



CITY OF CHICAGO

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QUARTERLY  
BUDGET REPORT

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2ND QUARTER 2012

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## INTRODUCTION

### CONTENT AND PURPOSE

This quarterly report presents an overview of the City's operating revenues and expenditures for the second quarter of 2012, as compared to budgeted amounts, and explains any notable aberrations or trends in these numbers. The revenue and expenditure information in this report is organized by City fund. For definitions of the City's budgeted funds and revenue sources, please refer to the [2012 Budget Overview](#) and the [2012 Annual Financial Analysis](#). This report focuses on local fund operating revenues and expenditures, as these represent the funds used to provide essential City services. This report does not include information on grant funds, pension payments, debt service funds, or capital expenditures.<sup>1</sup> Information on those areas can be found in the 2012 Budget Overview and the 2012 Annual Financial Analysis.

The purpose of this quarterly public reporting on the City's revenues and expenditures is twofold. First, it ensures that the City is consistently monitoring its revenues and expenditures so that it can proactively respond to unanticipated changes or emerging trends. Second, and equally important, these reports increase the transparency of City finances. The City is ultimately accountable to its residents to use the revenue it brings in efficiently and effectively to provide the highest quality services, and quarterly public reporting provides taxpayers with the information they need to hold the City to this standard.

### TIMEFRAME AND LIMITATIONS

The information in this report is the most accurate and up-to-date information available at the time of publication. However, this report is not an audited financial statement and the numbers provided herein are preliminary and subject to change as the year progresses. No data on revenues and expenditures is final until the City has completed its annual comprehensive audit and finalized its Comprehensive Annual Financial Report (CAFR), which is released in the summer of each year for the prior year. It should be noted that the City balances its budget on an annual basis, and that each fund's revenues and expenditures may not align on a quarterly basis. This is the result of the inherent seasonality of many of these revenue streams and expenses, as is further described with respect to each fund in the following pages.

*With respect to revenues:* The City regularly monitors and adjusts its revenue projections based on to-date revenue performance and other developments that may affect City revenues in order to form a more accurate picture of the City's financial position. In connection with this process, the City develops revenue projections for each month. These monthly projections reflect historical patterns, seasonality, and other known factors that may affect certain revenue streams. These projections are used in the "Q2 2012 Budget" column of the tables in this report, and represent the amounts that the City expected to receive during the first half of the year. The "Q2 2012 Estimates" presented in the tables in this report are the City's current estimates, as of the date of this report, of its actual revenues for the quarter. These numbers remain estimates pending adjustments that will be made as additional information and collections are received by the City. For example, certain revenues, as noted herein, are collected and distributed by the State, and there is a time lag in when information on the amount of actual collections is provided to the City, and in some cases, a delay in when the City receives actual distributions. In addition, a small portion of the fees and fines attributed to a given quarter typically come in later in the year due to delinquencies and disputed payments, and the actual amount of such revenues is not known until all payments are received.

*With respect to expenditures:* Expenditures include funds that are encumbered but may not yet have been spent, such as the full-year cost of property rentals and payments under certain technology maintenance and licensing contracts. The "Q2 2012 Budget" amounts presented in the expenditure tables in this report reflect historical spending patterns, as applied to this year's budget<sup>2</sup>, with the exception of transfers to other City funds and healthcare expenditures, which are not allocated by fund until year-end - for these expenses, the "Q2 2012 Budget" is set at 50 percent of the full-year budget. The "Q2 2012 Estimates" for expenditures are extracted directly from the City's financial management system, with the exception of transfers to other City funds and healthcare expenditures, as further discussed in those sections. These figures represent a snapshot of City expenditures at a certain point in time and do not reflect final adjustments made to prepare the City's CAFR.

<sup>1</sup> Expenses funded through grants and general obligation bond proceeds are not covered in this report, as these are budgeted separately from the City's local funds. However, capital investment costs for the City's water, sewer, and aviation funds are outlined in the enterprise fund section of this report, as financing costs for capital projects are included in the overall budgets of these self-supporting funds.

<sup>2</sup> This quarterly report utilizes 2011 spending patterns to calculate Q2 2012 Budget amounts.

