



CITY OF CHICAGO

QUARTERLY
BUDGET REPORT

1ST 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 first 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 [2012 Budget Overview](#) and the [2011 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 2012 Budget Overview and the 2011 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, and 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 "Q1 2012 Budget" column of the tables in this report, and represent the amounts that the City expected to receive during the first quarter. The "Q1 2012 Estimates" presented in the tables in this report are the City's current estimates, as of the date of this report, of its 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: The "Q1 2012 Budget" amounts presented in the expenditure tables in this report reflect historical spending patterns, as applied to this year's budget.² 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 "Q1 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 for the City's special revenue and enterprise funds, which are not allocated by fund until year-end, 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.

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 Q1 2012 Budget amounts.

CORPORATE FUND

SUMMARY OF LOCAL FUNDS

Despite a significant drop in utility tax revenues due to the unseasonably warm winter weather, the City's overall local fund revenues kept pace with expectations during the first quarter 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, with the City's first quarter 2012 expenditures almost six percent below first quarter expenditures in 2011, reflecting reforms and targeted cuts made in the 2012 budget. Revenues and expenditures for each fund are discussed in greater detail in the following pages.

CORPORATE FUND REVENUE

The unusually warm winter pushed utility tax revenues significantly below the Q1 2012 Budget, resulting in total corporate fund revenues slightly below budgeted expectations for the first quarter of the year. In addition, while increasing consumer confidence and the improving economy resulted in strong performance in economically sensitive revenues for much of the first quarter, towards the end of the quarter, national indicators began to signal that the economic recovery may be slowing, advising a conservative outlook for the coming months.

Chicago's mild winter and warmest March in recorded history greatly reduced the amount of gas used to heat homes and offices during the first quarter. 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 three months of 2012 dropped to almost 25 percent less than for the same months in 2011. With both usage and prices low, first quarter utility tax revenue is expected to come in at 12 percent below the Q1 2012 Budget. In contrast to natural gas prices, vehicle fuel prices increased during the first quarter, 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, moderate job growth and increases in consumer spending resulted in strong income and sales tax revenues during the first quarter. As overall State income tax collections increased and the city unemployment rate fell slightly,

income tax revenues increased, ending the quarter nine percent, or \$5.0 million, above the Q1 2012 Budget. However, as of the date of this report, the State has not yet distributed income tax payments for February and March to the City, with income tax payments totaling \$38.3 million outstanding for those months. Personal property replacement tax (PPRT) revenues were in line with the Q1 2012 Budget, but below same-period 2011 levels, due largely to the increased diversion of these revenues by the State, as discussed in detail in the 2012 Budget Overview.³ First quarter sales tax revenues also exceeded Q1 2012 Budget levels, reflecting strong retail sales figures and an additional uptick with the warm weather encouraging home improvement and shopping and allowing restaurants to open outdoor space much earlier in the year than usual.

Home sale prices in the Chicago area continued to fall during the first two months of the year but rose in March, while commercial real estate transactions kept total transaction tax revenues just above budgeted expectations, with downtown office vacancy rates declining for the fifth consecutive quarter. Business taxes also came in just above the Q1 2012 Budget, as hotel tax revenues continue to grow as business and trade show travel picks up with the recovering economy. Local hotel sales continue to climb, and revenue per available room increased by 17 percent over first quarter 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.

Amusement tax revenue estimates for the first quarter were below Q1 2012 Budget levels, due in part to the failure of the Bears to reach the playoffs, the change in ticket price structure by the White Sox, and the residual effects of the NBA lockout. However, overall recreation tax revenue was bolstered by increased tax revenues from cigarette, liquor, and other beverage sales, attributed largely to the warm weather.

License and permit-related revenues reflect the typical seasonality of these revenues, with second and third quarter issuances expected to increase significantly over first quarter issuances. Collections from fines, forfeitures, and penalties were up from same-period 2011, but below Q1 2012 Budget levels. The City expects to increase these revenues as it continues to implement improved

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.

