

BUILDING ON THE MOMENTUM

2020

Popular Annual Financial Report



Fiscal Year Ending
December 31, 2020

INTRODUCTION FROM THE CITY MANAGER

Dear Residents:

As City Officials, we strongly believe that maintaining good communication with our residents is vital in order to have a successful and responsive government. We are pleased to present the 2020 Popular Annual Financial Report (PAFR) for the ninth consecutive year.

The PAFR is a summary of the financial activities of the City and is drawn from information found in the 2020 Comprehensive Annual Financial Report. Please note that the Comprehensive Annual Financial Report discloses detailed information regarding the government-wide, fund level and audited basic financial statements with notes as well as mandatory reporting and other required supplementary information. The Des Plaines Library is a component unit of the City and is included in the Comprehensive Annual Financial Report; however, the Library will not be discussed in this report since it is governed by a separate board.

It is important to note that the information contained in this report is unaudited and presented in accordance with Generally Accepted Accounting Principles. Therefore, it is not intended to replace the fully detailed financial statements and note disclosures contained in the Comprehensive Annual Financial Report.

We thank you for taking an active role in your City and community. We hope the information in this report will provide you with an easy to understand overview of the City's economic and financial outlook.

Sincerely,



Michael G. Bartholomew
City Manager



Dorothy Wisniewski
Assistant City Manager / Director of Finance



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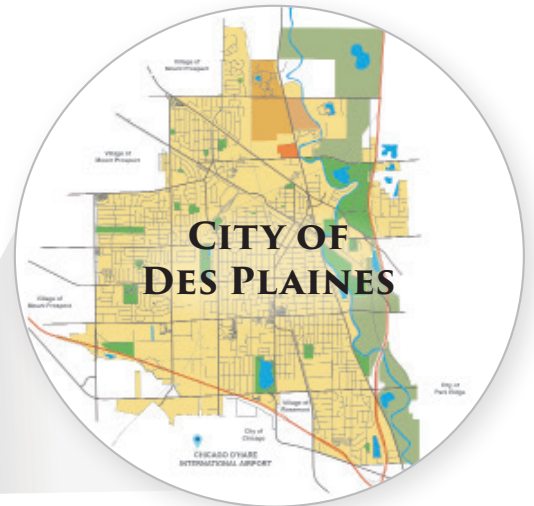
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COMMUNITY AT A GLANCE

The City of Des Plaines is located approximately 17 miles northwest of downtown Chicago, near O'Hare International Airport. It is a vibrant, diverse collection of residential, commercial, and industrial land uses, encompassing roughly 15 square miles of land area. The City of Des Plaines was incorporated in 1857 and operates under the statutory Council-Manager form of government.

The City Manager serves as the City's Chief Administrative Officer and is responsible to the Mayor and City Council for the efficient management and operation of all of the affairs of the City and its departments. City staff members are committed to exceptional service delivery and maintaining a fiscally responsible approach to City finances.

