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TRANSMITTAL LETTER FOR BOARD MEETING OF AUGUST 12, 2010

COMMITTEE ON BUDGET AND EMPLOYMENT

Mr. Richard Lanyon, Executive Director

Report on Budgetary Revenues and Expenditures through Second Quarter June 30, 2010

Dear Sir:

Attached is a report of revenues and expenditures for the second quarter ended June 30, 2010. This report is prepared on an unaudited budgetary basis of accounting.

The first half of 2010 includes receipts from the first real estate tax installment. Due to an expected continuance of depressed revenues in 2010, the budget was developed with a focus on maintenance of operations. Preliminary expenditure rates for the first half of the year are within expected levels. Year-end expenditure estimates have been updated using the mid-year expenditure projections prepared by the departments. 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 has increased .93 percent from January through June of this year. The forecast for 2010 CPI is in the range of 1.5 percent to 2.4 percent. Consumer spending was strong in the first quarter, and fluctuated during the second quarter; the energy index declined in the second quarter.

Major weaknesses in commercial real estate development continue due to the contracted availability of credit for commercial construction. However, the local retail vacancy rate fell by .3 percent in the second quarter; an improvement for the first time in three years. Nationwide, housing starts fell to the lowest level in eight months, though a rise in permits is providing hope of future improvement. Residential home sales in Illinois increased for nine consecutive months through May. As the current new housing stock diminishes, continued low mortgage rates, attractive pricing, and federal tax credit incentives may help ignite the residential development market. The federal home buyer tax credit has been extended through September 30.

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