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Quarterly Budget Report



4th Quarter 2017

Mayor Rahm Emanuel

City of Chicago
4th Quarter 2017

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Content and Purpose

This quarterly report contains an overview of the City's operating revenues and expenditures through the fourth quarter of 2017, as compared to budgeted amounts, and explains any notable trends or aberrations in these numbers. This report also provides information and updates on major initiatives that are a part of the City's budget.

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

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 Budget Overview books and the Annual Financial Analysis reports. This report focuses on local fund operating revenues and expenditures. The quarterly budget report does not include information on grant funds, property tax levy, debt service funds, or capital expenditures. Information on those areas can be found in the Budget Overview books and the Annual Financial Analysis reports.

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 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. As a result of 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 to develop the "Q4 2017 Budget" amounts shown in the tables in this report, which represent the amounts that the City expected to receive during the fourth quarter of the year. The "Q4 2017 Estimates" presented in the tables in this report are the City's current estimates, as of the date of this report, of its collected revenues through the fourth quarter. As previously mentioned no data on revenues and expenditures is final until the City has completed its annual audit and releases its CAFR. These numbers contained in this report 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 attributable 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 "Q4 2017 Budget" amounts presented in the expenditure tables in this report reflect historical spending patterns as applied to this year's budget, 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 "Q4 2017 Budget" is set at 100 percent of the full-year budget. The "Q4 2017 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, which are estimated, based on current expectations of year-end expenses and allocated across funds. 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.