## CORPORATE FUND

### SUMMARY OF LOCAL FUNDS

Despite a significant drop in utility tax revenues due to the unseasonably warm winter and below-budget transportation tax revenues due to high gas prices, the City's overall local fund revenues kept pace with expectations during the first half of 2012, with most economically sensitive revenues meeting or exceeding projections of growth. The City's major local fund expenditures were generally in line with seasonal expectations for the first half of the year. Revenues and expenditures for each fund are discussed in greater detail in the following pages.

### CORPORATE FUND REVENUE

Strong performance in economically sensitive revenues such as real property transfer taxes, sales taxes, and income taxes kept corporate fund revenues on budget, even following the unusually warm winter weather that pushed utility tax revenues significantly below budgeted expectations for the first half of the year.

Chicago's mild winter greatly reduced the amount of gas and electricity used to heat homes and offices, and this decline in usage was amplified by warm winter weather across the country - as overall demand decreased and stored supply built up, the price of natural gas during the first six months of 2012 dropped to almost 34 percent less than for the same months in 2011. With both usage and prices low, utility tax revenue is expected to come in 8 percent below budget for the first half of the year. In contrast to natural gas prices, vehicle fuel prices increased during the first half of 2012, resulting in lower than anticipated transportation tax revenues, as people tend to drive and park less when gasoline prices are high.

Offsetting the low utility and transportation tax revenues, continued job growth resulted in strong income tax revenues during the first half of the year. As overall State income tax collections increased and the city unemployment rate continued to fall, income tax revenues increased, ending the quarter almost 16 percent, or \$18 million, above budget. However, as of the date of this report, the State has not yet distributed the income tax payment for June, in the amount of \$22 million, to the City.

Sales tax revenues also exceeded budgeted expectations for the first half of 2012, though growth slowed from first quarter levels during the second quarter, reflecting declines seen nationwide in consumer confidence and retail sales. Despite this slowing, overall sales tax revenues remain strong, at 7 percent, or \$18 million, above budget.

Home sales were up 16 percent from 2011 levels during the first six months of the year, and home prices increased by three percent during the second quarter, showing some strength after a period of decline. These positive developments in the housing market, together with large commercial real estate transactions and growth in lease tax revenues, took total transaction tax revenues \$10 million above budgeted expectations for the first half of the year. Business tax revenues also came in above budget, as hotel tax revenues continue to outperform expectations. Local hotel sales continue to climb, with occupancy up six percent and revenue per available room up 11 percent over the same period in 2011.

Amusement tax revenues, which were down in the first quarter due to the failure of the Bears to reach the playoffs, changes to the White Sox ticket price structure, and the NBA lockout, rebounded during the second quarter due in part to revenue from Lollapalooza ticket sales. Overall recreation tax revenues were further bolstered by increased tax revenues from cigarette, liquor, and other beverage sales, attributed largely to the warm weather. A portion of the second quarter increase in cigarette tax revenue may reflect stockpiling by retailers in advance of the State's cigarette tax increase, which went into effect at the start of July.

Building permit-related revenues were slightly above budgeted expectations, while alcohol and business license-related revenues fell slightly below budget during the second quarter. Collections from fines, forfeitures, and penalties were up from same-period 2011, but below budgeted levels. The City expects to increase these revenues as it continues to implement improved debt collection initiatives during the course of the year. Income from the lease and sale of City property surpassed budgeted expectations, due to an increase in the sale of City-owned land.

