Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

Legislation Text

File #: 17-0523, **Version:** 1

TRANSMITTAL LETTER FOR BOARD MEETING OF MAY 18, 2017

COMMITTEE ON BUDGET AND EMPLOYMENT

Mr. David St. Pierre, Executive Director

Report on Budgetary Revenues and Expenditures for the first quarter of 2017, ended March 31, 2017

Dear Sir:

Attached is a report of revenues and expenditures for the first quarter of 2017, ended March 31, 2017. This report is prepared on an unaudited budgetary basis of accounting.

The actual first quarter Corporate Fund net tax revenue of $111.5 million is 47.2% of the budgeted revenues and is $2.4 million below the collections for the same period in 2016. Actual Corporate Fund non-tax revenue for the period includes the following: user charge income of $16.8 million, TIF surplus distributions of $8.7 million, $6 million in Build America Bonds subsidy transfer from the Capital Improvements Bond Fund, and rental and easement income of $3.5 million. These revenue receipts are within the normal range for the period.

First quarter actual expenditures of $75.5 million are 20.5 percent of the $368.9 million Corporate Fund budget. Corporate Fund expenditures through the first quarter are within normal levels. Energy and healthcare costs, two of the primary expenditure drivers, are monitored closely throughout the year. Energy expenditures (electricity and gas) through the first quarter 2017 are 3.4 percent under the same period last year. Healthcare costs are running 1.2 percent higher than same period last year.

The two primary economic factors driving the District's revenues are the Consumer Price Index (CPI) and the real estate market. The March Consumer Price Index for All Urban Consumers (CPI-U) declined 0.3 percent from February on a seasonally adjusted basis. Over the last 12 months, the all items index increased 2.4 percent before seasonal adjustment. The energy index continued to decrease and was the major cause of the seasonally adjusted decline in the all items index, more than offsetting increases in the indexes for food and for all items less food and energy. The gasoline index declined 6.2 percent. The index for all items less food and energy fell 0.1 percent, its first decline since January 2010, driven by a decline in wireless telephone service, the new and used vehicle indexes, and the apparel index.

The Illinois Association of Realtors reports that March Chicago metropolitan area home sales are up 13.1 percent over March 2016, while the median price has increased 10.0 percent in the same period. According to Crain's Chicago Real Estate Daily, retail vacancy rates fell for the second straight quarter for the Chicago metropolitan area, while industrial and warehouse vacancy rates also declined during the first quarter.

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. 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 Manager, SAR

Attachment