



Village Manager's Office

SUBJECT: 2020 Financial Analysis- Period 10 Update

MEETING DATE: November 24, 2020

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Overview

The net impact of the COVID-19 on the Village's reserve levels are estimated to range from \$120,000 to \$230,000. This reduced impact is due to two factors; better than projected revenues (estimated loss of \$1.10 million to \$1.21 million) and cost saving measures (\$990 thousand) implemented by the Village.

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 March 21. On May 5, the State implemented the 'Restore Illinois' Plan, which includes metrics and guidelines to reopen the state for business, education, and recreation. On May 28 all regions moved into Phase 3 and on June 26 all regions moved into Phase 4. The Restore Illinois Plan was amended to include a COVID19 mitigation plan which included steps to combat a resurgence of COVID-19. This plan was adopted by the Governor on July 15 and stated that once a region meets resurgence criteria, a tiered menu of mitigation options could be considered and if there are sustained increases in health metrics, further mitigations could be added to combat the resurgence of COVID-19. Region 10 (suburban Cook County), of which the Village of Wilmette is included, met resurgence criteria and new mitigation requirements were put in place on October 28 due to sustained increases in positivity rates and hospital admissions. Starting on November 28, all regions in the State of Illinois had Tier 3 mitigations put in place.

These orders have and will continue to 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, July 28, August 25 and September 22 Village Board meetings, staff presented updated financial projections

based upon the Village's actual revenue and expense experience. These projections were also discussed as part of the annual budget review process, which was presented on October 28. This report is the last planned report for the remainder of 2020.

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 the current surge in COVID-19 cases continues and the State further restricts business activity.

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

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 10 (October) performance compared to projections

- Staff reviewed the performance of different revenues compared to the initial budget. The below table shows Period 10 performance compared to the original projection. Revenues for the month of October were up 23.1% compared to budget. Attachment #1 provides a comparison of monthly revenue performance through the ten months of 2020. Overall revenues are down 3.5% compared to budget year to date.

	Amount	Over/(Under)
P10 Actual	\$2,432,061	
P10 Budget	\$1,976,431	\$455,630

- Additionally, staff reviewed the performance of different revenues compared to the two revenue scenarios. The below table shows Period 10 performance compared to the revenue scenarios. Period 10 performance was up 0.4% and 2.4% 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)
P10 Actual	\$2,432,061	
P10 Scenario #1	\$2,421,271	\$10,790
P10 Scenario #2	\$2,375,027	\$57,034

This deviation in the performance compared to budget and the scenarios is driven primarily by the timing of the property tax disbursements. Earlier in the year, when Cook County delayed the property tax due date, staff shifted revenues to October in accordance with the new due date. Due to this shift, the P10 actuals performed better than the original budget but are aligning with the two scenarios. At this point, the Village has collected the majority of the property taxes

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

- Income Tax
 - Through ten months, income tax revenues have performed slightly over budget projections, earning \$2.56 million compared to budget of \$2.55 million. Additionally, staff has received preliminary information on the November disbursement, which indicates a 4% increase compared to budget. *Staff has updated the model to reflect this disbursement and the December assumptions have been maintained.*
- Licenses
 - Through ten months., licenses, which includes business, contractor, and liquor licenses and vehicle stickers performed 2.6% lower than budget estimates. This was due to continued catch-up in vehicle sticker revenues which underperformed in the second quarter. Overall vehicle sticker revenues are at \$1.46 million, which is \$31 thousand below year to date budget estimates. *The current assumption for both scenarios will be maintained.*
- Fuel Tax
 - In the month of October, fuel tax receipts were aligned with 2019 actuals and 2020 budget. This reversed a trend of continual underperformance. Through ten months, fuel tax is down 27.7% compared to 2019. *The current assumption for both scenarios will be maintained.*
- Hotel Tax
 - Hotel tax receipts continued to decline in the month of October. Revenues were down 57% compared to budget but did align with staff projections in scenarios #1 and #2. Through ten months, hotel tax is down 55% compared to 2019. It is important to note that approximately 70% of revenue underperformance is offset by corresponding expense reductions due to the hotel tax rebate agreement. *The current assumption for both scenarios will be maintained.*
- Permits
 - Permit revenues in October were \$216 thousand, which aligned with initial budget projections of \$211 thousand and overperformed both scenarios. This performance continued the positive trend in permit activity and through ten months, permit revenues are only down 4.5% compared to budget. *The current assumptions for scenario #1 and scenario #2 have been maintained.*
- Property Taxes
 - In period ten, property taxes overperformed projections due to the 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. Total receipts of \$10.3 million are in line with year to date estimates. *Overall, 2020 property tax projections will not be impacted, and the timing of property tax disbursements is caught up.*
- Real Estate Transfer Tax
 - In period ten, revenue was up 138% compared to budget, with revenues at \$163 thousand compared to a \$53 thousand budget. Through period ten, total revenues are already over the full year budget by \$177 thousand. *To remain conservative, the current assumption of 5% reduction for real estate transfer tax in both scenarios will be maintained.*