CORPORATE FUND - REVENUE \$ MILLIONS	2012 BUDGET	Q2 2012 BUDGET	Q2 2012 ESTIMATES
<b>Tax Revenue</b>			
Utility Taxes and Fees	\$475.31	\$252.48	\$231.63
Transaction Taxes	192.37	93.24	103.51
Transportation Taxes	174.27	86.84	86.29
Recreation Taxes	160.96	84.37	86.68
Business Taxes	94.15	43.09	47.17
Sales and Use Taxes	535.17	266.87	284.51
Income Tax & PPRT <sup>3</sup>	209.40	115.82	134.17
Other Intergovernmental	4.92	2.28	2.35
<b>Total Tax Revenue</b>	<b>1,846.55</b>	<b>944.99</b>	<b>976.31</b>
<b>Non-Tax Revenue</b>			
Licenses and Permits	126.44	56.36	52.51
Fines, Forfeitures and Penalties	292.63	145.67	141.10
Charges for Services	125.14	55.21	57.92
Municipal Parking	8.67	4.04	4.41
Leases, Rentals and Sales	9.68	2.29	5.32
Reimbursement, Interest & Other <sup>4</sup>	423.70	205.28	179.85
<b>Total Non-Tax Revenue</b>	<b>986.26</b>	<b>468.85</b>	<b>441.11</b>
<b>Proceeds and Transfers In<sup>5</sup></b>	<b>122.00</b>	<b>67.00</b>	<b>74.78</b>
<b>Total Revenue</b>	<b>2,954.81</b>	<b>1,480.84</b>	<b>1,492.20</b>
<b>Appropriated Prior Year Fund Balance<sup>6</sup></b>	<b>143.54</b>	<b>71.77</b>	<b>71.77</b>
<b>Total Resources<sup>7</sup></b>	<b>\$3,098.35</b>	<b>\$1,552.61</b>	<b>\$1,563.97</b>

CORPORATE FUND - EXPENDITURES \$ MILLIONS	2012 BUDGET	Q2 2012 BUDGET	Q2 2012 ESTIMATES
Salaries and Wages	\$2,197.03	\$1,098.52	\$1,103.72
Healthcare Benefits <sup>8</sup>	389.91	194.95	176.88
Worker's Compensation	61.69	30.85	29.58
Contractual Services	298.55	163.37	160.37
Commodities and Materials	21.98	11.83	9.93
Utilities	11.90	3.75	4.65
Motor Fuel	23.72	11.54	12.89
Claims, Refunds, Judgments, and Legal Fees	27.74	27.74	27.74
Miscellaneous <sup>9</sup>	51.87	34.88	32.05
Transfers Out <sup>10</sup>	13.96	6.98	6.98
<b>Total Expenditures<sup>7</sup></b>	<b>\$3,098.35</b>	<b>\$1,584.40</b>	<b>\$1,564.79</b>

<sup>3</sup> The majority of the City's PPRT revenue is used to pay pension contributions into the City's four pension funds. The City has budgeted \$126.6 million in PPRT revenue to put towards its \$476.3 million in 2012 pension payments, and projects that a remaining \$11.6 million in PPRT revenue will be available for the corporate fund. No PPRT dollars actually flow into the City's corporate fund until PPRT revenues beyond \$126.6 million are received.

<sup>4</sup> This category of revenue includes the anticipated TIF surplus of \$12 million, which is not transferred to the corporate fund until later in the year and thus not included in the Q2 2012 Estimate, and reimbursements to the corporate fund from the City's enterprise and special revenue funds as well as other intergovernmental funds, which are allocated by quarter and included in the Q2 2012 Estimate.

<sup>5</sup> This category of revenue includes interest earned on the City's asset lease reserve funds and proceeds from certain financing transactions, which are allocated by quarter and included in the Q2 2012 Estimate.

<sup>6</sup> The appropriated prior year fund balance is the surplus or deficit from the prior budget year that is included the current year's budget. One half of the appropriated fund balance is considered revenue for the first half of the year, for the purposes of this report.

<sup>7</sup> The originally enacted annual appropriation ordinance set the 2012 corporate fund budget at \$3,095.65 million. Since passage, the annual appropriation ordinance has been amended to provide additional funding in the amount of \$2.5 million to the Chicago Park District for summer youth programs, and to increase funding for the Legislative Inspector General by \$200,000, increasing the total corporate fund budget to \$3,098.35 million.

<sup>8</sup> The City's healthcare expenditures are paid on a Citywide basis and are adjusted for employee contributions and allocated among City funds at year-end. As a result, the Q2 2012 Budget for healthcare expenditures is set at 50 percent of the full-year budget, and the Q2 2012 Estimate is based on Citywide expenditures to-date, with estimated adjustments to account for anticipated employee contributions and distribution among funds.

