



CITY OF CHICAGO

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QUARTERLY  
BUDGET REPORT

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4TH QUARTER 2012

MAYOR RAHM EMANUEL

## INTRODUCTION

### CONTENT AND PURPOSE

This quarterly report presents an overview of the City’s operating revenues and expenditures through the fourth 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 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.<sup>1</sup> 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. 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.

*With respect to revenues:* The “2012 YE 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 end of the fourth 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.

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 that reflect historical patterns, seasonality, and other known factors. These projections can be found in the City’s quarterly budget reports for the first three quarters of the year and provide background information and additional detail regarding the trends and changes that impacted revenues during 2012.

*With respect to expenditures:* The “2012 YE Estimates” for expenditures in this report are extracted directly from the City’s financial management system, and adjustments are made to account for certain known payments, reimbursements, or transfers between City departments and funds that have not yet been processed in the system at the time of publication. It represents a snapshot of City expenditures at a certain point in time and does not reflect final adjustments made to prepare the City’s CAFR.

The City monitors its expenditures in comparison to historical spending patterns on a quarterly basis. Additional information on the seasonality of and factors affecting the City’s expenses during 2012 can be found in the City’s quarterly budget reports for the first three quarters of the year.

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<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.

## CORPORATE FUND

### SUMMARY OF LOCAL FUNDS

The City's local fund revenues generally outperformed budgeted expectations in 2012, as economically sensitive revenues exceeded projections of growth, offsetting losses in utility tax and certain non-tax revenues. Total 2012 expenditures for the City's major local funds are estimated at 95 percent of budgeted levels, reflecting lower than budgeted financing costs on the City's enterprise funds, reduced City healthcare costs, and other reductions and efficiencies. The resulting additional resources were taken into account in the 2013 budget, including \$15 million budgeted for transfer into the City's long-term reserves in 2013. Revenues and expenditures for each fund are discussed in greater detail in the following pages.

### CORPORATE FUND REVENUE

The City's utility tax revenues finished the year approximately 3 percent below budget, due in large part to Chicago's mild winter and spring, which reduced the amount of gas and electricity used to heat homes and offices. This decline in usage, in combination with a 31 percent drop in natural gas prices in 2012, resulted in a significant decrease from budgeted levels in gas and electricity tax revenue. Electricity tax revenue partially rebounded during the summer months, with record heat increasing air conditioning usage, but still finished the year below budget. This weakness in gas and electricity tax revenue was offset in part by increasing cable television tax revenues, which continued to reflect industry growth.

As the national economy experienced moderate growth throughout 2012, the City's economically sensitive revenues outperformed budgeted expectations, a sign of the local economy's continuing recovery from the downturn. The strong commercial real estate market that bolstered real property transfer tax revenues in 2011 continued to do so in 2012, and 2012 also saw an increase in home sales, encouraged by low interest rates. Personal property lease tax revenues also came in above budget, contributing to overall transaction tax revenues more than 20 percent above budget for the year.

Income tax revenues were similarly strong in 2012, with collections up 10 percent from 2011 levels as unemployment dropped and corporate profits grew. In addition, the City expects to receive 13 monthly income tax distributions from the State in 2012, further

increasing the City's 2012 income tax revenues above budget. Throughout 2011 and into the start of 2012, there was a substantial delay in income tax distributions to municipalities by the State. Because the final 2011 distribution was received after the City closed its 2011 books, that amount had to be accounted as 2012 revenue. This year, the City anticipates that in addition to the final 2011 payment it will receive all 12 of its 2012 monthly distributions prior to closing its 2012 books in March 2013.

Sales tax and hotel tax revenues rounded out the 2012 growth trend in economically sensitive revenues, increasing 7 percent and 14 percent from budgeted levels, respectively. Nationwide, retail sales grew 5 percent over 2011 in 2012, and consumer confidence surged during the holiday season. Chicago hotel tax revenues continued to outperform expectations through the end of 2012. Local hotel occupancy was up 4 percent and revenue per available room up 10 percent from 2011, indicating that the increase in the City hotel tax rate in 2012 did not have a negative effect on Chicago's ability to attract conventions and tourists.

Building permit-related revenues finished the fourth quarter slightly above budgeted expectations, in line with recent growth in the residential and commercial real estate markets, while prior period fee and alcohol and business license-related revenues were slightly below budget for the year. Revenue from fines, forfeitures, and penalties were up 8 percent from 2011 as the City increased its debt collection efforts, and collections will continue to accrue through the end of March 2013. Income from the lease and sale of City-owned property surpassed expectations for the year due to increases in City sales of land and materials.