- Sales Tax
 - The revenues received in October are related to July sales, therefore October revenues continued to be impacted by the COVID-19 business restrictions. Home Rule Sales Tax receipts in the month of October were \$149,281, which was 8% under the budget of \$161,860. Municipal Tax (including local use tax) receipts for October were \$339,118, which was 9.4% over the budget of \$310,013. The underperformance of municipal tax is offset by increased revenues in local use tax, which is driven by online sales. Through ten months, combined sales tax figures are down 5.5% or \$250 thousand compared to budget. Additionally, staff has received preliminary information on the November disbursement, which indicates an 8% decrease in home rule sales tax and a 14% increase in sales tax compared to budget. Both sales tax significantly overperformed compared to each scenario. *Staff has updated the model to reflect this disbursement and the December assumptions have been 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 ten, ambulance billing fees are down by 6% compared to budget. *The current assumption for both scenarios will be maintained.*
- Utility Taxes
 - Utility taxes continue to trend 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.*
- CARES Funding
 - The Village applied for assistance from Cook County and FEMA for reimbursement costs from the Coronavirus Relief Fund. These funds will be a reimbursement for expenses associated with the Village's COVID-19 response. Staff received \$189 thousand in reimbursements in the month November and is reflected in the updated projections. The Village will receive an additional \$12 thousand in CARES funding later this year.

Revenue Outcomes

The revenue outcomes combine both period ten performance and updated revenue assumptions for both scenarios. The 2020 budget for General Fund revenues is \$34.17 million. During the first ten periods of 2020, revenues tracked 3.5% 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 \$1.10 million to \$1.21 million.

Revenue Type	Budget	Scenario #1 Change		Scenario #2 Change	
Grant/Contributions	0.13	0.06	↔	0.06	↔
Income Tax**	2.92	(0.02)	↑	(0.02)	↑
Licenses	1.84	(0.05)	↔	(0.05)	↔
Other	4.11	(0.74)	↔	(0.76)	↔
Permits	2.02	(0.11)	↔	(0.15)	↔
Property Tax	10.37	-	↔	-	↔
Real Estate Transfer Tax	1.08	0.28	↔	0.27	↔
Sales Tax**	5.41	(0.34)	↑	(0.38)	↑
Service Charges	3.18	0.00	↔	-	↔
Utility Tax	2.05	(0.18)	↔	(0.18)	↔
Water Fund Transfer	1.05	-	↔	-	↔
Totals	\$ 34.17 M	\$ (1.10) M	↑	\$ (1.21) M	↑
Total Revenue	\$ 34.17 M	\$ 33.07 M		\$ 32.96 M	

*in Millions

**based upon known actuals from month of November

Attachment #3 shows the model change for both Scenario #1 and Scenario #2 by each major revenue category.

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 10 (October) performance compared to projections
 - Staff reviewed the performance of expenses compared to the initial budget. The below chart shows Period 10 performance compared to the original projection. Overall, the performance in October was down 12.5% compared to budget. Attachment #4 provides a comparison of monthly expense performance through the first ten months of 2020. Overall expenses are down 7.4% compared to budget through the first ten months.

	Amount	Over/(Under)
P10 Actual	\$2,673,994	
P10 Projection	\$3,057,661	(\$383,667)

- While expenditures for period ten were down significantly compared to budget; a significant portion of the underspend was associated with capital equipment such as vehicles which were shifted to later periods, so they are still included in the year end projections.

