and adjustments to the financial strategy accordingly.

Staff has outlined key items associated with the 2021 budget process. These items include an overview of the philosophy that will be used in the development of the 2021 revenue and expenditure budget.

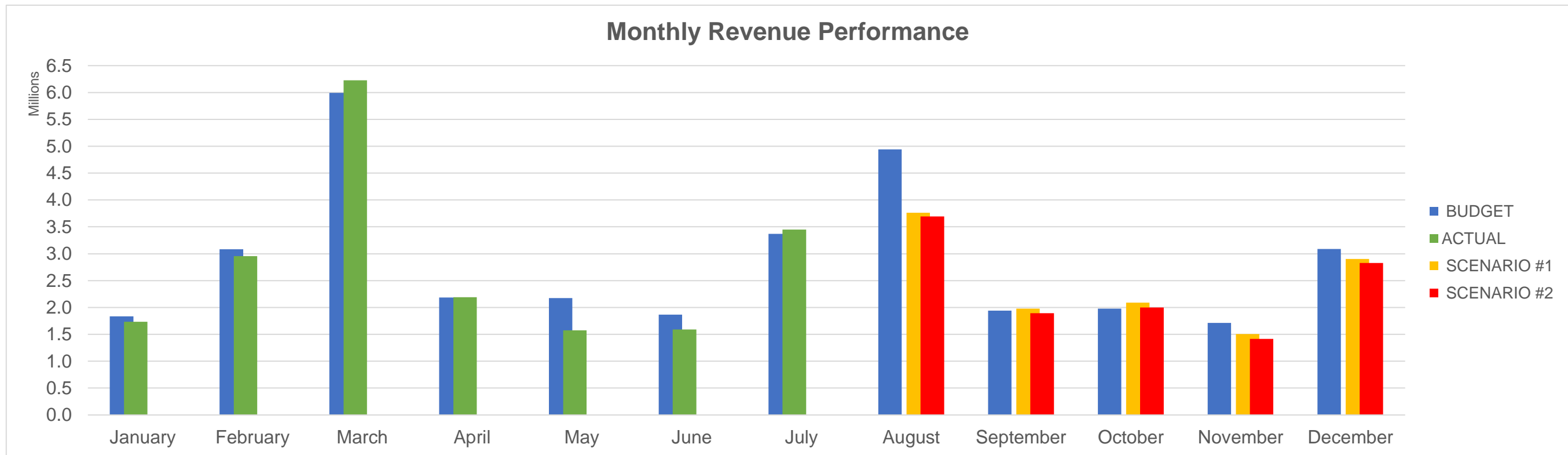
- Revenues – Staff will provide an overview of our current revenues, risk exposures, and highlights of several key revenues.
- Expenditures – Staff will provide an overview of the 2021 capital submission, personnel assumptions and the methodology that will be used to evaluate expenditure requests.

Attachments

1. Monthly Revenue Performance and Scenario Updates
2. Revenue Performance Compared to Projections
3. Updates to Revenue Scenarios by Major Revenue Category
4. Updates to Revenue Scenarios by Period
5. Updates to Revenue Impacts by Major Revenue Category
6. Monthly Expense Performance and Scenario Updates
7. General Fund Revenue Projections over Time
8. Presentation of Mid-Year Financial Review

GENERAL FUND REVENUES

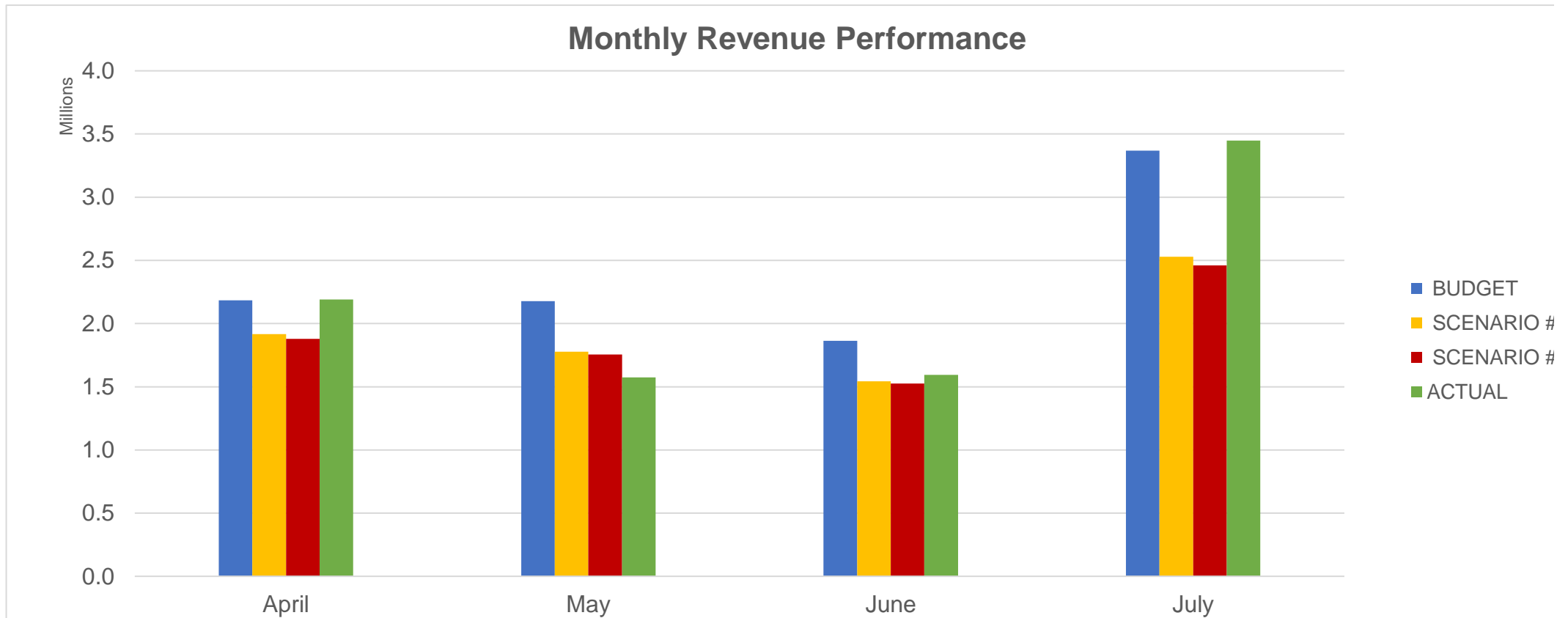
	BUDGET	ACTUAL	SCENARIO #1	SCENARIO #2	BUDGET to ACTUAL	% DIFFERENCE
January	1,836,195	1,731,889			(104,306)	-5.7%
February	3,081,793	2,956,617			(125,176)	-4.1%
March	5,995,548	6,226,912			231,364	3.9%
April	2,184,002	2,190,285			6,283	0.3%
May	2,176,355	1,573,245			(603,110)	-27.7%
June	1,864,224	1,592,991			(271,233)	-14.5%
July	3,368,853	3,447,257			78,404	2.3%
August	4,942,320		3,764,599	3,693,143		
September	1,939,049		1,980,562	1,891,223		
October	1,976,431		2,091,972	1,998,541		
November	1,712,937		1,503,026	1,414,654		
December	3,087,703		2,900,265	2,830,418		
Grand Total					(787,774)	-3.8%