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 to 2013 of the roll-out of the City's municipal marketing program.

CORPORATE FUND - REVENUE \$ MILLIONS	2012 BUDGET	2012 YE ESTIMATES
<b>Tax Revenue</b>		
Utility Taxes and Fees	\$475.31	\$461.58
Transaction Taxes	192.37	235.61
Transportation Taxes	174.27	175.25
Recreation Taxes	160.96	162.48
Business Taxes	94.15	107.08
Sales and Use Taxes	535.17	571.99
Income Tax & PPRT <sup>2</sup>	209.40	282.78
Other Intergovernmental	4.92	4.93
<b>Total Tax Revenue</b>	<b>1,846.55</b>	<b>2,001.70</b>
<b>Non-Tax Revenue</b>		
Licenses and Permits	126.44	109.85
Fines, Forfeitures and Penalties	292.63	287.24
Charges for Services	125.14	124.72
Municipal Parking	8.67	8.14
Leases, Rentals and Sales	9.68	14.25
Reimbursement, Interest & Other <sup>3</sup>	423.70	355.91
<b>Total Non-Tax Revenue</b>	<b>986.26</b>	<b>900.11</b>
<b>Proceeds and Transfers In<sup>4</sup></b>	<b>122.00</b>	<b>86.82</b>
<b>Total Revenue</b>	<b>2,954.81</b>	<b>2,988.63</b>
Appropriated Prior Year Fund Balance <sup>5</sup>	143.54	143.54
<b>Total Resources<sup>6</sup></b>	<b>\$3,098.35</b>	<b>\$3,132.17</b>

CORPORATE FUND - EXPENDITURES \$ MILLIONS	2012 BUDGET	2012 YE ESTIMATES
Salaries and Wages	\$2,197.03	\$2,228.24
Healthcare Benefits <sup>7</sup>	389.91	343.45
Worker's Compensation	61.69	59.56
Contractual Services	298.55	281.29
Commodities and Materials	21.98	21.40
Utilities	11.90	10.13
Motor Fuel	23.72	23.66
Claims, Refunds, Judgments, and Legal Fees	27.74	27.74
Miscellaneous <sup>8</sup>	51.87	48.34
Transfers Out <sup>9</sup>	13.96	13.96
<b>Total Expenditures<sup>6</sup></b>	<b>\$3,098.35</b>	<b>\$3,057.77</b>

<sup>2</sup>As of the date of this report, the State has not yet distributed income tax payments for October, November, and December, totalling \$50.7 million, to the City. The majority of the City's PPRT revenue is used to pay pension contributions into the City's four pension funds. The City budgeted \$126.6 million in PPRT revenue to put towards its \$476.3 million in 2012 pension payments. Any PPRT revenue beyond that amount flows into the corporate fund.

<sup>3</sup>This category of revenue includes the 2012 TIF surplus of \$14.7 million and reimbursements to the corporate fund from the City's enterprise and special revenue funds, as well as other intergovernmental funds.

<sup>4</sup>This category of revenue includes interest earned on the City's asset lease reserve funds and proceeds from certain financing transactions.

<sup>5</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.

<sup>6</sup>The 2012 corporate fund budget under the originally enacted annual appropriation ordinance was \$3,095.65 million. The annual appropriation ordinance was amended during the course of the year 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 for the year to \$3,098.35 million.

<sup>7</sup>The City's healthcare expenditures are paid on a Citywide basis and are adjusted for employee contributions and allocated among City funds following year-end. As a result, the YE 2012 Estimate for healthcare expenditures is based on Citywide expenditures through the end of the year, with estimated adjustments to account for anticipated employee contributions and distribution among funds. These estimates are subject to change as the City finalizes its year-end accounting.

<sup>8</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).

<sup>9</sup>Transfers out consist of reimbursements and transfers from the corporate fund to other City funds for operating expenses.

CORPORATE FUND CONTINUED

CORPORATE FUND EXPENDITURES

Total estimated corporate fund expenditures through the end of 2012 came in slightly below budget, at 99 percent of total 2012 budgeted expenditures. Salary and wage expenditures, which represent the large majority of total corporate fund expenses, ended the year approximately 1 percent above budgeted salary and wage costs for the year, reflecting the decision to increase police hours on the streets during the course of 2012. Fourth quarter estimates for healthcare expenditures are at 88 percent of the full-year budget, with the anticipated savings attributable to a variety of healthcare-related efficiencies and reforms, including more aggressive negotiations with providers and the pursuit of certain one-time reimbursements owed to the City.