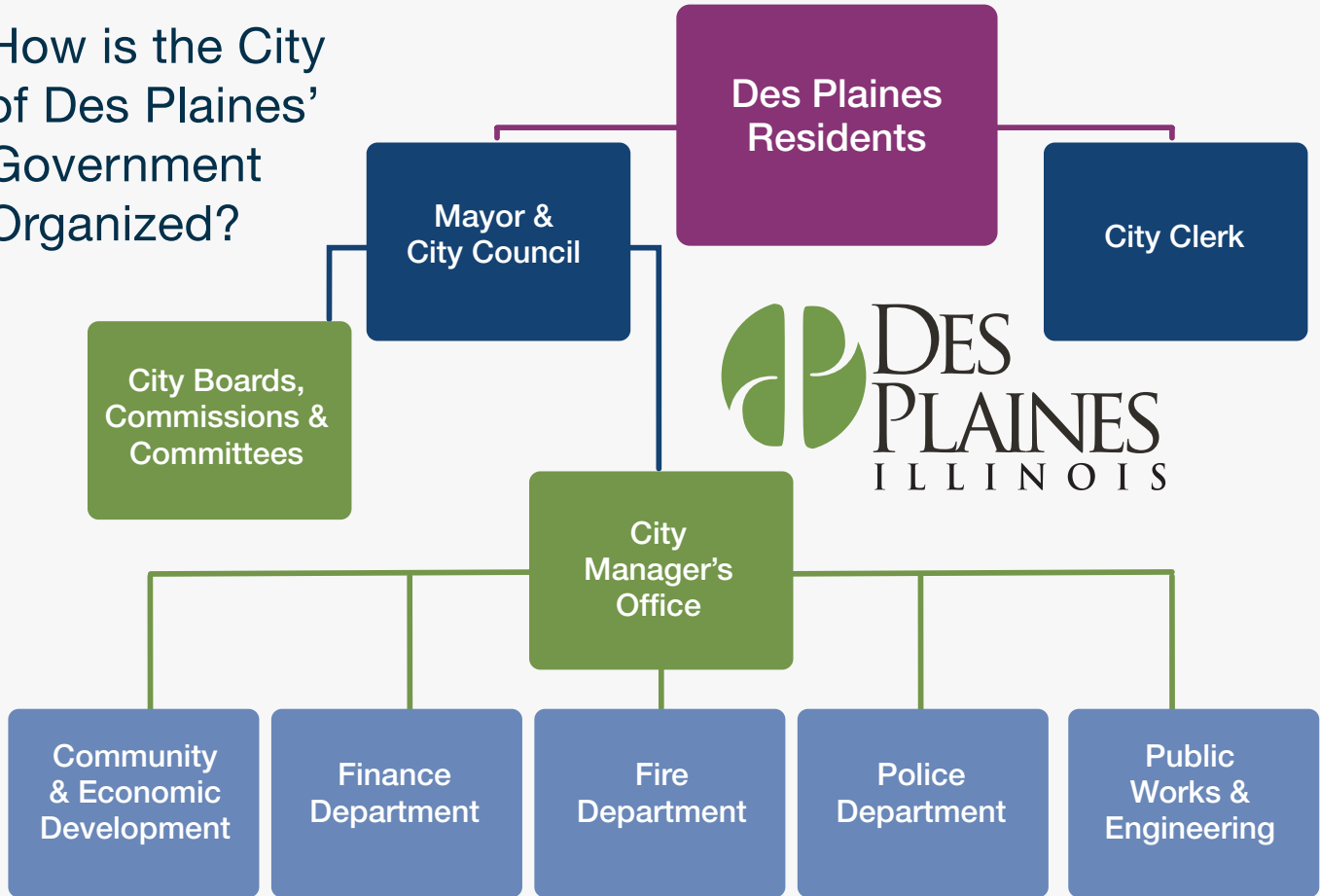


COMMUNITY SNAPSHOT

- Incorporated:** 1857
- Government Type:** Council-Manager
- Population:** 58,364
- Area:** 14.334 square miles
- Number of Households:** 22,327
- Full-Time City Employees:** 364
- Median Household Income:** \$69,760
- Median Home Value:** \$256,700
- Household Size:** 2.53
- Median Age:** 43.3
- Sales Tax Rate:** 10.0%

ABOUT THE ORGANIZATION

How is the City of Des Plaines' Government Organized?



Andrew Goczkowski
Mayor



Jessica M. Mastalski
City Clerk

OUR ELECTED OFFICIALS



Mark A. Lysakowski
Alderman - Ward 1



Colt Moylan
Alderman - Ward 2



Sean Oskerka
Alderman - Ward 3



Artur Zadrozny
Alderman - Ward 4



Carla Brookman
Alderman - Ward 5



Malcolm Chester
Alderman - Ward 6



Patsy Smith
Alderman - Ward 7



Shamoan Ebrahimi
Alderman - Ward 8

What We've Been Up to in 2020

Des Plaines was busy with introducing new projects and advancing the local economy through new initiatives. Some of the projects and initiatives included:

- Bayview-Compasspoint LLC began construction on the 212-unit, Ellinwood Apartments with 10,000 square feet of commercial/restaurant space in downtown Des Plaines. The construction value of this project is \$45,000,000.
- The Monarch Apartments completed construction of 236-unit luxury apartments with a number of on-site amenities located at the corner of East River Road and Golf Road.
- The City approved and paid-out \$144,932 in Business Assistance Grants to three businesses, including \$100,000 to the owners of a new 16,000 square foot Ace Hardware located at 1175 Lee Street. In turn, these grants leveraged \$1,121,539 in capital building improvements.
- Another outstanding year for construction and business investment – In 2020, the City of Des Plaines issued construction permits valued at \$139,578,227. This activity reflects a high level of confidence in the City's economy.
- Building permits remained steady in 2020 with 2,750 permits issued compared to 2,831 issued in 2019.
- The City Council approved three Property Tax Abatement Incentives for 1,113,027 square feet of new and redeveloped industrial space with a proposed construction value of \$26,434,000.

STATEMENT OF NET POSITION

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?"

The Statement of Net Position reports information about the City as a whole in a way that helps answer this question. The focus of the Statement of Net Position is designed to be similar to bottom line results for the City and its governmental and business-type activities.

STATEMENT OF NET POSITION

(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current & Other Assets	\$ 139.2	\$ 150.3	\$ 11.3	\$ 6.3	\$ 150.5	\$ 156.6
Capital Assets	256.1	246.0	47.1	47.6	303.2	293.6
Total Assets	395.3	396.3	58.4	53.9	453.7	450.2
DEFERRED OUTFLOW OF RESOURCES	28.3	23.4	0.7	0.5	29.0	23.9
LIABILITIES						
Current Liabilities	15.8	27.5	1.4	1.7	17.2	29.2
Noncurrent Liabilities	212.6	209.8	2.0	2.0	214.6	211.8
Total Liabilities	228.4	237.3	3.4	3.7	231.8	241.0
DEFERRED INFLOWS OF RESOURCES	54.7	41.5	2.3	1.2	57.0	42.7
NET POSITION						
Net Investment in Capital Assets	240.7	227.3	46.8	47.6	287.5	274.9
Restricted	7.3	8.9	-	-	7.3	8.9
Unrestricted	(107.5)	(95.3)	6.6	1.9	(100.9)	(93.4)
Total Net Position	\$ 140.5	\$ 140.9	\$ 53.4	\$ 49.5	\$ 193.9	\$ 190.4

* Due to rounding, some figures will have slight variances from the Comprehensive Annual Financial Report.

NET POSITION OVERVIEW

The statement distinguishes governmental activities (general government, public safety, public works, streets and highways, and economic development) from business-type activities (water & sewer, parking). Total assets for the City as of December 31, 2020, were \$453.7 million, an increase of \$3.5 million or 0.8 percent. Total liabilities as of December 31, 2020, were \$231.8 million, a decrease of \$9.2 million or 3.8 percent.

Net position was \$193.9 million in fiscal 2020, an increase of \$3.5 million. Of the City's net position, \$287.5 million was net investment in capital assets, while \$7.3 million was restricted by the City or other legal requirements and was not available to finance day-to-day operations of the City. Unrestricted net position decreased by \$7.5 million or approximately 8.0 percent to negative \$100.9 million.



GENERAL FUND OVERVIEW

The General Fund is the City's primary operating fund and is the foundation for all governmental activities.

The vast majority of revenue for the General Fund is comprised of various types of taxes, the largest source being property taxes.

Sales, income, and other intergovernmental taxes are distributed by the State of Illinois on the basis of population.