Village Board Follow-Up
Financial Update

REVENUE PROJECTION PERFORMANCE

	ACTUAL	BUDGET	SCENARIO #1	SCENARIO #2
April	2,190,285	2,184,002	1,917,613	1,878,612
May	1,573,245	2,176,355	1,776,791	1,756,158
June	1,592,991	1,864,224	1,543,863	1,526,435
July	3,447,257	3,368,853	2,529,311	2,459,678
Total	\$ 8,803,778	\$ 9,593,434	\$ 7,767,578	\$ 7,620,883
% DIFFERENCE		-8.2%	11.8%	13.4%



**Village Board Follow-Up
Financial Update**

SCENARIO #1

	Budget	April Model	May Model	June Model	July Model	August Model
GRANT/CONTRIBUTIONS	130,000	130,000	130,000	130,000	130,000	130,000
INCOME TAX	2,919,000	2,660,785	2,462,693	2,406,042	2,459,740	2,688,863
LICENSES	1,836,500	1,608,290	1,635,268	1,637,620	1,718,954	1,753,558
OTHER	4,110,710	3,764,379	3,826,230	3,656,272	3,487,263	3,498,028
PERMITS	2,023,500	1,671,197	1,581,228	1,572,207	1,649,847	1,739,684
PROPERTY TAX	10,374,800	10,374,800	10,374,800	10,374,799	10,374,799	10,374,800
REAL ESTATE TRANSFER TAX	1,080,000	878,212	881,668	887,377	904,526	977,178
SALES TAX	5,409,000	4,567,886	4,637,158	4,546,097	4,606,615	4,685,150
SERVICE CHARGES	3,178,900	3,061,488	3,109,691	3,106,736	3,147,203	3,180,987
UTILITY TAX	2,053,000	1,998,181	1,912,362	1,889,080	1,887,989	1,881,366
WATER FUND TRANSFER	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000
Grand Total	34,165,410	31,765,216	31,601,097	31,256,231	31,416,936	31,959,616
Change from Prior Month		(2,400,194)	(164,119)	(344,867)	160,705	542,680
% Change from Prior Month		-7.0%	-0.5%	-1.1%	0.5%	1.7%

SCENARIO #2

	Budget	April Model	May Model	June Model	July Model	August Model
GRANT/CONTRIBUTIONS	130,000	130,000	130,000	130,000	130,000	130,000
INCOME TAX	2,919,000	2,487,635	2,462,693	2,406,042	2,459,740	2,688,863
LICENSES	1,836,500	1,592,092	1,619,606	1,622,202	1,706,045	1,743,959
OTHER	4,110,710	3,634,535	3,751,100	3,589,278	3,423,299	3,448,230
PERMITS	2,023,500	1,503,476	1,413,507	1,404,482	1,482,121	1,593,095
PROPERTY TAX	10,374,800	10,374,800	10,374,800	10,374,799	10,374,799	10,374,800
REAL ESTATE TRANSFER TAX	1,080,000	793,379	796,835	802,544	819,693	935,038
SALES TAX	5,409,000	4,432,197	4,501,469	4,363,617	4,435,696	4,531,951
SERVICE CHARGES	3,178,900	2,976,902	3,036,782	3,044,460	3,131,040	3,169,869
UTILITY TAX	2,053,000	1,998,181	1,912,362	1,889,080	1,887,989	1,881,366
WATER FUND TRANSFER	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000
Grand Total	34,165,410	30,973,197	31,049,154	30,676,505	30,900,423	31,547,171
Change from Prior Month		(3,192,213)	75,957	(372,648)	223,918	646,748
% Change from Prior Month		-9.3%	0.2%	-1.2%	0.7%	2.1%

