



CITY OF DECATUR ILLINOIS

ONE GARY K. ANDERSON PLAZA

DECATUR, ILLINOIS 62523

Treasurers Financial Report May 2021

The Year in Play

The year 2020 was a difficult and challenging year for the City entity. The pandemic experience challenged the City entity operationally and financially. The pandemic affected and challenged the city in the broader perspective of the pandemic impact on citizens, businesses operating in the city, taxpayers, and stakeholders of the city.

The pandemic impact on the economy negatively impacted revenue for the city. Expenditure containment counter measures were enacted to offset the negative revenue impact. City ability to enact the counter measure expense containment to the revenue shortfall, resulted in a significant mitigation to the pandemic negative effect to the City Treasury. The negative revenue effect of \$3.3 million was reduced to a negative City Treasury impact of \$0.7 million due to the mitigation measures enacted by the city.

As the City begins 2021, the City is presented with challenges and unknowns that will have impact on City finances and operations.

- COVID-19 Pandemic development,
- Eventual speed of the economic re-opening,
- Economic development success in the city and region,
- Manufacturing employment in the local economy,
- Development of state and local sales tax revenues to the city,
- Development of state use tax revenues to the city from "internet" purchase transactions,
- Development of locally imposed tax revenues including utility, food & beverage, hotel use, local MFT,
- State Legislative decisions impacting LGDF revenue distribution to the city,
- State Legislative budget matters and impact to the city

The development of these challenges and unknowns will have significant impact on the financial position, financial condition development and progress of the City of Decatur.

The fiscal year 2021 budget was approved by the Decatur City Council on December 7, 2020 with adoption of Council Ordinance 2020-164. The adopted budget for all funds and activities of the City includes Revenue of \$210.4 million and Expense of \$230.0 million, representing an in-period cash basis deficit of \$19.5 million.

The General Fund budget, as a part of the adopted City budget, includes General Fund Revenue of \$70.3 million and Expense of \$71.2 million, representing an in-period deficit of \$0.9 million.

The non-general fund deficit of \$18.6 million is the result of the year-on-year timing of revenue received versus expenditures for projects including water utility, sewer and storm sewer fund projects, state motor fuel tax and local motor fuel tax projects, as well as other capital and infrastructure project initiatives of the City. The non-general fund deficit is funded by existing cash position reserves of the City Treasury and presents no adverse financial position to the City Treasury.

City Financial Position

The City of Decatur ended May 2021 with a total cash position of \$64.2 million (excluding trust and agency funds earmarked for Police and Fire pensions) versus the cash position of \$60.8 as of the end of April.

The City General Fund ended May 2021 with a cash position of \$13.5 million versus the April cash position of \$11.7 million. The General Fund is the primary operating fund of the City which provides the cash to pay for the basic services to citizens and stakeholders, including public safety protection, public works services, code enforcement, economic and community development services as well as general government service.

The General Fund cash reserve position on May 31 of \$13.5 million represents 68 days of budgeted fiscal year 2021 expense coverage in the City General Fund. The council approved cash reserve policy is a 60-day cash reserve or \$11-12 million.

City cash on May 31 excluding the General Fund cash position is \$49.1 million, contained in Special Revenue funds (\$4.6 million), TIF Redevelopment funds (\$2.0 million), Capital funds (\$5.1 million), Debt Service fund (\$0.2 million), Internal Service funds (\$5.0 million) and Enterprise funds (\$32.1 million), earmarked for specific purpose and not expendable to finance the cost of basic services provided to citizens and stakeholders.

Fund Type	May 2021	Apr 2021	Comment
Special Revenue	5.8	4.6	Library, State MFT, Local MFT, Federal programs, etc
TIF Redevelopment	.2.0	.2.0	Debt service and redevelopment agreement obligations
Capital	4.4	5.1	Capital funding available
Debt	0.3	0.2	Debt service obligations
Internal Service	4.6	5.0	Risk insurance, EE healthcare benefits, Fleet maintenance
Enterprise	33.6	32.1	Utilities - Water, Sewer, Storm Water, Lake Dredging, Transit
Non-General Fund	50.7	49.1	
General Fund	13.5	11.7	Basic services to citizens and stakeholders
Total City Cash	64.2	60.8	

City cash position reported in \$ millions, numbers may not add due to rounding

Changes of note in the period:

