

# QUARTERLY FINANCIAL REPORT

## FY2023 – FOURTH QUARTER

### INTRODUCTION

Attached is a financial report for all active City funds for the quarter ended June 30, 2023. This report includes all City funds that have had any activity (budget or actual) since July 1, 2022, and is provided on a quarterly basis. Periodic review of financial information and budgetary performance by management and the City Council are essential elements of an internal control system.

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### UNDERSTANDING FINANCIAL INFORMATION

The City's day-to-day financial records are being maintained primarily on a cash basis.

The only significant exception to cash basis is that after the end of the fiscal year, expenditures are charged to the prior fiscal year for goods received and services performed prior to the end of the fiscal year. For example, an invoice paid in July for construction work completed in June would be recorded as an expense on June 30. This is done due to the large number of adjustments that would otherwise be required to account for these expenditures in the City's annual comprehensive financial report, which is presented on the full and modified accrual basis of accounting.

Staff is not doing a "hard close" at the end of each quarter. Additional entries may be recorded, but those should be limited. However, every effort has been made to make sure that this information is complete. For example, inter-fund transfers are entered monthly or quarterly, rather than annually, to present a more complete financial picture. All bank reconciliations for the fourth quarter are complete.

When purchase orders are issued, they encumber (reserve) funds. The actuals for all expenditures include encumbrances because those funds are committed from the FY2023 budget and this better represents funds that are obligated.

When the FY2024 budget was approved, Council also amended the FY2023 budget to match the FY2023 estimates. Comparisons to budget are based on the revised/amended budget, which includes these changes, unless otherwise noted.

## GENERAL FUND HIGHLIGHTS

As of the end of June, major revenues, including State and Home Rule sales tax exceeded projections. State sales tax is at about 102% of revised budget and Home Rule tax is at about 101% of revised budget at the end of the fourth quarter.

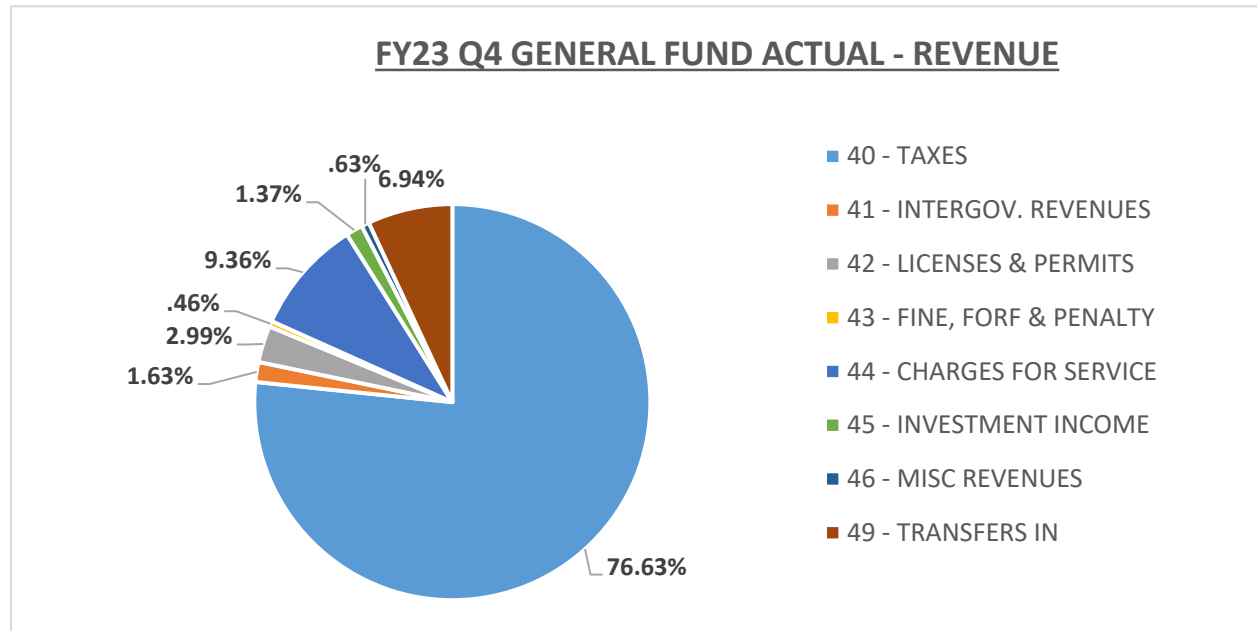
Income taxes are coming in at 103% of budget. Later in this report, key revenues receive detailed analysis.

Investment income showed a higher than anticipated increase compared to prior year, this is due to the current rising interest rate environment.

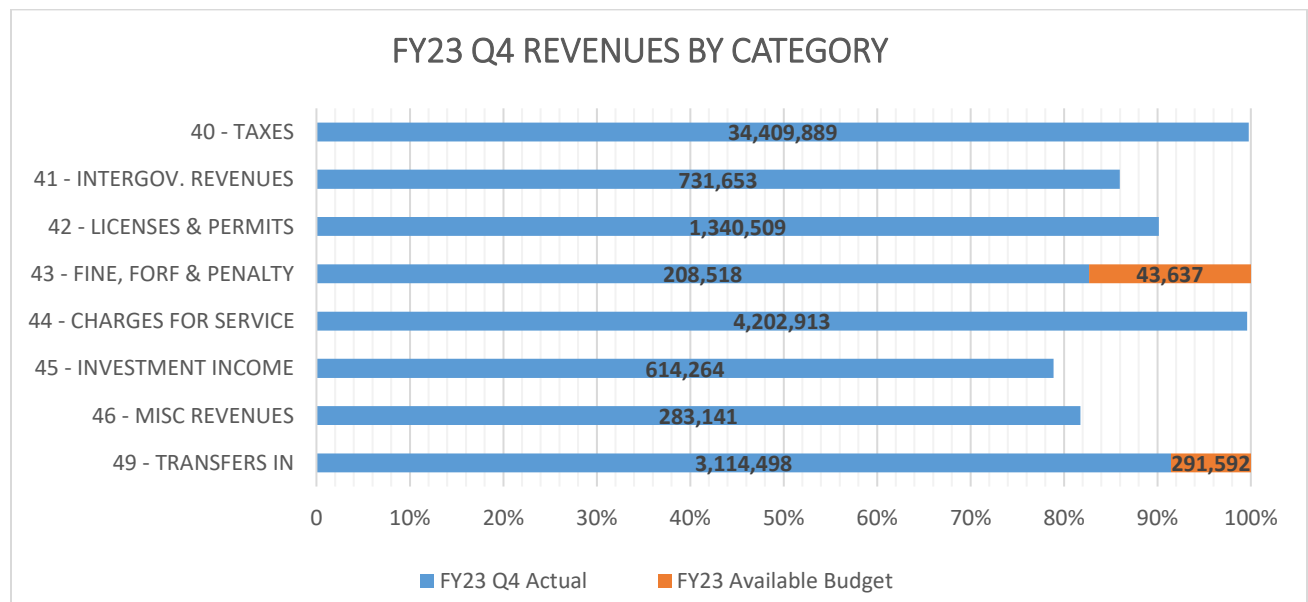
The majority of the main revenue sources showed higher than anticipated projections. While the City's economic outlook showed a rebound in the economy, a risk of recession remains a concern. However we are in a good position to weather recession risk.

