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TRANSMITTAL LETTER FOR BOARD MEETING OF JUNE 17, 2010

COMMITTEE ON BUDGET AND EMPLOYMENT

Mr. Richard Lanyon, Executive Director

Report on Budgetary Revenues and Expenditures Through First Quarter March 31, 2010

Dear Sir:

Attached is a report of revenues and expenditures for the first quarter ended March 31, 2010. This report is prepared on an unaudited budgetary basis of accounting.

The first quarter of 2010 includes receipts from the first real estate tax installment. A law passed by the Illinois Legislature in 2009 raises the first installment tax from 50% to 55% of the prior year's total tax. This resulted in a correspondingly higher percentage of Corporate Fund tax revenue collections for the first quarter of 2010 as compared to the same time period in 2009.

Preliminary expenditure rates for the first quarter are within the normal and expected levels. Due to an expected continuance of depressed revenues in 2010, the budget was developed with a focus on maintenance of operations. Critical areas of expenditures, including energy and heath care premiums, will be monitored throughout the year.

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 increased 0.77 percent in the first three months of 2010. The forecast for 2010 CPI is in the range of 1.5% to 2.4%. Consumer spending was strong in the first quarter; while other segments of the economy such as construction and state and local government spending declined. The state and local government spending decline of 3.8 percent in the first quarter was the largest drop since 1981.

As expected, the weaknesses that emerged in commercial real estate development during the last quarter of

2009 continued into 2010. The availability of credit is still contracted for commercial construction, though there was some loosening of credit for residential construction. Residential development of single-family homes is expected to increase in 2010 state-wide, aided in the spring by low mortgage rates, attractive pricing, and federal tax credit incentives. The high rate of vacancies and excess retail space are hampering improvements in the commercial and industrial construction markets.

A conservative approach in development of the 2010 five-year financial plan is expected to maintain budgetary fund balances at policy levels.

Respectfully Submitted, Eileen McElligott, Administrative Services Manager, BKS

Attachment