



CITY OF CHICAGO

QUARTERLY
BUDGET REPORT

3RD QUARTER 2012

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INTRODUCTION

CONTENT AND PURPOSE

This quarterly report presents an overview of the City's operating revenues and expenditures through the third quarter of 2012, as compared to budgeted amounts, and explains any notable aberrations or trends in these numbers. This report also provides information and updates on major initiatives that are a part of the City's 2012 budget. 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 [2013 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.¹ Information on those areas can be found in the [2013 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 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 "Q3 2012 Budget" column of the tables in this report, and represent the amounts that the City expected to receive through the third quarter of the year. The "Q3 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 through the third 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 "Q3 2012 Budget" amounts presented in the expenditure tables in this report reflect historical spending patterns, as applied to this year's budget,² 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 "Q3 2012 Budget" is set at 75 percent of the full-year budget. The "Q3 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 the following 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.

¹ 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.

² This quarterly report utilizes 2011 spending patterns to calculate Q3 2012 Budget amounts.

CORPORATE FUND

SUMMARY OF LOCAL FUNDS

The City's overall local fund revenues exceeded budgeted expectations during the first three quarters of 2012, as economically sensitive revenues continued to outpace projections of growth and utility tax revenues began to stabilize following the unseasonably warm first quarter. The City's major local fund expenditures were generally in line with expectations through the third quarter. Revenues and expenditures for each fund are discussed in greater detail in the following pages.

CORPORATE FUND REVENUE

Overall utility tax revenues remained below budget in the third quarter, even as improving electricity, telecommunications, and cable television tax revenues began to make up for declining natural gas tax revenues. 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 dropped. Prices remained low through the third quarter, ending September 35 percent lower than during the same months in 2011. With both usage and prices low, natural gas tax revenue is expected to come in 18 percent below budget for the first three quarters of the year. Electricity tax revenue, however, rebounded during the third quarter, with the summer's record heat increasing air conditioning usage. Telecommunications tax revenues through the third quarter were in line with budgeted expectations, while cable television tax revenues continued to perform above budget, reflecting industry growth.

Losses in utility tax revenues were offset by strong performance in economically sensitive revenues such as real property transfer, hotel, sales, and income taxes. Transaction tax revenues, including the real property transfer tax and the personal property lease tax, were \$19 million above budgeted expectations through the end of the third quarter, driven by larger downtown office building sales, an improving leasing market, and the continued recovery of the housing sector. The S&P/Case Shiller index showed home prices in Chicago increasing during each month of the third quarter.

Business tax revenues also came in significantly above budget, as hotel tax revenues continue to outperform

expectations. Local hotel occupancy was up five percent and revenue per available room up 11 percent from the same period in 2011, with an extra boost in the third quarter due to the influx of visitors to Chicago for the Ryder Cup.

Consumer confidence, which flagged slightly in the second quarter, picked up again in the third quarter, and retail sales grew five percent over 2011 levels. Sales tax revenues grew accordingly, to \$21 million above budget by the end of the third quarter. Income tax revenues were similarly strong, with collections up 17 percent from budgeted expectations, as the city's jobs and unemployment numbers continue to improve with the overall economy. However, as of the date of this report, the State has not yet distributed income tax payments for August and September, totaling \$35 million, to the City.

Liquor and non-alcoholic beverage tax revenues came in slightly above budgeted expectations for the third quarter. However, overall recreation tax revenues saw a downtick in the third quarter as the NHL lockout continued through the pre-season and into the regular season, and as City cigarette tax revenues dropped with the State's cigarette tax increase. The City does not receive any portion of the revenue from the State's dollar per pack tax increase, which went into effect at the start of July, and increased prices tend to discourage the purchase of cigarettes within the State.

Building permit-related revenues were slightly above budgeted expectations, in line with recent growth trends in the residential and commercial real estate markets, while alcohol and business license-related revenues were slightly below budget during the third quarter. Collections from fines, forfeitures, and penalties were up from same-period 2011, but below budgeted levels, and income from the lease and sale of City-owned land and materials surpassed budgeted expectations.