## GENERAL FUND REVENUES

The General Fund (100) provides for most basic City services. At the end of fourth quarter, total revenues collected were \$44.91 million. Tax revenues (76.63%) and charges for service (9.36%) accounted for 85.99% of total revenues.

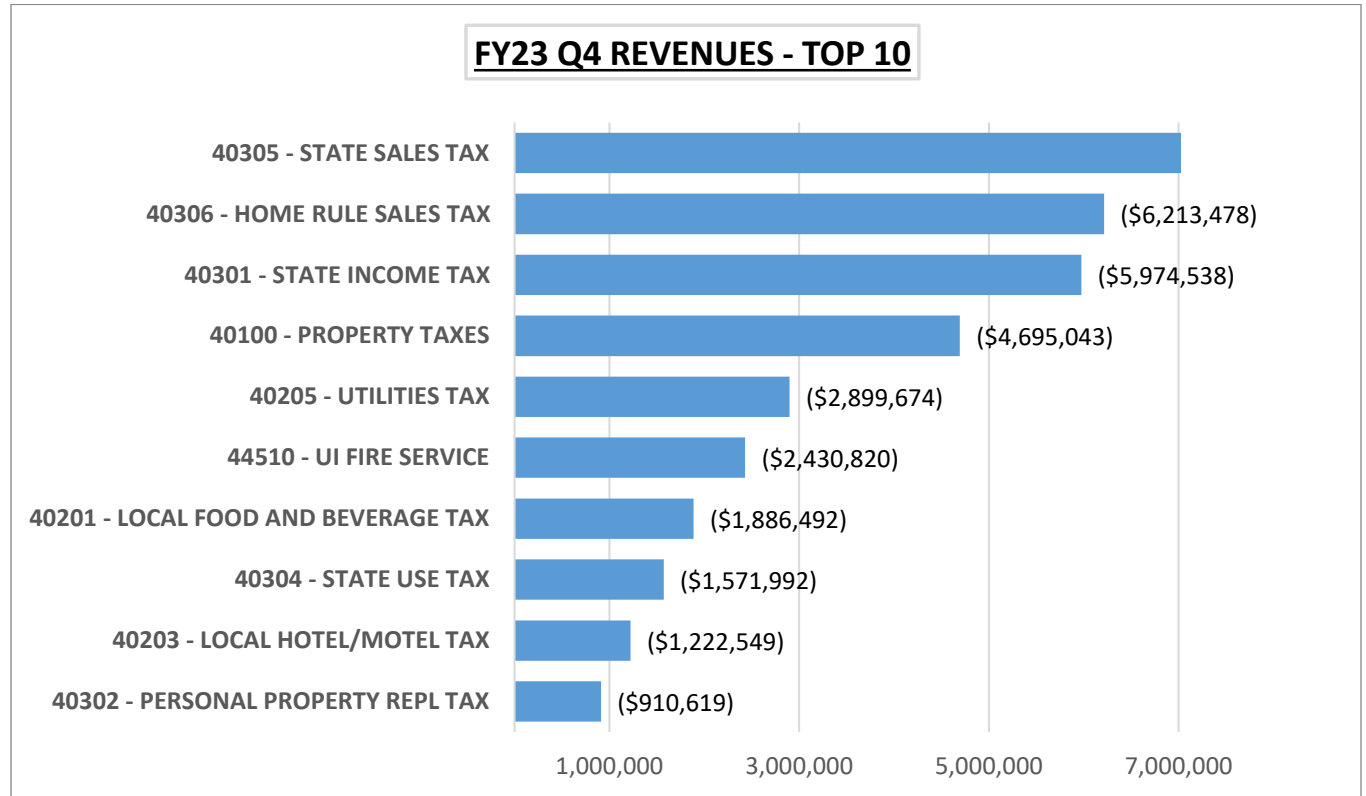


The majority of revenues are consistent with the budget. Main revenue sources such as taxes and charges for services are right on track with the budget, with nearly \$38.61 million collected at the end of fourth quarter. Fines, Forfeitures and Penalties are at 82.69% of budget with the most significant difference in notice to appear fines and traffic citations.



## GENERAL FUND REVENUES (CONT'D)

Below are the top ten revenue sources in the General Fund as of June 30, 2023. They accounted for \$35.13 million or about 78.24% of the General Fund total revenues in the fourth quarter.