- Special Revenue funds increase (\$1.2 million). State and Local MFT funds increase (\$1.3 million), Library Fund decrease (\$0.1 million), Community Revitalization Fund increase (\$0.1 million).
- Local MFT increase (\$0.1 million) with expected level of local gas tax receipts and no project spend in period; State MFT increase (\$1.2 million) primarily due receipt of the 4th tranche (\$0.8 million) of the State Rebuild Illinois funding, receipt of expected level of state distributed gas tax, State distribution (\$0.1 million) of outstanding Brush College Transportation project grant revenue and limited in period project spending.
- **State MFT Fund is now in a positive cash position (\$0.4 million), however continues to await outstanding Brush College Transportation project grant funding receipts on the order of \$6+ million. IDOT grant funding reimbursements have commenced in the month of May, with a limited dollar value of reimbursements.**
- Capital Funds decrease (\$0.7 million) with continued spend down of bond proceeds in the 2018 Project Fund financing the construction of the new fire stations.
- Internal Service funds decrease (\$0.4 million) due fund balance spend down of employee benefit fund in support of repositioning cash reserves into the general fund.
- Enterprise funds increased \$1.5 million. Water funds increased (\$1.1 million) due in period positive cash flow from operations of \$1.1 million; Transit increased \$0.2 million with operating and capital grant funding receipt; Sewer Fund increase (\$0.2 million) as expected revenues exceeded in period sewer project spending.

General Fund Position

Cash

The City General fund cash position ended May at \$13.5 million, a decrease from the April cash position of \$11.7 million. The current cash balance represents a cash reserve position of 68 days (was 59 days).

General Fund Result

City General Fund position of revenue received versus expense incurred to date is as follows for the period ending May 2021.

\$ (000)	Budget (4)	Year to Date (1)	Budget Target (2)	% vs Target (3)
Revenue	70,300	29,284	24,562	19%
Expense	71,200	23,436	24,867	(6)%
Surplus(deficit)	(900)	5,848	(305)	

Chart notes

1 – actual year to date general fund revenue and expense

2 – budget year to date general fund revenue and expense

3 – year to date percentage comparison of actual to budget

4 – annual budget, with Council Adoption on December 7, 2020

General Fund Revenue

Revenue to date through May is \$29.3 million versus budget to date revenue of \$24.6 million, above budget by \$4.7 million or 19%.

Year to date position of revenue vs. budget

\$ (000)	Actual	Budget	vs Budget	% vs Budget
Local taxes				
Cable TV tax	617	474	143	30%
Food & beverage	1,367	1,220	147	12%
Hotel use tax	256	219	37	17%
Mobile home privilege tax	15	-	15	-
Property tax	159	-	159	-
Telephone utility tax	978	579	399	69%
Utility tax – electric & natural gas	2,128	2,027	101	5%
Total local tax	5,520	4,519	1,001	22%
State remitted taxes				
Auto rental tax	13	16	(3)	(19)%
State cannabis tax	39	35	4	11%
Local sales tax	4,137	4,091	46	1%
Aviation fuel tax	2	-	2	-
State local use tax	1,495	1,308	187	14%
State income tax	4,467	3,498	969	28%
State replacement tax	979	512	467	91%
State sales tax	4,654	4,693	(39)	(1)%
Video gaming tax	604	550	54	10%
Total state remitted tax	16,390	14,703	1,687	11%

Other revenue				
Road & bridge tax	4	-	4	-
Charge for service (internal city)	3,426	3,533	(107)	(3)%
Third party revenue	493	448	45	10%
Grants	310	159	151	++
Fees for service	1,435	1,188	247	21%
CURES spend funding	1,703	-	1,703	++
Interest income	3	12	(9)	(75)%
Other revenue	7,374	5,340	2,034	38%
General fund revenue	29,284	24,562	4,722	19%

Revenue numbers may not add due to rounding

Revenue Comments (of significant revenue matters)

- Cable TV tax favorable due to \$116k Azavar Audit past tax due revenue receipt, otherwise, Cable TV tax is on par with budget expectation
- Food & Beverage tracking 12% above the year-to-date expectation, strong recent months activity
- Hotel Use Tax tracking 17% above the year-to-date expectation, strong recent months activity
- Mobile Home and Property Tax revenue to date is carryover from 2020 revenue not distributed by Macon County Treasurer until January 2021. Was expected to be received in 2020. Revenue is non budgeted revenue in 2021
- Telephone Utility Tax revenue received from State to date is an over distribution of tax revenue due to the city. Over distribution has been confirmed by IL DOR. Undetermined amount, but likely in the range of \$475k
- Utility Tax (gas & electric) tracking above budget to date
- Local sales tax 1% ahead of budget expectation year-to-date. Three (3) consecutive months of above expectation for local sales tax revenue is a good sign. Will continue to watch and track
- State Use tax continues to overperform. Good news for us. Internet on-line shopping
- State Income tax to date above our expectation. Good news for us. Improved state employment situation.
- State Replacement tax to date above our expectation. Substantially over performing the budget expectation. Must be cautious with this revenue stream as State has used this revenue in the past as coverage for state funding issues. Will continue to watch and track
- State sales tax is tracking below our expectation year-to-date. However, three (3) consecutive months of above expectation state sales tax revenue is a good sign. Will continue to watch and track
- Video Gaming tax. Video gaming was shut down with reopening occurring in February 2021. Expectation for video gaming revenues to rebound with gaming now reopened.
- Fees for Service. Revenue overachieving to-date expectation due timing of revenue receipts
- City received CURES Grant reimbursement funding of public safety expense in 2020 in amount of \$1.7 million