Reimbursement revenue is down from budgeted expectations due to the decision not to seek reimbursement from the Chicago Public Schools for non-teacher pension contributions, which the City makes to the Municipal Employees' Annuity and Benefit Fund on behalf of CPS each year. The overall amount of non-tax revenue to the corporate fund was also affected by the postponement of the continued roll-out of the City's municipal marketing program to 2013.

CORPORATE FUND - REVENUE \$ MILLIONS	2012 BUDGET	Q3 2012 BUDGET	Q3 2012 ESTIMATES
Tax Revenue			
Utility Taxes and Fees	\$475.31	\$359.64	\$343.37
Transaction Taxes	192.37	144.77	163.89
Transportation Taxes	174.27	131.81	132.53
Recreation Taxes	160.96	127.81	126.40
Business Taxes	94.15	71.35	80.40
Sales and Use Taxes	535.17	400.95	422.31
Income Tax & PPRT ³	209.40	157.26	183.29
Other Intergovernmental	4.92	3.86	3.74
Total Tax Revenue	1,846.55	1,397.45	1,455.93
Non-Tax Revenue			
Licenses and Permits	126.44	83.37	81.30
Fines, Forfeitures and Penalties	292.63	218.71	213.75
Charges for Services	125.14	84.18	87.03
Municipal Parking	8.67	7.10	7.01
Leases, Rentals and Sales	9.68	4.43	7.52
Reimbursement, Interest & Other ⁴	423.70	303.28	267.31
Total Non-Tax Revenue	986.26	701.07	663.92
Proceeds and Transfers In⁵	122.00	67.00	74.78
Total Revenue	2,954.81	2,165.52	2,194.63
Appropriated Prior Year Fund Balance⁶	143.54	107.66	107.66
Total Resources⁷	\$3,098.35	\$2,273.18	\$2,302.29

CORPORATE FUND - EXPENDITURES \$ MILLIONS	2012 BUDGET	Q3 2012 BUDGET	Q3 2012 ESTIMATES
Salaries and Wages	\$2,197.03	\$1,647.77	\$1,661.21
Healthcare Benefits ⁸	389.91	292.43	265.32
Worker's Compensation	61.69	46.27	44.05
Contractual Services	298.55	217.37	214.13
Commodities and Materials	21.98	15.10	15.81
Utilities	11.90	5.75	7.41
Motor Fuel	23.72	20.85	20.15
Claims, Refunds, Judgments, and Legal Fees	27.74	27.74	27.74
Miscellaneous ⁹	51.87	38.53	35.73
Transfers Out ¹⁰	13.96	10.47	10.47
Total Expenditures⁷	\$3,098.35	\$2,322.28	\$2,302.02

³ 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.

⁴ This category of revenue includes the anticipated TIF surplus of \$12 million, the majority of which is not transferred to the corporate fund until later in the year and thus not included in the Q3 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 Q3 2012 Estimate.

⁵ 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 Q3 2012 Estimate.

⁶ The appropriated prior year fund balance is the surplus or deficit from the prior budget year that is included the current year's budget. Three-quarters of the appropriated fund balance is considered revenue for the first three quarters of the year, for the purposes of this report.

⁷ The 2012 corporate fund budget under the originally enacted annual appropriation ordinance was \$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.

⁸ 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 Q3 2012 Budget for healthcare expenditures is set at 75 percent of the full-year budget, and the Q3 2012 Estimate is based on Citywide expenditures to-date, with estimated adjustments to account for anticipated employee contributions and distribution among funds.

⁹ 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).

¹⁰ 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 Q3 2012 Estimate.

CORPORATE FUND CONTINUED

CORPORATE FUND EXPENDITURES

Corporate fund expenditures for the first three quarters of 2012 came in slightly below the Q3 2012 Budget, at 74 percent of total 2012 budgeted expenditures. Salary and wage expenditures, which represent the large majority of total corporate fund expenditures, ended the quarter in line with expectations at just over 75 percent of budgeted salary and wage costs for the year. Healthcare expenditures are estimated at 68 percent of the full-year budget, below Q3 2012 Budget levels, and it is anticipated that the City's healthcare-related initiatives will continue to generate savings through the end of the year.

