

2025 Quarterly Revenue Analysis: Q1

City of Chicago
Fiscal Year 2025

City of Chicago
Council Office of Financial Analysis
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TO THE CHICAGO CITY COUNCIL

The City of Chicago Office of Budget and Management (OBM) released its March 2025 *Monthly Revenue Report*, providing insight into the City's total revenue collections during the first quarter of 2025. The revenue data discussed in this report is sourced from OBM's Monthly Revenue Reports for January, February, and March 2025, and is limited to revenue collections for the City's Corporate Fund.

The Municipal Code of Chicago, Chapter 2-5, requires the City Council Office of Financial Analysis (COFA) to provide other financial analysis upon the request of any City Council members. COFA's analysis of the OBM *Monthly Revenue Report* has been requested in the past. Additionally, OBM has ceased publication of quarterly summaries of revenue collections. Therefore, COFA will publish a quarterly report to review, analyze, and synthesize OBM's Monthly Revenue Reports for each quarter to provide a glance into how the revenue streams have performed throughout the year.

Table 1. Corporate Fund Revenue, Summary Budget vs. Collections, Q1 2025

Revenues	YTD		
<i>Corporate Fund (in thousands)</i>	<i>FY25 Budget</i>	<i>FY25 Collections</i>	<i>% Variance</i>
<i>Local Tax Revenue</i>			
Utility Tax	\$40,955	\$44,122	7.7%
Chicago Sales Tax	\$9,553	\$7,915	-17.1%
Transaction Tax	\$149,125	\$161,712	8.4%
Transportation Tax	\$79,725	\$81,845	2.7%
Recreation Tax	\$59,062	\$60,582	2.6%
Business Tax	\$12,875	\$13,749	6.8%
<i>Local Non-Tax</i>			
Licenses, Permits, Certificates	\$30,406	\$30,533	0.4%
Fines, Forfeitures, Penalties	\$70,257	\$75,984	8.2%
Charges for Service	\$89,948	\$97,358	8.2%
Municipal Parking	\$2,639	\$2,627	-0.5%
Leases, Rentals, Sales	\$2,467	\$527	-78.6%
Interest	\$0	\$0	-
Internal Service Earnings	\$53,710	\$68,038	26.7%
Other Revenue	\$11,350	\$3,000	-73.6%
<i>State Tax / Revenues</i>			
Income Tax	\$34,151	\$26,307	-23.0%
PPRT	\$0	\$0	-
Auto Rental Tax	\$0	\$0	-
State Reimbursements	\$264	\$94	-64.4%
<i>Proceeds and Transfers</i>			
Parking Meter Revenue	\$0	\$0	-
Replacement Interest Sales Tax			
Corporation Residual	\$0	\$0	-
Skyway Reserve Interest	\$0	\$0	-
TOTAL	\$646,487	\$674,393	4.3%

Source: OBM's March 2025 *Monthly Revenue Report*

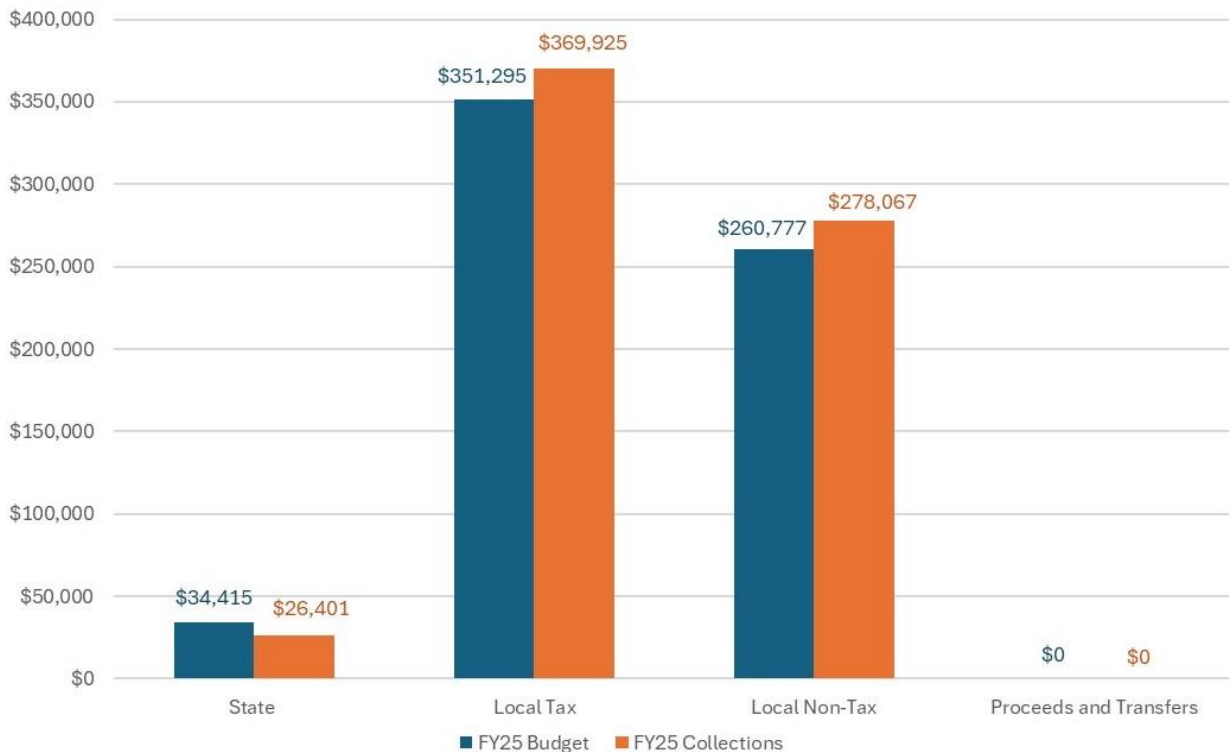
Corporate Fund Revenue Collections: Q1 2025