**Village Board Follow-Up
Financial Update**

SCENARIO #1

	Budget	April Model	May Model	June Model	July Model	August Model	July to Aug Change (\$)	July to Aug Change (%)	Overall Change (%)
JANUARY	1,836,195	1,731,889	1,731,889	1,731,889	1,731,889	1,731,889	-		-5.7%
FEBRUARY	3,081,793	2,956,617	2,956,617	2,956,617	2,956,617	2,956,617	-	0.0%	-4.1%
MARCH	5,995,548	6,226,912	6,226,912	6,226,912	6,226,912	6,226,912	-	0.0%	3.9%
APRIL	2,184,002	1,917,613	2,190,285	2,190,285	2,190,285	2,190,285	-	0.0%	0.3%
MAY	2,176,355	1,875,627	1,776,791	1,573,245	1,573,245	1,573,245	-	0.0%	-27.7%
JUNE	1,864,224	1,576,855	1,554,560	1,543,863	1,592,991	1,592,987	(4)	0.0%	-14.5%
JULY	3,368,853	3,127,152	2,454,410	2,402,491	2,529,311	3,447,257	917,946	36.3%	2.3%
AUGUST	4,942,320	4,591,296	3,482,344	3,452,416	3,453,263	3,764,599	311,335	9.0%	-23.8%
SEPTEMBER	1,939,049	1,426,967	2,000,975	1,975,628	1,976,853	1,980,562	3,708	0.2%	2.1%
OCTOBER	1,976,431	1,813,176	2,796,625	2,793,311	2,787,626	2,091,972	(695,653)	-25.0%	5.8%
NOVEMBER	1,712,937	1,565,566	1,515,288	1,505,815	1,499,910	1,503,026	3,116	0.2%	-12.3%
DECEMBER	3,087,703	2,955,547	2,914,401	2,903,758	2,898,034	2,900,265	2,231	0.1%	-6.1%
Grand Total	34,165,410	31,765,216	31,601,097	31,256,231	31,416,936	31,959,616	542,680	1.7%	-6.5%

SCENARIO #2

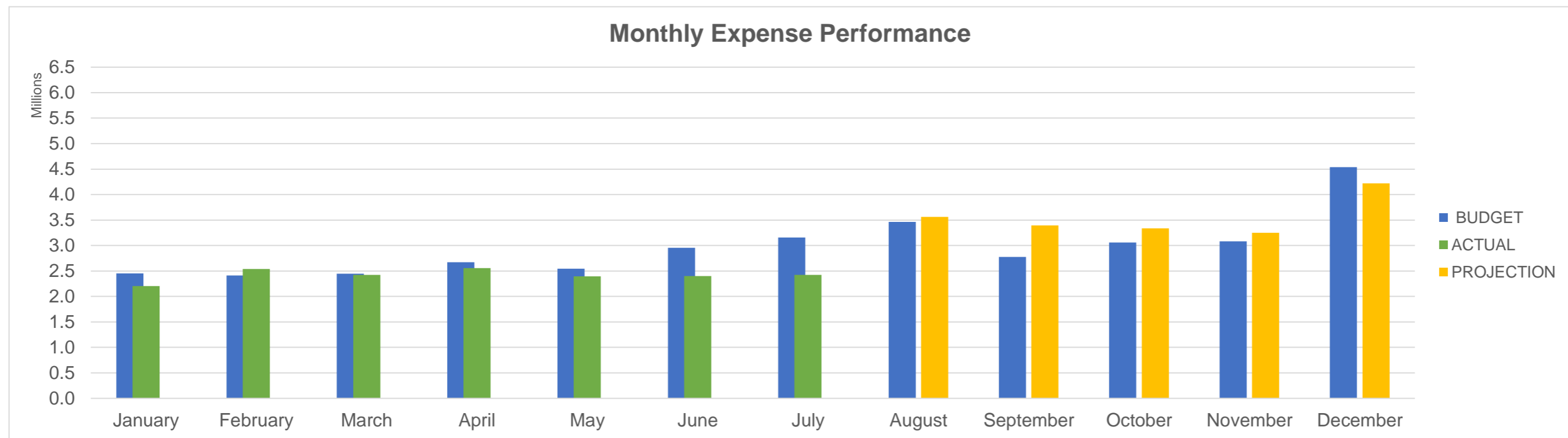
	Budget	April Model	May Model	June Model	July Model	August Model	July to Aug Change (\$)	July to Aug Change (%)	Overall Change (%)
JANUARY	1,836,195	1,731,889	1,731,889	1,731,889	1,731,889	1,731,889	-		-5.7%
FEBRUARY	3,081,793	2,956,617	2,956,617	2,956,617	2,956,617	2,956,617	-	0.0%	-4.1%
MARCH	5,995,548	6,226,912	6,226,912	6,226,912	6,226,912	6,226,912	-	0.0%	3.9%
APRIL	2,184,002	1,878,612	2,190,285	2,190,285	2,190,285	2,190,285	-	0.0%	0.3%
MAY	2,176,355	1,827,240	1,756,158	1,573,245	1,573,245	1,573,245	-	0.0%	-27.7%
JUNE	1,864,224	1,538,278	1,527,770	1,526,435	1,592,991	1,592,987	(4)	0.0%	-14.5%
JULY	3,368,853	3,018,182	2,383,950	2,316,200	2,459,678	3,447,257	987,579	40.2%	2.3%
AUGUST	4,942,320	4,489,078	3,403,875	3,352,842	3,359,089	3,693,143	334,054	9.9%	-25.3%
SEPTEMBER	1,939,049	1,326,390	1,923,485	1,877,152	1,883,806	1,891,223	7,417	0.4%	-2.5%
OCTOBER	1,976,431	1,677,244	2,695,121	2,691,806	2,691,532	1,998,541	(692,992)	-25.7%	1.1%
NOVEMBER	1,712,937	1,447,611	1,418,878	1,409,405	1,408,422	1,414,654	6,232	0.4%	-17.4%
DECEMBER	3,087,703	2,855,145	2,834,215	2,823,717	2,825,956	2,830,418	4,462	0.2%	-8.3%
Grand Total	34,165,410	30,973,197	31,049,154	30,676,505	30,900,423	31,547,171	646,748	2.1%	-7.7%

Total Percent Reduction in Revenues						
		April Model	May Model	June Model	July Model	August Model
Income Tax	Scenario #1	8.8%	15.6%	17.6%	15.7%	7.9%
Licenses	Scenario #1	12.4%	11.0%	10.8%	6.4%	4.5%
Permits	Scenario #1	17.4%	21.9%	22.3%	18.5%	14.0%
Fuel Tax	Scenario #1	17.2%	17.5%	26.6%	26.6%	25.3%
Hotel Tax	Scenario #1	25.8%	24.1%	36.6%	45.2%	46.7%
Fines	Scenario #1	4.8%	9.1%	26.7%	24.0%	21.2%
Real Estate Transfer Tax	Scenario #1	18.7%	18.4%	17.8%	16.2%	9.5%
Home Rule Sales Tax	Scenario #1	18.9%	18.0%	24.4%	23.7%	22.9%
Sales Tax	Scenario #1	13.8%	12.4%	11.7%	10.3%	8.5%
Service Charges	Scenario #1	3.7%	2.2%	2.3%	1.0%	0.1%
Utility Tax	Scenario #1	2.7%	6.9%	8.0%	8.0%	8.4%