Contractual services expenditures, which include property rental and maintenance, IT services and software licensing, and other professional service costs, finished the third quarter at \$214 million, or 72 percent of the full-year budget for such costs. This is approximately \$23 million less than had been spent on such costs during the same period in 2011.

Utility expenses through the third quarter were low as a percentage of the full-year utility budget, due in 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 Q3 2012 Budget because the Q3 2012 Budget amount is based on historic third quarter spending as a percentage of the full-year budget, applied to the current year's budget. In 2012, the City's utility budget was reduced significantly from prior years in order to more accurately reflect anticipated spending; as a result, a greater portion of the full-year budget was spent as of the end of the third quarter this year.

Commodities and materials expenditures through September came in at budget, and were 18 percent lower than for the same period in 2011. Usage of and spending on motor fuel also tracked below 2011 levels, due in part to fleet reduction and fuel efficiency initiatives and the transition to grid garbage collection; however, high gasoline prices contributed to pushing motor fuel expenditures through the end of the third quarter to 85 percent of the full-year budget.

The entire corporate fund budget for claim and judgment-related expenditures was spent prior to the end of the third 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 three quarters of the year, as the number of stickers sold increased from 2011 levels. Overall fund revenues were further boosted by increased revenue from pavement cuts and related fees, due to an increased number of construction projects, including infrastructure improvements by Peoples Gas.

Vehicle tax fund expenditures through September were 74 percent of total 2012 budgeted expenditures for this fund. Personnel expenditures appear high for this period; 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; in addition, a significant portion of the fund's contractual services budget is for contracted towing, and there is a slight lag in billing and payment for such services.

The City's street and traffic light electricity costs are paid out of this fund and the motor fuel tax fund. Because the motor fuel tax fund budget for these costs is usually spent first, electricity expenditures from the vehicle tax fund are generally back-loaded, as is reflected in the relatively low utility expenditures from this fund through the third quarter.

MOTOR FUEL TAX FUND

Revenues from motor fuel taxes were seven percent below the same-period in 2011, and almost five percent below the Q3 2012 Budget. Gasoline prices in the Chicago area reached all-time highs during the first quarter of the year

SPECIAL REVENUE FUNDS

and remained high through the second and third quarter. Such elevated prices tend to result in declines in usage and thus 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 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 the fourth quarter.

Expenditures during the first three quarters of the year from the motor fuel tax fund, which supports snow removal and other street-related costs, were 69 percent of total budgeted 2012 expenditures. Expenditures from this fund are highly seasonal. The mild first quarter weather kept snow removal expenses relatively low year-to-date, while street repair and maintenance expenses on this fund picked up in the second and third quarters, in line with increased 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 last three months of the year. Debt service payments on motor fuel tax revenue bonds, the proceeds of which fund the construction of road-related improvements, 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. Recreation fee revenues also finished the third quarter strong, as ticket sales and sponsorship for City events, such as the Taste of Chicago, the Blues Festival, and the Air and Water Show, exceeded projections.

Expenditures from this fund were in line with seasonal expectations. Much of the budget for special events and tourism-related activities is spent during the mid- and late-summer months, when many of the major City-run events and festivals occur. In addition, the City's contract with the Chicago Office of Tourism and Culture was executed in the third quarter, and funds were encumbered accordingly.

LIBRARY FUND

Overall revenue to the City's library fund does not fluctuate significantly 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. Other revenue, including revenue from fines and the rental of library facilities, fell slightly below budgeted expectations during the third quarter.