City of Chicago
4th Quarter 2017

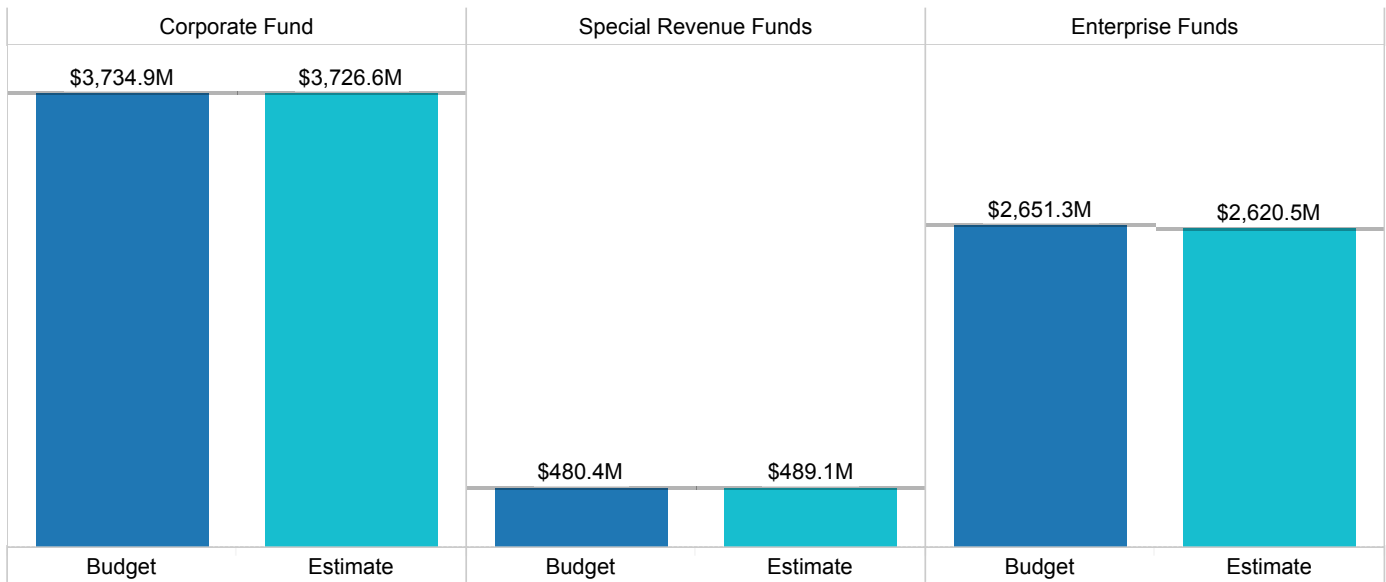


Summary of Local Funds

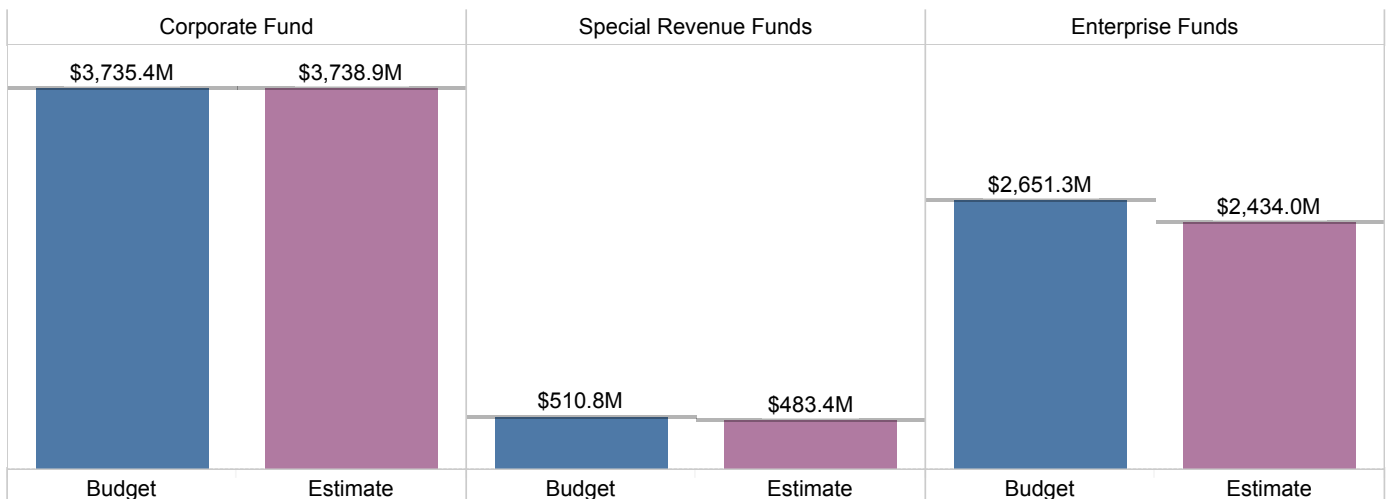
The City's local funds are comprised of the corporate fund, enterprise funds, and special revenue funds. These funds are the primary funds the City utilizes to support citywide operations from public safety operations to garbage collection and water and sewer services.

Altogether, local fund revenue ended 2017 on budget at 99.4 percent of full-year budgeted revenue expectations. The 2017 expenditures were roughly 97.0 percent of the full-year budgeted expectations.

Revenue



Expenditures



City of Chicago
4th Quarter 2017

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Revenue - Corporate Fund

Total corporate fund revenues finished the fourth quarter slightly below budgeted expectations. Despite strong growth in recreation, transaction and transportation taxes, certain non-tax revenues were slightly below budgeted expectations causing revenues to end the year slightly below budget.

Transportation taxes finished the year 13.9 percent or \$33.6 million above budgeted projections. Ground transportation tax ("GTT") revenue ended \$31.4 million above budgeted expectations in 2017 due to significant growth in the use of the rideshare industry. The growth in GTT revenue appears to have impacted parking garage tax revenue, which ended 2017 at an estimated \$3.0 million below budgeted expectations.

Overall, recreation taxes are estimated at \$250.4 million in 2017 or \$30.8 million above budget expectations for the year. This is a 13.9 percent increase over budgeted expectations for the year. Chicago's professional sports teams and popular theater performances continue to drive revenue growth in this category with amusement tax revenue ending the year \$29.5 million above budget.

Business taxes exceeded budgeted expectations in 2017 by approximately 15.3 percent or \$18.9 million. Hotel tax revenue was above budget expectations due largely to the resolution of a decade-long litigation related to payment of the City's hotel tax by internet hotel booking websites. In May 2017, the City received a net settlement payment of over \$12 million.

There were relatively small variances from budget expectations across utility tax revenue collections in 2017, but overall, utility tax revenue ended 2017 on budget at \$439 million.

In October 2017, the City Council passed an ordinance authorizing the creation of a Sales Tax Securitization Corporation ("the Corporation"). This revenue securitization structure was developed as a result of legislation passed by the Illinois General Assembly, allowing all home rule municipalities to create a separate and distinct special purpose corporation organized for the sole purpose of issuing bonds paid for from City revenues collected by the State. With this structure, the sales tax revenue received by the City following debt service payments by the Corporation is recorded in the City's corporate fund as a transfer. This explains the appearance of a reduction in Home Rule Occupation Tax ("HROT") and Municipal Retailers Occupation Tax ("MROT") revenue to the City in 2017. The residual sales tax revenue from the Corporation in 2017 was \$150.8 million. Sales tax revenue collected directly by the State will be recorded as a transfer to the City's corporate fund on a going forward basis, meaning only HROT use tax collected directly by the City and restaurant tax will be recorded as HROT and all other HROT revenue sources and MROT revenue will be recorded as MROT.

Non-tax revenue is below budget projections for 2017 due to less fine and fee revenue collected in 2017, fewer than anticipated land sales, and the delayed implementation of municipal parking reforms passed as part of the 2017 budget.

