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TRANSMITTAL LETTER FOR BOARD MEETING OF MAY 17, 2018

COMMITTEE ON BUDGET AND EMPLOYMENT

Mr. David St. Pierre, Executive Director

Report on Budgetary Revenues and Expenditures for the first quarter of 2018, ended March 31, 2018

Dear Sir:

Attached is a report of revenues and expenditures for the first quarter of 2018, ended March 31, 2018. This report is prepared on an unaudited budgetary basis of accounting.

The actual first quarter Corporate Fund net tax revenue of $110.1 million is 46.9 percent of the budgeted revenues and is $1.4 million below the collections for the same period in 2017. Actual Corporate Fund non-tax revenue for the period includes the following: user charge income of $13.8 million, TIF surplus distributions of $8.3 million, and rental and easement income of $4.5 million. These revenue receipts are within the normal range for the period.

First quarter actual expenditures of $76.1 million are 20.6 percent of the $370.2 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 14.1 percent below the expenditures for the same period last year. The decrease is attributable to lower demand of electricity required for pumping/reservoir dewatering and a decrease in the cost per therm of natural gas. Healthcare costs have remained somewhat flat and are running 0.6 percent higher than the 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) decreased 0.1 percent from February on a seasonally adjusted basis. Over the last 12 months, the all items index increased 2.4 percent before seasonal adjustment. A decline in the gasoline index more than outweighed increases in the indexes for shelter, medical care, and food to result in the slight seasonally adjusted decline in the all items index. The energy index fell sharply due mainly to the 4.9 percent decrease in the gasoline index. The index for food rose 0.1 percent over the month.

The Illinois Association of Realtors reports that March Chicago metropolitan area home sales are down 10.1 percent over March 2017, while the median price has increased 6.4 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. The conservative approach in development of the 2018 budget along with a plan to control 2018 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 Officer, SAR

Attachment