Contractual services expenditures finished the year at \$281 million, or 94 percent of the budget for such costs. This is approximately \$18 million less than was spent on such costs in 2011. Reductions in spending on the rental of equipment, telecommunications contracts, IT maintenance and software licensing, and other professional services contributed to these savings. Commodities and materials expenditures came in at 97 percent of budget, and were 13 percent lower than in 2011, with tighter budgeting reducing spending on building and office supplies, as well as other types of supplies and materials.

The City's utility costs were slightly lower than budgeted for the year, reflecting the year's mild winter weather and low natural gas prices. Corporate fund spending on motor fuel tracked below 2011 levels; however, high gasoline prices contributed to pushing 2012 motor fuel expenditures to 100 percent of budget for the year.

The entire corporate fund budget for claim and judgment-related expenditures was spent prior to the end of the year. 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 certain expenses in excess of the amount budgeted on the corporate fund are 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. A description of the 2012 Innovation Loan Fund projects can be found in the Quarterly Budget Report for the first quarter of 2012.

VEHICLE TAX FUND

Vehicle sticker revenues came in at budgeted levels for the year, as the number of stickers sold increased by 2 percent 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.

Contractual services expenditures on this fund reflect trends similar to those seen in the corporate fund, as well as lower than anticipated payments for contracted towing, which makes up a significant portion of the vehicle tax fund's contractual services budget. The City's street and traffic light electricity costs are paid out of this fund and the motor fuel tax fund, with the motor fuel tax fund budget for these costs spent first and the remaining annual costs funded through the vehicle tax fund.

Workers' compensation-related expenses on this fund exceeded budget for the year. These costs are being addressed as part of a Citywide effort to improve case management for employees injured on-duty, more closely monitor associated medical billings, and enhance overall workplace safety.

MOTOR FUEL TAX FUND

Revenues from motor fuel taxes dropped almost 6 percent below 2011 levels in 2012. This year-over-year decline was due in part to 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 decrease from 2012 budgeted expectations also reflects high gasoline prices in the Chicago area throughout the year, as elevated prices tend to result in declines in usage and thus lower tax revenues. The 'other revenue' category consists of funding from the State's Illinois Jobs Now! Program, a five-year program providing local governments with supplemental funds to address capital needs. Under current legislation, this program will end after 2014.

Expenditures from the motor fuel tax fund, which supports

## SPECIAL REVENUE FUNDS

snow removal and other road-related costs, were in line with budgeted expectations. Most expenditures from this fund are highly seasonal, and can vary significantly from year to year due to the volatility of Chicago weather. Snow removal expenses hit in the first and fourth quarter of the year, while street repair and maintenance expenses on this fund pick up in the second and third quarters, in line with increased activity. This fund also supports certain year-round expenses, such as street light electricity.

In the event that there is a surplus on this fund at the close of 2012 due to low winter weather costs, that surplus will be carried forward to cover the cost of future snow events. By establishing such a “snow reserve,” the City is able to mitigate the fiscal effect of large unpredictable weather events, such as blizzards or ice storms.

### SPECIAL EVENTS & HOTEL TAX FUND

Hotel operator’s occupation tax revenue exceeded expectations for the year, as local hotel occupancy climbed and revenue per available room increased significantly over 2011 levels. New conventions, increased tourism, and business travel all contributed to this growth. Recreation fee revenues also finished the year 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 finished the year at 94 percent of the full-year budget. Much of the budget for special events-related activities is spent during the mid- and late-summer months when many of the major City-run events and festivals occur, and these festival-related expenses were in line with budgeted expectations for the year. The special events and hotel tax fund budget also includes City support for Choose Chicago, the non-profit organization launched in July 2012 and focused on attracting visitors to Chicago and elevating the city’s cultural community.

### 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 for the year, due in part to a one-week fine amnesty offered to library patrons in August 2012.

Total estimated expenditures for the library fund were 97 percent of budgeted levels in 2012. Salaries and wages came in slightly above budget, as was anticipated following the restoration of neighborhood branch library hours to six full days per week in the fall of 2012. These increases in personnel expenses were offset by reductions in contractual services expenditures, mirroring spending patterns seen in the corporate fund.