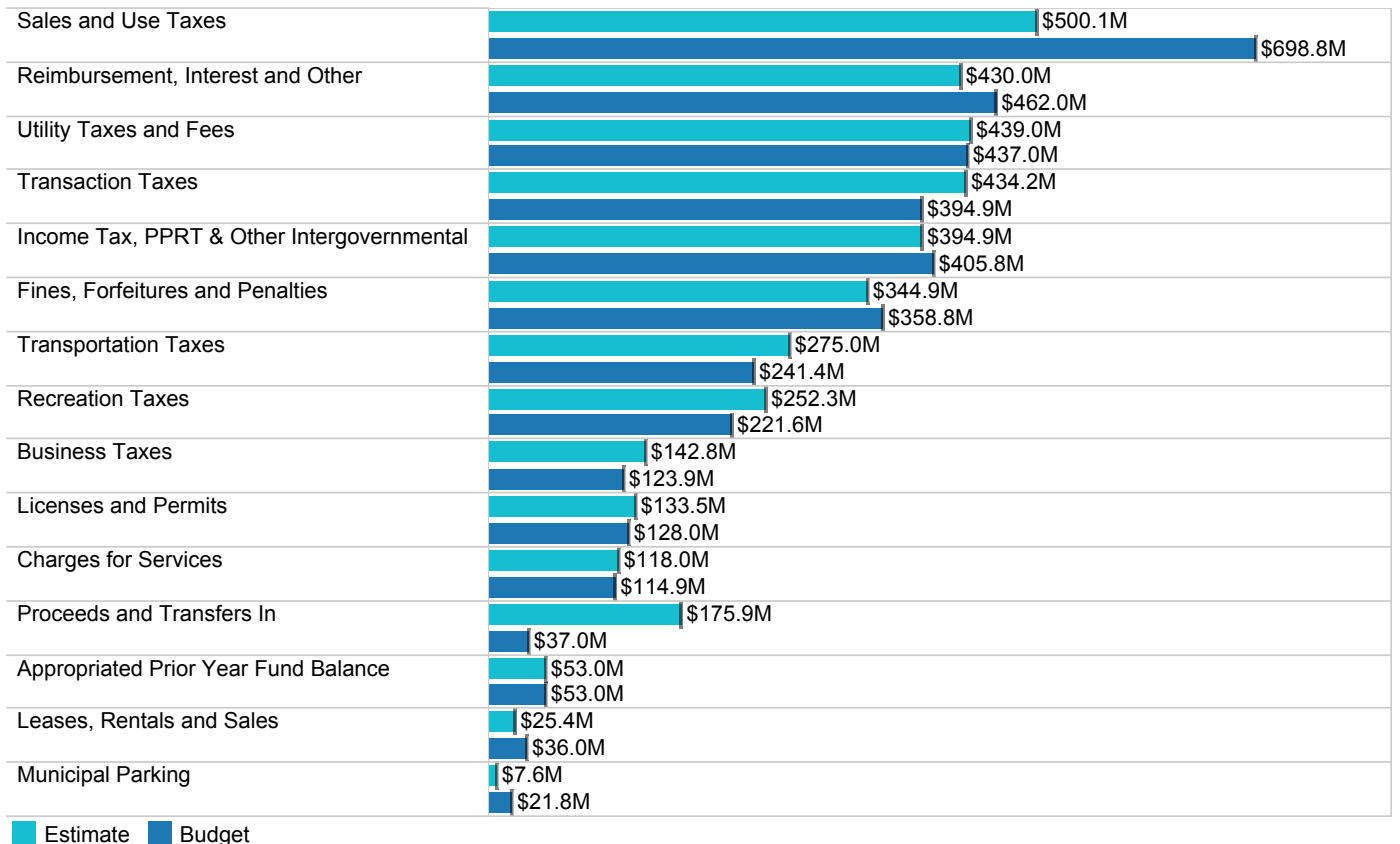
Please note that collection of the water-sewer tax began in February 2017, but this revenue is not included in corporate fund revenues in this report as this tax revenue is being held in escrow until it is needed to fund future pension fund contributions.

City of Chicago
4th Quarter 2017

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Revenue - Corporate Fund

		2017 YR Budget	2017 Q4 Estimate
Tax Revenue	Business Taxes	\$123.9M	\$142.8M
	Income Tax, PPRT & Other Intergovernmental	\$405.8M	\$394.9M
	Recreation Taxes	\$221.6M	\$252.3M
	Sales and Use Taxes	\$698.8M	\$500.1M
	Transaction Taxes	\$394.9M	\$434.2M
	Transportation Taxes	\$241.4M	\$275.0M
	Utility Taxes and Fees	\$437.0M	\$439.0M
	Proceeds and Transfers In	\$37.0M	\$175.9M
Non-Tax Revenue	Charges for Services	\$114.9M	\$118.0M
	Fines, Forfeitures and Penalties	\$358.8M	\$344.9M
	Leases, Rentals and Sales	\$36.0M	\$25.4M
	Licenses and Permits	\$128.0M	\$133.5M
	Municipal Parking	\$21.8M	\$7.6M
	Reimbursement, Interest and Other	\$462.0M	\$430.0M
Appropriated Prior Year Fund Balance	Appropriated Prior Year Fund Balance	\$53.0M	\$53.0M
Grand Total		\$3,734.9M	\$3,726.6M



City of Chicago
4th Quarter 2017



Revenue - Special Revenue Funds

Vehicle Tax Fund

Proceeds from the sale of vehicle stickers consistently make up the largest portion of the vehicle tax fund, with overall revenues through the fourth quarter ending slightly below budgeted projections. This slight revenue reduction was fully offset by additional revenue from vehicle impoundments, pavement cutting, and other fees. These fees exceeded budgeted projections in 2017 by over \$8 million. Overall, the Vehicle Tax Fund is estimated to end at 3.2 percent above budget.