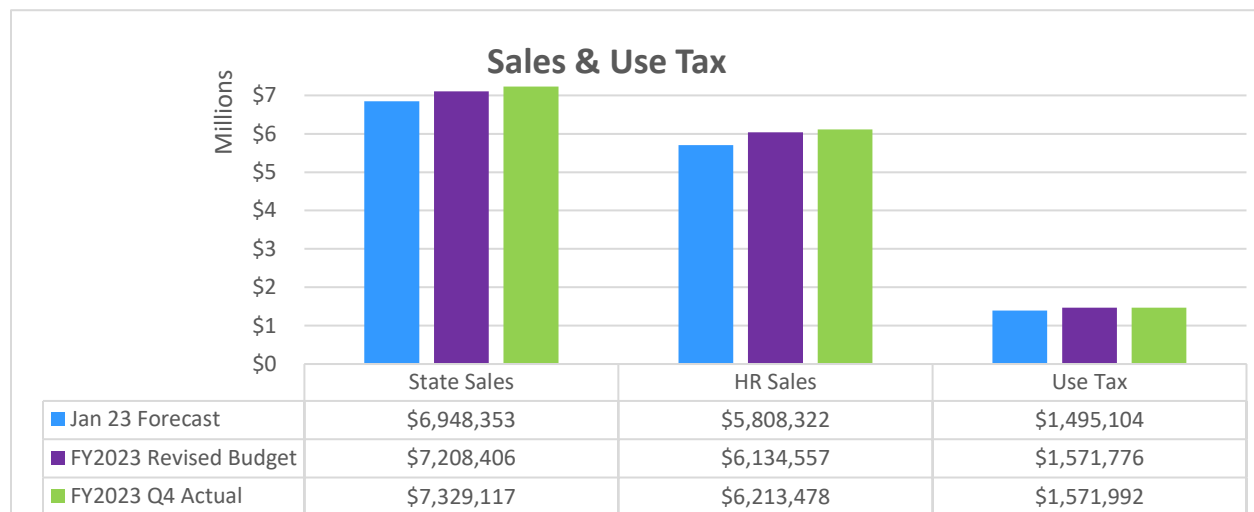
## GENERAL FUND REVENUES (CONT'D)

### Major Revenue Sources

#### Sales & Use Tax –

State use tax is a per capita distribution of a portion (1% of 6.25%) of use tax revenues remitted to the State and applies to online sales. During the pandemic, consumers shifting to online sales contributed to an increase in use tax. The 2020 Census showed a decrease in the City of Urbana's population count from 41,250 to 38,336 (7.06% decrease). Because income and use tax are distributed on a per capita basis, the decrease in population resulted in lower distributions in income and use tax beginning in FY2022. At the end of the fourth quarter, use tax is at about 100% of the budget, which reflects the reduced population.

State and home-rule sales tax revenues are at 101% of revised budget which is right on track.



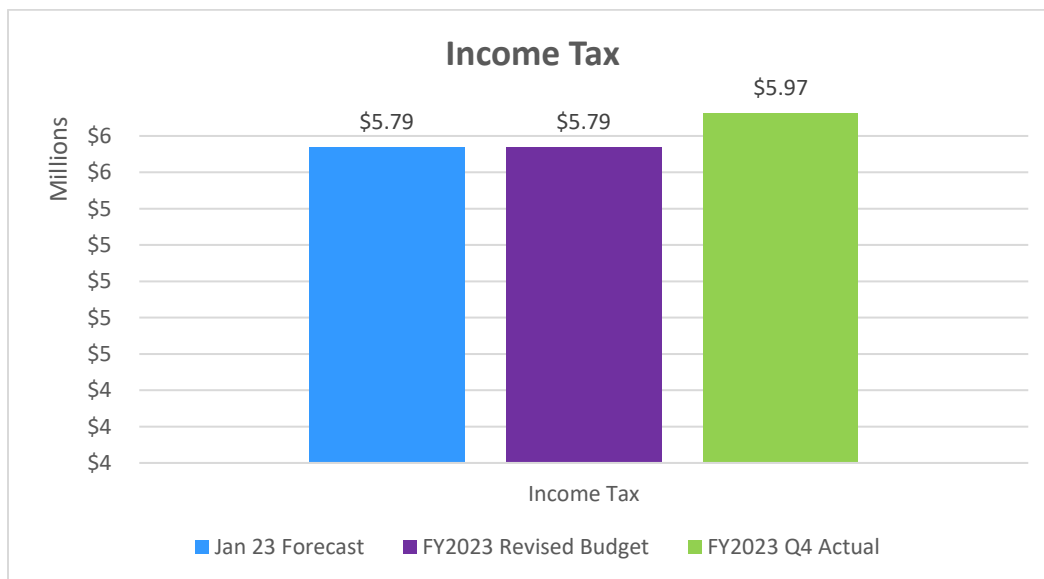
## GENERAL FUND REVENUES (CONT'D)

Because we have only one retailer and need to maintain confidentiality, cannabis tax is combined with Home Rule sales tax revenue, rather than being reflected in a separate line item.

Sales continue to trend upward and are impacted by inflationary pressures. Sales in the City of Urbana tend towards essentials such as groceries, basic household goods, and medications. Home Rule sales tax does not apply to auto sales and most grocery sales, as well as certain medications.

### Income Tax –

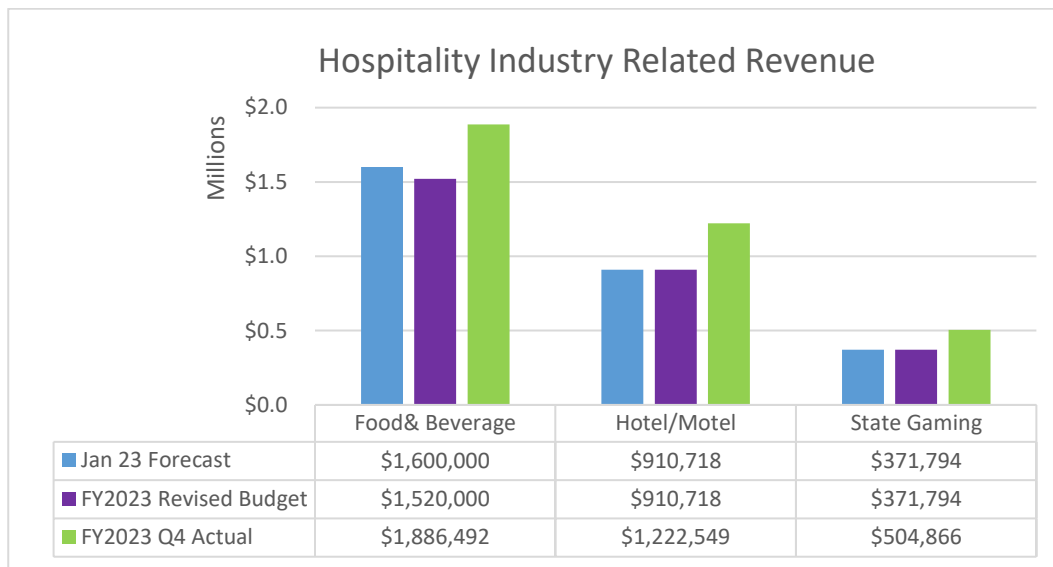
Income tax receipts as of the end of the fourth quarter are at 103% of the revised budget, which is performing better than anticipated.