Total Percent Reduction in Revenues						
		April Model	May Model	June Model	July Model	August Model
Income Tax	Scenario #2	14.8%	15.6%	17.6%	15.7%	7.9%
Licenses	Scenario #2	13.3%	11.8%	11.7%	7.1%	5.0%
Permits	Scenario #2	25.7%	30.1%	30.6%	26.8%	21.3%
Fuel Tax	Scenario #2	26.1%	26.4%	35.5%	35.6%	32.7%
Hotel Tax	Scenario #2	40.7%	30.7%	42.8%	51.4%	51.2%
Fines	Scenario #2	7.4%	11.3%	27.6%	24.8%	22.0%
Real Estate Transfer Tax	Scenario #2	26.5%	26.2%	25.7%	24.1%	13.4%
Home Rule Sales Tax	Scenario #2	21.5%	20.5%	29.4%	28.2%	26.3%
Sales Tax	Scenario #2	16.3%	14.9%	14.2%	12.8%	11.0%
Service Charges	Scenario #2	6.4%	4.5%	4.2%	1.5%	0.3%
Utility Tax	Scenario #2	2.7%	6.9%	8.0%	8.0%	8.4%

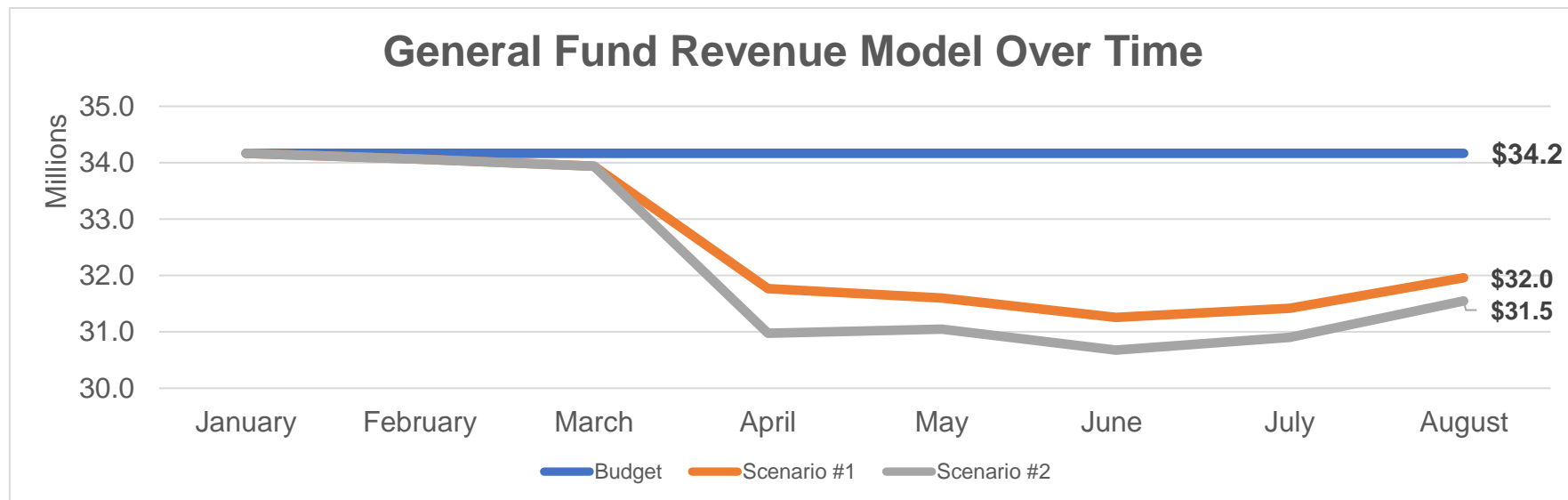
GENERAL FUND EXPENSES

	BUDGET	ACTUAL	PROJECTION	BUDGET to ACTUAL	% DIFFERENCE
January	2,450,266	2,201,522		(248,744)	-10.2%
February	2,412,234	2,540,631		128,397	5.3%
March	2,444,290	2,421,401		(22,889)	-0.9%
April	2,669,718	2,557,470		(112,248)	-4.2%
May	2,544,885	2,394,429		(150,456)	-5.9%
June	2,957,166	2,402,017		(555,149)	-18.8%
July	3,155,995	2,421,062		(734,933)	-23.3%
August	3,460,859		3,560,369		
September	2,777,497		3,391,974		
October	3,057,661		3,338,075		
November	3,082,794		3,251,926		
December	4,536,445		4,222,602		
YEAR TO DATE				(1,696,022)	-9.1%



GENERAL FUND REVENUE PROJECTIONS

	January	February	March	April	May	June	July	August
Budget	34,165,410	34,165,410	34,165,410	34,165,410	34,165,410	34,165,410	34,165,410	34,165,410
Scenario #1	34,165,410	34,061,104	33,935,928	31,765,216	31,601,097	31,256,231	31,416,935	31,959,616
Scenario #2	34,165,410	34,061,104	33,935,928	30,973,197	31,049,154	30,676,505	30,900,423	31,547,171





