



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

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TRANSMITTAL LETTER FOR BOARD MEETING OF OCTOBER 16, 2014

COMMITTEE ON BUDGET AND EMPLOYMENT

Mr. David St. Pierre, Executive Director

Report on Budgetary Revenues and Expenditures Through Second Quarter June 30, 2014

Dear Sir:

Attached is a report of revenues and expenditures for the second quarter ended June 30, 2014. This report is prepared on an unaudited budgetary basis of accounting.

The second quarter of 2014 includes receipts from the tax year 2013 first real estate tax installment, which were due on March 4. Second quarter receipts are within normal levels.

Preliminary Corporate Fund expenditures, of 37.4 percent through the second quarter, are within normal levels. Energy and healthcare costs, two of the primary expenditure drivers, will be monitored closely throughout the year. Through the second quarter, the Maintenance and Operations Department has expended 43.3 percent of the electricity budget, and 74.8 percent of the adjusted budget for natural gas. Healthcare expenditures are within normal levels. A contribution of \$20 million was transferred to the Other Post-Employment Benefits trust in the first quarter of 2014.

The two primary economic factors driving the District's revenues are the Consumer Price Index (CPI) and the real estate market. The CPI rose 2.3 percent in the first six months of 2014 and 2.1 percent over the previous twelve months, matching the predictions presented in the major economic forecasts. The energy index rose 1.6 percent in June; the third consecutive increase, and the largest since December. Over the past twelve months, the energy index has increased 3.2 percent. The largest component of the increase is natural gas, which increased 5.1 percent over the past twelve months.

As reported by the Federal Reserve Bank for the Chicago District, construction and real estate activity

increased at a moderate pace. Commercial real estate expanded through the second quarter of 2014, with a substantial decrease in vacancies and rising rents. Nonresidential construction increased for industrial, infrastructure, and retail projects. While access to mortgage credit has increased, higher home prices and stagnant incomes are holding back a broader pick up in the residential market. The Illinois Association of Realtors' state year-over-year snapshot report for June 2014 is as follows: home sales increased 0.1 percent; days on the market declined 10.5 percent; median sales price rose 5.8 percent; and the inventory of homes for sale decreased 4.8 percent.

A conservative approach used to develop the 2014 five-year financial plan is expected to maintain budgetary fund balances at policy levels.

Respectfully Submitted, Eileen McElligott, Administrative Services Manager, BKS

Attachment