- In addition, the remaining economic grant funds of \$255 thousand were originally projected to be disbursed in October. A restaurant grant program was approved at the first Board meeting in November in the amount of \$170 thousand; funds are expected to be disbursed starting in December.
2. The expense projection includes saving options and the addition of COVID-19 expenses such as the economic grant program. 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.
- Savings
 - \$265,000 in personnel expenditures – This 1% projected savings includes savings for regular wages of \$230 thousand and overtime of \$35 thousand. These savings in personnel are due to holding vacant positions open and reduction in overtime work.
 - \$255,000 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.
 - \$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
 - \$285,000 for reduction of contingency expenses that includes the NSEBC special assessment and grant funds that total \$250,000. There is a corresponding revenue that has also been reduced from the budget projections. The remaining \$35,000 is the removal of the budgeted debt service fund transfer, this is a direct savings to the General Fund. Due to adequate receipt of property tax monies into the Debt Service Fund year-to-date, a transfer from the General Fund will not be required.
 - Additional Costs
 - \$531,000 for economic grant program – This includes funds for the sales tax rebate program, the service business grant program and the restaurant grant program.
 - \$276 thousand of the amount approved for grants have been disbursed for the sales tax grant and service business grant. An additional \$170 thousand was approved for a restaurant grant program. This leaves \$85 thousand of un-allocated funds for potential 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 \$34.56 million.

	Amount
2020 Budget	\$ 35.54
2020 Updated Projection	\$ 34.56 ↓
Differential	\$ (0.98)

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	\$ 15.03	\$ 15.03	\$ 15.03
Revenues	\$ 34.17	\$ 33.07	\$ 32.96
Expenses	\$ (35.54)	\$ (34.56)	\$ (34.56)
Projected Ending Reserve	\$13.66	\$ 13.54 ↑	\$ 13.43 ↑
% of Operating Expense	38.4%	38.1%	37.8%

**In millions*

The net impact of the COVID-19 on the Village's reserve levels are estimated to range from \$120,000 to \$230,000. This reduced impact is due to two factors; better than projected revenues (estimated loss of \$1.10 million to \$1.21 million) and cost saving measures (\$990 thousand) implemented by the Village.

Next Steps

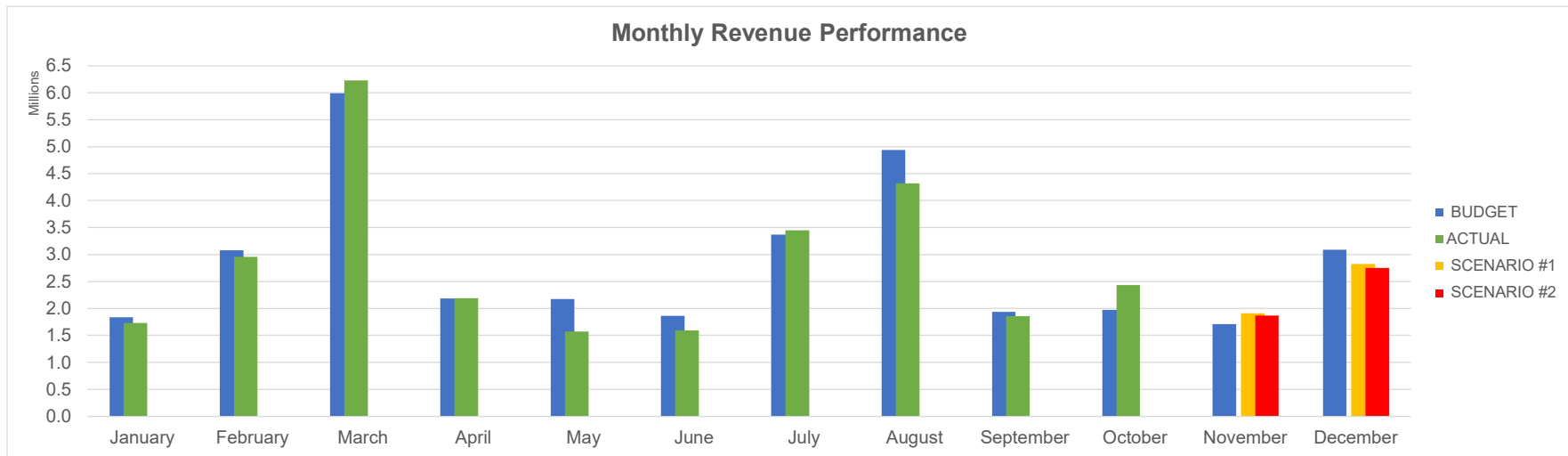
From an overall perspective, the Village continues to be strongly positioned to weather the economic slowdown due to COVID-19. The Village's strong reserve levels and diverse revenue streams provide flexibility to the Village during these uncertain times. Village staff will continue to monitor, analyze,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