Mid-Year Financial Review

AUGUST 25, 2020

Revenue Assumptions Updates

Revenue Performance

- Performed 2.3% above budget

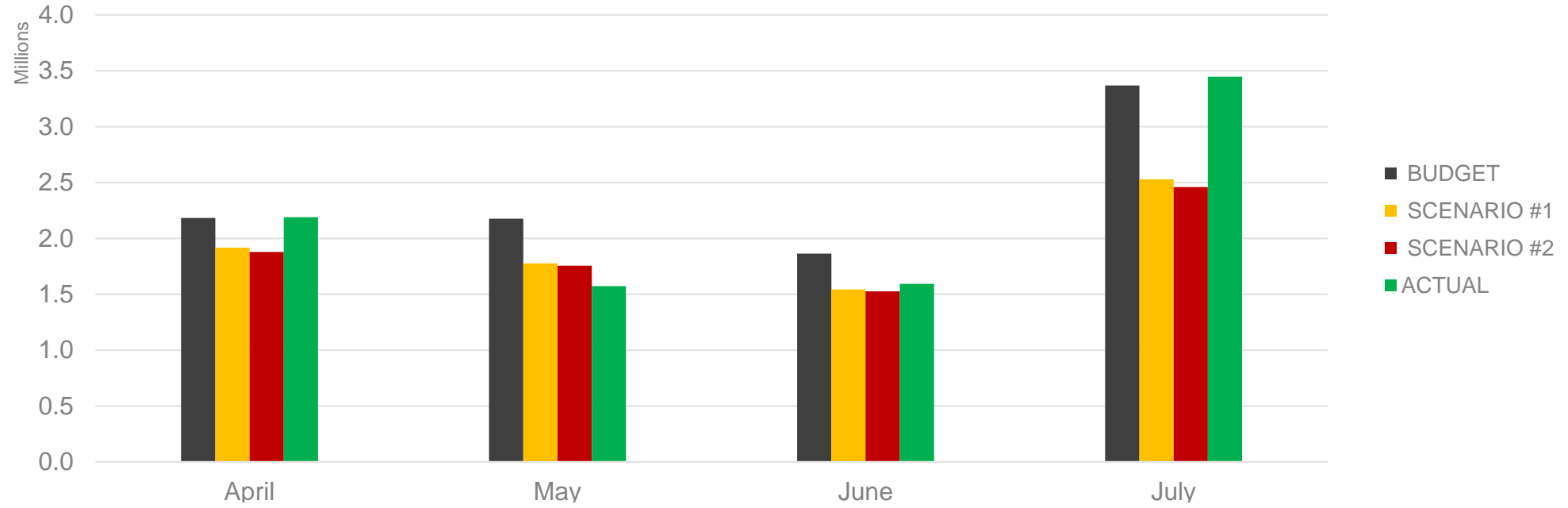
	Amount	Over/(Under)
July Actual	\$3.45 M	
July Budget	\$3.37 M	\$0.08 M

- Performed 36% and 40% above scenario projections

	Amount	Over/(Under)
July Actual	\$3.45 M	
July Scenario #1	\$2.53 M	\$0.92 M
July Scenario #2	\$2.46 M	\$0.99 M

- *Shift in property tax disbursement major contributor to performance in July*

Revenue Projection Performance – General Fund












	April Model	May Model	June Model	July Model	Total
Budget	2.18 M	2.18 M	1.86 M	3.37 M	9.59 M
Scenario #1	1.92 M	1.78 M	1.54 M	2.53 M	7.77 M
Scenario #2	1.88 M	1.76 M	1.53 M	2.46 M	7.62 M
Actual	2.19 M	1.57 M	1.59 M	3.45 M	8.80 M

Revenue Projections

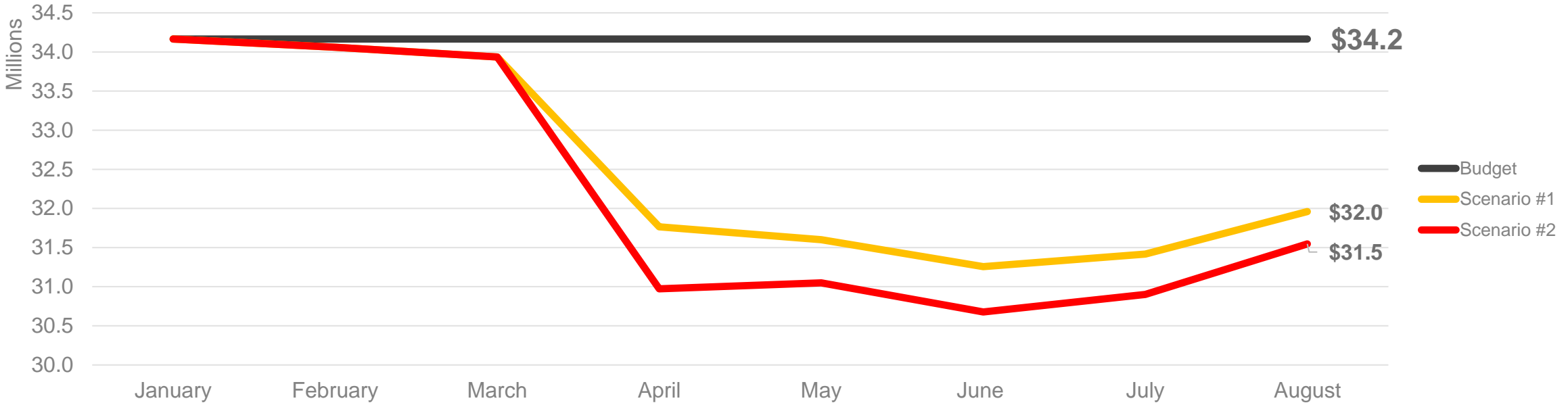
Scenario #2	% Reduction in Quarter 4 Revenues	% Reduction in Annual Revenues
Income Tax	22.5%	7.9%
Licenses	30.0%	5.0%
Permits	30.0%	21.3%
Fuel Tax	25.0%	32.7%
Hotel Tax	35.0%	51.2%
Fines	2.5%	22.0%
Real Estate Transfer Tax	15.0%	13.4%
Home Rule Sales Tax	40.0%	26.3%
Sales Tax and Local Use Tax	30.0%	11.0%
Service Charges	2.5%	0.3%
Utility Taxes	7.0%	8.4%

Revenue Projection Updates

- Changes from prior financial model based upon prior period performance. These indicate the projected revenue impact for remainder of year.*

