File #: 18-1198, **Version:** 1

TRANSMITTAL LETTER FOR BOARD MEETING OF NOVEMBER 15, 2018

COMMITTEE ON BUDGET AND EMPLOYMENT

Mr. John P. Murray, Acting Executive Director

Report on Budgetary Revenues and Expenditures for the third quarter of 2018, ended September 30, 2018

Dear Sir:

Attached is a report of revenues and expenditures for the third quarter of 2018, ended September 30, 2018. This report is prepared on an unaudited budgetary basis of accounting.

The actual third quarter Corporate Fund net tax revenue of $225.4 million is 96.0 percent of the budgeted revenues and is $9.4 million below the collections for the same period in 2017. The difference is primarily attributed to Personal Property Replacement Tax (PPRT) receipts allocated to the Corporate Fund. PPRT as of September 30 is $6.2 million less in 2018 compared to 2017. The 2018 local PPRT allocations from the State were reduced to fund higher education. Additionally, the 2018 PPRT allocation to the Retirement Fund is $2.1 million more than in 2017, reducing the amount available to the Corporate Fund. We anticipate that PPRT revenue will end the year under budget by $0.5 million.

Actual Corporate Fund non-tax revenue for the period includes the following: user charge income of $31.9 million, TIF surplus distributions of $10.4 million, and rental and easement income of $16.0 million. These revenue receipts are within the expected range for the period.

Third quarter actual expenditures of $245.0 million are 66.2 percent of the $370.2 million Corporate Fund budget. Corporate Fund expenditures through the third 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 third quarter 2018 are 4.8 percent higher than the expenditures for the same period last year. Healthcare costs are running 4.6 percent higher than the same period last year. The increase is due to an increase in the expenses for PPO claims.

The two primary economic factors driving the District’s revenues are the Consumer Price Index (CPI) and the real estate market. The September Consumer Price Index for All Urban Consumers (CPI-U) increased 0.1 percent from August on a seasonally adjusted basis. Over the last 12 months, the all items index increased 2.3 percent before seasonal adjustment. The food index was unchanged in September, as an increase in the index for food away from home offset a decline in the food at home index. The energy index declined 0.5 percent in September after rising in August.

The Illinois Association of Realtors reports that August Chicago metropolitan area home sales are down 5.1 percent from August 2017, while the median price has increased 0.4 percent in the same period.

A conservative approach to developing the five-year forecast, as well as the 2018 budget is expected to maintain budgetary fund balances to ensure that the District remains on sound financial footing in the coming years.

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

Attachment