Attachments

1. Monthly Revenue Performance and Scenario Updates
2. Revenue Performance Compared to Projections
3. Updates to Revenue Scenarios by Major Revenue Category
4. Monthly Expense Performance and Scenario Updates
5. Monthly Revenue Model Change Over Time
6. Presentation of COVID-19 Financial Analysis

GENERAL FUND REVENUES

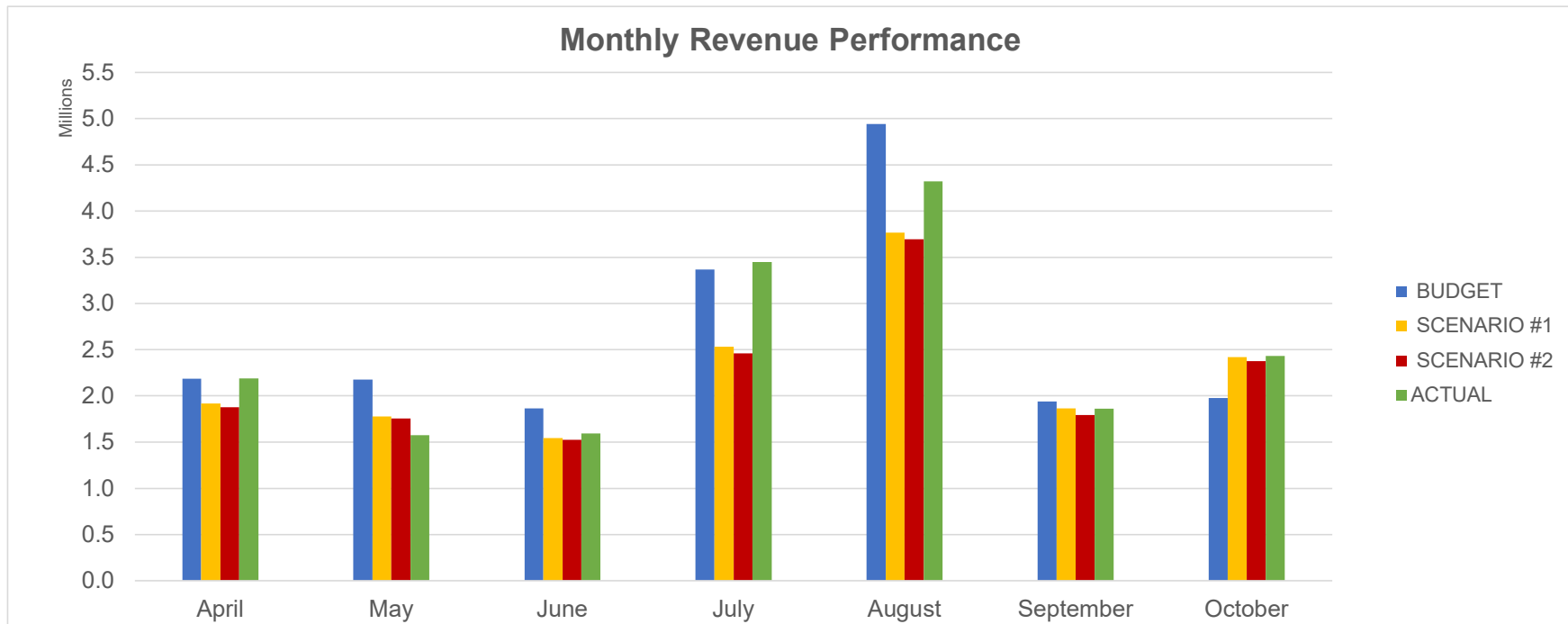
	BUDGET	ACTUAL	SCENARIO #1	SCENARIO #2	BUDGET to ACTUAL	% DIFFERENCE
January	1,836,195	1,731,889			(104,306)	-5.7%
February	3,081,793	2,956,617			(125,176)	-4.1%
March	5,995,548	6,226,912			231,364	3.9%
April	2,184,002	2,190,285			6,283	0.3%
May	2,176,355	1,573,245			(603,110)	-27.7%
June	1,864,224	1,592,987			(271,237)	-14.5%
July	3,368,853	3,447,257			78,404	2.3%
August	4,942,320	4,323,489			(618,831)	-12.5%
September	1,939,049	1,859,872			(79,177)	-4.1%
October	1,976,431	2,432,061			455,630	23.1%
November	1,712,937		1,909,927	1,866,370		
December	3,087,703		2,824,390	2,754,543		
Grand Total					(1,030,155)	-3.5%