CORPORATE FUND - REVENUE \$ MILLIONS	2012 BUDGET	Q1 2012 BUDGET	Q1 2012 ESTIMATES
Tax Revenue			
Utility Taxes and Fees	\$475.31	\$136.23	\$119.64
Transaction Taxes	192.16	43.34	46.10
Transportation Taxes	174.27	42.48	42.26
Recreation Taxes	160.96	43.64	44.95
Business Taxes	94.15	16.02	17.16
Sales and Use Taxes	535.17	120.80	130.49
Income Tax & PPRT	209.40	55.90	60.97
Other Intergovernmental	4.92	0.78	0.79
Total Tax Revenue	1,846.34	459.19	462.36
Non-Tax Revenue			
Licenses and Permits	123.95	29.27	27.33
Fines, Forfeitures and Penalties	292.63	73.68	69.84
Charges for Services	125.14	25.11	26.98
Municipal Parking	8.67	0.88	0.88
Leases, Rentals and Sales	9.68	1.03	1.10
Reimbursement, Interest & Other ⁴	423.70	84.69	83.81
Total Non-Tax Revenue	983.77	214.66	209.94
Proceeds and Transfers In⁵	122.00	30.50	30.50
Total Revenue	2,952.11	704.35	702.80
Appropriated Prior Year Fund Balance⁶	143.54	35.89	35.89
Total Resources	\$3,095.65	\$740.24	\$738.69

CORPORATE FUND - EXPENDITURES \$ MILLIONS	2012 BUDGET	Q1 2012 BUDGET	Q1 2012 ESTIMATES
Salaries and Wages	\$2,199.03	\$483.79	\$482.65
Healthcare Benefits	389.91	101.38	93.58
Worker's Compensation	61.69	15.86	13.17
Contractual Services	296.35	113.54	102.54
Commodities and Materials	21.98	5.52	4.88
Utilities	11.90	0.60	1.27
Motor Fuel	23.72	5.66	5.17
Claims, Refunds, Judgments, and Legal Fees	27.74	25.29	18.95
Miscellaneous ⁷	49.37	25.85	27.12
Transfers Out ⁸	13.96	3.49	3.49
Total Expenditures	\$3,095.65	\$780.97	\$752.82

⁴ 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 Q1 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 Q1 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 Q1 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. One fourth of the appropriated fund balance is considered first quarter revenue for the purposes of this report.

⁷ 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 Q1 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. The Innovation Loan Fund is discussed in greater detail on page 10 of this report.

⁸ 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 Q1 2012 Estimate.

CORPORATE FUND CONTINUED

debt collection initiatives during the course of the year. Revenues from charges for services were up, due largely to improved collection of emergency medical service charges, and income from rentals and leases of City-owned property was in line with budgeted expectations.

CORPORATE FUND EXPENDITURES

Corporate fund expenditures for the first quarter were 24 percent of total 2012 budgeted expenditures. Salary and wage expenditures, which represent the large majority of total corporate fund expenditures, ended the quarter at 22 percent of budgeted salary and wage costs for the year. This is in line with expectations for the year, which anticipate that personnel costs will be slightly lower in the first quarter than in subsequent quarters, as most hiring occurs in the spring and summer. The City's first quarter healthcare expenditures came in slightly below Q1 2012 Budget levels, but are largely in line with seasonal expectations at 24 percent of total 2012 healthcare expenditures.

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. First quarter contractual services expenditures were \$102.5 million, or 35 percent of the full-year budget for such costs; in 2011, first quarter contractual services expenses were \$124.7 million, or 38 percent of the full-year budget.

First quarter 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 Q1 2012 Budget because the Q1 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 during the first quarter. Commodities and materials and motor fuel expenses for the first quarter were in line with budgeted expectations. Commodities and materials expenditures were 31 percent lower than for the same period in 2011, and motor fuel expenses 17 percent lower than for the same period in 2011.

Claim and judgment-related expenses were \$12.5 million less than for the first quarter of 2011, due in part to reductions in the use of outside counsel. 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 is discussed in greater detail on page 10 of this report.

VEHICLE TAX FUND

First quarter vehicle sticker revenue estimates were in line with the Q1 2012 Budget, which reflect normal patterns for sticker expiration and sales – on average, 90 percent of stickers are purchased during the second and third quarters of the year. Revenues from pavement cuts and related fees came in above budget, as the warm weather enabled construction, including infrastructure improvements by Peoples Gas, to begin earlier in the year than usual.