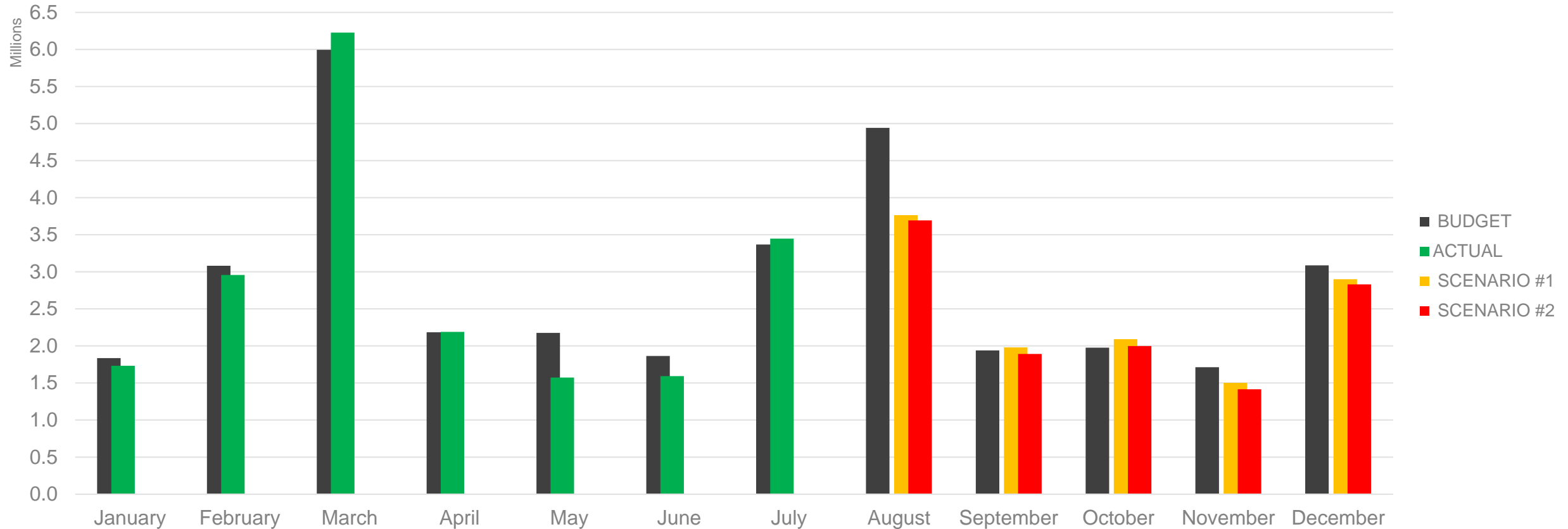
	Adjustment
Income Tax	
Licenses	
Other (Hotel Tax, PPRT, Fuel)	
Permits	
Property Tax	
Real Estate Transfer Tax	
Sales Tax	
Service Charges	
Utility Tax	

Revenue Outcomes – General Fund



	April Model	May Model	June Model	July Model	Aug Model	Change
Budget	34.17 M	34.17 M	34.17 M	34.17 M	34.17 M	-
Scenario #1	31.76 M	31.60 M	31.26 M	31.42 M	31.96 M	0.54 M
Scenario #2	30.97 M	31.05 M	30.68 M	30.90 M	31.55 M	0.65 M

Revenue Outcomes – General Fund



- YTD revenues are down 3.8% compared to budget
- Year-end projections estimate revenues to be down 6.5% - 7.7%

Expense Assumptions Updates

Expense Performance

- Performed 23.3% below budget in July
- Overall Expenses have been 9.1% below budget through July

	Amount	Over/(Under)
July Actual	\$2.42 M	
July Projection	\$3.16 M	(\$0.56 M)

- A significant part of underspend was associated with capital projects/purchases
 - Included timing for road program and purchases of new vehicles
 - Expenses for these items were shifted to later periods
 - Expenses are now included in Period 8-12 expense projections

Expense Assumptions Updates

Factor of savings options and incremental expenses

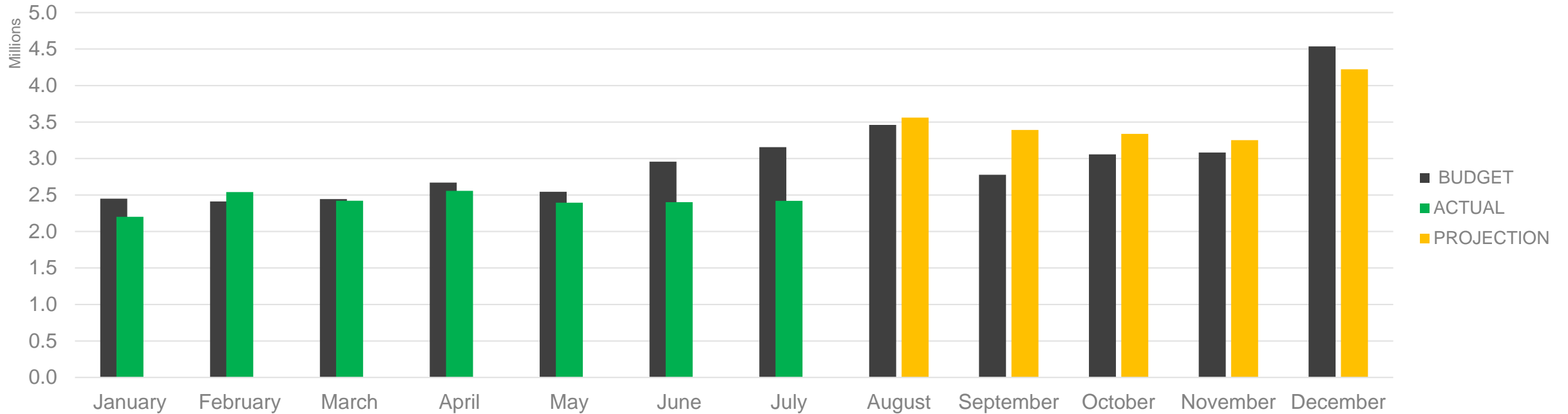
◦ Savings

- \$430k in personnel expenditures
 - 2% projected annual savings for regular wages, benefits and overtime wages
 - Due to holding vacant positions open and reduced OT work
- \$210k in operating expenditures
 - Includes street lighting, winter operations, automotive expenses, training, and other purchases
 - Added back \$25k for tree pruning and \$15k for winter hanging baskets
- \$150k in engineering program savings due to bid pricing
 - Maintain engineering maintenance programs (sidewalks, curbs, pavement rejuvenation, traffic calming)
- \$242k in CERF deferrals, sidewalk snowplow and Council A/V equipment
- \$200k deferral of Comprehensive Plan
- \$125k for reduction of hotel tax rebate based upon reduced hotel tax receipts