The functional expenditures of the General Fund include the operational costs of the following departments/divisions:

- **General Government** – City Administration, Finance, Legal, and other departments.
- **Public Safety** – Police and Fire departments.
- **Public Works** – Facilities and Grounds, Water and Sewer Systems, Vehicle Maintenance, and other divisions.
- **Streets and Highways** – Engineering, Street Maintenance, and other divisions.
- **Economic Development** – Community Development, Building and Code Enforcement, Planning and Zoning, and other departments.

WHAT IS A FUND?

An accounting entity with a set of self-balancing accounts that is used to account for financial transactions for specific activities or government functions.

The City of Des Plaines seeks to maintain a minimum General Fund balance equal to at least 25% of the total General Fund expenditures.

GENERAL FUND REVENUES & EXPENDITURES

While the City has diversified revenue sources, property, sales and income taxes account for over 67% of General Fund revenues.

	2020	2019
Property Tax	\$ 24,126,474	\$ 24,339,659
Municipal Sales Tax	11,634,916	13,288,254
HR Sales Tax	3,309,015	1,673,611
Income Tax	6,531,025	6,229,784
Total	45,601,430	45,531,308
Total Revenues	\$ 68,015,738	\$ 71,570,890

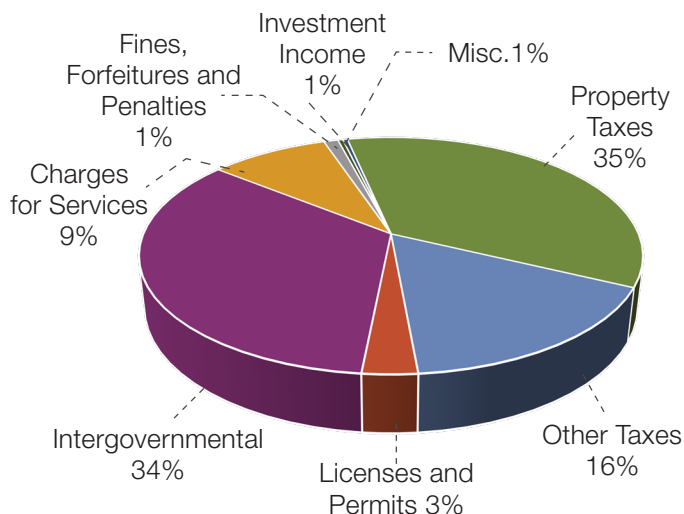


2020 Statement of Revenues, Expenditures, and Changes in Fund Balance (in millions)

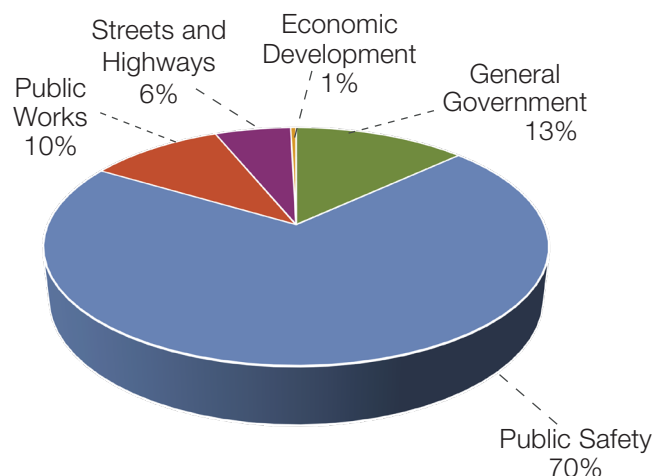
	2020	2019	2018
REVENUES			
Property Taxes	\$ 24.1	\$ 24.3	\$ 22.5
Other Taxes	11.2	12.2	12.2
Licenses and Permits	2.0	3.9	3.7
Intergovernmental	23.3	23.4	22.9
Charges for Service	6.2	5.6	5.4
Fines, Forfeitures and Penalties	0.7	1.1	1.2
Investment Income	0.3	0.8	0.4
Miscellaneous	0.2	0.3	1.0
TOTAL REVENUES	68.0	71.6	69.3
EXPENDITURES			
General Government	8.5	8.9	8.8
Public Safety	45.6	45.1	44.3
Public Works	6.6	7.0	7.1
Streets and Highways	3.8	4.3	4.0
Economic Development	0.3	0.4	0.3
TOTAL EXPENDITURES	64.8	65.7	64.5
EXCESS OF REVENUES OVER EXPENDITURES	3.2	5.9	4.8
Transfers In	0.4	0.2	0.2
Transfers Out	(1.9)	(2.8)	(2.0)
Net Change in Fund Balance	1.7	3.3	3.0
Fund Balance, January 1	59.5	56.2	53.2
Fund Balance, December 31	\$ 61.2	\$ 59.5	\$ 56.2

Due to rounding, there will be slight variances from the Comprehensive Annual Financial Report.