First quarter vehicle tax fund expenditures were 22 percent of total 2012 budgeted expenditures for this fund. Personnel spending patterns were similar to those for the corporate fund, for the reasons discussed above with respect to that fund. Worker's compensation costs for this fund were higher than expected during the first quarter, and the City anticipates that these costs will be controlled during the remainder of the year through the City's ongoing initiative to reduce worker's compensation expenses, which includes the implementation of a safety compliance program and heightened review of related medical expenses.

Relatively low contractual services expenditures for the first quarter reflect the low proportion of contract costs on this fund that are fully encumbered at the start of the year. Vehicle stickers are printed and purchased at the start of each year, increasing commodities and materials expenditures for this fund during the first quarter, while utilities expenses reflect the same patterns seen in the corporate fund.

SPECIAL REVENUE FUNDS

MOTOR FUEL TAX FUND

Estimated first quarter revenues from motor fuel taxes were 10 percent below the same-period in 2011, and almost six percent below the Q1 2012 Budget, due largely to increases in the cost of fuel that negatively affected sales. Gasoline prices in the Chicago area reached all-time highs during the first quarter, and such elevated prices tend to result in declines in usage. 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 later in the year.

First quarter expenditures for the motor fuel tax fund, which supports snow removal and street maintenance, were 16 percent of budgeted expenditures for the year. This reflects the built-in seasonality of this fund's spending. First quarter expenditures were relatively low in part because of the mild winter and in part because many of the materials and supplies for snow removal and street maintenance, including salt, are purchased later in the year. In addition, debt service on motor fuel tax revenue bonds, the proceeds of which fund the construction of road-related improvements, is paid out of this fund semi-annually in the second and fourth quarters, and thus is not reflected in first quarter expenditures. Street repair and maintenance expenses are generally expected to pick up as the year progresses, and the volatility of Chicago weather makes this fund's expenditures inherently difficult to predict - summer storms or December snow events may necessitate greater spending in future quarters.

SPECIAL EVENTS & HOTEL TAX FUND

Hotel operator's occupation tax revenue surpassed strong first quarter expectations, as local hotel sales continue to climb and revenue per available room increased by 17 percent over first quarter 2011. The City also hosted a number of new conventions during the start of 2012, further bolstering these revenues for the quarter. Low first quarter recreation fee revenues are in line with expectations, as many of the larger events supported by this fund, including the Taste of Chicago, occur during the summer months.

Low first quarter expenditures are also in line with expectations, due in part to the seasonality of event-related expenses. Below-budget expenditures are also due to the fact that the contract with the Chicago Office of Tourism and Culture was executed and encumbered during the first quarter of 2011, and no similar contract was encumbered at the start 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.

Expenditures for the library fund for the first quarter of 2012 were 27 percent of 2012 budgeted expenditures for this fund, with trends in spending mirroring those for the corporate fund. The relatively high first quarter 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	Q1 2012 BUDGET	Q1 2012 ESTIMATES
Vehicle Tax Fund			
Vehicle Sticker Tax	\$116.59	\$4.03	\$4.02
Impoundment, Pavement Cut & Other Fees	20.68	5.17	10.43
Other Revenue & Reimbursements	20.97	0.01	0.01
Total Revenue	158.24	9.21	14.46
Appropriated Prior Year Fund Balance⁹	1.71	0.43	0.43
Total Resources	159.95	9.64	14.89
Motor Fuel Tax Fund¹⁰			
Motor Fuel Tax	68.30	17.39	16.41
Interest & Other Revenue	6.00	0.00	0.00
Total Revenue	74.30	17.39	16.41
Appropriated Prior Year Fund Balance⁹	(2.60)	(0.65)	(0.65)
Total Resources	71.70	16.74	15.76
Special Events & Hotel Tax Fund			
Hotel Operator's Occupation Tax	17.27	2.53	2.90
Recreation Fees, Rental & Other Charges	11.09	0.40	0.41
Other Revenue	6.50	0.00	0.00
Total Revenue	34.86	2.93	3.31
Appropriated Prior Year Fund Balance⁹	1.14	0.28	0.28
Total Resources	36.00	3.21	3.59
Library Funds¹¹			
Property Tax Levy	70.54	17.64	17.64
Corporate Fund Subsidy	8.97	2.24	2.24
Rental, Fines & Other Revenue	6.23	0.22	0.24
Total Revenue	85.74	20.10	20.12
Appropriated Prior Year Fund Balance⁹	1.80	0.45	0.45
Total Resources	\$87.54	\$20.55	\$20.57

⁹ 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 fourth of the appropriated fund balance is considered first quarter revenue for the purposes of this report.