## GENERAL FUND REVENUES (CONT'D)

### Food and Beverage Tax (F&B) -

Food and beverage taxes are running at 103% of revised budget, performing better than anticipated.



### Hotel/Motel Tax –

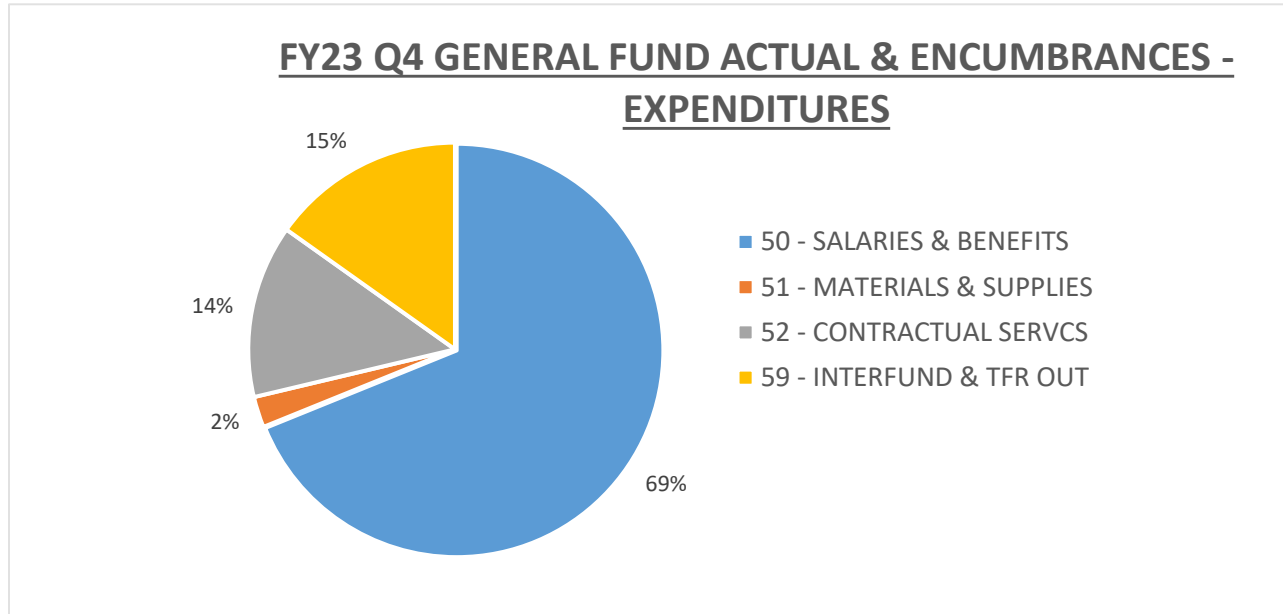
Hotel/motel taxes are also on an upward trend, running at 105% of revised budget at the end of the fourth quarter, ending the year higher than projection.

### State Gaming Tax -

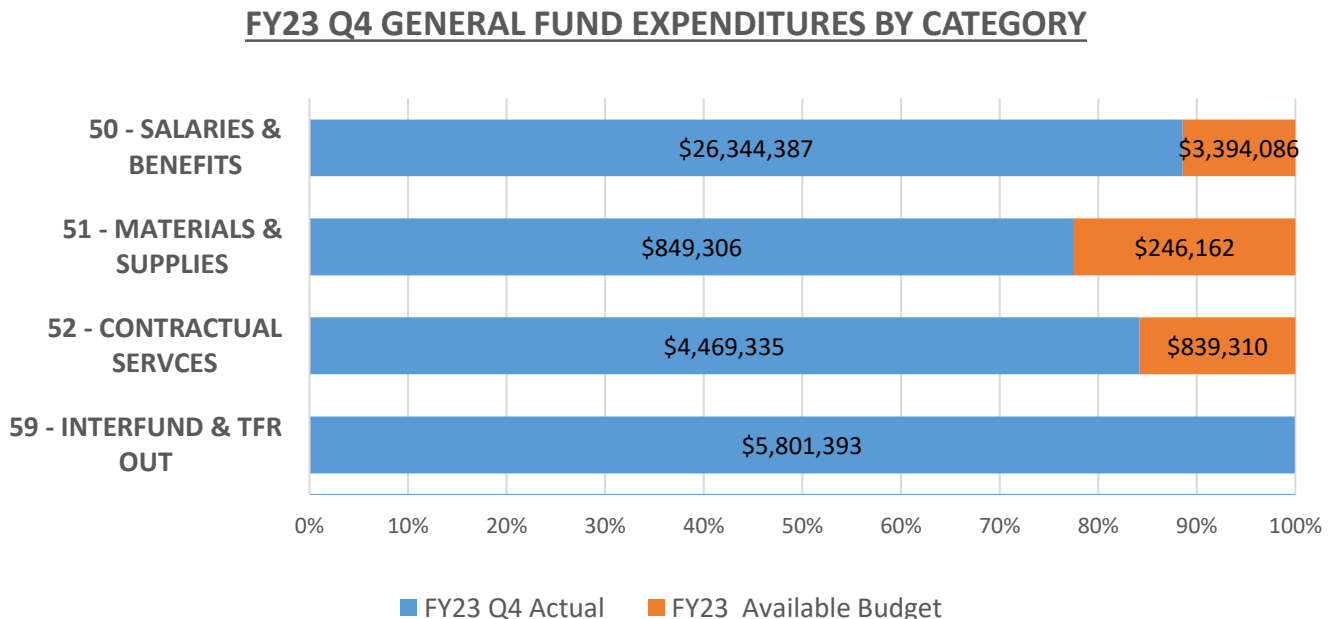
State Gaming tax is running at 101% of revised budget at the end of fourth quarter, slightly above projection.