2020 REVENUES



2020 EXPENDITURES



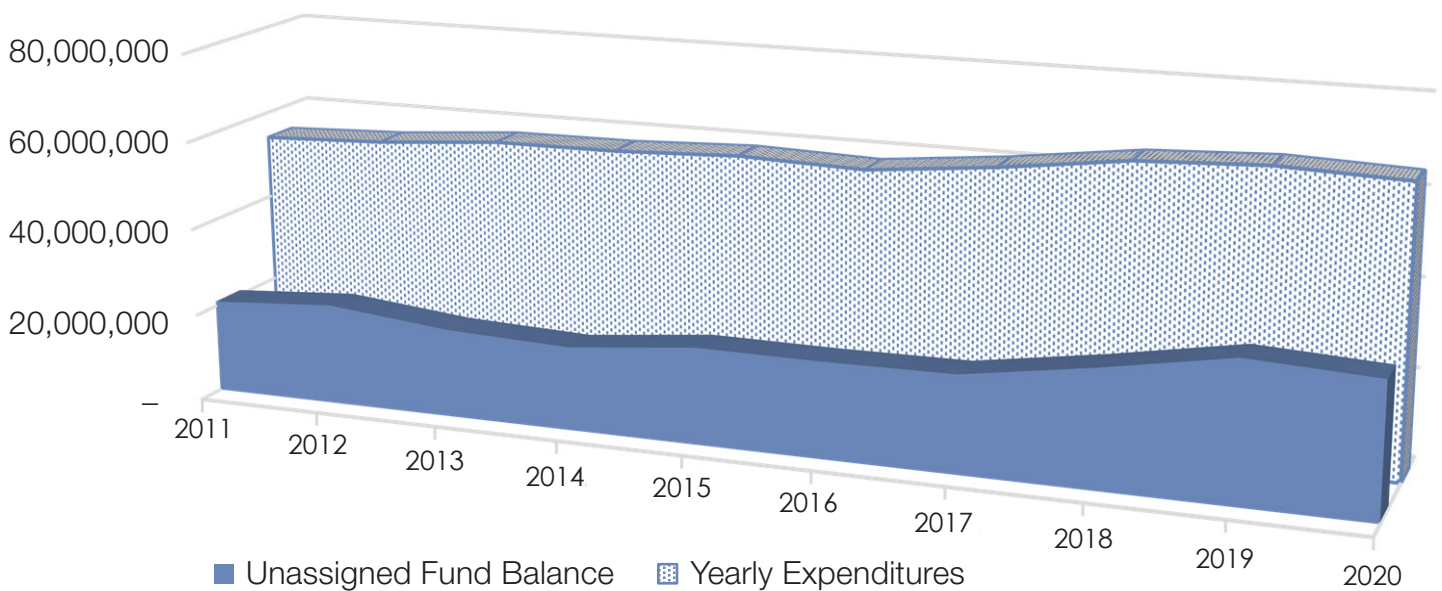
GENERAL FUND REVENUES & EXPENDITURES

General Fund Balance Trend 2011-2020

The fund balance for the General Fund as of December 31, 2020 was \$61.3 million, an increase of \$1.8 million from fiscal 2019, as a result of a conservative approach related to expenditures and anticipation of lower tax revenues as a result of the COVID-19 pandemic. The non-spendable fund balance was \$28.9 million and the assigned fund balance was \$2.0 million, resulting in the unassigned fund balance of \$30.4 million. The unassigned balance of the General Fund can be used to cover the day-to-day service delivery and was at 47.0 percent of the 2020 General Fund expenditures.

Year	Unassigned Fund Balance	Yearly Expenditures	% of Expenditures
2011	21,080,549	54,109,000	39.0%
2012	22,966,242	55,182,000	41.6%
2013	20,107,209	57,347,965	35.1%
2014	19,047,354	57,553,839	33.1%
2015	21,989,485	58,685,806	37.5%
2016	21,833,793	57,871,619	37.7%
2017	22,135,880	60,731,332	36.4%
2018	26,643,211	64,482,430	41.3%
2019	31,828,170	65,746,799	48.4%
2020	30,409,850	64,756,085	47.0%

General Fund Balance vs. Expenditures



In 2020, the City exceeded the minimum General Fund balance requirement of 25% of total General Fund expenditures.

WATER & SEWER

FUND OVERVIEW

The Water & Sewer Enterprise Fund

An enterprise fund is a self-supporting government fund that sells goods and services to the public for a fee and should be supported by user fees rather than taxes or other outside sources.

The City's most substantial enterprise fund is the Water & Sewer Fund. This fund accounts for the revenues and expenses associated with the transmission, treatment, storage, and sale of water to residential, commercial, and industrial customers within the City. In addition, this fund is also responsible for the maintenance of the City's sanitary sewer mains and connections.

The Water & Sewer Fund's net position as of December 31, 2020, totaled \$44.8 million, an increase of \$4.4 million from the prior year.

Providing Water to Our Customers

Des Plaines is a wholesale purchaser of water from the City of Chicago and the Northwest Water Commission. Currently, the City provides water and sewer services to over 16,000 customers. The average daily water consumption in the City of Des Plaines is over seven (7) million gallons.

2020 Excess Revenues Over Expenses (in millions)

Operating Revenues

2018	2019	2020
15.1	15.3	17.4

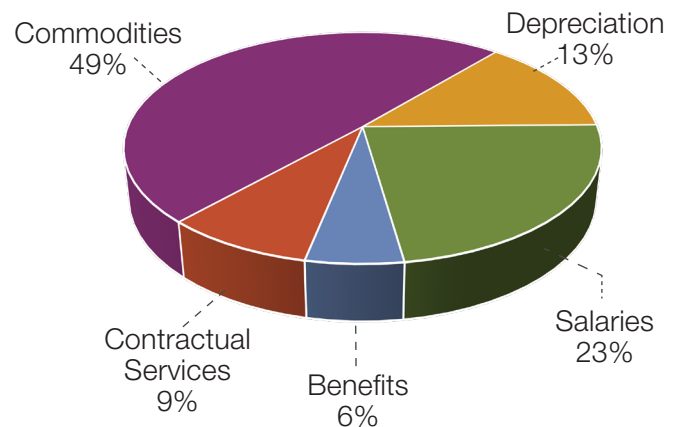
Operating Expenses

2018	2019	2020
13.8	14.4	13.3

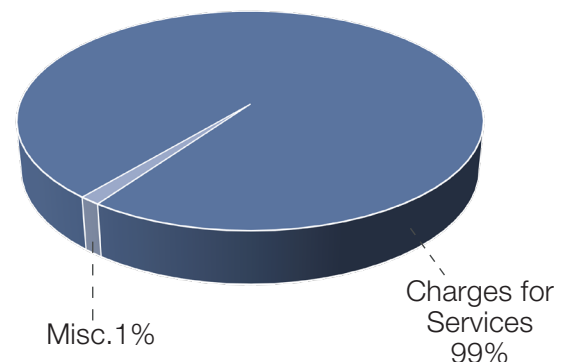
Operating Income (Loss)