<sup>9</sup> Miscellaneous expenditures include smaller equipment and maintenance and construction projects not funded through the City's capital program, matching funds for grants received by the City, local transportation and travel costs, and expenses related to direct aid programs such as the City's housing support and workforce services programs (most direct aid programs are grant-funded, and thus do not show as local fund expenditures). The Q2 2012 Estimate includes \$20 million transferred to the new Innovation Loan Fund; these funds will come from the securitization of the City's existing contract for bus shelter advertising.

<sup>10</sup> Transfers Out consist of reimbursements and transfers from the corporate fund to other City funds for operating expenses, which are allocated by quarter and included in the Q2 2012 Estimate.

CORPORATE FUND CONTINUED

CORPORATE FUND EXPENDITURES

Corporate fund expenditures for the first half of 2012 came in slightly below the Q2 2012 Budget, at 50.5 percent of total 2012 budgeted expenditures. Salary and wage expenditures, which represent the large majority of total corporate fund expenditures, ended the second quarter in line with expectations at 50 percent of budgeted salary and wage costs for the year. Healthcare expenditures are estimated at 45 percent of the full-year budget, and below Q2 2012 Budget levels, and it is anticipated that the City's new employee wellness program will generate continued savings during the second half of the year.

The City's expenditures for contractual services are typically front-loaded, as certain contract costs, such as rent, insurance premiums, telephone system costs, and software licensing fees, are fully encumbered at the start of the year. Contractual services expenditures for the first half of the year were \$160 million, or 54 percent of the full-year budget for such costs; in 2011, half-year contractual services expenses were \$189 million, or 58 percent of the full-year budget.

Utility expenses were low as a percentage of the full-year utility budget, due in large part to the mild weather and low natural gas prices. The utility expenditures presented in the table on the previous page are slightly above the Q2 2012 Budget because the Q2 2012 Budget amount is based on historical spending patterns, and in past years there was a substantial delay in the payment of utility bills. This year, the City has made significant progress towards paying these bills in a more timely manner, resulting in a larger proportion of these expenses being paid earlier in the year.

Commodities and materials expenses for the first half of 2012 came in under budget, and were 34 percent lower than for the same period in 2011. Despite fleet reduction and fuel-efficiency initiatives implemented over the past year, increasing gas prices during the first half of 2012 pushed motor fuel expenditures slightly above budget for the second quarter. Gasoline prices in the Chicago area were up three percent from the same period last year.

Claim and judgment-related expenditures exceeded the corporate fund budget for such expenses during the second quarter. Each year, the City uses both corporate fund resources and bond proceeds to pay for expenses

incurred in connection with claims and judgments against the City, and expenses in excess of the amount budgeted on the corporate fund will be paid with bond proceeds.

Miscellaneous expenses include \$20 million transferred to the City's new Innovation Loan Fund, which provides revolving loans to City departments to undertake projects that will improve operations while decreasing costs or increasing revenue.

VEHICLE TAX FUND

Vehicle sticker revenues came in just above budgeted expectations for the first half of the year, as the number of stickers sold increased from 2011 levels. Revenues from pavement cuts and related fees came in above budget, as the warm weather increased the number of construction projects starting early in the year, including infrastructure improvements by Peoples Gas.

Vehicle tax fund expenditures for the first half of the year were 48 percent of total 2012 budgeted expenditures for this fund. Personnel expenditures appear high for the first half of the year; however, a portion of these expenses were for employees working on road-related capital projects and will be reimbursed with capital funding prior to year-end.

Relatively low contractual services expenditures reflect the low proportion of contract costs on this fund that are fully encumbered at the start of the year, as the majority of these expenses are for contracted towing and the disposal of waste collected from streets, roadsides, and vacant lots. Vehicle stickers are printed and purchased early in the year, increasing commodities and materials expenditures for the first half of the year. Utility expenses reflect the same patterns seen in the corporate fund.

MOTOR FUEL TAX FUND

Revenues from motor fuel taxes were nine percent below the same-period in 2011, and almost six percent below the Q2 2012 Budget. Gasoline prices in the Chicago area reached all-time highs during the first quarter of the year and remained high through the second quarter. Such elevated prices tend to result in declines in usage and lower tax revenues. The year-over-year decline also reflects the decline in Chicago's population under the 2010 census, as the distribution of motor fuel tax revenues by the State

## SPECIAL REVENUE FUNDS

is population-based. The 'other revenue' category consists of anticipated funding from the State's Illinois Jobs Now! Program, which will not be received until later in the year.