Motor Fuel Tax Fund

Revenues in the motor fuel tax (“MFT”) fund come from two primary sources – the State’s motor fuel tax and revenue from fees paid by tour boat operators and concessionaires along the Riverwalk. Revenue from the motor fuel tax was in line with fourth quarter budgeted expectations.

Revenue from Riverwalk concessionaires and tour boat operators is estimated to end the year \$500,000 above budgeted amounts at \$3.5 million.

Garbage Fee Fund

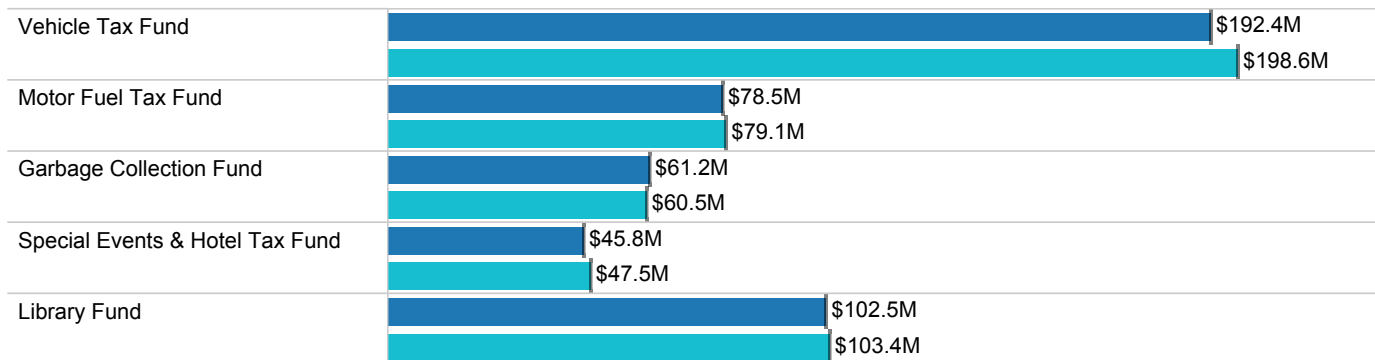
Starting in 2016, Chicago residences receiving City-provided garbage collection services pay a \$9.50 monthly fee per dwelling unit. The City collected approximately \$60.5 million in garbage fee revenue in 2017, which is below the budgeted amount of \$61.2 million.

Special Events & Hotel Tax Fund

The special events and hotel tax fund revenue finished the year over 3.5 percent above budgeted expectations, mainly due to an increase in hotel bookings from conventions and tourism. Hotel Operator’s Occupation Tax was \$1.1 million above budget, generating \$24.7 million in total tax revenue through 2017.

Library Fund

Revenue from the City’s library fund does not generally fluctuate from budgeted levels, as the majority of this revenue comes from the City’s property tax levy and an annual subsidy from the City’s corporate fund. Rental of facilities performed on target through the fourth quarter, while fines and other revenues exceeded budgeted expectations by \$900,000.



■ Budget ■ Estimate

City of Chicago
4th Quarter 2017

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Revenue - Enterprise Funds

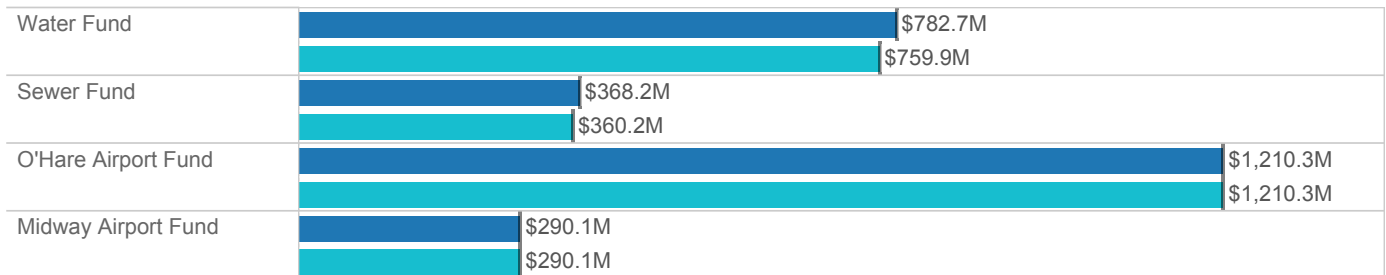
Water and Sewer Funds

The water and sewer funds operate as commercial enterprises with each fund deriving its revenue from charges for service and associated user fees. Beginning June 1, 2017, water and sewer rates increased citywide by the consumer price index (CPI) or 1.83 percent. Water and sewer fund revenue estimates are adjusted to reflect anticipated collection rates, and both funds finished the fourth quarter below budgeted expectations. The water and sewer funds overall budgets reflect the seasonality in usage along with overall reduction in water use attributable to citywide water conservation efforts and the installation of residential water meters.