SPECIAL REVENUE FUNDS CONTINUED

SPECIAL REVENUE FUNDS - REVENUE \$ MILLIONS	2012 BUDGET	2012 YE ESTIMATES
<b>Vehicle Tax Fund</b>		
Vehicle Sticker Tax	\$116.59	\$115.43
Impoundment, Pavement Cut & Other Fees	20.68	25.09
Other Revenue & Reimbursements	20.97	17.00
<b>Total Revenue</b>	<b>158.24</b>	<b>157.52</b>
Appropriated Prior Year Fund Balance <sup>10</sup>	1.71	1.71
<b>Total Resources</b>	<b>\$159.95</b>	<b>\$159.23</b>
<b>Motor Fuel Tax Fund</b>		
Motor Fuel Tax	68.30	65.74
Interest & Other Revenue	6.00	12.57
<b>Total Revenue</b>	<b>74.30</b>	<b>78.31</b>
Appropriated Prior Year Fund Balance <sup>10, 11</sup>	(2.60)	(2.60)
<b>Total Resources</b>	<b>\$71.70</b>	<b>\$75.71</b>
<b>Special Events &amp; Hotel Tax Fund</b>		
Hotel Operator's Occupation Tax	17.27	18.90
Recreation Fees, Rental & Other Charges	11.09	11.56
Other Revenue	6.50	6.51
<b>Total Revenue</b>	<b>34.86</b>	<b>36.97</b>
Appropriated Prior Year Fund Balance <sup>10</sup>	1.14	1.14
<b>Total Resources</b>	<b>\$36.00</b>	<b>\$38.11</b>
<b>Library Fund</b>		
Property Tax Levy	70.54	70.54
Corporate Fund Subsidy	8.97	7.97
Rental, Fines & Other Revenue	6.23	4.75
<b>Total Revenue</b>	<b>85.74</b>	<b>83.26</b>
Appropriated Prior Year Fund Balance <sup>10</sup>	1.80	1.80
<b>Total Resources</b>	<b>\$87.54</b>	<b>\$85.06</b>

<sup>10</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.

<sup>11</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 continued the process of eliminating the deficit that has built up on this fund by appropriating expenditures at a level less than anticipated revenues.

SPECIAL REVENUE FUNDS CONTINUED

SPECIAL REVENUE FUNDS - EXPENDITURES \$ MILLIONS	2012 BUDGET	2012 YE ESTIMATES
<b>Vehicle Tax Fund</b>		
Salaries and Wages	\$75.13	\$68.43
Healthcare Benefits <sup>12</sup>	15.53	15.45
Worker's Compensation	6.68	8.90
Contractual Services	25.84	22.80
Commodities and Materials	3.50	3.07
Utilities	9.60	6.75
Claims, Refunds, Judgments, and Legal Fees	1.26	1.18
Miscellaneous <sup>13</sup>	1.84	0.65
Transfers Out <sup>14</sup>	20.58	20.58
<b>Total Expenditures</b>	<b>\$159.96</b>	<b>\$147.81</b>
<b>Motor Fuel Tax Fund<sup>15</sup></b>		
<b>Total Expenditures</b>	<b>\$71.70</b>	<b>\$70.98</b>
<b>Special Events &amp; Hotel Tax Fund</b>		
Special Events & Tourism Programming	18.36	17.60
Salaries and Wages	6.69	6.19
Healthcare Benefits <sup>12</sup>	0.97	0.97
Worker's Compensation	0.01	0.00
Contractual Services	6.54	6.05
Commodities and Materials	0.05	0.05
Miscellaneous <sup>13</sup>	2.45	1.88
Transfers Out <sup>14</sup>	0.93	0.93
<b>Total Expenditures</b>	<b>\$36.00</b>	<b>\$33.67</b>
<b>Library Fund</b>		
Salaries and Wages	48.70	50.87
Healthcare Benefits <sup>12</sup>	12.09	12.09
Worker's Compensation	0.42	0.42
Contractual Services	18.47	15.79
Commodities and Materials	1.60	1.39
Utilities	3.43	3.23
Miscellaneous <sup>13</sup>	2.67	0.70
Transfers Out <sup>14</sup>	0.16	0.16
<b>Total Expenditures</b>	<b>\$87.54</b>	<b>\$84.65</b>

<sup>12</sup> The City's healthcare expenditures are paid on a Citywide basis and are adjusted for employee contributions and allocated among City funds following year-end. As a result, the YE 2012 Estimate for healthcare expenditures is based on Citywide expenditures through the end of the year, with estimated adjustments to account for anticipated employee contributions and distribution among funds. These estimates are subject to change as the City finalizes its year-end accounting.

<sup>13</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>14</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.