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
August	4,323,489	4,942,320	3,764,599	3,693,143
September	1,859,872	1,939,049	1,864,439	1,792,612
October	2,432,061	1,976,431	2,421,271	2,375,027
Total	\$ 17,419,200	\$ 18,451,234	\$ 15,817,887	\$ 15,481,665
% DIFFERENCE		-5.6%	9.2%	11.1%



Village Board Follow-Up
Financial Update

SCENARIO #1

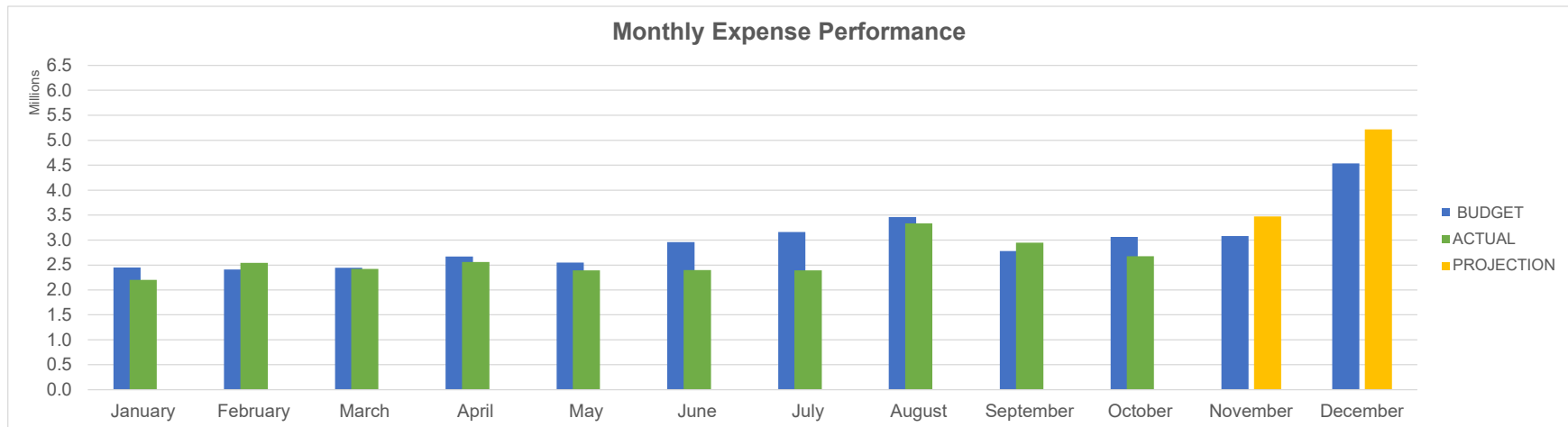
	Budget	April Model	May Model	June Model	July Model	August Model	September Model	October Model	November Model	Overall Change (\$)	Overall Change (%)
GRANT/CONTRIBUTIONS	130,000	130,000	130,000	130,000	130,000	130,000	319,000	130,000	189,000	59,000	45.4%
INCOME TAX	2,919,000	2,660,785	2,462,693	2,406,042	2,459,740	2,688,863	2,759,915	2,845,648	2,897,542	(21,458)	-0.7%
LICENSES	1,836,500	1,608,290	1,635,268	1,637,620	1,718,954	1,753,558	1,756,493	1,769,651	1,788,685	(47,815)	-2.6%
OTHER	4,110,710	3,764,379	3,826,231	3,656,273	3,487,253	3,498,020	3,499,511	3,412,134	3,366,296	(744,414)	-18.1%
PERMITS	2,023,500	1,671,196	1,581,228	1,572,207	1,649,854	1,764,071	1,821,208	1,890,595	1,916,700	(106,800)	-5.3%
PROPERTY TAX	10,374,800	10,374,800	10,374,800	10,374,799	10,374,799	10,374,800	10,374,800	10,374,800	10,374,800	0	0.0%
REAL ESTATE TRANSFER TAX	1,080,000	878,212	881,668	887,377	904,526	977,178	1,140,652	1,247,143	1,359,395	279,395	25.9%
SALES TAX	5,409,000	4,567,886	4,637,158	4,546,097	4,606,615	4,685,150	4,825,579	4,953,373	5,072,433	(336,567)	-6.2%
SERVICE CHARGES	3,178,900	3,061,488	3,109,691	3,106,736	3,147,202	3,180,987	3,184,148	3,188,265	3,182,223	3,323	0.1%
UTILITY TAX	2,053,000	1,998,181	1,912,362	1,889,080	1,887,989	1,881,366	1,884,456	1,879,329	1,871,858	(181,142)	-8.8%
WATER FUND TRANSFER	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	-	0.0%
Grand Total	34,165,410	31,765,216	31,601,097	31,256,231	31,416,932	31,983,994	32,615,762	32,740,937	33,068,932	(1,096,478)	-3.2%
Change from Prior Month		(2,400,194)	(164,119)	(344,867)	160,702	567,061	631,768	125,176	327,995		
% Change from Prior Month		-7.0%	-0.5%	-1.1%	0.5%	1.8%	2.0%	0.4%	1.0%		