Aviation Funds

The Midway and O'Hare Airport funds operate as commercial enterprises. Each airport derives its revenue from charges and associated user fees, and revenue is aligned with fund expenditures. Revenues are derived from landing fees and terminal rent payments from the airlines, as well as, car rentals, parking, food and beverage sales, and retail concessionaires which are generated at the airport locations. Combined, these revenues cover the full cost of airport operations, debt service and the costs incurred by other City departments providing support to the airports.

		2017 YR Budget	2017 Q4 Estimate
Water Fund	Revenue Items	\$782.7M	\$759.9M
	Appropriated Prior Year Fund Balance	\$0.0M	\$0.0M
Sewer Fund	Revenue Items	\$368.2M	\$360.2M
	Appropriated Prior Year Fund Balance	\$0.0M	\$0.0M
O'Hare Airport Fund	Revenue Items	\$1,210.3M	\$1,210.3M
	Appropriated Prior Year Fund Balance	\$0.0M	\$0.0M
Midway Airport Fund	Revenue Items	\$290.1M	\$290.1M
	Appropriated Prior Year Fund Balance	\$0.0M	\$0.0M
Grand Total		\$2,651.3M	\$2,620.5M



■ Budget ■ Estimate

City of Chicago
4th Quarter 2017

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Expenditures - Corporate Fund

Corporate fund expenditures for the fourth quarter of 2017 are on budget at less than \$4.0 million above budgeted expectations for the year.

Across all departments, personnel services make up the largest portion of the corporate fund budget. Personnel services, which currently represent two-thirds of the total corporate fund budget, ended the fourth quarter slightly over budget at 101.0 percent of budgeted costs for the full year. Personnel services include salaries and wages, overtime, and additional compensation based on the collective bargaining agreements – for example, duty availability within the public safety departments. Throughout the first three quarters of 2017, overtime costs associated with public safety expenses were higher than budgeted projections, and this trend continued through the fourth quarter.

Benefit costs are the second largest portion of corporate fund expenditures, and are continuing a year-long trend of ending the quarter well below budgeted expectations at approximately 93.0 percent of full-year budgeted costs. Benefit costs include payments for the City's healthcare plan, the City's Medicare contributions, and other healthcare benefits related cost. Through the fourth quarter of 2017, fewer enrollment numbers in the City's benefits plan, savings from one-time prescription drug rebates, and an increase in generic medicine use contributed to decreased expenses in this category.

The City's pension contributions to all four pension funds are funded through multiple sources, including: the corporate fund, enterprise funds, special revenue funds, and the property tax levy. From the corporate fund, the City budgeted \$105.4 million in total contributions for 2017 to the Municipal and Laborers' pension funds. These budgeted contributions were fully paid through the fourth quarter of 2017.

The City's expenditures for contractual services include costs such as rent, waste disposal costs, and software licensing fees. These costs are at 92.0 percent of the year's expected amounts due to savings in professional service contracts citywide. Commodities and equipment expenses, include maintenance for buildings, maintenance for systems, and energy costs, ended the year below the full budgeted expectations at 86.0 percent due to significant fuel and energy savings through the fourth quarter of 2017.

By the end of the third quarter, the City had fully expended its budget for claims, settlements and judgments, refunds and associated legal fees. 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.

Fourth quarter delegate agency and other program costs were slightly below budgeted expectations. This is due to the timing of payments of matching funds for state and federal grants.