<sup>15</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 payments on motor fuel tax revenue bonds, the proceeds of which fund the construction of road-related improvements, are made semi-annually from this fund in line with budgeted amounts.

ENTERPRISE FUNDS

WATER AND SEWER FUNDS

Combined water and sewer fund revenue estimates, which are adjusted to reflect anticipated collection rates, came in slightly above budgeted levels for the year. The uptick in water fund revenues reflects increased consumption during the summer months, due in part to the low rainfall and extreme heat. Additional revenues beyond 2012 expenditures are programmed for infrastructure improvements in connection with the long-term rehabilitation of the City’s aging water and sewer systems.

Overall water and sewer fund expenditures for 2012 were 94 percent of budgeted amounts, due in part to lower than budgeted financing costs. These funds saw spending trends similar to those seen in the corporate fund for utilities and motor fuel, due to weather patterns and market pricing. Workers’ compensation costs on the City’s water and sewer funds exceeded budget, and Citywide efforts to control these costs are discussed on page 4 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, annual revenue estimates are adjusted to mirror expenditures.

Expenditures for the City’s Midway and O’Hare Airport funds were approximately 88 percent of 2012 budgeted expenditures. Overall expenditures were low in large part due to refundings and bond redemptions that occurred during the year, which reduced financing costs for these funds. Fund expenditures were also affected by the mild first and fourth quarter weather, which reduced the need for supplies like salt, de-icer, and snow-related rental equipment. In addition, each year, aviation fund budgets include allocations to address emergencies or contingencies that may affect airport operations or require the purchase of new equipment. No such significant events occurred in 2012.

ENTERPRISE FUNDS - REVENUE		2012	2012 YE
\$ MILLIONS		BUDGET	ESTIMATES
<b>Water Fund</b>			
Total Revenue		\$569.35	\$579.57
<b>Sewer Fund</b>			
Total Revenue		\$253.77	\$251.70
<b>O’Hare Fund</b>			
Total Revenue		\$949.09	\$832.57
<b>Midway Fund</b>			
Total Revenue		\$229.38	\$202.05

ENTERPRISE FUNDS - EXPENDITURES		2012	2012 YE
\$ MILLIONS		BUDGET	ESTIMATES
<b>Water Fund</b>			
Salaries and Wages		\$136.32	\$134.49
Healthcare Benefits <sup>16</sup>		25.46	24.36
Worker’s Compensation		9.59	10.37
Contractual Services		42.29	38.16
Commodities and Materials		27.24	24.93
Utilities		27.73	20.40
Motor Fuel		7.01	6.99
Claims, Refunds, Judgments, and Legal Fees		1.51	1.81
Miscellaneous <sup>17</sup>		5.77	4.85
Financing Costs <sup>18</sup>		157.18	138.09
Transfers Out <sup>19</sup>		129.25	129.25
<b>Total Expenditures</b>		<b>\$569.35</b>	<b>\$533.70</b>

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ENTERPRISE FUNDS CONTINUED

ENTERPRISE FUND - EXPENDITURES \$ MILLIONS	2012 BUDGET	2012 YE ESTIMATES
<b>Sewer Fund</b>		
Salaries and Wages	51.09	42.17
Healthcare Benefits <sup>16</sup>	9.18	8.89
Worker's Compensation	3.82	5.49
Contractual Services	8.85	8.28
Commodities and Materials	5.72	5.73
Utilities	0.19	0.11
Motor Fuel	1.43	1.42
Claims, Refunds, Judgments, and Legal Fees	1.14	0.66
Miscellaneous <sup>17</sup>	0.62	0.47
Financing Costs <sup>18</sup>	86.40	85.15
Transfers Out <sup>19</sup>	85.33	85.33
<b>Total Expenditures</b>	<b>\$253.77</b>	<b>\$243.70</b>
<b>O'Hare Fund</b>		
Salaries and Wages	144.25	135.38
Healthcare Benefits <sup>16</sup>	26.06	26.06
Worker's Compensation	12.80	6.27
Contractual Services	215.87	180.41
Commodities and Materials	18.34	15.41
Utilities	25.34	19.06
Motor Fuel	2.65	1.90
Miscellaneous <sup>17</sup>	13.05	2.40
Financing Costs <sup>18</sup>	452.39	407.34
Transfers Out <sup>19</sup>	38.34	38.34
<b>Total Expenditures</b>	<b>\$949.09</b>	<b>\$832.57</b>
<b>Midway Fund</b>		
Salaries and Wages	31.66	25.36
Healthcare Benefits <sup>16</sup>	5.24	4.17
Worker's Compensation	2.54	1.23
Contractual Services	68.83	62.02
Commodities and Materials	3.42	2.97
Utilities	6.38	5.65
Motor Fuel	0.71	0.56
Miscellaneous <sup>17</sup>	2.27	0.61
Financing Costs <sup>18</sup>	95.48	86.63
Transfers Out <sup>19</sup>	12.85	12.85
<b>Total Expenditures</b>	<b>\$229.38</b>	<b>\$202.05</b>