SCENARIO #2

	Budget	April Model	May Model	June Model	July Model	August Model	September Model	October Model	November Model	Overall Change (\$)	Overall Change (%)
GRANT/CONTRIBUTIONS	130,000	130,000	130,000	130,000	130,000	130,000	319,000	130,000	189,000	59,000	45.4%
INCOME TAX	2,919,000	2,487,635	2,462,693	2,406,042	2,459,740	2,688,863	2,759,915	2,845,648	2,897,542	(21,458)	-0.7%
LICENSES	1,836,500	1,592,092	1,619,606	1,622,202	1,706,045	1,743,959	1,750,828	1,765,676	1,786,128	(50,372)	-2.7%
OTHER	4,110,710	3,634,536	3,751,101	3,589,279	3,423,289	3,448,221	3,464,098	3,389,399	3,351,322	(759,388)	-18.5%
PERMITS	2,023,500	1,503,475	1,413,507	1,404,481	1,482,129	1,617,482	1,707,404	1,817,461	1,875,235	(148,265)	-7.3%
PROPERTY TAX	10,374,800	10,374,800	10,374,800	10,374,799	10,374,799	10,374,800	10,374,800	10,374,800	10,374,800	0	0.0%
REAL ESTATE TRANSFER TAX	1,080,000	793,379	796,835	802,544	819,693	935,038	1,113,509	1,231,126	1,348,702	268,702	24.9%
SALES TAX	5,409,000	4,432,197	4,501,469	4,363,617	4,435,696	4,531,951	4,689,890	4,864,871	5,028,746	(380,254)	-7.0%
SERVICE CHARGES	3,178,900	2,976,902	3,036,782	3,044,460	3,131,040	3,169,869	3,178,382	3,188,163	3,182,194	3,294	0.1%
UTILITY TAX	2,053,000	1,998,181	1,912,362	1,889,080	1,887,989	1,881,366	1,884,456	1,879,329	1,871,858	(181,142)	-8.8%
WATER FUND TRANSFER	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	-	0.0%
Grand Total	34,165,410	30,973,197	31,049,154	30,676,505	30,900,420	31,571,549	32,292,283	32,536,474	32,955,528	(1,209,882)	-3.5%
Change from Prior Month		(3,192,213)	75,957	(372,648)	223,914	671,129	720,734	244,191	419,054		
% Change from Prior Month		-9.3%	0.2%	-1.2%	0.7%	2.2%	2.3%	0.8%	1.3%		

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	2,392,054		(763,941)	-24.2%
August	3,460,859	3,336,605		(124,254)	-3.6%
September	2,777,497	2,945,144		167,647	6.0%
October	3,057,661	2,673,994		(383,667)	-12.5%
November	3,082,794		3,475,991		
December	4,536,445		5,217,004		
YEAR TO DATE				(2,065,304)	-7.4%



GENERAL FUND REVENUE PROJECTIONS

	January	February	March	April	May	June	July	August	September	October	November
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	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	31,416,932	31,983,994	32,615,762	32,740,937	33,068,932
Scenario #2	34,165,410	34,061,104	33,935,928	30,973,197	31,049,154	30,676,505	30,900,420	31,571,549	32,292,283	32,536,474	32,955,528