Summation

Year to Date revenue in-excess of budget		4,722
Extraordinary items		
• Cable TV tax Azavar recovery	116	
• 2020 Property tax received in 2021	178	
• Telephone tax over distribution	475	
• CURES public safety funding	1,703	
Total		2,472
Operational to date revenue overage		2,250

Reasons:		
• State income tax to date		969
• Use tax (internet transactions)		187
• State replacement tax		467
• Food & Beverage tax		147
• Sales tax (state and local)		7
• Video gaming tax		54
• Utility tax		101
• Fees for service		247
• Other		71

Key Economic Driven General Fund Revenues vs. the Full Year Target

Key General Fund revenues supporting General Fund expenses are presented in the chart below depicting the full year budget, year to date revenue received, with comparison to the full year budget and prior year revenue receipt. With five (5) months into the twelve-month cycle, the year-to-date benchmark is 42% of the full year budget revenue.

\$ (000)	2021 Budget	2021 YTD	YTD % of Year Budget	2020 YTD	% Change yr vs yr
State Sales Tax	11,519	4,654	40%	4,692	(1)%
Local Sales Tax	10,237	4,136	40%	4,078	1%
State Income Tax	8,203	4,467	54%	3,499	28%
Utility Tax (Gas & Elec)	4,376	2,128	49%	2,027	5%
Food & Beverage Tax	3,150	1,367	43%	1,227	11%
State Local Use Tax	3,350	1,495	45%	1,195	25%
Video Gaming Tax	1,320	604	46%	638	(5)%
Telephone Tax	1,304	978	75%	609	++
State Replacement Tax	901	979	109%	620	61%
Hotel Use Tax	650	257	39%	258	(0)%
Cable TV Tax	953	617	65%	493	25%

General Fund Expense Comments

On a year-to-date basis, general fund spending of \$23.436 million is below budget by \$1.431 million or 46%.

Year to date position of expense vs. budget

\$ (000)	Actual	Budget	vs Budget	% vs Budget)
General government	3,192	3,231	(39)	(1)%
Development services	1,207	1,331	(124)	(9)%
Public safety	15,487	16,050	(563)	(4)%
Public works	3,550	4,255	(705)	(17)%
General fund expense	23,436	24,867	(1,431)	(6)%

Expense numbers may not add due to rounding

Personnel expense below budget \$1.1 million due to staff position vacancies, operating expense below budget \$0.4 million.

Cash balances in funds of note are as follows with comment:

Federal HOME Fund	\$0.1 million	Earmarked for federally approved programs
Federal CDBG Fund	\$0.0 million	Earmarked for federally approved programs
State Drug Enforcement	\$0.2 million	Earmarked for police programs as available
Federal Drug Enforcement	\$0.3 million	Earmarked for police programs as available
Building Fund	\$0.3 million	Earmarked for R&M and capital of Library facility
Public Library Fund	\$0.5 million	Operational fund of Library In line with expectation
Library Capital Fund	\$0.3 million	Earmarked for CapEx requirements and cash reserves
Library Trust Fund	\$0.2 million	Donations received in trust for specific purpose as defined by the donors and unavailable for other use
Local Roads and Streets	\$1.3 million	Earmarked for street repair and maintenance
State Motor Fuel Tax	\$0.4 million	Earmarked for street repair and maintenance. Awaiting State grant funding reimbursement for Brush College Transportation project of \$6.0 million
Community Revitalization	\$1.6 million	Earmarked for revitalization initiatives.
2018 Project Fund	\$4.0 million	2018 GO bond proceeds available for construction of new fire stations 3, 5 and 7
Capital Project Fund	\$0.1 million	Minimal funding available
Equipment Replacement	\$0.2 million	Earmarked for police, fire and public works capital requirements including vehicle equipment replacement
Debt Fund	\$0.3 million	Earmarked for debt payments on current debt issues
Fleet Maintenance	\$0.3 million	Earmarked for repair and maintenance of city vehicle fleet
Risk Management Fund	\$2.7 million	Cash reserves for ongoing business insurance costs including liability, property, worker's compensation. City reserve desired is \$2.5 million necessary to sustain and protect the city
Employee Insurance Fund	\$1.7 million	Coverage for healthcare and other EE benefit expense. Cash reserve desired is \$2.25 million necessary to sustain and protect the city
Public Transit Operations	\$1.5 million	Earmarked for operational and capital funding of the transit system.
Fiber Optics Fund	\$0.1 million	Earmarked for city investment in the next phase of fiber optic network.
Storm Water Fund	\$3.0 million	Balance and ongoing cash flow is sufficient to fund currently defined storm water projects
Sewer Fund	\$9.7 million	Balance available and revenue flow will fund currently defined sewer projects – Council ordinance 2016-91 adopted 12/05/2016 provides the price increase required to fund sewer projects in compliance with US EPA requirements
Water Utility Funds	\$19.0 million	<p>Cash balance of \$19.0 million, includes \$12.5 million sequestered in the debt reserve fund, representing the next 12 months' debt service payments.</p> <p>Inter fund loan of \$1.382 million to city capital project fund to pay for the Johnson Controls energy savings initiative remains outstanding and due the water funds. This receivable is not included in the water fund cash position of \$19.0 million.</p> <p>The current cash position allows funding of capital expense securing water main infrastructure replacement and other necessary capital expenditure envisioned in the short-term period.</p> <p>The Water Utility Fund continues to operate in accordance with the price increase model expectations</p>