◦ Additional Costs

- \$531k for economic grant programs – *\$276k spent to date*

Expense Outcomes – General Fund



Year End Estimate	April Model	May Model	June Model	July Model	August Model
<i>Budget</i>	<i>35.54 M</i>	<i>35.54 M</i>	<i>35.54 M</i>	<i>35.54 M</i>	<i>35.54 M</i>
Projection	35.35 M	35.18 M	35.13 M	34.75 M	34.70 M

Reserve Projections – General Fund

	Budget	Scenario #1	Scenario #2
2020 Beginning Reserve	\$15.01	\$15.01	\$15.01
Revenues	\$34.17	\$31.96	\$31.55
Expenses	(\$35.54)	(\$34.70)	(\$34.70)
Projected Ending Reserve	\$13.64	\$12.27	\$11.86
% of Operating Expense	38.4%	34.5%	33.4%

**In Millions*

Worst-case scenario projection indicates a downside risk of \$440k equaling a 1.3% impact on the reserve level



2021 Budget Preview

2021 Budget Methodology

- Minimize impacts to taxpayers, service levels and the organization to the greatest extent possible
- Proactively identify a multi-step contingency plan to maintain flexibility to respond to dynamic economic conditions
- Continue detailed monthly financial reviews to ensure decision making is timely and effective

2021 Revenues

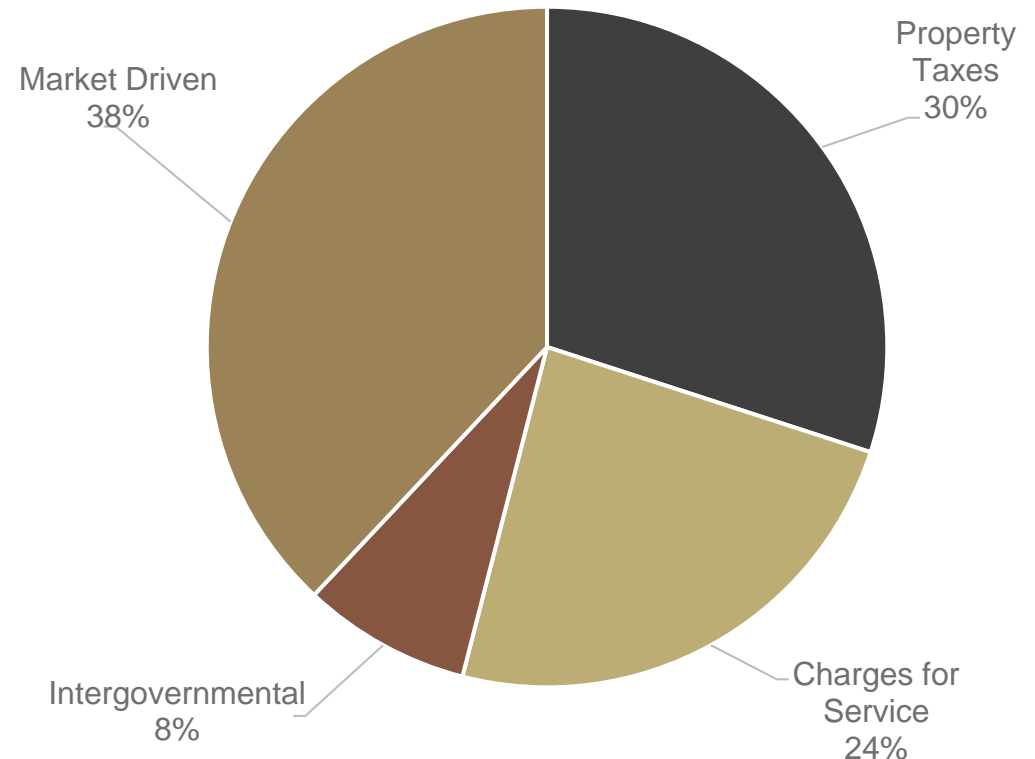
- Review of revenue types
 - *Balancing healthy mix of revenue sources*
- Assessment of General Fund revenues
 - *Evaluation of revenue risks and opportunities*
- Projected taxpayer impact for 2021 and beyond
 - *Parameters for 2021 budget development*

Diversity of Revenue

Maintain balance to protect against economic downturns; reduce reliance on single revenue sources

General Fund Source

- **Service Charges:** refuse collection, ambulance billing, utility taxes
- **Market Driven:** sales tax, real estate transfer tax, permits, income tax
- **Intergovernmental:** grants, transfers
- **Property Taxes**



Revenue Risk Assessment

Minimal Risk

- Property Tax
- Refuse Fee
- Water Fund Transfer
- Fines
- Vehicle Stickers

Moderate Risk

- Sales Tax
- Permits
- Real Estate Transfer Tax
- Utility Taxes
- Income Tax

High Risk

- Home Rule Sales Tax
- Fuel Tax
- Hotel Tax

Enhancements

- Local Use Tax
- Water Fund Transfer
- CARES Funding
- State Infrastructure Funds
- Review of potential revenue sources

Taxpayer Impact

FY2020 budget projections – Utilized as baseline for development of the 2021 budget