¹⁰ 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.

¹¹ Revenues from the property tax levy and the corporate fund subsidy are not actually transferred into the library funds until later in the year; however, because these amounts will not fluctuate from budgeted levels, one fourth of the total is considered first quarter revenue for the purposes of this report.

SPECIAL REVENUE FUNDS CONTINUED

SPECIAL REVENUE FUNDS - EXPENDITURES \$ MILLIONS	2012 BUDGET	Q1 2012 BUDGET	Q1 2012 ESTIMATES
Vehicle Tax Fund			
Salaries and Wages	\$75.13	\$16.53	\$15.67
Healthcare Benefits ¹²	15.53	4.04	3.73
Worker's Compensation	6.68	1.94	2.02
Contractual Services	25.84	5.05	5.67
Commodities and Materials	3.50	0.23	0.99
Utilities	9.60	0.12	0.50
Claims, Refunds, Judgments, and Legal Fees	1.26	0.22	0.32
Miscellaneous ¹³	1.84	0.48	0.15
Transfers Out ¹⁴	20.58	5.15	5.15
Total Expenditures	\$159.96	\$33.75	\$34.19
Motor Fuel Tax Fund¹⁵			
Total Expenditures¹⁶	\$71.70	\$17.93	\$11.12
Special Events & Hotel Tax Fund			
Special Events & Tourism Programming	18.36	4.82	1.49
Salaries and Wages	6.73	1.48	1.20
Healthcare Benefits ¹²	0.97	0.25	0.23
Worker's Compensation	0.01	0.01	0.00
Contractual Services	6.54	1.59	1.06
Commodities and Materials	0.05	0.01	0.00
Miscellaneous ¹³	2.41	1.76	0.56
Transfers Out ¹⁴	0.93	0.23	0.23
Total Expenditures	\$36.00	\$10.16	\$4.78
Library Fund			
Salaries and Wages	48.70	10.71	10.42
Healthcare Benefits ¹²	12.09	3.14	2.90
Worker's Compensation	0.42	0.14	0.08
Contractual Services	18.47	11.71	10.26
Commodities and Materials	1.60	0.11	0.08
Utilities	3.43	0.07	0.13
Miscellaneous ¹³	2.67	0.01	0.01
Transfers Out ¹⁴	0.16	0.04	0.04
Total Expenditures	\$87.54	\$25.94	\$23.92

¹² The City's healthcare expenditures are paid on a citywide basis and are not allocated to this fund until year-end. As a result, the healthcare costs presented here are adjusted to mirror the trend seen in healthcare expenditures for the corporate fund during the first quarter.

¹³ 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.

¹⁴ 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 Q1 2012 Estimate.

¹⁵ 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; however, no such debt service payments were scheduled for the first quarter.

¹⁶ Because the volatility of Chicago weather makes this fund's expenditures inherently difficult to predict, the Q1 2012 Budget amount presented in this table is one fourth of the total 2012 budgeted 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 the Q1 2012 Budget. The budget reflects seasonality in usage, with water consumption typically increasing in the second and third quarters.

Expenditures were generally in line with budgeted expectations, with trends in spending similar to those for the corporate fund. First quarter expenditures are low, as a percentage of total budgeted expenditures, due to the fact that 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, first quarter revenue estimates were adjusted to mirror first quarter expenditures, accounting for debt service payments that will be made later in the year.

First quarter expenditures for both the Midway and O'Hare Airport funds were 13 percent of budgeted expenditures for the year. Worker's compensation expenditures for these funds reflect the airports' new contracts for worker's compensation management, under which contract costs are encumbered at the start of the year; these costs are not indicative of actual medical or other worker's compensation costs incurred.