Total revenue collections by [March 2025](#) exceed budgeted amounts by \$27.9 million, 4.3% above anticipated collections in Q1 of 2025. Due to the timing of payments and variance in services and the market, monthly revenue collections may outpace annual budget expectations for one month and underperform budget expectations the next. For example, in [January 2025](#), the revenue collections were 4.2% below budget expectations for that month, while [February 2025](#) collections exceeded budget expectations by 7.2%. While monthly revenue reports – particularly early in the fiscal year – may not provide much insight into the current collections’ alignment with budgeted annual revenues, monthly revenue reports from OBM provide valuable insight into revenue collections at a particular point in time to inform the City’s financial management.

Revenue Overview by Source Category

The following report highlights the primary drivers of revenue collections within each revenue category for the City’s Corporate Fund for Q1 of 2025 as well as provides additional context that may impact City revenue collections for the year.

Figure 1. Corporate Fund Revenue, by Source Category, Q1 2025 (in thousands)



Source: OBM March 2025 *Monthly Revenue Report*

Local Tax. Local tax collections are trending above budgeted levels except for sales tax. OBM [reports](#) the primary driver of positive variance in local taxes is due to transaction tax revenues

exceeding anticipated levels in February and March 2025. Transaction taxes encompass Personal Property Lease Transaction (PPLT), Motor Vehicle Lessor, and Real Property Transfer Taxes (RPTT). [Changes in PPLT](#) collections reflect industry growth and increased demand for personal property such as equipment, automobiles, and cloud-based storage. RPTT collections exceeded budget expectations due to elevated home prices and sale volume in March 2025 compared to March 2024.

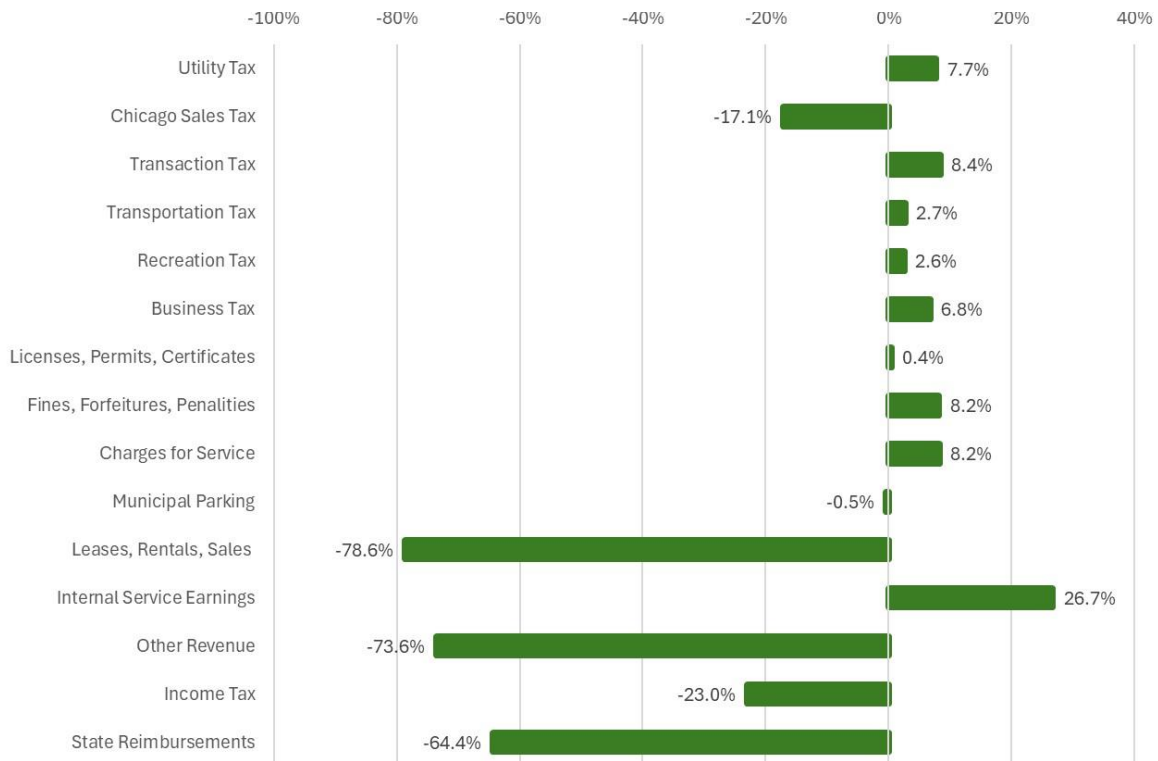
Local Non-Tax. Non-tax local revenue sources overall are higher than budgeted in the first quarter of 2025. OBM points to Internal Service Earnings as a revenue source driving positive variance thus far. Internal Service Earnings reflect reimbursements to the Corporate Fund from other City of Chicago Funds, and by [March 2025](#), are trending ahead of budget expectations. However, timing of reimbursement varies each year. For example, Internal Service Earnings were not [transferred](#) until February 2025 for the months of January and February, so January earnings were lower than anticipated but variance in collections were mitigated in the February transfer. OBM anticipates Internal Service Earnings to align with budgeted levels by the end of the year.