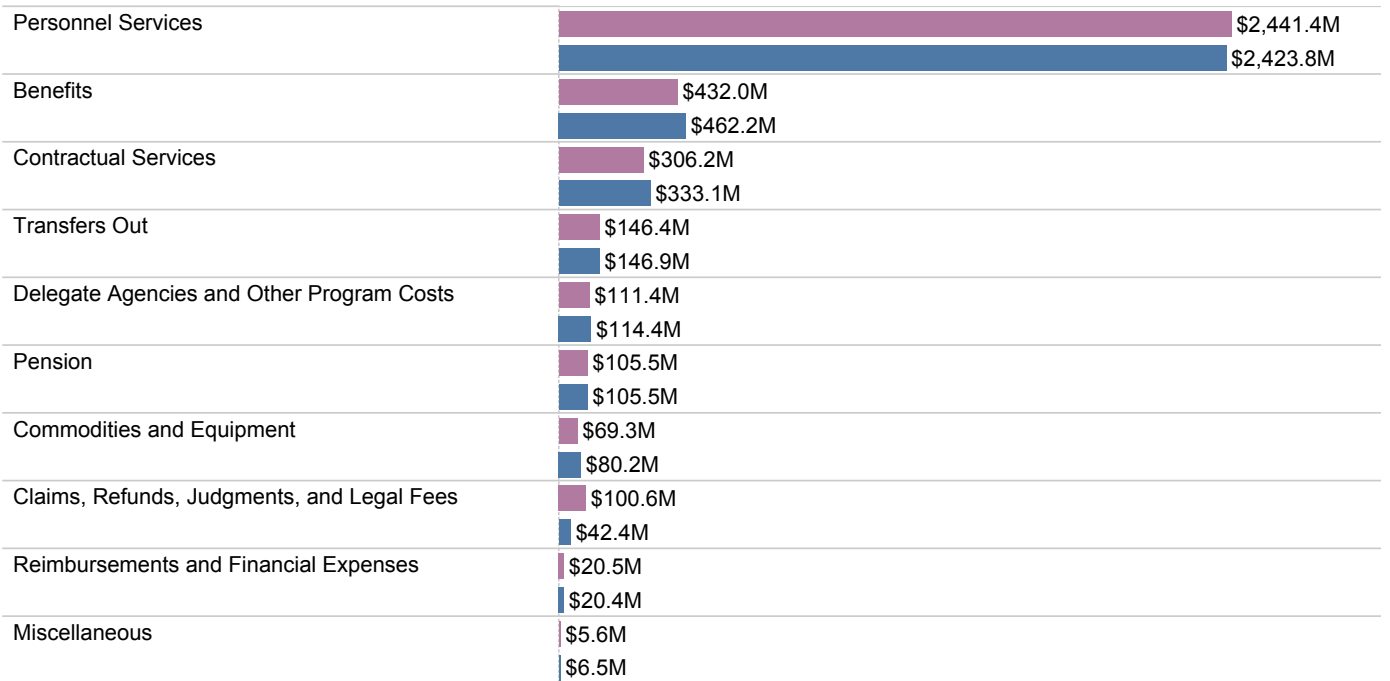
Reimbursements and financial expenses, including some debt service payments, ended the year 1.0 percent above budget.

City of Chicago
4th Quarter 2017

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Expenditures - Corporate Fund

	2017 YR Budget	2017 Q4 Estimate
Personnel Services	\$2,423.8M	\$2,441.4M
Benefits	\$462.2M	\$432.0M
Contractual Services	\$333.1M	\$306.2M
Transfers Out	\$146.9M	\$146.4M
Delegate Agencies and Other Program Costs	\$114.4M	\$111.4M
Pension	\$105.5M	\$105.5M
Commodities and Equipment	\$80.2M	\$69.3M
Claims, Refunds, Judgments, and Legal Fees	\$42.4M	\$100.6M
Reimbursements and Financial Expenses	\$20.4M	\$20.5M
Miscellaneous	\$6.5M	\$5.6M
Grand Total	\$3,735.4M	\$3,738.9M



■ Budget ■ Estimate

City of Chicago
4th Quarter 2017



Expenditures - Special Revenue Funds

Vehicle Tax Fund

Vehicle tax fund expenditures are dependent on the type and cost of street repair and maintenance activities in a given year. Fourth quarter vehicle tax fund expenditures were 94.0 percent of total 2017 budgeted expenditures for this fund. Similar to the corporate fund, the vehicle tax fund's benefits cost came in well below budget.

Motor Fuel Tax Fund

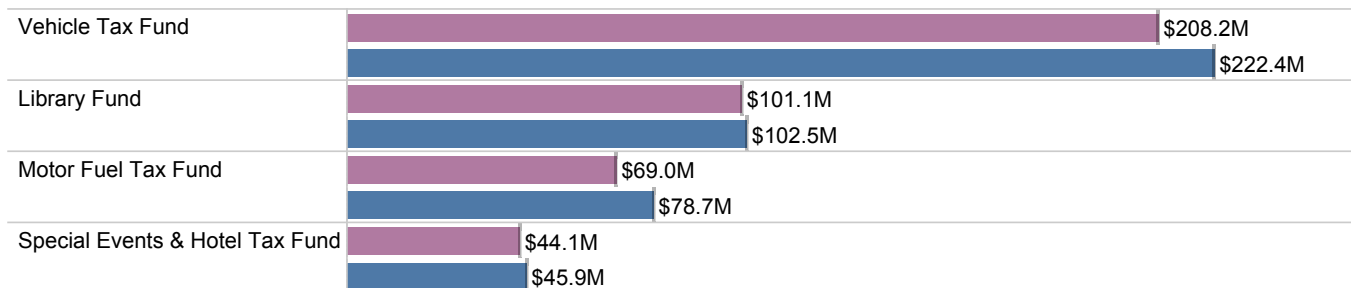
Motor fuel tax fund expenditures reflect eligible MFT expenses such as costs associated with streetlight energy, salt purchases for snow removal, street pavement repair, and bridge maintenance. The fund is significantly below budget reflecting the timing of certain payments and the decreased snow removal costs at the beginning of 2017. Additionally, revenue from fees charged to tour boat operations and vendors along the Riverwalk are dedicated to repay a loan from the U.S. Department of Transportation's Transportation Infrastructure Finance Innovation Act (TIFIA) program, which was used to fund the expansion and development of Chicago's Riverwalk.

