



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

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TRANSMITTAL LETTER FOR BOARD MEETING OF NOVEMBER 5, 2020

COMMITTEE ON BUDGET AND EMPLOYMENT

Mr. Brian A. Perkovich, Executive Director

Report on Budgetary Revenues and Expenditures for the third quarter of 2020, ended September 30, 2020
(As Revised)

Dear Sir:

Attached is a report of revenues and expenditures for the third quarter of 2020, ended September 30, 2020. This report is prepared on an unaudited budgetary basis of accounting.

The actual third quarter Corporate Fund net tax revenue of \$243.1 million is 92.9 percent of the budgeted tax receivable and is \$2.4 million below the collections for the same period in 2019. Personal Property Replacement Tax allocations to the Corporate Fund totaled \$15.4 million, exceeding estimates that were revised downward in April 2020 due to the pandemic. Year-end estimates are expected to be near the original budgeted amount of \$19.0 million allocated to the Corporate Fund. The actual third quarter Corporate Fund non-tax revenue of \$79.0 million is 84.1 percent of budgeted non-tax revenue and includes the following: user charge income of \$36.1 million, TIF surplus distributions of \$18.3 million, and rental and easement income of \$18.3 million. Non-tax revenue is expected to end 2020 totaling \$92.9 million, a \$1.0 million negative variance to budget.

The third quarter actual expenditures of \$241.1 million are 60.5 percent of the \$398.2 million Corporate Fund budget. Year-end expenditures are expected to be near \$353.5 million, or 89 percent of the budgeted appropriation. This estimate assumes that \$4.8 million in accrued compensatory time earned from the period of March 14 through May 11 will be paid during 2020. Year-end projections for unbudgeted expenses related to the pandemic are \$8.4 million including \$7.1 million in personnel costs and \$1.3 in non-personnel costs primarily for personal protective equipment, cleaning supplies, and IT costs to support telecommuting. Unbudgeted expenditures will be offset by savings due to Illinois' stay-at-home executive order resulting in savings and deferred expenditures. Expenditures for repairs at the water reclamation plants through

September 2020 is \$4.1 million, or \$2.1 million lower than the same period in 2019. Training, travel, and lodging costs are expected to end the year \$1.6 million under budget, while expenditures through the third quarter are \$530,290 below the same period in 2019.

Energy and healthcare costs, two of the primary expenditure drivers, are monitored closely throughout the year. Total energy expenditures (electricity and gas) through the third quarter of 2020 are \$23.1 million which is \$3.4 million, or 12.3 percent, lower than the same period in 2019. This is largely attributable to rainfall patterns being different in 2020 than in 2019, although there is a small amount of savings due to telecommuting of office staff. For the main office building complex, a \$73,000 savings in electricity is projected for 2020.

Healthcare costs to-date are 7.1 percent lower than the same period in 2019. In general, health care expenses are down because elective surgeries/procedures were not being performed during April and May. This has resulted in lower costs for outpatient and hospital services across the plans. In addition, costs were impacted by the almost complete closure of dental and vision provider offices during April and May. However, September expenses are \$647,000 more than they were in August, indicating that there is a return to services.

The two primary economic factors driving the District's revenues are the Consumer Price Index (CPI) and the real estate market. The CPI for All Urban Consumers (CPI-U) increased 1.4 percent for the 12 months ending September 30, 2020. The index for all items less food and energy rose 0.2 percent in September after larger increases in July and August. The Illinois Association of Realtors reports that Chicago metropolitan area home sales are down 11.1 percent through August 2020, while the median sales price has increased 6.3 percent in the same period.

We will continue to closely monitor economic conditions, revenues, and expenditures to evaluate the financial impacts of COVID-19 to 2020 year-end projections and the subsequent impacts to 2021 budgetary estimates. Because of the immediate economic uncertainty, the District has planned a very conservative approach to 2021 projections.

Respectfully Submitted, William S. Sheriff, Acting Administrative Services Officer, SAR

Attachment