## GENERAL FUND EXPENDITURES

On the expenditure side, the City spent or encumbered \$38.26 million or 89.53% of the total General Fund budget at the end of the fourth quarter. Salaries and benefits represented 69% of total expenditures in the General Fund for the fourth quarter.



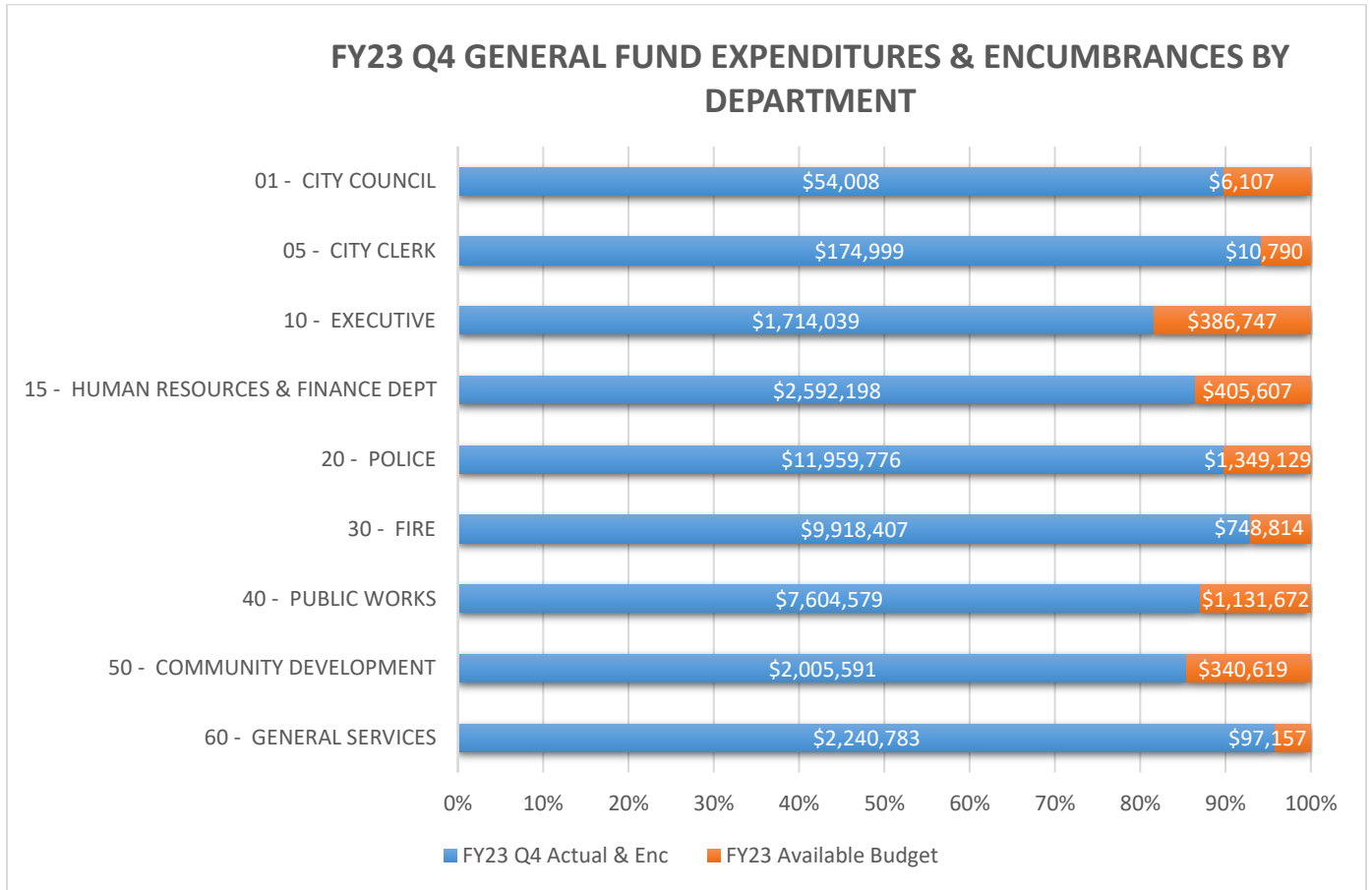
When purchase orders are issued, they encumber (reserve) funds. Approximately \$800K of expenses are encumbered through June 30, 2023. This includes encumbrances of \$714K in contractual services and \$82K in material and supplies.