Special Events & Hotel Tax Fund

Expenditures from the Special Events & Hotel Tax Fund are 96.0 percent of full-year budget expectations. Spending on special events and tourism related costs vary annually due to the timing of certain payments in connection with cultural events and festivals and operations and programming at Millennium Park, which have occurred during different quarters in prior years. Unlike the corporate fund and certain other funds, costs within the special events and hotel operators' occupation tax fund are not driven by direct City employee personnel costs like salary, wages, and benefits. Special events and tourism are the largest expense within the fund and includes non-personnel costs for programming and marketing cultural events and activities throughout the City along with festival production costs.

Library Fund

Expenditures from the library fund ended the year on budget. Personnel services, like most other funds, are the largest single expense within the fund, and ended the fourth quarter 2.0 percent above budgeted expectations due to rising overtime costs. Contractual services expenditures consist largely of property costs for library facilities that are not City-owned and property maintenance and building services for the Harold Washington Library Center and branch libraries. The contractual services budget during the fourth quarter of 2017 ended below budgeted projections.



■ Budget ■ Estimate

City of Chicago
4th Quarter 2017

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Expenditures - Special Revenue Funds

		2017 YR Budget	2017 Q4 Estimate
Vehicle Tax Fund	Benefits	\$28.7M	\$26.5M
	Claims, Refunds, Judgments, and Legal Fees	\$1.1M	\$0.4M
	Commodities and Equipment	\$17.4M	\$14.0M
	Contractual Services	\$46.1M	\$42.6M
	Delegate Agencies and Other Program Costs	\$0.7M	\$0.7M
	Miscellaneous	\$1.1M	\$0.9M
	Personnel Services	\$93.9M	\$89.9M
	Transfers Out	\$33.3M	\$33.3M
	Total	\$222.4M	\$208.2M
Library Fund	Benefits	\$10.4M	\$9.2M
	Commodities and Equipment	\$20.1M	\$19.6M
	Contractual Services	\$12.9M	\$11.4M
	Delegate Agencies and Other Program Costs	\$0.0M	\$0.0M
	Miscellaneous	\$0.0M	\$0.0M
	Pension	\$3.1M	\$3.1M
	Personnel Services	\$54.2M	\$55.5M
	Reimbursements and Financial Expenses	\$1.7M	\$2.1M
	Total	\$102.5M	\$101.1M
Motor Fuel Tax Fund	Motor Fuel Tax Fund Expenditures	\$78.7M	\$69.0M
	Total	\$78.7M	\$69.0M
Special Events & Hotel Tax Fund	Benefits	\$1.1M	\$0.9M
	Commodities and Equipment	\$0.1M	\$0.1M
	Contractual Services	\$7.4M	\$7.0M
	Delegate Agencies and Other Program Costs	\$1.5M	\$1.3M
	Miscellaneous	\$0.0M	\$0.0M
	Personnel Services	\$7.0M	\$6.0M
	Special Events and Tourism	\$21.5M	\$21.6M
	Transfers Out	\$7.4M	\$7.3M
	Total	\$45.9M	\$44.1M
Grand Total		\$449.5M	\$422.4M