2018	2019	2020
1.3	0.9	4.1

2020 OPERATING EXPENSES



2020 OPERATING REVENUES



GAMING TAX FUND OVERVIEW

About Gaming Taxes

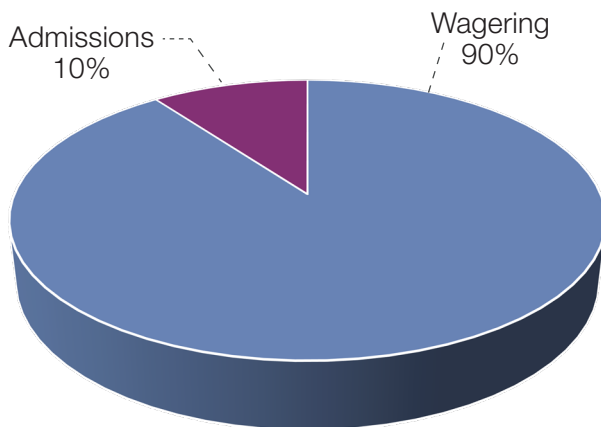
In July 2011, Rivers Casino opened in Des Plaines, elevating the City's financial position. Revenues from Gaming Taxes are allocated to a special revenue fund. As a special revenue fund, this money is limited to specific uses. The city gaming tax policy restricts use of funds primarily for infrastructure improvements and debt repayment. The 2020 gaming tax revenue allocation will be approved during the 2022 Budget process.

The City receives two types of Gaming Taxes related to the casino:

- **Admissions Tax** - \$1.00 tax for every person entering the casino
- **Wagering Tax** - 5.00% tax from all wagering activities within the casino

Gaming tax revenues significantly declined in 2020 as a result of stay-at-home orders and business closure policies imposed by the State in response to the COVID-19 pandemic.

Gaming Tax



Benefiting Communities

Historically, the State of Illinois has received \$10 million every year from the City's gaming tax proceeds, while 40% of any revenues over \$10 million have been shared amongst 10 benefiting communities. This left 60% of all revenues over \$10 million to be utilized by the City. However, due to the COVID-19 pandemic, the casino was only open for 216 out of the 365 days during the 2020 calendar year. As such, the gaming tax payouts for this fiscal year were prorated based on this percentage.

State of Illinois	\$ 5,917,808
City of Chicago Heights	773,557
City of Harvey	645,959
Village of Riverdale	346,179
City of Markham	319,582
Village of Summit	282,432
Village of Robbins	136,362
Village of Dixmoor	93,104
Village of Ford Heights	70,596
Village of Phoenix	50,180
Village of Hodgkins	48,468
Total Shared Revenues	\$ 8,684,226

The revenue received from Rivers Casino not only benefits the City of Des Plaines, but a host of other Chicagoland communities as well.

After these contractual obligations were fulfilled, the City's portion of the gaming tax revenue was approximately \$4.1 million.

2020 Excess Revenues Over Expenses (in millions)

Revenues

2018	2019	2020
25.6	26.2	13.2

Expenditures

2018	2019	2020
16.0	16.2	8.7

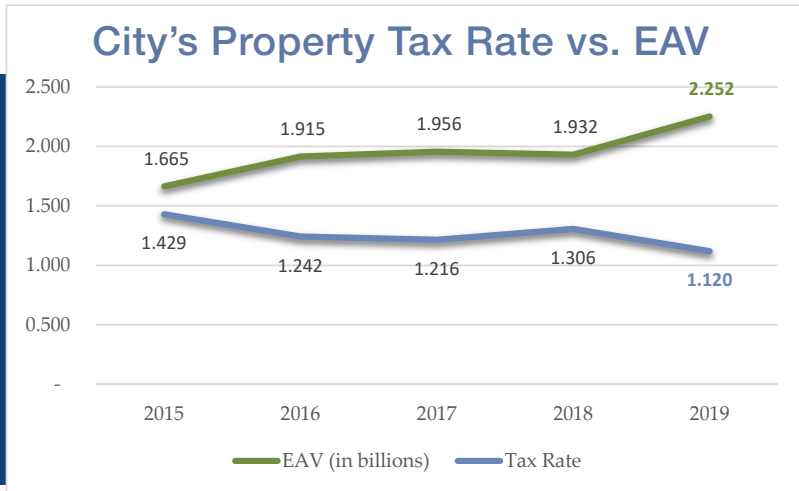
Excess Revenues Over Expenditures

2018	2019	2020
9.6	10.0	4.5

PROPERTY TAXES

The City's primary source of revenue is property taxes. This tax is used to support day-to-day operations, fund public safety pensions, and repay previously committed debts.

The City's tax rate has an inverse relationship with the City's total EAV. In other words, when EAVs decline, the effect is usually an increase to the tax rate.