<sup>16</sup>The City's healthcare expenditures are paid on a Citywide basis and are adjusted for employee contributions and allocated among City funds following year-end. As a result, the YE 2012 Estimate for healthcare expenditures is based on Citywide expenditures through the end of the year, with estimated adjustments to account for anticipated employee contributions and distribution among funds. These estimates are subject to change as the City finalizes its year-end accounting.

<sup>17</sup>Miscellaneous expenditures include smaller equipment and maintenance and construction projects not funded through capital programs, and local transportation and travel costs.

<sup>18</sup>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.

<sup>19</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.

## BUDGET INITIATIVES

### 2012 BUDGET INITIATIVES

The 2012 budget instituted important efficiencies, made innovative reforms, invested in the City's future, and effected real and meaningful change to address the City's structural deficit. Over the course of the year, the City met and exceeded the ambitious goals set for itself in the 2012 budget:

***Rehabilitation of the City's Water and Sewer Systems.*** The Department of Water Management replaced 87 miles of water and sewer mains, re-lined 47 miles of sewers, and began construction on major pumping station improvements, all of which 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.

***Transition to Grid-Based Garbage Collection.*** A grid-based garbage collection system was rolled out for more than 300,000 households and will be expanded citywide in the coming months, enabling the City to use fewer crews to provide the same high-quality weekly refuse collection services and saving millions in operational costs.

***Innovation Loan Fund.*** Projects were selected to receive funding through the City's new Innovation Loan program, which established a \$20 million revolving loan fund that allows City departments to apply for loans to undertake projects that decrease costs or increase revenues while improving service delivery and quality of life for Chicago residents.

***Health Care Service Reforms.*** The Chicago Department of Public Health (CDPH) partnered with community healthcare providers to provide a wide array of primary healthcare services, as well as extended hours, a wider network of locations, and additional services such as mammography, immunization, and family case management, to CDPH patients. CDPH also implemented reforms to improve access to mental health services, enabling the City to serve 350 new clients and providing support to community mental health providers to expand access to another 1,000 people.

***Improved Debt Collection.*** The City recovered approximately \$70 million in 2012 through increased efforts to collect scofflaw and EMS debts, the pursuit of amounts owed to the City by banks and other large

financial institutions, the establishment of manageable payment plans for individuals and businesses who owe substantial amounts to the City, and other effective tax enforcement measures.

***Consolidated Public Safety Headquarters.*** The Police and Fire Departments moved into a consolidated headquarters at 35th Street and Michigan Avenue, garnering administrative and real estate savings and increasing opportunities for beneficial coordination.

***Competitive Bidding for City Services.*** In early 2012, the City introduced competitive bidding to recycling services, which will enable the City to expand recycling services citywide to 340,000 additional households in the coming year. The City then extended this competition to tree trimming, and City crews substantially underbid private contractors, reducing the cost of providing these services and generating savings to be reinvested in maintaining and protecting the City's trees.

***Employee Wellness Program.*** To promote a healthier workforce and counter rising health insurance costs, the City worked closely with labor unions to implement a groundbreaking wellness program for its workforce. More than 38,000 City employees and eligible family members signed up for the program, making the program the largest municipal wellness program in the United States.

***Eliminating the Employers' Expense Tax.*** The Mayor delivered on his campaign pledge to phase out the employers' expense tax, cutting the rate in half in July 2012, as a key component of encouraging business development and job creation in Chicago. The tax will be eliminated entirely on December 31, 2013.

### 2013 BUDGET INTRODUCTION

The City's 2013 budget, approved by City Council in November 2012, builds on the progress made and reforms instituted in 2012. The 2013 budget balanced the City's finances without raising a single tax or introducing a single new fee, while at the same time making significant investments in programs that enhance the health and education of Chicago's children, promote small business development, increase public safety, and improve quality of life for residents citywide. Each quarterly budget report of 2013 will report on progress made on the important initiatives that are a part of this year's budget.



CITY OF CHICAGO  
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