Library fund expenditures through September were 70 percent of full-year budgeted expenditures for this fund, with trends in spending mirroring those for the corporate fund. Contractual services expenditures for the library system are largely front-loaded, as 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	Q3 2012 BUDGET	Q3 2012 ESTIMATES
Vehicle Tax Fund			
Vehicle Sticker Tax	\$116.59	\$110.00	\$110.48
Impoundment, Pavement Cut & Other Fees	20.68	15.51	19.98
Other Revenue & Reimbursements	20.97	15.73	14.87
Total Revenue	158.24	141.24	145.33
Appropriated Prior Year Fund Balance¹¹	1.71	1.29	1.29
Total Resources	159.95	142.53	146.62
Motor Fuel Tax Fund			
Motor Fuel Tax	68.30	51.21	48.87
Interest & Other Revenue	6.00	0.00	0.00
Total Revenue	74.30	51.21	48.87
Appropriated Prior Year Fund Balance^{11, 12}	(2.60)	(1.95)	(1.95)
Total Resources	71.70	49.26	46.92
Special Events & Hotel Tax Fund			
Hotel Operator's Occupation Tax	17.27	12.65	13.24
Recreation Fees, Rental & Other Charges	11.09	8.32	10.60
Other Revenue	6.50	0.00	0.00
Total Revenue	34.86	20.97	23.84
Appropriated Prior Year Fund Balance¹¹	1.14	0.85	0.85
Total Resources	36.00	21.82	24.69
Library Fund¹³			
Property Tax Levy	70.54	52.91	52.91
Corporate Fund Subsidy	8.97	6.72	6.72
Rental, Fines & Other Revenue	6.23	2.29	1.78
Total Revenue	85.74	61.92	61.41
Appropriated Prior Year Fund Balance¹¹	1.80	1.35	1.35
Total Resources	\$87.54	\$63.27	\$62.76

¹¹ The appropriated prior year fund balance is the surplus or deficit from the prior budget year that is included the current year's budget. Three-quarters of the appropriated fund balance is considered revenue for the first three quarters of the year, for the purposes of this report.

¹² 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.

¹³ 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, three-quarters of the total is considered revenue for the first three quarters of the year, for the purposes of this report.

SPECIAL REVENUE FUNDS CONTINUED

SPECIAL REVENUE FUNDS - EXPENDITURES \$ MILLIONS	2012 BUDGET	Q3 2012 BUDGET	Q3 2012 ESTIMATES
Vehicle Tax Fund			
Salaries and Wages	\$75.13	\$59.78	\$62.52
Healthcare Benefits ¹⁴	15.53	11.65	12.29
Worker's Compensation	6.68	6.52	6.66
Contractual Services	25.84	14.76	14.69
Commodities and Materials	3.50	1.60	2.17
Utilities	9.60	2.77	2.61
Claims, Refunds, Judgments, and Legal Fees	1.26	0.86	1.02
Miscellaneous ¹⁵	1.84	0.98	0.37
Transfers Out ¹⁶	20.58	15.44	15.44
Total Expenditures	\$159.96	\$114.36	\$117.77
Motor Fuel Tax Fund¹⁷			
Total Expenditures	\$71.70	\$49.39	\$49.24
Special Events & Hotel Tax Fund			
Special Events & Tourism Programming	18.36	16.25	15.01
Salaries and Wages	6.73	4.68	4.24
Healthcare Benefits ¹⁴	0.97	0.73	0.66
Worker's Compensation	0.01	0.01	0.00
Contractual Services	6.54	5.16	4.88
Commodities and Materials	0.05	0.03	0.03
Miscellaneous ¹⁵	2.41	1.91	0.56
Transfers Out ¹⁶	0.93	0.70	0.70
Total Expenditures	\$36.00	\$29.47	\$26.08
Library Fund			
Salaries and Wages	48.70	36.53	36.00
Healthcare Benefits ¹⁴	12.09	9.07	8.18
Worker's Compensation	0.42	0.30	0.30
Contractual Services	18.47	15.08	13.78
Commodities and Materials	1.60	0.89	0.50
Utilities	3.43	1.59	1.76
Miscellaneous ¹⁵	2.67	0.61	0.34
Transfers Out ¹⁶	0.16	0.12	0.12
Total Expenditures	\$87.54	\$64.19	\$60.98

¹⁴ 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 Q3 2012 Budget for healthcare expenditures is set at 75 percent of the full-year budget, and the Q3 2012 Estimate is based on Citywide expenditures to-date, with estimated adjustments to account for anticipated employee contributions and distribution among funds.

¹⁵ 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.