Expenditures during the first half of the year for the motor fuel tax fund, which supports snow removal and street maintenance, were 35 percent of total budgeted 2012 expenditures. Expenditures from this fund are highly seasonal. The mild winter kept snow removal expenses relatively low during the first quarter, while street repair and maintenance expenses on this fund generally pick up in the second quarter and continue into the third quarter, in line with activity. The volatility of Chicago weather makes this fund's expenditures inherently difficult to predict - fall storms or December snow events may necessitate greater spending during the second half of the year. Debt service payments on motor fuel tax revenue bonds, the proceeds of which fund the construction of road-related improvements, are not reflected in half-year expenditures, as these payments are made semi-annually, with the first payment in July.

### SPECIAL EVENTS & HOTEL TAX FUND

Hotel operator's occupation tax revenue continued to exceed expectations, as local hotel occupancy climbed and revenue per available room increased significantly over 2011 levels. The City also hosted a number of new conventions during the first half of 2012, further bolstering these revenues. Recreation fee revenues came in slightly below budget, but are expected to increase as the year goes on, with many of the larger events supported by this fund, including the Taste of Chicago, occurring later in the summer and fall.

Expenditures for this fund were in line with expectations, at 34 percent of the fund's full-year budget; low spending during the first half of the year is due in large part to the seasonality of event-related expenses. In addition, below-budget expenditures are due in part to the fact that the contract with the Chicago Office of Tourism and Culture was executed and encumbered early in 2011, and no similar contract was encumbered during the first half of 2012.

### LIBRARY FUND

Revenue to the City's library fund does not generally fluctuate from budgeted levels, as the majority of this revenue comes from the library's dedicated portion of the City's property tax levy and a subsidy from the City's corporate fund.

Library fund expenditures for the first half of 2012 were 50 percent of 2012 budgeted expenditures for this fund, with trends in spending mirroring those for the corporate fund. The relatively high half-year contractual services expenditures reflect the high proportion of front-loaded contract costs on this fund - both rent and property maintenance costs for the libraries are fully encumbered at the start of the year.

SPECIAL REVENUE FUNDS CONTINUED

SPECIAL REVENUE FUNDS - REVENUE \$ MILLIONS	2012 BUDGET	Q2 2012 BUDGET	Q2 2012 ESTIMATES
<b>Vehicle Tax Fund</b>			
Vehicle Sticker Tax	\$116.59	\$61.25	\$62.49
Impoundment, Pavement Cut & Other Fees	20.68	10.34	13.60
Other Revenue & Reimbursements	20.97	9.91	9.22
<b>Total Revenue</b>	<b>158.24</b>	<b>81.50</b>	<b>85.31</b>
<b>Appropriated Prior Year Fund Balance<sup>11</sup></b>	<b>1.71</b>	<b>0.86</b>	<b>0.86</b>
<b>Total Resources</b>	<b>159.95</b>	<b>82.36</b>	<b>86.17</b>
<b>Motor Fuel Tax Fund</b>			
Motor Fuel Tax	68.30	34.35	32.39
Interest & Other Revenue	6.00	0.00	0.00
<b>Total Revenue</b>	<b>74.30</b>	<b>34.35</b>	<b>32.39</b>
<b>Appropriated Prior Year Fund Balance<sup>11, 12</sup></b>	<b>(2.60)</b>	<b>(1.30)</b>	<b>(1.30)</b>
<b>Total Resources</b>	<b>71.70</b>	<b>33.05</b>	<b>31.09</b>
<b>Special Events &amp; Hotel Tax Fund</b>			
Hotel Operator's Occupation Tax	17.27	7.54	8.24
Recreation Fees, Rental & Other Charges	11.09	5.55	4.45
Other Revenue	6.50	0.00	0.00
<b>Total Revenue</b>	<b>34.86</b>	<b>13.09</b>	<b>12.69</b>
<b>Appropriated Prior Year Fund Balance<sup>11</sup></b>	<b>1.14</b>	<b>0.57</b>	<b>0.57</b>
<b>Total Resources</b>	<b>36.00</b>	<b>13.66</b>	<b>13.26</b>
<b>Library Fund<sup>13</sup></b>			
Property Tax Levy	70.54	35.27	35.27
Corporate Fund Subsidy	8.97	4.48	4.48
Rental, Fines & Other Revenue	6.23	1.52	1.09
<b>Total Revenue</b>	<b>85.74</b>	<b>41.27</b>	<b>40.84</b>
<b>Appropriated Prior Year Fund Balance<sup>11</sup></b>	<b>1.80</b>	<b>0.90</b>	<b>0.90</b>
<b>Total Resources</b>	<b>\$87.54</b>	<b>\$42.17</b>	<b>\$41.74</b>

