



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

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TRANSMITTAL LETTER FOR BOARD MEETING OF AUGUST 8, 2019

COMMITTEE ON BUDGET AND EMPLOYMENT

Mr. Brian A. Perkovich, Executive Director

Report on Budgetary Revenues and Expenditures for the second quarter of 2019, ended June 30, 2019

Dear Sir:

Attached is a report of revenues and expenditures for the second quarter of 2019, ended June 30, 2019. This report is prepared on an unaudited budgetary basis of accounting.

The actual second quarter Corporate Fund net tax revenue of \$129.3 million is 52.0 percent of the budgeted tax receivable and is \$11.6 million above the collections for the same period in 2018. Actual Corporate Fund non-tax revenue for the second quarter of 2019 includes the following: user charge income of \$27.5 million, TIF surplus distributions of \$9.3 million, and rental and easement income of \$10.5 million. These revenue receipts are within the expected range for the period. User Charge revenues are tracking slightly above budget and are expected to end the year \$1.0 million over the \$46 million 2019 budget.

The second quarter actual expenditures of \$162.3 million are 43.0 percent of the \$377.6 million Corporate Fund budget. Year-end expenditures are expected to be near \$354 million, or 94 percent of the budgeted appropriation, while the 2019 budget was prepared with a target expenditure rate of 92 percent based on revenue projections. Energy and healthcare costs, two of the primary expenditure drivers, are monitored closely throughout the year. Energy expenditures (electricity and gas) through the second quarter of 2019 are 11.5 percent higher than the same period in 2018. The increase is attributed primarily to the colder than average spring and the wet weather, which required additional pumping and processing costs. Healthcare costs to date are 1.3 percent lower than the same period in 2018.

The two primary economic factors driving the District's revenues are the Consumer Price Index (CPI) and the real estate market. The June Consumer Price Index for All Urban Consumers (CPI-U) increased 0.1 percent from May on a seasonally adjusted basis. Over the last 12 months, the all items index increased 1.6 percent

before seasonal adjustment. The index for all items less food and energy increased 2.1 percent over the last 12 months and increased 0.3 in June, its largest monthly increase since January 2018. Over the last 12 months the food index increased 1.9 percent and the energy index decreased 3.4 percent.

The Illinois Association of Realtors reports that Chicago metropolitan area home sales are down 5.0 percent through May 2019, while the median price has increased 3.3 percent in the same period.

As part of the 2020 budget development, expenditure controls may be identified to maintain budgetary fund balances at policy levels. A conservative approach to developing the five-year forecast, along with closely monitoring 2019 and 2020 expenditures, will ensure that the District remains on sound financial footing in the coming years.

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

Attachment