¹⁶ 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 Q3 2012 Estimate.

¹⁷ 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 paid semi-annually 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 Q3 2012 Budget amount presented in this table is three-quarters 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 above anticipated levels for the first three quarters of the year. This uptick reflects increased consumption during the third quarter, due in part to the extreme mid-summer heat.

Expenditures were generally in line with budgeted expectations, with trends in spending similar to those for the corporate fund. Spending on contractual services has increased from 2011 levels for the same period as the City begins 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; progress on this work is further discussed in the following section of this report.

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, quarterly revenue estimates are adjusted to mirror expenditures.

Expenditures for the Midway and O'Hare Airport funds were approximately 51 percent of 2012 budgeted expenditures. Expenditures were low as a percentage of the full-year budget in large part because most debt service payments are not paid until later in the year. In addition, certain operational and contractual costs were lower than anticipated through the third quarter, due in part to the mild first quarter weather, which cut down on equipment rental and other costs associated with clearing snow and de-icing at the airports. These winter weather expenses will likely increase in the fourth quarter as the airports prepare for the coming season.

ENTERPRISE FUNDS - REVENUE \$ MILLIONS	2012 BUDGET	Q3 2012 BUDGET	Q3 2012 ESTIMATES
Water Fund			
Total Revenue	\$569.35	\$406.00	\$417.98
Sewer Fund			
Total Revenue	\$253.77	\$178.95	\$181.48
O'Hare Fund			
Total Revenue	\$949.09	\$487.72	\$487.72
Midway Fund			
Total Revenue	\$229.38	\$116.70	\$116.70

ENTERPRISE FUNDS - EXPENDITURES \$ MILLIONS	2012 BUDGET	Q3 2012 BUDGET	Q3 2012 ESTIMATES
Water Fund			
Salaries and Wages	\$136.32	\$93.40	\$93.72
Healthcare Benefits ¹⁸	25.46	19.10	16.71
Worker's Compensation	9.59	6.68	7.78
Contractual Services	42.29	25.18	29.60
Commodities and Materials	27.24	17.81	16.23
Utilities	31.99	17.86	16.78
Motor Fuel	2.75	2.42	2.09
Claims, Refunds, Judgments, and Legal Fees	1.51	1.21	1.18
Miscellaneous ¹⁹	5.77	3.20	3.11
Financing Costs ²⁰	157.18	55.49	53.04
Transfers Out ²¹	129.25	96.94	96.94
Total Expenditures	\$569.35	\$339.29	\$337.18

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ENTERPRISE FUNDS CONTINUED

ENTERPRISE FUND - EXPENDITURES \$ MILLIONS	2012 BUDGET	Q3 2012 BUDGET	Q3 2012 ESTIMATES
Sewer Fund			
Salaries and Wages	51.09	31.38	29.74
Healthcare Benefits ¹⁸	9.18	6.89	5.48
Worker's Compensation	3.82	2.41	4.06
Contractual Services	8.85	6.77	6.00
Commodities and Materials	5.72	2.97	5.62
Utilities	0.19	0.09	0.09
Motor Fuel	1.43	1.26	1.09
Claims, Refunds, Judgments, and Legal Fees	1.14	0.81	0.55
Miscellaneous ¹⁹	0.62	0.05	0.16
Financing Costs ²⁰	86.40	34.62	31.18
Transfers Out ²¹	85.33	64.00	64.00
Total Expenditures	\$253.77	\$151.25	\$147.97
O'Hare Fund			
Salaries and Wages	144.25	99.29	95.76
Healthcare Benefits ¹⁸	26.06	19.55	18.30
Worker's Compensation ²²	12.80	12.80	7.11
Contractual Services	215.87	166.76	147.75
Commodities and Materials	18.34	9.89	8.73
Utilities	25.34	15.19	11.13
Motor Fuel	2.65	2.09	1.31
Miscellaneous ¹⁹	13.05	0.41	1.65
Financing Costs ²⁰	452.39	167.22	167.22
Transfers Out ²¹	38.34	28.76	28.76
Total Expenditures	\$949.09	\$521.96	\$487.72
Midway Fund			
Salaries and Wages	31.66	22.96	20.50
Healthcare Benefits ¹⁸	5.24	3.93	3.53
Worker's Compensation ²²	2.54	2.54	1.32
Contractual Services	68.83	50.74	43.83
Commodities and Materials	3.42	1.53	0.87
Utilities	6.38	4.50	4.13
Motor Fuel	0.71	0.50	0.44
Miscellaneous ¹⁹	2.27	0.28	0.42
Financing Costs ²⁰	95.48	32.03	32.03
Transfers Out ²¹	12.85	9.64	9.64
Total Expenditures	\$229.38	\$128.65	\$116.71