<sup>11</sup> The appropriated prior year fund balance is the surplus or deficit from the prior budget year that is included the current year's budget. One half of the appropriated fund balance is considered revenue for the first half of the year, for the purposes of this report.

<sup>12</sup> The motor fuel tax fund has been operating at a deficit for most of the past ten years, resulting in the negative fund balance carried over from 2011. Expenditures from this fund, largely for snow removal and street maintenance, were often greater than revenues coming in from motor fuel taxes, which have been in decline due to increasing gasoline prices and other economic factors and consumer trends. The 2012 budget continues the process of eliminating the deficit that has built up on this fund by appropriating expenditures at a level less than anticipated revenues.

<sup>13</sup> Revenues from the property tax levy and the corporate fund subsidy are not actually transferred into the library fund until later in the year; however, because these amounts will not fluctuate from budgeted levels, one half of the total is considered revenue for the first half of the year, for the purposes of this report.



SPECIAL REVENUE FUNDS CONTINUED

SPECIAL REVENUE FUNDS - EXPENDITURES \$ MILLIONS	2012 BUDGET	Q2 2012 BUDGET	Q2 2012 ESTIMATES
<b>Vehicle Tax Fund</b>			
Salaries and Wages	\$75.13	\$35.31	\$39.77
Healthcare Benefits <sup>14</sup>	15.53	7.76	8.19
Worker's Compensation	6.68	4.27	4.61
Contractual Services	25.84	10.14	9.94
Commodities and Materials	3.50	0.88	1.60
Utilities	9.60	1.87	1.95
Claims, Refunds, Judgments, and Legal Fees	1.26	0.52	0.67
Miscellaneous <sup>15</sup>	1.84	0.65	0.26
Transfers Out <sup>16</sup>	20.58	10.29	10.29
<b>Total Expenditures</b>	<b>\$159.96</b>	<b>\$71.69</b>	<b>\$77.28</b>
<b>Motor Fuel Tax Fund<sup>17</sup></b>			
<b>Total Expenditures</b>	<b>\$71.70</b>	<b>\$26.54</b>	<b>\$25.24</b>
<b>Special Events &amp; Hotel Tax Fund</b>			
Special Events & Tourism Programming	18.36	7.15	5.79
Salaries and Wages	6.73	3.16	2.68
Healthcare Benefits <sup>14</sup>	0.97	0.49	0.44
Worker's Compensation	0.01	0.01	0.00
Contractual Services	6.54	2.51	2.27
Commodities and Materials	0.05	0.02	0.01
Miscellaneous <sup>15</sup>	2.41	1.86	0.56
Transfers Out <sup>16</sup>	0.93	0.47	0.47
<b>Total Expenditures</b>	<b>\$36.00</b>	<b>\$15.67</b>	<b>\$12.22</b>
<b>Library Fund</b>			
Salaries and Wages	48.70	22.89	23.42
Healthcare Benefits <sup>14</sup>	12.09	6.04	5.45
Worker's Compensation	0.42	0.21	0.18
Contractual Services	18.47	13.58	12.73
Commodities and Materials	1.60	0.52	0.28
Utilities	3.43	0.99	0.92
Miscellaneous <sup>15</sup>	2.67	0.57	0.34
Transfers Out <sup>16</sup>	0.16	0.08	0.08
<b>Total Expenditures</b>	<b>\$87.54</b>	<b>\$44.88</b>	<b>\$43.40</b>

<sup>14</sup> The City's healthcare expenditures are paid on a Citywide basis and are adjusted for employee contributions and allocated among City funds at year-end. As a result, the Q2 2012 Budget for healthcare expenditures is set at 50 percent of the full-year budget, and the Q2 2012 Estimate is based on Citywide expenditures to-date, with estimated adjustments to account for anticipated employee contributions and distribution among funds.