Fines, forfeitures, and penalties are another source of collections driving higher-than-anticipated revenue collections – largely stemming from parking ticket revenue and collections from settlements and judgements throughout the [first three months](#) of 2025. Charges for services are another key revenue source for the City’s Corporate Fund. The City’s collections of charges for services were below budget levels at the start of 2025 [due to lower than expected](#) revenue from the Ground Emergency Medical Transportation (GEMT) program, which allows cities to collect additional reimbursements from the federally-funded Medicaid program. However, by the end of the first quarter, revenue from charges for services is 8.2% higher than budgeted.

State Taxes and Revenues. Thus far, transfers from the State are below budget expectations. Income tax collections are 23% below budget, and state reimbursements are 63% below budget. However, as noted, State transfers to the City occur at certain points throughout the year and many payments have not yet been transferred for FY 25. For example, collections from the State’s Personal Property Replacement Tax (PPRT) and the Auto Rental Tax are anticipated by the end of year, but to date, the City has not received – nor budgeted for – State payments for these sources.

Proceeds and Transfers. Proceeds and Transfers to the Corporate Fund will not occur until later in the fiscal year.

Figure 2. Corporate Fund Revenue, % Variance, Q1 2025



Source: OBM March 2025 *Monthly Revenue Report*

Intergovernmental Impacts on 2025 Revenues

City revenues are impacted by economic trends at the State and Federal levels, and notable developments are outlined below.

Funds from **Federal** sources are declining. Illinois’ [monthly revenue briefing](#) for April 2025 offers timely insight into potential Federal funds that may flow through the State to the City in coming months. In April, year-over-year State receipts from Federal sources fell by 70.7% -- or \$227 million. While this [decline](#) is largely due to which funds that State is drawing matching funds for Federally-supported programs, broader Federal policy choices will further contribute to declining receipt of federal funds. The Trump Administration has made significant cuts to Federal grant opportunities, the Federal workforce, and various Federal programs that will have implications on tax revenue as well as intergovernmental grants and transfers that impact City revenues. Federal interest rates, trade policies, and updates to tax policies will also impact State and local economies, with likely implication for tax and non-tax revenues.

At the *State* level, the revenue projection for FY 25 is improved, largely due to growth in personal income, corporate, and sales tax receipts to offset the decline in federal revenue sources.¹ A portion of income tax revenue – both personal and corporate -- is distributed across local governments in the State. The percentage of personal income tax net revenue distributed with local governments has increased over the past decade. Additionally, between FY 2018 and FY 2024, overall personal and corporate income tax net receipts have grown 58%. Due to these trends, transfers from State income tax revenue to local governments, including the City of Chicago, can be expected to continue to grow in FY 25.

While the full impact of Federal policies on State and local economies will likely not be reflected for many months, there will be revenue implications for the City of Chicago that will need to be taken into consideration in future budget discussions.

Disclaimer

The OBM report contains the most current information for FY 25 available at the time of publication. However, revenue data is not finalized until the annual audit is complete as part of the Annual Comprehensive Financial Report (ACFR) published in the summer following the close of the fiscal year. OBM notes: “Some of the City’s revenues experience a lag between the time the underlying economic activity occurred, and the resulting revenue is collected. Further, seasonality in some revenue streams and the irregular nature of others may lead to significant variances from one month to the next.”

¹ The State of Illinois’ FY 2025 will close June 30, 2025.