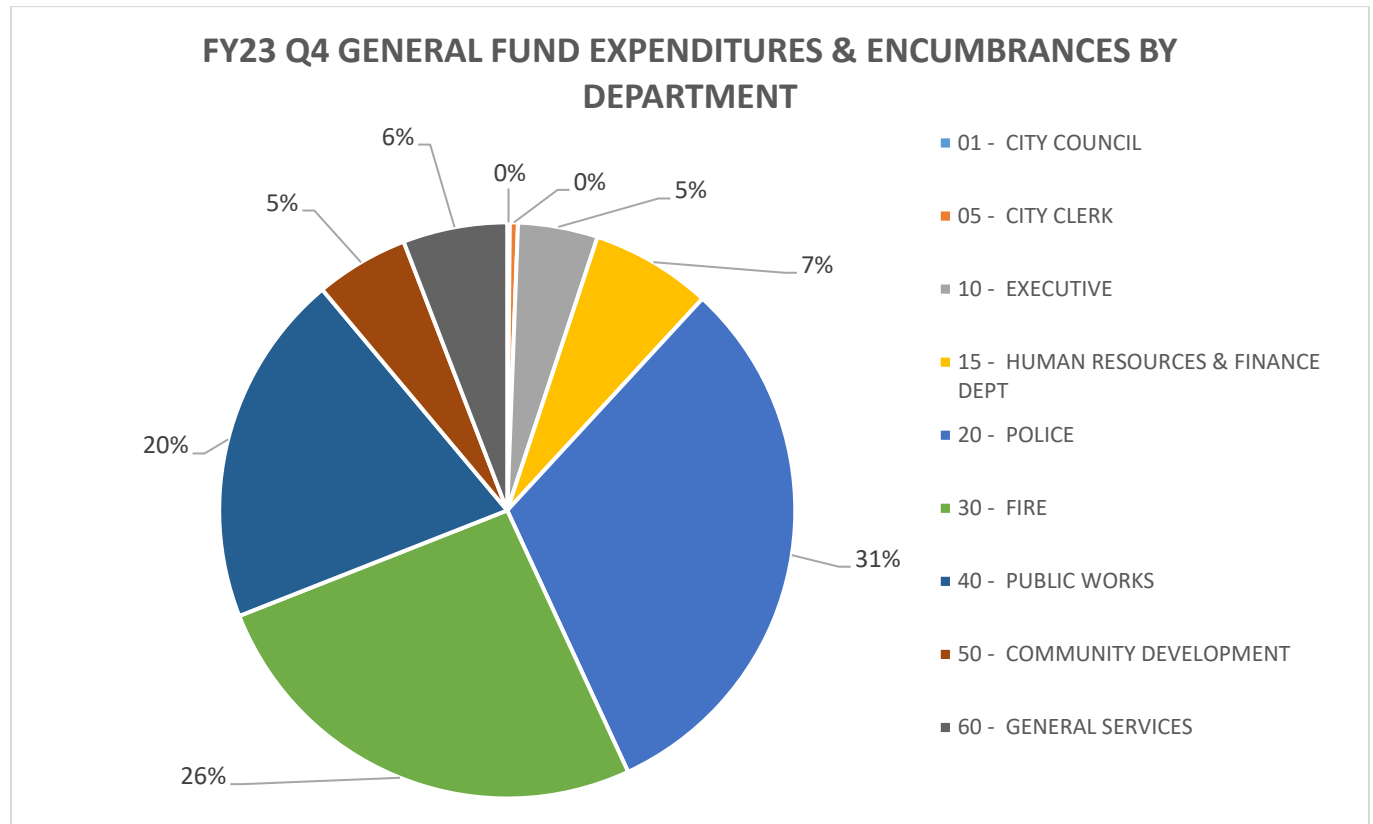
## GENERAL FUND EXPENDITURES (CONT'D)

On average, departments spent or obligated (encumbered) an average of 90% of their budgets at the end of the fourth quarter.



## GENERAL FUND EXPENDITURES (CONT'D)

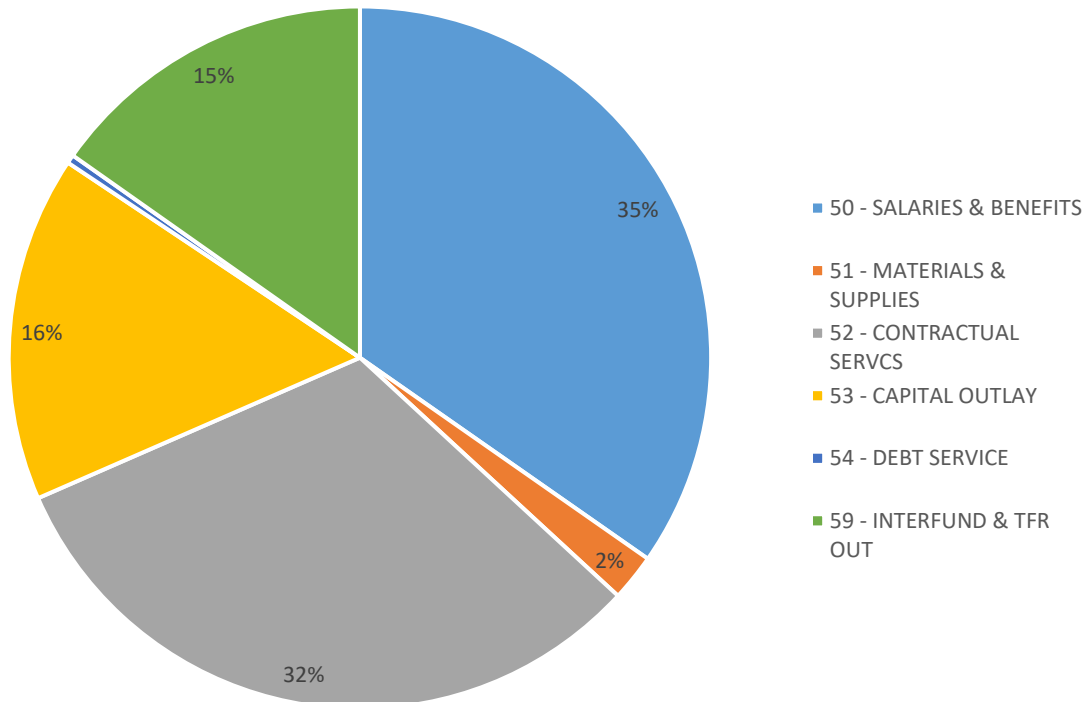
The breakdown by department of the \$38.3 million of general fund expenditures for the fourth quarter is shown below. The General Fund does not include capital improvement projects (which is shown in the Public Works Department on the All Funds chart on the following page) since they are in other funds, but which account for 16% of all funds expenditures.