<sup>15</sup> Miscellaneous expenditures include smaller equipment and maintenance and construction projects not funded through the City's capital program, local transportation and travel costs, certain short-term debt service payments, and matching funds for grants received by the City.

<sup>16</sup> Transfers out consist of reimbursements to the corporate fund for central services such as streets and sanitation, fleet and facility maintenance, and payments to the City's pension funds for the pensions of employees on these funds, which are allocated by quarter and included in the Q2 2012 Estimate.

<sup>17</sup> Expenditures for this fund cannot be categorized like those for other funds. This fund supports street lighting electricity, street and traffic light maintenance, bridge and pavement maintenance, and snow removal. In addition, a portion of these funds is transferred to the CTA to support the City's transportation system. Debt service on motor fuel tax revenue bonds is also paid out of this fund, with the first payment made in July. Because the volatility of Chicago weather makes this fund's expenditures inherently difficult to predict, the Q2 2012 Budget amount presented in this table is half of the 2012 budgeted operating expenditures for this fund.

ENTERPRISE FUNDS

WATER AND SEWER FUNDS

Water and sewer fund revenue estimates, which are adjusted to reflect anticipated collection rates, came in slightly below anticipated levels for the first half of the year. Water usage varies seasonally, and it is expected that revenues will increase with increased consumption during the third quarter, due to the mid-summer heat.

Expenditures were generally in line with budgeted expectations, with trends in spending similar to those for the corporate fund. Debt service on water and sewer revenue bonds is paid semi-annually, in the second and fourth quarters. Proceeds from water and sewer revenue bonds will fund much-needed large-scale improvements to the City’s water and sewer infrastructure, including the repair of hundreds of miles of water pipes and sewer lines and the modernization of Chicago’s major filtration plants.

AVIATION FUNDS

The Midway and O’Hare Airport funds operate like commercial enterprises, in that each derives its revenue from charges and associated user fees, which are aligned with fund expenditures. Accordingly, revenue estimates were adjusted to mirror expenditures for the first half of the year, accounting for debt service payments that will be made later in the year.

Expenditures for the Midway and O’Hare Airport funds were 26 percent and 24 percent of budgeted expenditures for the year, respectively. Low half-year expenditures for these funds are due in large part to the fact that debt service payments in connection with the financing of airport improvements are not due and paid until July.

ENTERPRISE FUNDS - REVENUE \$ MILLIONS	2012 BUDGET	Q2 2012 BUDGET	Q2 2012 ESTIMATES
<b>Water Fund</b>			
Total Revenue	\$569.35	\$261.91	\$255.91
<b>Sewer Fund</b>			
Total Revenue	\$253.77	\$115.21	\$114.72
<b>O’Hare Fund</b>			
Total Revenue	\$949.09	\$226.47	\$226.47
<b>Midway Fund</b>			
Total Revenue	\$229.38	\$59.49	\$59.49

ENTERPRISE FUNDS - EXPENDITURES \$ MILLIONS	2012 BUDGET	Q2 2012 BUDGET	Q2 2012 ESTIMATES
<b>Water Fund</b>			
Salaries and Wages	\$136.32	\$64.07	\$60.02
Healthcare Benefits <sup>18</sup>	25.46	12.73	11.14
Worker’s Compensation	9.59	4.45	5.29
Contractual Services	42.29	18.36	21.69
Commodities and Materials	27.24	12.26	9.86
Utilities	31.99	10.44	12.16
Motor Fuel	2.75	1.34	1.26
Claims, Refunds, Judgments, and Legal Fees	1.51	0.68	0.74
Miscellaneous <sup>19</sup>	5.77	1.61	1.87
Financing Costs <sup>20</sup>	157.18	53.40	51.29
Transfers Out <sup>21</sup>	129.25	64.63	64.63
<b>Total Expenditures</b>	<b>\$569.35</b>	<b>\$243.97</b>	<b>\$239.95</b>

