



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

Legislation Text

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TRANSMITTAL LETTER FOR BOARD MEETING OF MARCH 4, 2010

COMMITTEE ON BUDGET AND EMPLOYMENT

Mr. Richard Lanyon, Executive Director

Report on Budgetary Revenues and Expenditures for the Year Ended December 31, 2009

Dear Sir:

Attached is a report of revenues and expenditures for the year ended December 31, 2009. This report is prepared on an unaudited budgetary basis of accounting.

The actual 2009 Corporate Fund net tax revenue of \$249.4 million is a revenue reduction of \$8.3 million in the tax levy collections, of which \$4.4 million is attributed to reduced PPRT receipts. The shortfall was anticipated and is reflective of the continuing economic crisis. Negative pressure on revenues is expected for the next few fiscal years.

Estimated tax revenues for the Corporate and Construction Funds includes an expected reduction of \$11.0 million in our 2009 tax levy receivable in 2010 due to a 0.1% 2008 CPI; the CPI is used to determine the allowable increase in the aggregate levy under tax cap.

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, when the CPI was a meager 0.1 percent increase over December 2007. The larger increase in 2009 was primarily due to the energy index which rose 18.2 percent in 2009, after a decrease of 21.3 percent in 2008.

The weaknesses that emerged in commercial real estate development during the last quarter of 2009 are expected to continue into 2010. Availability of credit and vacancy rates are leading contributors to the deterioration in the commercial market. Inventories in the residential market continued to decline through year-end 2009. Residential development of single-family homes is expected to increase in 2010 state-wide, with the Chicago area continuing to lag behind the state-wide forecast.

Based on these factors, 2009 levy reductions will be required to meet tax caps under the Property Tax Extension Limitation Law.

Actual Corporate Fund non-tax revenue for 2009 includes the following: user charge income of \$47.9 million is \$1.1 million less than budget, land rental and easement income of \$9.8 million is \$1.2 million less than budget, and investment income of \$1.7 million is \$2.5 million less than budget. Overall, non-tax revenues were below budget by approximately \$2.1 million.

An appropriation control plan was implemented in 2009, with an expenditure goal of no more than 85% of budget for the Corporate Fund. The expenditure projection for 2009 is 88.0 percent. Contributing factors to the variance from the appropriation plan were higher than anticipated energy expenditures, and maintenance requirements at the plants. 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