## ALL CITY FUNDS EXPENDITURES

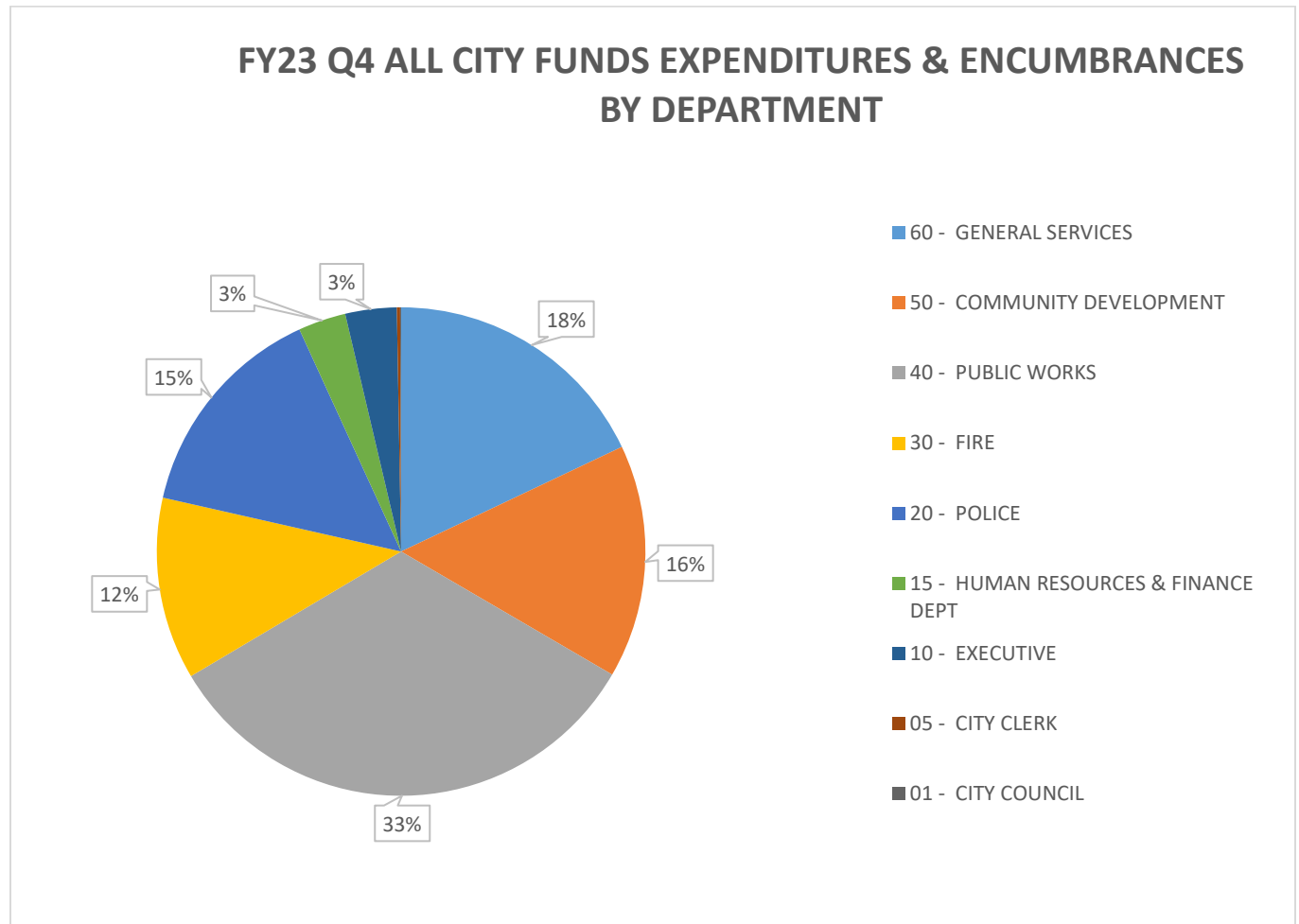
This chart below presents information for all City funds expenditures and encumbrances as of the fourth quarter of FY2023 of \$82.21 million. In contrast, the previous charts were for the General Fund only. Capital outlay for infrastructure, in-progress capital projects, and equipment is not included in the General Fund, but are included in all city funds in this chart below. Capital outlay is approximately 16% (\$13.09 million) of all funds expenditures and encumbrances at the end of fourth quarter.

**FY23 Q4 ALL CITY FUNDS EXPENDITURES & ENCUMBRANCES  
BY CATEGORY**



## ALL CITY FUNDS EXPENDITURES BY DEPARTMENT

The chart below presents information for all City funds expenditures by department. Through the end of the fourth quarter, Public Works accounts for 33% of all funds expenditures and encumbrances.



## MAJOR EXPENDITURES AND ENCUMBRANCES

The Executive department's major expenditures include hardware and software maintenance and legal services. Currently, the City does not have in-house legal services and the budget includes a shift from personnel expenditures to legal services.

Major expenses in Human Resources and Finance are related to compensation, technology services, and recruitment.

In Police, compensation, including overtime, is the primary. METCAD Agency Fees related to police dispatch services are the largest non-compensation-related expense.

Compensation-related expenses and transfers to vehicle and equipment capital funds are the largest expenses for the Fire department.

The largest expenses from Public works are Building and streets related. Compensation, maintenance of equipment, and transfers to Capital vehicle and equipment funds are other significant expenses in Public Works.

Compensation, grant management, and development incentives are the largest expenses for Community Development.

## OTHER FUNDS HIGHLIGHTS

Motor Fuel Tax Fund (203): This fund records the motor fuel taxes received from the State of Illinois. Motor Fuel Tax (MFT) is the tax based on consumption of motor fuel and these revenues reflect the City's per capita share of MFT.

Starting May 2020, the City began receiving the supplemental local Rebuild Illinois Bond funds. In FY23, the City received the sixth and final installment in the amount of \$453,000. This revenue is tracked in a separate revenue account called "State MFT-Rebuild IL Fund". They are grants made from bond proceeds that must be used for capital projects.

We will continue to assess the impact of the changes in MFT revenue sources as well as the impact of gas prices and the increased use of electric vehicles on future MFT revenue.

Arms Programming Fund (321): This fund received revenues from government agencies that used the area-wide police records management system managed by the City, and covered all associated costs. This fund will be closed in FY2023 because the replacement police records management system (RMS) implemented in FY2023 is managed by another agency.