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ENTERPRISE FUNDS CONTINUED

ENTERPRISE FUND - EXPENDITURES \$ MILLIONS	2012 BUDGET	Q2 2012 BUDGET	Q2 2012 ESTIMATES
<b>Sewer Fund</b>			
Salaries and Wages	51.09	24.01	19.20
Healthcare Benefits <sup>18</sup>	9.18	4.59	3.65
Worker's Compensation	3.82	1.56	2.72
Contractual Services	8.85	5.22	4.15
Commodities and Materials	5.72	2.05	5.20
Utilities	0.19	0.07	0.07
Motor Fuel	1.43	0.70	0.33
Claims, Refunds, Judgments, and Legal Fees	1.14	0.40	0.21
Miscellaneous <sup>19</sup>	0.62	0.03	0.03
Financing Costs <sup>20</sup>	86.40	30.58	27.47
Transfers Out <sup>21</sup>	85.33	42.67	42.67
<b>Total Expenditures</b>	<b>\$253.77</b>	<b>\$111.88</b>	<b>\$105.70</b>
<b>O'Hare Fund</b>			
Salaries and Wages	144.25	67.80	63.25
Healthcare Benefits <sup>18</sup>	26.06	13.03	12.20
Worker's Compensation <sup>22</sup>	12.80	12.80	7.06
Contractual Services	215.87	124.84	108.58
Commodities and Materials	18.34	6.99	4.94
Utilities	25.34	7.65	9.15
Motor Fuel	2.65	1.26	0.90
Miscellaneous <sup>19</sup>	13.05	0.35	1.22
Financing Costs <sup>20</sup>	452.39	0.00	0.00
Transfers Out <sup>21</sup>	38.34	19.17	19.17
<b>Total Expenditures</b>	<b>\$949.09</b>	<b>\$253.89</b>	<b>\$226.47</b>
<b>Midway Fund</b>			
Salaries and Wages	31.66	14.88	13.60
Healthcare Benefits <sup>18</sup>	5.24	2.62	2.35
Worker's Compensation <sup>22</sup>	2.54	2.54	1.30
Contractual Services	68.83	39.32	32.37
Commodities and Materials	3.42	1.30	0.32
Utilities	6.38	2.94	2.71
Motor Fuel	0.71	0.34	0.35
Miscellaneous <sup>19</sup>	2.27	0.28	0.06
Financing Costs <sup>20</sup>	95.48	0.00	0.00
Transfers Out <sup>21</sup>	12.85	6.43	6.43
<b>Total Expenditures</b>	<b>\$229.38</b>	<b>\$70.65</b>	<b>\$59.49</b>

<sup>18</sup> The City's healthcare expenditures are paid on a Citywide basis and are adjusted for employee contributions and allocated among City funds at year-end. As a result, the Q2 2012 Budget for healthcare expenditures is set at 50 percent of the full-year budget, and the Q2 2012 Estimate is based on Citywide expenditures to-date, with estimated adjustments to account for anticipated employee contributions and distribution among funds.

<sup>19</sup> Miscellaneous expenditures include smaller equipment and maintenance and construction projects not funded through capital programs, and local transportation and travel costs.

<sup>20</sup> Financing costs represent debt service payments made in connection with capital improvement projects.

<sup>21</sup> Transfers out consist of reimbursements to the corporate fund for central services such as police, emergency management, streets and sanitation, fleet, and facility maintenance; payments to the City's pension funds for the pensions of employees on these funds; and transfers into the water and sewer rate stabilization funds, all of which are allocated by quarter and included in the Q2 2012 Estimate.

<sup>22</sup> Worker's compensation expenditures for the aviation funds reflect the airports' contracts for worker's compensation management, under which contract costs are encumbered at the start of the year; the costs presented in this table are not indicative of actual medical or other worker's compensation costs incurred.



CITY OF CHICAGO  
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