¹⁸ 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 Q3 2012 Budget for healthcare expenditures is set at 75 percent of the full-year budget, and the Q3 2012 Estimate is based on Citywide expenditures to-date, with estimated adjustments to account for anticipated employee contributions and distribution among funds.

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

²⁰ Financing costs represent debt service payments made in connection with capital improvement projects. Debt service on water and sewer revenue bonds is paid semi-annually, in the second and fourth quarters.

²¹ 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 Q3 2012 Estimate.

²² 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.

BUDGET INITIATIVES

UPDATE ON 2012 BUDGET INITIATIVES

Following are highlights of just a few of the important initiatives that are a part of the City's 2012 budget.

Rehabilitation of the City's Water and Sewer Systems

Significant progress has been made on a number of the projects that are a part of the unprecedented investment in Chicago's aging water and sewer infrastructure announced as part of the 2012 budget:

- By the end of 2012, the Department of Water Management (DWM) will replace 70 miles of water mains, an increase of 218 percent from 2011; re-line 47 miles of sewers, a nearly 17 percent increase from 2011; and replace 17 miles of sewer mains, an increase of 188 percent from 2011.
- DWM began construction in April on the first of four steam pumping station conversion projects. Conversion of the Springfield Avenue Pumping Station from steam to electricity will save taxpayers nearly \$4.5 million annually in energy, maintenance, and other operational costs.
- DWM is also on pace to install 12,000 new meters in 2012, exceeding by 20 percent its original goal for meter installations this year.

These improvements, together with the other projects that will be completed over the life of this long-term overhaul of the City's water and sewer systems, will improve service, save taxpayers money, create jobs, promote sound environmental and water stewardship, and ensure a fresh and affordable supply of water for future generations.

Increased Summer Job Opportunities for Youth

By directing \$4 million generated by the pursuit of scofflaws towards youth summer employment programs, the City was able to significantly increase the number of youth participating in these important programs in 2012. This scofflaw revenue, together with existing budgeted funding and an \$800,000 grant from Wal-Mart, contributed to providing a total of 17,500 summer employment opportunities for youth in Chicago this

summer through City-run programs and partnerships with the Chicago Public Schools, Chicago Housing Authority, Chicago Park District, and Cook County.

Participating youth were offered a variety of employment opportunities - in the private-sector, with not-for-profits, and at faith-based organizations - with the goal of improving work readiness skills and developing pathways towards educational and career success. Programs ranged from paid work experience through the City's six Youth Career Development Centers, apprenticeships and internships focused on conservation and natural resource preservation through the City's Green Jobs Initiative, and mentor-facilitated work programs that match youth with jobs in their own communities.

Transition to Grid-Based Garbage Collection

One of the cost-savings initiatives introduced as part of the 2012 budget was the implementation of a grid-based garbage collection system that would streamline operations, create greater system-wide efficiencies, and maximize taxpayer resources. Widely used by municipalities and private refuse haulers, the grid system changes collection routes from non-linear ward-based geography to a system of routes bordered by main streets and natural boundaries.

The rollout of the grid system began in June of 2012, and as of November, the waste from more than 300,000 households was being collected on the grid system. Before rolling-out the program in each area, the Department of Streets and Sanitation spent several months planning and vetting routes and working closely with aldermen and community groups to address any concerns and educate residents about the benefits of the grid system. This transition has enabled the City to use fewer crews to provide the same high-quality weekly refuse collection services, saving millions in operational costs.



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