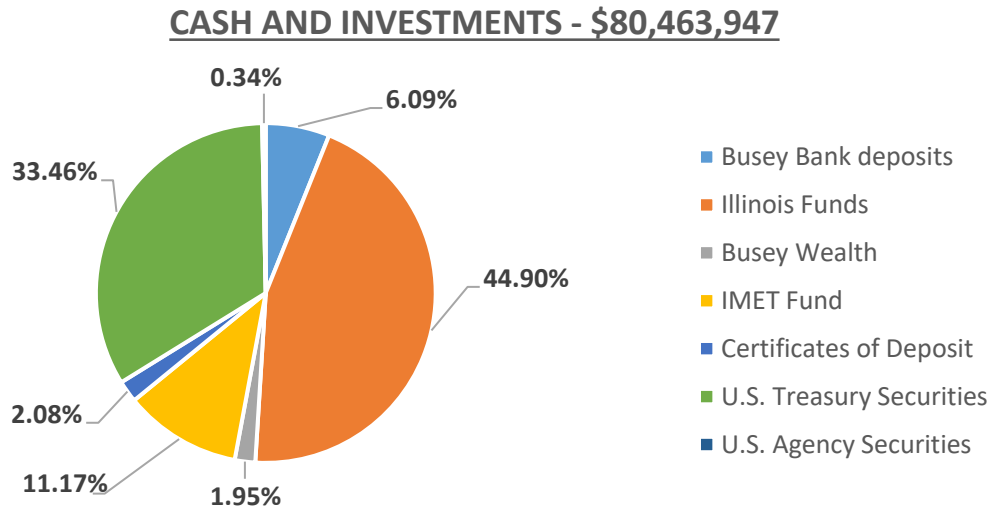
Community Development Grants Fund (331): This fund records activities of HOME, CDBG, and Emergency Solutions Grants. This fund will often show a deficit because funds must be expended before drawdowns can be completed.

Urbana Market (332): This fund includes activities related to the City's Market at the Square. \$50,000 of ARPA funds were allocated to the Urbana Market to replenish the fund balance after it was depleted due to the pandemic.

American Rescue Plan Fund (350): This fund holds revenues from the American Rescue Plan Act (ARPA). The City of Urbana has received approximately \$12.97 million from ARPA. The City approved a Resolution Adopting the City of Urbana American Rescue Plan Act (ARPA) Concept Plan project list. (See Resolution No. 2023-02-013R). A budget amendment was approved on April 10, 2023 to reflect the allocations in FY2023's budget. (See Ordinance No. 2023-04-007). The vast majority of funds are encumbered or spent, consistent with the Plan.

## ANALYSIS OF CASH AND INVESTMENTS

The City's investment policy requires that a quarterly investment report be submitted to the City Council. Attached (following information on financial activity) is the City's investment report as of June 30, 2023.



As of June 30, the City had \$1.67 million (2.08% of total portfolio value) in Certificates of Deposit (CD's) and each CD has \$250,000 FDIC insurance. The City also had \$4.90 million in bank deposits at Busey Bank. Since FDIC insurance is limited to \$250,000, Busey Bank pledged to the City Federal Home Loan Bank Letters of Credit in the amount of \$5 million as of June 30, 2023.

The City also had \$8.99 million with the Illinois Metropolitan Investment Fund (IMET). IMET is a non-profit investment fund developed to assist Illinois municipalities with investment of intermediate-term dollars. IMET remains one of the main sources of investments because funds invested in IMET not only are highly liquid but also have provided a relatively high return.

The City also had over \$36.13 million in Illinois Funds. Illinois Funds is a Local Government Investment Pool (LGIP) operated by the Illinois State Treasurer's Office. Illinois Funds lets government agencies use the Illinois State Treasurer's resources to invest their funds safely while enjoying the economies of scale available from a \$4 - 6 billion pooled fund investment portfolio.

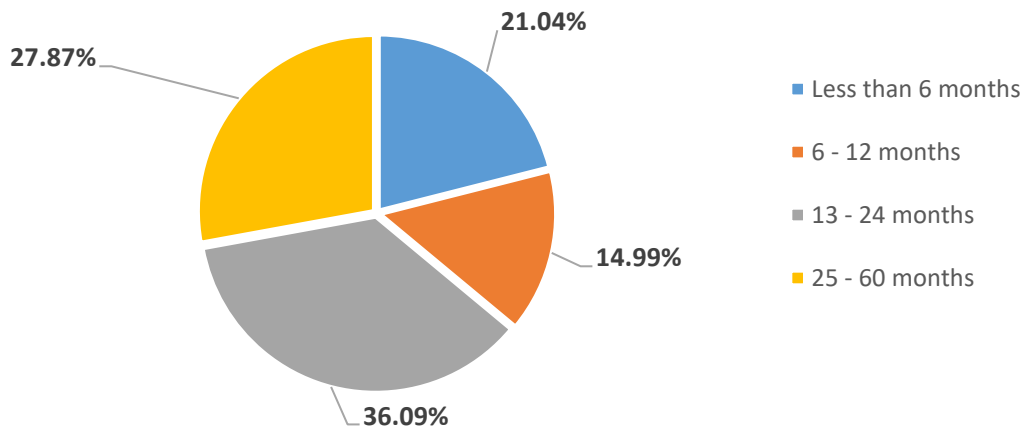
As of June 2023, the City had \$1.57 million in a money market account with Busey Wealth Management.

With over \$51.58 million in cash and cash equivalents, staff believes appropriate liquidity is being maintained to meet ongoing obligations. Cash will decrease as ARPA funds are spent down.

## ANALYSIS OF CASH AND INVESTMENTS (CONT'D)

The City also uses investments with varying maturities to reduce investment risks. The following chart presents this portfolio structure of \$28.88 million with regard to maturities based on the beginning date of June 30, 2023. These investments mainly include US Treasury and Agency securities which are held through Busey Wealth Management (\$27.2 million) and certificates of deposit (\$1.68 million).

### MATURITY FROM 6/30/2023



As can be seen from the chart, 21.04% of the overall portfolio will be available within six months and 14.99% of the portfolio will be available between six months and one year. The weighted average maturity of the portfolio is 0.51 years.