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TRANSMITTAL LETTER FOR BOARD MEETING OF AUGUST 3, 2017

COMMITTEE ON BUDGET AND EMPLOYMENT

Mr. David St. Pierre, Executive Director

Report on Budgetary Revenues and Expenditures for the second quarter of 2017, ended June 30, 2017

Dear Sir:

Attached is a report of revenues and expenditures for the second quarter of 2017, ended June 30, 2017. This report is prepared on an unaudited budgetary basis of accounting.

The actual second quarter Corporate Fund net tax revenue of $125.3 million is 53.0 percent of the budgeted revenues and is $1.4 million above the collections for the same period in 2016. Actual Corporate Fund non-tax revenue for the period includes the following: user charge income of $27.8 million, TIF surplus distributions of $9.7 million, $6 million in Build America Bonds subsidy transfer from the Capital Improvements Bond Fund, and rental and easement income of $9.4 million. The second quarter includes receipts from the tax year 2016 first real estate tax installment, which were due on March 1. While these revenue receipts are within the normal range for the period, Personal Property Replacement Tax (PPRT) receipts have been higher than expected. PPRT is distributed by the State of Illinois and we are monitoring the receipts closely.

Second quarter actual expenditures of $155.2 million are 42.1 percent of the $368.9 million Corporate Fund budget. Corporate Fund expenditures through the second 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 second quarter 2017 are 2.3 percent higher than the same period last year. Healthcare costs are running 10.0 percent lower than same period last year due to lower health care claims.

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) was unchanged from May on a seasonally adjusted basis. Over the last 12 months, the all items index increased 1.6 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. The gasoline index declined 2.8 percent.

The equalized assessed property valuation for the District increased by 8.1 percent from 2015 to 2016, a $10.4 billion increase. The Illinois Association of Realtors reports that May Chicago metropolitan area home sales are up 5.1 percent over May 2016, while the median price has increased 5.6 percent in the same period.

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. In order to maintain reserve balances, Construction Fund expenditure controls have been implemented during the first half of 2017. We continue to monitor State of Illinois legislative actions that may limit the District’s property tax growth and therefore effect the development of the District’s 2018 budget.

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

Attachment