ENTERPRISE FUNDS - REVENUE \$ MILLIONS	2012 BUDGET	Q1 2012 BUDGET	Q1 2012 ESTIMATES
Water Fund			
Total Revenue	\$569.35	\$121.21	\$122.93
Sewer Fund			
Total Revenue	\$253.77	\$53.63	\$57.90
O'Hare Fund			
Total Revenue	\$949.09	\$122.72	\$122.72
Midway Fund			
Total Revenue	\$229.38	\$28.80	\$28.80

ENTERPRISE FUNDS - EXPENDITURES \$ MILLIONS	2012 BUDGET	Q1 2012 BUDGET	Q1 2012 ESTIMATES
Water Fund			
Salaries and Wages	\$136.32	\$29.99	\$27.59
Healthcare Benefits ¹⁷	25.46	6.62	6.11
Worker's Compensation	9.59	2.29	2.05
Contractual Services	42.29	9.50	13.71
Commodities and Materials	27.24	5.90	4.74
Utilities	31.99	3.42	5.73
Motor Fuel	2.75	0.05	0.38
Claims, Refunds, Judgments, and Legal Fees	1.51	0.21	0.38
Miscellaneous ¹⁸	5.77	0.83	0.88
Financing Costs ¹⁹	157.18	0.00	0.00
Transfers Out ²⁰	129.25	32.31	32.31
Total Expenditures	\$569.35	\$91.12	\$93.88

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ENTERPRISE FUNDS CONTINUED

ENTERPRISE FUND - EXPENDITURES \$ MILLIONS	2012 BUDGET	Q1 2012 BUDGET	Q1 2012 ESTIMATES
Sewer Fund			
Salaries and Wages	51.09	11.24	8.69
Healthcare Benefits ¹⁷	9.18	2.39	2.20
Worker's Compensation	3.82	0.96	1.40
Contractual Services	8.85	3.14	2.41
Commodities and Materials	5.72	1.21	1.19
Utilities	0.19	0.01	0.03
Motor Fuel	1.43	0.16	0.33
Claims, Refunds, Judgments, and Legal Fees	1.14	0.14	0.04
Miscellaneous ¹⁸	0.62	0.01	0.01
Financing Costs ¹⁹	86.40	0.00	0.00
Transfers Out ²⁰	85.33	21.33	21.33
Total Expenditures	\$253.77	\$40.58	\$37.64
O'Hare Fund			
Salaries and Wages	144.25	31.74	30.34
Healthcare Benefits ¹⁷	26.06	6.78	6.25
Worker's Compensation	12.80	7.02	7.02
Contractual Services	215.87	85.99	62.42
Commodities and Materials	18.34	5.05	2.30
Utilities	25.34	2.25	4.26
Motor Fuel	2.65	0.89	0.38
Miscellaneous ¹⁸	13.04	0.15	0.16
Financing Costs ¹⁹	452.39	0.00	0.00
Transfers Out ²⁰	38.34	9.59	9.59
Total Expenditures	\$949.08	\$149.45	\$122.72
Midway Fund			
Salaries and Wages	31.66	6.97	6.68
Healthcare Benefits ¹⁷	5.24	1.36	1.26
Worker's Compensation	2.54	1.26	1.26
Contractual Services	68.83	21.13	14.03
Commodities and Materials	3.42	0.63	0.14
Utilities	6.38	0.12	1.89
Motor Fuel	0.71	0.23	0.28
Miscellaneous ¹⁸	2.27	0.23	0.05
Financing Costs ¹⁹	95.48	0.00	0.00
Transfers Out ²⁰	12.85	3.21	3.21
Total Expenditures	\$229.38	\$35.14	\$28.80

¹⁷ The City's healthcare expenditures are paid on a citywide basis and are not allocated to this fund until year-end. As a result, the healthcare costs presented here are adjusted to mirror the trend seen in healthcare expenditures for the corporate fund during the first quarter.

¹⁸ Miscellaneous expenditures include smaller equipment and maintenance and construction projects not funded through capital programs, and local transportation and travel costs.

¹⁹ Financing costs represent debt service payments made in connection with capital improvement projects, and no such debt service payments were scheduled for the first quarter.

²⁰ 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 Q1 2012 Estimate.