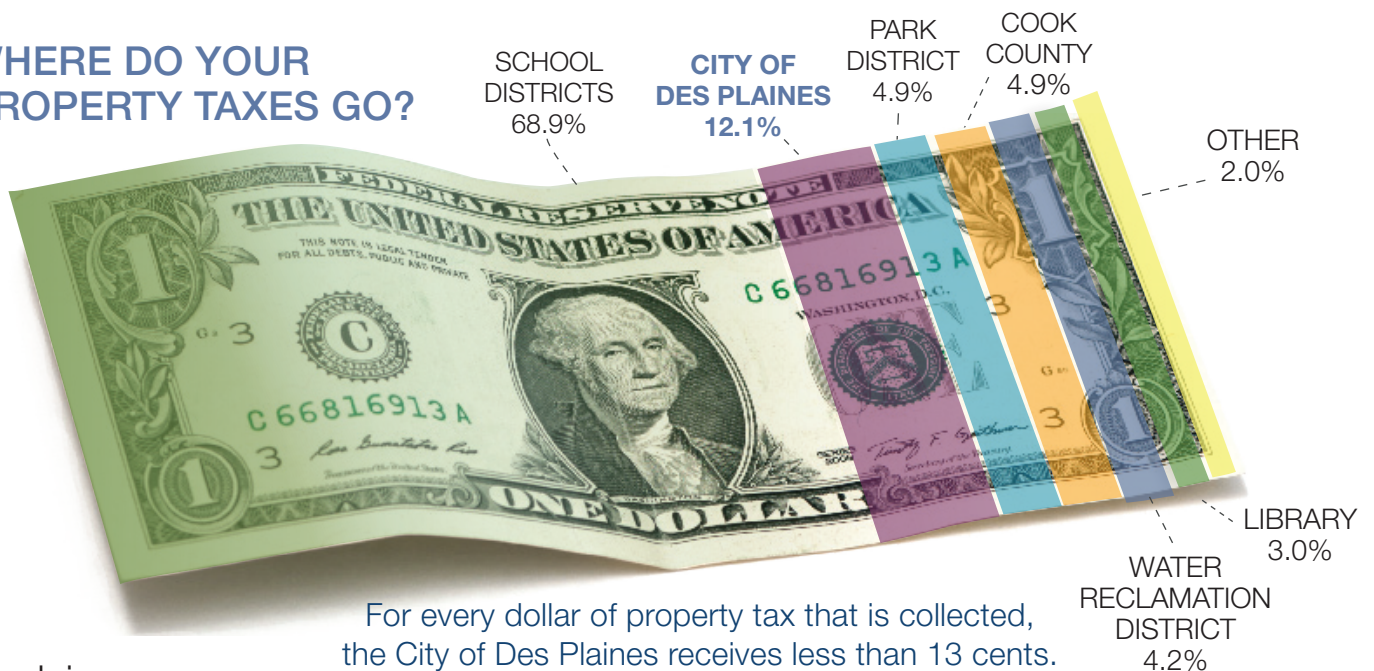
TAX LEVY ALLOCATION

The 2019 Tax Levy amount remained the same as the prior year. In order to maintain sufficient funding for the police and fire pensions without increasing the total levy amount, a portion of the tax levy allocation had to be diverted from general purposes.

Distribution	2015	2016	2017	2018	*2019
General	\$13,576,870	\$12,830,100	\$12,333,150	\$12,663,150	\$12,578,150
Fire Pension	4,400,000	4,900,000	5,200,000	5,732,000	5,796,000
Police Pension	5,000,000	5,250,000	5,550,000	6,094,000	6,115,000
Debt Service	106,280	103,050	-	-	-
Total Tax Levy	\$23,083,150	\$23,083,150	\$23,083,150	\$24,489,150	\$24,489,150

* 2019 Tax Levy was collected during the 2020 fiscal year.

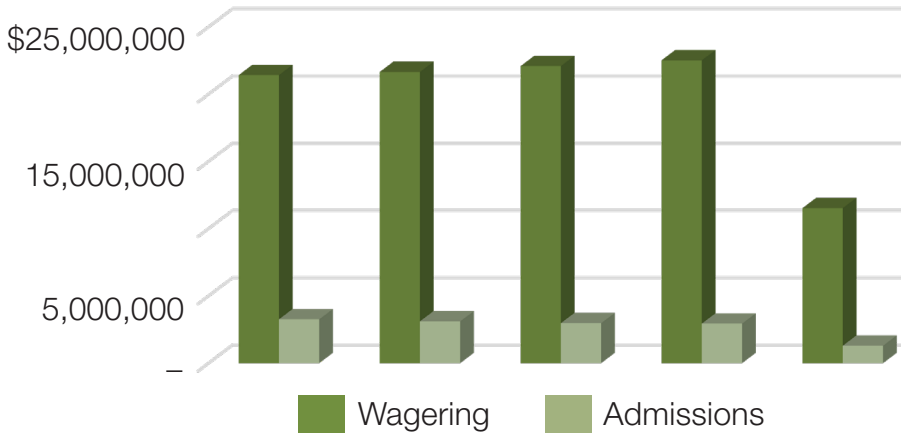
WHERE DO YOUR PROPERTY TAXES GO?



CITYWIDE REVENUE TRENDS

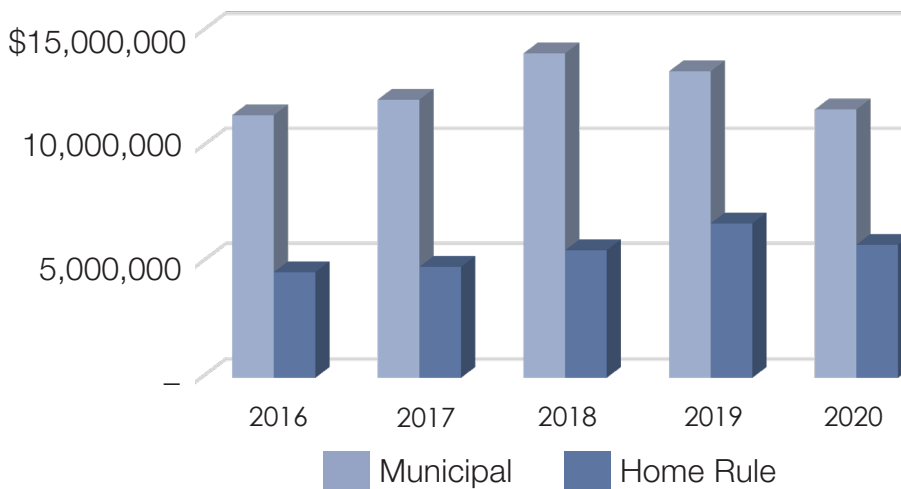
The most significant sources of revenue for the City outside of property taxes are gaming, sales and income taxes.