City of Chicago
4th Quarter 2017



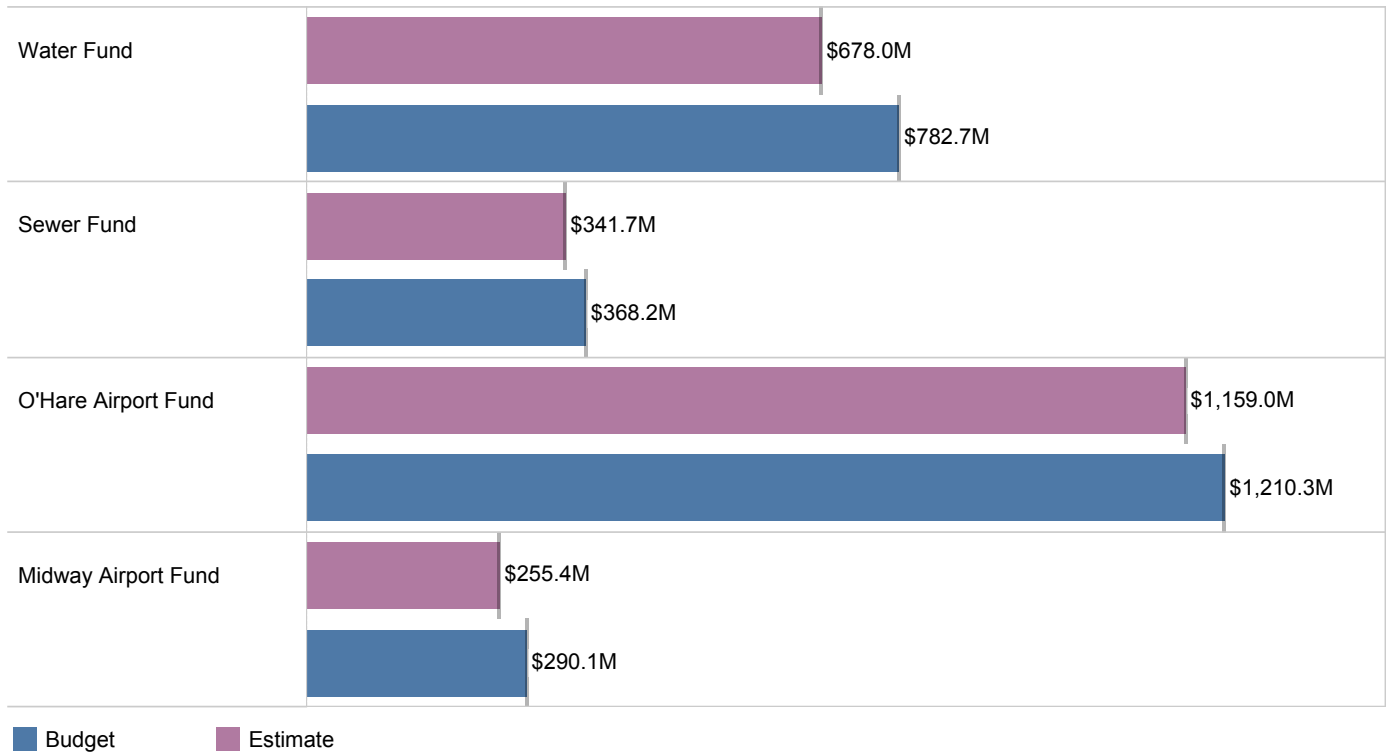
Expenditures - Enterprise Funds

Water and Sewer Funds

Water fund expenditures are 87.0 percent of the total 2017 budget expenses while sewer fund expenditures are 93.0 percent of the total budgeted expenses for 2017. This is due to new hiring procedures that reduced overtime payments during 2017 and the timing of payments.

Aviation Funds

Fourth quarter expenditures for the O'Hare Airport and Midway Airport funds were approximately 96.0 percent and 88.0 percent of full-year budgeted expectations, respectively.



City of Chicago
4th Quarter 2017

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Expenditures - Enterprise Funds

		2017 YR Budget	2017 Q4 Estimate
Water Fund	Benefits	\$35.3M	\$31.4M
	Claims, Refunds, Judgments, and Legal Fees	\$6.5M	\$3.3M
	Commodities and Equipment	\$54.1M	\$48.6M
	Contractual Services	\$47.8M	\$41.2M
	Miscellaneous	\$16.3M	\$14.5M
	Pension	\$24.5M	\$24.5M
	Personnel Services	\$158.1M	\$152.2M
	Reimbursements and Financial Expenses	\$352.4M	\$274.9M
	Transfers Out	\$87.7M	\$87.3M
	Total	\$782.7M	\$678.0M
Sewer Fund	Benefits	\$13.3M	\$12.5M
	Claims, Refunds, Judgments, and Legal Fees	\$0.7M	\$0.3M
	Commodities and Equipment	\$6.4M	\$5.9M
	Contractual Services	\$9.2M	\$7.3M
	Miscellaneous	\$0.2M	\$1.4M
	Pension	\$9.5M	\$9.5M
	Personnel Services	\$58.0M	\$52.0M
	Reimbursements and Financial Expenses	\$197.8M	\$183.9M
	Transfers Out	\$73.3M	\$68.8M
	Total	\$368.2M	\$341.7M
O'Hare Airport Fund	Benefits	\$41.9M	\$29.7M
	Claims, Refunds, Judgments, and Legal Fees	\$2.8M	\$2.5M
	Commodities and Equipment	\$61.3M	\$46.0M
	Contractual Services	\$261.8M	\$217.9M
	Delegate Agencies and Other Program Costs	\$1.0M	\$0.8M
	Miscellaneous	\$2.2M	(\$2.3M)
	Pension	\$38.8M	\$38.8M
	Personnel Services	\$188.7M	\$172.4M
	Reimbursements and Financial Expenses	\$582.7M	\$624.2M
	Transfers Out	\$29.2M	\$29.1M
Total	\$1,210.3M	\$1,159.0M	
Midway Airport Fund	Benefits	\$7.7M	\$5.9M
	Claims, Refunds, Judgments, and Legal Fees	\$0.9M	\$0.1M
	Commodities and Equipment	\$11.9M	\$10.0M
	Contractual Services	\$87.4M	\$72.8M
	Miscellaneous	\$0.0M	\$0.0M
	Pension	\$9.6M	\$9.6M
	Personnel Services	\$43.5M	\$35.9M
	Reimbursements and Financial Expenses	\$118.0M	\$110.1M
	Transfers Out	\$11.0M	\$11.0M
	Total	\$290.1M	\$255.4M
Grand Total	\$2,651.3M	\$2,434.0M	

City of Chicago
4th Quarter 2017

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City of Chicago
Mayor Rahm Emanuel

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