



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

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TRANSMITTAL LETTER FOR BOARD MEETING OF NOVEMBER 4, 2010

COMMITTEE ON BUDGET AND EMPLOYMENT

Mr. Richard Lanyon, Executive Director

Report on Budgetary Revenues and Expenditures Through Third Quarter September 30, 2010

Dear Sir:

Attached is a report of revenues and expenditures for the third quarter ended September 30, 2010. This report is prepared on an unaudited budgetary basis of accounting.

The third quarter of 2010 includes receipts from the first real estate tax installment. It is estimated the second installment property tax bill will be mailed around November 22, 2010 with a due date one month later. This would set a record, a full three weeks behind last year's December 1 due date. Preliminary expenditure rates are trending higher in comparison to the same period last year, as expected, due to the conservative appropriation level for 2010. Critical areas of expenditures, including energy, and health care premiums, will continue to be monitored through year-end.

The two primary economic factors driving the District's revenues are the Consumer Price Index (CPI) and the real estate market. The CPI rose 2.7 percent in 2009 over December 2008. The CPI has increased 1.1 percent from January through September of this year. The forecast for 2010 CPI is in the range of 1.0 percent to 2.3 percent. Consumer spending was strong in the first quarter, fluctuated during the second quarter, with minimal change in the third quarter. The energy index declined in the second quarter. In the third quarter, the energy index rose 0.7 percent in September after a 2.3 percent increase in August and a 0.1 percent increase in July.

Commercial real estate development remains subdued in the region, particularly for office and retail building; however, vacancy rates are beginning to level out. Nationwide, record low mortgage interest rates are contributing to a modest sales recovery in residential real estate, whereas in Illinois the housing market is still dampened as a result of the job market and a lack of consumer confidence. The federal home buyer tax credit

ended on September 30.

A conservative approach in development of the 2011 five-year financial plan is expected to maintain budgetary fund balances at policy levels.

Respectfully Submitted, Eileen McElligott, Administrative Services Manager, BKS

Attachment