GAMING REVENUE TRENDS



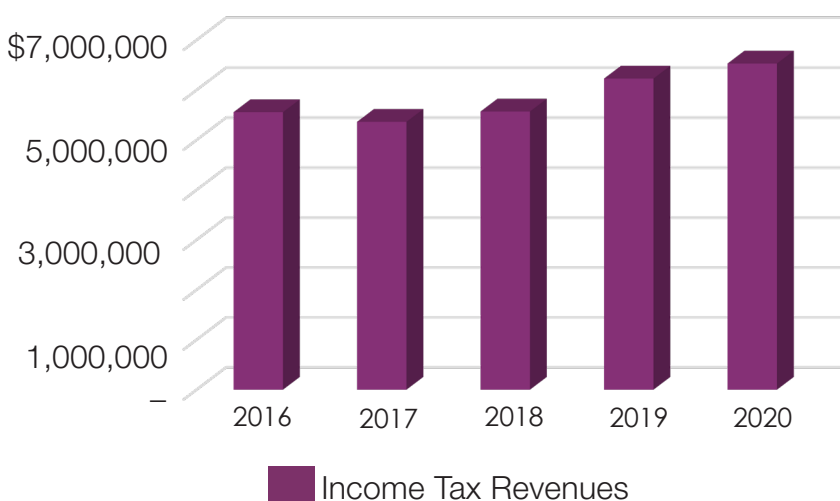
Gaming tax revenues significantly declined in 2020 as a result of stay-at-home orders and business closure policies imposed by the State in response to the COVID-19 pandemic.

SALES TAX REVENUE TRENDS



Revenues from both home rule and municipal sales tax saw steady increases up until the COVID-19 pandemic, which resulted in closures or capacity limits at many of the City's tax generating businesses.

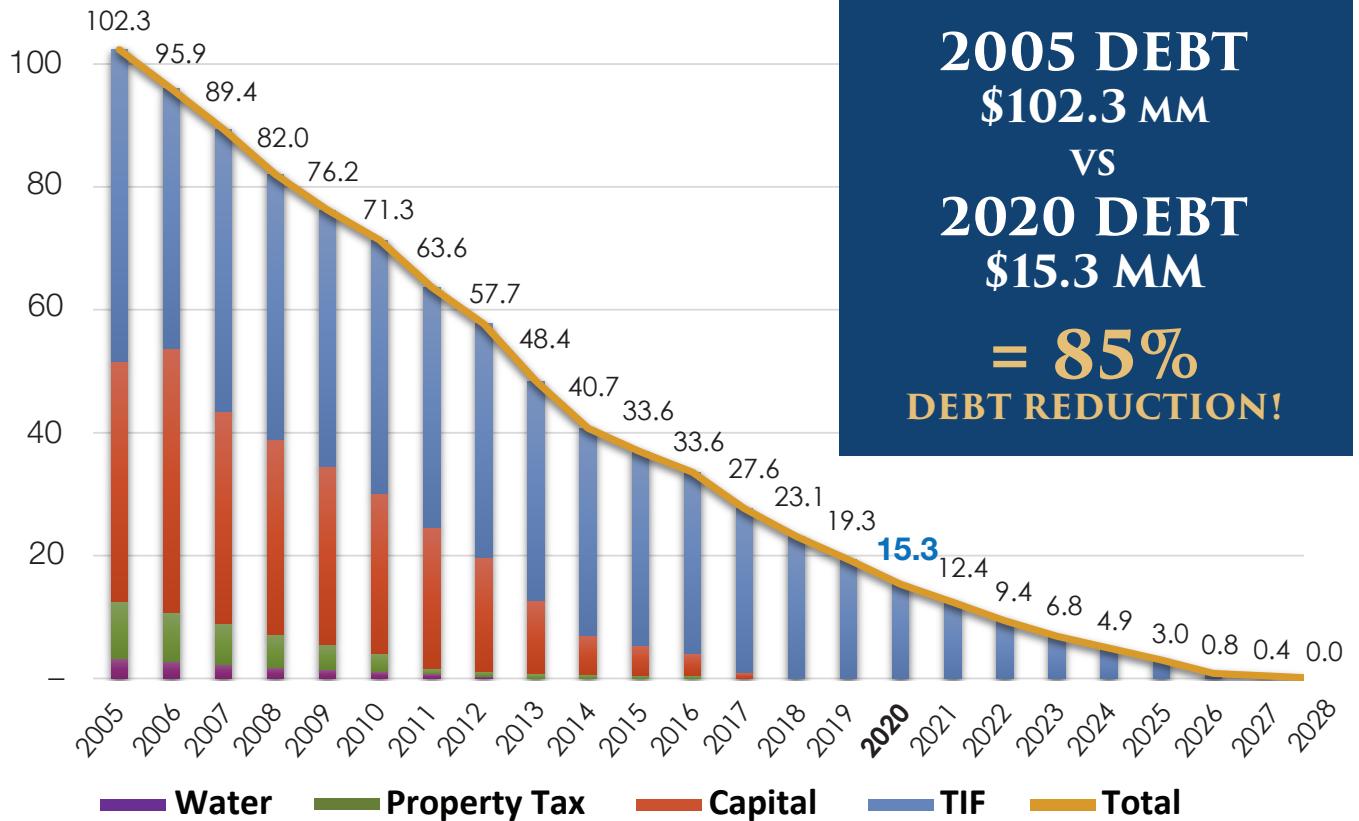
INCOME TAX REVENUE TRENDS



While income tax revenues have slightly fluctuated throughout the years, this tax is still a highly consistent source of revenue for the City, contributing an average of over \$5.8 million per year.