	2020	2021	2022	2023	2024
Levy Increase	4.99%	4.10%	5.11%	3.37%	3.55%
Water Rate	\$2.75/unit	\$2.75/unit	\$2.75/unit	\$2.75/unit	\$2.75/unit
Sewer Rate	\$4.40/unit	\$4.58/unit	\$4.58/unit	\$4.58/unit	\$4.58/unit
Stormwater Fee	\$144	\$175	\$292	\$325	\$380
Refuse Fee	\$23.75/month	\$24.35/month	\$24.35/month	\$24.35/month	\$24.35/month
Vehicle Sticker	\$80	\$80	\$80	\$80	\$80

Tax Levy Information

- Levy made up of 4 components
 - General Operations
 - Road Investment
 - Public Safety Pension
 - Debt Service
- 2020 Increase
 - \$912k total increase in levy
 - \$90 per average bill

Levy Component Increases

	2020 Budget	2021 Projection
Operations	1.43%	2.28%
Road	2.69%	0.00%
Public Safety Pension	0.75%	1.77%
Debt Service	0.12%	0.05%
Total Increase	4.99%	4.10%

2021 Expenses

- Budgetary review options
 - *Develop tiers for potential reductions*
- Capital preview
 - *Investment in Village infrastructure plan*
- Personnel expenses
 - *Assumptions for salaries and benefits*

2021 Budget Review Methodology

Breakdown of expenditures into tiers

- If revenues do not meet projections, the tiers can be pulled to manage expenditures

Tier 1 Level

- Review of internal cost control measures
- Examples: training, holding open positions, vacancy factor, transfers and other discretionary expenses

Tier 2 Level

- Review of capital investments
- Examples: Review of CERF purchases or change to engineering program

Tier 3 Level

- Review of contracted programs and services
- Examples: forestry programs

Tier 4 Level

- Review of service levels and associated staffing

Capital Preview

Category	2021 Request
Equipment	253,000
Facilities	189,500
Information Technology	119,000
Professional Services	175,000
Sewer	15,673,000
Streets	7,595,100
Vehicles	943,500
Water	659,500
TOTAL	\$25,607,600

- 2021 initial submission totaled \$28.78M
 - Staff review removed \$3.17M
- 2020 Approved Budget of \$40.75M
 - CERF funding request down \$623 thousand
 - General Fund operations request down \$1.3M
- Major Projects
 - Hibbard Park - \$15.33M
 - Central Avenue Reconstruction - \$3.36M
 - Engineering Program funded at full request -\$4.08M
- State Infrastructure Funds
 - Received \$594k that can be used for long-term infrastructure; options include:
 - Brick Overlay
 - Brick Reconstruction
 - Central Avenue

Personnel Expenses

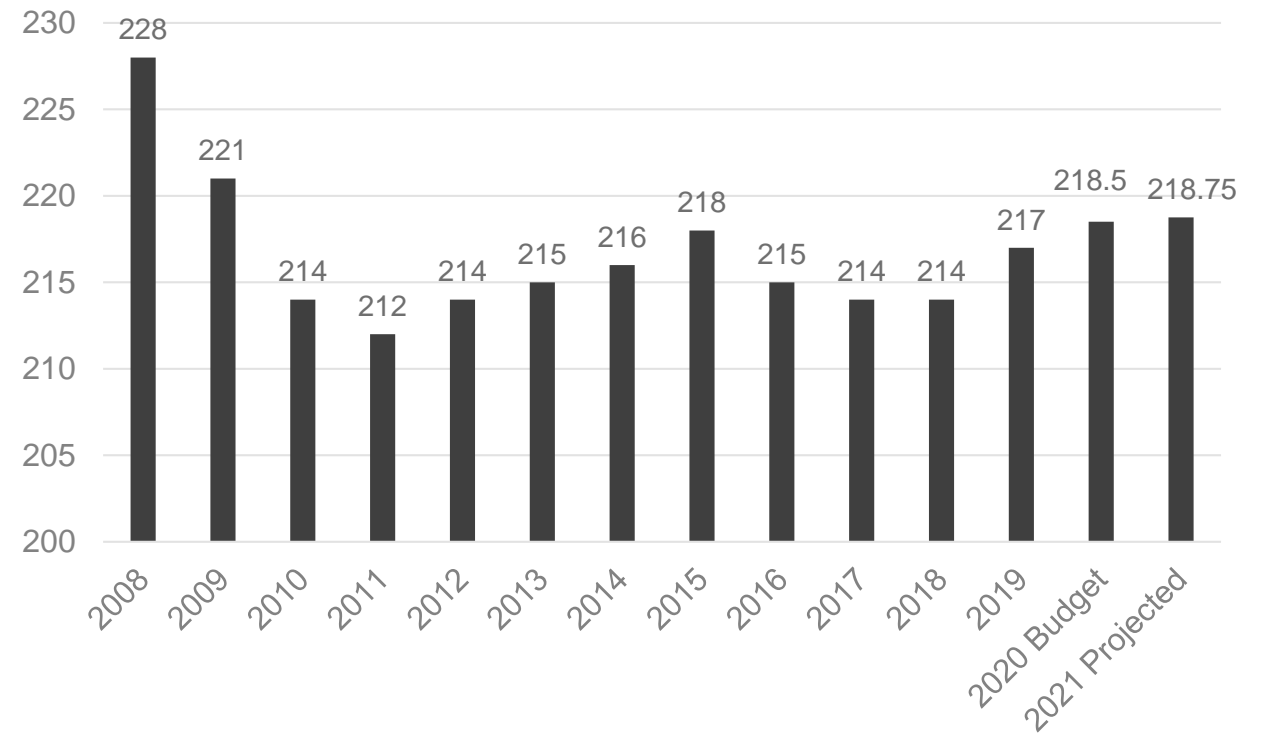
- Salary Assumptions

- 2.5% annual wage adjustment
- Movement through pay scales

- Benefit Assumptions

- IMRF preliminary rate is 10.81%
 - Decrease from 11.21%
- Healthcare projected at 7.00%
- Public Safety Pensions
 - Impact of 15-Year rolling amortization
 - Projected \$500k drawdown of reserve in 2021
 - Total estimated contribution of \$6.08 million

Full-Time Equivalents



Budget Schedule

