Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

Legislation Details (With Text)

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TRANSMITTAL LETTER FOR BOARD MEETING OF MARCH 16, 2017

COMMITTEE ON BUDGET AND EMPLOYMENT

Mr. David St. Pierre, Executive Director

Report on Budgetary Revenues and Expenditures for the year ended December 31, 2016

Dear Sir:

Attached is a report of revenues and expenditures for the year ended December 31, 2016. This report is prepared on an unaudited budgetary basis of accounting.

The actual 2016 Corporate Fund net tax revenue of $246.2 million is $700,000 below the 2016 budget of $246.9 million for the tax levy collection, or 99.7 percent.

Actual Corporate Fund non-tax revenue for 2016 includes the following: user charge income of $44.5 million is under budget by $4.5 million, rental and easement income of $20.4 million exceeds budget by $2.9 million, and TIF surplus distributions of $8.4 million exceeds budget by $6.4 million, Overall, non-tax revenue exceeds original budget by $7.3 million. The 2016 actual expenditures of $335.4 are 91.6 percent of the $366.3 million Corporate Fund budget.

The two primary economic factors driving the District's revenues are the Consumer Price Index (CPI) and the real estate market. The CPI rose 2.1 percent in 2016 over December 2015. This figure has been steadily rising since July, and is the largest 12-month increase since the period ending June 2014. The index for all items less food and energy rose 2.2 percent for the 12 months ending in December, and the energy index increased 5.4 percent. In contrast, the food index declined 0.2 percent over the last 12 months.

The Illinois Association of Realtors reported growth in the residential real estate market. In the nine-county Chicago Primary Metropolitan Statistical Area, the year ended with home sales up by 4.3 percent from 111,700 in 2015 to 116,500 in 2016. The median home price also increased 6.0 percent, from $210,000 to $222,500.

The 2017 forecast suggests slower growth in the residential market as compared to 2016.

Chicago downtown office and retail vacancies were the lowest they have been in 16 years in 2016, while suburban office vacancies declined for the first time since 2010. Warehouse vacancies reached a 15-year low in 2016. The hotel industry had a down year in 2016 due to the loss of several major conventions, but recovery is expected in 2017. An increase in the number of hotel rooms, however is expected to offset growth in room nights. Overall, the commercial sector is expected to remain stable in 2017.

The District maintained a favorable financial position in 2016, but relatively low inflation over the past two years has resulted in a small annual increase in property tax revenues. Additionally, increases in the Retirement Fund levy necessary to stabilize the pension fund have restricted growth in the Corporate, Construction, and Reserve Claim Fund levies, resulting in the use of fund balance to support operations. The conservative approach in development of the 2017 budget along with a plan to control 2017 expenditures is expected to maintain budgetary fund balances at policy levels to ensure that the District remains on sound financial footing in the coming years.

Respectfully Submitted, Eileen M. McElligott, Administrative Services Officer, SAR

Attachment