2012 BUDGET INITIATIVES

POSITIVE 2011 YEAR-END

As this report is being released, the City is in the process of finalizing its annual comprehensive audit and compiling its Comprehensive Annual Financial Report (CAFR) for the year 2011, which will be released later this summer. The CAFR is the final statement of the City's actual expenditures and revenues for the year. It is completed in accordance with government accounting standards, with all requisite adjustments made to present the City's assets and liabilities at year end.

These final adjustments indicate that the City will close 2011 with a corporate fund surplus approximately \$120 million greater than that anticipated at the time of the passage of the 2012 budget. A number of factors contributed to the increase in this surplus, demonstrating that the City is making real progress towards fiscal sustainability.

Significant additional healthcare savings were generated through coordination with the City's sister agencies, proactive management of claims, and insurance premium reconciliations. Salary and wage expenses finished the year lower than initially anticipated, and aggressive contract negotiations resulted in reduced costs for software licensing, equipment rental, and other contracts. Year-end 2011 revenues reflect positive movement as well. A strong holiday season brought fourth quarter sales tax revenues higher than anticipated; transaction tax and hotel tax revenues performed above expectations; and improved collection efforts increased revenue from fines, forfeitures, and penalties.

The effective controls, cuts, and initiatives implemented during the course of the year that enabled the City to finish 2011 with this surplus will allow the City to further reduce the use of one-time resources and reserve funds as it continues the process of truly bringing its expenditures in line with revenues.

2012 BUDGET INITIATIVES

Following are highlights of just a few of the important initiatives currently underway.

Expansion of Competitive Bidding. Having reduced its recycling costs by \$2.2 million over six months through competitive bidding, the City began, during the first quarter, the process of instituting competitive bidding for tree trimming.

The City released in the spring a request-for-proposal for forestry companies to provide tree trimming and tree emergency services. In July, qualified applicants will participate in a reverse auction, which allows for continuous and competitive bidding online for a five-year contract covering up to five service areas, each with approximately 4,000 trees. Following the auction, the City will evaluate the bids relative to the cost of providing this service with City crews, and determine the most cost-effective way to best serve each of the City's five service areas.

Innovation Loans Granted. Three projects have been selected to receive funding through the City's new Innovation Loan program, which establishes a \$20 million revolving loan fund and allows City departments to apply for loans to undertake projects that will improve operations while decreasing costs or increasing revenue.

The following projects were selected from a pool of applicants to receive Innovation Loan funding during the first quarter:

- Utilizing electronic mapping to ensure that the beneficiaries of City-provided signage are paying appropriate fees;
- Streamlining City web payment systems and providing more convenient walk-in payment locations to reduce administrative costs and facilitate faster payment; and
- Modernizing the inspection scheduling system for building inspections by converting what is now a manual process to an automated voice and web-based customer interface.

Each of the proposed projects underwent a competitive application process during which the proposals were evaluated based on criteria including immediate and long-term cost reductions, immediate and long-term revenue enhancement, the timeline for investment recovery, anticipated economic gains for Chicago, and potential to improve service delivery and quality of life for residents. For each of the funded projects, a loan agreement is executed with the lead department, stipulating the terms of repayment. The department then pays off the loan either by generating revenue or reducing costs. These 'payments' are made, based on the department's annual budget, until the full loan amount is repaid, thereby replenishing the fund's principal in order to finance future projects.

Employee Wellness Program. At the end of the first quarter, following thorough evaluation of proposals from a number of different providers, the City chose a vendor to implement and manage its citywide wellness program. Planning will continue through the second quarter, with the selected provider to launch the full program mid-year. The program will be the largest, most comprehensive government wellness program ever introduced, and is the

result of collaboration between the City and major labor unions. It is expected to save \$20 million in 2012, and millions more each coming year.

The program, which is optional for employees, will provide a wide range of services and utilize individualized assessments and screenings to ensure that participants are engaged in programs most appropriate for their needs. Personal well-being plans will include regular check-ins and health coaching, and will provide incentives to motivate healthy practices. By encouraging employees and their families to proactively address areas of immediate concern, such as hypertension, high cholesterol, smoking, and diabetes, the City will reduce the health care costs that such conditions often necessitate if left untreated.



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