Water Bond Construction	\$0.2 million	Project completed and un-spent funds remaining. Will be transferred to debt service obligation in accordance with bond covenants
-------------------------	---------------	--

Trust & Agency Fund balance of \$175.4 million is sequestered in the Police and Fire Pension Funds and are not available for expenditure on other city operations.

Investments

City investments include \$13.5 million in US Treasury Bonds. The investment schedule on page 9 of the Treasurer's financial report provides the details of the investments. The investments are comprised of \$2.8 million fire station initiative bond proceeds and \$10.7 million of pooled cash.

The bond proceeds and pooled cash are invested in treasury bonds and are scheduled to mature over the next months - 2 years.

The interest earnings from the investments to date have earned the city \$1.0 million. Additional interest income will accrue to the city over the period to investment maturity in an amount approximating \$0.2+ million.

Investment instruments are in accordance with the City Investment Policy with interest rates maximized given available current marketplace investment returns.

Debt

Debt outstanding is \$170 million and includes all outstanding bond debt, notes and loan payable and capital leases. All debt principal and interest payments are covered within the 2021 fiscal year operating plan and budget and are secured within the current cash flow operations of the city. City will end the year with outstanding debt of \$155 million.

Revenue Tracking

City-wide Revenue received to date in the fiscal month ending May 2021 of \$72.7 million is 35% of the annual revenue budget of \$210.4 million.

Of note, the property tax revenues received by the City according to the 2020 Tax Levy in effect, provide the cash resources to fund City contributions to the Police and Firemen's Pension Fund, fund City contributions to the operation of the Decatur Public Library, provide City funding for a portion of the General Obligation Bond debt payments, and provide funding for the City contribution to the Decatur Municipal Band.

The cost of day-to-day City government operations as well as capital spending requirements of City operations, including general government, public safety police and fire protection, public works streets & municipal services and infrastructure operations, are not funded by property tax revenues, but rather are funded by other taxes including locally imposed or state distributed sales & use tax, income tax, food & beverage tax, hotel/motel tax, utility tax, and other minor tax.

Property Tax in 2021

The 2020 property tax levy, approved by the Decatur City Council in December 2020 with Council Ordinance 2020-166, for a tax levy amount of \$14,462,508, has been certified by the State of Illinois, with tax extension of \$14,462,765.

Equalized assessed value ("EAV") for the 2020 EAV period, with property tax payable in 2021, has been certified at \$848,659,319 versus city estimated EAV of \$849,000,000.

The City property tax rate for 2020 EAV with tax payable in 2021 is 1.70419% versus the prior year tax rate of \$1.70346%.

The City property tax levy / tax rate is 16% of the total property tax levy / tax rate for City property owners.

Expenditure Tracking

City-wide expenditures to date thru May of \$73.5 million is 32% of the full year budget of \$230.0 million.

Water Utility

The financial performance of the City Water Utility is illustrated on pages 22-23. The report, which mimics normal reporting of a business enterprise, depicts actual profit and loss statement performance versus budget and prior year on both a monthly and year-to-date basis. In addition, certain key balance sheet items are reported as well as CapEx project spending.

Water Utility performance achieved through May is an operating margin before debt service of \$6.9 million on revenues of \$12.6 million. Debt principal and interest payments on GO bonds and other debt instruments in 2021 of \$7.8 million were transacted during the period to date.

Operating income achieved through May is a loss position of \$0.9 million, favorable to the budget, and favorable to the prior year.

Concerns are present in the recent year(s) performance of the water utility. Revenues remain flat with operating expense and debt service expense increasing.

The report entitled "Water Utility Metrics" is a schedule reporting on key metrics in comparison to the prior year.

Headcount Staffing

Current full-time staffing level is 422 FTE's versus budget of 451 FTE's.

Gregg D. Zientara
City Treasurer & Director of Finance
June 13, 2021