DEBT STATUS

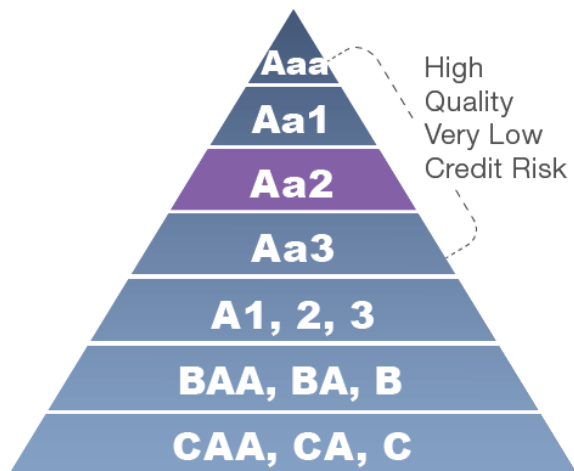
Debt Service Payoff (in millions)



2005 DEBT
\$102.3 MM
VS
2020 DEBT
\$15.3 MM
= 85%
DEBT REDUCTION!

All general obligation notes and bonds payable are backed by the full faith and credit of the City. The City had \$15.3 million in principal outstanding general obligation debt at the end of 2020. The majority of the City’s debt burden is supported by Tax Increment Financing (TIF) revenues, sales and utility taxes, sewer fees and other fees. The City does not have any property tax supported debt.

All current debt will be retired by the end of 2028.



Moody’s Investors Services Ratings

Moody’s Investors Service has assigned an Aa2 rating to the City’s outstanding municipal bond issues. The City has taken advantage of this rating to refinance its outstanding debt for better interest rates and pay off debt early to save on future interest costs.

ABOUT THE PAFR

The Popular Annual Financial Report (PAFR) is intended to provide selected information on the City's financial condition in a summarized, easily understandable format.

This PAFR is based on the Comprehensive Annual Financial Report which is a more detailed report containing annually audited financial information pertaining to the City.

The information contained within this report will highlight only the most significant funds of the City of Des Plaines. For a more in depth look at the City's current financial position, please see the Comprehensive Annual Financial Report at www.desplaines.org.

Online Financial Documents

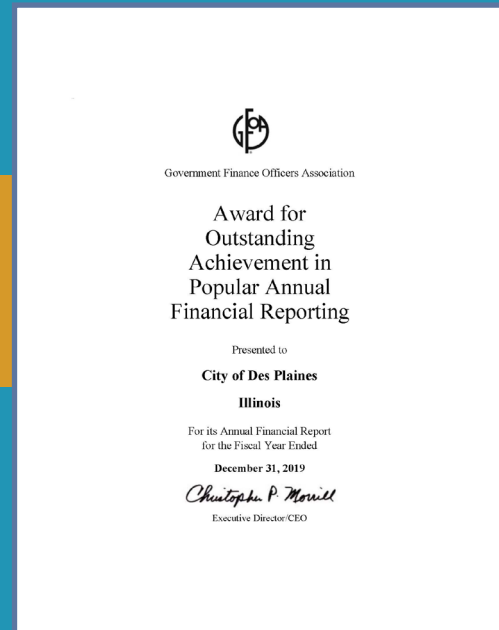
For more detailed financial information about the City of Des Plaines, please visit www.desplaines.org to view electronic versions of the following financial reports:

- Annual Budget
- Annual Treasurer's Report
- Popular Annual Financial Report (PAFR)
- Comprehensive Annual Financial Report



Award for Outstanding Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Des Plaines for its Popular Annual Financial Report for the fiscal year ended December 31, 2019.



In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, which conforms to the program's standards of creativity, presentation understandability and reader appeal.

The City of Des Plaines has received a Popular Award for the past eight consecutive years. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements.

KEY TERMS

Deferred Inflow of Resources - An acquisition of net assets by the government that is applicable to a future reporting period. For example, advance collections (revenues collected before a service was rendered).

Deferred Outflow of Resources - A consumption of net assets by the government that is applicable to a future reporting period. For example, prepaid items (expenses paid before a service was rendered).

Equalized Assessed Value (EAV) - The product of the assessed value of your property (both land and improvements) and the State equalization factor which is set by the Illinois Department of Revenue.

Net Assets - The difference between an entity's assets and its liabilities.

Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net Position - The difference between an entity's assets plus deferred outflows of resources and its liabilities plus deferred inflows of resources represents its net position. Net position has the following three components: net investment in capital assets; restricted net position; and unassigned net position.

Restricted Net Position - Net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.

Tax Abatement - A reduction of taxes granted by a government to encourage economic development.

Tax Increment Financing (TIF) - A public financing method used by municipal governments to stimulate economic development in a targeted geographical area by utilizing future tax revenues to pay for necessary public improvements.

Unassigned Net Position - Net position that is not "restricted" or "net invested in capital assets."

CITY ADMINISTRATION

City Manager.....Michael G. Bartholomew
General Counsel.....Peter Friedman, Elrod Friedman LLP
Assistant City Manager/Director of Finance..... Dorothy Wisniewski
Chief of Police..... David Anderson
Fire ChiefDaniel Anderson
Director of Public Works & EngineeringTimothy Oakley
Director of Community & Economic Development.....Michael McMahan

City of Des Plaines

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Phone: 847.391.5300 | 8:30 am - 5:00 pm Monday – Friday

Comments or suggestions for improving this document can be addressed to the Finance Department located at City Hall or emailed to finance@desplaines.org.

